The Age-Orientation of Unemployment Policies in Italy and the Netherlands

Abstract:
This paper begins with an empirical investigation of how unemployment programs in Italy and the Netherlands protect the incomes and welfare of older and younger age groups in the population. Next, it asks why unemployment benefits in Italy treat older workers more generously than younger workers, while in the Netherlands until the mid-1980s, the opposite was the case. A tentative resolution of this puzzle is found in the electorally-motivated behavior of politicians of both leftist and Christian democratic politicians. Finally, the paper considers how differences in the age-orientation of social benefits in Italy and the Netherlands affect the political mobilization of intergenerational conflict during debates over welfare reform in the 1980s and 1990s.
List of Abbreviations

**Italy**

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>CGIL</td>
<td>Left-leaning trade union confederation</td>
</tr>
<tr>
<td>CIG</td>
<td>Short-time earnings replacement benefit program</td>
</tr>
<tr>
<td>CIGS</td>
<td>Special short-time benefit</td>
</tr>
<tr>
<td>Confindustria</td>
<td>Industrial employers’ association (dominated by large firms)</td>
</tr>
<tr>
<td>DC</td>
<td>Christian Democratic party</td>
</tr>
<tr>
<td>INCA</td>
<td>Social service agency linked to the CGIL</td>
</tr>
<tr>
<td>INPS</td>
<td>National social security administration</td>
</tr>
<tr>
<td>PCI</td>
<td>Communist Party of Italy</td>
</tr>
<tr>
<td>PDS</td>
<td>(formerly PCI) Democratic Party of the Left</td>
</tr>
<tr>
<td>TS</td>
<td>Special unemployment insurance benefit program</td>
</tr>
</tbody>
</table>

**Netherlands**

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>AAW</td>
<td>Disability Act</td>
</tr>
<tr>
<td>CDA</td>
<td>Christian Democratic Appeal (Christian Democratic party)</td>
</tr>
<tr>
<td>KVP</td>
<td>Catholic People’s Party</td>
</tr>
<tr>
<td>PvdA</td>
<td>Social Democratic Party</td>
</tr>
<tr>
<td>RWW</td>
<td>Unemployment Assistance Act</td>
</tr>
<tr>
<td>VUT</td>
<td>Early retirement program</td>
</tr>
<tr>
<td>WW</td>
<td>Unemployment Insurance Act</td>
</tr>
<tr>
<td>WWV</td>
<td>Extended Unemployment Insurance Act</td>
</tr>
</tbody>
</table>
Introduction

This paper addresses three questions: First, how do unemployment programs in Italy and the Netherlands affect the incomes and welfare of older and younger age groups in the population? Second, why do unemployment benefits in Italy treat older workers more generously than younger workers, while in the Netherlands until the mid-1980s, the opposite was the case? Finally, how do these differences in the age-orientation of social benefits in Italy and the Netherlands affect the political mobilization of intergenerational conflict during debates over welfare reform in the 1980s and 1990s?

Italy and the Netherlands share features that we might expect would lead them to develop similar kinds of unemployment policies. Both "Red-Roman" welfare states (Ferrera 1993), they display features of what have variously been labeled Continental, conservative, or Christian Democratic systems, combined with a distinct Leftist presence in policy-making. The result is a male-breadwinner-centered labor market, few active labor market policies, and low female labor force participation. They also share a history of high unemployment, both in the immediate post-war period and in the 1980s, and numerically weak labor unions through the 1950s. Yet Esping-Andersen’s (1990) characterization of the Netherlands as a Social Democratic welfare state, largely driven by the generosity of Dutch unemployment benefits, highlights an important difference. Italy and the Netherlands differ dramatically in the extent to which their welfare states protect elderly versus non-elderly citizens from a variety of risks (Lynch 1999), and nowhere is this difference so pronounced as in their unemployment policy regimes.

In this paper I approach unemployment benefit policies in Italy and the Netherlands through the lens of age, as part of a larger project investigating the age-profile of social spending in OECD countries. Unemployment benefits, while they make up a relatively small part of total
social spending compared to pensions or health care in most countries, are a significant cash benefit explicitly targeted at individuals and/or family heads of working age. The generosity of unemployment benefits is an important component of the overall age-orientation of welfare states, so if we can discover why this varies across countries, we are one step closer to understanding why the overall age-orientation of social policy varies.

If the average or aggregate generosity of unemployment benefits contributes to the overall patterns of age-profile of welfare states, unemployment benefit policy regimes themselves constitute a microcosm of age-bias when they treat some age groups more generously than others. For example, first-time job-seekers, who by International Labour Office convention are to be included in unemployment rates if they are registered with employment office, may or may not receive any employment benefits under different unemployment regimes. Workers nearing retirement may receive special extensions of unemployment insurance benefits or have access to early retirement schemes. Further, provisions with no explicit age- or life-status requirement for beneficiaries may have drastically different effects in practice for the level of protection for different age groups.

But if unemployment coverage varies in its overall generosity and treats people of different ages differently in different countries, how does this come about? Are differences in how unemployment laws treat different age groups a result of the differential political clout of older versus younger members of the labor force? Do they spring from societal values about the neediness or deservingness of unemployed people of different age groups? Do they result from unrelated policy priorities of other key actors in labor policy-making, such as unions or employers? Or are they an unintended consequence of institutionally sticky programs implemented under very different labor market and demographic conditions?
This paper begins with a comparison of unemployment benefits regimes in Italy and the Netherlands in the early 1980s. It goes beyond the usual summaries of legislated replacement rates or aggregate spending, examining the consequences for different age groups of national ensembles of different unemployment programs. In the second section, I make a quite tentative argument about why these differences might occur. On the basis of a thorough investigation of the Italian case but more limited knowledge of the Dutch case, I argue that the differing age profiles of unemployment policies in Italy and the Netherlands are not a straightforward result of political pressure from groups of potential beneficiaries, employers, or trade unions. Rather, they spring from politicians’ behavior during periods of intense electoral competition, and the long-term effects of specific program features driven by this behavior. In the final section of the paper, I briefly review changes in the systems of unemployment protection in the late 1980s and 1990s, focusing on how earlier patterns of coverage of different age groups by unemployment policies affect the role of age-based claims in the politics of welfare reform.

Part 1: Comparing unemployment benefits in Italy and the Netherlands.

A comprehensive comparison of the age-orientation of unemployment-related policies should begin with a global comparison of coverage and benefit levels, to determine how well an average unemployed person is protected against income loss due to joblessness. But we also want to know how younger versus older members of the work force fare within the full range of programs offering income maintenance for unemployed people. My strategy in this section will be to review first the various unemployment benefits available in Italy and the Netherlands circa 1980, and the population covered by each scheme. Then, I'll take a closer look at the
beneficiaries of different kinds of unemployment benefits to see who is treated more generously, older or younger workers.

1.1 Income protection programs for the unemployed

Since 1916 in the Netherlands and 1919 in Italy, there has existed some form of state-sanctioned system for protecting workers from loss of income due to joblessness. Throughout the post-World War II period, moreover, a variety of programs supplementing traditional unemployment insurance have developed in both countries. All of the unemployment benefit programs outlined below have undergone significant changes in benefit levels, eligibility criteria, duration of benefit, etc. since their inception. The most important changes took place during two periods: from immediately after the war through the mid-1960s, when pre-war systems were adapted to post-war economic and social conditions; and from the mid-1980s onward, as welfare reformers sought to adapt the post-war systems to post-oil shock realities. This leaves a period of roughly fifteen to twenty years when post-war unemployment benefits systems in Italy and the Netherlands could be considered "mature" but not "over-ripe." For the sake of simplicity, I take 1980 as a reference year in order to summarize the different types of income-maintenance benefits available to the unemployed in Italy and the Netherlands under these “mature” regimes, before moving on to discuss changes in the 1980s and 1990s.

**Regular unemployment insurance.** The first national level unemployment insurance schemes were introduced in 1916 in the Netherlands, and 1919 in Italy. The Dutch program was a voluntary scheme, financed 50 percent by the state, and paid out benefits equaling 70 percent of the prior wage for up to 10 weeks. The Italian unemployment insurance law, Italy's first obligatory social insurance program of any kind, was financed by employer and employee
contributions, with the state stepping in to cover deficits when necessary. The benefit was
guaranteed for up to 20 weeks, but, on the Beveridgean model that had just been adopted in
Britain, offered only a "subsistence" benefit to recipients. This flat-rate benefit had three
gradations according to the contribution level, but could in no case exceed 50 percent of the
previous wage. For average-income earners, this amounted to a replacement rate of 36 percent
of the average daily wage in industry at that time – less generous than in the Netherlands and
France, although not dramatically meaner than the unemployment provisions extant in other
advanced countries at that time (see ILO 1922).

This original divergence in replacement rates continued in the regulation of
unemployment insurance benefits after World War II in Italy and the Netherlands. The Dutch
introduced compulsory unemployment insurance for all employees (including agricultural
employees) in 1949 with the Unemployment Insurance Law (WW). This insurance provided for
a (taxable) benefit equal to 80 percent of the previous salary (for heads of household), financed
jointly by employers, employees, and the state, and lasting for a maximum of 26 weeks.
(Benefits were lower for non-household heads: 70 percent for singles living on their own, and 60
percent for singles living with their parents.) In 1954, the Dutch government passed a
supplementary unemployment insurance act (WWV) that provided for benefits of 75 percent of
the previous wage for people unemployed up to two years beyond the original six months
covered under the WW.

Italy's post-war unemployment insurance law, passed in 1949, maintained the subsistence
benefit format of the old unemployment insurance system. But large increases in the cost of
living during and immediately after the war meant that the new daily benefit (now a flat-rate 200
lire/day) was nowhere near subsistence level. When the law was introduced, this benefit
provided for a replacement rate of only 17 percent of an average production worker's daily wage. The lack of indexation of the benefit to either wages or prices meant that the purchasing power of the benefit continued to fall, despite sporadic upward adjustments in its nominal value during the late-1950s to mid-1970s (see Figure 1).

Fawcett and Papadopoulos (1997) point out that comparing benefit replacement rates across countries can lead to inaccurate judgments about the relative generosity of different programs net of taxes and other benefits. Unemployment insurance benefits are taxed as income in some countries and not in others, and benefits normally associated with income from work (such as family allowances, housing benefits, or credit for future pensions) also accrue to unemployment insurance recipients in some cases. Fawcett and Papadopoulos use household income data and a model-families technique to estimate post-tax, post-transfer unemployment insurance benefits for different family types in twelve EU countries. It is reassuring to note that even after taking into account taxes, and family allowances, Fawcett and Papadopoulos find that the Dutch benefit remains among the most generous in Europe, and the Italian benefit among the least generous (see Figure 2).

The generosity of regular unemployment insurance benefits clearly differs markedly between Italy and the Netherlands. But regular unemployment insurance benefits in both countries are supplemented by a wide variety of other programs for unemployed workers in different sectors of the economy and with different personal characteristics. So to determine both the generosity of unemployment benefits in general, and the specific orientations of these policies towards different age groups, it is necessary to look beyond the basic insurance program.

**Short-time unemployment insurance benefits.** The Netherlands provides coverage for partial unemployment, with the same benefits as for full unemployment. This benefit may also
be used to cover partial unemployment or temporary unemployment due to bad weather. In 1980 about 16 percent of benefits granted under the WW and WWV fell under the partial unemployment and unemployment due to bad weather categories (CBS 1981). In Italy, insurance for partial unemployment is the main alternative to the ordinary unemployment insurance benefit. The short-time earnings replacement fund (Cassa di integrazione guadagni, or CIG) was established in 1945 to compensate industrial workers for earnings lost due to reductions in working hours. With the introduction of bans on mass layoffs after the end of the war, CIG became an important tool for employers to manage excess productive capacity without dismissing workers outright. Throughout the 1950s and early 1960s, CIG was funded by employer contributions, and was used in place of dismissals during brief periods of slack.

In 1968, however, a new "extraordinary" form of the benefit (CIGS) was introduced, funded out of state revenues. During the 1970s and 1980s, CIGS became both employers' and unions' tool of choice for compensating workers during partial or full unemployment resulting from industrial restructuring, sectoral crises, cyclical downturns, and plant closures. From 1975 onward, both CIG and CIGS paid out an tax-free benefit equal to 80 percent of prior gross wages -- clearly a much more comprehensive form of income replacement than the ordinary unemployment insurance program offered.

Special unemployment insurance benefits. Another alternative to the low regular unemployment insurance in Italy, like CIG and CIGS limited to specific segments of the work force, was Special Unemployment Benefits (Trattamenti speciali). These benefits for particular groups of workers in industry, construction, and agriculture were introduced in 1968, and paid out a benefit in most cases equal to 80 percent of prior wages. The duration of the benefit varied

---

1 Although nominally CIGS was for temporary unemployment, in the late 1970s it became possible for redundant employees to receive CIGS benefits while working for a firm that had ceased operation.
from scheme to scheme; in most cases the initial grant of benefit was for six months, but this could often be extended, as with CIG.

**Unemployment assistance benefits.** The most conspicuous absence in the Italian arsenal against income loss due to unemployment in 1980 was, and remains to this day, protection for the long-term unemployed and first-time job-seekers. In the immediate aftermath of World War II, Italy introduced a special subsidy (Sussidio straordinario) for unemployed persons, which offered a basic assistance benefit for all unemployed regardless of whether they held any unemployment insurance coverage. Similar assistance benefits were introduced in many European countries in order to ease the post-war transition. However, in contrast with most other European countries, Italy’s national government never introduced a permanent, comprehensive unemployment assistance program. As a result, there is no minimum income guarantee in Italy for unemployed people who have only scattered contribution records, who have been out of work for long periods, or who have not yet succeeded in entering the work force. Given that both first-time joblessness and long-term unemployment are phenomena that disproportionately affect younger members of the workforce in Italy, this lack biases the entire system of unemployment benefits in Italy against younger workers, as we shall discuss below.

The Netherlands does guarantee a means-tested "minimum income" to all citizens, equal for married heads of households to 100 percent of the statutory minimum wage. The minimum wage is itself linked to average earnings, such that in 1980 it was equivalent to about 80 percent of the median wage. As a subset of this basic assistance guarantee, the Netherlands has since 1964 offered a means-tested unemployment assistance benefit (RWW). While the recipient of an

---

2 After 1979, up to a maximum of approximately 95 percent of the average industrial wage.
3 Nor was there any other form of national-level guaranteed minimum income. A few regional governments have instituted assistance programs for the unemployed, but these benefits remain discretionary and cannot be considered a basic citizenship right even for residents of those regions.
RWW benefit must be available for work in order to receive this assistance benefit, there is no
time limit on the benefit nor is there required any record of previous employment or
contributions. As a result of these two features, the RWW benefit is predominantly used by two
groups: the long-term unemployed, and first-time job-seekers.

**Unemployment insurance extensions for older workers.** The prevalence of long-term
unemployment among older workers in the Netherlands has prompted the government to provide
extended unemployment benefits for older workers. In the Netherlands in 1980, unemployed
workers over the age of 60 could continue to receive insurance benefits past the 2.5 year cut-off
point for VWW benefits until they reach the age of 65 – at which point they could begin
receiving an old-age pension. This meant that older workers received the earnings-related
benefit rather than the means-tested social minimum benefit that long-term unemployed under
the age of 57.5 got after their VWW benefits ran out. In Italy, extended unemployment benefits
for older workers were not available – although in practice CIG beneficiaries often continued to
receive benefits until they reached retirement (or early-retirement) age.

**Early retirement provisions.** Early retirement has been used fairly extensively in both
Italy and the Netherlands as a way of facilitating the exit from the labor market of difficult-to-
employ or less-productive older workers. In the Netherlands, the first experimentation with
early retirement schemes began in 1976. These schemes were expanded in the late 1970s in
response to high levels of youth unemployment, on the principle that facilitating the exit of older
workers would make room for young entrants (OECD 1995, 88). In Dutch law, early retirement
contracts (VUT) are negotiated between employers and labor representatives within an economic
sector, and then applied to all firms in that sector. By late 1979, around 80 percent of all private
sector employees were covered by collective agreements granting early retirement provisions
(OECD 1995, 88). In most sectors the minimum retirement age under VUT is 60 or 61 years, although in some cases it is as low as 55 (OECD 1993, 71). Early retirees receive a full state old-age pension and supplementary occupational pension: normally early retirement contracts require that employers make up any difference in supplementary pension benefits that would occur as a result of a shortened contribution history.

In Italy, laws regulating early retirement in specific sectors were enacted in the 1970s. Legislation in 1981 responded to the employment crisis generated in the wake of the second oil shock, expanding early retirement provisions to include workers in large firms in most sectors of the economy (Gualmini 1989, 137). Early retirement laws normally allowed workers to retire with full pension benefits up to five years early – although in some cases early retirement up to ten years early could be compensated (EC 1997, 111).

Disability benefits. Both Italy and the Netherlands recorded exceedingly high rates of disability among the working-age population in the 1980s, a peculiarity that in both countries is widely recognized as a result of the use of disability benefits as a substitute for open unemployment. In the Netherlands since the passage of the Disability Security Act (WAO) in 1967, and in Italy since 1974, the criteria for disablement included not just a person's physical incapacity, but the likelihood that he or she could find suitable work given local labor market conditions. The highly discretionary nature of this criterion meant that poor labor market conditions for particular population groups (Southerners in Italy, older workers in the Netherlands) could be used as a reason to grant disability benefits, even in the absence of a readily identifiable disability. Aarts and DeJong (1992, 345) estimate that between 33 and 52 percent of disability benefits in the Netherlands are really hidden unemployment benefits; Franco and Morcaldo (1990) estimate a similar figure for Italy.

4 Although neither country has ever had a blanket regulation permitting early retirement.
Disability benefits were an appealing substitute for unemployment benefits in both Italy and the Netherlands because they paid more and lasted longer. In the Dutch case, disability benefits for employees were related to previous income -- not to the social minimum, as was the case for unemployment assistance benefits. So an unemployed person on disability would continue to receive an income-related benefit until the age of 65, while someone receiving unemployment benefits would have to switch over to the social minimum 2.5 years after the onset of unemployment, when unemployment insurance benefits ran out. In addition, unions and employers negotiated top-off benefits for disability in most sectors to bring the disability benefit up to 100 percent of the previous wage (DeVroom and Bloomsma 1991). So even for relatively short spells of unemployment, disability would still be more generous than the 75 percent VWW benefit. Aarts and DeJong (1992, 40) report that the after-tax replacement rate of disability benefits for a modal worker in 1980 was 87 percent.

In Italy, as in the Netherlands, disability benefits were an appealing alternate pathway of exit from the labor market. Disability insurance benefits, like old-age pensions in Italy, are calculated based on formulae combining years of service and prevailing wage rates; there is no uniform benefit standard for disability claimants in different sectors. We can take benefits paid out by INPS as representative of what most employees in industry, agriculture, and commerce would receive, keeping in mind that benefits for specialized groups of workers were often higher. In 1980, INPS paid out a total of over 16,000,000 million lire for 5,445,020 pensions. The mean benefit, therefore, was 2,961,856 lire per year, or 246,821 lire per month (calculated from ISTAT 1985, table 27).

Workers with short contribution histories have their benefits topped-up to the level of the "minimum pension" in their sector, a moderate level that after 1974 was fully indexed to wages.
In 1980, 83.7 percent of FPLD disability pensions were integrated to the minimum. So the modal disability beneficiary under age 65 received a benefit of 136,700 lire/month, for a net replacement rate of 26.4 percent (Franco and Morcaldo 1990, 39). Even at this "minimum" level, a disability pension provided a much higher income than the regular unemployment benefit. In Southern Italy, where fewer people were covered under CIG/S than in the more industrialized North through the early 1980s, and where long-term unemployment reached epidemic levels, disability benefits provided the only reasonable alternative to the very low regular unemployment insurance benefit – and in fact in 1980 around 40 percent of all INPS disability benefits paid went to recipients living in the South or Island regions (Franco and Morcaldo 1990, 65).

**Jobs programs.** If extended unemployment insurance benefits, early retirement, and disability benefits provided supplementary forms of unemployment coverage primarily for people late in their working lives, jobs programs were used in Italy and the Netherlands to provide both work experience and supplementary income for unemployed people. It is difficult to assess the impact of tax incentives and direct subsidies provided to private employers to stimulate employment. However, both the Italian and Dutch governments have attempted to provide employment directly through public works projects and "socially useful jobs." Italy in 1979 employed on average 71,813 people per day in public works projects (ISTAT 1981, table 72). In the Netherlands, the Employment Creation Scheme (WVM) provided jobs for 8,407 young people in 1981 (Eurostat 1987), paid at the minimum wage.

**Summary.** Figure 3 summarizes the benefits available to unemployed people under the variety of programs discussed in this section. The clearest differences that emerge from this comparison between Italy and the Netherlands are (1) the striking dissimilarity in the
replacement rates of regular unemployment insurance benefits in the two countries, (2) the lack of coverage in Italy for long-term and youth unemployed, and (3) the importance in Italy of CIG benefits that provide superior benefits to a restricted group of employees. This overlay of differentiated benefits makes it difficult to grasp immediately either the "average" generosity of unemployment benefits or the effects of the system as a whole on specific age-groups. I turn to this task in the following sections.

1.2 Generosity of unemployment benefits systems in Italy and NL

Section 1.1 compares benefits between a variety of more-or-less directly comparable programs – regular unemployment insurance, unemployment assistance, early retirement, disability insurance, etc. – in order to lay out the basic similarities and differences between our two country cases. However, this exercise leaves unresolved a rather sticky problem: how to assess the generosity of the systems of unemployment coverage that these individual programs comprise? A cross-national comparison of the generosity of entire systems of unemployment benefits programs should take into account both the relative generosity of single programs, and the extent to which these benefits are actually available to workers.

If we wish to go beyond comparisons of legislated replacement rates, we could take the standard path of comparing welfare state "effort" in unemployment policy using aggregate spending figures. These figures can also be weighted by the size of the unemployment "problem load" at any given time, for example by dividing unemployment spending by the number of registered unemployed, to get a sense of the average generosity of unemployment spending under different welfare regimes (see Figures 4 and 5).
These aggregate comparisons give us a summary insight into the extent of coverage offered by unemployment policies in different countries. But they are far from perfect measures, especially given the peculiarities of the systems under consideration here. In both Italy and the Netherlands, we seriously underestimate welfare state "effort" on unemployment coverage if we fail to include the hidden unemployment component of disability benefits. Further, in Italy CIG beneficiaries are not counted as unemployed, but many aggregate measures (including the one utilized in standard OECD calculations) include CIG payments in the unemployment expenditures category. Per-capita spending measures that use registered unemployed in the denominator and include CIG payments in the numerator over-estimate the average unemployment benefit payment in Italy by 50 to 100 percent, depending on the year.

A further caveat concerns the coverage rates of different programs. Even standard unemployment insurance benefits cover widely varying percentages of the working population across countries and over time. For example, Italian unemployment insurance legislation in 1975 covered only 51 percent of the working population, as compared to 61 percent in France, 80 percent in the UK, or 93 percent in Germany (Mittelstadt 1975, 5). Schmid and Reissert (1996, 247) provide more recent estimates of the proportion of unemployed people actually receiving unemployment compensation: in the mid-1980s, coverage rates ranged from less than 10 percent in Italy, Greece and Portugal to over 85 percent in Belgium (see Figure 7). Figure 8 shows changes over time in the percentage of registered unemployed receiving unemployment insurance benefits in Italy. Strikingly, this figure ranges from a peak of around 35 percent in 1965 to just over 10 percent in 1981.

It is in fact quite difficult to establish coverage rates for specific unemployment programs. Published government figures on unemployment benefits in both Italy and the
Netherlands specify the number of benefits given out, rather than the number of beneficiaries. Since unemployed persons may be eligible for more than one type of benefit, or may receive benefits for more than one spell of unemployment in a given year, benefit counts rather than head counts can be misleading. Additional problems surface in trying to estimate the number of people receiving other types of benefits in Italy due to particularities of the social security administration's reimbursement and record-keeping practices.  

All of these measurement issues make it difficult to assess how generous unemployment benefits systems are cross-nationally. Barring impeccable record-keeping and complete disclosure on the part of government and social security agencies, it will never be possible to make perfectly accurate comparisons. So we must keep these limitations in mind, and make the strongest effort possible to account for the benefits available to unemployed people who, for whatever reason, depart from the standard and most easily calculable case. Figure 9 offers a preliminary comparison of the coverage rates of the various programs discussed above. The numbers are drawn from a variety of primary and secondary sources, of varying degrees of reliability.

The estimates of program coverage in Figure 9, as flawed as they may be, do allow us to construct a portrait of coverage for the modal unemployed person in Italy and the Netherlands. In the Netherlands, this person receives unemployment insurance benefits equal to 75 or 80 percent of his or her previous salary. In Italy, our modal unemployed person is not registered as unemployed; rather, he or she receives a disability benefit equal to roughly 26 percent of the

---

INPS makes payment of regular and special unemployment benefits directly to the unemployed person, who must apply to receive the benefit. But INPS reports only the total number of benefits paid out, rather than differentiating in its records between regular and special payments. For CIG and CIGS the situation is even more complex. INPS does not pay CIG or CIGS benefits directly to the recipient in most cases. Rather, the employer advances the payments to the workers, and then applies to INPS to be reimbursed. In order to be reimbursed, however, the firms must report only the number of hours, not the number of beneficiaries, for which they advanced payments. So
average net wage. Among the registered unemployed, the overwhelming majority in Italy receive no cash benefit at all.

Despite the fact that CIG recipients in Italy receive as high a benefit as unemployment insurance recipients in the Netherlands do, and despite the fact that as many people receive the generous CIG benefits as receive the tiny unemployment insurance benefit, the Italian unemployment benefits system taken as a whole provides remarkably little to a typical unemployed person. In comparison, the Dutch unemployment benefits system is exceptionally generous both in terms of the legislated benefits and in terms of the access that most unemployed people have to these benefits.

1.3 Age-orientation of unemployment benefits

Assessing the aggregate generosity of the unemployment system as a whole helps us estimate the overall age-orientation of social policy regimes by telling us how the welfare state treats the unemployed, in general, relative to other population groups such as the elderly. But we have also seen that different groups of unemployed people receive widely differing amounts of income in unemployment, depending on what type of benefit program they fall under. To the extent that different types of benefits are more likely to accrue to persons of one age group than another, we can also say that the unemployment system itself may have a built-in age-bias.

The Italian unemployment system circa 1980 had a very clear bias towards older members of the work force, and against younger ones. In 1979, almost half of all registered unemployed were under age 30, and only 17.3 percent aged 45 or over (Eurostat 1981, table IV/6); in 1975 unemployment rates stood at 4.6 percent for 25- to 29-year-olds, and only 0.9
percent for 45- to 49-year-olds (Eurostat 1977, table II/4). Yet coverage under Italy's bewildering array of unemployment benefits was clearly concentrated on the older age groups. In 1978, 10 percent of regular unemployment insurance recipients, and 18 percent of special unemployment insurance benefits recipients were under age 25, while 43 percent and 28 percent, respectively, were over 45 (INPS 1979). Short-time unemployment benefits also went disproportionally to older workers: in 1985, 15 percent of CIGS recipients were under 30, while 34 percent were age 45 or above (Relazione generale 1986).

Schmid and Reissert (1996, 248) report that in all, only 4 percent of registered unemployed people under age 30 in Italy received unemployment benefits of any kind, while 20 percent of those over 50 did (Figure 10). But the predominance of younger people in the ranks of the unemployed meant that over all, Italy provided unemployment benefits for only about 6 percent of the unemployed. (Even adding in the unemployment component of disability benefits does not boost the coverage rates for younger workers, since the age profile of disability recipients is similarly skewed -- see Figure 11.) Furthermore, the under-30 category in Italy overlaps with two categories of unemployed that are ineligible for insurance benefits. First-time job-seekers made up 62 per cent of the unemployed in 1975 (Eurostat 1977). The long-term unemployed, another category of unemployed persons with no right to insurance benefits under Italian law, were also concentrated in the younger age-groups of the population (see Figure 12).

In sum, the Italian unemployment system's failure to cover first-time job-seekers and long-term unemployed, and its concentration of existing benefits on older members of the workforce, results in an unemployment system with two overlapping kinds of age-bias. On the one hand, the system as a whole is limited in scope as compared to other areas of the welfare state targeted at elderly groups (eg. health care and pensions). On the other hand, even within
the limited confines of the unemployment system, coverage is skewed overwhelmingly towards the over-45s, and away from workers at earlier stages of family formation, skills formation, and wealth accumulation.

The Dutch unemployment system is in this respect quite different from the Italian, despite a legislative framework that is explicitly biased towards younger workers. The Dutch system has since its origin called for benefit levels gradated according to the age of recipients. Younger unemployed, especially those living at home, and single beneficiaries with no family obligations, have enjoyed lesser benefits and stricter eligibility conditions than mature household heads. In addition to this legal bias against the young, the extension of insurance rights to unemployment workers close to the retirement age explicitly favors older workers. But this elderly-oriented legislative framework belies a de facto situation that is much more favorable to younger workers than in Italy.

The least generous benefit in the Dutch system, the unemployment assistance benefit, is indeed the predominant form of coverage for first-time job-seekers, as in Italy. But in contrast to the 62 percent of unemployed that are first-time job-seekers in Italy, only 11 percent of Dutch unemployed fall into this category. Long-term unemployed, who also must rely on the RWW benefit, are in the Netherlands, unlike in Italy, concentrated in the oldest age-groups of the working population (see Figure 12).

Rates of coverage under unemployment benefits of any kind vary much less dramatically between age groups in the Netherlands than they do in Italy (42 percent of under-30s versus 48 percent of over-50s are covered in the Netherlands – see Figure 10), in large part because the risks most common to young and older workers both receive some form of protection. Disability insurance, the main alternative to formal unemployment subsidies in the Netherlands, displays a
similarly flat curve of coverage rates for different age groups relative to Italy. In sum, not only
does the Netherlands offer on average better protection to unemployed people than does Italy,
but this protection was, in 1980, less skewed towards older groups in the work force.

**Part II: Causes of different age-orientations in unemployment policy**

How can we explain the fact that the Netherlands and Italy display such different patterns
of social protection for unemployed people versus other groups in the population, and for
younger versus older unemployed people? The simplest answer to this question is a technical
one: as unemployment expanded radically beginning in the mid-1970s, existing unemployment
policies took on distinctive age-profiles. Highly protected “insiders” in Italy manned a rapidly
aging fortress labor market, with younger entrants lacking access to both jobs and preferred
forms of unemployment coverage. In the Netherlands, as in Italy, disability benefits and early
retirement buffered the early exit of older workers from the labor market. But in the Dutch case,
universal unemployment assistance benefits covered even first-time job-seekers, so the youth
segment of the labor market still had access to some benefits.\(^6\)

The combination of legislated coverage for youth unemployed in the Netherlands, and
higher benefit replacement rates for regular unemployment insurance, has, as we have seen, had
consequences for the age-orientation of the welfare state as a whole and for the age-orientation
of the unemployment policy regime in particular as unemployment has grown since the mid-
1970s. In Italy, the absence of coverage for young people, and the very low regular
unemployment insurance benefits that are the only form of coverage for the non-core labor force,

\(^6\) In addition, job-creation targets linked to early exit mechanisms and subsidies were more strictly enforced in the
Netherlands than in Italy, so that Dutch benefits targeted at older workers in order to increase youth unemployment
actually had the desired result. This combined with the more successful Dutch vocational training system to lessen
the concentration of unemployment within the youngest sectors of the labor market.
have combined with high rates of youth unemployment and an ageing of the core workforce to produce a severe imbalance towards the elderly.

This technical explanation for the age-profile of unemployment coverage in Italy and the Netherlands is correct, but incomplete. It leaves unanswered prior questions about the origins of the policy specificities that result in diverging age-orientations of the systems over time. In this section I propose a tentative answer to this question of the origins of the two policy divergences that make the most difference for the overall age-orientation of Dutch and Italian unemployment policy regimes: the replacement rate for regular unemployment insurance benefits, and the coverage of first-time job-seekers. Rather than presenting a historical narrative, I examine in turn the impact of a variety of different potential causal factors: the timing of adoption of unemployment policy instruments, the structure of the Italian and Dutch industrial labor markets, ideological orientations towards the role of states versus families in welfare provision, the relative strength of lobbies for the elderly and unemployed, and institutional design factors. I argue that an electoral logic underlies the policy divergences that concern us, and conditions the preferences of labor unions and the unemployed themselves.

2.1 Alternative Hypotheses

Comparative research in the field of labor market policies yields few predictions as to the likely causes of differences between unemployment policy regimes. Work in this area has focused almost exclusively on the problem of how to compare policy regimes and outcomes, a thorny issue given the uncertainty about definitions and the wide variety of direct and indirect

---

7 A further question, about the reasons for persistence of these institutional features, I leave unaddressed. For the moment I simply assume that in the absence of compelling pressure for change, such as that experienced in the Netherlands in the mid-1980s and in Italy in the mid-1990s, policy institutions will remain fixed despite mounting evidence of their inadequacy.
expenditures that may qualify as labor market policies. Yet even in the relatively narrowly-defined area of unemployment benefits, there has been remarkably little study of the causes or correlates of cross-national policy differences following upon Alber's (1981) initial effort.

Medium-N studies of the development of welfare policies frequently subsume unemployment policy into more highly aggregated measures of welfare policy (see for example Esping-Andersen 1990, Huber et al. 1993), leaving the analysis of cross-national variation in unemployment policies per se largely to the realm of single or small-N case studies (see for example Heclo 1974, Clasen 1992, Seeleib-Kaiser 1995, Cohen and Hanagan 1995). As a result, it is difficult to generate a set of theoretically informed statements about why the age-orientation of unemployment policies might vary between Italy and the Netherlands. We should, however, consider those possibilities suggested by the limited literature on comparative unemployment policy and the wider body of comparative welfare state research.

Timing of adoption of unemployment insurance. Alber (1981) argues that a strong lock-in effect anchors benefits and eligibility requirements at levels appropriate to the period when an unemployment system was first put in place. By this logic, early adopters of obligatory insurance (like Italy) tend to have less generous regimes, while late-comers whose systems developed in an era of greater state capacity and working-class solidarity (like the Netherlands) are less restrictive. As unemployment programs age they do tend to become more generous, according to Alber, but the older programs never catch up in generosity to the more recently enacted ones.

As we have seen, Italy was indeed an early enactor of obligatory unemployment insurance, and the Netherlands did not adopt an obligatory insurance system until 1949. However, even the voluntary system adopted in the Netherlands in 1916, which covered 60

---

8 See Clasen (1999, 171-5) for a review of the issues and literature in this area.
percent of unionized workers (van Leeuwen 1997, 78), boasted an extremely high benefit level relative to programs in other countries. The Netherlands may not have been an early adopter of obligatory insurance, but she was an innovator in setting both benefit levels and state participation at very high levels at an early date (see ILO 1922). Italy's unemployment insurance system, on the other hand, began life at the low end of the European spectrum, only to decline considerably in generosity in the years to come. Thus the timing of the Dutch and Italian unemployment insurance regimes' births seems to have little to do with their generosity; the systems started out at very different levels in the early part of the century, and have only diverged since then.

Employer preferences. Can employer preferences explain either the initial difference in generosity or the continuing divergence? Estevez-Abe et al. (1999) argue that employer characteristics lead to different emphases within national labor market policy regimes on unemployment protection (ie high unemployment benefits, long duration of benefits) versus employment protection (eg. strict laws against dismissals, subsidies to keep on redundant workers): "Depending on their particular product market strategy, and hence skill needs, large firms are … more likely to favor high employment protection than small firms” (7). On the other hand, “For small firms a much more important resource in developing a healthy supply of workers with the appropriate industry-specific skills is generous and publicly financed unemployment benefits” (7). In this schema, Italy's generous CIG benefits and very weak unemployment protection are predicted by a small firm sector offering minimum resistance to the political demands of large firms employing workers with few industry-specific skills. In the Netherlands, high unemployment protection and medium employment protection should
correspond to politically powerful small firms, and a large-firm sector with modest needs for occupationally specific skills.

Estevez-Abe et al.’s argument is a nuanced one, and this brief summary certainly does not capture the numerous embedded caveats and extensions. But their model in its most basic form fails to capture the political dynamics associated with industrial structures in Italy and the Netherlands. Both Italy and the Netherlands have had relatively large and politically powerful small firm sectors for most of the post-war period. In Italy, small-business owners are a potent political force, due to their large numbers and strong links with the Christian Democratic party. Large employers, by contrast, or at least their representative organization Confindustria, have traditionally had a strained relationship with the ruling party (LaPalombara 1964). Given this situation, we would expect that the interests of Italy's small businesses would override those of her large employers, resulting in high unemployment protection and low employment protection. Instead, the actual policy outcome is the reverse.⁹

In the Netherlands, the observed policy outcome of high unemployment protection is the most salient factor dictating its placement within Estevez-Abe et al.’s scheme. To be sure, small business owners do not appear to have opposed high unemployment benefits in the Netherlands. Yet in my research to date I have seen little to suggest that small business owners were responsible for bringing about the Netherlands' high unemployment benefits. [expand on this – sources]

**Social democracy and Christian democracy.** If the timing of first unemployment programs, national industrial structures, and the political weight of employers do not determine the differences we’ve observed in Dutch and Italian unemployment policies, can ideational

---

⁹ Another possibility is that small firms' interests in Italy are not as Estevez-Abe et al. (1999) specify them. This is plausible, if we believe tales of Third Italy firms’ mass hirings of workers on CIG.
causes be at work? Much research in the field of welfare state development has focused on the role of governments and parties as carriers of political ideologies. For instance, Esping-Andersen's (1990) three worlds of welfare capitalism are ultimately distinguishable by the different combinations of egalitarian, liberal (anti-state), and organic-corporatist values that make their way into welfare policies via the political influence of Social Democratic, Liberal, and Conservative or Christian Democratic parties. Van Kersbergen (1995) takes this case for political ideology further, arguing that the Netherlands, Italy and other Christian Democratic welfare states share distinctive features derived from the prevalence of Christian social and political doctrines.

Divergent political ideologies in Italy and the Netherlands explain relatively little of the divergent age-orientations of unemployment policy, however. It is true that the Dutch assistance benefit for long-term and youth unemployed was introduced during a period often described as being characterized by a widely shared progressive, egalitarian ideology. However, other explanations for the introduction of the assistance law have little to do with social democratic ideology per se: the changing desires of an increasingly professionalized and politically influential network of social assistance providers (Cox 1992, 1993); and the impact of intense electoral competition as a driver of benefits expansion (Cox 1993, de Swaan 1988, de Rooy 1997). And while the participation of the PvdA (Social Democratic party) in government coalitions might explain the generous post-war unemployment provisions enacted in 1949 and 1954, it cannot account for the generosity of Dutch unemployment insurance benefits as far back as 1916.

What about the role of Christian democracy? On the face of it, this is a weak explanatory factor, since Italy and the Netherlands share the cause but differ on the outcome. Still, key tenets
of Christian democratic social doctrine, including a focus on families as the primary providers of social assistance, have been mustered to explain both very high levels of unemployment benefits in the Netherlands, and very low levels in Italy. Bussemaker (), for example, argues that the Netherlands’ strong male breadwinner model is responsible for the unusually high level of unemployment benefits in that country, since the benefits must be high enough to support an entire family, not just an individual. Yet arguably Italy has just as strong a male-breadwinner orientation, and similar levels of female labor force participation, and yet benefits remain low.

An explanation for low benefits in Italy derives also from that nation’s allegedly pervasive “familist” orientation. In this case, Catholic subsidiarity doctrine emphasizes the role of the extended family in providing for its own, and so Italian unemployed (especially young unemployed) are not supposed to need benefits from the state to the same extent. It is certainly plausible that cohesive extended families engaging in extensive intra-familial resource sharing make it possible for Italy to sustain high rates of unemployment without extreme social conflict. Only 12 percent of Italian unemployed were household heads in 1984, while 67 percent were children of household heads (Eurostat 1986, table 67). It is important to keep in mind, however, that Italy’s “youth” unemployed are in many cases upwards of 30 years old\textsuperscript{10}. The delay to independent family formation that results from such long-term dependency certainly has the potential to lead to social conflict, as argued by [Islamist lit].

Moreover, it's not clear that family structures cause low unemployment benefits, rather than the other way around. True, Italian social legislation in general relies on help from extended family structures to a greater extent than in other countries (Millar and Warman 1996, Naldini 1999). But others (Addis 1998, Saraceno personal communication) point out that this is

\textsuperscript{10} In other situations, similarly high levels of youth unemployment and the delayed household formation that results have led to youth support for radical social movement – for example the Islamist movement in Egypt.
actually a rather recent phenomenon. The tendency for recent Italian legislation to focus on the family as a prime locus of care giving and support is, in their view, a result of increasing demands and decreasing welfare state resources, rather than an inevitable intertwining of Italian social values and welfare provisions.

Indeed, research in other areas of welfare state provision suggests exercising caution before drawing a direct causal link between Italian family structures and family values, on the one hand, and public policy features, on the other. Jurado (1999) shows that the family structure most characteristic of Southern European societies – the long permanence of adult children in their parents’ households – is caused by housing and labor market structures, rather than by socio-cultural features of Southern European countries. Similarly, Palomba and Moors' (1994) research on public attitudes towards family policies reveals that Italians who hold the most "traditional" family values are also those who are most interested in high degree of state intervention on behalf of families. Extended family structures and a Catholic culture emphasizing subsidiarity principles – leaving the family to its own devices – are not enough to explain the lack of state welfare provision for the unemployed in Italy.

**Age-based interest groups.** Neither the presence of Christian democracy or Social democracy in the Netherlands, nor Italy's 'familist' culture, explains the divergence between Italy and Holland in protection for the unemployed. We've also seen that the timing of adoption of unemployment benefits, and employer preferences derived from national economic profiles can’t account for the difference. Given the weakness of these structural and cultural/ideological variables, it might be more fruitful to approach the question from a political interest-group perspective. The unemployed are notoriously difficult to organize politically, for reasons discussed by Richards (2000). On the other hand, Italy’s elderly enjoy strong representation
within the union movement\textsuperscript{11}. By contrast, Dutch unions did not organize the elderly as a separate constituency until a few unsuccessful attempts in the mid-1990s. So it is tempting to conclude that the age-orientations of these welfare states in general, and of the unemployment policy regimes in particular, is a result of the variation in the political strength of the elderly cohorts.

However, despite popular suspicions to the contrary, the elderly lobby in Italy bears very little responsibility for the profound elderly-orientation of the welfare system in Italy (see Campbell and Lynch, forthcoming). In fact, the pensioners’ unions have consistently advocated a general assistance law that would substantially increase protection for Italy’s young unemployed. At the same time, the presumed weakness of the unemployed, particularly youth unemployed, is not borne out by the Italian case. The post-war period in Italy has witnessed several waves of mobilization of the unemployed: demonstrations by the unemployed and people employed in public works in the immediate post-war period; an organized movement of youth unemployed in the mid-1950s; and a series of actions in Naples and Rome in the early 1970s. These mobilizations were highly successful, in the sense that their demands were quite quickly incorporated into union and political party platforms. Legislation following in the wake of this activism indeed reflected the positions espoused by the participants. The reason unemployment insurance or assistance benefits did not increase, then, is not because these movements failed to achieve their political objectives. Rather, it is because obtaining better unemployment benefits was not in fact their main objective, as we shall see below.

2.2 My argument

\textsuperscript{11} Over 50 percent of members of the three major union confederations are now pensioners.
We turn now to the major political forces influencing the development of unemployment benefits in Italy and the Netherlands: labor unions, who advocate enforceable solutions to labor market problems, and politicians, who, as credit-claimers, potentially have the most to gain from extending the helping hand of the state. Discussions of Southern European welfare states in general (see Ferrera 1996, Gough 1996, Rhodes 1997) and Italy in particular (see Paci 1994, Ferrera 1997) have argued that the prevailing clientelist party-society linkages are responsible for the fragmentation, particularism, and inefficiency of the Italian welfare state. This obscures, however, the extent to which Left parties and labor unions, as active policy-making partners, contributed policy solutions that were designed to undermine the clientelist system so thoroughly captured by the PSI, and, above all, by the DC. And while clientelism is indeed a key ingredient of the electoral logic underlying the age-orientation of welfare policies in Italy, it does not follow that an absence of particularistic clientelism in the Dutch party system purifies the welfare arena in that country of electorally-motivated policy designs. I argue that the response of politicians to partisan competition, whether a particularistic or universalistic response, has a crucial impact on the eventual age-orientation of unemployment policies. I illustrate this argument by considering the development of the two crucial policy features that result in different age-orientations of unemployment benefits in Italy and the Netherlands: the replacement rate of regular unemployment insurance benefits, and coverage for youth unemployed.

Unemployment insurance benefits. The relationship between electoral pressures and the very high replacement rate of the regular Dutch unemployment insurance benefit is not a clear one. To begin with, I haven’t been able to establish with any certainty why even the earliest unemployment insurance schemes in the Netherlands offered such a high (80 per cent) replacement rate relative to schemes in other countries. It may be that, as unionists at the time
feared (Kuijpers and Schrage 1997), the compulsory unemployment schemes adopted in other countries tended to drive down benefits by taking control of the schemes out of the hands of unions. But the voluntary schemes existing in Italy at the time received much less state “interference” than in the Netherlands, and still offered much lower benefits.

A more compelling explanation for the generous benefit in the Netherlands could be that since unions funds were subsidized by municipal and later state moneys, following the so-called Ghent style established in Arnhem in 1906 (van Leeuwen 1997), they could afford to offer higher replacement rates. This program structure set the terms for the obligatory unemployment insurance program adopted after the war. According to Kuijpers and Schrage, by the late 1930s unions and employers had reached a consensus that a new, universal unemployment benefits scheme should be cover the costs of ‘normal’ unemployment with contributions from employers and employees, but the “costs of abnormal unemployment should be met by government,” as under the old voluntary system (1997, 93).

If the 80 percent replacement rate was facilitated by rather extensive state participation in the costs of unemployment insurance coverage under the old voluntary system, how was this generous benefit maintained when the new obligatory system was set in place in 1949? It appears that the path of least resistance for legislators was to keep the replacement rate where it was, while universalizing coverage. Certainly the unions and their allies in the Social Democratic party would have been reluctant to turn over control of the voluntary system they had set up if the benefit level under the new law were reduced. But the absence of debate in Parliament over the new rate (van Kersbergen and Becker 1988) – with the exception of a small group of Communist legislators advocating 100 percent replacement rates – signals the eagerness of elected officials from all parties to accept this solution. The unexpected popularity of the
Drees emergency pension provisions, which provided a tremendous boost for the Social Democratic Party in the 1946 elections, had convinced legislators of the electoral value of universal social insurance. At the same time, avoiding blame for cuts in replacement rates served their interests as well as those of the unions, while the joint employee-employer management of the system in the Industrial Insurance Boards satisfied employer demands.

The low replacement rate for Italian unemployment benefits after the war probably depends, as in the Dutch case, on the (rather stingy, in the case of Italy) benefit levels in the pre-war system. But the insurance benefit continued to decrease in real terms after the war because benefits were not indexed to either wages or prices, and were only sporadically upgraded. How can we account for this exceptional decrease in social benefits at a time when throughout Europe most welfare benefits were increasing? The main reason offered by most analysts of the Italian situation is that the short-time earnings replacement benefits (CIG and CIGS) provided an alternative to regular unemployment insurance that was favored by all parties. Thus there was little pressure to upgrade regular unemployment insurance benefits, despite the fact that CIG/S covered only a limited part of the working population. This argument certainly makes sense for the period after 1968, when wholly state-funded CIGS benefits were introduced. But prior to that, CIG benefits required employer contributions, and in fact Confindustria throughout the 1950s and early 60s launched tirade after tirade against the “inappropriate” use of CIG benefits, caused in their opinion by the predominance of employee representatives on the provincial commissions that evaluated enterprises’ requests for CIG benefits.

So if Confindustria was not wedded to the idea of using CIG benefits as an alternative for unemployment insurance in the 1950s and 1960s, why did the unemployment benefit remain so low? Regalia (1984) argues that through the late 1950s, unions in Italy were excluded from
labor policy-making, and were simply too weak to counter Confindustria’s efforts to keep
unemployment insurance benefits low (a position the employers espoused for the standard
Liberal reasons, i.e. preserving work incentives and low labor costs when Italian industry was
pursuing an essentially export-oriented development strategy).

But at the same time, another obstacle to increasing unemployment insurance benefits in
the 1950s and 60s came from the electoral strategy of the Left. Agricultural employees were a
crucial constituency for the left, and a major focus of union mobilization during the years when
the CGIL still acted as a “transmission belt” for the PCI. But agricultural employees’ wages
were so low that extending unemployment benefits to this group at the flat-rate level that applied
to industrial workers would have been impossible if they had had to be funded solely out of
contributions from the agricultural sector. At the same time, the Italian unemployment insurance
system received no financing from general government revenues, and could not hope to unless
the tax system, which exempted much of the ruling DC’s powerful base of self-employed voters
from payments, were reformed. The only way to finance unemployment benefits was thus to
subsidize them with contributions from the industrial sector, a procedure which Confindustria
vigorously opposed but which they were powerless to prevent. Combined pressure from the
Left, which favored extension of benefits to agriculture, and the Right, which opposed tax
reform, maintained the cross-subsidization of agricultural unemployment benefits by the
industrial sector. The result was that the unemployment insurance fund, which if it had only had
to cover industrial workers could have sustained a substantial increase in benefits without raising
contribution rates, ran near deficit levels. For politicians, this was less of an issue than for the
unemployed, obviously. Unemployment benefits were useful electoral currency even at low
benefit levels, as long as they could continually be expanded to cover new groups, which they were until 1977.

[need summing up paragraph]

**Youth and long-term unemployment coverage.** The electoral strategies of Christian Democrats and Social Democrats, more than their ideologies, influenced the level of regular unemployment insurance benefits in Italy and the Netherlands. What about coverage of youth and long-term unemployed? In the Netherlands, this coverage falls under the Unemployment Assistance Act, a part of the General Assistance Act of 1964. While many authors have attempted to explain high levels of social benefits in the Netherlands as a product of socialist-inspired egalitarian ideologies, by all accounts the extensive benefits offered by the Unemployment Act of 1964 were a direct resulted of partisan competition for votes in a highly volatile electorate undergoing depillarization (DeSwaan 1988, Cox 1993, van Kersbergen and Becker 1988, de Rooy 1997)\(^\text{12}\). [OK, but now I have all these interviews that say that this isn’t the case, that the policy proposals were in the works long before depillarization really set in. So I need some way of evaluating whether the policy is a result of consensual, egalitarian-inspired policy-making, or vote-seeking behavior.] In offering assistance benefits for long-term and youth unemployed, the Dutch government brought itself into line with ILO recommendations on unemployment benefits, something that Italy never did despite being a signatory nation to the same treaty (ILO recommendation #44 of 1934).

The explanation for the lack of benefits for Italy’s youth unemployed is more complex. The problem of youth unemployment has been a difficult one for Italy for the entire post-war period. Yet the poor results are not for lack of effort. Neither the unions, employers, Left parties, nor Right parties have been unaware of the problem of youth unemployment – not since
the demonstrations in the early days after the war pitting young unemployed protestors against Roman police, which were met with emergency provisions. The key to resolving this puzzle is to understand the strategic reaction of the unions and the Left to clientelist strategies pursued by the DC in office.

The Left in Italy has consistently advocated expanding active labor market policies targeted at young people, and the results are clear: when the PCI is in government (1976-79) and/or unions have a strong voice in periods of corporatist policy-making arrangements (1984, 1996-present), active labor market policies aimed at employing young people emerge. When they are not, they do not. Yet these active labor market policies have, except in the most recent period, been abject failures. Employers have refused to rise to the bait of subsidies and tax relief for hiring young unemployed persons, chafing at restrictive hiring procedures that forced them to hire youths in order of their enrollment at the government unemployment offices, rather than hiring at will. For example, a year after the major youth employment initiative, law 285 of 1977, only 6,000 of the almost 650,000 youth unemployed registered on special lists at the unemployment offices had been hired (Gualmini 1998, 129).

Why, then, given the failure of active labor market programs, has the Left been unwilling to advocate a cash benefit for youth unemployed? The Left and the unions have continued to place their faith in ineffective active labor market policies combined with restrictive hiring procedures in order to prevent the DC from mobilizing these legions of young people through clientelist means like state jobs or special cash benefits. The position of the union movement in this regard is nicely summed up by then-Secretary General of the CGIL, Luciano Lama, in a statement at a 1977 union congress on the economic crisis and the problem of youth. According to Lama, “The central problem is this: work, jobs, not assistance” (Bonadonna 1977, 223).

12 Anticipated natural gas revenues also encouraged a generous mindset.
Assistance – i.e. highly personalized measures that could be given out or withheld at will – was the terrain of the DC, and to be avoided at all cost.

The demands of social movements of the unemployed, perhaps since the best articulated protests were supported by the unions and Left parties, supported this policy of “rifiuto del assistenzialismo” (refusal of assistentialism). Leaders of the Disoccupati Organizzati (Organized Unemployed) in Naples in the early 1970s refused offers of state jobs and unemployment subsidies for their members, in part to dispel rumors that the movement had been infiltrated by mafia and DC operatives seeking to co-opt desperate youth with such offers (Ramondino 1977).

The lack of comprehensive coverage for youth unemployment played into the hands of the clientelist electoral strategy of the ruling DC and their allies, who with their deep penetration of the state apparatus could continue to attract supporters by offering discretionary solutions to the problems of individual unemployed. But at the same time, the Left clung to active labor market policies that employers effectively boycotted, knowing that in the first place any extension of benefits to the youth unemployed would be partial (given the magnitude of the problem), and in the second place, any partial solution would be a rich resource for the DC.

[need summary paragraph]

Part 3: Conclusion. Age-bias in unemployment policy and the politics of reform

The age-orientations of unemployment policies, as different as they are in Italy and the Netherlands, came about as a result of policy decisions largely unrelated to the concerns of different age groups in society. But they have affected welfare reform debates and outcomes in the 1980s and 1990s in important ways, often closely linked to the question of what different age groups deserve from the state.
The extreme elderly bias of unemployment policy in Italy has not been carefully documented – this paper is a first step in that direction – but it has not gone unnoticed, either. The imbalance in welfare policies had become an issue in labor-policy making circles in Italy already by the mid-1980s. In 1980, INCA, the CGIL’s social services agency, expressed frustration at the union’s failure to acknowledge and correct the difficult situation of workers trying to get by on regular unemployment insurance. INCA directors, who believed that the agency’s direct contact with over 150,000 unemployment claimants each year made it better able than the union to appreciate the gravity of the situation, argued that the unions should take a strong position in favor of equalizing regular unemployment benefits and CIG/S benefits (Moretti and Santamaria, 1980). By the mid-1980s, members of the mainstream labor union leadership had come around to INCA’s position, recognizing for the first time the potential danger in pursuing policies that were alienating an entire generation of workers. Unions began in this period a new emphasis on providing services for first-time job-seekers, unemployed people, and youth in general.

By the early 1990s, progressive politicians, too, had begun to make overtures – for the most part unsuccessful – to Italy’s younger voters, whom public opinion research had shown to have become alienated from unions and the Left. Beginning in 1996, elite Italian newspapers began carrying op-ed pieces by respected journalists and academics pointing out the Italian welfare system’s failure to provide for Italy’s younger generations. Around that time, survey research in Italy also began to document fears, increasing over time, that Italy’s lopsided labor markets and welfare benefits would generate intergenerational conflict and social upheaval. Influential policy-makers, including the current Prime Minister, the current director of INPS, and

---

13 Personal communications, Giustina (CISL) and Giovannini (CGIL).
several members of the welfare reform commission established by the government in 1998, have been outspoken advocates of reorienting Italy’s welfare system towards the needs of the young. This new emphasis on youth has already borne fruit. The situation in the area of unemployment policies has undergone remarkable change since the 1980 regime described above. In 1988 regular unemployment insurance benefits, which had undergone no change in nominal value (and a significant decline in real value) since 1974, were reformed, switching over from a flat-rate benefit of 800 lire per day to 20 percent of previous earnings. In 1993 this was raised again to 30 percent, with plans to raise it eventually to 40 percent. This improvement in regular unemployment benefits coincided with new restrictions in 1991 on the use of CIG and CIGS, essentially returning the part-time earnings replacement schemes to their original function as short-term buffers for narrowly defined crisis situations. These benefits were for the first time subject to an inviolable time limit. Hiring procedures in the state-run employment offices were reformed in 1987 and 1991, and a number of active labor market policies focusing on young workers were either introduced or newly incentivized beginning in 1992.

These changes in the area of unemployment benefits are not an isolated trend. Significant progress has been made in reforming Italy’s pension system and under-funded system of family allowances in order to make the welfare system as a whole more generous towards young people. Of course many specialists in Italy’s policy-making and academic community have argued that these changes are not enough, pointing out that the pension reform in particular has been structured so as to protect the current elderly while imposing most of the cost of reform on workers who are now at an early phase of their careers. But while there is certainly room in the Italian system for more thoroughgoing reform, an unmistakable new presence has appeared

---

14 See, for example, Nicola Rossi’s (1997) manifesto _Meno ai padri, piu’ ai figli_ (“Less to the parents, more to the children”). Rossi is one of current Prime Minister D’Alema’s key advisors on welfare issues.
in Italian welfare reform discussions of the 1990s. The clear inequities in the elderly-oriented system of welfare that matured in the 1970s and 1980s have generated a politics of conflict around the issue of age, but at the same time have enabled policy-makers and politicians in the 1990s to mobilize public support behind a shift towards a more youth-oriented welfare state. By contrast, advocating benefits for privileged segments of the elderly population plays as throwbacks to the failed and reviled welfare politics of the past, a blatant pandering by politicians to the electorally powerful elderly.

The general outlines of the “miraculous” Dutch reform of labor market and welfare policies beginning in the mid-1980s are by this time well-known\textsuperscript{15}. The generational implications of these policy changes perhaps enjoy less renown. Very briefly, since 1985 the minimum wage for young workers has been reduced, social assistance benefits for young people living with their parents have been curtailed, the duration of unemployment insurance benefits has become restricted for younger workers, re-evaluations of disability benefits have forced many young claimants back to work, and in general labor market policies targeted at the young have come to include more and more work-requirements\textsuperscript{16}. At the same time, early retirement and long-term unemployment insurance benefits for older workers continue to be available, and reforms to the disability system have exempted most older recipients.

Paradoxically, the relatively even distribution of welfare spending across age groups in the Dutch system of the 1970s and 1980s has made retrenchment of youth-oriented programs easier in the Netherlands in the 1990s. The relatively even distribution of welfare goods across age groups meant that a public awareness of a distributive justice “problem” between generations has not developed in the Netherlands. This stands in marked contrast to the keen public

\textsuperscript{16} On labor market participation policies in particular, see van Oorschot 1999.
awareness of the potential for intergenerational strife embodied in the Italian welfare state. There, the target of welfare reforms has become stereotyped as a hyper-protected elderly insider. In the Netherlands, the conflict lines in welfare reform debates have been drawn between the productive “actives” and the parasitic “inactives,” who because of the generosity of the Dutch welfare system towards the young, were as likely to be young as old.

But as in Italy, the elderly in the Netherlands are a powerful political lobby. In 1994 elderly organizations reacted to the Christian Democratic leadership’s threat to cut pensions by forming two new pensioners’ parties and placing seven members in Parliament. As a result of this political strength, the elderly have been able to contain cuts to “their” programs, and in the field of labor market policies, older workers have been much less affected by reforms than have younger ones.

The numerical and organization strength of the elderly has been important in the politics of welfare reform in the last decade in both Italy and the Netherlands, as Pierson’s (1994) work would lead us to expect. But as important as the elderly are, predicting outcomes of welfare reform is not just a matter of identifying instances of “blame-avoidance.” Characteristic features of mature welfare states – features like the age-profile of social spending – also influence the terms of the debate by setting standards of fairness around which reformers can mobilize new coalitions.


Figure 1: Regular Unemployment insurance replacement rates over time

<table>
<thead>
<tr>
<th>Year</th>
<th>ITA (industrial worker at average wage level)</th>
<th>NL (head of household)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1919</td>
<td>36% of gross APW daily wage</td>
<td>70% of previous wage (net/net)</td>
</tr>
<tr>
<td>1949</td>
<td>17% &quot;</td>
<td>(200 lire/day) 80% &quot;</td>
</tr>
<tr>
<td>1957</td>
<td>13.8% &quot;</td>
<td>(230 lire/day)</td>
</tr>
<tr>
<td>1960</td>
<td>16% &quot;</td>
<td>(300 lire/day)</td>
</tr>
<tr>
<td>1966</td>
<td>12.7% &quot;</td>
<td>(400 lire/day)</td>
</tr>
<tr>
<td>1974</td>
<td>8.6% &quot;</td>
<td>(800 lire/day)</td>
</tr>
</tbody>
</table>

Figure 2: Replacement rates of unemployment insurance income packages, May 1992*

<table>
<thead>
<tr>
<th>Country</th>
<th>Replacement Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Luxembourg</td>
<td>86%</td>
</tr>
<tr>
<td>Netherlands</td>
<td>76</td>
</tr>
<tr>
<td>Spain</td>
<td>72</td>
</tr>
<tr>
<td>Germany</td>
<td>71</td>
</tr>
<tr>
<td>France</td>
<td>70</td>
</tr>
<tr>
<td>Denmark</td>
<td>68</td>
</tr>
<tr>
<td>Portugal</td>
<td>66</td>
</tr>
<tr>
<td>Belgium</td>
<td>63</td>
</tr>
<tr>
<td>Ireland</td>
<td>54</td>
</tr>
<tr>
<td>UK</td>
<td>42</td>
</tr>
<tr>
<td>Italy</td>
<td>41</td>
</tr>
<tr>
<td>Greece</td>
<td>38</td>
</tr>
<tr>
<td>Eur 12</td>
<td>62</td>
</tr>
</tbody>
</table>

*Post-tax, includes allowances for dependent family members. Replacement rate is for couple with one child aged 7, head of household unemployed for six months, previously on average male earnings.
Source: Fawcett and Papadopoulos (1997, 15)
Figure 3: Unemployment benefits in Italy and the Netherlands, 1980

<table>
<thead>
<tr>
<th>Benefit</th>
<th>Amount</th>
<th>Duration</th>
<th>Beneficiaries</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Insurance-type benefits</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Italy</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IO (Regular unemployment insurance)</td>
<td>800 lire/day</td>
<td>6 months</td>
<td>employees in most sectors with contributory record</td>
</tr>
<tr>
<td>TS (Special unemployment benefit)</td>
<td>80% of previous gross wage, up to a fairly high ceiling</td>
<td>6 months</td>
<td>employees in some sectors of industry and construction</td>
</tr>
<tr>
<td>CIG/CIGS (Short-time earnings replacement schemes)</td>
<td>80% of previous gross wage</td>
<td>in practice, unlimited</td>
<td>employees in specified firms in industry and construction</td>
</tr>
<tr>
<td>Netherlands</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>WW (Unemployment Act of 1949)</td>
<td>80% of previous gross wages</td>
<td>6 months</td>
<td>all employees (except civil servants) with contributory record</td>
</tr>
<tr>
<td>WWV (Extended unemployment act of 1954)</td>
<td>75% of previous gross wage</td>
<td>2 years after WW expires</td>
<td>same as above, except married women who are not heads-of-household are excluded</td>
</tr>
<tr>
<td><strong>Assistance benefits</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Italy</td>
<td>scattered regional provisions for minimum income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Netherlands</td>
<td>RWW (Unemployment assistance act of 1964)</td>
<td>70% of minimum wage for single person, 100% for a couple, subject to means and asset tests (min wage is approx. 80% of average wage)</td>
<td>long-term, youth unemployed</td>
</tr>
<tr>
<td><strong>Other benefits with unemployment component</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Italy</td>
<td>Disability</td>
<td>variable -- income related. Minimum benefit is 26.4% of median wage in industry, after taxes</td>
<td></td>
</tr>
<tr>
<td>Early retirement</td>
<td>variable -- income related</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jobs schemes</td>
<td>?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Netherlands</td>
<td>Disability</td>
<td>87% of previous earnings (after taxes, for modal worker)</td>
<td></td>
</tr>
<tr>
<td>Early retirement</td>
<td>80%-100% of previous earnings, before taxes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Extended unemployment insurance for older workers</td>
<td>80% of previous earnings, before taxes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jobs schemes</td>
<td>minimum wage</td>
<td>Primarily younger workers</td>
<td></td>
</tr>
</tbody>
</table>
Figure 4:

Expenditure on unemployment benefits as a ratio to total social expenditure, OECD countries

Source: OECD (1996)
Figure 5:

Unemployment benefits per unemployed person as % of GDP per capita, OECD countries. Average of 1980, 1985 and 1993 figures.

<table>
<thead>
<tr>
<th>Country</th>
<th>Benefit %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greece</td>
<td>15.81</td>
</tr>
<tr>
<td>Portugal</td>
<td>16.05</td>
</tr>
<tr>
<td>United States</td>
<td>16.58</td>
</tr>
<tr>
<td>Italy</td>
<td>21.83</td>
</tr>
<tr>
<td>Japan</td>
<td>30.53</td>
</tr>
<tr>
<td>UK</td>
<td>31.39</td>
</tr>
<tr>
<td>France</td>
<td>31.63</td>
</tr>
<tr>
<td>Australia</td>
<td>33.09</td>
</tr>
<tr>
<td>Finland</td>
<td>33.10</td>
</tr>
<tr>
<td>Canada</td>
<td>35.55</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>39.31</td>
</tr>
<tr>
<td>Spain</td>
<td>42.57</td>
</tr>
<tr>
<td>New Zealand</td>
<td>42.72</td>
</tr>
<tr>
<td>Norway</td>
<td>43.23</td>
</tr>
<tr>
<td>Belgium</td>
<td>52.00</td>
</tr>
<tr>
<td>Germany</td>
<td>52.20</td>
</tr>
<tr>
<td>Sweden</td>
<td>52.55</td>
</tr>
<tr>
<td>Ireland</td>
<td>55.12</td>
</tr>
<tr>
<td>Austria</td>
<td>57.28</td>
</tr>
<tr>
<td>Netherlands</td>
<td>84.13</td>
</tr>
<tr>
<td>Denmark</td>
<td>86.80</td>
</tr>
</tbody>
</table>

Source: Lynch (1999)
Figure 6:

Unemployment spending per unemployed person as % of GDP per capita, Italy and the Netherlands

Source: Franco (1993), Roebroek and Berben (1987)
Figure 7: Unemployment insurance coverage rates in OECD countries, mid-1980s.

Source: Eurostat.

Source: Schmid and Reissert (1996, 245)
Figure 8

Italy: % of unemployed receiving unemployment insurance benefits

Source: Franco (1993, 161-2)
Figure 9: Covered populations under various schemes, ca. 1980

<table>
<thead>
<tr>
<th>Registered unemployed</th>
<th>Italy</th>
<th>source</th>
<th>Netherlands</th>
<th>source</th>
</tr>
</thead>
</table>

Benefits to registered unemployed:

<table>
<thead>
<tr>
<th>Benefits to registered unemployed</th>
<th>Italy</th>
<th>source</th>
<th>Netherlands</th>
<th>source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unemployment insurance</td>
<td>373,560</td>
<td>calculation based on Schmid and Reissert (1996)</td>
<td>155,000</td>
<td>Roebroek and Berben (1986)</td>
</tr>
<tr>
<td>(Includes special benefits)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unemployment assistance</td>
<td>Does not apply</td>
<td></td>
<td>101,000</td>
<td>Roebroak and Berben (1986)</td>
</tr>
</tbody>
</table>

Benefits to beneficiaries not registered as unemployed:

<table>
<thead>
<tr>
<th>Benefits to beneficiaries not registered as unemployed</th>
<th>Italy</th>
<th>source</th>
<th>Netherlands</th>
<th>source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-time benefits</td>
<td>140,000</td>
<td>Neri (1989)</td>
<td>included under unemployment insurance</td>
<td></td>
</tr>
<tr>
<td>Early retirement</td>
<td>30,000</td>
<td>Capellari (1989)</td>
<td>43,000</td>
<td>from SCPO (1998)</td>
</tr>
<tr>
<td>Disability</td>
<td>1,053,000</td>
<td>OECD (1995)</td>
<td>82,650</td>
<td>Calculation based on Aarts and DeJong (1992), from SCPO (1988) data</td>
</tr>
</tbody>
</table>
Figure 10: Unemployment benefits coverage rates for different age groups, 1993

Source: Schmid and Reissert (1996, 248)
Figure 11:

Age distribution of disability benefits for working-age population, Italy and the Netherlands, 1979

Figure 12:

*Age distribution of long-term unemployed (over 1 year), 1985*

Source: Sexton (1988, 38)