Combating Poverty in Europe

**Work Package 4**
**Multilevel "Arenas" for Fighting Poverty and Social exclusion**

# National Report Italy

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## Abbreviations

| | |
|---|---|
| AGS | Annual Growth Survey |
| AROP | People at risk of poverty (EU 2020 indicator) |
| AROPE | People at risk of poverty or social exclusion (EU 2020 indicator) |
| CSRs | Country Specific Recommendations |
| CIG | Cassa Integrazione Guadagni |
| CNEL | *Consiglio Nazionale dell'Economia e del Lavoro* |
| DG Empl. | Directorate General for Employment, Social Affairs and Inclusion |
| DPS | Department for Development and Economic Cohesion |
| EAPN | European Anti-Poverty Network |
| EC | European Commission |
| EPAP | European Platform against Poverty and Social Exclusion |
| ESF | European Social Fund |
| EU | European Union |
| GDP | Gross Domestic Product |
| IMF | International Monetary Fund |
| INPS | National Institute of Social Security (IT) |
| ISEE | Indicatore della situazione econonomica equivalente (Equivalent economic status indicator) |
| MS | (EU) Member state (s) |
| NAPs | National Action Plans |
| NRP | National Reform Programme |
| LIVEAS | Livelli Essenziali di Assistenza |
| LWI | Low Work Intensity |
| NAPs/Incl. | National Action Plans against poverty and social exclusion |
| NSR | NSR |
| NGO | Non-Governmental Organization |
| OMC | Open method of coordination |
| PA | Partnership Agreement |
| PAC | Piani di Azione e Coesione |
| PD | Partito Democratico |
| PO | Programma Operativo |
| POIN | Programma Operativo Interregionale |
| PON | Programma Operativo Nazionale |
| POR | Programma Operativo Regionale |
| SII | Social Integration Income (Portugal) |
| SIP | Social Investment Package |
| SMD | Severly Materially Deprived |
| SPC | Social Protection Committee |

**Foreword**

Reducing poverty and social exclusion is one of the main challenges for ensuring social cohesion in Europe. The research project COPE – Combating Poverty in Europe: Re-organising Active Inclusion through Participatory and Integrated Modes of Multilevel Governance' – analyses trends of poverty and social exclusion in Europe, and examines the dynamics of minimum income protection policies that potentially help alleviate the risk of poverty in Europe. A particular focus is on the situation of single parents, long-term unemployed and the working poor, who face particular risks of poverty and social exclusion. To what extent have minimum income policies functioned as last resort social security for these three groups, and in what sense can 'active inclusion' policies credited with protecting them from poverty and social exclusion?

Co-financed by the European Commission in the 7th Framework Programme, the COPE project unites researchers and stakeholders from six European countries, the UK, Italy, Poland, Sweden, and Norway. Having started in February 2012, COPE runs over a three-year period. COPE's method is comparative – analysing developments in five European countries (Poland, Germany, UK, Sweden and Italy). Its focus is inherently multi-level, looking in turn at developments at European, national and local level.

# SECTION A:
# THE EUROPE 2020 ANTI-POVERTY ARENA

## 1. Introduction

The aim of this report is to shed light on the multi-level governance of anti-poverty and social inclusion policies by focusing on the national-supranational interaction between Italy and Europe. The analysis conducted of the Europe 2020 implementation underlines that – although the concrete actions adopted to fight poverty are limited and the social protection system has increasing difficulties in addressing social needs – the issues of poverty has gained momentum in the Italian debate.

The report is developed on the basis of two different time frames. On one hand, it compares the 'Europe 2020 era' (2010-2014) with the previous 'Lisbon era' (2000-2010). In order to develop this analysis, the report contrasts the empirical evidence relative to Europe 2020 (collected by analysis of official documents and interviews with key actors) with the evidence emerging from the secondary literature on the Open Method of Coordination (the soft-coordination modes established within the framework of the Lisbon Strategy). On the other hand, it compares the three cycles of implementation of Europe 2020 (2010-2011; 2011-2012; 2012-2013). The analytical dimensions along which the new Europe 2020 arena is evaluated are: 1. the 'participation' of actors in processes (e.g. stakeholder involvement in reporting activities and/or developing policies to fight poverty); 2. the 'integration' of policy sectors and programmes (e.g. coordination among different levels of government and among different ministries). Changes along these two dimensions are also assessed by considering the 'procedural' and 'substantial' impact of EU coordination in both the 'Lisbon' and the 'Europe 2020' era.

This report is divided into six sections. The second section focuses on the background. It highlights that the Italian model for the fight against poverty is normally associated with different 'categories' of need, whereas a 'universalistic' minimum income programme is still lacking (Section 2.1). In this framework, the first phase of EU soft coordination (the Social OMC during the Lisbon era) has not induced any profound change in the institutional architecture of the Italian welfare system, and the actors involved in the (soft) processes have shown a low sense of ownership of these processes. However, we gain little evidence of systematic effects of the Social OMC by considering its 'substantial' and 'procedural' aspects (Section 2.2). Finally, this part of the report considers the impact of the current economic and financial crises and the main trends in poverty and social exclusion (Section 2.3).

The third section focuses on the relation between the national and the European level within the framework of Europe 2020. Both the launch phase and the first three years of implementation are considered. This part of the report investigates the two main components of Europe 2020: the "European Semester" with the relative reporting and monitoring activities (Annual Growth Survey – AGS; National Reform Programmes – NRPs; Country Specific Recommendations – CSRs) and the 'structural funds' that in Italy were re-programmed in the first two cycles of Europe 2020 (through the definition of three *Piani di Azione e Coesione - PAC* in 2011 and 2012) and programmed for the new budget period (2014/2020) during the third cycle.

The fourth section evaluates Europe 2020 by considering the 'participation' of actors (Section 4.1) and the integration between policy sectors and policy programmes (Section 4.2). The analysis of these two dimensions in the Italian case shows that the processes related to the

programming of structural funds created more opportunities (for promoting both participation and policy integration) than did the processes related to the European Semester.
The fifth section concentrates on the local dimension of Europe 2020. After briefly describing the main best practices developed at local level, it considers the case of the city of Turin and the Piedmont Region. The focus is on the role played by the structural funds at local and regional level. Since the beginning of the economic and financial crises in 2008, the use of the structural funds has promoted a ‘reframing’ of poverty issues towards activation.
The sixth section assesses the impact of Europe 2020 by considering its ‘procedural’ and ‘substantial’ effects. This section highlights that Europe 2020 is having a major impact by: 1) opening new spaces for the involvement of actors (through the programming of structural funds); 2) promoting the definition of new instruments to programme actions (such as a National Operative Programme devoted to inclusion for the 2014/2020 budget period); 3) developing a national debate on poverty and social inclusion focused in particular on the introduction of a national minimum income scheme; 4) reframing the poverty and social inclusion concept, especially in terms of activation; 5) redefining the main instrument with which to fight poverty (Social Card). Finally, section seven concludes.

## 2. The background

### *2.1 The national ‘model’ to fight poverty*

*The main features: a categorical model of protection*
Italy has been traditionally characterized by the presence of Bismarckian institutions: access to social protection has been based on the labour-market position of the ‘male breadwinner’. Benefits consist of earnings-related transfers, and the financial mechanisms are mainly funded by social contributions. At the same time, Italy exhibits the typical features of the ‘Southern European welfare state’ characterized by the primary role of families in providing informal welfare, the gap between ‘insiders’ (over-protected) and ‘outsiders’ (under-protected) with further segmentation through ‘mid-siders’ (Jessoula, Graziano, Madama 2010), and the predominance of a clientelistic tradition (Ferrera 1993; 1996). In this framework, the fight against poverty and social exclusion has traditionally had a residual role and benefits are addressed to people excluded from the labour market. The weakness of the public system in this regard has been partially off-set by the large-scale intervention of Catholic organizations. Moreover, marked territorial differentiation characterizes the provision of social services at regional and local level (Agostini 2011; Madama 2013).
Protection measures are normally directed to individuals associated with ‘categories’ of need (as in the case of disabilities and old age). The only universalistic measure in the fight against poverty is a ‘care allowance’ (*indennità di accompagnamento*) for people in constant need of assistance and who are not hospitalized in a public institution (Sacchi and Bastagli 2005). In sum, the Italian policy model for the fight against poverty is almost exclusively based on a poorly financed insurance pillar, whilst a means-tested minimum income programme is lacking. This general situation is accompanied by the anomaly of the *Cassa Integrazione Guadagni*, a benefit (funded by both companies and general taxation) that substitutes the wages of workers temporarily laid off. This benefit is provided after ‘concertation’ among the trade unions, the bussinness association, and the state (Graziano 2011). A non-categorical means-tested benefit (called *Minimo Vitale*) has been introduced in some municipalities (Turin 1978, Ancona 1981, Catania 1983, Milan 1989). On the basis of national regulations, after 1998 a minimum income scheme (*Reddito Minimo di Inserimento*) was introduced on an experimental basis in some municipalities (39 municipalities in the first experiment 1998-2000; 306 municipalities for the following two years). This scheme comprised both monetary

and activation components; access to cash transfers was conditional on participation in a social inclusion programme (Matsaganis *et al.* 2003).

Since 2008, the main instrument to fight poverty has been the 'Social Card' (Madama, Jessoula and Natili 2014). Initially, the Social Card was a debit card with which to purchase food and pay for basic utilities. Its purpose was to ensure access to certain essential goods; and it was mainly an income supplement for retired people. In 2011, Law no. 10 reformed the Social Card system by promoting a pilot project involving a selected number of municipalities (with more than 250,000 inhabitants) which combined passive and active measures: cash benefits were combined with social inclusion measures. However, this plan was abandoned when the government fell at the end of 2011. The new technocratic government (headed by Mario Monti) proposed a new version of the scheme (the so-called Social Card 2.0) that reflected a new approach. The new measures were conceived as universal, based on both cash transfers and social services, while generosity was increased. Finally, the scheme introduced some forms of conditionality. However, the Social Card continues to be experimental in nature (still limited to municipalities with more than 250,000 inhabitants). This confirms Italy's peculiarity in lacking minimum income protection. Moreover, the implementation of the Social Card 2.0 only in large cities meant that the territorial distortion that characterizes the Italian welfare state could not be tackled. Furthermore, the main measure passed by the Italian government to reduce the impact of economic crises was the *Cassa Integrazione Guadagni – CIG.* This measure was revised in derogation of current legislation. In particular, the new '*CIG in deroga*' derogated on the categories of workers, enterprises and sectors involved, and the duration of the measures. Its purpose was to: 1) extend income support measures to certain categories of workers (especially workers in small enterprises) previously excluded from the *CIG*; 2) find, with the help of the regions, the funds necessary to cope with the increasing demand for wage support due to the economic crisis. The Italian government stipulated an agreement with the regions, which were required to cover 30% of the cost of *CIG in deroga* (40% after 2011), also through the European Social Fund (Vesan 2012; Sacchi and Vesan 2011). The use of '*CGI in deroga*' as the main measure to reduce the impact of economic and financial crises confirms the continuity of the 'categorical approach' characteristic of the Italian welfare state.

*The interaction between the European and national level*

The historical evolution of the interaction between EU and Italy can be divided into three phases according to the different uses made by domestic policy-makers of the 'European sources'. The first phase (1980-1991) was characterized by a limited use of European sources and a limited policy shift at national level. During the second phase (1992-2000), European social policy emerged, and major policy changes affected employment, pension and social assistance policies at national level. The third phase (2001-2010) was characterized by two main developments: (i) there was a large reduction in support for Italy's membership of the European Union (both in public opinion and among the elite); (ii) the budgetary constraint was reduced after a phase during which the effort to be part of Economic Monetary Union (EMU) and to respect the Maastricht criteria predominated. During this phase no significant changes concerned social assistance policies (nor the fight against poverty). In this framework, since the 1990s, the European integration process has favoured two main developments. First, the diffusion of 'activation paths' related to the launch of the European Employment Strategy encouraged the adoption of more 'flexible' and more 'workfare-oriented' employment policies. Second, greater risks of poverty and social exclusion, and the onset of an 'equity' problem (relative to the gap between outsiders and insiders) favoured a new focus on social assistance (Graziano and Jessoula 2011). The issues of poverty and social inclusion gained momentum after the mid-1990s. In pursuit the EMU the Prodi government appointed a commission of experts (the so-called *Commissione Onofri*) to draw up a proposal for comprehensive reform of the entire welfare system. The Onofri Commission defined a strategy for the gradual re-calibration of 'social assistance' (including poverty and social inclusion) and the other welfare sectors (in particular pensions). Four main guidelines were established: 1) promote the universalization of benefits access; 2) establish a safety net; 3) promote a decentralized system of services with reduced territorial disparities; 4) rationalize cash transfers while separating their anti-poverty functions from their family-support ones. This new approach to social assistance found its legal basis in Framework Law no. 328/2000 (Ferrera and Sacchi 2005). This law regulated the system of local social services; it addressed not only poverty and social exclusion but also other sectors such as services for the elderly and children.

*The reform of social assistance*

Enactment of Framework Law 328/2000 was intended to produce profound change by defining new goals and instruments for social assistance (Agostini 2011). First, this law sought, for the first time, to build a system based on 'national guidelines'. Even though it recognized the autonomy of local governments, the reform aimed at ending the discretionary measures typical of Italian social assistance by introducing forms of national regulation. The law impacted on a sector characterized by a high level of territorial diversity.[1] In this regard, the reform tried to build a system of policies under national control to reduce the territorial differentiation typifying this sector. Second, Law 328/2000 completed the process of separation between the assistance and pension sectors which began in the 1990s. By virtue of a clear definition of the boundaries between them, assistance acquired greater importance than previously. Particularly important from this point of view was the establishment of the 'National Fund for Social Policy' in 1997. This united economic resources from different branches of law in a single fund intended to ensure a uniform standard of protection for the entire country, and to promote the implementation of new projects at the local and regional levels. With the passing of Law 328/2000 the Fund assumed particular importance, becoming the instrument for the state to co-finance services. Indeed, the law defined a mixed system in which local governments, regions, and the state concur in financing social services. The Fund also received additional resources allocated by the national government for implementation of the reform, and this should have enabled the regions and municipalities to strengthen their social assistance systems.

One year after enactment of the Framework Law, Constitutional Law no. 3 of 2000 impeded implementation of the new social assistance system. The Constitutional Law provided for the state's articulation into regional governments.[2] In order to build a system of policies as defined by the Framework Law, the national level was to assume a regulatory role. This, however, has not been possible since enactment of Constitutional Law no. 3 in 2001, which sanctioned a high level of autonomy for regional governments in the social assistance field. The constitutional reform has blocked the creation of a national system of regulation in this sector because, in the new constitutional framework, the central level cannot perform regulatory functions by law. Instead, regional governments can decide whether or not their

[1] This feature has longstanding origins that can be traced back to the birth of the unitary state in 1861. At that time, there already existed strong imbalances between the North and South of the country, and national unification was unable to change the institutional framework of the pre-unification states. Moreover, the reform came after more than a hundred years without the passing of any national law in this sector, the previous law having been promoted by Prime Minister Crispi in 1890. During that time, the lack of unitary strategies and goals clearly favoured the development of territorially differentiated welfare programmes, reinforcing this feature further.

[2] The birth of the "regional state" was sanctioned in 1948, but in reality only the regions with a special statute were initially established. The others were created in 1970 through Law 281.

social service systems should comply with the principles of Law 328/2000. Regions have received exclusive legislative power in this sector, so that while they previously could only make laws within the national legislative framework, they can now also legislate without following the principles defined by the central level. In this new system, territorial homogeneity is no longer guaranteed by national legislation, but rather through the definition of ‘essential levels of assistance’ (*livelli essenziali di assistenza* LIVEAS) that should be provided nationwide. This has led to the end of the system in which the state defined organizational practices to be uniformly applied in all its territories. Instead, a new system has been created whereby the national government cannot affect the organization of social services. The absence of strong political interest in the implementation of Law 328/2000 and of the constitutional reform – also due to the change of government in 2001 – has meant that, although the LIVEAS were prescribed by both laws, they have never been introduced.

## *2.2. Supranational-national relationship within the social inclusion OMC*

This section investigates the relationship between Italy and Europe by considering the Open Method of Coordination in the Lisbon era (2000/2010). It focuses on: 1) the reporting activities undertaken at national level; 2) the reasons why the reporting activities were weak; 3) the influence of the OMC on domestic policy.

*The reporting activities (Lisbon I and II)*

The first National Action Plan on Social Inclusion (NAP/incl) for 2001-2003 was focused on the features of the new social assistance system defined by the Framework Law 328/2000. It provided a simple list of the main challenges concerning poverty and the (pre-existing) instruments with which to fight it, without defining new targets or commitments. Moreover, no target was fixed for promoting the mobilisation of stakeholders. The section devoted to the drafting process of NAP/incl was a mere inventory of actors and meetings without specification of how involvement worked. Nor did the second Italian NAP/incl improve the OMC process. An overall strategy for fighting poverty was still lacking, targets were (again) absent, and there was no indication as to the resources with which to implement the measures listed. Stakeholder involvement (again) was weak: mere consultation took place. In sum, at national level the first two NAP/incls have been considered to be simple administrative tasks (Ferrera and Sacchi 2005).

In line with the ‘streamlining’ achieved with the short-term revision of the Lisbon Strategy, since 2006 Italy has presented its action plan on social inclusion, pensions, and health care in a single “National Strategy Report” (NSR). A recent study (PPMI 2011) has evaluated the drafting process along three dimensions: 1) the way in which the NSR has been organized; 2) the quality of the documents; 3) the way in which the NSR has been integrated into the national policy-making process. The first dimension has been investigated by considering the time and resources devoted to producing the NSR. The draft has been described as a “rushed job” characterized by a low level of dissemination. Many civil servants argued that time was limited, while sub-national and non-state actors complained that they had little time to prepare their comments. As regards ministerial co-ordination, as in other member states, in Italy the process has been led by the Ministry of Labour and Social Policy. As for the stakeholders involved, NGOs are the most active, although they perceive the consultation process as a formality and believe that they have little chance of affecting the document’s contents. Finally, regional and local authorities are not involved in the process at all. As regards the second dimension – ‘quality of the documents’ – in Italy NSRs are typically seen as documents that list national policy developments without added value from the national actors’ point of view. The picture is complicated by the fact that preparation of the national budget must be done shortly after preparation of the NSRs. This produces a high level of uncertainty about the 'durability' of the actions included in the NSRs. Moreover, concerning the ability to comply with the requirements defined by the guidelines, Italy has submitted NSRs late and has not been able to follow the structure stated by the guidelines. Finally, as regards the way in which the NSR process is integrated into the national process, the study highlighted that the NSRs are mainly used to summarize national developments. This concerns in particular the social inclusion section, which is not a strategic document able to shape policy priorities (PPMI 2011).

*The reasons for weak reporting*
The national actors' scant sense of ownership of the European procedures can be explained by the incoherent development of the Italian social assistance sector. As we saw in the previous section, when the social inclusion OMC was introduced (2000) the issue of poverty gained momentum within Italian policy-making. However, the two major reforms approved in that period (the Framework Law and the Constitutional Law) rendered Italian policy-making rather incongruous. This development can explain the weakness of the OMC in Italy and, in particular, the scant interest in drafting National Strategic Reports and the weak stakeholder involvement (Kazepov and Saruis 2009). Firstly, since the Constitutional Law, the state has no legal instruments with which to plan social assistance policies at national level, whereas the OMC clearly requires a national coordination of this sector. As said above (Section 2), the LIVEAS have not been defined. Definition of the LIVEAS could have provided the stimulus to apply the Social OMC by fixing national targets and calling for national coordination. Secondly, the European objectives relative to the Social OMC could strengthen the linkage among stakeholders. However, the OMC implies a major cultural change for stakeholders and institutional actors. All actors normally adopt a 'government perspective', and they would have to rethink their role within a new 'governance perspective'. This process has been complicated by the fact that different (and inconsistent) reforms have been introduced over time. As a result, in many cases, stakeholders' interests and pressures have been directed towards the subnational level. As a consequence, the more innovative schemes have been autonomously developed at regional and local level. Finally, the timing of the national economic planning has not been in line with that of the activity report of the Social OMC. The National Strategic Report (NSR) has normally been issued in September, whereas the National Financial Law (*Legge Finanziaria*), which allocates annual resources (also) to social policy, is approved in December. The national debate and stakeholder pressures are confined to the last part of the year. Hence the NSR is unable to define specific objectives and concrete actions because the resources with which to implement them are unknown at that time.

*The impact of OMC on domestic policy: 'procedural' and 'substantial' effects*
Many observers dispute any influence of the Social OMC on Italian politics or policies. In general terms, there is little evidence of systematic effects of the OMC because: 1) the involvement of stakeholders and regional and local authorities is weak; 2) sporadic use is made of OMC topic by domestic civil servants. However, different effects of the OMC can be distinguished (PPMI 2001; Weishaupt 2014). In what follows, these effects are presented by distinguishing between 'procedural' and 'substantial'.
We can identify 'procedural effects' on considering that the OMC provides a 'common framework' able to make sense of a complex problem. The OMC has increased understanding of poverty by influencing 'policy thinking', and this in turn has influenced public discourses. The most evident examples concern the notions of 'active inclusion', 'flexicurity' and 'child poverty'. However, the knowledge has remained restricted to small groups of experts, stakeholders, and policy-makers. The OMC process has scant visibility and there is little

awareness of it. Moreover, the 2005 streamlining process has been accompanied by a loss of awareness, and social issues have become even more marginal.
The OMC has also contributed to increasing horizontal coordination among different policy fields. An example of good practices is provided by the “OPEN Project” intended to reinforce the OMC through the development of a participatory approach, with debates and meetings al local level able to include local actors in the fight against poverty and social exclusion. The OPEN Project has involved the Marche Regional Authority as leader of the partnership, the Saxon State Ministry of Social Affairs and Customer Protection (Germany), West Midlands Council (UK), and the Aragon Federation of Municipalities and Provinces (Spain). In the context of this project, between 2009 and 2010 round tables and seminars were organized on six main topics: 1) children’s rights and conditions, 2) family policy, 3) health and long-term care for older people, 4) ethnic minorities and immigrants; 5) social and job inclusion for people with disabilities, 6) labour market (PPMI 2011).
As regards the ‘substantial effects’, three main changes have occurred. First, the OMC has contributed to the creation of local observatories on poverty and social exclusion and favoured the improvement of data-gathering activities. In particular, the OMC has significantly helped to launch a series of surveys and studies on homelessness and poverty in Italy. The aim of these initiatives is to develop services and to create a network of local observatories on poverty and social exclusion. Data collection has been carried out on agreement among ISTAT, the Ministry of Labour and Social Policy, and two NGOs: the Fio.PSD (*Federazione italiana degli organismi senza fissa dimora*) and Caritas. Second, the Social OMC has had some indirect influence in supporting legislative developments: for example, it has influenced the preparation of some ‘regional measures’ to promote employment for the most vulnerable groups. Moreover, also to be considered are transformation of ‘regional laws’ such as the introduction of a minimum income scheme in the Basilicata region (see Madama, Jessoula and Natili 2014).

## 2.3. Problem pressure

In the late 1980s and early 1990s, Italy recorded significant economic growth, but thereafter the economy stagnated. Between 2001 and 2008 average growth was 0.8% of GDP. As shown in Table 1, Italian GDP (as percentage change on the previous year) was systematically lower than the EU-27 average. The contraction is particularly evident in 2008 (-1.2%) in 2009 (-5.5%) and in 2012 (-2.5%).

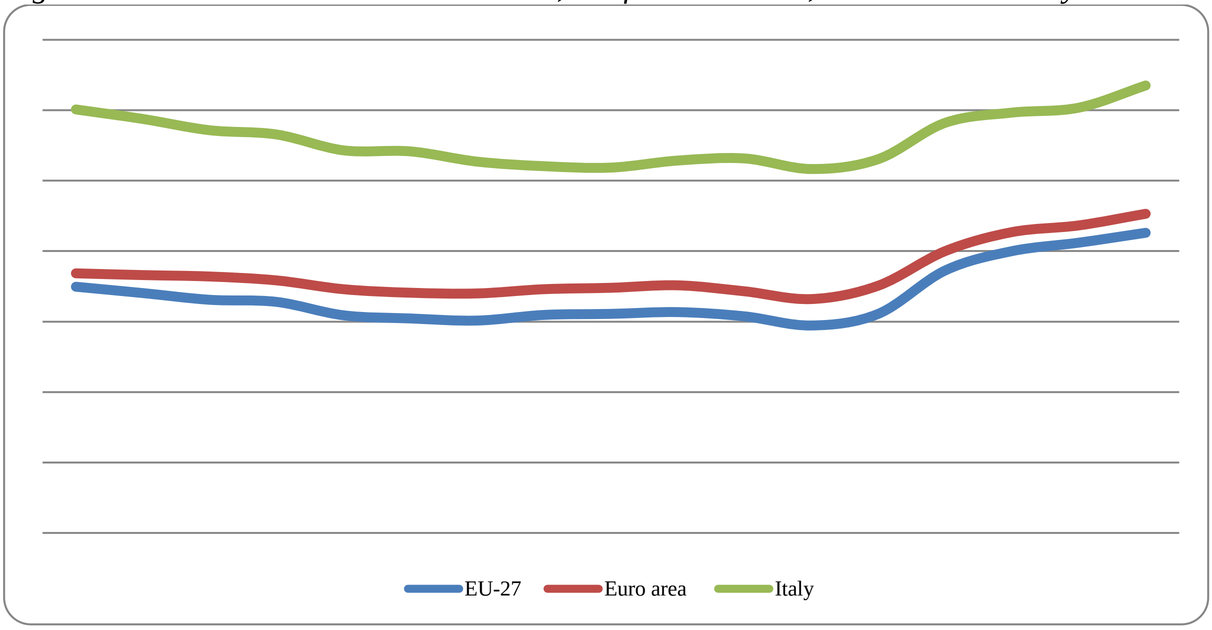
*Table 1. GDP EU-27 and Italy (percentage change on previous year)*

| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|---|---|---|---|
| EU (27 countries) | 2.6 | 2.2 | 3.4 | 3.2 | 0.4 | -4.5 | 2 | 1.7 | -0.4 |
| Italy | 1.7 | 0.9 | 2.2 | 1.7 | -1.2 | -5.5 | 1.7 | 0.5 | -2.5 |

*Source: Eurostat dataset*

Moreover, for many years in the 2000s Italy’s national debt was the highest in Europe, and currently it is second only to Greece’s. With the exception of 2007, when there was a decrease (103.3% of GDP), the government gross debt constantly increased between 2004 (103.4% of GDP) and 2011 (120.7% of GDP) (see Figure 1).

*Figure 1. General Government Gross Debt, % of GDP. EU-27, Euro area and Italy*




*Source: elaboration on Eurostat dataset*

Owing to its large public debt and low growth, Italy was vulnerable to the economic and financial crises of 2008. The European institutions applied pressure on national policy-makers to address the country's structural weakness, considered to be the cause of the low growth rates (Caritas Europa 2013). When the sovereign debt crisis began in the Eurozone (in 2010) Italy was in a fragile position, and the effects of the crisis were particularly severe. Any request for an external loan was viewed as a danger to the entire Eurozone (Oxfam 2013). On December 2011, the technical executive headed by Mario Monti adopted a package of fiscal reforms called "Save Italy" in order to highlight that without changes Italy would go bankrupt. The plan was to deal with the crises in two steps: the first consisting of austerity measures; the second of reforms and growth measures. The Save Italy package should have been followed by a Growth Italy package (Bini Smaghi 2013). The austerity measures envisaged by Save Italy regarded: 1) changes in the pensions sector (such as a progressive raising of the legal retirement age); 2) a shift from direct to indirect taxes; 3) higher taxation on wealthier people, in particular on property, and measures against tax evasion; 4) increased value added tax and excise taxes on fuels; 5) wage cuts for senior civil servants, a wage freeze for other public servants; 6) the 'streamlining' of costs in health care and education. Moreover, the technical executive adopted the labour market reform (Caritas Europa 2013).

Italy is characterized by very high levels of poverty and inequality. As shown in Table 2, compared to the EU-27 average level, since 2006 Italy has recorded a systematically higher level of 'risk of poverty and social exclusion' (AROPE indicator). This difference is particularly evident in 2011 and 2012, when Italy shows +3.9% and +5.1% of people at risk of poverty and social exclusion compared to the EU-27 average. On considering the evolution of the indicator within the country (change compared to the previous year), one notes that the AROPE increased in 2006 (+ 0.9%) and 2007 (+0.1%); it decreased between 2008 (-0.7%) and 2010 (-0.8%), and dramatically increased again in 2011 (+3.7%) and 2012 (1.7%).

*Table 2. People at risk of poverty and social exclusion (% of total population)*

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|---|---|---|
| EU-27 | 25.7 | 25.3 | 24.4 | 23.7 | 23.2 | 23.7 | 24.3 | 24.8 |
| Italy | 25 | 25.9 | 26 | 25.3 | 24.7 | 24.5 | 28.2 | 29.9 |

*Source: Elaboration on Eurostat dataset*

Considering the three sub-indicators that compose the AROPE, in Italy the risk of poverty after social transfers (AROP) is constantly above the EU-27 average (see Table 3). In this case, the differences are between +3.3% (in 2007) and +2.5% (in 2012). As regards the national trend, this indicator increased in 2006 and 2007 (in 2005 it was 18.9% and in 2007 it was 19.8%). It decreased between 2008 (18.7%) and 2010 (18.2%), to increase again in 2011 (19.6%) and decrease in 2012 (19.4%).

*Table 3. People at risk of poverty after social transfers (% of total population)*

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|---|---|---|
| EU-27 | 16.4 | 16.5 | 16.5 | 16.5 | 16.4 | 16.4 | 16.9 | 16.9 |
| Italy | 18.9 | 19.6 | 19.8 | 18.7 | 18.4 | 18.2 | 19.6 | 19.4 |

*Source: Elaboration on Eurostat dataset*

As regards the rate of 'severely materially deprived people' (SMD), Italy recorded (see Table 4) levels significantly below the EU-27 average between 2005 (-4.4) and 2006 (-3.6%). The trend changed in 2011 and 2012, when the percentage of severely materially deprived people was higher in Italy than in EU-27: + 2.4% in 2011 and +4.6% in 2012. As for the national trend, the percentage of SMD increased dramatically between 2006 and 2012. This rise is particularly evident between 2011 and 2012, when, compared to the previous year, it increased respectively by +4.3% and +3.3%.

*Table 4. Severely materially deprived people (% of total population)*

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|---|---|---|
| EU-27 | 10.8 | 9.9 | 9.1 | 8.5 | 8.2 | 8.4 | 8.8 | 9.9 |
| Italy | 6.4 | 6.3 | 6.8 | 7.5 | 7 | 6.9 | 11.2 | 14.5 |

*Source: Elaboration on Eurostat dataset*

Finally, in regard to the rate of people in households with very low work intensity (LWI), the difference between Italy and Europe is less marked if compared to the other indicators. The differences are significant in 2008, when the LWI was 9.8% in Italy and 9% in EU-27. In 2010 and 2011 the percentage was only +0.1% above the EU-27 average, and in 2012 Italy was in line with the EU-27 average. Within the country, the indicator does not show marked changes over time. However, it should be noted that between 2008 and 2009 LWI showed a significant reduction (-1%), and it started to increase again in 2010.

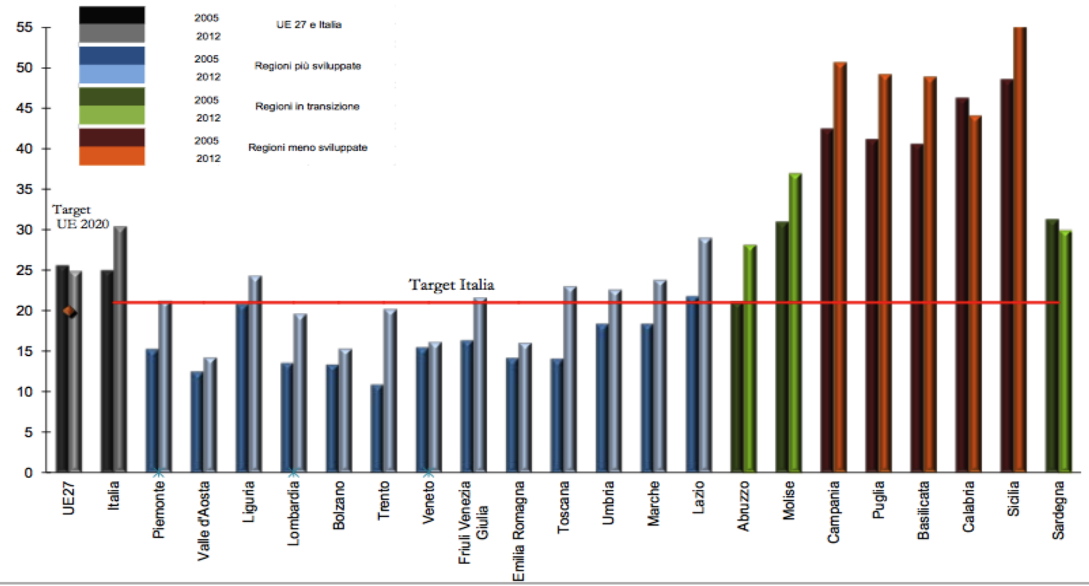
*Table 5. People living in households with very low work intensity (% of total population)*

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|---|---|---|
| EU-27 | 10.4 | 10.5 | 9.7 | 9 | 9.1 | 10.1 | 10.3 | 10.3 |
| Italy | 10.3 | 10.8 | 10 | 9.8 | 8.8 | 10.2 | 10.4 | 10.3 |

*Source: Elaboration on Eurostat dataset*

Inspection of territorial disparities and, in particular the differences among regions, shows that more than half of people at risk of poverty or social exclusion live in the South of the country (see Figure 2). In this area, in 2012, 40% of people were at risk of poverty or social exclusion, whereas in the Centre-North regions the AROPE was constantly below the national average. For example, in Valle d'Aosta this indicator was 16% below the national average; this region was followed by Veneto, Emilia Romagna and the Autonomus Province of Bolzano. By contrast, the southern regions recorded levels of the AROPE constantly below the national average: in Campania and Sicily 50% of people were at risk of poverty or social exclusion. As regards the trend between 2005 and 2012, with the exception of Sardegna, the increase in the AROPE concerned all the Italian regions (DPS 2013).

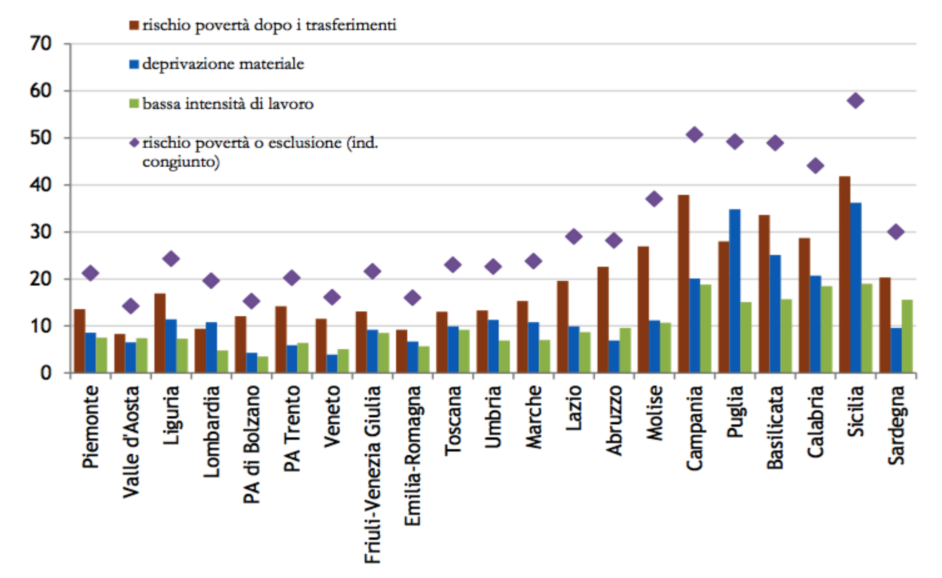
*Figure 2. People at risk of poverty and social exclusion in the Italian regions (2005-2012)*




*Source: DPS 2013; p. 26*

Considering the three dimensions that compose the AROPE indicator, as shown in Figure 3, the people at risk of poverty after monetary transfers (AROP) were 31.9% in the South, 37% in the Islands, 11% in the North and 16.5% in the Centre. As regards people living in households with very low work intensity (LWI), the figures are 16.6% and 18.1% respectively for the South and Islands. This value is double that for the Centre and the North (respectively 8.5% and 6%). Finally, more than 23% of the population in the South is severely materially deprived (SMD): this value is more than double those for the Centre (10.1%), the North-West (10.2%) and the North-East (5.6%) (DPS 2013).

*Figure 3. People at risk of poverty or social exclusion and sub-indicators in the Italian regions*




*Source: Source: DPS 2013; p. 27*

## 3. An iterative process: the European Semester and anti-poverty strategies

### 3.1. Europe 2020's genetic moment

As pointed out by a representative of the European Commission, the introduction of the headline target on poverty can be considered "one of the most controversial things of the EU's social policy history". Many member states were opposed to it. On the one hand, there was some "ideological reluctance". Member states rejected the idea that social policy could become a field in which the EU judged domestic policy. On the other hand, there were some "technical objections". In this case the concern was to find an indicator able to capture the various ways in which the poverty issue was conceived and defined by member states (Interview 1).

During this phase, Italy did not 'ideologically' oppose the headline target. Instead, Italy was part of the small group of member states that, within the Council, supported the European social dimension. In particular, Italy together with Belgium, Cyprus, France, Portugal, Spain maintained that economic growth should go together with reinforcement of the European social model. These countries lobbied the Commission to include the social dimension in the Europe 2020 strategy. Moreover, these seven countries emphasised the role and the importance of the Social Protection Committee (Copeland and Daly 2012).

From a more 'technical' point of view, Italy showed some resistance mainly related to the huge investment made (in more than ten years) in quantification of "absolute poverty" (Interview 1). In 1996, a group of experts was established to define a methodology with which to measure absolute poverty together with the traditional indicators of relative poverty. The approach adopted was based on definition of 'a basket of essential goods'. In the following years, some limitations of this method became apparent, and in 2003 it was suspended by ISTAT, and a new commission was established to evaluate the method and to define a new basket (ISTAT 2009).

In line with the European headline target[3], the Italian national target is to reduce the number of poor, materially deprived persons or ones belonging to households with low labour intensity by 2.2 million. The focus is on the percentage of people who fulfil one of the following conditions: i) serious material deprivation; ii) risk of poverty after social transfers; iii) living in a low work intensity household. As has been pointed out (EAPN 2012), a medium-term objective is lacking (see Table 6).

*Table 6. The Italian headline target*

| *Indicator* | *Current level* | *2020 objectives* |
|---|---|---|
| Number of poor people, ones experiencing material deprivation or living in very low work intensity households | 14,757,000 (2010)<br>17,126,000 (2011) | Reducing by 2,200,000 the number of poor, materially deprived persons or members of low intensity work households |

*Source: National Reform Programme 2013 (p. 75)*

## 3.2. The three Europe 2020 cycles: planning, reporting, recommending, negotiating

In what follows, we analyse the main documents produced in the framework of Europe 2020 considering the three cycles implemented to date (2010-2011; 2011-2012; 2012-2013). We consider the documents relative to both the European Semester (NRPs, CSRs and accompanying documents) and the programming of structural funds. The latter has proved to be of particular interest in assessing the Italian case in terms of stakeholder participation and policy integration.

### The first cycle: 2010-2011

*The National Reform Programme 2011*

In the NRP 2011, the field of ‘poverty and social inclusion’ played a residual role. The government adopted various measures related to Europe 2020 and grouped in nine ‘micro-areas’,[4] and none of them concerned poverty and social inclusion. However, the section presenting the commitments on employment policy comprised a small part devoted to poverty and social inclusion. This part stated that the reduction of poverty and social exclusion is pursued, on the one hand, by promoting employment and, on the other, by reorienting social expenditure to persons at highest risk of poverty. As regards the first point, the key challenges are elimination of the main obstacles to labour-market participation, in particular by women and young people. As regards the second point, the NRP highlighted that Law no. 10 of 2011 defined new criteria for issue of the “Social Card”. With this experimental scheme (limited to 12 municipalities with more than 250,0000 inhabitants) age-based distinctions were eliminated (the previous programme was directed to families including people over 65 years old or children under the age of 3). Moreover, in terms of governance, the programme should be implemented through cooperation with the non-profit sector and local authorities. The

[3] At the European level, the headline target on poverty aims to lift 20 million people out of poverty and social exclusion by 2020. The target refers to people “at risk of poverty or social exclusion”, and these conditions are the result of a combination of three different dimensions of poverty: (i) being at risk of poverty; (ii) and/or materially deprived; (iii) and/or living in a household with very low work intensity.

[4] The macro-areas were: 1) employment, 2) federalism, 3) consolidation of public finance, 4) work and pensions, 5) product market competition and administrative efficiency, 6) energy and environment, 7) innovation and human capital, 8) infrastructure and development, 9) business support.

NRP underlined that these new criteria were in line with the EU's "Recommendation on Active Inclusion".

*The Country Specific Recommendation 2011*

The CSRs that Italy received in 2011 made no explicit reference to poverty. However, Italy received a CSR on the labour market and a CSR on structural funds. The CSR no. 2 called for reinforcement of measures to fight labour-market segmentation and to promote women's participation in the labour market.

"*Reinforce measures to combat segmentation in the labour market, also by reviewing selected aspects of employment protection legislation including the dismissal rules and procedures and reviewing the currently fragmented unemployment benefit system taking into account the budgetary constraints. Step up efforts to fight undeclared work. In addition, take steps to promote greater participation of women in the labour market, by increasing the availability of care facilities throughout the country and providing financial incentives to second earners to take up work in a budgetary neutral way*" (CSR No 2/2011).

The CSR no. 6 called for a stronger focus on programmes able to sustain competitiveness and growth, and on the implementation of structural funds (including the European Social Fund – ESF, which provides resources for social inclusion policies).

"*Take steps to accelerate in a cost-effective way growth- enhancing expenditure co-financed by cohesion policy funds in order to reduce the persistent disparities between regions, by improving administrative capacity and political governance. Respect the commitments made in the national Strategic Reference Framework in terms of the amount of resources and quality of expenditure*" (CSR No. 6/2011).

*The Commission Staff Working Paper, Accompanying CSRs*

The document accompanying the CSRs referred briefly to poverty and provided some data. In particular, it highlighted that Italy is characterized by a high risk of poverty and social exclusion and by the presence of the highest rates of 'in-work poverty' in the European Union (10.4% in 2009). Moreover, the document underlined that the Italian NRP identified three instruments to fight poverty: 1) the "social card", 2) the wide involvement of charities and NGOs, 3) a policy to promote integration into the labour market.

*The Structural Funds: the launch of the reprogramming process*

In parallel with the launch of the European Semester, Italian policy-makers started to revise the governance of structural funds. In accordance with the European Commission, and in order to promote the full implementation of the programmes financed by the structural fund for 2007-2013 (see CSR mentioned above), a series of actions were promoted from the beginning of 2011 onwards. The activities started with publication of the Deliberation by the Inter-Ministerial Committee for Economic Programming (*Comitato Interministeriale per la Programmazione Economica* - CIPE) on 11 January 2011. This Deliberation defined targets, criteria and ways to plan resources for areas in which these resources were under-developed and investments (for the periods 2000-2006 and 2007-2013) had not been fully implemented (CIPE 2011). The contents of the Deliberation were agreed by the "National Committee of National Strategic Framework" at its meeting of 30 March 2011. Finally, on 26 October 2011 a letter from the Italian Prime Minister (Berlusconi) to the President of the European Commission and the President of European Council reaffirmed Italy's commitment to reprogramming the structural funds in line with the CSR of 2011.

## *The Second Cycle: 2011-2012*

*The National Reform Programme 2012*

Similarly to the NRP 2011, the NRP 2012 grouped reforms into nine macro-areas. Among these macro-areas,[5] poverty and social exclusion were lacking as an autonomous sector, and "experimentation with new means to assign purchase cards" (the Social Card) was mentioned in the 'employment and pensions' macro-area. With the NRP 2012, the Italian government concentrated its actions on both people suffering material deprivation and people living in households with low labour intensity. These were considered the categories most affected by the crisis. As the NRP pointed out, various measures were adopted in 2012. First, the "Semplifica Italia" decree (Decree Law No. 5/2012) defined action for planning and monitoring social services. In particular, it created a national information system able to connect information on social services, pensions and taxation. Second, the government implemented a medium-term plan to address the problems of non-self-sufficient elderly people. The plan had two main targets: 1) improve the current instruments and increase their effectiveness; 2) recognize the role of regions in the activation of services. Finally, the NRP highlighted the role of structural funds. It maintained that an inclusive society was one of objectives of regional programmes co-financed by structural funds. These resources (approximately 3.6 billion euros) have to date been used to finance care services and to ensure compatibility between care and career.

*The Country Specific Recommendation 2012*

The CSRs for 2012 made no reference to poverty and social exclusion. Italy received CSRs on structural funds (CSR no. 2), on youth unemployment (recommendation n. 3), and on labour-market reform (CSR n. 4).

*"Ensure that the specification in the implementing legislation of the key features of the balanced budget rule set out in the Constitution, including appropriate coordination across levels of government, is consistent with the EU framework. Pursue a durable improvement of the efficiency and quality of public expenditure through the planned spending review and the implementation of the 2011 Cohesion Action Plan leading to improving the absorption and management of EU funds, in particular in the South of Italy"* (CSR No. 2/2012).

"*Take further action to address youth unemployment, including by improving the labour-market relevance of education and facilitating transition to work, also through incentives for business start-ups and for hiring employees. Enforce nation-wide recognition of skills and qualifications to promote labour mobility. Take measures to reduce tertiary education dropout rates and fight early school leaving*" (CSR No. 3/2012).

"*Adopt the labour market reform as a priority to tackle the segmentation of the labour market and establish an integrated unemployment benefit scheme. Take further action to incentivise labour market participation of women, in particular through the provision of childcare and elderly care. Monitor and if needed reinforce the implementation of the new wage setting framework in order to contribute to the alignment of wage growth and productivity at sector and company level*" (CSR No. 4/2012).

[5] The macro-areas were: 1) public expenditure containment, 2) energy and environment, 3) federalism, 4) infrastructure and development, 5) innovation and human capital, 6) employment and pensions, 7) product market, competition and administrative efficiency, 8) business support, 9) financial system.

*The Commission Staff Working Paper, Accompanying CSRs*
The "accompanying document" to the CSRs 2012 pointed out that the "New Social Card" was the main measure to fight poverty. The document highlighted that the consolidation packages adopted in 2010-2011 had affected social policy expenditure, in particular at sub-central level, with potential negative effects on welfare services provision.

*The Structural Funds: the three "Plans for Action and Cohesion"*
In the framework of the 'structural funds reprogramming processes', on November 2011 the first "Plan of Action and Cohesion" (*Piano di Azione e Coesione* – PAC) was launched. The PAC was presented with the aim of promoting a strategic revision of existing programmes (financed by the structural funds 2007-2013) and improving implementation effectiveness. In its preface, the PAC explicitly recalled the CSR of 2011 and, in particular, the need to focus on the use of structural funds in the 'convergence objective' regions. The first PAC programmed actions in the fields of education, digital agenda, employment, transportation, and the rail network (Italian Government 2011). The second PAC was presented on May 2012, and it explicitly made provisions to "finance new interventions for social inclusion" (Italian Government 2012 p. 2). Whilst the first PAC concentrated on the funds managed by the regions – 'convergence objectives' – the second regarded funds managed by the central administration (through National and Interregional Operational Programmes) in the fields of childcare and non self-sufficient elderly care, youth, competitiveness, innovation of enterprises and zones of cultural attraction. As highlighted within the PAC the reprogramming actions enable the pioneering of the new 'result-oriented' programming methods to be adopted for the 2014-2020 cycles. In December 2012, the third (and the last) PAC was presented. As pointed out in the document, whilst in the first and the second phase of the re-programming process the focus had been on objectives of structural balance, in the third phase the focus was on both countercyclical measures and measures aimed to preserve the projects in late of implementation but worthy of funding. The document confirmed that the proposed approach anticipated the one that will characterize the budget period 2014-2020 (Italian Government 2013; p. 2).

## *The Third Cycle: 2012-2013*

*The National Reform Programme 2013*
Like the previous NRPs, the NRP 2013 identified ten macro-areas of action[6] and, again, there was no focus on poverty and social inclusion. However, one section of the NRP 2013 briefly described the main initiatives to fight poverty and promote social inclusion. Firstly, as in the previous NRP, the "Semplifica Italia" Decree Law no.5/2012 was cited in relation to the changing policy on the Social Card. The areas chosen to test the measure (12 cities with populations of more than 250,000 inhabitants), as well as the total amount of funds allocated for the purpose (50 million euros), remained unchanged. But, because of the new approach, municipalities gained a new role in delivering the scheme. The Social Card was intended for households with children in absolute poverty, and, in particular, households whose adult members are marginalized from the labour market. Secondly, in addition to the programme undertaken within the framework of the PAC (for a total of 143 million euros) the government conceived social inclusion programmes funded by national resources (for a total of 117 million euros for family policies). Thirdly, in the framework of the labour market

[6] The macro-areas were: 1) public expenditure containment and efficiency, 2) federalism, 3) administrative efficiency, 4) the product market and competition, 5) employment and pension, 6) innovation and human capital, 7) business support, 8) financial system, 9) energy and environment 10) infrastructures and development.

reform the government implemented actions to support people with mortgage agreements to buy their first home: a 'solidarity fund' was established to permit suspension of instalment payments by borrowers in certain circumstances. Fourthly, the report mentioned a 'national residential housing plan'.

*The Country Specific Recommendation 2013*
The CSRs for 2013 paid broader attention to the initiatives approved in Italy in the field of poverty and social inclusion. The preface to the CSRs highlighted that employment services should be integrated with unemployment benefits to support implementation of the active policies. As pointed out in the document, the risk of poverty and social exclusion (in particular severe material deprivation) has significantly risen in recent years, while the social protection system is showing increasing difficulties in addressing social needs because it is dominated by public pension spending.

As with the recommendations for 2012, Italy received CSRs on structural funds (no. 2) and the labour market (no. 4). However, the CSR on the labour market for 2013 also referred to poverty issues and, in particular, to the need to ensure the effectiveness of social transfers for low-income households with children.

*Ensure timely implementation of on-going reforms by swiftly adopting the necessary enacting legislation, following it up with concrete delivery at all levels of government and with all relevant stakeholders, and monitoring impact. Reinforce the efficiency of public administration and improve coordination between layers of government. Simplify the administrative and regulatory framework for citizens and business and reduce the duration of case-handling and the high levels of litigation in civil justice, including by fostering out-of-court settlement procedures. Strengthen the legal framework for the repression of corruption, including by revising the rules governing limitation periods. Adopt structural measures to improve the management of EU funds in the southern regions with regard to the 2014-2020 programming period* (CSR No. 2/2013).

*Ensure the effective implementation of the labour market and wage setting reforms to allow better alignment of wages to productivity. Take further action to foster labour market participation, especially of women and young people, for example through a Youth Guarantee. Strengthen vocational education and training, ensure more efficient public employment services and improve career and counselling services for tertiary students. Reduce financial disincentives for second earners to work and improve the provision of care, especially child- and long-term care, and out-of-school services. Step up efforts to prevent early school leaving. Improve school quality and outcomes, also by enhancing teachers' professional development and diversifying career development. Ensure effectiveness of social transfers, notably through better targeting of benefits, especially for low-income households with children* (CSR No. 4/2013).

*The Commission Staff Working Paper, Accompanying CSRs*
The Commission staff working document accompanying the CSRs 2013 underlined that the ability of social protection systems to reduce poverty is closely connected to the composition of social protection expenditure. If pension expenditure was excluded from Italy's total expenditure on social protection, the amount was not enough to reduce the rate of poverty risk. Furthermore, the actions related to the pilot experiment of the new Social Card were limited in scope compared to the scale of the challenge.

*The Structural Funds: the Partnership Agreement for the 2014-2020 cycle.*
On 9 December 2013, Italy presented the draft of the "Partnership Agreement" (PA) for the structural funds 2014-2020. Relative to the 'thematic objective' (no. 9) '*social inclusion and combating poverty*' the PA defined various actions. Firstly, reference was made to experimentation of a national measure devoted to families in poverty or socially excluded (in particular if there were under-age children in the household). The idea was to provide a 'conditional cash transfer' in line with the Recommendation on Active Inclusion. The PA highlighted that this action was consistent with the CSR 2013 (no. 4), which recommended ensuring the efficacy of social transfers for families with low incomes and children. Second, within the framework of active inclusion, actions for disadvantaged people were envisaged. Moreover, the PA pledged to ensure the better quality of, and easier access to, care services, such as those for people with limited autonomy and socio-educational services for childhood. The actions relative to thematic objective no. 9 and the sources of finance are summarized in Table 7.

*Table 7. The PA. Actions on "social inclusion and combating poverty"*

| | |
|---|---|
| 9.1 Reduction of poverty and social exclusion; social innovation | ESF* |
| 9.2 Increasing employability and participation in the labor market through integrated pathways and multidimensional active inclusion of those most vulnerable victims of violence or serious risk of exploitation and discrimination | ESF** |
| 9.3 Increase / consolidation / qualification of socio-educational care services for children and for people with limited autonomy; strengthen the infrastructure and supply of health services and health and social territorial | ESF<br>ERDF |
| 9.4 Reduction of the number of families living in poor housing | ERDF |
| 9.5 Reduction of extreme marginality and actions for the inclusion of homeless Roma, Sinti and Travellers, in line with the national strategy for Roma integration | ESF<br>ERDF |
| 9.6 Increase of legality in areas of high social exclusion and improving the urban areas at low rate of legality | ESF<br>ERDF |

*Source: DPS 2013;* *European Social Funds*;* ** European Regional Development Funds

## 4. Europe 2020: actor participation and integrated actions to combat poverty
### 4.1. Actor participation

Since the launch of the Lisbon Strategy, the inclusion in policy-making of all actors concerned – both governmental actors and civil society – has been considered crucial. However, at the European level stakeholder involvement in the Europe 2020 strategy seems limited (Agostini, Sabato, Jessoula 2013), and it prefigures a situation in which stakeholders may be excluded by political decision-makers and play only a symbolic role (as stressed by Natali and de la Porte 2009). The Italian case confirms the limited involvement of stakeholders in the European Semester and, in particular, in the drafting of NRP. From this point of view, participation in reporting activities (related to the European Semester) is in line with the level during the previous Lisbon era. As pointed out in Section 2.2, at that time simple forms of consultation took place, and this process was not improved in the framework of the European Semester. However, the reprogramming of structural funds (relative to the 2007-2013 cycle) and drafting the Partnership Agreement (for the 2014-2020 cycle) offered greater opportunities to promote stakeholder involvement at domestic level.

*The European Semester*
As pointed out within the document, the NRP for 2012 was a government's teamwork product. Central, regional and local administrations contributed to the drafting process

through the CIACE Technical Committee. This was a forum to promote an exchange of views (on the regional dimension of Europe 2020) and to present the best practices and the innovative strategies developed at local and regional level. The National Council of Economy and Labour (*Consiglio Nazionale dell'Economia e del Lavoro* – CNEL) actively cooperated with the Italian government on preparation of a document adopted in March 2012. This document (CNEL 2012) laid down guidelines to promote "a social agreement for development and competitiveness" able to ensure efficiency, equity, and social cohesion.
Notwithstanding the aforementioned procedure, the secondary literature emphasises the weak stakeholder involvement in the drafting of NRPs. The *Caritas Europa Shadow Report* of 2012 maintained that, although the government consulted all relevant stakeholders, they were not directly involved in the drafting process. Moreover, this report also underlined that the parliament was rarely involved in the process (even if a parliamentary debate took place) and provided evidence of the limited involvement of regional and local authorities (Caritas Europa 2012). Given this evidence, EAPN (2013) called for stakeholders to be given greater opportunities to contribute effectively to the NRP, and to be involved in the implementation phase (EAPN 2013a). In general terms, also the interviews conducted with the stakeholders confirmed a low level of involvement. The most emblematic evidence is the lack of participation of the "EAPN Italy" (interview 2) and of trade-union representatives (Interview 3, Interview 4).

*The Structural Funds*
The process of producing the Partnership Agreement for the new 2014-2020 cycle started in late December 2012. A document entitled *Methods and Objectives for the Effective Use of EU funds 2014-2020* was issued by the government to foster public debate on the use of structural funds. From January to April 2013 a public evaluation process took place, and this led to the first draft of a Partnership Agreement proposed by a technical working group (see next section).
As reported by EAPN (2013b), stakeholder involvement in this process was quite extensive, although the organizations involved did not always represent the target groups. Furthermore, as emerged from an interview with a representative from the Ministry of Labour and Social Policy, the PA worked as a stimulus "to go further than the provisions of the official regulation" (Interview 5).

## 4.2. Policy Integration

Integration between policy sectors and policy programmes has been central to the Europe 2020 strategy, as well as to Lisbon Strategy. The main difference between the two periods is that, within the framework of the Social OMC, reporting activities were led by the Ministry of Labour and Social Policies (see Section 2.2), whereas in the framework of the European Semester this activity is led by the Ministry of the Economy and Finance. From a 'formal' point of view, policy integration has been pursued through the development of coordinated activities involving the various levels of government and the social partners. As emerged from the interviews, policy integration has had a more 'substantial' impact on processes related to the programming of structural funds than to the European Semester.

*The European Semester*
As highlighted on the Department of European Policies website,[7] the NRP is the result of collective work involving central and regional governments, political parties, representatives

[7] www.politicheeuropee.it

of territorial autonomies, CNEL, the Youth Forum, and, more generally, the social partners. In the wake of the European Semester implementation, Italy realized an explicit link among the NRP, the Stability Programme and the budget cycle. Law no. 39/2011 introduced significant changes regarding procedures and the division of authority. At present, the NRP is an integral part of the Document of Economics and Finance. The Ministry of Economy and Finance presents the NRP to the parliament after consultation with the Minister for European Affairs. The Department of European Policies, in accordance with the Ministry of Economy and Finance, coordinates the activities to prepare the NRP.
Whilst the NRP is formally defined as a collective work, interviews with policy-makers proved that this is not the case. The drafting of NRPs has been essentially a 'governmental action' in which there are formal venues for consultation (such as the CIACE Technical Committee), but the process has been substantially centralized by the Ministry of Economy and Finance. The latter has had a crucial role in the direction of the entire process (Interview 5, Interview 6) and the involvement of other ministries has been marginal (Interview 7, Interview 8).

*The Structural Funds*
Within the Partnership Agreement drafting process, four 'technical tables' have been established around four strategic missions. One table has been devoted to 'quality of life and social inclusion'.[8] Taking part in the 'technical tables' have been: 1) the central administrations involved in the various sectors, 2) regions, 3) representatives of local authorities 4) representative of social-economic partnerships. The Department for Development and Economic Cohesion (DPS) together with the Ministry of Labour and Social Policies, the Ministry of Agricultural, Food and Forestry policies and the Ministry of Education, University and Research have coordinated the tables. Each table has been articulated around four cycles of weekly meetings since February 2013. Moreover, each table has organized two public hearings that recorded high levels of participation (DPS 2013).

## *5. Europe 2020 and the local dimension of anti-poverty policies*

This section analyses the impact of European coordination at local and regional level. As regards the specific actions promoted at regional and local level, the Europe 2020 Monitoring Platform together with The Committee of Regions provide a 'best practices database' relative to the flagship initiative. In the case of Italy, various best practices related to the European Platform Against Poverty are presented. Two of them regard the Tuscany Region, with a project on "the emergence of business and work in the district of Prato" and another on the "fight against human trafficking". Five best practices concern the Lombardy Region. They are devoted to establishing a regional network to protect the victims of human trafficking, to promoting the labour-market integration of Roma and Sinti, to supporting housing, and to promoting linguistic integration. Finally, other best practices have been developed in the Apulia Region: an '*albergo diffuso*' project for the provision of temporary shelter and housing for migrants; a project to guarantee access to health care for undocumented migrants; and a project to provide housing for the most vulnerable groups.
At local level, an important role is played by the European Social Funds (ESF) allocated mainly at regional level. By way of an overview, the original ESF financial allocation for the 2007/2013 cycle assigned 85.9% (6,938,007,896) of the total amount to the Italian regions,

[8] The others tables dealt with: 1) employment, competitiveness of production systems and innovations; 2) development, management and protection of the environment; 3) Education, training and skills.

and the remaining 14.1% (978,787,920) to the central government.[9] Despite the importance of the EU at local and regional level, the interviews conducted with the representatives from the city council of Turin emphasised a 'distance' between the European and local level (Interview 9). In the words of the two interviewees: "my perception is that the presence of the European funds is not relevant to the city of Turin's policy to fight poverty. The European funds are not able to make a difference in fighting poverty in Turin" (Interview 10). And "I think that the EU should do much more. At present the EU is perceived in a negative way. This is related to the budgetary constraints that limit our capacity to tackle social problems. Obviously the European funds are precious, but they are perceived as making a sporadic contribution to the fight against poverty" (Interview 11). This perception is probably related to the fact that the ESF resources (for the period 2007/2013) have been used to mount actions not directly concerned with the fight against poverty. The ESF has been traditionally focused on the improvement of human capital (Interview 12). Moreover, the interviews highlighted the central role of European funds in the labour-market policies implemented at provincial level (Interview 13).

The use of structural funds has favoured a process of 'reframing' poverty and social inclusion after the onset of the economic and financial crises. As a representative from the city council of Turin pointed out: since the beginning of the crises in 2008, there has been a significant attempt to move from 'assistance' to 'activation'. This is due to the fact that, at that time, the European funds began to be used for income support (through the *Cassa Integrazione in Deroga*), so that active measures were implemented to use those funds (Interview 9). The use of *Cassa Integrazione in Deroga* was accompanied by its transformation into an active policy to integrate re-training and labour-market re-entry (Mulé and Di Stefano 2013).

In the case of Turin, the interplay between the European and local level also emerges when considering the city's participation in European networks. Firstly, Turin has participated in the best practices exchange promoted by the European Eurocities network. This exchange has concerned the inclusion of Roma and Sinti (Interview 14). However, as emerged from an interview, these meetings have not been perceived as useful by the people involved, and for this reason the city of Turin has withdrawn its membership for the current year (Interview 9). Second, the city of Turin has taken up the challenge of being a partner in the Smart Cities and Communities (EIP-SCC) programme launched by the European Commission in 2011, and which brings together cities, industry and citizens to improve the quality of life in cities. In the framework of "Turin smart city", five areas of focus have been identified and one of them is on 'inclusion and social cohesion'[10].

More recently, the processes involved in programming the structural funds for 2014/2020 have influenced the local debate on poverty. In particular, as pointed out by a representative of the Piedmont Region (Interview 15) the programming process has stimulated reflection on the possibilities of devising new 'active instruments' (at both central and regional level) able to ensure greater efficiency and less centred on 'passive measures'. As to be expected, programming the structural funds has involved the regional level of government. The Piedmont Region has participated in the technical table promoted by the Department of Cohesion and Development since February 2013. The task of these tables is to define a 'grid of actions' for thematic objectives numbers 8, 9 and 10. The process followed at regional level has been similar to that at the national one. First conducted is analysis of the critical points of Piedmont's economy, followed by establishment of a table to plan the use of structural funds and to define development strategies (Interview 15).

[9] Eurostat database (http://ec.europa.eu/esf/main)

[10] The other priority areas are: energy, integration, life and health, mobility.

## *6. Europe 2020 and the fight against poverty: towards a multilevel, multi-stakeholder and integrated arena?*

*Procedural effects*

From a 'procedural point of view', Europe 2020 has promoted participation (of non-state and subnational actors) and integration among different ministries. This 'procedural effect' has been more prominent with regard to the process of programming structural funds for the new 2014/2020 cycle, than in the framework of the European Semester. As we saw in the previous section, the drafting of the NRP is a centralized process in which the Ministry of Economy and Finance is the leading actor (unlike in the previous Lisbon period, when the process was coordinated by the Ministry of Labour and Social Policies). The NRP evaluates the economic impact of measures and it is unable to open a 'space' of programming measures with the participation of stakeholders and sub-national actors. As a consequence, if we compare the European Semester with the OMC, stakeholder involvement has worsened. However, the process of drafting the Partnership Agreement has promoted the greater involvement of both non-state and subnational actors. Furthermore, thanks to the work of the technical table on 'quality of life and social inclusion' a new National Operative Programme (*Programma Operativo Nazionale* – PON) entirely devoted to social inclusion has (for the first time) been introduced. As in the previous programming periods (2007/2013), the *Programmi Operativi* - POs are the documents with which the priorities for delivering the funds are defined. The POs are national (PON), regional (POR) and interregional (POIN). As emerged from an interview with the former Minister of Territorial Cohesion, the introduction of the 'social inclusion PON' is the result of a national initiative, and it is not a direct consequence of the presence of the 'ex-ante conditionality' of the new 2014-2020 programming (Interview 16). As regards contents, this PON will be focused on the Social Card and, more in general, on issues concerning the minimum income scheme (Interview 17). This 'procedural effect' is particularly important if we consider that the PON on social inclusion assumes a central role in a sector where the relation among local, regional and central levels remains controversial (see Section 2).

*Substantial effects*

The launch of Europe 2020 has had 'substantial effects' relative to: 1) development of a national debate on poverty and social inclusion; 2) reframing the poverty and social inclusion concept; 3) redefinition of the main instrument to fight poverty (Social Card).

As regards the first point, although Europe 2020 as a whole has had more limited visibility than the previous Lisbon Strategy (Interview 6), it has increased the salience of poverty and social inclusion issues. It has stimulated a debate involving members of parliament, such as the *Partito Democratico (PD).* In 2011, the *Partito Democratico* (the main opposition party at that time) drew up a shadow NRP, which highlighted that the policy choices adopted to counter the economic and financial crises exacerbated the problems and risked undermining social rights' protection (Partito Democratico 2011). Furthermore, 2013 saw much discussion on the introduction of a national minimum income scheme. In July, two NGOs (ACLI and CARITAS) launched a proposal for a minimum income scheme (called Social Inclusion Income – *Reddito di Inclusione Sociale*) that referred directly to Europe 2020. In September, a Committee appointed by the Ministry of Labour published a report that directly cited the Recommendation on Active Inclusion, and called for the introduction of a minimum income scheme (called Support for Active Inclusion – *Sostegno per l'Inclusione Attiva*). Moreover, the party in government (*Partito Democratico*) took up these proposals, and two opposition parties (*Sinistra Ecologia e Libertà* and *Movimento 5 Stelle*) presented two further proposals for a minimum income scheme.

Second, the Partnership Agreement for structural funds 2014-2020 had a key role in reframing the poverty and social inclusion concept. The PA argued that the initiatives in this field should not be exclusively related to participation in the labour market. On this view, employment policy remains central but actions should not be focused exclusively on employment. In particular, the PA took account of the three pillars of the Recommendation on Active Inclusion: 1) adequate income support; 2) training activities and inclusive labour market; 3) access to quality services (DPS 2013; p. 27).
Third, in terms of instruments, Europe 2020 has promoted their review. This is the case, in particular, of the Social Card, which was introduced in 2008 and then reformed over time (see Section 2.1). As pointed out by a representative of the Ministry of Labour and Social Policies "at present the Social Card is an instrument that found its legitimacy in the Recommendation on Active Inclusion. Previously, the old social card did not aim to be a sort of 'minimum income scheme' as it is now. In 2008, the purpose of the old social card was to ensure access to some essential goods and it was mainly an income supplement for retired people. The idea of promoting a more European approach to supporting income emerged with the government headed by Mario Monti. In particular, we tried to develop actions so as to be closer to other European countries" (Interview 5).

## Conclusion

This report has investigated the interplay between Italy and Europe in the framework of the new overarching Europe 2020 strategy. The analysis has been developed: 1) by contrasting the processes relative to the new strategy with the Social OMC; 2) by considering the first three cycles of Europe 2020's implementation. The new arena defined by the Europe 2020 strategy has been evaluated by examining two main dimensions: stakeholder involvement and the integration of policy sectors. These two analytical dimensions have been investigated by looking at the two components of the Europe 2020 strategy: the European Semester and Structural Funds. Furthermore, the report has considered both the 'procedural' and 'substantial' effects of Europe 2020 at national level.
In general terms, the recent development of the Italian welfare state has not marked the end of a 'categorial' system. Measures continue to be directed towards individuals associated with 'categories' of need (this is the case of the *Cassa Integrazione in Deroga*, which has been the main instrument to counter the impact of economic crises), and a universalistic minimum income programme is still lacking. However, the launch of the new strategy, together with the increase of poverty rates (a larger percentage of the population at risk of poverty and social exclusion), has produced major effects at domestic level.
Considering the two analytical dimensions under scrutiny, the report has shown that stakeholder involvement has been weak since the first years of the OMC's implementation. The process has not improved with the start of the European Semester, which has further reduced the space for participation. However, in the framework of Europe 2020 a new space for participation has been created by the 'structural funds'. In particular, the process of drafting the Partnership Agreement for the new 2014-2020 cycle has promoted broader stakeholder involvement. From this point of view, the analysis of the three cycles of Europe 2020 highlighted an improvement of 'participation' during the third cycle. This improvement concerned only the structural funds programming. The European Semester has been implemented without significant changes during the three cycles. As regards 'integration', the passage from the Lisbon Strategy to Europe 2020 marked a shift of the 'leading' institutional actor. In the framework of the OMC, coordination was undertaken by the Ministry of Labour and Social Policies; in the framework of Europe 2020 the European Semester is coordinated by the Ministry of Economy and Finance, whereas the participatory process relative to the

structural funds is coordinated by the Department for Development and Economic Cohesion, which cooperates with the Ministry of Labour and Social Policies on thematic objective number 9. Also in this case, the process of drafting the Partnership Agreement offered greater opportunity to develop ‘horizontal integration’. This integration is realized through the establishment of ‘technical tables’ in which central administrations, regions, local authorities, representatives of associations, and of social-economic partnerships have been involved. The Department for Development and Economic Cohesion (DPS) together with the Ministry of Labour and Social Policies, the Ministry of Agricultural, Food and Forestry Policies and the Ministry of Education, University and Research have coordinated these tables. From this point of view, the diachronic analysis showed that integration improved during the third cycle; whereas the European Semester did not reveal significant changes.

Also the analysis of interplay between the European and local level underlined the influence of the structural funds on domestic policy. However, in this case the influence was connected not only with programming activities (in which the Piedmont Region took part) but also with the concrete use of structural funds. Since the beginning of the crises, European funds have been use for income support, and this has favoured a transition towards more active policy. This process in the field of employment (in particular through the use of *Cassa Integrazione in Deroga*) has promoted a shift from ‘assistance’ to ‘activation’ also in regard to poverty and social inclusion.

Finally, as far as ‘procedural’ and ‘substantial’ effects are concerned, the impact of Europe 2020 has been greater than that of the Social OMC in the Lisbon era. The impact of OMC was essentially limited to influencing ‘policy thinking’ (for example, supporting the diffusion of ideas on active inclusion) or to improving the data collection gathering, whereas the impact of Europe 2020 has been more significant. Firstly, the new strategy has favoured not only horizontal cooperation among ministries and vertical cooperation among different levels of government, but also re-definition of the centre/periphery relationship. In particular, anti-poverty policy has been traditionally implemented at local and regional level. Moreover, an incongruous institutional framework with an unclear division of roles among the different levels of government used to characterize this sector (see Sections 2.1 and 2.2). In that context, the introduction of a National Operative Programme (PON) specifically dedicated to poverty and social inclusion has defined a new role for the central government. Second, in 2013 wide-ranging discussion on the introduction of a national minimum income scheme began, and three different proposals (one by the party in government, and two by opposition parties) were presented. Finally, Europe 2020 has promoted a thorough review of the main instrument to fight poverty: the Social Card. In its first version, the Social Card was merely a passive measure able to ensure access to certain essential goods; whereas the new one (Social Card 2.0) is conceived as universal (even though it continues to be ‘experimental’ in character) and is based on both passive and active measures.

**List of interviews (section A)**

- ✓ Interview 1, Brussels 17 December 2013, Former representative of the European Commission, DG Employment.
- ✓ Interview 2, Rome 22 January 2013, European Anti-Poverty Network (EAPN) Italy.
- ✓ Interview 3, Rome 15 November 2012, Trade-Union Representative.
- ✓ Interview 4, Rome 5 February 2013, Trade-Union Representative.
- ✓ Interview 5, Rome 9 December 2013, Representative of the Ministry of Labour and Social Policy.
- ✓ Interview 6, Rome 21 November 2013, Representative of Democratic Party.

- ✓ Interview 7, Rome 15 November 2012, Representative of the Ministry of Labour and Social Policies, Social Inclusion Unit.
- ✓ Interview 8, Rome 23 January 2013, Ministry of Labour and Social Policies, Department for Family Policies
- ✓ Interview 9; Turin 10 March 2014, Representative of Municipality of Turin.
- ✓ Interview 10, Turin, Member of the City Council of Turin.
- ✓ Interview 11, Turin, Member of the City Council of Turin.
- ✓ Interview 12, Turin 25 February 2014, Representative of Municipality of Turin.
- ✓ Interview 13, Turin 11 March 2014, Representative of the Province of Turin.
- ✓ Interview 14, Turin 7 March 2014, Representative of Municipality of Turin.
  Interview 15, Turin 4 March 2014, Representative of Piedmont Region (Vitale)
- ✓ Interview 16, Rome 27 December 2013, Former Ministry for Territorial Cohesion.
- ✓ Interview 17, Brussels 6 December 2013, Representative of the European Commission, DG Employment.

## SECTION B:
## THE PEER REVIEW MEETING
## 'IMPROVING THE EFFICIENCY OF SOCIAL PROTECTION'

## 1. Introduction: short outline of the selected peer review meeting

The peer review meeting on 'Improving the efficiency of social protection' took place in Lisbon on 29 and 30 November 2011 and was hosted by the Portuguese Institute for Social Security. The topic under review was the Portuguese Decree-Law no. 70/2010, a law aimed at redefining entitlement conditions for a number of non-contributory benefits, among them the national minimum income scheme (the 'Social Integration Income' – SII). Analysis of the Portuguese example was the starting point for wider discussion about the implications that reforms of social protection systems may have in terms of both effectiveness and efficiency. Besides the host country, representatives of eight countries ('peer countries') attended the meeting: Belgium, Italy, Latvia, Lithuania, Malta, Romania, Slovenia and Croatia. The host country delegation was composed of a number of officials from governmental bodies and a national expert (an academic from the School of Economics and Management of the Technical University of Lisbon), while each peer country delegation was composed of a government representative and an independent expert. Besides member states' delegations and staff from the consultancy tasked with management of the peer review exercise (OSB Consulting), the meeting was attended by two officials from the European Commission (DG Employment, Social Affairs and Inclusion), a 'thematic expert' from the Swedish Institute for Social Research, the Portuguese member of the EU Network of Independent Experts on Social Inclusion, and representatives from two EU-level stakeholder organisations (Caritas Europe and Eurocities).

The aim of this report is twofold. First, it describes the general features of the Portuguese peer review and the (policy and political) context in which it took place. Second, it focuses on one of the peer countries – Italy – by describing the attitude and the interests of the Italian delegation during the meeting, as well as the 'outcomes' of the peer review at the national level. It does so through careful 'process-tracing' based on the 'triangulation' of the results of the analysis of relevant documents with the findings from eight semi-structured interviews conducted between July 2012 and December 2013. Four of those interviews were conducted by Skype or telephone, and three face-to-face, while, in one case, the interview consisted in response to a written questionnaire. As for the interviewees, six of them attended the peer review meeting under analysis (including the two Italian representatives) while two were (Italian) non-participants included in the research in order to have external validation of the findings concerning the influence of the peer review meeting on the Italian context (see list of Interviews).

## 2. The peer review 'in context': the links with European and domestic agendas

### *2.1 The practice under review: the Portuguese Decree-Law no. 70/2010*

The practice under review was the Decree-Law no.70/2010 (a provision in force since June 2010), which reformed the Portuguese means-testing scheme used to determine entitlement to a number of non-contributory social benefits. The contents of the reform were illustrated at the beginning of the peer review meeting by the director of the Portuguese Institute for Social Security. It emerged from the presentation that, in line with the Portuguese Stability and Growth Programme presented in March 2010, the main objective of the reform was to curb public expenditure through redefinition of the criteria for access to a series of means-tested social benefits, among them the social integration income, the unemployment social benefit, family benefits and parental social benefits (see Institute for Social Security and Cabinet for Strategy and Planning, 2011; ÖSB *et al.* 2011). Specific goals of the reform were: harmonisation of the means-testing scheme for the various benefits for which it was used; achievement of more coherence, efficiency and accuracy in the attribution of social benefits; reinforcement of the fight against frauds. Compared with the system previously in force, Decree-Law no. 70/210 introduced five main changes. First, while in the past a specific definition of 'family household' had been used for each type of benefit, the reform introduced a common definition,[11] thus improving transparency. Second, the income categories to be considered for means-testing were redefined (widened) and a threshold for entitlement to social benefits was introduced.[12] Third, in order to take better account of differences among various types of family household, the equivalence scale was modified. Fourth, the procedures for verifying the correctness of information provided by claimants were strengthened, and penalties in the case of frauds were increased.[13] Finally, activation measures for the beneficiaries of the social integration income were introduced: in fact, if beneficiaries are aged between 18 and 55, unemployed and able to work, they are now required to follow a social integration programme consisting of attendance on training, education, or labour-market integration schemes.

As mentioned above, against the backdrop of the financial and economic crisis which has hit Portugal hard, 'cost-containment' and reduction of the public deficit were among the main objectives that induced the centre-left government led by Mr. Sócrates to issue Decree-Law no. 70/2010 (see Portuguese Republic 2010). It should be borne in mind that, between adoption of that law and the peer review meeting (November 2011), the economic situation in Portugal significantly worsened, so that in April 2011 the Portuguese government requested financial assistance from the EU, the euro area Member States and the International Monetary Fund (IMF). As a consequence, an 'Economic Adjustment Programme' (better known as 'Memorandum of Understanding') was negotiated by Portuguese authorities and the so-called 'Troika' (the European Commission, the European Central Bank and the International Monetary Fund) and finally signed in May 2011. As one of our interviewees pointed out, in the subsequent period, further changes in the domain of social protection intended to introduce stricter conditionality were undertaken by the new centre-right government in office since June 2011 (Interview 6- Network IE).

[11] "The new concept of family household is defined as a group of people who live in common economy, bound by family ties, where the benefit claimant is included" (Institute for Social Security, Strategy and Planning, 2011:5).

[12] The categories of income considered for means testing were 'standardised' (previously they differed according to the specific benefit considered). The following categories of income are now relevant for means-testing: employment income, self-employment income, capital income, property income, pensions, social benefits (except for family, disability or dependent person's benefits), housing support on a regular basis, education and training scholarships. Moreover, the new Law has excluded from access to social benefits households with movable assets amounting to more than 100,612.80 euros.

[13] New procedures intended to enhance the co-ordination and exchange of information between the tax administration and the social protection information system were established, and the possibility to suspend (for up to 24 months) the payment of benefits to beneficiaries making false declarations was introduced. Moreover, in order to obtain the benefits, claimants are now asked to update information concerning their situation on a yearly basis.

## *2.2 Relevance of the topic at the EU level*

As we shall see in Section 4, the Portuguese reform represented the starting point for wider discussion on the need to strike a balance between the objective of increasing the efficiency of social protection systems (mainly understood as 'cost-containment' during the debate at the peer review) and the objective of enhancing their effectiveness (i.e., their capacity to reduce poverty). At the time of the peer review (and still today), this issue was high on the agendas of both member states and the European Commission. As clearly stated by the Thematic expert at the beginning of his 'Discussion paper':

"The financial crisis of 2008 and fiscal consolidations in parts of Europe have increased the pressure on social protection. One challenge is to address the growing needs for income protection with reduced or constrained public resources, something that has brought the reorganization of social protection to the forefront of political discussion" (Nelson 2011a:1)

Indeed, the *fil rouge* of the peer review meeting was analysis of the possible tensions and trade-offs between the two objectives: that is, discussion centred on the implications that reforms of social protection systems primarily aimed at obtaining budget savings may have in terms of effectiveness in poverty reduction (see Nelson, 2011a, 2011b; ÖSB *et al.* 2011). Obviously, this issue is extremely important in the context of the Europe 2020 strategy (notably, for achievement of its quantitative target on poverty and social exclusion), and it was addressed in a series of EU documents produced in the period of the peer review. Already in the Communication on the 'European Platform against Poverty and Social Exclusion' (EPAP), the European Commission made clear that "as most of the upcoming decade is likely to be marked by reduced public budgets, actions will have to increase efficiency and trust by finding new participative ways to address poverty while continuing to develop prevention policies and target needs where they arise" (European Commission 2010: 3). Among the various EU initiatives foreseen by the EPAP to facilitate the modernisation of MS' social protection systems, particular emphasis was put on the development of a EU initiative on evidence-based social innovation (a topic discussed during the Portuguese meeting) considered to be "[…] a powerful tool to guide the structural reforms that will be needed to implement the Europe 2020 vision for a smart, sustainable and inclusive growth" (*ibid*.:14). Furthermore, since 2009, the EC and the SPC had been jointly monitoring the social impact of the crisis and assessing policy initiatives undertaken by Member States. Indeed, the priority of 'monitoring the social impacts of the economic situation and on-going consolidation measures' was clearly stated in the SPC work programme for 2011 (Council of the European Union 2011) and the results of SPC activities resulted in two documents published by the Committee in the same year: 'The Third Report on the Social Impact of the Economic Crisis' (SPC 2011a) and 'The Social Dimension of the Europe 2020 Strategy**.** A Report of the Social Protection Committee' (SPC 2011b). In the latter document, the SPC was rather explicit in stressing that "[…] budgets cuts [must be] accompanied by structural reforms aiming to preserve human capital [and] innovative approaches to social policy are needed more than ever, to ensure that what can be spent is spent as efficiently as possible" (SPC 2011b:41). To this end, the SPC (*ibid*.) made a number of recommendations to MS, among which: 1) implementing integrated active inclusion strategies; 2) reinforcing social safety nets by improving their coverage and the level of the benefits in countries or regions where they are weak; 3) ensuring the sustainable financing of social services and the quality of intervention. Indeed, in 2011 the topic of 'active inclusion' was gaining ground on the EC agenda since – as explicitly stated by the EC representative at the beginning of the Portuguese meeting – the European Commission was planning to follow-up the 2008 Recommendation on Active

Inclusion, which called for integrated approaches relying on the adequacy of income support, access to quality services, and labour-market integration.

Since 2011 the attention of the DG Employment and the SPC has continued to focus on the social implications of reforms undertaken by member states. In particular, in 2013 the EC published the Social Investment Package (SIP) (European Commission 2013), a document aimed at providing guidance and support to member states in reform of their social protection systems. The need to promote reforms able to conjugate the effectiveness and efficiency of social policy (prioritizing reforms that enable efficiency gains) is repeatedly stressed in the SIP,[14]

That said, while the emphasis on the need to balance 'efficiency' and 'effectiveness' while reforming national social protection and social assistance systems is common in DG Employment and SPC's discourses, it is rather hard to find such a balance in relevant documents drafted within the framework of the European Semester, such as the Annual Growth Surveys (AGS), the Country Specific Recommendations (CSRs), and the National Reforms Programmes (NRPs). On the contrary, especially during the first cycle, the messages emerging from the European Semester have been to a large extent imbalanced towards the priority of fiscal consolidation, with scant attention paid to social (and anti-poverty) aspects (see Agostini *et al.* 2013).

## *2.3 The Italian situation: the Equivalent economic status indicator (ISEE) and its reform*

In Italy, the main means testing tool used to determine entitlement to a number of non-contributory social benefits, or the share of financial co-participation in the cost of some services, is the 'Equivalent economic status indicator' ('*Indicatore della situazione econonomica equivalente*'- ISEE), introduced in 1998. At the time of the Portuguese peer review, lively debate on the limitations of this instrument was in progress and a process of reform was already under way. As regards the limitations,[15] many observers maintained that, on the one hand, the ISEE indicator was excessively 'rigid', since it adopted the same criteria for all the benefits to which it was applied. On the other hand, its implementation at the sub-national level was deemed excessively heterogeneous, since many regions and local communities introduced correctives to the indicator to make it more flexible. Furthermore, doubts were raised about the 'selective capacity' of the ISEE, the latter being limited by the components considered to determine households' situations (e.g., tax-free transfers were excluded from the computation) and by the weight attributed to the different components (incomes and assets). Other issues debated concerned the equivalence scale and the notion of 'household' to be used for computation of the ISEE. Finally, many observers stressed the need to strengthen the fight against frauds, in particular by reinforcing co-ordination among the various administrations concerned.

[14] As the EC Communication on the Social Investment Package states: "Well-designed welfare systems combining a strong social investment dimension with the other two functions, protection and stabilisation, increase the effectiveness and efficiency of social policies, whilst ensuring continued support for a fairer and more inclusive society" (European Commission 2013:3). "Many reforms must focus on making efficiency gains, paying attention that reforms are well designed in order to avoid negative repercussions on poverty levels, productivity and economic growth, health of the population and social cohesion" (*ibid.*: 5)

[15] For an overview of the national debate on the ISEE, see the special issue of the journal *Prospettive sociali e sanitarie* (no. 16-18/2011). Information on the limitations of the instrument reported in this Section is taken from Berliri and Tangorra (2011), Mesini (2011), Motta (2011), Ranci Ortigosa and Mesini (2011).

As mentioned above, the Portuguese meeting coincided with the beginning of a process of reform of the ISEE (see Table 8). The first step of this process was the draft proposal for a delegation law (no. 4566) concerning reform of the tax benefit system and social assistance transfers submitted by the Ministry of the Treasury in July 2011. Art. 10 of the delegation law was devoted to the social assistance system and envisaged a reform of the ISEE aimed at tightening means-testing criteria in order to obtain savings for the public budget. Later, in December 2011, Decree-Law 201/2011 and the conversion law 214/2011 were enacted. Interestingly, in those provisions (which further specified the direction to be followed in reforming the ISEE), budget saving objectives and the goal of improving the indicator's effectiveness by addressing its main shortcomings appear more balanced than in the delegation law 4566/2011.[16] Among the objectives of the reform envisaged by law 214/2011 (art. 5 ) are the following: adoption of a wider notion of 'disposable income' which includes tax-free transfers and takes better account of household members' incomes and assets; improving the indicator's selectivity through valorisation of its assets component; allowing the indicator to be differentiated according to the specificities of the social benefits and services to which it is applied; reinforcing control activities by strengthening co-operation among the various administrations.

*Table 8. Main steps in reform of the ISEE*

| Period | Activity | Government |
|---|---|---|
| 30 July 2011 | Delegation law no. 4566 | Berlusconi government |
| 29 and 30 November 2011 | Participation in the Portuguese peer review | Monti government |
| 6 December 2011 | Decree law no. 20/20111 | Monti government |
| 22 December 2011 | Law no. 214/2011 | Monti government |
| Beginning 2012 – late Spring 2012 | Meetings of the working group on reform of the ISEE | Monti government |

It is interesting that both the general purposes of the envisaged Italian reform and the specific aspects of the ISEE to be reviewed corresponded largely to the topics addressed by the Portuguese reform under review (see Section 2.1) and were discussed during the Lisbon meeting (see Section 4.1).

## 2.4 Participating country mix

Besides Portugal, eight countries attended the Lisbon peer review meeting: Belgium, Italy, Latvia, Lithuania, Malta, Romania, Slovenia and Croatia. Consideration of the peer countries' 'Comment papers' reveals both similarities and differences between their policies and contextual situations. A deterioration of the economic context and a general increase of the pressure of social assistance[17] expenditure on public budgets were features shared by the participating countries. Also apparent is a common tendency towards the 'activation' of social

[16] The delegation law no. 4566 was enacted by the Berlusconi government, while the Decree-Law 201/2011 and the conversion law 214/2011 were enacted by the Monti government, in office since 16 November 2011. An important role in promoting the reform of the ISEE, and probably also in shifting attention from pure cost-containment objectives to improvement of the instrument's effectiveness, was played by the new Deputy Minister for Welfare Maria Cecilia Guerra (see Madama *et al. 20*13: 40).

[17] As mentioned in Section 2.1, the Portuguese Decree Law 70/2010 regulated the means-testing scheme used to determine entitlement to a number of non-contributory social benefits. However, most of the peer countries' comment papers (except, obviously, the Italian one) focused on national minimum income schemes, which was indeed the main topic addressed during the peer-review.

assistance beneficiaries and enhancement of the fight against frauds. However, the participating countries' social assistance and means-testing systems differed in many respects: for instance, eligibility conditions, coverage and generosity of benefits, conditionality rules, institutional set-up, specific features of means-testing. Furthermore, whilst in some cases no major changes were foreseen (e.g. Belgium and Malta), in other cases important reforms concerning social assistance benefits or, more specifically, means-testing procedures had recently been adopted or were under way (e.g. Italy, Latvia, Lithuania, Romania, Slovenia).

As regards assessment of the 'mix of countries' attending the meeting, our interviewees generally agreed that there was '*a fair amount of diversity*' (Interview 5-EC), which enriched the debate. As stated by the Portuguese member of the Network of Independent Experts on Social Inclusion,

" *There were different experiences around the table. This was particularly useful because we saw that in some countries changes were going in some directions, in other countries in different directions… I mean, it was useful to see how countries were dealing differently with the common need to change their social protection systems. Different policy options were confronted*" (Interview 6 – Network IE)

Whilst differences among the participating countries were generally deemed as providing good opportunities to learn from the respective experiences, the fact that most of the participating countries had the same welfare regimes (with the exception of Belgium, only Mediterranean and Central-Eastern European countries attended the meeting) was felt to be somewhat of a restriction on the learning opportunities available during the meeting:

*"At the meeting, when we were discussing what the individual countries were doing, it became quite clear that the 'struggle' that Portugal had in trying to improve the efficiency [of its social protection system] was a process underway also in the other participating countries. So, from this perspective, I think that countries that ended up at the meeting… that it was definitively good that they were there and I hope they benefited from the meeting. However, it was quite unfortunate that none of the Nordic countries or some of the Continental countries were there because, in my opinion, they would have provided valuable inputs for the general discussions"* (Interview 7- Thematic expert)

Similarly, the Italian national expert who attended the peer review meeting highlighted that the presence of other countries with long-standing experience in means-testing (such as France and the United Kingdom) would probably have enhanced the learning potential of the seminar (Interview 3- national expert).

## 3. The participation to the peer review: actors' motivations and expectations

### *3.1 The drivers behind the organisation of the meeting: host country's motivations and expectations*

Analysis of the motivations and expectations which induced Portugal to host the peer review meeting is somewhat constrained by the fact that it has been impossible to contact any member of the Portuguese delegation which attended the meeting. Hence, information on this aspect derives only from document analysis and the opinions of other participants.

According to one of our interviewees, it is likely that the idea of hosting a peer review meeting on the reform introduced by Decree-Law 70/2010 came directly from the Portuguese Institute for Social Security, with an important role being played by an official of the Institute who, at that time, also represented Portugal in the SPC (Interview 6-Network IE). Our interviewees agreed that there were probably two main reasons for the proposal: on the one hand, the Portuguese administration wanted to illustrate the contents of an important reform recently enacted and considered as a good practice to the European partners; on the other hand, it wanted to discuss the reform with the participants in the peer review so as to gather feedback and suggestions for possible future changes.[18]

That said, however, it should be noted that in the period between the proposal to host the peer review and the date when the meeting took place, Portugal held general elections which resulted in defeat of the centre-left coalition which had passed the Decree Law 70/2010. According to one of our interviewees, this entailed a certain turnover in key roles of the Portuguese public administration, including the Institute for Social Security. Consequently, most of the officials of the Portuguese delegation which attended the meeting were not the same persons who had proposed it. Although this circumstance does not seem to have had any significant impact on the organisation and the overall development of the meeting (which, as we shall see in Section 4, was judged as being of high quality), it may to some extent have lowered the host country delegation's sense of 'ownership' of the event.

## *3.2 Italy: motivations and expectations about the meeting*

It emerges clearly from the interviews that the Italian decision to attend the Portuguese meeting was strictly linked to the domestic context and, notably, to the reform of the ISEE already underway when Italy selected the peer reviews meetings to attend in 2011 (see Section 2.3). Indeed, the Italian government representative who participated in the Portuguese meeting was an official of the Ministry of Labour and Social Policy who would be closely involved in the subsequent reform process.[19] As she explained:

"*The title of the peer review was 'Improving the efficiency of social protection' and its main topic – the one that determined our participation – was 'means-testing'. At that time, in Italy there was big interest in such a topic because we were already thinking about reform of the ISEE, which is the main means-testing tool at the domestic level. Other countries, among them Portugal, were undertaking reforms characterised by the idea of 'selective universalism', so we were interested in looking at what was going on there. Basically, the Portuguese reform aimed at modifying the rules to obtain some social benefits by revising the indicator, the equivalence scale, income and assets components to be taken into account, the notion of household, etc… Those were exactly the issues in which we were interested for reform of the ISEE"* (Interview 2 – government representative).

According to the interviews, the government representative wrote the Italian Comment paper in close cooperation with the selected independent expert (the permanent representative of the Bank of Italy at the Committee of Inquiry on Social Exclusion), while no preparatory

[18] In the words of our interviewees: *"I'm not sure. My impression is that – like many other Southern European countries – Portugal was hit by the financial crisis and had quite extensive financial pressures to reorganise its system of social protection. So, my impression was that [the Portuguese administration] wanted some inputs from the other European countries on what to do: to have some kind of brief evaluation on what they had already done and on what they had planned to do in the near future*" (Interview 7-Thematic expert); *"So the original idea was to learn from other experiences and other European countries in order to introduce some changes to further improve the efficiency of social protection. Something had been already changed and there was the intention to introduce other changes: the idea was to learn from other countries and other experiences in the same area*" (Interview 6-Network IE).

[19] This is in line with the general features of Italian participation in the PROGRESS peer review process. Generally, when the list of proposed peer review meetings for the following year is circulated in the Social Protection Committee, the Italian representative at the SPC forwards it to the various Departments of the national Ministry of Labour and Social Affairs. Thereafter, national officials working on the themes proposed as topics for peer reviews express their interest in attending those meetings as government representatives (Interview 1- Min.of Lab.).

meetings involving other officials from the Ministry of Labour and Social Policy were held.[20] As confirmed by the national expert,

*"We drafted some parts of the Comment paper together, after an in-depth discussion. From my point of view, the peer review was an interesting experience, useful for calling our means-testing scheme into question. I mean: observing how, in a similar economic situation, a country was reforming its means-testing scheme was an opportunity to exchange opinions on possible improvements to tools of this kind. I imagine this was useful for both Portugal and Italy"* (Interview 3- national expert)

The excerpts reported above well illustrate the Italian delegation's expectations in regard to the meeting. On the one hand, the objective was to gather information potentially useful for the ongoing process of reforming the ISEE. On the other hand, there was the willingness to present and discuss domestic experiences that might prove useful for the other participating countries. As stated in the Italian Comment paper: "In this note we compare the indicators for means-testing in these two countries, identifying communalities and differences and hence potential margins for improvements of the two experiences. This could be of particular interest for Italy as last June the government was delegated to reform the ISEE (delega assistenziale), in particular in the direction of paying more attention to the family composition" (Berliri and Zizza, 2011: 1).

### 3.3 Other actors' motivations and expectations: the European Commission

As mentioned in Section 1, two officials from DG Employment attended the Portuguese meeting. Different expectations generally characterise participation by EC representatives in the peer review process. First, the European Commission expects MS to exchange experiences and learn from each other. Second, the European Commission generally uses those meetings in order to gather information on current developments in the MS. Finally, peer review meetings are often occasions when EC representatives can inform MS officials about EU level developments, actions, and opportunities.

As stated by one of the EC representatives at the Portuguese peer review:

*"The expectations are very much the same for each peer review. We want to learn. The Commission wants to learn about specific MS […], we want to get relevant knowledge for other MS. So, the whole idea of peer review is to share knowledge, to share best practices or…not necessarily best practices…but the idea is to learn from each other, from both good and bad examples"* (Interview 5-EC)

The impressions of other participants shed light on what EC officials expected from this specific peer review meeting:

*"I think that the Commission was rather anxious that the big crisis would entail substantial cutbacks of social protection in many countries and that, of course, there would be conflicts with the target set by the Europe 2020 growth strategy […] I think that the Commission thought that the topic [of the peer review] was highly relevant and it was important in order to… figure out how some of the member states were going to react to the crisis. And especially the issue of the efficiency of social protection was mentioned in some of the documents produced by the European Commission, where it is said that it is of course important that social protection becomes more efficient but, at the same time, its goal is to be effective."* (Interview 7-Thematic expert)

[20] According to the government representative, "[…] *there was no need for preparatory meetings of this kind. [At the Ministry] we had already worked a great deal on that issue, also together with the Director General. On the other hand, I had numerous discussions with the national expert: we met and then drafted the Comment paper"* (Interview 2- government representative).

*“As for all the meetings, [the expectation is] that countries learn from each other. The EC knew that there were changes of social protection systems which had to be introduced. Having different countries discuss those changes, how they can be introduced by choosing the right policy options … I think that ‘introducing changes while keeping and improving the efficiency and effectiveness of social protection systems’ was the idea of the EC, particularly at a time when the crisis was hitting some countries harder than others and when changes were really necessary. Since Portugal had introduced some changes, the EC used…there was the willingness to see if and how the Portuguese example could have been a positive response […]”* (Interview 6- Network IE)

*“I think the European Commission was very pleased that Portugal made the effort of looking outside the boundaries to [find] new approaches and innovations. The EC was advocating this ‘out of the box approach’”* (Interview 8- stakeholder)

The Minutes of the meeting show that EC representatives also used the peer review as an occasion to illustrate EU initiatives and funding opportunities relative to ‘social experimentation’. The latter was described as a methodology useful for testing the impact of social policy measures on a small scale before implementing nation-wide reforms (OSB et al. 2011: 3). In particular, possibilities offered to test small-scale social experiments in the domain of minimum income protection were illustrated. As mentioned in Section 2.1, social innovation and social experimentation are listed among the key areas of action of the EPAP and they were to occupy a central role in the Social Investment Package launched in 2013.

## 4. The peer review meeting

### *4.1 Agenda and main issues discussed*

The agenda of the meeting on ‘Improving the efficiency of social protection’ included both more general presentations (followed by open debates) and ‘*tour de table*’ sessions on specific topics (generally introduced by the Thematic expert). More in detail, during the first day, after the welcome addresses by a member of the board of directors of the Institute for Social Security and an official of DG Employment, one of the EC representatives illustrated the methodology of social policy experimentation, which was then discussed. The second session of the meeting was devoted to presentation of the Portuguese reform under review, whose contents were illustrated by the director of the Institute for Social Security. His speech was followed by an intervention by the Portuguese independent expert, who presented an assessment of the reform focusing on the implications in terms of both effectiveness and efficiency of the new rules on access to the Social Integration Income scheme. This assessment was rather critical, since its conclusion was that the reform had produced small gains in terms of efficiency and large losses in terms of effectiveness (understood as the capacity of the national minimum income scheme to reduce the intensity of poverty among beneficiaries) (see ÖSB *et al.* 2011; Rodrigues, 2011).

As mentioned above, it is evident from the documents produced before the peer review and from the Minutes that the Portuguese reform was the starting point for addressing the wider issue of the reform of MS’ social assistance systems in the context of the economic and financial crisis. In this regard, the main theme addressed by the debate concerned the implications that reforms aimed at increasing the efficiency of social protection systems (e.g. by promoting selectiveness and cost containment) could have in terms of effectiveness. Consequently, the meeting was structured into ‘*tour de table*’ sessions which discussed specific aspects of the main theme in more depth. For each session, the thematic expert (who had a key role during the meeting) introduced the topic and addressed specific questions to the participants. Table 9 below reports the title of each session and the questions to be answered by the participants. A specific session devoted to stakeholders' statements was held at the beginning of the second day.

*Table 9. Organisation of the Portuguese peer review on 'Improving the efficiency of social protection' (Portugal 2011)*

| Session | Questions |
|---|---|
| **Trade-off between efficiency and effectiveness** | - What recent reforms of the social protection systems introduced in the peer countries have aimed explicitly at improving the efficiency of social benefits?<br>- How can 'efficiency' in social expenditure be combined with 'effectiveness' in targeting all those in need of support?<br>- How can a narrower targeting of public resources on those defined as needy be prevented from having negative consequences for poverty alleviation? |
| **Non-take-up of benefits** | - Is the non-take-up of benefits continuously monitored and discussed nationally?<br>- What measures have been implemented in the various peer countries to reduce the non-take-up of benefits?<br>- What are the consequences, both positive and negative, of the non-take-up of benefits for the continuing fight against poverty and social exclusion? |
| **Implied equivalence scales embedded in the benefits formula** | - How can the relative income needs of different families be appropriately defined?<br>- What methods are used to set the implied social assistance equivalence scales in the peer countries: for example, family budget estimates or ad hoc political decisions? |
| **Ways of means-testing** | - What non-contributory benefits should be subject to means-testing (or should be exempted)?<br>- Should means-testing also be imposed on contributory benefits with 'insufficient payment'?<br>- Should there be tapers on work income, which define how much of earnings are exempt from the means-test for social assistance |
| **Activation approaches** | - Are the negative consequences of reduced benefit adequacy rates (benefit levels relative to median incomes) on poverty alleviation offset by the possible positive effects of strengthened work incentives on labour supply?<br>- May active inclusion lead to a growth of low paid employment and increased problems of in-work poverty?<br>- How should the active approaches to social protection be organised in order to deliver expected outcomes also during periods of low labour demand? |

*Source: elaborated on the basis of the Minutes of the meeting (ÖSB et al. 2011)*

Before the closing remarks, the thematic expert synthesised the main conclusions (the 'key learning elements') that emerged from the peer review.

### *4.2 'Tenor' of discussions and roles played by participants*

As regards the actual development of the meeting, our interviewees expressed very positive opinions about its organisation and the quality of the discussions. Indeed, the debate was described as "*interesting and often passionate*" (Interview 5- EC), "*open and with space for criticism*" (Interview 6-Network IE), "*balanced and fairly open*" (Interview 7-Thematic expert), "*open and respectful*" (Interview 8- stakeholder).

It emerges from the Minutes (OSB *et al.* 2011) – and it was confirmed by the interviews – that the debate was 'balanced' in that the agenda allowed enough time to present and discuss the various issues at stake: the Portuguese policy under review, the situation in the peer countries, the EU framework, and the views of the stakeholders. Furthermore, the national policy examples presented during the meeting were not limited to the countries which attended the peer review meeting: in fact, the thematic expert often referred to practices implemented in the Nordic countries and in the UK, and the representative from Eurocities illustrated the situation in the Netherlands. This helped to partially mitigate what has been identified as one of the main shortcomings of the Portuguese meeting: the absence of countries representing the Nordic welfare regimes and the underrepresentation of continental countries. Discussions held during the meeting concerned both more theoretical issues (such as the definition of concepts and presentation of the approaches on which national policies and reforms relied) and concrete examples of policies and measures implemented by the participating states. An important role in assuring the 'right balance' between more theoretical and more practical issues was played by both the thematic expert and the EC representative. It seems possible to state that the organisation of the meeting around key issues and key questions to be answered contributed to enhancing the quality of the debate.

Inspection of the Minutes shows that, even if the participating countries had different situations and experiences, it is impossible to identify a clear distinction between countries acting as 'tutors' and countries acting as 'learners'. In each session, the representatives of each country had an opportunity to present the situation in their respective country (problems, policy approaches, specific measures). As normal in meetings of this kind, some of the participants were more active than others, also because of the specific aspects dealt with in each session; however, all of them contributed to the debate. When asked about the most active among the participants, the EC representative recalled that "*the Belgian delegation was particularly active in steering the discussions, often asking what was the position of the European Commission on a variety of issues*" (Interview 5- EC), while the representative from Eurocities referred to the Belgian delegates, the Thematic expert, and stakeholders' representatives (Interview 8- stakeholder). To be noted is that those interventions were not purely descriptive. On the contrary, differences and disagreements on some topics emerged during the debate. This was the case when issues such as the construction of the equivalence scales, the usefulness of tapers on work income, and the importance of the non-take-up phenomenon were discussed. Furthermore, comments were sometimes rather critical, as in the case of the presentation made by the Portuguese national expert, whose criticisms concerning the impact of the reform on the effectiveness of the national minimum income scheme provoked a sort of 'defensive reaction' by the host country delegates (Interview 5-EC; Interview 6- Network IE; Interview 7- Thematic expert; Interview 8- stakeholder).

Summing up, it seems that the peer review meeting was a good occasion to assess the Portuguese law under review, to present and discuss a variety of approaches and measures implemented by member states in a context characterised by budget constraints, and to identify both risks and examples of good practices potentially useful for ongoing reforms of national social protection systems. Furthermore, the numerous references to the EU context enabled the participants to acquire information about EU objectives, actions, and financial opportunities.

### 4.3 Main conclusions of the meeting

Besides the assessment of the specific Portuguese reform under review, a number of more general conclusions emerged from the debate. They included (OSB *et al.* 2011: 23-24; Nelson 2011b: 24-26):

- Awareness that most of the reforms of minimum income schemes and means-testing tools undertaken by MS in the recent period have been primarily aimed at improving the efficiency of the systems, while concerns about effectiveness have often lagged behind. In some cases, restricted access and coverage of minimum income schemes have been coupled with increases in benefit levels, thus contributing to alleviating extreme poverty. However, "[those policies] should do more than simply alleviate extreme poverty" (OSB *et al.* 2011:23).
- The non-take-up of benefits is a key issue. However it does not attract much attention on the political agendas of many MS. Furthermore, reliable data on the phenomenon of non-take-up are often lacking.
- Implied equivalence scales play a fundamental role, even if no agreement on the need for common EU standards to build equivalence scales emerged from the discussion. However, without any attempt to harmonise them, it would probably be useful to work on common EU tools allowing for a certain degree of homogeneity in defining the criteria on which equivalence scales should rely.
- Many EU countries have introduced work income tapers ('income disregards'), but there is little research on their effects on labour supply and employment.
- Implementing integrated 'activation approaches' is a complex exercise. Analytical tools with which to analyse those complexities and determine which programmes or actors are responsible for particular outcomes should be further developed, so that policy-makers can identify the most promising combination of activation measures.

As regards the assessment of the Portuguese reform under review, mixed evidence emerges from analysis of the documents and the opinions of the interviewees. Indeed, some aspects of the reform were positively assessed by most of the participants (e.g. the attempt to harmonise and simplify the system, the valorisation of both incomes and assets, the work done to obtain a more accurate definition of the concept of household). However, other elements – such as the excessive reduction of the number of people eligible for minimum income benefits and the fact that the new equivalence scale seems to penalise families with children – were assessed negatively. More in general, it seems that the Portuguese reforms have not been successful in conjugating 'efficiency' and 'effectiveness'. As synthesised by the Portuguese independent expert,

"*The simulation of the changes introduced in the RSI fully corroborates the appreciation we made at the beginning of this paper about the main characteristics of the reform of the means-test conditions implemented in 2010. The aim of create a "harmonized framework for non-contributory benefits" was clearly subordinated to the objective of restraining the growth of public expenditure. The gains in efficiency that result from the changes in the entitlement conditions can hardly justify a strong* *reduction in its effectiveness in reducing poverty intensity and severity. The current economic and financial crisis imposes, undoubtedly, the need of a more rigorous implementation of the social policies, but it should also imply the strengthening of both their efficiency and effectiveness*." (Rodrigues 2011:9)

## *4.4 The Italian delegation: attitudes and overall opinion about the meeting*

According to the Thematic expert, including the Italian representatives in the discussion was rather difficult because most of the debate focused on minimum income benefits, and Italy, together with Greece, does not have a nation-wide guaranteed minimum income scheme (Interview 7- Thematic expert).

That said, however, participation in the Portuguese peer review was greatly appreciated by the Italian participants. In their view, the meeting was an occasion to exchange opinions and ideas on themes which, at that time, were particularly salient in the domestic context (notably, the issue of means-testing). Indeed, the Minutes of the meeting show that the Italian representatives intervened in each of the sessions into which the peer review was structured, even if the 'degree of interest' changed according to the specific topic dealt with during the debate. Not surprisingly, it emerges from the interviews that the issues that most attracted the attention of the Italian representatives were the ones that they considered directly linked to the domestic context: that is, those particularly relevant to the ongoing reform of the ISEE. In the words of the Italian expert, the most interesting topics were:

*" - the equivalence scale, which is a common problem. For example, for the reform of the ISEE, 'how to valorise individuals in the households' was a highly debated issue;[…] – the definition of 'household'; [ …] – the debate about incomes to be included for means testing, which in Italy is very important [since] we often wonder whether, in calculating the ISEE, it is better to include all kinds of income or only 'tax-relevant' income. This is a hot issue in both Portugal and Italy, two countries where, due to a high rate of tax evasion, taking only tax relevant income into account may be unfair"* (Interview 3- national expert)

By contrast, the interest in topics deemed less relevant at the national level was minor. For example:

"*The thematic expert insisted a lot on the problem of the non-take-up of benefits and on the need to find mechanisms to guarantee that all those who are entitled to a benefit effectively obtain it. Even automatically, without any application. It is evident that this is not a priority in a country with a high rate of tax evasion…"* (Interview 2- government representative).

Overall, the Minutes of the peer review show that the 'activism' of the Italian delegation's participation in the debate was average for the meeting. As regards the issues deemed particularly interesting, it seems that the attention of the Italian representatives was strongly driven by the domestic context, given that the issues which they stressed largely corresponded to the topics characterising the ongoing debate on reform of the ISEE. Indeed, as we shall see in more detail in Section 5.2, in the opinion of the Italian participants the peer review meeting was a good occasion to acquire knowledge for use in the domestic reform process.

# 5. The outcomes of the meeting

## *5.1 Outcomes at the EU level*

Information about the Portuguese meeting was disseminated following the standard procedure used for peer reviews: all documents drafted by the participants (including the Synthesis report drafted by the thematic expert after the meeting) were published in the section devoted to the PROGRESS peer reviews on the website of the DG Employment, Social Affairs and Inclusion.

Moreover, it emerges that some of the participants further contributed to the dissemination of that information and used it in their activities. This is for example the case of the 'experts' (the thematic expert, the national expert, and the member of the Network of Independent Experts on Social Inclusion) who attended the meeting. One of the participants, stated that she – informally – discussed the findings of the peer review within her organisation (Interview- 6 Network IE), while another participant (from Eurocities) reported that he had sent some of the documents to the Eurocities central office in Brussels and had had further discussions with the members of the Working Group 'Employment' of the Eurocities Social Affairs Forum (Interview 8- stakeholder).

According to the EC representative, the peer review has been useful to the DG Employment because:

*"In general, we use the Portuguese example to highlight the various implications that a reform of social assistance can produce on the overall effectiveness of the system. So, I would say that having this in-depth knowledge of the specific case - of the specific reform - is very useful in a period when many countries are going through similar reforms of social assistance. And again, the Portuguese case was not necessarily a 'best' practice, but still there were a lot of lessons to learn."* (Interview 5- EC)

Furthermore, again according to the EC representative, documents produced during the Portuguese meeting were widely disseminated and used by DG Employment and some other international organisations:

*"We used them [the results of the peer review] several times. We informed our 'Portuguese desk' and we have also used these documents most recently, in one of the reviews of the Memorandum of Understanding that was looking also at the general state of the social protection system in Portugal. So, it was definitely something useful, and in fact the paper presented during the peer review was used later on - I saw it - by the World Bank and the IMF in their assessments of the Portuguese social protection system. I mean the paper drafted by the Portuguese researcher, who basically presented an assessment of the impact of the reform. That paper has been cited by the international organisations directly involved in the reform process in Portugal[21]"* (Interview 5- EC)

Whilst our interviewees expressed a high level of satisfaction with the interactions developed during the meeting, none of them reported any further contact with other participants in the period after the peer review.

## *5.2 Outcomes at the domestic level: Italy*

As mentioned in Section 2, a few days after the peer review (in December 2011), two laws concretely launching reform of the ISEE were enacted: Decree Law no. 201/2011 and Law 214/2011. At the beginning of 2012, a working group tasked with drafting the reform was set up within the Ministry of Labour and Social Policy. The working group was chaired by the Deputy Minister of Welfare and the Director General for Inclusion and Social Policy. Besides the staff of the Deputy Minister and officials from the Ministry, a variety of actors attended

[21] While it has not be possible to verify this statement, it should be noted that, on the basis of the version presented during the peer review and of the comments received on that occasion, the Portuguese expert later published a working paper for the School of Economics and Management of the Technical University of Lisbon (Rodrigues 2012) which may have had wider diffusion in the international scientific debate.

the meetings of the working group, among them: representatives from the Ministry of Health, the Italian Revenue Agency (*Agenzia delle Entrate*), the National Institute of Social Security (INPS), and external experts. According to the interviews, information about the peer review was disseminated during the activities of the working group, in which both the government representative and the national expert who attended the Portuguese seminar were involved:

*"I attended some meetings of the working group. Since I had this experience [the peer review] with the government representative, I was formally asked to attend those meetings. It can be said that having discussed issues such as equivalence scales, tapers on work income, and so on during the peer review was useful for our participation in the working group"* (Interview 3-national expert).

*"[…] When the working group on the reform of the ISEE was set up, we invited two officials from the Bank of Italy. One of them was the person who attended the Portuguese meeting. I would say that the experience of the peer review has been useful for us…Of course, also a variety of other activities have been useful for the working group, so it is important not to overestimate the importance of the peer review […]However, participation in that debate allowed us to know the situations in other countries which were addressing the same problems and themes. I mean, each of the participants in the working-group contributed with their knowledge: as for me and the other person from the Bank of Italy, participation in the peer review represented an enrichment and a stimulus to analyse some issues in more depth" (Interview 2- government representative).*

As emerges from our interviews, a variety of topics discussed during the peer review were presented during the working group's activities. As pointed out by the national expert, "*Obviously, some of them have been taken on board, others have been deemed useful but not immediately usable, others have simply been turned down*" [22] (Interview 3- national expert )

As reported in Section 4, both 'theoretical' issues (i.e. concerning policy approaches and objectives) and more concrete policy examples were discussed during the peer review . It seems that knowledge disseminated at the national level mostly concerned the latter, also because the approaches and objectives of the reform of the ISEE had already been established before the peer review meeting. As confirmed by one of the members of the working group:

"*I remember that they [the two participants in the Portuguese peer review] often mentioned the meeting in Portugal and, in dealing with specific aspects of the reform, they often referred to examples from other countries. They were very active when we talked about a variety of issues… also very technical ones, […] Those contributions were related to specific aspects of the reform and not to its 'general framework'. I mean, it was useful that, while addressing specific issues, there were people knowing how other countries were addressing those problems. But, as for the general framework of the reform, its objectives and the general guidelines were already established by the Decree-Law no. 201/2011"* (Interview 4- non-participant expert)

Thus, in light of the interviews, it can be said that, in the Italian context, participation in the peer review produced some consequences at the cognitive level: concrete examples drawn from other countries' experiences were discussed during the meetings of the working group tasked with reform of the ISEE, and the possibility to introduce them into the national legislation was assessed. However, besides the cognitive level, it seems that some of those examples were to some extent transposed into the draft reform of the ISEE finalised by the

[22] An example of the latter illustrated by the national expert concerns the equivalence scale. Different kinds of scales were presented during the peer review and some of them (e.g. the Slovenian one) were very detailed. While the latter were described as "very interesting", the Italian reform of the ISEE does not go in that direction due to the high 'compilation costs' that it would entail (Interview 3- national expert).

working group in 2012.[23] As explained by the official of the Ministry of Labour who attended both the peer review and the meetings of the working group:

"*I can refer to at least a couple of things which we have somehow introduced. Of course, they were not unknown in the Italian debate, but the Portuguese meeting has been useful to…For example, during the meeting we talked a lot about so called 'income disregard', that is, the opportuneness of introducing* ***tapers on work income*** *(as was the case for many of the participating countries) . This was an issue on which, in Italy, we were reflecting and we took it into the draft reform. Another example concerns the access of elderly people to some costly services such as, for example,* ***residential facilities for non-self-sufficient persons*** *[…] It often happens in Italy (but, as we discovered during the peer review, this is also the case in other countries) that, when properties are taken into account to determine the share of co-participation in the costs of the service, the claimant frees himself by donating them to his relatives. During the peer review we had an exchange of opinions concerning this problem, and solutions adopted in other countries were discussed. Of course, not all of them were applicable in Italy but, in the draft reform of the ISEE, we introduced the idea that assets donated in the three years preceding the request for services of this kind had to be considered part of the claimant's properties. Of course, in the draft we articulated this provision better, but the exchange of opinions we had during the peer review was very useful. A last point concerns the issue of* ***controls against frauds****. One of the big themes of the peer review was 'how to build a tool that effectively captures the economic situation of families'. In this respect, since the black economy is an important problem, it is important to take better account of other assets besides households' incomes. To do so, some countries use consumption data such as the ownership of a car or similar things. We chose to not include consumer goods directly in the calculation of the ISEE, but we decided to use goods of that kind as 'control elements': they are not included in the calculation of the indicator, but claimants must declare them. This can help the Revenue Agency which is charged with the creation of selective lists to carry out controls"*(Interview 1- government representative, emphasis added)

Summing up, at least three specific examples presented and discussed during the peer review meeting were introduced into the Italian draft reform. Those examples concerned: tapers on work income, the treatment of donations made by applicants for certain services subject to means-testing (residential facilities for the elderly), cross-checking tools to prevent frauds.[24] Indeed, the above statements are confirmed by analysis of the text of the reform of the ISEE, finally approved on 2 December 2013 (Consiglio dei Ministri 2013).[25] In fact, art. 4 par.3e of that Decree introduces a taper on dependent work incomes (20%, up to a maximum of 3000 euros); art. 6, par. 3c states that, in the case of claimants of social and healthcare residential facilities services, donations of properties to their relatives made up to three years before claiming the benefit must be counted among the applicant's own assets; art. 11, paragraph 12 obliges claimants to declare if they (or their relatives) own certain kinds of consumption goods (in order to programme selective inspections). Obviously, in this case, the fact that some of the policy examples discussed during the peer review have been 'transferred' into the

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[23] Here the reference is to the text of the draft reform of the ISEE finalised by the working group of the Ministry of Labour in late Spring 2012 (the text is available at the following link: (http://www2.sanita.ilsole24ore.com/Sanita/Archivio/Normativa%20e%20varie/ISEE%20DPCM_16%20giugno_2012_seconda_versione.pdf?cmd=art&codid=27.1.1017670752).

[24] It should be noted that, when asked 'which among the participating countries presented the above mentioned policy examples', the Italian government representative answered that those were general themes characterising the debate and most of the participating countries intervened, but that, almost one year after the peer review, she could not exactly recall the countries in question.

[25] In Autumn 2012, after a number of meetings with regions, local authorities and associations, the reform drafted by the working group was to be enacted (through a Decree of the President of the Council of Ministers). However, its approval was stopped as a consequence of a series of objections raised by Italian regions. Then, due to the anticipated end of the government, the reform was set aside (see Madama *et al.* 2013: 40) . The reform of the ISEE was finally approved in December 2013.

Italian legislation does not mean that those provisions have been merely 'copied and pasted'. First, as already noted, those examples cannot be considered as completely new, since ample debate on those topics had already taken place at the domestic level. However, as the Italian government representative pointed out, "*the peer review represented an occasion to see how other countries were dealing with those issues and a stimulus to go more deeply into analysis of other experiences, including some solutions already tried in the Italian context*" (Interview 1- government representative). Second, while the foreign examples learnt during the peer review may have provided useful stimuli, they were later adapted to the specificities of the domestic context. For example, whereas the Portuguese reform foresaw a taper on all kinds of work incomes (including from self-employment), the taper introduced by the Italian reform was limited to dependent workers. In the opinion of the national expert:

"*The motivation for this choice may be the fact that, while self-employed persons can already deduct some expenses (e.g. production costs) from their tax declarations, dependent workers do not have this possibility. So, the choice of limiting the taper to dependent workers may be a sort of 'compensation' for this impossibility"* (Interview 3- national expert)

A second example concerns the obligation to declare the ownership of certain kinds of consumption goods introduced by the reform of the ISEE. As the government representative recalled,

"*in other countries, the ownership of some kinds of consumption goods such as high powered motor vehicles entered into the computation of the indicator. We made a different choice: we chose to oblige claimants simply to report such information since it may be useful in order to create selective lists for inspections by the Revenue Agency*" (Interview 1- government representative).

## 6. Concluding remarks

The peer review meeting on 'Improving the efficiency of social protection' took place in Lisbon on 29 and 30 November 2011. Besides the host country, delegations from eight countries (Belgium, Italy, Latvia, Lithuania, Malta, Romania, Slovenia and Croatia), experts, representatives of the European Commission and of two EU-level stakeholder organisations (Caritas Europe and Eurocities) attended the meeting. Starting from the analysis of the Portuguese example under review – the Decree-Law no.70/2010 which reformed the Portuguese means-testing scheme used to determine entitlement to a number of non-contributory social benefits, among them the social integration income – the seminar was an occasion to discuss, in more general terms, the possible effects that reforms of social protection systems primarily aimed at obtaining budget saving (i.e. increasing their efficiency) may have in terms of poverty reduction (i.e. enhancing their effectiveness). Obviously, given the severe pressure on public budgets experienced by most member states at the time of the peer review (and still today), that topic stood high on both MS and the EU agendas.

As for the organisation and actual development of the peer review, the interviewees generally agreed that it was a high-quality meeting, even if the fact that most of the participating countries belonged to the Mediterranean and Central-Eastern European welfare regimes (Belgium was the only continental country present, while Nordic countries were not involved) was perceived to some extent a limitation of the peer review. The organisation of the meeting around open debates and *tour de table* sessions on specific topics (e.g. the non-take-up of benefits, the implied equivalence scales, etc.) was positively assessed by the participants in that it allowed a balanced and open debate. Indeed, the agenda allowed enough time to present and discuss the various issues at stake: the Portuguese policy under review, the situation in the peer countries, the EU framework, and the views of the stakeholders. The representatives of the participating countries presented their points of view and their national situations on both more theoretical and specific issues (i.e. specific measures implemented at the domestic level) and no clear distinctions between 'tutors' and 'learners' emerged. It should be noted that interventions during the debate were not purely descriptive: on the contrary, differences and disagreements on some topics (e.g. on the construction of the equivalence scales, the usefulness of tapers on work income, the importance of the non-take-up phenomenon) often emerged during the meeting. An important role in assuring the success of the peer review was played by the thematic expert, the EC representative, and the peer review manager. In line with the debate developed, the conclusions of the meeting (the 'key lessons') concerned both more general considerations about the potential trade-offs between efficiency and effectiveness in the reforms of social protection systems and a more specific assessment of the Portuguese policy example. As for the latter, while some aspects of the reform were assessed positively by most of the participants, it was generally felt that it had not been successful in conjugating 'efficiency' and 'effectiveness'.

As regards the 'outcomes' of the peer review, this report has focused on the consequences of the meeting at the EU level and in one of the participating countries (Italy). As for the EU level, it emerges from the analysis that some of the documents produced for the peer review (notably, the paper by the Portuguese expert) might have been disseminated more widely, and that the results of the peer review have been used by some of the participants (in particular, by DG Employment) in later activities. However, no further contacts among the people who attended the meeting have developed.

As for the outcomes of the meeting in the Italian context, it should be premised that the decision to attend the peer review meeting and the choice of the Italian delegation's members was strictly linked to specific developments ongoing at the domestic level: reform of the 'Equivalent economic status indicator' (ISEE), the main national tool for means testing, used to determine entitlement to a number of non-contributory social benefits or the amount of financial co-participation in some services. Indeed, among the key expectations of the Italian participants was the willingness to consider reforms in that domain undertaken by other countries confronted with the same challenges, the purpose being to gather knowledge possibly useful for the national reform of the ISEE. In this regard, the opinions concerning the peer review expressed by the Italian delegates were largely positive, and it can be said that the meeting met their expectations. Indeed, the Italian participants 'learnt' about approaches and policy solutions adopted in other European countries regarding themes of common concern. Furthermore, most of the knowledge acquired was disseminated in the domestic context, notably on the occasion of the meetings of the working group on reform of the ISEE, in which the Italian delegates were involved. However, it cannot be said that the dissemination of information in the domestic context was widespread, although information reached a venue which, at that time, was central in the process of reforming the Italian means-testing tool. According to our interviewees, whilst many of the topics discussed during the Portuguese peer review were presented during the meetings of the working group on reform of the ISEE, only a few specific aspects were used more concretely and, to some extent, transposed into the Italian reform. This was the case of specific elements concerning: tapers on work income, the treatment of donations made by applicants for certain services subject to means-testing (residential facilities for the elderly), cross-checking tools to prevent frauds. The above-mentioned elements – which, according to our interviewees, emerged 'from the debate held during the peer review' – served as *stimuli* for more in-depth discussion of relevant issues, and they provided useful support when the working group on reform of the ISEE discussed ways to address specific challenges. In other words, this (selective) transfer of elements of foreign examples into the draft reform of the ISEE was not a simple ‘copy and paste’ exercise. On the contrary, before these elements were somehow transposed into the national legislation, they were appropriately adapted to the specific features of the Italian context (also in light of the rich domestic debate on the topic).

Three factors appear particularly important in explaining this outcome. First, the domestic policy context at the time of the peer review meeting was particularly receptive because a reform process concerning exactly the same topic as discussed during the Portuguese peer review meeting was in progress. Second, the quality and the organizational features of the peer review meeting mattered: in particular, the good balance between more theoretical discussions (about policy approaches and objectives) and more practical ones (concerning specific measures implemented in the participating countries) enabled the Italian participants to acquire the information that they deemed useful for the national context. Finally, the composition of the Italian delegation played a key role. Indeed, it can be said that the Italian delegates had the right motivations for attending the meeting and the right competencies both to contribute to the debate during the peer review and recognize information potentially useful for the domestic context. Moreover, their role in the national administration allowed them to disseminate knowledge acquired during the peer review in the decision-making venues that, at the time, were central for reform of the ISEE. In this way, it was possible to make direct use of that knowledge in the ongoing reform process.

### List of interviews (Section B)

| Organisation/Institution | Role during the peer review | Code | Date |
|---|---|---|---|
| Ministry of Labour and Social Policy (IT) | Government representative-Italy | Interview 1- government representative | 27/06/2012 |
| Ministry of Labour and Social Policy (IT) | Non-participant | Interview 2 – Min. Lab. | 05/07/2012 |
| Bank of Italy | National expert-Italy | Interview 3- national expert | 18/09/2012 |
| Università di Modena e Reggio Emilia | Non-participant | Interview 4- non-participant expert | 11/10/2012 |
| European Commission- DG Employment, Social Affairs and Inclusion | European Commission representative | Interview 5- EC | 14/11/2013 |
| Centro de Estudos para a Intervenção Social (PT) | Portuguese member-Network of Independent Experts on Social Inclusion | Interview 6 - Network IE | 22/11/2013 |
| Swedish Institute for Social Research | Thematic expert | Interview 7 – Thematic expert | 17/12/2013 |
| Eurocities | Stakeholder representative- Eurocities | Interview 8 - stakeholder | 17/12/2013 |

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