doi:10.1017/ipo.2024.25

IPSR
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RESEARCH ARTICLE

Neoliberal reforms, Great Recession and political backlash: parties, groups and voters in the new politics of welfare in Italy

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(Received 19 February 2024; revised 4 December 2024; accepted 4 December 2024)

Abstract
When observed in comparative perspective, until the early-1990s the Italian welfare state was clearly an outlier, characterized by an unbalanced allocation of resources among welfare sectors (so-called functional distortion) and towards social groups (distributive distortion). Since then, however, profound transformations have affected both the institutional architecture and the distributive profile of the Italian welfare state. Through an in-depth reconstruction of three decades of welfare reforms in Italy, this article shows how retrenchment and regulatory reforms in pension and labour market policies in an earlier phase (1992–2015), combined with the rather unexpected 'expansionary turn' in family and anti-poverty policies in more recent times (2016–2022), have partly reduced the comparative imbalances of the Italian welfare state, making it less of an outlier than in previous decades. To understand such puzzling developments, it relies on an explanatory framework centred on the interplay between socio-political demand and political supply, showing how the emergence of new coalitions, which for the first time mobilized latent social needs, combined with the reshuffling of the party system and the electoral success of parties challenging the austerity paradigm, quite unexpectedly contributed to make the Italian welfare state now look more 'mainstream' than in the past.

Keywords: interest groups; Italy; labour market; welfare state

Introduction

When observed in comparative perspective, until the early-1990s the Italian welfare state had long appeared as an *outlier*, characterized by a dramatically unbalanced allocation of resources among its welfare state sectors – the so-called functional distortion, with very high spending in pensions compared to underdeveloped employment, social assistance and family policies – and an uneven level of (social) protection for different social groups and professional categories – the so-called distributive distortion – that favoured insiders *vis-à-vis* mid-siders and outsiders (Ferrera *et al.*, 2012).

Since then, however, profound transformations have affected both the institutional architecture and the distributive profile of the Italian welfare state (Sacchi, 2018; Ferragina and Arrigoni, 2021). Against this backdrop, this article asks whether the Italian welfare state remains an *outlier* in Europe, or rather a gradual convergence towards European standards – a process that Capano and Scarrow (this special issue) label '*going mainstream*' – can be detected and, if so, what were the main drivers of reform.

To answer these questions, the empirical analysis proceeds in two steps. First, we develop a framework to map and analyse policy reforms and their impacts on the traditional imbalances of the Italian welfare state (Table 2) and we classify all relevant social and labour market reforms between 1995 and 2023, assessing the direction of change and overall reform trajectories (see the tables in the Appendix). Then, we reconstruct the policy process to empirically unpack underpinning political dynamics, drawing on documentary analysis of legislative and policy documents, secondary literature and press reports.

Our results show a gradual process of convergence, which did not result from a coherent plan of reform, but it rather emerged from a three-stage process. In a first phase (1992–2009), the adoption of mostly *retrenchment* and *regulatory* reforms coupled with very limited compensatory and expansionary measures made Italy *going mainstream* in the field of pension and labour market policy only, while policy *inertia* – or steps forward followed by 'policy reversals' – in family, income-maintenance and social investment policies made Italy a persistent 'under spender' and a stark *outlier* in these policy fields. The short and dramatic phase of the Euro-crisis (2010–2012) and parallel Great Recession (2009–2015) sharpened existing dynamics: for the first time, '*fast forward*' *neoliberal retrenchment reforms* in pension and labour market policies also affected previously protected key constituencies, while no measure providing protection against emerging 'new' social risks was adopted to compensate such interventions. Finally, and quite surprisingly, in the following phase (2016–2022) social policy reforms in Italy turned *expansionary* after three decades. Relevantly, while some micro-distributive measures were designed to serve traditional clienteles and welfare functions – in the area of pensions – important measures aimed at expanding previously neglected policy sectors, such as anti-poverty and family policies, were introduced for the first time. These measures have both marked a path-departure from the traditional Italian welfare model and at least partially reduced the comparative imbalances of the Italian welfare state, making it less of an outlier.

To explain such a puzzling process of partial convergence of Italian welfare and employment policies, we apply a theoretical framework centred on political exchange dynamics between 'socio-political demand' (voters and interest groups) and 'political supply' (political parties and governments) (Natili, 2019; Jessoula and Natili, 2020). Our reconstruction indeed shows that in the first phase the competitive dynamics between the centre-right and the centre-left poles unfolded within a shared consensus on the dominant neoliberal macroeconomic framework and related policy recipes (Ferragina and Arrigoni, 2021). In such a context, key interest groups – primarily trade unions – acquiesced to the introduction of subtractive reforms in exchange for the protection of their core constituencies, while remaining (mostly) silent on the need to expand traditionally neglected policy areas and improve protection of long-overlooked social risks and groups, such as the poor.

During the sovereign debt crisis and its aftermath, in a context characterized by increased external pressures, the technocratic Monti government first and the Renzi government later adopted reforms with no, or very limited, involvement of the social partners – especially on the side of labour organizations. This marked a watershed: the weakness of the support coalition for the harshly contested reforms adopted in this phase is a key factor that triggered the political backlash that characterized the subsequent phase. In fact, we argue that, on the one hand, the restructuring of the party system due to the rising of the 5 Star Movement (5SM) and the transformation of the (Northern) League from a territorial to a national-populist party put an end to the closed, predominantly centripetal, competition dynamics between the two blocs. On the other, following the severe social crisis prompted by the Great Recession, the emergence of novel and unprecedented 'advocacy coalitions' pressuring for reforms in previously neglected policy areas contributed to finally shift attention of political actors towards the social challenges stemming from the transition towards a post-industrial economy.

These two intertwined processes ultimately gave rise to a new politics of welfare, characterized by novel patterns of political competition and 'political exchanges' aimed at directly capturing group and voter support through expansionary reforms targeting specific micro-clienteles, in pensions, and/or dispersed interests, in family and anti-poverty policies. Overall, this highlights the crucial role of emerging parties challenging the austerity consensus and of the evolving preferences and priorities of interest groups in reshaping the fundamental institutional traits of the Italian welfare state.

The paper is organized as follows. The second section reviews the literature and introduces the building blocks of our analytical framework. The third and fourth sections contain the findings from the qualitative analyses of policy-making processes in Italy before and after the 'turn' to expansionary welfare politics. The fifth section discusses the key findings and main implications.

The Italian welfare state in comparative perspective: beyond continuity?

The debate whether Italy is an *outlier* or a *latecomer* date back to the first comparative studies on welfare state development in Europe (Flora *et al*., 1986; Esping-Andersen, 1990). In the early 1990s, the seminal Esping-Andersen's (1990) typology of welfare regimes treated the Italian case as a rudimental and less developed – that is, a *latecome*r – version of the conservative–corporatist regime that characterized Continental European countries – primarily Germany and France.

However, broadening the comparative and the analytical scope of the welfare regime theory, later contributions highlighted the peculiar features of the Southern European welfare model (Ferrera, 1996; Ferragina *et al*., 2015). Two main properties originally set apart the latter from welfare state arrangements in the other three worlds of welfare capitalism – social democratic (Nordic), conservative–corporatist (Continental) and liberal (Anglo-Saxon): an unbalanced allocation of resources among the various welfare state sectors, the so-called *functional distortion* favouring pensions *vis-à-vis* social assistance, labour market and family policies; (b) an uneven distribution of resources among different social groups – so-called *distributive distortion* – to the advantage of insiders vs. outsiders and mid-siders. The lack of a minimum income scheme and underdeveloped social services (for children, households and frail elderlies) were key features of the model. As corollary, the family persistently played a key role as welfare provider along the Southern rim (Saraceno, 1994; Ferrera, 1996), once again in contrast with de-familiarized (or de-familiarizing) welfare states in Central-Nordic and Anglo-Saxon Europe. Quite interestingly, Italy was the country that fitted this model the most: in fact, the remarkable functional distortion partly distanced the Italian (and the Greek) welfare state from the neighbouring systems of Spain and Portugal, where the distribution of expenditure between old age and labour market risks was more balanced.

Table 1 clearly shows that, in the mid-1990s, Italy was an *outlier* along the functional dimension, both overspending in the old age sector and substantially underspending in other relevant welfare functions such as unemployment, family and children, and social exclusion.

Importantly, however, Table 1 also shows a process of *gradual convergence* between the mid-1990s and 2020 in terms of welfare expenditure distribution across policy fields, with a relevant reduction in the gap between Italy and the EU15 average in pension spending (−11.9 percentage points, p.p.) and in unemployment policies (−3.3 p.p.) – whereas the trend is less evident for the functions *family and children* (−0.2 p.p.) and *social exclusion* (+0.5).

Two overarching questions follow. First, can we actually detect, in EU-15 comparative perspective in 1992–2022, a process of convergence (i.e. Italy *going mainstream*) which has affected not only expenditure trends but also the institutional features of Italian welfare and employment policies, or Italy has rather remained an *outlier*? Second, how can we explain these dynamics?

In order to address the first research question, we need to analytically identify which policy trajectories (Table 2) could contribute to the 'mainstreaming' process in those areas of social policy that have most contributed to the functional and distributive distortions mentioned above: old

Table 1. Social policy expenditure by function in Italy, selected years (1995–2020)

Function	Year	EU 15	Italy
Old age and survivors	**1995**	**44.75%**	**66.3%**
	2008	45.8%	59.3%
	2014	46.1%	58.8%
	2020	**45.8%**	**55.2%**
Unemployment	**1995**	**8%**	**3%**
	2008	5.1%	4.5%
	2014	5.2%	6%
	2020	**7.3%**	**9%**
Family and children	**1995**	**7.9%**	**3.3%**
	2008	8.6%	4.1%
	2014	8.3%	4%
	2020	**8.3%**	**3.9%**
Social exclusion	**1995**	**1.4%**	**0.3%**
	2008	2%	0.5%
	2014	2.2%	1.8%
	2020	**2.6%**	**4.3%**

Source: Eurostat online database.

Table 2. Italian welfare state 'going mainstream'

Policy fields	Italian welfare state 'going mainstream'
Pension	Cost-containment and privatization
Labour market policy	Labour market flexibilization
	Expansion of unemployment benefits
	Expansion of Active Labour Market Policies
Social assistance benefits	Expansion of anti-poverty minimum income scheme
	Expansion of family benefit
Social investment services	Expansion of child care
	Expansion of social inclusion services

age pensions, labour market policies, social assistance benefits and social services.[1] In brief, we argue that being old-age pensions generally the most expensive social policy field in Italy, for the Italian welfare state to get closer to the European model the policy trajectory in this sector should be mostly characterized by *retrenchment*, most likely associated with an increasing role of private welfare providers (*privatization*). In labour market policy, the Italian model was traditionally characterized by a regulation deeply geared towards job-security and employment protection, an underdeveloped as well as fragmented system to tackle unemployment, and very low investment in active labour market policy (ALMP) (Jessoula and Vesan, 2011). Accordingly, getting closer to European standards in this policy field would imply pursuing labour market deregulation (*flexibilization*) coupled with the expansion of ALMPs and reforms aiming to increasing both the inclusiveness and the generosity of unemployment benefits. Finally, social assistance monetary benefits (both minimum income schemes and family benefits) and in-kind services for households and children traditionally lagged behind, while they constitute two main components of the 'social investment paradigm' to which most European countries turned in the last three decades to comply with the challenges of 'knowledge economies' (Hemerijck and Ronchi, 2021): for these reasons, going mainstream would require expansion in these policy sectors.

[1]Healthcare is not addressed in the paper because the Italian universal healthcare system, when observed in comparative perspective, was neither relevant to characterize the functional distortion nor the distributional unbalance.

https://doi.org/10.1017/ipo.2024.25 Published online by Cambridge University Press

To address the second research question – specifically, which factors might drive these dynamics of social policy change – the literature over the past three decades has primarily focused on the transformation of class politics and the growing influence of the European Union. As to the latter, on the one hand, the deepening of European integration and the fiscal constraints associated with the Maastricht criteria have constituted a *hard and indirect* external pressure to contain social policy expenditure, in particular in a heavily indebted country such as Italy (Graziano and Jessoula, 2011; de la Porte and Heins, 2015). On the other, the so-called European social governance, elaborating a specific social policy agenda aimed to promote outcome convergence among domestic welfare systems through soft law and the European Semester applies a *soft and direct* pressure to adapt national welfare states (Graziano and Jessoula, 2011), stimulating member states to adopt social investment policies (Ferrera, 2017). Combining 'hard' pressure to contain expenditure (and retrench pensions) and 'soft' incentives to expand social investment services, the EU could be a driver of the (supposed) 'mainstreaming' of the Italian welfare state.

Many, however, have argued that in order to fully understand how EU integration and European social governance influence (social) policy change at the national level, domestic politics has to be included in the interpretative framework (Graziano, 2011; Jessoula, 2015). Indeed, a growing body of comparative welfare state literature has focused on the transformation of class-based electoral politics to explain recent social policy changes in Europe (Gingrich and Häusermann, 2015; Häusermann *et al.*, 2022). Since the mid-1980s, centre-left parties in the West have shifted towards the ideological centre, moving away from traditional leftist positions. Declining influence of trade unions and occupational change contributed to these dynamics: the shrinking industrial workforce, the growth of atypical employment and the ever more fragmented situation of working-class constituencies have undermined the traditional support base of centre-left parties. To increase their programmatic appeal among the expanding group of educated middle-class voters – particularly high-skilled employees in interpersonal service occupations (Gingrich and Häusermann, 2015) – these parties had strong incentives to shift preferences from traditional social compensation measures towards social investment-oriented policies (Abu-Chadi and Wagner, 2019). If these dynamics took place in Italy, they could contribute explaining the mainstreaming process hypothesized above. In a nutshell, a more 'centrist' social policy agenda of the main centre-left party combined with declining relevance of the traditional defenders of social policy *status quo* – that is, trade unions – might 'push' the Italian welfare state closer to European standards, by making retrenchment more likely in costly social insurance schemes – pensions in particular – and, thus, 'freeing' resources to be invested in less developed welfare areas (family benefits, social services and minimum income schemes).

However, while providing important insights to explain welfare state change in Nordic and Continental Europe, the thesis of the 'transformation of the left' faces some limitations when it travels along the Southern rim. The growing significance of highly skilled middle-class constituencies in advanced capitalist societies is less pronounced in Southern Europe, where low-skilled (manual) workers continue to represent important electoral constituencies, alongside small business owners and the self-employed (Bulfone and Tassinari, 2021; Branco *et al.*, 2024). Moreover, recently, scholars have questioned both the declining relevance of social partnership in shaping welfare state transformations and the (immutable) 'pro-insider' orientation of trade unions in Mediterranean countries (Durazzi, 2017; Natili and Puricelli, 2023).

To address the limitations of these approaches, we argue that it is particularly promising to 'bring back' key insights from competitive democratic theory and theories of political exchange between interest groups and political parties (Pizzorno, 1977; Stoppino, 2001; Molina and Rhodes, 2002). Our argument unfolds in two key steps. First, we argue that the presence of social actors advocating for investment in traditionally neglected social policy areas is crucial for overcoming path-dependent dynamics in mature welfare states (Pierson, 1994) and effectively reorienting welfare spending both in distributive and functional terms. Interest groups play a vital role in identifying emerging (social) problems and aggregating citizens' preferences by developing specific policy proposals. As such, they are essential in securing political recognition of (new) social risks and steering political parties' and governments' welfare priorities in previously ignored areas.

However, this alone is insufficient. We argue that, especially in highly indebted countries, a key precondition for transforming mature welfare states is the emergence of political parties that challenge the austerity consensus and overarching 'neo-liberal' paradigm. After the end of the Cold War, most European countries, including Italy, experienced a progressive ideological convergence towards the acceptance of neo-liberalism (Conti, 2008; Schmidt and Thatcher, 2013; Ferragina and Arrigoni, 2021). The rise of new parties contesting such consensus and prompting new political competition dynamics could help shift welfare reforms from cost-containment to expansion – as outlined above, an essential component of the broader strategy to 'mainstream' the Italian welfare state.

These two mechanisms are clearly interconnected and dynamic. Rather than focusing exclusively on one side of the political process, we argue that it is essential to examine the interactions between political supply and 'sociopolitical demand' – which includes both voters and interest groups – and how both filter external pressures. This approach allows us to capture the mutual relationships among changing social needs, voter behaviour, interest group positioning and mobilization strategies, party dynamics and supply-side (welfare) responses.

1992–2015: The Second Republic and the uneven transformation of the Italian welfare state

At the beginning of the 1990s Italy underwent a severe economic and political crisis: while the party system disintegrated under the impact of the Bribe city scandal (1992–1993), the 1992–1995 phase was marked by intense instability of exchange rates, currency devaluation in the run-up-to-Emu, economic recession coupled with two-digit unemployment rates and, for the first time since decades, a decline in employment rates.

As noted by a broad literature, subsequent governments adopted a series of harsh fiscal stabilization measures, which also included relevant reforms especially in the two key areas of pensions and labour market policies. The direction of reform is indeed clear, especially in the pension field, where a number of reforms combined retrenchment and re-structuring (i.e. multipillarization) measures with re-financing interventions. The major shift to a Notional Defined Contribution system (NDC) in particular implied increased regulatory harmonization across the main occupational categories and a sharp reduction of pension levels. The latter was the result of thorough concertation between a technocratic cabinet and the social partners that ultimately safeguarded older workers' and retirees' 'acquired rights' – that is, the core trade union membership (Natili and Jessoula, 2019: 347).

In the area of employment policy, in 1996 the tripartite agreement signed by the new centre-left government triggered a shift towards a more flexible and deregulated labour market and it was then transposed into the 'Treu reform' (Berton *et al.*, 2009). As in many other European countries, labour market flexibilization occurred 'at the margin', that is through the promotion of atypical employment mostly directed to new entrants in the labour market. Dismissal rules for workers on open-ended contracts were not changed due to resistance by trade unions: same as in pensions, workers organizations' key constituency (the insiders) were not affected by the reform. In 2003, another reform (L. 30/2003) was adopted by the centre-right government: it prompted a more comprehensive flexibilization of the labour market, abolishing the restrictions on the use of different types of atypical contracts, but still leaving unchanged the level of job protection for standard workers.

In the subsequent years the share of atypical jobs expanded, also contributing to employment growth in Italy (Berton *et al.*, 2009). Meanwhile, between 1993 and 2007, unemployment benefits became more generous in terms of replacement rates and benefit duration (Jessoula and Vesan, 2011): however, the overall 'recipiency rate' (i.e. the share of unemployed entitled to benefits) remained low compared to other European countries (Berton *et al.*, 2009). In particular, the growing share of atypical workers had no access to any kind of income protection due to the strict eligibility conditions in ordinary unemployment insurance, whereas labour market entrants and long-term unemployed suffered from the enduring absence of a minimum income scheme.

Despite such gaps of the income protection system, precariousness and other relevant policy issues, such as poverty, female and youth emancipation remained mostly outside the political agenda. Only in the late 1990s, the centre-left Prodi government tabled timid initiatives to improve anti-poverty and child benefits and services. These measures introduced noteworthy innovations aimed at reducing the imbalances in the Italian welfare state. However, they were underfunded, and the subsequent Berlusconi government halted this expansionary path in social assistance and family policies.

Overall, it is clear from the above reconstruction that between 1990 and 2007 the tightening of the EU integration process contributed to the adoption of retrenchment reforms (Ferrera and Gualmini, 2004). On the one hand, the combination of budget constraints included in the Maastricht Treaty (i.e. *hard* and *indirect* pressures) and financial market pressures triggered the shift to cost-containment reforms in pensions. On the other, the construction of the European Monetary Union (EMU) – ruling out the possibility to rely on 'competitive devaluations' as in previous decades – put Italian policymakers in a stark dilemma: either competing by investing in human capital and skilled labour in a high value-added economy or rather pursuing labour market flexibilization also as a mean to reduce labour cost. The choice fell on the latter. In fact, external pressures were filtered by domestic political dynamics, and although the politics of reform (both labour and pension) became more contentious in the early 2000s, the centre-right and centre-left blocs largely agreed on the main reform objectives – labour market flexibilization, pension system retrenchment and partial privatization. Both sides fully endorsed the dominant neoliberal mainstream paradigm, thereby converging with most other EU countries. In this context, the key factor for the adoption of subtractive reforms was the support by trade unions (or at least their acquiescence). Negotiation, and also concertation, with labour (and employers) organizations had effects on the content of reforms, which were mostly shaped in accordance with unions' interests, safeguarding the acquired rights of older workers and retirees – that is, the core trade union membership (Natili and Jessoula, 2019; Ferragina and Arrigoni, 2021). As consequence of these processes, the labour market got closer to that of other European (Continental) countries, where flexibilization at the margin – and ensuing dualization – became the main solution to the emerging challenges of post-industrial economies (Emmenegger *et al.*, 2012). In the field of pensions, austerity reforms complemented by voluntary privatization became the key currency of reforms for the whole period 1992–2007, thus launching the transformation of the Italian pension system towards a multipillar architecture earlier than similar European countries (Germany, France, Austria; see Jessoula, 2009).

For the Italian welfare state to become fully mainstream, it would have required an expansion of anti-poverty measures, family benefits and human capital-enhancing services. However, in these areas, EU *soft* pressures were less effective, and inertia prevailed (Naldini and Saraceno, 2008; Natili and Jessoula, 2019). Right-wing parties opposed changes in these fields, actively supporting the traditional familistic welfare model to please their moderate and conservative base (Léon *et al.*, 2021) and avoid challenging the role of traditional institutions, such as Church associations and families, as welfare providers (Natili, 2019). While centre-left parties were more open to investing in these 'new' sectors, they focused much of their political capital on defending pension rights for stronger labour market groups, also because neither social nor religious actors backed the expansion of these underdeveloped areas (Lalioti, 2016). As a result, no significant growth in social investment benefits or services occurred, and Italy remained an *outlier* in these domains (Ronchi and Vesan, 2022).

The financial and economic crises hit Southern Europe harder than other parts of Europe. Between 2008 and 2014, Italy saw exceptional increases in severe material deprivation

(+4.1 p.p.), absolute poverty (+3.9 p.p.) and youth unemployment (+16.3 p.p.) compared to other countries. Given this context, one might have expected a greater-than-average rise in social spending due to the welfare state's automatic stabilizing effects. However, the reality was starkly different, as social policy expenditure in real terms in Italy and other Southern European countries drifted apart from the rest of the EU (Natili and Jessoula, 2022).

This is mainly because Mediterranean countries introduced severe 'structural' reforms pursuing retrenchment practically in all social policy fields, following requests from EU institutions and powerful external pressures by financial markets (Pavolini *et al*., 2015; Sacchi, 2018). The technocratic Monti government (2011–2013) and those of Enrico Letta (2013–2014) and Matteo Renzi (2014–2016) represented a watershed both for the Italian welfare state, employment policies and the relationship between governments and trade unions. Pension reforms were included in three main 'austerity packages' adopted by the centre-right Berlusconi government (so-called Sacconi reforms) and by the technocratic Monti cabinet (Fornero-Monti reform). Differently from what had occurred in 1990s–2007, the radical and swift changes of pension rules during the Great Recession turned pension reforms, for the first time, against the core constituency of trade unions (Natili and Jessoula, 2019: 350). Also employment policy reforms in 2012 and 2015 also turned against the interests and strategies of trade unions (Natili and Puricelli, 2023). In particular, the so-called Jobs Act further liberalized the labour market by dismantling Article 18 of the Workers' Statute, which granted full reinstatement in cases of unfair dismissal for firms employing more than 15 workers. Flexibilization was thus no more pursued only 'at the margin', but rather through a thorough reduction of workers' rights which also affected employees hired (after 2015) on standard open-ended contracts (Natili and Puricelli, 2023). Labour market reforms also entailed the expansion of unemployment benefits especially targeting labour market midsiders and outsiders, thus increasing inclusiveness (Sacchi, 2018). Overall, both pension and labour market policies were characterized by deep and intense reforms that made the Italian welfare system less of an outlier than before. That said, the extremely rapid implementation of the new eligibility requirements for retirement constitutes an *unicuum* in the European context – and a radical change compared with the extremely long phasing-in periods of the reforms adopted in the 1990s.

Despite alarming poverty rates, no social policy areas experienced 'expansion' in the immediate aftermath of the financial and economic crises. Minimum income protection remained fragmented, underfunded and rudimentary (Saraceno *et al*., 2020). Family benefits, childcare provision, social services and ALMPs faced a similar fate. Overall, limited investment in human capital enhancing services, reconciliation measures and in non-contributory benefits contributed to make Italy – if possible – even more of an *outlier* in comparative terms (Ronchi and Vesan, 2022; see Table 1).

This policy trajectory had significant social and political consequences. The structural weaknesses of the labour market and the shortcomings of Italy's social protection system exacerbated social problems, with material deprivation and absolute poverty rising dramatically – even compared to other Southern European countries like Spain and Portugal. Precarious employment also became widespread (Girardi, 2023). Nevertheless, the main political parties as well as traditional pro-welfare interest groups – most notably the three confederal trade unions – failed to recognize and propose innovative policy solutions to these pressing social problems. Actually, with the former – especially centre-left parties – forming 'technocratic' and/or 'national unity' governments to implement the austerity reforms promoted 'from above' (i.e. from Brussels), the latter remained almost without political ally in the political arena.

Against such backdrop, initially trade unions failed to occupy new social and political space. Pressing issues such as minimum income protection, precarity, reconciliation policies and family benefits remained marginal in their agenda, as well as in the political arena. However, already in this phase, new actors aiming to challenge this *status quo* emerged both on the demand and the supply side. More radical trade unions like Cobas and USB, social movements, large-scale NGOs and associations raised new demands in the social policy arena, mobilising the poor and atypical workers and their growing concerns with income security (Natili and Puricelli, 2023: 349). On the supply side, the rising 5SM had among its top proposals the introduction of an anti-poverty benefit which would have clearly benefitted the outsiders, the *Reddito di Cittadinanza* (Citizenship Income, RdC). But the Italian party system was affected by another important change with (also) relevant welfare implications, since the (previously Northern) League (L) gradually modified its ideological underpinning, shifting from a territorial, regionalist party to a political force with a national and 'sovereign' vocation and clearly adopting an 'exclusionary welfarism' approach in social policy (Jessoula *et al.*, 2022): as such, the renovate League started claiming against many of the austerity reform introduced in Great Recession phase, particularly in field of pensions. These changes in both socio-political demand and political supply, which also exploited the diffused anger against traditional partisan and corporatist players which were accused of having disregarded important social claims for roughly two decades, are key to understand the remarkably different policy developments and underpinning political dynamics in the subsequent (2016–2022) phase.

After the storm: back to credit-claiming welfare politics, resurgence of expansionary distributive policies

Two decades of neoliberal welfare reforms contributed to both significant retrenchment in the field of pension and across-the-board liberalization of the labour market – thus infringing the two 'acquired rights' *par excellence* of the Italian social protection system: old age benefits and labour market protection for the so-called insiders. Retrenchment was not compensated, however, with expansion in the comparatively underdeveloped policy fields. This had important repercussion, since citizens perceived drastic reductions in the traditional rights on which social citizenship rested in the Fordist age without significant improvements in protection from the new social risks typical of a post-industrial society. Put differently, in the critical social conditions that materialized during and after the Great Recession, affected (key) interests on the one hand and disregarded stances on the other were key propellers of the new politics of welfare which was going to emerge in subsequent years.

In fact, political reactions followed soon, when voters, parties and interest groups started to *react* to the changed social landscape. In the ballot box, citizens began to reward the new political actors which explicitly challenged the austerity framework by proposing expansionary reforms, especially in labour market and anti-poverty policies (the 5SM), pensions (the League) and family policies (both the League and later even the right-wing Brothers of Italy). Meanwhile, in the group arena, novel and indeed unprecedented advocacy coalitions emerged – the Alliance against Poverty, the Alliance for Childhood, the Pact for dependent individuals, the Italian Alliance for Sustainable Development (ASviS), Forum on Inequality and Diversity (ForumDD) – and elaborated detailed policy proposals, effectively exerting political pressure on parties and governments to provide responses to emerging social issues. Importantly, such changes in political supply and socio-political demand occurred at a time of increased volatility, not only in electoral behaviour (i.e. party-voter linkages), but also in the party-interest group alignment, especially on the left side of the political spectrum after the rupture of the decennial alliance between the main centre-left party PD (Democratic Party) and the main trade union CGIL.

In such more fluid political environment, the salience of previously neglected policy fields increased, first in the field of anti-poverty policies. Also prompted by the dramatic increase of poverty as well as the full transition to a post-industrial labour market outlined above, confessional organizations (Caritas and Acli) and trade unions substantially reshuffled their policy priorities and joined forces by creating a new actor – the Alliance Against Poverty – committed to the establishment of a national minimum income scheme and able to contribute with a detailed policy proposal drafted by policy experts (the so-called 'Social Inclusion Income': Gori *et al.*, 2016). The formation of such a wide pro-poor support coalition marked a watershed, leading to the joint signature of a 'Memorandum' by the new PD led Gentiloni government (2016–2018) and the Alliance, and the subsequent introduction of the Inclusion Income (REI) (Natili, 2019). To be noticed, a notable faction of the Democratic Party, including its secretary, largely opposed expanding minimum income protection, leading to limited political investment in the measure (Vesan and Ronchi, 2019). As a result, in comparative terms, REI was one of the least protective anti-poverty schemes in Europe (Jessoula and Natili, 2020). Although modest, the introduction of the first national MIS was an attempt by traditional centre-left parties to gain support from the numerous groups (over 30, representing around 15 million people) in the Alliance Against Poverty, and a cautious response to the electoral challenge posed by the 5SM.

Novel competitive and political exchange dynamics also invested a traditional welfare sector such as pensions. Actually, after two decades of substantial pension retrenchment, since 2016 pension policies made a U-turn. The new wave of reforms began with the introduction of the so-called Ape (*Anticipo finanziario a garanzia pensionistica*) aimed at relaxing eligibility requirements for early retirement and providing support to low-income pensioners.

Interestingly, with respect to underpinning political dynamics, these reforms must be interpreted in light of the novel competitive challenge posed by the League as well as the PD-CGIL rupture on the centre-left. The adoption of micro-distributive expansionary measures aimed to partially reverse the severe retrenchment reforms adopted in 2009–2011 was in fact functional, for the PD and other centre-left parties, to re-gain consensus among their traditional constituency of trade union members, also in the attempt to de-activate the challenge from the right – the League claiming for a repeal of the 2011 Fornero reform – as well as the 5SM.

Nonetheless, neither the introduction of REI in the sector of anti-poverty benefits – where the most relevant policy change was indeed yet to come – nor two subsequent expansionary pension reforms (2016–2018) allowed established centre-left and centre parties to avoid a dramatic defeat in the 2018 political elections. These actually represented an earthquake for the Italian party system and a stark success for the 5SM, which became the first party in terms of votes remarkably outperforming the Democratic Party.

Shortly afterwards, the Conte I Government (M5S-The League) replaced the REI with the Citizenship Income (RdC). The latter was more generous and protective – overall, more similar to the minimum income programs in place in Continental and Nordic countries – although not for migrants (Jessoula and Natili, 2020). The new government also strengthened the 'workfare' activation profile of the anti-poverty benefit, investing additional and relevant resources for ALMPs. Along with the introduction of the RdC, the 'yellow-green' government introduced the so-called Citizenship Pension, a new means-tested benefit for low-income pensioners, along with 'Quota 100', reaffirming the expansionary trend in pensions initiated by the previous government. Furthermore, it adopted a labour market reform – the so-called 'Dignity decree' – which constituted a (admittedly timid) reversal of the 2015 Jobs Act by reducing the maximum number of renewals for temporary contracts and marginally increasing the monetary compensation in cases of unfair dismissal for open-ended contracts. Overall, these welfare reforms constituted significant changes compared to the pattern of social and labour market policies that had characterized the previous decades (Bulfone and Tassinari, 2021; Guardiancich *et al.*, 2023).

This period also saw significant changes in family policies, breaking decades of institutional and political inertia (Madama and Mercuri, 2023). Importantly, also this policy field was characterized by the emergence of a new collective actor campaigning for policy expansion, the *Alleanza per l'infanzia* (Alliance for Children, AfC), created in 2019, gathering the most relevant civil society organizations, the main trade unions and a number of well renewed experts in this policy field. Between 2020 and 2022, the main innovations were adopted by the 'yellow-red' (M5S-PD and other centre-left parties) Conte II government and the subsequent technocratic national unity government headed by Mario Draghi. Changes concerned all the three core areas of family policy, as repeatedly requested by the AfC: parental leave – through the further extension of compulsory paternity leave, in line with the requirements of the 2019 EU directive on work-life balance (Directive [EU] 2019/

1158); child allowances, with the introduction of the *Assegno unico e universale* (single universal allowance); childcare services, thanks to the investment (originally) planned within the framework of the National Reform and Resilience Plan. Beyond the pressure of the AfC, in the electoral arena, the 'new' League – and Brothers of Italy too – contributed to turning the politics of welfare towards expansions, advocating for reforms and investment in this policy field. Although these parties frame and envisage investment in family policies very differently from centre-left groups – with the focus being on 'pro-natalist stances' rather than on 'gender equality' issues – they contributed to overcome the multiple barriers that traditional right-wing parties in Italy put to limit developments in this policy area, ultimately allowing the emergence of a cross-party 'ambiguous' agreement in this once contentious policy field (Madama and Mercuri, 2023).

To sum up, in this phase, significant changes affected welfare state policy and politics. Both pension and labour market policies, after three decades of cost-containment reforms and labour market de-regulation changed (unexpectedly) direction, and micro-distributive expansionary and re-regulatory interventions at the margin appeared. Given the breadth of liberalising interventions in the previous decades, however, the latter interventions have not led the Italian welfare state outside the 'European track' (see Table 2). Even more relevant, welfare expansion characterized anti-poverty and family benefits as well as (on paper) social investment services, that are the policy fields where inertia had prevailed since the outset of the First Republic.

Conclusions

This article has shown that the fundamental traits of the Italian welfare state have undergone significant transformation over the past three decades. The traditional *functional distortion* – that is, the disproportionate allocation of resources favouring pensions *vis à vis* policies targeted towards children and the working age population (such as unemployment benefits, social assistance and family policies) – has been substantially reduced. This shift was primarily due to two decades of strong pension retrenchment, followed by increased investment in making unemployment and anti-poverty benefits more generous and inclusive (Table 3). The introduction of a universal child-benefits and (possible) future savings resulting from harsh pension reforms may bring, in the near future, the distribution of expenditure among these welfare functions outlined in Table 1 even closer to the European average.

Regarding the *distributive distortion*, the austerity reforms of the past decade generally reduced the 'peaks' of generosity in unemployment and pension benefits for certain categories of workers (i.e. insiders). Meanwhile, the subsequent expansion in the coverage of unemployment benefits, the introduction of a non-contributory minimum income scheme and of a universal family benefit partially improved protection for outsiders. This shift helped reduce distributive imbalances. Figure 1 is quite telling in this regard: in 2015 the Italian welfare state was the least effective

Table 3. Italian welfare state 'going mainstream'. Actual reforms directions, 1992–2022

Policy fields	Italian welfare state 'going mainstream'	Actual policy trajectory
Pension	Cost-containment and privatization	Yes
Labour market policy	Labour market flexibilization	Yes
	Expansion of unemployment benefits	Yes
	Expansion of Active Labour Market Policies	*Limited*
Social assistance benefits	Expansion of anti-poverty minimum income scheme	Yes
	Expansion of family benefit	Yes
Social investment services	Expansion of child care	*Limited*
	Expansion of social inclusion services	*Limited*

Source: Authors elaboration from Appendix I.1, I.2 and I.3.

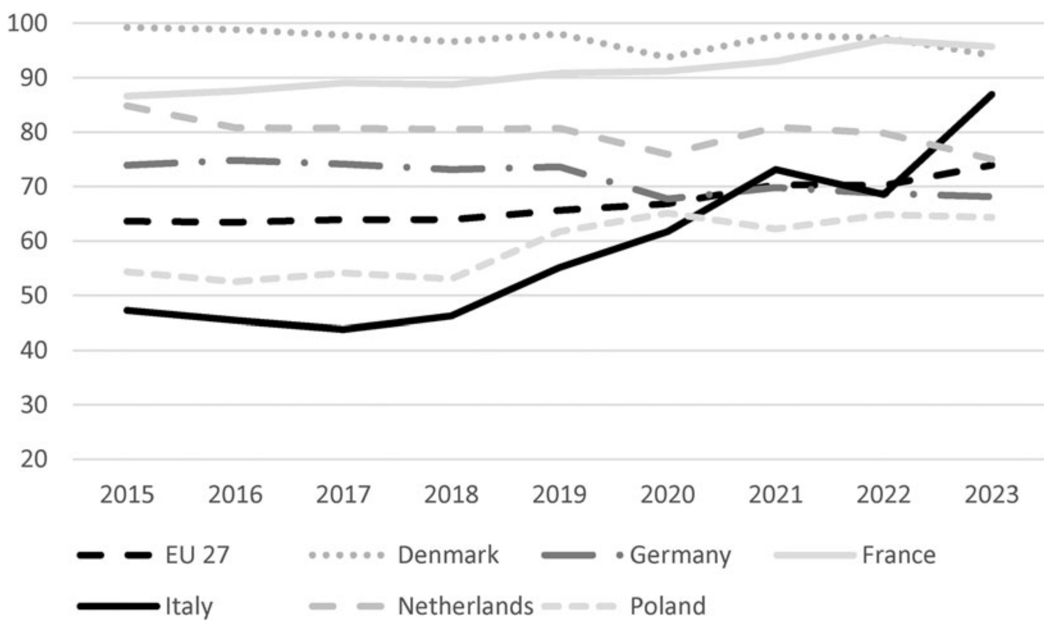

Figure 1. Percentage of people at risk of poverty receiving welfare benefits, 2015–2023, selected countries.
Source: Eurostat online database, last accessed 25 September 2024 [ilc_li70].

in Europe at reaching and protecting the most vulnerable segments of the population. However, ability to reach poorer households improved significantly after 2018, and it has now even surpassed the European average.

To understand such development, an explanatory framework centred on the interplay between socio-political demand and political supply proved extremely fruitful. For over two decades, the atrophy of the sociopolitical demand in the field of 'new social risks' – as well as partisan conflicts (i.e. the supply side) on these policy issues – shaped a peculiar policy agenda almost exclusively centred on harsh retrenchment in pension policy and labour market de-regulation. Key in this regard was the substantial consensus on these policy-recipes among mainstream centre-left and centre-right parties combined with the declining ability of trade unions, in particular during the sovereign debt-crisis, to respond to these pressures in a defensive manner protecting (at least) their core constituencies (Ferragina and Arrigoni, 2021).

Subsequently, however, the latter reacted against an increasingly 'hostile' political environment, contributing to the creation of novel unprecedented advocacy coalitions, which for the first time mobilized latent social needs, elaborated innovative policy proposals and started to put pressure on supply side actors (parties and governments) to foster policy change in previously neglected and underdeveloped policy domains. The emergence of these novel 'welfare coalitions' constituted a novelty on the Italian social policy arena, and they indeed represent a relatively peculiar development in comparative perspective.

In the same period, a parallel relevant transformation invested the supply side, where the restructuring of the party system and the electoral success of parties challenging the EU austerity paradigm and macro-economic policies prompted new competitive dynamics. The emergence and electoral success of the 5SM in particular, becoming very soon the main competitor of the Democratic Party, clearly contributed to put minimum income protection – and precarity more in general (Girardi, 2023) – at the very centre of the political agenda. Mirroring these dynamics on the other side of the political spectrum, also the gradual emergence of the 'exclusionary welfarist paradigm' among newly established (or re-established) right wing parties, contributed to challenge well-established positions on the right pole regarding pensions and family policies. In the end, these changes combined with the emergence of the powerful social coalitions on the side of sociopolitical demand led to novel 'political exchanges' which shaped two path breaking reforms: the introduction of a minimum income scheme (the RdC), finally overcoming one of the main weaknesses of the Italian welfare state – that is, the lack of a safety net guaranteeing income protection to all poor (Italian) individuals; the introduction of the Single Universal Allowance and more broadly an expansion of the other traditionally neglected sector – family policies.

As a result of these innovative dynamics, the Italian welfare state now looks more 'mainstream' than in the past. Two notes of caution are however appropriate in this regard. First, expenditure in ALMPs, childcare and social services is still widely below the EU average. In other words, the Italian welfare state still struggles with social investment services (Ronchi and Vesan, 2022). Second, and finally, this paper does not address the social policy reforms introduced by the Meloni government, which appear to have already disrupted the recent expansionary phase. The reform of anti-poverty benefits, replacing the Citizenship Income with the Inclusion Allowance – a categorical benefit with a lower amount that covers a smaller proportion of those in absolute poverty in Italy (Sacchi *et al.*, 2023) – marks a significant step back for the Italian welfare state, once again moving away from EU standards in ensuring income protection for its most vulnerable populations

Funding. This research received no specific grant from any public or private funding agency.

Supplementary material. The supplementary material for this article can be found at https://doi.org/10.1017/ipo.2024.25

Competing interests. The authors declare none.

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Cite this article: Natili M, Jessoula M (2025). Neoliberal reforms, Great Recession and political backlash: parties, groups and voters in the new politics of welfare in Italy. *Italian Political Science Review/Rivista Italiana di Scienza Politica* 1–15. https://doi.org/10.1017/ipo.2024.25