

THE OPEN METHOD OF COORDINATION AND NATIONAL INSTITUTIONAL CAPABILITIES

The Italian experience

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ABSTRACT

This paper assesses the impact of the European Union's Open Method of Coordination (OMC) on Italy's institutional capability in the employment and social inclusion policy fields. Institutional capability is defined as the extent to which a system of collective action is able – by means of interactive dynamics – to elaborate 'satisficing' responses to environmental challenges; transform such responses into decisions of a political nature; implement such decisions; and learn from experience.

Both in employment and social inclusion, Italy has suffered from a twofold handicap: initial congruence of its policymaking process with that presupposed by the OMC was low in both fields, and there have been endogenous dynamics of change which have significantly interacted with the exogenous push related to the OMC. However, the evidence provided in the paper points towards a clear strengthening of institutional capability as an OMC-induced effect in the employment field, while the OMC seems to have had little – if any - impact on institutional capability in the social assistance field. This variance is put to work in order to identify clusters of factors that have plausibly affected the impact of the OMC on Italy's institutional capability.

1. Introduction: Can the OMC enhance domestic institutional capability?*

Although primarily intended to orienting Member States' policies towards common strategic priorities and towards the adoption of shared action frameworks for bringing about valuable outcomes, the Open Method of Co-ordination has also had a subsidiary goal¹. This is the ambition to make an impact on policymaking arrangements as such – at the national level, quite obviously, but at the sub-national level as well. In this vein, it is particularly telling that the instances of the OMC analysed here have come to be commonly known as the 'Luxembourg process' and the 'Social inclusion process'. This evokes a set of procedural rules (a 'process') by means of which the actors involved – at various institutional levels – are supposed jointly to achieve the overall objectives specific to the instance of the OMC taken into account. From a politico-institutional perspective, therefore, the OMC (or maybe better, the various applications of the OMC) can be seen as an important and original experiment in the promotion of policy change on a continental basis, geared towards modifying not only objectives and policy measures in the areas involved, but also the interaction dynamics among the many actors operating in such areas.

As is well known, both the Luxembourg process and the Social inclusion process involve a periodical sequence of issuing guidelines or objectives, presenting national action plans, drawing up joint reports and so forth. Our question is: Beyond this 'liturgy', what directions of 'processual' change have been promoted by the OMC? There exist codified lists of substantive objectives for each OMC instance – they are the four pillars yesterday and the three overarching objectives and the 'result-oriented priorities' today for the EES², and the four common objectives for the fight against poverty and social exclusion³. The processual objectives, instead, have not been codified, although what can be called 'guidelines for good governance' attached to the new employment guidelines, the 'arrangements for implementation' of the Nice objectives and the fourth Nice objective itself all explicitly promote procedural patterns⁴. However, such processual objectives can be inferred from official documents with sufficient clarity as to allow us to categorise them as follows:

- i. Vertical integration
- ii. Horizontal integration
- iii. Cross-sectoral integration
- iv. Strengthening Member States' institutional capabilities

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¹ On the Open Method of Co-ordination see Mosher [2000], De la Porte, Room and Pochet [2001], Hodson and Maher [2001], De la Porte and Pochet [2002], Scott and Trubek [2002], Trubek and Mosher [2003], Sabel and Zeitlin [2003] and Radaelli [2003].

² The three overarching objectives of the new EES are: full employment, quality and productivity at work, and social cohesion and inclusion. In pursuing them, the Member States must take account of ten specific guidelines 'which are priorities for action' [Council 2003].

³ The four common objectives in the fight against poverty and social inclusion were endorsed by the Nice European Council in 2000 and then revised in 2002. They are: to facilitate participation in employment and access by all to the resources, rights, goods and services; to prevent the risks of exclusion; to help the most vulnerable; to mobilise all relevant bodies (the fourth objective, 'mobilise all relevant bodies', clearly involves procedural issues). See Council [2002].

⁴ See Council [2003] and [2002], respectively.

The objective of *vertical integration* requires that policy action at the various levels of government is 'virtuously' co-ordinated. The underlying assumption is that employment and social inclusion policies need to be territorially calibrated, and thus wide involvement of regional and local governments is called for. However, in order to bring about virtuous co-ordination this involvement must take place within a framework of institutional arrangements and (positive and negative) incentives set at higher levels of government.

Tightly coupled with the objective of vertical integration is that of *horizontal integration*, requiring adequate representation of functional interests and a high level of participation of such interests to the decision making process – a policymaking mode which might be called *governance through social partnership*. The reference to social partnership is highly explicit and visible in the OMC instances analysed here, so among the four processual objectives listed here horizontal integration is probably the most straightforward.

Our third process objective, *cross-sectoral integration*, involves the necessity to disrupt the - all too often cognitive as well as organisational - watertight compartmentalisation between different areas of public intervention. Significant gains in the ability to manage externalities and interdependence are to be expected from pursuing this objective. Exhortations to promote explicit and more effective ways of co-ordinating employment, inclusion, social protection, education and tax policies have multiplied and proceed hand in hand with the improved focus on substantive objectives which are inherently cross-sectoral, such as 'to make work pay'. 'Contamination' (or cross-fertilisation) at the level of substantive objectives can be seen in the third overarching objective of the new EES (strengthening social cohesion and inclusion) and the first Nice objective (to facilitate participation in employment).

The fourth process objective has to do with *strengthening the institutional capability* of the collective action system pertaining to a policy area (see box 1). The inherent focus of the OMC on 'learning and mimicking' [Hemerijck and Visser 2001], policy updating and review in the light of own policy experience on the one hand and mutual learning and lesson drawing on the other obviously highlights the learning component⁵. However, all the components institutional capability is comprised of are highly relevant here. The identification of relevant challenges on the basis of which to set policy priorities and specific targets (planning component) has always been requested to the Member States, and the objectives discussed above of vertical and horizontal integration are clearly connected with the decision-making component. Lastly, a focus on implementation seems to be high on the agenda as regards the policy areas covered here, following the Conclusions of the Barcelona European Council⁶.

⁵ Although the emphasis is generally put on mutual learning, in drawing up national action plans national policy-makers are also led to identify weaknesses in the effectiveness or fairness of policies or bottlenecks and strains in institutional co-ordination (e.g. between national and local levels). This is what we have elsewhere called the *maieutic potential* of the OMC [Ferrera, Matsaganis and Sacchi 2002].

⁶ '[...] the focus must be on action for implementation, rather than on the annual elaboration of guidelines' [European Council 2002, point 49].

Box 1: Institutional capability

Institutional capability of a system of collective action is the extent to which the latter is able – by means of interactive dynamics – to: i) elaborate ‘satisficing’ responses to environmental challenges; ii) transform such responses into decisions of a political nature; iii) implement such decisions; iv) learn from experience. The connotation of the concept of institutional capability comprises therefore a planning component, a decision-making component, an implementation component and a learning component.

The *planning component* relates to the ability to diagnose functional challenges in an informed way, to identify the range of possible and then feasible options, to evaluate these options in the light of socially and politically relevant interests and publicly defensible normative criteria.

The *decision-making component* relates to the ability to build social coalitions and political majorities able to make decisions given the extant formal and informal rules (or to change these rules in legitimate ways).

The *implementation component* relates to the ability to implement decisions in adherence to their basic goals, but taking also into account local variations and the existence of policy legacy and thus of inevitable interaction effects.

The *learning component* relates to the ability to monitor and evaluate the three former institutional capability components and to feed intentionally back to them.

Different Member States have reacted in different ways to the stimuli, stemming from the EES or the fight against poverty and social exclusion, to pursue processual objectives. This difference is not only due to the varying degrees of congruence between existing policymaking modes (the initial conditions, so to speak) and those envisaged under the OMC, but also to the existence and time path of endogenous dynamics of change not ascribable to the OMC coming into operation, dynamics that – when occurring – may facilitate or hinder adjustment towards the suggested objectives. This ex-ante indeterminateness of the effect of the endogenous dynamics on the pursuit of processual objectives is to be solved through empirical research.

In addition to endogenous dynamics of change, it is not to be overlooked that the strength of the stimuli varies across OMC instances, as a consequence of different structural features of the OMC processes (as opposed to the social inclusion process, the employment process is Treaty-based, involves guidelines and recommendations, has a yearly cycle) and different dates of birth.

In each of the policy areas covered here (employment and social inclusion), Italy has suffered from a twofold handicap. On the one hand, initial congruence of Italy’s policymaking process with the process objectives was low as regards both the EES and the fight against poverty and social exclusion. On the other, in both fields of employment policies and of social inclusion there have been endogenous dynamics of change which have significantly interacted with the exogenous push related to the EES and the fight against poverty at the EU level. In the area of employment, there has been an ongoing process of devolution of administrative powers to the regional and local levels of government in the field of employment services and active labour market policies. In the field of social inclusion, such dynamics have been the approval in 2000 of a framework law reforming the institutional setting in Italy’s social assistance field and then a number of other changes, the most important of which has turned out to be the Constitutional

reform of 2001 which has devolved further powers to the Regions and upset the implementation of the framework law. More often than not these endogenous dynamics, rooted in quarter-century-old political debates, have been a hindrance to the pursuit of the four process objectives envisaged by the OMC.

The next two sections of this chapter are devoted to assessing the extent to which Italy has pursued the fourth processual objectives, that of strengthening its institutional capabilities, in the context of the EES and the fight against poverty and social exclusion, taking into account the initial conditions and the interaction effects induced by endogenous dynamics of change unrelated to the OMC. The concluding section sums up, comparing the two cases and suggesting clusters of plausible factors that may help to explain variance across the two cases, to be further refined in future research.

2. *The impact of the EES on Italy's policymaking*

Since 1998, the Italian government has had simultaneously to cope with the new European Employment Strategy on the one hand, and the ongoing process of administrative decentralisation in various policy areas – among which, that of employment – culminated in the constitutional reform of 2001, on the other⁷. Given the dismal initial conditions obtaining at the time the EES was launched, the result of this interaction - if assessed in terms of institutional capability - can be deemed moderately positive⁸.

For Italy, responding to the demands of the EES raised multiple problems. The strategy took shape within Anglo-Saxon and North-European policy paradigms and values, resting on the primacy of prevention, active labour market policies and efficient public employment services. Moreover, in the early stage of the EES, employment guidelines tended to emphasise adjustment in terms of suggested policy measures rather than achievement of targets on the part of the Member States. By so doing, the EES tended to place a heavy burden on those Member States whose employment policy system was less attuned to the North-European paradigm⁹. In this respect, marked as it was by the dominance of passive policies, by a hyper-bureaucratic system of placement and by the lack of evaluation and monitoring capabilities, the Italian model of labour policy was at odds with the prescribed policy paradigm. The organisational structure of the Labour Ministry, characterised by high internal fragmentation and by the juridical culture of its staff, did not favour any development of problem solving and ex-post evaluation skills, while its peripheral offices, vested with employment service functions, were not equipped to perform the counselling and orientation tasks connected with active labour market policies and a preventive approach to unemployment. When the EES took off, the Italian government had virtually no institutional equipment for collecting and analysing data and thus for formulating articulated empirical diagnoses of the existing challenges and elaborating policy solutions along the general lines set by the European strategy. In 1987 a General Direction for the Labour Market Observatory had been created and the exigency to set up a Labour Market Information System providing on-line information to employment offices had slowly emerged. An ad hoc commission had been established, but the political and material support to such initiatives had remained weak and thus little progress had been made. Scarcely formalised was also the representation of the Labour Ministry in international bodies and decision making arenas. The relationships with institutions like the OECD, ILO and the European Union were carried out on the basis of personal ties and contingent events.

To sum up, at the time the EES was launched initial conditions in the field of employment policies were very unfavourable: the dissonance between the Italian model

⁷ The constitutional reform affecting Heading V of the Constitution was enacted in March 2001 and then approved by the electoral body in a popular referendum held in October 2001. Heading V (*Titolo V*) of the Constitution establishes the prerogatives of the regions, the provinces and the municipalities. Among other things, new Heading V of the Constitution provides for three types of legislative competence over policy areas: exclusive competence of the state over listed policy areas, shared (concurrent) competence over other listed policy areas, and then residual exclusive competence of the regions over all policy areas which are not listed.

⁸ On employment policies in Italy, see Fargion [2001 and 2002], Ferrera and Gualmini [2004] and Graziano [2004].

⁹ Moreover, the Anglo-Saxon and North-European mould reflected fears of negative labour supply incentives of generous unemployment benefits, fears which are of relatively little import for Italy. See Sestito [2002].

and that underpinning the employment guidelines could hardly have been more pronounced.

In addition, the pressures coming from the EU combined with domestic reforms and in particular with the launching of administrative decentralisation in 1997, whose consequence for the Labour Ministry was the gradual loss of important competencies and responsibilities: the reforms foresaw for the Ministry only a role of general orientation, control, supervision and international representation. Endogenous decentralization dynamics inaugurated a phase of institutional transition, which made the response to the new EU soft laws more difficult and complicated insofar as the interplay of the institutional innovations stemming from decentralization has made the institutional constellation of actors involved somewhat chaotic and the overall policy process more haphazard. All this may have had a disturbing effect on the adjustment towards the objective of strengthening institutional capability at the national level in the field of employment policy.

The process of administrative decentralization was started by Law no. 59 of 1997 – known as ‘Bassanini law’ after the minister who acted as a policy entrepreneur to push administrative reforms through. Under this law the Parliament delegated the government to issue devolution acts in many policy fields. In that of employment policy, such delegated power was exercised by the government with the Legislative Decree no. 469 of December 1997. This devolved to the regions and local authorities all the functions related to employment services and active labour market policies, but still within an overall framework set by the national level of government, which retained a ‘general role of orientation, promotion and coordination’. In particular, while leaving the administrative organisation of employment services to subsequent regulation to be issued by each region, the Legislative Decree still imposed a cast on their institutional architecture, providing for the establishment of regional coordination agencies and of regional and inter-institutional bodies for concerted action. However, the reform did not establish an agency at the national level, aimed at coordinating the various regional systems from the centre, like Germany’s *Bundesanstalt für Arbeit*. The latter is not an option any longer now, after the constitutional reform of 2001 which established shared legislative competence of the state and the regions over employment policies. This means that the regions are vested with legislative and regulatory capacity, to be exercised – however – in accordance with legislation on fundamental principles regarding employment policies, which remains in the hands of the state.

In addition to devolution of governing functions as regards active labour market policies to the regions and of managing functions of employment services to the provinces, reform bills aimed to promote a preventive approach to placement instead of the old bureaucratic one, and allowed the entry of private organisations into the field of provision of employment services, after fifty years of state’s monopoly.

The reform of employment services still constitutes one of the main challenges for Italy, and in particular for the country’s regional and local governments.

Between 1998 and 1999, Italian regional governments were busy in passing regional laws implementing national prescriptions. Job centres were set up throughout the country at the provincial level (one for each 100,000 inhabitants). As mentioned, at the regional level a new body was created, under a variety of different names (Labour Agency, Employment Authority, etc.), with the aim of governing and coordinating employment measures. Beside their control and supervisory functions, the new Labour Agencies have the duty to provide technical support to the provinces implementing the

reform, through the co-ordination of the Computerised Employment Information System (*Sistema Informativo Lavoro*) - an electronic data set covering labour demand and supply that is still in its early stages - through the development of research into the local dynamics of the labour market, and through the monitoring and evaluation of labour policy impact. Furthermore, two important bodies for integration and concerted action were set up: the Tripartite Regional Commissions (*Commissioni regionali tripartite*) and the Inter-institutional Co-ordination Committees (*Comitati interistituzionali di coordinamento*). While the former include representatives of regional public institutions, trade unions and employers' organisations, the latter include representatives of the various levels of local government (regional, provincial and municipal). Compared to the old Regional Employment Commissions (*Commissioni regionali per l'impiego*), these new bodies should be more involved in the planning and implementation of labour policies, thus avoiding possible conflict. Similar tripartite commissions were also established at the provincial level.

The reform of employment services, so markedly important for a strategy such as the EES to succeed (resting as the latter does on preventative and active measures) still does not appear to have been achieved in full. In the Northern regions, the implementation process has been more rapid and efficient, while - as recognised by the 2003 National Action Plan for Employment - in some Southern regions delays and inefficiencies continue to jeopardise the reform. The shift from a bureaucratic culture to a preventive, result-oriented approach appears to be slow. In particular, some critical factors can be identified that have obstructed the path of reform implementation. To begin with, both newly-instituted job centres and regional employment agencies (Labour Agencies) were mainly staffed with personnel from the former placement offices, basically trained to perform routinely administrative, 'certificatory' functions. The adjustment to selection, counselling and orientation tasks has proved to be slow and difficult. Alongside staff coming from former placement offices, other personnel came from different offices, with more technical backgrounds. Heterogeneity of the skills and expectations among staff has caused problems as regards training necessities, and different previous staff affiliation has bequeathed wage differentials for personnel performing the same tasks. Moreover, some successive and overlapping regulations of job placement have overburdened the new job centres in their start up stages, albeit informed by a welfare-to-work approach fully consistent with, and indeed suggested by, the employment guidelines. As remarked by Italy's 2003 Nap employment, the biggest problems with employment services seem to lay in services to enterprises, putting the whole new edifice on shaky foundations since this determines the extent to which the match between labour demand and supply is facilitated by the employment services.

To sum up, the process of devolution in the field of employment policies has (obviously) reduced prospective capacity for action at the national level, without - at least for the time being - achieving homogeneous results at the regional and local level as regards aspects at the core of the EES such those of employment services and the ability to implement active labour market policies.

Therefore, the introduction of the EES found Italy struggling with initial conditions very different from those presupposed by the strategy itself, and with a process of endogenous reform that, although aiming at the same substantive goals as the EES, tended to cripple institutional capability at the central level of government, reducing the scope national authorities had for governing the employment policy system, and complicating the employment policy network.

This notwithstanding, the EES has prompted in Italy a slow process of structural adjustment (concerning the organizational network responsible for employment policies) and cognitive learning (concerning the norms, beliefs and preferences of the various actors of this network) – a process characterised at first by extemporaneity and improvisation, but which subsequently led to some degree of institutionalised innovation and change.

In order to draw up the first NAPs, the ones for 1998 and 1999, two ad hoc commissions were set up inside the Labour Ministry, composed of a small group of external experts (about ten people each), without any direct involvement of the Ministry's staff, which indeed opposed various bureaucratic obstacles to these new initiatives. The 1999 NAP was marked however by a broadening of the circle of actors involved: the Presidency of the Council (held by D'Alema) got involved in the preparation of the plan through its economic department, which precisely in those months had undertaken an internal re-organisation with a view to equipping the Prime Minister office with greater capabilities in the most crucial sectors. The 1999 experience taught however an important lesson: the NAPs have not only to be prepared and packaged in order to submit them to Brussels, but they also need to be defended within the peer review processes and bilateral meetings with the European Commission that take place after the formal submission. They must be accompanied all the way through the Luxemburg process, all the year round (and especially when the Joint Employment Reports are drafted). In 1999, despite the institutional investment made in its preparation, the Italian NAP was not adequately supported in the follow-up to the official presentation: the expert Committee responsible for the document disbanded after the formal deadline and the ministerial bureaucracy felt neither involved nor was it capable to perform this delicate task. The change of Labour Ministers during the Summer of 1999 (Bassolino left his post to Salvi, both from the party of the Democrats of the Left, DS) did not improve the situation: the 'expert committee' system revealed itself as an inadequate organisational response to the increasingly articulated demands of an increasingly institutionalised process of multi-level governance of European labour markets and domestic employment policy regimes. Another lesson that had to be learnt in the critical juncture of 1999 was the urgent need to develop monitoring and evaluation skills in order to respond not only to the 'declarative' demands of the EES (What are your plans?), but also to its 'accounting' demands (Have you reached your targets?). The obligation to produce an Implementation Report to be attached to the Nap employment could not be immediately met, given the lack of comparable and updated data sets on existing policies.

The turning point in Italy's participation to the Luxembourg process came in 2000. In the Winter of that year a new unit called 'Monitoring Group' was established within the Ministry's cabinet with the task of collecting an updated data set on labour market trends and policies. The Group operated as an inter-service committee of administrators belonging to various directorates and ministries (Presidency of the Council, National Institute of Statistics - ISTAT, National Institute of Social Insurance - INPS, Institute for Labour and Training – ISFOL etc). This was indeed a relevant step in the overall reorganization of the policy making process: a new actor capable of providing empirical data and technical knowledge on the real dynamics of the labour market appeared on the scene – with firm roots in the central administrative apparatus - and it began to play a pivotal role in the existing, loose and inconclusive employment policy network, acting as a *trait d'union* between different administrations and an orchestrator of their joint efforts.

Soon after its creation, the Monitoring Group started to produce a series of Monitoring Reports on labour market trends and policies, which have rapidly established themselves as the standard reference source for knowledge and analysis and thus as a reliable basis for policy planning and evaluation. If compared to the 1997 status quo, the progress made by Italy in terms of institutional capacity building (and its learning component in particular) appears as remarkable, as explicitly recognised also by recent Joint employment reports.

The creation and activism of the Monitoring Group seem to have had a multiplier effect, inspiring organisational changes and new initiatives within the Labour Ministry itself, adding to institutional capacity building. Two, in particular, can be mentioned: on the one hand, the organisational strengthening of the Directorate general vested with research and statistical tasks, that now works in close association with the Monitoring Group. On the other hand, there have been remarkable efforts on the part of the Directorate general of Employment and Training to upgrade its own skills and know-how. This powerful DG – one of the most important ministerial branches in Italy – seems to have reacted to the establishment of the Monitoring Group with an attitude of (virtuous) organisational competition. This directorate general can now bring an autonomous contribution to monitoring and evaluation tasks, both by mobilising internal resources and by relying on external expertise.

In the wake of such progress, starting from the third round of the Luxembourg process (2000), the Italian government began to play a more active role not only as regards compliance to the EES, in the ‘descending’ phase (guidelines application, new NAP formulation, old NAP evaluation), but also by contributing to the EES in the ‘ascending’ phase (definition of guidelines, NAPs’ defense and peer review in general, contents of the Joint Employment Reports). From a technical point of view, a small but dynamic epistemic community (including not only the Monitoring Group but also the Italian delegates to the Employment and Social Protection Committee and some economic advisors of the Labour Ministry and the Presidency of the Council) gradually formed itself and started to perform brokerage functions between the national arena and the supranational one. From the political point of view, both Salvi (as Labour Ministry) and D’Alema (as Prime Minister) mobilised to shape the agenda of the Lisbon European Council (Spring 2000), seeking alliances with other countries on issues considered relevant for Italy. One of the achievements of this strategy was the recognition of the importance of the regional dimension of the labour market (and thus of employment policies) in the conclusions of the Lisbon summit and in the 2001 guidelines.

Also the elaboration of the 2001 NAP (the fourth round) was assigned to an ad hoc committee co-ordinated by a technician: but this time the expert committee worked in close contact with the Monitoring Group. The May elections and the change in government (from Amato to Berlusconi) played as disturbing events for Italy’s participation to the 2001 round of the EES. At the end of the summer, the new government submitted to Brussels an addendum to the May NAP, putting greater emphasis on the issue of flexibility. But that same addendum also included, for the first time, some quantitative targets, based on the scenarios elaborated by the Monitoring Group. Starting from 2002, the whole process at the national level has been internalised within the executive apparatus, so that National Action Plans for employment are drawn up within the Labour Ministry itself. External experts have lost their prominence, and the process is now under the close supervision of one of the deputy ministers.

In sum, between 1997 and 2002 the Luxembourg process has been incorporated within Italy's policy making system and there can be little doubt that this incorporation has prompted a marked upgrading (in some areas, the creation *ex novo*) of crucial dimensions of institutional capability in the field of employment policy.

Again, this can be seen with a focus to the monitoring activities, that are still very high on the policy agenda and are being constantly improved. The labour market reform enacted in 2003 (law no. 30 of February 2003, known as Biagi law after the labour lawyer who drafted it and was killed by the new Red Brigades in 2002, and the legislative decree no. 276 of September 2003) provides for new tools for making the most out of administrative data sets and for the setting of common indicators for monitoring employment policies at the territorial level, to be developed by the central and regional authorities.

More generally, the impact the EES has had on Italy's institutional capability can be assessed by taking into account firstly the White Paper on the Labour Market, and then Italy's contribution to the impact evaluation of the EES itself.

The White Paper on the Labour Market, issued in October 2001, outlined a comprehensive reform of Italy's labour market that was then partly implemented in 2003. The White Paper draws extensively, but at the same time highly selectively, on the EES as a justification for the government's reform agenda¹⁰. The document itself is presented as a tool for fostering policy debate in order to meet the requirements of the EES and the recommendations issued to Italy¹¹. However, only certain aspects of the EES are highlighted, partly an adaptation to Italy's peculiar labour market context and partly because they fit well with the government's agenda, while other aspects would not. This can clearly be seen with reference to the issue of better jobs and 'quality in work'. In June 2001 the Commission issued a communication proposing various dimensions of the concept of quality in work and indicators to assess such dimensions [CEC 2001a]. The Laeken European Council of December 2001 then approved a list of indicators based on the ten dimensions proposed by the Commission¹². The White Paper on the Labour Market of October 2001 re-framed the quality issue almost uniquely in terms of flexibilisation and desegmentation of the labour market and the fight against undeclared work, the two priorities of government's employment policy at the time. More in general, quality in work is defined in the White Paper in terms of labour market future chances of the individual ('quality of work must be measured not only and not much in terms of specific wage and non-wage features of single, actual work relationships, but rather in terms of the chances of further progress within the labour market associated to such relationships, and mostly in terms of future chances' [Welfare Ministry 2001, 59]), thus

¹⁰ To the extent that in some academic quarters the White Paper on the Labour Market was considered as a merely instrumental exploitation of the Community debate. See for instance Giubboni, who describes the White Paper as the epitome of an 'instrumental and improperly opportunistic usage of Community (social and/or labour) law and/or policy' [Giubboni 2003, 593].

¹¹ 'To all these requests [those embodied in the employment recommendations] Italy will have to respond promptly and effectively, given that they are duties stemming from Italy's membership in the European Union' [Welfare Ministry 2001, 2].

¹² The ten dimensions are: intrinsic job quality; skills, lifelong learning and career development; gender equality; health and safety at work; flexibility and security; inclusion and access to the labour market; work organisation and work-life balance; social dialogue and worker involvement; diversity and non-discrimination; and overall work performance.

disregarding all the other dimensions to put the emphasis on the flexibility side of flexicurity¹³.

Now, what is relevant here is that the EES is used intentionally, strategically and selectively to justify reforms, both functionally and normatively. This requires a degree of sophistication that shows some kind of improvement on what we called the planning component of Italy's institutional capability in the employment field¹⁴.

Another illustration of the effect of the EES on Italy's institutional capability lies in the contribution Italy made to the impact evaluation of EES¹⁵. In the final report on the impact evaluation, issued in March 2002, the Italian authorities highlighted some features of the old EES that they perceived as limits and shortcomings of the Luxembourg process, at least when looked at through the lenses of Italy's specific labour market problems and disparities, and put forward proposals for improving both the process and its contents. This clearly indicates an enhanced – if not outright novel – capacity for deliberate examination and evaluation of the structures and processes Italy was part of at the European level, in addition to better consideration of domestic phenomena. This actually translated into action at the European level, insofar as specific guidelines no. 9 and 10 of the new EES – that is, two out of ten – concern issues Italy had vocally pushed for and which were identified as important limits of the EES vis-à-vis the Italian situation: those of undeclared work and regional employment disparities. In particular, that of 'a broad approach towards reducing regional employment and unemployment disparities', as guideline no. 10 now goes, has been a very important issue for Italy's policymakers in their struggle to cope with socio-economic problems of the South after the demise (in 1992) of the so-called 'extra-ordinary intervention', which had failed to achieve the expected results. The new local development strategy was launched in 1996, following the Employment Agreement signed by Prime Minister Prodi, the unions and the business associations. Under the heading of 'negotiated planning' (*programmazione negoziata*) one can find a wide range of policy measures designed to foster local entrepreneurship, valorise local resources and institutional capabilities, and create new jobs. The numerous programmes are primarily based on a mixture of training and job creation, qualification and work. The most widespread and significant measures are territorial pacts and area contracts, policies that can hardly be considered as mere labour policies, given the wider goals of territorial development and revitalisation¹⁶. Both are designed to encourage job

¹³ It is noteworthy that, after the issue of 'quality in work' was given a broad connotation in the Community debate, to encompass the ten dimensions listed in fn. 12, and included as the second of the three overarching objectives of the new EES, Italy has been trying to reduce its salience, as it has done with the objective of social cohesion and inclusion. The Joint Employment Report 2003/2004 notes that issues of quality and social inclusion are not explicitly discussed in Italy's 2003 National Action Plan for Employment.

¹⁴ To be clear, we are *not* arguing that the impact of the EES on Italy's institutional capability lies in its proneness to be used by the government to justify reforms. Rather, its strategic use by the government can be taken as a mark of the institutionalization of a network of actors with sufficient skills to elaborate sophisticated policy plans that can be justified both functionally and normatively. What we ascribe to the EES is an impact on the institutionalization of this network, antecedent to the episode of the White Paper.

¹⁵ As foreseen by the Social Agenda approved in Nice in December 2000, an exercise of impact assessment of the EES was jointly carried out in 2002 by the Commission and the Member States in order to take stock of the experience of five years of the EES. The results are available on the website http://www.europa.eu.int/comm/employment_social/employment_strategy/impact_en.htm.

¹⁶ *Territorial pacts* consist in operative procedures and bargaining tools designed to promote the development of businesses, co-operatives and employment measures in a given area, through the utilisation of productive and natural resources that characterise that area. Bargaining does not rely upon the traditional triangle of unions, employers and the government, but on a wider network of private and public subjects (such as banks, chambers of commerce, non-profit-making associations etc.), who are to share common policy problems and jointly fund

creation and skills upgrading in depressed areas. Harsh words were reserved in Italy's impact evaluation of the EES to the alleged incapacity of the old employment strategy to understand the importance for the development of Italy's *Mezzogiorno* of negotiated planning policies. Alongside the labour market reform and the envisaged pension reform, local development strategy is one of the cornerstones of Italy's 2003 National Action Plan for employment.

In conclusion, the European Employment Strategy has clearly had a positive impact on Italy's institutional capability, if only one considers the mileage done since 1997. This has percolated, then, to actual policies: the (novel for Italy) focus on active labour market policies is mainly, if not exclusively, a consequence of the EES.

Two dark spots remain however in the picture. The first has to do with the relatively restricted network involved in the process at the domestic level, and with its still incomplete institutionalisation. We have seen that the Nap employment is now drawn up within the Labour Ministry – indeed, it tends to be a document internal to the ministry, with little involvement on the part of the regions (many of which are more interested in the aspects related to the structural funds than in the EES per se) and little if any involvement of the social partners. Moreover, if institutionalisation is defined as 'the process by which organizations and procedures acquire value and stability' [Huntington 1968, 12], then it could be argued that both the network of actors and the procedures that guide Italy's participation in the EES are still at an early stage of institutionalisation, to the extent that if left without some key policy middlemen all the edifice might well collapse¹⁷. The second dark spot is related to the ongoing trend of devolution of powers to lower levels of government, culminated in the constitutional reform of 2001, which has delegated most competences in the field of employment to regions and local governments. The institutional capability of these actors is still relatively weak and extremely varied throughout the national territory. While regions such as Piedmont, Lombardy, Emilia-Romagna or Tuscany have made significant efforts to equip themselves with the skills to perform the new tasks (and some have even started to experiment with Regional Action Plans for employment, fully in tune with the EES), most Southern regions are lagging far behind – while facing at the same time the highest problem loads in terms of unemployment and labour market modernization. The new framework of centre-periphery relations rests on co-ordination and support mechanisms which are still in a fluid state and poorly effective. Thus what has been gained in terms of institutional capability at the national level since 1997, in the wake of the EES, has been partly offset by the centrifugal dynamics of devolution of powers.

the various measures. In 2000, more than one hundred territorial pacts had been submitted to the National Committee for the Economy and Employment (*Comitato Nazionale per l'Economia e il Lavoro* – the body competent for recommending public funding: CNEL), 71 for the South and 38 for the Centre-North. Ten of these pacts are "European pacts", that is, ones financed by special European funds

Area contracts have the same goal as territorial pacts: i.e. to preserve and/or create jobs in under-developed areas. They differ from the pacts in that they cover areas where industry already exists (albeit in crisis). They are signed in order to avoid mass redundancies. Unions are prepared to waive the national contractual standard and to agree to wage and administrative flexibility.

¹⁷ The importance of 'policy middlemen' in the policy process, and for learning in particular, is highlighted by Hecló [1974].

3. *The impact of the Social inclusion process on Italy's policymaking*

At the time the EU strategy on social inclusion was launched, in spring 2000, the issue of poverty and social exclusion was gaining increasing salience in Italy's policymaking¹⁸. Changes were underway to build an integrated system of social services and interventions which was to link and co-ordinate the various levels of social assistance governance and provide citizens with homogeneous benefits across the whole national territory. These efforts were aimed at breaking away from a long-standing situation of marked territorial differentiation and paucity of resources affecting Italy's social assistance sector¹⁹.

Largely marginal in the national debate and policy agenda for decades, the issue of poverty and social exclusion came to the fore of the political discourse when, in the mid-1990s, the wider issue of an overarching welfare state reform started to be debated as a consequence of changing labour markets, family structures and demographic trends meeting with the now binding post-Maastricht budgetary constraints. The situation of Italy's 'assistenza' (the aggregate of all non-contributory transfers and all non-health services) was apparent to both social and political actors: high institutional fragmentation, overlapping of measures, a bias towards cash transfers and against services, the lack of a safety net of last resort, marked territorial differentiation all plagued Italian social assistance field. In particular, citizens would enjoy rights that vary considerably from place to place, depending not so much on the situation of need per se but, rather, on the place of residence of the person in need. At the same time, the task of combating poverty at a national level was (and to a large extent still is) mainly left to categorical transfers such as the social pension and the pension supplements and to disability pensions used as a functional equivalent to the missing safety net. In pursuit of EMU membership, the government led by Romano Prodi appointed in 1997 a commission of experts with the task of putting forward proposals for reforming Italy's entire welfare state building. The Commission for the Analysis of Macroeconomic Compatibilities of Social Expenditure (*Commissione per l'Analisi delle Compatibilità Macroeconomiche della Spesa Sociale*), chaired by the economist Paolo Onofri and hence known as 'Onofri commission', came up with a project of gradual re-calibration both *within* social assistance and *between* social assistance and social insurance (especially pensions), resting on the following broad orientations:

- the universalisation of potential access to benefits, linked to the implementation of effective selectivity criteria and mechanisms in ascertaining beneficiaries' needs and determining the deserving households;
- the establishment of a safety net;
- the promotion of a wider array of decentralised services, with a smoothening of territorial disparities;
- a rationalisation of existing cash transfers, separating more clearly the anti-poverty function from that of supporting family responsibilities.

¹⁸ This section draws on in-depth interviews to key informants conducted in Rome and Brussels in 2003 and 2004. Sometimes in what follows excerpts of some interviews are cited. In such cases, the interview is identified by a coded letter, to provide anonymousness to those interviewed.

¹⁹ On social assistance policies in Italy see Baldini, Bosi and Toso [2000], Boeri and Perotti [2001], and Sacchi and Bastagli [2004].

The new approach to social assistance put forward by the Onofri commission found its legal embodiment in the framework law no. 328 of 2000, awaited for since the late 1970s. In 1977 responsibilities in the field of social assistance had been devolved to the regions and local authorities while the state maintained authority over measures of a contributory or insurance nature. In transferring responsibilities, the 1977 reform had not established guiding principles or general standards to be respected by the regional and local levels of governments: it simply stated that these principles and standards would be set by a national law that would regulate social assistance (reforming the social assistance law in force, dating back to 1890) and by regional laws. As mentioned, the national law was issued only in 2000.

The framework law no. 328 of 8 November 2000, which reformed the institutional setting of Italian social assistance, was drawn up in accordance with the ongoing decentralisation and with principles of subsidiarity, while at the same time establishing the national government's competence for fixing general guidelines. In 1997 a sweeping administrative reform (already mentioned in section 2) had deeply modified the relationships between state, regions and local authorities, devolving administrative functions to the lower levels of government. The directive functions were reserved to the state, while the functions of regional planning were assigned to the regions and those of local implementation of services to the local institutions. As said, the framework law on social assistance of 2000 was consistent with the administrative reform of 1997 as regards the attribution of responsibilities across levels of government. At the same time, it promoted policies of a more universal nature (addressed to all individuals and families in a situation of need and not only to certain categories) and policies in the form of services and in-kind benefits to complement monetary transfers, particularly in favour of children, the elderly and the poor. The framework law also addressed another weakness of the social assistance sector: the low financial resources destined to it, and established that social assistance measures be financed with resources from the National Fund for Social Policies²⁰.

The Italian system of policy planning following the framework law can be described as multi-level, multi-actor and multi-sector planning. The multi-level character of the planning process consists in a rather detailed division of labour between the responsibilities of the central government, the regions and the municipalities (or sets of municipalities grouped in 'zones'). Its multi-actor character rests on the involvement of social partners and NGOs in the identification of priorities as well as in the actual implementation of measures. Finally, the multi-sector character of Italy's social planning was lying in the parallel presence of several action plans at various levels – the main plans being the Social Plan (intended to be issued every three years), the National Action Plan on Employment, the Education Plan (2000-2006), the Health Care Plan (every three years), plus a series of other, more circumscribed plans (on disability, children and teenagers, drug addiction, the elderly). All these plans contain measures that address

²⁰ The National Fund for Social Policies (*Fondo Nazionale per le Politiche Sociali*), henceforth Social Fund, was first introduced in 1998 with the objective of financing at a central and local level social policies aimed at children, the elderly, the disabled, the prevention of drug abuse and the rehabilitation of addicts, family support and the integration of foreign citizens. Law 328/2000 established that starting from the year 2002, the total appropriation of the Fund is determined by the yearly Budget Law and no longer by the sum of appropriations made by single laws. This should facilitate a more co-ordinated programming of social policies at all institutional levels. The national government is in charge of the allocation of the financial resources, which takes place after an agreement is reached between the national and the regional governments.

social exclusion. Particularly relevant is however the Social Plan for 2001-2003²¹. It identified five policy priorities: supporting family responsibilities, enhancing children rights, contrasting poverty, supporting dependent persons (especially the severely disabled) through home help services, promoting the inclusion of specific problem groups (immigrants, addicted, teenagers).

In addition to the previous ones, framework law 328 of 2000 also had two further aims, both related to institutional capability building in the field of social assistance: on the one hand, it intended to remedy the lack of data regarding social policies; on the other, it provided for a more massive staffing of the office dealing with social assistance within Italy's administration.

As for the informational lack, since Italian social assistance is scattered and mostly delivered at the local level, data on social policies are all too often simply not available. The framework law intended to overcome this problem by instituting a system of comprehensive data gathering on social policy outlays, social policy measures and social needs and involving all levels of government (state, regions, provinces and municipalities) in its functioning²².

As for the organizational aspects, the functions of policy planning, monitoring and evaluation in the social assistance field were vested in an office formally subsumed under the Prime Minister's branch within the government (albeit headed by a minister), the Department of Social Affairs. Far from being a liability, the lightness of the organizational structure of this office – a department of the Presidency of the Council of Ministers rather than a department within a Ministry – appears to have been an asset for the scope and depth of its action. Comprised of about 100 young, committed officers, it had strategic vision and planning capabilities. In order to make the Department of Social Affairs able to cope with the new tasks of co-ordination, monitoring and evaluation envisaged by the reform, the framework law provided for doubling the Department's staff by hiring 100 new personnel.

To sum up, at the time the EU strategy against poverty and social exclusion was launched in Lisbon, the initial conditions were fairly unfavourable: Italy's policymaking in the social assistance field was de facto rather incongruous with the four processual objectives of the OMC, with the partial exception of good planning capability on the part of the Department of Social Affairs. At the same time, though, endogenous dynamics of change were under way that went in the same direction as the OMC, at least as regards the four processual objectives. The integrated system of social services and interventions envisaged under framework law 328 of 2000 was precisely to promote vertical, horizontal and cross-sectoral integration, while at the same time setting the stage for an improvement of Italy's institutional capability in the social assistance sector, in particular as regards its planning and learning components. Our hunch is that if such dynamics had had the time to take their course, the Social inclusion process would have made more of an impact on Italian policymaking in the social assistance field than it has done so far.

The first product of the Social inclusion process on the Italian side, the National Plan on Social Inclusion 2001-2003, was built around the provisions of the framework law, and highlighted all the features of the new system of policy planning. In the words of the

²¹ Law 328/2000 established that the government must prepare a National Plan of Social Interventions and Services (henceforth: Social Plan) every three years. The Social Plan should have determined - amongst other things – the priorities for action in the social assistance field. For reasons that will soon become clear, after the Constitutional reform of 2001 the central level of government is barred from issuing a new Social Plan to replace the one expired in 2003.

²² *Sistema informativo dei servizi sociali*, Information System of Social Services, which was never built (see *infra*).

European Commission, Italy's Nap/incl 2001-2003 contained 'elements of a national strategy that is being improved in order to reflect new realities or made more coherent'²³. However, the Nap/incl did not go much farther than that. It provided an inventory of the main challenges in terms of poverty and social exclusion and of the existing policies to combat them, but did not build on the identification of such challenges - nor on examples of virtuous policies - to innovate, set targets or take commitments. Three path-breaking measures introduced in 1998 which epitomised the new phase of Italian social assistance (a benefit for large families, a maternity benefit for women not entitled to the insurance-based maternity benefit and the experimentation of a minimum income scheme) were given scant consideration in Italy's first Nap/incl, and the Nice objectives were not systematically used to reformulate problem diagnoses and strategic approaches. In particular, Nice fourth objective (mobilising stakeholders), so important in order for the new Italian strategy to succeed, did not receive a focussed attention. No targets were set as regards stakeholders' mobilisation, and the section on the preparation of the Nap/incl was only a list of actors and meetings which did not specify the mode of relationship entertained with the actors listed (though 'consultation' is likely to have been the prevailing mode)²⁴.

However, although disappointing in that it did not set targets nor take commitments while tending to assume that policy planning per se would go a long way towards combating poverty and social exclusion, the first Italian Nap/incl should be assessed on the background of the other Member States' Naps/incl. When looked at in such a comparative perspective, some of the faults and weaknesses of Italy's Nap/incl appear to have been widely shared in the first round of the Social inclusion process [Ferrera, Matsaganis and Sacchi 2002]. Moreover, the drafting of 2001 Nap/incl overlapped with Italy's general elections, held in May 2001. The task of drawing up the Nap/incl had been assigned to a team internal to the Department of Social Affairs and, although the Nap/incl was the policy priority at that time, it is a reasonable guess that the electoral campaign involving the Minister might have somewhat diverted the attention of the Minister's staff away from the action plan.

As we have already pointed out, we sense that if the endogenous dynamics occurring at the time the Social inclusion process was in its early stages had progressed, they would have actually reinforced the clout of the OMC as regards the national policymaking mode in the social assistance sector. As seen, law 328 of 2000 was pursuing the same 'processual' objectives as the OMC does. Like all framework laws, however, law 328 was an 'open' law: it established principles and defined priorities, but required for their actual realisation the enactment of a rather long list of implemental provisions, involving various institutions at different levels of government. Now, in the two-year span between the first and the second Italian Nap/incl, some new dynamics occurred that upset the implementation of law 328 of 2000 and indeed hindered Italy's adjustment towards the four processual objectives in the social assistance sector. They are related to the change of government, to organizational changes concerning the offices vested with social policy at the state level and - most importantly - to the constitutional reform

²³ First Draft Joint Report on Social Inclusion [CEC 2001b, 22].

²⁴ The actors listed include central administration agencies, organisations of regional and local administration, trade unions, third sector associations, the national statistical office and policy evaluation agencies. It is to be noted that the employers' associations were not listed.

affecting Heading V of the Constitution, enacted in March 2001 and entered into force in October 2001, after a popular referendum held in the same month²⁵.

The greatest hindrance to the implementation of Law 328/2000 has been the reform of Heading V (*Titolo V*) of the Constitution, which establishes the prerogatives of the regions, the provinces and the municipalities. Being not enumerated among the items of exclusive competence of the state, nor among those object of concurrent legislation on the part of the state and the regions, social assistance is now an area subject to exclusive regional legislation²⁶. However, the setting of essential levels of provision concerning social rights to be guaranteed across the whole national territory is still in the hands of the state, which furthermore retains the power to substitute for lower levels of government in order to assure that citizens enjoy such essential levels of provision, once established²⁷. In fact, and also considering how difficult it is to set the essential levels of provision of non-monetary benefits (and those regarding the prevention of exclusion and promotion of inclusion in particular: see Gori [2003]), it seems fair to argue that the constitutional reform has at least partially disembowelled the reform of social assistance embodied in the framework law. The constitutional reform has deprived the national government of those tools for co-ordination and planning that it had acquired shortly before, after a quarter-century wait²⁸. As a consequence of the new constitutional provisions, the state cannot issue a new Social Plan to replace the one expired in 2003, and co-ordination of lower-level policy action into a coherent whole is considerably more difficult than before. Implementation of the framework law is haphazardly taking place at the only territorial level now vested with legislative and regulatory capacity in the social assistance sector (except for the setting of the essential levels of provision): the subnational level. The drawback is that, with no guidance on the part of the national level, implementation is left to voluntary compliance of regional and local governments, thus perpetuating precisely what framework law 328 of 2000 intended to counteract: territorial disparities in the enjoyment of social rights, particularly between the North and the South. To put it bluntly, Italian citizens living in Northern regions tend to have access to a relatively wide range of social services and cash benefits, while their regional and local governments have approved regional and 'zonal' social plans and developed monitoring systems. At the same time, many citizens living in Southern regions have little if any access to social services and can claim no cash benefits, while their regional and local governments have not implemented law 328²⁹.

Such a centrifugal drift has found no countervailing forces from within the centre-right government led by Silvio Berlusconi, voted into office in spring 2001. The government has taken a markedly low-key approach towards the possibility of launching initiatives aimed at giving a reference framework to local social assistance. Even under the new constitutional provisions, there might be more scope for action on the part of the

²⁵ Constitutional law no. 3 of 18 October 2001.

²⁶ Unless social assistance provisions can also perform functions pertaining to areas subject to shared competence. This principle was upheld by the Constitutional Court in late 2003, when it declared that regulation of crèches, albeit traditionally considered to be part of the assistance sector, is subject to shared competence given that crèches serve educational purposes also, education being a matter of concurrent legislation. See ruling of the Constitutional Court no. 370 of 17-23 December 2003.

²⁷ Essential levels of provisions must be set by law or according to a procedure set by law. See ruling of the Constitutional Court no. 88 of 13-27 March 2003.

²⁸ It is to be noted that it was the same centre-left parliamentary majority to endorse both the framework law and the constitutional reform.

²⁹ 'There are entire areas in the South where there is no social assistance whatsoever, and the only channel of help to citizens is through the NHS general practitioner, or the priest.' (Interview V)

central government than what the Berlusconi government seems keen to undertake. Juridical relations between law 328 of 2000 and the constitutional reform do not seem to have been investigated thoroughly, and the task of monitoring the implementation of the framework law was no longer assigned to any office within the Welfare Ministry starting from 2003³⁰. Apparently, the government seems rather eager to consider Law 328 of 2000 obsolete and in February 2003 it issued a rather vague 'White Paper on Welfare' which is of little practical use as a guidance document. The White Paper identifies two 'new priorities': 'to manage demographic change' and 'to put the family at the core of policy action'³¹. However, the way it deals with the role of the family within the welfare system seems completely at odds with the normative conclusions of mainstream contemporary social science research (see, for instance, Esping-Andersen [1999]), insofar as it assumes that the family is, and must remain in the future, the main welfare provider and the cornerstone of Italy's welfare system, disregarding the poor efficiency and distributional consequences of such an approach³². But the most relevant feature of the White Paper on Welfare is that only general priorities are set, while the issue of financial resources necessary to implement such (vague) priorities is dodged completely³³. A proposal put forward by the White Paper that, if followed, could have helped to overcome social assistance sector governance problems stemming from the constitutional reform is that of establishing an OMC-type mechanism at the national level. This mechanism should have consisted of procedures 'founded on the establishment of common macro-objectives, the identification of (...) indicators, the definition of operational goals and implementation times' [Welfare Ministry 2003, 37], involving all levels of government by means of Regional and Local action plans on social inclusion, with a decision making open 'should it be deemed necessary, to all the other actors involved in the system' [*ibidem*]. The objectives were never specified, while the OMC-type mechanism was never implemented³⁴.

Prima facie, therefore, the state has backed away from the social assistance sector – and consequently from political action to combat poverty and social exclusion – even more than how would be congruent with the constitutional reform. More accurately, though, it could be said that the Berlusconi government reoriented priorities within the social assistance field away from an overall, comprehensive strategy and towards haphazard categorical interventions aimed at the elderly and the families³⁵. A clear

³⁰ The Ministry of Labour and Social Policies (also known as Welfare Ministry) incorporated the Department of Social Affairs as of June 2001: see *infra*.

³¹ It is worth noting that the family model implied by the White Paper is the traditional one, based on wedlock.

³² Giubboni [2003, 590] calls the approach of the White Paper one of '«conservative modernization» of the familism which is typical of Italy's welfare regime'.

³³ In the words of the non-governmental expert report on the Italian NAP inclusion 2001, issued within the context of the Community Action Programme to combat social exclusion, 'a wide debate followed considering the White Paper as a generic proposal without timed-objectives for social and labour insertion' [Strati 2003, 29]. See, for instance, the contributions by Del Boca (6 February 2003), Saraceno, Boeri and Perotti, and Ranci (20 February 2003) posted on the web journal *La Voce* (www.lavoce.info, accessed 14 June 2004).

³⁴ Evidence we collected from independent sources points in the same direction. 'Open coordination is a method, but you have to give yourself objectives first. But objectives are totally lacking. There are declared objectives that are completely general, mainly relating to employment, but also that of enhancing fertility. But the objective of building a network of services to families where such services lack, that is instrumental towards the fertility objective, is absent.' (Interview V) 'The proposal of a national OMC was in the White Paper because it is fashionable, but at present time it is dead letter.' (Interview Z) 'This is bunk. At present time organisational preconditions are lacking and there are no initiatives.' (Interview A)

³⁵ Budget law for 2002 raised the amounts of the pensions supplements and the social assistance old age pensions for over seventy year old beneficiaries (over sixty year olds in the case of the invalidity pensions). As

manifestation of this is the decision not to proceed to a generalisation of the minimum income scheme which was experimented in selected municipalities between 1999 and 2002 and highlighted as a best practice in the first Nap/incl³⁶. Such a measure could well be one of those essential levels of provision concerning social rights the state is entitled to set, and one of the easiest to craft, at least as regards its monetary component. However, budget law for 2004 provides for co-funding on the part of the state if a region decides to adopt a measure called Income of Last Resort (*Reddito di ultima istanza*). Although the details of such measure are still unclear, it is remarkable that the central government eschews social policy intervention in a matter, that of essential levels of provision, falling within its exclusive competence and leaves such intervention to regional voluntarism. It is tempting to guess that rich Northern regions will introduce the measure, while the poorest among Southern regions will not. At the same time, in at least two instances, both related to policy interventions in favour of the family, the government has adopted a much more active (and confrontational) stance, trying to encroach upon the regions' constitutional rights in the social assistance field. The first episode has to do with the government unilaterally instituting, with Budget law for 2002, a fund earmarked for financing crèches, and those on the workplace in particular. The Constitutional Court has ruled against this³⁷. The second episode relates to the earmarking of 10 per cent of the 2003 Social Fund to reduce the cost of home loans for newly-wed couples, something that the state is probably not entitled to do under the new constitutional architecture. This triggered a harsh confrontation with the regions, resolved in favour of the latter before appeals to the Constitutional Court were lodged.

A third endogenous change has involved the organisation of the office vested with social policies at the governmental level. A bill of reform of state ministries, enacted by the centre-left government in 1999, provided for the establishment of a Ministry of Labour and Social Policies starting from the first government after the 2001 general elections³⁸. This was done in order to take advantage of policy interdependencies in the employment and social policy areas. The process of grafting the Department of Social Affairs onto the Ministry of Labour did not work out well, though. Because of wage and status differentials between the Presidency of the Council of Ministers and the Labour Ministry, when given the possibility to choose all but three officials (out of about one hundred) chose to remain in the Presidency of the Council of Ministers and did not follow their organisation's journey from being a department of the Presidency to being a department of the new Ministry of Labour and Social Policies. This almost completely deprived the new department of its former expertise. Moreover, only 80 new personnel were hired, as opposed to 100 personnel as provided for by law 328 of 2000. Thus, from being prospectively staffed with 200 personnel, the new department was left rather

regards families, Budget law for 2002 raised the tax credit for dependent children, while Budget law for 2003 introduced the 'no-tax area', an above-the-line tax deduction shielding a variable amount of earned income from the application of personal income tax. Neither of the latter measures seem to have had a considerable poverty reduction effect, due to the fact that the poor typically earn little if any income, so the tax credit instrument is utterly ineffective. From December 2003 until December 2004 mothers receive a one-off cash transfer worth € 1,000 when they give birth to or adopt any child following their first one. The paucity of the transfer makes any pro-natalist or anti-poverty effect highly unlikely. See also Sacchi and Bastagli [2004].

³⁶ Italy is one of the only two EU-15 Member States (the other is Greece) not to have a minimum income scheme.

³⁷ The Court ruled that the state cannot consider this matter under its exclusive competence, but also rejected the plaintiffs' (i.e. the regions') claim that this matter falls within the regions' exclusive competence, insofar as crèches perform educational functions, and education is a matter of shared competence. See fn. 26.

³⁸ The original reform provided that the Ministry should have competence over health policy as well, but the Berlusconi government changed it to maintain an autonomous Health Ministry.

understaffed, within a ministry employing more than 8,000 personnel in the labour departments. Moreover, a recent internal re-organization cancelled the departments to establish a general secretariat, devoid of the power to allocate resources. This seems to have reinforced the structural weakness, within the ministry, of the functions related to social policies as opposed to those related to employment policies, and at the same time to have reduced that capacity for co-ordinated action which was guaranteed by the departmental structure.

When jointly assessed, the endogenous dynamics taking shape between the first and the second Italian Nap/incl clearly obstructed the path towards a policymaking mode in the social assistance field more attuned with that envisaged under the OMC. Processes of vertical and cross-sectoral integration have been upset by the constitutional reform and lack of political guidance on the part of the national government, while horizontal integration is now largely left to the will of the regions, a development that the national government seems happy to acquiesce in. Also the two most promising directions of the process of institutional capability building – the strengthening of the planning and the learning components - have received a hard blow from the loss of functions of the central level of government and, in particular, from organizational changes within the government and the lack of political backing to the fight against poverty and social exclusion. One of the initiatives we have mentioned as a sign of institutional capability strengthening, the creation of a territorially integrated system of information on social outlays, measures and needs, has never seen the light of day.

Italy's 2003 Nap/incl, and the way it was made, is a clear sign of the extent to which such endogenous dynamics of change have acted in the opposite direction as the adjustment towards the OMC processual objectives.

Italy's Nap/incl for the period 2003-2005 was drawn up in less than two months – between May and July 2003 – by a five-people staff comprised of the director-general of the Directorate General 'Employment and Vocational Training', a senior officer and a junior officer from the same DG and two external consultants to the same DG. In no official document internal to the Ministry of Labour and Social Policies can there be found any formal hooking of the task of drawing up 2003 Nap/incl to a specific bureau. Apparently, the task of drawing up the Nap/incl was assigned in May 2003 to the director-general of a DG little connected with issues of poverty and social exclusion on the basis that the same officer had drawn up the first Nap/incl in 2001. This officer then involved her aides and staff, none of whom is directly concerned with stable administrative functions connected to poverty and social exclusion issues or social assistance. In addition to writing the Nap/incl, the same five people performed the task of involving the various offices within the Ministry and the regions, and of consulting the other governmental branches, the social partners and the NGOs. Some of the substantive aspects of Italy's Nap/incl 2003-2005 are particularly telling and useful to assess the impact on Italian institutional capability of the social inclusion process.

The Plan is accompanied by a detailed and comprehensive statistical appendix, which was however completed only in September 2003, two months after the Nap had been sent to Brussels. Presumably because of this, the Nap/incl is not informed by quantitative knowledge of social exclusion phenomena. However, it is the more inherently political aspect of the Nap to be utterly inadequate: no overall strategy for tackling and preventing poverty and social exclusion is presented, no targets are set and

there is no indication of resources destined to listed policy measures³⁹. In short: no commitment is taken. With the exception of the little-useful 'White paper on welfare', there were no political guidelines the group of officials and consultants drafting the Nap/incl could follow, and no inputs on how to go about setting targets or identifying priorities for action came from the political level of the ministry⁴⁰. The lack of a strategy and of political guidelines also influenced the way the NGOs and the social partners were involved in the making of the Nap: mere consultation took place, with the first meeting with the stakeholders convened only in July, so as to keep the drafting insulated while waiting for some political guidance which never came. All the stakeholders expressed their profound dissatisfaction with their involvement in the process of preparation of the Nap/incl, as well as their disagreement with the substantive contents of the Plan⁴¹. This did not trigger, however, mobilization on the part of NGOs and the social partners which, rather, put forward their negative comments to the plan, or - as was the case with the social partners - even refused to contribute to the Nap/incl, deemed impossible to improve⁴². This stance on the part of the stakeholders is partly a consequence of their involvement in the preparation of the Nap/incl at a very late stage of the process, only few days before the document had to be sent to Brussels. It can also be read, however, as a fatalistic attitude, showing resigned acceptance of the fact that a strategy to fight against poverty and social exclusion is not in the governmental agenda, unless for issues related to the defence of the traditional family based on wedlock or when the attention of the media can be attracted to highly visible albeit scattered social policy interventions⁴³.

The absence of political commitment in the domestic slope of the social inclusion process is testified by the way an inherently political document such as the Nap/incl is conceived by the political level of the Ministry: a mere 'report to Brussels', rather than an action plan in which to deploy a strategy⁴⁴. Since the making of the Nap/incl is perceived

³⁹ The only quantified targets in the Nap are the 2005 intermediate targets towards the Lisbon employment objectives. 'This tells a lot about the unbalance between the two sectors [employment and social inclusion]: once again, there is a vision of the fight against social exclusion running eminently through employment inclusion.' (Interview Z)

⁴⁰ '[The directions given by the White Paper are] so generic that it is extremely difficult to squeeze useful guidelines out of them, priorities for action, due to the lack in substance.' (Interview A) It is to be noted, moreover, that the policy views set out in the White Paper as regards the role of the family within the welfare system run counter to much of mainstream contemporary social science. In the words of the European Anti Poverty Network 'the Italian Plan sees the family as the main welfare provider and the most important tool for social inclusion, actually delegating to it almost the full range of those responsibilities that should be in the hands of society and public authorities, forgetting that many times the family alone cannot adequately respond or, put more simply, is just not there' [EAPN 2003b, 10].

⁴¹ See, for instance, the European Anti Poverty Network which reports that their Italian section feels that 'the aim of «mobilizing all relevant actors» has not been met even on a symbolic level' [EAPN 2003b, 15]. On the contents, see CILAP [2003], and its summary in English [EAPN 2003a, 6].

⁴² In a joint document issued on July 22, 2003 (a week after the draft Nap/incl was presented to them) Italy's three main trade unions state that '[our complete disagreement on the content of the draft Nap/incl] makes it impossible, for us, to put forward amendments to the presented document' (Letter of CGIL, CISL and UIL to the Welfare Minister and the Officer in charge of producing the Nap, available at www.uil.it/nap.htm)

⁴³ It is telling that the second European roundtable on poverty and social exclusion, held in Turin in October 2003 under the Italian Presidency of the EU, carried a subtitle: 'The role of the family in promoting social inclusion'.

⁴⁴ Much of our assessment of the Italian Nap/incl is shared by the second Joint Inclusion Report [Council 2004, 180-184]. The lack of quantified targets, the scanty information on the allocation of financial resources, the inadequate involvement of the stakeholders and the social partners are all noted in the Report, which also utters words of caution as regards the overall territorial governance of the social assistance system given that 'a strong co-ordination of policies and measures, as well as of monitoring and evaluation is still lacking to a degree' [Council 2004, 183]. In addition to that, the Report also points to the Nap/incl shortcomings as regards gender

as an administrative task tokenistically to comply with, no effort is spent on creating a stable structure to draft it and monitor its implementation. Therefore, not only is there no dedicated bureau, but the task of making the Nap is not allocated to an existing office but rather to an identified officer whose stable functions do not include poverty and social exclusion issues⁴⁵. What is relevant here is that the lack of a stable attribution of the task of making the Nap/incl hinders many achievements as regards the processual objectives that would otherwise be possible – and in particular reduces the likelihood of an impact of the social inclusion process on Italy's institutional capability in the field of social assistance.

For instance, if the collaborative relations initiated in the making of the Nap/incl between the group drafting it and the regions could develop and progress, institutional capability could be strengthened⁴⁶. This requires the setting up of a stable and dedicated bureau, otherwise the links disperse and vanish as soon as the process of writing the Nap is concluded, as it actually happened. Stable collaboration with regions on coordination and monitoring of regional and local policies could clearly enhance all four components of Italy's institutional capability as regards social inclusion issues: the ability to identify policy options, local problems and interinstitutional strains could be improved, while agreements tied with regions and local actors could make decisions shared (by the same token, a parallel institutionalisation of relations with NGOs and social partners as regards social inclusion could broaden decision-making and improve legitimation of policy outputs). Moreover, the lack of the stable function of developing the action plan on social inclusion and monitoring its implementation increases the likelihood of the whole exercise taking place in an informational vacuum, disconnected from statistical evidence and knowledge. Monitoring of inclusion policies and social expenditure in Italy is scanty and highly inhomogeneous across regions, and an overall picture is virtually non-existent. The (exigency of producing the) Nap/incl could well be instrumental in monitoring social expenditure at all levels of government, something that is of the utmost importance for budgetary reasons and also because it is a precondition for the setting of essential levels of provision concerning social rights. Precisely for these reasons, however, surveys will be carried out in the near future with a view to establishing a permanent activity of social expenditure monitoring at the various levels of government, so this might be one of those endogenous dynamics of change that happen to facilitate adjustment towards the OMC processual objectives.

issues ('the principle of gender mainstreaming appears to have been implemented in the Italian Nap/incl only to a limited extent' [*ibidem*]) and immigrants ('social insertion of immigrants may also prove a bigger challenge that envisaged in the plan' [Council 2004, 184]). The issue of immigration, or better how immigration was dealt with in the Nap/incl, triggered a harsh confrontation in bilateral meetings between the Commission and Italian government officials, in Fall 2003.

⁴⁵ This might change in the future, as an envisaged internal reorganization of the Ministry should explicitly allocate the function of drawing up the Nap/incl to a Directorate General called 'DG Family, Social Rights and Corporate Social Responsibility'. This should be the same DG responsible for policy interventions to combat poverty and social exclusion.

⁴⁶ Probably the most interesting aspects of Italy's Nap/incl 2003-2005 are to be found in Annexes I and II, where the state of affairs as regards the implementation of Law 328 of 2000 at subnational levels of government is detailed. This is the outcome of a collaboration between the officials writing the Nap and the representatives of the regions, who were involved in the making of the Nap from the very beginning. In addition to contributing with Annexes I and II (based on work carried out with ISFOL, a technical agency already mentioned in the section on the employment process), the regions also contributed to sections of the main text. Surprisingly enough, no mention is made of this collaboration in section five of the Nap/incl, which should have been dedicated – *inter alia* – to assess 'the process which was followed to monitor the 2001 Nap/incl and to develop the 2003 Nap/incl' [Social Protection Committee 2003].

To sum up, the poor quality and the improvised way the 2003 Nap/incl was drawn up testify to the detrimental influence the changes occurred after the 2001 Nap/incl was presented have had on the process of institutional capability strengthening – or building *tout court*. Causality can then be reversed, insofar as the necessity of making the Nap/incl is not being used as an instrument of institutional capability building and as a means for better governance of the chaotic social assistance sector in Italy. At the present time, the reasons why this has not happened so far can only be guessed at, something we will do in the conclusions.

4. Conclusions

As we have seen, both as regards employment and social inclusion Italy's policymaking modes were, at the time the OMC was applied to such fields, quite dissonant with those envisaged under it. In both fields, moreover, there have been endogenous dynamics of change that seem to have been a fetter on the scope the OMC had for inducing change towards the fourth process objective, that of institutional capability strengthening – or building *tout court*. However, the two OMC instances have clearly had different impacts on Italy's policymaking, when assessed in terms of institutional capability. If our account is accurate, then the autonomous impact of the OMC has been relatively significant in the case of employment, and relatively insignificant in that of social inclusion. We have repeatedly pointed out evidence that can be taken to validate such claim: the different quality of National Action Plans in the two fields; the different strength, quality and degree of institutionalisation of supporting structures for planning and learning; the different degree of institutionalisation of the domestic slope of the employment as opposed to the social inclusion process, with the creation of a dedicated structure in one case and extemporaneous attribution of tasks in the other; and, finally, the different mode of participation to the process, with growing awareness and some acquired clout in promoting and 'uploading' to the European level domestically relevant issues in the field of employment, as opposed to substantial lack of interest in that of social inclusion. More work is certainly needed to tailor indicators in order to operationalize the concept of institutional capability and to assess the effect of the OMC on such indicators. Still, we believe that the evidence we have collected so far is strong enough to highlight remarkable variance in the impact the OMC has had on Italy's policymaking modes and structures in the fields of employment and social inclusion. The next step is to explain this variance. Again, much more research is required on this front: at this stage we can only make a first attempt at singling out the explanatory factors, without trying to establish a pecking order among them.

Retrospectively, it would seem that our ex-ante guesses, as outlined in the introduction, were indeed reasonable ones: differences in the external stimuli (OMC instances with different features) on the one hand and differences in the endogenous dynamics of change on the other evidently are important explanatory factors of the impact the OMC has on national policymaking systems (apparently, variance as regards the initial conditions was not available in this case). But two more clusters of plausible explanatory factors emerged from the analysis: differences in functional salience of the two policy areas under scrutiny, and differences in political conjunctures and agendas. As a way of organizing future research in this field, let us have a stab at each of the four clusters we have found, while at the same time calling for case study analysis that may introduce variance in the initial conditions.

As for differences in exogenous stimuli provided by different OMC instances, it seems that structural differences between the employment and the social inclusion process – outlined in table 1 below - were relevant factors in explaining why the first had some impact on Italy's institutional capability whereas the second had very little, if any. To enjoy a direct Treaty base makes the Luxembourg process a statutory OMC process, with the issue of specific guidelines to be implemented by each Member State and Council recommendations, none of which obtains in the social inclusion process – this has made a difference in the Italian case, forcing Italy's national authorities to comply with more demanding statutory requirements in the employment field. Moreover,

periodicity may well be an important factor, insofar as in the employment case Italy underwent a learning process (learning how to comply, how to draw up good Naps, how to defend them at the European level, how to feed back into the strategy itself, how to upload domestically relevant issues) that became tangible in its effects only after some rounds of the EES, so the more diluted the periodicity of an OMC process is, the less may be the scope for self-reinforcing changes to occur. This also points to the longer institutional life of the employment as opposed to the social inclusion process as an explanatory factor⁴⁷.

Table 1 Differences between the employment and the social inclusion processes

	Employment process	Social inclusion process
Treaty base	Specific provisions in the Employment Title (Art. 128 TEC)	General provisions on cooperation between Member States in social policy (Art. 137 TEC)
Periodicity	Annual	Biennial
Recommendations to Member States	Yes	No
Implementation of guidelines by the Member States	Yes	No (Member States pursue common objectives)

Note: This is an updated version of Table 1 in Ferrera, Matsaganis and Sacchi [2002, 232]

The next cluster of explanatory factors relates to differences in endogenous dynamics of change, both their timing and their nature. Although there have been processes of devolution of powers to the regions and the local authorities in both the employment and the social inclusion case, and in both cases such processes have worked in the opposite way as the objective of strengthening national institutional capability, their timing and nature have been very different. In the employment case, the constitutional reform of 2001 took place *after* the consolidation of the new system of employment policy management, and constitutionalized the already existing concurrent legislative competence between the state and the regions. The passage from *de facto* to *de jure* shared competence did not upset the existing system, which had moreover been cast following a precise organizational model imposed by the state. True, devolution of powers was coextensive to the launch of the EES and has somewhat disturbed institutional capability building at the national level, but the whole process has been rather smooth compared to what has happened in the social assistance field. In the latter, the European strategy for social inclusion started at the same time a reform, similar in its guiding principles to that occurred in the employment field, was in its early stages of implementation. The model of social assistance governance envisaged by the reform - which configured a system of shared competences in the social assistance field, with strong guidance and coordination powers of the state - was then completely disrupted by the 2001 constitutional reform.

⁴⁷ Thus, the current difference in Italy's response to the requirements of the two OMC processes may simply be a matter of time (after all, institutionalisation takes time). Still, we believe that structural aspects make a difference, and therefore that the social inclusion process may develop in a way parallel, but not convergent to the one the employment process has done.

Proto-shared competence was transformed into exclusive competence of the regions and written into the Constitution. Therefore, the constitutional reform had a path-breaking character and happened *before* the consolidation of the system could take place, and institutionalisation of monitoring and supporting agencies at the national level - pushed by the OMC - could begin.

Moreover, endogenous organisational change was of a different nature in the two fields: while the ministerial branch dealing with employment policies remained the same, an organisational earthquake, hitting the authority dealing with social assistance, intervened in the early stages of the social inclusion process, putting in jeopardy and even disrupting all that had been gained that far in terms of institutional capability.

The evidence we have exposed in the paper, however, points to another important cluster of explanatory factors, related to differential functional salience of the two policy areas. For the Italian policy makers, the problem of unemployment is paramount, and those of long-term unemployment, unemployment among young people and unemployment in the South in particular; poverty much less so. Moreover, it is a widely held opinion among policy makers that raising employment levels and reducing unemployment would automatically raise many citizens above the poverty line *and* include them in social networks, thereby curing many problems on this front. It seems crystal-clear, then, that the issues of unemployment and labour market reform were more salient than issues of social inclusion – at least, they were perceived as such by the policy makers – and this entailed very different degrees of organisational effort put in the domestic slopes of the two strategies. This immediately leads to the fourth cluster of *explanantes*: political conjuncture and agenda. The Olive tree coalition had a relatively clear agenda of labour market *cum* welfare state modernization, encompassing both employment policies and social assistance reform. The Berlusconi government has so far had a clear agenda of labour market reform and flexibilization, but has lost sight of a dedicated agenda as regards social inclusion issues. In the field of social assistance, emphasis has been mainly focused on the defense of the traditional family model and - when the attention of the media could be attracted to them - on individual, flagship policy interventions such as raising benefits for the elderly or granting a one-off cash transfer for newly-born babies. Social inclusion per se, moreover, has been framed almost uniquely in terms of work inclusion.

Given the lack of 'hard', tangible positive and negative incentives to comply with the OMC, in a poorly institutionalized context where internalization of norms is still incomplete, our analysis points to the ultimate importance of politics, and political commitment.

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