

# NEW MODES OF GOVERNANCE IN ITALY AND THE NETHERLANDS: THE CASE OF ACTIVATION POLICIES

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This article discusses the growing importance of operational reforms in the context of welfare state transformation processes, and the role that principles of new governance play in shaping these reforms. It focuses specifically on one social policy area considered crucial in reforming welfare states: the provision of activation services that aim at increasing the employability and labour-market participation of people dependent on benefits or social assistance. The article argues that besides the reforms of the programmatic aspects of social policies and social services (formal policy reforms), reforms of the way in which policies and services are organized, administered and delivered (operational policy reforms) have received increasing attention as a 'second strand' of welfare state reforms. It illustrates this by analysing and comparing reforms of the provision of activation services in two European countries: Italy and The Netherlands. The article not only reveals the growing emphasis in both countries on operational policy reforms which are to an important degree inspired by principles of new governance, but also shows significant similarities and differences in their concrete manifestations, which could be interpreted as pointing out processes of 'path-dependent convergence'.

## INTRODUCTION

In interpreting and explaining welfare state reforms in the European Union and elsewhere in the world, social scientists usually point at broader developments in society that undermine 'traditional' welfare arrangements and force politicians and policy-makers to rethink and redesign welfare. Giddens, for example, distinguishes three sets of developments: globalization (which he defines broadly as 'action at distance'), the emergence of a post-traditional order, and the expansion of social reflexivity (Giddens 1994). Other scholars point to more tangible changes in society, such as demographic trends (the ageing of society, the increase of the number of single-parent families), the globalization of the economy (accelerated mobility of capital, the growth of transnational corporations, technological change), changing ideas and normative views regarding welfare and welfare dependency, and normative views about the relationships between the state and the market (Gilbert 2002). Social policy researchers have been analysing the reforms that have been introduced in response to these developments and in doing so, many of them focused on the content of policy programmes mainly. However, as

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Clarke and Newman (1997) have stated, developments in society – and the welfare state reforms introduced to cope with them – do not only affect the social settlement underlying the ‘traditional’ welfare state, but also the organizational settlement, of which bureaucratic administration and professionalism used to be the main characteristics. In other words, reforms are affecting both the ‘welfare’ (programmatic characteristics of social policies and welfare state arrangements) and the ‘state’ (modes of governance underlying the administration, management and organization of these policies and arrangements) dimensions of the welfare state. In this context, it is useful to introduce a distinction proposed by Carmel and Papadopoulos (2003), namely, that between formal and operational policy. Where formal policy refers to the programmatic characteristics of social policies and services (their content or the ‘what’ of policies and services), operational policy refers to issues regarding the organization, administration and delivery of policies and services: what actors are involved, what are their roles and responsibilities, and how are the relationships between them structured (the ‘how’ of policies and services). Thus, operational policy analysis focuses on issues such as the relationships between various levels of the state (national, regional, local); relationships between the state, market and civil society in organizing and delivering public services; divisions between purchasers and providers of services; public-private partnerships in service delivery; the management of public institutions involved in organizing, administering and delivering social policies, and so on. In our opinion, the distinction between formal and operational policy is not similar to that between social policy formation and social policy implementation: operational aspects of social policy are as much subject to policy formation (and implementation) as formal aspects (see also Hill and Hupe 2002).

Limiting attention to formal policy reforms only becomes increasingly problematic in understanding and analysing current welfare state reforms. An integration of social policy and public administration/management perspectives and, thus, of studies of formal and operational aspects of social policies is, we believe, required for an adequate analysis of these reforms. Social policy studies increasingly show awareness of this: the main characteristics of current welfare state transformations that are identified in some of these studies include formal as well as operational aspects (see, among others, Berghman *et al.* 2002; Gilbert 2002). First of all, a shift is taking place in the core objectives of welfare state arrangements from protection and indemnification to participation, activation and independence. Secondly, participation in employment is considered to be the main instrument in realizing individual inclusion and financial independence and in strengthening the cohesion and the mobilization of human skills and capacities within societies. Thirdly, definitions and perceptions of risks as manufactured rather than external risks (Giddens 1994) increase the individual responsibilities of those whose behaviour is considered to be relevant in avoiding and dealing with risks, and transform the role of the central or national state, and of

public responsibility. Fourthly, new ways of the public management of income support systems and social services have been introduced on the pretext of promoting 'good, efficient and effective governance'; changing, among others, relationships between various levels of the state, and between the state, the market and civil society. Finally, welfare state reforms are accompanied by a perspective on individual citizens as competent and responsible actors, and by new ways of looking at relationships between citizens and the state. Frequently, this is accompanied by a process of contractualizing these relationships – which often takes the form of individualized or personalized interventions.

These characteristics of welfare state reforms are considered to be valid for most industrialized countries. In terms of social policy theory, this points at processes of welfare state convergence in coping with the broader societal processes mentioned before (Gilbert 2002). The neo-institutionalist concept of 'isomorphic pushes' may be helpful in identifying some of the mechanisms through which processes of convergence take place (DiMaggio and Powell 1991). According to this perspective, a first isomorphic push is associated with direct political pressures (coercive isomorphism). Under this category we can classify the effects and impact on welfare state reforms of recommendations of supranational organisms (summarized in what has been called the 'Washington consensus', see Dezalay and Garth 1998) that, among others, advocate the involvement of civil society and market parties in providing welfare services – an important component of the principles of 'new governance' and, as we will show below, a core characteristic of operational policy reforms. A second type of isomorphic pushes is associated with indirect pressures, coming from the necessity to respond to several sources of uncertainty and encouraging institutional and organizational imitation, that is, adopting external models that are considered socially legitimate and successful (mimetic isomorphism). The New Public Management with its emphasis on introducing techniques of business management, service and client orientedness, market mechanisms and competition (McLaughlin *et al.* 2003), can be seen as one of these 'models' and is clearly visible in the operational policy reforms that we will discuss later. The third type of isomorphic pressures results from pushes towards harmonization of competencies and practices, that is, cognitive schemes, cultural patterns, routines and administrative procedures (normative isomorphism). In the context of welfare state reforms, the rise of 'epistemic communities' (Bertozzi and Bonoli 2002) strongly contributes to restricting the range of alternative agendas of institutionalization. In the EU, for example, the so-called Open Method of Coordination – adopted, among others, in the European Employment Strategy – is said to contribute to the creation of epistemic communities (Zeitlin and Trubek 2003).

In this article, we will discuss and analyse operational welfare state reforms in Italy and The Netherlands. It is not our intention to explain these reforms in terms of the isomorphic pushes distinguished above. Our aim is

more modest: to illustrate that welfare state reform agendas have become increasingly dominated by operational policy issues, using the provision of a specific type of welfare services, namely employment or activation services aimed at people dependent on benefits or social assistance, as a case study. As we shall see, many operational reforms in this area of social policies – though not all – have been clearly influenced by principles of new governance, such as decentralization, the involvement of civil society and market actors in policy and service delivery, the introduction of New Public Management in public institutions, and the promotion of ‘inclusive’ policy-making and delivery. In addition, and moving from a descriptive to a comparative analysis, we will show that the adoption of these principles in both countries takes different forms.

Our argument runs as follows. First, the contexts in which operational welfare reforms take place will be elaborated. Attention will be paid to the welfare state regimes of the two countries that are analysed here, as well as to some main reform trends of the last decades. Then, we will analyse recent developments in the provision of activation and employment services in more detail, focusing attention on operational reforms. The article will conclude with a comparison of these reforms, highlighting similarities as well as dissimilarities.

### COMPARING REFORM CONTEXTS: THE ITALIAN AND DUTCH WELFARE STATE REGIMES

In welfare state regime theory, the classification of Southern-European welfare states has been subject to extensive debate. According to the typology of Esping-Andersen (1990), the Italian welfare system represents the conservative-corporatist model. People’s position on the labour market defines their access to entitlements, benefits and provisions, which are mainly financed by wages. This mechanism reproduces inequalities and the *status quo* and lowers social mobility opportunities. The target of interventions is usually the male breadwinner. These features are shared by other countries (for example, Germany and France), but at the same time, Southern-European welfare states reveal some important particularities (Mingione 1997) which make them distinct from the typical conservative-corporatist welfare states. And despite many differences among them (Trifiletti 1999), some have argued in favour of distinguishing a Mediterranean welfare state regime.

In order to grasp the main features of the Mediterranean model, we have to consider the interplay between the family and the state in the provision of support. Generally characterized by a persistent lack and shortage of resources and financial means to subsidize social policies, Southern European welfare regimes are based ‘on a particular sensitivity to a necessarily small number of “first order” social risks, which are, in a sense, identifiable as the risks the family cannot protect itself against sufficiently’ (Trifiletti 1999,

p. 50). Despite the crucial role of the family in providing protection to its members, however, and despite the rhetoric reflected in social policy programmes identifying the family as the first stronghold against social exclusion, the state does not provide the family with adequate support to facilitate and improve its role in social protection. Due to the combination of these aspects with other administrative and socio-economic factors, areas of social vulnerability result which are strongly pre-structured by a specific institutional and policy framework. An occupational, male breadwinner centred and familialist welfare model is combined with consistent and lasting territorial (particularly North/South in Italy) differences (concerning quality and extension of social protection), considerable institutional and policy fragmentation, strong difficulties of coordination, and a vulnerable situation of women (Ferrera 1996; Trifiletti 1999; Naldini 2002; Kazepov and Sabbatinelli 2002; Ferrera *et al.* 2003).

In terms of the welfare state regimes distinguished by Esping-Andersen, the Dutch welfare state is atypical as well. It is usually characterized as hybrid, combining social-democratic and conservative characteristics. Social insurance and social assistance are relatively generous and universal, provide comprehensive coverage and the level of decommodification that Dutch social security provides comes close to the proto-typical social-democratic welfare state regime (Esping-Andersen 1999). The regional fragmentation so characteristic for the Italian welfare state is absent in the Dutch where national social insurance and assistance schemes guarantee equal access all over the country. Its corporatist features become visible in the fact that social insurance entitlements strongly depend on labour-market position and labour-market record, creating a divide between the unemployed dependent on (individualized) unemployment benefits and those on (means-tested) social assistance. In addition, the Dutch welfare state used to be strongly rooted in the male breadwinner model. And although female labour-market participation has increased significantly during the last decades (mainly in part-time work), the level of public child care provision remains far behind that of social-democratic welfare states.

Both welfare states underwent significant changes during the last 1–2 decades, affecting formal as well as operational aspects of social policy. In Italy, reforms to improve the quality, accessibility and universality of welfare services went hand in hand with reforms of the governance of these services. Even though in a de-synchronized way where the development of labour-market legislation and social policy is concerned, and in a context of persisting fragmentation, new laws, measures and schemes were introduced in different institutional fields. Two innovative governance aspects are most noteworthy (Ferioli 2002): an increasing weight of the (horizontal and vertical) subsidiarity principle in the social policy area; and a growing recognition of the legislative autonomy of the regions in social assistance issues. The main effects of these reforms have become immediately visible in terms of: (1) new duties and responsibilities for the regions (planning, coordination

and definition of general aims of regional social policies); (2) the role of municipalities (defined as the directors of the local system of services, causing frequent conflicts as regions and municipalities denounce the large gap between growing peripheral duties and persisting strong centralization of economic resources); and (3) a new and wider involvement of private actors (mostly non-profit organizations) in the delivery of services. In this framework, a crucial role of setting general social assistance objectives, criteria, standards and regulating institutional coordination was played by the Law 328/2000: General law for the realization of an integrated system of social interventions and services. We should also mention statements by representatives of the previous government which reveal that no political consensus exists regarding the reform strategy that should be developed. They argue that the Law 328/2000 is outmoded and advocate a more 'federalist interpretation' of social services (and other) issues. In their view, reforms should give more autonomy to the regions in defining both formal and operational aspects of the welfare system (concerning instruments, institutional arrangements, role of non profit organizations, targets covered by social policy measures, role of citizens and families) and in trying to overcome the universalistic aim of the Law. Already, this has resulted in increasing differences concerning the concrete meaning of having the right to various social services.

The original intentions of the Law can be summarized as follows (Bifulco 2003):

- Definition of an 'essential level of social services' which welfare institutions have to provide all over the country (universalistic aims);
- Overcoming the traditional limits of the Italian welfare system (treating recipients of services as passive subjects; fragmentation of service access according to pre-defined categories), stressing the 'aim of the citizens' general well-being' (identified according to four priorities: empowering and sustaining family responsibilities; strengthening minors' rights; strengthening measures against social exclusion; sustaining not self-sufficient persons through domiciliary services);
- Realizing the principle of 'integration of services', to overcome the division into separate category-based compartments of services and the separation of sectors of social policies (social assistance, health care, education, training, labour);
- Involvement of a 'plurality of different social actors' (state, regions, provinces, municipalities, third sector organizations, citizens' associations, local communities), unified by the principle of 'solidaristic federalism' in the planning and delivery of social policies.

This Law confirmed the primary role of local administrations, which have now competencies of planning and projecting social programmes at the local level. This comprehensive institutional effort directed at developing some general, universalistic coordinates followed several reforms of more limited

scope in the social assistance area (Reddito Minimo di Inserimento (RMI) experimentation started in 1998) and in the area of the promotion of children's and adolescents' rights (Law 285/1997). But already in 2002, there were strong regional differences regarding the progress of implementation (only some regions were at an advanced stage of applying the Law), institutional instruments (some regions introduced new regional legislation, some produced less encompassing guidelines, and some re-used pre-existent plans), and administrative devices (in 2002 less than half of the regions provided new regulations on the relationships with third sector organizations). The principles of service integration and the involvement of different actors have been interpreted differently: whereas in some cases we observe a strong centralization of policy decisions and projecting in the regional government, which directly intervenes through its institutional instruments, other regions adopted more bottom-up strategies, extensively mapping social resources of the territory, strongly involving the third sector in programme design, and strengthening decentralization in order to really promote the participation of provinces and local administrations in the decision-making process.

Turning to the Dutch case, a first wave of reforms focused on formal policy mainly, introducing changes that many other European countries witnessed as well: the introduction of a range of activation programmes; making income protection schemes more activating by decreasing the attractiveness of living on benefits and social assistance; making entitlements to public income protection conditional upon the behaviour of the recipient. During the 1990s, a second wave of reforms started, that focused on operational changes and was seen as a necessary supplement to formal policy reforms: besides the activation of social security recipients, the institutional arena had to be activated as well. A series of inquiries initiated by Dutch government and parliament during the 1990s contributed to the creation of a political climate in which a profound reorganization of the institutional arena involved in the administration and delivery of income protection and activation schemes was considered unavoidable. These inquiries focused on each of the major institutions in the institutional arena of income protection and activation: the local Departments of Social Services (municipal agencies responsible for the administration of social assistance); the agencies responsible for the administration of social insurance (sickness, disability and unemployment benefits); and the Public Employment Services. They were strikingly similar in their conclusions. All these institutions had contributed insufficiently to the main objectives of Dutch government: to reduce social benefit and assistance dependency by promoting the gate-keeper function of benefit agencies and by stimulating labour-market entry of claimants.

The operational reforms did not follow a blueprint that was clear from the outset. Instead, they showed an erratic course, and their direction changed several times. In addition, they took different forms in different policy areas, involving more 'traditional' as well as 'new' modes of governance, although the latter are more dominant. Whatever form the reforms

took, their overarching aim was similar: the creation of an institutional context for the administration and delivery of social security and activation services that would contribute to an active welfare state. In addition, a host of secondary objectives were connected to these reforms, such as the realization of comprehensive approaches in activation, an increase of the efficiency and effectiveness of income and work related services, raising their quality and accessibility, increasing the choice of service users, and the provision of tailor-made and individualized services.

This brief discussion already reveals that operational policy issues gradually received increasing attention in both countries. Both countries came to realize that the objective of making the welfare state more 'active' requires formal as well as operational policy changes, partly because the latter are considered a condition for increasing the successfulness of the former; in both countries, dissatisfaction with 'traditional' institutions created a climate favouring the quest for new forms of governance. At the same time, differences can be observed as well. What were considered to be the main welfare state problems differs – interestingly, some of what are generally considered as the most characteristic features of both welfare states, have now become main targets of reforms. In Italy, the fragmentation of the welfare state and high levels of regional differentiation with respect to the level, quality and accessibility of social services were considered major issues, together with the lack of universality and central regulation. At the same time, the political parties are strongly divided when it comes to defining the overall 'governance framework' of these reforms: should Italy develop into the direction of a more unitary state, or should its federalist nature be strengthened? In The Netherlands, focusing on the sphere of operational issues, too much rather than too little central government involvement and uniformity in social policies were considered problematic. However, the overall nature of the Dutch administrative system as a decentralized unitary state (see Hendriks and Tops 2003) remains largely uncontested, and the main political parties in The Netherlands agreed on the general direction of operational reforms, a political consensus fully absent in the Italian case. In the two sections that follow, we will have a more detailed look at some reforms that should contribute to the objective of making both welfare states more active, and that reveal clear elements of the introduction of new forms of governance in the provision of social services.

### **ITALY: THE REFORM OF THE PUBLIC EMPLOYMENT SERVICES (PES) AND THE RMI EXPERIMENT**

Considering that the traditional and inadequate system of unemployment protection remained substantially untouched, the introduction of elements of activation happened in a particular way, compared to other countries: without introducing any punitive elements into unemployment schemes, but also continually postponing any sort of expansion and upgrading of



benefit and social protection coverage. The implicit rationale of the reform process seems to be that 'if someone has not been doing his job that is first of all the state with its strangling regulations and self-reinforcing bureaucracy'; hence, 'the effort – perhaps too optimistic – was to provide an overhaul of the public sector', redefining its tasks, structures and institutional procedures (Fargion 2003, p. 8). Such an effort was needed in order to obtain more effective labour-market services: before the reforms, Public Employment Services (PES) were almost completely absorbed by mere bureaucratic controls and procedures, and reached only 10–15 per cent of the Italian job-seeking population (Paci 1997).

From 1996 onwards, decentralization processes were implemented in different directions, affecting the institutional system of the labour sector and laws and agreements on labour regulation and bargaining, and introducing new territorial employment and development projects. This general trend towards decentralization affected PES too, resulting in an increasing role of regions, provinces and private actors (table 1).

This process of devolution demanded drastic organizational changes, including the following (Cnel 2002; Dau 2003; Fargion 2003; Ministero del Lavoro e delle Politiche Sociali 2003):

- Moving personnel from the state bureaucracy to regions and provinces (about 5485 people);
- A major overhaul of work processes and skills in order to deeply change procedures, practices and administrative cultures and to promote the adoption of more function oriented forms of orientation and counselling;
- An attempt to define common basic functions to be performed in the new PES, in order to avoid widening of the already existing gap between North and South Italy;
- Providing interviews with young unemployed people before six months of registration and offering an individually tailored project of labour market re-insertion or training to some specific target groups (such as long-term unemployed, women re-entering the labour market, and so on);
- Applying a general new regulation on the treatment of unemployed people, largely depending on a reform of existing benefit schemes. As the latter reform is still pending, many aspects of the PES reform itself could consequently not be implemented.

The reform process is still far from realizing its objectives. In a context influenced by a slowing economic cycle (private employment agencies show reduced activity as well), a comparison of the first 2001 semester and the first 2002 semester reveals an evident drop in the services offered by public structures to job-seekers. According to official statistics that the Ministero del Lavoro e delle Politiche Sociali (the Ministry of Labour and Social Policies) collected from the local PES offices, and summing up persons registered and not registered with PES, about 113,000 individuals were contacted in the first 2002 semester, compared to 157,000 during the first semester of 2001. In

TABLE 1 *Distribution of tasks before and after the reform*

Ministry of labour	Regions (n = 21)	Provinces (n = 103)	Private sector
<i>(a) Before the reform (1996)</i>			
Political guidelines	School counselling		
Planning and coordination of labour policies	Professional training		
Government management of PES			
<i>(b) After the reform (2001)</i>			
General political and administrative guidelines	Planning.	PES: orientation (for job-seekers), information and counselling (for job-seekers and firms); coordination of matching supply and demand; management, information supply to SIL	Job placement services' agencies
SIL (Labour Information System): planning, management and development	School counselling Professional training  Coordination of actions aimed at matching labour supply and demand		Agencies providing services (orientation, skills' balance for job-seekers) to PES

Source: adapted from M. Dau. 2003. 'Italy: Opening the Circuits', in *Managing Decentralization. A New Role for Labour Market Policy*. Paris: OECD, p. 99, © OECD, reproduced with permission.

addition, this figure is significantly lower than the number of contacts and offers realized by private actors and/or private employment agencies (about 318,000 in the same semester).

In many countries, reforms aimed at making welfare states more activating involve reforms of the PES and of benefits and social assistance systems. As far as the latter is concerned, Italy has no national income safety net in the form of a uniform system of social assistance. The nature, accessibility and level of social assistance support differs greatly from municipality to municipality, dependent, among others, on the availability of resources, the involvement of private and voluntary organizations in providing social assistance support, and so on. As we saw before, attempts to activate the Italian welfare state went hand in hand with reforms aimed at establishing a more universal system of social assistance. In this context, the introduction of RMI – usually conceived as one of the institutional devices through which activation policies are introduced - was of particular importance. For the first time, the country witnessed an experiment with a measure based on the following two principles:

1. Universalism and homogeneity, aiming at overcoming the discrimination between the 'deserving' and 'undeserving', as well as strong territorial and institutional differentiation;
2. A strict integration of a universalistic minimum income support scheme with programmes aimed at social and labour-market inclusion.

The experiment initially involved 39 Italian municipalities for two years (1998–2000), and was extended in 2000 for two more years, involving an additional 272 municipalities. In accordance with the structural socio-economic divide, most municipalities involved were located in the southern regions of the country. From the perspective of the issues discussed in this article, a significant element of the scheme is its contractual character: an individual agreement between social services and recipients has to be signed, making the access to different types of economic support conditional upon the individual/family situation and upon the willingness to participate in individually tailored programmes of socio-economic integration (education, counselling, professional training, subsidized or formal labour market inclusion, and so on). Similar to other Southern European social assistance schemes (France, Portugal), the Italian RMI addresses all families that have an income below a certain threshold, and its amount is calculated as the difference between the real income and the given threshold for that household.

During the first wave (1998–2000) of experimentation, 34,700 families have been involved, 93% of them living in the South of Italy; at the end of 2000, about 43 per cent of the beneficiaries were involved in programmes of social insertion (which may involve a large variety of interventions, such as measures promoting public health, preliminary orientation services, training courses, temporary employment, and so on: see Kazepov and Sabbatinelli 2002; Ferrera *et al.* 2003). However, looking at separate municipalities, that percentage ranged between 8 per cent and 92 per cent.

Whereas welfare state reforms in countries with established national social assistance schemes often involve processes of decentralization to municipal levels and the involvement of non-public actors (as will be explained further below, the Dutch case is an example in this respect), the Italian case is different. Social assistance was already highly decentralized (in as far as it is adequate to use the concept of decentralization in this context at all), and public-private partnerships in providing social assistance and support were the rule rather than the exception. Against this background, it should not come as a surprise that in many cases, actors of the third sector (associations, social cooperatives) played a fundamental role in the RMI experiments. Research revealed (Kazepov and Sabbatinelli 2002) that together with these non-profit organizations, the municipalities were very often the most important determinants of the actual results of RMI implementation. What did make a significant difference, of course, was that for the first time, these local actions and initiatives were embedded in a national legal framework, which changed the conditions under which local actors provide support, and

was supposed to have an impact on their *modus operandi* as well. The role of street level bureaucrats is vital here, as their discretionary power is significant. In some cases they used the new institutional device as an opportunity to innovate their practices, and tried to co-ordinate a plurality of actors in order to enact empowering projects; in other cases, the institutional framework was shaped according to bureaucratic procedures, without any change in the (passive) position of the recipients.

An evaluation study conducted by a research team of the Department of Social Affairs and based on municipal statistics as well as reports on local implementation revealed, that the RMI experimentation has had – in terms of the objectives of the experiment – positive as well as negative effects (Irs, Fondazione Zancan, Cles 2001). On the positive side, it has enabled some promising capacities of activation, both of individuals (through specific programmes of socio-economic integration) and of local administrations. But there were negative aspects too, due to the frequent reinterpretation of the RMI scheme through old cognitive and practical ways of doing, emptying the agreement between recipients and social services of any mutual activation duties and responsibilities, and reducing the scheme to its mere economic and bureaucratic aspects (and sometimes to its usefulness for maintaining local systems of patronage or social control) (Ferrera *et al.* 2003; Agodi 2003; Pennisi and Consoli 2003). Research into the RMI implementation process shows, in particular, ‘the crucial role of the subjects or institutional agencies that, already before the scheme’s implementation, played a key role in determining action and orientation criteria of the scheme recipients’. It is clear that policy-makers undervalued this operational issue, and did not request useful indicators for monitoring how institutional mechanisms (at the municipal level) were reproduced/changed in the implementation of RMI (Agodi 2003, p. 61).

The former Italian government’s decision to cancel the national RMI scheme has again resulted in increasing territorial and policy differentiation. For example, after central government abolished the national scheme, one important northern region (Emilia Romagna) reintroduced the measure in its regional welfare system, and one southern region (Campania) approved the introduction at the regional level of a Citizenship Income (different from RMI because it is an individual measure, not conditioned by any agreement and targeted at people who have been residing in the region for at least sixty months).

## THE NETHERLANDS: THE INCREMENTAL TRANSFORMATION OF THE INSTITUTIONAL ARENA

During the last 10–15 years, the Dutch institutional arena for the administration, implementation and delivery of social insurance, social assistance and employment services has went through a thorough reorganization. Many of the institutions that used to be responsible for these activities 15 years ago,

simply no longer exist. Some of these reforms have clearly been inspired by principles of new governance, but others fit neatly in traditional forms of public administration. The hybrid nature of the Dutch welfare state seems to be present in its operational management as well. We will now have a closer look at some of the main institutional reforms that have taken place during the last decade (Berghman *et al.* 2002; Struyven *et al.* 2002; Van Berkel and Van der Aa 2005).

Reforms took place first of all in the area of social insurance. Dutch social insurance for people of working age consists of obligatory and uniform schemes for income protection in situations of sickness, disability and unemployment. The administration of these schemes used to be in the hands of social partners, who delegated the administrative tasks to five agencies, each servicing a specific part of the private or public sector. One of the parliamentary inquiries mentioned before reached the conclusion, that the involvement of social partners in the administration of social security had had 'perverse effects': social partners were accused of having deliberately opened the entry gates of disability benefits in order to create an exit option for (mainly older) redundant workers. Therefore, it was considered necessary to marginalize the role of social partners in social insurance administration. Initially, government considered the privatization of the administrative tasks: premium collection, assessment of benefit claims, and benefit payments. In the end, however, parliament rejected the market solution. Government then opted for a state approach instead: the five corporatist administrative agencies were merged into one Administrative Agency for Employees' Insurance, which operates under direct supervision of the Ministry of Social Affairs and Employment. This operational reform contradicts principles of new governance, showing that under specific conditions, 'traditional' rather than 'new' modes of governance may be considered as providing more adequate and politically acceptable solutions to urgent problems in the administrative structure.

Secondly, the last decade saw the introduction of two new Social Assistance Acts, one in 1996 and one in 2004. Dutch Social Assistance, which was first introduced in the 1960s, is a national scheme, administered by local social services departments. During the 1990s, some features of Dutch Social Assistance were identified as increasingly problematic in realizing institutional activation. Municipalities lacked discretionary room to adapt activation programmes to local conditions, and the structure of financing social assistance was seen as giving municipalities little financial incentives to reduce social assistance dependence and increase their activation efforts: until 2001, 90 per cent of local social assistance expenditures were paid by central government. The 1996 and 2004 reform acts were aimed at improving the activating function of Social Assistance through formal as well as operational reforms. As far as the latter are concerned, decentralization was the catchword of both acts, and its aims were twofold: on the one hand, to increase local discretion in order to give municipalities more opportunities

to adapt reintegration policies to local circumstances and to provide tailor-made services; and on the other, to introduce a system of financial sanctions and incentives that would stimulate municipalities to reduce social assistance dependency. The 2004 Act was preceded by performance agreements concluded between national government and municipalities: municipalities received extra funds for activating social assistance recipients when they would realize a specified number of activation trajectories of which a specific proportion should result in labour-market entry. With the 2004 Social Assistance Act, these performance contracts became redundant, as it used a different approach in providing incentives: a full devolution of financial responsibilities. Nowadays, central government provides each municipality with a budget for Social Assistance payments. When municipalities exceed this budget, they will have to draw on their own resources for financing, as legitimate claims for Social Assistance cannot be refused. When municipalities do not fully use the national budget for Social Assistance payments, they are free to spend the saved resources.

The third major operational reform was the introduction of liberalization and market mechanisms in the provision of activation services. Traditionally, the provision of activation services was a responsibility of the Public Employment Services. Originally, the PES was directly managed by the Ministry of Social Affairs and Employment, but in order to increase the effectiveness and efficiency of its activation services, a tripartite management of the PES was installed in the early 1990s. When the effects of tripartization turned out to be disappointing, a purchaser-provider split was introduced later in the 1990s, which made part of the PES budget dependent on performance. When the results of this reform turned out to be disappointing again, a more radical approach was taken in the year 2000: Dutch government decided to leave the provision of activation services to private for-profit companies. Nowadays, the public institutions administering social insurance and social assistance act as purchasers of activation services provided by private companies. As part of this process, the departments of the former PES that were providing activation services have been privatized.

A final operational reform involves a stronger integration of the public institutions involved in income provision and activation, and the creation of a 'one-stop shop' for the unemployed. These so-called Centres for Work and Income provide the remaining public services of the former PES and act as gate keepers of the Dutch social security system. The Centres take care of the intake of new claimants of social insurance and social assistance, and are supposed to judge whether direct job mediation is possible before benefit or assistance claims are being considered and before claimants are referred to benefit or social assistance agencies. Generally speaking, the Centres are responsible for providing activation services to new unemployed people during their first six months of unemployment. They are not allowed to contract private reintegration companies, but provide activation services

themselves. After six months of unemployment, benefit agencies become responsible for activation.

### NEW MODES OF GOVERNANCE IN ITALY AND THE NETHERLANDS COMPARED

Our discussion of operational reforms in the Italian and Dutch welfare states reveals that making welfare states more active forces national governments to restructure, reshape and sometimes reinvent the institutional arena for the provision of public services. Of course, operational policy reforms do not replace formal policy reforms. Often they go hand in hand. This is particularly clear in the Italian RMI experiments where reorganizing the provision of social assistance support was embedded in the context of attempts to establish a national income safety net for the first time in Italian history. The introduction of new modes of public governance is an important ingredient of operational policy reforms – even though under certain conditions, ‘traditional’ operational reform strategies may be more likely. At a certain level of abstraction, it is not difficult to point at similarities in these reforms, in terms of the principles underlying them and in some of their characteristics. The growing dissatisfaction with the functioning of traditional public institutions; the emphasis on quality, efficiency and effectiveness of services; the recognition of the need of integrated approaches in service provision; the involvement of non-state actors in service provision; and the devolution of responsibilities to subnational levels of government clearly reflect concerns of new governance. At the same time, we observe clear differences, underlining the necessity for contextualized research: the adoption and introduction of new forms of governance in the context of operational policy reforms are ‘filtered’ or shaped by (national) socio-economic, historical, cultural, institutional and political contexts (see McLaughlin *et al.* 2003; Pollitt and Bouckaert 2000).

We can illustrate this by focusing on the impact of the operational reforms described above on the key sets of relationships that Clarke and Newman (1997) distinguished in their book on the ‘managerial state’: the relationships between the central/national and local state; the relationships between the state, the market and civil society; the relationships between the providers and recipients of (activation) services; and the relationship between management and politics; (see table 2).

First, both countries attribute an important role to local actors in providing welfare services and in coping with problems of poverty, unemployment and exclusion. Discretionary powers for municipalities to develop individualized, tailor-made policy interventions that are adapted to local circumstances are considered an important prerequisite for activating ‘local welfare states’. At the same time, the contexts in which these processes take place differ considerably. In the Netherlands, strengthening the role of municipalities takes place through a clear devolution of powers and financial

TABLE 2 *Impact of welfare state reforms on key sets of relationships in Italy and The Netherlands*

Key sets of relationships	Similar trends	Dissimilar trends
National/central state versus local state	Strong role and responsibilities of local welfare states	National legislation and central redistribution of resources in The Netherlands; uncertain future of national legislation and fragmentation of available resources in Italy
State/market/civil society	Involvement of non-state actors in the provision of services; privatization	Purchaser-provider split in provision of activation services in The Netherlands; 'plurality of actors' approach in Italy, including crucial role of non-profit third sector organizations
Recipients and providers	Individualization and contractualization of services	Conditionality of income support schemes in The Netherlands. in context of extensive availability of employment-centred activation services; cautious (though as yet uncertain) steps towards universalism in income support schemes in Italy. in context of fragmented availability of (a broader array of) activation services
Politics and management	Less focus on bureaucracy and formal procedures, stronger focus on results and outcomes	Withdrawal of the national state from certain areas of service provision combined with attempts at central steering of local and market actors in The Netherlands; tendency towards 'rowing nor steering' by the central state, interregional fragmentation and stronger emphasis on networking in Italy

responsibilities. At the same time, the central state maintains its role in welfare state regulation and in redistributing financial resources for income support and activation services. The decentralization of Social Assistance is, at least partially, a steering instrument for realizing national policy objectives: it should provide municipalities with financial incentives to reduce Social Assistance dependence. In Italy, processes of decentralization and centralization show a more complex configuration, and are embedded in a political struggle on the role of the central state vis-à-vis the regions. The important role of the local welfare state in providing financial support is the result of the absence of a fully developed national financial safety net, rather than the effect of processes of decentralization; although the new move towards federalism tries to legitimate this *status quo* politically. Thus, the conditions under which cities in both countries are confronted with enlarged responsibilities in the production of welfare vary, and given the different redistributive roles of the national states in both countries, Italian local



welfare states are much more dependent on the availability of alternative resources.

Secondly, both countries witness processes of privatization, which in this context refers to an increasing involvement of non-state actors in providing welfare services to citizens. The arguments with which these processes are legitimated, combine rhetoric derived from free market and network models of regulation: competition and market mechanisms as well as cooperation and partnerships are expected to promote the efficiency, effectiveness and quality of services. But once again, there are dissimilarities as well. In the Netherlands, privatization took place when state institutions were increasingly seen as being ineffective in doing their job. The involvement of non-state actors was not promoted against the background of a lack of state institutions (as one might argue is the case in Italy), but rather as a reaction to what was perceived as 'too much' state involvement. In the context of activation, market actors rather than civil society (third sector organizations, in the case of Italy) play an important role. Privatization in Italy takes place against a different background. Lack of trust in bureaucratic institutions plays a role as well, as we saw in the case of reforms of the PES. But in the area of support for the poor and most disadvantaged, the situation is completely different from that in The Netherlands. People's increasing welfare needs, the erosion of the traditional stronghold where providing welfare is concerned (that is, the family) and the weakness rather than the strength of the state infrastructure, make reliance on non-state actors and adopting a 'plurality of actors' approach to welfare provision in Italy an almost sheer necessity.

Thirdly, whereas in Northern and Western Europe activation is often used as an argument for welfare state retrenchments and the erosion of universal income support entitlements, in Southern European countries activation is introduced together with income safety net provisions which, at least potentially, imply a shift towards more universalism in income support for the poor. In both countries, providing financial support and individualized services aimed at integration and activation are becoming more and more integrated, which implies a reorganization of the institutional arena involved in providing support and services. The role of street level bureaucrats in realizing policy objectives seems to be increasing, partly as a consequence of decentralization and growing local discretion. However, the availability of institutional capacities and resources to provide both types of support, to supervise compliance with contractual obligations of the recipients of support and to individualize services differs greatly between both countries.

Finally, new ways of steering focusing on results and outcomes rather than on complying with bureaucratic rules and formal procedures are developed in both countries. The Netherlands seems to have embraced Osborne and Gaebler's 'steering not rowing' principle: policy making and policy implementation and delivery are separated, and incentive structures are introduced to ensure that local authorities and market actors will contribute to

realizing the policy objectives of national government. In Italy, 'steering nor rowing' seems to serve as the motto of the current national government in the area of social policies. This leads to a degree of regional differentiation and fragmentation that would be unthinkable in the unitary Dutch state, despite strengthened decentralization. In addition, whereas competition and market mechanisms are important steering devices in the Netherlands, Italy emphasizes networking and cooperation.

In conclusion, reforms of operational policy in the area of activation services in Italy and the Netherlands gained increasing priority during the last decade or so. To a certain degree (and analysed at a certain level of abstraction), these reforms are a response to similar problems and inspired by similar notions of how 'good governance' should be accomplished. But as soon as we start digging deeper and try to understand why certain specific reforms are discussed, introduced and implemented and others are not, explanations in terms of specific national contexts become unavoidable. For the time being, 'path-dependent convergence' seems to be the most adequate concept for analysing the introduction of new modes of governance in the provision of activation services.

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