TARGETING WELFARE IN A "SOFT" STATE

Italy's winding road to seletivity

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The Italian model of welfare

Italy has a mixed model of welfare. Income maintenance benefits are provided by occupationally fragmented social insurance funds, while health care is provided by a universal national health service. A variegated, largely decentralised system of social assistance provides cash benefits and basic social services to various categories of needy people, such as poor elderly or the disabled. In contrast with most other EU countries, there is no “last resort” minimum income guarantee. Aggregate social spending is relatively low (ca. 25% of GDP in the mid-1990s, a figure which is below the EU average). In public perceptions and policy debates, the functioning of the stato sociale is considered to be highly unsatisfactory. At the risk of oversimplification, it can be said that the malfunctioning of the Italian model of welfare is the combined effect of three distributional unbalances and two defects in performance.

The first unbalance is the marked dualism of protection which exists between the core sectors of the labour force and the more peripheral sectors. On the one hand, the various categories of workers which are located in the institutional or regular labour market are entitled in Italy to extremely generous social guarantees and benefits. In case of unemployment, for example, these workers have access to a scheme (the Cassa Integrazione) which may cover up to 90% of net earnings for many years (1). When they retire, the same workers get a standard pension replacing 80% of previous earnings and - until the 1995 reform - they could claim a pension equal to 70% of the previous wage after 35 years of contributions with no age threshold (2). On the other hand, workers located in the irregular or non institutional labour market - the fairly extended "grey" or "black" economy - only get weak subsidies (if anything at all) at the occurrence of standard risks (3). Basic unemployment indemnities amount to a modest 30% of previous earnings for six months and can be claimed only after periods of regular employment; in Italy there is no unemployment assistance scheme nor a means-tested minimum income scheme – as already mentioned Moreover, social and minimum pensions for those who have not been able to mature an entitlement to contributory, earnings-related benefits are also very low. This wide gap between over-protected and under-protected categories is well known and well documented also in comparative perspective (Ferrera, 1996).

The second unbalance has to do with the distribution of protection across the standard risks and, more generally, the various functions of social policy. With respect to its European counterparts, the Italian welfare state provides disproportionate benefits for old age, invalidity, survivors, temporary/ partial unemployment, short term sickness, while it grants little protection to the risks connected

with a large family, total lack of work or resources, long term sickness or "physical dependency", housing problems. Italy definitely has a demographically biased welfare system. According to some OECD estimates, benefits for the aged (basically pensions) absorbed in 1991 as much as 15.3% of GDP, as against a EU average of 9.2%; the benefits for the non aged (including family allowances and services) only amounted to 3.2%, as against a EU average of 7.7%. Cross-cutting with the first, this second unbalance creates a highly polarized social distribution which, given the geography of Italy's labour markets , has also a strong territorial component. The ultimate loosers of such distribution seem to be large families with young unemployed spouses in the South (4).

The third unbalance is related to the financial side. Italy's stato sociale is largely funded through social security contributions. The rates of these contributions differ widely across occupational categories and economic sectors, with private employees paying the higher rates. It is true that this category also draws quite substantial benefits from social insurance. Through time, however, the contributions of private employees have de facto subsidized (quite heavily in some cases) the schemes of other categories, especially the pension schemes of the self employed. This distortion has also had a demographic component. Private employees have always paid substantial contributions to the family allowance fund. However, these contributions have not been used for upgrading the amounts of family benefits (very low, as mentioned, by international standards) but for covering the deficits of pension schemes (Ferrera, 1986). This contributory distortion has borne some part in creating the overall "demographic bias" of Italy's welfare model.

The unbalance of the model on the financing side has however another aspect: a chronic aggregate deficit between contributory revenues and social outlays. It is true that, to some extent, this deficit is only a matter of incorrect accounting: social outlays include also noncontributory benefits and services (such as social pensions or hospital care) and it is therefore misleading to count as "deficit" the transfer of general revenues which the INPS (Istituto Nazionale della Previdenza Sociale, or national social insurance institute) or the SSN (Servizio Sanitario Nazionale, the national health service) require to finance them. But there is also a quite substantial real deficit: i.e. a gap between contributory revenues and outlays for contributory benefits - especially in the field of pensions. Moreover, in the field of healthcare the chronic gap between allocated funds and actual expenditures has in its turn produced a large (and partly hidden) debt (France, 1996).

The two defects have to do with legality and efficiency. First, within the arena of welfare there is a low degree of compliance, especially in some sectors, with the rules which discipline the access to benefits and the payment of contributions: a neglect which obviously affects the "clients" of welfare schemes, but which is systematically tolerated, if not overtly encouraged, by public authorities. The

widespread abuses of invalidity pensions, the false declarations made in order to get income-tested benefits or avoid medical co-payments, the deliberate delays with which many employers and self-employed accomplish their contributory obligations, not to speak of outright tax evasion and even overt episodes of tax disobedience: these are all well known (and partly documented) phenomena of the national tax-welfare scene, which attest to the presence of a serious deficit of legality - a deficit with both a cultural and an administrative component.

The second defect is the high and persisting inefficiency of public services, largely connected with the system of incentives and the organizational framework of Italy's administrative apparatus. Within the welfare state, this problem is particularly acute in the case of health care. The 1978 reform establishing the Servizio Sanitario Nazionale had introduced many perverse incentives from a financial and organizational point of view. As a matter of fact, the institutional design of the 1978 reform was largely responsible for the chaotic developments and growing financial strains witnessed by this sector throughout the 1980s. Starting from 1992 a number of steps have been taken to reform the SSN: but the challenge of efficiency is still largely to be met, as shown by the high levels of user dissatisfaction revealed by opinion surveys (Ferrera, 1993a).

These five shortcomings of the Italian model of welfare are partly the result of specific policy choices (or non choices) made in the formative years of social policy (1950-1970): choices that in their turn reflected quite closely the overall "political logic" of the First Republic. This is especially true for the aforementioned distributional unbalances: the development of a "pension-heavy" welfare system, financially distorted and inclined towards particularistic-clientelistic manipulations was highly congruent for example with the competitive mechanics of Italy's polarized pluralism and, more particularly, with the interests of its three major parties (DC, PCI and PSI). The emphasis on pensions as "deferred wages" and the neglect for family policy mirrored in fact the social doctrines of both marxism and catholicism. More crucially, the expansion of a highly fragmented pension system offered ample opportunities for distributing differentiated entitlements to selected party clienteles. The maintenance of an extremely variegated contributory framework, giving rise to various hidden transfers of resources across social groups, served in its turn similar objectives of "distributive politics". It must be not be forgotten , however, that to some extent the distinctive elements of the welfare all'italiana (to use a well-known metaphor in the national debate: cf. Ascoli, 1984) find their roots in a number of broader historical features of Italian society, such as the traditional "uncivicness" of political culture, the uneven speed and character of socio-economic development, the failure to create a "Weberian" administration and so on (5).

However congruent with the overall complexion of post-war Italy, the malfunctioning of the stato

sociale has gradually worked, through time, to erode its very material and socio-political foundations, i.e. resources and consensus. The crucial decade in this respect were the 1980s. It was during this period that the distributional and organizational contradictions of the model started to snowball into a real systemic crisis, which has largely contributed, in a sort of backlash effect, to precipitate the demise of the First Republic and which still casts heavy shadows on Italy's welfare future.

The long fiscal crisis and the rise of targeting: 1975-1990

The second half of the 1970s marked the apex of the long phase of welfare expansion which had started in the 1950s. In 1975 the generous pension reform approved in 1969 entered in full operation while in 1978 a sweeping law introduced the Servizio sanitario nazionale, which universalized coverage to the whole resident population. Towards the end of the same decade, however, a novel preoccupation emerged to spoil the general complacency about these social achievements: the unbalanced state of public finances, with its increasingly serious consequences in terms of inflation, interest rates and debt formation. To some extent the defict problem was connected with exogenous developments of the international economy (in particular the two oil shocks) which hit Italy even more severely than her European partners. But to a larger extent the problem was directly linked with the much celebrated accomplishments in the social policy field. A major cause of the original "hole" in the country's public finances had in fact been the financial disequilibria of the social insurance sector. Already in the second half of the 1960s many pension schemes had started to display substantial gaps between benefits and contributions. The health funds had begun in their turn to accumulate mounting debts vis-à-vis hospitals - a syndrome which was further aggravated by an irresponsible reform on hospital financing passed in 1968 (Gerelli and Majocchi, 1984). In the first half of the 1980s the preoccupation about the state of public finances rapidly turned into a real alarm and the new Penta-party alliance (DC, PSI, PSDI, PRI and PLI) which in 1979 had replaced the National Solidarity coalition (extended to the PCI) was forced to make the risanamento (i.e. the restoring to health) of the public budget one of its top priorities - at least in symbolic terms.

The 1980s were a Janus-like and fairly tormented period for Italy's welfare state: a decade of both continued expansion and creeping (or better, chaotic) retrenchment. Between 1980 and 1990 total social expenditure passed from 19.4% to 24.1% of GDP, with an annual percentage change in real terms of 5.5% (CEC, 1995). The most dynamic component of change was, not surprisingly,

pensions, with an annual real growth of 6.3%. Also health care expenditure witnessed a remarkable growth in both relative and absolute terms, especially in the second half of the decade. The increase of social outlays was partly the effect of "inertial" factors - most notably ageing and system maturation. But it was also the result of new ameliorative provisions. For instance in the late 1980s the pension formula of the self-employed was significantly improved and throughout the decade a very liberal use of the so-called ammortizzatori sociali (social shock absorbers: e.g. the Cassa Integrazione) was systematically made. Moreover the 1980s witnessed the persistence - and in some cases or areas, a real exacerbation - of the numerous traditional "particularistic-clientelistic" practices. This was especially true for invalidity pensions, which continued to be used as a surrogate for unemployment benefits in the Southern regions as well as as privileged currency for the voto di scambio (i.e. the exchange of preference votes for semi-legal or outright illegal concessions of benefits or other "favours"). The whole welfare system, but especially the national health service finally provided a fertile hunting ground for the various circuits of political corruption which started to be unveiled by the magistrates during the Tangentopoli investigation of the early 1990s.

Despite their unremitting lip service to the exigencies of the risanamento, the various Penta-party governments which held office during the decade did not accomplish much in terms of structural measures. Since the beginning of the decade proposals of a new pension reform started to be discussed in Parliament and to be included in the agenda of the different cabinets. All these proposals went in the same austerity direction: rationalizing the system, raising the age of retirement and trimming benefit formulas in order to restore financial equilibria in the medium and long terms. The financial and organizational problems raised by the newly established Servizio sanitario nazionale prompted in their turn an articulated debate on how to "reform the reform". The proposals in this field included changes in the overall (and highly defective) chain of command from central government down to the regions and to the local health units; the limitation of the power and competences of partisan organs at the local level; the exclusion from coverage of higher-income categories; the enactment of stricter controls over providers and (later in the course of the decade) the introduction of quasi-market relationships between public purchasers and providers. Neither the pension reform nor the "reform of the health reform" made much progress untill the early 1990s. The 1980s did however witness some first "cuts" in both sectors: relatively peripheral and not very effective cuts in the case of pensions, more substantial ones in the case of health.

In the pension field, starting from 1983 a number of measures were taken aimed at subordinating some entitlements to the actual income conditions of recipients and at controlling abuses. Income ceilings were established for maintaining the right to minimum pensions and to multiple benefits (e.g.

an old age and a survivor pensions). The rules concerning invalidity pensions were in their turn completely revised, tightening medical criteria and introducing periodical reviews of the physical conditions of the beneficiaries. Though important in symbolic terms, these steps in the direction of a greater "targeting" of Italy's social insurance were only modestly effective in finacial terms. Not only were they programmatically limited to the margins, so to speak, of the system, but they also activated some counter-developments which largely neutralized their positive impact on costs. The ascertainment of the income requisites for minimum pensions and multiple benefits was entrusted to INPS, the social insurance institute. But this institute lacked both the technical instruments and the formal powers to implement accurate controls: thus the introduction of income testing produced an enormous organizational chaos, many injusticies (unwarranted withdrawals and, much more often, unwarranted confirmations of benefits based on false income declarations on the side of beneficiaries) and a massive increase of litigations between recipients and the social security administration, which had to be cleared with a general amnisty at the end of the decade. The most absurd epilogue of the 1983 targeting provisions came in 1993/94, when the Constitutional Court ruled them as partly illegal and forced the government to repay arrears for several trillions of lire. Also in the field of invalidity the "cuts" were largely circumvented: in this case not through legal action, but through the mobilization of a lateral channel. The new discipline introduced in 1984 only regarded, in fact, the invalidity benefits payed by INPS on the basis of contributions, but did not affect the noncontributory benefits paid by the Ministry of the Interior. The second half of the 1980s witnessed a huge increase precisely of these latter benefits, which almost completely offset the restrictive impact of the new INPS regulations (Ferrera, 1996). Besides pensions, the new targeting approach of the 1980s affected also family allowances: in 1988 the previously universal benefits for employees were subjected to an income test.

Cutbacks and targeting were more substantial and more effective, as mentioned, in the field of healtcare. Alarmed by post-reform expenditure increases and aware that a new "reform of the reform" would take its time, the Penta-party government inaugurated a policy of "financial management" of the Servizio sanitario aimed at curbing the demand for services by imposing expenditure ceilings to the regions and by making users pay in part for services. The annual budget bill became the instrument par excellance to run the healthcare system from the centre. Allocations were set on the basis of available public funds, to be shared out among the regions. The savings deemed necessary to remain in line with the ceiling were produced through co-payments and other cuts (reduction of facilities, staff, investments etc.) (6).

Means-tested co-payments or tickets - as their are known by the Italian public - were (and still are)

without doubt the most visible and the most unpopular instrument of government action in the healthcare sector throughout the 1980s. As in the field of pensions, the turning point was 1983. Alarmed at the worrying increase in healthcare costs (especially for medicines) in the previous two years, the government decided to change the means-tested co-payment from a modest fixed fee to a percentage, making consumers pay 15% of the drugs. This percentage was then raised on several occasions in later years, reaching 30% in 1989 (7). The ticket was also extended from drugs to diagnostic tests and specialistic consultations. Though heavily criticized, the co-payment policy generally achieved its aims, which were primarily financial. Besides bringing revenues to state coffers, co-payments did stabilize healthcare consumptions, especially as regards pharmaceuticals. As noted in the pension sector, health care targeting through user charges did produce, however, a number of perverse counter-developments. To mitigate the social impact of such charges, a detailed legislation on exemptions was passed during the decade, combining different criteria (income, type of illness, family and work status, age etc.). But Italian patients soon learned how to exploit the loopholes of this legislation. Exactly like INPS, the SSN bureaucracy lacked moreover the organizational capacity to administer the norms in force. The result was a rapid increase, through time, of the number of exempted consumers, which reached the impressive figure of 25% in 1989, accounting for 75% of total pharmaceutical expenditure. Only a part of this increase can be attributed to the gradual relaxation of co-payment norms. To a large extent, it must be attributed to a growth of frauds and abuses, in the form of unfaithful declarations (of income status by users or of health conditions by physiscians, or both) and free riding on exemption cards by nonexempt users.

If on the expenditure side the 1980s definitely were an ambiguous decade (continuing expansion and chaotic retrenchment), on the revenue side the dominant trend was much clearer: inasprimento (embitterment) on all fronts. Contributory rates were repeatedly increased, especially for self-employed categories. In aggregate real terms, the revenue from contributions paid by both employers and the protected persons rose by 48% between 1980 and 1990, passing from 16.2% to 17.4% of GDP; the real size of contributions from the self-employed almost doubled in the same period (8). Also the total tax take of general government grew extremely rapidly during the past decade, passing from 30.2% to 40% of GDP between 1980 and 1990. According to some recent EU calculations, the actual average tax rate on the incomes of employees rose by 11.4 percentage points (from 31.8% to 43.2%) in the period 1980-1993, as against an average EU increase of 6.2 percentage points. The actual average rate on the incomes from self-employment rose in its turn by as much as 18.8 percentage points in the same period (from 21.7% to 40.5%), as against an average decline of 6.4 percentage point in the EU (9).

Through this rapid and intense increase of taxation, Italy fully completed during the 1980s its catching-up march with respect to her European partners, filling the distance created by the "flat decade" 1965-1975, during which Italy's public receipts had remained virtually stagnant around a value of 30% (Gerelli and Majocchi, 1984). But this remarkable tax adjustment did not suffice to cure the structural unbalance of national accounts. As a matter of fact, throughout the decade this unbalance grew steadily worse : from a value of 9% in 1980, public deficit surpassed 12% in 1984 and was still slightly above 10% in 1990, while public debt passed from 57.7% in 1980 to 97.8 % in 1990. To a large extent this deterioration was due to the self-sustaining dynamic of the "debt spiral" in an unfavourable international conjuncture. But the internal unbalances of the welfare system (especially pensions) did bear a relevant part in the story. In spite of the huge increase of contributions, the transfer of the central government to finance social protection rose by 76% in real terms between 1980 and 1990, passing from 5.0% to 7.1% of GDP (10).

The day of reckoning for Italy's "historical" public sector profligacy came all of a sudden in 1992. As is well known, in the Summer of that year, with an impending referendum in France, the international financial markets got quite nervous about the ratification of the Maastricht Treaty. The credibility of Italy's government in ever achieving the risanamento was put in serious question: how could the scandal-ridden Roman politicians be trusted in case France (and therefore Europe) was to reject the project of an economic and monetary union, hopefully extended also to Italy ? Despite the "tears and blood" fiscal package introduced by Giuliano Amato in July 1992 (including a forced levy on all bank accounts), the lira sufferd a violent speculative attack and was compelled to exit from the Exchange Rate Mechanism (ERM) in early September and to substantially devalue against the Dmark and the other main currencies.

It would be certainly exaggerated to put the blame for such a dramatic crisis entirely on the stato sociale. As already in the second half of the 1970s, exogenous developments and endogenous factors other than welfare costs played an important role in triggering the crisis. But it would be equally misleading to neglect the "historical" responsibility of a fiscally unbalanced pattern of welfare expansion in forming Italy's public debt. The illustrated failures of the "chaotic retrenchment" of the 1980s as well as the social and political blocks to structural reforms in pensions and healthcare also played a role in undermining the credibility of Italy's capacity for budgetary adjustment, during an especially turbolent conjuncture of the international economy.

The acute fiscal crisis of the Summer of 1992 (with ordinary savers rushing to their banks in order to cash in their government bonds) offered a window of opportunity for pushing through rather sweeping policy changes with the budget bill approved in the Fall of 1992. The major provisions

regarded, not surprisingly, pensions and health care (11): after years of sterile discussions the Italian Praliament finally approved the much awaited and much needed pension reform and the "reform of the health reform", thus making a significant breakthrough on the road towards a new model of welfare.

The structural reforms of the 1990s

While maintaining the overall architecture of the system established in 1969 (occupational schemes and earnings-related formulas) the 1992 pension reform introduced a number of significant innovations in a restrictive directions after decades of ameliorations. The main provisions of this reform can be summarized as follows:

- elevation of the retirement age from 55 to 60 for females and from 60 to 65 for males (private employees), to be phased in by the year 2002;
- gradual elevation of the minimum contribution requirement for old age benefits from 10 to 20 years;
- gradual extension of the reference period for pensionable earnings from the last 5 years to the last 10 years (and to the whole career for new entrants in the labour market);
- gradual elevation of the contribution requirement for seniority (early retirement) pensions to 36 years for all workers (including civil servants, who enjoyed a much lower requirement of 20 years);
- a new increase of contribution rates.

As a follow up of the reform, in 1993 new provisions for supplementary pensions were passed. The "second pillar" had been traditionally underdeveloped in Italy, due to the presence of a highly generous first pillar and of generous rules regarding end-of-career payments. The new provisions introduced a coordinated legal framework and fiscal incentives for the establishment of occupational supplementary funds. The Ciampi government decided in its turn new penalizations on seniority pensions as well as controls on the beneficiaries of disability benefits, to contain the above illustrated frauds.

The persisting crisis of public finances , the upward trends of pension expenditure (in spite of the "cuts") and the pressures of international agencies such as the IMF, the OECD and EU institutions

convinced however the government in the course of 1993/1994 that a more incisive reform was needed. In the Fall of 1994 the Berlusconi government tried to introduce new severe cuts, but was only able to enact a more rapid schedule for the phasing in of the new retirement age as well as a freeze on all seniority benefits. The trade unions agreed however to negotiate with the government a new broad reform by the first semester of 1995. In May 1995 the Dini government succeeded in striking the agreement with the trade unions, which was approved by Parliament in the following August. The main points of this new reform are:

- the shift from the old earnings-related formula to a new contribution related formula, to be phased in by 2013 (12); - the introduction of a flexible retirement age (57-65);
- the introduction of an age threshold for seniority pensions (57 years) for all workers, to be phased in by 2008;
- the standardization of rules for public and private employees;
- the income testing of survivors benefits
- stricter rules on the cumulability of disability benefits and incomes from work, as well as tighter controls on beneficiaries.

The Fall of 1992 marked an important turning point also as regards health care: the "reform of the reform" was in fact finally approved. This transformed the local health units (USL, the basic structure of the SSN) into "public enterprises" with ample organizational autonomy and responsibility. The USL are no longer to be run by elective political committees but rather by a general manager appointed by the regions based on professional qualifications and with a private contract, renewable after five years if performance is satisfactory. Larger hospitals, formerly acting as branches of the USL, can now establish themselves as independent public hospitals agencies, with autonomous organization and administration. These public hospital agencies must operate with balanced budgets. Budgetary surpluses can be used for investments and staff incentives and unjustified deficits will jeopardize their autonomy. The reform also brought changes in the financing regulations. The central government maintains overall planning responsabilities; that is it pays for a standard set of services that must be guaranteed to each citizen in each region. In this way, each region will continue to receive a predetermined amount of resources by the centre, in accordance with its own population (with some corrections). However, whatever remains to be paid in each region in addition to its standard yearly endowment must be covered with regional resources (higher co-payments or taxes). The regions and the USL managers will thus be encouraged to participate actively to contain costs and promote an efficient use of resources within their jurisdictions. The implementation of the 1992 reform started in 1994 and is still under way. It must be added that

rather severe restrictions were introduced in 1993 and 1994 regarding co-payment regulations and the system of exemptions, also with a view to discouraging frauds and abuses on the side of both patients and physicians.

As noted above, the 1992-1995 reforms represented major breakthroughs with respect to the institutional legacies of the past. However, the basic distributional unbalances of the Italian stato sociale have not been eradicated by these changes Thus the new Olive-Tree government voted into office in he Spring of 1996 made a comprehensive reform of the stato sociale one of its highest priority. In January 1997 Mr. Prodi appointed a Commission of experts to draft a broad plan for reform. An articulated report was submitted by this Commission (known as the Onofri Commission, after the name of its chairperson, a Bologna economist). Centred on the idea of re-equilibrating and containing (though not reducing in the aggregate) social expenditure. The main proposals of the Onofri Commission were: 1) a much faster phasing in of the new pension formula introduced by the Dini reform of 1995); 2) a thorough reform of unemployment benefits and employment promotion schemes; 3) a further rationalisation of the incentive structure within the NHS; 4) a rationalization of social assistance through the establishment of a guaranteed minimum income scheme ; 5) the introduction of new, more effective "selectivity" rules and procedures. After a few months of heated debate and political negotiation, the Prodi government has been able to include in the 1998 budget law at least some of the proposals recommended by the Commission – for example a further tightening of pension rules and a further streamlining of the NHS organizational framework. A number of novelties have also been introduced as regards social assistence and "selectivity" rules. As they are likely to affect the future of "targeting" within Italy's welfare state, these novelties deserve a closer illustration.

Targeting Italian style: problems and perspectives (draft)

Targeted benefits as of 1998 :

- social insurance schemes: family allowances, minimum (contributory pensions), survivor pensions, full indexation of pensions, social pensions, social pension supplements
- National Health Service : pharmaceuticals, specialistic consultations, diagnostic testing
- most of the cash benefits paid by social assistance programmes at the local level
- many of the social services provided at the local level (e.g. kindergarten, home help etc : fees graduated according to income)
- disability benefits (noncontributory benefits)
- a number of tax benefits

Rough quantitative estimates (1996) :
size of targeted benefits as a % of GDP : 4.4
number of beneficiaries as a % of total population : 25%

Problems :

- wide variation in the criteria used for targeting : across time, across benefits, across levels of government, across territorial areas. Main reason : lack of framework legislation, of information and evidence, of coordination.
- low reliability of the means/income test due to : high significance of financial incomes in household budgets (not counted as taxable income), loose procedures for information collection, high rates of evasion, lack of formal and substantive controls, high number of "false positives" (rough estimate : 20% of beneficiaries, for a cost of 0.5% of GDP)

Trends :

- since the 1990s, efforts to refine the reliability of the means test : inclusion of financial incomes in the "income declaration" that claimants have to sign when applying for benefits ; inclusion of assets in addition to incomes ; use of "inductive" indicators

Prospects

- elaboration of a new "indicator of the standard of living" (wealth-meter) on the side of the Ministry of Finances, based on incomes (incl. revenues from capital) and assets. This new indicator should be used in the future for filtering the access to all targeted benefits and services. Rationalization of procedures for the collecton of information (e.g. by issuing an electronic "social card") and strengthening of formal and substantial controls on claimants
- experimental introduction of a new means-tested benefit : the minimum insertion income aimed at people with insufficient resources.

Endnotes

1) There is a statutory limit of two years, which can however be de facto extended through discretionary measures.
2) In the public sector the contributory requirement used to be much lower: only 20 years. These privileges have been phased out by the Dini reform in 1995 (cf. infra), but with a very slow

schedule.

3) According to some recent estimates, irregular workers represent 25% of all active workers (ISTAT, 1994).
4) For a more detailed discussion of the demographic unbalance of the Italian and, more generally Southern European welfare state, cf. Castles and Ferrera, 1996. On poverty and social exclusion in Italy, cf. Negri and Saraceno, 1996.
5) For a detailed reconstruction of the politics of welfare expansion in Italy, cf. Ferrera, 1986 and 1993b.
6) A more detailed outline of developments in the healthcare sector is contained in Ferrera, 1995.
7) By 1996 the percentage had increased to 50%, one of the highest in Europe.
8) Own calculations based on Eurostat, 1995.
9) These figures have been drawn from the newspaper "Il Sole- 24 Ore" of 21 March 1996.
10) Cf. footnote 8
11) Other important measures were passed on the financing ot local governments and on the functioning of the civil service.
12) According to the new rules the basis of calculation of benefits will no longer be related to earnings but to past contributions. The total amount of contributions paid during working life will be divided by a "conversion coefficient" ranging from 4.719 (at the ag of 57) to 6.13% (at 65). This coefficient will be reviewed every ten years and potentially adjusted in line with demographic and economic development. The rate of contribution payable will be reviewed annually on the basis of changes in GDP. The pension itself will be inflation-proofed and a state-financed social allowance will continue to be paid to those not eligible for a contributory benefit. The system will remain pay-as-you-go but actuarial criteria will in the future govern the determination of benefits.

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