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Welfare Privatization in Italy

Between Erosion of the Welfare State and Opportunities for Social Innovation
Abstract

In Italy, the development of different forms of “private welfare” is at the core of a controversial debate. The phenomenon has deep roots and takes different forms within welfare mix and welfare society models. What’s new is the growing autonomy of social actors (profit and non-profit) in developing and funding welfare responses. Since the 2008 crisis outbreak, the increasing macro-economic constraints and the growth and diversification of social needs have led to the spreading of organized forms of private financing to implement measures of social welfare not adequately provided by the public policy. The idea that this “private welfare” could be an alternative to overcome the difficulties of the Italian Social Protection System is getting consensus. But, evaluations aren’t unambiguous. Based on the results of a recent study, the paper highlights where and why the universal provision of social services is more at risk of erosion, and whether and how new opportunities for social and institutional innovation open up to tackle unmet social needs.

Key-words: welfare privatization, plural welfare, Italy
1. Introduction: towards a private welfare in Italy?

For over three decades, welfare crisis and welfare innovation have been issues at the core of the political and institutional agenda and of the academic debate. Over this long period of time, the role of the welfare state within the welfare system and the relations among the welfare state and other actors of the so called “welfare diamond” (family, market and intermediate social organizations) have been the main focus of discussion.

Following the tendencies of other European countries, driven by both the EU guidelines and the ongoing transformation of social risks and social needs, a period of rethinking has also started in Italy. A period marked by success (at least in part, such as the law 328/2000 for the development of an integrated system of social services) and by forward momentum (largely neglected, as those developed by the Commission for the analysis of macroeconomics compatibility of social expenses, better known as “Commissione Onofri”, in 1997). A fragmented, discontinuous and uncompleted process of change has resulted.

In recent years – particularly since the 2008 crisis outbreak, that we assume as a “critical juncture” (Pierson, 2000) – the need for addressing the long-standing criticalities of the Italian welfare system has become even more urgent. In this scenario, the change of social needs (job insecurity, work-life balance, ageing and long term care, poverty and social exclusion, lifelong learning, etc.) and the macroeconomics constraints, the impossibility of identifying additional resources, rather the obligation to reduce the social spending, have led to the spreading of organized forms of private financing\(^1\) to implement measures of social welfare\(^2\) not adequately provided by the public policies (Gori, 2012a).

The phenomenon consists of very heterogeneous experiences, promoted by very diverse actors: companies and social partners, private insurance and mutual

\(^{1}\) These are “organised” forms of financing. They don’t directly relate to the out of pocket expenses of individuals and families for the individualized purchasing of services (such as the private homecare or the kindergarten cost). However, some of these initiatives aim at organising and directing those expenses to aggregate them, to produce savings and more effective responses.

\(^{2}\) Hence, especially: care needs (frail elderly, people with disabilities and early childhood), poverty and social exclusion.
funds, foundations and philanthropic associations, charities and religious organizations, third sector actors, families and local communities. The modes of action are diversified too: collective bargaining at national and industry level, at company and territorial level; supplementary pension and health plans; fiscal incentives for families and companies, forms of cost sharing, taxes for specific purposes, etc. The undertaken initiatives seem to integrate, compensate for or replace the public resources in fields in which the social demand is rapidly increasing: long-term care and supplementary social security, early childhood, poverty, social disadvantage and marginalization. In particular, the attention paid to these experiences by the political and academic community and the media success foster the idea that in these we could find the means to overcome the inadequacies of our welfare system. By looking at this phenomenon, some scholars say that a “second welfare” is developing, potentially capable to integrate the public welfare (Ferrera, 2010, Ferrera and Maino, 2011).

The purpose of this group of actors, resources and initiatives is to develop new welfare responses to expand the public policies. However, evaluations of the function of this “private welfare” aren’t unambiguous and vary according to the sectors in which the private welfare is spreading. Above all, those evaluations vary depending on the underlying vision of welfare (mission, principles, values, etc.) and public/private cleavage. Actually, there are many open questions.

It is quite clear that a more and more plural welfare state is developing, in which not only the state and the local authorities but also several other actors take the responsibility for funding social measures and services. However, we need to better analyze the implications that follow. There are opposite arguments. On the one hand, the phenomenon is seen as beachhead for fostering welfare privatization that would lead to the erosion of citizenship rights and to the increasing of social inequalities. On the other hand, it is considered a springboard that may lead to a quantum leap in the interpretation of the welfare as a shared and collective responsibility capable to produce social value.

Actually, since these forms of private welfare are mainly developing at territorial level and bottom up, both the two arguments get some important aspects: while we can identify the positive potential of this stage, are already evident the possible risks and distortions. So, there is a need for debate that is grounded in em-
pirical research, that avoids ideological interpretations and that is aimed at building an adequate regulatory system. Following these premises, the paper aims at analyzing the extent of the phenomenon from both the economic and needs coverage perspectives, as well for what concerns the citizenship social rights issue.

2. The roots: back to the future

Welfare privatization is not a new phenomenon. First, some forms of private financing of the welfare, which we nowadays define as emergent, have a long history. At a certain time, these forms of private welfare were the “first and often the unique forms of welfare” (Cafaro, 2012: p. 17ff). Let’s consider two important examples: the mutualism of the 19th century and the groundbreaking examples of occupational welfare benefits provided by employers.

The first mutual aid associations were born in Italy (especially in the North of the country) in the years of the Renaissance and of the national unification. Most of them were informal institutions, with the aim of implementing the mutual aid for the acquisition of relief goods and services. These mutual aid associations were born first of all in the field of social insurance, care and consumption. Only later they turned into something of more institutionalized, often becoming cooperatives enterprises. The shift from mutualism to cooperation consisted in the fact that cooperatives were real economic enterprises, able to make profit, and distribute it within the company.

In more recent years, but already from the 1930s and especially after the World War II, we find the famous Adriano Olivetti’s experience in the field of occupational welfare benefits provided by employers. What it is important to highlight here is that, according to the entrepreneur’s idea, the services offered to the employees had to be paid in descending order according to the gradual increase in the state intervention capacity (ibidem).

But, it is necessary to look at the (more recent) past also for other explanations. Welfare privatization it is rooted in the welfare mix paradigm that since the end of the “golden age”, but especially from the 1990s, has theorized the distinction
between: a) financing/regulation in charge of the public; b) management/supply in charge of private suppliers (in particular non-profit) of social services (Ascoli and Ranci, 2003). This paradigm – popular in most of the European countries – in Italy has been interpreted in terms of “welfare society” (or “societal welfare”) (Donati, 1998).

The welfare society – more than the welfare mix – sustains the principle of horizontal subsidiarity, inviting the private actors and the civil society to participate in policy making processes, considering them at the same level of the public institutions in developing and delivering public services.

In Italy, the main reference law is the already quoted 328/2000. Thanks to this law, the active participation and the shared responsibility of private actors, especially the non-profit ones, have been fostered, both in the policy making and in the social services provisions. Nevertheless, the outsourcing of the provision of public services and the growth in the number of private providers (accredited) financed by public programs have generally remained embedded in a regulatory framework ruled by the state, that has continued to be the higher-level actor in the system.

Despite these roots, we can’t think of the nowadays change as a simple return to the past, at least for two reasons.

First: formerly, the private welfare had a supply and incentive function towards a rising welfare state designed to increase its relevance. Today on the contrary, private welfare seems to be intended to plug the gap of a declining (or certainly not expanding) welfare state.

Second: if welfare society has triggered the process of welfare privatization, we assume that the great downturn started on 2008 marks the advent of a new phase during which welfare privatization has undergone an acceleration. We see today the expansion of the public functions carried out by different private actors in areas of intervention increasingly diversified. Moreover, we see the spreading of the private funding of those interventions, while till now they were almost exclusively funded by the state even though provided by private accredited bodies (competitors in quasi-market systems, or appointed on the basis of tenders or calls). Finally we see the demand for greater autonomy for the social actors key players in the private welfare. One of the consequences is
the development of a “radicalized” plural welfare society, as we’ll discuss again later.

3. The reasons for: an “off-axis” welfare state

According to the leading explanation, the reasons for this acceleration lie in the twofold unsustainability – social and economic – of the Italian social security system and in the incompleteness of solutions undertaken up to now.

Our welfare system is inadequate to deal with the new risks and social needs (social vulnerability, ageing, long-term care, weakening of family ties and social capital, job insecurity, poverty, marginalization, social disadvantage) and it is incapable or unable because of the lack of resources to develop effective responses in crucial sectors: employment services, lifelong learning, early childcare and education, work-life balance, LTC, social inclusion, etc.

On the one hand, the social demand continues to diversify and expand. Some examples of this are in the field of long-term care and childcare: they are both crucial to ensure the beneficiaries’ wellbeing but also to favor work-life balance and women’s participation in the labour market. Some figures show the mismatch between needs and welfare responses.

We first look at the ageing process. While informal networks of family support become more and more fragile and small (Istat, 2011), the number of people over 80 is increasing at fast rates and the needs for care too. Demographic projections show that the old age dependency ratio in Italy will increase from 30.8% in 2010 to 56.4% in 2060. Due to these trends, the group of people aged over 80 will increase from 5.8% to 8.8% of the population. In the same period, the over 60 from being 20.2% of the population will become 26% (Eurostat, 2011).

Even if old age today is very often an age of good health and active and autonomous living, the bearing of disabilities due to the ageing process and to chronic and degenerative diseases is increasing and it is estimated to reach the

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3 We use the term in the sense of Giddens (1994), when he speaks about “radicalized modernity”.

10.7% in 2040 (6.7% in 2010). It means 2 million people more. Inevitably there will be an increasing pressure on the public system of home and residential care, currently evaluated insufficient by international standards (OECD, 2011). This will happen especially considering the declining of family size, the loosening of family ties, the rising of female participation in the formal labour market, all factors that are likely to affect the availability of informal caregivers.

We can also see the Early Childhood Care and Education fields. In 2011 in Italy, the public and accredited services covered the 14% of children under 3; the percentage reaches the 18.9% if we take into account also the private services. Despite the progresses made in recent years, the European benchmark of 33% is still far away. This is especially true in the southern regions where the percentage is 7.7 (Istituto degli Innocenti, 2011). Of course, the problem is not only the lack of structures, but the quality and accessibility of the offered services. Moreover, childcare and work-life balance policies require an adequate and universal system of parental leaves and working times family friendly. In these fields the Italian delay is stronger especially because of its “familist” welfare regime (Naldini and Saraceno, 2011).

On the other hand, budget constraints prevent from finding additional resources that would be needed and even push for a further reduction of the (already poor) available ones.

Since 2008, the financial measures implemented by the 4th Berlusconi government have damaged the local welfare, by reducing the financing addressed to Regions and Municipalities and by cutting very important social expenses. The same has happened concerning the Long-term Care Fund established in 2007 and no longer refinanced in the period from 2010 and 2013. The National Social Policies Fund and the Family Fund have both been strongly reduced. But there are many other possible examples. The most evident result of this period of retrenchment is that, after years of continuous growth, for the first time in 2012 the Municipalities had to reduce the social expense (estimated reduction of 13%, Forum Terzo Settore 2011). In order to avoid the reduction of social services, they have decided to leverage on the narrowing of the conditions to have access and to increase the economic participation of beneficiaries (e.g higher costs for kindergarten). But we can’t think of these solutions as enough in the
futures to fill the gap due to the reduction of resources. Unfortunately, the scenario has not changed very much with the transition between the Berlusconi government and the Monti government in November 2011. As pointed out by Gori (2012c), the action of the Monti government has been in continuity with that of his predecessor, confirming the cuts in funding for social policies, building a comprehensive picture of unfavorable decisions to the local welfare\footnote{E.g. large cuts on money transfers to municipalities and rise of the VAT for social cooperatives.}. There has been a glimmer thanks to the “stability law” 2013-2015 approved on December 21, 2012 which has envisaged an increase in resources for the social spending of more than 600 million euro, to be divided between the Long-Term Care Fund (275 million) and the Social Policies Fund (344, 6 million). However, the additional allocation is provided for one year with no guarantee of continuity, and it is the result of pressures from the Parliament and from lobbies, not a direct choice of the executive (\textit{ibidem}). In addition, the political debate, in view of the new elections (on February 2013), has not adequately addressed the issue.

\textbf{Figure 1 – State Funds for Social Measures}

\begin{figure}[h]
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\includegraphics[width=\textwidth]{figure1.png}
\caption{State Funds for Social Measures}
\end{figure}

Source: Misiani 2013\footnote{http://antoniomisiani.myblog.it/list/database/fondi-politiche-sociali-2013.html.}

The mismatch among needs and responses and the search for economic sustainability were of course key questions also before the crisis. To deal with them, Italy has tried to “recalibrate” the welfare state (Ferrera, Hemerijck, Rhodes, 2000). As well-known, welfare state recalibration calls for: a shift from “old” to
“new” social risks; a re-balancing of social protection provisions between groups and vested interests (E.g., gives priority to children in poverty); a shift towards a dynamic notion of responsibility-sensitive equality of opportunity, by promoting social investments policies; a shift towards a new form of multi-level governance (*ibidem*).

Theorized in Europe at the beginning of the last decade, the underlying idea of this strategy had already emerged in 1997 in Italy, with the “Commissione Onofri” plan for the reform of the welfare. The document states: “to reform the Italian welfare state [...] means essentially re-balancing it [...]. (Commissione Onofri, 1997: 30).

Although the efforts made in this field, the re-calibration has not been completed within the expected time, and not only on the expenses side. Political reasons, biased interests, system inertia have prevented this re-balancing action, so that over the time there have been only minor adjustments in a system that is deeply unbalanced in terms of social security and underfinanced in terms of social welfare (Bosi, 2008; Guerzoni, 2008).

Comparing the distribution of expenditure on social benefits in 1997 with that of 2009, decrease of “old age” and “survivors” has been absorbed by the health expenditure that is one quarter of the total. Concerning the other fields, the changes – even though some have taken place – are residual, so that they have remained undersized, as stands out from the international comparison. This is in particular true for those functions that are weaker in Italy: family and childhood, disability, home, social exclusion which have suffered some backlash in 2010 (Figure 2, 3).

The critical issue is not only the allocation of economic resources among different functions, but also their amount. The percentages of Italian GDP for social spending is under the European mean (EU 15 and EU 27) in every function, except for social security.

**Figure 2- Share of total Social protection expenditure by function (1997, 2009, 2010), EU15 and IT**

<table>
<thead>
<tr>
<th></th>
<th>Sickness/Health care</th>
<th>Disability</th>
<th>Old age</th>
<th>Survivors</th>
<th>Family/Children</th>
<th>Unemployment</th>
<th>Housing</th>
<th>Social exclusion</th>
</tr>
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<tbody>
<tr>
<td>EU15 1997</td>
<td>26,5</td>
<td>8,5</td>
<td>38,5</td>
<td>7,2</td>
<td>8,6</td>
<td>7,3</td>
<td>2,3</td>
<td>1,2</td>
</tr>
</tbody>
</table>

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Figure 3- Social protection expenditure by function, % of GDP (2010), EU15, EU27 and IT

Source: Eurostat data base

According to “second welfare” scholars, it is precisely the recalibration failure that requires the development of different forms of private integrative welfare responses. Even more important such a failure would be the result not only of the inadequate re-balancing and control of social spending, but also of the wrong idea that reforms could have been realized only in the welfare state (Ferrera, Maino, 2011). So, in addition to the two already commented determining factors (mismatch between social needs and welfare responses; social and economic unsustainability of welfare state) there is a third one: the need for social and institutional innovation.

But if we link this conclusion with what we have said before about the welfare mix and the welfare society, what’s new in the emerging private welfare? Weren’t the welfare mix and the welfare society already going in this direction?
Which are the innovation and the discontinuities that are introduced by the “second welfare”? And, are the emerging organized forms of private financing able to compensate for the economical and structural inadequacy of the welfare state?

4. Unlocking innovation, anchored to reality

The idea to enhance the private contributions to the welfare provisions is mainly supported in public discourses with economic arguments. The media rhetoric but also in the instrumental use of this idea in the political debate assume that the private welfare could fill the lack of public resources to answer the population needs in particular in the field of social welfare.

As mentioned before, public financing for social welfare in Italy are scarce. This is particularly evident in the international comparison if we consider both the social spending as a whole and the most important expenses (LTC, family and children, social exclusion), and the increasing demand for social services.

Given this scenario, will the private welfare be able to mobilize sufficient additional resources? And, will it be able to respond to new social needs left unfulfilled by public social policies?

To answer we consider the results of a recent research (Gori, ed, 2012a). Without pretending to be exhaustive, it has studied four main “sources of second welfare”: 1) collectively bargained welfare, 2) occupational welfare, 3) private insurance, 4) banking foundations. In particular, we have explored how these sources of private welfare meet some “new” social needs rapidly increasing: LTC, work-life balance (especially early childcare), social exclusion.

1) The first source is the collectively bargained welfare at national/industrial level.

   a) It has been several years since collective bargaining (on its different levels of application) has started to deal with the expansion of social security and social rights through the so-called “collectively bargained wel-

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6 For a critical review of this debate: Lodigiani, 2012.
fare”. It allows social partners to use company resources to fund social services for employees (income support cash and in kind; work-life balance programs; collectively bargained funds providing pension and health benefits). Let’s consider separately the two focal fields of intervention analysed in the research: LTC supplementary funds, work-life balance measures (Rubino 2012: 77ff).

For what concerns the LTC, we need to distinguish between the public and the private sector. In public employment, national collective agreements that provide integrative funds for long-term care don’t exist. Almost all the collective agreements provide tools to support the continuation of employment relationship also in the case of disabilities or serious illnesses that may result in the need for long-term care. So, they are addressed to all employees before they reach the pension age. In the private sector, there are collective agreements that explicitly refer to non self-sufficiency. They are few, but they are increasing in number. Among these, not all are addressed even to workers after they leave the job⁷. If we bear in mind that the probabilities to become non self-sufficient dramatically increase with ageing, a clear gap emerges in covering the needs of potential beneficiaries. Even assuming a growth in funds for retired workers, the collective funds nowadays available for non self-sufficiency cover only a minority of the population and they partially address the needs of those who are supposed to be the main target group: elderly people. Hence at this stage, the contribution of collective bargaining could be relevant, but not decisive. In 2009 in Italy, disability pensions related to collective agreements were 320,000⁸ and it was estimated they would be 3 million in 6 years (Rebba, 2010). There are no more recent estimates, but the international literature agrees that the expansion of private insurance has got structural limitations, that prevent it from covering large shares of population (e.g., adverse selection, cream skimming, moral hazard, consumers “myopia”, etc.) (OECD, 2011).

b) In the field of work-life balance, the national collective bargaining acts al-

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⁷ From this point of view, the most advanced are banking and insurance sectors.
⁸ They were 335,000 including individual insurance policy not related to collective agreements.
most exclusively on employment regulation (e.g., part-time, short time working, flexible working hours, telecommuting and leaves). Nevertheless, the awareness of Unions about the necessity to bargain also services is increasing (e.g. kindergarten, transportation, canteens, etc.). For the moment, in most of the cases this awareness results in declarations of commitment to urge the public authorities to act in this area. Some national collective agreements acknowledge the need for reducing the gap between the cost of labour and the level of salary for both the company and the employee. For this purpose, these agreements suggest the transition to the general taxation of costs addressed in the financing of care available to all the citizens but that, in the end, affect the labour cost (health care, kindergartens, pensioner health insurance).

2) The second source of private welfare studied by our research is the occupational welfare. It may be the result of both a unilateral company initiative and an agreement with trade unions. It consists of non-mandatory measures, initiatives and services that the company offers to its employees to support their various personal or family needs: integrative healthcare, medical check-up, summer holidays for children, training, employees’ purchasing power, credit access, subsidies for books or study vacations, company kindergarten and others (Bettoni, 2012: 101).

There are no comprehensive surveys on this phenomenon, but some recent studies (Assolombarda 2011; Ascoli, 2012; Ascoli et al., 2012) underline that: the largest number of welfare measures are put in place by big enterprises; medium and especially small enterprises fall behind; geographical distribution is unequal (the southern regions are disadvantaged); workforce segmentation increases (those with more stable contracts and higher educational attainment have more benefits).

Practices of bargained welfare are spreading out especially at local and company levels thanks to the Interconfederal Agreement of 22 January 2009 and to the Law 148/14 September 2011 which allows company and regional local agreements to derogate from national laws and collective agreements. The legislation is especially favorable to the work-life balance matter that represents, moreover, the function of the occupational welfare that is gaining interest and on which we
are focusing. In this respect, we must quote the important National Agreement of 18 November 2010 concerning “Guidelines on Social Responsibility in the Second level Bargaining” (for the chemical sector). We must mention also the Ministry of Labour and social policies’ Guidelines on reconciliation of work, private and family life and the subsequent agreement signed with social partners in March 2011. Furthermore, we have to remember that the companies which activate work-life balance measures can count on some fiscal incentives.

Due to this framework most of the agreements on work-life balance have been signed at local or company level. In this field, we find the most interesting initiatives even the legislation presents some contradictions and ambiguities. It is true that the non-monetary forms of compensation (fringe benefits, compensation in kind, company services for all the employees or for specific groups, for their relatives and addressed to education, training, leisure, social assistance or healthcare; e.g.: kindergarten, holiday camps, scholarships for employees and their family members) can be deducted as established by the Article 51 of Tuir - Dpr 22/12/1986, n. 917. But, paradoxically, if the access to services of social utility is bargained within collective agreements the fiscal advantage is not valid. In other words, as confirmed by the circular 34/E, 10 March 2004 of the Revenue Agency, the tax relief is granted only for those services that are voluntarily supported (we would add unilaterally) by companies. So, while concerning the supplementary pension and the supplementary health care, collective bargaining is an essential requirement to obtain the tax benefit, the exact opposite happens for some institutions of occupational welfare. The situation is partially compensated by the Article 9 of the L. 53/2000 that funds companies’ innovative work-life balance interventions if agreed on with the unions.

Therefore on the whole, this setting does not encourage the involvement of unions in the development of work-life balance policies at the company level and leave the management free to decide alone in this field. Moreover, the interest of the company in this field is increasing: they are more and more aware that supporting work-life balance is a win-win strategy (for company and employees) and a sign of their corporate social responsibility, or better their corporate citizenship (Monaci, 2011).

Such questions concern the role of companies in the territorial welfare and the
possibility that they can actually become a leading player in the plural welfare. Work-life balance policies from this perspective are a typical example of the need for thinking of the occupational welfare as integrated with the local welfare.

3) The third source of private welfare we have analysed is the private insurance, with specific focus on LTC insurance (Tidoli, 2012: 123ff). We have already focused on this issue from the collective bargaining perspective, by considering the group insurance signed within collective agreements. Now we focus on the collective insurance (whether bargained or not) together with the individual ones (individually signed by the beneficiary).

The fiscal uncertainties related to the potential need, intensity and duration of long-term care should represent a strong drive for private LTC insurance. Moreover, the advantage deriving from private LTC insurance would increase if we consider that public resources will remain unchanged or even decrease. Nevertheless in OECD countries where private LTC insurance is sold, the market is generally small: the percentage of coverage of the population is very low if compared to potential subscribers. As we already stated, there are structural limits not easy to be overcome so that the market remains a niche and, above all, is more favorable for those who have higher income and who have accumulated savings and goods.

As stated by Gori (2012b), by taking up Rebba’s (2010) fundamental analysis on development trend of LTC in Italy, the strongest limit is the weakness of the public pillar. International experiences show that private insurance develops more if they have a supplementary function aimed at reinforcing public intervention and if the two sources of financing are coordinated.

4) The fourth source of private welfare studied by our research are the foundations, with specific attention for the banking foundations, the grant-making foundations with the biggest accounting assets in Italy. They have supported the public intervention (also) in the field of welfare for a long time. In this way, they have often realized a form of “backwards subsidiarity”: the foundations have be-
come “subsidiary to the local public administrations” by subordinating their deliveries to the priorities set by the latter (Barbetta 2012: 145ff).

The relevance of assets and social functions they perform are two key reasons why banking foundations have been considered in recent years leading actors of the private welfare, sometimes even supposing that they could carry out counter cyclical interventions that are substitutes for the lacking public ones (e.g. financing contributions for people who lost their job because of the crises and who are not protected by public measures).

Apart from any other consideration, the call for playing a similar role overestimates the foundations’ possibilities of intervention. The resources provided by banking foundations are large (1.7 billion euro in 2007) but declining due to the economic downturn (1.366 billion euro in 2010), and in any case, they correspond to a very small share of the public social spending.

5. Aggregation of social demand as the keystone

Let’s try to sum up and propose some answers to the above mentioned questions. Referring to the traditional welfare mix and welfare society paradigms, is the “second welfare” introducing any innovation and discontinuities? Are the emerging organized forms of private financing able to compensate for the economical and structural inadequacy of the welfare state?

*Let’s start with the second question.* The answer is at least partially negative. The main sources of private funding are not able, nowadays, to compensate the public investment in welfare state that is structurally inadequate.

On the one hand, *the resources can cover only small shares of the area of need they address.* Even if it is a growing phenomenon, our analysis doesn’t allow to estimate an increase that will completely change the scenario. This is the reason why, without adequate funds from the state, there is the concrete risk of increase in social inequalities (Gori 2012b: 189). As we have shown, the supplementary LTC insurance represents a typical example: despite its rapid growth, it can’t cover enough the target population. There is another kind of private financing to consider: the families’ out-of-pocket expenses for care needs. The chal-
The challenge is to guide it towards more convenient kinds of insurance. But, as mentioned before, there are many difficulties to reach this goal and the lack of a “first pillar” is one of the main.

On the other hand, the measures implemented by the private welfare are addressed to social groups and territories that are already well protected, where there is an effective “first welfare”. As we have shown, the private interventions in the field of LTC, the work-life balance measures and the actions against social disadvantage and social exclusion tend to reinforce regional, labour force and insider-outsider disparities.

It is sufficient to remind the example of the bargained welfare: it has a great potential as it expands the protection of employees in those areas not covered enough by the welfare state, but its work-based feature are also quite evident. This is even truer if we consider the occupational welfare that – as Titmuss (1958) pointed out over fifty years ago – is likely to increase inequalities among workers within different companies and different local labour markets, as well as between insiders and outsiders in the labour market, especially when it is accompanied by a reduction of the welfare state. As Titmuss suggested, role and function of the occupational welfare have to be evaluated in their relation with other forms of welfare (fiscal and social welfare, the last one corresponding – in the author’s words – to the public social spending) to understand its effects on social inequalities. Certainly, the link between responses to the needs and occupational condition has to be carefully considered, especially during today’s economic and occupational crisis with the increase of unemployment and job insecurity. The shift from a citizenship-based to a work-based welfare couldn’t be more risky (Ascoli et al. 2012).

So that the private welfare evolves in a truly complementary and integrative way without becoming a driving force for further inequalities, we need:

- not to crash into superficial analyses of the phenomenon, which are based on supposed economic reasons, which depict the private welfare as the best solution to the retrenchment of the welfare state;

- the welfare state does not lose its role of guarantor of social citizenship rights, by going on investing in social policies and strictly defining its responsibilities.
(social assistance essential levels⁹) and, if anything, by promoting (through partnerships, fiscal and economic incentives) innovative private initiatives, effective and of good quality;
- to develop a new system of governance; to coordinate private and public resources/interventions.

Let’s move back to the first question. Here the answer can be affirmative: the development of a second welfare leads to some innovations and discontinuities with the past.

During what we have here defined as its first phase, the privatization process has followed two main strategies: demand-driven and supply-driven (Ascoli, Ranci 2003: 21ff).

The demand-driven strategy has aimed at increasing the social demand for private services on the one hand by expanding the private offer, on the other hand by making solvent the demand (e.g. through voucher or tax relief), to sustain freedom of choice. Along this line, we see also the introduction of supplementary insurance and the development of the private service market deriving from them.

The supply-driven strategy has aimed at enhancing the outsourcing of welfare provision, privatizing their management and delivery and introducing mechanism of regulated competition among providers (e.g. tenders).

Both of these two strategies have been focused mainly on market centrality and individual freedom of choice. The second phase of privatization reinforces and combines in new ways these two strategies.

On the demand side, the purpose of identifying new forms of public support to the private demand emerges, by focusing not only on individual demand (therefore outside the logic of individualization of voucher, for example) but on aggregate demand (pressing instruments such as integrative funds and other mutual insurances).

On the supply side, the effort is to support the financial autonomy of private providers (in particular in the third sector) and to give them broader capacity

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⁹ Under the Law 328/2000 we must reflect on those we have here considered as the “new” social needs, most rapidly expanding: long-term care, child care, poverty and social exclusion. How are they related to the essential social assistance levels?
for action. This leads to two consequences: it helps to undermine the relationship of subordination that has emerged in the past between third sector organization and public bodies (Zamagni 2011b); it opens new market opportunities. Not by chance, the increasing development of the so-called “social tertiary sector” is powered also by for profit companies, which have understood the value of this investment. The growing potential is big, as shown by the experience of other European countries (e.g. France, the Netherlands, the UK) in which private capital are taking action (profit and non profit, national and even foreign): not only the citizens, who find a response to social demands not covered by the public, benefit from them; there are advantages also for the employment and economic growth (Ferrera, 2012). But the risk of an unregulated “marketization” is high.

However, we can adopt another perspective. The aggregation of the demand has also a social value of great importance as it promotes the socialization of social risks and of responses to social needs. From this perspective, the ability to create sociality emerges when one can:

- promote the association among individuals and families that individually buy the services that they need (e.g. private caregivers for frail elderly) by enhancing proximity, neighbourhood and community relationship; enabling them to get better and more effective responses at a lower cost;

- rethink the ways of financing the aggregate demand (e.g. by reintroducing forms of mutual insurance anchored in the territory, community and not necessarily the workplace),

- develop opportunities for representation, mediation and orientation of the social demand, by contrasting its hypertrophic growth and by identifying new ways to respond,

- aggregate also the supply by favoring the capacity of providers of acting together, networking, creating synergies in an innovative, autonomous and integrated manner (e.g. companies network, cooperatives consortia, public/private partnership),

- promote the “capability for voice” of the demand that take part in shaping the offer.
Here, comparing with the first phase of privatization, an important discontinuity stands out. The support to the demand is no longer directed to guarantee only the freedom of choice, but also to accompany and guide people in need towards the system of responses, to combine their capacities and economic, intellectual and relational resources.

6. A new vision of welfare is needed

To some extent, we can affirm that the discontinuity is cultural too. Also due to the crisis, the individualist paradigm is losing relevance, and this can have important consequences on welfare (Manghi, 2012). The social vulnerability, the uncertainty and the precariousness of career, the weakening of social ties are increasing the need for new relations between individuals and institutions.

Given this scenario, social relations prove to be a “store of value” in terms of sociability and solidarity, and not only in economic terms. In other words, social relations become a precondition for constructing new institutionalized forms of demand aggregation and offer composition within a plural, community and territorial welfare (Magatti, 2011).

The development of a “second welfare” can therefore be merely attributed to economic reasons, because it can produce savings and more efficiency for protection system. In this case, we remain in the logic of welfare mix, with little changes. Or it can be attributed to the necessity of deeply rethinking the purposes and the functioning of the welfare system. In this case, we see a “radicalization” of the plural welfare society that calls for a greater autonomy of different social actors and for a substantive horizontal subsidiarity. The main challenge is to define the nature and the consequences that derive from this autonomy which according to some scholars should be complete (Donati 2011; Zamagni 2011a). In this sense, Zamagni (2011a) speaks of “civil welfare”: the regulation of the new welfare system – that is together “public, private and civil” – requires the innovation of institutional order both at legislative and economic-financial levels. If this second option is valid, it turns out that the forms of private financing of welfare provision don’t necessarily imply individualization and marketiz-
ation; they promote the socialization of risks and the social sustainability of responses together with a new vision of welfare responsibility; even if the lack of universalism and the need for governance remain critical matters.

Exploiting common affiliations to put in practice shared responses reinforces the solidarity and reciprocity ties among members, but it can be a way of producing new forms of exclusion. The particularistic nature of organized forms of private financing of social welfare measures is deeply rooted in the fact that they derive from specific interests and the activation of specific actors (companies, unions, foundations, local communities, associations, etc.). We have seen it before. However, starting from the territories and local communities, the social ties could be the way to create “shared value” with benefits for the broader population in terms of social cohesion, common good, solidarity and last but not least economic gains (Magatti, 2012). In this perspective, the welfare system can become “generative” (ibidem).

An opportunity consists in the development of practices of participatory social and territorial design. Practices of social dialogue, involving all the local actors, that fully valorize the bargaining of first and second level (but not limited to it) by going beyond the boundaries of category, sector and company to involve institutions, social partners and other social actors of the territory in collaborative relations. But, this is only one example.

On the one hand, it is up to public institutions to support the ability of self-organization of social groups in particular through new forms of partnership, aimed at stimulating (also economically) the possibility to realize integrated services than public ones, innovative and of good quality. On the other hand, social groups are called to urge the public bodies to leave room and autonomy for the proposals that come from them, according to the idea of a shared social and territorial bottom-up programming. In particular, the civil society players can fill the role of “social thickener”, aimed at promoting new forms of partnership among private and public bodies, profit and non-profit organizations and more generally at developing social capital at local level by increasing the trust and the solidarity within the society (Zamagni, 2011a).

Out of a mere economic logic, being aware of the integrative and complementary nature of their contributions within the welfare system, the organized forms
of private financing of welfare measure show an innovation potential that has to be explored and supported. Perhaps, the “radicalization of the plural welfare society” doesn’t imply big discontinuities between the first and the second phase of the privatization process. But, in this radicalization, a new vision of private welfare and welfare responsibility offers the opportunity for promoting social innovation. As Castoriadis teaches (1995), “social imaginary” counts. We have to understand which social imaginary would be the best foundation for a new plural welfare society.

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