

Resisting the Third Way

The End of the Italian 'Old Deal' and Possible Lessons for Romania

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RESEARCH AIM

The main part of this research is an evaluation of the **Italian active labour policies** called '**socially useful jobs**' (*lavori socialmente utili*) and '**publicly useful jobs**' (*lavori di pubblica utilità*) which were, during the '90s the most important instruments for the fight against long-term unemployment. **These policies looked to the development of public local services as a solution to create new jobs.** Some innovative sectors, such as environmental and social services, were taken into particular consideration.

The aim of the analysis is to show how, especially in the less developed areas, the solution for unemployment was looked for outside the market regulations and which factors mainly contributed to the successful results of the programs.

These policies represented much more than a 'work first' approach. The aim of creating new jobs was joined by that of improving services for local communities, reducing social inequity and sustaining social integration.

The **New Deal** represents the best representation of the European workfare philosophy and was introduced by the New Labour's 'Third Way'.

Supply side-approaches: the rigidities of welfare system obstruct the economic growth; long –term unemployment is caused more by inactivity in searching new jobs.

Supply side programmes:

- job-search assistance to increase matching between job-seekers and vacancies
- training to improve the employability of unemployed
- compulsory activity to receive benefits

(Blair, Boeri, Layard and Nickell)

versus

I call '**Old Deal**' the **demand side policies** which aim to create new jobs, to reduce social inequity and to sustain social integration.

Demand side-approach: supply-side measures do not create jobs but maintain skills and motivation. The non-availability of jobs in particular underdeveloped areas should be considered. Workfare policies are efficient if they go together with policy for demand sustainability

Demand side programmes:

- job creation schemes in the public sector
- subsidies to private sector employers for recruitment of long-term unemployed

(Dunford, Peck and Theodore, Treu)

Three **components of the policy system** will be observed (*Schmid*):

1. **policy choice:** through analysis of the Italian principal laws, governmental agreements with trade unions and entrepreneurs' associations
2. **policy implementation:** through analysis of local administrative procedures, technical outputs required by local governments both for program implementation and finish
3. **policy take-up:** focusing attention on the cooperatives created by unemployed people.

What happened during the time?(1995-2003)

Due to the high level of long-term unemployment: the programs started as **'emergency solutions'**

Due to the continuous extensions of the programs the unemployed and the local administrations began to consider them as **'stable activities'**

The end of the programs: **externalisation of public services** to companies which had to hire the workers involved in the programs:

- public joint ventures companies
- pre-existing private companies and cooperatives
- **cooperatives founded directly by socially /publicly useful workers**

RESEARCH METHODS

1. **policy choice:** text analysis, in-depth interviews with representatives of policy makers
2. **policy implementation:** text analysis, in-depth interviews with representatives of local administrations
3. **policy take-up:** collective case-study (*Stake in Denzin and Lincon*)
Four cooperatives formed by unemployed in four different regions of Southern Italy: Abruzzo, Campania, Puglia and Calabria

For the end of the programs, the 'key to success' was the dispensation of European public tenders rules which was possible by means of a special legislation addressed to disadvantaged subjects like the long term unemployed

Theoretical framework

Abstract level: economic growth, market regulation, crisis of capitalism and rise of mass-unemployment

Mediating through: welfare regimes and 'different solutions'

- Italian welfare reform/ fiscal issues
- basic income schemes
- informal economy in Southern Italy

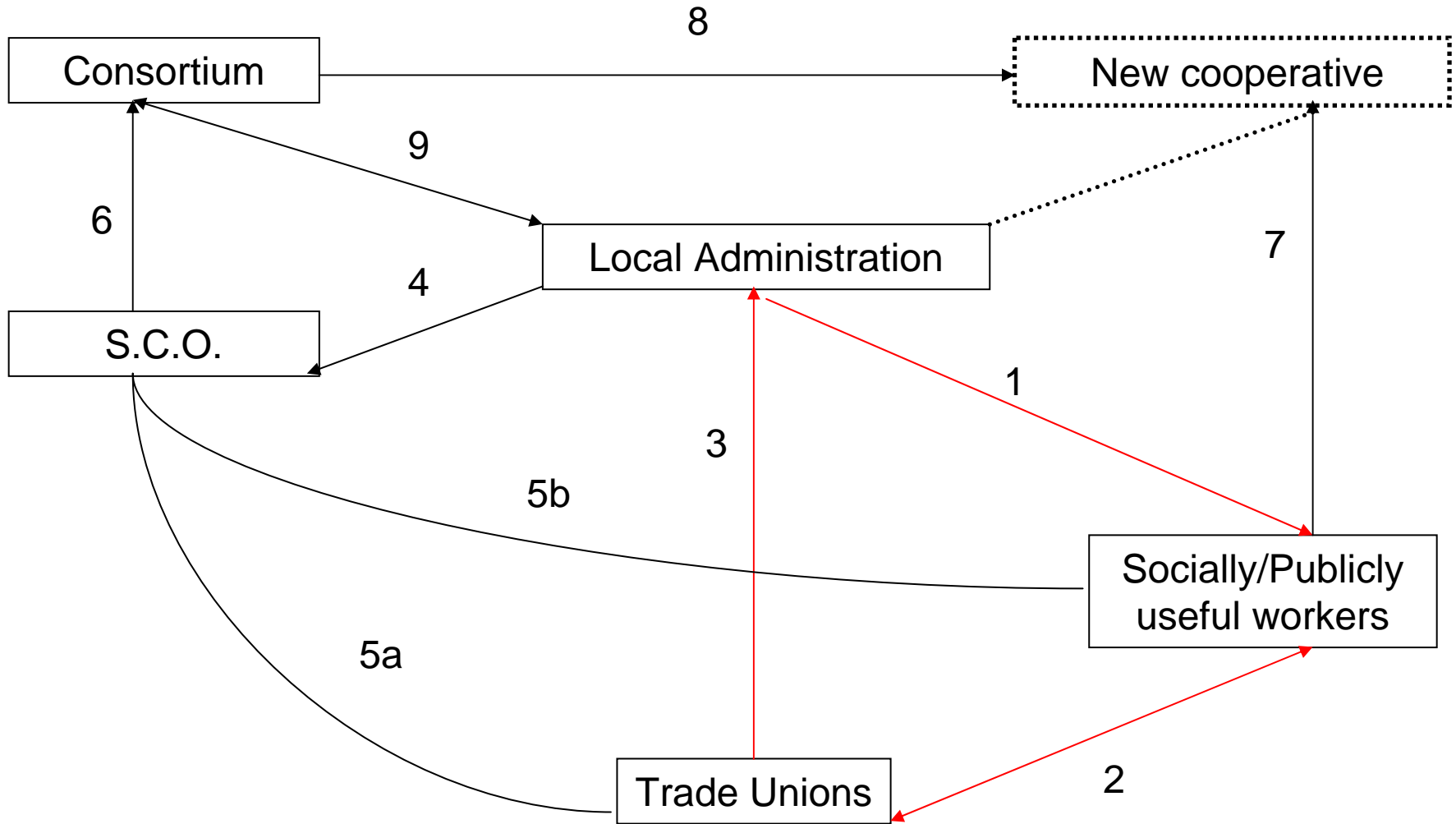
Specific focus on: labour issues

- flexibility
- wages

Key to procedures involved (chronologically ordered 1 – 9):

- 1. Local Administration's instigation of work programs for socially/ publicly useful workers**
- 2. Involvement of trade unions: representation of workers and monitoring of processes**
- 3. Trade union pressure in order to achieve occupational stabilisation**
- 4. Local Administration's decision to end programs involving an external body exclusively in operation for this purpose (S.C.O.) (*Sviluppo Cooperazione e Occupazione* - 'Development, Cooperation and Employment), public company created to give technical assistance to the local administration which ended the programs**
- 5. a) Liaison between trade unions and S.C.O. to verify the plans of action of S.C.O.
b) S.C.O.'s presentation of plans and training of workers to form cooperatives**
- 6. Allocation by the board of S.C.O. of responsibility and management of the projects to one of its 4 consortiums (made up of shareholders)**
- 7. Formation of new cooperative by socially/ publicly useful workers**
- 8. Inclusion of new cooperative in the pre-existing consortiums (S.C.O. shareholders)**
- 9. Finalisation of contract between the consortium (general contractor) and local administration for the externalisation of the services involving the new cooperatives**

Network between the bodies involved in policy implementation and take up



Case study analysis: interviews with the protagonists of the policy:

- members of cooperatives
- representatives of local administration
- local trade unionists
- representatives of S.C.O.
- representatives of consortiums which associated the cooperatives

Cooperative “**Giovani del 2000**” (‘Youths of 2000’) :

- 6 young unemployed
- administration: Commune of Casabona located in Region of Calabria.
- large range of cleaning and maintenance services
- highly motivated (both Administration and workers)
- trade unions not very involved
- S.C.O. very involved in formation of cooperative (motivation, legal assistance)
- major importance of Consortium for growth of cooperative

Successful case:

- good work atmosphere in management group (original 6 unemployed)
- currently employs 140 people
- participates in and has won many public tenders at local and national level
- diversifying activities and new fields (production of organic oil, environmental services, tourism in natural protected areas)

Cooperative “**Orizonte 2000**” (‘**Horizon 2000**’):

- 16 long term unemployed
- administration: Commune of Grottaglie, located in Region of Puglia
- large range of maintenance services, especially streets and green areas
- part of a large group of unemployed unmotivated
- few people highly motivated (strongly supported by Administration)
- trade unions rather adverse to formation
- S.C.O. very involved in formation of cooperative (motivation, legal assistance) and in monitoring start-up (5 year period)
- Consortium played minor role
- External consultants (accountant and technical consultant for tenders) very important for mediation and relationship between cooperative members

Successful case:

- good work atmosphere in management group (although disagreements with some other members less entrepreneurial)
- currently employs 25 people
- participates in and has won public tenders at local level
- still very linked to Administration which uses cooperative for emergency work

What about Romania?

The Romanian law for social aids and stimulation of the labour force activation settled that the public administrations can promote programs aimed at the temporary employment of the unemployed in works and services for local communities, financed from the national budget for unemployment.

Similar policy choice but no policy implementation

Why? In-depth interviews with policy makers

Theoretical framework

Abstract level: liberalist market-oriented policies in former socialist countries

Mediating through: post – communist welfare regimes

- budget constraints
- role of the international agencies
- informal economy as principal safety- net

Specific focus on: social policies for long-term unemployment

“Western invention” versus “Eastern imitation” is only a convenient cliché? (*Kovacs*)

Legislation for training and social protection of unemployed:

- focus on conversion and professional training of unemployed
- incentives for employers to take on young unemployed
- subsidized loans for SMEs taking 50% unemployed

Priority of Romanian labour policies:

- reconverting labour force superfluous to market (re-qualification courses)
- anticipate market need (professional training at all levels)

Services for local communities:

only temporary, especially in agricultural zones for workers unable to work due to weather conditions; policy to reduce the seasonal unemployment

Strongly oriented market policies:

“only those who don’t want to work won’t find a job”

“we should help the rich (*who can create wealth for everybody*) but not the poor (*who could become rich if they were willing to take risks and work hard*)”

To whom may this research be of use?

1. The evaluation of the Italian policies will not only be useful in **understanding the strengths and weaknesses of the programs**, but also in understanding which were the **results of the policies at local level**. The rather long length of the programs also had a slight effect on the actions of other local players who were used to being involved in active work policies.
- 2 The **action reforms** are directing more and more the active workfare policies of Italy towards a 'work first approach'. Knowing better what has been obtained following political steps can only serve to **widen the knowledge of future policy makers** and help give them more choice in what to do.
3. The attempt to replicate certain policies in a country under development such as Romania could be an **important lesson in how well market economies can fare when imitating others**. By now it is rather easy to 'import' laws and policies. How suitable these are to the local economic and social conditions is something that the **Romanian policy makers** will have to understand as soon as possible.

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