

# Expanding Welfare State Borders: Trade Unions and the Introduction of Pro-Outsiders Social Policies in Italy and Argentina

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## Abstract

This article investigates the drivers of trade union choices in the social policy arena in the age of austerity. Against the background of a political economy literature mostly emphasising trade union support for their stronger constituency – i.e. the ‘insiders’ – the article shows the existence of mechanisms potentially inducing trade unions to broaden their demands. Empirically, the study rests on an in-depth comparative analysis of the political process inducing the two largest trade unions in Argentina and Italy, the CGT and the CGIL, to support ‘pro-outsider’ social policy actively. Besides the comparison of two different geographical areas – though not so different in terms of original welfare state configuration – the main contribution of this article is outlining how the combination of dwindling organizational resources and growing competition from social movements and/or new radical unions leads traditionally insider-oriented unions to reach out to new constituencies and advocate expanded redistributive demands.

**Keywords:** trade unions; welfare state; dualization; Italy; Argentina

## Introduction

Trade unions played a crucial role in the construction of contemporary welfare states (Esping-Andersen, 1985; Streeck and Hassel, 2004). However, in the post-industrial scenario, it is contested whether they favour the institutionalisation of social solidarity for all, including the weakest members of society, or rather promote the dualisation of social protection (Durazzi *et al.*, 2018; Emmenegger *et al.*, 2012; Etchemendy and Collier, 2007; Palier and Thelen, 2010; Rathgeb, 2018; Rueda, 2007; Weisstanner, 2020).

In this article, we aim to contribute to the understanding of the conditions under which trade unions support ‘pro-outsider’ social policies when facing a

dilemma regarding which workers to represent in the distributive struggle generated by the welfare state's structure in the age of austerity. This paper does so by investigating the processes inducing the two largest trade unions in Argentina and Italy – the *Confederación General del Trabajo* (General Confederation of Labour, CGT) and the *Confederazione Generale Italiana del Lavoro* (Italian General Confederation of Labour, CGIL), respectively – to support pro-outsider social policies. Indeed, in Argentina, the CGT, traditionally composed exclusively of formal workers employed in core economic sectors, in the 2000s supported the expansion of policies mainly targeting informal workers and unemployed persons, such as the *Moratoria* or the *Asignación Universal por Hijo* (Universal Child Allowance, AUH) (Garay, 2017; Niedzwiecki, 2014). Almost fifteen years later, the main Italian trade union confederation, the CGIL, also decided to join a just-constituted pro-poor advocacy coalition, the *Alleanza Contro la Povertà* (Alliance Against Poverty), and to support the proposal to introduce a pro-outsider minimum income scheme, the 'inclusion income', in the Italian welfare system (Natili, 2019).

Two intertwined puzzles thus emerge: first, how can we explain this strategic reorientation of traditionally pro-insider-oriented trade unions in Italy and Argentina? And second, what were the consequences on the social policy-making process?

Our explanation of these developments stresses the long-term effects of a 'crisis' in democratic regimes that is destructuring well-entrenched policy-making processes and triggering two independent but equally important and mutually reinforcing political mechanisms. First, crises have the potential to marginalise trade unions in social policymaking, as crucial trade union organisational and political resources may be weakened. Second, the worsening of social conditions due to a crisis fosters the emergence and mobilisation of social competitors that may endanger what we call here the 'political legitimacy' of trade unions – i.e. their primary role as defenders of the weaker segments of the population. We claim that in response to a loss of their institutional power and to a challenge to their perceived political legitimacy, trade unions may reach out to new constituencies and support redistributive demands.

The article relies on a comparison of two 'least likely' case studies. The welfare states in Argentina and Italy were originally structured to protect, mainly on a contributory basis, male breadwinner workers and their families, while non-contributory social programmes benefitting labour market outsiders were severely underdeveloped (Ferrera *et al.*, 2012; Mesa-Lago, 1978). Trade unions contributed to the construction of these insider-based welfare regimes, and their core membership benefitted directly from these programmes. Furthermore, trade unions have developed, over time, organisational interest in securing the existence of these specific welfare arrangements (Atzeni and Ghigliani, 2009; Levitsky and Murillo, 2005; Molina and Rhodes, 2007; Regalia and

Regini, 1998, 2018). Despite these background conditions, our empirical reconstruction highlights that in both cases trade unions reoriented their social policy preferences and supported pro-outsider initiatives.

This research design aims thus to construct a single analytic scheme to understand such a significant strategic change, using qualitative case studies to unveil and specify the causal mechanisms, i.e. the sequencing of events that links possible causes and observed outcomes in these particular historical contexts (George and Bennet, 2005). This strategy does not allow for generalisations that go beyond these specific cases, but it allows formulating new hypotheses on the role of organised labour in relation to pro-outsider social policies.

Empirically, the article rests on an in-depth qualitative comparative analysis of the political process. Qualitative evidence is drawn from a variety of sources: press reports from national quality newspapers of different political leanings (e.g. *Clarín* and *Página 12* in Argentina; *Corriere della Sera* and *Repubblica* in Italy), documentary analysis of legislative and policy documents, trade unions publications, and secondary sources. In addition, 15 semi-structured interviews were conducted with trade unionists and experts in the two countries. Fieldwork was realised between December 2016 and June 2017 in Argentina and between April and September 2018 in Italy. More detailed information on the interviewees is provided in the Appendix (Supplementary Materials)<sup>1</sup>.

## 2. Trade Unions and Pro-Outsiders Social Policies in Mature Welfare States

The traditional power resource theory considers trade unions, allied with powerful social-democratic parties, to be the main social actors pushing for the introduction of generous social policies (Esping-Andersen, 1985; Korpi, 1983). In recent decades, however, this reading of the interplay among leftist parties, trade unions and welfare state development has been broadly questioned for not being effective in fully capturing the complex political dynamics at play in a new political economy characterised by international economic integration and globalisation, technological innovation, the shift to a predominantly service-based economy and labour market deregulation (Emmenegger *et al.*, 2012; Rueda 2007). Especially in the Western literature, scholars have argued that trade unions react to this changing political economy context by prioritising the interests of their core members (workers in full-time standard employment) at the expense of outsiders (atypically employed, informal workers and unemployed) (Emmenegger *et al.*, 2012; Palier and Thelen, 2010; Rueda, 2007).

Recently, however, political economy scholars have sought to problematise this reading of trade union social policy preferences in the post-industrial scenario. Increasingly, theoretical and empirical accounts have highlighted that trade unions may also pursue a pro-outsider strategy by adopting a policy

agenda which favours the interest of social groups beyond their core membership (Durazzi, 2017; Durazzi *et al.*, 2018; Garay, 2017; Gordon, 2015; Naczyk and Seeleib-Kaiser, 2015). In this paper we aim to contribute to this literature by proposing a mechanism to explain under what conditions traditionally pro-insider trade unions open up their social policy claims to labour market outsiders in democratic regimes. The triggering event, in our understanding, is the onset of an external shock that modifies observed equilibria and thus creates the space for pathbreaking change (Pierson, 2004). However, we also stress that the emergence of an external shock has to be combined with two specific and mutually reinforcing scope conditions. The first is that the external shock should not only break traditional policy-making patterns but also lead to reforms endangering crucial institutional resources of trade unions (see also Durazzi *et al.*, 2018). Indeed, scholars have already shown that social preferences of unions can be formed in response to organisational interests and the structure of social governance institutions (Davidsson and Emmenegger, 2013; Naczyk and Seeleib-Kaiser, 2015). Trade unions' institutionalised involvement in social policy governance can be crucial for their political strength because it provides additional legitimation and resources, thus furnishing opportunities for membership recruitment; furthermore, it enables labour organisations to influence the implementation of public policy or even to veto changes in government policies (Streeck and Hassel, 2004). A continued linkage with a political party, which may defend trade unions' prerogatives and their influence over the policy-making process, could constitute a similarly relevant political resource for labour organisations (Baccaro *et al.*, 2003; Levitsky and Murillo, 2005). If trade unions lose their favorable institutional position, and/or party-union linkage ceases to exist, or if parties do not guarantee their status anymore, trade unions might have to increase their legitimacy among their non-core membership to regain mobilisation potential and to compensate for the loss of power resources.

The second condition is that new social and/or political actors supporting different social demands, thus endangering trade unions' primacy as social actors, should emerge. To regain mobilisation potential, trade unions need to be credible as social actors fighting for the weakest members of society. The feasibility of this strategy may be endangered by the presence of competitors, such as social movements and/or radical trade union organisations that support worker mobilisation and who vocally criticise the confederal unions (Choi and Mattoni, 2010; Pilati and Perra 2020), picturing them as actors who serve only their interests and members at the expense of the rest of society. In the absence of a privileged institutional position guaranteeing resources and influence over the policy-making process, rather than 'competition' and adversarial relationship, trade unions need the support and cooperation of social movements and/or other organisations outside their rank-and-file to restore their

influence (Ibsen and Tapia, 2017). It seems likely that in this situation, traditionally pro-insider trade unions will campaign for pro-outsider proposals to get closer to these actors and secure their own political legitimacy.

To sum up, we claim that the combined challenges (to established institutional resources of trade unions and to their legitimacy as social actors) constitute a relevant incentive to modify well-entrenched positions and extend their claims beyond traditional demands. To determine whether these mechanisms are able to explain trade union preferences in the social policy arena, we shall describe the political process leading the Italian and Argentinian trade unions to modify their traditional claims and to champion policy measures in favour of the outsiders.

### **3. Trade Unions and the Traditional Pro-Insiders Orientation of the Welfare State in Italy and Argentina**

In Italy, the CGIL, along with the other confederal trade unions, contributed to the consolidation of a particular welfare regime supporting the social rights of workers in core economic sectors (in particular, large industrial companies and public employment) (Ferrera *et al.*, 2012). The existence and the lopsided expansion beyond its original scope of the *Cassa Integrazione Guadagni* (Wage Supplementation Fund, CIG) contribute to explaining trade union choices in the social policy arena (Molina and Rhodes, 2007; Sacchi, 2018). Briefly, the CIG provides the pay of employees affected by suspension of work or shortened hours in specific cases laid down by law. However, and differently from other European countries such as Germany, during the 1960s and 1970s, thanks to particularistic extensions of coverage and the introduction of a special scheme of the CIG, short-time work schemes in Italy were in effect turned into a functional equivalent of a very generous unemployment benefit targeted exclusively to certain categories of workers (Picot, 2012; Sacchi *et al.*, 2011). At the same time, the ordinary unemployment benefit scheme remained comparatively underdeveloped and a pro-outsider minimum income scheme was never introduced; as a result, many outsiders could not rely on any kind of income protection (Jessoula and Altì, 2010).

Relevantly, the CIG gave Italian trade unions a crucial role in the management of labour market arrangements (Regalia and Regini, 1998). Payments are granted to groups of workers after an initial request by the employer, consultation with and active support of the unions and approval by different government bodies (from local government to the Ministry of Labour). This procedure, beyond allowing trade unions to claim credit for CIG payments, guaranteed trade union influence over labour market policy and opened the possibility to enter into opaque political exchange dynamics with employers and public authorities (Regalia and Regini, 2018), thus creating vested interests in its

maintenance (Picot, 2012). Indeed, in the following decades, trade union opposition towards the introduction of a pro-outsider minimum income scheme is also explained by their fear that this benefit would at least partially replace the existing (largely pro-insider) income protection system, especially the CIG (Natili, 2019, p. 73).

Trade unions contributed to building a welfare system developed according to an occupational Bismarckian model in Argentina as well. Called a 'pioneer' country by Mesa-Lago (1978) because of the early introduction of social insurance schemes, the progressive inclusion of different categories of workers in segmented and occupationally stratified social insurance programmes in the 1970s had already guaranteed an almost universal coverage of 'insiders' workers especially in the fields of pensions and health care. At the same time, the absence of non-contributory income protection benefits (with the exception of social pensions, which were nonetheless residual) left important social groups, such as informal workers and the unemployed, outside the protective boundaries of the welfare state.

The main Argentinian trade union, the CGT, contributed to shaping the original configuration of this type of social protection system (Atzeni and Ghigliani, 2009; Haggard and Kaufman, 2008), although workers' representatives in Latin America were considerably less powerful than European workers' organisations (Huber and Stephens, 2012). This trade union is frequently called 'Peronist', a word that, rather than being an ideology, denotes the state-employer domination over organised labour and a strong relationship with Peronist parties (Levitsky, 2003; Levitsky and Murillo, 2005). It originally included formal workers from core economic sectors, such as construction, metalworking, transportation and services. Informal workers were excluded a priori, while self-employed and unemployed workers were little represented.

CGT choices and preferences have been historically influenced by the operation of the *obras sociales*, that is, social insurance funds financed by employers and formal workers and run by the trade unions. Through them, unions provide workers with multiple services (including professional education, housing schemes, personal loans, recreation centres, tourism services, etc.) and most relevantly, health care. Being one of the pillars of the country's health and social security system, *obras sociales* constitute a significant source of legitimation and power in political exchanges with public authorities (Atzeni and Ghigliani, 2009). Furthermore, their management constitutes a vital resource for the trade union because their funding largely depends on government reimbursement. Consequently, alongside wage increases, the maintenance of the *obras sociales* has historically been the main priority for the CGT, rather than expanding the welfare state to protect informal workers and the unemployed (Etchemendy and Collier, 2007; Levitsky and Murillo, 2005).

#### 4. Trade Unions and Welfare State Retrenchment

The institutionalisation of specific welfare arrangements and the organisational interests outlined above shaped trade union reactions to a changing political economy context and to the ‘neoliberal’ turn of the 1980s. With President Carlos Menem’s two terms in office (1989–1994; 1994–1999), Argentina underwent a process of economic restructuring based on neoliberal principles, including the convertibility of the currency to stabilise inflation (i.e. setting the correspondence of one peso to one dollar), while retrenchment occurred in social policy. In particular, pension and healthcare reforms were introduced. However, in both cases the government was obliged to make some concessions to labour organisations (Huber and Stephens, 2012). Overall, in these policy fields unions were able to defend their status quo – i.e. their role in the management of the *obras sociales* against the competition of private plans (Niedzwiecki, 2014). Similarly, guaranteeing the viability of *obras sociales* became the object of exchange in labour market reforms: for example, it allowed reform of the labour code, with the introduction of some important measures in terms of job flexibility, while leaving the CGT’s organisational resources untouched (Madrid, 2003). In other words, the CGT did not mobilise against the retrenchment of public welfare provisions, and the maintenance of the *obras sociales* played a significant role in defining the unions’ strategy (Etchemendy and Collier, 2007). Furthermore, the CGT did not push for the introduction of any measure that targeted outsiders (Levitsky, 2003). Consequently, in this phase, few policies were introduced to counteract the social consequences of these reforms, especially the rise of unemployment and informal employment.

Italy at the beginning of the 1990s also experienced a crisis that was both economic and political. Under the impact of political scandals, the party system disintegrated, while from 1992 until 1995 a period of intense exchange rate instability led to a phase of economic uncertainty and political turmoil, inducing the government to introduce a series of harsh fiscal stabilisation measures (Baccaro and Lim, 2007). In this and the following recovery phase, the trade unions performed a crucial role because they were able to negotiate the content of crucial welfare reforms with the governments in office (Molina and Rhodes, 2007; Regalia and Regini, 1998). In this phase, Italian trade unions used their role in the negotiations for welfare reforms primarily to protect the narrow rights of their constituency (Culpepper and Regan, 2014; Simoni, 2010). In the pension field, the ‘Dini reform’ (Law n. 335/1995), resulting from concertation between a ‘technical’ government and the trade unions, introduced extremely long phasing-in periods for the implementation of the new notional defined contribution system, which basically guaranteed safeguard of the acquired rights of older workers and retirees, i.e. the core trade union membership (Jessoula, 2009). Similarly, in the area of employment policy, in 1996 the tripartite agreement signed with the new centre-left coalition, later transposed

into the 'Treu reform', triggered a shift towards a more flexible and deregulated labour market (Berton *et al.*, 2012). As in many other European countries, the flexibilisation of the labour market was 'at the margin'; it concerned essentially the newly employed, while dependent workers were not affected by the reform. Furthermore, it was not really accompanied by investments in the security side of the flexicurity triangle (Jessoula and Alti, 2010; Berton *et al.*, 2012): the income maintenance system was not reformed, and trade unions did not push for measures that would have clearly benefitted labour market outsiders, such as a minimum income scheme (Durazzi, 2017; Natili, 2019).

Thus, the social rights of the labour market outsiders have not scored high on the CGIL's agenda, which has followed the strategy of negotiating for its members rather than mobilising new groups. Over time, this has seriously undermined the legitimacy of trade unions, especially among younger cohorts (Culpepper and Regan, 2014), resulting in declining union membership<sup>2</sup> and even in the creation of new groups in Italian cities, such as *San Precario*, which, possessing little confidence in unions, organises protests and provides free legal advice to non-standard workers. This, as outlined below, will be relevant to explaining shifting trade union positions in the following decade. Thus, neither in Argentina nor in Italy did crises and welfare retrenchment during the 1990s lead to a strategic reconfiguration of trade union social policy preferences. In what follows, we will outline the reasons that this was the case with the two major crises that hit these countries in 2001 and 2008, respectively.

#### 4.1 Losing Crucial Institutional Resources: Marginalisation of Trade Unions in Italy and Argentina

At the end of the 1990s, Argentina experienced a 'Great Depression'. GDP declined by 3% in 1999 and the country entered what became a three-year recession that culminated in late November 2001 in an economic collapse in the currency as well as sovereign debt and banking crises. After this economic breakdown, GDP dropped by 15% from 2001 to 2002, the unemployment rate increased from 12.7% in 1998 to above 25% in 2002 and poverty and inequality dramatically increased (Etchemendy and Collier, 2007).

During this phase, different governments attacked trade unions and successfully weakened workers' organisations. In particular, President Fernando de la Rúa, elected in 1999, cut pensions and public sector employees' salaries significantly (Rossi, 2017). Moreover, under his presidency, the labour policies that had characterised the previous decades, aimed at smoothing labour regulation, culminated in the introduction of Law 25.250, which, among other things, established that collective contracts signed at a lower level had to prevail over the ones set up at the higher level. President de la Rúa also successfully attacked the *obras sociales*, where Menem had failed, and notably approved a law to introduce competition among *obras sociales* and private providers. Significantly,



trade unions strongly mobilised against this decision and were able to limit its implementation (Niedzwiecki, 2014).<sup>3</sup> In a nutshell, in this period, governments struck many blows to the power of trade unions and successfully managed to limit their strength as relevant actors in the political and industrial relations arenas (Etchemendy and Collier, 2007).

In Italy, the financial crisis of 2008 and the resultant crisis of sovereign debt constituted a critical period for trade unions. Their immediate response to the onset of the Great Recession was the traditional one, aimed at reducing the negative effects of the economic crisis on their core constituencies. Accordingly, the CGIL, CISL and UIL negotiated with the Italian government a strategy that primarily targeted the containment of redundancies, while allowing some categories of workers usually excluded from ordinary benefits and mobility allowances to be entitled to these relatively generous schemes, in particular, through extensive recourse to the so-called Wage Supplementation Fund ‘in derogation’ (Sacchi *et al.*, 2011). Most labour market outsiders, such as the long-term unemployed, individuals entering the labour market for the first time, as well as quasi-employees and most workers with discontinuous careers remained excluded from any form of income protection benefit.

The technocratic Mario Monti government (2011–2013) and those of Enrico Letta (2013–2014) and Matteo Renzi (2014–2016) represented a watershed both for the relationship between governments and trade unions and for the Italian welfare state (Natili and Jessoula, 2019; Sacchi, 2018). The pension system was drastically reformed in 2011, affecting the acquired rights of more protected groups of workers, which formed the core constituency of trade unions and had been largely untouched by previous reforms. Reforms of the labour market and of the unemployment compensation system in 2012 and in 2015 further liberalised the labour market and dismantled one of the main symbols and policy gains achieved by the unions, Article 18 of the Statute of the Workers’ Rights, which granted reinstatement in case of unfair dismissals in firms employing more than 15 workers. Labour market reforms also entailed a profound restriction of the usages of the CIG, containing expenditures by limiting prolonged recourse to the programme and to assistance that does not meet the original purpose of the instrument (i.e. to cope with temporary crisis situations).<sup>4</sup> As a consequence of these changes, CIG payments did not require the involvement of social partners anymore, so that ‘the employment relations system has been reshaped by redesigning rights and protection for workers that can be enforced in any event, independently of the preferences and approval of the social partners’ (Regalia and Regini, 2018, p. 74), who consequently lost some of their organisational powers.

Tellingly, trade unions strongly opposed this particular aspect of the reform (Nannicini *et al.*, 2019), though with limited results (Interview 11). These reforms were introduced unilaterally, without involving the unions in the

decision-making process (Culpepper and Regan, 2014; Regalia and Regini, 2018). Under the Renzi government (2014–2016) in particular, which openly criticised past and present trade union choices, there was a veritable break between the CGIL and its traditional ally, the Democratic Party. In other words, differently from the past, in Italy during the worst phase of the crisis, trade unions were largely marginalised both in the pension and in the labour market policy fields (Interview 12 and 14).

#### **4.2 Losing Guaranteed Legitimacy: The Crisis and the Emergence of 'Social Competitors' in Italy and Argentina**

Besides marginalising the trade unions in the policy-making process, the crises in Italy and Argentina resulted in the emergence of new social and political movements, explicitly criticising the CGT and the CGIL and questioning their guaranteed political legitimacy.

In Argentina, already in 1996, the CGT's supposed consent to the neoliberal Menem reforms led part of the CGT to split off to form a new trade union, the *Central de Trabajadores de la Argentina* (Argentine Workers' Central Union, CTA). The CTA targeted as its main constituency public employees and workers who were not employed in core economic sectors. As strategic allies, it chose recently created groups of unemployed and informal workers, either including them in its internal structure or supporting their battles externally (Garay, 2017; Interviews 2 and 3).

In particular, the CTA acted as an umbrella organisation for the social movements of unemployed persons born in the previous decade, and in 2001 they created the FreNaPo, or *Frente Nacional contra la Pobreza* (National Front against Poverty), which included civil servants, small and medium enterprises, organisations of human rights, etc. Initially, the FreNaPo demanded the introduction of three social programmes: a *Seguro de Empleo y Formación* (Employment and Training Insurance) for unemployed heads of household, an *Asignación Universal por Hijo* for all children and an *Asignación Universal* (Universal Allowance), a social pension for people who had reached pensionable age but did not have enough contributions to access pension insurance. To put forward such proposals, in July 2001, the CTA organised a march, the so-called 'March of the Seven Columns', which departed from different parts of the country to meet finally in Buenos Aires. The purpose of the march was to spread awareness regarding the policy proposals and, on reaching the capital, to collect the necessary signatures to submit a 'popular initiative' law to the Parliament.

This goal was reached only partially, as the FreNaPo managed to obtain only 400,000 signatures out of the million required. The three proposals became the object of a referendum in mid-December 2001 and were approved by almost three million inhabitants – i.e. 8% of the Argentinian population – and the CTA

was finally able to express its demands in the Chamber of Deputies (Garay, 2017, p. 180).

In this phase, while the CTA was perceived as opposed to the policies implemented between 1998 and 2002, the CGT had to face a loss of credibility (Armellino, 2011). In short, facing the dramatic consequences of the crisis, new social actors emerged in Argentina, challenging the primacy of the CGT as social actor. Italy experienced a similar trajectory. Indeed, between 2009 and 2013, the social consequences of the crisis became dramatic. National ‘absolute poverty’ figures, provided by the Italian National Statistics Office, mirrored the dramatic growth of the phenomenon. In 2006, in the pre-crisis scenario, the absolute poverty rate was 2.9%; it more than doubled in the following years, reaching 5.7% of the population in 2011, and 8.4% in 2017, corresponding to more than five million people.

Along with deteriorating social conditions, new social actors increased their mobilisation. In labour conflicts, the outsiders were often mobilised by independent, small rank-and-file, more radical trade unions, like Cobas and USB, supported by left-wing militants and social movements, often in open competition with confederal trade unions (Choi and Mattoni, 2010; Pilati and Perra, 2020). These actors raised new demands in the social policy arena, mobilising atypical workers and their growing concerns with income security. In 2012, these social movements were able to collect sufficient signatures for a popular legislative initiative, bringing the proposal of a minimum guaranteed income to parliament. Furthermore, in 2013 a number of large-scale NGOs and associations launched the *Miseria Ladra* (literally, ‘Misery Thief’), a campaign to declare poverty illegal and to support the introduction of a ‘dignity income’. As with the Argentinian case, in Italy marches were organised to support such proposals. The initiative was supported by the rising Five Star Movement, which had among its top proposals the introduction of a clearly pro-outsider benefit, the *Reddito di Cittadinanza* (citizenship income).

Deteriorating social conditions, the introduction of severe austerity-driven reforms and the emergence of new movements campaigning also against traditional left parties – and the representatives of the labour movement – decreased the legitimacy of trade unions in Italy. Indeed, despite an almost stable union density rate, in the aftermath of the crisis the level of trust in trade unions fell significantly.<sup>5</sup> The crisis thus accentuated the perception, especially among young people, that trade unions were simply another interest group, and that the actors supporting low-income individuals were *others* – for sure NGOs and social movements, but also the emerging Five Star Movement.

### 5. Trade Union Support for Pro-Outsiders Non-Contributory Benefits in Argentina and Italy

Both in Argentina and Italy, trade unions reacted not only defensively to the respective crises, their progressive marginalisation and the emergence of new challengers. In Argentina, the emergence of a second union pushed the CGT to counteract the initiatives carried out by the CTA. Though the CGT did not officially contribute to the FreNaPo, internal tensions peaked, leading a dissident internal faction to support many of the CTA initiatives. Furthermore, the partial loss of legitimacy and the pervasive presence of the CTA had the combined effect of reorienting the CGT's preferences for outsiders, both during the crisis and in its aftermath. At the end of 2001, in fact, the CGT reacted to the policy proposal of the CTA by asking for the introduction of an unemployment benefit very similar to the one proposed by the FreNaPo, which included both cash transfer and training to aid the unemployed to be reinserted in the labour market. However, a few days later, the government fell, and the Argentinian breakdown prevented any further advancement.

The newly elected president, Eduardo Duhalde (2002–2003), reacting to the crisis, set up a *Dialogo Social* (Social Dialogue) with the purpose of unifying all social actors. Contrary to the CTA, which adopted a strategy based on mobilisation and the formation of social coalitions, the CGT's response was more institutional, promoting pro-outsider measures through the parliamentary arena. Under the continuous pressures of social movements and the more institutional pressure of the CGT, the president took the initiative and introduced new programmes (Garay, 2017). In particular, the PJJHD, or *Plan Jefas y Jefes de Hogares Desocupados* (Plan for Heads of Unemployed Households) was established; this was a non-contributory benefit, targeting households with unemployed members, conditional on participation in job-search activities. Despite opposing the neoliberal government and criticising this measure as insufficient, the CGT supported the PJJHD from a 'philosophical and social point of view' (Interview 9).

When the Peronist Nestor Kirchner (2003–2007) became president, profound changes occurred in the relationship between the government and trade unions. The competition between the two unions exacerbated. This was also due to the political weakness of the new president; Nestor Kirchner was elected with only 22% of votes, and he needed a strong ally to govern the country. Kirchner's government initiated a dialogue with some sectors of the CTA with the purpose of reducing mobilisation, but the CGT was soon identified as an ally, having won the competition with the other labour organisation (Armellino, 2011).

It was in this phase that important changes occurred in the social policy platform of the main labour organisation. The CGT, besides regaining its political strength by restoring collective bargaining in favour of registered workers (Etchemendy and Collier, 2007), began actively to advocate for some

pro-outsider policies. In the pension field, the *Ley de la Jubilación Anticipada* (Early Retirement Law), which was considered the measure that ushered in a new era of inclusive pension reforms, was proposed in 2004 by deputies close to the CGT (Interview 9). However, the most significant measure to include outsiders in the pension system was the *Moratoria*. This measure enabled workers, regardless of the years of paid contributions, to access the contributory pension system because the state paid in advance. Since there was no limit on the contributions that it was possible to anticipate, this policy clearly targeted outsiders. Along with social movements, CGT members supported this pro-outsider benefit (Garay, 2017, p. 207) and contributed to its approval in the congress (Interviews 1 - 2 - 9).

This gradual process of social policy expansion continued when Cristina Kirchner became President for the first time, and the Argentinian economic and social context had improved. In 2008, unemployment was around 7%, and mobilisation was also significantly lower. Yet President Kirchner introduced important social policy changes. In particular, in 2009 the AUH was launched. For the first time in Argentina, a non-contributory conditional cash transfer directed to the children of unemployed and informal workers who did not earn a minimum wage was established. It was thus aimed exclusively at covering outsiders because insiders continued to receive contributory family allowances. Significantly, the CGT supported the introduction of the AUH, although it was also financed by funds (the *Fondo de Garantía y Sustentabilidad del Régimen Previsional Público de Reparto*) mostly devoted to formal workers (Lo Vuolo, 2013). In a nutshell, a strong leftist government allied with a traditionally pro-insider trade union introduced a social policy that clearly benefitted outsiders. At the same time, the CGT also pushed for the actualisation of other family allowances directed to formal workers.<sup>6</sup>

As regards the Italian case, the CGIL also reacted proactively and not just defensively to a changing political environment (Regalia and Regini, 2018) characterised by political marginalisation and the emergence of challengers. The three main confederations (CGIL, CISL and UIL) resumed their road towards unity and were able to negotiate with a centre-left government expansionary pro-outsider measures. In September 2016, the 'Poletti-Renzi pension reform' was introduced, which, although with many limitations, aimed to strengthen equity among different categories of workers, thereby facilitating access to old-age and early retirement pensions for workers with fragmented careers, and reducing the contribution rate for the so-called 'para-subordinate' (i.e. non-standard) workers (Jessoula, 2017). On this occasion, the centre-left government also conceded to trade union pressure to ensure their support in view of the Italian constitutional referendum. More relevantly, trade unions opened up their traditional claims, supporting for the first-time anti-poverty campaigns (Interviews 12 - 14 - 15). In November 2013, on the initiative of the ACLI

(Christian Associations of Italian Workers) and Caritas, a wide pro-poor advocacy coalition, the Alliance Against Poverty in Italy was formed, which included the three main Italian trade unions and seventeen major NGOs and charities,<sup>7</sup> marking the first time they actively advocated for the introduction of a national minimum income scheme. Due to both strengthened advocacy and political competition dynamics between the centre-left coalition in government and the Five Star Movement, after years of apathy, the visibility of an anti-poverty pro-outsider minimum income scheme in the Italian political debate grew significantly (Natili, 2019). A social safety net was finally introduced in late 2017 in Italy, the Inclusion Income scheme. This followed negotiations between the Paolo Gentiloni Democratic Party government and the Alliance Against Poverty, leading to the joint signature of a memorandum that testifies how the Alliance Against Poverty was a crucial actor in drafting the new measure. In this phase, the CGIL, along with the other confederal trade unions, 'played a critical role in gaining political traction for the Alliance's proposal' (Durazzi *et al.*, 2018, p. 216), being the actor within the Alliance that was more resourceful and experienced in pressuring the political arena (Interviews 12 and 14).

Support for a minimum income was not the only change in the bargaining platform of Italian trade unions. In particular, in 2016 the CGIL launched a campaign for a 'Charter of Universal Labour Rights', invoking the granting of social rights to all workers independently of the type of employment contract, after being able to obtain over one million signatures to support the measure. In April 2017, it also proposed the introduction of the *pensione di garanzia* (pension guarantee), whose main aim is to ensure pension adequacy for young precarious workers with discontinuous careers (Raitano, 2017). These initiatives had limited results, also because the CGIL did not come together with the other trade unions and/or other movements on these issues and remained isolated. Notwithstanding, these initiatives clearly outline that, with respect to the previous decades, in the late 2010s the CGIL's demands significantly changed, and they began to emphasise the need to expand the borders of the Italian social protection system to protect those furthest away from the labour market.

## **6. Explaining Changing Trade Unions Social Policy Preferences in Italy and Argentina**

This paper has aimed to show the reasons inducing trade unions to adopt pro-outsider social policies when facing a dilemma regarding which workers to represent in the distributive struggle generated by an insider-based welfare state structure. Our empirical reconstructions of the Argentinian and Italian cases provide theoretically relevant insights in this regard.

Clearly, in Argentina the institutionalization and consolidation of democratic political dynamics was crucial, as they provided the conditions for the

emergence of new socio-political actors, for political exchange dynamics between governments and interest groups and ultimately for welfare expansions (Huber and Stephens, 2012). Under democratic rule, crises and external challenges constituted in both cases an important trigger of change in the trade unions' strategies. The economic depression that culminated with the 2001 crisis in Argentina and the onset of the Great Recession in Italy engendered two mechanisms that played a significant role in explaining this outcome: trade unions' crucial organisational and political resources were questioned, and new socio-political challengers emerged.

However, these factors played out quite differently in the two cases. In Argentina, between 1999 and 2002, governments struck many blows to the power of trade unions, but the CGT was able to mobilise efficiently, in particular against government efforts to question its monopoly in the organisation of the *obras sociales*. However, this focus on organisational resources had a significant cost: the compliance of the CGT with some neoliberal reforms to defend resources considered vital to the organisation's survival led to the formation of a new trade union, the CTA. The latter, to compete with the former and to ensure itself a 'space of action', mobilised the increasingly numerous outsiders, and introduced new demands in the political arena through the formation of the FreNaPo. This new mobilisation strategy finally resulted in greater support for pro-outsider policies in both trade unions. In fact, along with the economic crisis, the emergence of a new labour organisation constituted a challenge also for the CGT, which reacted by broadening its requests.

In the Italian case, the onset of the most important economic crisis since the end of World War II constituted a watershed for the labour movement, because its traditional institutional resources were challenged even more profoundly than in the Argentinian case. In fact, the Great Recession led to the simultaneous demise of the role of trade unions in the management of labour market arrangements through the CIG, and the breakup of the traditional alliance with the main party of the centre-left, the Democratic Party. Also, trade union political legitimacy was questioned during the crisis. While labour organisations mobilised reluctantly, other social groups and political movements reacted against austerity and supported the outsiders by advocating for the introduction of a guaranteed minimum income. Furthermore, there arose a new political party, the Five Star Movement, that openly claimed to have no relations with the traditional labour movement. It wanted to represent the 'forgotten' of the previous decades, partly by supporting the introduction of a clearly pro-outsider social policy benefit, the citizenship income.

This 'perfect storm' led, similarly to the Argentinian case, to a change of strategy in the social policy arena, to regain visibility and influence over the policy-making process. This was particularly evident in the case of the CGIL. Trade unions consented to participate in the Alliance Against Poverty; in the few

occasions the centre-left government was willing, it negotiated the adoption of pro-outsider measures. In the end, a traditionally pro-insider social policy platform gave way to more pro-outsider-oriented social policy proposals, especially in the field of income protection benefits for the working-age population.

## 7. Conclusions

Against the background of a political economy literature that mostly considers trade unions as advocates of the interests of their stronger constituencies – the so-called ‘insiders’ – this article shed light on the existence of mechanisms that potentially extend trade union claims beyond such demands, even when the welfare state structure provides negative incentives. In Argentina and Italy, losing crucial institutional resources, combined with the emergence of new social actors potentially questioning the legitimacy of trade unions, led labour organisations to adopt significant changes in their social policy platforms. These outcomes suggest there are more subtle and context-specific political variables related to the trade unions’ institutional positions, political party linkages and to the potential challenge created by the presence of other social actors in the analysis of trade union choices in the social policy arena.

Our analysis has implications for the politics of pro-outsider benefits in an age of austerity. Indeed, both in Argentina and Italy, only when trade unions supported non-contributory benefits did they enter into the political agenda, whereas they had previously been neglected for decades. Furthermore, our reconstruction suggests that the collaboration with other social organisations proved relevant to compensate for their loss of power resources; in this context, at least when weak centre-left governments in search of an ally were in charge, expansionary social policies were possible even under the harsh constraints imposed by the age of austerity. Though more research is needed to confirm this hypothesis, these results thus outline that the alliance between the labour movement and civil society organisations can be a major determinant of social policy expansion (Niedzwiecki, 2014), consistently with the so-called ‘power constellation theory’ (Huber and Stephens, 2012).

Interestingly, the comparative social policy literature on Latin America has fruitfully combined this focus on mobilisation from below and group coalitional dynamics with attention to electoral politics (Altman and Castiglioni, 2020; Garay, 2017). This approach seems very promising to interpret dynamics leading to the expansion of ‘welfare borders’ to include previously neglected social groups.



## Acknowledgements

We thank Camila Arza, Fabio Bulfone, Lisa Dorigatti, Matteo Jessoula and Anna Mori for their precious suggestions and advice on earlier drafts. We are also very grateful to the editors and anonymous reviewers of *Journal of Social Policy*.

## Competing Interests

The authors declared no potential conflicts of interest with respect to the research, authorship, and/or publication of this article.

## Supplementary material

To view supplementary material for this article, please visit <https://doi.org/10.1017/S0047279421000660>

## Notes

- 1 The fieldwork in Argentina has been regulated and approved by the Ethical Committee of the University of Milan in October 2016. Elite interviews in Italy conformed to the Code of Ethics and for Research Integrity of the University of Milan. Research's activities have respected rights, dignity, integrity and well-being of human beings involved in the project. Data have been collected, stored and used in compliance with the General Data Protection Regulation (EU) 2016/679 (GDPR).
- 2 Union density fell from the early 1990s to 2008 from 40% to 29% of the workers, a decline particularly intense among young workers (cf. Simoni, 2010).
- 3 Finally, the law was cancelled in 2002 under the government of Duhalde (Haggard and Kaufman, 2008).
- 4 For a detailed reconstruction of policy changes, see Sacchi, 2018, p.38.
- 5 According to Eurobarometer, the individuals in Italy who agree that trade unions have a positive role declined from 57% in 2007 to 40% in 2014.
- 6 See *Pagina 12*, 8 September 2011 "The standard, in another context" and *Clarín*, 8 June 2011 "Moyano: "The big deficit of this model is inflation". Author's translation.
- 7 For an excellent reconstruction of the formation of the Alliance Against Poverty, see Gori, 2020.

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