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EUROPEAN UNIVERSITY INSTITUTE  
DEPARTMENT OF POLITICAL AND SOCIAL SCIENCES

Maurizio Ferrera

The Development of the Italian Welfare State  
since the Second World War

Thesis submitted for assessment with a view to obtaining  
the Degree of Doctor of the European University Institute

Members of the Jury:

Prof. Peter Flora  
Prof. Stefano Passigli  
Prof. Philip Schmitter

May 1984

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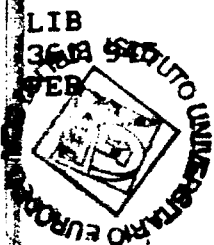


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## Acknowledgments

If writing a dissertation is normally an individual and solitary enterprise, my personal experience at the EUI has been an exception to the rule. As part of a broader research project, this dissertation has really been a 'social affair' from first to last. The project has provided me with an interesting subject, with a sound analytical framework, with excellent organizational and editorial support and with countless opportunities for both scientific and social exchange. If the EUI offered to more researchers what has been offered to me, it would certainly constitute an ideal place for a postgraduate training in comparative social science.

The collaboration of my project colleagues has been very valuable in all the relevant stages of my work. The suggestions made by some of them (especially Jens Alber and Maria Maguire) are too numerous to be recalled and duly acknowledged here. I would like to express my sincerest gratitude to all of them.

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## Presentation

This dissertation has been carried out in the context of a broader comparative research project on The Development of the Western European Welfare States since the Second World War, directed by Peter Flora at the European University Institute in Florence and with the participation of academics from thirteen different countries. The general aim of the project has been to improve the understanding of the components and causes of the dynamic growth of European welfare states in the past, the origins and character of their current crisis and the conceivable prospects of institutional change in the next decade or two.

The core of the project is represented by standardized accounts of the postwar development of social policies in thirteen nations, based on detailed collections of statistical and institutional information and on a review of the national literature and debate on the topic. What follows thus constitutes the 'country report' on Italy.

The inclusion of Italy in the project is particularly relevant for at least two reasons. Firstly, the welfare state is a very recently developed subject in Italian social science and a detailed, empirical exploration of the national 'model' of welfare and its historical development in a comparative perspective is still lacking. Secondly, the international literature on the

welfare state has for a long time been dominated by a strong geographical bias, concentrating almost exclusively on the British, Scandinavian and (more recently) German experiences and utterly neglecting the Southern 'variants' of welfare state development. Thus, it is hoped that this work will contribute to both the national and international discussion on the theme.

The project has conditioned the outline and progress of the dissertation in several ways.

In the first place, it has imposed a rather 'generalist' focus. The research has thus had to cover a relatively broad time span (four decades), various different policies (income maintenance, health, education, housing and, in less detail, fiscal and economic policies) as well as various dimensions and aspects of the welfare state (quantitative/qualitative, demographic/economic/political) with a variety of approaches (descriptive/analytical/evaluative). Although generality is beneficial in the early stages of research, it leaves many questions unanswered and may be frustrating for both the reader and (especially) the author. Experts on the various welfare aspects (especially Italian experts) may thus find some parts of this work a bit obvious or simplistic. They will probably agree, however, that general accounts are highly useful where a topic is relatively unknown and if they are set in a comparative perspective.



In the second place, the project necessitated the adoption of a rigid framework (which is the same for all country reports). If this has sometimes constrained and/or compressed the argument, it has certainly had the merit of providing 'travelling' hypotheses and concepts and of stimulating a constant (if implicit) confrontation of the Italian situation with that of other countries. This dissertation is essentially the study of a single case, but this study has been guided by a genuinely comparative perspective.

Finally, the project's strong empirical emphasis has left no space for theoretical discussions. It was felt that systematic and factual presentations of national experiences in welfare development were more urgent and useful for a better understanding of the European Welfare State than abstract theoretical formulations. Thus this dissertation is presented in an 'a-theoretical' style, in the sense that the hypotheses guiding analysis and evaluation and their theoretical referents remain implicit in the text or only receive cursory mentions. A more theory-oriented discussion of the Italian case will therefore have to be the object of a future (and hopefully more comfortable and less time consuming) effort.

This dissertation is divided in seven sections, which can be grouped into three parts.

Sections one to four contain a systematic description of the Italian welfare state. Section one offers a rapid survey of the major historical 'phases' of institutional expansion, thus serving as a general introduction, Section two examines the quantitative growth of welfare programmes: a summary picture of the development and structure of expenditure is first given, followed by a more detailed analysis of single programmes. Section three describes the structure of public sector (and especially welfare) financing, summarizing the main trends of Italian fiscal policy, with special reference to social security contributions. It also presents an analysis of the balance of the various insurance funds, showing how financial transfers across schemes have actually favoured some categories, whilst penalizing some others. Section four illustrates the process of coverage extension within the occupational structure as well as the expansion of benefits. The empirical base is constituted by both institutional provisions (changes in eligibility and benefit upgradings) and time series of data on the membership of various programmes and on average benefits.

2. Section five gives an evaluation of the achievements and shortcomings of the Italian welfare state in a 'social policy' perspective. The evaluation is mainly based on secondary sources. After surveying briefly the growth of social services, the section illustrates the available empirical record on poverty and inequality (two core objectives of social policy) and then passes

to examine the major 'inequities' stemming from the existing institutional framework. The issue of territorial redistribution is also briefly touched in this section.

Section six finally contains an analysis of the components and causes of welfare growth. The analysis is carried out in three different steps. The first two paragraphs of the section focus on the 'system inherent' factors of growth, i.e. demographic and occupational changes, eligibility changes and [changes in the 'generosity' of benefits.] The analysis adopts a methodology first developed by the OECD studies on resource allocation, which is described in the Appendix. The third paragraph focusses on the relationship between the growth of welfare expenditure and economic growth, thus testing the various hypotheses of an 'economic cycle' of welfare expansion. The test is based on a simple correlation analysis, supplemented by graphical/tabular illustrations. The last three paragraphs of the section focus on political determinants. A loose test of the 'electoral cycle' hypothesis is first presented, followed by a less systematic discussion of the link between social policies and party competition. The 'impact of parties' is then analyzed in more detail in an attempt to sort out the effects of party ideologies and different coalition formulas on both expenditure and institutional growth. The role of interest groups and bureaucracies is finally examined by means of a thorough reconstruction of the politics of health, leading to the establishment of the National Health Service in 1978.

Section seven concludes with a discussion of present problems and policy choices. Firstly, a summary picture of the dramatic financial situation is given, together with a survey of the first restrictive measures taken to cope with it and of the harsh political conflicts which these have provoked. A description/evaluation of the new 'interest constellation' around the contemporary Italian welfare state is then suggested, and its growing impact on the political (and especially party) system is analyzed. Finally, the intellectual debate on welfare is illustrated, highlighting the main 'themes' which are more likely to influence future institutional changes.

The Appendix contains an institutional synopsis describing the functioning of welfare programmes and reporting the most important provisions which have marked their development; detailed time series of statistical data and a bibliography of Italian studies on the welfare state.

## I HISTORICAL SYNOPSIS

### 1 The Catholic and Fascist heritage and the missed opportunity of 1948

In spite of the secular imprint of the new unitary state born in 1861, social policy remained in Italy almost exclusively the monopoly of the Catholic Church until the end of the nineteenth century. Basic poor relief was provided by a number of national and local charitable institutions, and confessional schools represented the commonest form of education, especially in the Centre and South of the country. The state limited itself to a mild overall regulation of the activities of the Church and voluntary associations (mainly workers' mutual aid societies) and its boldest social reform was the introduction of compulsory education from six to nine years of age in 1877.

In the last two decades of the century, however, the 'social question' gradually moved to the forefront of political attention. The incipient industrial take-off was slowly causing the traditional social fabric to ~~dis~~integrate; the masses started to mobilize, with the emergence of the first industrial and agrarian unions in the North and the official birth of the Italian Socialist Party in 1892. A group of progressive intellectuals and politicians began to publicly denounce the dramatic conditions of the Mezzogiorno (the southern part of the country), calling for state action(1). In its turn, Leo XIII's encyclical Rerum Novarum

impressed a more advanced orientation upon the Church's policy and sensitized Catholic consciences to the new 'workers' problem'(2). Social policy thus gained greater emphasis on the agenda of all political movements. Formerly opposed, on different grounds, to any state reform, socialist and catholic movements now started to favour and actually press for active intervention. Partly echoing the German example, the Liberal government took some primary measures towards the improvement of working conditions and social protection: in 1890 a comprehensive law regulated the sector of poor relief, bringing all the charitable institutions (opere pie) under rigid state control; in 1898 compulsory insurance against industrial accidents was introduced, as well as a state-subsidized voluntary scheme for old age and invalidity insurance.

It was, however, only in the twentieth century that spontaneous activism, intellectual and political debate and the government's new 'social attention' were translated into a concrete social policy. By the end of the nineteenth century, the process of industrialization was well under way, rapidly changing the composition of the labour force and the pattern of urbanization(3). The new liberal leader, Giolitti, was guiding the country towards democratization (universal male suffrage was introduced in 1912) and he inaugurated a 'new deal' of interventionist social policies. Numerous new laws improved the protection and assistance of migrant workers, as well as working conditions. The state began to subsidize voluntary insurance funds and all life insurance was nationalized. Economic and social infrastructures were greatly improved, especially in the South, and a small public housing

programme was initiated. Two measures in 1904 and 1911 led to a reorganization of the educational system(4) and illiteracy began to rapidly decline.

The first major steps in welfare reform, however, took place after World War I. In the wake of the social disruption and material destruction resultant upon this conflict, social policy became the major topic of the day. The government introduced compulsory insurance for old age, invalidity and unemployment (1919). Several draft bills were submitted by various factions to parliament for the establishment of compulsory sickness insurance and a Parliamentary Commission even came to propose a single global insurance scheme for all (white and blue collar) employees. Party and union activism in this field greatly increased, with the Socialist and Popular (Catholic) parties competing against each other in organizing conferences and proposing changes(5). This social insurance legislation represented one of the last and greatest achievements of the Italian era of Liberalism.

The advent of Fascism marks in fact a neat turning point. Besides a general suppression of political debate and social conflict, the new regime initially restrained expansion of the welfare state. The plans for the introduction of sickness insurance were dropped, as was the promised extension of unemployment insurance to agriculture; eligibility criteria were tightened.

With the foundation of a Corporatist state in 1927, social policy did, however, regain political momentum and it acquired a high

---

ideological status. The regime began to consider and use it as a privileged tool for the creation and maintenance of social consensus. This consensus was based on the corporatist cooperation between capital and labour, under the wings of the National Fascist Party(6).

Thus, the 1930s and early 1940s witnessed a great increase in welfare programmes, especially in the field of sickness and family policy (both aimed at improving the physical and moral 'health of the race'). In 1933/1934 a scheme for family allowances was created, and nine years later (in 1943) compulsory sickness insurance was finally introduced for all workers. Social assistance was also given much attention with new party and ad hoc organizations complementing the traditional Catholic charities(7).

But the most peculiar characteristic that Fascism impressed on the Italian welfare state was an overall bureaucratization of its structures and their use, as mentioned, as instruments of social control. Three large national insurance agencies were set up, surrounded by a variety of smaller institutes (enti) for special categories. The welfare state soon became an arena of clientelistic exchanges, through the provision of selective benefits to social clients whose consensus had to be secured or preserved(8).

Thus, at the outset of the Second World War, the Italian welfare state existed as a fairly well articulated institutional system. From a quantitative viewpoint, social expenditure represented some



15-17 percent of the state budget, two and a half times as much as the 1922 figure(9). Besides state welfare, however, the Church was still very active in poor relief and education.

In contrast to some other European countries, in Italy the war years gave rise to sharp internal divisions rather than national solidarity: the country even remained split into two separate polities from 1943 to 1945. Thus national solidarity had to be re-established after the war, upon the ruins of the Fascist state. Although not so apparently relevant as other issues(10), the theme of welfare soon claimed the attention of all political organizations due to the gravity of the economic and social situation. 'Reconstruction' thus became the motto of the post- and anti-Fascist leadership, the target of a massive effort to re-organize and rebuild the economic and social infrastructure. Some urgent steps also had to be taken to assist those people who had been most hit by the war damages and to support the pensioners' income(11).

Meanwhile, a vast 'constitutional' debate began in the newly born Republic on the overall approach to be chosen for the social security system. All parties favoured a transformation of the Fascist legacy, but interests and preoccupations diverged. The Left pressed for workers' and union self-management and control and for drastic reforms; the Catholic party opposed a dismantling or secularization of the Church's social assistance network and feared a communist take-over. The smaller liberal-democratic parties shared the same fear, and although attracted by the Beveridge

reforms, were also preoccupied with the economic and financial situation and its constraints for social reforms(12).

The welfare issue fuelled the debate on the new Constitution. Finally, two specific references were included, one with regard to health as being a 'fundamental right of the citizen' and the other with respect to social assistance being guaranteed to the poor and to workers in certain circumstances(13). At the same time, a Parliamentary Commission, chaired by the socialist senator D'Aragona, was charged in the Spring of 1947 to examine in detail the question of social security. A year later, the commission submitted its proposals for a thorough re-structuring of the existing system. The main points of these proposals were: 1) institutional simplification and centralization, according to a one risk-one scheme approach: 2) extension of coverage to all employees and self-employed for health care, old age, invalidity and accident insurance and to all employees for unemployment insurance, sickness and family cash benefits; 3) introduction of a single scheme for old age pensions to all employees, providing a basic pension to be supplemented with occupational or private schemes 4) introduction of earnings-related benefits for all other schemes(14). The Commission's proposals were not a Beveridge plan; nevertheless, their approach was markedly innovative and inspired by principles of equity and efficiency.

The change of political climate resulting from the 1948 election (which greatly strengthened the Christian Democratic Party and its centre and right allies, at the expense of the Communist-Socialist

Popular Front) and the beginning of the Cold War, coupled with a decline in the economic situation prevented these proposals from materializing. The new centre coalition led by the Christian Democrats opted for a restoration of the pre-war institutional framework. Although not intended as a mere defence of the status quo (relevant changes would soon be introduced), this choice did, however, rule out, after 1948, any strategy for radical change. Thus, the traditional traits of the Italian welfare state were maintained and the 'natural' continuation of the pre-war experience was promoted. The welfare issue soon moved back to the periphery of political debate and competition, with social policy remaining for two decades a fragmented arena of marginal adjustments, additive expansions and clientelistic exchanges.

## 2 Two decades of institutional continuity and the reforms of the 1970s.

The institutional framework inherited by the new republican regime divided social security into three separate parts: social insurance (previdenza), health and sanitation (sanità), and assistance (assistenza).

Social insurance included six major schemes (for pensions, unemployment, tuberculosis, family allowances, sickness and maternity, occupational injuries and diseases), administered by a number of separate agencies and funds for selected occupational

categories, often with diverse eligibility and benefit regulations. The central position was, however, occupied by the three big agencies set up during the fascist period: INPS, INAM and INAIL(15). Insurance coverage was limited to employees, thus excluding the self-employed; most benefits were flat-rate or related to previous contributions(16).

The provision of health services relied heavily on the private sector. Some insurance funds (e.g. INAM) had their own medical centres, but basic medical and pharmaceutical assistance was mostly contracted-out through agreements with doctors' and pharmacists' associations. Hospitals were subject to state control, but with large administrative and financial autonomy. The state itself provided public sanitation through local offices in charge of the maintenance of minimum hygienic standards.

Finally, a plethora of public agencies provided social assistance for the needy at a national, provincial and local level, paralleled by private and Church charities.

This institutional setting remained basically unaltered throughout the 1950s. If we exclude coverage extensions, the only noteworthy innovations during this period were the introduction of maternity benefits and protection in 1950 and the pension reform of 1952 (see Table 1). The underlying trend was therefore substantial continuity in the basic institutional principles and regulations, as well as in organizational and administrative patterns.

Table 1 Major institutional changes in the Italian welfare state

#### Social Insurance

1950	Job security and earnings-related maternity benefits granted to women
1952	Pension reforms: improvement of pension formula and establishment of minima
1955	Family allowances reform
1965	Schemes for occupational injuries and diseases coordinated
1968	Special earnings-related benefits for full employment introduced; protection against temporary or partial unemployment extended to cases of sectoral crisis, restructurizations and conversions
1969	Pension reform: introduction of earnings-related and social pensions; cost of living indexation; unions gain administrative control over INPS
1975	Pensions linked to minimum contractual wage in industrial sector; the positions of the unions strengthened within unemployment schemes

#### Health

1968	Reform of administrative and financial regulations for hospitals
1974	Hospital assistance transferred to regions
1978	Establishment of National Health Service (Servizio Sanitario Nazionale, SSN) covering all citizens; liquidation of all existing public insurance funds and agencies

#### Education

1962	School leaving age raised to 14; introduction of unified post-elementary curriculum (scuola media unificata)
1969	Access to higher education greatly expanded
1972	Some responsibilities transferred to regions
1974	Creation of student/parent/union representative boards

#### Housing

1949	Special fund created for economic housing construction
1962	Controls on construction market introduced
1971	Housing reform: liquidation of public housing agencies and funds; new decentralized housing programmes; centralization of funds
1978	Rent controls tightened; tenant protection increased

#### Social assistance and services

1972	Jurisdiction over social assistance and services transferred to regions
1977	Social assistance agencies and funds liquidated; jurisdiction transferred to local authorities

The same holds true for education, which continued to operate until the early 1960s along the criteria set out in 1923 by the Gentile reform(17). Housing was perhaps the only field characterized by some immediate innovation after the war. Besides a strengthening of tenant protection and rent control, the state set up a special insurance fund to finance programmes for economic housing. This step represented an institutional novelty and enhanced the status of housing within the Italian welfare state.

The 1960s were a decade of ambitious plans and sweeping programmes. V As a result of a rapid economic boom, the country had finally achieved a level of relative affluence. The cultural and political climate was changing. A group of leading economists and sociologists began to denounce the imbalance of the country's economic and social development and to call for a programme of thorough reforms(18). The new Centre-Left coalition was formed precisely on these reformist grounds and pledged itself to a full modernization of the Italian economic and social structure. In a 'supplementary note' to the 1962 budget, the minister Ugo La Malfa (leader of the small but influential Republican Party) stated certain principles which can be considered as the first public acknowledgement of the welfare state and its tasks in Italy:

In order to guarantee to everyone a decent standard of living, the direct intervention of the state must be strengthened - in as much as it is its jurisdiction. Under state authority are in fact (besides education) health assistance - which must be adequate and effective

for all citizens, regardless of their financial conditions - and social insurance, which must guarantee everyone a minimum security for life(19).

Numerous lengthy documents and some concrete programmes followed this impressive entrée, but the record of actual reforms was quite poor until the end of the decade (as Table 1 shows). The National Council for Economy and Labour (Consiglio Nazionale dell'Economia e del Lavoro, CNEL) drafted a comprehensive plan for a reform of the social security system, proposing the introduction of a basic uniform pension (to be supplemented by occupational pensions) and of a National Health Service(20). Both proposals provoked harsh conflicts within the coalition and in the end neither materialized. Various attempts were made in order to rationalize the chaotic housing sector, but with little success (in spite of the important step taken in 1962). Perhaps, the only major institutional change of this period was the education reform of 1962, which finally raised the age limit of compulsory education to 14 and equalized educational curricula.

From 1968 onwards, however, the institutional profile of the Italian welfare state started to change rapidly, in the wake of new and heated social conflicts and under popular and union pressures(21). Hospital care was thoroughly revised in its administrative and financial status. Within social insurance, a new link was established between pensions, previous earnings and the cost of living (the link with the wage index was postponed until 1975); unemployment protection was strengthened and a new

housing policy instituted in 1971.

This reformist zeal continued and indeed deepened throughout the 1970s. This important decade, which witnessed a process of general secularization and modernization of Italian society(22), thoroughly reshaped the welfare state. Administrative decentralization has transformed the regions and the local authorities into the main loci of welfare policy, gradually suppressing the national sickness insurance and assistance funds(23). Social assistance, health care, housing and vocational training have become the competence of regional and local authorities and (successful manifestations of institutional initiatives.) New social and personal services were organized, new housing and transport programmes launched and active labour market policies inaugurated. 'Client' participation and control were fostered, especially in education. In 1978 a sweeping change led to the establishment of the National Health Service (SSN), which replaced all previous separate occupational insurance funds.

At the end of the 1970s, the Italian welfare state emerged as distinct from its historical 'predecessors'. Although still fragmented, the sector of social insurance provided better benefits, most of which were indexed and earnings-related(24); the formerly dispersed and separate sectors of health and assistance had been replaced by a unitary and integrated system of social and health services; education had been reformed and greatly expanded, and housing broadly decentralized. A process of thorough secularization, moreover, has accompanied these institutional



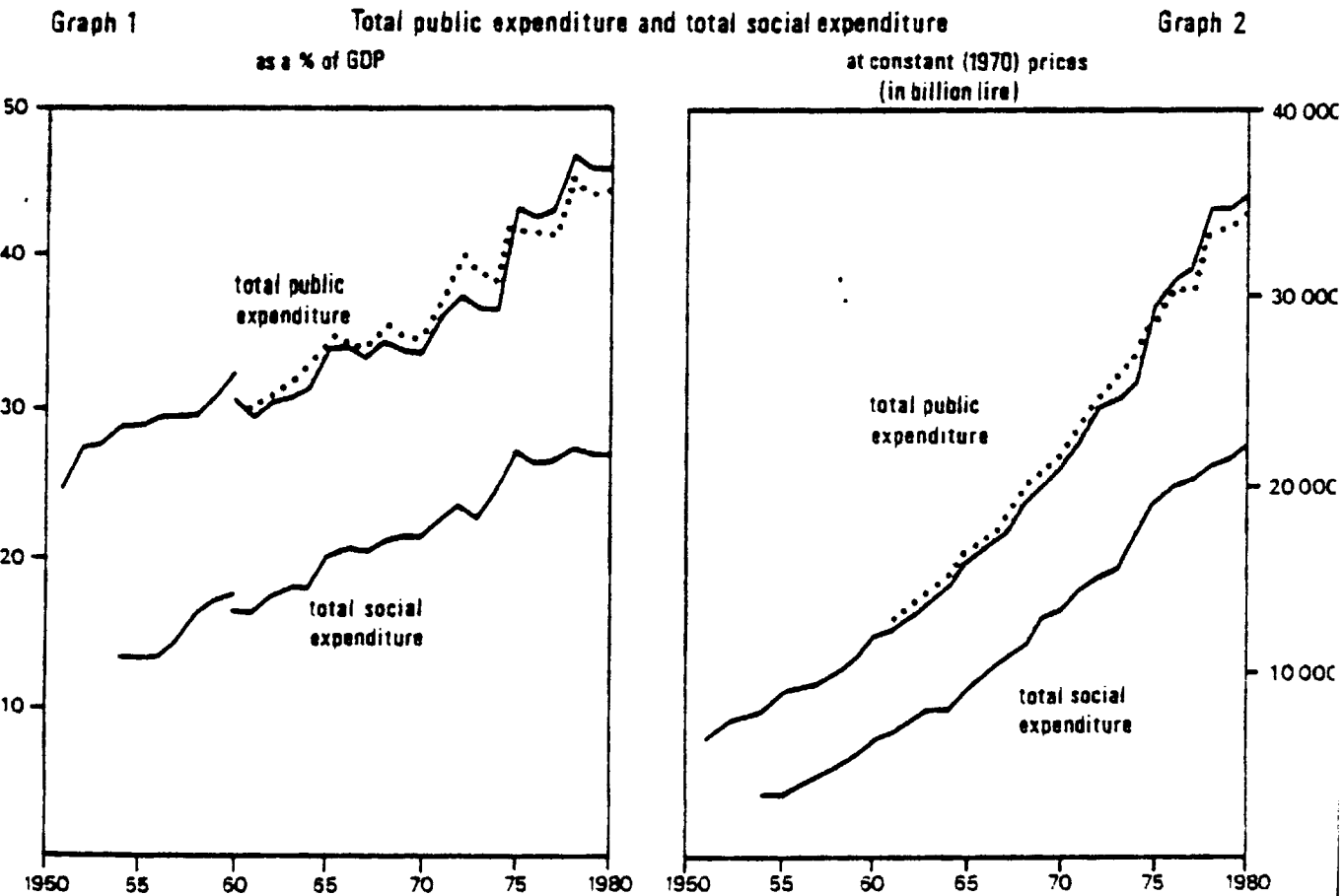
transformations, thus greatly reducing the role of the Catholic Church in social policy and clearly disconnecting the notion of 'welfare' from that of 'christian charity'. The complex of welfare policies and institutions represents a major feature of the contemporary Italian state, and a red-hot issue in the current debate on its prospects.



II PUBLIC EXPENDITURE DEVELOPMENTS

1 The postwar growth of public and social expenditure:  
a summary

The relative growth of public expenditure as a percentage of GDP since the early 1950s has been impressive (see Graph 1): commencing from a rate of 24.8 percent in 1951, it reached 44.4 percent or even 45.7 percent, according to different sources, in 1980(25). This rapid growth in the 1950s and early 1960s, after a leap in 1965, followed a less linear trend, with some marked jumps and oscillations. If we look, however, at the absolute figures at

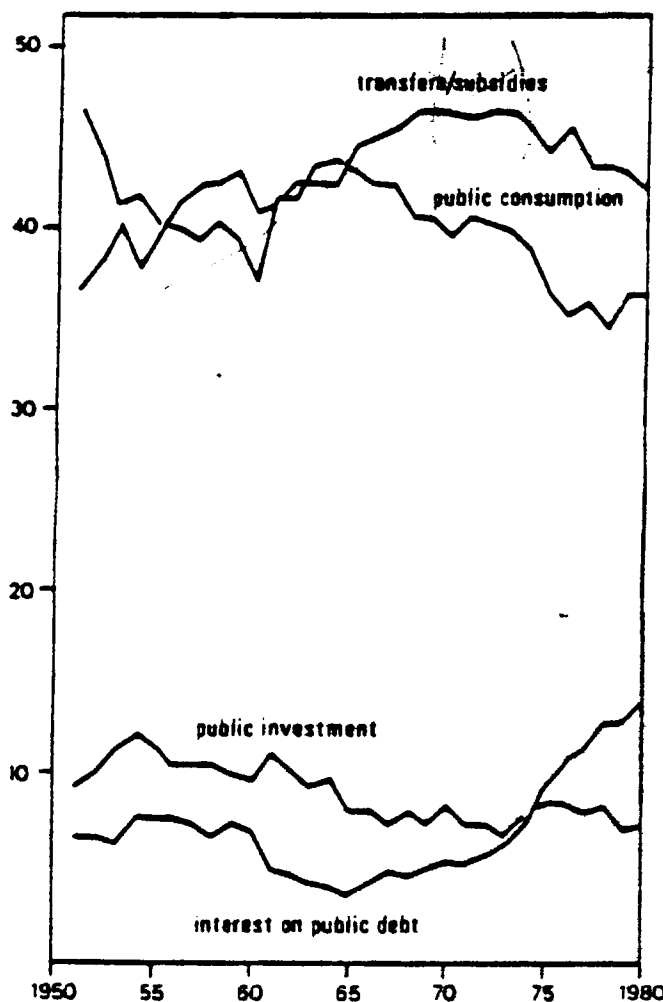


constant prices (Graph 2) a continuous and sustained growth is revealed from 1951 through 1980.

At a preliminary level of disaggregation, we can analyse public expenditure growth by economic category, as shown by Graph 3(26). transfers and subsidies display a generally upward trend from the mid-1950s until the mid-1970s; they have hence declined in relative terms. Public consumption markedly declined during the 1950s, increased in the early 1960s and then began to decline again. Public investment is characterized by a slow relative decline for the whole period. Finally, interests on public debt, declining in the early 1960s, then witnessed a noticeable growth.

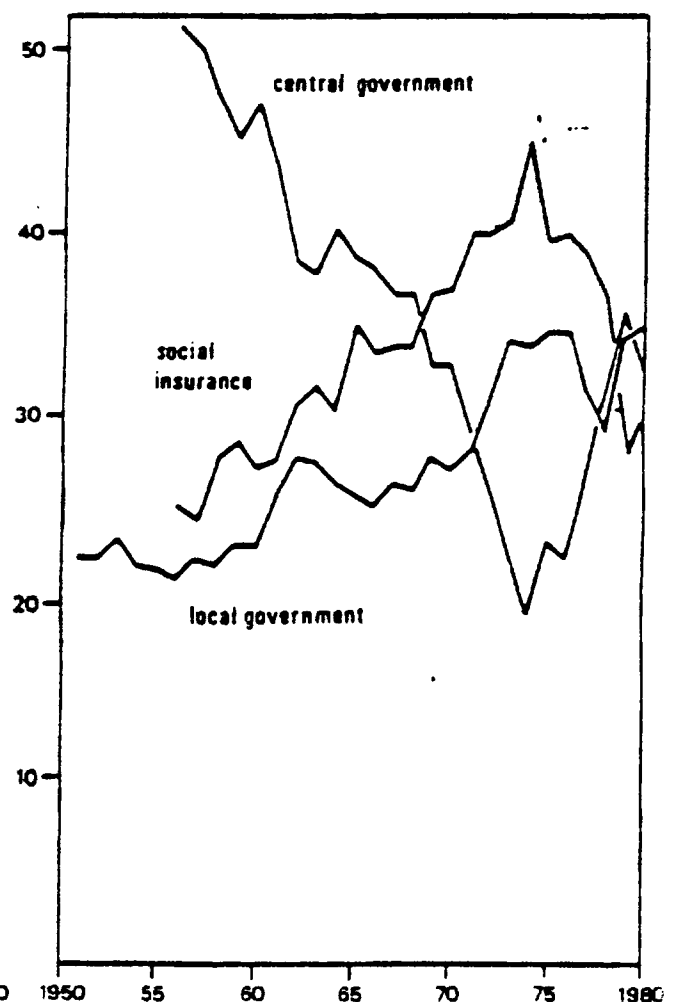
Graph 3

Total public expenditure by economic category  
percent distribution



Graph 4

Total public expenditure by level of government  
percent distribution



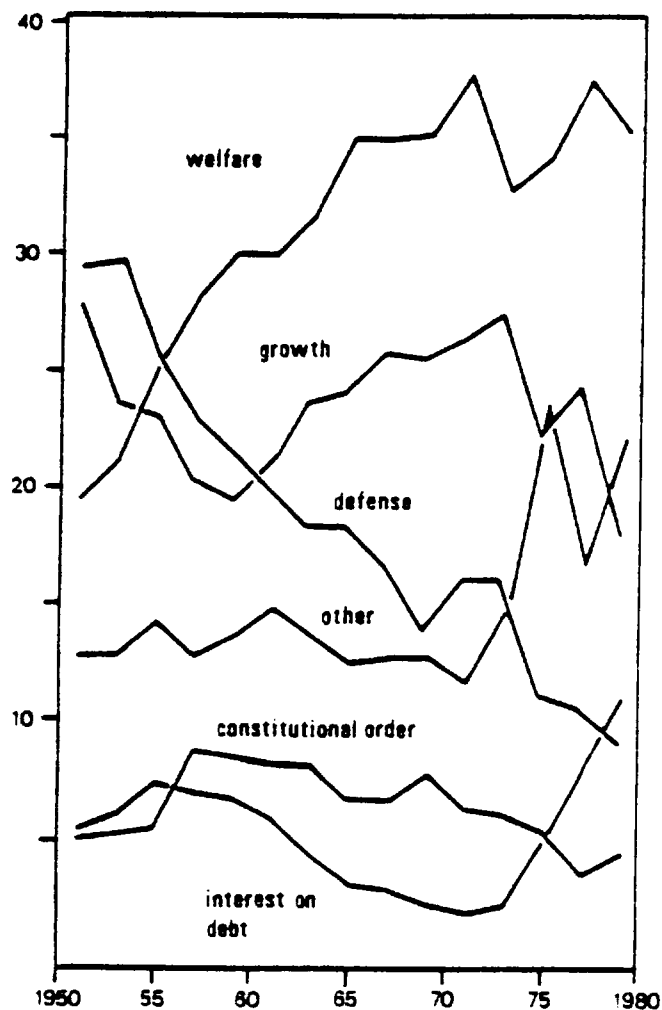
Graph 4 reports the distribution of public expenditure by level of government. Until the mid-1970s the overall trend showed a marked increase in the share of local government and social security funds at the expense of central government(27). Since 1975 this trend clearly reverts, pointing towards a relative re-centralization of expenditure.

These changes in the economic and institutional composition of total public expenditure have been paralleled by sizeable functional changes. An accurate breakdown by major purpose is, however, a difficult task(28). In order to have at least a general idea of these changes, Graph 5 reports a functional breakdown of central government expenditure, based on W. Rostow's typology(29). Welfare appears as the largest expenditure category, revealing a strong growth pattern from the 1950s until 1971, when it sharply declined. Expenditure for the promotion of economic growth grew rapidly from the mid-1950s through the early 1970s, when it began to decline. However, it is probable that this is only the appearance of decline; the massive increase of financial transfers (counted under 'others' in the graph) suggests that economic growth has continued to be 'promoted' during the 1970s, although in different ways (for instance, through the subsidization of enterprises in crisis). In contrast to welfare and growth promotion, spending on defence and constitutional order has steadily declined.

Social expenditure, as shown by Graphs 1 and 2, has been a major component of public expenditure growth. Its share within the GDP has more than doubled, rising from some 13 percent to almost 27 percent. The internal composition of social expenditure (see Graph

Graph 5

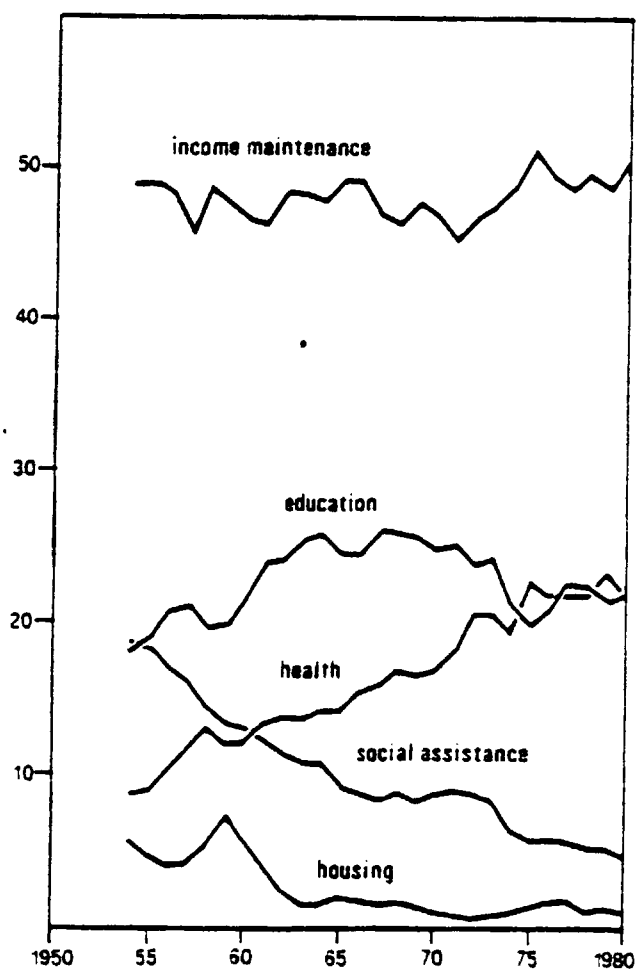
Central government expenditure by major purpose  
percent distribution



6) reveals that income maintenance has always been the largest component. Within income maintenance expenditure, a major shift has taken place, with family allowances rapidly losing their prominence and pensions doubling their relative share from 40 percent to 80 percent (see Graph 7). Education and health expenditures have grown considerably; education from the early 1950s to the early 1960s, and health continuously until the mid-1970s. In contrast, public assistance has lost ground throughout the whole period and housing has witnessed a dramatic fall.

Graph 6

Social expenditure by major component  
percent distribution



A substantial increase in the size of public employment has accompanied expenditure growth, as indicated by Table 2. At the beginning of the 1950s, the size of public employment was fairly low in Italy by international standards (some 10 percent of the total labour force). To a large extent, Italy was still a pre-industrial country, with an extensive agricultural sector. But between 1951 and 1976, public employment has more than doubled, reaching 22 percent of the labour force. The figures on its internal composition show that typical welfare sectors such as education and health witnessed the largest relative growth.

Graph 7

Expenditure on income maintenance  
by major component  
percent distribution

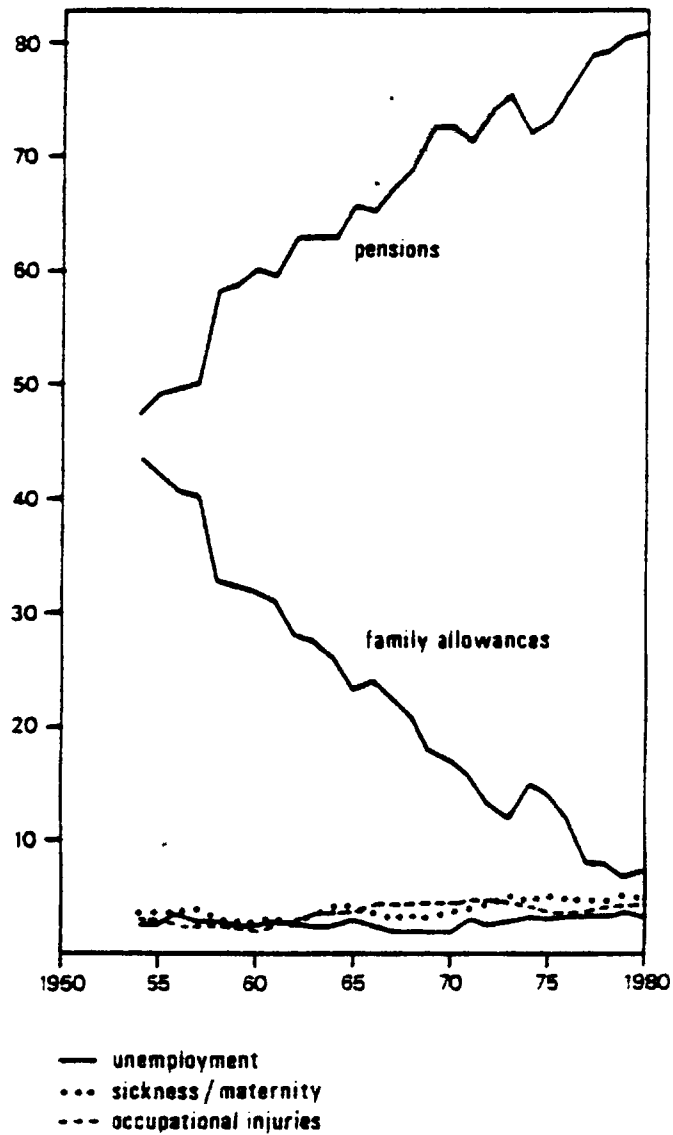




Table 2: Size and structure of public employment

	1951		1961	1971	1976	
	1 000s	%			%	1 000s
Defence	262	13.5			6.2	273
Administration a.o.	597	30.9			23.6	1 034
Agriculture, Industry, Services a.o.	648	33.5			34.5	1 513
Health	115	5.9			10.3	453
Education	272	14.1			23.0	1 008
Social services	38	2.0			2.2	98
<hr/>						
Total public employment	1 932	100.0	2 502	3 599	100.0	4 379
As percentage of labour force	10.3		12.0	18.9		22.0

## 2 The development of single programmes: expenditure and institutional change

### Pensions

Pensions are by far the most important item within social expenditure. In 1980, they came to represent 24.3 percent of total public expenditure and 11 percent of GDP in relative terms

(starting from 8.5 percent and 2.1 percent respectively in the early 1950s); moreover, they absorb about 80 percent of income maintenance expenditure. In absolute terms, the real growth has been constant and sustained (see Graph 9). As shown by Graph 8, old age pensions are the largest component of total pensions expenditure since the mid-1950s. In relative terms they grew during the 1950s and started to decline thereafter. In real terms (see Graph 9), they have witnessed a substantial increase, especially in 1965 and in the early 1970s, due to some important reforms, which greatly improved benefits.

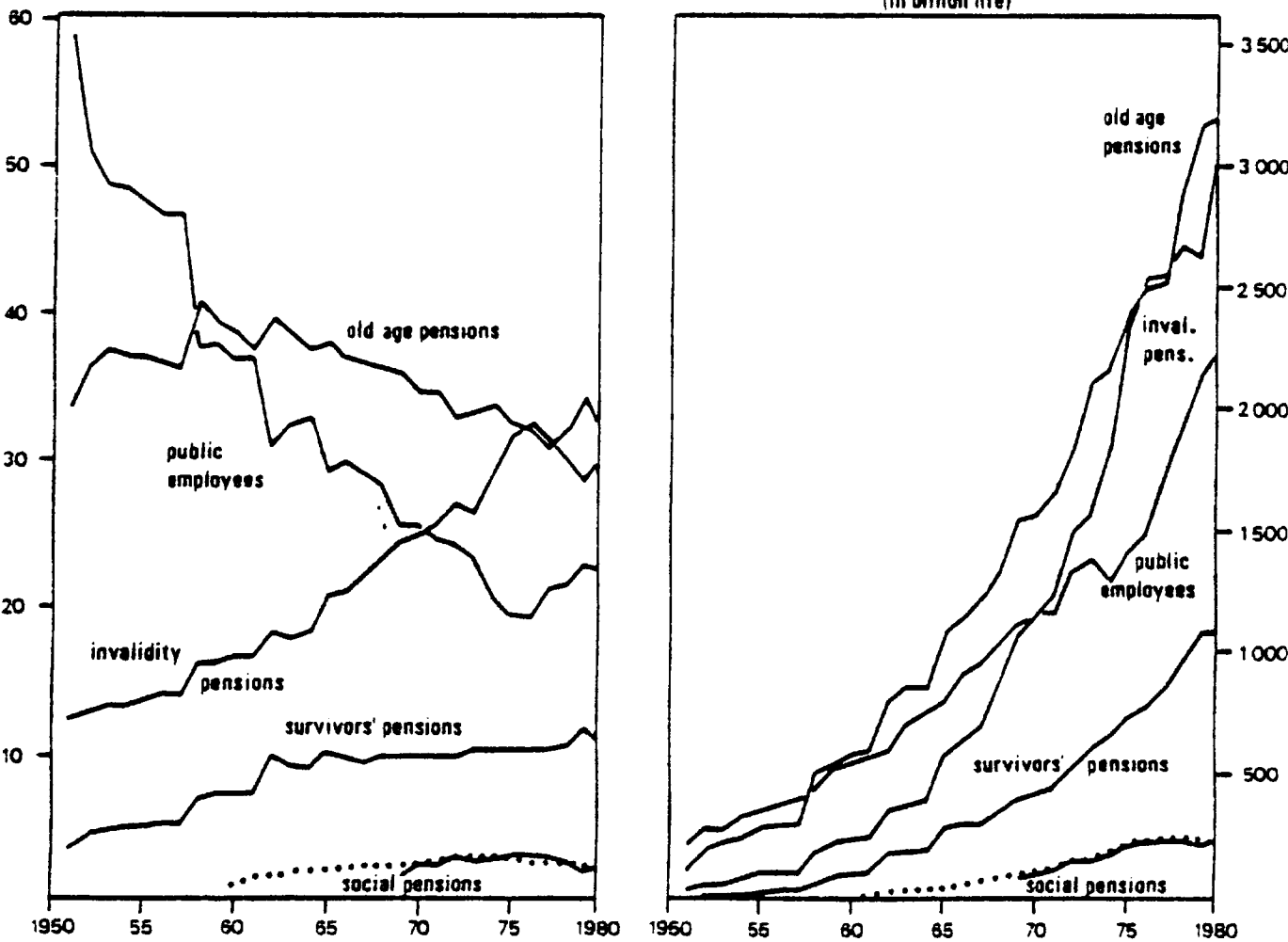
Graph 9

Graph 8

Expenditure on pensions by type

percent distribution

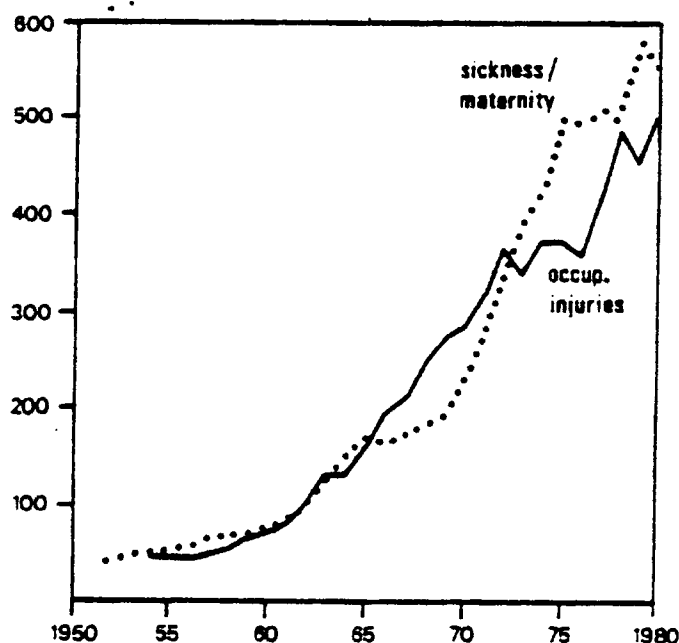
at constant (1970) prices  
(in billion lire)



Expenditure for invalidity pensions has risen very sharply since the mid-1950s in both real and relative terms. This is largely the consequence of a massive expansion in the number of beneficiaries, above all within the agricultural sector and the South in general. Through the relaxation of eligibility criteria and of their control, invalidity pensions have increasingly been used as an indirect subsidy for underdeveloped areas with limited employment opportunities, supplementing or more often substituting for a very low, flat-rate unemployment indemnity. In the early 1970s, this link between invalidity pensions and employment opportunities was even institutionalized(31). For public employees, it is not possible to distinguish between old age and invalidity pensions. They have their own pension scheme which has not been substantially changed since World War II. Although pension expenditure for public employees has grown steadily in real terms, its relative position within total pension expenditure has sharply declined until the mid-1970s. Since 1976 this trend has reverted, probably due to the improvement of indexing regulations. Survivors' pensions expenditure displays almost linear patterns of growth in both real and relative terms. Finally, since their introduction in 1969, social pensions have witnessed a modest absolute growth and have maintained their relative share of total pension expenditure.

Graph 10

Cash benefits for sickness, maternity,  
and occupational injuries  
at constant (1970) prices (in billion lire)



#### Sickness, maternity and occupational injuries

As a percentage of total income maintenance, expenditure on cash benefits for sickness, maternity and occupational injuries has remained relatively stable, reaching 9 percent at the end of the 1970s. In real terms, however, it has witnessed a substantial growth since the early 1960s, reflecting an extension of insurance coverage as well as improvements in benefit levels (see Graph 10).

The extension of coverage was less a result of institutional changes, than of the relative growth of the dependent labour force, due to occupational changes and the 'institutionalization' of the

labour market (i.e. a wider application of contractual norms and insurance registration). This is especially true for sickness and maternity insurance, which have increased almost continuously, pausing only in the mid-1970s. The rapid expenditure growth between 1969 and 1975 is also probably a consequence of the changes in industrial relations, which occurred between 1968 and 1972. In this period, workers acquired greater protection against lay-offs, wage continuation paid by the employers was introduced, and controls loosened, thus diminishing the individual 'costs' of sickness.

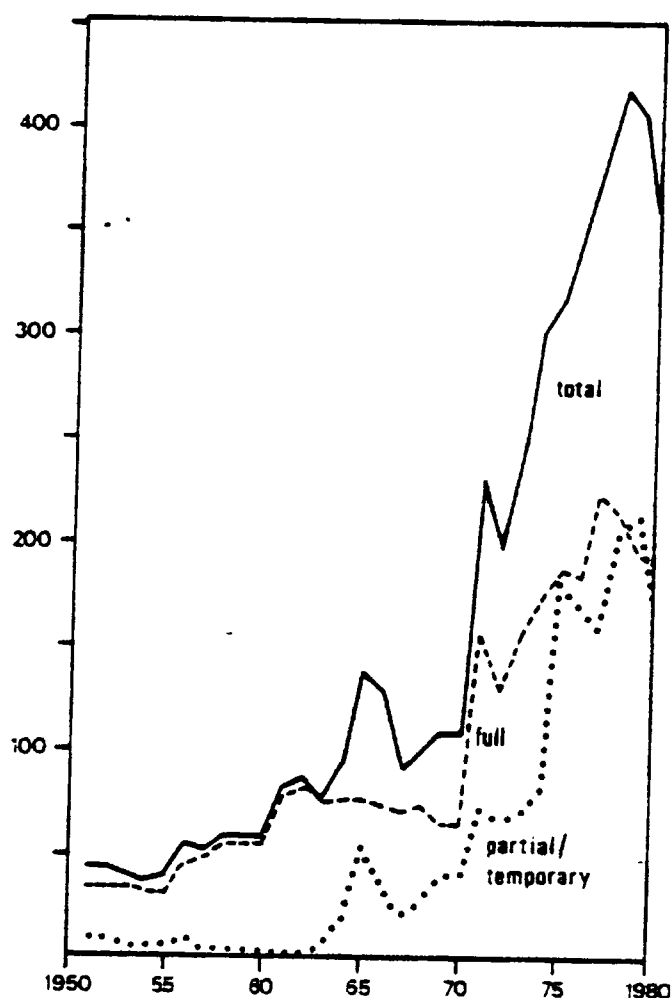
The extension of eligibility for occupational injuries was especially relevant in the 1950s and 1960s. With respect to benefit levels, substantial upgradings of minima and replacement ratios were granted in 1963, 1965 and again in 1975.

## Unemployment

Unemployment is the smallest item within income maintenance expenditure (2-3 percent in the 1950s and 1960s and 3-4 percent in the 1970s). This type of expenditure is, of course, closely related to the business cycle and employment levels. This is most obvious for 1965, 1971, and 1975, years of economic downswing or real recession (see Graph 11). The sharp increase in expenditure since 1970, however, is not simply a consequence of higher unemployment levels, but also a result of institutional changes.

Graph 11

Expenditure on unemployment  
at constant (1970) prices (in billion lire)



Until the early 1960s almost the only type of unemployment expenditure were flat-rate full unemployment benefits. Their real value stagnated in the 1960s, but increased rapidly in the 1970s, when special earnings-related benefits were introduced (1968, 1970, 1972, 1977) and the flat-rate indemnity doubled (1974).

Since the mid-1960s a new form of unemployment expenditure - benefits for partial and temporary unemployment in employment

crises of single enterprises or whole sectors - has gained increasingly in absolute and relative importance, as a consequence of coverage extensions (1963, 1970, 1971, 1972) and benefit improvements (1968, 1972, 1975).

More recently greater emphasis has been placed on active labour market policy as a complement to unemployment insurance, but this has not resulted in any conspicuous expenditure.

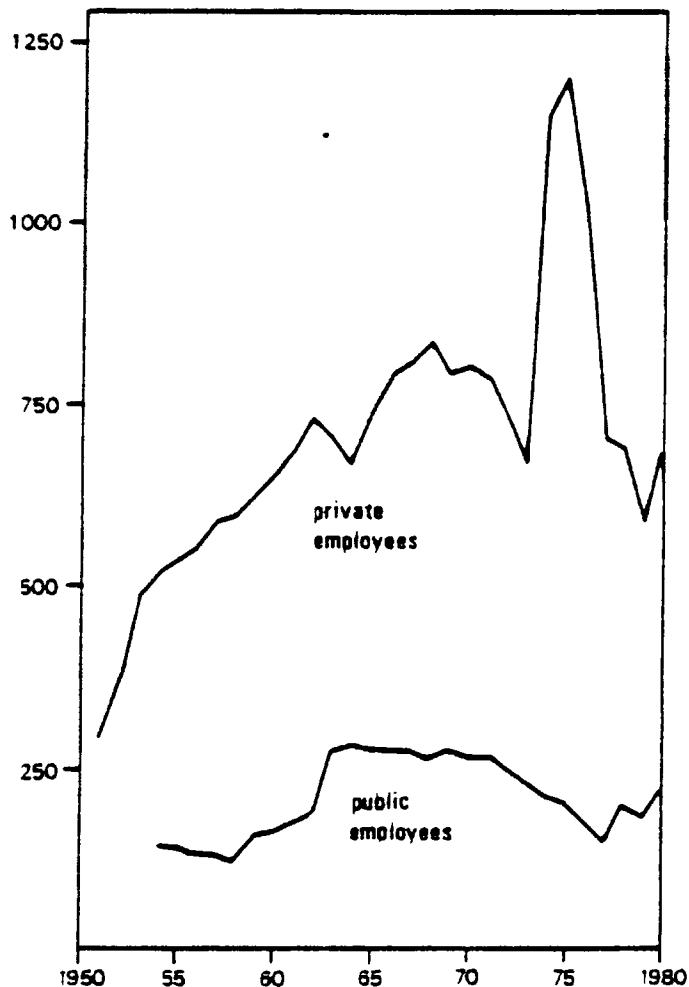
An overall assessment of Italian employment policy would also, of course, have to take into account other factors, such as the subsidization of private enterprises risking bankruptcy or the use of public enterprises for employment purposes, but such an assessment would be very difficult in quantitative terms(32).

#### Family allowances

Although their relative importance has constantly diminished, family allowances still represent an important component of income maintenance. Graph 12 reports the evolution of real expenditure, distinguishing between the private and public sectors. In the former, real expenditure for family allowances grew very rapidly in the 1950s, more than doubling between 1951 and 1962 (see Graph 12). This was mainly due to a high birth rate, some improvement in benefits, and the relative increase of the dependent labour force. Between 1962 and 1964 expenditure fell in real terms, probably as a

Graph 12

Expenditure on family allowances  
at constant (1970) prices (in billion lire)



consequence of the economic downswing of 1963/64, since the unemployed did not receive family allowances. The extension of eligibility to the unemployed in 1965(33) and to farmers in 1967 as well as the improvement of benefit levels explain the new rise in expenditure between 1964 and 1968. After 1968 the accelerating inflation and a decreasing number of eligible persons produced a new fall. In 1974 the expenditure jumped to a much higher level when pensioners became entitled to family allowances which, in



addition, were improved in 1974 and 1975. After 1975 expenditure fell again, due to high inflation (family allowances not being indexed) and probably also as a result of an increasing number of unemployed not registered and therefore not entitled to this kind of benefit.

In the public sector, expenditure grew between the mid-1950s and the mid-1960s, and declined thereafter. Benefit levels were equalized in the two sectors in 1977 and were substantially raised in 1979, as reflected in the graph.

Besides family allowances, the Italian welfare state provides a number of other benefits and services to the family such as tax credits, kindergartens, recreation and counselling facilities and various ad hoc subsidies in cash and kind. Unfortunately, it is not possible to quantify the aggregate size of tax credits. Family services have only become important in the last decade, as a consequence of regional and local initiatives. The various ad hoc subsidies have been counted here under public assistance.

#### Public Assistance and Social Services

The great heterogeneity and disparity of the Italian social assistance system makes it very difficult to analyse its postwar development in quantitative terms. Even the reforms of the 1970s,

which simplified the system, have not led to more detailed and reliable statistical information. In spite of these problems, Graph 13 presents a time series of data which include the most important benefits provided by central and local government and other public agencies: services for various target groups (old people, handicapped, orphans, single parents etc.), school and unemployment assistance (food and clothing supplies, pupil care etc.) and cash benefits to support insufficient incomes (war pensions and other regular assistance allowances, various ad hoc subsidies etc.).

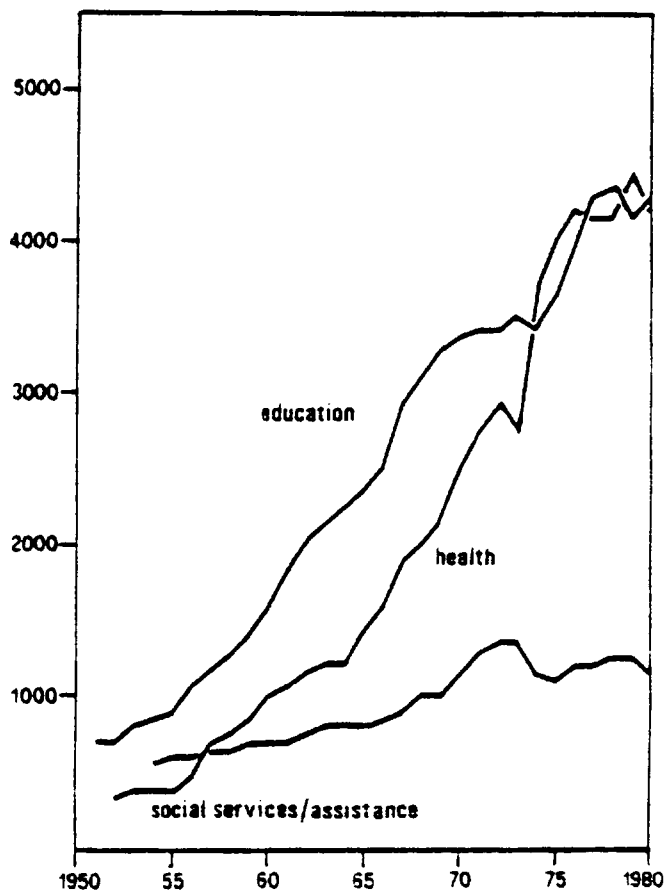
Although declining in relative terms, expenditure on social services and public assistance has been growing in real terms since the mid-1950s. The fall in expenditure in 1974 is mainly explained by the hospital reform of that year, which introduced free hospital care to all citizens, thus relieving local authorities of the responsibility of providing this type of assistance to the poor. Furthermore, cash benefits (and especially war pensions) began to decline in real term around the mid-1970s.

## Health

Health expenditure grew dramatically from the early 1950s until the mid-1970s. In the 1950s and 1960s this growth can be primarily related to an extension of health insurance coverage and to an

Graph 13

Expenditure on health, education  
and social assistance  
at constant (1970) prices (in billion lire)



increased utilization of public health services by consumers. The end of the 1960s, however, saw a massive increase in production costs, especially in hospital care. The hospital reform of 1968 exacerbated this problem, authorizing an almost unlimited increase in personnel and assistance fees. As a result of this measure, hospital expenditure soared in the early 1970s, pushing up total health expenditure to unprecedented heights. It must be noted that the total figures given in Graph 13 do not reflect the real economic size of the health sector in the early 1970s: they do not include, in fact, the huge deficit accumulated by the social security funds and by hospitals - an enormous sum, amounting to some 6,500 billion lire or almost 5.2 percent of the 1975 GDP. In

1974 a new law abolished the 1968 regulations and brought about a general restructuring of the hospital sector, as a first step towards the establishment of a National Health Service. In the period 1950-1980, real expenditure seems to have become more stable(34).

## Education

Expenditure for education and culture(35) grew constantly in real terms until the mid-1970s (see Graph 13). This growth was especially rapid during the 1960s, primarily due to the major reform of 1962. This produced in fact higher enrollment ratios and, consequently, a higher number of teachers and other school personnel (especially at the middle school or scuola media level), thus claiming an increasing share of resources for this sector. New impetus was also given to expenditure growth at the end of the 1960s by the opening of higher education to all students holding a high school degree and, to a lesser extent, by the introduction of pre-elementary state schools. After the mid-1970s education expenditure increased again. Regional and local expenditures account for most of this increase, owing to the transference of certain functions from central government in 1972.

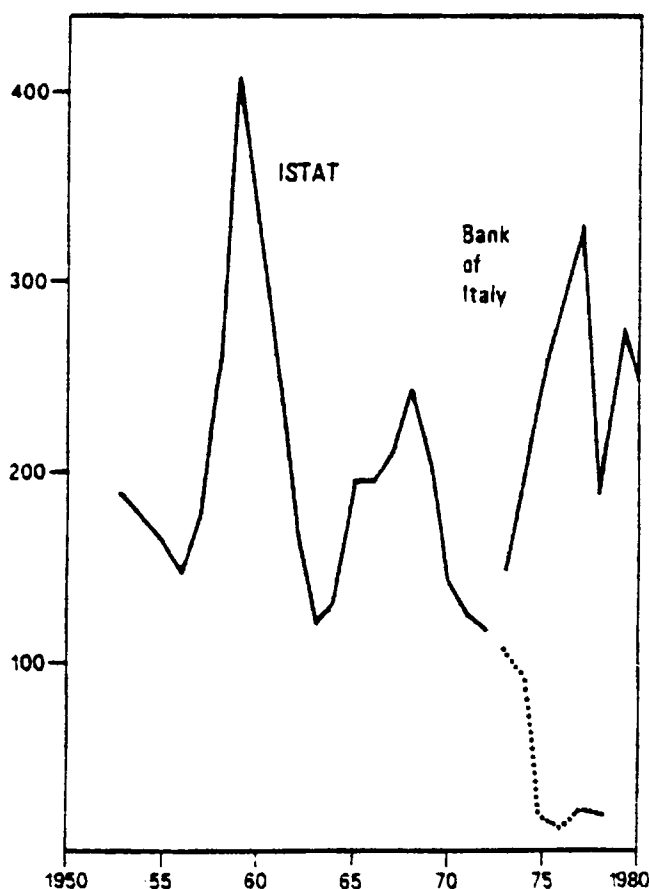
## Housing

As already noted, public expenditure on housing has witnessed a sharp relative decline in the postwar period, especially during the 1970s (see Graph 14).

Expenditure levels during the 1950s were the highest for the postwar period. As a result of the need to restore the national housing stock after the war and in order to promote employment, housing became in fact a major concern of the policy makers. The early 1960s saw a swift decline in expenditure, mainly due to the gradual exhaustion of the investment plans of the 1950s. The legislative provisions of 1962 and 1963 (when a new public agency for the construction of popular housing was set up) and the

Graph 14

Expenditure on housing  
at constant (1970) prices (in billion lire)



anti-cyclical measures of the mid-1960s, caused a renewed growth of expenditure, which, however, began to decline again after 1968.

In 1972 a comprehensive reform attempted to give renewed impetus to the housing sector, decentralizing responsibilities and expenditure from central government to the regions and local authorities. Unfortunately, the available data do not allow a reliable assessment of the results of this reform. ISTAT data (thick line, dotted after 1974) seem to point toward a dramatic fall in expenditure, which is, however, mainly due to lack of information. Other data provided by the Bank of Italy seem, on the contrary, to point toward a substantial increase: these data are not, however, homogeneous with those of ISTAT and therefore cannot be compared with them(36). In 1978 a new investment plan, again centred on the regions, was launched, in the hope of catching up with a constantly rising demand.

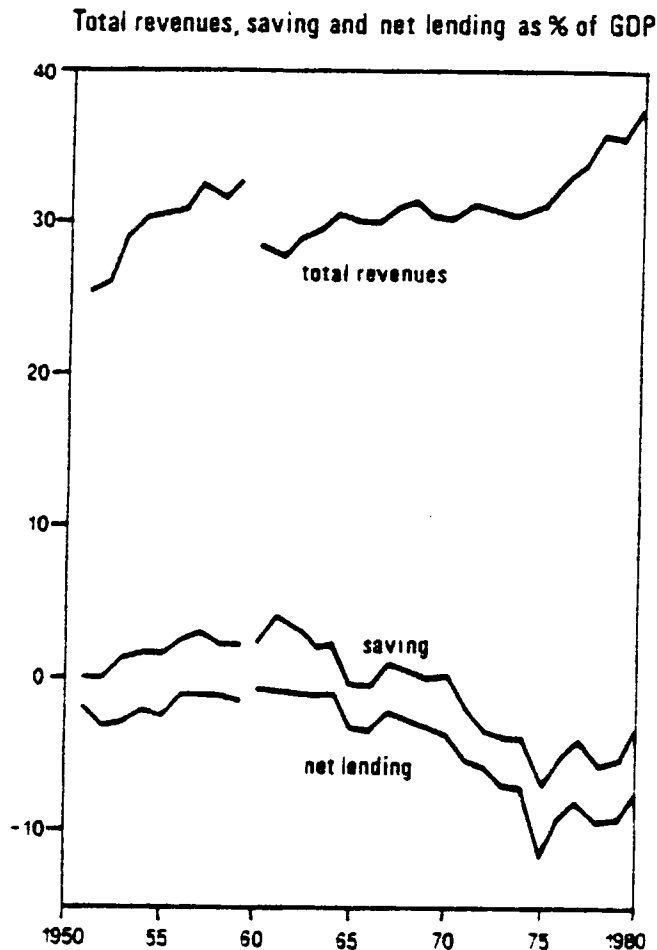
### III FINANCING OF SCHEMES

#### 1 State revenues and public deficits

A complete picture of the growth of the Italian welfare state requires at least a cursory consideration of its revenue side, i.e. the way in which the massive expansion of public and, particularly, social expenditure, has been financed. We can start by looking at the development of total public revenues as a percentage of GDP. As Graph 15 shows, public revenues grew rapidly during the 1950s, remaining at just over 30 percent until the mid 1970s, after which time they increased again, reaching some 38 percent in 1980(37). The growth pattern for total public revenues and for public expenditure (Graph 1 above) are quite different. The comparison between the two allows us to distinguish two distinct phases in the evolution of Italy's public sector: a first phase of 'balanced growth' (1950-1964), in which the expansion of public expenditure was largely matched by a parallel expansion of public revenues and a second phase of 'unbalanced growth' (1965-1980), in which the gap between expenditure and revenues gradually widened, thus creating growing fiscal problems. The contrast between the two phases is also underlined by trends in public saving and net lending (Graph 15): in fact both point clearly downwards after 1964, especially during the first half of the 1970s(38).

The shift from balanced to unbalanced growth was the product of a more or less deliberate choice by policy-makers of the Centre-Left

Graph 15



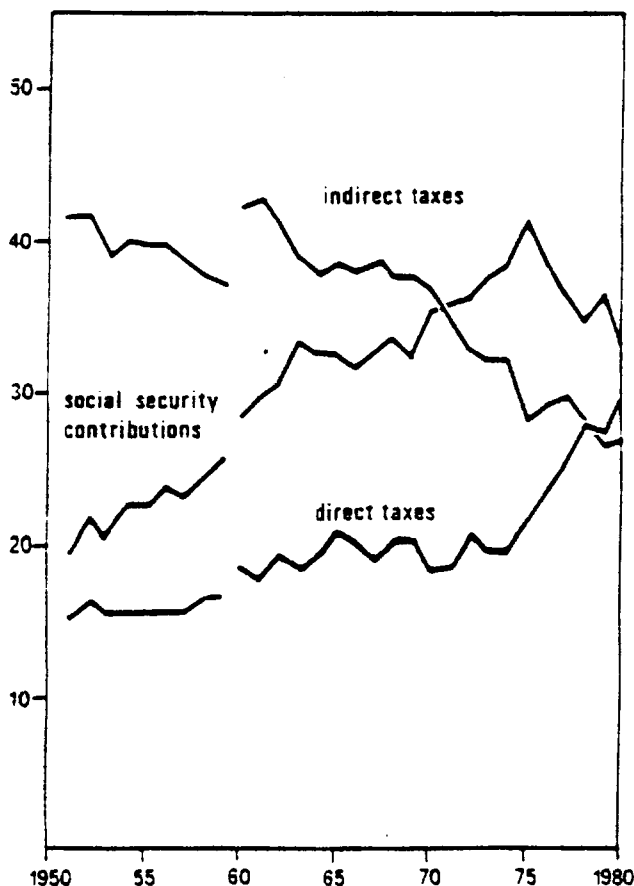
coalition. This choice followed a long debate on the correct interpretation of Article 81 of the Italian Constitution, which states that any law involving the disbursement of public money, must indicate the source of the necessary financial coverage in advance. The debate consisted of two conflicting interpretations of this point: a 'conservative' one, which interpreted this prescription as an obligation to balance expenditure with real revenues (i.e. with no resort to borrowing), and a 'Keynesian' one, which accepted the notion of deficit spending in cases where this would stimulate unexploited productive resources, especially through an increase of public investment. The 'Keynesian' interpretation prevailed, given strong support by Republicans and Socialists, and deficit spending became the current practice(39).



The development during the subsequent decade did not, however, correspond to the intentions and expectations of the Keynesian school. It was not public investment that grew, but current expenditure (transfers and subsidies, as already seen in Graph 3 above), leading to a dramatic erosion of public saving. Thus, the deficit served increasingly to finance the growth of the welfare state: a trend which reached a peak during the mid-1970s, when the Treasury had to bear the enormous debt accumulated by social security funds for the provision of health services (equal to some 6,500 billion lire, i.e. ca. 5.2 percent of GDP). The situation seems to have improved after 1975. In 1973 a major fiscal reform greatly simplified the Italian tax system, by almost completely centralizing the levy of taxes and introducing automatic tax-deductions for the wages of dependent workers. This

Graph 16

Total revenues by major component  
percent distribution



simplification has resulted in a renewed relative growth of overall revenues which, coupled with other important expenditure provisions, has at least arrested the further worsening of fiscal imbalances until 1980.

Graph 16 provides a picture of the internal composition of public revenues. During the 1950s and 1960s, indirect taxes constituted by far the largest component of public revenues. However,, as a result of a constantly downward trend they rank below the other two components by the end of the 1970s. Direct taxes remained the smallest component until the end of the 1970s; their rapid growth after 1974 is largely attributed to the effect of the 1973 fiscal reform. Social security contributions grew impressively between the 1950s and the mid-1970s, as a consequence of continuous upgradings of statutory rates and of the growing size of the dependent labour force. However, their relative weight has declined during the second half of the 1970s.

## 2 Financing of welfare programmes and their growing deficits

As indicated by the heavy incidence of this type of taxation, social security contributions constitute the main source of finance for the Italian welfare state. This is especially true for income

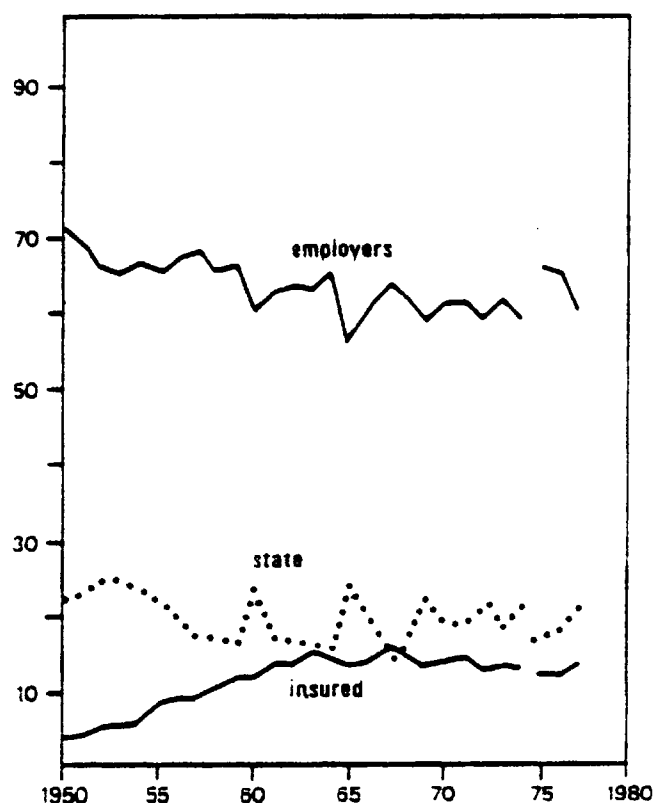
maintenance programmes and health (although, the major reforms of the 1970s gradually increased the latter's share of financing through general revenues). Conversely, education, housing and public assistance have always been financed directly out of general revenues.

Graph 17 provides a breakdown of the receipts of social security programmes by major source. As may be seen, employers' contributions have been by far the major component of total receipts - although their share has tended to gradually decrease. The insured population's contributions grew rapidly during the 1950s and early 1960s and have tended to decline in relative terms during the 1970s. They represent the smallest component of social security receipts.

Finally, the state contributes a sizeable share of total receipts. Generally declining until the mid-1960s, this share has tended to increase thereafter, due to repeated ad hoc interventions of financial support from the state to social security funds. On the one hand these interventions have resulted from the aim of relieving the employers of part of their contributions, in order to reduce labour costs in periods of crisis: this is well indicated by the parallel oscillations which can be observed in Graph 17. On the other hand, the state has been forced to cover the growing deficits of social security funds(40). Ever since the mid-1960s, the aggregate balance between statutory contributions and benefits has started to be negative for most sickness and pension funds. As already mentioned in the case of health, the deficit began to reach

Graph 17

Social security receipts by major source  
percent distribution



worrying proportions around the mid-1970s and the trend has not changed since that time. Given that social security funds enjoy an unlimited and automatic access to the Treasury for their financial requirements, their growing deficit can be held as largely responsible for the fiscal imbalances of Italy's public sector.

The institutional regulations regarding the financing of the various social insurance programmes are relatively simple in Italy. Pension contributions are paid for two-thirds by the employers and one third by the insured. As shown in Table 3, the contribution rate has been constantly rising and amounted to 24.31 percent of

Table 3: Pension schemes, contribution rates 1952-1980

Employees(a) (general scheme)				Self-employed(b)					
				farmers			artisans		
							traders		
80	24.31	188 596	(2.06)	432 736	(4.73)		429 236	(4.69)	
79	23.50	110 968	(1.48)	290 428	(3.89)		286 928	(3.84)	
78	"	78 416	(1.24)	119 112	(1.88)		119 112	(1.88)	
77	"	65 936	(1.21)	99 672	(1.58)		99 672	(1.58)	
76	21.60	58 136	(1.35)	87 408	(2.02)		87 408	(2.02)	
75	21.60	46 800	(1.30)	72 528	(2.01)		72 528	(2.01)	
74	19.80	14 976	(0.50)	30 528	(1.01)		30 528	(1.01)	
73	19.40	6 708	(0.27)	14 928	(0.60)		14 928	(0.60)	
72	"	"		"			"		
66	"	"		"			14 928	(1.27)	
65	"	"		14 928	(1.36)		-		
64	"	"		7 728	(0.80)		-		
63	"	"		"			-		
62	15.75	6 708	(0.86)	"			-		
61	"	4 995	(0.75)	"			-		
60	11.60	"		"			-		
59	"	"		7 728	(1.67)		-		
58	9.00	4 995	(1.15)	-			-		
52	9.00	-		-			-		

(a) Contributions are constituted by a fixed percentage of wages.

(b) Contributions are constituted by a flat-rate lump sum per annum. Absolute figures are in current lire. The figures express these sums as percentages of average gross wage (58-59: industrial sector; 60-80: all sectors).

gross wage in 1980. The self-employed pay a flat rate yearly contribution. In addition to the already mentioned ad hoc interventions, the state pays statutory 'solidarity' contributions to the social fund of INPS and to the pension funds of the self-employed.

Sickness insurance contributions are paid mainly by employers. In

1980 the contribution rate amounted to 13.15 percent of gross wage (in the industrial sector), of which 12.85 percent was paid by the employers. The state pays sickness contributions for its own employees, and in addition it regularly supported the sickness fund for the self-employed until their liquidation. The 1974 hospital reform and the establishment of the SSN in 1978 have gradually modified the system of financing for the entire health sector, considerably increasing the role and amount of financing through general revenues (cf. the Institutional Synopsis).

Finally, unemployment, maternity, TB and family allowance insurance are financed through contributions paid by employers, with rates which vary according to the economic sector (for industry, respectively 1-4 percent, 0.53 percent, 2.01 percent and 6.20 percent in 1980). The state only pays minor statutory contributions to these schemes.

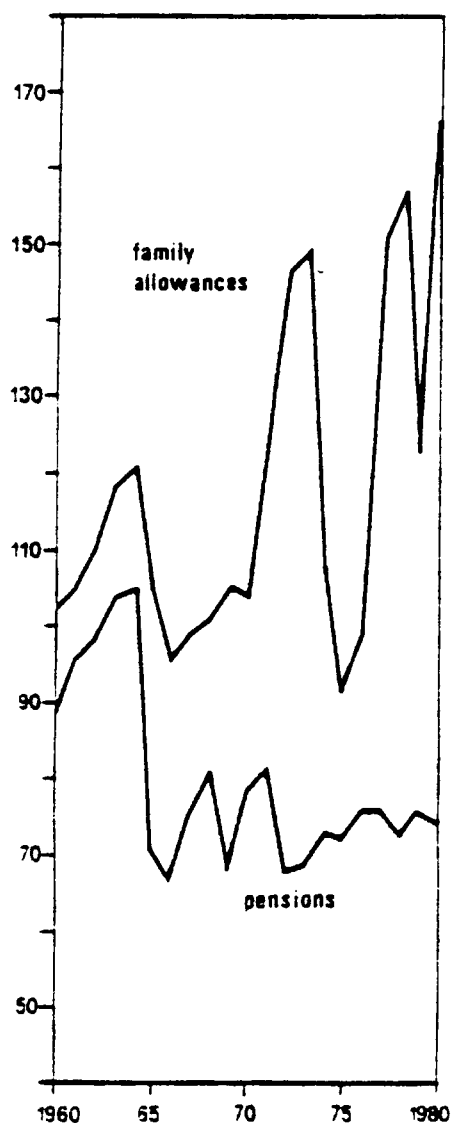
### 3 Financial transfers across schemes: 'winners' and 'losers'

Whether deliberately or not, the financial procedures designed to cover the growing deficits accumulated during the 1970s have originated a net of redistributive flows across insurance schemes - and therefore, indirectly, across social groups. A detailed and precise balance is obviously difficult to reach, given the low transparency of the financial transactions involved. Social insurance contributions are often pooled or transferred from one

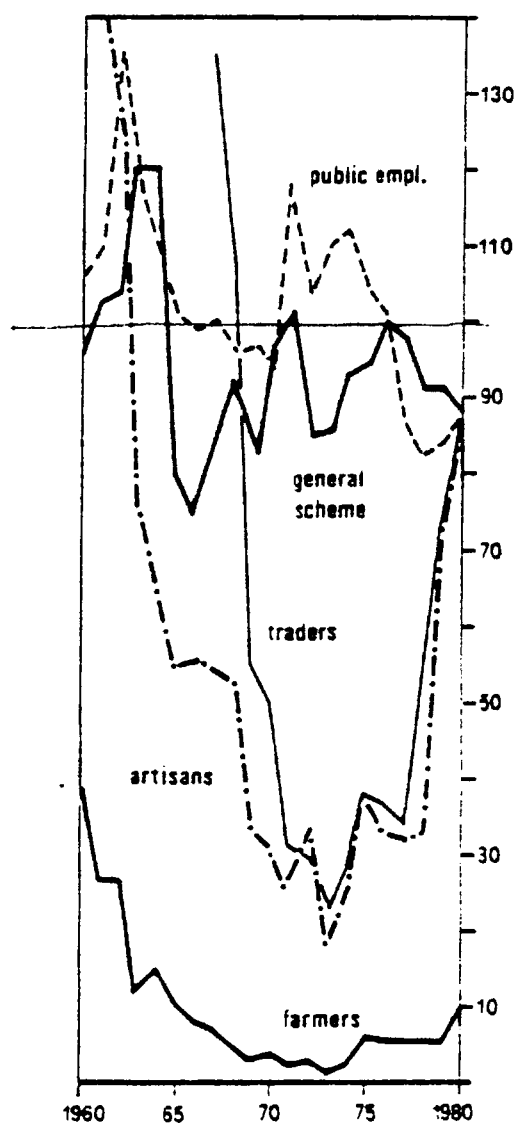
scheme to another. Moreover, the increasing amount of state contributions and interventions makes it very difficult to trace the redistributive flows. In turn these flows produce a number of contrasts (between generations, sexes, different sectors of the labour market and even between different risks), so that 'winners' and 'losers' cannot be easily identified. Some data are however available to indicate at least the major gains and losses resulting from the combination of the contribution and benefit sides of welfare programmes.

Graph 18 draws up the balance sheet of family allowances and pension schemes (INPS). As may be seen, the aggregate balance between contributions and benefits has been almost constantly negative for pension schemes since the mid-1960s, while it has been almost constantly positive and largely increasing in the case of family allowances (the same is also true for the TB and full unemployment schemes). In other words: expenditure on income maintenance for pensioners exceeds that originally earmarked for this purpose, whereas expenditure allocated for compensation of income losses deriving from the burden of a large family, TB and unemployment, has not been fully utilized. The intricate flows of internal financial INPS transfers do not allow us to establish clearcut connections between the surplus of one scheme and the deficit of another. Whatever the procedures, the result is quite clear: whilst old age pensioners, invalids and survivors have 'gained' in terms of income maintenance, dependent workers suffering from TB, those with many family dependents and the unemployed have 'lost' part of what they paid - and, as we will

Graph 18 Contributions as percentage of benefits  
Family allowances and pensions



Graph 19 Contributions as percentage of benefits  
Old age pensions





see, unemployment benefits and family allowances have in fact been kept at low rates, thus losing increasing ground in relative terms (Table 7 below).

As regards old age pensioners, however, some groups have gained more than others. As shown in Graph 19, the retired self-employed (particularly retired farmers) receive a much greater 'gift' than retired dependent workers. Soon after their introduction (and in the case of farmers from the very beginning) the schemes for the self-employed have rapidly widened the gap between benefits and contributions: the former were in fact payable according to constantly upgraded statutory minima, whilst the latter were kept at very low flat rates (Table 3). On the contrary, the general scheme for dependent workers and the various schemes for public employees have operated either with 'moderate' deficits or clear surpluses: as Table 3 shows, pension insurance has been considerably more 'costly' for dependent workers than for the self-employed.

As shown in Graph 19, the situation seems to have gradually changed in the second half of the 1970s. Growing fiscal problems have in fact brought about an increased awareness of welfare state burdens, √ thus making the favours accorded to the self-employed more visible. In 1974 and 1979 the contributory status of artisans, traders and, to a lesser extent, farmers, was substantially revised (especially under pressure from the left) in the direction of a more equitable distribution of the benefits and burdens of social security.



#### IV BENEFITS AND BENEFICIARIES



##### 1 The Rise of the Welfare Clienteles

An obvious cause of the massive growth in social expenditure has been the extension of the welfare system to more and more social groups. With respect to the employment and occupational structure, we can observe a general tendency across schemes, though with a different timing (see Table 4). At the outset, only industrial employees were usually covered (agricultural employees lagging somewhat behind), reflecting the original aim of social insurance to protect this crucial group of industrial society. Gradually, however, welfare entitlements were extended to other categories of the economically active population and finally to economically non-active groups. Thus, the self-employed (farmers, artisans, and eventually traders) came under pension and health insurance between the mid-1950s and the mid-1960s, and under maternity insurance in 1971. Insurance against occupational injuries was made available to artisans in 1963, and family allowances were granted to farmers in 1967. Among the economically non-active, pensioners were the first to receive other benefits (health insurance in 1953-55), followed by housewives (pensions in 1963), the unemployed (health insurance in 1966, family allowances in 1968), and finally to marginal groups such as the impoverished elderly (pensions in 1969, health insurance in 1972) or part-time agricultural workers (unemployment benefits and family allowances in 1977).

Table 4

## Social insurance coverage: extension by social category

Year	Pensions(a)	Family Allowances	Maternity	Health	Year
1945(b)	Employees below income ceiling	Employees	Employees (industry) (agriculture)	Employees	1945
1949					1949
1950	All employees				1950
1953				Public employees (retired)	1953
1954				Farmers (active)	1954
1955				Pensioners	1955
1956				Artisans (active)	1956
1957	Farmers				1957
1958	Fishermen				1958
1959	Artisans			Traders (active)	1959
1963	Housewives (voluntary)			Artisans (retired)	1963
1966	Traders			Traders/Farmers (retired)/Unemployed	1966
1967		Farmers			1967
1968		Unemployed			1968
1969	Impoverished elderly above 65				1969
1971			Farmer/Artisans/Traders		1971
1972				Impoverished elderly above 65	1972
1974		Pensioners		All citizens (hospital assistance)	1974
1977		Part-time workers (agriculture)			1977
1978				All citizens (medical/pharmaceutical assistance)	1978
Year	Sickness(c)	Occup. Injuries	Unemployment		
			full	partial/temporary	
1945(b)	Employees	Manual workers (industry)	Employees (industry) (agriculture)	Employees (manufacturing)	1945
1949					1949
1959		(agriculture)			1959
1963		Artisans		(construction/mining)	1963
1968			(manufacturing)(d)		1968
1970			(construction/mining)(d)		1970
1972			(agriculture)(d)	(agriculture)	1972
1977			Part-time workers (agriculture)(d)		1977

(a) Old age, invalidity and survivors' pensions

(b) Initial situation as resulting from regulations existing in 1945

(c) Cash benefits

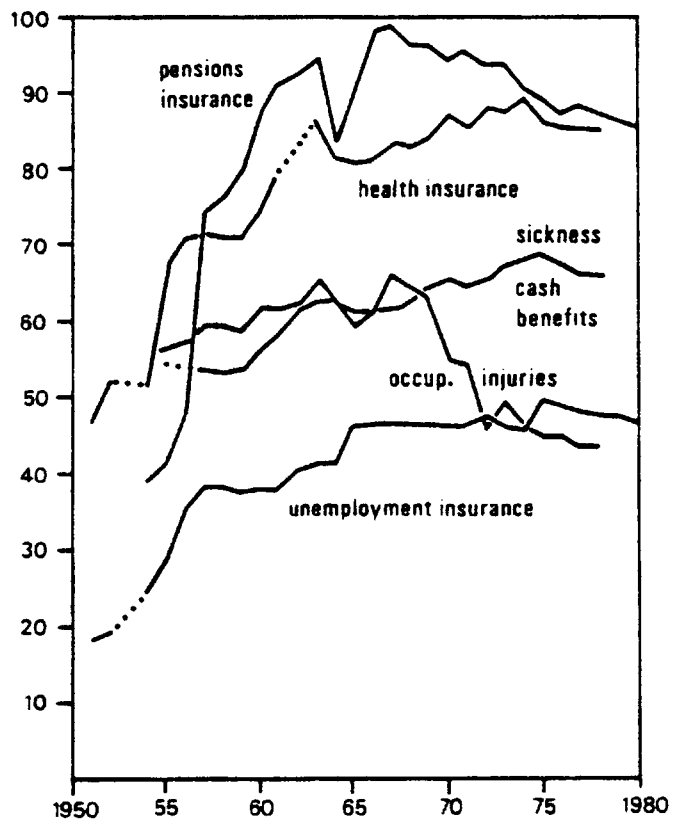
(d) Introduction of special earnings-related benefits

This extension meant also a quantitative growth of insurance membership (see Graph 20)(41). In the period from 1950 to 1963 we can observe a general extension of membership in all schemes, but especially for health and pension insurance. The years 1964 and 1965 saw a general shrinking of membership, due to the rising number of unemployed. Paradoxically, however, unemployment insurance seems to have substantially extended its reach in those very years. Although our data may not be fully reliable, this fact could be linked to a tightening of controls on the side of INPS as well as to the lowering of social security contribution for unemployment, which occurred in 1965. The period 1966 to 1980 was then characterized by diverse developments: a growing coverage of health and sickness insurance (with a slight decline in the late 1970s), a stagnation in unemployment insurance, a decline in the membership of pension schemes and a very marked decrease in the coverage of work injuries insurance. Coverage ratios tended to decline during recession years (due to the fact that the unemployed were not covered by some schemes), as in the mid-1960s and mid-1970s. The growth of young people in search of first job (who are not covered by social insurance within the labour force) partly explains the decline of coverage ratios in recent years.

A precise quantification of the size of actual recipients of welfare benefits is difficult. Official statistics report only the total number of benefits or 'cases', thus giving too high figures, since the same person may receive more than one benefit at a time (e.g. more than one pension) or several benefits in a given year (e.g. unemployment or sickness cash benefits). The data presented

Graph 20

Social insurance coverage  
(members of social insurance schemes  
as percentage of the labour force)



in Table 5 allow nevertheless an approximate assessment of the quantitative development of the various welfare clienteles (in absolute terms and as percentage of relevant reference groups).

In order to allow a comparison across programmes, Graph 21 reports the evolution of beneficiaries/benefits as a percentage of total population. Pensioners (pensions) appear as the largest class of beneficiaries (benefits).

As is seen, the group of invalidity pensioners has been characterized by a real proliferation, even coming to surpass that of old age pensioners since 1971. Besides the already mentioned link between the expansion of invalidity pensions and territorial and sectoral disequilibria, a number of institutional factors have also played an important role. In fact, the lower contribution requirements, the absence of an age threshold (in comparison to old age pensions) and the weighting of the medically ascertained disability rate according to the socio-economic conditions of the applicant's area of residence have represented a great incentive for the demand of this type of pensions, especially on the side of the self-employed in agriculture. The other groups of pensioners have grown with a slower pace, even slightly declining (as in the case of old age pensioners) in more recent years.

A similar pattern of moderate growth has characterized the clientele of occupational injuries benefits. The number of family allowances sharply increased in 1974 when this type of insurance was extended to pensioners. The number of unemployment benefits

Table 5

## The major clienteles of the welfare state

PENSIONS	1951	1955	1960	1965	1970	1975	1980
Old age pensions (a)							
in thousands	1324	1951	3249	3532	3868	4175	4165
in % of population 60+	22.9	32.2	49.6	47.2	45.8	44.5	44.1
Invalidity pensions (a)							
in thousands	501	732	1224	2145	3415	4959	5314
in % of population 60+	8.7	12.1	18.7	28.6	40.5	52.9	56.3
Survivors' pensions (a)							
in thousands	172	330	851	1186	1550	1967	2394
in % of population 60+	3.0	5.4	13.0	15.8	18.4	20.1	25.4
Pensions to government employees (b)							
in thousands	486	526	655	754	902	1035	1413
in % of population 60+	8.4	8.7	10.0	10.1	10.7	11.0	15.0
Social pensions							
in thousands					766	824	708
in % of population 60+					9.5	8.8	7.5
OCCUPATIONAL INJURIES							
Pensions							
in thousands	183	311	460	592	775	924	1135
in % of labour force	0.9	1.5	2.3	3.0	4.0	4.7	5.5
SICKNESS							
Recipients of cash benefits (c)							
in thousands	1875	2253	2944	3631	4282	6802	n.a.
in % of insured	n.a.	20.6	24.0	29.2	32.1	47.2	
UNEMPLOYMENT							
Recipients of cash benefits (d)							
in thousands	841	883	1458	1934	1558	1791	n.a.
in % of the labour force	4.1	4.4	7.2	9.9	8.1	9.1	
FAMILY ALLOWANCES							
Dependants receiving benef.							
in thousands	n.a.	n.a.	n.a.	n.a.	13527	17419	16173
in % of non-working population					39.6	49.4	45.6
Heads of households receiv. benef.							
in thousands	n.a.	n.a.	n.a.	n.a.	5548	8177	7485
in % of total population					10.4	14.9	13.3
PUBLIC ASSISTANCE							
War pensions							
in thousands	931	1104	1101	1049	990	901	n.a.
in % of population 60+	16.1	18.2	16.8	14.0	11.8	9.7	
Other social assist. recipients (e)							
in thousands	2803	2695	2508	2034	1618	1185	n.a.
in % of total population	5.9	5.6	5.1	4.0	3.0	2.2	

## Footnotes

(a)INPS general and special schemes

(b)Old age, invalidity, and survivors' pensions

(c)Single cases of sickness compensated with cash benefits within the INAM general scheme (thus excluding government employees and other employees insured with special schemes).

(d)Cases of full unemployment compensated with ordinary or special benefits (as explicitly acknowledged in the official source, some degree of overlap may have occurred).

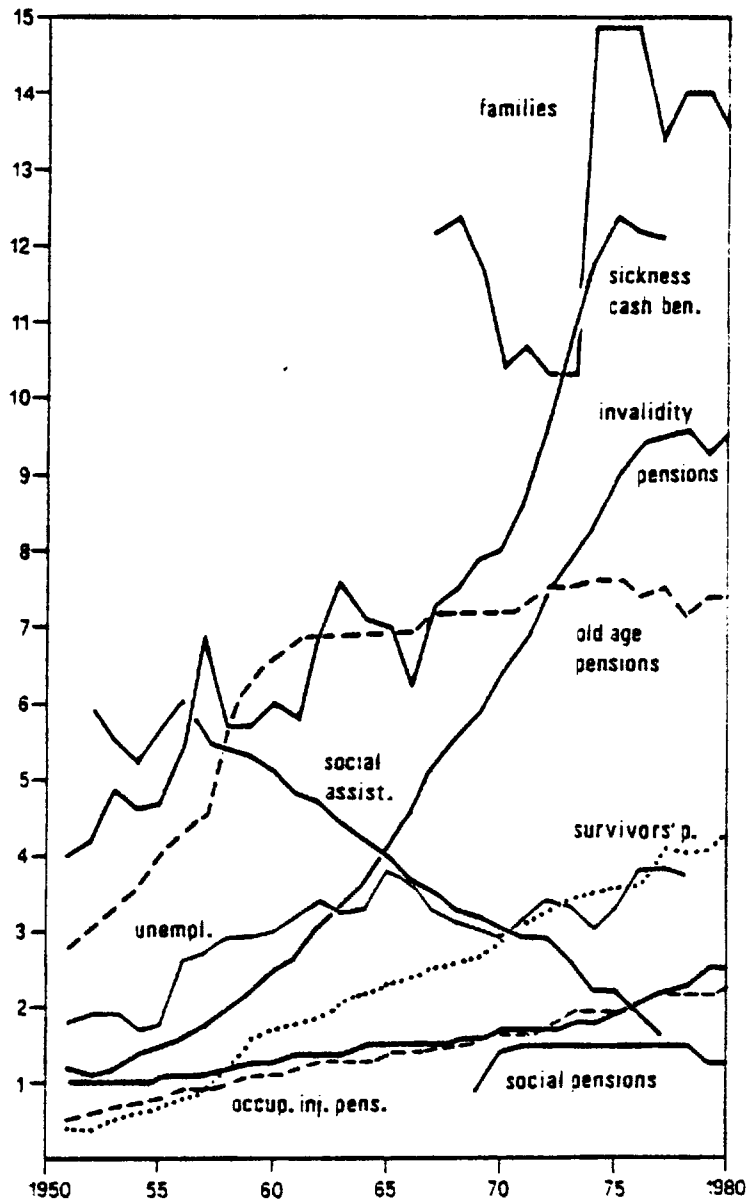
(e)Number of people assisted by the ECA (Enti Comunali di assistenza or local authorities assistance agencies).

n.a. = not available



Graph 21

**Welfare clientele**  
(recipients of cash benefits as a % of total population)



has also increased since the early 1950s (and especially since 1956, when the insurance was extended to agriculture), with a trend closely connected with the fluctuations of the economic cycle. During the postwar period, sickness cash benefits have grown outstandingly, particularly since 1970. Besides the extension of coverage, this massive growth is due to a wider use of this type of insurance by its members, resulting from the already mentioned changes in industrial relations. Social assistance recipients are the only clientele which has substantially declined throughout the postwar period. Although our data do not include all groups of recipients, this process is not surprising, given the institutional changes which have gradually brought also the weakest population groups within the reach of the major insurance schemes (such as pensions and health).

## 2 The Improvement of Benefits

The development of standard (flat-rate or earnings-related) benefits reveals some common trends despite their great variety across schemes, and particularly with regard to unemployment benefits (see Table 6). Firstly, there has been a clear shift from flat-rate or actuarial benefits (i.e. based on the revaluation of contributions), to earnings-related benefits (with the only exceptions being full ordinary unemployment benefit and family allowances). Secondly, the earnings replacement ratio has been upgraded step by step for most programmes, passing from 50-66

Table 6

## Flat-rate benefits and earnings-replacement ratios

Year	Standard pension	Sickness benefits (180 days) industry/ commerce public empl. culture	Maternity benefits (150 days) industry/ commerce self-empl. culture	Full unemployment benefits (180 days) ordinary benef. special benefits manuf. constr. agric.	Partial/temporary unempl. benefits (40 hours a week) manuf. constr. agric.	Year
1945		50%	Lit. 1.000(d)		66%(h)	1945
1946		50%	Lit. 28-60(c)			1946
1948						1948
1949				Lit. 200(17%)(f)		1949
1950				Lit. 12.000-25.000(d)		1950
1953		80%(b)				1953
1957				Lit. 230(13.8%)(f)		1957
1958		66%(a)				1958
1960				Lit. 300(16%)(f)		1960
1963			50%		80%	1963
1966				Lit. 400(12.7%)(f)		1966
1968	65%			66%	80%	1968
1969	74%					1969
1970				50%(g)		1970
1971						1971
1972					66%(k)	1972
1974			66%(a)	Lit. 800(8.6%)(f)	80%(l)	1974
1975	80%					1975
1977				66%	80%(k)	1977
1979				66%(g)		1979
1980				80%	80%(j)	1980

(a) 50% for 20 days starting from the 4th day of sickness and 66% for the other 160 days.

(b) 80% for the first 30 days and 50% for the remaining 150 days.

(c) Flat rate daily benefit, higher for men and lower for women and minors.

(d) Lump sum, meant to compensate for 4 months of earnings.

(e) Plus an additional voluntary period of 180 days at 50% of previous earnings.

(f) Flat rate sum: the figure in brackets expresses this sum in percentage of the average gross industrial earnings of that year.

(g) for 90 days.

(h) for a maximum of 16 hours a week for 90 days.

(i) extendable beyond 180 days.

(j) for a maximum of 270 days in two years.

(k) for a maximum of 90 days.

percent in the 1960s to 80 percent in the 1970s. A major exception to this rule is the sickness cash benefits, which may be explained by the fact that most collective contracts foresee wage continuation. Thirdly, the duration of most benefits has settled at 180 days per year, though this statutory limit is often surpassed in practice.

Largely as a consequence of these institutional improvements, the average amount of most benefits has constantly grown in <sup>1</sup>real absolute terms. Table 7 illustrates this process for pension benefits and family allowances. All types of pensions have substantially increased since 1950. The figures in constant prices show that the average pension has gradually augmented its purchasing power. Also with respect to the average wage we can observe a relative improvement for most benefits, especially in the 1950s and 1970s. As the table indicates, public employees' pensions have always been the highest (although the difference seems to have decreased in the last decade): this is primarily due to the fact that public employees were granted earnings-related pensions long before the other categories, with a fairly high replacement rate (up to 80 percent since 1958). The other types of benefit do not differ as widely: invalidity and survivors' pensions have always been lower than old age pensions, due to the different formula and the preponderance of minimum pensions (see below) within these two categories. Only social pensions fare well below: however their relative position seems to have improved during the 1970s.

Table 7

## Average benefits: pensions and family allowances (a)

PENSIONS	1951	1955	1960	1965	1970	1975	1980
Old age (b)	54	91	128	273	409	986	2861
at constant (1970) prices	101	153	187	311	409	576	770
in % of the av. gr. wage (c)	16.5	24.5	27.7/20.1	24.9	24.9	27.3	31.2
Invalidity (b)	52	90	146	248	338	814	2144
at constant (1970) prices	98	151	214	282	338	475	577
in % of the av. gr. wage (c)	16.0	24.2	30.9/23.8	22.6	20.6	22.5	23.4
Survivors (b)	47	76	95	222	290	662	1680
at constant (1970) prices	88	127	139	252	290	386	452
in % of the av. gr. wage (c)	13.9	20.4	20.1/15.5	20.3	17.6	18.3	18.3
Public employees (d)	253	432	605	980	1286	2382	5961
at constant (1970) prices	476	725	885	1116	1286	1390	1604
in % of the av. gr. wage (c)	78.1	116.1	128.2/98.8	89.5	78.2	66.0	65.1
Social pensions					154	499	1318
at constant (1970) prices					154	291	355
in % of the av. gr. wage (c)					9.4	13.8	14.4
Occupational injuries (e)	43	44	58	163	196	417	1318
at constant (1970) prices	81	74	85	185	196	243	355
in % of the av. gr. wage (c)	13.3	11.8	12.3/9.5	14.9	11.9	11.5	14.4
Family allowances	n.a.	n.a.	n.a.	47(f)	59	119	156
at constant (1970) prices				51	59	69	42
in % of the av. gr. wage (c)				3.7	3.6	3.3	1.7

## Footnotes

(a) Average benefits are derived by dividing aggregate expenditures by the number of benefits. Figures refer to annual payments in 1000 lire.

(b) INPS schemes.

(c) 1951 and 1955: industrial sector; 1965-1980: all sectors. For 1960, the first data refer to the industrial sector, the second data to all sectors.

(d) All types of pensions.

(e) INAIL pension scheme for permanent disability.

(f) 1967

n.a. = not available

To some extent, the real and relative growth of the average pension can be related to the improvement of the pension formula, especially after the introduction of earnings-related pensions in 1968. It must however be noted that, so far at least, the principle of earnings replacement has not applied in practice to the a large number of Italian pensions: only a few workers have in fact achieved the necessary contribution requirements for the new formula (which is not applicable, at any rate, to the self-employed). Therefore, the most important factor 'explaining' the real growth of average benefits is the upgrading of pension minima, i.e. of the statutory minimum amounts guaranteed to every recipient regardless of his or her contributory status. These sums were occasionally revised in 1958, 1959, 1962, 1965, 1968 and 1969 (as reflected in Graph 22) and have been automatically indexed to the cost of living since 1971 (1973 for social pensions) and to the industrial wage in 1976 (for the general scheme). As Graph 22 demonstrates, the trend of the average pension closely follows that of pension minima. Minima have differed across schemes, being highest for the general scheme and lowest for social pensions. However, the relative distance has decreased in the last decade: as established by the 1969 reform, the minima for dependent workers and for the self-employed were gradually equalised, until in 1975 and 1976 they coincided. Since 1977 they have again diverged, as a result of the new indexation mechanism introduced for the general scheme. With respect to the average wage, we can observe that minima have substantially improved their position in the second half of the 1950s, underwent a (slight) decline during the 1960s, and have started to regain ground during the 1970s.

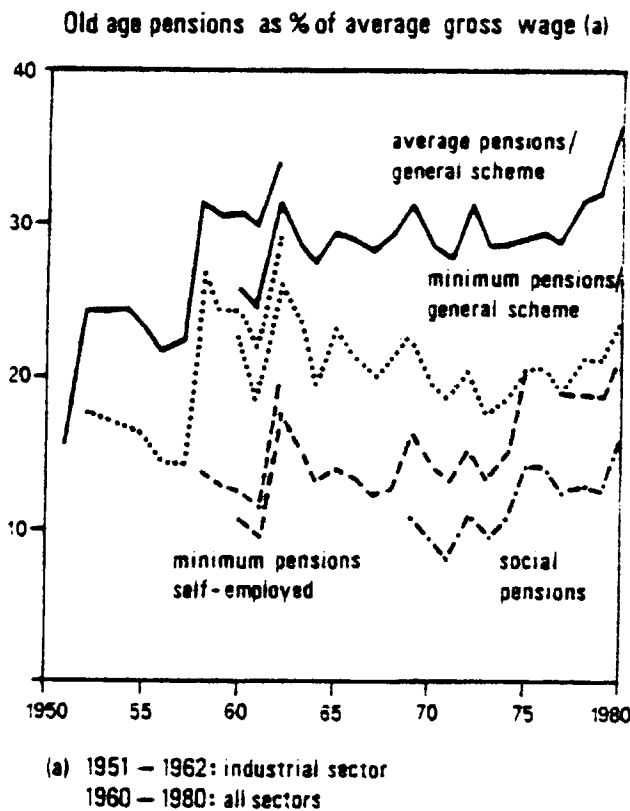
As to family allowances, our data show that they have grown in real terms in the decade between 1965 and 1975 and have drastically declined thereafter under inflationary erosion: moreover, they have progressively represented a smaller proportion of the average wage.

Our summary analysis of the evolution of standard and average benefits clearly indicates that welfare clients have been able to improve their economic position both with regard to the initial situation and, generally, with regard to the active population. The only groups to have remained behind seem to be the unemployed (or better, those compensated with the ordinary benefit) and those with family dependents, whose benefits have lost considerable ground in relative and real terms. In the other cases, upgrading of the legal earnings replacement rates has allowed all employees exposed to various risks to maintain a progressively higher proportion of their income and the indexation of long-term benefits has safeguarded them against the attacks of inflation and against otherwise relentless relative losses with respect to active income-earners. The increase of minima has provided in its turn a 'subsistence net' for those people uneligible for insurance benefits. Furthermore, although great fragmentation of benefits still exists, some steps have certainly been made in the direction of greater uniformity.

The welfare state has grown to represent today an important component in the income of Italian households, the main or even the

only source of income for a sizeable part of them. According to a survey of the Bank of Italy, transfer incomes constituted in 1979 some 16.3 percent of the income of a representative sample of families. More than 16 percent of these families drew more than two thirds of their total income from transfers and another 16 percent of families still drew one third of their total income from them(42).

Graph 22





## V ACHIEVEMENTS AND SHORTCOMINGS

### 1 The development of health, education and housing

During the three decades between 1950 and 1980, significant progress was made in the field of health and educational services. Their infrastructures (e.g. hospitals and schools) were expanded both in absolute numbers and capacity, and the amount of both personnel and clients was increased. The national housing stock also improved in size and quality - although the specific contribution of the state is difficult to isolate, given the large role still played by the market in this sector.

Table 8 presents data on the development of the hospital sector, i.e. the largest and most relevant one within the public health system. Although decreasing in absolute numbers in the last twenty years, public hospitals have greatly expanded their capacity in terms of beds (especially between 1961 and 1971), as larger and new institutions have replaced older, smaller and less well equipped ones. The number of cases of in-patient treatment more than tripled in the period under consideration. Although the processes of 'medicalization of health' and of 'professionalization of medicine' have certainly something to do with it, this growth must be largely connected with the already examined expansion of health insurance through various sectors of the population.

Table 8: Output indicators for health

	1953	1961	1971	1980
no. of hospitals	1 419	1 495	1 342	1 137
No. of hospital beds	317 884	386 813	478 688	468 550
- per 1 000 population	6.7	7.6	8.8	8.3
No. of hospital in-patient treatments	2 635	4 281	7 538	9 121
- per 1 000 population	55.4	84.6	139.2	162.3
No. of hospital doctors	15 639	24 346	38 869	68 951
- per 1 000 treatments	5.9	5.7	5.2	7.6
No. of paramedical staff	41 668	53 153	119 247	227 050
- per 1 000 treatments	15.8	12.4	15.8	24.9

Table 9 presents some output indicators for public education. Most of these point towards quantitative and qualitative growth. The only exceptions are the number of elementary schools and pupils: the former has sharply declined between 1961 and 1978 (a large number of closures involved institutions located in unsuitable buildings), whereas the latter displays an oscillatory trend, largely connected with demographic changes. The enrollment ratio has constantly increased: in 1978, 96.9 percent of the population between the ages of 6 and 13 (i.e. the period of compulsory education), attended a public institution. The number of schools has expanded at the middle and secondary level, especially between 1961 and 1971, as a consequence of the 1962 school reform. Similarly, the number of middle, secondary and higher education pupils/students has constantly increased. This increase is more accurately explained in terms of higher enrollment ratios than in terms of

Table 9: Output indicators for education

	1951	1961	1971	1978
Elementary				
No. of schools	34 837	37 984	34 496	29 554
No. of pupils (1 000s)	4 307	4 024	4 501	4 318
No. of teachers (1 000s)	158	181	210	259
Pupil:teacher ratio	27.3	22.2	21.4	16.7
Middle				
No. of schools	2 109	4 602	7 969	9 069
No. of pupils (1 000s)	572	1 257	2 066	2 813
No. of teachers (1 000s)	49	102	187	246
Pupil:teacher ratio	11.7	12.3	11.0	11.4
Secondary				
No. of schools	1 258	1 730	4 903	5 359
No. of pupils (1 000s)	291	628	1 475	2 037
No. of teachers (1 000s)	29	51	116	197
Pupil:teacher ratio	10.0	12.3	12.7	10.3
Higher				
No. of universities	27	29	42	44
No. of students (1 000s)	231	268	681	996
No. of professors (1 000s)	4	6	9	24
Student:teacher ratio	58.5	44.7	75.7	41.5
Enrollment rates				
Elementary and Middle	72.6	81.1	92.9	96.9
Secondary and Higher	5.8	10.3	24.7	34.1

demographic changes, as shown by our figures. Finally, the number of teachers has increased at all levels. However, this growth only resulted in lower pupil/teacher ratios at the elementary level, while at the other levels these ratios increased in the 1950s

(middle and secondary) and 1960s (secondary). The expansion of secondary and university teachers in the 1970s is quite remarkable: during this period, the educational system functioned as an absorber of 'intellectual' unemployment(43).

As shown in Table 10, the national housing stock developed constantly during the period 1951-1981. The total number of rooms and dwellings almost doubled between 1951 and 1981 and the proportion of 'unsuitable' dwellings tended to decline. The role of the state in this process has mainly consisted of a policy of regulation and subsidization of private housing (cf. Institutional Synopsis, Appendix ). Direct public housing construction programmes played an important role only during the 1950s: as shown by the expenditure data in section II/2 above, the state contribution to the growth of the national housing stock has been small and declining, especially during the 1970s.

As regards the social services, the reforms of the 1970s have greatly expanded this sector, especially through the introduction of services for new target groups: counselling units for young couples and families ; kindergartens for children of employed women; personal services and home help for the elderly, handicapped and invalids; assistance centres for drug addicts etc. Although these new services are still experimental and controversial, they represent an important achievement in Italian social policy and witness its capacity to adapt to the rapid changes of societal needs(44).

Table 10: Output indicators for housing

---

	1951	1961	1971	1981
No. of occupied dwellings (1 000s)	10 756	13 032	15 301	17 509
No. of occupied rooms (1 000s)	35 063	43 424	56 242	71 465
Rooms per dwelling	3.3	3.3	3.7	4.1
Occupants per dwelling	4.3	3.8	3.5	3.2
No. of unsuitable dwellings (1 000s)		164	79	96
- as % of occ. dwellings		1.3	0.5	0.5

## 2 The record on poverty

Owing to the economic and social backwardness of a large part of the country, poverty has always been a serious national problem in Italy. Until World War II, however, its political visibility

remained quite low. State intervention in the field of social assistance greatly increased in the first half of this century; but in public debate the theme of poverty tended to be perceived rather as a competence of the Catholic Church than as a matter of state concern.

As we have already mentioned, the Republican Constitution made explicit references to poverty, recognizing the right of the needy to assistance, and thus giving the fight against poverty the status of a constitutional aim. Soon after the reconstruction period, the dramatic living conditions in the Southern and/or rural areas attracted the attention of policy makers. A Parliamentary Commission was set up in 1951 to investigate the problem of 'destitution' and ways of combatting it(45). This was the first important step which aimed at carrying out a large-scale, national quantitative and qualitative assessment of this phenomenon. The Commission surveyed the housing, nutrition and clothing conditions of Italian families and identified four different standards of living: 'destitute', 'in hardship', 'middle' and 'high'. Table 11 summarizes the findings of this survey, showing that some 23.3 percent of Italian families, i.e. some 12.1 million people still lived in conditions of 'hardship' or 'destitution', i.e. with appallingly low and inadequate levels of consumption, housing, hygiene and sanitation. Destitute families could hardly afford to buy foodstuffs such as meat, sugar or wine; they lived in overcrowded dwellings (often with more than four people per room), and only had very poor clothing. This huge mass of poor tended to be concentrated in the South (where 18.3 percent of the resident

families were 'destitute' and 20.6 percent 'in hardship') and in the islands (24.8 percent and 20.6 percent respectively, as against 1.5 percent and 4.3 percent in the North). Poverty was widespread in large families, in the agricultural sector, among the old, the disabled and especially the unemployed. Lack of work (or irregular and underpaid work) was given by the Commission as the principal cause of destitution: a fact which received further corroboration by the dramatic findings of a second Parliamentary Inquiry on Unemployment (which counted in 1953, 1,716 million unemployed, i.e. 9 percent of the labour force).

Table 11: Families according to their standard of living

	no.(1 000)	%
'destitute'	1 357	11.7
'in hardship'	1 345	11.6
'middle'	7 616	65.7
'high'	1 274	11.0
Total	11 592	100.0

These data had a strong impact on public opinion and gave rise to a

heated debate. The Commission's recommendations, however, were rather general, being limited to advocating a greater coordination of the various public assistance schemes and agencies, a more rigorous expansion of both social assistance schemes and agencies, and social insurance.

The period of rapid economic growth which started around the mid-1950s together with the improvement of welfare benefits and services profoundly changed the dramatic situation depicted by the 1951 Commission. Average per capita income grew some 2.5 times between 1950 and 1970 and economic affluence had a spill-over effect, albeit somewhat limited, which affected the more backward and poor areas of Italy. The increase of employment opportunities offered 'poor' families a greater chance of earning a market income though often at the price of migration to more developed areas. The growth of minimum pensions, the introduction of social pensions and the universalization of health assistance moreover represented a tangible improvement for these families.

During the late 1950s and 1960s, the visible and generalized increase of material welfare gradually obscured the issue of poverty in public discussions and political programmes, but the 1970s witnessed a 'rediscovery' of poverty. The economic crisis suddenly brought to the surface the persisting and profound geographical imbalances and high economic and social vulnerability of the South (not only the rural areas, but also large metropolitan areas such as Naples or Palermo). The restructuring and decentralization of social services and assistance stimulated a new



social activism by the political parties, trade unions and the Catholic Church, all aimed at improving the living conditions of particular groups (the handicapped, the elderly, drug addicts, the disabled), and at a more effective response to 'social needs'(46).

The results of some first sociological investigations started to contribute empirical evidence on the widespread persistence of absolute poverty, i.e. of family and individual situations characterized by precarious subsistence levels(47).

At the end of the 1970s a more systematic empirical inquiry on poverty was carried out by G. Sarpellon, for the European Community research project on this topic. The research findings were published in 1982 and represent the first comprehensive picture of the Italian 'poor' since 1951(48). Sarpellon's investigation focussed on 'relative' rather than 'absolute' poverty, as defined by the international standard of poverty line, and measured at two points in time, 1973 and 1978(49). In order to take into account the large disparities of consumption patterns and living conditions between North and South, Sarpellon and his colleagues decided to draw two different poverty lines: a 'destitution' line (miseria) and a higher 'in need' line (indigenza). On the basis of these two lines, they arrived at three estimates of the poor population: a minimum estimate, comprising all families under the 'destitution' line (1,625,000 families, or 9.4 percent of all Italian families); a maximum estimate, comprising all families under the 'in need' line (3,626,000, or 20.4 percent of all families); and an intermediate

(and probably more realistic) estimate, comprising all 'destitute' families plus those living 'in need' in the North and Centre of the country (2,593,000, or 15 percent of all families). As in 1951, poor families still tended to be massively concentrated in the South (Table 12).

Table 12: Poverty in Italy, 1978

---

	No. of families in 1 000s			as % of all families		
	North/ Centre	South	Total	North/ Centre	South	Total
Destitution	621	1 004	1 625	5.3	18.0	9.4
In need	968	1 033	2 001	8.2	18.6	11.5

Table 13 gives the most interesting findings as regards the main factors of poverty and its territorial distribution.

Table 13: Factors of poverty(a), % distribution of poor families

Poverty due to:	No of family members					Total
	1	2	3	4-5	6+	
(1) Insufficient market income						
- Centre/North	1.1	8.0	16.1	24.4	5.6	55.2
- South	1.1	7.3	10.5	26.9	14.2	60.0
(2) Unemployment						
- Centre/North	-	0.3	0.5	0.4	-	1.2
- South	-	0.4	0.4	0.6	0.6	2.0
(3) Low pensions						
- Centre/North	19.2	21.6	1.0	0.9	-	43.6
- South	14.6	19.0	3.0	1.0	0.4	38.0
In Total						
- Centre/North	20.3	29.9	18.5	26.7	5.6	100.0
- South	15.7	26.7	13.9	28.5	15.2	100.0

(a) Data only refer to destitute families

The table groups poor families according to the employment condition of its members. Group (1) comprises all poor families with at least one gainfully employed member: this is by far the largest group and its poverty is due to the inadequacy of (the) market income(s) earned by these members. Group (2) comprises all poor families whose active members were in search of a job (at the moment of the survey): these families do not earn market incomes

and probably survive as a result of assistance payments and subsistence activities. Poverty due to lack of work of all family members is relatively limited. Group (3) finally comprises all poor families with only economically inactive members: in this case poverty is mainly due to inadequacy of the pensions.

The breakdown of the aggregate figures by family size and geographical area allows us to single out some important differences. In the North and Centre, there are a greater number of small size families (one or two members), living on a low (social or minimum) pension: in this case poverty, the effect of widowhood, old age and invalidity in an industrial and probably urban environment. Conversely, in the South there are a greater number of large families, earning a market income which is insufficient to guarantee a relatively decent standard of living. Under these circumstances poverty is primarily the effect of the scarcity of work opportunities and the inadequacy of market remunerations (especially in the 'irregular' and black sectors)(50).

The income maintenance system bears a heavy responsibility with respect to the persistence of poverty. Social and minimum pensions are unable to guarantee a decent standard of living when they are the sole source of family income, and the same applies for full employment benefits and assistance payments. The high frequency of poverty among large families indicates moreover that the existing system of family allowances is not adequate to satisfactorily compensate the 'risk' of family dependents, especially where labour

market conditions are backward or depressed.

In addition to 'vertical' or economic poverty, new forms of 'horizontal' poverty have emerged. Censis and Sarpellon have documented serious disparities in living standards and life chances as a result of the geographical distribution and organization of services, together with changes in the social and human environment. The main contrasts are between large and medium or small urban concentrations, and secondly between urban and rural areas. This contrast ~~is~~ consists of several factors, of which housing conditions is the most significant: the availability, price, size and quality of housing is worse (and still deteriorating) in metropolitan than it is in rural areas. In large cities the availability of reasonable housing and the frequently excessive prices of such housing constitute an acute problem, especially for low-income and young families.

In the Censis survey the provision of virtually all publically provided amenities (water, electricity, transport, health services etc.), varies between areas of high and low population density/urban and rural.

Poverty, although still widespread, and 'rediscovered' by social research, does not occupy a top position in the political agenda. According to Sarpellon, the financial resources necessary to lift all poor families above the poverty line would amount to around 1 percent of GDP (at 1978 prices). In institutional terms, the best instrument to fight poverty would be (again, according to

Sarpellon), a gradual reform of income maintenance directed towards the establishment of a guaranteed social minimum. However, neither the present political nor the economic climate offer much prospect of such a programme.

### 3 The record on inequality

Empirical evidence regarding the extent and distribution of inequality within Italian society is rather limited, and very little is known about the redistributive effectiveness of social policies.

Table 14 reports the available evidence on the distribution of post-tax household incomes for selected points in time, contrasting three different strata(51). With respect to the initial situation, an overall (if slight) improvement of distribution can be observed: the top 10 percent seems to have lost ground (-4 percentage points), while the lower 60 percent seems to have obtained the highest relative gain (+2.4 percentage points). The years 1948-1958 and 1968-1978 stand out as the periods with the greatest redistribution.

It would be impossible to clearly sort out the determinants of these relative modifications, especially as their empirical basis is already uncertain(52). We can, however, say at least a few words on the change of inequalities in terms of wages and salaries, and in terms of pensions.

Table 14: The distribution of post<sup>1</sup><sub>tax</sub> household incomes, 1948-1980

	1948	1958	1968	1978	1980
Top 10%					
- decile X	33.9	30.6	29.3	27.4	29.9
Middle 30%					
- deciles IX-VII	34.7	35.2	39.0	38.3	35.3
Lower 60%					
- deciles VI-I	31.4	34.1	31.7	34.3	33.8

At the level of factor distribution, the most relevant development in the postwar period has certainly been the increase of the employees's share of national income, which passed from 49 percent in 1950 to 67 percent in 1979. This suggests that wages' and salaries' inequality now constitutes a major part of total inequality. According to a famous piece of research carried out by Gorrieri at the beginning of the 1970s, the Italian wage system (especially as it had developed in the 1960s) was extremely fragmented and was to a great extent responsible for the reproduction and persistence of economic inequality(53). However, wage inequality has decreased during the 1970s, as a consequence of the egalitarian wage policy pursued by the trade unions and automatic indexations. Thus, there seems to be evidence of an increasing degree of equality, at least within the employees' sector(54).

Also on the expenditure side of the pension system there are a few elements pointing towards redistributive effectiveness. In fact, despite the link between earnings and pensions (which in principle tends to reproduce market inequalities), institutional regulations have increasingly directed the pension system towards 'vertical' redistribution, especially through the upgrading of

Table 15: The effects of indexation on pension levels, 1975-1981

	1975	1977	1979	1981
Pension levels	Absolute figures in lire			
Below minimum	50 000	68 000	84 400	91 200
Minimum	55 950	76 650	122 300	188 250
Above minimum	60 000	109 000	190 300	313 300
	200 000	265 400	367 000	504 200
	500 000	603 450	745 750	913 450
Index numbers (1975=100)				
Below minimum	100	137	169	182
Minimum	100	142	219	336
Above minimum	100	182	317	522
	100	133	184	252
	100	121	149	183
Cost of living index	100	137	178	249

minimum pensions and the introduction of social pensions. In addition, the indexation mechanisms introduced during the 1970s favour the lower level pensions (particularly those slightly above minima, as shown by Table 15).

The effects of social policies go well beyond the distribution of income and have a considerable effect on the non-economic aspects of inequality. Unfortunately there is virtually no empirical information on this topic.

The only empirical indications available refer to educational policies. Evaluation research carried out in this field seems to suggest the following conclusions:

- in spite of the massive expansion of educational resources and access, little progress has been made in reducing the influence



- of class backgrounds on school achievement, i.e. in equalizing educational opportunities for different socio-economic groups;
- compensation policies have failed to provide effective support to lower income pupils and students, and have instead had a regressive effect on redistribution(55).

The second point deserves closer examination. Compensation policies (under the form of tax exemptions, cash transfers, free travel and books, extra tuition etc.) became increasingly important in Italy during the 1960s and 1970s. According to a detailed study by Padoa Schioppa, they have not been effective(56). Most resources have in fact been spent at university level rather than at the level of compulsory education; benefits in kind (e.g. free books), have not concentrated selectively at lower income levels, but have been distributed according to universalistic criteria; cash transfers have been fully inadequate and, again, owing to a high income threshold, have also been granted to students who were not in need. In 1977 a Censis survey reported that over 20 percent of secondary school students dropped out of education due to financial difficulties(57). A recent study by Bernardi and Trivellato has confirmed that families in lower socio-economic classes are markedly underrepresented in the educational system, in terms of both access and resources(58).

#### 4 The disparity of treatments

As has already been stressed, the legislative framework governing the provision of welfare benefits is extremely fragmented. For

each standard risk there is a wide variety of schemes, with different regulations governing the structure of benefits, their financing and administration. The result of this situation is a marked disparity of treatments across sectors and categories, which has recently become one of the major indictments against the Italian social security system.

The simplification of structures and harmonization of schemes and regulations have long been central themes in the Italian debate on social policy. The D'Aragona Commission advocated changes in these directions as early as in 1947 and during the 1960s the CNEL repeatedly called for a comprehensive rationalization of the welfare system, to enhance both equity and efficiency. The reforms of the 1970s achieved some of these recommendations with the transfer of social services and assistance to local authorities and the establishment of the SSN. Equity of treatments - at least de jure - has now been fully achieved as regards these two important sectors. In the field of income maintenance (previdenza), however, little progress has been made, except for family allowances, which were fully equalized across sectors at the end of the 1970s: during the last decade the organization and coverage in this field have increased greatly, especially as a consequence of the introduction of various indexing mechanisms.

Some significant examples of 'unequal treatment' have already emerged in previous sections (e.g. the low contributions paid by the self-employed and the higher benefits for public employees). Given more specific references to institutional regulations, we can

briefly survey some of the major disparities and distortions, i.e. those which are the focus of the current discussion. Given its size and importance, the pension system bears the heaviest indictments, regarding the following factors(59):

- Pensionable age. The self-employed retire at the age of 65 (60 for women); private sector employees retire at 60 (55 for women), or after 35 years' contributions; public employees have practically no age threshold and are allowed to retire after 20 years' service (and in some cases after 14 or even 11 years as a result of some special privileges).
- The earnings-replacement rate. This is set at 80 percent after 40 years' contributions for dependent workers (general scheme). The same formula should apply, in general, to public employees: however, again as a result of various 'exceptions' and privileges, their pensions often amount to 100 percent of earnings after 40 years' service. The self-employed do not qualify for earnings-related pensions.
- Pensionable earnings. This is an important aspect, as earnings vary at different stages of one's career and at different paces in different careers. For private employees, pensionable earnings consist of the average earnings of the best five years, revalorised according to the cost of living index. For public employees, pensionable earnings are those of the last month of service. As shown by Castellino(60), the regulations for private

employees tend to favour careers which are most dynamic in terms of earnings towards their end - normally those of white-collar employees. As to public employees, their privileged position is evident: the last month's salary is very likely to be the possible highest of one's career (if only for indexation) and the practice in the public sector is often to grant a career advancement in proximity of retirement. It must be added that private employees have a ceiling on pensionable earnings, whereas there is no such ceiling for public employees.

- The cumulation of pensions and earnings. Pensions are temporarily discontinued or only paid at the minimum amount to retired private employees starting a new dependent occupation, whilst public employees are entitled to seek re-employment (for instance, in the private sector), without forfeiting their pension.
- The indexation mechanisms. There is little difference between sectors, but a serious contrast between minimum pensions, pensions which are slightly above the minimum, and higher pensions. Minimum pensions are indexed to the minimum contractual wage of the industrial sector (which is in turn indexed to the cost of living); for all other pensions, there is a mixed system of flat-rate adjustments determined by the wage indexation mechanism (scala mobile) and graduated adjustment, at a rate equal to the difference between the wage index and the cost of living index. As shown in Table 15 above, this system of indexation favours those pensions which are slightly above the

minimum. The rationale behind this complex and differentiated mechanism was the assumption that pensions slightly above the minimum were the most representative of a 'typical' working life of an Italian employee with a full contribution record, and that it was consequently 'fair' to guarantee stronger protection for these pensions. It is common conviction today, that the effects of such mechanisms during years of high inflation has gone well beyond the intentions of policy-makers in the mid-1970s, by under-protecting minimum pensions and flattening higher pensions.

All the issues discussed above are currently the subject of heated debate. A Study Commission established by the Ministry of the Treasury has recently produced a report, containing detailed proposals in order to eliminate unjustified privileges and harmonize legislation along the model of the general scheme of INPS(61). A draft bill is also under examination by parliament.

Although no proposal explicitly refers to 'acquired entitlements', but only to future ones, there is strong opposition to reform by the categories involved (especially public employees and the self-employed). Given the great economic interest at stake and the change of the economic climate in the 1980s, the reform of the pension system will certainly prove more difficult to achieve than the health reform of the late 1970s.

In addition to the pension system, unemployment insurance is characterized by marked disparities of treatment, which heavily

discriminate between 'types' of risk (full versus partial or temporary unemployment), and between sectors (industry versus agriculture).

As the institutional synopsis in the appendix volume illustrates in detail, the degree of economic compensation granted to various typical cases of unemployment displays a great range of variation. Limiting ourselves to extreme cases, 'full' unemployment (i.e. that resulting from cessation of the employment contract) is reimbursed with a low flat-rate benefit (equal to some 6 percent of the average net industrial wage at the end of the 1970s) for a duration of six months, whilst 'temporary' unemployment (i.e. that resulting from the suspension of the employment contract), is normally compensated, in the industrial sector, with earnings-replacement benefits, amounting to 80-90 percent of previous earnings, for a duration of up to several years. It must be noted that obtaining a given benefit is not only a consequence of the occupational sector to which a worker belongs, but also of the bargaining power of its unions.

This high fragmentation of provisions has recently come under attack and a number of proposals for harmonization are awaiting to be reviewed by parliament. In the political debate (especially on the side of the trade unions and left parties), the idea of a radical reform is gaining increasing ground, i.e. the replacement of the existing system with a National Labour Service, with the task of an overall 'active' coordination of the labour market(62).

## 5 The differential access to welfare

The above section on the growth of the welfare clientele has shown that access to welfare schemes and programmes has greatly extended in the postwar period, gradually including all the active members and even some inactive members of the population. The reforms of the 1970s universalized access for health and social services. In the field of income maintenance, however, entitlements are still linked to occupational conditions and this causes a number of direct and indirect access differentials.

In the first place, some occupational categories have no access at all to some insurance schemes. Thus, the self-employed are excluded from unemployment and sickness (cash benefits) insurance, family allowances (except for farmers) and work injuries (except for artisans). This exclusion is often cited by the groups affected and their political spokesmen, in defence of their favourable contribution/benefit ratio.

Another important occupational category which remains totally outside social insurance is constituted by young people in search of a first job. This category is practically non-existent as regards the income maintenance system. Persons over the age of 18 no longer have the status of 'dependents' (receiving family allowances and covered by the head of the household's health insurance) and may only 'enter' the income maintenance system if they find 'regular' employment. During the transitional period, they have no entitlements: a situation which has created

resentments and problems, owing to increased youth unemployment.

Full access to income maintenance is thus only granted to employees. Even within this group, however, a subtle differentiation of access can be observed, resulting from the peculiar characteristics of the Italian labour market.

In order to gain full welfare entitlements, employees must fulfill the following preconditions: 1) be officially registered as members of the respective insurance schemes, and 2) have completed the required contribution period.

The fulfillment of these two preconditions is no easy task, given the character of the Italian labour market. Only 'regular' jobs allow this fulfillment, i.e. stable employment which is in accordance with the Compulsory Insurance and National Contract regulations (the so-called 'institutional' labour market). 'Regular' workers are immediately registered with the compulsory schemes, thus acquiring all the important welfare entitlements: sickness and maternity benefits, family allowances, access to the National Health Service (formerly health assistance), for themselves and their dependents. The 'regularity' of employment and consequently of the employee's contribution record leads to an earnings-related pension and minimizes the risk of unemployment; where unemployment does occur, it is normally of a partial or temporary nature and is compensated with earnings-related benefits.

The size of the 'institutional' labour market has expanded



significantly between 1950 and 1980, thus widening the access to full insurance entitlements. The supply of 'regular' jobs, however, has always been lower than the demand for employment: the Italian labour market thus includes large sectors of 'irregular' workers, i.e. active members of the labour force who have only occasional access to the 'institutional' labour market or remain segregated in the 'black' sectors of the economy. It is obviously difficult to quantify the size of the non-institutional, 'irregular' or 'black' sector. Studies carried out at the end of the 1970s have suggested a minimum estimate of 2,542,000 workers: (the maximum and most comprehensive estimate being approximately seven million people)(63). These workers have no or only limited access to welfare benefits. By definition, social insurance does not reach into the 'black' sector: only public assistance benefits are therefore available to 'black' workers in cases of extreme need. Occasional access to the institutional labour market confers welfare entitlements during the time of 'regular' employment; after the termination of employment workers are only entitled to a low unemployment subsidy for six months, after which time all entitlement expires.

Needless to say, an 'irregular' employment record does not allow an earnings-related pension to mature, and will only produce a minimum pension. This type of 'irregular' labour market is fairly extended in some sectors, such as agriculture and the building industry in underdeveloped areas, particularly in the South(64). Here unemployment and underemployment are high, and 'black' labour is widespread; 'regular' employment tends to be offered only on a

temporary basis (i.e. some days or months per year), given the seasonal character of production. Thus, the workers of these sectors may continuously fall in and out of the insurance system, and the benefits derived from it are set at minimum levels: ordinary full unemployment benefits, minimum (invalidity) pensions and, until the mid-1970s, only limited access to the health system.

It must be noted that the 'regular', ~~irregular~~<sup>different</sup> and 'black' sectors do not strictly correspond to three separate and distinct compartments of the labour force, but should rather be understood as 'typical' working situations, which tend to be more frequent in some areas, often with the same individual worker combining V 'regular' and 'black', or 'irregular' and 'black' employment(65). Moreover, the effects of these employment conditions on income security should be measured against the family situation: if at least one family member participates in the 'institutional' labour market, income losses of the other members in 'black' or 'irregular' occupations are less dramatic; in addition, these members may qualify as 'dependents', thus gaining family allowances and automatic access to the SSN.

Thus, due to the segmentation of the Italian labour market the social security system displays a dual character: it only grants full and 'strong' protection to a core group of workers, whilst providing merely 'weak' subsidization to peripheral or marginal groups of the labour force. In order to have a quantitative idea of this phenomenon, Table 16 gives some figures on the number of some typical 'weak' welfare benefits.

Table 16: Some typical 'weak' welfare benefits

	1970	1978
Invalidity pensions	3 415 000	5 355 000
Social pensions	766 000	801 000
Full unemployment benefits	1 540 627	1 913 467
of which:		
- agriculture	845 112	1 301 520
- other sectors	695 515	611 947

This dualism of income maintenance is one of the major structural problems of the Italian welfare state, and the current economic crisis has aggravated its effects. In the 'institutional' sector, social insurance regulations (especially those of the partial or temporary unemployment insurance) impose severe constraints on economic performance (for instance, discouraging and even preventing labour mobility and encouraging absenteeism). On the other hand, the crisis may leave a sizeable number of workers and families with inadequate income in the 'irregular' and 'black' sectors.

There is currently a debate on how to homogenize the system. This would obviously entail a redistribution of entitlements between 'strong' and 'weak' sectors of the labour force. The political

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6 Social policies and Southern underdevelopment: has there been redistribution?

Redressing the balance between an advanced North and an underdeveloped South has always been one of the major preoccupations of Italian social and economic policies. The way in which the state has brought about a redistribution of resources and its extent is a major research question for students of the Italian welfare state.

Although systematic historical analyses of geographical redistribution are lacking, empirical evidence collected during the 1970s suggests that in the aggregate the public sector produces a transfer of resources from North to South(66). Table 17 gives a geographical breakdown of general revenues and expenditure by major areas. As may be seen, the overall balance is highly favourable to the South and the Islands. The same pattern and redistribution characterizes the social security sector (Table 18). It should be noted, however, that 'per capita social security benefits tend to be

lower in the South. This is basically the consequence of the dual character of the Italian income maintenance system described above. Given the depressed conditions of the labour market, Southern workers and pensioners only manage to obtain 'weak' welfare entitlements.

Table 17: General revenues and expenditure by major geographical area, 1973

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	in 1 000 lire per capita			as % of GDP of respective area		
	Revenues	Expend.	Balance	Revenues	Expend.	Balance
North West	678	626	52	40.0	37.0	3.0
North East	487	618	-131	33.9	43.1	-9.1
Centre	523	679	-156	37.0	48.1	-11.0
South	276	549	-272	27.9	59.1	-29.0
Islands	303	644	-341	30.6	65.1	-34.3
Italy	477	619	-142	35.8	46.4	-10.6

Table 18: Revenues & expenditure of all social security funds, 1973

	in 1 000 lire per capita			as % of GDP of respective area		
	Contrib.	Expend.	Balance	Contrib.	Expend.	Balance
North West	243	242	1	14.3	14.2	0.1
North East	178	211	-33	12.4	14.7	-2.3
Centre	175	207	-32	12.4	14.7	-2.3
South	105	165	-60	11.3	17.7	-6.4
Islands	114	169	-55	11.5	17.0	-5.5
Italy	171	203	-33	12.8	15.2	-2.4

The following tables illustrate this phenomenon for unemployment and pension benefits. Table 19 gives the geographical distribution of unemployment benefits in the industrial and agricultural sectors, standardized for the size of the respective occupational groups. In the industrial sector, differences between North and South are not outstanding. In agriculture, however, they are quite marked: in the South and the islands there is a widespread use of flat-rate benefits, owing to the large size of the 'irregular' sector and a relatively small diffusion of earnings-replacement benefits, characteristic of 'regular' employment situations; in Northern areas, the opposite is true. This contrast represents a typical example of the differentiated response of the income maintenance system to the occupational problems of North and South.

Table 19: Unemployment benefits by type and geographical area, 1978

	Full unemp. benefits (flat-rate)(a)		Temp./partial benefits (earnings-related)(b)		Active workers (in 1 000s)	
	Industry	Agric.	Industry	Agric.	Industry	Agric.
North						
West	2.3	3.7	37.9	75.9	3 034	441
North						
East	3.0	19.8	45.5	609.6	1 607	579
Centre	2.1	15.9	37.7	579.4	1 353	439
South	3.4	63.8	56.5	51.9	1 129	1 169
Islands	4.3	77.0	42.3	121.6	509	460
Italy	2.9	42.0	42.5	245.1	7 632	3 088

(a) No. of cases compensated within the year as percentage of active workers in the sector.

(b) No. of worked hours (industry) or worked days (agriculture) compensated within the year per 100 active workers.

One can also observe a marked contrast between North and South in terms of pension expenditure per capita. As Table 20 shows, this is due to the combination of various factors. In the first place, there are variations in the demographic structure: in the North and Centre there are more elderly people than in the South and the islands. Secondly, in the North and Centre there are an overproportionate number of benefits in comparison with the South (but not the islands), thus indicating that access to the pension system is wider.

Finally, on average the level of benefits tends to be lower in the South. This is largely a consequence of the type of pensions predominating in this area. As seen in Table 21, the relative share of old age pensions (a relatively 'strong' benefit, typical of the 'institutional' labour market) decreases to the advantage of invalidity pensions (a 'weaker' benefit typical of the 'irregular' sector, with high unemployment) as one moves from North to South. Social pensions (another typical 'weak' subsidy), are also higher in the South and the islands.

These data show that the pension system in the South tends to provide only weak subsidization: it certainly plays an important role (at times even crucial) in maintaining the income of the Southern population (or just keeping it above subsistence), but pays lower benefits than in the North and Centre.

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Table 20: Pension expenditure and its components by geographical area, 1977

	pension exp. per capita of total pop.(a)	pop. 60+ as % of total pop.	pension(er)s as % of total pop.	average pension(a)	GDP per capita(a)
North West	440	18.4	28.5	1 551	4 449
North East	427	18.8	28.9	1 477	3 846
Centre	483	18.3	28.4	1 699	3 378
South	292	14.6	21.7	1 342	2 245
Islands	376	15.8	24.8	1 517	2 253
Italy	404	17.3	26.5	1 523	3 357

(a) Lire in thousands, annual amounts

Table 21: Pensions by type and geographical area

	North West	North East	Centre	South	Islands	Italy
	%	%	%	%	%	%
Old age	40.0	33.0	22.5	19.8	17.2	28.6
Invalidity	24.3	31.2	37.5	47.4	43.9	35.0
Survivors'	18.9	15.7	12.6	13.2	13.5	15.3
Social	4.9	4.2	6.0	6.6	8.1	5.6
State	12.0	16.0	21.5	13.1	17.4	15.5
Total	100	100	100	100	100	100

As the per capita GDP figures reveal (Table 20), the gap between North and South still exists, and continues to represent a major policy problem. The 'subsidizing' role of transfer policies is frequently criticized as being responsible for the reproduction of socio-economic backwardness in the South. Certainly, a sprinkling of subsidies just above subsistence levels cannot be expected to exert a dynamizing effect on the economic and social structure. The real failure to arrest Southern underdevelopment, however, should be attributed to economic policies rather than social policies. Despite repeated ad hoc interventions, mobilizing sizeable amounts of resources, the former have in fact been unable to 'trickle down' economic development, thus leaving social policy a vacuum to fill.

## VI CORRELATES AND CAUSES

### 1 The impact of demographic changes

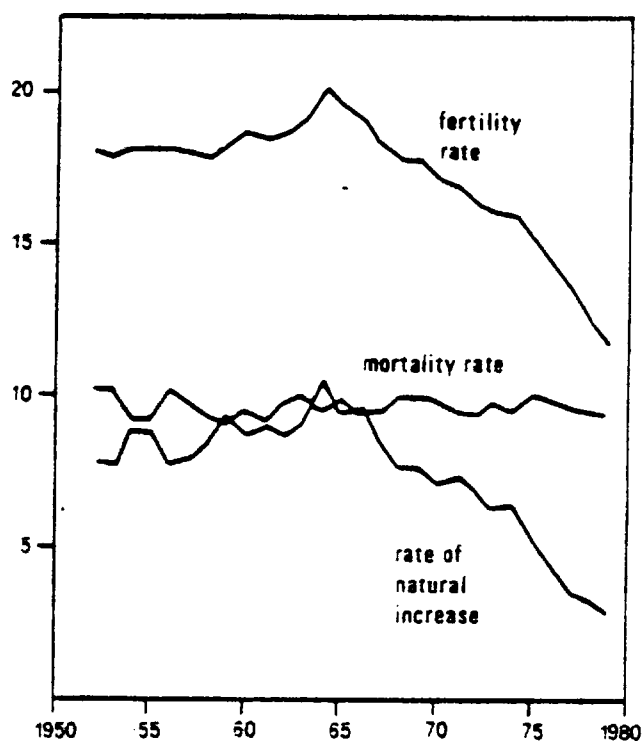
As in most industrialized countries, in the postwar period the Italian demographic structure has undergone significant changes(67). Rather than a single and uniform trend, two distinct periods can be observed: the first includes the 1950s and the first half of the 1960s, and is characterized by an increasing population growth and increasing fertility and marriage rates; the second period, starting from the the mid-1960s, is characterized by a rapid inversion of these trends.

The rate of natural increase of the population averaged 8.5 percent per annum in the period 1952-1964. Since the mid-1960s, however, this rate has started to decline rapidly, reaching 2.3 percent in 1979, thus indicating a trend towards zero growth or even a contraction for the near future. Given the near stability of the mortality rate, this trend must be primarily imputed to the fertility rate, which tended to increase until the mid-1960s and has been constantly falling thereafter (Graph 23).

The age structure of the population has witnessed a gradual and considerable increase of older age groups (over 60) and a relative decline of younger ones (Table 22). In addition to the decline of the fertility rate, this change of the age structure is also partly a result of the increase of average life expectancy. In 1950-1953,

Graph 23

Mortality and fertility  
(deaths and births per 1000 inhabitants)



this averaged 65.5 at birth and 16.8 at the age of 60; in 1974-1977 the corresponding values had risen to 72.8 and 18.5 respectively. As a consequence of these changes, the dependency ratio (i.e. the proportion of predominantly inactive age groups vis-a-vis active ones) has passed from 62.1 in 1951 to 69.5 in 1971. The decline between 1971 and 1981 reflects the changing trend of fertility, but it is also contingent upon entry into old age of the thin age groups born in the 1915-1918 period.

Table 22: Changes in the age structure of the Italian population

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Age group	1951	1961	1971	1981
0-14	26.1	24.5	24.4	21.6
15-59	61.7	61.6	59.0	61.0
60+	12.2	13.9	16.6	17.4
Dependency ratio				
60+ and 0-14/15-59	62.1	62.3	69.5	64.0

Important changes have also characterized the family structure. Marriage rates remained fairly stable throughout the 1950s and 1960s (around the value of 7.5 weddings per 1,000 inhabitants) but have tended to decline during the 1970s (1978 = 5.9). The average

members per family have also steadily declined, passing from 4.0 in 1951 to 3.3 in 1971 and 3.0 in 1981. Family units have tended to become smaller not only due to the lower number of children, but also due to the increase in the number of one-member or two-member families, which passed respectively from 12.9 percent and 22.0 percent of the total number of families in 1971 to 17.9 percent and 23.8 percent in 1981. The majority of these families consist of old people living alone. A series of indicators seem moreover to point towards a higher instability of the traditional family, as revealed by the increase of illegitimate births and legal separations (the first step towards attaining a divorce) (Table 23).

Table 23: Illegitimate births and legal separations

	1961	1971	1981
Illegitimate			
births(a)	2.4	2.3	3.9
Legal			
separations(b)	9.6	21.8	45.6

(a) Per 100 births.

(b) Per 100,000 inhabitants.

These changes must be taken into serious consideration in order to explain the growth of social expenditure. Thus the modification of the age structure has had an immediate repercussion on some types of transfer expenditure such as pensions and family allowances: in these cases benefit entitlement is tied directly to age. The baby boom of the 1950s and early 1960s contributed to the expansion of education during these periods, while the generalized 'ageing' of the population has increased the burden on the health system, given the J curve shape of the demand for health of the various age groups(68).

In addition to<sup>this,</sup> changes in the size and composition of the family have certainly exerted [a less direct, but nonetheless important] effect on social expenditure, especially if looked at against the background of the changing pattern of sexual roles and division of labour. The decline of the extended family and of kinship networks - the parentela, a very important trait of the traditional Italian society(69) - have brought about serious structural problems especially as regards the care of the elderly and children: the introduction of social pensions in 1969 and the reform of the assistance sector in the 1970s can be partially seen as responses to these newly emerged problems.

Although intuitively relevant, the specific impact of demographic changes on social expenditure growth cannot be easily determined, since these changes often require the mediation of political factors to actually effect policies (e.g. the introduction of new types of benefits or of special services for the elderly etc.).

We can, however, try to isolate the impact of demographic factors on a type of expenditure which is most typically and immediately affected by them, i.e. that for old age pensions: an increase in the number of old people produces an 'automatic' expansion of benefits, other things being equal.

Following a method first developed by the OECD studies on resource allocation(70), Graphs 24 and 25 report the evolution of pension expenditure (expressed as percentage of GDP) and its components: the demographic ratio (i.e. the percentage of people aged 60 or above with respect to total population); the eligibility ratio (i.e. the percentage of beneficiaries with respect to old people); and the transfer ratio (i.e. the average benefit as a percentage of GDP per capita).

As shown in Graphs 24 and 25, the expenditure ratio witnessed a massive growth, passing from some 0.7 percent of GDP in 1951 to 4.1 percent in 1978. The demographic ratio was characterized by a linear growth, thus showing an expansion of the potential demand for pensions. The eligibility ratio had an even more dynamic evolution, more than doubling in the period under review. Finally, the transfer ratio was marked by an oscillatory trend, which appears ascending in the aggregate: it passed from 24 percent of GDP per capita in 1951 to 49 percent in 1978.

In order to facilitate comparisons, Graph 25 expresses the various ratios as index numbers. A simultaneous reading of the curves allows us to identify a number of phases characterized by a



different combination of the various components. Table 24 attempts a periodization of growth: for each phase, the growth of the GDP share of expenditure is reported (in percentage points) and

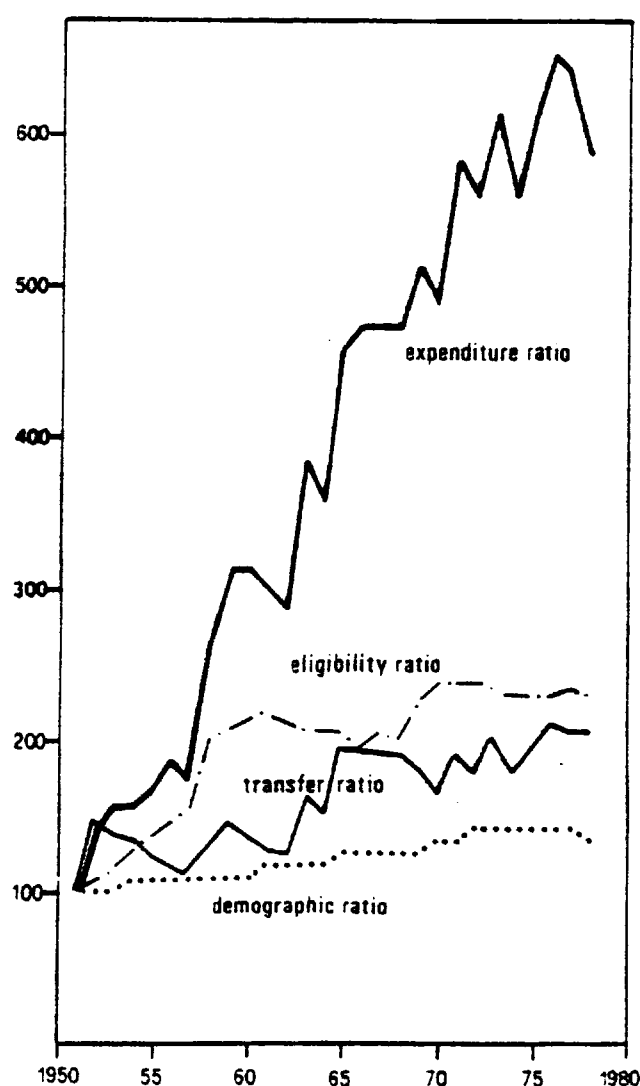
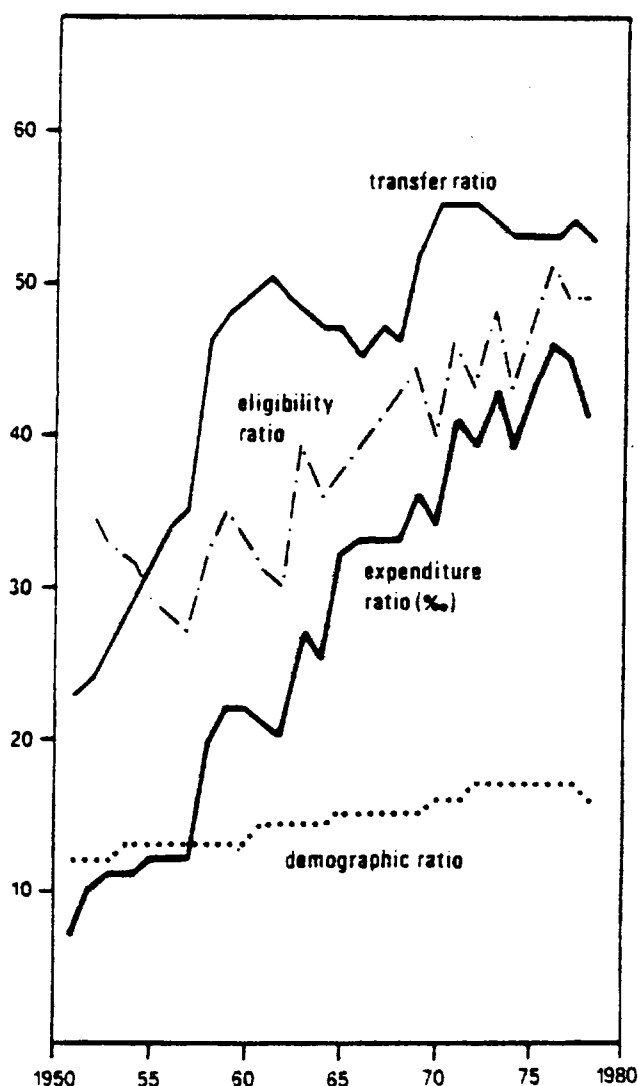
Graph 24

Components of expenditure on pensions

Graph 25

ratios (% or ‰)

index numbers (1951=100)



disaggregated in three components, reflecting the independent effect of demographic, eligibility and transfer changes.

Table 24 The growth of expenditure on old age pensions and its components

Phases	Change in % share of GDP	Due to(a)		
		Demographic change	Eligibility change	Transfer change
1952-1957	0.18	0.04	0.40	-0.28
1958-1959	0.99	0.02	0.46	0.42
1960-1962	-0.17	0.15	0.04	-0.34
1963-1966	1.23	0.26	-0.20	1.17
1967-1970	0.15	0.12	0.68	-0.60
1971-1976	1.13	0.24	-0.15	1.03
1977-1978	-0.40	-0.16	-0.02	-0.23
1952-1978	3.11	0.67	1.25	1.17
%	100.0	21.5	40.2	37.6

(a) Because of the interactions not included here, the three components do not add up to the total change in percentage share of GDP.

We will now give a more detailed illustration of the various stages. Our analysis starts in 1952, when the first important reform was introduced, improving the pension formula and establishing pension minima. As shown in Graph 25, the average benefit increased sharply as a result of this reform. In the 1952-1957 period, the expenditure ratio only grew by a modest 0.18 percent; Table 24 reveals that this growth is almost entirely attributable to the increase in the number of beneficiaries; the demographic effect is negligible and the average pension even decreased, as most of the newly granted benefits were minimum pensions.

The second period covers only two years, but it is important to isolate them given the great increase in the expenditure ratio (almost 1 percentage point with respect to GDP). In this case, growth resulted from the combined effect of increases in eligibility and the rise in benefit levels. In fact, at the end of 1957 the membership of the pension system was opened up to the agricultural self-employed, and to artisans in 1959 (immediately blanketing-in the people above the age threshold); in 1958 and 1959 minima were in their turn substantially revised.

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A third phase began in 1960, characterized by a relative decline of

the expenditure ratio, resulting from a considerable decrease of the average benefit. This was not the product of a deliberate decision, but rather of a 'non decision', i.e. the failure to revise minima to keep pace with the continual increases in the standard of living. No significant change occurred in terms of eligibility, while demographic factors started to exert a tangible effect on expenditure.

Between 1963 and 1966 expenditure boomed again. Growth resulted from the considerable increase in the number of elderly as well as from the improvement of the average benefit (minima were upgraded again in 1962 and 1965). It is interesting to note that eligibility decreased in this period, indicating that the pension system was unable to absorb the growing number of old people: many categories still remained in fact excluded from access to the system (most notably traders and, more generally, all those with an irregular employment or contribution record).

The situation changed in the subsequent period. The extension of coverage to traders in 1967 and the introduction of social pensions in 1969 greatly opened the pension system and this immediately reflected itself on expenditure levels. Demographic changes continued to exercise their effect but the average benefit decreased. This may be surprising, given that minima were again revised in 1968 and 1969, in the context of a reform which greatly improved the pension formula. However, the low level of social pensions 'pulled down' the average, so that the aggregate impact of transfer changes during this period turned out to be 'negative'.

A new phase started in 1971, characterized by an oscillating growth of expenditure. This resulted primarily from the improvement of the average benefit, due to the effects of the 1969 reform and especially of the cost of living indexation which started to operate in 1971. The increase of older age groups also explains this growth to some extent. Conversely, eligibility is marked by a slight decline, which is probably connected with the parallel 'explosion' of invalidity pensions which occurred in those years (i.e. with the fact that a growing share of old people were granted invalidity rather than old age pensions).

In the last two years, the combined decline of transfer and demographic ratios produced a visible (but certainly temporary) shrinkage of expenditure levels.

As Table 24 shows, in the aggregate period demographic factors account for 21.5 percent of the growth of pension expenditure, whilst eligibility changes account for 40.2 percent and improvements of the average benefit for 37.6 percent.

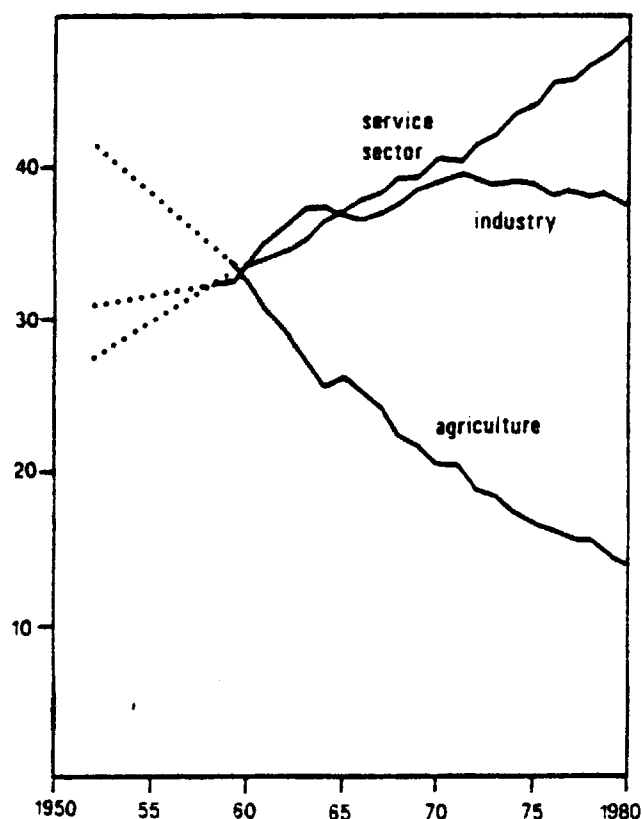
## 2 The modifications of the labour force and the increasing costs of unemployment

Demographic changes have been paralleled by dramatic modifications of the employment structure. At the beginning of the 1950s, Italy was to a large extent still an agrarian country. The agricultural

sector employed the majority of the active population, with a high number of small self-employed farmers (Graph 26)(71). By 1960, however, the industrial labour force had imposed itself as the predominant occupational group and since the mid-1960s this role has been taken up by the tertiary sector, which has been constantly and rapidly growing throughout the 1970s, getting closer to the 'post-industrial' threshold of 50 percent. Largely as a consequence of the growth of industrial and tertiary occupations, the mass of employees has steadily increased within the total labour force, passing from 44.7 percent in 1952 to 66.2 percent in 1980. It must however be noted that the number of self-employed is still quite high in Italy by international standards (26 percent of the labour force in 1980).

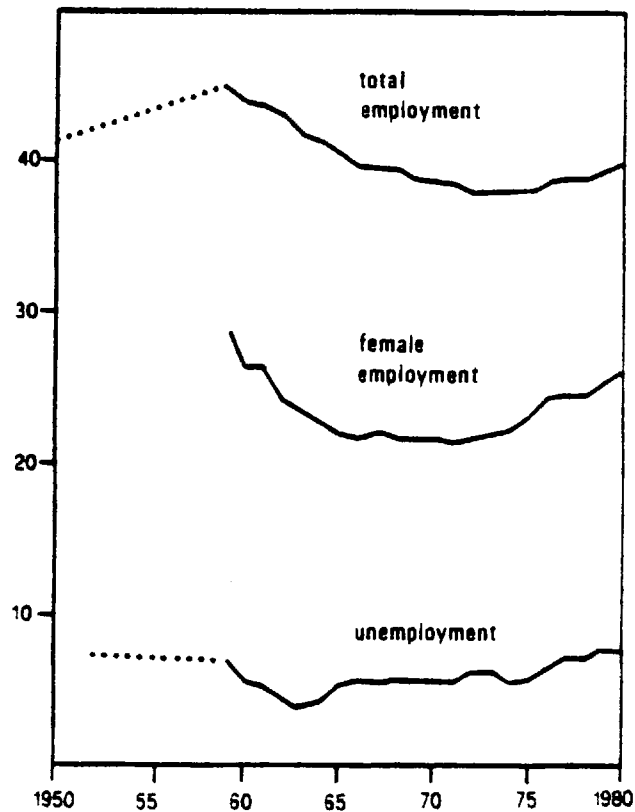
Graph 26

Sectoral composition of labour force  
percent distribution



Graph 27

Employment and unemployment rates  
percentages



This rapid sectoral modification of the employment structure has been accompanied by significant changes in the overall activity rate, which increased during the 1950s, but underwent a steady decline thereafter - at least until the early 1970s (Graph 27).

This decline is partly in contrast with the European trend, and is  $\sqrt{\text{mainly}}$  a reflection of the growth of the 'hidden economy'. As numerous studies have illustrated, the massive transfer from agriculture to the industrial and tertiary sectors has resulted in the statistical 'disappearance' of a large number of marginal workers (especially women) into the parallel ('black' or 'irregular') economy(72): the inclusion of the parallel sector would raise the official activity rate by some 4-5 percentage points during the 1970s. This hypothesis is also supported by the

declining trend of women's activity rates. To some extent, this phenomenon may be attributed to the general improvement of economic conditions and to urbanization, which have allowed (and pushed) an increasing number of women to stay at home; to another extent, however, it probably reflects the transformation of marginal female workers registered in agriculture into unregistered workers of the 'hidden' industrial sector(73). It must however be added that women's participation to the labour market changed dramatically during the 1960s and 1970s: in 1959 the proportion of female employees amounted to 27.4 percent of total employees, whereas this proportion had risen to 31.8 percent in 1980 (32.2 and 55.1 respectively for the tertiary sector alone).

At the beginning of the 1950s unemployment was both massive and widespread, but declined constantly during the economic boom until 1963. During the mid-1960s and early 1970s it tended to rise, and has been increasing constantly since 1974. During the last fifteen years, the internal composition of the unemployed has undergone a great change. The number of 'typical' unemployed (i.e. formerly employed workers seeking another job) have in fact constantly declined in both relative and absolute terms, whilst the bulk of the unemployed is now made up of young people in search of a first job or by non-employed people (e.g. housewives, students, pensioners) seeking work. The latter two categories constituted 85.7 percent of total unemployment figures in 1980. The decline of 'typical' unemployment despite the economic crisis of the latest period may appear surprising. However, it should be noted that the growing rigidity of the institutional labour market has made



dismissals very difficult, thus 'freezing' a large number of potentially unemployed workers in their jobs and subsidizing them through the Cassa Integrazione (see the Institutional Synopsis). A precise estimate of the size of the unemployed population in Italy should therefore undergo a twofold correction, to take account of both 'hidden' and 'frozen' employment(74).

All these changes in the employment structure have greatly effected the growth of social expenditure. The shift from agriculture to the industrial and tertiary sectors and the expansion of employees have in fact put heavier burdens on the Italian social security system in a number of ways. With respect to the self employed, employees enjoy in fact wider entitlements (e.g. to family allowances and sickness/maternity cash benefits). In the industrial and tertiary sectors, moreover, welfare entitlements have tended to be introduced at an earlier stage than in the agricultural sector, and normally with more favourable formulas or flat-rate levels, as in the case of unemployment benefits, sickness and maternity cash benefits and family allowances (Tables 3 and 4 above). Finally, industrial and tertiary workers have tended to enjoy a greater degree of job security (most notably during the 1970s): this has in turn meant a greater stability and a wider use of welfare entitlements.

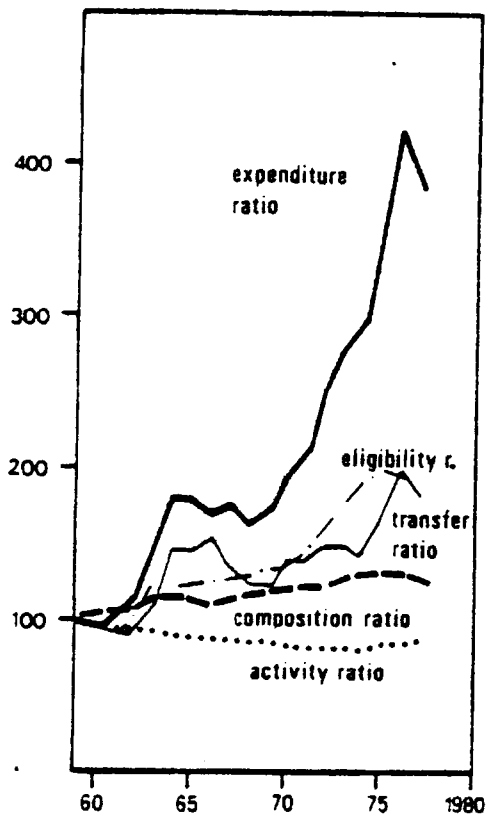
We can attempt to illustrate some of these relationships in more detail by examining the growth of expenditure on sickness, maternity and full unemployment benefits in the 1959-1977 or 1978 period, with a method similar to that used for pensions.

Sickness/maternity and unemployment expenditure, expressed as a ratio to GDP (expenditure ratio) can be considered as the result of four distinct components: an activity ratio (i.e. the proportion of active within total population); a composition ratio (i.e. the proportion of the respective target occupational group within the active population: all employees in the case of sickness, female employees in the case of maternity, the unemployed in the case of unemployment); an eligibility ratio (i.e. the proportion of benefits/beneficiaries within the target population); and finally a transfer ratio (i.e. the average benefit, expressed as a percentage of GDP per capita)(75).

Graph 28 gives the evolution of the relevant ratios for sickness cash benefits in the form of index numbers. As shown, the expenditure ratio grew in 1960-1964, declined between 1965 and 1968 and then increased sharply again during the 1970s(76). The decline of the activity ratio exerted a negative pull on expenditure until the mid-1970s; conversely, the growing share of employees positively contributed to it. The eligibility ratio displays a constantly upward trend, particularly rapid during the 1970s. Since no significant change has taken place during this period in either coverage or morbidity rate, this growth reflects the increasing 'use' of this type of benefits on the side of employees, resulting from the introduction of wage continuation and from a greater degree of job security in general(77). Finally, the transfer ratio displays an oscillatory upward trend. The sharp increase in the early 1960s reflects the extension of earnings-replacement benefits to the agricultural sector (1963);

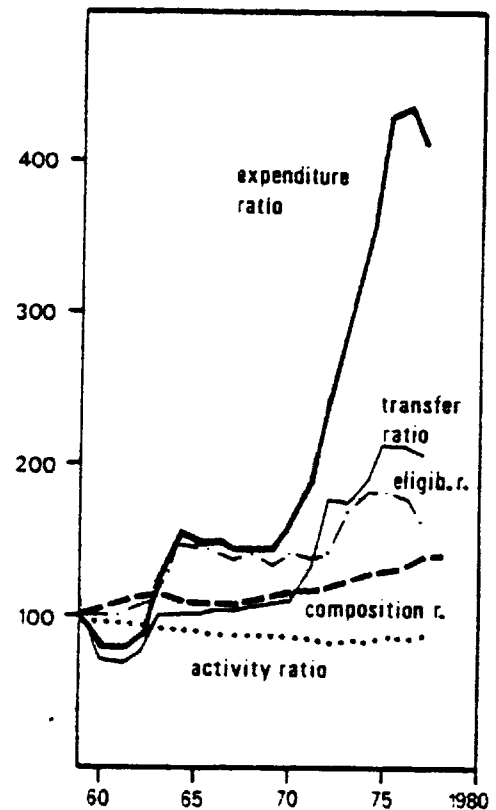
Graph 28

Components of expenditure  
on sickness cash benefits  
index numbers (1959 = 100)



Graph 29

Components of expenditure  
on maternity cash benefits  
index numbers (1959 = 100)



the subsequent oscillations, however, are not the result of institutional modifications (regulations remained in fact unaltered), but rather reflect the trend of the average wage with respect to per capita GDP: if benefits are earnings-related, their average amount is in fact largely a function of the average wage. Table 25 singles out different phases of growth. As may be seen, the increase of expenditure in the early 1960s is mainly explained

by the improvement of the transfer ratio and, to a lesser extent, of the eligibility and composition ratios. The decline between 1965 and 1968 was the result of the combined effect of activity and transfer changes, only partially counteracted by an increase of the composition and eligibility ratios. Finally, the rapid expenditure growth of 1969-1976 resulted from the combined positive effect of all (but especially the eligibility and transfer) ratios.

Table 25 The growth of expenditure on sickness cash benefits and its components, 1959-1977

Phases	Change in % share of GDP	Due to(a)			
		Activity change	Composition change	Eligibility change	Transfer change
1960-1964	+0.102	-0.011	+0.019	+0.021	+0.075
1965-1968	-0.020	-0.010	+0.001	+0.025	-0.030
1969-1976	+0.319	+0.003	+0.022	+0.122	+0.174
1977	-0.051	+0.006	+0.001	-0.013	-0.046
<hr/>					
1960-1977	+0.350	-0.012	+0.043	+0.155	+0.017

(a) See note to Table 24.

Graph 29 gives the evolution of the relevant ratios for maternity benefits. The expenditure, activity and composition ratios are characterized by a pattern similar to that of sickness benefits. The transfer ratio displays two sharp increases, in 1963 and 1972, which correspond neatly to the two major institutional improvements regarding this type of benefit, i.e. the increase of the flat-rate benefit for agricultural workers in 1963 and the improvement of benefits in 1972 (most notably the introduction of earnings replacement benefits for agricultural workers and the extension of benefit duration). These two institutional changes are also reflected in the evolution of the eligibility ratio: in fact, both provisions strengthened coverage requirements (and controls) for female employees. It should be noted that the number of beneficiaries is also (and obviously) affected in this case by the fertility rate. As we know, the latter has been rapidly declining since the mid-1960s, and this trend is reflected in the decline of the eligibility ratio seen before and after the effects of the 1972 provisions. Table 26 distinguishes the various phases of growth. As in the case of sickness benefits, eligibility and transfer changes tend to play a more important role in accounting for short-term expenditure variations. In the long-term, however, the expansion of female employees within the labour force appears as the second important factor of expenditure growth, in addition to the increase in average benefits.

Finally Graph 30 gives the evolution of the relevant ratios for full unemployment benefits. After a swift increase in 1961, the expenditure ratio underwent a constant decline during the 1960s and

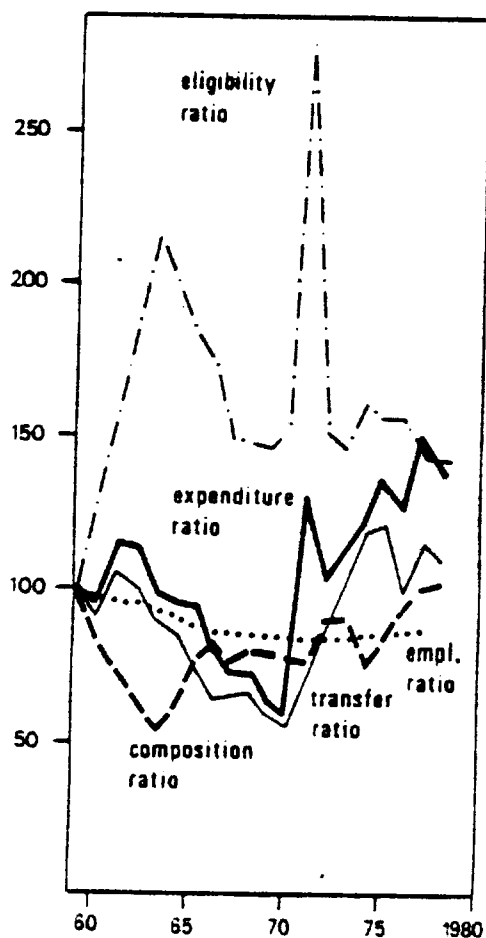
Table 26 The growth of expenditure on maternity benefits and its components, 1960-1977

Phase	Change in % share of GDP	Lab. force activity changes	Lab. force composition changes	Eligibility changes	Transfer changes
1960-1963	+0.021	-0.003	+0.003	+0.020	+0.002
1964-1969	-0.003	-0.036	+0.001	-0.005	+0.005
1970-1976	+0.114	-0.007	0.017	+0.028	+0.065
1977	-0.009	+0.002	+0.009	-0.016	-0.003
1960-1977	+0.123	-0.004	0.030	+0.027	+0.069

(a) See note to Table 24.

Graph 30

Components of expenditure  
on unemployment benefits  
index numbers (1959 = 100)



started to increase again rapidly, with some oscillations, during the 1970s. The eligibility ratio seems to follow an awkward pattern, which should be explained with reference to both institutional change and to unemployment, especially in the agricultural sector, as flat-rate allowances were mainly used to subsidize marginal workers in this sector. During the early 1960s total unemployment tended to decrease, but the number of unemployed marginal workers in agriculture entitled to insurance remained fairly constant, thus producing an increase of benefits per unemployed person. In the period 1964-1970, total unemployment grew again, but an increasingly large share of these unemployed were not entitled to insurance benefits, i.e. young people in search of a first job or marginal workers without the necessary contribution record. The increase in absolute numbers of unemployment benefits during this period was not proportionate to the increase in total unemployment, and this fact helps to explain the decline in the eligibility ratio. The rise in the eligibility ratio in 1971 is, in turn, the result of a precise institutional intervention, namely the relaxation in 1970 of contribution requirements in the agricultural sector. The decline of eligibility during the remainder of the 1970s is largely explained, again, by the rapid growth of youth unemployment and of other categories of unemployed not entitled to benefits (e.g. housewives, students, etc.). Finally, the trend of the transfer ratio closely reflects institutional changes, i.e. the rise of benefit levels in 1960, 1966 and 1974 in addition to the introduction of special earnings-related benefits in 1971-1972, and 1977.

Table 27 singles out the distinct phases of growth and the relative weight of the various ratios. In the aggregate, changes in eligibility and unemployment ratios appear as the most relevant growth factors. It is interesting to note that during the 1970s the 'potential' effects of rising unemployment on expenditure levels are completely cancelled out by the closure of eligibility vis-a-vis the increasing number of young unemployed and non-employed looking for work. It should also be noted that the expenditure considered here is only a part of total unemployment expenditure, and that a vast amount of resources has in fact been spent on partial and temporary unemployment, which does not appear in official statistics.

Table 27 The growth of expenditure on full unemployment benefits, 1959-1978

Phases	Change in % share of GDP	Due to(a)			
		Activity change	Unemployment change	Eligibility change	Transfer change
1960-1961	+0.032	-0.007	-0.051	+0.087	+0.014
1962-1970	-0.115	-0.021	+0.012	+0.026	-0.112
1971	+0.141	-0.000	-0.000	+0.093	+0.027
1972-1978	+0.017	+0.003	+0.089	-0.131	+0.115
1960-1978	+0.076	-0.025	+0.050	+0.075	+0.044

(a) See note to Table 24.



All these analyses demonstrate that the change of the socio-economic environment (and more particularly of the demographic and occupational structures), have had a significant influence on the growth of the Italian welfare state. It is true that in our operationalizations, socio-economic factors prove less helpful in explaining short-term, annual expenditure variations than institutional changes which improve the coverage or the amount of benefits. Nevertheless, socio-economic change takes place at a slow rate and it should not therefore be surprising that the effects of such change take time to manifest themselves.

### 3 The advantages and constraints of economic growth

In the first two decades after World War II the Italian economy underwent a process of remarkable growth - one of the highest in Europe. This growth rapidly enabled the country to gain a quite respectable position among the top industrialized powers and is commonly referred to as the economic miracle (miracolo economico). During the 1970s, however, Italy entered into a state of permanent crisis (one of the most serious among advanced countries), characterized by slower growth, rocketing inflation and

public deficits, balance of payments problems and high unemployment.

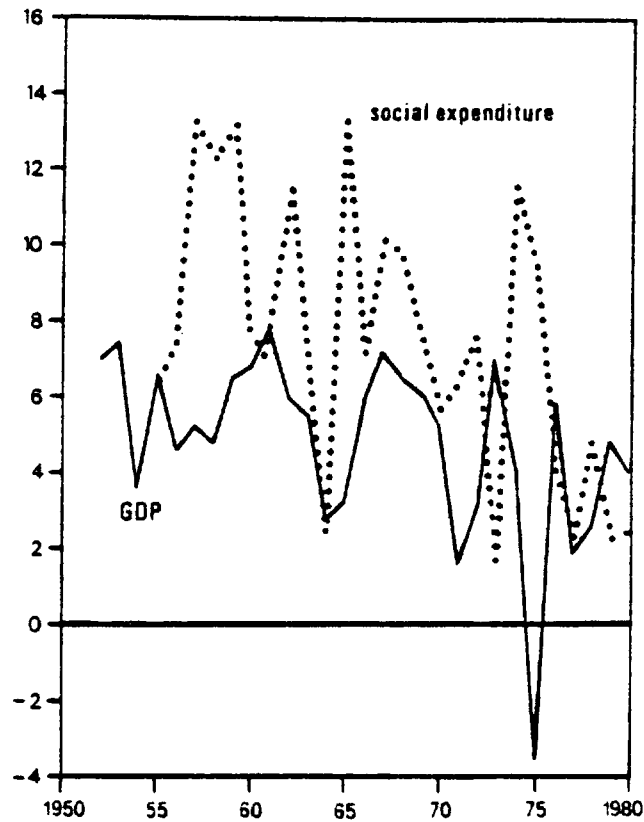
The start of the 'economic miracle' may be dated to around the mid-1950s. The reconstruction (ricostruzione) of the productive apparatus had been completed by 1950, accompanied by a policy of monetary stabilization and by some important steps to modernize the backward economic structure of the South, such as the agrarian reform and the establishment of the Fund for the South (Cassa per il Mezzogiorno), both in 1950. Aggregate economic growth boomed in the years 1955-1963 especially as a result of international trade and the penetration of foreign markets. Real annual growth rate averaged 6.0 percent during this period, reaching an unprecedented (and unparalleled) peak of 7.9 percent in 1961 (see Graph 31). This massive increase of output was accompanied by monetary stabilization and balance of payments equilibrium.

By the beginning of the 1960s, however, this situation was starting to change. There was a sharp increase in industrial conflicts in the period 1961-1962; prices became increasingly unstable and the balance of payments became negative. In 1963-1964 a policy of severe monetary restraint caused the first and marked deceleration of growth since 1950, with the growth rate falling to 2.8 percent in 1964 and 3.3 in 1965.

Starting from 1966, the economy accelerated again. The private industrial sector began a process of technological and financial rationalization; the public industrial sector was greatly

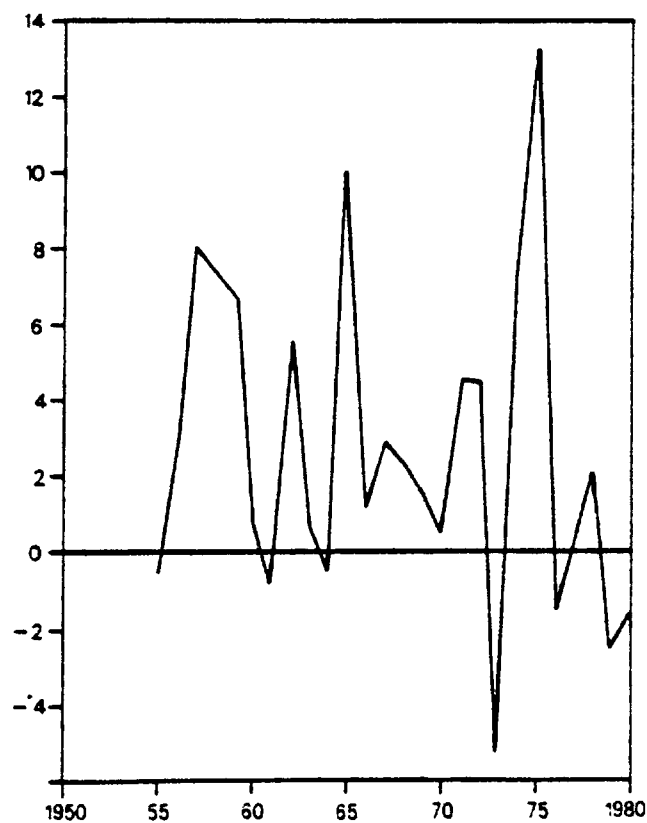
Graph 31

Real annual growth rates of GDP  
and total social expenditure



Graph 32

Annual differences between GDP and  
social expenditure growth rates



expanded, in the context of a 'Keynesian' economic policy oriented towards planning and moderate nationalization. However, this new expansion did not last long. In 1969 there was a climate of instability which was the result of both international and domestic factors (the crisis and subsequent collapse of the dollar standard, the increase of raw material prices, the 'hot autumn' of social conflicts). A new money 'squeeze' in 1970 provoked a marked downswing of growth in 1971 (1.6 percent). Throughout the rest of the 1970s, the pattern of growth was characterized by marked oscillations, with years of 'boom' (such as 1973 and 1976), and sudden decelerations (such as 1977), or even falls (such as 1975, when real output fell by 3.6 percent). This decade witnessed a mounting rate of inflation and an overall deterioration of the productive structure of the Italian economy. In the years 1977-1979 an attempt was made to recuperate economic stability by means of a policy of wage restraint and financial control. This policy, however, only proved effective in the short-term and the 1980s have again opened with worrying symptoms of instability.

In order to clarify the relationship between economic and social expenditure growth, we shall observe the concomitant variations of their real annual growth rates(79).

As Graph 31 shows, social expenditure has tended to grow at a faster rate than GDP. This was especially true during the 1950s and 1960s. In the period 1955-1969 the difference between the two growth rates (reported in Graph 32), averaged 3.2 percent, whilst it declined to 2.0 percent (0.8 excluding 1975) in the subsequent

years. We can see that the annual variations in the growth pattern for social expenditure do not closely follow those of GDP: however, the overall trend points downwards for both variables ( $r = -0.45$  for GDP, and  $-0.53$  for social expenditure), thus showing a common tendency for growth to decelerate over time. A comparison between the two slopes indicates moreover that social spending has decelerated to a greater extent ( $b = -0.13$  and  $-0.26$  respectively). As revealed by Graph 31, social expenditure growth rates have fallen substantially during the 1970s (with the exception of the years 1975 and 1976) with respect to the high peaks of the 1950s and 1960s. The higher deceleration of social expenditure growth with respect to economic growth is further documented by the trend line in Graph 32 ( $r = -0.21$  and  $b = -0.12$ ).

Table 28 gives the result of a correlation analysis between GDP and social expenditure growth rates. As may be seen, the relationship between the two variables is virtually null, and this tends to be true for all its components, with the exception of education. The correlation coefficients tend, however, to increase when the GDP growth rates are lagged by one (health, education), or by two years (income maintenance, housing). This suggests that the pattern of economic growth has had only a slight influence on the short-term variations of social expenditure, and that this slight influence has only manifested itself after a time lag of two years. Since most of the coefficient signs are positive, the (weak) relationship between economic growth and social expenditure growth can be assumed to have been of a cyclical nature, i.e. social

expenditure has tended to expand following years of high economic growth. Only housing expenditure seems to have grown counter-cyclically, i.e. expanding in periods of economic downswing or recession and vi versa: public investment in this sector has in fact been used as an instrument to stimulate the economy and to absorb unemployment.

The weakness of the relationship between economic surplus and social spending is further confirmed if we take into account the development of total revenues (Table 28). The latter appear in fact as closely associated with GDP, thus showing that economic growth has indeed yielded an increasing fiscal 'dividend' to the state. Social expenditure, however, seems to have developed quite independently on the availability of this 'dividend'.

Table 28 Real annual growth rates of GDP, social expenditure and total revenues: zero order correlations

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GDP with:	lag 0	lag 1	lag 2
Social expenditure(a)	0.06	0.26	0.41
Income maintenance(a)	-0.15	0.17	0.40
Health(b)	0.11	0.20	0.18
Education(c)	0.40	0.23	0.10
Housing(d)	-0.09	-0.20	-0.35
Public assistance(a)	0.26	-0.01	-0.31
Social expenditure(a) with total revenues:	-0.11	0.12	-0.01
Total revenues with GDP(e)	0.56	-0.19	-0.20

(a) 1955-1980

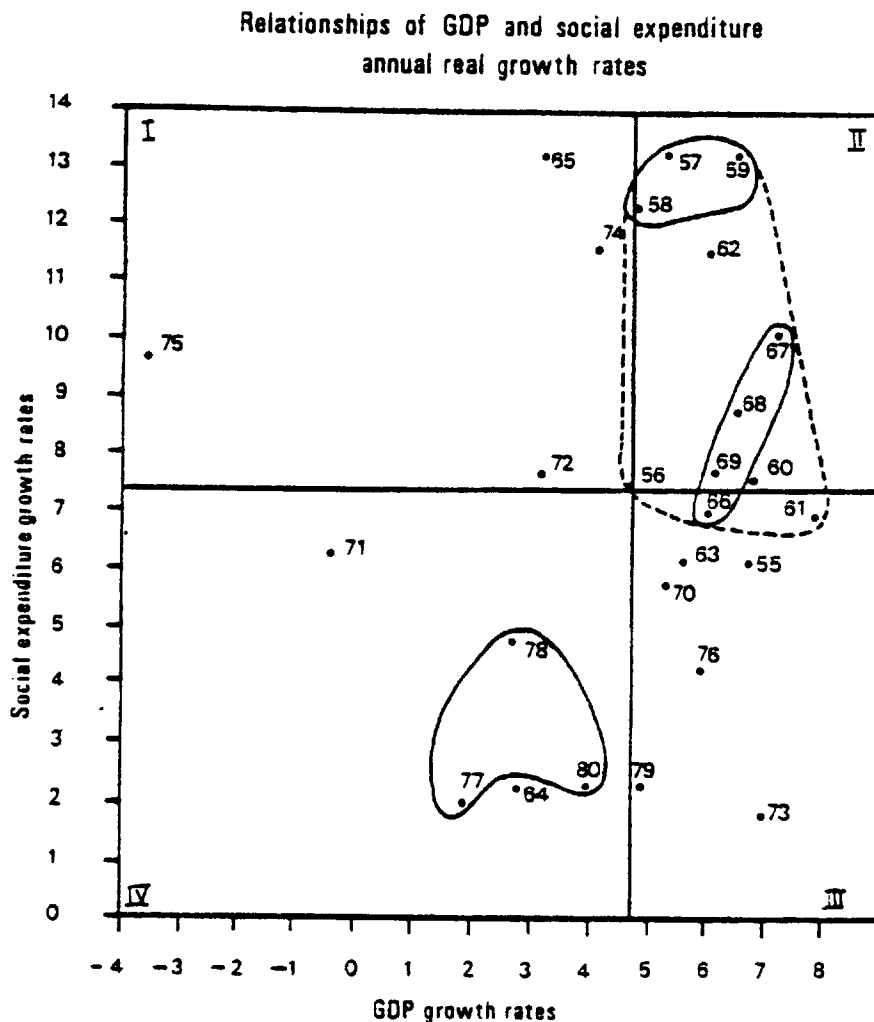
(b) 1953-1980

(c) 1952-1980

(d) 1954-1980

(e) 1953-1980, excluding 1960.

Graph 33



The scatterplot presented in Graph 33 finally allows us to identify some distinct 'constellations' of years characterized by similar coordinates on the two dimensions of economic and welfare expenditure growth. The graph is divided into four quadrants by two lines which correspond to the average values of growth over the period 1955-1980. The various years appear as quite scattered throughout the plot, thus indicating once again the absence of a linear correlation between the two variables. Despite this disorder two clusters of years can be tentatively singled out: the first is located mainly in quadrant II (high growth) and comprises the periods 1955-1963 and 1966-1969; the second is located mainly in quadrant IV (low growth), and comprises the 1977-1980 period.

The mid-1960s and the first half of the 1970s do not cluster together, but are spread in different quadrants.

The period 1955-1963 (predominantly in quadrant II ), was characterized, as we know, by the economic miracle and by an expansionist wave of social policy, in terms of both coverage and benefit improvement. These were the 'happy years' of the Italian economy, which produced a growing surplus available for social uses: as we have seen in section II/1 above, the current balance of the state budget remained positive until 1964. The measures taken in 1963-1964 suddenly interrupted this positive syndrome. In 1964 (quadrant V) the economy decelerated sharply as did all types of welfare expenditure, with the exception of housing. This did not mean that benefits were crushed: deceleration resulted in the inflationary erosion of non-indexed (and non revised) benefits, in addition to a slackening of social investments. In 1965 (quadrant I ) economic growth remained low, but social expenditure grew at a rate similar to those of the late 1950s: this was the 'Keynesian' year of spending expansion which witnessed a substantial revision of transfer programmes (most notably pensions), and larger investments in health and especially housing. The period 1966-1969 (predominantly in quadrant II ), was then characterized by renewed economic growth together with new social policy commitments: the extension and improvement of the pension system and of other income maintenance benefits: continuing investments in the sectors of health (especially hospitals) and education sectors.

The years 1970-1975 do not seem to follow a common pattern, and are



situated within the 'less coherent' quadrants I and III (with the exception of 1971). The years 1972, 1974 and 1975 are characterized by the unstable and 'dangerous' combination of higher than average social spending and lower than average economic growth. The scattered and unstable coordinates of this period indicate that it probably witnessed the break of the 'easy co-existence' between economic growth and social expenditure (in both its 'pre-Keynesian' and 'Keynesian' versions), and the search for a new equilibrium. The economic environment drastically changed during these years, displaying wide annual oscillations but in a direction of substantial deterioration, while social policy remained on an expansionist drive, largely due to commitments undertaken in the late 1960s (e.g. the regional reform of 1972, the 1974 hospital reform, and the improvement of the pension system in 1975). After the shock of 1975, the years 1976-1980 seem to have recovered some sort of coherence. The growth rate for social expenditure decreased markedly and economic performance displayed signs of stabilization and renewed growth.

Our analysis is far too crude to allow any generalization concerning the nexus between economic growth and social expenditure. We must therefore limit ourselves to concluding that, in the overall period reviewed here, the former generally appears as a weak predictor of the latter's yearly variations.

The relationship between the economy and the welfare state is mediated (and often distorted) in the short run by a high number of intervening factors. Earlier on we illustrated the weight of

demographic and occupational dynamics on the expansion of some welfare programmes. The same analyses have also shown the close relationship between institutional changes and short-term expenditure variations. It is to these changes and their political determinants that we must now turn, in order to get a deeper understanding of welfare expansion.

#### 4 Electoral competition and the role of clientelism

As Regonini has recently put it, 'in Italy it can be easily shown that in the proximity of each great electoral confrontation there has always been a political bargain on pensions at stake'(80). Elections in fact strongly conditioned the behaviour of the various welfare actors, pushing them to settle an open issue rapidly or, on the contrary, to overtly break a bargain immediately prior to the electoral deadline, depending on the prospected returns of such actions in terms of votes. Quite frequently, moreover, government and/or parliament make real 'electoral gifts', granting benefit improvements or additional benefits to selected (and electorally 'crucial') clients.

Thus, in 1958; the extension of pension entitlements to the self-employed (notably artisans) played an important role in the campaign, especially for the Christian Democrats (DC): this electoral commitment was put into action immediately after the election, and the law was passed two months later. In the 1963

elections, the proposal to establish a national insurance system was again an important theme (together with education and housing), especially in the union and leftist campaign. Two months before the elections the housewives' pension issue was rapidly settled and the government granted generous gifts in the form of pension extension to some minor professional categories. However, it was the 1968 election deadline which was crucial as regards political bargaining on welfare issues. Two 'hot' welfare issues were at stake: the introduction of earnings-related pensions and the hospital reform. In the former case, the elections resulted in a violent polarization of the actors: the PCI (Partito Comunista Italiano) and its union CGIL (Confederazione Generale Italiana del Lavoro), on the one side and the centre-left government together with the other two unions, CISL (Confederazione Italiana dei Sindacati dei Lavoratori) and UIL (Unione Italiana del Lavoro), on the other. The government's plan was passed two months prior to the elections and the opposition called a general strike and mobilized the workers against it (a year later, the law had to be changed in line with the basic requests of the opposition: see the Institutional Synopsis). In the case of hospitals, the elections had the opposite effect, i.e. the rapid agreement (after years of discussion) on a reform in which all the interested actors had something to gain (see below). In both cases, the 'electoralistic' attitude of the parties involved was widely lamented by the press. The elections of 1972 and 1976 were less important in the development of social policy. In 1979, however, the electoral campaign again gave high priority to the reform of the pension system (as well as to the first timid 'cuts'). In 1983, the

campaign was dominated by the need for stringent welfare austerity, with special emphasis on pensions and health.

The influence of elections in moulding the development of the welfare state is likely to have manifested itself not only at the political-institutional level, but also at the financial (i.e. expenditure) level. With the help of some aggregate quantitative data, we can therefore try to test the hypothesis of an 'electoral cycle' in the growth of welfare expenditure(81).

Table 29 presents a simple breakdown of public expenditure real growth rates by electoral and non-electoral years. Transfers and subsidies (within total public expenditure) and income maintenance (within total social expenditure), have been selected as the most likely expenditure components to be manipulated for electoral purposes. As may be seen, in both cases, the average for electoral years tends to be higher than that for non-electoral years: and this is not merely due to a single (or a couple of) 'exceptional years' - five out of seven (i.e. ca. 71 percent) electoral years in the case of transfers and subsidies and four out of six electoral years (i.e. ca. 67 percent) in the case of income maintenance witnessed an overproportionate increase in expenditure(see bracketed figures). The divergence could also be interpreted as the consequence of the economic cycle, with elections occurring haphazardly in 'rich' years or periods. The bottom half of the table shows however that this is not the case. If in both groups of years expenditure tends to increase at a faster rate than GDP (whichever the latter's speed), this is

particularly true for electoral years, thus corroborating the hypothesis of an extra economic influence (such as that of elections).

Table 29 Real annual growth rates of some expenditure components:  
averages by electoral and non-electoral years

	Electoral years	Non-electoral years	All years
Average growth rates of:			
Transfers and subsidies	9.1 (5/7)(a)	7.5 (8/21)	7.9 (13/28)
Income maintenance	9.3 (4/6)	8.3 (7/19)	8.5 (11/25)
Average difference between expenditure growth rates and GDP growth rates of:			
Transfers and subsidies	3.6	3.0	3.1
Income maintenance	4.3	3.7	3.8

(a) Bracketed figures report the number of years above the average over the total number of years for each column.

*S. Neri: Experiment*

The persistence of the electoral ~~'link'~~ after these two controls is far from conclusive. A more thorough analysis is required in order to fully isolate and explore this link (possibly using four-monthly periods rather than years as units of analysis, and testing different expenditure breakdowns with more refined statistical procedures). If more precise quantitative evidence cannot be offered here, we can at least discuss some qualitative information on the rationale behind the existence of an electoral-welfare cycle, and, more generally, on the political determinants of welfare expansion.

As is already known, the electoral cycle hypothesis is based on the assumption that voting behaviour responds to economic conditions, i.e. that the voters' perception of favourable conditions will tend to reward the party in power, and therefore the latter stimulates the economy before the elections. The relationship between economic welfare and voting is commonly understood in general and impersonal terms and not as an immediate/personal one, i.e. as a 'real' exchange of individual votes against individual benefits. In Italy, however, the latter type of relationship may well provide a rationale as valid as the former type for the existence of an electoral cycle/pull of welfare expansion. As numerous studies have shown, besides issue voting (voto d'opinione) and voting according to party and/or sub-cultural identifications (voto d'appartenenza), a third type of electoral behaviour has played a prominent role in Italy: voting in exchange for individual benefits (voto di scambio) (82) This is particularly, but not exclusively, widespread in the South among the DC electorate.

The DC can largely be seen (as Graziano has put it) as a real 'mass patronage' party(83). In order to gain votes, this type of party provides its clients with individual benefits in a number of ways: for instance, granting them job opportunities in the public sector or assisting them in obtaining a subsidy from the welfare bureaucracy. The 'control' of the exchange on the side of the party mainly occurs through the market of preference votes, in ways which are not necessarily (or better, only occasionally) illegal(84). The extended area of sottogoverno (under-government, i.e. the various spoils represented by state enterprises, public agencies of different sorts, social security funds etc.), has been the main locus of these clientelistic exchanges and welfare benefits are one of their privileged currencies.

The clientelistic use of the welfare state for electoral purpose has taken two main forms: the lottizzazione, i.e. the (mainly informal) partisan apportionment of the welfare administration (even in its middle and lower posts), and the establishment and consolidation of a parallel organizational network based on patronage institutions (patronati) to attend the various welfare clientele.

The system of partisan allocation in the Italian public sector has been the object of extensive empirical research. A recent study by Bonaccorsi explored this phenomenon in the social security sector(85). Table 30 reports the most interesting (and summary) findings of the study. As may be seen, a large majority of posts have partisan links, but this is especially true for the DC.

Table 30 The distribution of post-years(a) in the executive boards of social security funds by party, 1945-1975

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Periods	5-47	48-54	55-62	63-69	70-75	Total
Parties						
DC	25.1	31.5	35.7	38.0	38.5	36.3
PCI	8.7	5.3	4.0	4.1	4.1	4.3
PSDI	6.4	6.5	7.1	5.3	4.7	5.8
PSI	5.9	4.3	4.2	5.4	8.4	5.6
PLI	5.0	7.2	4.1	3.5	2.3	4.0
PRI	0.9	3.5	3.5	3.6	3.3	3.5
MSI	0.5	1.6	2.1	2.5	1.7	2.0
N.I.(b)	47.5	40.1	39.3	37.6	37.0	38.5
Total	100.0	100.0	100.0	100.0	100.0	100.0
(n.)	(219)	(2 019)	(3 822)	(4 028)	(3 453 )	(13 541)

(a) In order to control for the length of tenure (the same person may hold office for several years), the units of analysis are posts per year.

(b) Not identified (i.e. the post-holder has no party affiliation or, more probably, his party affiliation is uncertain).



The table refers to all social security funds, but, as Bonaccorsi has shown, the relative shares for the various parties differ according to the type of fund, with each party trying to penetrate more extensively those funds which are closer to their electoral base. Thus, the DC has an overproportionate representation (39.7 percent; 47.7 percent in 1970-1975) in social assistance funds (the Catholic poor have long constituted a pool of electoral support for the DC), and more generally in funds paying benefits to public employees (48.9 percent and 50.1 percent) and to agricultural workers (39.6 percent and 43.2 percent); the left parties are relatively better represented in social insurance and health funds for employees and the smaller parties in funds for professional categories. As revealed by Table 30, the size of partisan allocation has tended to increase (the absolute number of posts has increased massively) as has its extent (the number of non partisan posts has shrunk).

Although Bonaccorsi's analysis ends with the mid-1970s, there are indications that the phenomenon has in fact intensified in more recent years. In particular the 1978 health reform stimulated the clientelistic behaviour of Italian parties. The management committees (comitati di gestione), the new organs created by the health reform and charged with the task of overall administration, have been literally assaulted by parties, as shown in Table 31 (with the DC, the PSI and the PCI securing for themselves the

greatest shares). The economic crisis of recent years has in fact made it even more essential for parties to avail of fresh resources in their competition.

Table 31 Distribution of posts within the management committees by party, 1983

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	Presidents	Vice- Presidents	Members	Votes in 1980 local elections
DC	53.8	27.6	39.6	35.7
PSI	20.9	34.9	19.0	14.1
PCI	19.8	21.1	25.3	30.0
PSDI	3.9	9.0	7.7	5.3
PRI	0.6	1.4	4.0	3.7
PLI	0.2	2.0	1.5	2.6
MSI-DN	-	-	0.7	4.8
Independents	0.6	1.1	1.3	-
Other parties	0.2	2.9	0.9	3.8
Total	100.0	100.0	100.0	100.0

If the system of partisan allocation has provided parties with the necessary resources to attract votes in exchange for individual

benefits, the articulated network of patronage institutions has provided them with the necessary channel to distribute these resources to their clients. Patronati are quasi-partisan institutions, headquartered in Rome but with numerous offices at regional, provincial and communal level which offer personal assistance to welfare applicants (such as information on opportunities and procedures; preparation of the necessary documents; urging the competent administration in cases of delay; administrative and court actions if an application is rejected etc.). In other words, it is the grass-roots institution which regulates individual access to welfare. The first patronati were founded in the late 1940s, e.g. ACLI (Azione Cattolica dei Lavoratori Italiani), and INCA (Istituto Nazionale Confederale di Assistenza), which are the largest Catholic and Communist institutions respectively. Their numbers gradually increased as the welfare system extended to cover new social categories (with a peak in 1968-1972, i.e. the period of substantial re-organization in the social security system). In addition to these large sub-cultural patronati, (e.g. ACLI or INCA), there are smaller institutions for special or professional categories (farmers, artisans, traders, agricultural employees etc.). Needless to say, these patronage institutions are under the control, either direct or indirect, of the political parties. The patronati offer an efficient organizational network for the vote-benefit exchange. Invalidity pensions (especially in the South) represent the typical target of patronati's activity: in fact the latter are held as largely responsible for the massive expansion of this type of benefit, especially in the early 1970s. An indirect measure of

this fact is given in Table 32, which reports the number of actions brought against the INPS administration to obtain (invalidity) pensions in the period 1968-1977. Although the sources do not specify whether these actions have been initiated by the patronati, it is almost certain that this has been the case. As may be seen, the number of actions has tended to increase, especially in the early 1970s, as a consequence of both the proliferation of patronati and the re-organization of INPS, which made it more permeable to external pressures. The vast majority of actions concerned invalidity pensions, but only a fraction of these were successful. This high failure rate has not constituted a great disincentive for at least two reasons. Firstly (and more importantly) the patronato receives a reimbursement for each action by the Ministry of Labour. Secondly, starting an action has a value per se vis-a-vis the client (who feels that his needs are being taken care of). Incidentally, it may be worth noting that the rate of success tends to be higher than average in election years (1968, 1972 and 1976). Actions regarding other types of pensions are much less frequent: old age and survivors' pensions are in fact less amenable to clientelistic/electoral manipulations, as they depend on more objective criteria. In the case of other pensions, the awkward pattern revealed by the data may however conceal a phenomenon similar to that for invalidity pensions. As we already know, 1969 witnessed the introduction of social pensions: this may explain the relative fall of total actions (in percentage terms) until 1970 (the total number of pensions rose), and the subsequent increase (social pensions may well have become a new target of action, given again their rather 'manipulable'

character).

Table 32 Actions brought against INPS due to rejected pension applications, 1968-1976 (in thousands)

	Invalidity pensions				Other pensions			
	Total actions		Successful actions		Total actions		Successful actions	
1968	415	(119)	163	(47)	59	(20)	36	(10)
1969	480	(157)	135	(44)	95	(11)	20	(2)
1970	454	(129)	150	(42)	38	(7)	21	(4)
1971	704	(169)	263	(63)	-		-	
1972	614	(143)	194	(46)	193	(37)	64	(12)
1973	738	(192)	187	(49)	147	(38)	48	(12)
1974	798	(176)	181	(40)	176	(36)	46	(9)
1975	778	(157)	155	(31)	168	(34)	45	(9)
1976	773	(253)	157	(51)	164	(35)	64	(14)
Total	5 754	(165)	1 585	(45)	1 040	(25)	344	(8)

(a) Bracketed figures express absolute numbers as a % of the total number of new pensions liquidated in that year.

The data and information presented make it quite clear that the patronati have exerted a significant influence on the expansion of welfare benefits. Their activism has served the purpose of feeding the various parties' clienteles, of providing job opportunities for lower party cadres and (last but not least) hidden sources of party financing.

5 The welfare record of different coalition formulas: has the Centre-Left mattered?

Italy has a multi-party system characterized by a high degree of fragmentation (multiplicity of parties), factionalism (factions within the parties) and polarization (high ideological distance between parties, especially between 'opposition' and 'government' parties)(86). The centre of the political spectrum is occupied by the DC (Christian Democracy). This is a composite inter-class party which is traditionally very close to the Catholic Church and characterized by overall moderate orientations on economic and social policy, and by a strong Atlantic loyalty on foreign policy. Since the 1948 elections, this party has always obtained the majority of the vote (ranging from 48.5 percent in 1948 to 32.9 percent in 1983), thus playing a key role in the development of postwar Italy. The three minor centre parties: the PLI (Liberal Party), PRI (Republican Party) and PSDI (Social-Democratic Party) have an aggregate electoral strength which has never exceeded 14-15 percent; but despite their smaller size, these parties have played

an influential role as essential partners with the DC in most of the experimented coalitions. The right-wing has always been monopolized by an anti-system party, the MSI-DN (Social Movement-National Right), which has oscillated between 2 and 9 percent of the vote and, given its neo-fascist outlook and orientation has never taken part in any coalitions, remaining segregated as part of the opposition. The Left comprises the PSI (Socialist Party) and PCI (Communist Party). At the 1948 elections (where they gained 31 percent of the vote), these two parties joined to form a popular front but have subsequently followed quite different routes, bringing the former gradually closer to the centre and pushing the latter into a permanent anti-system opposition. In electoral terms, the PSI underwent a steady decline between 1958 (14.2 percent) and 1976 (9.6 percent) and has only recently started to regain ground (1983 = 4.9 percent). The PCI, on the contrary, has witnessed a constant increase of its vote, passing from 22.6 percent in 1953 to a peak of 34.4 in 1976 (1983 = 29.9 ).

Despite the relative gains and losses of the various parties at different times, electoral change has never produced major governmental shifts. Thus since 1948 Italy has always been governed by coalition cabinets, constantly led (until 1981) by the DC and encompassing - in all the possible combinations - the other four 'pro-system' parties (PLI, PRI, PSDI, PSI). Four types of coalition formulas have been tried since 1948: 'centrism' (DC together with minor centre parties), 'Centre-Left' (DC, PRI, PSDI and PSI), 'National Solidarity' (DC, PRI, PSDI, PSI and the

parliamentary support of the PCI) and 'Penta-Party' (DC, PLI, PRI, PSDI and PSI). Centrism reached a peak during the period of the first legislature(87) (1948-1953), when the DC leader De Gasperi obtained 48.5 percent of the vote and the absolute majority of parliamentary seats and could thus govern almost uncontested by his smaller coalition partners. The centrist formula survived throughout the whole of the second legislature (1953-1958) but started to show crisis symptoms during the third (1958-1962). A gradual rapprochement was in fact taking place between the DC (which was increasingly breaking loose from the Catholic Church and witnessing the emergence of a new generation of more progressive cadres), and the PSI (which was in turn gaining greater autonomy from the PCI, especially on foreign policy grounds).

In February 1962 the first centre-left coalition was formed, with the PSI granting parliamentary abstention/support to a DC-PRI-PSDI cabinet. The birth of the Centre-Left represented a very significant event in the early 1960s, both for the enormous fears (by Catholic and entrepreneurial interests) and the enormous hopes (by Socialists) to which it gave rise. The Centre-Left became 'organic' during the fourth legislature (1963-1968), with the PSI participating directly in the cabinet and holding important ministerial posts, e.g. for the Budget, Public Works, Labour and Social Security and Health. The failure of the socialist unification (unificazione socialista), i.e. the merger between the PSDI and the PSI, at the 1968 elections and especially the increasing contrasts in policy between the PSI and the DC, exacerbated by the 'waves of social conflict during the same year,



gradually undermined the centre-left formula, which came to a sudden end with the 1972 elections (called one year in advance due to the extent of the conflict between the coalition partners). Thus, the fifth legislature (1972-1976) witnessed a short-lived resurrection of centrism, followed by a new centre-left experiment (1973-1974). Following the outstanding success of the PCI in the 1976 national elections (as well as the major strategic shift which brought this party to offer to the DC a 'historical compromise', i.e. a broad reformist alliance), a new formula was then inaugurated: that of National Solidarity, with the PCI firstly abstaining and subsequently granting parliamentary support to two DC-led governments, without holding cabinet posts. However, this formula did not last long and was replaced by the Penta-Party formula during the 1979-1983 legislature.

Given the wide ideological spectrum of the Italian party system, the differences between the various parties' social policy profiles are quite significant. The PCI has always displayed a markedly pro-welfare attitude: however, in the 1950s and 1960s the Marxist-Leninist orthodoxy pushed this party to pursue a policy of short-term defence of the (core industrial) workers' interests (as in the case of pensions), in a substantial distrust of welfare reforms (and in the hope of a capitalist collapse). Only in the 1970s has this party adopted a strategy which (albeit still basically anti-capitalist), gives however high priority to social reforms and to the consolidation of the welfare state. Since the mid-1950s, the PSI has in its turn always pursued (at least in its programmes) a strategy of 'social reformism' aimed at modernizing

and rationalizing the Italian welfare system along the lines of the Anglo-Saxon or Scandinavian models, i.e. through the creation of a 'real' social security system, based on national insurance and emphasising the need for social consumption and investment. The smaller centre parties display a mixed social policy profile. The PSDI has pursued a policy of social reformism similar (though more moderate) to that of the PSI. In more recent years, this party has adopted the role of an overt defence of some welfare clients (most notably, pensioners). With its constant emphasis on 'planning' the PRI has pressed for a thorough rationalization of welfare, seen as an instrument to achieve both social equity and capitalist efficiency. The PLI has traditionally been the least pro-welfare party: now substantially aligned with the PRI position, this party displayed fierce opposition to social reforms during the centre-left period, in defence of the free market and individual freedom. Finally, the DC displays a twofold social policy profile: on the one hand, it has systematically slackened (if not overtly opposed) the expansion of the welfare state, especially where this involved drastic and widespread changes of the status quo; on the other hand, it has promoted sectoral solidarities on Catholic charity grounds, favouring the development of a public assistance network and the survival of church and private charitable institutions.

Though quite visible and relevant at electoral level, ideological contrasts have been less influential at policy level, where party behaviour has been directed less by ideals and programmes than by the logic of the coalition game (with its internal trade-offs and

compromises). The participation in highly fragmented and ideologically divided coalitions (such as the first centre-left, National Solidarity and the penta-party) have made it difficult for each partner to promote and implement its 'own' social policy fully. The Italian welfare state has thus developed through a proliferation of leggine (minor laws) for selected problems/clients, which a single party had a specific interest to pass and no party a specific interest to oppose. Moreover, all important reforms involving structural change have been systematically delayed, in a roll-over process of small counter-adjustments needed to integrate the interests of all the coalition partners.

Given the characteristics of the Italian party system and its policy-making, it is difficult to trace the impact of single parties on any dimension of welfare expansion. A few general observations can however be made on the expenditure and institutional record of the various coalition formulas, with special emphasis on the Centre-Left, i.e. the most significant postwar political experiment, for both its 'political colour' and duration.

A substantial expansion of the public sector (especially through public consumption and investments) and the overall improvement of the welfare state were among the major themes of the Centre-Left. The PSI saw in the former an instrument with which to 'tame' capitalism and in the latter an instrument to raise the living standards of the popular masses and to fully integrate them into

the political system. Table 33 allows us to measure the extent to which the Centre-Left actually succeeded in carrying out its stated goals in quantitative terms. The table compares the growth rates of various public/social expenditure components under different coalition formulas. The centre-left period has been subdivided into two phases: a 'pure' centre-left phase (1962-1972) and the crisis of the Centre-Left (1972-1976), which includes less stable centre-left cabinets together with a centrist one. The most fruitful comparison is probably that between centrism and the Centre-Left, given the overall similarity of the economic background of these two political phases (at least until 1970). The contrast of real growth rates (top half of the table) reveals that the Centre-Left actually witnessed an acceleration of total public expenditure with respect to <sup>the</sup> centrist period, especially as a result of public consumption. The rate of growth of social expenditure tended on the contrary to slightly decelerate, with the exception of income maintenance and public assistance. The second phase of the centre-left period witnessed a general slackening of public sector growth (except for public investment, as confirmed also by housing). It is interesting to note that it was during the crisis of the Centre-Left that the public debt increased at its highest rate, as a consequence of that pattern of 'unbalanced public sector growth' which has been illustrated earlier (see Section III/1 above).

A comparison of simple growth rates may however conceal variations in terms of economic backgrounds. In order to control for these variations, the bottom half of the table 'standardizes' expenditure

Table 33 Growth rates of public/social expenditure by component and coalition type

	Centrism (1953-1961) (a)	Centre-Left (1962-1971)	Centre- Left Crisis	National Solidarity (1977-1979)	Total
Average growth rate of:					
Total public exp.	6.1	6.6	5.3	4.1	5.9
- Transfers and subsidies	9.0	8.7	4.3	4.3	7.4
- Public consumption	3.4	4.4	3.2	2.2	3.6
- Public investment	9.6	3.5	5.7	3.4	5.6
- Interests on debt	8.9	8.7	22.3	12.3	11.8
Total social exp.	9.6	7.9	7.0	3.0	7.6
- Income maintenance	8.8	9.2	9.0	4.7	8.5
- Health	13.6	10.1	9.6	1.9	10.3
- Education	11.1	6.3	3.5	1.2	6.8
- Housing	7.3	-4.1	19.6	5.8	5.1
- Public asst.	3.5	6.1	-1.5	1.4	3.3
Average difference between exp. growth rates and GDP growth rates of:					
Total public exp.	0.4	1.5	1.9	0.9	1.2
- Transfers and subsidies	3.2	4.4	1.0	1.1	3.0
- Public consumption	-2.3	-0.7	-0.1	-1.6	-1.2
- Public investment	5.0	0.3	2.4	-0.4	2.8
- Interests on debt	3.2	3.6	19.0	10.3	7.2
Total social exp.	3.5	2.8	3.7	0.2	2.9
- Income maintenance	2.8	4.2	5.7	1.8	3.8
- Health	7.6	5.1	6.4	-1.3	5.4
- Education	5.1	1.2	0.2	-2.0	1.9
- Housing	7.9	-9.0	16.3	2.6	2.3
- Public asst.	-2.6	1.1	-4.7	-1.7	0.0

(a) For total public expenditure and its components, 1961 is excluded; for social expenditure, income maintenance and public assistance, 1953 and 1954 are excluded; for housing, 1953 is excluded.

growth rates for the growth rate of GDP: the remaining variation can thus be taken as a gross indicator of the non-economic, presumably 'political' influence on expenditure growth. As may be seen, the impact of the Centre-Left is revealed at an even greater extent if measured in relation to GDP growth. The relative expansion of the public sector was highest in the periods 1962-1971 and especially 1972-1976, owing to an acceleration of both transfers and subsidies (1962-1971) and public consumption (1962-1976). In comparison, public investment lagged somewhat behind, witnessing a sizeable deceleration (despite the emphasis on housing policy). With respect to social expenditure, the Centre-Left exerted a great impact especially on income maintenance, but did not promote an overproportionate expansion in the sectors of education and health, only investing in the latter during its second and 'critical' phase.

To summarize, it can be said that the role played by the Centre-Left experiment made a modest, but not negligible difference to the quantitative expansion of Italy's public economy. Its impact on expenditure growth was however only partly consistent with its stated goals. On the one hand, it promoted aggregate public consumption, but was unable to stimulate two socially

relevant components, i.e. health and particularly education. Moreover, the Centre-Left was incapable of maintaining the rate of expansion of capital expenditure, in spite of the increased efforts of the early 1970s. As regards welfare policy the Centre-Left exerted most influence in the area of income maintenance.

Let us turn to a brief examination of the institutional record. The Centre-Left was born with the aim of greatly modernizing Italian society through a strategy of 'structural reforms' in the economic sphere (planning, public enterprises; a new agricultural policy); in the sphere of state administration (regional decentralization, public order and judicial procedures, state bureaucracy); and especially the social sphere (education, housing and social security). 'Social reformism' became the much repeated motto (in both cultural and political terms) of the coalition, the real leitmotiv of the 1960s in Italy. Many of the promised reforms were in fact implemented, although not without some delay: for instance the nationalization of electrical power industry and the expansion of public enterprises; the revision of the budgetary process and inauguration of economic planning; and the establishment of administrative regions. The record is even more impressive in the field of social policy. Elementary and secondary education underwent a sweeping change, access to higher education was expanded and public pre-elementary education was introduced. Pensions were repeatedly and substantially improved and the whole pension system was broadly reformed in 1968/1969. Important steps were taken towards the establishment of a national health service (a core objective of the PSI) by means of two broad reforms of the

hospital sector (1968 and 1974). In the wake of the regional reform, housing and the social service sector were drastically re-organized. In addition to these 'structural reforms', other minor but significant provisions were made: the improvement of sickness and maternity insurance in agriculture (1963); the improvement of work injuries benefits (1963 and 1965); the extension of health insurance to some categories of pensioners and the unemployed (1967); the introduction of housewives' and social pensions (1963 and 1968); the thorough reform of maternity insurance (1971); and the improvement of unemployment insurance (1968-1972). These social insurance provisions were paralleled by important changes introduced in the system of work and industrial relations, such as the universal enforcement of national contracts, the strengthening of union rights and the legal constraints placed on dismissals: changes which culminated in the 1971 Workers' Statute (Statuto dei Lavoratori).

On the basis of this sporadic but substantial record, the institutional impact of the Centre-Left can be tentatively summarized as follows: it tended to re-shape the Italian welfare state along universalistic lines, i.e. granting access to all citizens regardless of their socio-economic status (e.g. in education, health and social services/assistance); it tended to strengthen the position of private employees on the labour market (especially for women and those employed in backward sectors); it tended to grant some sort of inclusion in the welfare system of non active categories (housewives, the unemployed, pensioners, students, poor elderly etc.). It is true that these changes



involved actors (most notably, trade unions), other than the governing parties, but it must also be acknowledged that the PSI had an important part in promoting this process. Despite its internal tensions and ambiguities, this party was seriously committed to social reforms and fought a restless and at times violent battle against their opponents (including both right-wing and some DC factions). The fact that both the first and the second centre-left 'organic' cabinets fell on welfare issues (in 1964 and 1966), due to harsh conflicts between the DC and the PSI, may be taken as an indicator of this commitment(88).

Has the Centre-Left succeeded in terms of its welfare achievements? The political and social science debate has long been dominated by severe and critical judgements(89). Some reforms have been implemented, but, it is alleged, with a frustrating (and at times detrimental, as in the case of housing) delay and with such alteration with respect to their original 'universal' and 'rational' aims as to make little difference vis-a-vis the previous situation; a typical example of this being the 1968 hospital reform. Furthermore, it was during the period of centre-left government that some of the worst traits of the contemporary welfare state (e.g. partisan allocation, the patronage system, and the pattern of 'unbalanced growth') developed. Recent debate however, has started a gradual re-habilitation of the Centre-Left -without wholly clearing it of responsibility for these failures. The negative evaluations (especially those coming from its socialist protagonists) are in fact largely self-inflicted, in that they tend to use as a yardstick aims and ideals rather than the

initial situation and its constraints. As has been recently stated, 'if the achievements of the Centre-Left are confronted with the hopes and, symmetrically, the fears originated in Italy by its appearance, it is legitimate to speak about a failure. But if the conditions in which that governing experience has emerged and developed are taken into account, then ... the Centre Left has pursued and achieved that much of reformism with its initial constraints allowed' (90).

## 6 The politics of welfare interests: the case of health reform

Electoral competition and party ideologies and programmes are a prominent, but certainly not the sole political determinant of welfare expansion. To a large extent, this expansion can be seen as the result of a complex interplay which involves other important actors besides parties, i.e. unions, professional and consumer associations, bureaucracies, social groups and movements etc. The role of these actors is not easily testable by means of strict empirical analysis, but its importance can be ascertained or assessed by an informed reconstruction of the decision making process which underlies various policy decisions.

In order to give at least the flavour of the constellation of interests and forces underlying the Italian welfare state, we can briefly survey the development of one important policy area, i.e. the health sector. This choice is based on three considerations:

firstly, that this sector has undergone significant changes during the postwar period, culminating in a sweeping reform which is unparalleled in Europe, i.e. the establishment of a national health service, (Servizio Sanitario Nazionale, SSN); Secondly, health reform has been a major theme in the development of the Italian welfare state and thus offers a representative instance of the strains and alliances which have formed around social issues. Thirdly, this policy area involves a multiplicity of actors and is thus particularly suitable for an illustration of the wider 'politics of welfare'(91).

In addition to government, parliament and political parties, there are at least five other actors who have played an important role in the evolution of the health sector: workers' unions (especially the two largest, CISL and CGIL), <sup>3</sup> doctors (especially through their professional and union associations), <sup>5</sup> the health funds (mutue), <sup>4</sup> regions and <sup>5</sup> CNEL. Though not equally influential, all these actors have had some significant stake or interest in health policy and have therefore actively participated in its formation.

The postwar history of health policy can be subdivided into three distinct phases. The first phase started in 1948, with the new centrist government's rejection of the D'Aragona Commission's recommendations for a thorough reform of the social security system, including the extension of health insurance to all workers, pensioners and dependents. Following this choice for the maintenance of the status quo, during the 1950s the system developed in a fragmented and uncoordinated way through the

proliferation of separate health funds (under strict DC control) for each professional category. By the end of the 1950s, the health funds had become a major pillar of the welfare patronage system. The establishment of a Ministry of Health in 1958 did not substantially curb their powers (at least until the mid-1960s): as was said at the time, the real Minister was not a member of the cabinet, but the president of INAM. The doctors were the strongest allies of the DC and its policy, and actively participated in the system of public health insurance (mutualità), although being in principle opposed to it. The government guaranteed to maintain their private professional status and lured them into acceptance by means of generous monetary and normative rewards. Placing reliance on the Catholic background and orientation of most doctors, the DC allowed them to share in the health spoils (posts on the health boards and other health agencies, research funds, etc.). Doctors often acted as patrons in the vote relationship, especially in the South and the countryside. At this time the Left opposition was active but still quite uninfluential. In its 1956 Congress, the PCI demanded a thorough reform of the health system which largely repeated the proposals of the D'Aragona Commission. At the same time the PSI was gradually elaborating the idea of a national pension and health insurance. In 1957, CGIL submitted a law proposal for the establishment of a national health service: the first to be presented to parliament. In 1959 CNEL (a composite organ which represented the views of the top levels of ministerial bureaucracy and the academic intelligentsia) timidly proposed the universal extension of hospital insurance, but immediately qualified this by warning of the financial burdens involved. The

idea of a health reform was slowly, but tangibly gaining ground.

The birth of the Centre-Left opened the second phase of the history of Italian public health. The theme of a health reform occupied a top position in the first planning documents prepared by La Malfa (PRI) and Saraceno (PSI)(92). In 1963 CNEL publicized its plan for a reform of the social security system, which contained a fuller formulation of the 1959 proposal of a national hospital insurance, coupled with a comprehensive rationalization of the health funds. From their new stronger position, the unions renewed their pressures on the government and in 1965 the PCI submitted its own reform proposal for a national health service to parliament. In the same year, parliament approved the first five-year plan, prepared by the socialist Minister for the Budget, Giolitti and approved by the entire Centre-Left cabinet. The plan explicitly committed itself to the realization of a national health service and the Socialist minister for Health, Mariotti, subsequently drafted a more concrete proposal. Conditions seemed to favour the establishment of a national health service, but this was not entirely the case.

The plan (especially in its health section) was the object of heated debate. The PRI, the Bank of Italy, and CNEL all expressed their serious misgivings as to the financial aspects of such a development. But it was the DC in particular which withheld support, under pressure from the health funds' bureaucracy, the doctors (and less overtly the entrepreneurs). Though not openly opposing the idea of a national health service, the DC tried to

give a very restrictive interpretation of this notion, i.e. not as a national insurance system, broadly decentralized and replacing the health funds, but as a complement to them, in the form of a national agency with the task of prevention, coordination and sanitation controls. At most, the DC was prepared to accept a rationalization of public health insurance, by fusing the numerous existing funds in three large health funds (supermutue), which covered private and public employees and the self-employed respectively. The attempt by the DC to guarantee the survival of the health funds was obvious. During the first half of the 1960s, the latter had in fact witnessed a gradual weakening of their powers, owing to the new political and institutional climate: as a member of the coalition the PSI was particularly influential in the Ministry of Health; autonomous regions were particularly active in the health field and the coalition's was committed to establishing ordinary regions, to which the Constitution entrusted jurisdiction over health policy. Acting through the DC, the health funds were thus strenuously fighting to re-gain and preserve their institutional and political strength, and fiercely opposed any reform plan which would entail a restriction of their competence, let alone their abolition. The doctors viewed the establishment of a national health service as a powerful threat to their professional autonomy and economic privileges. Though none of the reform plans (and certainly not the governmental one) envisaged the transformation of doctors into salaried employees, the medical associations denounced the 'manoeuvre to nationalize the profession' and submitted a memorandum to CNEL in which they thoroughly criticized the Mariotti plan.

The opposition to the establishment of a national health service was then still quite strong and included (in addition to those forms of opposition already mentioned), the right-wing parties, the PLI, the Monarchists, the MSI, and the entrepreneurial associations, (especially in the pharmaceutical industry).

If the reformist front was still too weak to impose the introduction of a national health service, it was however sufficiently strong to impose a hospital reform. The state of the Italian hospital system was continually worsening as a result of the increasing demand for hospital care and services. Still formally considered as charitable institutions, Italian hospitals were run in an inefficient and uncoordinated way, and encountering growing financial problems. A thorough revision of their status had been proposed (together with universal coverage for this type of assistance) even by a 'neutral' organization such as CNEL, and evidently some sort of change was also in the interests of counter-reformers. The financial situation of the health funds was deteriorating rapidly, largely due to increasing hospital costs. Their deficit amounted to 250 billion lire in 1965 and had increased to 500 billion lire in 1967. Doctors were in their turn starting to suffer from the chaotic and inefficient functioning of the hospitals. Moreover, younger hospital doctors were developing a more modern and socially oriented outlook - their main goal being to obtain security of job tenure (very difficult to obtain given the regulations at that time). Given this situation a concrete bargain could reasonably start with hospital reform, in which all actors expected some gain. The left parties and the unions saw it

as a first step after a series of long and frustrating debates and as an important improvement faute de mieux. The health funds were badly in need of financial relief from their debts vis-a-vis the hospitals and were by this time prepared to accept a change in the situation. Doctors (and, more generally, health workers' unions) hoped to gain power and jobs. Provided that a few 'vital' conditions were met (e.g. the protection of private and catholic clinics, and the autonomy and status of top medical staff), the DC was not opposed to a reform, from which it hoped to draw fresh spoils to spend on the vote market. The electoral deadline completed the process, and in February 1968 the law was passed to everybody's satisfaction. The 'only small inconvenience of it', as Michele Salvati commented, was that 'hospital costs tripled in five years' (93).

The hospital reform marks the end of the second phase. The third is characterized by the entry of new and powerful actors: ordinary regions, whose councils were first elected by popular votes in 1970. The birth of the regions greatly strengthened the constituency for the national health service. Immediately after their establishment, the regions initiated a fight against the central administration in order to force it to accomplish the transfer of functions (first of all, health policy) foreseen by the Constitution. This transfer offered a unique institutional and political opportunity for a thorough reorganization of the health system, the abolition of the health funds and the establishment of a national health service. Not surprisingly, however, resistance to this idea was slow to wither away. The regional elections had



revealed the much feared strength of the left in local government, which had resulted in the appearance of some 'red regions'. In this context, a health reform was not merely a matter of health funds, doctors and costs: it was a political question, involving the 'gift' (or 'conquest') or substantial resources for the opposition. Thus central government (but again especially the DC), engaged itself in a battle to delay the institutional transfer and bring a positive halt the reformist trend. The DC attempted a last move in defence of the health funds (now experiencing critical financial difficulties, largely as a result of the regulations introduced in 1968), with a plan to transfer hospital assistance to the regions, thus relieving the health funds of their most costly burden, while at the same time delaying the transfer of other types of assistance and postponing sine die the liquidation of the health funds. The plan was supported by the smaller centre parties, which were not particularly in favour of the health funds, but were at the same time concerned (and given subsequent events, not without reason) about the spending and administrative capacity of the regions. Nevertheless, the plan failed due to the strength of the reformist front. The unions, regions, the left (especially the PCI), and the overall social and political temperature of the early 1970s together created such pressure for reform, that in 1974 a law was passed which contained extraordinary provisions to repay the hospital deficit, transfer jurisdiction on hospital assistance to the regions and (most disputed point), fix a deadline (June 1977) for the definitive liquidation of the health funds. This law was the result of one of the most heated parliamentary struggles of the whole history of the Italian welfare state. Not long afterwards

the government itself submitted its own reform proposal for a national health service. The parliamentary proceedings lasted four years: not only because they were interrupted by the anticipated end of the legislature, but because, at this point, every actor was fighting to maximize gains. The PCI (which became a member of the coalition majority in 1976, and saw the national health service as a socialist reform in a capitalist setting), pressed for the extension of decentralization and democratic (i.e. union/party) participation. The DC fought to limit the extent of the 'nationalization of health' and to preserve the status of private clinics and institutions and the professional character of medical services (as well as the level of their fees). Only CNEL, the PRI (from within the coalition) and the PLI (from the outside) tried (and failed) to equip the reform with some adequate tools to stimulate and control economic and administrative efficiency. The Health Reform Law was passed in December 1978. At half a decade's distance, it is now considered to have been an enormous 'failure' - an inefficient and ineffective band-wagon, manipulated by the political parties (see Table 31) and consuming an inordinate amount of public resources.

## VII CURRENT CONFLICTS AND FUTURE PROSPECTS

### 1 The need for welfare austerity and its conflict potential

As has already been mentioned, the 1970s ended with a relative improvement both in terms of public sector balance and of equilibrium between economic performance and welfare expenditure. Public deficit seemed to follow a descending trend (Graph 15), and the growth rates of GDP and welfare expenditure became more consistent, in comparison to the previous period. The early 1980s, however, have witnessed a rapid and dramatic deterioration of this scenario. In the wake of world recession, real economic growth fell to .1 percent in 1981, -.3 percent in 1982 and -1.5 percent in 1983, whilst social expenditure grew by ca. 7 percent in 1981 and 1.3 percent in 1982 in real terms. The balance of the public sector has again started to deteriorate, with general government deficit reaching its postwar peak of 12 percent of GDP in 1983. Public debt reached 81 percent of GDP in 1983 (in 1973 it amounted to 61 percent), this being by far the highest among the major industrial countries; the debt service has come to absorb 3.8 percent of GDP in the same year.

As recent research has illustrated in detail(94), welfare financing<sup>✓</sup> is the major root of public sector imbalance. The pension and health systems bear the heaviest responsibility. Largely as a

result of system-inherent pressures (illustrated above), these two sectors continued to expand, thus putting great strain on a public purse already hit by economic recession. Experts and policy makers now seem to agree on the immediate need for a stringent welfare 'austerity'(95): a broad reform of social policy institutions is regarded as the first and most vital step towards the recovery and stabilization of the Italian economy in the 1980s.

As shown in Table 34, initial measures in this direction have

Table 34 Cuts of welfare benefits, 1978-1983

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1978	Restriction of indexing: for beneficiaries in receipt of more than one pension, indexation only applies to one pension.  Introduction of prescription fee
1981	Restrictions applying to minimum pensions: where beneficiaries' income equals twice minimum benefit, pensions lower than the minimum not raised automatically; (decree, not converted into law). Increase of prescription fees. No further expansion of health sector personnel. Increase of all school fees. Introduction of an income-related university fee (decree, not converted into law). No further expansion of school sector personnel.
1982	Introduction of a medical test fee. Restriction of medicines available per prescription. Full cost of dental, optical and aural services/treatment to be born by patients.
1983	Restriction of minimum pension regulations (as in 1981, but with an income threshold set at three times the minimum). Increased eligibility requirements for invalidity pensions Restriction of special rights for female public employees Tighter controls of the payment of social security contributions and sickness leave. Abolition of family allowances for higher-income beneficiaries. Increase of prescription and medical test fees. Introduction of additional fixed prescription fee. Restriction of number of medicines available free of charge. Introduction of controls of doctors' medical standards and minor restrictions of benefits.

already been taken. The table starts with 1978 - although extraordinary or temporary provisions of financial restraint had been introduced prior to this date(96) - because provisions introduced during this year marked a turning point. Even given their modest institutional scope and financial effect, they were publicly presented and perceived as the first permanent restriction of welfare policy after three decades of almost uninterrupted expansion.

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Cutback provisions have mainly affected pensions, health, education and, more recently, family allowances. In the field of pensions, cuts have been limited to curbing the most unnecessary and inequitable privileges stemming from a lax and cost-unconscious application of institutional regulations: multiple indexations (1978), minimum pensions granted to beneficiaries not in need (1981 and 1983), abuse of the invalidity pension system (1983), and the so-called 'baby pensions' granted to married female employees in the public sector after only 12 years' service without an age threshold (1983). In health policy, restrictions have basically concentrated on the regulation of demand via the introduction of fees for the use of services (drugs, prescriptions, medical tests). An effort to restrain the so-called supplier induced demand (i.e. that stimulated by doctors) has been undertaken via the introduction of medical review systems. The expansion of health personnel has also been halted. In almost every sector of social security, contributions have been substantially raised and stricter controls enforcing payments have been placed on employers. Fees have been raised in the educational sector in addition to the introduction of severe restrictions on the number of personnel and the expansion of schools, courses, classes, etc. Regarding family

allowances, an important revision took place at the end of 1983: entitlement to allowances has been tied to income, with families of employees earning 28-34 million per year (i.e. 150-190 percent of the average household income), loosing one or more allowances according to the number of children and employees earning above 34 million loosing all entitlement.

In the period under review the frequency and extent of cuts has remained quite limited. The trend emerging from Table 34 is that of curbing 'excessive' benefit levels (e.g. pensions), discouraging 'excessive' demand for services (e.g. the health sector), raising fees or contributions (both as a means of financing and as a means of making beneficiaries more cost-conscious), and 'freezing' the quantitative size of service supply. Some measures have introduced income thresholds for benefit entitlements (minimum pensions, family allowances), thus strengthening the element of selectivity in social security.

However, it must be noted that these restrictive efforts have been paralleled by significant improvements in other respects. Thus, the frequency of pension indexation reviews was increased in 1980, 1981 and 1982, and the pension formula was redefined in 1982 to take account of inflation . At the beginning of 1983 family allowances were substantially increased for lower income beneficiaries with many children. The establishment of the SSN (National Health Service), in 1978 greatly

extended coverage and improved benefit entitlements. A reform of higher education in 1980 brought about a sizeable expansion in the number of personnel by granting tenure to a large number of junior staff. All these improvements have to a large extent counteracted the effects of the mild restrictive measures listed in Table 34, in terms of finance and public perception. It can thus be said that until 1983 welfare 'austerity' has been more a financial objective and political slogan than a tangible reality.

Despite their modest scope and effects, however, these first cuts have provoked harsh political conflicts. They have been enforced by eleven separate acts. In seven cases, the legislative instrument chosen by government has been a decree. This is a direct governmental decision with immediate validity even without previous parliamentary consent. Parliament must transform the decree into a law within 60 days, otherwise it is invalidated. However, it may be repeatedly renewed by government. According to the Italian Constitution (Art. no. 77), government can issue a decree in 'extraordinary cases of necessity and urgency'. The frequent resort to 'cutting' decrees thus underlines their 'urgent' character. It also indicates the wish to confront parliament with faits accomplis, in the hope of thwarting conflict. In three out of the seven cases, governmental decrees have not been approved by parliament within the deadline and have thus been re-issued one or more times (with minor modifications) before actually becoming law. This occurred four times in the cases of the 1981 education

provisions and the 1983 provisions on pensions and health. In other instances, either the whole decree or its most controversial parts, have never obtained parliamentary approval, e.g. the 1981 decree on minimum pensions (which was again presented to parliament for approval two years later, but with a higher income threshold), and the article covering income-tested and income-related university fees contained in the 1981 education provisions (this was dropped during the parliamentary proceedings). Parliamentary 'resistance' to these governmental decrees was accompanied by lengthy debates and harsh opposition between the various parties (even among coalition members).

The issue of welfare restraint presently occupies a top position in the political agenda. The experience of the first cuts demonstrates that the conflict potential of this issue is very high and that the political resistance to change is strong and stubborn, largely reflecting the new constellation of interests which has emerged in almost four decades of welfare expansion.

## 2 The new constellation of welfare interests

The welfare state and in particular the social security system are today a major source of income maintenance for large sectors of the Italian population (particularly pensioners, the unemployed, the



disabled etc.). We may assume that, in principle, these sectors should favour an expansion of welfare. In the present situation, they presumably have a strong interest in at least maintaining the status quo by avoiding cuts. The financing of welfare has, on the other hand, placed increasing burdens (in terms of both social security contributions and personal taxation) on other population groups (basically the economically active population). For these groups, the aggregate costs of welfare are likely to exceed benefits - and this is especially true if immediate costs are compared with immediate benefits. This discrepancy is likely to be exacerbated by the emerging trend towards selectivity. These people may develop an interest in altering the status quo in two ways: on the one hand, they may press for a diminution (or at least no further expansion) of taxes and contributions; on the other hand, they may press for an improvement of their welfare 'balance' by demanding higher or more benefits (or at least resisting cuts, especially cuts in their immediate benefits, such as family or sickness allowances).

Thus, in the present climate of austerity, the constellation of interests linked to the structure of the Italian welfare state appears highly conflictual. It should be stressed, however, that the focus of these structural contrasts is not the welfare state per se, but only the present distribution of benefits and costs. Thus, 'winners' and 'losers' should be simply taken as potential supporters/opposers of the existing distributive status quo, but

not necessarily as 'pro-welfare' and 'anti-welfare' constituencies. A closer empirical examination of this constellation may provide interesting insights into the potential political strains surrounding welfare and the constraints and prospects for change.

The task is obviously very difficult, and is exacerbated by the highly fragmented character of Italian social and fiscal policies (for some quantitative estimates, see Tables 35 and 36). According to 1981 census data, the vast majority of the Italian population was economically inactive (see Table 35). Only around 34 percent were active and employed, whilst around 6 percent were in search of employment. Thus, roughly one third of the population produced the national product, part of which was consumed by the other two thirds. As we know, this transfer of resources between 'producers' and 'non-producers' is massively regulated by the welfare state. Table 36 offers a breakdown which may be more significant for our purposes. The table focusses on the adult population over the age of 18 (which corresponds to the enfranchised population). It distinguishes between three different groups. The first comprises the employed population, i.e. 'producers' earning a 'market' income in either the private or the public sector. The second group comprises all the economically inactive with a 'transfer' income. Housewives over the age of 60 have been included here because this group has the highest concentration of survivor and social pensioners. The third group comprises all the economically inactive without personal income (either from the productive sector

or the transfer system). The most relevant groups for our analysis are obviously the first (where interests against the maintenance of the status quo are more likely), and the second (where interests for the maintenance of the status quo are more probable). The heterogeneity and instability of the third group make it very difficult (and probably not very significant) to identify its interests vis-a-vis the welfare state(97).

Table 35

Total population by employment status, 1981

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		%
Active:	22 271 700	39.8
employed:	18 979 750	33.9
unemployed:	1 006 550	1.8
in search of 1 <sup>st</sup> job:	2 285 400	4.1
Inactive:	33 656 800	60.2
pupils/students:	10 735 200	19.2
housewives:	10 060 000	18.0
pensioners:	7 603 350	13.6
disabled:	556 000	1.0
others:	4 702 250	8.4
Total	55 928 500	100.0

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Table 36

Enfranchised population by employment status and main source of income, 1981

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		%
Individuals receiving market incomes:	18 288 969	44.6
private sector:	14 337 410	35.0
public sector:	3 951 559	9.6
Individuals receiving transfer incomes:	12 060 966	29.4
pensioners:	7 595 759	18.5
housewives (60+)	2 422 300	5.9
unemployed	934 436	2.3
disabled	540 818	1.3
others	567 653	1.4
Individuals without personal incomes:	10 642 166	26.0
students	1 679 327	4.1
people in search of 1 <sup>st</sup> job	1 568 051	3.8
housewives (up to 60)	7 394 788	18.0
Total	40 992 100	100.0

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*Supplies*

The 'transfer constituency' (i.e. the economically inactive with transfer income) represents 29.4 percent of the enfranchised population. This means that one third of the Italian electorate has a direct structural interest in the welfare state. The 'producer constituency' (i.e. the economically active with market income) amounts to 44.6 percent. However, public employees also draw their income from the state and are highly privileged by existing welfare regulations. Therefore, we may assume that in principle they too are interested in the maintenance of the status quo. Added to the 'transfer constituency' the potential 'pro-welfare' group would amount to 39 percent of the electorate. However tentative, this figure gives an idea of the potential extent of opposition to changes in the status quo. Without public employees, the 'producer constituency' only amounts to 35 percent of the electorate. We may assume that this group is in principle interested in altering the status quo along the lines illustrated above. The interest structure within this group is however rather complex. The self-employed for instance find themselves in an ambiguous position. On the one hand, they are highly favoured by present fiscal arrangements: they pay quite low contributions (see Section III/3) and tend to be large-scale tax evaders(98). On the other hand, their welfare entitlements are more limited (see Section V/4). Given that their present balance is strongly positive, they are likely to support the status quo. A revision of their fiscal status might, however, rapidly transform them into vocal supporters of expenditure cuts, i.e. a curtailment of

benefits to which they have only partial access. It must also be noted that, for statistical purposes, employers are also included under the category of 'self-employed'. Given the high contributions paid by this group, it is reasonable to assume that they would support ~~support~~ a curtailment of welfare.

Even in the case of the employed in the private sector, interests are not uniform. As illustrated in Table 37, private employees in lower income brackets avail themselves of a number of selective benefits/advantages (most of which have been introduced in recent years, thus confirming the trend towards selectivity). The only group which seems to be the real 'loser' in the contemporary Italian welfare state are the private employees in middle/higher income brackets. The combined effect of taxes and transfers reduces their disposable income with respect to taxable income (which normally corresponds to earned income given the impossibility of tax evasion); they are deprived of various privileges to which lower income employees are entitled (entailing a further curtailment of income). There is evidence that during the last decade this group has suffered the highest relative deprivation in economic terms(99). Thus, this group is likely to be in favour of lower income taxation/contributions, against selectivity in benefits, and for a shift of cuts and burdens to other categories (the self-employed, public employees and the economically inactive generally).

Table 37 The welfare balance of private employees(a), 1983

Annual taxable income in mill. lire	Disposable income as % of taxable income	Benefits	Loss of benefits
5	131	Free health assistance Free elementary/secondary education Higher education allowance No income tax Lower legal rents Special housing allowance Family allow., special family supplement	
8	119.4		Fees for elementary/secondary education Prescription and medical test fees
9	113		Income tax payable Lower special family supplements Legal rents Lower special housing loan
12	104.4		
15	99.2		
20	88.7		Loss of special family supplement
28	84.4		Loss of special housing loan
30	82.0		Only one family allow
32	81.4		Loss of family allow.
34	81.0		
60	74.7		

(a) Figures refer to a typical family of four persons where both the husband and wife are employed (one income =half of the other).

It is difficult to estimate the size of this group. We can take net household income of 20 million lire (above which disposable income decreases significantly in relation to taxable income) as a relevant threshold. According to a Bank of Italy survey carried

out in 1982(100), 31.7 percent of Italian households earned an income of this size. This figure drops to 14 percent if only households whose head is a private employee are selected, i.e. roughly 2.6 million families. Supposing that each household has, on average, two votes, we would arrive at a (very tentative) estimate of some 5.2 million persons, i.e. ca. 13 percent of the electorate. If there is a potential constituency for an Italian 'tax-welfare backlash' - besides the employed and some of the self-employed - this occupational group appears as the likeliest candidate.

### 3 The welfare state, political mobilization and party mobilization

In order to assess the likelihood of socio-economic categories transforming themselves into political constituencies either supporting or opposing the present pattern of welfare distribution, we must first look for empirical evidence showing: (1) whether welfare interests are actually perceived by the involved groups, being reflected in public attitudes, and (2) whether these interests are politically articulated and aggregated, being reflected in collective forms of behaviour(101).

Survey evidence on attitudes to welfare programmes is unfortunately very limited. Table 38 reports the distribution of answers to



three welfare-related questions asked in two different surveys(102). In the first question, a sample of 5,000 respondents was asked at two points in time about their willingness to accept higher contributions in order to bring pensions up to a 'decent' (dignitoso) level. In general, the level of 'willingness' was very high, although it declined from 1978 to 1982. Not surprisingly, a breakdown by age reveals that central age groups (i.e. those predominantly employed and paying pension contributions) are much less in agreement than older age groups (i.e. those either in receipt of a pension or approaching pensionable age). Nevertheless, we should note that even in the first group there is a clear majority in favour of increasing pension contributions.

In the second question (1983), a sample of 2,000 respondents was asked to indicate which sectors of public expenditure were more 'wasteful', and therefore more amenable to cuts. The health sector turned out to be perceived as the 'most wasteful' (48.7 percent of respondents), closely followed by pensions (45.2 percent); education was perceived as much less wasteful. The breakdown by age again revealed some differences between central and older age

Table 38      Public opinions on some welfare issues

Items	% of agreement		
	Total	age 18-54	age 55+
1) Social security contributions may well increase as long as pensions are raised to a 'reasonable' level			
- 1978	61.2	57.9	76.4
- 1982	58.2	52.5	71.6
- Difference	-5.0	-5.4	-4.8
2) How much waste (and thus higher possibility for a reduction of expenditure) is there in the following sectors (1982):			
- Pensions			
no waste	24.3	23.1	26.7
a little waste	19.9	19.7	20.3
a lot of waste	45.2	47.0	41.4
don't know	10.6	10.2	11.6
- Health			
no waste	18.6	19.5	16.7
a little waste	22.4	22.3	22.5
a lot of waste	48.7	49.5	47.0
don't know	10.3	8.7	13.8
- Education			
no waste	32.6	35.1	27.5
a little waste	27.0	28.9	23.1
a lot of waste	21.7	21.4	22.3
don't know	18.6	14.5	27.0
3) Which of the following proposals for reducing health expenditure do you consider the most fair for reducing health expenditure:			
- not paying the first day of sickness	30.9	28.9	35.0
- charging consumers 20% of prescription costs	30.7	31.2	29.7
- charging a fixed fee for medical consultations	22.3	24.5	17.8
- restricting free prescriptions to cases of serious illness, with full cost being payable for minor illness.	49.4	50.0	48.0
- granting only indirect care (i.e. reimbursible care) to families with net monthly income in excess of 1.5 mill. lire.	31.3	29.2	35.6
- don't know	21.6	20.4	24.1

groups. The former tended to judge the health and especially the pension system (in which they have a less immediate interest) as more wasteful (and therefore more amenable to expenditure cuts) than the latter. In the case of education, the opposite is true - a result which may reflect the reduced importance of this sector for older age groups.

In the third question the same sample of respondents was asked about their willingness to accept a number of possible cuts to health expenditure. Younger respondents tended to oppose a reduction of sickness cash benefits or the introduction of 'indirect care' (i.e. the reimbursing of health costs) for higher income groups (i.e. two cuts which would affect them immediately and noticeably), more than older respondents. On the other hand, they tended to be more in favour of general charges for health services, which they normally use more seldom than the old. Although these data still indicate a high consensus on welfare policy (especially the first question), and a strong opposition to cuts (especially the third), they tend to reveal a divergence between younger and older respondents.

With respect to collective behaviour, we can observe a growing political activation of welfare interests. The middle and higher income brackets of private employees, identified above as the most penalized 'welfare group', have in recent years witnessed an increasing mobilization based on welfare claims. This process

started in the 1970s, when the so-called quadri intermedi (i.e. the upper middle echelon of private employees) began to organize in the larger enterprises of the industrial North, speaking out against the erosion of wage and status differentials. A number of smaller sectoral/local unions were formed, which confederated in 1977 into the Confederquadri. In 1975 the Unionquadri was founded, i.e. a professional association aiming not only at a defence of their economic interests, but also at a promotion of their 'values', (i.e. 'professional skill', 'merit', 'efficiency', 'creativity', 'individual responsibility'). Among the several claims advanced by both the union and the association, the top priorities are: (1) a reform of existing national contract regulations, not recognizing a contractual status for this category; (2) a reform of the social insurance system, modifying penalizing mechanisms (such as the ceiling on pensionable earnings, pension indexation and social security contributions, see Section V/4); and (3) a reform of the fiscal system, shifting burdens to favoured categories such as the self-employed.

The political activism of the quadri intermedi has rapidly increased in recent years. In October 1980, 40,00 of their members demonstrated in Turin, and ever since both have become respected partners in the various government-union consultations on economic, social and fiscal policy. Although their prime objective (i.e. a reform of contract legislation) has not yet been achieved, the pressure of this group has already had significant results in other

respects. In September 1983, they succeeded in preventing the introduction of 'selectivity' within the health system, i.e. the exclusion of higher income families from free health care, and in December of the same year they obtained a substantial reform of pension indexation. They declare themselves in favour of welfare austerity, as long as this is not 'one-sided', i.e. devised to 'penalize those who are now paying for all the others'(103).

Within the 'transfer constituency', there are parallel signs of growing political mobilization. Besides a number of occasional or local phenonema such as the Neapolitan movement of the disoccupati organizzati (the organized unemployed) in the late 1970s, the most relevant development is the organization of pensioners. During the 1970s the rate of unionization of this category within the larger unions (CGIL and CISL) increased rapidly and in 1979 a political party was formed, the National Pensioner Party (Partito Nazionale dei Pensionati, PNP). In the subsequent years PNP has developed an organizational network, with sections in practically every major city, and at the 1983 elections it obtained 1.4 of the vote(104).

The reform of the pension system in favour of a substantial increase of lower (social and minimum) pensions, together with a lower taxation of pensions, is the top item in the party's political agenda. The party also advocates a higher involvement of the aged in public affairs, especially at the local level, through the formation of 'popular commissions' for the control of public

services and public order. They propose a general increase of all welfare payments and fiercely oppose welfare cuts (especially in the health sector). On other issues the party displays moderate centre orientations.

Although mainly representing the interests of lower/middle income pensioners, the PNP tried in their 1983 election campaign to reach all important 'transfer constituencies', i.e. housewives, the unemployed, disabled and even young people in search of a first job. It presented itself as a possible catalyst of the resentment and protest of welfare clients against unreliable and 'dishonest' politicians and bureaucrats. To a large extent, the PNP phenomenon must be interpreted in the light of increasing political distrust and cynicism among the Italian electorate, and of the state of acute crisis of the party system. To some extent at least, it also reflects genuine interests and the new conflicts: besides complaining against 'politicians and bureaucrats', the PNP explicitly points its finger at economically active categories who pay low contributions and avoid taxes.

As we can see, there are some symptoms indicating that the new structure of welfare interests is increasingly important in moulding and activating mass political attitudes and behaviour. What is the impact of this development on the Italian party system? To what extent, and in what ways does the welfare state affect the behaviour of, and competition between parties?

In recent years the Italian party system has undergone significant changes(105). Ideological polarization has decreased, the traditional class and sub-cultural bases of the various parties have been progressively eroded, transforming the latter into more secularized, catch-all parties. Issue voting has become increasingly important and the segmented Italian electorate has gradually become a more homogeneous political market, in which all parties are able to compete more freely for voters across the political spectrum. It is difficult to assess the extent to which the welfare state (i.e. the new socio-economic differentiations resulting from fiscal and social policies), has contributed to these developments. However determined, the present state of fluidity offers a favourable ground for at least a partial realignment of the party system. Given its structural and functional relevance, the welfare state may well serve as a lever for such a process.

The experience of the 1983 electoral campaign offers some interesting insights in this respect. Owing to the acute fiscal crisis, all parties were forced to take a stand on welfare issues (more precisely, on welfare 'cuts'). Party strategies had to be elaborated under a threefold pressure: the 'functional' need of welfare austerity; the need to defend the interests of traditional party electorates and the objective of capturing new electoral groups by a reshuffling of welfare 'gains' and 'losses'. The effort to reconcile all this resulted in ambiguous party

programmes. As widely lamented by the press and in public debates(106), the various 'welfare packages' were highly incoherent. Clearly, all parties were trying to influence disparate socio-economic constituencies, and not surprisingly, both the quadri intermedi and pensioners were among the most important.

Table 39 may help to explain the difficulties of political parties to develop unambiguous strategies. The table reports a breakdown of party electorate by 'welfare constituency', similar to that presented in Table 36. Given the limited size of the sample and the high number of non-respondents, these data must be read with extreme caution(107). As is seen, all parties tend to attract votes from all sides, and the confrontation between producer and transfer constituencies is fairly balanced. This is particularly true for left parties (PCI and PSI and, with some marked internal differences, the Radicals, PR, and to the extreme left PDUP). The DC and the PSDI which have a similar composition, show an overproportionate representation of transfer constituencies (especially pensioners). The PRI and PLI, on their side, are the parties with the highest relative concentration of 'producers', especially of self-employed. Finally, the extreme right (MSI-DN) appears to be quite split between producers and transfer recipients.

With all the necessary methodological caveats, a number of interesting observations can be drawn from this table. No party appears to represent a single constituency to such a disproportionate extent as to make a clearcut choice in favour of this or that group politically convenient. There are, however, some significant differences, especially when contrasting those parties which find themselves at the centre of the political



Table 39 Party electorates by employment status and source of income, 1982

	DC	PCI	PSI	MSI DN	PSDI	PRI PLI	PR PDUP	n.i.	Total
Economically active (market income)	39.3	49.0	48.4	51.5	39.3	58.2	48.6	44.9	46.8
self-employed	12.5	10.4	11.4	20.9	14.4	25.4	11.4	15.7	13.9
entrepreneurs, professionals	0.5	1.4	1.4	-	1.8	9.0	-	2.8	2.0
farmers, artisans and traders	12.0	9.2	10.0	20.9	12.6	16.4	11.4	12.9	11.9
employees	26.8	38.4	37.0	30.6	24.9	32.8	37.2	32.1	32.9
blue-collar	13.0	24.6	24.4	12.9	8.9	6.6	2.9	19.5	18.3
teachers	3.6	3.9	2.2	3.2	7.1	4.1	11.4	2.8	3.5
white-collar	10.2	9.9	10.4	14.5	8.9	22.1	14.8	9.8	11.1
Economically inactive (transfer income)	60.7	51.0	51.6	48.4	60.7	41.8	51.4	52.5	53.2
pensioners	26.8	19.5	24.7	24.2	26.8	23.8	5.7	18.6	21.9
housewives	27.0	23.0	20.1	8.1	21.4	11.5	11.4	25.0	22.6
unemployed	3.6	4.1	4.3	4.8	7.1	1.6	8.6	3.9	4.0
students	3.3	4.4	2.5	11.3	5.4	4.9	25.7	5.0	4.7
Total	100	100	100	100	100	100	100	100	100

spectrum (DC-PSDI and PRI-PLI). These parties have always been traditionally very close and allied in government coalition. In recent years, however, the electoral competition between parties has increased markedly, largely on welfare issues. The difference in the social bases of these parties revealed by our data indicates that this competition is now structurally grounded and is doomed to increase if the crisis of the welfare state worsens. It is interesting to note that the major surprise of the 1983 elections concerned precisely these parties, and especially the DC (-5.4 percent) and the PRI (+2.1 percent). Both parties presented an electoral programme mainly based on the theme of austerity, advocating a thorough rationalization and limitation of the welfare state. If for the PRI this appeal was coherent with both its

historical and cultural tradition and its socio-economic constituencies, in neither respect was this true for the DC: the new austerity image which this party tried to put on had probably the negative effects of alarming its transfer constituencies whilst not convincing the producer ones.

More detailed information would be obviously needed for a more thorough assessment of the effect of the newly emerged welfare interests on the Italian party system, on its interference with the traditional, class based social roots of parties and its impact on the 'normal' left-right dimension of party coalitions.

Given the paucity of data and the fluidity of situation, we must limit ourselves to concluding that there are visible signs of a growing impact of the welfare state on party behaviour and that this is especially true for the centre of the political spectrum, where a visible and structurally grounded party differentiation is taking place. It is possible that this formerly homogeneous area will undergo an internal restructuring, with the PRI and PLI increasingly emphasizing their appeal to a welfare rationalization more favourable to producers and the DC and PSDI trying to more overtly defend transfer interests. Considering its half-way location in terms of social base and its present political dynamism, the PSI is also likely to intervene in the game, taking a role of mediation between the two sides. In whichever direction this situation may evolve, it is sure that welfare competition will

represent a hampering factor for the stability of the present 'penta-party' coalition formula.

The present problems of the welfare state do not only constitute powerful electoral stimuli for Italian parties, but also a serious structural challenge requiring responsible action. Whichever their electoral interest, all parties seem therefore well aware of the functional need for a broad institutional restructuring. The multi-faceted constellation of structural interests and political conflicts may delay this restructuring and impede clearcut or drastic changes. The 'crisis' will probably last longer in Italy than in other countries, but it is reasonable to expect that welfare reform will gradually take place. A vast debate on this theme has started in Italy with the participation of all relevant elite groups. If the ideological and programmatic contrasts are still high and significant, the will for a profound change is generalized and a common basis seems gradually emerging. A closer look at this debate may therefore cast some light on the probable future profile of the Italian welfare state.

#### 4 The intellectual debate and the future of the welfare state

Until the second half of the 1970s, the welfare state remained a rather marginal topic in Italian academic research and intellectual

debate. In the wake of international discussion, however, and under the growing pressure of structural problems, the 'welfare crisis' has rapidly gained attention in recent years.

Academic research on this subject has largely been based on work done outside Italy. We can distinguish between three basic approaches: neo-marxist, neo-liberal, and 'radical catholic'. The neo-marxist was the first to be imported largely due to the strong leftist leaning of Italian social science -at least until the second half of the 1970s. Thus, James O'Connor and Claus Offe's diagnoses of welfare crisis have become very popular, and now largely inspire the cultural/ideological stance of the Left on the subject. Italian neo-marxists, in the same way as their foreign colleagues, interpret the current problems of the welfare state as a fundamental, structural crisis, ultimately reflecting the incompatibility between capitalist accumulation and social redistribution. The solution to the crisis is a 'moving beyond welfare capitalism' to a 'third road' which is distinct from both social democracy and socialism. Although never clearly defined, this 'third road' is basically an 'intensive' Keynesian welfare state, with a high degree of economic planning and public control over capitalist accumulation, a high degree of redistribution via the fiscal and transfer systems, and basic universal services coupled with higher self-management at the social level. The Scandinavian (especially Swedish) debate on 'economic democracy' has recently become influential among Italian neo-marxists(108).

The second approach, that of neo-liberalism, has rapidly gained consensus in recent years, in the wake of its international revival. It must be noted that Italian neo-liberals tend to formulate their critique in quite moderate tones, and seem to be more inspired by a Rawlsian type of 'social liberalism' than by radical 'free market' liberalism.. Thus, Italian neo-liberals call for a more efficient and de-regulated, but still solid and conspicuous, welfare system, based on a mix (but still a mix) of market and state. Outright neo-conservative attacks on the welfare state have been few and far between(109).

The third approach is 'Radical Catholic', and is inspired by various traditions ranging from neo- and 'radical' marxism (e.g. Agnes Heller's theory of 'radical needs') to structuralist sociology, and from German phenomenology to contemporary social doctrine in the Catholic Church. Radical Catholic authors criticize the alienating character of welfare provisions based on either monetary transfers or bureaucratic and professional services and their disruptive effects on individual and familiar Lebenswelten. Basically anti-capitalist, these authors are less interested in altering property relations or shifting the mechanisms of economic control than in a radical re-definition of the boundaries between public and private. They advocate a general retrenchment of the state in favour of the 'social private' sphere, i.e. the network of voluntary private and local solidarities(110).

Scholarly evaluations constitute a general background for the present debate on the future of the welfare state and are thus important in order to grasp the overall cultural climate which nourishes this debate. Given their high level of generality and abstraction, these evaluations obviously have only a very vague and distant bearing upon actual policy choices. It is therefore useful to briefly survey also non (or less) academic, and more policy-oriented evaluations and proposals, illustrating some of their most interesting and relevant themes and ideas.

'Rationalization' is perhaps the commonest and most consensual theme at this level of debate. It implies a substantial revision of existing welfare arrangements in order to achieve a higher level of 'equity' (i.e. equal treatment for all those with similar objective needs/risks) and higher 'efficiency'. Analysts and ideologues from all sides seem to agree on the need for a more equitable distribution of fiscal burdens and transfer benefits, for a more rational set of incentives for welfare suppliers and consumers, and for a general administrative simplification and harmonization of programmes and regulations. Commissions set up by the Treasury have recently formulated a variety of proposals for the reform of specific welfare sectors(111).

A second recurrent theme is that of 'flexibility'. The provision of welfare through rigid compulsory insurance is regarded as inappropriate with respect to an increasingly multi-faceted and

changeable demand. A more flexible pattern of welfare provision is recommended, allowing a much greater 'personalization' of benefits and services. Liberal-democratic authors and ideologues couple the issue of higher flexibility with that of 'privatization' or 'liberalization'. They suggest that the role of private welfare be extended to the sectors of health and education, possibly by the use of voucher systems(112). The public versus private issue is much debated also in the case of pension reform. Most reform proposals share a common basis: the new system should distinguish between two (or even three) separate 'pillars': a basic flat-rate, universal scheme which guarantees a 'decent' minimum, and an additional occupational, earnings-related scheme (and possibly a third voluntary scheme). All parties agree that the first pillar should remain the sole competence of the state, but regarding occupational pensions we can distinguish between a 'liberist' and an 'étatist' interpretation: the former favours a competitive system including public and private schemes, whilst the latter would like to concentrate this type of pensions within the public sector (merging everything into INPS)(113).

A third and increasingly important theme is that of 'selectivity'. During the 1970s, the commonly held view (especially on the side of the Left) was that welfare progress was conditional upon a broad universalization of social security and a shift from a particularistic and fragmented system to an 'institutional redistributive' system -the Swedish welfare state normally being

taken as an example. At the moment this approach is being substantively revised. There has been some disillusion regarding the actual welfare achievements of Northern European countries in terms of both redistribution and economic efficiency. Above all, however, the first Italian experiences of universalization (e.g. health) have created enormous organizational and financial problems and proved to be largely ineffective. Thus, social scientists are increasingly shifting their focus from universalism back to selectivity, as being a more adequate means of redistributing welfare resources and reaching target groups. This growing emphasis on selectivity is not interpreted as a return to a 'residual' model of welfare. What it purports is rather an Italian version of the Beveridge model, characterized by basic, universal welfare entitlements based on citizenship (rather than the present occupational status), but which only gives full protection for the less well-off, while the better-off are either 'selectively' deprived of some benefits or charged a fee for services.

The issue of selectivity is discussed especially in relation to the National Health Service, but, as has already been mentioned, is also applicable to other types of insurance (e.g. family allowances, sickness cash benefits, housing loans). There is a good degree of consensus regarding the general rationale underlying the idea of selectivity, but within this consensus we can distinguish between two different interpretations of the principle. On the one hand, there is a 'strong' interpretation, according to



which the better-off should be 'locked-in' as contributors to social insurance programmes, and subsequently be excluded from some benefits or charged relatively high fees (in other words, they should pay without receiving or pay twice to receive). On the other hand, there is a 'weak' interpretation, according to which the better-off should be given some sort of compensation for their exclusion from benefits or free services, allowing them to 'opt out' (after payment of a solidaristic earmarked contribution) of public programmes, or by granting them a higher margin of choice within public welfare (e.g. with respect to the type of services)(114). What lies at the basis of these two different interpretations of positive selectivity (and, more generally, of the whole welfare debate) is the old issue of equality vs. meritocracy, i.e. the relative weight to be assigned to 'needs' and 'merits' in the distribution of welfare. After having been banished for a long time from political and intellectual discussion, the notion of meritocracy has recently been relegitimized not only within liberal-democratic circles, but also within the Socialist Left, which even launched the political slogan of a new 'alliance between merits and needs'(115).

A final theme of the current debate is that of welfare 'moralization'. As has been illustrated above, party control of welfare institutions and the discretionary use of welfare benefits are among the most peculiar traits of the Italian welfare state. Massimo Paci has recently coined the notion of a

'particularistic-clientelistic' model of welfare, in order to describe the format of Italian social policy in a comparative perspective(116). The system of welfare patronage has come under increasing attack in recent years and an energetic campaign for a 'moralization' (i.e. a less personalized and partisan management) of the welfare apparatus is under way, especially in the media. What is demanded is the definition of precise boundaries to 'party government', i.e. the limitation of the role and competence of political parties in the administration of public (and especially welfare) institutions. This would imply, for example, a profound revision (or even the suppression) of the various 'political committees' operating in the social insurance (e.g. INPS) and especially health sectors (see Section VI/4) and an overall retrenchment of 'politics' from the welfare arena, placing greater emphasis and responsibility over the bureaucracy (which in turn should be made less partisan, through appropriate recruitment procedures and efficiency controls) and over consumer self-management.

As is seen, the welfare debate is rich and articulated and it has already expressed numerous interesting suggestions. The awareness of problems seems widespread, as is the effort to devise reasonable solutions; a pragmatic climate characterizes most contributions. Welfare reform will certainly take its time and it is possible that in a decade from now the Italian situation will still appear turbulent in both financial and political terms in comparison with

other countries. Almost certainly, however, some important step will have been taken to set up a more viable welfare state, no longer impairing with its huge structural deficit Italy's integration in the international economy and possibly capable of providing less uneven benefits and more efficient services to its citizens.



## NOTES

- (01) The best report on the beginning of the 'southern question' in the new state is: G. Fortunato, Il Mezzogiorno e lo Stato Italiano. Laterza, Bari 1911. Fortunato, a progressive southern land-owner, was one of the most prominent voices in favour of social reform during this period. For an overall picture of social policy during the first decades of the new Italian state, see especially V. Fargion 'L'assistenza Pubblica in Italia dell'Unità al Fascismo: primi Elementi per un'Analisi Strutturale', in Rivista Trimestrale di Scienza dell'Amministrazione, forthcoming, and D. Marucco, Mutualismo e Sistema Politico, Milan, Franco Angeli, 1982.
- (02) See A. C. Jemolo, Chiesa e Stato in Italia negli Ultimi Cento Anni. Turin, Einaudi, 1948.
- (03) According to Gerschenkron, the Italian 'take-off' took place between 1880 and 1914, reaching a peak in 1886-1908, when the yearly growth rate of industrial output surpassed 6 percent. See A. Gerschenkron, 'Notes on the rate of industrial growth in Italy, 1881-1913', The Journal of Economic History, Vol. 15 (1955), pp. 360-375. See also R. Romeo, Breve Storia della Grande Industria in Italia. Milan, La Nuova Cappelli, 1961.
- (04) The first measure raised the age limit for compulsory education to 12; the second transferred to central government the responsibility for elementary education, and established new agencies for the assistance of poor pupils in all local authority areas.
- (05) See A. Cherubini, Storia della Previdenza Sociale. Rome, Editori Riuniti, 1977, especially chapter V.
- (06) 'Corporatist State' is a definition first used in the Carta del Lavoro, a party document published in 1927, stating the new fascist understanding of social and economic relations. Social insurance was considered as a prominent manifestation of the principle of collaboration between the various social 'bodies', through their corporative organizations. According to its theorists, the fascist state was 'beyond' social policy because it presented in itself a preventive cure for all social ills. See again A. Cherubini, op. cit., chap. VI.
- (07) In spite of its thorough social penetration and suppression of pluralism, Fascism did not substantially curb the sphere

- of influence of the Catholic Church. See A. C. Jemolo, op. cit. and D. A. Binchy, Church and State in Fascist Italy. Oxford, Oxford University Press, 1941.
- (08) For a thorough account of the Fascist regime see the works of R. De Felice, especially his Mussolini il Fascista, Vol. II and Mussolini il Duce, Vol. I., Turin, Einaudi, 1968 and 1974.
- (09) These figures only refer to central government expenditure on social security, public health, housing and education (the expenditure of social insurance funds is thus excluded). Source: Peter Flora et al., State, Economy and Society in Western Europe 1815-1975: A data handbook, 2 Vols. Frankfurt a.M and London, Campus and Macmillan, 1983.
- (10) In the immediate aftermath of the war, the struggle between the various political factions concerned the very fundamentals of the new political system: the political (monarchy vs. republic) and the socio-economic (free market vs. planning) institutional framework, and the international position of the country.
- (11) See the legislative provisions listed in the institutional synopsis, especially for pensions, sickness, unemployment and housing.
- (12) For a survey of the positions of the various parties, see again A. Cherubini, op. cit.
- (13) Articles No. 32 and 38 of the Constitution. A less debated article (No. 33) also made reference to education, for which 'the Republic establishes general rules ... and institutes state schools at all levels...'. See Costituzione della Repubblica Italiana, Istituto Poligrafico dello Stato, Rome, 1976.
- (14) See Commissione per la Riforma della Previdenza Sociale, Relazione sui Lavori della Commissione, Ministero del Lavoro e della Previdenza Sociale, Rome, 1948.
- (15) INPS = Istituto Nazionale della Previdenza Sociale (National Institute for Social Insurance): INAM = Istituto Nazionale per l'Assicurazione contro le Malattie (National Institute for Sickness Insurance): INAIL = Istituto Nazionale per l'Assicurazione contro gli Infortuni sul Lavoro (National Institute for Occupational Injuries Insurance).
- (16) The only notable exceptions were earnings-related cash benefits for sickness and partial unemployment. See below

paragraph No. IV/2.

- (17) The basic structure of the Italian education system can be traced to this reform, in its four separate layers (elementary, lower middle, upper middle, and higher education) as well as in its programmes and curricula. Gentile was a leading Italian philosopher of the idealist school of thought, who saw in the Fascist State the incarnation of the Hegelian ethical State.
- (18) These were the years when the vast debate on the 'Italian pattern of development' began to articulate itself, building on the first results of empirical economic and social research. Among the most prominent academic voices, we should mention G. Fuà, F. Momigliano, C. Napoleoni and P. Sylos Labini as economists, F. Alberoni and A. Pizzorno as sociologists. A book published in 1959 (Aspetti e Problemi Sociali dello Sviluppo Economico in Italia, Bari, Laterza), including contributions by some of them, served to stimulate the debate and addressed it towards the 'programmazione', i.e. deliberate social and economic planning by policy-makers. For a good picture of the academic and political debate of this period, see M. Centorrino (ed.), Consumi Sociali e Sviluppo Economico in Italia. Rome, Coines, 1976, and G. Manin Carabba, Un Ventennio di Programmazione. Bari, Laterza, 1977.
- (19) See Ministero del Bilancio, 'Problemi e Prospettive dello Sviluppo Economico Italiano', in La Programmazione Economica in Italia, Rome, 1967, p. 126.
- (20) See Consiglio Nazionale dell'Economia e del Lavoro (CNEL), Osservazioni e Proposte sulla Riforma della Previdenza Sociale. Rome, Istituto Poligrafico dello Stato, Rome. The CNEL is an influential constitutional body of experts, charged with the task of counselling the parliament and the government about relevant economic and social problems: its 1963 proposals echoed, in many respects, the D'Aragona Commission's recommendations of 1948.
- (21) In Italy, the period from 1968 to 1972 was characterized by a sharp increase in social conflict, which reached a peak in the 'hot Autumn' of 1969. The improvement of the welfare state became a major target of union action, which overtly pressed, in a series of strikes, for reforms in the pension, housing, health, education, transport and tax systems. For a comprehensive analysis of the relationship between trade unions and the political and social systems, see A. Pizzorno et al, Lotte Operaie e Sindacato: Il Ciclo 1968-1972. Il Mulino, Bologna, 1978 and (for a shorter survey) M. Regini,

'Labour Unions, Industrial Action and Politics', West European Politics Vol. 2, No. 3 (1979), pp. 51-66.

- (22) Major changes occurred during this period: divorce was legalized in 1971 and, significantly, retained after a referendum promoted by the Catholic Church in 1974; family law was thoroughly revised and fully modernized in 1975; the age of majority was lowered to 18 in 1975; equal treatment between men and women with respect to work was introduced in 1977 and abortion was legally authorized under certain circumstances in 1978.
- (23) This process started with housing in 1971 and continued with social assistance in 1976-77 and health in 1978. For more details see the Institutional Synopsis in the appendix.
- (24) A few projects for a thorough reform of social insurance insurance (again in the direction of administrative simplification) have been discussed in Parliament since 1978, but no decision seems imminent because of the violent contrasts between the parties on the matter.
- (25) There is some discrepancy between the time series of expenditure data presented by OECD and ISTAT (Istituto Centrale di Statistica - Central Bureau of Statistics). In the first place, OECD only gives data for the period 1961-1978. Secondly, there is a difference of definition: OECD does not include in the total figure capital transfers paid (only the net balance of transfers is given), whereas ISTAT does. This difference in definition should in principle produce higher figures for the ISTAT series; however, this happens only after 1974 (when the discrepancy is in fact only due to the inclusion by ISTAT of capital transfers paid). For earlier years, in spite of its more comprehensive definition, the ISTAT series lies beneath the OECD one, because its figures for final consumption are somewhat lower than those of OECD. Given its wider temporal extension, we have decided to take the ISTAT series when using total public expenditure as a denominator in the following graphs. Graph 1 shows also a break in the trend line between 1959 and 1960, due to a change in the GDP data series (for which there is no difference between OECD and ISTAT). For the period after 1960 in fact, the value of GDP has been re-computed, trying to take into account the 'black' economy.
- (26) Only for this Graph we have used the OECD total and breakdowns for the 1961-1978 period, because we think they provide a more accurate figure for public consumption (see note 25).



- (27) This graph is based on tentative breakdowns which are not entirely mutually exclusive. For precise definitions, see the appendix.
- (28) The consolidated account of total public expenditure only reports breakdowns by economic category. A precise functional classification would therefore have to start from very detailed institutional breakdowns.
- (29) See W. Rostow, Politics and the Stages of Growth, Cambridge, Cambridge University Press, 1971. For precise definitions, see the tables in appendix.
- (30) An accurate quantification of the growth of social expenditure is difficult to present. Only recently has the very notion of social expenditure gained the attention of official statistical publications. Detailed accounts (with functional and institutional comprehensive breakdowns) only exist, so far, for the period 1975-1979 (ISTAT, I conti della protezione sociale 1975-1979, Supplemento al Bollettino Mensile di Statistica, 1981, No. 8). Drawing on different sources we have constructed a time-series of relatively homogeneous data covering the following functions: income maintenance (i.e. cash benefits for old age, invalidity, survivors, sickness, maternity, occupational injuries, unemployment and family dependents), education, health (benefits in kind), housing and public assistance (in cash and kind). We have taken into account central and local government expenditure, social security funds and a few other separate agencies of the Italian public sector, re-aggregating it according to our five functions.
- (31) It was in fact decided that, in order to establish the degree of invalidity, the socio-economic conditions of the area of residence - and in particular the available chances of finding a job - should be taken into account. On the special role of invalidity pensions in the Italian welfare system, their sectoral and territorial distribution, see especially A. Becchi Collidà, Sussidi, Lavoro e Mezzogiorno, Franco Angeli, Milan 1978 and Politiche del Lavoro e Garanzia del Reddito, Il Mulino, Bologna 1979; G. Morcaldo, 'Analisi della struttura dei trattamenti pensionistici e della sua evoluzione', in Contributi alla Ricerca Economica, Banca D'Italia, Dicembre 1977, pp. 77-162.
- (32) On this topics, see especially G. Brosio, 'I trasferimenti alle imprese', pp. 153-182 in E. Gerelli, F. Reviglio (eds.), Per una Politica della Spesa Pubblica in Italia, Franco Angeli, Milan 1978 and E. Portarollo, Il Salvataggio nell'Europa della Crisi, Il Mulino, Bologna 1976.

- (33) Although the legal entitlement to family allowances was only granted to the unemployed in 1968, this type of benefit was in fact paid to them starting from 1965, thanks to ad hoc provisions.
- (34) Debt repayment, the creation of a National Hospital Fund to finance the regions, the gradual liquidation of social security funds and the establishment of a National Health Service initiated a storm of financial transfers between 1975 and 1980, so that an accurate re-construction of yearly expenditure data is extremely difficult for this period. See 'Rapporto Sanità', in Relazione Generale sulla Situazione Economica del Paese, Rome 1980, Vol. III, pp. 163-182.
- (35) Unfortunately, official statistics only report an aggregate figure for 'education and culture' and it is not possible to disaggregate one from the other. Needless to say, education absorbs by far the largest share of the total, i.e. some 85 percent-90 percent. For a good survey on the availability and quality of data on education, see S. Bruno, 'La spesa pubblica per istruzione e cultura in Italia: andamento, problemi e prospettive', pp. 109-130 in E. Gereffi, F. Reviglio (eds.), op.cit.
- (36) In 1975, the ISTAT data series ceases in fact to report the data relative to the expenditure of GESCAL (the public agency created in 1963 and abolished in 1971), even if part of it was still continuing. Moreover, data relative to regional and local authorities expenditure appear underestimated through the 1970s, due to the delay and disorder of regional and other local financial accounts. ISTAT data refer to actual expenditure for all state housing constructions in a given year: the Bank of Italy provides data only on the total amount of public investments for state housing in a given year.
- (37) As was the case with public expenditure, there is a discrepancy between ISTAT and OECD data on public revenues. This discrepancy is mainly due to a difference of definition: ISTAT includes capital transfers received within total revenues, while the OECD only gives the balance. We have used the OECD data in Graph 1 for the period 1960-1980 and ISTAT data (the only data available) for the period 1951-1959. The break in the line is also due to the break in the GDP data series. The same sources have been used for Graph 1.
- (38) A 'negative' net lending is equivalent to positive net borrowing. We have used the notion of negative net lending as it is found in the OECD National Account Statistics. If

net lending 'goes down' (i.e. below the zero line), this means that the borrowing requirement of the state increases correspondingly.

- (39) For a more thorough discussion of these points, see G. Amato, Economia, Politica e Istituzioni in Italia, Bologna, Il Mulino, 1976.
- (40) The 1960 jump in the state share of welfare programme financing is due to a lump transfer from the state to social security funds, compensating for unpaid contributions during previous years. The Graph has a break at 1974-75 due to the change of the data series. This change (and the lack of data for the period 1978-1980), makes it difficult to see clearly the increase of the state share to cover deficits.
- (41) Data on the membership of social insurance schemes are not very reliable. Due to the great number of seasonal, part-time and marginal workers, yearly figures are estimated (and normally turn out to be overestimated). Data on members of pensions insurance do not include public employees. Despite this, the percentage figure is very high with respect to the labour force especially during the 1960s. This probably results from the fact that a great number of self-employed appeared as active members of the insurance, but were not reported as active workers in the labour force surveys. The decline of coverage in the 1970s is also due to the relative increase in the number of public employees within the labour force.
- (42) See 'Reddito, risparmio e patrimonio immobiliare delle famiglie italiane nell'anno 1979', Bollettino della Banca d'Italia, Vol. XXXV, No.s 3-4, 1979, pp. 311-374.
- (43) On this phenomenon, see M. Barbagli, Disoccupazione Intellettuale e Sistema Scolastico in Italia, Bologna, Il Mulino, 1973 and M. Dei and M. Rossi, Sociologia della Scuola Italiana, Bologna, Il Mulino, 1978.
- (44) On the development of social services during the 1970s, see M.C. Bassanini, C. Lucioni, P. Pietroboni, E. Ranci-Ortigosa, I Servizi Sociali: realta e riforma, Bologna, Il Mulino, 1977, M. La Rosa, E. Minardi and A. Montanari, eds; I Servizi Sociali tra Programmazione e Partecipazione, Milan, Franco Angeli, 1978; C. Trevisan, Per una Politica locale dei Servizi Sociali, Bologna, Il Mulino, 1978.
- (45) For a thorough reconstruction of the Commission's works and

a selected presentation of its reports, see P. Braghin, (ed.), Inchiesta sulla Miseria in Italia (1951-1952), Turin, Einaudi, 1978.

- (46) The attitude and strategy of Italian parties, trade unions and of the Catholic church with respect to poverty are reviewed by P. Pombeni, R. Scaldaferri, F.G. Cammarano, G.P. Cella, S. Negrelli and E. Bace in the anthology edited by G. Sarpellon, La Povertà in Italia, 2 Vols., Milan, Franco Angeli, 1982.
- (47) See especially C. D'Apice, 'La Povertà in Italia. Note Introduttive a una ricerca', in Economia e Lavoro, 1975, Vol. IX, No. 2, pp. 221-238 and No. 4, pp. 503-522; Censis, Indagine sulla Povertà, Rome, 1979.
- (48) G. Sarpellon, op. cit.
- (49) As is known, absolute poverty is measured with respect to a yardstick which is fixed by the observer, estimating the minimum income necessary for subsistence, whilst in the case of relative poverty the yardstick usually corresponds to some average indicator: in Sarpellon's analysis, average consumption expenditure per capita.
- (50) See infra for a more detailed discussion of this point.
- (51) The contrast between the middle 30 percent and the lower 60 percent seems most suited for an aggregate analysis of income distribution across time, as suggested by F. Kraus in 'The Historical Development of Income Inequality', in P. Flora and A.J. Heidenheimer, The Development of Welfare States in Europe and North America, New Brunswick, Transaction, 1981. In fact 'in almost all countries ... the income share of the sixth decile is smaller than 10 percent, while that of the seventh decile is greater at least since World War II. The two income strata are thus divided by a hypothetical equality line, defined by this proportionate income share of 10 percent.' (p. 195).
- (52) For a critical discussion on the reliability of those data, see P. Roberti, 'Le Variazioni nella Distribuzione Personale del Reddito in Italia 1948-1966', in Rassegna Economica, Vol. XXXV (1971), No. 4, pp. 801-832 and C. D'Apice, 'La Distribuzione del Reddito nelle Indagini della Banca d'Italia', in G. Pinnaro, (ed.), Lavoro e Redditi in Italia 1978-1979, Rome, Editori Riuniti, 1981, pp. 215-243.
- (53) See E. Gorrieri, La Giungla Retributiva, Bologna, Il Mulino, 1972.

- (54) For a detailed empirical analysis of this point, see G. Faustino, 'Reddito e Consumi delle Famiglie negli Anni dell'Impoverimento', in G. Sarpellon, op. cit., second volume, pp. 19-208. Evidence which points in the same direction is also given by the periodical surveys of the Bank of Italy: 'Reddito e Risparmio delle Famiglie Italiane nell'anno ...', Bollettino della Banca d'Italia, Rome, various years.
- (55) Evaluation research in in the field of education is relatively developed. Among the main studies, we may mention: M. Barbagli, (ed.), Scuola, Potere, Ideologia, Bologna, Il Mulino, 1972; M. Braghin, Le Disegualianze Sociali - Analisi Empirica sulla Situazione della Diseguaglianza in Italia, Milan, Sapere, 1973; M. Livolsi et al., La Macchina del Vuoto. Il Processo di Socializzazioni nella Scuola Elementare, Bologna, Il Mulino, 1974, F. Padoa Schioppa, Scuola e Classi Sociali in Italia, Bologna, Il Mulino, 1974 and M. Dei and M. Rossi, op. cit.
- (56) F. Padoa Schioppa, op. cit.
- (57) F. Censis, I Drop-outs nella Scuola Secondaria, Rome, 1976 (mimeo).
- (58) See L. Bernardi and U. Trivellato, 'Istruzione e Povertà : un Condizionamento Reciproco', in G. Sarpellon, op. cit., second volume, pp. 471-568.
- (59) The following survey of the 'ills' of the pension system is based on Censis, Spesa Pubblica e Politica Sociale, Milan, Franco Angeli, 1983, as well as on the Institutional Synopsis (see the Appendix . . . ).
- (60) See O. Castellino, Il Labirinto delle Pensioni, Bologna, Il Mulino, 1975.
- (61) See Ministero del Tesoro, La Spesa Previdenziale e i suoi Effetti sulla Finanza Pubblica, Rome, Istituto Poligrafico dello Stato, 1981.
- (62) See the special issue in this topic of the Quaderni della Rivista Trimestrale, 1980, Nos. 62-63. See also C. Dell'Aringa, L'Agenzia per la Mobilità della Manodopera, Milan, Vita e Pensiero, 1981.
- (63) For a survey of these studies and new updated estimates see R. Brunetta, 'Marginalità e Precarietà nel Mercato del Lavoro Italiano', in G. Sarpellon, op. cit., second volume, pp. 209-306.

- (64) See A. Bagnasco, Tre Italie, Bologna, Il Mulino, 1977; A. Becchi Collidà, op. cit., and R. Brunetta, op.cit.
- (65) See L. Gallino, (ed.), Occupati e Bi-occupati, Bologna, Il Mulino, 1982.
- (66) See Francesco Forte et al., La Redistribuzione Assistenziale, Milan, Etas, 1978.
- (67) For a short but comprehensive survey of these changes, see Istituto della Enciclopedia Italiana, Rapporto sulla Popolazione, Rome, Istituto Poligrafico dello Stato, 1980.
- (68) A recent survey by ISTAT has in fact shown that the use ratio of health services for the elderly is considerably higher than that for central age groups. See ISTAT 'Indagine Statistica sulle Condizioni di Salute della Popolazione e sul ricorso ai Servizi Sanitari', special supplement to the Bollettino Mensile di Statistica, 1982, No. 12. On the use of health services, see also M. Ferrera, 'Crescita da Domand o Crescita da Offerta? Un'analisi delle spese sociali in Italia', in Rivista Italiana di Scienza Politica, Vol. XII, 1982, No. 2, pp. 297-331.
- (69) On the Italian family structure and its relationship to social policy, see L. Balbo, Stato di Famiglia, Milan, Etas, 1976, P. Donati, Famiglia e Politiche Sociali, Milan, Franco Angeli, 1982, G.Rossi, La Famiglia Assistita, Milan, Franco Angeli, 1982.
- (70) See OECD, Public Expenditure on Income Maintenance Programmes, Paris, 1976. For a detailed description of the OECD method, see the appendix.
- (71) Reliable and comparable data on the Italian labour force are only available since 1959, when ISTAT started its periodical survey. Graphs 26 and 27 report data also for 1952 in order to give an idea of the overall trend.
- (72) See R. Brunetta, op. cit.
- (73) Official registration is in fact more 'costly' in the industrial sector both for employers, who have to pay higher contributions and for workers who have to pay higher contributions and income taxes.
- (74) Estimates in this direction have been made by the Bank of Italy; see Banca d'Italia, Relazioni Annuali, Rome, various years.

- (75) This method is again borrowed to a large extent from the OECD studies on resource allocation (which do not include, however, a composition ratio). It should be noted that the eligibility ratio is based on benefits and not on the eligible people, and should therefore be more properly referred to as 'benefit rate': we have retained the OECD term for the sake of analogy.
- (76) Data for sickness and maternity expenditure only refer to INAM (see Institutional Synopsis). There is a change in the series at 1977, and this is the main cause of the decline of the expenditure and transfer ratios in this year.
- (77) The burden of wage continuation exceeding the statutory replacement rate is borne directly by the employers and is therefore not reflected in the transfer ratio.
- (78) For a summary of the development of the Italian economy, see A. Graziani, (ed.), L'Economia Italiana, Bologna, Il Mulino, 1979.
- (79) Following the current procedure in the literature, economic growth is operationalized using the rate of GDP growth.
- (80) See G. Regonini, 'Stato e Sindacati nella formazione della Politica della Sicurezza Sociale. Il caso delle Pensioni', in Quaderni della Fondazione Feltrinelli, No. 10, 1980, p. 99.
- (81) In recent years the electoral business cycle has been the subject of an increasing amount of empirical research. Santagata has for instance suggested the existence of such a cycle in the evolution of the Italian political economy in the 1953-1979 period. More particularly, he has shown that in the four-monthly period immediately preceeding an election there seems to be an acceleration in the growth rate of GDP, total money supply, public consumption expenditure and local government expenditure, combined with a deceleration in the rate of inflation. See W. Santagata, 'Ciclo Politico-economico: il caso italiano, 1953-1979', in Stato e Mercato, Vol. 1, 1982, No. 2, pp. 257-299.
- (82) See A. Parisi and G. Pasquino, 'Relazioni Partiti-Elettori e Tipi di Voto', in A. Parisi and G. Pasquino, Continuità e Mutamento Elettorale in Italia, Bologna, Il Mulino, 1977, pp. 215-249.
- (83) See. L. Graziano, Clientelismo e Sistema Politico: il Caso dell'Italia, Milan, Angeli, 1980.

- (84) For a description of these systems and, more generally, on the electoral-patronage system, see A. Ancisi, La Cattura del Voto, Milan, Angeli, 1976; P.A. Allum, Politics and Society in Postwar Naples, Cambridge, Cambridge University Press, 1973, especially ch. 6.
- (85) See M. Bonaccorsi, 'Gli Enti Pubblici nel Settore della Sicurezza Sociale', in F. Cazzol (ed.), Anatomia del Potere DC, Bari, De Donato, 1979, pp. 57-149.
- (86) On the Italian party system, see G. Sartori, Teorie dei Partiti e Caso Italiano, Milan, Sugarco, 1982; P. Farneti (ed.), Il Sistema Politico Italiano, Bologna, Il Mulino, 1973, and Il Sistema dei Partiti in Italia, Bologna, Il Mulino, 1983.
- (87) The term 'legislature' here refers to the inter-election period, in which there may be cabinet shifts, but the composition of parliament remains unaltered.
- (88) The first Moro cabinet fell on an issue regarding the financing regulation of private middle schools; the second Moro cabinet fell on an issue regarding the establishment of pre-elementary education. For an overview of the programmes of the different cabinets see Centro Romano Editoriale, I Programmi dei Governi Reppubblicani dal 1946 al 1978, Rome, 1978.
- (89) See 'Centrosinistra Rivisitato', special issue of Biblioteca delle Liberta, Vol. XIX (1982), No. 87.
- (90) See the interview with A. Giolitti, ibid., p. 129-134.
- (91) On the development of Italy's health policy see, G. Berlinguer, Medicina e Politica, Bari, De Donato, 1973 and Una Riforma per la Salute, Bari, De Donato, 1973; S. Caruso, Il Medico della Corporazione, Milan, Feltrinelli, 1977; S. Delogu, Sanita?2 Pubblica, Sicurezza Sociale e Programmazione Economica, Turin, Einaudi, 1977 and La Salute dietro l'Angolo, Rome, Napoleoni, 1978; D. Francesconi, Lavoratori e Organizzazione Sanitaria, Bari, De Donato, 1978; A. Piperno, 'La Politics Sanitaria', in U. Ascoli (ed.) Welfare State all'Italiana, Bari, Laterza, 1984, pp. 153-183.
- (92) For a complete collection of all the documents on planning and its priorities, see Ministero del Bilancio, La Programmazione Economica in Italia, cit.
- (93) M. Salvati, Alle Origini dell'Inflazione Italiana, Bologna,



Il Mulino, 1978, p. 110.

- (94) Cf. E. Gerelli and A. Majocchi (eds.), Il Deficit Pubblico: Origini e Problemi, Milan, Franco Angeli, 1984.
- (95) A strong recommendation in this sense was formulated in October 1983 by the annual report on Italy by the IMF.
- (96) Such as the freezing of hospital personnel in 1974 and the severe restrictions on local government expenditure imposed in 1977.
- (97) In general, this group is also likely to have pro-welfare interests: students often derive cash transfers or scholarships from the state; young people in search of a first job may rely on the state for an easier access to the labour market; housewives do not pay contributions but are eligible for a wide array of benefits if married to an employee.
- (98) See V. Visco, 'Erosione ed Evasione dell'Imposta sul Reddito delle Persone Fisiche', in Rivista Milanese di Economia, 1983, No. 7, pp. 101-110.
- (99) See the series of articles on this topic which appeared in the weekly magazines L'Espresso, 30 October 1983, and Il Mondo, 24 October 1983.
- (100) See Banca d'Italia, 'I Bilanci delle Famiglie Italiane nell'anno 1982', in Supplemento al Bollettino, 1983, No. 57.
- (101) It must be noted that

The constellation of socio-cultural identities and movements may represent another important basis for the structuring of welfare politics. In this second respect the Italian landscape of the 1980s seems characterized by a relative quiet. The big wave of welfare mobilization on the side of various 'conscience constituencies' (especially women and students) which unfolded itself during the 1970s seems to have come to an end - or at least appears now as highly fragmented and dispersed in a number of different institutional arenas (school councils, family counselling units, and more generally, neighborhood and local government). As Ergas has recently suggested, the institutional response which these movements have received through the social reforms of the 1970s has partly contributed to their political integration and destructuralization. See Y. Ergas, 'Allargamento della Cittadinanza e Governo del Conflitto: le Politiche Sociali

negli Anni Settanta in Italia', in Stato e Mercato, 1982, No. 6, pp. 429-464.

- (102) These data have been kindly provided by Prof. F. Calvi of Eurisko and Prof. G. Urbani of Bocconi University.
- (103) For an interesting survey of the claims of this category, see the periodical magazines Quadri (published by the Unionquadri), and Noiquadri (published by the Conferderquadri).
- (104) Due to the regulations of the Italian electoral mechanism, despite its fairly high number of votes the PNP did not gain parliamentary representation.
- (105) On these changes, see especially A. Parisi and G. Pasquino, op. cit.
- (106) See for instance Il Mondo of 13 June 1983.
- (107) These data have been drawn from a survey carried out in 1982 by G. Urbani in collaboration with the daily newspaper Il Sole and the Doxa Institute. The survey contained a wide array of questions (two of which have been reported in Table 38), including 'for which party do you think it would be better to vote'. The small size of the sample and the high number of non-respondents to this item put its statistical representativeness seriously in question.
- (108) For a survey of the Italian neo-marxist debate on the welfare state see especially P. Barcellona, Oltre lo Stato Sociale, Bari, De Donato, 1981; P. Barcellona and M. Carrieri, 'Governo dell'Economia e Controllo Operaio nelle Strategie della Sinistra Europea', in Democrazia e Diritto, 1982, No. 4, pp. 5-32; C. Donolo and M. Fichera (eds.), Il Governo Debole, Bari, De Donato, 1981; E. Fano, S. Rodotà, and G. Marramao (eds.), Il Welfare State come Problema Politico e Teorico, Bari, De Donato, 1983. For a thorough reconstruction of the debate, see especially the journals Democrazia e Diritto, Critica Marxista, and Rinascita.
- (109) For a survey of the neo-liberal debate, see especially the anthology volume Il Welfare State Possibile, Florence, Le Monnier, 1984. A neo-conservative attack is contained in La Crisi dello Stato Assistenziale, Rome, CREA, 1984.
- (110) For a survey of 'radical catholic' positions, see especially A. Ardigo, Crisi di Governabilità e Mondi Vitali, Bologna, Cappelli, 1980; Il Pubblico e il Privato: Fine di  
P. Donati (ed.)

un'Alternativa?, Bologna, Cappelli, 1978; also G. Rossi and P. Donati (eds.), Welfare State, Problemi e Alternative, Milan, Angeli, 1982.

- (111) See for instance, Ministero del Tesoro, La Spesa Previdenziale, op. cit.
- (112) The issues of 'flexibility' and 'personalization' are stressed particularly by the Roman research centre CENSIS, directed by the sociologist G. De Rita. See especially, Spesa Pubblica e Politica Sociale, op. cit. On the use of vouchers in the educational sector, see Il Finanziamento dell'Istruzione in una Libera Democrazia: il Buono-Scuola - Opinioni a Confronto, Rome, CREA, 1982.
- (113) For the debate on this issue see the anthology volume Previdenza Integrativa, Milan, Mondadori, 1984.
- (114) The issue of selectivity has been recently discussed in U. Ascoli (ed.), Welfare State all'Italiana, Bari, Laterza, 1984. With reference to the health sector, see M. Ferrera and G. Zincone (eds.), Rapporto sulla Domanda Sanitaria in Italia, Turin, Centro Einaudi, 1984.
- (115) See F. Reviglio, 'Meritocrazia e Stato Sociale', in Mondoperaio, 1982, No. 7, pp. 125-129.
- (116) An articulate debate has recently started in Italy on the Italian 'type' of welfare state. Ascoli and Paci have suggested the notion of a 'particularistic-clientelistic' type of welfare, which would constitute a southern variant of Titmus' 'meritocratic-particularistic' type. As is known, the latter is one which reproduces in the public system of services and (especially) transfers the differentiations of the market place. In the corporatist variant (e.g. Germany), a clearcut boundary exists between the political system and the welfare system and especially between parties and the welfare bureaucracy. In the clientelistic variant (e.g. Italy), there is on the contrary, a subordination of the main public mechanisms of resource distribution to the general clientelistic logic which seems to regulate the functioning of the political system: more particularly, political parties have a direct access to, and control over the distribution of welfare benefits. See U. Ascoli, 'Il Sistema Italiano di Welfare', in U. Ascoli (ed.), op. cit., pp. 5-51, and M. Paci, 'Il Sistema di Welfare Italiano fra Tradizione Clientelare e Prospettive di Riforma', in U. Ascoli (ed.), op. cit., pp. 297-326.



## APPENDIX

1. The first part of the appendix contains a list of the names of the persons who have been named in the report as having been involved in the investigation of the case.

2. The second part of the appendix contains a list of the names of the persons who have been named in the report as having been involved in the investigation of the case.

3. The third part of the appendix contains a list of the names of the persons who have been named in the report as having been involved in the investigation of the case.

4. The fourth part of the appendix contains a list of the names of the persons who have been named in the report as having been involved in the investigation of the case.

5. The fifth part of the appendix contains a list of the names of the persons who have been named in the report as having been involved in the investigation of the case.



## INSTITUTIONAL SYNOPSIS

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## Glossary of Abbreviations

	<u>CCML</u> <u>Commissione Centrale per la Mobilita* del Lavoro</u> (Central Commission for Labour Mobility)
CER	<u>Comitato per l'Edilizia Residenziale</u> (Residential Housing Committee)
CIGA	<u>Cassa per l'Integrazione dei Salari dei Dipendenti da Impresa Agricole</u> (Earnings Replacement Fund for Agricultural Workers)
CIGI	<u>Cassa Integrazione Guadagni per l'Industria</u> (Earnings Replacement Fund for the Industrial Sector)
ECA	<u>Enti Comunali di Assistenza</u> (Local Authority Assistance Agencies)
ENAOLI	<u>Ente Nazionale per l'Assistenza agli Orfani dei Lavoratori Italiani</u> (National Institute for the Assistance of the Orphans of Italian Workers)
FNAO	<u>Fondo Nazionale per l'Assistenza Ospedaliere</u> (National Fund for Hospital Assistance)
FRRI	<u>Fondo per la Ristrutturazione e Riconversione Industriale</u> (Fund for Industrial Reconstruction and conversion)
GesCal	<u>Gestione Case per i Lavoratori</u> (Management of Workers' Housing)
INA	<u>Istituto Nazionale delle Assicurazioni</u> (National Insurance Institute)
INAIL	<u>Istituto Nazionale per l'Assicurazione contro gli Infortuni sul Lavoro</u> (National Institute for Insurance against Work Accidents)
INAM	<u>Istituto Nazionale per l'Assicurazione contro le Malattie</u> (National Institute for Sickness Insurance)
INPS	<u>Istituto Nazionale della Previdenza Sociale</u> (National Institute for Social Security)
IPAB	<u>Istituzioni Pubbliche di Assistenza e Beneficienza</u> (Public Institutions for Assistance and Charity)
ONPI	<u>Opera Nazionale per i Pensionati</u> (National Institute for

Italian Pensioners)

SSN      Servizio Sanitario Nazionale (National Health Service).

## Introduction

The following synopsis describes the structure and regulations of the main schemes, programmes and policies of the Italian welfare state. The presentation tries to follow the existing institutional dimensions as closely as possible, and is subdivided into eight sections: pensions, health insurance and the National Health Service, occupational injuries, unemployment insurance, family allowances, social services and public assistance, housing and education.

The quantitative information contained in the expenditure tables does not coincide with data used in the country chapter and reported elsewhere in this appendix for occupational injuries, unemployment insurance, social services and public assistance, and education. A different source has in fact been used in order to offer more detailed break-downs.



## I PENSIONS

In 1979 total pension expenditure amounted to 29,131 billion lire or approximately 10.8% of GDP. The following table gives the expenditure structure by type of pension.

Pension expenditure in 1979 by type of pension (billion lire)

	Total	%
INPS schemes:		
- Old age pensions	9 803	33.6
- Invalidity pensions	8 057	27.7
- Survivors' pensions	3 402	11.7
- Social Pensions	609	2.1
Other Schemes:		
- All pensions	706	2.4
Government employees:		
- All pensions	6 554	22.5
<hr/>		
Total	29 131	100.0

### Coverage

The Italian pension system provides for old age, disablement and survivors' benefits. The system is divided into a number of occupational schemes, the majority of which are public (only the banking sector has a few private schemes); other private schemes only provide additional benefits. There are four types of public scheme:

- (1) a general scheme for dependent workers (blue-collar since 1919 and white-collar since 1939);
- (2) schemes for the self-employed (small farmers, sharecroppers and tenant farmers since 1957; artisans since 1959 and small traders since 1966);
- (3) schemes for civil servants, most of which date back to the nineteenth century;
- (4) schemes for special occupational categories such as the telephone service, electricity board, air crews, miners, the professions etc.; some of these schemes complement the general scheme.

The economically active (dependent and self-employed) are covered by one or more schemes, and the unemployed in receipt of insurance benefits are also eligible for pension rights. In 1963 a special voluntary scheme was introduced to provide benefits for housewives, and in 1969 another special scheme was introduced to provide a social pension (pensione sociale) for old people with low incomes who are not eligible for benefits under any other scheme.

In 1979 the insured population amounted to around 22,549,000 i.e. some 40% of total population, of which 12,300,000 were covered by the general scheme for dependent workers, 5,552,000 by the various schemes for the self-employed, 3,340,000 by civil servants' schemes and 1,357,000 by other special schemes.

### Benefits

The pension system has two aims: to maintain a sizeable proportion of the pensioner's previous earnings and to provide all old people with at least some sort of subsistence income. The first aim is attained by means of earnings-related pensions, and the second by means of pensions minima and social pensions.

The benefit structure and level vary a great deal from scheme to scheme. For old age pensions, dependent workers insured under the general scheme receive a pension which amounts to 80% of previous earnings up to a certain ceiling, after 40 years of contributions (or at the age of 55 for women and 60 for men). The self-employed are not entitled earnings-related pensions. Instead, their pensions are based on the actuarial revaluation of their contributions. No pension, however, can be lower than a certain minimum. The age requirement is 65 for men and 60 for women, and the minimum contribution period is 15 years.

Civil servants enjoy earnings-related pensions, with a replacement rate of 80% after 40 years of service; this rate may reach 100% for certain categories. Civil servants must retire at 65, but a pension may be claimed, regardless of age, after 20 years service, and in some cases after only 15 years service.

For disablement, all schemes provide an earnings-related pension equal to 2% of previous earnings multiplied by the number of contribution years (minimum contribution period is five years). No pension can be lower than a given legal minimum.

Survivors' pensions are granted to widows, invalid widowers, children up to the age of 18 (26 if students) and siblings. Their level ranges from 60% to 100% (depending on the number and type of

survivors) of the pension to which the deceased member would have been entitled (minimum contribution period is five years). Legal minima also govern survivors' pensions.

All pensions have been indexed to the cost of living since 1969, and have been linked to the minimum contractual industrial wage since 1976.

### Financing

The general scheme is financed through earnings-related contributions paid by employers (two-thirds), and employees (one-third). Together these amount to approximately 24% of earnings.

The self-employed pay a flat-rate annual contribution, whereas civil servants pay an earnings-related contribution of around 7% (the employer, in this case the state, does not pay any contribution). Financing conditions are more varied for the special schemes. The state covers any deficit with special contributions which are particularly heavy in the case of schemes for the self-employed.

Since 1969, the funding system for the general scheme has been replaced by the pay-as-you-go system.

### Administration

The main administrative agency of the Italian pension insurance system is the National Institute for Social Security (Istituto Nazionale della Previdenza Sociale, INPS), which pays more than 90% of all pensions (excluding civil servants). This agency is governed by a board which includes eighteen representatives of the workers' trade unions, nine employers' representatives, nine representatives of the self-employed and three state officials; the board is renewed every fourth year. Since 1969 the administration of INPS has been gradually decentralized, and is now subdivided into 18 separate funds and administrations, corresponding to the various schemes (not all for pensions). In addition to INPS, there are a number of smaller agencies which administer special schemes.

### Core Laws

18.1.1945 (no. 39)

Introduced survivors' pensions within the INPS general scheme, based on previous contributions and insurance years.

1.3.1945 (no. 177)

Established a Social Insurance Supplementation Fund (Fondo d'Integrazione delle Assicurazioni Sociali) within INPS, in order to pay supplements to lower pensions; financed by special pay-as-you-go contributions from employers and employees.

29.7.1947 (no. 689)

Established Fund for Social Solidarity (Fondo di Solidariet  Sociale) within INPS, in order to pay graduated supplementary allowances to all pensions, compensating for inflation; same financing regulations as above (law no. 177/1945).

28.7.1950 (no. 633)

Extended compulsory pension insurance to employees earning over Lit. 1,500 per month or approximately 6% of the average gross industrial wage for 1950; formerly, social insurance was compulsory only for employees earning less than this amount.

4.4.1952 (no. 218)

First post-war reorganization of pension system, with a thorough redefinition of contributions and benefits; contributions are two-tiered and consist of a basic flat-rate contribution for broad earnings brackets and supplementary earnings-related contribution of 9% with no income ceiling; benefits composed of contribution-based pension together with a supplement which compensates for inflation, takes family dependents into account, and eventually raises the total pension to a legally established (and eventually ad hoc adjusted) minimum.

26.10.1957 (no. 1047)

Extended compulsory pension insurance to small farmers, sharecroppers and tenant farmers; flat-rate annual contributions subject to ad hoc increases; benefits based on revalued contributions, but upgraded, if necessary, to a minimum amount (approx. 50-65% of the minimum for the general scheme); insurance administered by special fund within INPS; minimum contribution required set at 15 years for old age and five years for disablement and survivors' benefits; however, as a result of a special state contribution, the fund started to grant benefits to those meeting the age requirement (65 for men and 60 for women) one year after its establishment, thus blanketing-in the first generation of pensioners.

15.2.1958 (no. 46)

Regulations covering civil servants' pensions; pension age set at 65; minimum period of 15 years service required for a pension;



earnings-replacement rate 35% after 15 years of service, plus 1.8% for each additional year up to maximum of 20 years.

13.3.1958 (no. 250)

Extended pension insurance to fishermen.

17.5.1959 (no. 324)

Introduced special additional indemnity (indennità integrativa speciale) for retired civil servants; a monthly supplement, indexed to cost of living.

4.7.1959 (no. 463)

Extended pension insurance to artisans, with same regulations applying for farmers but with higher flat-rate contributions.

12.8.1962 (no. 1338)

Introduced supplementary pension payment (tredicesima mensilità), equal to one-twelfth of annual amount of pension minima, payable in December; introduced child supplements for pensioners; established commission to draft reform plan of pension system.

5.3.1963 (no. 389)

Introduced voluntary insurance scheme for housewives.

21.7.1965 (no. 903)

New pension provisions under general scheme, in anticipation of a broader reform of entire pension system;

- legal minima raised;
- all current pensions revalued;
- introduction of seniority pensions (pensioni d'anzianità); after 35 years of contributions workers can retire even before attaining pensionable age;
- establishment, within INPS, of a Social Fund (Fondo Sociale), paying all INPS pensioners a basic uniform pension largely financed by state, the social pension (not to be confused with the later social pension introduced in 1968).

22.7.1966 (no. 613)

Extended pension insurance to small traders, with same regulations as for artisans (cf. law no. 463/1959).

18.3.1968 (no. 238) and 27.4.1968 (no. 488)

Introduced principle of earnings-related pensions within the general scheme; pension formula to equal 1.626% of average earnings in the last three work years multiplied by the number of contribution years (maximum pension: 65% of previous earnings) up to 40.

30.4.1969 (no. 153)

Broad provisions covering pensions under the general scheme;

- multiplying coefficient raised to 1.85%, applied to average earnings of the best three years in last five years of work (maximum pension, after 40 years of contribution: 74% of previous earnings); government to subsequently raise coefficient to 2% by 1975;
- introduction of social pension (pensione sociale) for people over 65 with low incomes and not eligible for any or type of pension, financed by the state through the Social Fund of INPS;
- introduction of cost of living indexing for all pensions (excluding social pensions), effective from 1971;
- funding system for general scheme replaced by pay-as-you-go system;
- government committed to link pensions to industrial wage by 1975.

30.6.1973 (no. 267)

Cost of living indexing extended to social pension; effective from 1.1.1973.

29.12.1973 (no. 1092)

Regulations covering civil servants' pensions grouped under a single, coherent piece of legislation.

2.3.1974 (no. 30)

Legal minimum for pensions increased to 27.75% of average industrial wage for 1973.

3.6.1975 (no. 160)

Enactment of benefit improvements promised by government in 1969:

- multiplying coefficient raised to 2% and applied to average earnings of the best three years in the last ten years of work;
- automatic annual adjustment of minimum pensions to increase of the minimum contractual wage in the industrial sector (smaller adjustment made for pensions higher than minima);
- government committed to gradual equalizing of minima across schemes.

31.8.1975 (no. 364)

Special additional indemnity for civil servants (see law no. 324/1959) indexed to the cost of living twice yearly instead of once a year; effective from 1976.

29.4.1976 (no. 177)

Pension linkage to the industrial wage extended to civil servants; rate of earnings-related contributions raised.

23.11.1977 (no. 942)

pension linkage to the industrial wage extended to all other

pension schemes not administered by INPS.

21.12.1978 (no. 843)

introduced minor restrictions on cost of living indexing;  
indexation not applicable where the beneficiary is still active;  
in cases involving more than one pension, only one is indexed.

29.2.1980 (no. 33)

Pensions indexed to the cost of living twice yearly instead of once  
a year.



## II HEALTH INSURANCE AND NATIONAL HEALTH SERVICE

In 1979 total expenditure on health assistance (in kind and in services) amounted to 16,800 billion lire or 6.2% of GDP, and was structured as follows:

Health expenditure in 1979 (billion lire)

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	Total	%
Hospital assistance	7 585	45.1
Pharmaceutical assistance	1 860	11.1
Medical assistance	1 975	11.7
Prevention & sanitation	505	3.0
Other services	1 563	9.3
Administration	993	5.9
Other	2 319	13.8

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Total	16 800	100.0
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### Coverage

The health insurance/public health system covers the risks of sickness and maternity, providing both cash benefits and direct medical and hospital assistance.

Until 1979, there were three main types of scheme:

- (1) a general scheme insuring all dependent workers in the private sector and their dependents (since 1943);
- (2) a number of special schemes for public employees, for the self-employed and for special occupational categories (e.g. journalists, actors, business executives etc.) and their dependents (mostly founded between the wars);
- (3) a special scheme insuring against tuberculosis (since 1927).

These schemes provided cash benefits and direct assistance by means of contracts with doctors, hospitals, pharmacies etc. In 1980 the National Health Service (Servizio Sanitario Nazionale, SSN) was introduced, with a single general scheme covering all citizens, and replacing all previous schemes (except for the tuberculosis scheme). The SSN provides all benefits in kind; cash benefits (sickness and maternity cash benefits) are now paid by INPS for all

workers with the exception of public employees, who are paid directly by the state. In 1977 the insured population amounted to 52,935,000, or approximately 93% of the resident population. Since 1980 the system covers, by definition, the entire population.

### Benefits

Until 1979 the various schemes provided benefits in cash and kind according to a variety of regulations. The general scheme provided:

- (1) cash benefits (prestazioni economiche) including a daily sickness indemnity (indennità giornaliera di malattia) equal to 50% of earnings for the first 20 days and 66.66% from the fourth day of sickness; in practice, contractual regulations granted and still grant wage continuation, paid directly by employers, to all dependent workers in the case of sickness; a maternity indemnity (indennità di maternità), equal to 80% of earnings for five months; and a funeral allowance (assegno funerario), equal to a flat-rate sum.
- (2) health benefits (prestazioni sanitarie) including general and specialized medical assistance, provided by doctors under contract to the insurance scheme; medicines, provided free of charge by pharmacies and reimbursed by the scheme; hospital assistance, provided by public hospitals or clinics, under contract to the insurance scheme; and special assistance, including rehabilitation measures, appliances etc.

Since 1980 the SSN has taken over the provision of all benefits in kind offered free of charge (or with a small fee) to all citizens. All special regulations covering the various schemes have been abolished. Cash benefits (prestazioni economiche) are paid directly by the employer and subsequently reimbursed by INPS.

### Financing

Until 1979 the various insurance schemes raised funds by contributions from employers and employees. Contribution rates varied across industrial sectors and occupational categories, ranging from a flat-rate sum for agriculture, to some 14% of earnings in the industrial sector (0.3% of which were paid by employees). Other funds were contributed by the state and by INPS (these being transfers from the tuberculosis fund).

The establishment of the SSN has substantially modified the system of financing. On the one hand, employers and employees still pay contributions; with the liquidation of older schemes and funds, all contributions are now collected by INPS, at least

provisionally. On the other hand, a special National Health Fund (Fondo Sanitario Nazionale, FSN) has been set up within the Ministry of Health, centralizing all resources for direct health care (benefits in kind). The FSN then allocates these resources to the various regions. Financial resources come from older liquidated funds, the state, surpluses from public hospitals or the TB insurance scheme; INPS also transfer some funds to the FSN.

Although the financial regulations under the new system are still mixed and fluid, they are evolving towards a dual system of financing through general revenues (for benefits in kind) and contributions (for benefits in cash).

### Administration

Until 1979 administration was fragmented, being dispersed among a number of separate funds and agencies. The largest and most important of these was the National Institute for Sickness Insurance (Istituto Nazionale per l'Assicurazione contro le Malattie, INAM), which operated the general scheme for dependent workers and their dependents. INAM was governed by a board composed of employer and employee representatives, state officials, doctors and representatives of other social security agencies.

Since 1980 all funds and agencies, including INAM, have been liquidated. Cash benefits are now administered by INPS, and benefits in kind are administered by the SSN.

The administrative structure of the SSN is decentralized. At the central level, it is coordinated by the Ministry of Health, in collaboration with a National Health Council (Consiglio Sanitario Nazionale) comprising representatives from the regions, various ministries, a number of experts and the Higher Institute for Health (Istituto Superiore della Sanità), a technical research centre. The Ministry lays down the guidelines of the National Health Plan (Piano Sanitario Nazionale) which must be presented to Parliament every third year.

The regions have extensive powers for organizing their own health services. They develop their own regional health plans. Local governments take care of the basic administration of health services through special units called Local Health Units (Unità Sanitarie Locali) which provide all services (there must be one unit for every 50,000-200,000 inhabitants). The local health units are run by an executive board nominated by the general assembly of the respective local government.

## Core Laws

9.1.1946 (no. 212)

Reorganized health insurance system for agricultural workers, tenant farmers and sharecroppers; flat-rate contributions for tenant farmers and sharecroppers; earnings-related contributions for agricultural workers, shared equally between employers and workers; cash benefits: flat-rate daily indemnity of Lit. 28 for women and Lit. 60 for men (i.e. 0.03% and 0.07% of average gross industrial wage for 1947) for a maximum of 180 days a year; free medical and hospital assistance through INAM.

19.4.1946 (no. 213)

Reorganized health insurance system for industrial employees; earnings-related contributions amounted to 5% for blue-collar and 3% for white-collar workers, shared equally between employers and employees; introduced daily sickness indemnity equal to 50% of earnings, for a maximum of 180 days a year; flat-rate maternity indemnity equal to a lump sum of Lit. 1,000 for 120 days (0.01% of average gross industrial wage in 1947); funeral allowance; free medical, hospital and pharmaceutical assistance through INAM.

31.10.1947 (no. 1304)

Reorganized health insurance system for service sector employees (commerce, banking, insurance etc.); earnings-related contributions of 4.5%, shared equally between employers and employees; introduced daily sickness indemnity equal to 50% of earnings for a maximum of 180 days a year; flat-rate maternity payment; funeral allowance; free medical, hospital and pharmaceutical assistance through INAM.

12.2.1948 (no. 147)

Reorganized health insurance system for state employees; earnings-related contributions of 2%, shared equally between employees and state; introduced daily sickness indemnity equal to 50% of earnings for a maximum of 180 days; and free medical, hospital and pharmaceutical assistance.

26.8.1950 (no. 860)

Regulations covering maternity insurance for all female employees:

- job security, throughout the period of pregnancy and until child is one year old;
- exemption from heavy, unhealthy or dangerous work;
- period of leave, starting three months (industry), eight weeks (agriculture), six weeks (others) prior to confinement and ending eight weeks after it;
- daily indemnity during the period of leave equal to 80% of earnings (for agriculture: flat-rate sum ranging from Lit. 12,000 to Lit. 25,000, i.e. 15%-32% of average gross industrial wage for 1950); contributions set at 0.53% of earnings for



industry, 0.20 to 0.31% for service sector and 0.45% for agriculture.

30.10.1953 (no. 841)

Extended health insurance to retired public employees; contributions set at 4.5% of pensions (1% paid by pensioners, 0.5% by active public employees, 3% by state); benefits in kind only i.e. free medical, hospital and pharmaceutical assistance; daily sickness indemnity for state employees raised to 80% of earnings for the first 30 days (50% for the subsequent 150 days).

22.11.1954 (no. 1136)

Extended health insurance to self-employed small farmers; special Mutual Aid Fund (Cassa Mutua) set up, with sections in every local authority (comune) and province; flat-rate contributions by members and state (for each member); benefits in kind only i.e. free medical, hospital and pharmaceutical assistance.

4.8.1955 (no. 692)

Extended health insurance to all pensioners; financed by supplementary earnings-related contribution introduced for pension insurance; revenue transferred from INPS to INAM; contribution rate raised for active members; benefits in kind only i.e. free medical, hospital and pharmaceutical assistance.

29.12.1956 (no. 1533)

Extended health insurance to artisans; same regulations as for self-employed farmers; (see law no. 1136/1954).

13.3.1958 (no. 250)

Extended health insurance to fishermen; flat-rate contributions plus state contribution; benefits in kind only.

13.3.1958 (no. 296)

Established the Ministry of Health (Ministero della Sanità).

27.11.1960 (no. 1397)

Extended health insurance to self-employed traders; established special mutual aid fund as for farmers and artisans (see law no. 1135/1954); flat-rate contributions for three broad earnings brackets plus state contribution for each member, but only up to a certain total amount; benefits in kind, as for farmers and artisans.

26.2.1963 (no. 329)

Improved benefits for agricultural workers; flat-rate sickness indemnity replaced by earnings-related indemnity equal to 50% of minimum contractual pay (in each province) for a maximum of 180 days; introduced free pharmaceutical assistance.

26.2.1963 (no. 260)

Extended health insurance to retired artisans; flat-rate supplementary contributions from active members of insurance scheme plus state contribution for each member; benefits in kind only.

22.7.1966 (no. 613)

Extended health insurance to retired traders, with same rules as for retired artisans (see law no. 260/1963).

29.5.1967 (no. 369)

Extended compulsory health insurance to retired farmers, tenant farmers and sharecroppers; flat-rate supplementary contributions from active members plus transfers from INPS (TB fund); benefits in kind only; extended health insurance to the unemployed in receipt of unemployment benefits; financed through transfers from INPS (TB scheme) to INAM; benefits in kind only.

12.2.1968 (no. 132)

New provisions covering public hospitals:

- change in legal status of public hospitals, from Public Institutions for Assistance and Charity (Istituzioni Pubbliche di Assistenza e Beneficenza, IPAB) to Hospital Agencies (Enti Ospedalieri), namely public bodies subject to strict state regulation and control;
- standardized and detailed regulations on the administrative and organizational structure of public hospitals;
- introduction of law on hospital planning and a national hospital plan to be periodically drafted;
- establishment of a national committee for hospital planning within the Ministry of Health;
- introduction of new financing regulations: hospitals must charge all patients a hospital fee (retta di degenza), equal to the total operating costs divided by the number of beds;
- establishment of state-financed National Hospital Fund (Fondo Nazionale Ospedaliero) within the Ministry of Health, to cover hospital deficits and promote hospital modernization.

30.12.1971 (no. 1204)

New regulations covering protection of female workers and maternity insurance:

- duration of maternity leave extended: two months prior to, and three months after confinement for all employees;
- all female workers entitled to earnings-related indemnity, equal to 80% of earnings (including agricultural workers and tenant farmers);
- entitlement to voluntary extra period of leave for six months during the first year of life of the child, with job security and an indemnity equal to 30% of earnings; effective from 1973;
- entitlement to paid absences due to the child's sickness during

- the first three years of the child's life;
- introduction of special natality allowance (assegno di natalità) for self-employed women in the agricultural, artisan and commercial sectors, financed through supplementary contribution from active members of the respective sickness insurance schemes together with special state contribution.

14.1.1972 (no. 4)

Transferred administration of health and hospital assistance to the regions.

11.8.1972 (no. 485)

Extended health insurance to citizens over 65 receiving a social pension, financed by the state.

17.8.1974 (no. 386)

Provisions for hospital assistance, in anticipation of a broader reform of the health sector:

- given their forthcoming liquidation, all health insurance funds obliged to discharge their debts vis-a-vis hospitals;
- 'freezing' of hospital services and personnel, insurance agency personnel, and contracts with doctors and pharmacies;
- all functions of the various insurance agencies transferred to regions; effective from 1.1.1975;
- extension of hospital assistance to all those not previously covered by any scheme; financed by flat-rate contribution from new members, equal to average per capita annual expenditure of INAM;
- establishment within the Ministry of Health of a National Fund for Hospital Assistance (Fondo Nazionale per l'Assistenza Ospedaliera, FNAO) which centralizes all resources for hospital assistance derived from the various health insurance funds, INPS, and the state, which are then allocated to the regions;
- regions to control all public hospitals within their territory hospitals and to be financed by the FNAO (the 1968 system of financing having been abolished).

29.6.1977 (no. 349)

Abolished all existing funds and schemes transitional regulations for the transfer of jurisdiction to regions, given the forthcoming reform of the health sector.

23.11.1978 (no. 833)

Established the National Health Service (Servizio Sanitario Nazionale SSN, with transitional regulations for the complete liquidation of the old system.



### III OCCUPATIONAL INJURIES

In 1979 total expenditure for occupational injuries and professional diseases amounted to 1,330 billion lire or 0.5% of GDP. the following table gives the structure of this type of expenditure.

#### Expenditure on Occupational Injuries and Professional Diseases in 1979 (billion lire)

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	Total	%
Cash benefits:	1 199	89.6
- pensions/rents	869	64.9
- daily allowances	304	22.7
- subsidies	3	0.1
- lump payments	24	1.9
Benefits in kind:	74	5.5
- pharmaceuticals	5	0.4
- physicians	39	2.9
- others	30	2.2
Services	57	4.9

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Total	1 330	100.0
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#### Coverage

Insurance against occupational injuries and diseases covers the following risks: permanent and temporary (full or partial) disability due to work accidents; and occupational diseases.

One main insurance scheme covers dependent workers in the industrial sector and dependent and self-employed workers in the agricultural sector. In 1977 the insured population amounted to 6,425,616 (excluding agriculture) i.e. some 29.1% of the labour force.

#### Benefits

The insurance provides benefits in cash and in kind. The former include:

- a daily allowance for full temporary disablement (indennità giornaliera per invalidità temporanea assoluta), an earnings-related benefit of 60% for industrial workers or a flat-rate sum for agricultural workers;
- a pension for permanent disablement (rendita per invalidità permanente), a pension related to the degree of disablement and previous earnings in the industrial sector or a conventional wage in the agricultural sector;
- a daily allowance (assegno giornaliero), for workers with occupational diseases;
- transitional pension (rendita di passaggio), a flat-rate sum for workers with occupational diseases, who are forced to change work;
- survivors' pension (rendita ai superstiti), an earnings-related pension with minima and indexation.

Benefits in kind include medical assistance for the disabled and those affected by occupational diseases, in addition to rehabilitation programmes.

### Financing

The main insurance scheme derives its funds from: (1) insurance premiums, computed on the basis of risk intensities and average earnings for broad industrial sectors; (2) earnings-related contributions of 3% for agricultural workers (paid by the employers); (3) flat-rate contributions for small farmers, sharecroppers and tenant farmers. The state covers any deficit.

### Administration

The insurance is administered by the National Institute for Insurance against Work Accidents (Istituto Nazionale per l'Assicurazione contro gli Infortuni sul Lavoro, INAIL), a large public welfare agency similar to INPS, which is governed by a board including representative from the unions, employers and the state.

### Core Laws

15.11.1952 (no. 1697)

Increased the number of occupational diseases for which insurance

benefits are payable.

21.3.1959 (no. 471)

Extended insurance against occupational diseases to agricultural workers (for seven diseases).

19.1.1963 (no. 15)

Extended the insurance against occupational diseases to artisans; general improvement of cash benefits: all pensions (rendite) adjusted every third year to the minimum contractual wage in the respective industrial sector; earnings-replacement rates raised to correspond to contractual disability rates.

30.6.1965 (no. 1124)

Coordinated various schemes and regulations under a single piece of legislation with more precise definitions of coverage, simplified administrative procedures, stricter controls and minor improvement of benefits.

9.6.1975 (no. 482)

Increased the number of eligible occupational diseases; extended the duration of benefits.

27.12.1975 (no. 780)

Introduced ad hoc upgrading of cash benefits for certain diseases and of all flat-rate allowances.

16.2.1977 (no. 37)

Introduced ad hoc upgrading of cash benefits for agricultural sector.





#### IV UNEMPLOYMENT INSURANCE

In 1979 total expenditure for unemployment amounted to 1,338 billion lire or approximately 0.5% of GDP. The following table gives the structure of this type of expenditure.

Unemployment expenditure by type of benefit in 1979 (billion lire)

	Total	%
Cash benefits:	1 239	92.6
- benefits for full unemployment	633	
- benefits for partial/temporary unemployment	601	
- subsidies	5	
Services	99	7.4
Total	1 338	100.0

#### Coverage

The system of unemployment insurance covers the risks of both full and temporary or partial unemployment. A single scheme provides (since 1919) insurance benefits for full unemployment to all dependent workers (except journalists who have their own insurance). Two other schemes provide benefits for temporary and partial unemployment, one for industrial workers (since 1941) and one for agricultural workers (since 1972).

In 1979 a total of 10,430,000 workers were insured with the first scheme (approximately 47% of the labour force). In addition to the insurance system, there have been a number of active labour policies (see Core Laws below) which have recently gained greater emphasis, especially in the fields of labour mobility, professional requalification and youth unemployment.

#### Benefits

The insurance scheme against full unemployment provides three types of benefits:

(1) benefit for full unemployment (indennità di disoccupazione), a

flat-rate daily allowance of Lit. 800 (3.4% of the average gross industrial earnings per day in 1978) for a maximum of 180 days per year;

- (2) special unemployment benefits (sussidi straordinari di disoccupazione) paid under exceptional circumstances by Ministerial decree (level determined ad hoc);
- (3) special benefits for full unemployment (trattamenti speciali/integrativi di disoccupazione), earnings-related benefits in the industrial sector (80% for 180 days) and standard benefits in the agricultural sector (66.66% of average provincial contractual pay for 90 days for part-time workers).

The insurance scheme against temporary and partial unemployment in the industrial sector provides two types of benefit:

- (1) ordinary earnings replacement benefits (integrazioni salariali ordinarie) for employment crises limited to single enterprises;
- (2) special earnings replacement benefits (integrazioni salariali straordinarie) for sectoral crises, industrial reorganization, restructuring, and conversions.

The two types of benefits originally had different replacement rates and duration (see Core Laws below). The replacement rate is set for both benefits at 80% of previous earnings (for a maximum of 40 hours a week); ordinary benefits are payable for three months and are renewable up to a maximum of nine months in a two year period; in principle special benefits last for a period of six months, but can in fact be renewed for the length of the crisis. It should, however, be noted that higher replacement rates and longer periods of payment may be bargained for by the unions in certain cases.

The insurance scheme against temporary and partial unemployment in agriculture provides earnings replacement benefits (integrazioni salariali) equal to 80% of the previous daily pay for 90 days.

### Financing

The unemployment insurance schemes are financed through contributions paid by employers and calculated on the basis of the worker's pay, in a proportion which varies from one sector to another, and according to the size of the firm (minimum 0.2% to 0.5%, maximum 3% to 5%). The state covers any deficit of the three schemes with special contributions.

## Administration

The three schemes for unemployment insurance are administered with separate funds and managements within INPS: Insurance against Involuntary Unemployment (Assicurazione contro la Disoccupazione Involontaria); Earnings Replacement Fund for the Industrial Sector (Cassa Integrazione Guadagni per l'Industria, CIGI) and Earnings Replacement Fund for Agricultural Workers (Cassa per l'Integrazione dei Salari dei dipendenti da Imprese Agricole, CIGA).

## Core Laws

9.11.1945 (no. 788)

Institutionalized the Earnings Replacement Fund for the Industrial Sector (CIGI); jurisdiction of CIGI formally codified with special provisions for Northern provinces.

12.8.1947 (no. 869)

Grouped all regulations governing earnings replacement benefits under a single piece of legislation; unified the administrative structure of CIGI; extended earnings replacement benefits to cover temporary unemployment; compensation formula for all earnings replacement benefits equalled two-thirds of hourly payments for a maximum of 16 hours a week and 90 days a year.

29.4.1949 (no. 264)

Introduced new provisions for unemployment insurance and labour policy:

- establishment of a Central Commission for Work Training and Assistance for the Unemployed (Commissione Centrale per l'Avviamento al Lavoro e per l'Assistenza ai Disoccupati), with the task of monitoring the state of the labour market and the conditions of the unemployed;
- regulations concerning the replacement of the unemployed into the labour market (Collocamento);
- establishment of Provincial Offices for Labour and Full Employment (Uffici Provinciali del Lavoro e della Massima Occupazione), with local sections, which organize waiting lists, training courses, the allocation of available jobs etc.;
- unemployment indemnity (indennità di disoccupazione) raised to Lit. 200 per day or approximately 17% of average gross industrial wage for 1949, and its duration is extended from 120 to 180 days;
- extension of unemployment insurance to agricultural workers, with earnings-related contributions (then delayed until 1955);
- introduction of special unemployment benefit (sussidio straordinario di disoccupazione), paid under exceptional circumstances; flat-rate benefit with ad hoc determined level

- for 90 to 180 days;
- introduction of vocational training and professional requalification programmes for the unemployed;
  - establishment of a Fund for Professional Training of Workers (Fondo per l'Addestramento Professionale dei Lavoratori) with resources from INPS and the state.

3.2.1957 (no. 818)

Raised daily benefit for full unemployment to Lit. 230 or approximately 13.8% of average gross industrial daily wage for 1957.

20.10.1960 (no. 1237)

Raised daily benefit for full unemployment to Lit. 300 or approximately 16% of average gross industrial daily wage for 1960.

3.2.1963 (no. 77)

Established a special fund for earnings replacement benefits within CIGI for the construction industry; compensation formula: 80% of earnings for a maximum of 40 hours a week for 90 days.

29.3.1966 (no. 129)

Raised daily benefit for full unemployment to Lit. 400 or approximately 12.7% of average gross industrial daily wage for 1966.

5.11.1968 (no. 1115)

Introduced special benefit for full unemployment (trattamento integrativo di disoccupazione) for workers in the industrial sector, in cases of total or partial closing down of enterprises or large-scale dismissals, equalling two-thirds of previous monthly earnings for 180 days; extended earnings replacement benefits to cases of sectoral crises or industrial restructuring with a new special compensation formula equalling 80% of previous earnings for three months (nine months in exceptional circumstances); family allowances paid to those in receipt of unemployment benefits; reorganization of retraining courses for the unemployed.

2.2.1970 (no. 14)

Extended earnings replacement benefits to artisan undertakings in the construction industry.

2.2.1970 (no. 12)

Introduced special benefits for full unemployment (trattamento speciale di disoccupazione) for workers in the construction industry, equal to 50% of earnings for 180 days.

6.12.1971 (no. 1058)

Extended earnings replacement benefits to mining undertakings, with

the same procedures as for the construction industry (see law no. 77/1963).

8.8.1972 (no. 457)

Established the Fund for Earnings Replacement Benefits for Agricultural Workers (CIGA), within INPS; formula equalled two-thirds of previous earnings for 90 days; introduced special benefits for full unemployment (trattamento speciale integrativo di disoccupazione) for agricultural part-time workers, equal to 60% of the average provincial earnings for 90 days.

8.8.1972 (no. 464)

Extended the duration of earnings replacement benefits with no predetermined time limit; earnings replacement benefits extended to cases of industrial reconversions and to white-collar workers; health care and pension rights extended to workers in receipt of earnings replacement benefits; contributions paid by CIGI or CIGA.

16.4.1974 (no. 114)

Improved daily benefits for full unemployment from Lit. 400 to Lit. 800 or approximately 8.6% of gross average industrial earnings for 1974.

20.5.1975 (no. 164)

Standardized the replacement rate for partial or temporary unemployment benefits for all sectors at 80% of previous earnings; contributions raised according to sector and size of enterprise; introduced compulsory consultations between employers and unions in employment crises.

6.8.1975 (no. 427)

Raised special benefit for full unemployment in the construction industry to 66.66% of earnings for 90 days.

16.2.1977 (no. 37)

Raised special benefit for full unemployment for agricultural workers to 66.66% of earnings for 90 days; introduced an additional special benefit for agricultural part-time workers, equal to 40% of earnings for 90 days.

1.6.1977 (no. 285)

Introduced special provisions for youth unemployment; regions and local government required to set up special employment programmes for young people in search of first job.

12.8.1977 (no. 675)

Introduced new provisions for overall coordination of industrial policy and labour market policy:

- established a special Fund for Industrial Restructuring and Conversion (Fondo per la ristrutturazione e riconversione)

industriale, FRRI) within the Ministry of Industry, financed by the state, to promote programmes for industrial restructuring and conversion together with labour retraining.

- established a Central Commission for Labour Mobility (Commissione Centrale per la mobilità del lavoro, CCML) together with regional commissions to implement its directives;
- established a Fund for Labour Mobility (Fondo per la mobilità della Manodopera), providing financial support for workers willing to move in cases of occupational crises; financed 50% by the FRRI and 50% by CIGI.

21.12.1978 (no. 845)

Legislative guidelines covering professional training; regions required to organize programmes for vocational youth training and labour retraining; special Rotation Fund (Fondo di rotazione) established within the Ministry of Labour to finance regions.

11.12.1979 (no. 624)

Introduced new provisions for unemployment benefits; restricted the duration of ordinary and special earnings replacement benefits to a maximum of nine and eighteen months respectively during a two-year period; established a ceiling (indexed) of Lit. 500.000 per month, or approximately 95% of average industrial wage for 1979, for any earnings-replacement benefit; employees allowed to retire at 55 (men) and 50 (women) with full pension, in instances of occupational crises (missing contributions paid by CIGI); special benefits for full unemployment upgraded to 80% of previous earnings for 180 days.

## V FAMILIES AND CHILDREN

In 1979 total family expenditure amounted to 2,898 billion lire or approximately 1.8% of GDP. The following table gives the structure of this type of expenditure.

Family expenditure by type of benefits in 1979 (billion lire)

	Total	%
Cash benefits:	2 504	86.4
- family allowances	2 418	
- subsidies	72	
- lump payments	14	
Benefits in kind	131	4.5
Services	263	10.1
Total	2 898	100.0

### Coverage

Both tax credits and family allowances are provided for family dependents. A general scheme provides family allowances for dependent workers in the private sector (since 1940), the unemployed in receipt of unemployment benefits, pensioners and the self-employed in agriculture. State employees receive family allowances from state funds. In addition to the above, various ad hoc subsidies in cash and kind are provided for needy families. Finally, a number of family services, such as kindergartens, recreation and counselling facilities have been introduced in recent years.

In 1979 the insured population, excluding state employees, numbered approximately 10,254,000 or 18% of total population.

### Benefits

The size of tax credits for family dependents, which take the form of income-tax deductions, is very low and varies according to the number and type of dependent (children, spouse, parents etc.), and

ranges from Lit. 7,000 for one child to Lit. 150,000 for eight children or more (for 1979 ff.). Family allowances are referred to as assegni familiari under the general scheme and aggiunte di famiglia for state employees. Both consist of a monthly flat-rate sum. Until 1977 there were a number of separate regulations for various occupational categories. Thereafter, benefits have been gradually standardized to correspond to those of industrial workers (in 1980 Lit. 19,760 a month for child and spouse, or approximately 3.5% of average gross industrial wage for 1979; and slightly less for other dependents).

### Financing

Family allowances are financed by employer contributions. The rate of contribution varies depending on the sector being equal to 7.5% of earnings in the industrial sector. The state covers any deficit the fund might have.

### Administration

The general scheme is administered by a special fund within INPS, the Single Fund for Family Allowances (Cassa Unica per gli Assegni Familiari). Benefits for state employees are administered directly by the state (Ministry of the Treasury).

### Core Laws

8.7.1952 (no. 212)

Introduced aggiunte di famiglia: a monthly flat-rate sum for all categories of state employees.

30.5.1955 (no. 797)

Grouped all regulations covering assegni familiari under a single piece of legislation.

17.10.1961 (no. 1038)

Introduced a single accounting system within the Single Fund for Family Allowances of INPS, replacing the separate accounts for various sectors; ad hoc increase of family allowances for all sectors.

14.7.1967 (no. 587)

Extended family allowances to self-employed farmers, sharecroppers and tenant farmers, financed by the state.



5.11.1968 (no. 1115)

Extended family allowances to the unemployed in receipt of unemployment benefits, financed by the Insurance against Involuntary Unemployment Fund (Assicurazione contro la Disoccupazione Involontaria) of INPS together with state contribution.

16.4.1974 (no. 114)

Extended family allowances to INPS pensioners, in lieu of child supplements (see law no. 1138/1962).

26.5.1975 (no. 161)

Started a gradual equalization of benefits across sectors and categories.

16.2.1977 (no. 37)

Extended family allowances to agricultural part-time workers; financed by the Single Fund for Family Allowances without contributions.

14.7.1980 (no. 314)

Introduced ad hoc increase and full equalization of family allowances for all sectors.



## VI SOCIAL SERVICES AND PUBLIC ASSISTANCE

In 1979 total expenditure for social services and public assistance amounted to some 3,043 billion lire. The following table gives the structure of expenditure by type of benefit and level of government.

Expenditure for Social Services and Public Assistance,  
1979 (billion lire)

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	Social Security Funds	Central Government	Local Government	Total	%
Cash benefits	755	1 499	199	2 453	80.6
Benefits in kind	99	8	68	175	5.7
Services		211	204	415	13.7
<hr/>					
Total	854 28.0%	1 718 56.4%	471 15.6%	3 043 100.0%	100.0%

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A wide variety of social services is provided by the Italian state to people with special needs (Orphans, the handicapped, the disabled, single parents and, in general, the 'poor'). To the more traditional types of services (e.g. homes for the elderly, the handicapped etc., kindergartens, holiday centres etc.), a number of new services have recently been introduced, often in an experimental form: 'open' structures for permanent, temporary, daily accommodation and recreation, professional training for the handicapped, leisure initiatives, specialized home help etc.

### Financing

The activities of the local authorities are financed by the central government and, to a very small extent, by the regions. Separate

assistance agencies are financed through state and social security contributions. Public charity institutions have mixed financial regulations and receive subsidies from the state.

### Administration

Until the early 1970s, the sector of social services and public assistance were extremely fragmented, being divided among a variety of public charity institutions, a few social security agencies and local governments. Numerous reforms have, however, thoroughly transformed this sector during the last decade (see below). Today, the basic unit for the provision of social services and assistance benefits is the local authority, which operates according to a legislative framework established by central government and the regions. The local authority has wide organizational and administrative autonomy and normally coordinates the provision of social services with that of health services, through the local units of the National Health Service.

### Core Laws

23.3.1948 (no. 327)

Established the National Institute for Assistance of the Orphans of Italian Workers (Ente Nazionale per l'Assistenza agli Orfani dei Lavoratori Italiani, ENAOLI), financed through social security contributions and by the state.

23.3.1948 (no. 361)

Established the National Institute for Italian Pensioners (Opera Nazionale per i Pensionati d'Italia, ONPI); provides benefits and services for needy pensioners; financed through social security contributions from pensioners and state contributions.

6.12.1971 (no. 1044)

State funds made available for the construction of a kindergarten in every local authority.

15.1.1972 (no. 9)

Transferred some of the responsibilities for public assistance and social services to the regions.

23.12.1975 (no. 698)

Abolished the National Institute for Maternity and Childhood (Opera Nazionale Maternità e Infanzia, ONMI), created in 1934; transferred its functions to local authorities (comuni).

24.7.1977 (no. 616)

Local councils given full responsibility for social services and public assistance; liquidated a great number of separate local authority assistance agencies (Enti Comunali di Assistenza, ECA).



## VII HOUSING

In 1979, total housing expenditure amounted to some 60 billion lire or approximately 0.002% of GDP. The following table gives the structure of housing expenditure by level of government.

Housing expenditure by level of government in 1979 (billion lire)

	Total	%
Central government	21	35.0
Local government(1)	38	63.3
Other agencies	1	1.7
<hr/>		
Total	60	100.0

(1) Expenditure of regions is missing

There are three basic forms of housing policy:

- (1) Regulations: the state strictly controls rents through general rules for rent levels and terms of leases under the Fair Rents Law (regime dell'equo canone); it also regulates the purchase and expropriation of land and construction by means of the Land Use Law (regime sull'uso dei suoli).
- (2) Public housing (edilizia sovvenzionata) or subsidized housing: the state provides housing for low income families built by special construction firms, the Autonomous Institutions for Economic Housing (Istituti Autonomi Case Popolari).
- (3) Subsidized private housing: the state grants special low interest loans to private builders willing to meet certain size and rent standards (edilizia agevolata or aided housing) or tax credits and direct subsidies to private builders committed to large economic housing programmes (edilizia convenzionata, contracted housing).

The state does not, however, provide any direct transfers to households.

### Financing

A special fund within the Ministry of Finance collects and

allocates the resources, which are mainly derived from the state budget, together with contributions from employers (approximately 0.7% of wages), and employees (approximately 0.35% of wages).

### Administration

Housing policies are coordinated by the Residential Housing Committee (Comitato per l'Edilizia Residenziale) within the Ministry of Public Works, in close connection with the Interdepartmental Committee for Economic Policy (Comitato Interministeriale per la Politica Economica). Both the regions and local government however, have sizeable responsibilities in this sector.

### Core Laws

27.2.1947 (no. 39) and 23.12.1947 (no. 1461)

First post-war regulation of rents; all rents of economic/popular housing frozen and subject to state control; with minor changes, regulations were effective until the 1978 Fair Rent Law (see law no. 382/1978).

28.2.1949 (no. 43)

Seven-year plan for popular housing launched to increase the stock of economic housing by means of construction or purchase of economic accommodation; established special housing fund (INA-Casa) within the National Institute for Insurance (Istituto Nazionale delle Assicurazioni, INA) to collect employer contributions (1.2% of wages), employees (0.6%), and the state.

2.7.1949 (no. 408)

Introduced broad tax exemptions and increased state subsidies for the construction of economic housing.

10.8.1950 (no. 175)

Established fund for the increase of housing stock (Fondo per l'Incremento Edilizio) which grants cheap loans to private builders.

9.8.1954 (no. 640)

Investment plan for public construction of economic housing.

18.4.1962 (no. 167)

Introduced broad provisions covering building areas; local government obliged to provide plans of areas suitable for economic housing; introduced strict price controls for building areas to



prevent speculation.

14.2.1963 (no. 60)

Abolished special housing fund fund and established a new agency called the Workers' Housing Fund (Gestione Case per i Lavoratori, GesCaL), with a ten-year plan for the overall coordination of economic housing; funds raised through contributions from employers (0.7% of wages), employees (0.35%) and the state.

6.8.1967 (no. 765)

Legge Ponte (Bridge Law): introduced urgent housing provisions as part of an envisaged reform of the entire sector.

- severe constraints on the market of building areas; effective from 1968;
- burden of infrastructure i.e. roads, electricity, sewerage etc., transferred from local government to builders;
- introduction of minimum standards for housing and environment.

22.10.1971 (no. 865)

Riforma della Casa (Housing Reform): introduced broad provisions on housing including the liquidation of GesCaL and all other housing agencies/funds; established a Residential Housing Committee (Comitato per l'Edilizia Residenziale, CER) for overall coordination of housing programmes; decentralized planning (regions) and basic administration and coordination (local government); centralized all housing funds within the Ministries of the Treasury and Public Works (which allocate funds to the regions); introduced new tax and incentives regulations; new criteria for land expropriations; and provisions for urban renewals.

28.1.1977 (no. 10)

Regime sull'uso dei suoli (Land Use Law): introduced severe constraints on construction: any modification of a given area must be authorized by local government; new criteria for land expropriations; complete privatization of infrastructure costs; and introduction of new planning procedures.

27.7.1978 (no. 382)

Regime dell'equo canone (Fair Rent Law): completed state control of rents with general rules for rent levels and terms of leases.

5.8.1978 (no. 457)

Introduced ten-year housing plan, coordinated centrally by CER and the regions; the state makes new funds available to regions for public housing and subsidies for private housing.

15.2.1980 (no. 25)

Introduced urgent housing provisions which included: the freezing of all eviction procedure, special assistance grants for low income

families without adequate housing, distribution of special funds to local government for the urgent purchase or construction of economic housing, special provisions favouring the purchase of a first house.

## VIII EDUCATION

In 1979 total expenditure for education amounted to 11,117 billion lire or approximately 4.1% of GDP. The following table gives the structure of this type of expenditure.

Education expenditure by level of education in 1979 (billion lire)

	Total	%
Primary education	2 936	26.4
Secondary education:		
- lower middle	2 578	23.2
- upper middle	378	21.4
Higher education	1 305	11.7
General expenditure	1 920	17.3
Total	11 117	100.0

The Italian educational system comprises general education, vocational training and adult education. School education is compulsory until the age of 14 and is divided into four levels:

- (1) voluntary pre-school education (istruzione pre-scolastica) for children aged three to five;
- (2) primary education (istruzione primaria), from the age of six, lasting for five years.
- (3) secondary education (istruzione secondaria), organized at two sub-levels: lower middle school (scuola media inferiore), lasting for three years, with a single unified curriculum, and higher middle school (scuola media superiore), lasting for five years, or four years in some cases, with six basic curricula: classical, scientific, pedagogic, technical, professional, and artistic; these all lead to a compulsory comprehensive examination, which confer a diploma of maturità, giving access to higher education;
- (4) higher education (istruzione superiore) at universities, university institutes and politechnical institutes, with a variety of curricula and lasting from four to six years.

School education is largely provided by state institutions. The

relative share of private institutions (many of which are catholic) varies according to the level: approximately 60% at the pre-school level, 6% at the primary level, 1% at the lower secondary level and 30% at the higher secondary level. Most of these private institutions receive state subsidies and must abide by the general principles and curricula followed by state institutions. At the level of higher education, there are a number of 'free' universities, which enjoy special autonomy.

The extra-school sector has been developed more recently and consists of two groups of educational activities: vocational training and adult education. Adult education is mostly provided by public institutions.

Compulsory education is free, and special assistance is given to pupils from poor families. Enrollment fees are minimal for higher secondary education and relatively modest for higher education. A very limited number of scholarships are available for university students and a small allowance or pre-salario is granted annually to university students with incomes below a given level.

### Financing

The central government is completely responsible for the financing of public institutions and subsidizes those which are private. Regional and local governments have financial competence for educational activities within their respective areas.

### Administration

The Ministry of Public Education is responsible for the education system. Regional and local governments are in charge of school assistance, vocational training, and extra school activities. The school sector is decentralized, and based on collective school councils (organi collegiali) consisting of teachers, other school staff, students, parents, representatives of unions and various professional and cultural associations. These councils have wide organizational responsibilities and are elected periodically by students and parents.

### Core Laws

31.12.1962 (no. 1859)

Extended compulsory education to the age of 14; introduced a

single unified curriculum (scuola media unificata) lasting for a three-year period after primary education.

14.12.1963 (no. 80)

Introduced annual allowance for university students with income below a given level.

10.3.1968 (no. 44)

Introduced voluntary public pre-elementary education for children aged three to five years.

11.12.1969 (no. 910)

Extended access to higher education to all students holding a higher secondary school diploma; formerly limited to high school students.

14.1.1972 (no. 3)

Transferred responsibility for school assistance to the regions.

15.1.1972 (no. 10)

Transferred responsibility for vocational training to the regions.

31.5.1974 (no. 416)

Reorganized administration of school system by the setting up of collective school councils.

24.7.1977 (no. 616)

Local councils made responsible for school assistance and vocational training.

11.7.1980 (no. 382)

Reorganized higher education; introduced university departments and curricula for doctoral research.



## STATISTICAL TABLES





Table 1

## Gross Domestic Product and Total Public Expenditure

Italy

Year	GDP (at market prices, in billion lire)				Deflators (base)			Total public expenditure (in billion lire)				Year
	at constant (1970) prices		annual real growth rate	gross domestic product	capital formation	public consumption	private consumption	O E C D		I S T A T		
	at current prices	at constant (1970) prices						at current prices	as % of GDP	at current prices	as % of GDP	
1951	10 732	20 717		51.80	58.75	33.57	54.67		2 662	24.8	6 278	1951
1952	11 570	21 635	7.0	53.48	60.10	36.60	57.13		3 184	27.5	6 957	1952
1953	12 795	23 258	7.5	55.01	59.64	37.56	58.45		3 560	27.8	7 518	1953
1954	13 634	24 106	3.6	56.56	59.03	40.05	59.85		3 921	28.8	7 955	1954
1955	15 032	25 716	6.7	58.45	59.42	42.39	61.60		4 368	29.1	8 455	1955
1956	16 360	26 918	4.7	60.78	60.75	44.85	64.51		4 826	29.5	8 881	1956
1957	17 565	28 345	5.3	61.97	62.94	46.80	65.57		5 186	29.5	9 236	1957
1958	18 862	29 719	4.8	63.47	62.61	48.65	67.01		5 606	29.7	9 729	1958
1959	20 029	31 658	6.5	63.27	62.02	49.86	66.56		6 129	30.6	10 526	1959
1960	21 632	33 807	6.8	63.99	63.40	51.87	67.65		7 040	32.5	11 178	1960
1961	23 207	36 268								30.3		1961
1962	25 810	39 141	7.9	65.94	65.10	54.70	69.13	7 734	7 734	30.0	12 539	1962
1963	28 998	41 478	6.0	69.91	68.26	59.44	73.85	8 933	8 933	30.8	13 471	1963
1964	33 215	43 805	5.6	75.82	73.43	69.45	79.06	10 557	10 557	31.8	14 281	1964
1965	36 360	45 030	2.8	80.75	78.94	75.28	82.95	11 866	11 866	32.7	15 053	1965
1966	39 124	46 502	3.3	84.13	80.48	82.16	85.91	13 621	13 621	34.8	16 268	1966
1967	42 391	49 285	6.0	86.01	81.51	84.19	88.42	14 816	14 816	34.0	17 246	1967
1968	46 695	52 823	7.2	88.40	83.36	86.10	91.21	15 875	15 875	34.0	17 988	1968
1969	50 614	56 280	6.5	89.93	84.92	89.22	92.54	17 942	17 942	35.4	19 908	1969
1970	55 876	59 712	6.1	93.58	90.14	94.08	95.22	19 457	19 457	34.8	20 638	1970
1971	62 883	62 883	5.3	100.00	100.00	100.00	100.00	21 759	21 759	34.6	21 759	1971
1972	68 510	63 916	1.6	107.19	107.28	115.88	105.54	25 932	25 932	37.8	23 624	1972
1973	75 124	65 963	3.2	113.89	113.13	124.54	112.31	29 837	29 837	39.7	25 477	1973
1974	89 746	70 601	7.0	127.12	131.96	140.84	126.36	34 632	34 632	38.6	26 192	1974
1975	110 719	73 525	4.1	150.59	169.61	164.65	152.79	42 521	42 521	38.4	26 865	1975
1976	125 378	70 851	-3.6	176.96	202.24	184.77	179.76	52 496	52 496	41.9	28 523	1976
1977	156 657	75 011	5.9	208.84	240.69	216.03	212.30	65 186	65 186	41.6	30 509	1977
1978	190 083	76 435	1.9	248.69	286.22	263.36	250.94	79 391	79 391	41.7	30 716	1978
1979	222 254	78 488	2.7	283.17	319.55	313.09	283.29	100 872	100 872	45.4	34 094	1979
1980	269 657	82 308	4.9	327.62	378.07	379.36	326.05	119 106	119 106	44.2	34 285	1980
	337 402	85 569	4.0	394.30	446.23	466.64	392.31	149 385	149 385	44.3	35 509	

Table 2

Table 2		Total Public Expenditure by				Central Government Expenditure by				Italy						
Year	Economic Function				Level of Government				Purpose				Year			
	Total public exp.at curr. pr.bill.lire	subs/ transf.	Per cent distribution		Total public exp.at curr. pr.bill.lire	Per cent distribution		Total public exp.at curr. pr.bill.lire	Per cent distribution		other					
			final cons.	on debt interests		local gov. funds	central gov. and others		const. order	welfare growth		interests promot				
1951	2 662	37.4	46.7	6.6	9.3	2 662	22.6	.	1 894	29.5	5.2	19.4	27.7	5.4	12.8	1951
1952	3 184	38.9	44.4	6.6	10.0	3 184	22.7	.	2 310	29.8	5.3	21.3	23.5	6.3	12.9	1952
1953	3 560	40.9	41.6	6.4	11.2	3 560	23.8	.	2 619	25.5	5.5	25.0	23.0	7.4	14.3	1953
1954	3 921	38.3	42.0	7.6	12.1	3 921	22.3	.	3 198	22.7	8.7	28.4	20.3	6.9	12.8	1954
1955	4 368	40.3	40.6	7.5	11.6	4 368	22.1	52.9	3 621	21.5	8.4	30.2	19.5	6.8	13.6	1955
1956	4 826	41.8	40.2	7.6	10.3	4 826	21.4	25.7	4 682	19.7	8.0	30.1	21.6	5.8	14.9	1956
1957	5 186	42.7	39.7	7.1	10.4	5 186	22.7	25.1	6 106	18.5	8.0	31.7	23.7	4.4	13.7	1957
1958	5 606	42.8	40.3	6.4	10.5	5 606	22.4	28.5	8 217	18.4	6.7	35.0	24.3	3.1	12.5	1958
1959	6 129	43.4	39.4	7.3	9.9	6 129	23.6	29.4	9 974	16.8	6.6	35.0	26.0	2.9	12.7	1959
1960	7 040	41.3	37.3	6.8	9.7	7 040	23.5	27.9	13 267	14.0	7.9	35.4	25.7	2.3	12.9	1960
1961	7 734	41.8	42.3	4.8	11.1	7 651	26.4	28.4	16 623	16.2	6.4	37.8	26.6	1.9	11.6	1961
1962	8 933	42.9	42.4	4.5	10.2	8 811	28.8	31.5	22 930	16.3	6.1	33.0	27.6	2.4	14.7	1962
1963	10 557	42.8	43.7	3.9	9.5	10 278	28.1	32.6	38 469	11.1	4.1	34.2	22.3	5.0	23.6	1963
1964	11 866	42.8	43.9	3.6	9.8	11 520	27.1	31.3	62 757	10.6	3.6	37.7	24.5	8.1	16.5	1964
1965	13 621	44.9	43.4	3.5	8.1	13 374	26.3	33.6	103 886	9.3	4.5	35.4	18.1	10.6	22.0	1965
1966	14 816	45.4	42.5	4.1	8.0	14 498	25.7	34.7								1966
1967	15 875	45.7	42.4	4.7	7.3	15 646	27.2	35.0								1967
1968	17 942	46.8	40.9	4.5	8.1	17 535	26.8	35.1								1968
1969	19 457	46.9	40.8	4.8	7.4	19 002	28.7	37.8								1969
1970	21 759	46.8	39.8	5.0	8.4	21 326	28.0	38.1								1970
1971	25 932	46.5	40.9	5.2	7.4	24 817	28.9	41.4								1971
1972	29 837	46.9	40.5	5.5	7.1	28 465	32.1	41.4								1972
1973	34 632	47.0	40.2	6.2	6.7	32 960	35.2	41.9								1973
1974	42 521	45.9	39.3	7.3	7.5	40 612	34.8	46.6								1974
1975	52 496	44.6	36.9	9.5	8.5	54 458	35.6	40.8								1975
1976	65 186	45.8	35.5	10.9	8.6	66 923	35.8	41.3								1976
1977	79 391	44.0	36.1	11.6	7.9	81 870	32.3	40.1								1977
1978	100 872	44.0	34.8	13.0	8.2	104 546	29.5	37.8								1978
1979	119 106	43.5	36.4	13.1	7.0	123 001	34.8	28.5								1979
1980	149 385	42.4	36.4	13.9	7.2	154 380	35.6	31.2								1980

Table 3

## Social Expenditure

Italy

Year	At current prices (in billion lire)					Consumer prices deflator (base 1970)	At constant (1970) prices (in billion lire)					Year	
	Total	Income maint.	Education & culture	Health	Housing		Public assistance	Total	Income maint.	Education & culture	Health		Housing
1951			230			371.61			685				1951
1952			264	128		306.75			721				1952
1953			295	145	112	265.04			785			188	1953
1954	1 830	905	331	159	105	235.74	3 531	1 561	826			178	1954
1955	2 006	990	383	178	97	199.60	3 747	1 660	903			163	1955
1956	2 247	1 090	461	227	89	171.29	4 029	1 742	1 028			147	1956
1957	2 591	1 187	544	335	111	146.20	4 564	1 861	1 162			176	1957
1958	3 055	1 497	598	365	160	122.40	5 125	2 239	1 229			256	1958
1959	3 474	1 657	687	419	254	110.90	5 803	2 489	1 378			410	1959
1960	3 828	1 793	830	507	211	105.00	6 242	2 624	1 600			333	1960
1961	4 234	1 971	1 012	580	163	100.00	6 685	2 802	1 850			250	1961
1962	5 041	2 460	1 215	679	117	95.17	7 456	3 327	1 044			171	1962
1963	5 918	2 871	1 506	840	88	92.57	7 919	3 612	2 169			120	1963
1964	6 503	3 104	1 680	922	104	91.40	8 098	3 686	2 232			132	1964
1965	7 826	3 856	1 917	1 178	157	89.61	9 169	4 389	2 333			195	1965
1966	8 557	4 198	2 095	1 349	161	87.85	9 814	4 685	2 488			197	1966
1967	9 602	4 499	2 501	1 618	177	84.19	10 802	4 923	2 905			212	1967
1968	10 694	5 001	2 767	1 775	208	79.48	11 757	5 402	3 101			245	1968
1969	11 985	5 741	3 067	2 039	184	73.92	12 666	6 033	3 260			204	1969
1970	13 339	6 276	3 333	2 497	145	70.33	13 399	6 276	3 333			145	1970
1971	15 619	7 038	3 913	3 184	131	68.34	14 239	6 703	3 377			122	1971
1972	17 863	8 343	4 210	3 666	132	66.57	15 327	7 523	3 380			117	1972
1973	20 259	9 617	4 919	3 872	144 (195)	66.85	15 600	7 857	3 493			109 (148)	1973
1974	26 825	13 016	5 632	6 120	161 (356)	63.79	17 474	8 903	3 421			95 (210)	1974
1975	33 829	17 280	6 745	7 384	40 (516)	62.58	18 101	10 088	3 650			20 (255)	1975
1976	41 243	20 481	8 646	9 069	32 (690)	59.62	19 929	10 261	4 002			13 (287)	1976
1977	50 406	24 378	11 350	10 908	61 (937)	57.99	20 322	10 341	4 310			21 (327)	1977
1978	60 629	30 177	13 555	13 021	64 (601)	56.47	21 298	11 386	4 329			20 (188)	1978
1979	73 267	35 994	15 660	16 800	- (1036)	55.39	21 795	11 734	4 128			- (274)	1979
1980	91 179	46 148	29 047	19 604	- (1073)	53.13	22 374	12 418	4 296			- (240)	1980

Table 4

## Social Expenditure

Italy

Year	As % of gross domestic product				As % of total public expenditure				As % of social expenditure				Year
	Total	Income maint.	Education & culture	Health	Housing	Public assistance	Total	Income maint.	Education & culture	Health	Housing	Public assistance	
1951			2.1				46.7	23.1	8.6				1951
1952			2.3	1.1					8.3	4.0			1952
1953			2.3	1.1	0.9				8.3	4.1	3.1		1953
1954	13.4	6.6	2.4	1.2	0.8	2.4	46.7	23.1	8.4	4.1	2.7	8.4	1954
1955	13.3	6.6	2.5	1.2	0.6	2.4	45.9	22.7	8.8	4.1	2.2	8.2	1955
1956	13.7	6.7	2.8	1.4	0.5	2.3	46.6	22.6	9.6	4.7	1.8	7.9	1956
1957	14.7	6.8	3.1	1.9	0.6	2.4	50.0	22.9	10.5	6.5	2.1	8.0	1957
1958	16.2	7.9	3.2	1.9	0.8	2.3	54.5	26.7	10.7	6.5	2.9	7.8	1958
1959	17.4	8.3	3.4	2.1	1.3	2.3	56.7	27.0	11.2	6.8	4.1	7.5	1959
1960	16.5	7.7	3.6	2.2	0.9	2.1	54.5	25.5	11.8	7.2	3.0	6.9	1960
1961	16.4	7.6	3.9	2.2	0.6	2.0	55.4	25.8	13.2	7.6	2.1	6.6	1961
1962	17.4	8.5	4.2	2.3	0.4	2.0	57.2	27.9	13.8	7.7	1.3	6.5	1962
1963	17.9	8.6	4.5	2.5	0.3	1.9	57.9	27.9	14.7	8.2	0.9	6.3	1963
1964	17.9	8.5	4.6	2.5	0.3	1.9	56.4	26.9	14.6	8.0	0.9	6.0	1964
1965	20.0	9.8	4.9	3.0	0.4	1.8	58.4	28.8	14.3	8.8	1.2	5.4	1965
1966	20.6	9.9	4.9	3.2	0.4	1.8	60.3	28.9	14.5	9.3	1.1	5.2	1966
1967	20.5	9.6	5.4	3.5	0.4	1.7	61.3	28.7	16.0	10.3	1.1	5.2	1967
1968	21.1	9.9	5.5	3.5	0.4	1.9	60.9	28.5	15.8	10.1	1.2	5.4	1968
1969	21.4	10.3	5.5	3.6	0.3	1.7	63.1	30.2	16.1	10.7	1.0	5.0	1969
1970	21.3	10.0	5.3	4.0	0.2	1.8	62.8	29.4	15.6	11.7	0.7	5.4	1970
1971	22.8	10.3	5.7	4.6	0.2	2.0	62.9	28.4	15.8	12.8	0.5	5.4	1971
1972	23.8	11.1	5.6	4.9	0.2	2.0	62.8	29.3	14.8	12.9	0.5	5.3	1972
1973	22.6	10.7	5.5	4.3	0.2 (0.2)	1.8	61.5	29.2	14.9	11.7	0.4 (0.6)	5.0	1973
1974	24.2	11.8	5.1	5.5	0.1 (0.3)	1.5	66.1	32.0	13.9	15.1	0.4 (0.9)	4.2	1974
1975	27.0	13.8	5.4	5.9	0.0 (0.4)	1.5	62.1	31.7	12.4	13.6	0.1 (0.9)	3.5	1975
1976	26.3	13.1	5.5	5.8	0.0 (0.4)	1.5	61.1	30.6	12.9	13.6	0.0 (1.0)	3.5	1976
1977	26.5	12.8	6.0	5.7	0.0 (0.5)	1.5	61.6	29.8	13.9	13.3	0.1 (1.1)	3.5	1977
1978	27.3	13.6	6.1	5.9	0.0 (0.3)	1.5	58.0	28.9	13.0	12.5	0.1 (0.6)	3.1	1978
1979	27.2	13.3	5.8	6.2	- (0.4)	1.4	59.6	29.4	12.7	13.7	- (0.8)	3.0	1979
1980	27.0	13.7	5.9	5.8	- (0.3)	1.3	59.1	29.9	13.0	12.7	- (0.7)	2.8	1980

**Expenditure on Income Maintenance Programmes**  
**At current prices (in billion lire)**

Year	P e n s i o n s					F a m i l y A l l o w a n c e s :				Unemployment	Work injuries	Sickness & maternity	Year
	Total	Old age	Invalidity	Survivors	Social	Government employees	Others	Total	Private employees				
1951	228	71	26	8		123			157		24		1951
1952	344	120	43	15		166			209		25	24	1952
1953	386	139	49	18		180			273		24	27	1953
1954	440	156	57	22		205		387	304	83	22	27	1954
1955	496	178	66	25		227		409	324	85	25	28	1955
1956	550	196	75	30		249		438	352	86	37	29	1956
1957	609	214	84	33		278		465	378	87	36	32	1957
1958	886	357	142	61		326		486	399	87	42	38	1958
1959	991	386	160	74		371		530	420	110	41	46	1959
1960	1 082	415	179	81		396	11	568	450	118	43	51	1960
1961	1 179	439	199	89		433	19	612	486	126	60	59	1961
1962	1 553	612	284	156		475	26	689	544	145	67	77	1962
1963	1 816	700	326	170		588	32	784	562	222	64	108	1963
1964	1 962	732	362	181		648	39	809	568	241	82	114	1964
1965	2 546	965	532	263		739	47	897	653	244	125	143	1965
1966	2 806	1 040	595	276		838	57	966	712	254	106	145	1966
1967	3 055	1 126	672	297		892	68	1 003	747	256	88	175	1967
1968	3 469	1 253	806	344		986	80	1 037	783	254	98	196	1968
1969	4 170	1 492	1 027	413	72	1 068	98	1 018	755	263	108	261	1969
1970	4 578	1 581	1 155	450	118	1 160	114	1 069	802	267	113	287	1970
1971	5 045	1 751	1 300	500	127	1 236	131	1 114	830	284	251	339	1971
1972	6 237	2 075	1 679	617	187	1 544	165	1 095	818	277	226	411	1972
1973	7 303	2 464	1 932	778	199	1 713	217	1 109	820	289	305	417	1973
1974	9 380	3 183	2 720	992	273	1 923	289	2 001	1 690	311	460	544	1974
1975	12 702	4 117	4 037	1 303	411	2 465	369	2 419	2 072	347	652	645	1975
1976	15 617	5 020	5 077	1 603	494	2 987	436	2 428	2 064	364	732	721	1976
1977	19 234	5 961	6 008	2 052	554	4 127	532	2 021	1 661	360	939	991	1977
1978	24 019	7 792	7 153	2 603	648	5 199	624	2 379	1 831	548	1 161	1 303	1978
1979	28 495	9 803	8 057	3 402	609	6 554	706	2 399	1 818	581	1 304	1 388	1979
1980	37 508	11 918	11 395	4 024	933	8 423	815	3 360	2 523	837	1 371	1 876	1980

Table 6

## Expenditure on Income Maintenance Programmes

Italy

At constant (1970) prices (in billion lire)

Year	Pensions					Family Allowances				Unemployment				Work		Sickness & maternity	Year
	Total	Old age	Invalidity	Survivors	Social	Government employees	Others	Total	Private employees	Government employees	Unemployment	Injuries	Sickness & maternity				
1951	429	174	49	15		231			295		45						1951
1952	621	217	78	27		300			377		45					43	1952
1953	684	246	87	32		319			483		42					48	1953
1954	759	269	98	38		354		667	524	143	38	46				51	1954
1955	832	299	111	42		381		686	543	143	42	46				53	1955
1956	879	313	120	48		398		700	562	137	59	47				57	1956
1957	955	335	132	52		436		729	593	136	56	50				71	1957
1958	1 325	574	212	91		488		727	597	130	63	57				67	1958
1959	1 489	580	240	111		557		796	631	165	62	69				73	1959
1960	1 583	607	262	119		579	16	831	658	173	63	74				73	1960
1961	1 676	624	283	127		616	27	870	691	179	85	83				87	1961
1962	2 101	828	384	211		643	35	932	736	196	91	105				99	1962
1963	2 285	881	410	214		740	40	986	707	279	81	136				125	1963
1964	2 330	869	430	215		770	46	961	675	286	97	135				162	1964
1965	2 898	1 098	606	299		841	54	1 021	743	278	142	162				165	1965
1966	3 131	1 161	664	308		935	64	1 078	795	283	118	195				162	1966
1967	3 342	1 232	735	325		976	74	1 097	817	280	96	215				172	1967
1968	3 748	1 354	871	372		1 065	86	1 120	846	274	106	246				183	1968
1969	4 382	1 568	1 079	434	76	1 122	103	1 070	793	276	113	274				194	1969
1970	4 578	1 581	1 155	450	118	1 160	114	1 069	802	267	113	287				229	1970
1971	4 805	1 668	1 238	476	121	1 177	125	1 061	790	270	239	323				275	1971
1972	5 624	1 871	1 574	556	169	1 365	149	987	738	250	204	370				338	1972
1973	5 967	2 013	1 578	636	163	1 400	177	906	670	236	249	341				395	1973
1974	6 416	2 177	1 860	679	187	1 375	198	1 369	1 156	213	315	372				431	1974
1975	7 415	2 404	2 357	761	240	1 439	215	1 412	1 210	203	381	377				503	1975
1976	7 824	2 515	2 544	803	247	1 496	218	1 216	1 034	182	367	361				492	1976
1977	8 159	2 529	2 549	870	235	1 751	226	857	705	153	398	420				506	1977
1978	9 062	2 940	2 699	982	244	1 962	235	898	691	207	438	491				496	1978
1979	9 437	3 196	2 627	1 109	198	2 137	230	782	593	189	425	452				578	1979
1980	10 094	3 207	3 067	1 083	251	2 267	219	904	679	225	369	505				547	1980

Table 7

## Total public revenues and social security receipts

Italy

Year	Total public revenues (in billion lire)					Saving		Net lending		Social security receipts (in billion lire)				Year
	at current prices	as % of GDP	dir. taxes	indir. taxes	percent distribution	at current prices (bill. lire)	as % of GDP	at current prices (bill. lire)	as % of GDP	total at current prices	insured	by income of employers	receipt (%) other state	
1951	2 697	25.1	15.1	41.5	19.5	35	0.3	-222	-2.1	921	4.4	69.2	23.3	1951
1952	3 018	26.1	16.6	41.7	21.7	14	0.1	-371	-3.2	1 137	5.2	66.6	24.9	1952
1953	3 748	29.3	15.6	38.7	20.1	188	1.5	-344	-2.7	1 338	6.0	65.6	24.6	1953
1954	4 158	30.5	15.6	39.7	22.7	237	1.7	-294	-2.2	1 564	5.8	66.9	23.6	1954
1955	4 607	30.6	15.3	39.3	22.6	239	1.6	-365	-2.4	1 634	8.6	65.6	21.7	1955
1956	5 230	32.0	15.6	39.7	23.8	404	2.5	-194	-1.2	1 808	9.3	67.3	18.9	1956
1957	5 717	32.5	15.9	38.7	23.1	531	3.0	-222	-1.3	1 960	9.6	68.0	17.7	1957
1958	6 050	32.1	16.7	37.9	24.6	444	2.3	-251	-1.3	2 216	10.6	65.2	17.0	1958
1959	6 571	32.1	16.8	37.5	25.6	442	2.2	-293	-1.4	2 364	12.0	66.1	16.8	1959
1960	6 674	28.8	18.6	42.1	28.9	632	2.7	-192	-0.8	2 934	12.1	60.0	23.3	1960
1961	7 263	28.1	17.9	42.6	29.4	751	2.9	-175	-0.7	2 973	13.7	63.0	17.7	1961
1962	8 409	29.0	19.3	40.9	30.5	799	2.8	-254	-0.9	3 541	13.9	64.4	16.5	1962
1963	9 806	29.5	18.3	38.9	33.3	656	2.0	-394	-1.2	4 344	15.0	63.4	16.3	1963
1964	11 122	30.6	19.4	37.9	32.0	883	2.4	-299	-0.8	5 036	14.2	65.1	15.4	1964
1965	11 744	30.0	20.4	38.3	32.2	-274	-0.5	-1 500	-3.8	5 811	13.7	56.1	24.5	1965
1966	12 757	30.1	20.0	37.9	31.1	-274	-0.5	-1 603	-3.8	6 074	14.6	60.2	20.1	1966
1967	14 498	31.0	19.0	38.6	32.5	472	1.0	-1 044	-2.2	6 353	15.4	64.5	15.2	1967
1968	15 980	31.5	20.1	37.2	33.6	289	0.6	-1 409	-2.8	7 462	14.5	62.4	16.8	1968
1969	17 151	30.7	20.3	37.3	32.3	68	0.1	-1 742	-3.1	8 570	13.5	59.0	22.3	1969
1970	19 109	30.4	18.0	36.8	35.1	116	0.2	-2 215	-3.5	9 756	14.2	61.5	19.6	1970
1971	21 291	31.1	18.3	34.5	35.9	-1 381	-2.0	-3 533	-5.2	12 110	14.4	61.7	18.8	1971
1972	23 181	30.9	20.3	32.9	36.1	-3 113	-3.9	-5 604	-6.2	13 741	12.3	59.5	21.1	1972
1973	27 327	30.4	19.7	32.1	37.4	-3 544	-3.9	-6 275	-7.0	15 748	13.4	62.4	18.4	1973
1974	33 876	30.6	19.6	32.1	38.3	-4 211	-3.8	-7 786	-7.0	20 957	13.1	59.8	21.9	1974
1975	39 166	31.2	21.4	28.0	41.4	-8 862	-7.1	-14 635	-11.7	22 871	12.3	66.6	17.0	1975
1976	51 566	32.9	23.3	29.1	38.6	-8 007	-5.1	-14 089	-9.0	28 510	12.2	65.4	18.5	1976
1977	65 161	34.3	25.0	29.9	36.4	-8 115	-4.3	-15 115	-7.9	36 034	13.4	61.2	21.2	1977
1978	80 114	36.0	27.8	27.9	34.7	-12 621	-5.7	-21 654	-9.7					1978
1979	96 386	35.7	27.3	26.4	36.3	-14 635	-5.3	-25 464	-9.1					1979
1980	126 642	37.5	29.7	26.9	33.7	-11 959	-3.5	-26 181	-7.7					1980

Table 8

## Population and Labour Force

Year	Total population in 1,000	Pop. aged 60+ in 1,000	as % of tot. pop.	Total labour in 1,000	as % of tot. pop.	Total employed in 1,000	agric. percent	Industry percent	other distribution	Total unemployed in 1,000	as % of labour force	Year
1951	47 159	5 772	12.2	20 268	43.0							1951
1952	47 339	5 841	12.3	19 358	40.1	18 072	41.5	31.0	27.5	1 451	7.5	1952
1953	47 519	5 911	12.4	n.a.	44.5							1953
1954	47 699	5 980	12.5	11 208	44.5							1954
1955	47 880	6 050	12.6	20 117	42.0							1955
1956	48 060	6 119	12.7	20 092	41.8							1956
1957	48 239	6 189	12.8	20 787	43.1							1957
1958	48 418	6 258	12.9	21 361	44.1							1958
1959	48 604	6 330	13.0	21 879	45.0	20 349	33.8	32.7	33.5	1 530	7.0	1959
1960	48 967	6 550	13.4	21 545	44.0	20 330	32.5	33.7	33.7	1 215	5.6	1960
1961	49 156	6 701	13.6	21 535	43.8	20 427	30.7	34.9	34.3	1 108	5.1	1961
1962	49 444	6 886	13.9	21 306	43.1	20 337	29.1	36.1	34.8	969	4.5	1962
1963	49 949	7 022	14.0	20 852	41.7	20 045	27.1	37.4	35.4	807	3.9	1963
1964	50 730	7 257	14.3	20 870	41.1	19 996	25.7	37.5	36.8	904	4.3	1964
1965	51 380	7 487	14.6	20 612	40.1	19 502	26.2	37.0	37.0	1 110	5.4	1965
1966	51 927	7 922	15.2	20 367	39.2	19 175	25.1	36.8	38.1	1 192	5.9	1966
1967	52 409	7 928	15.1	20 507	39.1	19 401	24.3	37.1	38.6	1 106	5.4	1967
1968	52 778	8 162	15.5	20 555	38.9	19 383	22.3	37.6	39.6	1 172	5.7	1968
1969	53 101	8 205	15.4	20 369	38.4	19 209	21.9	38.7	39.4	1 160	5.7	1969
1970	53 486	8 440	15.8	20 436	38.2	19 325	20.1	39.3	40.6	1 111	5.4	1970
1971	53 517	8 660	16.2	20 404	38.1	19 295	20.1	39.5	40.4	1 109	5.4	1971
1972	53 548	8 880	16.6	20 293	37.9	18 996	18.9	39.4	41.7	1 297	6.4	1972
1973	53 981	9 094	16.8	20 490	38.0	19 185	18.2	38.9	42.3	1 305	6.4	1973
1974	54 541	9 275	17.0	20 744	38.0	19 601	17.4	39.0	43.8	1 113	5.4	1974
1975	54 967	9 370	17.0	20 946	38.1	19 716	16.6	38.9	44.3	1 230	5.9	1975
1976	55 325	9 307	16.8	21 285	38.5	19 859	16.3	38.1	45.6	1 426	6.7	1976
1977	55 576	9 186	16.5	21 607	38.9	20 062	15.7	38.6	45.6	1 545	7.2	1977
1978	55 806	9 062	16.2	21 730	38.9	20 159	15.7	38.0	47.0	1 571	7.2	1978
1979	55 016	9 047	16.4	22 075	40.1	20 377	14.8	38.1	47.7	1 698	7.7	1979
1980	56 121	9 439	16.8	22 372	39.9	20 675	14.1	37.6	48.2	1 698	7.6	1980

Italy



Table 9

## Membership of Social Insurance Programmes

Italy

(in 1,000 and as a % of the labour force)

Year	total	Pensions		family allowances	unemployment	occupational injuries	health care	sickness cash benefits	Year
1951					3 751	11 886	9 574		1951
1952					3 751		10 087		1952
1953					3 925		10 744		1953
1954		8 312	39.2		5 250		10 967		1954
1955		8 316	41.3		5 750	11 368	13 496	10 945	1955
1956		9 543	47.5		7 080	11 551	14 155	54.4	1956
1957		15 394	74.1		7 932	12 317	14 873		1957
1958		16 333	76.5		8 702	12 716	15 131	11 188	1958
1959		17 381	79.4		8 202	12 853	15 494	11 412	1959
1960		18 932	87.9		8 203	13 364	16 074	11 792	1960
1961		19 657	91.3		8 200	13 323	17 066	12 255	1961
1962	20 634	19 762	92.7	5 924	8 700	13 308	n.a.	13 061	1962
1963	21 454	19 792	94.9	7 716	8 700	13 730	17 967	13 111	1963
1964	21 667	17 366	83.2	7 727	8 700	13 006	17 069	13 006	1964
1965	21 750	18 868	91.5	7 776	9 524	12 339	16 668	12 424	1965
1966	21 403	19 985	98.1	7 517	9 493	12 603	16 668	12 379	1966
1967	20 558	20 266	98.8	7 050	9 584	13 647	17 182	12 601	1967
1968	22 172	19 902	96.8	7 255	9 527	13 332	17 100	12 820	1968
1969	22 479	19 883	97.6	7 404	9 497	12 884	17 153	13 070	1969
1970	22 151	19 356	94.7	7 694	9 473	11 182	17 871	13 356	1970
1971	21 952	19 423	95.2	7 786	9 435	11 006	17 454	13 231	1971
1972	21 953	18 947	93.4	7 584	9 700	9 500	17 833	13 369	1972
1973	21 876	19 109	93.3	7 857	9 401	10 047	17 980	13 722	1973
1974	21 624	18 754	90.5	8 385	9 475	9 607	18 577	14 257	1974
1975	21 712	18 710	89.3	8 030	10 290	9 499	18 064	14 323	1975
1976	21 811	18 712	87.9	8 672	10 305	9 575	18 215	14 325	1976
1977	22 333	19 081	88.3	8 669	10 370	9 494	18 468	14 381	1977
1978	22 289	18 994	87.4	8 330	10 300	9 507	18 483	14 381	1978
1979	22 549	19 202	86.9	8 313	10 430				1979
1980	22 643	19 275	86.2		10 430				1980

## DATA SOURCES AND DEFINITIONS

### Tables 1 and 2

#### Gross domestic product - GDP

Data refer to Gross Domestic Product at market prices. The series unites two different series: an older series covering the period 1951-1960 and a more recent series covering the period 1960-1980, which contains an estimate of the 'non-institutional' (black) sector of the economy. For the year 1960, two figures are given. Data in both current and constant (1970) prices have been drawn from the original sources.

Sources: OECD, National Accounts Statistics, Paris, 1981 and 1982 editions and ISTAT, Annuario di Contabilità Nazionale, Rome, 1971 edition.

#### Deflators

Deflators have been derived by dividing the figures in current prices by the figures in constant prices for the corresponding National Accounts categories given in OECD, National Accounts Statistics, cit., same editions (implicit deflators).

#### Total public expenditure

Data refer to the consolidated public sector. Table 1 presents two distinct series: an OECD series, for the period 1961-1980, and an ISTAT series for the period 1951-1980. There is a difference of definition between OECD and ISTAT: the former does not include capital transfers in its definition of total public expenditure whereas the latter does. The difference in definition should in principle produce higher figures for the ISTAT series, but this only occurs after 1974 (where the discrepancy is due to the inclusion by ISTAT of capital transfers). For earlier years, in spite of its more comprehensive definition, the ISTAT series gives lower figures than the OECD, because data for final consumption are somewhat lower.

The figures at constant prices have been obtained by separately deflating the economic categories of public expenditure and then adding them up. Transfers and subsidies have been deflated using the private consumption deflator; final consumption has been deflated using the public consumption deflator; interests on debt

have been deflated using the GDP deflator; and public investment has been deflated using the capital formation deflator. In the disaggregation by economic function, a single series has been used, uniting the ISTAT figures for 1951-1960 (only these are available), and the OECD figures for 1961-1980 (which provide more reliable figures for final consumption).

The disaggregation by level of government is based on the ISTAT series for the whole period. For local government and social security funds it refers to consolidated expenditure. 'Central government and other' expenditure has been derived residually, by simply subtracting local government and social security funds' expenditure from the total: besides central government, it includes expenditure of autonomous state enterprises (aziende autonome), such as public railways, telephones, post and telecommunications etc.

Sources: OECD, National Accounts Statistics, cit., same editions and ISTAT, Annuario Statistico Italiano, cit., 1973 and 1977 editions (total expenditure and disaggregation by economic function); Ministero del Bilancio and Ministero del Tesoro, Relazione Generale sulla Situazione Economica del Paese, Rome, various years (disaggregation by level of government).

#### Central government expenditure

The totals reported in Table 2 are gross figures including transfers to local government and social security funds and are therefore not comparable with the figures reported in the disaggregation of total public expenditure by economic function or level of government. The disaggregation by purpose has been derived by re-combining similar disaggregations found in the sources. Expenditure on security includes national defence (difesa nazionale), foreign relations (relazioni internazionali), and war burdens (oneri in dipendenza della guerra). Expenditure on constitutional order includes general administration of the state (amministrazione generale dello stato) and justice and public order (giustizia e ordine pubblico). Expenditure on welfare includes education and culture (istruzione e cultura), social burdens (oneri di carattere sociale), and housing intervention (interventi nel campo abitativo). Expenditure on the promotion of growth includes economic interventions and burdens (oneri e interventi in campo economica). Expenditure on interests includes interests on state debts (interessi su debiti contratti dello stato).

Source: Ministero del Bilancio and Ministero del Tesoro, Rel. Gen. Sit. Ec. Paese, cit.

## Tables 3 and 4

### Total social expenditure

The total figure has not been drawn from original sources, but is simply the sum of the various items listed next to it. The figure in constant prices has been obtained by separately deflating the single items and then adding them up. Income maintenance and public assistance have been deflated using the consumer prices deflator; education and health using the public consumption deflator; and housing using the capital formation deflator.

### Income maintenance

The total figure is the sum of the various items listed in Table 4.

### Education and culture

The figures have been derived by adding central and local government expenditure on education and culture (as found in the sources). Even though not drawn from a consolidated account, the amounts given should not (in principle at least), contain transfers across levels.

Source: Ministero del Bilancio and Ministero del Tesoro, Rel. Gen. Sit. Ec. Paese., cit.

### Health

For the period 1952-1974, the figures have been obtained by adding the following items: central and regional government expenditure on public health and sanitation (igiene e sanità), and social security funds' expenditure on benefits in kind (prestazioni in natura) for hospital, medical and pharmaceutical assistance. All sickness, maternity and disability schemes are included. For the period 1975-1980, the figures have been drawn directly from the source, under the heading of total health expenditure (spesa sanitaria totale). The figures for the latter period are more reliable than those for the former (unfortunately, they are only available after 1975, i.e. after the hospital reform). The two series may not be fully comparable both in functional and

institutional terms. Given the major institutional changes in this field, full comparability over time is very difficult to achieve.

Sources: Ministero del Bilancio and Ministero del Tesoro, Rel. Gen. Sit. Ec. Paese., cit.

## Housing

For the period 1953-1978 the figures refer to amounts for housing works (importi per lavori eseguiti nel campo delle abitazioni), i.e. to actual payments made by central and local government and housing funds for housing construction (grants to private firms are included). Starting from 1974, these figures become quite unreliable (see discussion in text). Thus, a second series is given in parentheses for the years 1973-1980, which refers to engaged investments (impegni d'investimento). This difference in definition renders the two series incomparable. For the computation of total social expenditure, the second series has been used for 1973-1980.

Sources: ISTAT, Annuario Statistico dell'Attività Edilizia e delle Opere Pubbliche, Rome, various years, and Banca d'Italia, Assemblea Annuale, Rome, various years.

## Public assistance

For the period 1954-1974, the figures have been obtained by adding the following items: central government expenditure on direct social assistance (assistenza sociale diretta), and on war pensions (pensioni di guerra); local government expenditure on social and public assistance (assistenza sociale/pubblica); expenditure by separate local agencies (ECA, patronati) operating in the fields of social assistance; expenditure by compulsory social assistance funds. For the period 1975-1980 the figures have been drawn directly from the source, under the heading assistance expenditure (spese per l'assistenza) - see health for problems of comparability.

Source: Ministero del Bilancio and Ministero del Tesoro, Rel. Gen. Sit. Ec. Paese., cit.

## Consumer price index

Source: ISTAT, Annuario Statistico Italiano, Rome, various years.

## Tables 5 and 6

### Pensions

The figures for old age, invalidity and survivors' pensions, only refer to INPS schemes (pensioni di vecchiaia, invalidità e superstiti). Social pensions refer to social pensions (pensioni sociali) under the INPS general scheme. The figures given for government employees refer to the whole public sector and to all types of pensions (the sources do not give breakdowns by type). 'Others' includes all types of pensions under the non-INPS public schemes.

Sources: Ministero del Bilancio and Ministero del Tesoro, Rel. Gen. Sit. Ec. Paese., cit. and ISTAT, Annuario Statistico dell'Assistenza e della Previdenza Sociale, Rome, various years (old age, invalidity, survivors' and others); Ministero del Tesoro, La Spesa Previdenziale e i suoi Effetti sulla Finanza Pubblica, Rome, 1981 (social pensions and government employees).

### Family allowances

The figures for private employees refer to all family allowances (assegni familiari) paid by INPS (includes allowances for the self-employed in agriculture). The figures for government employees refer to family supplements (aggiunte di famiglie).

Source: Ministero del Bilancio and Ministero del Tesoro, Rel. Gen. Sit. Ec. Paese., cit.

### Unemployment

The figures refer only to cash benefits, i.e. benefits for full unemployment (prestazioni di disoccupazione), and benefits for partial or temporary unemployment (integrazioni salariali) paid by INPS.

Source: Ministero del Bilancio and Ministero del Tesoro, Rel. Gen. Sit. Ec. Paese., cit.

### Work injuries

The figures refer to all cash benefits (prestazioni economiche) for

work injuries paid by INAIL and other public schemes.

Source: Ministero del Bilancio and Ministero del Tesoro, Rel. Gen. Sit. Ec. Paese, cit.

#### Sickness and maternity

The figures refer to all cash benefits (prestazioni economiche) for sickness and maternity. For the period 1952-1960, only the INAM general scheme and the INPS tuberculosis scheme are included; for 1961-1977, special schemes are also included. For the years 1978-1980 (when all INAM and special schemes were liquidated), the figures have been taken directly from the source, under the heading sickness and maternity (malattia e maternità).

Source: Ministero del Bilancio and Ministero del Tesoro, Rel. Gen. Sit. Ec. Paese., cit.

#### Table 7

##### Total public revenues

The figures have been drawn from the ISTAT series for 1951-1959 and from the OECD series for 1960-1980 (OECD figures are not available for the former period). These two series are not wholly comparable - in fact, the OECD series does not include capital receipts in its total (which thus corresponds to the total of current receipts). The difference in definition explains the change in the percent distribution of revenues by type between 1959 and 1960 (ISTAT includes capital receipts under 'other'). Saving is the balance between current disbursements and current receipts. Net lending is the most inclusive balance of the transactions of general government and is equal to total disbursements (current disbursements, capital transfers paid, gross capital formation, purchases of land and intangible assets), minus total receipts, capital transfers received, consumption of fixed capital. Since the definition is the same in the case of saving and net lending, there is no difference between the ISTAT figures given for 1951-1959 and the OECD figures for 1960-1980.

Source: ISTAT, Annuario di Contabilità Nazionale, 1977 edition (1951-1959) and OECD, National Accounts Statistics, 1978 and 1981 editions (1960-1980).

## Social security receipts

The figures refer to the financing of: social insurance schemes; family allowances; benefits for public employees and war victims; public health; and public assistance.

Source: P. Flora, J. Alber, R. Eichenberg, J. Kohl, F. Kraus, W. Pfennig, K. Seeböhm, State, Economy and Society in Western Europe, 1815-1975, Vol. I, London and Frankfurt, Macmillan and Campus, 1983, ch. 9 (1951-1974) and ILO, The Cost of Social Security, Geneva, 1977. edition.

## Table 8

### Population

Data refer to the present population. They have been drawn from the census for 1951, from ISTAT estimates for 1952-1958, and from ISTAT labour force annual survey for 1959-1980.

Source: 1951-1958 and 1979-1980, ISTAT, Annuario Statistico Italiano, cit., various years; 1959-1978, ISTAT, Note e Relazioni.

### Labour force

Data are drawn from ISTAT labour force annual survey; the series is only reliable and comparable starting from 1959.

Source: as for population

## Table 9

### Members of pension insurance

Data refer to active contributors and do not include pensioners; some double counting is likely, but not extensive.

Source: Rel Gen., cit., various years (private sector) and Ministero del Tesoro, La Spesa Previdenziale, cit., (public sector).



#### Members of family allowance insurance

Data refer to the the INPS scheme, thus excluding the public sector. The insured include active workers contributing to the scheme (both single workers not receiving benefits and heads of households receiving them); it excludes pensioners and dependents.

Source: Rel. Gen. Sit. Ec. Paese, cit., various years.

#### Members of unemployment insurance

Data refer to the INPS scheme against full unemployment. In principle, recipients should not be included.

Source: Rel. Gen. Sit. Ec. Paese, cit., various years.

#### Members of occupational injury insurance

Data refer to INAIL and other minor schemes against occupational injuries and diseases. Recipients of long-term benefits are not in principle included among the insured, while recipients of short-term benefits are in principle included.

Source: Rel. Gen. Sit. Ec. Paese., cit., various years.

#### Members of health insurance

Data refer to all those eligible for medical and hospital assistance as active members of insurance schemes (pensioners and dependents are excluded).

Source: J. Alber, in P. Flora et al., op. cit., (1951-1975), and Rel. Gen. Sit. Ec. Paese, (1976-1980).

#### Members of sickness insurance

Data refer to contributory employees eligible for sickness and maternity cash benefits in both private and public sectors. It should be noted that the insurance scheme for the self-employed (not dealt with here) provides some cash benefit for maternity in the form of a lump sum.

Source: Rel. Gen. Sit. Ec. Paese, cit., various years.



## THE OECD COMPONENT METHOD

In the context of a broad-based project on Resource Allocation and Public Expenditure, the OECD published a number of studies on education, income maintenance and health expenditure of member countries in the period 1976-1978 (Public Expenditure on Education, 1976; Public Expenditure on Income Maintenance Programmes, 1976; Public Expenditure on Health, 1977; and Public Expenditure Trends, 1978).

Besides giving a detailed description of the structure of expenditure in the early 1970s and of its development since the early 1960s, these studies suggest an interesting methodology for a breakdown of expenditure levels and growth into a number of internal components. The methodology is based on a simple 'identity equation', which expresses the expenditure share of GDP of a given transfer programme as the product of the following variables:

- 1) payments per beneficiary;
- 2) beneficiaries per 'relevant' population, e.g. pensioners as a percentage of total population aged 60+);
- 3) 'relevant' population, e.g. people aged 60+ as a ratio of total population;
- 4) the reciprocal of GDP per head;

Symbolically, if E = expenditure of a given programme, GDP = gross domestic product, B = number of beneficiaries, I = size of population relevant to the programme, N = total population, then:

$$E/GDP = (E/B) \times (B/I) \times (I/N) \times (N/GDP)$$

or otherwise

$$E/GDP = (I/N) \times (B/I) \times \left(\frac{E/B}{GDP/N}\right)$$

where

$I/N$  = demographic ratio

$B/I$  = eligibility ratio

$\frac{E/B}{GDP/N}$  = transfer ratio

In the case of sickness, maternity and unemployment expenditure, the demographic ratio can be broken down into two more appropriate ratios:

$$I/N = \frac{I_1}{N} \times \frac{I_2}{I_1}$$

where

$I_1$  = labour force

$I_2$  = all employees or female employees or unemployed

$\frac{I_1}{N}$  = activity ratio

$\frac{I_2}{I_1}$  = composition ratio

Starting from the OECD equation, we have derived a more complex equation capable of isolating the specific impact of the various ratios on annual expenditure variations. If  $S$  = expenditure ratio,  $d$  = demographic ratio,  $f$  = eligibility ratio, and  $g$  = transfer ratio, then:

$$\begin{aligned} s_{i+1} - s_i &= (d_{i+1} - d_i) \times f_i \times g_i + \\ &+ (f_{i+1} - f_i) \times d_i \times g_i + \\ &+ (g_{i+1} - g_i) \times d_i \times f_i + \\ &+ (d_{i+1} - d_i) \times (f_{i+1} - f_i) \times g_i + \\ &+ (d_{i+1} - d_i) \times (g_{i+1} - g_i) \times f_i + \\ &+ (f_{i+1} - f_i) \times (g_{i+1} - g_i) \times d_i + \\ &+ (d_{i+1} - d_i) \times (f_{i+1} - f_i) \times (g_{i+1} - g_i) \end{aligned}$$

It must be noted that the last four addenda represent the interaction effects of the various ratios. Since their values are extremely low, interaction effects have not been reported in the tables presented in the text. The presence of these (low) interaction effects explains why the sum of the first three addenda is not fully equal to  $s$ .

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