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**Natali: *The Role of Trade Unions in the Pension Reforms
in France and Italy***

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**The Role of Trade Unions in the Pension Reforms in
France and Italy in the 1990's:
New Forms of Political Exchange?**

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“THE ROLE OF TRADE UNIONS IN THE PENSION REFORMS IN FRANCE AND ITALY IN THE 1990’s: NEW FORMS OF POLITICAL EXCHANGE ?”

by
David Natali

Abstract

The reform of the welfare state has been the subject of wide literature concerning the different welfare state models. With a particular reference to Continental Europe, the revival of the social dialogue between government and social partners (particularly trade unions) has become of great interest. The aim of this work is to introduce a short empirical analysis of the events in two European countries (France and Italy) at the beginning of the 90s, with special reference to the pension sector. In both cases, concerted reforms and confrontational approaches have interchanged in order to obtain the approval of governmental projects. On the basis of the figures referring to the process of legislative innovation carried out between 1992 and 1995, I will try to identify the most important features of the relationship between political and social actors. In particular, I will draw on the political exchange concept as defined by Pizzorno (1977) in the 70’s. The analysis of both the reform process and its content will help me to describe the interaction between social and political interlocutors in terms of the exchange of different priorities. The study of the content (and impact) of each proposal will give me the opportunity to explain the diverse reaction of trade unions and, subsequently, the consequent result of the reform process (in terms of the approbation of a project by the legislative). When the government introduced new provisions that enabled it to mix its own interests with the labour movement priorities, it succeeded in gaining the unions’ consensus or at least their acquiescence. However, when the government adopted a confrontational strategy aiming at imposing the reform, it failed to finally adopt and implement such projects.

1. Introduction

The first studies on the retrenchment of the welfare state focused on the existence of a new welfare state politics. Some authors (with special reference to Pierson's pioneering work, 1994; 1996) argued that the process of changing and reducing social programmes takes on features unrelated to the growth and development of the welfare state. It was assumed that such a distinction corresponded to the policy-makers' new objectives and to a new overall context. This is how the relative stability of social programs in a period of permanent austerity (determined by exogenous and endogenous factors) was explained.¹ The key aspect that changed in the (new) politics of welfare was the relationship between political *élites* and voters. According to Pierson (among others), unlike the *golden age* of the welfare state, the phase that started in the 80s has been characterised by the carrying out of unpopular policies, against interest groups that were particularly reluctant to accept them.

Firstly, there has been a change of the policy-makers' objectives and (subsequently) of political strategies. From a *credit claiming process*, typical of the phase where resources are extended and distributed among different categories, we have reached a process characterised by strategies which tend to avoid the political responsibility for concentrated and immediate cuts (*blame avoidance*). Moreover, given the decreasing resources of social partners, the key playground for recasting the welfare state would be the electoral rather than the corporatist one. Political decision-makers adopted blame avoidance exercises within the electoral arena.

Secondly, the increasing centrality of welfare state institutions has resulted in the creation of a network of interest groups who are against any restriction of welfare programmes: among others, present and future beneficiary groups of social policies and their administrators (civil servants, for example). Therefore, even in the case of the weakening of political and social actors who are traditionally favourable to the development of social policies (left wing parties and trade unions), other players can act as defenders of the *status quo*. These actors represent a formidable barrier to change. As far as the functioning of the political game for restructuring welfare institutions, the above-mentioned interest groups would act as lobbyists towards political decision-makers in a pluralist context, rather than as interlocutors in a more corporatist policy-making (Lash and Urry, 1987; Pierson, 1994).

As a consequence, traditional approaches to welfare state development ('economic determinism', 'power resources theory' and to a lesser extent 'new institutionalism') would prove to be incapable of explaining the new processes of change (Pierson, 1996). For example, the arguments which emphasise the role

¹ Some scholars have located proofs of such a stability analysing the Anglo-Saxon countries. In this context, in fact, starting from the 80s, trying to revise the principal welfare state features was much more intense, but despite of it the outcome of the attacks to the welfare state was not very successful (Pierson, 1994).

of power resources at the disposal of political and union actors would prove to be of little use.² On these grounds, it would be impossible to explain the welfare state stability in terms of left wing parties and trade unions resources (which are by the way decreasing).

As a matter of fact, on the basis of some of the latest contributions which have appeared in contemporary literature (Bonoli, 2000; Ross, 2001; Palier, 2002), I argue that the above-mentioned theoretical perspective has few limits. It appears inadequate and thus new investigations are necessary. First of all, the politics characterising the *permanent austerity* period is much more complicated than what had been noted at the beginning of the last decade. Furthermore, I think that theoretical hypothesis formulated for the welfare state '*golden era*' could also be used for recent decades, especially with reference to the collaboration between social and political actors (Natali, 2001).

Some authors, contradicting the main assumptions expressed in Pierson's first contributions (1994, 1996), have underlined that the distinction between *old* and *new* politics is not as clear as one would have suggested, even though the process of reform and containment of benefits is not a simple reflected image of the phase of social rights development (Ross, 2000). An issue of great theoretical interest was, in particular, the relationship between the participants of the reform process underway in pre-eminent democracies. While, it has been asserted that appreciation of the relationship between decision-makers and electors is fundamental for the understanding of the welfare reform process, it is my hypothesis that other actors intervene to define public policy choices in general and welfare policy in particular. In this paper I assume, in line with some recent contributions in contemporary literature (Palier, 2001; Béland, 2001; Schludi, 2001), that the 'electoral channel' is not the only one that relates the public opinion to the political decision-makers. In the countries, which are the subject of my study, the relationship between government and citizens is particularly complex and has other components besides the electoral one. As I will suggest in the following paragraphs, the 'corporatist channel' is important and supports in many ways the electoral one. The power resources of the union movement are subsequently still an important variable within the pension sector. In Continental Europe, the dynamic interaction between political decision-makers, voters and social partners' representatives is fundamental for the welfare state redefinition. This proves that the theoretical hypothesis formulated for the welfare state '*golden era*' could be also used for recent decades (for example with regard to the term concertation) (Wood, 1998; Pierson, 1998; Ross, 2000). The literature concerning the *Political Exchange*, in particular, will prove to be useful for explaining the alternative success of pension reform proposals.

² On the grounds of Korpi's or Stephens' works, a direct relation was established between the social policies evolution and the distributions of the social actors contractual resources (defined, first of all, in terms of social classes).

In the first section, I will put forward a few elements related to the unions' presence in the elaboration of new proposals. I will assess such a role on the basis of two factors. Firstly, I will refer to the relationship between social partners and government. With reference to the European countries lacking a neo-corporatist tradition (France and Italy first of all), I believe that the study of these formal relations is not sufficient for understanding the true role of trade unions. In fact, in all cases that I will analyse, formal and informal meetings between social and political partners were held. What has changed, however, is the content of these meetings and most of all the unions' ability to intervene in the negotiations and thus influence the content of the proposed reforms. Therefore, it is important to analyse the substance of the reform projects as well as their ability to introduce features appreciated by the several participants involved. For this purpose, I will propose using the traditional concept of *Political Exchange* firstly adopted by Pizzorno in the late seventies, and then used by other scholars (Regini, 1984; 2000; Parri, 1985; Della Porta et al., 2000). This concept and the relative theoretical perspective for the analysis of the interaction between social partners and governments give me the opportunity to study both the formal interaction of different interlocutors and the content of the pension reforms adopted in the first part of the 1990s. The main measures within each project will be assumed to be a compromise between the interests of the government and the labour movement, or the attempt by political decision-makers to impose their own priorities.

The second section will review the main challenges to current pension institutions in Continental Europe. I will assume these socio-economic and financial strains as the main forces that influenced the agenda for reforms in France and Italy at the beginning of the 1990s. This review will give the opportunity to analyse the priorities of the government and trade unions in each country. The policy-making process will be defined as the interaction of these agenda.

The third, fourth, and fifth sections will show the reform process concerning the pension sector in the two countries under study. In the former, I will examine the interaction between social and political interlocutors in the case of reform projects finally adopted by the parliament (after the consent or the acquiescence of the labour organisations). In the fourth section, I will introduce an in-depth analysis of the content of each reform project finally adopted and then implemented. I will stress the political exchange between trade unions and the government as a decisive element for reaching a large consensus on new pension provisions. In the fifth section, then, I will outline the content of the reform projects proposed by the Berlusconi Government in 1994, and by the Juppé Cabinet in 1995. These are the paradigmatic example of new provisions unilaterally elaborated by the government against the demands from the labour movement. Such a (non-concerted) content is depicted as the first cause of the subsequent failure in adopting reforms with no social consent.

The sixth section will compare the reform paths followed by France and Italy in the first part of the 1990s, by using the political exchange approach proposed

at the beginning of the paper. The concept firstly proposed by Pizzorno seems to be suitable for aiding the understanding of welfare state reforms in recent decades.

1. The role of Trade Unions in the pension reform process: new forms of Political Exchange?

In the countries I will analyse in the following pages, the union movement has kept an important role in the functioning of the welfare state, both as the administrator of welfare programmes, and as workers' demands representative. Such a twofold role has guaranteed (even during the 90s) the participation of union confederations in the pension reform process, even if assuming different roles depending on the given context and on a series of factors that I will examine later.

Social partners have greatly influenced the course of legislative innovations in the pension field. This is true with regard to both their content and approval. First of all, trade unions (even though in recent years they have weakened in both countries) have sustained a significant position in the pension policy-making network. Secondly, (and this is my work's central hypothesis), the existence of collaboration between government and social actors has favoured the approval of reform proposals in social insurance matters. Finally, the unions' commitment has greatly influenced the final version of these reform plans. The labour organisations contributed to the reform process in different respects and with a different degree of inclusion in the policy-making network (Fig.1).

Fig.1. The relationship between the state and social partners in the pension reform process

| | Negotiations | Negotiation Outcome | Success/Failure* |
|--|------------------------|----------------------------|-------------------------|
| <u>Amato Reform (1992)</u> | Negotiation | Acquiescence | Success |
| <u>Balladur Reform (1993)</u> | (Informal) Negotiation | Acquiescence | Success |
| <u>Dini Reform (1995)</u> | Negotiation | Formal Agreement | Success |
| <u>Berlusconi Proposal (1994)</u> | No Negotiation | Conflict | Failure |
| <u>Juppé Plan (1995)</u> | No Negotiation | Conflict | Failure |

* I define a reform process as a 'success' when the legislative project is approved by the Parliament.

In some cases, they acted as key interlocutor of the government through a vast process of negotiations that produced a formal and explicit agreement about the content of new provisions. That was the case of the Dini reform in Italy. In other cases, they were perceived as consultants of the government without any direct formal participation in the phase of the project elaboration (this is the case of the Balladur reform in France). On other occasions, however, trade unions participated in negotiations for recasting pensions, but they did not sign any formal agreement with the government (like in the Amato reform process). In the latter two cases, they did not reach an agreement with the cabinet but give a simple acquiescence to the final proposal. In all these occasions, the final version of the new measures could be perceived as the result of a more or less direct exchange between the main priorities of each interlocutor.

By contrast, when the government tried to overcome such a veto point represented by the labour organisations, the union movement fiercely reacted to unilateral and confrontational strategies. In the countries under analysis, such a reaction consisted of a vast mass mobilisation against non-concerted proposals (that is the case of protests in 1994 in Italy and in 1995 in France) (Fig.1).

In other words, I assume that the active presence of trade unions in the pension reform process resulted in a *conditio sine qua non* for the introduction of new provisions. When they directly participated in negotiations with the government or they reached an implicit and indirect trade-off with the political decision-makers, the reform projects were approved by the legislative and then implemented. On the contrary, when the government tried to insulate the labour movement and to adopt a confrontational logic for recasting pension provisions, it failed to introduce such changes.

From a theoretical point of view, many concepts have been proposed for defining this decisive role of trade unions and the politics of pensions in general. Some authors have stressed the persisting relevance of traditional terms used for the analysis of the politics of welfare in the previous periods. After having defined the death of neo-corporatist institutions (Schmitter, 1989), scholars have defined recent reforms as the result of the 'resurgence of *Concertation*' (Regini and Regalia, 1998; Ebbinghaus and Hassel, 1999), or of new forms of corporatist arrangements. Rhodes (2001), in particular, proposed the new label 'Competitive Corporatism' for describing the new social pacts implemented in Europe in the last decades; while Baccaro (2002) introduced that of 'Democratic Corporatism' with reference to the Italian case. Many other traditional terms have been used for depicting the new wave of social pacts in Europe in the last two decades (for a complete summary of the recent contributions in contemporary literature see Molina and Rhodes, 2002).

In this paragraph, I will suggest that the concept of *Political Exchange*, firstly introduced by the noted Italian sociologist Pizzorno (1977) in the late seventies, is particularly useful for describing the interaction between political and social actors in the pension reform path in Continental Europe. I believe it is helpful to describe the relationship between the actors in question, especially when such a process is characterised by a limited institutionalisation. The

French and Italian cases seem a paradigmatic example of this context. Moreover, this concept can be used to single out the reasons why each interlocutor (governments and trade unions) decided to reach a mutual agreement.

As defined by Regini, the Political Exchange is “[...] a type of relation between the state and labour organisations in which a trade-off of different forms of political power occurs. The state devolves portions of its decision-making authority to trade unions, by allowing them to play a part in policy formation and implementation and [...]. In return for this, trade unions deliver their indirect political power to the state by guaranteeing consensus [...]” (Regini, 1984).

As argued by Pizzorno, this concept represented the third type of exchange that social interlocutors can adopt within the labour market. The traditional literature on the relationship between the labour movement and the employers’ organisations defined two kinds of exchange: the *atomistic exchange* and the *collective bargaining*. The former is characterised by the individual interaction of single workers and employers, with no coalitions between some of them; while the latter is based on the existence of groups (union confederations and employers’ organisations) that interact with each other (Pizzorno, 1977). The distinction between the different types of exchange is related to the actors at the centre of the interaction as well as to the content of the trade-off. In other words, there are diverse resources that are exchanged. While in the atomistic exchange workers ask for (higher) wages and employers ask for (more) work, in the collective bargaining process the exchange is about higher wages for the continuity of work. In fact, trade unions have a key strategic tool for convincing their counterpart: the interruption of normal economic activity through strikes.

The analysis of industrial relations in different countries after the first world war depicted the interaction between social and political actors as characterised by political factors: the labour movement more and more have used political resources for increasing their role of facing the employers. In this context, rewards asked for by the unions are exchanged with (social) consensus. To sum up, the political exchange is characterised by three main aspects:

- the rewards (in favour of the labour movement) are obtained as a consequence of the threat to the stability of the social order (or consensus);
- the power of labour representatives is related to the need (of political decision-makers) for consensus (rather than to the demand for work);
- different actors can play a role within such a political context (Pizzorno, 1977; 1980).

According to Regini, co-operation between social and political interlocutors depends on the interaction between quite complex strategies and calculations and not on any formal prerequisites. Even in the countries lacking neo-corporatist traditions and characterised by a profound institutional weakness

(like France and Italy), co-operation can be realised and then favour the attainment of important reform packages in welfare policies. In line with the analysis of Pizzorno (1980), the relationship between the state and employees organisations depends on the exchange of different resources. The state offers its intervention through legislative and administrative measures, for instance for increasing the unions' role in the (social and economic) policy-making process, or their managerial role within the welfare state or in other policy sectors. On the other hand, trade unions can offer their contribution to the social order, and (as well as the employers organisations) to the definition of the overall economic variables (i.e. GDP). Consequently, this theoretical approach can be particularly useful for explaining why new and more flexible partnerships have been realised in Europe.

As argued by Parri (1985), while *Neo-Corporatism* looks at the structure of the system of interest intermediation, and while *Concertation* looks at the structure of decision-making, the concept of Political Exchange looks at the process (and the content) of state-society relations. All the different aspects of this concept suggest that it can be applied to current welfare reforms in Continental Europe. Looking at the content of the co-operation (or even conflict) between social and political interlocutors, the term 'political exchange' can be more useful than the other briefly proposed for describing more flexible interactions between political and social actors (Regini, 2000a; 2000b). As I will show in the following paragraphs, the final draft of pension changes can be the result of both concerted or pressure policy-making (in the sense proposed by Schmitter, 1982). What is particularly interesting is the content of this flexible interaction.

Let me briefly review the main concepts just introduced. In the traditional literature on neo-corporatism, *Concertation* and *Pressure* refer to the terms representing the polar opposite modes of policy-making. The former can be defined as a mode of policy formation in which major interest organisations participate in the decision-making process; this participation is not merely occasional, but takes place in a context of systematic, long-term exchanges between these organisations and the government (Regini, 1984). The latter occurs when the affected interests are consultants or combatants outside the policy-making process (Schmitter, 1982).

While these terms are related to the mode of policy-making, the political exchange has the advantage of focusing on the content of the social dialogue whatever the formal integration of social interest groups in the policy-making. For this reason, the concept initially adopted by Pizzorno, seems to be particularly interesting for studying pension reforms in Continental Europe. In this context, in fact, the social dialogue still remains the main strategy of guaranteeing the success of a reform proposal, even if diverse interlocutors integrate to different degrees. Notwithstanding the weakness of social partners in several respects, they contributed to the recasting of welfare programmes.

The following sections provide a clearer definition of the main aspects of the pension reform process in two countries usually characterised by a low level of

integration between trade unions and governments. In the second paragraph, I will review the main challenges to current pension institutions in Continental Europe. The key strains on this policy sector and the so called ‘sticky’ elements that reduced the room to manoeuvre for political decision-makers represent the guidelines for the debate on recasting pension institutions. These goals are usually shared (but with different accentuation) by decision-makers and labour representatives. This analysis will help us to outline the key policy and political aspects of the reform path.

I believe it is essential to make a distinction on the grounds of the results of those processes. Consequently, I will refer firstly to the reforms that the national parliaments actually approved, and secondly I will analyse those projects that failed to be approved and implemented due to strong union opposition.

2 – The Conservative-Corporatist Welfare State between crisis and stability.

Starting from the 70s, a series of factors and pressures have shaken social protection structures created and developed during the course of the XIX and XX centuries. Among these were the increase in the demand of the offered services (at a faster speed than the increase of available resources), the major social context transformation, new family models, new production means, the ageing population, and the ideological shift towards neo liberal and conservative principles and values.³

The Conservative-corporatist model has been depicted by many scholars as the one upon which the most important challenges have been weighed. Its plausibility was shaken by factors connected to the new economic and social environment. The countries which were part of this model were gripped by a ‘negative spiral’ which was due to the existence of both strong anxieties and a substantial stability of the same social institutions. The assumptions, which formed the basis of the Conservative-corporatist welfare (strong and constant economic growth, full employment, family institution stability, low female participation in the workforce, etc.), in the majority of cases are no longer topical subjects and have given away to a substantially distinct, socio-economic equilibrium (Sturm, 1992; Schmahl, 1992; 1996; Palier and Bonoli, 1995).

According to Esping-Andersen, the crisis factors determined, for example, by the ageing population, the growth of unemployment rate, the increasing fragility of family institution, etc... have not found convincing solutions in continental European countries. Although the great strength of these kinds of institutions was based on the development of a very strong and rational bond between granted benefits and paid contributions, the latter considered as a “differed wage” which will come back through the received benefits (Esping-Andersen,

³ To these elements it should be added for the European countries the financial and economic integration forced by the Maastricht Treaty for the creation of the European Monetary Union (Schwarz, 1996; Pitruzzello, 1997; Teague, 1998).

1995; Palier, 1999a). This led to strong feeling of legitimacy capable of making such institutional apparatus particularly stable and reluctant to changes. Institutional stability was mainly determined by popular, fragmented social schemes financed by social contributions, and managed by the social partners and the state. (Palier, 1997).

A vicious circle was formed as a consequence of the crisis elements and the strong stability of the conservative-corporatist model social institutions. As Palier (1999b) described: “[...] *these welfare states have hardly changed at all and the changes which were introduced were counterproductive [...]*”. On the basis of such analysis it is thus natural to expect *self-reinforcing negative spirals* (Esping –Andersen, 1995). The situation has been described with the term ‘*Eurosclerosis*’.

The paradigmatic example of such a situation of both difficulty and stability has been, for different reasons, the pension scheme. Let us here illustrate the main elements of crisis and ‘stickiness’ of the French and Italian social insurance systems at the end of the XX century. In the course of the post war years, certain peculiar features have characterised pension schemes in France and Italy. The respective schemes developed on the basis of the model tested in Germany at the end of the XIX century aimed at tying the newly born working class (manufacturing sector) to public institutions. Such a Bismarckian model is based on the finance provided mainly by employers’ and employees’ contributions, where entitlement was subject to the condition of a contribution record and most benefits are earnings-related. As far as the management of pension programs is concerned, there was a mix of responsibilities for the state and organised interests: the state has a supervisory role (especially as far as the system’s financial viability is concerned) while many decisions were negotiated between trade unions and employers’ organisations. The pension scheme of both countries at the beginning of the 90s maintained such features, along with a few other elements that partly differed from the original logic. Firstly, by periodically introducing new occupational categories under the welfare system (in accordance with rules completely or only partly different from case to case) the population coverage against old-age risk was increased. Furthermore, means-tested services had been introduced to protect those who were not capable of paying the minimum contributions necessary for insurance benefits entitlement. Accordingly, at the beginning of the 90s, the *pay-as-you-go* system was characterised by compulsory contributions that were not capitalised, but were immediately employed in order to cover payments due to current pensioners. From an organisational point of view, the system was highly fragmented (both in Italy and France each professional category was covered by a particular pension scheme).⁴

⁴ In Italy, for example, there exist over 47 pension schemes, subdivided into INPS general schemes, substitute schemes, exclusive schemes, exempting, supplementary, professional and assistance schemes. In France, the ‘jungle’ of schemes and funds is much thicker than in Italy: starting from the *régime general*, which concerns the wage-earning workers of the private

As regards the main strains on pensions, in both countries (especially in Italy, beginning in the late seventies), two problematic aspects had developed in the pension sector. The first aspect, already mentioned in the previous paragraph, consists of its *financial imbalance*. The second is represented by the strong distributional imbalances in the relationship between contributions and benefits (and, generally, by the inequality implicit in the system between the labour force sectors and across the standard risks). I believe it is useful to pause over this point, especially in view of the assessment of the reforms content.

My analysis, therefore, will begin with financial strains in regard to the Italian case. Some statistical data is useful to define the (completely anomalous) dimension of financial imbalances (Vitali, 1994; Ferrera, 1997; Levy, 1998b). In 1993, the INPS deficit was of about 72.000 billion Italian Lire (a figure which was equal to 47% of the public deficit of that same year) (Beltrametti, 1995). Also in 1993, the number of pensions allocated by public and private agencies was 20.791.000 (with a 23% increase compared to the 1980 figure, when they were just above 16 million, therefore with an increase higher than that of the Italian population during the same period).

Both in France and Italy, the debate on the financial sustainability of pension schemes was enriched by the distinction between non-contributory and contributory benefits. This debate was about the necessity, emphasised particularly by unions, to clearly identify the expenses directly attributable to the State (as part of its social assistance tasks) and thus to be covered through general taxation, as dissimilar from those attributable to the pension scheme (as income guarantee), which were to be financed through contributions. For the labour representatives such a separation would avoid the overvaluation of social insurance financial difficulties (Lapadula and Patriarca, 1995).

As far as the main strains on pensions are concerned, beside the necessity to reduce pension system costs, another theme that, in the course of the last decade, required intervention was the *inequality issue*. This is a multi-dimensional concept. In fact, different inequalities have been produced by welfare programmes. The first aspect is related to differences between occupational groups. In short, different categories of workers have received particularly generous pensions clearly exceeding the contributions paid (for example self-employed workers and public administration employees), while other workers categories, with the same contributions, were entitled to much lower benefits (i.e. private employees) (Somaini, 1996). I describe this uneven distribution of benefits and costs as *intra-generational inequality*. In Italy such differences occurred between occupational categories, for example between self-employed workers and employees and, within these, between private and state employees. The French pension system, however, has produced intra-category inequalities.

sector, to the complementary schemes for managers and for non-managerial wage-earning workers, which are compulsory and defined at the inter-professional level; from special schemes (*régimes spéciaux*) to specific ones, set to protect the non wage-earning workers (craftsman, farmer, etc.).

This favoured a lower visibility of the same distributional imbalances and caused the political decision-makers to place less of an emphasis on this issue (Natali, 2002). A second source of inequalities is represented by the uneven distribution of social rights between generations (*inter-generational inequality*). In both countries under study reforms adopted during the 1990s enlarged this discrepancy rather than reduced it. However, this topic is more and more at the centre of the political debate on the limits of current welfare institutions.

Both public opinion and scientific circles, across Europe, have recognised other problematic issues apart from these two central themes in the debate on pension system redefinition. France, in particular, has shown a placed greater emphasis on the problem of *economic competitiveness*. Political decision-makers, scientific circles and public opinion suggested that the welfare state somewhat responsible for the economic slow down and occupational crisis (Hantrais, 1996; Palier, 1999; Bonoli, 1999).⁵ From an economic and financial point of view, it has been argued that there was a ‘vicious circle’ typical of the continental European welfare state. The low level of social services offered meant that there was less a female participation in the labour market. The low level of the employment rates, moreover, was caused by the massive use of early-retirement as a policy tool against unemployment. Thus, from an economic point of view, the reduction of the percentage of active population (and a high unemployment rate) caused the financial crisis and reduced the role of contributions for pension policies. Finally, the heavy weight of contributions on wages produced the increase of labour costs, which in turn was responsible for the decreasing competitiveness of the whole economy (and for the increase of inflation risks). The welfare state was thus considered to be one of the factors which contributed to increasing labour costs, thus unemployment and to favour eventually economic crisis (Palier, 1997; Stevens, Drabbe, Dietvorst and Kavelaars, 1999).

Other problems concerned the *effectiveness* of the Welfare State at that time (and in particular its social insurance scheme) besides the deficit and the competitiveness issue,. Some scholars suggested that there was the need to modernise the pension system taking into account the new economic and social context and new doctrines developed by international organisms and the scientific community (Bonoli and Palier, 1997; Kessler, 1999). The limited capacity of the European welfare model to respond to problems of social exclusion and to new needs was a controversial issue. For instance, in Italy the need to reduce pension outlays was coupled with the supposed need to maintain the average level of pension benefits. In that sense, the introduction of supplementary funds was regarded as a tool for maintaining or even increasing the effectiveness of pension programmes (Cazzola, 1995; Artoni and Zanardi, 1997).

⁵ For the reasons just expressed, during these last years the policy-makers have principally aimed at reducing the contribution level, through the creation, for example, of new taxes.

As seen in the previous pages, in both countries the reasons for the welfare state deficiencies were perceived essentially in the same way, but with different levels of accentuation (mainly in terms of inequality). In France, political decision-makers, at the beginning of the 1990s, stressed the need to decrease pension costs and to increase the competitiveness of French capitalism. Labour representatives, on the contrary, emphasised the importance of maintaining their own organisational resources in relation to the French *Secú*, and to defend the acquired social rights for their membership. As for Italy, the main priorities for political decision-makers were to reduce the enormous pension deficit and to give future beneficiaries new sources of social rights. Trade unions put intra-generational equality at the centre of the debate. I assume that this distinct emphasis deeply influenced the content of social insurance redefinition proposals.

Apart from the above-mentioned challenges, the *stickiness* of pension institutions hindered the reform process. Firstly, the social insurance sector within the examples of welfare state that I have analysed represented the first source of benefit transfers from which a large part of the population profited. The reaction to possible redistribution or subtractive policies would be therefore strong and difficult for the policy-makers to overcome. The Italian case represented, in some way, a paradigmatic case. As a result of these phenomena, particularly strong and large interest groups were present and capable of mobilising themselves in order to maintain the *status quo*. It is possible to assume that such veto factions were organised in Italy especially through the corporatist channel. In this case, the trade union can play a double role, on the one hand, that of administrator of welfare state institutions, and on the other hand, that of taxpayers and welfare beneficiaries' representative. Workers categories that receive special treatments would be the first to support keeping the welfare state and would oppose any type of change.

The reform process in both countries I will study, can be illustrated in terms of the above mentioned guidelines. Social actors interact with governments in order to defend the demands of their organisation and their rank and file, and by offering larger consensus for new provisions. The next section will return to the main aspects of the pension policy-making in the countries under study. The analysis will focus on the success story. All the reform procedures, under study in the next section, ended with the approbation by the legislative of new provisions. As I will show, the Amato and Dini Governments in Italy, and the Balladur one in France, adopted a collaborative strategy with the aim of introducing more or less effective innovations (but not capable of solving once and for all the pension problems) and of reducing electoral and social risks. The exchange of some of their own priorities with some demands from social partners produced this success. In the third section, I will examine the policy-making process in the case of successful reforms, while the fourth will review the content of each legislative innovation in terms of the trade-off between the government and the unions' priorities and resources.

3. The policy-making process: what social dialogue?

The Amato and Dini Reforms in Italy, and the Balladur Reform in France: a success story

The starting point of the reform process in Italy was the general awareness of huge financial problems concerning pensions at the beginning of the 1990s. At that time, Italy was the victim of a significant systemic crisis. The economic situation as a whole was unsteady and in 1993, the year the GDP decreased by 0.7, the country fell into recession. A situation of objective difficulty was demonstrated by other figures: for the entire period, unemployment rate was constantly over 10%, reaching in 1992 the level of 11.5%. The most troublesome figure was the one relating to the financial situation. The ratio between deficit and GDP remained particularly high if compared to other European economies. In 1991 this ratio was above 10% while in 1992 it reached 11.1% (Natali, 2002).⁵ These figures were even more alarming if compared to the Maastricht Treaty criteria (for example the 3% requirement for the deficit/GDP ratio). Italy's data did not meet the criteria required to participate to the Monetary Union. In such a context, even the existing imbalances in the social insurance sector demanded restrictive interventions. In general, the pension system faced a plurality of challenges. The enormous financial deficit and the strong distributional imbalances caused a worrying lack of efficiency and legality and produced the need for changes.⁶ Moreover, benefits were unevenly distributed between public and private sector employees, and between self-employers and dependent employees.

To sum up, the main challenges to the Italian pension system can be defined in terms of *financial imbalances* and *intra-generational inequality*. They were, at the beginning of the 1990s, the main guidelines of the debate on pension reforms.

Furthermore, at the beginning of the 90s, the political situation also showed clear signs of instability. Starting from 1992, public prosecutors discovered an increasing number of scandals linked to phenomena of corruption and to the illegal financing of political parties. Prominent leaders in the political scene were involved in such events, which eventually forced a change of the political personnel and shook traditional parties that had led the country until the end of the 80s (Ferrera and Gualmini, 2000). In this context, the increasing financial strains and political instability forced the decision-makers to reform pensions. Consequently, more room for manoeuvre was available for policy-makers.

⁵ In France, at the same time, the deficit/GDP ratio was around 6% (6.1% in 1992 and 5.8 % in 1993).

⁶ A clear example of the legality deficit was the great impact of the contribution evasion and of the abuses mainly linked to disability pension (Ascoli, 1984; Paci, 1987).

The Amato Government

On the basis of these challenges, the Prime Minister Giuliano Amato, nominated by the Head of State after the political elections of 1992, decided to search with the social partners for an agreement capable of overcoming the crisis. The weakness of the electoral structure required the reinforcement of the corporatist channel. An important signal was the first official meeting between Amato and the social interlocutors, which took place before his nomination to the post of Prime Minister, on 24 June, 1992. In this occasion, the similar opinions and interests of the participants were evident. Everyone understood the exceptionality of the moment and the importance that the corporatist arena could assumed in the future. Based on a similar evaluation of the problems to solve, the social partners and the government adopted similar positions.⁷ As confirmation to what has been said, at the beginning of July a joint committee (government and social actors) on the reform of the pension system was constituted at the Ministry of Labour. During the entire summer the negotiations on the proposed reforms went ahead. Along with the fundamental reform on institutional bargaining (“*contrattazione*”), there was the reform on labour cost policy as well as the negotiation over the strategy to balance the public deficit and a debate on the welfare state. During this period, despite the unions-led mobilisation, there was a collaborative approach (Cazzola, 1993).⁸ With the aforementioned difficulties, the negotiations continued until the new regulations were approved. During the month of October 1992, after a period of particular turbulence on the currency market, the government obtained from Parliament the delegated powers to carry out the pension reform. Trade unions and companies essentially supported the whole manoeuvre, without reaching a formal agreement. Even though the social partners did not participate directly to the actual drafting of the documents, the government accepted various claims.

The social insurance network substantially underwent modifications determined by the particular situation that the country was going through: i.e. the parliament role was weakened to the advantage of the executive. Unlike the past, the governmental structure had a univocal position without divisions between the ‘champions’ of social dialogue and those of financial firmness (Natali, 2002).

The Dini Government

In 1995 the reform process developed according to rules and intentions similar to the Amato and Ciampi governments of the previous years.

⁷ The same reaction (worried) was for the financial figures of the Social Institute National Institute given by its president July the 8th, the day before the meeting between the Ministry of Labour and the trade unions.

⁸ In autumn great protest movements were organized by the union confederations of Cgil, Cisl and Uil. Among these a general strike and some days of mobilization of union-members retired workers.

Furthermore, compared to 1992, relations with the social actors were much more institutionalised, thanks to the agreement defined in 1993. Under the Ciampi Government a far-reaching reform of income policy and collective bargaining was achieved (Rhodes, 1998). In particular, the relationship with trade unions became even more constructive and stable. The social insurance network acted with firmness. Once more government and social partners acted directly in order to modify the pension system. In its turn, the position of the union became stronger *ex ante* and *ex post*, due to the strong relationship with its base. The first step taken was to ask its members for a mandate to negotiate and sign a future agreement; the second consisted of a referendum on the reform that was to be held among workers (Regini and Regalia, 1997; Baccaro and Locke, 1996). On the basis of this *quid pro quo* approach, an intense negotiating phase developed: it was the trade union that assumed the role of the true governmental counterpart. During the negotiations which began in February and concluded in May, union experts and Ministry of Labour advisors unanimously developed the hypothesis of change. The final project was essentially based on the union demands (Cazzola, 1994).

In particular, two technical tables were created at the Ministry of Labour in February: one for employment and the other for social insurance. On the basis of the previous agreements of July '93 and December '94 the dialogue developed. The fact that the unions did not call for any general strike was curious (Braun, 1996). Technical meetings were organised at the Ministry of Labour until agreement drafts had been defined. Successively tripartite conferences were held at the Prime Minister Offices. In early March, the Minister Treu proposed a first reform draft. The negotiations carried on without interruption until the agreement was signed on 8 May. The Italian employers' association (*Confindustria*) refused to sign the final text, because of its poor financial rigor, especially because of the new regulation on seniority pensions.

In 1995 the social dialogue seemed to be more incisive in comparison with the one of 1992. The participants' trust was greater than under the Amato government. This was probably because of the agreement that the Ciampi government and the social partners stipulated in 1993. A multiplicity of elements tended to reinforce the union confederation's representation and their connection to the base (Cella and Treré, 1995; Braun, 1996). The project that came out of the dialogue with the executive was expected to be submitted to a referendum that should have been held in the work place. Such strong relationships between the social and political actors was helped by the developing institutionalisation of negotiations, as well as by the pro-labour parties presence in the parliamentary majority. The coherence between the interests expressed by the trade union and by centre-left parties was almost certainly relevant. The growing link between the development of the collaborative logic and the achievement of the reforms through agreements among the relevant actors was interesting. The greater collaboration under the Dini Government determined a more institutionalised agreement (in other words a formal agreement instead of a mere acquiescence).

The Balladur Government

At the beginning of this decade even France was in a worrying economic situation. The GDP grew at a reduced rate, with a short period of recession in 1993. Still more worrisome were the unemployment level statistics (perceived by the public opinion as particularly serious). In these circumstances, the financial problems of the welfare state proved to be a further element of difficulty. The deficit of the main social insurance scheme was around 2% of its resources from 1981 to 1987, between 0.9% and 1,8% from 1988 to 1992, and around 5% from 1993 to 1996 (Palier, 1999). Like in Italy, moreover, other issues were linked to financial problems, for example the impact of the welfare state on the competitiveness of the national economy and the effectiveness of welfare policies in relation to the new social exclusion.

Furthermore, the reform process was hindered by the particular trade-union background more so than in Italy. Historically, in France, the relationship between social partners and the state has been particularly difficult. Conditions connected to the organisation of each partner as well as ideological elements had made it hard to start a real social dialogue. The 1990s confirmed this, as evidenced from most of the literature on this matter (Labbé, 1994; Mouriaux, 1998). The particularly low level of the union density is the most obvious example of the labour movement fragility (Tab.1).

Table 1. Union Density in France and Italy

| | 1983 | 1988 | 1993 | 1995 |
|--------|------|------|------|------|
| France | 16.9 | 12.3 | 10.9 | 8.6 |
| Italy | 45.2 | 40.0 | 38.5 | 32.4 |

Source, Natali, 2002.

Agreement between government and social actors turned out to be almost impossible. The formal meetings that actually took place did not result in any formal negotiation between the parties. A member of the trade union Cgt stated the following:

"[...] Pour la Cgt, il était hors de question de rentrer d'une manière ou de l'autre dans la logique du gouvernement Balladur. Sur le fond, c'est un ensemble de décisions qui provoque un effondrement du taux de remplacement des retraites de la Sécurité Sociale. Sur la forme, c'est l'antithèse d'une réforme concertée et débattue [...]" (Interview, Paris, 07/05/2001).

Notwithstanding this, the Balladur Government developed a collaborative logic. According to this, policy-makers assumed as their goal the approval of a

reform which was capable not only of influencing the causes of the welfare crisis, but at the same time of avoiding a hard opposition by the social partners and the setting in motion (generally speaking) of the veto power. As proposed by Bonoli (1997; 2000), the final version of the Balladur project was the result of a period of (informal) negotiations with some trade unions' representatives: in particular the reformist Cfdt. Moreover, even the other confederations (i.e. Fo and to a lesser extent Cgt) did not adopt a huge reaction against new provisions. Their acquiescence was gained through the exchange of different priorities even if they did not participate in a true concertation.

4. The Reform Content as an expression of Political Exchange

The above mentioned collaboration between political decision-makers and union leaders was based on the definition of the reform content as a mix of different policy goals proposed by each interlocutor. As a consequence, I will now analyse the main aspects which characterised the reform proposals finally adopted by the parliament after having obtained the consent or the acquiescence of the labour movement. Such a study will allow us to depict the reform content in terms of the exchange of different resources. In line with the theory of political exchange, in some occasions the government was able to obtain the formal consensus from trade unions (for maintaining the social order) by providing the union membership with its demands (i.e. the maintenance of the average level of pension benefits). In other cases, labour organisations guaranteed their informal acquiescence by providing their administrative role within the social insurance institutions (i.e. in France).

Italy

In Italy, a new collaborative spirit promoted the adoption of social insurance reforms. The content of the reforms and their concerted nature determined their success well before the formalisation of the social dialogue which was only partially realised in the aforementioned period. The government's capability of accepting a few demands from its counterparts (in particular from the union) was fundamental to guaranteeing the approval of the several interlocutors (Niero, 1996; Artoni and Zanardi, 1997; Ascoli, 1997).

As for the Amato reform, the law n. 421 of 1992 (and with it the following laws n. 438 and 503) assumed a series of important novelties. Direct actions were taken in order to resolve some of the above-mentioned problematic issues. In general, the reform process had two objectives: overcoming the financial crisis and reduction of the uneven distribution of benefits and contributions. A trade-off occurred between these two dimensions (Fig.2). From a financial point of view, as a contingent measure, the reform provided for the temporary halt until the end of 1993 of the granting of seniority pensions, as well as the

corresponding suspension of automatic adjustment of benefits.⁹ For the same purpose, retirement age was raised (65 years for men and 60 for women), in order to calculate private workers old age pension and the dispositions relating to various schemes were progressively aligned to what had been established for the employed workers (for old age benefits as well as for seniority pensions). New and more restrictive mechanisms were introduced for calculating the pension quantity. In particular, the increase of the minimum contribution requirement to 20 years for entitlement to a pension, and benefits calculation on the basis of the earnings during the entire employment period (a gradual extension of the reference period from the last 5 years to the last 10 years, and to the whole career for new entrance in the labour market). Furthermore, it provided for a new method of benefits adaptation replacing wage indexation with ‘cost of living’ indexation. These measures caused great reductions of the pension cost expected for the coming years. As regards the years between 1993 and 1995 concerned, the Amato manoeuvre obtained the following savings: 11.200 billion for 1993, 14.960 for 1994 and 19.791 for 1995 (Cazzola, 1995).

Concerning the *inequality issue*, other actions were taken. Among these: the homogenisation between seniority thresholds for public and private employees, and the increase in the number of years subjected to retirement wage calculation (Castellino 1995). Furthermore, the calculation criteria for the benefits of the different schemes were homologated following the Fpld dispositions (Private Employees Pension Fund).

It is evident that there was an attempt to “attack” both most significant problems: financial deficit and inequality. The solution to these problems was partial and resulted in the necessity to return to the issue of a more stringent change of the mechanisms linked to the social insurance services. The content acquired the *quid pro quo* character already mentioned in the general hypothesis. The exchange between government and trade unions was achieved as we just described: the financial cuts were “exchanged” with measures directed to reduce the system inequalities (intra-generational ones) (Fig.2). This content was the result of an active collaboration between the concerned actors and yet it did not even lead to a formal agreement. Before examining further events in 1992, we should bear in mind the limits of the new discipline. The long negotiations led to the adoption of measures capable of solving only partially the aforesaid problems.¹⁰ First of all, the seniority pension issue (main source of discrimination) was not modified, while the so-called ‘baby pensions’¹¹ issue was dealt with gradually. What is more, any radical intervention on benefits

⁹ These measures were provided for by decree-law during the month of September, before the more general reform.

¹⁰ The coming up again of reform manoeuvres of the social security system showed the incapacity of the Amato reform, just like the following Dini reform, to resolve once and for all the financial imbalances.

¹¹ ‘Baby pensions’ signify the treatments guaranteed to public employees who could choose to retire after only twenty years of activity.

(extremely favourable) of self-employed workers and public employees was eschewed.

In the same sense (of *quid pro quo* exchange), two further elements of the reform should be examined. First of all, the attempt in Italy to develop occupational supplementary funds in order to support the public institutions already working on the basis of the pay-as-you-go principle. The reform proposal included some provisions favouring the development of supplementary pensions, which could be seen as an exchange for public pensions cuts (Fornero, 1996; Pizzuti, 1997). Considering the reduction of the public schemes coverage, pension funds would have represented a further *pillar* capable of guaranteeing the same level of social protection. All concerned actors accepted such an “exchange”: less compulsory public guarantees *vis-à-vis* the introduction of fully funded schemes (Fig.2).

Fig.2. The quid pro quo content of the Amato Reform

| | | |
|------------------------------|--|---|
| <u>Cost- containment</u> | <p><i>-Cutbacks (And the defence of seniority pensions)</i></p> <p><i>-Pension Funds</i></p> <p><i>-Long Transition Period</i></p> | <u>Reduction of inequalities</u> (between private and public employees) |
|------------------------------|--|---|

Finally, in order to preserve the acquired rights, the new legislation provided a wider transition period. In this sense, the previous scheme was maintained for those workers who had reached the employment seniority of 15 or more years (such a transitional phase exacerbated the differences of treatment between new generations of workers and older ones). These latter decisions, however, resulted in the maintenance of other intergenerational distribution imbalances. Other inequalities endured. As regards the treatment of women and men there remained a difference of 5 years between the limit of the pension age in favour of the former. The 35 year limit was retained for seniority pensions (for the Fpld). Self-employed workers received better treatment and finally the wages lower than 80% of the overall average were excluded from the taxable base calculation (another implicit concession for the most dynamic careers).

It is on these bases, and on singling out (almost exclusively) the above-mentioned deficiencies, that the Berlusconi government tried to revise the pension system.¹²

The Dini Government also aimed to develop the social dialogue. The process undertaken between government and unions in 1995 brought about a general reform of the pension regulation. In comparison to the previous reform projects, the attempt of the Dini government was marked by a wide range of objectives. It aimed to render the system more sustainable and fair (exceeding the limits of the Amato reform), but also to modernise the scheme so that it could adjust to the new features of the labour market and of the economic system in general. Its objectives were: to reduce privileges between different social insurance schemes, to further promote pension funds, and finally to change the benefits calculating mechanisms. However, unlike the previous experiences, the reform showed the will to increase flexibility in the definition of benefits in order to cover the least privileged sectors in the labour market¹³ (Benetti, 1995; Artoni and Zanardi, 1997).

On the whole, such aims were pursued through a number of changes directed to renew drastically the regulation on the matter. It was not a simple rearrangement (like in 1992), but a sharper redefinition of the pension scheme. In order to control the costs, the benefit structure was modified, setting aside *earnings-related formula* in favour of *contribution-based formula*. The links with the social insurance principles were thus strengthened, and at the same time the previously enjoyed advantage of quick career advancements was reduced. Subsequently, the plan introduced a flexible-retirement age, from a minimum of 57 to a maximum of 65 years of age, by calculating the benefits in a progressive but carefully gauged manner (Vitali, 1995). Seniority pensions were not completely eliminated (at least not with immediate effect), but new rules, more restrictive and fairer, were defined for their calculation (they were to be enforced in a particularly long transitional period). This avoided the obstacle that had principally caused the 1994 mobilisation. In order to increase the scheme equality, the public and private sector employees were obliged to contribute to the scheme in equal measure, while self-employed workers' contributions were raised.¹⁴ Also the wages of female workers were levelled with those of male workers (Geroldi, 1995; Ghisani, 1995; Giacomini, 1995; Vitali, 1995). New and more transparent rules were established for calculating and assigning invalidity pensions. Among others, provisions limiting the possibility of accumulating employment income with invalidity pension were adopted (Ferrera and

¹² The Ciampi Government also intervened, rationalizing the pension system, but to a lesser degree.

¹³ In particular, there was an attempt to overcome the two elements that caused the clash between the Berlusconi Government and the trade unions: the elimination of seniority benefits and the halt of pension benefits indexing.

¹⁴ The workers of both the public and private sector were obliged to contribute to the scheme in equal measure (with 20% of their salary), while the self employed workers contributions were raised up to 15% of their income.

Gualmini, 2000). Contributive evasion was discouraged through various measures aimed at forcing the so-called “black economy” to surface (Artoni and Zanardi, 1997; Ferrera and Gualmini, 2000).

A further goal was to increase the pension scheme effectiveness and flexibility. Workers, regardless of gender, had the opportunity to choose their retirement age, while social insurance coverage was extended to new forms of employment including occasional and discontinuous employment, temporary employment, and so on. In this sense, obliging new workers to pay their contributions extended the contribution base. Finally, the regulation introduced by the Amato government on pension funds was revised. Following the path previously traced in 1992, the legislator tried to regulate supplementary pensions (Pandolfo, 1995; Castellino, 1996). All of the above mentioned points met trade unions’ requests (Fig.3).¹⁵

Fig.3. The quid pro quo content of the Dini Reform

| | | | |
|------------------------------|---|--|--------------------------------------|
| <u>Cost- containment</u> | <p><i>-Cutbacks and 'Solidarity/Social Insurance' distinction</i></p> <p><i>-Long Transition Period</i></p> <p><i>- Pension Funds</i></p> | <p><i>-Intra- generational</i></p> <p><i>-Tax and contribute evasion</i></p> | <u>Reduction of Inequalities</u> |
|------------------------------|---|--|--------------------------------------|

The Dini reform, however, must be analysed and judged according to its enforcement. As was the case in 1992, the reform was enforced in a very gradual way (Cazzola, 1995; Vitali, 1995). New inequalities were created among the various generations, favouring the employed workers to the detriment of the future ones (Levy, 1998a; 1998b). Again, it is quite important to distinguish between intergenerational and intra-generational equality. While trade union sided with the occupational groups which were most affected by the contributions and which had received very few benefits (i.e. private employees), they were not keen to reduce inequalities between generations. For example, the homologation between the rules regarding public and private workers took place, while the discrepancy between young and mature cohorts of employees increased.

¹⁵ As far as the other “hot” issue of the 1994 reform proposal is concerned, that is the indexing, it was decided to adjust the social insurance benefits to the inflation rate, while the pensions were generally calculated in relation to the future GDP increase.

A further change favoured by union confederations was a sharper distinction between national solidarity and social insurance. This measure had the effect of clarifying the state of the accounts of social insurance institutions, of reducing the deficit that existed at that time and of charging the state with the task of covering all benefits due to social assistance (Lapadula and Patriarca, 1995). In short, the proposal's different content compared to the Amato reform also resulted in a different attitude to be taken by the unions. Thanks to measures providing greater attention to the issue of fairness, the *quid pro quo* character of the text was emphasised (more than in 1992), and led the participants to a formal agreement (Fig.3).

Finally, I refer to some statistics which appraise the savings resulting from the reform. From a financial point of view, the savings expected from this reform were estimated at 108.296 billion Lire for the period 1996-2005 (if compared to the Berlusconi project, we notice a smaller reduction in the overall budget equal to 11.541 billion Lire) (Baccaro and Locke, 1996). From an indirect comparison with the data which referred to the Amato reform (even if concerning only the first three years of application) we perceive a considerably lower capability of reducing costs compared to the 1992 reforms (Beltrametti, 1995).

France

Like in Italy, the Balladur reform adopted in 1993 was based on the exchange of different resources and priorities. Let me briefly illustrate the content of the reform which was finally approved. First of all, the reform was only partial in nature and generally speaking it did not modify the fundamentals of the inherited system. A first measure, included in the text of the regulation, consisted of the setting up of the *Fonds de Solidarité Vieillesse* (an old age solidarity fund financed through general taxation with the task of paying for the non-contributory elements of the pension system). The aim, as previously announced, was to finance expenses chargeable to the national solidarity fund (previously covered by the pension regimes with the resources obtained through contributions) through general taxation.¹⁹ The FSV revenues came from the taxes on alcoholic products and from a percentage of the CSG (*Contribution Sociale Généralisée*). The creation of the FSV was understood to be a move towards meeting some of the unions' demands.

In order to reduce some of the system's costs, the criteria for measuring pension benefits were modified. In particular, the length of the contribution, the number of the contributory-years needed in order to be granted a full pension of 50 per cent of the reference salary was to be increased from 37,5 to 40, The reference period for purposes of calculating the average annual salary (the

¹⁹ On the basis of Ruellan's contribution (1993), we can distinguish between non-contributory benefits deriving from inter-professional solidarity, and benefits produced by national solidarity. Only the latter are covered by the *FSV*.

reference salary) was also altered. It was to be calculated as the average re-valued salary of the best 25 years instead of ten. Finally, the reform modified pensions indexation criteria, which were employed as the base for calculating the benefits, no longer following the variation of gross wages but that of prices (a shift from gross wages to prices).

A new discipline was sanctioned regarding the *Sécu* administrative and financial organisation. As a general rule, greater financial and management autonomy was granted to the social security funds. The unions were guaranteed their position as managers of the system (Fromentin, 1993). As confirmation of the aims pursued by the government, we should recall the reduction of the contributions charged to the entrepreneurs (Palier, 1999). All the above-mentioned indications must be observed in light of one fact: the reform only referred to the *régime general* and to those systems that were linked to it (therefore only private workers which were less involved with the unions and less inclined to mobilisation). The reform was intentionally limited to the private sector, and did not refer to the public one that was much more tied to trade-union confederations. This choice was clearly aimed at reducing the prospects of a social conflict through the division of the trade-union front. As stated, the government assimilated some of the proposals made by the unions (and by the entrepreneurs). In the case of France, the government traded the search for cost-containment with the protection of the managerial role of social partners and with a sharper distinction between social assistance and social insurance (Fig.4).¹⁶

Fig.4. The *quid pro quo* content of the Balladur Reform

| | | |
|------------------------------|--|---|
| <u>Cost- containment</u> | <ul style="list-style-type: none"> -Solidarity/Social Insurance (FSV) -Cutbacks (limited to the private sector) -Long Transition Period (no direct effects on mature workers) | <u>The managerial role of social partners</u> |
|------------------------------|--|---|

As far as the employers are concerned, they obtained a reduction of the social contributions, thanks to the establishment of the *FSV*. Also in this case the *quid pro quo* logic prevailed.

¹⁶ This measure was interpreted by the union as the acknowledgement of the French welfare state linked to the Bismarckian logic.

It is important, now, to emphasise the field of application, the timing of coming into force and the financial effects of the aforesaid measures. (Ruellan, 1993; Lamaignère, 1997). It was foreseen that the reform would come into effect from 1994. With reference to the measures aimed at modifying the patterns of pension calculation, the extension of the insurance coverage length would have been accomplished step by step, through a transitory period of ten years. Also, for the calculation of the average annual salary a 15-year period of transition was established. As an initial approximation, and on the basis of what has already been said about the Italian case, we are entitled to think that such a period of transition was responsible for introducing a strong element of inequality in the treatment of various generations of insured workers. In other words, it demanded that the younger groups bear the heaviest weight of the financial reorganisation. This, however, seemed to favour the interests of the trade-union world, because like in Italy, young people were clearly under represented within the unions (Labbe, 1994).

5. The failed reforms: the Berlusconi proposal and the Juppé project

The analysis of the reform proposals that were not adopted by the legislative but stopped by massive protests led by the labour movement will allow us to control the validity of the hypothesis proposed at the beginning of the paper. The success of a reform project depends on the ability of political decision-makers to arrange a vast (social) consensus. Moreover, such a consensus is usually the result of a (political) exchange between the state and trade unions.

In this paragraph, I will briefly review reforms unilaterally elaborated by the government. In these cases, the cabinet aimed to tackle the most pressing challenges, even against the interests of the labour organisations. Both in France and Italy, this confrontational strategy produced the failure of the reform procedures. The main goal of political decision-makers was the adoption of a reform project consistent with government priorities rather than reaching a compromise with different interlocutors. Firstly, I will analyse the case of the Berlusconi proposal in Italy and then the Juppé project in France.

The Berlusconi Proposal

The Berlusconi government submitted to Parliament a bill on pension reform at the end of September 1994. This project contained various measures with the aim of reducing the financial exposure of the pension system. The first set of interventions aimed to change the calculation criteria of seniority pensions, and to rise the retirement age for old age benefits. The second set of changes concerned the reduction of pension benefits through the homogenisation to 2% of the rates of return (*aliquote di rendimento*) beginning in 1995, with the reduction of the same rates to 1.75% from 1996. The increase of contributions was not taken into consideration (Baldissera, 1996). The most important decisions taken by the government can be shortly summarised. First, it provided

for the acceleration of the pension age increase mechanism already elaborated by the Amato government. The age was raised one year every eighteen months rather than every two years, and therefore the regulation would have come into force in advance, that is in 2000 instead of 2002. Like to the 1992 reforms, the proposal included measures for the temporary halt of seniority pensions. In view of reducing the deficit it provided for the homogenisation of the rate of return in force for compulsory systems and the reduction of the same '*aliquote*' to 1.75% starting from January 1, 1996 for the workers with an equal to, or a higher than, fifteen years seniority (previously excluded by the Amato reform).¹⁷

Equal results were expected from the reform of the mechanisms for calculating seniority benefits. A 3% benefit reduction was calculated for each year in which the start of the pension would be anticipated compared to the seniority retirement age in force for the Fpld – Private Employees Pension Fund - (with a maximum of 50% reduction and the modification of the method used to calculate the adjustment of pension benefits other than social assistance ones). This provision created the greatest difficulties in the relations with the trade union. Actually, according to trade-union sources, the government proposed de facto the cancellation of the seniority benefits (Lapadula and Patriarca, 1995). Moreover, a different method of indexation was set up. In the future, the calculation would have been made on the basis of the planned inflation rate rather than on the real-cost-of-living index. This adjustment was ascribed directly to the ministry of the Treasury by previous consultation with the ministry of Labour. Trade unions, which considered it a substantial elimination of the indexation of pension benefits, harshly fought this measure. Finally, the reform provided for the possibility of accumulating seniority pensions with both employment and self-employment incomes for benefits granted according to the new system. Previously, the possibility of accumulating seniority pensions with employee incomes was forbidden (Beltrametti, 1995; Cazzola, 1995; Baldissera, 1996, Artoni, and Zanardi, 1997).

On the basis of a small amount of statistical data, we can assess the effects in terms of cost reduction. In terms of pension wealth¹⁸, the restrictive effects of the Berlusconi proposal, calculated according to this method, would have been equal to a total of 9% reduction. With this reduction of pension wealth, the estimated reduction of social insurance requirements took into consideration over 119.000 billion Lire for the period 1996-2005.

The proposal, thus, focused on giving a greater push towards the control of expenses rather than towards an increase of contributions (Bottiroli Civardi and Targetti Lenti, 1995). The comparison between the Berlusconi project and the Dini reform in terms of cost control, allows the opportunity to stress the greater

¹⁷ The power to modify such rates was then confirmed for the future in favour of the Ministry of Labour in agreement with the Ministry of the Treasury (the matter was thus taken away from Parliament).

¹⁸ This consists in the "...present value of the services promised by the current legislation to the present retired people and to the present labour force, net from the contributions that, again according to the current legislation, the latter will still have to pay." (Beltrametti, 1995).

attention to cutbacks. As regards the other reforms adopted in Italy in the first part of the decade, I have emphasised the importance of the equality principle in order to obtain the union support. In the case of the Berlusconi plan, the relationship between equality and cuts appears turned upside down compared to the other reforms. As already mentioned, the proposal had important effects on the social insurance deficit but it produced limited results in the fight against (intra and inter-generational) inequalities (Fig.5).

There was no provision for the reduction of privileges in favour of more dynamic careers or working women. The more effective measures took into account, above all, the social categories represented by the unions.¹⁹ Some of the measures at the centre of the plan signalled a different attitude compared to that of 1992 and 1995. For example, maintaining the differences in treatment in favour of traders, craftsmen and farmers was the sign of the government's consideration of those categories of employees who had, for the most part, contributed to its electoral success. The new regulation on the possibility of accumulating seniority pensions with employment incomes was brought about for similar reasons. It was extremely evident that such interests were inconsistent with union demands.

Fig. 5. The main challenges (to Trade Unions) of the Berlusconi proposal

| | | |
|---|--|------------------------|
| <ul style="list-style-type: none"> - Elimination of seniority pensions; - Block of the indexation mechanism of pension benefits; - The reduction of the rate of return ; - Introduction of measures in favour of self-employed workers; | | <u>Social conflict</u> |
|---|--|------------------------|

In particular, there were two provisions that produced a firm reaction from the labour movement. First, the measures aimed at the substantial reduction of the rights to obtain seniority services. The second element of friction was the substantial block of pension indexation. A Cgil representative confirms this:

“[...] i problemi di merito che portarono alla rottura furono relativi alle pensioni d’anzianità e al blocco della scala mobile sulle pensioni. Quest’ultimo fu vissuto come un attacco ai diritti dei lavoratori e come rottura del tavolo di trattativa. Gli stessi diritti acquisiti

¹⁹ In terms of pension wealth the employment categories managed by the Pension Fund for employees would have suffered a 27.5% reduction (Beltrametti, 1995).

venivano toccati senza la ricerca del consenso della parte sindacale [...]” (Interview, Rome, 20/03/2001).

Moreover, the reduction of the ‘rate of return’ of pension benefits under 2% represented a ‘violation’ of one of the union’s symbolic claims. In other words, the Berlusconi reform to oppose the interests expressed by the workers movement. An issue beloved by the workers movement, the call for a clearer distinction between solidarity and insurance was not touched by the Berlusconi plan. Due to unions’ opposition, the provisions included in the budget law were greatly reduced compared to the initial proposals.

After the agreement of 1 December 1994, the following measures were maintained: the compulsory and temporary halt of seniority pensions (with the inclusion of exceptions much wider than those which had been inserted in the original plan) and the homogenisation of all pension benefits at the balanced rate of 2% (with the exclusion of pensions managed by independent social insurance agencies). What was missing with regard to the approved reforms was the exchange with social parties. The content of the various provisions was not agreed with the trade union. In this manner the *quid pro quo* logic, which had characterised the reforms approved in Italy during the decade, was avoided. There was no mention of the issue relating to a clearer separation between social insurance and social assistance (one of the union’s goals). Moreover, as emphasised several times, the government employed the equality issue mainly with regard to the particular privileges of employees and pensioners (mostly represented by trade unions).

The Juppé project

As stated in the previous section, the innovation introduced by the Balladur Government in 1993 touched only pension benefits related to the ‘*Régime Général*’. The ‘*Régimes Spéciaux*’ (regarding public employees) were still to be modified, and most of them were affected by strong financial imbalances. On these bases, the reform plan introduced by the Juppé Government turned out to be the most important attempt to re-establish the consistency of the French social state since its creation (Dupeyroux, 1996; Yahiel, 1996; Bouget, 1998). First of all, it needs to be emphasised that the reform was a structural one, as it addressed the various social sectors. There were three main goals (which referred to social security in general, but are easily applicable only to the pension sector). Firstly, the financial stability of the welfare state, especially in light of the need to comply with the Maastricht criteria, through both the increase of income and the reduction of expenses. Secondly, the goal of completing the transition towards a system financed increasingly by general taxation was set up in an attempt to limit the problem of social exclusion and to control the difficulty of creating new employment (Borghetto, 1997). Therefore, it was attempted to strengthen state control over the welfare policies system, reducing at the same time the

managerial role of the social partners and particularly of trade unions.²⁰ The aim was to facilitate the full application of the 1993 reform and its most distinguishing features which have already been mentioned (FSV, extension of the terms for calculating the insurance coverage length, different indexing of pension services, different calculation of the average reference salary) (Buhl, 1996; Droit Social, Fiches Techniques, 1996). In fact, the Juppé plan had a wide spectrum of innovations capable of influencing other policy sectors beyond the pension system, from health sector to family allowances. In addition to this, arrangements were made to modify the Constitution in order to increase Parliament intervention powers and to reduce the role of trade unions. The plan attempted to increase state control by granting Parliament the right to vote for the approval of the social insurance budget. For this purpose, an amendment to the Constitution became necessary. This was passed in February 1996 (Bonoli, 1997). The reform of the social security organisation took a similar path. By the decree n.96-344, the structure of the main basic compulsory systems was reformed.²¹ The unions saw this change as a supreme threat to their role and to their legitimacy and because of this, an impressive movement of protest developed during the last months of 1995 which led to the removal of the pension reform from the more general reform plan.

The reform plan introduced in 1995 appears more complex than the scheme of 1993. The pension reform was at the heart of a wider strategy which was intended to lead to the renewal of the welfare state. (If using Palier's words one would speak of *innovative reform*). The issues of cost control and modernisation (pursued through the reduction of inequities) were supported by the attempt to reduce the weight of trade-union movement in the management of the *Etat Providence*. Indeed, it was a multiple challenge. Unlike what happened in 1993, there was no attempt to "barter" the introduction of cuts with the safeguarding of trade-union role.

²⁰ Roques' contribution (1996) clearly depicts the history of the various efforts to increase the importance of parliament in controlling the social security finances.

²¹ New rules were set up regarding the composition of the boards of directors in the general and for system, the creation of the supervision Councils (formed by members of Parliament and experts, and presided by one of the members of Parliament) and the appointment of the directors of the local funds, and of the regional bodies by directors of the national funds (who are appointed by the state) (Ruellan, 1996).

Fig. 6. The main challenges (to Trade Unions) of the Juppé Proposal

| | | |
|---|--|------------------------|
| <ul style="list-style-type: none"> - General Reform (pensions, health-care, family allowances, etc.); - Reform concerning Régimes Spéciaux (the more unionised public sector); - Attack to the managerial role of Trade Unions ; - Introduction of Pension Funds; - Attempt to redefine the welfare capitalist model (Contrat de Plan, etc.) | | <p>Social conflict</p> |
|---|--|------------------------|

On the contrary, the proposals that were laid down mostly contrasted with trade union's requests. Moreover, in addition to the proposals regarding welfare policies, other measures (of fiscal nature and regarding public enterprise management) attracted the attention of the various political and social forces creating the conditions for an overload of the political agenda. No element of a *quid pro quo* exchange was placed in the plan (Fig.6).

The causes of the failure of the pension reform can be attributed to the excessive number of reform plans introduced by the government regarding other issues apart from the welfare state, rather than the confrontational style²² shown by the Juppé government.

For an in-depth understanding of the diverse reactions of the trade unions between 1993 and 1995 it is important to focus on the different effect produced by the new criteria for calculating benefits. Despite the fact that legislative changes to the relevant regulations were similar, their concrete effect on the condition of active workers close to retirement changed notably. Let us recall the interview with a representative of the Cgt:

"[...] Juppé n'a pas joué comme Balladur sur l'effet de transfert sur les générations à venir. Dans le secteur public le 80% des agents n'ont pas 37,5 ans de cotisation quand ils arrivent à l'âge de retraite. Donc, le Plan Juppé avait un effet immédiat dans ce secteur [...]" (Interview, Paris, 23/04/2001).

²² For a definition of the *policy-making* style see the main contributions on the subject (Hayward, 1979; 1982; Richardson, Gustafsson and Jordan, 1982; and Richardson and Jordan, 1979).

In order to illustrate what was declared by the union representatives interviewed, I present the data demonstrated by the *Charpin* Report and by the Cfdt, structured according to the workers' age in both the public and private sectors, and the number of years of contribution that usually entitle them to acquire the right to old age benefits (Tables 2 and 3).

Table 2. Average duration of the contribution (in trimesters) for pension services in 1997 for the Cnav (National Fund for old age Insurance).

| | Régime Général de base (Cnav) |
|-------------------|----------------------------------|
| From 1 to 149 | 22% |
| From 150 to 159 | 16% |
| From 160 to 169 | 26% |
| From 170 to 179 | 26% |
| From 180 and more | 10% |

Source , Cfdt 2001

As Table 2 shows, 62% of workers in the private sector (covered by the National Fund for old age Insurance within the *Régime Général*) reach retirement after a period of contribution greater than 160 trimesters, that is a contribution period longer than the one established by the Balladur reform. Thus, the 1993 reform did not effect the majority of these workers because it did not raise the number of trimesters necessary for obtaining old age benefits.

In the public sector, however, as we can see in Table 3, we get an average duration which is much lower than the maximum of 40 years, therefore the number of workers affected by the 1995 reform proposal was in percentage much larger than in 1993. Also the data relating to the retirement age in the public and private sectors is useful for explaining the different employment structure in the various fields, and therefore the diverse effects that the 1993 reform and the 1995 plan produced even without taking into account the respective normative differences (Table 4).

Table 3. Average duration of the contribution (in years) for pensions regarding the main special régimes in 1996

| Regimes | Men workers | Women workers |
|------------------------------|-------------|---------------|
| CNRACL* | 27,3 | 24,2 |
| SNCF** | 31,0 | 29,4 |
| RATP*** | 30,3 | 29,0 |
| FONCTION PUBLIQUE CIVILE**** | 31,0 | 30,0 |

*National Fund for the agents of local communities and public hospital institutions;

**Fund for railway workers;

***Fund for rail and tram workers in Paris transportation system;

**** Except the PTT employees

Source, Charpin, 1999.

Table 4. The age at which pension services are actually paid off in the various systems in 1996.

| | CNRACL | SNCF | RATP | FP Civile | CNAVTS (Régime Général) |
|-------------------------|--------|-------|-------|-----------|-------------------------------|
| Less than 60 years | 13,3% | 18,0% | 23,7% | 14,9% | 0% |
| Between 60 and 64 years | 27,2% | 15,2% | 20,9% | 21,2% | 19,2% |
| 65 years and over | 59,5% | 66,8% | 55,4% | 63,9% | 80,8% |

Source, Charpin 1999.

5. Conclusion

By way of conclusion, I will propose some final inferences that spring from the comparison between the two countries and the different reform procedures. The assumption of our theoretical model has been proven correct by the comparison between the various reform procedures. The development of co-operation between social partners and the state has favoured the adoption of new rules in the pension policy sector. The comparison between countries supplies further evidence of this. The governments capable of implementing the reform have had as their goal the adoption of effective measures which would solve their problems while at the same time reaching a compromise with the union. This was the common element in the various successful cases; although the degree of collaboration between the relevant participants has been different in the three cases analysed. For example, in the case of the Balladur reform we can not speak of a concertation process in the sense defined by Regini. On the contrary, the governments that adopted a strategy of confrontation (characterised in the two countries by nullifying the co-operative pattern) caused the development of huge mobilisation guided by workers' organisations. In both cases, these organisations benefited from their resources which gave them a veto power that the executive could not overcome. The cases analysed have proven that in the countries of Continental Europe that lacked a neo-corporatist tradition, the collaboration between social actors did not necessarily materialise in formal and institutionalised concertation (I refer to the concepts elaborated by Lehmbruch and Schmitter, 1984; Regini, 1984; as well as by Ebbinghaus and Hassel, 1999). We have had, instead, much less constricted forms of interaction, which are nonetheless capable of overcoming the veto-point of trade unions.

The distinctiveness of the approach has mainly materialised in the diverse content of the reforms. The success and the agreement of the social partners with regard to the reform were directly proportional to the degree of exchange between the government and the social partners. For this we have used a term well known in contemporary literature: the *quid pro quo* content (Pierson, 1999). This conclusion is strongly supported by the *political exchange* theory (Pizzorno, 1977; Parri, 1985). As argued by Parri, political exchange is a negotiated exchange of power resources possessed by a social actor for power resources possessed by the state. Such an approach is useful for understanding the relationship between the actors in question (especially when they are characterised by limited institutionalisation); and for assessing their reasons for reaching a mutual agreement. In fact, the participation of the social partners and the government in the negotiations is based on the evaluation of the costs and benefits connected to a possible compromise.

As argued by Regini co-operation between social and political interlocutors depends on the complex strategies and calculations made by the actors involved, and not on any formal prerequisites. Even in countries lacking neo-corporatist traditions and characterised by the profound institutional weakness of social

actors, the political exchange can be adopted to favour the introduction of new pension provisions, and to gain a vast consensus from social partners.

The two national cases have demonstrated such a collaboration. As far as the French case is concerned, some proposals coming from trade unions were accepted. Above all, the introduction of a solidarity fund capable of burdening the state with the financial expenses for social welfare benefits and the preservation of the managerial role by workers' associations represented the main resources exchanges with the acquiescence of the labour confederations. Actually, the Balladur government acted with the aim of obtaining a compromise and of greatly reducing the possibility of trade-union protests (taking advantage of its features of weakness). The greater *quid pro quo* content made the difference, if compared to what happened in 1995. Indeed, in the case of the Juppé proposal, this took on a concrete form in a multiplicity of challenges to the trade union without any kind of (political) exchange. In particular, the pension reform was placed at the centre of a more general process of reforming not only the welfare state but also the entire French capitalist model (as was demonstrated by the attempt to reform the '*Contrat de Plan*' concerning the SnCF, the employment contract of public officers, etc). In spite of a formal disposition which was in a certain way similar, the Juppé proposal would have caused a much more severe reduction of benefits for union-member workers. The data relating to the age structure of public and private employees, as well as to the workers' average contribution period in the various fields, have clearly explained such differences.

The case of the Berlusconi proposal in Italy (and the comparison with the approved reforms) confirms our assumption. The goal of reducing the costs of the pension system was pursued to the detriment of trade-union proposals. As expected, the use of a confrontational approach led to the failure of the reform proposals. There was a change in the substance of the reform proposal if compared with the instances of success. The reform proposal dealt with two issues that were particularly sensitive for the union: old age pensions and benefits indexation. No provision was included on the topic, equally important for the union, of the distinction between national solidarity and social insurance. It is thus evident that the proposals' success appears to have depended on its content (no more *quid pro quo*) and on the varied ability of the relevant partners to master an effective political exchange.

As a result of the comparison between the different success stories, moreover, I argue that different reform paths were followed by the government in order to increase social consensus. Particular institutional contexts (for example the strength of trade unions, and their relationship with the state) influenced the adoption of these strategies. As regards Italy, the Dini government was able to implement a true concerted strategy through huge formal negotiation with trade unions which produced a formal agreement on new provisions. The unions' consent was the first step towards the subsequent adoption of the new legislation by the Parliament. As stated in the previous sections, this deep interaction was possible following previous agreements between the government and social

partners on other policy sectors (i.e. collective bargaining). By contrast, the Amato reform was much more contested by the union organisations. The final draft was the result of formal and informal meetings between the government and the union representatives, and a very intense struggle between them. As a consequence, the adoption by the government of new measures did not obtain the formal agreement of social partners. Trade unions and employers organisations merely gave their acquiescence to such a change. The lesser degree of co-operation produced a reduced amount of intense exchange, and resulted in a less formal (and concrete) integration between different interests. In particular, the huge impact on pension outlays and the low level of reduction of intra-generational inequalities determined the non-agreement.

The Balladur reform in France was the expression of a low degree of interaction between political decision-makers and labour representatives. The particular weakness of social partners (i.e. in terms of membership) impeded the development of a deep negotiation between them and the government. However, the Balladur government was able to prevent social and political conflicts through the arrangement of a reform package. Some of the main priorities from the unions were accepted and became part of the final legislative proposal. The ability to trade the administrative role of labour organisations in the pension institution, and the limited impact on the benefits for mature cohorts of workers, for some kind of consensus was decisive for gaining the acquiescence of trade unions. The common feature of the aforesaid reforms was the exchange of some measures between the government and the social partners which led to the consensus of the social partners.

As regards the reform procedures that did not produce a legislative success, both the Berlusconi proposal in Italy and the Juppé project in France were characterised by the inability of the government to develop a consensual strategy. The main goal of the government was to introduce effective measures for tackling the main challenges to pension programmes. The financial unbalances were the key issue of the two reform proposals. This priority was not exchanged with some other demands of the labour movement. The attempt to insulate labour representatives from the policy-making produced a vast (social and political) reaction. The strikes and protest mobilisation, which were the most important since 1968, forced the government (in France as well as in Italy) to withdraw unilateral proposals.

To sum up, I argue that recasting pensions is potentially a highly conflictual process. As argued by some scholars at the beginning of the 1990s, the welfare state in general and social insurance in particular are 'sticky' institutions with strong ties to interest groups and traditional labour organisations. In order to develop consensual strategies the present provisions need to be reformed so as to reduce electoral and social risks. Political decision-makers are forced to elaborate very complex packages of measures capable of mixing the priorities and demands coming from different social groups. In particular, trade unions are a key interlocutor for the introduction of new measures. Notwithstanding their organisational weakness and the absence of neo-corporatist traditions, the labour

movement is usually involved in the pension network. In this context decision-makers can adopt the strategy of trading some of their goals with others so as to reduce the risk of failure. Trade-offs can produce the agreement (or at least the acquiescence) of social partners and this process allows politicians to adopt more or less effective legislative changes.

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