

Filling the Gaps:
The Extension of Income Support and Healthcare
in France, Italy, and Beyond

by
Anthony Kevins

Department of Political Science
McGill University, Montreal

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Abstract

Examining the evolution of welfare states over the past four decades, this dissertation explores the factors that have impacted coverage levels and benefit standardisation, with a particular emphasis on the role of left-wing parties and unions in reforming access to healthcare and income support for the unemployed in France and Italy. This comparison derives its force from contrasting policy outcomes across both countries and policy domains. In dealing with the growing swaths of individuals incapable of accessing benefits as the labour market became increasingly segmented, the Italian case was marked by dramatic universalising reform in healthcare but a persistent lack of universally available social assistance, while in France residualising transformations within the pre-existing framework prevailed in both sectors.

Using a combination of archival research, in-depth elite interviews, and secondary source research, this thesis argues that the aforementioned variation in welfare state reform is less about partisanship than it is about institutional arrangements. While left-wing parties have been the main drivers of reform, they do not consistently problematise gaps in coverage, since the extension of generous benefits to all typically entails fiscal and/or political trade-offs. Within this context, certain characteristic features of Southern European states (such as the centrality of the family and clientelism) condition the political importance of coverage gaps, both for parties and the public. Public opinion then impacts the likelihood of reform, while the organisational incentives of parties structure the type of reform pursued.

In order to assess the generalisability of conclusions drawn from the qualitative paired comparisons, the findings are then tested across OECD countries using statistical analysis. The analysis provides an opportunity to consider the proper definition of the dependent variables, and the corresponding modeling strategy, in comparative policy analysis. The thesis argues that duration analysis offers a particularly useful way of modelling policy change. Overall, results provide support for the conclusions drawn from the comparison of France and Italy: coverage levels and benefit standardisation in OECD welfare states are functions of complex interactions between social welfare institutions, public preferences, and political parties and unions.

Résumé

Examinant l'évolution des États providences au cours des quatre dernières décennies, cette thèse explore les facteurs qui ont influencé les niveaux de couverture sociale et la standardisation des prestations en France et en Italie. La thèse met particulièrement l'accent sur l'influence des partis politiques et des syndicats sur l'extension d'accès à l'allocation chômage minimum et aux soins de santé. La force de cette comparaison provient du contraste des politiques tant entre les domaines politiques qu'entre les deux pays. Faisant face à un nombre croissant d'individus n'ayant pas accès à des prestations à cause d'un marché du travail de plus en plus segmenté, le cas italien a été marqué par une réforme remarquable d'universalisation du système de santé, avec toutefois un manque persistant d'assistance sociale universelle; tandis qu'en France, une « résidualisation » des systèmes existants dans les deux domaines a prévalu.

Combinant une recherche archivistique avec des entretiens approfondis auprès des élites ainsi qu'en épluchant de nombreuses sources secondaires, cette thèse affirme que la variation des réformes susmentionnées est davantage fonction des arrangements institutionnels que fonction d'idéologie partisane. Bien que les partis de gauche aient été les principaux moteurs des réformes, ils n'ont pas toujours su problématiser les lacunes des couvertures sociales, puisque l'extension de prestations universelles implique normalement des compromis fiscaux ou politiques. Dans ce contexte, certaines particularités caractéristiques des États de l'Europe du Sud (comme la centralité de la famille et le clientélisme) ont conditionné l'importance politique des lacunes dans la couverture sociale, autant pour les partis politiques que pour le public. Ensuite, l'opinion publique a également influé sur la probabilité des réformes pendant que les motivations organisationnelles des partis ont joué sur le genre de réformes recherchées.

Pour évaluer si les conclusions de la comparaison qualitative par paires peuvent être généralisées, les résultats ont ensuite été testés sur les pays de l'OCDE utilisant une analyse statistique. Cette analyse a fourni l'occasion d'examiner la définition appropriée des variables dépendantes, ainsi que la modélisation correspondante, dans l'analyse comparative des politiques. La thèse soutient que l'analyse de durée offre une façon particulièrement utile de modéliser les changements politiques. Dans l'ensemble, les résultats de l'analyse statistique concordent avec les conclusions tirées de la comparaison des cas français et italien : les niveaux de couverture sociale et la standardisation des prestations dans les États providences de l'OCDE sont fonctions d'une interaction complexe entre les institutions de protection sociale, les préférences publiques ainsi qu'entre les partis politiques et syndicats.

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Chapter 1

Introduction: Dualisation and the Left

Recent decades have seen the emergence, particularly in continental Europe, of an increasing divide between workers who have well protected, well-paying jobs, and those who have either lower quality "non-standard" employment or no job at all. This has posed a particular problem for corporatist welfare states, which frequently tie up the receipt of welfare benefits with former occupational and employment status. This situation has been made all the more difficult by an economic climate over the same time period that has generally been perceived as unfriendly toward generous welfare state benefits and coverage; as a result, governments have faced a trade-off between either extending coverage and retrenching the "good" benefits given to "insiders" *or* maintaining the protection, coverage, and benefits of the relatively well-off at the expense of a growing class of excluded "outsiders." In other words, they have had to choose between either providing lower quality benefits for everyone or creating a "dualistic" welfare state with two major, divergent sets of benefit levels.

This situation gives rise to a particular conundrum for the left, whose egalitarian and solidaristic ideological claims ended up crashing up against the protection of the privileges of much of their core constituency (or membership, in the case of leftist trade unions). Ultimately, then, we arrive at a question of the relationship between partisanship and the "dualisation" of welfare states – a relationship that is surprisingly understudied. It is here, within this gap in the literature, that this research project will locate itself.

[Table 1.1 about here]

It is worth noting at the outset that increasing (or decreasing) dualisation can be the product of a number of different kinds of policy change, and the link between dualisation and the quality or quantity of social support is not straightforward. Table 1.1 sets out some illustrative examples. Imagine a hypothetical welfare state in which access to a given benefit programme is available only to 80% of the population – leaving the remaining 20% (the welfare state "outsiders") with no access whatsoever. The first approach extends access to the programme to all residents in a country (universalisation), erasing the welfare state dualism in the process. While ideal with respect to addressing dualism, it is also likely to be financially burdensome for the state (although in some instances economies of scale may offset costs). The second and third approaches, coverage extension and coverage restriction, clearly decrease and increase levels of dualisation respectively. The former might involve, for example, including new occupational groups within the social insurance system, while the latter might involve introducing citizenship (rather than simple residency) requirements to gain access to benefits.

The fourth and fifth approaches are more difficult to assess in terms of their comparative impact on welfare state dualisation. "Residualisation" creates a two-tiered system by introducing a less generous residual benefit programme for outsiders. At the very least, this approach entrenches welfare state dualisation by likely reducing the political demand for providing outsiders with access to the primary benefit system; by

some formulations, this might be viewed as a prime example of welfare state dualisation, since it institutionalises the dualism. But despite the fact that inaction has no impact on dualisation levels, it is certainly worse for outsiders (in the short-term at least) than residualisation – since at least with residualisation they would gain access to modest benefits.

Because of this conceptual difficulty, instead of concentrating on dualisation as a process the dissertation will focus on approaches to dealing with an already dualised welfare state; specifically, we will address both changes in access to a particular family of benefits (e.g. for the unemployed) and whether these benefits are standardised. In this way, universalisation is seen as dealing more completely with already existing dualism when compared to residualisation, while inaction is considered the least desirable option. Note also that, from a policy change perspective, universalisation addresses dualisation via revolutionary reform (what Hall (1993) refers to as "third order" change), residualisation addresses it via piecemeal change (e.g. "second order" change), while inaction of course leaves the status quo as is. We will focus primarily on these three courses of action, though incremental coverage extension and restriction will also be discussed.

Overall, we will analyse the determinants of these three responses to a dualised system. We begin this investigation by focusing upon the French and Italian cases and then proceed to test the relevance of the findings in a broader context. The comparison of France and Italy is structured such that while both countries start out with relatively similar Bismarckian institutions in the two policy domains, we see contrasting results: in unemployment, France gradually fills the many insurance-based gaps by building up

benefit coverage via universally available means-tested benefits (shifting away from insurance principles, primarily from 1989 onwards), while in Italy the insurance approach remains paramount and large coverage gaps persist; in healthcare, by contrast, Italy makes a complete switch to a Beveridgean model in 1978, while France sticks to and expands its insurance model.

This chapter will lay the groundwork for the rest of the thesis, beginning with an overview of the current state of research in the field and indicating what this thesis intends to add to the current scholarship. This will include a summary of research on the relationship between welfare state institutions, parties, and the public, with particular attention paid to research on: partisanship and welfare state reform; labour market dualisation; welfare state dualisation and the left; and public opinion and the welfare state. The chapter will then outline the questions to be addressed in this dissertation – along with a set of general working hypotheses – after which point it will present a brief justification for the use of France and Italy as case studies. It will conclude by providing an overview of the subsequent chapters and the structure of the argument.

Literature Review

Broadly speaking, this research project can be located in the vast comparative literature examining the welfare state, and this is where our literature review shall begin. Laying out the broad historical strokes of this literature prior to the mid-1990s, Alber (1995) identifies four methodological stages of comparative welfare state research, which are presented chronologically in terms of their dominance. First, functionalism held

prominence up to the late 1970s, concentrating on the various pressures on the state and explaining state responses as attempts to address those pressures (e.g. Wilensky 1975). Next, there was the rise of the conflict theoretical approaches of the late 1970s and early 1980s, which concentrated on the balance of power between competing interests (e.g. Korpi 1978; Castles 1978). After that, institutionalism proceeded to “bring the state back in” in the mid-1980s (with bureaucracies, states, and other institutions argued to create the contexts that frame incentives and actions); this shift began with the work of Heclo (1974), though its most famous proponent is likely Skocpol (1985). Fourth and finally, there was configurational analysis, which endeavoured to explain similarities and differences in the development of welfare states. Esping-Andersen (1990) provides a prime example of this approach, but it had been used sporadically over the previous decades by authors such as Rimlinger (1971) and Flora and Heidenheimer (1981) (Alber 1995, 132-133).

While early research took welfare states as their focus, welfare reform itself only became a major focus after the 1980s, when right-wing governments in the US and UK argued that welfare programmes were creating substantial economic problems and therefore needed to be retrenched. This change in government objectives vis-à-vis the welfare state was all the more interesting in light of the apparent inability of governments to fully realise these goals. The result was a growing body of research that sought to explain this shift, explore the methods employed to retrench these programmes, and examine the extent to which these attempts were successful (Starke 2006, 105).

Partisanship and Welfare Reform

Central to the work on the relationship between partisanship and welfare reform is Pierson's *Dismantling the welfare state?: Reagan, Thatcher, and the politics of retrenchment*, which sparked considerable debate after its publication in 1994. Here, Pierson argued that the relationship between the left and the welfare state is a variable one – that, while the left may have been responsible for welfare state expansion, it is policy feedback, rather than partisanship, which matters most for welfare state reform (1994, 9). Thus, to label the left as the protectorate of the welfare state is to mistakenly extend the role of the left from welfare expanders to welfare defenders. Pierson subsequently elaborated on this point, arguing that the decline in partisanship's importance (what Pierson labels a shift from "Old Politics" to "New Politics") can largely be explained by the different logics of expansion and retrenchment: while the former involved directing benefits towards groups of voters, the latter involves taking benefits away from groups with a vested interest in organizing to protect them (Pierson 1996). As such, indirect attacks on the welfare state, often directed at chipping away at popular support for programmes, have been the preferred path for welfare reformers (Pierson 1994; 1996).¹

The extent to which such attacks against the welfare state were a bipartisan affair, however, continued to be much debated. Siding with Pierson, for instance, Castles has argued that parties were only of consequence to social expenditure levels while economies

¹ A recent study by Giger and Nelson (2010), however, has called into question this reasoning, arguing that liberal and religious parties often gain rather than lose votes by retrenching, and can thus safely engage in credit-claiming rather than blame-avoidance.

were growing (1998). Along similar lines, Huber and Stephens found that the statistically demonstrable effects of the left on welfare state effort began to drop off in the 1970s, with this decline accelerating in subsequent decades (2001). Similarly, Kittel and Obinger argue that while the left was still capable of pursuing its traditional welfare policy aims in the 1980s, by the 1990s budget consolidation became the key pursuit, regardless of party identity, leaving partisanship to explain only a small amount of variance (2003).

Explanations of this general trend frequently point to the problem of the welfare state's economic unviability, caused by a combination of demographic and economic pressures as countries attempted to increase their economic efficiency and attractiveness to capital in a competitive global economy (e.g. Scharpf 2000; Burgoon 2001; Castles 2004).

Leaving aside questions of demographic and economic pressures on the welfare state, an alternate group of scholars questions the conclusion that the potential impact of the left has actually significantly decreased. In a study that contradicts that of Huber and Stephens, Allan and Scruggs criticise the statistical evidence touted by academics supporting the "New Politics" perspective, pointing to the inappropriateness of welfare state expenditure as a dependent variable (2004). The authors argue that entitlement data provides a more accurate measure of welfare state effort, and that when the dependent variable is properly specified, results demonstrate that the left does indeed continue to make a difference (2004). On a similar note, research by Korpi and Palme concluded that a lack of left representation in cabinets was associated with an increased probability of social insurance programmes being retrenched (2003). Levy in turn, has argued that in systems where not all welfare programmes are progressively redistributive (as is particularly the

case in continental welfare states), the left has had occasion to eliminate regressive programmes and use the freed up revenue both to expand progressive programmes and balance the budget (1999; 2001).

This argument about the continued salience of partisanship, however, has also been turned on its head by some authors. In an argument that takes the mirror image of the claims just presented, Fiona Ross argues that although partisanship has continued to be of import in recent decades, the left has been associated with welfare state retrenchment, not expansion (2000). For Ross, partisan dealignment trends have provided incentives for left-wing parties to move to the right, while their status as traditional defenders of the welfare state has provided them with the means to retrench more effectively than the right (2000, 162). This line of reasoning thus follows a "Nixon goes to China" logic, suggesting that "moderate right-wing policies are more likely to be implemented by right-wing parties (and similarly for the left), but extreme right-wing policies are more likely to be implemented by left-wing parties (and vice versa)" (Cukierman and Tommasi 1998, 182). Furthermore, once the left have implemented such policies, the stigma of further retrenchment by parties of whatever stripe is often reduced (Fink and Talos, 2004).

This general position has found support in studies such as that of Kitschelt, which attempted to demonstrate that during fiscal and economic crises, it was the parties of the centre-right rather than the left which were the most likely to resist retrenchment and try to protect existing welfare programmes (2001). What is more, other authors, such as Green-Pedersen, argue that there is an unexpected relationship between partisanship and benefit type preference; according to this argument, the right often prefer universal

welfare state programmes due to their market-conforming qualities while the left often opt for narrow targeted benefits since they are more redistributive (2003).

In light of the conflicting evidence and claims, one wonders how so much variation in results is possible. The most obvious answer is that omitted variables, changes in variable specification, and – to a great extent – different measures of welfare state change (i.e. social expenditure levels versus replacement rates) lead to quite diverse findings. That so much diversity in findings is associated with even slight changes in specification should make us nervous. There are two likely explanations here: first, the diverse results may indicate that measurement error is a serious problem in many of the studies referenced above, and that as a result we need to more rigorously investigate how we can best operationalise the pertinent variables; second, the diversity in findings may be the result of heterogeneity, suggesting that there has not been a uniform cross-national process which has affected all welfare programmes equally. In order to address the former issue, our statistical analysis will employ various dependent variables, looking at coverage from different angles and even using policy change itself as a dependent variable.

The latter issue, in turn, requires a bit more exploration, as it leads us to question what it is that explains variance in partisanship's impact across different programmes and policy reforms. According to one argument (Pennings 1999), social democratic parties are more likely to favour neoliberal reforms where economic planning has a long tradition, as they attempt to safeguard the welfare state by finding the necessary balance between market and planning solutions. For Kitschelt, in turn, strategy is central: do parties need to be worried about being outflanked/voter drift to the left or right, can a left-wing party take

the wind of the right's sails by enacting welfare reform, etc. (2001)? Vis, by contrast, focuses upon the necessity of a deteriorating economic situation combined with a government's deteriorating political position (although having a right-wing government can substitute for the latter component) (2010).

Irrespective of how one answers this question, it seems clear that the dispute about the effects of partisanship on welfare reform has not been resolved and that we are unlikely to discover a universal relationship between the left and welfare reform *writ large*. As a result, we must accept that the relationship is heterogeneous and complex and narrow our focus to specific types of welfare reform, particularly those that are of theoretical interest. To this end, we have chosen to concentrate on reforms that deal with the dualised nature of welfare states – i.e., those that serve to extend access to benefits (and possibly even standardise their generosity). This is a particularly interesting area for research since the nature of the issue gives rise to conflicting incentives and raise interesting ideological questions for the left. And on that note, let us now shift to the next section of our literature review.

Dualisation

The other key literature pertaining to this project revolves around the dualisation of labour markets and, as a corollary, welfare programmes. Labour markets are said to be dualised insofar as they exhibit a split between a primary sector which contains better, well-paying jobs and a secondary sector which is characterised by less attractive, low-paying jobs, which are typically temporary and/or part-time in nature (Berger and Piore

1980). Much of the earlier work on this topic examined the US within this framework, looking at the relationship between disadvantaged groups and jobs in the secondary sector, as well as the division's impact on weakening and dividing the American working class (Gordon et al. 1982). This framework has subsequently been exported and applied to a variety of cases, examining the division between labour market insiders (those with protected jobs in the primary sector) and outsiders (everyone else). The purported source of this division has seen various conceptualisations: insiders may, for example, derive their preferential position from issues such as higher labour turnover costs (Lindbeck and Snower 1988; 2001), insiders' possession of firm specific skills (Solow 1985), or outsiders' lack of political representation by trade unions (Saint-Paul 1996; 1998).

Yet regardless of where one thinks this division arises from, this approach has become increasingly relevant as the prevalence of nonstandard employment relations (such as jobs which are part-time, short-term, and/or temp-agency based) have increased cross-nationally over the past few decades. This has occurred partly in an attempt to avoid strict labour laws, as Mitlacher (2007) argues, but also as a result of post-industrialisation in general (Kalleberg 2000). As King and Rueda point out, dualisation has been a particular problem in countries with strict labour regulations (such as those found in continental Europe); the centrality of cheap labour in modern economies leads countries which prevent these types of jobs from developing within the primary economy to develop a large sector of non-standard employment aimed at filling this role (2008).

The prevalence of outsiders across the OECD is demonstrated by Figure 1.1, which presents average percentages of temporary contracts, part-time work, and long-term

unemployment (defined as unemployment lasting longer than a year) in the labour force over the 2000-2009 period.² As one notes from the graph, our two central cases, France (at 30.8%) and Italy (at 29.8%), are quite typical – with their scores hovering around the median (29.9%) and just above the mean (29.4%).

[Figure 1.1 about here]

Figure 1.2 traces this measure of outsiders (along with its component parts) as a percentage of the labour force, comparing developments over time from 1983 through to 2010; Italian and French trends are listed, alongside overall mean changes across the OECD.³ Note that despite a general dip of long-term unemployment (defined as unemployment over 12 months), the overall number of labour market outsiders has consistently risen. As one would expect from Figure 2, Italy rounds out the period with a mean slightly below the broader average, France's rate is slightly higher than the average. And although these numbers may only approximately track the actual number of welfare state outsiders (depending on the arrangement of welfare state programmes), they nevertheless indicate a broad pattern that is suggestive of the increased potential salience of insider/outsider divisions. Furthermore, when examining the data on part-time workers, it is also important to note the prevalence of involuntary part-time employment. As Figure

² Temporary contracts and part-time work are defined using the standard OECD definition.

³ The OECD mean includes values for: Australia, Austria, Belgium, Canada, Czech Republic, Denmark, Finland, France, Germany, Hungary, Ireland, Italy, Luxembourg, the Netherlands, Norway, Poland, Portugal, Slovak Republic, Spain, Turkey, the UK, and the Note that data for certain years are missing for some countries, however.

1.3 indicates, both France and Italy have considerably higher rates than the averages in the European Union 15 and OECD (despite increases in the means).⁴ Italy in particular had its rates more than double in the 2000s, while France peaked in the 1990s (unfortunately pre-1993 data is missing in the French case).

[Figure 1.2 about here]

[Figure 1.3 about here]

When looking at these trends, one should also keep in mind that non-standard employment is not equally distributed across the population as a whole, since women, youth, and immigrants make up a disproportionate percentage of labour market outsiders (Ferrera (ed.) 2005; Estevez-Abe 2006; Gash and McGinnity 2007; Lodovici and Semenza 2008). Furthermore, rather than serving as a stepping stone these non-standard jobs have frequently lead workers into repeated bouts of non-standard employment – although the chances of obtaining a stable job are nevertheless greater for workers with temporary contracts than they are for the unemployed (Martin et al. 1999; Gash 2008; Lodovici and Semenza 2008). This is no small issue, either, since non-standard employment has often been associated with, for instance, high turnover rates, lower job satisfaction, training and wages, and a greater number of work-related health problems (Booth et al. 2002; Blanchard and Landier 2002; D'Addio and Rosholm 2005). Worse still, these negative effects can (under certain circumstances) often persist for workers who enter into this type

⁴The EU 15 are the most developed of the EU members, namely: France, Germany, Italy, the Netherlands, Belgium, Luxembourg, Ireland, the United Kingdom, Denmark, Greece, Spain, Portugal, Finland, Sweden and Austria.

of employment even after they gain standard employment, which is particularly problematic since these positions are prevalent among labour market entrants (Scherer 2004; Gagliarducci 2005; Bernardi and Garrido 2008). Add to these factors the negative conditions associated with our other component group of labour market outsiders – the long-term unemployed – and it becomes clear that the gap between insiders and outsiders is a large one.

Unsurprisingly, the distinction between the benefits accrued by insiders and those accrued by outsiders is expected to lead to divergent preferences. This divergence is further complicated by the fact that in many instances, the benefits of insiders come at a cost to outsiders (and vice versa). It is this logic which underpins, for instance, Saint-Paul's conclusion that "incumbent employees will favour policies that increase the exclusion of 'outsiders' in order to increase their ability to bid up wages and other dimensions of their welfare associated with their insider status" (1996, 266). Thus, policies that increase unemployment may actually be favoured by the larger (and typically better organised) part of the electorate. Similarly, active labour market policies (designed to incentivise labour market entry for the unemployed) may remain unpursued, even if costless to enact, as they would potentially allow the long-term unemployed to underbid insiders (Saint-Paul 1998; Gaston and Rajaguru 2008).

Yet these divergent preferences go further than just the benefits insiders gain in the labour market. Here it is key to note that in many instances (particularly across the corporatist welfare states of continental Europe) the privileges associated with standard employment extend beyond simple differences in wages, career advancement, etc., into the

realm of welfare benefit provision. This is the case because occupation, employment status and employment history (viz. the number of years spent in full-time standard employment) are frequently intricately tied up with access to welfare state programmes. As a result, one can note two potential ways in which welfare states may be becoming increasingly dualised: the first is through the increase in the number of labour market outsiders, which, without a commensurate policy change in the link between employment status and access to welfare benefits, leads to further dualisation (i.e. a greater number of welfare state outsiders); and the second, more direct route, is through welfare reform which trades the protection of benefits for welfare state insiders for increasingly poor coverage and benefits for outsiders.

The importance of social policy reform to deal with increasingly dualised welfare states (whether that dualisation has been driven by economic developments or explicit policy choices) thus becomes evident. What is more, the distinction between the interests of welfare state insiders and outsiders raises an interesting ideological dilemma for the leftist actors: in light of the circumstances, they appear forced to choose between either defending the insider privileges of many of their traditional supporters or upholding claims of broad solidarity and egalitarianism, reaching out to attract outsider support as well. Indeed, this growing division among workers gives rise to what Esping-Andersen (1999a) labelled one of the three new emerging class cleavages – that between welfare state insiders and outsiders – and it is here that the relevance of the intersection between the literature on dualisation and partisanship becomes apparent.

Dualisation and the Left

While literature dealing precisely with the relationship of the left to dualising social policy is lacking, there are a number of studies that touch tangentially on the issue. In most cases, this research has been directed at the relationship of the left to insiders and insider preferences. Looking at France, for example, Smith argues that parties of all stripes have purposefully directed resources toward insiders and that as a result, even the French left (despite its own rhetoric) has been responsible for increasing inequalities between classes and generations (2004). Rueda has made similar arguments using a cross-national approach (but with specific reference to employment policy), suggesting that Social Democratic governments have largely abandoned their commitment to egalitarianism in employment policy; instead, they have opted to represent the interests of insiders – which is particularly problematic whenever insiders are at a low risk of becoming unemployed (2005; 2006; 2007). Other evidence, however, suggests that Social Democratic parties may in fact be pursuing outsider support (Schwander 2013). Relatedly, Emmenegger (2009) finds evidence that labour market outsiders are just as likely as insiders to support the strict job security regulations that are argued (not uncontroversially – see Esping-Andersen 2000) to increase unemployment.

So if we take the pursuit of outsider votes as a central element in explaining different leftist party positions, the obvious next point of inquiry is why some parties pursue outsider support while others do not; indeed, this question brings us back to our discussion about the variation in findings in the literature on partisanship and the welfare state. As was suggested before (and will be further discussed below in the section on public opinion and the welfare state), electoral incentives likely explain a large part of this

variation. Yet it has also been argued that left-wing, Western European parties in particular are not as responsive to short-term shifts in public opinion, constrained by a traditional preference for policy-seeking over office-seeking and strong ties to the labour movement (e.g. Przeworski and Sprague 1986; Kitschelt 1994; Adams et al. 2009). Nevertheless, especially in light of declining ties to the labour movement and a shift away from mass-class party structures, we can reasonably conceive of these parties as bundles of ideological commitments and organisational incentives. This latter characteristic involves both short-term office-seeking behaviour and long-term concerns vis-à-vis the future of the organisation.

As such, *ceteris paribus*, we would expect the substantial, economically driven increase in the number of outsiders to impact party positions, at least past a certain tipping point (insofar as those outsider preferences conflict with those of the traditional support base). Overall, and given the potential ideological appeal of the extension of access to social policy preferences, Figure 1.4 sums up our expectations regarding left-wing party preferences.⁵ Note that since the policy has ideologically attractive characteristics, the key factor here is the potential to expand the party's vote share.

[Figure 1.4 about here]

⁵ These expectations hold in circumstances where left-wing parties are worried about vote share, have limited government funds with which to possibly manoeuvre (requiring them to make trade-offs), and are not subject to union veto power within the parties themselves.

Other work on dualisation and the left, however, has taken as its subject leftist trade unions rather than parties, examining union preferences vis-à-vis dualisation. Although our primary focus is on left-wing parties, this research is particularly pertinent given the dearth of work on parties and dualisation as well as the broader political relevance of trade unions in Europe. This relevance arises from the fact that, as Béland has observed in a study looking at the French case, in countries where trade unions are involved in the management of unemployment and/or pension schemes, these unions are accorded an "ideological veto point" which augments their political influence, even when union membership is low (2001). In many instances this influence finds its expression in mass protest – or at least the threat of mass protest – thus harkening back to Pizzorno's concept of "political exchange" (i.e. the use of the political resources of labour to gain concessions from the state) (1978). Da Conceicao-Heldt adds a caveat to this claim, however, arguing (once again through a case study of France) that mass union-led protest only successfully dissuades governments from reform if an election is being held in the relatively near future (2008). What is more, Hausermann makes the claim that when pension reforms are designed so as to both retrench current welfare benefits *and* at the same time extend benefit coverage to cover new social risks, union opposition is marginalised (2010).

While this research suggests that, at least under certain circumstances, trade unions can strongly influence which social policy reforms are passed, what types of positions should we expect unions to support with regard to dualisation? Although union members within the standard economy are likely to favour dualisation insofar as it protects their own benefit levels, this is not necessarily a moot question given the traditional "mass-class"

claims of leftist unions in continental European countries such as France and Italy. In addition, representing the interests of outsiders also offers a potential source of revitalisation for the union movement, presenting an opportunity to increase membership numbers and, consequently, maintain broader relevance and sway (akin to the vote seeking behaviour of left-wing parties). Yet unions are faced with the additional problem of maintaining specific gains, achieved through bargaining, for their paying membership. As a result, as Palier and Thelen suggest, organised labour – generally hard-pressed to defend past gains – has in many instances been quick to ignore the needs of outsiders (2010). The conflict of interest between the "old working class" and outsiders creates a situation in which unions often struggle to redefine an encompassing working class identity (Ross 2000).

One should note, however, that ideological considerations are being complemented by organisational incentives in these instances. As Clegg et al. argue, trade union positions on policy changes such as these are shaped by strategic and institutional contexts that increasingly push them towards supporting such reforms (2010). This is especially the case when they feel that the only alternatives are even less agreeable. Unions thus choose, for instance, between protecting their membership (i.e. insiders) by opposing activation policies (which reform unemployment programmes so as to increase worker participation) *or* supporting these policies so as to increase their potential membership – but the circumstances in which they find themselves greatly predetermine their positions (Clegg et al. 2010). What is more, union leaders may well also feel compelled to defend the overall organisational interests of the union by defending its institutional positions (at the expense

of acceding to labour market deregulation at the margins) (Davidsson and Emmenegger 2012). Yet even where union leaders have a discernible preference with regard to a particular social policy reform, internal democratic requirements can lead lower level, local union representatives to wield considerable power vis-à-vis organisational leaders in mobilising a consensus (Baccaro 2002). The result is a complex interplay of organisation and membership preferences, similar to the electoral incentives for left-wing parties – at least in their mass-class heyday – but with a generally more long-term focus (due to the absence of electoral competition for office).

Overall, then, we can separate past research into two broad camps: one which suggests that leftist organisations (whether parties or unions) turn in on themselves, ignoring the plight of outsiders and contributing to dualisation, and another which avers that they pursue outsider support. That this general debate in the literature has been occurring points to another fact that is essential to this study: namely, that policies affecting levels of dualisation have become relatively common occurrences. The past thirty years have seen a general pattern of reform in continental European that has increased protection for welfare state insiders while simultaneously cutting benefits and targeting activation requirements toward outsiders – a process which Clegg argues finds its parallel in the increase of provisions for non-standard work (2007). And while benefits for the unemployed and the working poor are generally quite limited under these welfare regimes, generous benefits often abound for workers who have had standard employment biographies; the result is a poor track record in fighting poverty, particularly in Southern Europe (Ferrera (ed.) 2005).

Furthermore, as Palier and Martin observe, unemployment benefits have typically been calibrated so as to favour those who have lost jobs within the standard sector, while pension reforms, for example, have usually involved long phase-in times so as to insulate insiders as much as possible (2007, 543).⁶ In the field of healthcare, the historical expansion of coverage in health insurance systems through a proliferation of occupational schemes led to both benefit variation and a lack of coverage for many citizens without the requisite ties to the labour market (either directly or within the family) (Freeman 2000). What is more, the extension of health assistance benefits often failed to adequately address this issue, as they generally provided lower quality benefits (Guillen 2002).

To suggest that these sorts of outcomes have been transpiring evenly across the developed world, however, would be misleading. As Hausermann and Schwander (2010) have argued, while this process has occurred in all three of Esping-Andersen's (1990) worlds of welfare (i.e. Liberal, Corporatist-Statist and Social Democratic), it has been most acute and pervasive in the Corporatist Continental European welfare states, where it manifests itself as economic, political, and social exclusion. Indeed, this pattern is so widespread in continental Europe that Palier and Martin have asserted that Bismarkian welfare states generally can be said to have followed a distinct and identifiable multi-phase pattern; the result of this process has been paradigmatic changes, large structural changes, and a greater degree of dualisation in pensions, unemployment policies, and health care

⁶To make matters worse, an edited volume by Meyers et al. suggests that pension privatisation may be increasing the risks of social exclusion that future retirees will face (2007). Raitano's evaluation of Italian pension reform, for instance, indicates that reform may leave pension systems even less able to protect workers who have had low wages or non-standard work biographies – even when such policy changes occur primarily only at the margins of the pension scheme (2007).

systems (2007).⁷ In sum, dualisation has therefore presented a particular challenge for the left in Continental and Southern European states.

Public Opinion and the Welfare State

The last body of literature relevant to our study pertains to public opinion and the welfare state. Most broadly, there is the debate as to the general determinants of redistribution.⁸ This overall conflict over redistribution is often viewed in terms of broad country-wide factors, such as the extent of economic inequality (e.g. Milanovic 2000), the structure of economic inequality (e.g. Lupu and Pontusson 2011), or the type of welfare state (e.g. Dallinger 2010) – all of which are thought to shape attitudes about the need for redistribution. On an even broader scale, there is also some evidence that the shift to post-industrialism across the developed world has slowly undermined the traditional welfare state solidarity underlying pro-redistribution positions (e.g. Pierson 2001a; Taylor-Gooby 2011a). Nevertheless, most Europeans continue to prefer universalism, at least in the realm of unemployment benefits, with only low cross-national variation (Reeskens and Van Oorschot 2013).

But individual welfare states also derive considerable continuity on the basis of their existing institutional arrangements. As Pierson argues, the welfare state derives its

⁷ While these authors (Palier and Martin 2007) divide the changes these welfare states have undergone into reforms of pensions, unemployment policies, and health care systems (via the introduction of more competition and privatisation), for our purposes we shall leave the latter aspect of dualisation outside the purview of this study (and thus this literature review).

⁸ Note that although we can generally distinguish redistributive benefits (such as unemployment benefits) from life-cycle ones (such as healthcare) (e.g. Jensen 2012), the connection of healthcare coverage/benefit generosity to occupational status within the health insurance systems upon which we are focusing does suggest redistributive conflict.

political strength from two principal sources: "the electoral incentives associated with programmes which retain broad and deep popular support and the institutional 'stickiness' which further constrains the possibilities for policy reform" (2001b, 411). Prospect theory, which posits that individuals are more negatively impacted by losses than they are positively impacted by equivalent gains, is also relevant here (see Levy 2003). This would suggest that if we take two voters, an insider and an outsider, and remove a benefit from the insider while giving an equivalent one to the outsider, the respective levels of satisfaction with the decision will not cancel out. As a result, we might expect governments to avoid reforms that could be perceived as enacting broad losses on certain groups, despite evidence that public opinion supports reorganising the distribution of spending across welfare state domains (e.g. Boeri et al. 2001).

At the same time, while these considerations potentially shape the weighting governments give to various groups with strong opinions on welfare state reform, it obviously does not eradicate the possibility that public opinion will result in policy change. First, reform is quite evidently still possible, even from an institutionalist perspective, whether through punctuated equilibrium (offering the potential for radical change) or more subtle processes such as institutional drift, layering, or conversion (cf. Pempel 1998; Schickler 2001; Thelen 2003; Hacker 2004; Streeck and Thelen 2005). Second, there is a sizeable body of research suggesting that the public opinion/policy change connection is of considerable import in democracies (e.g. Erikson et al. 2002; Brooks and Manza 2007; Soroka and Wlezien 2010), although certain groups may often exert greater influence than others (cf. Downs 1957; Dahl 1961; Jacobs and Skocpol 2005; Enns and Wlezien 2011).

This then leads us to consider the individual level factors that might shape the attitudes of a given citizenry, and of course there are a plethora of findings on this question. For some, standard variables such as age, income, gender, social class, and political orientation do most of the work in explaining variation – though there is of course variation in which of these variables are actually of import (cf. Van Oorschot 2006; Bonoli and Häusermann 2009; Busemeyer et al. 2009; Taylor-Gooby 2011b). This corresponds to arguments suggesting that political cleavages vis-à-vis the welfare state are arising along gender, income, and age, though an additional argument for the importance of the insider/outsider division is often included among the emerging cleavages (see Esping-Andersen 1999a; Boeri et al. 2001).

Burgoon and Dekker, for example, argue that part-time and temporary employment engender a sense of economic insecurity, which in turn increases support for social assistance for the unemployed (2010). Alternatively, Häusermann and Schwander suggest that since workers often move back and forth between part-time/full-time work or unemployment/employment, rather than look at these *potential* markers of outsider status we should focus on occupational categories or classes; what matters in this formulation is an individual's general employment biography, with outsiders more supportive of both redistribution and social investment than insiders (2011). Yet the potential weight of these opinions is likely compromised by some of the issues discussed above, particularly since political coalition building is affected by the comparative institutional advantages that welfare regimes afford sectors and factors of production (Manow 2001). A study of debates around unemployment in Italy by Baglioni et al. (2008) provides an excellent illustration of

how this might impact outsider influence: although they find that debates around unemployment benefits arise when there are large number of unemployed persons, business and labour organisations have the loudest voices within this debate (forming a "golden triangle" with national ministries). This is then reflected in the media, with the unemployed themselves largely absent from the discussion (Baglioni et al. 2008, 847).

In sum, we note that – despite institutional inertia – public opinion (whether on the whole or that of key groups) most likely shapes the types of social policy reforms that governments enact, with parties engaging in vote-seeking behaviour. This process is playing out in a broader setting in which public opinion itself is being shaped by demographic factors, policy choices, and institutional arrangements that condition preferences as well as the relative influence of different groups in society. Our investigation will proceed by embedding this dynamic within a context of partisan politics and changes in the labour market.

Methodology

As was alluded to above, the principal issue with the existing literature is that research on the relationship between partisanship and dualisation is rather sparse. As Davidsson and Naczyk point out, the roles of parties in dualising reforms remains quite understudied, as does the unions' use of political influence or institutionalised roles vis-à-vis dualisation (2009, 32). The proposed study, by presenting an in-depth investigation of two cases in two policy domains, alongside an attempt to test the generalisability of the findings, is intended to help rectify this gap in the literature and increase our

understanding of how and under what circumstances partisanship matters for dualisation. What is more, by including a specific consideration of reform itself in the quantitative analysis (as opposed to simply looking at incremental changes in outcomes), we hope to rectify a common failing in quantitative studies by directly aligning the analysis with our more qualitative research. Too often, quantitative analysis has focused on changes in spending or coverage levels that may not adequately reflect the timing or import of policy changes, which can in turn lead to an exaggeration of either continuity or change. We therefore hope to make a strong methodological point in addition to substantive ones about coverage extension and dualisation.

Before proceeding to the overview of the research project, however, a definitional comment should first be made, so as to clarify how the relationship between the left and insiders/outsideers will be conceptualised. It should be noted that in defining the distinction between insiders and outsiders, we follow the classification set out by Hausermann and Schwander (2009), which views the division between insiders and outsiders as being more than a simple binary one. Instead, it is possible for an individual to be neither a full insider nor a full outsider, with three components comprising the division: labour market dualism, which “refers to structural disadvantages of outsiders in terms of earnings possibilities, job mobility and access to training”; political integration dualism, wherein “labor market outsiders are politically under-represented and alienated from democratic decision-making”; and social protection dualism, marked by outsiders who “are structurally disadvantaged with regard to social right coverage and welfare benefits” (Hausermann and Schwander 2009; 2010, 6). Thus, although this research proposal has spoken of the

insider/outsider divide as if it were black and white, attention will be paid in the qualitative sections to the varying degrees of insider/outsider-ness that exist.

With that in mind, we now turn to outlining the research to be carried out in this dissertation. We will begin by delineating the questions that the study will attempt to address and presenting the hypothesised causal story. A justification of the cases selected will then be provided, after which point the general research strategy and methodology will be presented.

The Research Questions

The principal research question which this study will attempt to answer is the following: what accounts for divergences, both within- and across-cases, in the approach of leftist parties to dualised welfare states (pushing for either universalisation, residualisation, or the status quo)? In addition to this primary question, I hope to also address the extent to which public opinion may have shaped government responses to growing gaps in welfare state coverage, as well as the contextual factors that have shaped those opinions.

Competing hypotheses will be listed in detail in subsequent chapters, as we deal with our different policy domains specifically, but the literature review suggests a broader framework from which we will, over the course of the thesis, extrapolate. Given that leftist parties have been in power in both France and Italy, yet their respective welfare state programmes have experienced different trajectories of reform, it is clear that there is no

consistent relationship between partisanship and reform vis-à-vis dualised welfare states.

This observation leads us to a number of starting hypotheses:

Hypothesis 1: the left may typically opt to maintain the backing of traditional (insider) supporters with pro-status quo preferences, leading partisanship to have a limited impact on party preferences regarding benefit coverage and standardisation. This decision may be based, for example, on the perceived feasibility of poaching more votes than might be lost by pursuing reform.

Hypothesis 2: the left may seek the support of outsiders where possible, but the latter group's preferences across countries may differ (being sometimes pro-reform, sometimes pro-status quo), with outcomes in line with those preferences. Outsider preferences might be shaped, for example, by the distribution of access to social programmes in society.

Hypothesis 3: the left may seek/oppose the extension and standardisation of benefits for reasons separate from the stance of outsiders and the division between insider and outsider supporters - perhaps because it is of use to the leftist organisations themselves. This might be the case, for example, because leftist parties/unions prioritise the status quo to maintain political resources derived from the current institutional arrangement (or oppose it to undermine rival parties/unions political resources).

Hypothesis 4: different relationships may dominate different policy domains.

This could be the result of issues related to an issue inherent to the policy

domain (e.g. is it dominated by life-cycle or redistributive characteristics?) or the specific institutional context of the relevant programme.

All of these relationships are likely conditioned by contextual factors alluded to in the broader literature, so the chapters will outline relevant theories within each of the two policy domains as it proceeds. Brief references will be made to these broader hypotheses throughout the thesis, but they will be explicitly revisited in the conclusion.

The Central Cases

In investigating the processes at work and attempting to answer our research questions, the study will focus half of its attention upon two cases: France and Italy. Both countries will be examined in the context of broad economic constraints on welfare state expansion and an increasingly dualised system (both due to changes in the economy and policy choices).

The selection of these countries is based both upon: (1) certain institutional similarities that posed a challenge to the existent system; and (2) the cross-country and cross-domain differences in outcomes as the countries dealt (or failed to deal) with these challenges.

Turning first to similarities between the cases, both countries are classified by Esping-Andersen, originator of the dominant typological welfare state framework, to be central cases of the Corporatist-Statist welfare type (1990; 1999b). These welfare states are marked by their attempt to preserve rather than overcome status differentials tied up with, for example, class and gender differences; this leads them to be interventionist

(except regarding family services) yet not particularly redistributive (Esping-Andersen 1990, 27). At the same time, both France and Italy may be considered atypical Continental welfare states, and both countries consolidated their welfare states considerably later than their neighbours (Schmidt 2000, 269).

Despite these similarities, the French and Italian welfare states are quite obviously not functional equivalents. Indeed, there are numerous other scholars who would place Italy into an alternate, Southern European world of welfare, which is in some ways characterised as an extreme version of the Corporatist-Statist model (Ferrera 1996; 2000; Martin 1996; Rhodes 1996; Naldini 2003). The main characteristics of this Southern welfare type include (as delineated by Ferrera):

- 1) the peculiar 'excesses' in income maintenance: peaks of generosity accompanied by vast gaps of protection.
 - 2) the departure from institutional corporatism in the field of healthcare and the (partial) establishment of national health services, based on universalistic principles.
 - 3) the low degree of state penetration of the welfare sphere, in a broad sense, and the peculiar mix between public and non-public actors and institutions.
 - 4) the persistence of clientelism and the formation – in some cases – of fairly elaborate 'patronage systems' for the selective distribution of cash subsidies.
- (1996, 29-30)

In keeping with this picture, Italy is indeed more fragmented and clientelistic in its service provision than France, with a strikingly large proportion of social spending directed toward pensions over other services, and is generally much more traditional – placing a high emphasis on traditional family structure and gender roles (Schmidt 2000, 269).

Most importantly for our purposes, however, the countries do share two key traits: a historically insurance-based focus that has resulted in benefit rationing via occupational

and contribution-based controls on access to benefits (whether within the unemployment insurance or social health insurance systems); and a broad, historical unavailability of universal benefits for those who lack access to the main system – with residual benefits traditionally both means-tested *and* categorical, thereby requiring recipients to belong to a protected category of individuals (e.g. the disabled). As a result, the increased number of labour market outsiders that came about after the end of the period of economic growth associated with the *les trente glorieuses* (see Figure 1.1) posed a considerable problem for the systems. This division was then further reinforced by the protection of insiders via labour market protection not extended to outsiders.

[Table 1.2 about here]

Both countries were relatively late to address these problems (to the extent that they have addressed them at all), but as was previously mentioned, they employed divergent approaches (see Table 1.2). France ultimately pursued a process of residualisation in both policy domains, extending access to benefits for the unemployed (via the *Revenu Minimum d'Insertion*) and healthcare (via the *Couverture Maladie Universelle*). Italy, by contrast, failed to institute a comparable, nationally available benefit for the unemployed, while in healthcare it instituted revolutionary reform, replacing the social health insurance system with a universal one (the *Servizio Sanitario Nazionale*). The dissertation will therefore explore, given certain similar problems, what led the two countries to pursue different paths and, in the case of Italy, how we can understand

different approaches across different domains. Lessons drawn from these case studies will then be tested on a broader sample of countries to explore whether and to what extent the conclusions drawn can be extended to other countries.

The Approach

In carrying out this study, the investigation will employ both qualitative and quantitative analysis: in the former case, it will combine research from secondary sources, archival research, and elite interviews (please see the Appendix for details on how I obtained, conducted, and used the interviews); in the latter, it will utilise multi-level model survey analysis, time-series analysis, and duration analysis. Following this chapter, Chapter 2 will compare developments in France and Italy vis-à-vis benefits for the unemployed, using the French case as a foil for the Italian. In particular, it will compare the residualisation of the French healthcare system, particularly via the 1998 *Revenu Minimum d'Insertion*, with the failed attempt at residualisation in Italy through the 1998 *Reddito Minimo di Inserimento*. Chapter 3 will then test the generalisability of the conclusions drawn in the previous chapter, using a combination of multi-level model, time-series, and duration analysis to examine developments in European and other OECD countries. Chapter 4 will shift our focus into the healthcare domain, again comparing the French and Italian cases. The analysis here will centre upon the contrast between the universalisation of the Italian system (with the 1978 *Servizio Sanitario Nazionale*) and the residualisation of the French system (with the 1999 *Couverture Maladie Universelle*), drawing out contrasts with the developments highlighted in Chapter 2. Chapter 5 will then examine the

generalisability of the findings on healthcare, again using the three-pronged quantitative approach to test developments across the OECD. Chapter 6 will then draw out a series of conclusions from these findings as a whole, comparing the results of the analysis in the two policy domains in order to hypothesise about potential explanations for the contrasts.

In accordance with the research questions laid out above, this investigation will be couched within a consideration of institutional factors that directly shape government responses (and thus, potentially, the role of partisanship) and/or shape them through an impact on public opinion. To preview our conclusions, we will ultimately argue that certain institutional arrangements (typically those associated with Southern European states) have had a considerable impact on the left's relationship to welfare state dualisation. While public opinion helps to explain whether or not reform occurs at all (through the shaping of electoral incentives for parties to adopt pro-reform stances), institutionally derived party preferences appear to impact the type of reform pursued (through creating organisational incentives that are either pro- or anti-status quo).

Conclusion

This chapter has presented an outline for the remainder of the dissertation, which will examine when and how partisanship matters with regard to the reform of dualised welfare states. In laying out this outline, the chapter began by providing a review of the relevant literature, focusing upon the scholarship on partisanship and the welfare state, labour market dualisation, and welfare state dualisation and the left. It then proceeded to present the research questions to be explored in the proposed study and a justification was

then provided for the use of France and Italy as comparative case studies. The chapter then concluded by outlining the structure of the dissertation.

Overall, this research project aims to fill a gap in the literatures on dualisation, partisanship and the welfare state by examining the relationship between public opinion, the left, and reforms of segmented welfare states across countries and policy domains. It will do so by comparing two infrequently compared welfare state programmes and employing a more nuanced approach to combining qualitative and quantitative than is typically used. In the latter instance, the goal will be to assess the likelihood of reform itself rather than the potential outcomes associated with policy change. In light of increased dualisation and the growing number of welfare state outsiders (particularly in continental Europe), it is hoped that this research will provide some insight into an on-going political process which continues to affect the benefits available to millions of individuals in these countries.

Table 1.1 – Conceptualising Dualisation

	Universalisation	Coverage Extension	Coverage Constriction	Residualisation	Inaction
Impact on Level of Dualisation	Dualisation Eradicated	Decreased Dualisation	Increased Dualisation	Increased Dualisation?	No impact?

Table 1.2 – Outcomes across the Core Cases

	Benefits for the Unemployed	Healthcare
France	Two-tier system (evolutionary change)	Two-tier system (evolutionary change)
Italy	Status quo (no change)	Universal system (revolutionary change)

Figure 1.1 – Outsiders as a % of Total Labour Force

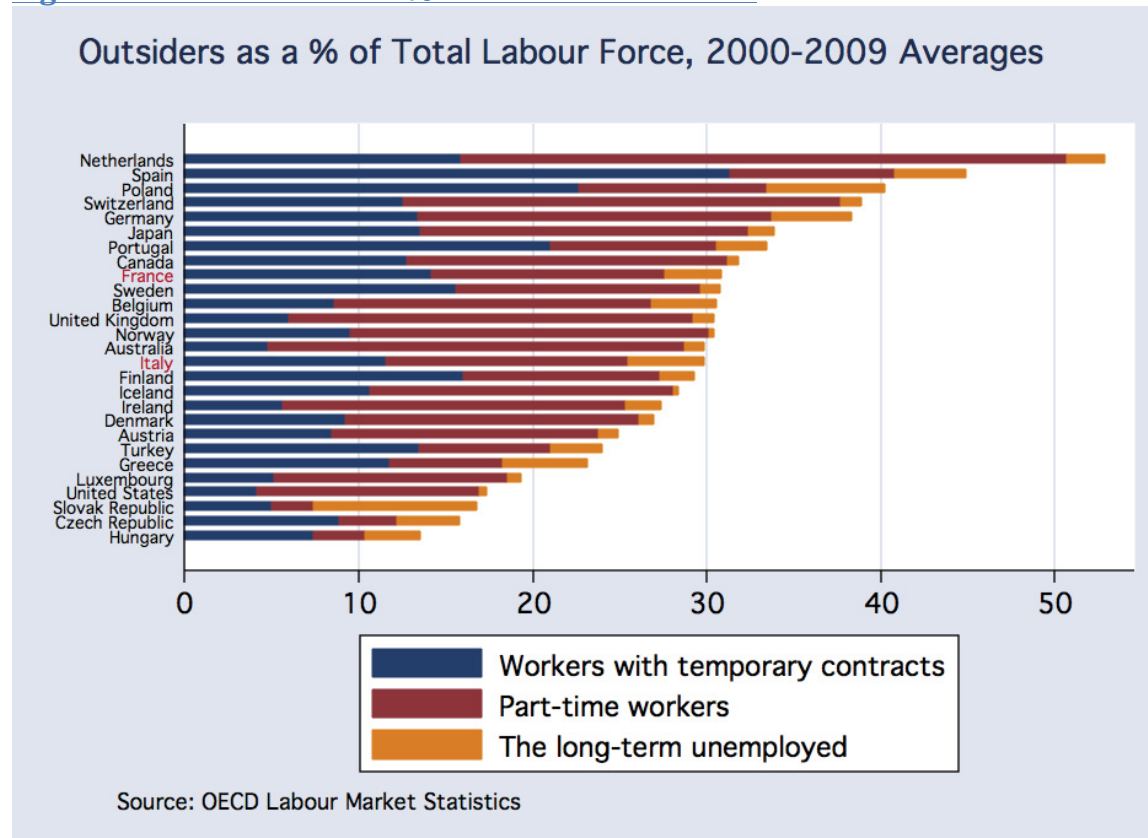


Figure 1.2 – Outsider Figures and Component Parts

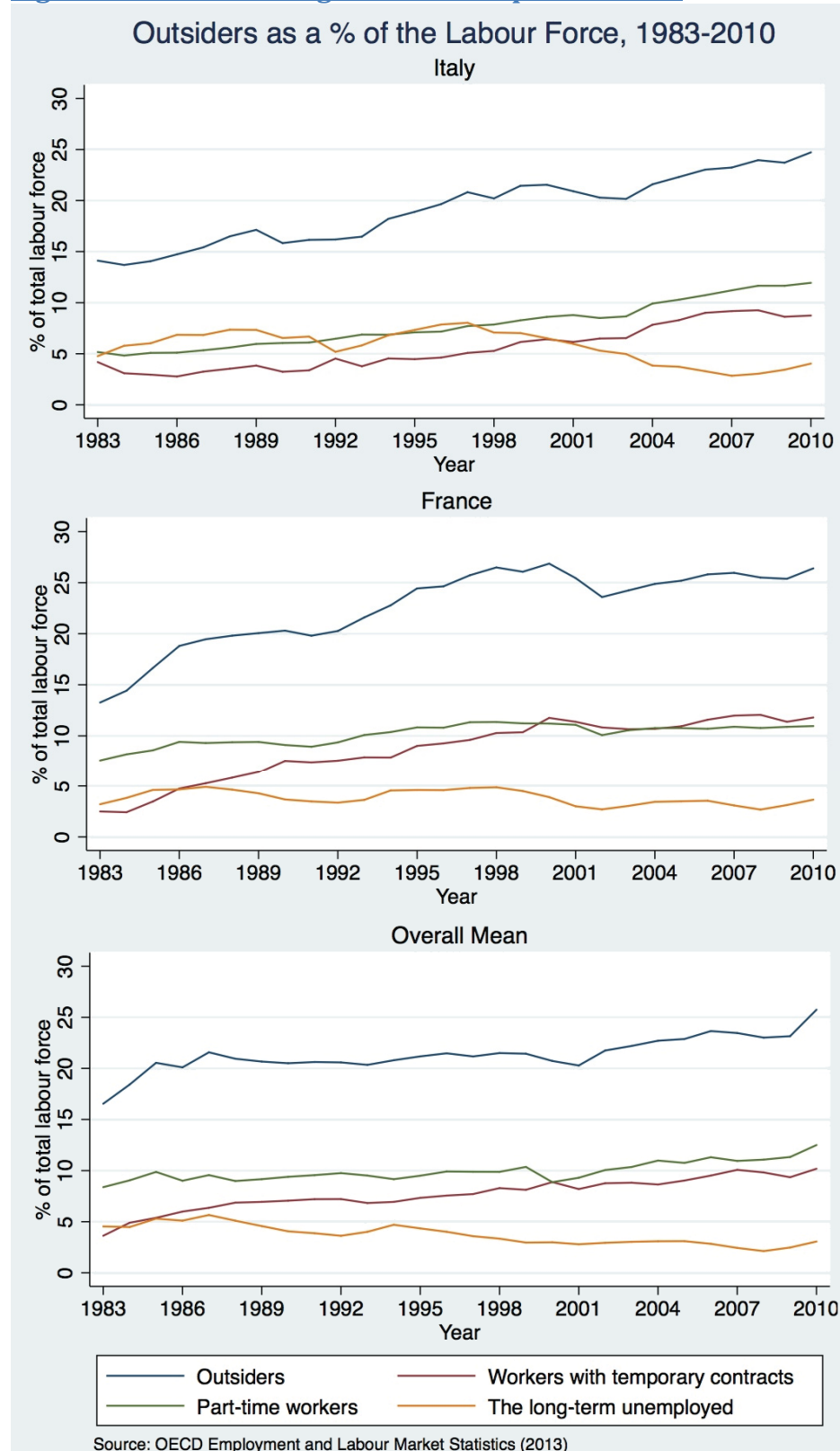
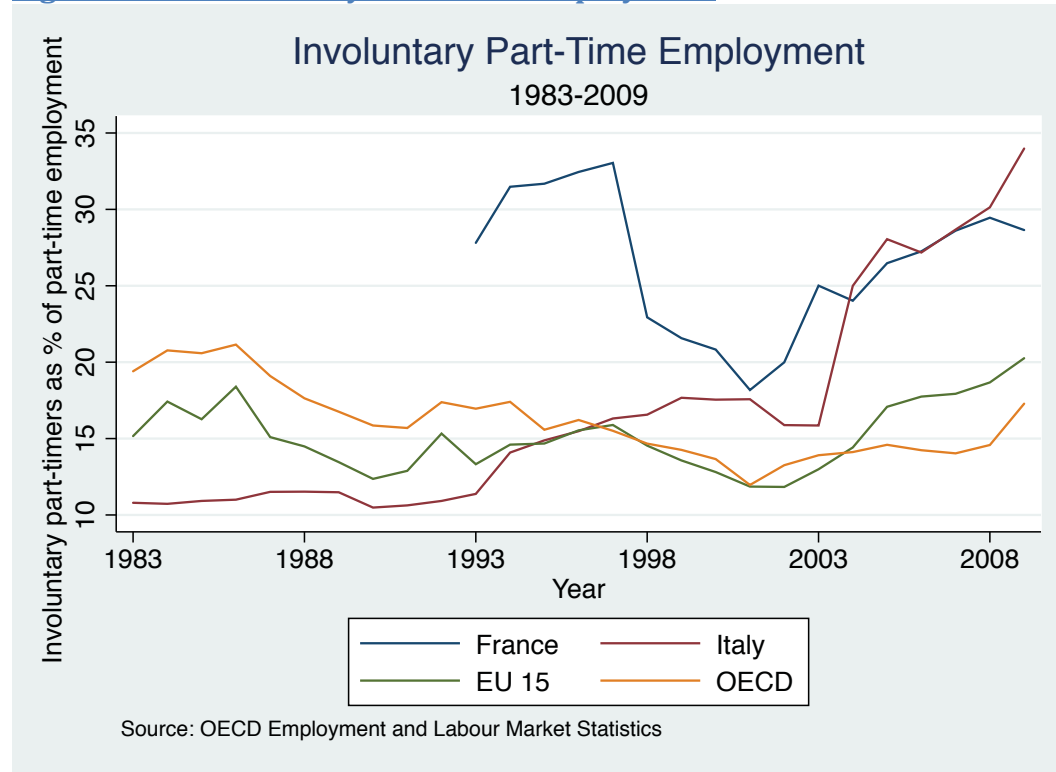
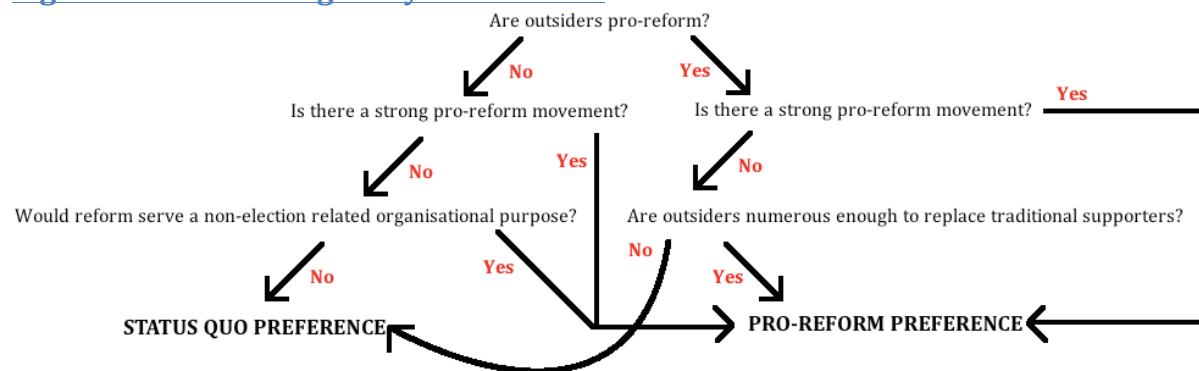


Figure 1.3 – Involuntary Part-Time Employment**Figure 1.4 – Left-Wing Party Preferences**

Chapter 2

Political Actors and the Extension of Welfare Coverage: Unemployment Benefit Reform in France and Italy

Unemployment benefits can be broadly divided into three categories: unemployment insurance (UI), operating as a sort of insurance fund for workers who pay into them; unemployment assistance (UA), which targets benefits toward certain groups that have exhausted their access to UI; and social assistance (SA), in which benefits are generally available for those who pass a means-test, making them available to unemployed persons who lack access to other funds. The difference between the first and the latter two programmes is best conceived of as a distinction between insurance and assistance, with UI entailing horizontal redistribution (i.e. between different stages of an individual's life) and UA/SA involving vertical redistribution (i.e. between richer and poorer individuals) (Palier, 2002: 11). Due to the nature of these benefits, financial stresses and the growing number of atypical employees (a group which is typically unable to qualify for UI) over the past several decades have led to decreasing proportions of the unemployed being covered by UI. As a result, SA in particular has become increasingly essential in preventing large swaths of unemployed persons from falling through gaps in protection – though of course the benefit's wider availability is compensated by lower benefit levels when compared to UI.

This process has been particularly acute in Continental and Southern Europe, where the insurance principle has historically occupied a central role across welfare state institutions. The extent to which these countries have largely corrected for declining UI coverage rates, however, has varied dramatically. Exploring this process of coverage

extension via SA, this chapter will contrast the French and Italian experiences surrounding the introduction of a national minimum income scheme, which is best conceived of as a benefit of last resort, designed to combat poverty and target all unemployed persons rather than simply those who had made adequate unemployment insurance contributions. This analysis will be carried out in an attempt to explore why large gaps in coverage have been filled in some countries but persist in others. Focusing on a paired comparison in this way allows us to explore the factors at work behind a residualist (as opposed to universalist)¹ approach to dealing with welfare state outsiders under conditions of broad fiscal constraints.

While the two systems clearly have their differences, the reform trajectories of these countries are such that the French case provides an excellent foil to the Italian. Both countries started out with relatively similar, heavily insurance-centred systems in the post-Second World War period, which then suffered from fairly similar crises; both were relative outliers in their lack of a minimum income scheme so late into the twentieth century. In France, the country's late development of SA placed the system more in line with Southern European welfare states than other Continental ones (Paugam 1993, 23). But although successive French governments initially dealt with coverage issues through ad hoc extension to certain categories of unprotected groups, they were eventually able to move past that stage – particularly with the 1988 introduction of a general minimum income scheme (the *Revenu Minimum d'Insertion* (RMI)). Italy, on the other hand, experimented with a comparable scheme ten years after the French (the similarly named

¹ The former approach entails creating a residual system to extend access to benefits (though they are less generous than those in the primary system), while the latter extends access to the primary system.

Reddito Minimo di Inserimento (RMI)), but eliminated it entirely within a few years. The end result is an Italian system with comparatively low coverage, as well as the vast discrepancies in benefit generosity that entails (with an 80% replacement rate for some, via the *Cassa integrazione guadagni straordinaria*, and 0% for many others).

The question to be addressed in this chapter is thus how one can explain the contrasting fates of these attempts at residualisation via (SA) minimum income schemes (henceforth referred to by their shared RMI acronym). In exploring the issue, we test three potential explanations: the first two positing a direct relationship between partisanship and benefit extension, and a third focusing on outsider preferences vis-à-vis extension (as shaped by certain broader factors). By taking this tack, we explore the relationships between political actors, public opinion, and institutional factors in the hopes of ultimately uncovering the determinants of coverage extension across policy domains. Attitudes of outsiders – divided into Hausermann and Schwander’s categories of labour market, political, and welfare state outsiders (as laid out in Chapter 1) – will be a recurring theme in the analysis (2009; 2010, 6). Ultimately, our findings will be formulated using a combination of secondary sources, insights derived from interviews with party and union officials, and survey analysis.

In approaching this issue, we will first briefly situate the cases within their broader histories, in the process justifying their comparison. The three aforementioned theories that might give us insights into the extension (or lack thereof) of coverage in the cases will then be presented and subsequently used as a framework for the rest of our examination. As a test of partisanship-based theories of change, we will then proceed to analyse the political factors surrounding the development of the RMI in France and Italy, which will be

followed by a consideration of the potentially relevant structural factors that may help account for the varying outcomes. A brief examination of public opinion data (principally using the 1999 European Values Study) will subsequently attempt to provide some additional support for the argument, principally with regard to Italy but providing some suggestive evidence vis-à-vis Spain and Greece as well (alongside a comparison with France and Germany). The chapter will then briefly conclude with a summary.

To preview our conclusions, it will be argued that the different trajectories in France and Italy do not appear to reflect any consistent relationship between partisanship and benefit extension, in contrast to other work examining the pro-insider/outsider stances of parties and unions. Rather, the divergent outcomes in the cases are argued to be the consequences of contrasting levels of public pressure, with the relevant public preferences shaped by contextual factors – all of which ultimately shapes party preferences as they respond to electoral incentives. Using Ferrera's (2005) work on social assistance in Southern European welfare states as our framework, a case will be made for the importance of three factors in particular: namely, the prevalence of informal work in the Italian labour market, limited administrative capacity, and the centrality of the family in the Italian welfare state. The analysis presented below will suggest that these three Southern European traits can help us understand why Italy has been unable to follow in France's footsteps, more than two decades after France introduced universally available unemployment benefits. What is more, preliminary evidence indicates that the same dynamics may also be at play in other European states.

Contextualising the Cases

This section will briefly provide some historical context for the French and Italian cases, in the process laying out some of the relevant similarities and differences in their reform trajectories. In broad strokes, both countries can be considered somewhat atypical corporatist states – though Italy’s system is much more fragmented, traditional (particularly regarding gender roles and the family), and clientelistic, leading many to categorise it as specifically Southern European (cf. Ferrera 1996; 2000; Martin 1996; Rhodes 1996; Naldini 2003). Yet the countries do share two particular traits that are central for our broader purposes: an insurance-centred focus that has led to a certain degree of rationing through occupational and contribution-based controls on who has access to benefits; and a general, historical inadequacy of social assistance benefits (with actual programmes both means-tested and categorical, requiring recipients to belong to a protected category of individuals (e.g. the disabled)), thereby failing to fill in most of the gaps in UI.²

The defects of this incomplete system became increasingly accentuated over time, as the rapid rise in unemployment following the oil crises of the 1970s brought the UI funds under increasing pressure; this in turn often resulted in more restrictive eligibility requirements. What is more, changes in the international economic climate pushed the countries toward easing their labour market regulations, resulting in an increased number of workers in atypical employment (and therefore outside of the sphere of unemployment insurance coverage). As such, a growing number of workers were unable to qualify for

² While some local level minimum income schemes have long been in existence, their presence is far from ubiquitous and the benefits are quite variable in their generosity.

benefits when they lost their jobs, creating a pressing need to reform a system ill-designed for the new realities of unemployment.

France:

In the French case, these developments resulted in a growing crisis of legitimacy for the system, particularly as structural unemployment became a serious issue. Once the long-term unemployed became an identifiable group, one of the underlying principles of the unemployment insurance system – that the risk of unemployment is randomly distributed across society – became increasingly difficult to defend, as some excluded groups were in fact much more at risk than groups that had access to benefits (Béland and Hansen 2000, 54). The rise of atypical employment, in turn, further complicated the issue, given the occupational restrictions associated with accessing unemployment insurance.

Yet substantial developments in assistance benefits to offset this process would not begin in earnest until after the centre-left came to power in 1981 under Mitterrand's Socialist Party (PS) and subsequently abandoned Keynesianism in 1983. The hope here was that welfare expansion would serve to maintain social harmony during a period of austerity and economic upheaval (Vail 2010, 148). While this initially involved the creation of a few new targeted (UA) state-financed benefits (i.e. the *Allocation Spécifique de Solidarité* and the *Allocation d'Insertion*),³ the 1988 RMI marked a substantive shift from the old approach toward SA benefits (Paugam 1993, 105).

³ While the former was directed at the long-term unemployed whose UI benefits had expired, the latter was for those transitioning into the labour market (e.g. single mothers, new refugees, etc.).

The introduction of the RMI significantly increased coverage, with huge sums of state funds directed at providing a minimum income to non-students over 25 (so long as they were willing to enter training or be placed in a job); benefit receipt was supposed to be tied up with *insertion* measures at the local level – but this aspect of the programme was more nominal than real, with the principle primarily serving to justify the introduction of the programme (Clegg 2011, 37). And although the RMI can in some respects be seen as a continuation of policies such as the *Allocation d'Insertion*, the former was nevertheless innovative in its near universality and its explicit construction as a right, as demonstrated by the first article of the law introducing it: “any person who, as a result of their age, their physical or mental condition, or their economic and employment situation, finds themselves unable to work has the right to obtain reasonable means of subsistence from society” (Lafore 2008, 122; Loi 1988 n°88-1088 (my translation)). As Barbier and Théret note, unemployment under this new characterisation was not simply a risk, but also a potential status, entitling one to access benefits unrelated to insurance contributions (2001, 156). The result of these developments has been an expansion of the social safety net in France, “stemming the rise of inequality and poverty through policies that compensate for trends unfolding in the market... guarantee[ing] that nobody can be left without any support” (Palier and Thelen 2010, 138-139).

Italy

Italy, by contrast, has long suffered from a general failure to implement both UA and SA style benefits. Although the 1947 constitution of the newly formed Republic made social

assistance a right, thereby calling for a shift of the burden for these programmes from private charities to the state, little headway was made. Indeed, there has been a longstanding general and persistent lack of clarity and division between the use of insurance principles and a system of welfare based on rights (Negri and Saraceno 1996, 34-35). As a result, the process of constructing the Italian welfare state was largely occupation-based, with benefits slowly expanded to various groups of workers (Paci 1987, 277).

On a more practical level, the inability of Italian UI to respond to the crisis was arguably even more pronounced than in France, since even unemployment insurance programmes received relatively little public funding in Italy up until the early 1980s. The “ordinary” unemployment insurance benefit (*Disoccupazione ordinaria*) had strict eligibility requirements and extremely low compensation rates. Generous replacement rates, by contrast, were available under special circumstances – namely for partial or total working time reductions without dismissals (i.e. layoffs) – via the Earnings Integration Funds (*Cassa integrazione guadagni ordinaria* and *Cassa integrazione guadagni straordinaria*). Yet these CIG “wage compensation” benefits were only available to a limited number of workers, primarily those in highly unionized sectors such as medium- and large-sized industrial firms (since the social partners had to negotiate to have the benefit applied) (Jessoula and Vesan 2011, 143).

Broader attempts to correct for coverage gaps have been lacking, and the one national attempt to deal with the issue, via the Prodi government’s 1998 RMI experiment in pre-designated municipalities, was eliminated by the subsequent Berlusconi government. Thus, significant long-term developments in the realm of unemployment benefits in Italy over the last several decades have been rather limited, involving: the introduction of the UI

with reduced eligibility benefit; the creation of the mobility allowance (*indennità di mobilità*); and gradual increases to the “ordinary” unemployment benefit. This lack of advancement contrasts starkly with the fact that governments since the late 1980s have been placing reform of the unemployment benefit system on their agendas (Lodovici and Semeza 2008, 171). This failure to enact more substantial reforms is, in turn, reflected in Italy’s abysmal record of using transfers to reduce poverty (cf. Baldini et al. 2002, 62; Fargion 2003, 336).

Explaining Benefit Reform

In general, research on the determinants of minimum income scheme introduction within this context of broader retrenchment has been limited, leaving us with few theories that might be applied in an attempt to understand our cases. There are good reasons to doubt that the literature on welfare state expansion more generally would be applicable during recent decades, as the circumstances surrounding welfare state policy decisions have shifted dramatically since the expansionary period; the result, according to some authors, is the rise of a “New Politics” in which left-wing governments are no longer associated with safe-guarding and expanding the welfare state (cf. Pierson 1996; Scharpf 2000; Burgoon 2001; Castles 2004). But regardless of whether one accepts the New Politics hypothesis, welfare state extension since the 1980s seems self-evidently more zero-sum than in the immediate post-war decades, giving us good reason to expect that the dynamics have changed. Nevertheless, we may reasonably construct three potential explanations (the first two of which are mirror images of one another) using recent related research, thereby

providing an initial framework with which to work. Note that this approach will also allow us to assess the capacity of these theories to help us understand the divergent outcomes in our cases.

Theory 1: Anti-Outsider Left

The first theory relates to the role of leftist parties and unions, as they attempt to court and/or maintain “working class” voter support that crosses the welfare state insider-outsider divide (with the groups respectively composed of workers who either have or lack access to the protections gained through standard, permanent employment). Under what we call the *Anti-Outsider Left* theory, it is posited that centre-left organisations since the 1970s have abandoned their commitment to egalitarianism, opting (under conditions of fiscal restraint) to protect insiders instead of extending benefits. Leftist parties – rather than risking the ire of their traditional, well-protected supporters – are expected to hunker down and insulate these workers at the expense of those outside of the traditional labour market (Rueda 2005; 2006; 2007). Relatedly, unions are expected to accede to reforms that increase dualisation as a result of the power they derive from social insurance and/or the preferences of their (insider) membership (Clegg et al. 2010; Palier and Thelen 2010; Davidsson and Emmenegger 2012). The implication here is that since debates around unemployment, for example, are dominated by business and labour organisations, only labour market insiders will have their voices represented in the discussion (Baglioni et al. 2008).

While this theory has generally been applied to labour market policies, the logic of the arguments can reasonably be expected to extend to welfare state coverage as well. Within this framework, we would expect a consistent negative relationship between leftist government and benefit extension (at least over the past several decades, given fiscal constraints); right-wing parties, by contrast, may pursue policies designed to attract outsider voters, since doing so does not compromise their traditional voting bloc – and it might, in fact, facilitate concomitant cuts to other benefits. Alternatively, the right may also ignore welfare state outsiders, particularly where these outsiders are also disenfranchised politically. Although this theory has no direct implications at the level of individual preferences, it is assumed that welfare state outsiders are pro-reform, but that leftist parties are simply unable or unwilling to incorporate these preferences into their political positions.

Theory 2: Egalitarian Left

Conversely, the *Egalitarian Left* theory predicts the exact opposite relationship between leftist parties and benefit extension. Despite the research arguing that recent decades have been defined by a “New Politics” of the welfare state, some authors maintain that partisanship retains an important, egalitarian influence on welfare policy. Rather than turning in upon themselves, leftist parties may view the increased exposure to risk felt by citizens in modern economies as an opportunity to expand support – thereby leading them to continue to pursue welfare expansion (Garrett 1998, 1). Indeed, there is some evidence to suggest that social democratic parties are specifically pursuing this option vis-à-vis

labour market outsiders (Schwander 2013). The growing number of atypical workers and the long-term unemployed may therefore push leftist parties to pursue benefit expansion in order to shore up their electoral support.

This view also finds support in work looking at both benefit generosity and cuts in social insurance (cf. Allan and Scruggs 2004; Korpi and Palme 2003), though neither instance deals directly with benefit extension. It is of course possible that leftist parties protect existing benefit generosity and social insurance through a commitment to avoiding broader benefit extension, so the applicability of this theory must of course be investigated. The predicted action of this *Egalitarian Left* also depends on the preferences of outsiders, as they may or may not be supportive of expansion to outsiders at the cost of reduction of insider benefits (see discussion of Emmenegger 2009 below). Nevertheless, this theory provides for the possibility that, under circumstances where welfare state outsiders are supportive of extension, leftist parties will pursue that route.

Theory 3: Southern European Exceptionalism

The final theory, rather than pointing to the role of leftist actors, suggests that institutional factors unique to Southern European welfare states may be central to our story. This is particularly plausible since a lack of social assistance is presented as one of the characteristic features of the Southern European welfare model (Ferrera 1996, 20). This body of literature on the Southern European model, which was developed as a response to Esping-Andersen's tripartite typological model (1990) that described Italy as having a Continental welfare state along the lines of Germany's, provides the basis for the

theory of *Southern European Exceptionalism*. In particular, three factors are highlighted by Ferrera in his discussion of the delay and/or lack of development of assistance benefits in Southern European welfare states: the size of the informal economy, which may complicate benefit extension while simultaneously decreasing the perceived need for it; administrative difficulties, such as weak state capacity and clientelism, which may prevent social assistance programmes from being implemented for technical reasons and/or by fomenting public scepticism about the viability of such a programme; and the increased role of the family, with youth remaining at home much later than in other countries, which may decrease demand from young/female welfare state outsiders as well as the perceived need for reform more generally (2005, 8-10).

Implicit in this theory is the argument that the overlap between welfare state insider and outsider interests may be greater than that predicted by the *Anti-Outsider Left* hypothesis, such that the outsiders (under certain circumstances) may actually support policies that protect insiders. In work on labour market policies, Emmenegger argues that these preferences may result from the presence of an insider family member, expectations about future insider status, and/or ideas about the larger balance of power between capital and labour (2009, 132). Note that under this theory, left-wing parties may or may not be courting outsider voters; but even though leftist parties may be protecting the status quo, outsiders might actually be generally supportive of this move. The key point here is that we incorporate the impact of different welfare state structures on the extent to which we witness this particular partisanship mechanism – namely, that Southern European countries have been disproportionately affected by this phenomenon.

Note that while Theories 1 and 2 (which could be grouped together as the *Partisanship Matters* theories) are mutually exclusive, either is compatible with Theory 3, as it may be the case that leftist/rightist parties are concerned with welfare state outsider preferences, but that these preferences vary according to other factors. As such, while the *Anti-Outsider Left* predicts that the left will be unconcerned with benefit extension (but that the right may be), the *Egalitarian Left* theory may lead to the left to reform in circumstances where the outsiders are supportive of change. The *Southern European Exceptionalism* theory, in turn, highlights circumstances that lead welfare state outsiders to support or oppose reform of insider-centric systems.

With these three theories providing the framework for our analysis, let us now proceed to assess the ability of these theories to explain why France and Italy have reformed (or failed to reform) their systems in such contrasting ways. We begin by considering the potential role of partisanship in the divergent outcomes.

Politics and the RMIs

Given the central role of partisanship in the *Anti-Outsider Left* and *Egalitarian Left* theories, our first task must be to lay out the political motivations behind the creation of the French and Italian RMI programmes as a sort of preliminary test. The introduction of the respective RMI programmes was an important moment in both countries, though for contrasting reasons: in France it was a turning point, with the benefit significantly extending coverage to previously excluded groups through its near universality and marking the construction of unemployment benefits as a right rather than a privilege

associated with having made adequate contributions; in Italy it was a missed opportunity for reform, the closest the country came to dramatically increasing coverage rates and providing unemployment benefits along universalistic (rather than categorical) means-tested lines. France then continued further down its path, while Italy returned to its previous relative stasis. So in what context were these two programmes adopted?

In France, public concern regarding *les exclus* – i.e. unemployed individuals whose reintegration into the labour market and participation in society have been compromised by poverty and other barriers – made unemployment benefit reform a far more salient issue. Conceptions of egalitarianism in France during the 1970s gradually shifted away from a concern with equality of benefits and toward a simple correction of what would otherwise be vast inequalities in access to benefits (Bec, 1995: 138). Here one notes the playing out of tensions between Republican citizenship ideals (pushing toward equality) and the existing Bismarckian system (with its social segmentation and labour market focus) – but under increasingly constraining economic circumstances. With rising unemployment a serious problem by the 1980s, integration of *les exclus* had become a major issue in public debate as both the left and right criticised the government over increasing unemployment and the rise of the "new poor" (Paugam, 1993: 66; Béland and Hansen, 2000: 55). In particular, youth and immigrant unemployment/integration increasingly became a central fixture of the debate as young people and *banlieusards* partook in a series of demonstrations against various reforms (Silver, 1994: 533-534). The growing unemployment crisis, in turn, was exacerbated by high long-term unemployment rates; with an unemployment rate of 9.3% by 1988 (when the RMI programme was created), 46.2% of unemployed persons had been out of work for over a year (up from

7.7% and 41.3% respectively five years earlier) (OECD 2011). Atypical work was also becoming increasingly common, with 11.9% of workers in part-time employment and 7.8% in temporary employment during the same period (up from 1983 rates of 9.6% and 3.3% respectively) (OECD 2011).

Initial attempts to deal with the crisis had involved use of special employment measures to combat social exclusion, but by the mid-1980s the shortfalls of this approach were becoming apparent, particularly with regard to its decentralized nature and concomitant reliance on local funds and resources (Clegg, 2010: 91). Support then began to shift toward the introduction of a general minimum income scheme, albeit with some tentativeness, even on the left (Belorgey, 1988: 105-106). It was in this context that Mitterrand's 1988 campaign promise to introduce a minimum income scheme to protect "those that our society has abandoned to the throes of unemployment" came about (Mitterrand, 1988 [my translation]). Popular concern about the issue was clearly substantial enough for Mitterrand to attempt to use the issue to try to tap into traditional *Parti Communiste Français* (PCF) voters (PCF vote loss had been proceeding quite rapidly by that point) and mobilise the left-wing of the electorate (in line with the *Egalitarian Left* hypothesis); he then carried through with the promise following his re-election (Clegg, 2010: 91).⁴

The importance of the RMI was highlighted at a PS Executive Committee meeting a few months after the election, with then Prime Minister Michel Rocard declaring its

⁴ The importance of the RMI in the PS platform was highlighted at an Executive Committee meeting a few months after the election, with then Prime Minister Michel Rocard declaring its creation one the "three matters of urgency" facing the government (Comité directeur, 1988).

creation one the “three matters of urgency” facing the government (Comité directeur, 2 juillet 1988). At the same time, however, the RMI was evidently popular enough for it to pass quasi-unanimously in the National Assembly (albeit with the assistance of the reform's vagueness (Palier, 2004: 118-119)) and to prevent subsequent governments on the centre-right from eliminating it (although it has been retooled in numerous ways, most notably with its replacement by the *Revenu de solidarité active* (RSA)).

Yet these developments have not been welcomed by everyone, with the PCF and leftist unions in particular expressing concern over residualisation. At the *Confédération générale du travail* (CGT), for example, a former National Secretary asserted that the RMI constituted a “deformation of the social protection system”, arguing instead for an alternative route to coverage extension via “a system that guarantees an individual's right to integration through employment” (Interview, Le Duigou, 2012 [my translation]). Similar arguments were prevalent at the PCF, with the Editor-in-Chief of the PCF's *La Revue Économie et Politique*, stating that “the RMI was the worst solution to a real problem... but a good solution for as long as there are no others” (Interview, Rauch, 2012 [my translation]).⁵ Note that these perspectives do not suggest a necessarily pro-insider or pro-status quo position, but they do rely on the feasibility of enacting the desired broader labour market reforms in order to avoid the exclusion of outsiders. Yet irrespective of these reservations on the left, the RMI has continued to maintain the bulk of the bipartisan support that has existed since its implementation. This raises questions about any kind of

⁵ His predecessor expanded upon the PCF's position, arguing for a two-pronged approach that deals with both access to benefits and the creation of non-precarious jobs (Interview, Morin, 2011).

straightforward relationship between partisanship and reform more generally, as implied by the *Anti-Outsider Left* and *Egalitarian Left* theories.

The Italian RMI, on the other hand, came about in the context of a similar unemployment crisis, but the political motivations varied greatly from those in France. By 1998 (when an RMI programme would finally be developed) unemployment was even more of an issue than it had been in France, with both a higher unemployment rate (at 11.9%, up from 10.2% five years earlier) and more long-term unemployment (at 59.6%, up from 57.7% five years earlier); the seriousness of these problems was not a new development either, with these figures having historically surpassed their French counterparts for decades (OECD 2011). Similarly, atypical employment was also on the rise in Italy, with 7.4% of workers in part-time employment and 8.5% in temporary employment (up from 5.6% and 6.0% respectively in 1993) (OECD 2011). As the Director of the Labour Division of the centre-left Italia dei Valori described the problem to me more recently,

Italy is a country that is hardly European, since in contrast to better countries, such as France, Germany, and the Nordic states, it has an aberration in the labour market... We have created a grey, nebulous area in which there are four or five million precarious workers that wind up being labelled freelance workers because they have a fiscal code, but in reality are largely dependent workers and in other European countries would qualify as such... These four million [young] people are excluded from any social safety net, from any access to credit – from the fundamentals of European society. (Interview, Zipponi 2012 [my translation])

In light of this picture, one would assume that, all else being equal, the potential purpose and beneficiaries of a programme similar to the French RMI would serve should therefore have been obvious.

In contrast to the French case, however, the creation of the Italian RMI in 1998 lacked both party backing on the right and the kind of public support that would have led to outrage at its dismantling in 2002. In the end, in fact, it is difficult to explain the experiment without reference to the influence of external factors relating to the European Union. As Graziano and Jessoula argue, the programme's creation was the result of two factors: first, European cognitive resources (specifically vis-à-vis policy ideas) and the wide availability of comparisons to other member states resulted in increased debate about gaps in the Italian welfare state, while also providing potential solutions to resolve them; second, and relatedly, the Prodi government attempted to use this opening, as well as claims about external constraints, to build a pro-reform coalition (2011, 164). Yet this approach lost much of its efficacy once Italy had met the Maastricht requirements and pressures from the EU subsided – not least of all because divisions within the left coalition and between it and the unions became increasingly difficult to manage (Fargion 2003, 335). Furthermore, as public support for the European project began to wane, so too did the possibility of using the EU (and comparisons with other European countries) as a catalyst for reform (Graziano and Jessoula 2011, 168).

At the same time, however, parties on the Italian left do appear to be more consistently in favour of an RMI-style benefit than their French counterparts, perhaps because the continued lack of coverage makes the potential compromise of the principal system seem less important. When asked about the division between welfare state outsiders and insiders, for instance, the National Director of the Work, Welfare, and Citizenship Policies section of the *Partito della Rifondazione Comunista* (PRC) pointed not only to the need for labour market reform to correct the issue, but also to an RMI-style

benefit as essential for covering the long-term unemployed, arguing that it should be introduced alongside the extension of access to the primary system (Interview Fantozzi 2012). Similarly, at the *Partito dei Comunisti Italiani* (PdCI), National Director of Industry and Mass Organisations (and former Senator) Dino Tibaldi did argue for the extension of standard benefits to outsiders, though he noted that this approach was current not feasible financially, and pointed to the need to create a benefit for unemployed young outsiders in particular (Interview Tibaldi 2011). These sorts of positions also extend to the major centre-left party, the *Partito Democratico*: the President of the PD Labour Forum asserted that the creation of a complementary RMI benefit was a priority for the party, while PD deputy Jean-Léonard Touadi pointed to the need to use an RMI benefit to “support, reinforce, and increase social cohesion and inclusion” (Interview Gabaglio 2012; Interview Touadi 2012 [my translation]).

Yet despite the seemingly broad leftist support for the programme, there was nevertheless little advancement on the issue, including during the leftist coalition’s return to power in the mid-2000s. This may partly be explained by the opposition of most of the major unions, as they were generally opposed to the RMI experiment. Indeed, two of the three largest unions (CISL and UIL, but not the leftist CGIL) signed the 2002 “Pact for Italy” (*Patto per l’Italia*) that argued that the experiment had demonstrated “the impracticality of using a State law to determine who has a right to [assistance]” (Accordo Interconfederale 2002, 7 [my translation]). Even the CGIL, despite being “very interested in [the programme] as an anti-poverty instrument”, as one of its Directors put it, was “consistently critical of the actualisation of the [RMI] experiment, since... there was a lot of variation from municipality to municipality and a lack of the oversight needed to correct for these

sorts of issues”; here, as in France, the preferred route was the expansion of access to CIG benefits (Interview Treves 2012 [my translation]). Broad public support for the reintroduction of the programme might have counteracted these pressures by providing parties with electoral incentives to overcome these difficulties, but movements of the type seen in France were largely lacking and support faded once the run-up to the EMU had passed. Taken together, these factors help to explain both the failure of the centre-left to permanently institute major reforms before losing office in 2001 and their relatively uneventful (for our purposes) return to power from 2006-2008.

Unsurprisingly, the Berlusconi governments were no better, as their most aggressive attempt at reform – the region-based *Reddito di ultima istanza* (RUI) programme, instituted in 2004 to replace the RMI – was both optional and only partially funded (at 50%).⁶ And while it is true that the 2001 constitutional reform gave the regions the lion’s share of control over social assistance (thus making central reform more difficult), the state nevertheless retains the right to set essential levels of provision and step in if regions fail to guarantee those levels (although it has thus far failed to do either) (Sacchi and Bastagli 2005: 98).

There are a few signs of hope for the future, however. First, faced with persistent high unemployment (especially among youths) and poverty rates since the start of the Eurozone crisis, public attention has recently begun to shift back to the failed project. This culminated with a signature collecting campaign for the institution of an RMI-style

⁶ When the CGIL attempted to pressure the government to continue with the RMI project, the administration countered that the Pact for Italy represented a general agreement illustrating the need, in the words of Welfare undersecretary Maurizio Sacconi, to replace the “failed [RMI] attempt with a much more targeted instrument consisting of an income of last resort for situations of extreme need, for which the instruments of access to work are insufficient” (Riz 2002 (my translation)).

programme, referred to as *Reddito minimo garantito*, submitting over 50 000 signatures to Parliament in April 2013. Second, the current Grand Coalition government has recently introduced another limited minimum income project in the 2014 *Legge di stabilità* (“[Financial] Stability Legislation”); enacted as an anti-poverty measure for the next three years, it will be implemented in several major metropolitan areas. Nevertheless, this does not necessarily spell the beginning of a move to permanently institute a minimum income scheme. As the current Minister of Labour and Social Policies, Enrico Giovannini, explained in November 2013: “People who have been talking about the arrival of a minimum income [programme] have not read the text carefully... What the Senate has specified is a supplement of 40 million euros per year, for the next three years, to the Poverty Fund” (Patucchi 2013 [my translation]). What the future holds for the RMI project therefore remains quite unclear, especially once the Eurozone Crisis passes.

More broadly, how can we explain this general lack of advancement in Italy? Given that the push toward major reform of the Italian unemployment benefit system seems to have been driven more by external factors⁷ than internal pressures for reform, the contrast with the French case suggests that certain, non-partisanship based determinants of benefit extension may be missing in Italy. Although centre-left parties continue to appear open to the creation of an RMI-style programme, their failure to prioritise the issue while in government raises questions about a consistent relationship to extension; similarly, the centre-right's dismantling of the RMI experiment suggests that they too are not especially reaching out to welfare state outsiders. Indeed, this situation is directly contradictory to

⁷ Namely, the run up to the EMU and, more recently, the impact of the Eurozone Crisis on unemployment and poverty levels.

that which occurred in France, where the RMI enjoyed bipartisan support. As a result, there does not appear to be an observable, consistent and strong partisan divide on the issue across the two cases, which suggests that partisanship-based theories cannot explain the divergence. Instead, we would argue that the key difference centres around demand for reform – thereby pre-empting, for example, the possibility that the feasibility of increasing vote shares by poaching outsider support from other parties might explain the different trajectories.

Both Italy and France have suffered from unemployment crises that put considerable pressure on their unemployment insurance systems, yet only in France do we see a forceful public debate about the nature of the benefit system and the strategic use of the issue for electoral purposes. The institutional arrangements preferencing unemployment insurance in the two countries undoubtedly created groups of winners – workers who had access to generous benefits (i.e. welfare state insiders) and most of the unions who represent them – losers – workers ineligible for benefits (i.e. welfare state outsiders) – and even “mid-siders” who fall somewhere in between (Jessoula et al. 2010, 579). Since there is certainly not a dearth of individuals in Italy who do not particularly benefit from the current system,⁸ some other factor(s) must explain the divergent outcomes.⁹ Given that there is no uniform partisan divide across the two countries, the absence of substantial internal pressure for reform in Italy (despite the large number of

⁸ Recent estimates suggest that approximately 19 per cent of part-time workers with a permanent contract, 38 per cent of workers with fixed-term contracts, and 48 per cent of temp-agency workers completely lack access to benefits in cases of unemployment (Berton et al., 2009: 55).

⁹ Part of this may relate to the differing prominence of egalitarianism within conceptions of citizenship in France and Italy, but even in the latter case arguments for citizenship-based access to benefits are clearly not foreign (witness the example of healthcare reform).

welfare state outsiders) suggests potential support for the *Southern European Exceptionalism* hypothesis.

[Figure 2.1 about here]

The extent of the underlying puzzle is illustrated by Figure 2.1, which tracks (over time) Italian attitudes about government responsibility to provide for the unemployed alongside the prevalence of Italian labour market outsiders. With regard to the former, respondents were asked "on the whole, do you think it should or should not be the government's responsibility to provide a decent standard of living for the unemployed", with four potential responses ranging from "definitely should be" to "definitely should not be". Decreasing agreement with this statement¹⁰ contrasts with the increasing numbers of labour market outsiders over the same period (calculated as the summed proportion of part-time workers, temporary workers, and the long-term unemployed), which – due to the UI-centric system and its contributory principles – provides a rough proxy of increases in welfare state outsiders.¹¹ As such, it appears that decreased access to traditional UI benefits corresponded with decreased belief that it was the government's responsibility to provide a decent standard of living for the unemployed; since one would assume that the growing group of outsiders would be pro-government responsibility, either the rest of society

¹⁰ The differences between the means are statistically significant (two-tailed tests were run on the three pairs of values). The number of observations in 1985, 1990, and 1996 were 1528, 964, and 1048 respectively.

¹¹ Due to data limitations, values are calculated with different denominators: part-time labour is a % of total employment; temporary employment is a % of dependent employment; and long-term unemployment (over 12 months) is a % of the civilian labour force). Nevertheless, the values are adequate for our purposes and are indicative of the general increase.

changed their minds to such an extent that they more than compensated for this shift, or outsiders did not alter their attitudes as one would expect. In any event, it is clear that increased labour market/welfare state segmentation did not result in increased calls for government intervention (in fact, just the opposite appears to have occurred).

The argument made below thus outlines how and to what extent the three Southern European institutional characteristics highlighted above can help us to understand this puzzle. To recap, the first factor relates to the nature of the Italian labour market, the second to the administrative capacity of municipalities, and the third to the structure of its welfare state. Overall, we will argue that these institutional factors have mitigated what would likely otherwise have been substantial public pressure on the Italian government to reform (either by welfare state outsiders or by broader groups).

Southern European Characteristics And Public Pressure

Starting with the first of these characteristics, the prevalence of work in the informal economy has arguably created an environment in which the actual employment status of a formally "unemployed" worker is easily called into question (Ferrera, 2005: 9; Gough, 1996: 15). Indeed, one can easily understand how this factor may well contribute to a lack of sympathy for unemployed persons who are ineligible for benefits, as well as creating administrative difficulties when it comes to determining eligibility. While it is difficult to measure the informal economy, Italy is widely regarded as having one of the largest in the OECD, with Schneider estimating that it represents 26.2 per cent of the Italian GDP (compared with 14.8% in France and an OECD average of 16.4%, and second only to

Greece) (2005: 611).¹² Given these circumstances, Italians may understandably believe that many individuals who purport to be unemployed are actually working under the table. This issue is further complicated by the belief that many of these individuals are foreigners. As a report by Antonietta Barone, a manager at one of the province-based agencies charged with monitoring local labour markets, (later cited in the *Corriere Della Sera*, one of Italy's major newspapers) stated:

There is no shortage of [agricultural] businesses established expressly to fictitiously employ foreigners, that in reality are created out of a sort of empty box, established only on paper so that they can hire individuals once a year... [with the foreigners then becoming] the recipients of unemployment, maternity, and sickness benefits... [while continuing] to work under the table as housekeepers or nannies. (Stella, 2010 [my translation])

With concerns about scheming immigrants thrown into the mix, it is not difficult to imagine the scepticism that surrounds the provision of benefits.

At the same time, however, the policy-based difficulties created by rampant undeclared income do not seem paralysing at the administrative level, in light of numerous attempts to deal with this issue. Such efforts include the recalibration of means-testing in 1998 via the introduction of the *Indicatore della situazione economica equivalente* (which looks at both wealth and income, thereby attempting to move beyond means-testing based solely on declared income) and the various efforts by municipalities involved in the RMI (e.g. bringing in claimants during times when informal work would likely be occurring, assuming a basic level of income, looking at standards of living) (Sacchi and Bastagli 2005, 124). Furthermore, at least among the left-wing party directors/deputies with whom I

¹² Estimates from 2002/2003.

spoke, the assumption remains that the programme is workable (Interview, Fantozzi 2012; Interview, Gabaglio 2012; Interview, Touadi 2012; Interview, Zipponi 2012). As such, while the prevalence of the informal economy likely contributes to a lack of popular support for benefit reform by calling into question the actual needs of “unemployed” individuals, technical complications related to the issue do not appear in and of themselves to actively pre-empt reform.

Second, it has been suggested that the administrative difficulties from which many municipalities suffer, combined with fears of clientelistic behaviour on the part of local administrators, have also impeded the development of means-tested benefits in Southern Europe (Ferrera 2005, 10). This is of particular concern given the well-known lack of administrative capacity in certain Italian regions (cf. Putnam 1993; Milio 2007). Indeed, this issue is connected with the previous one, as low administrative capacity to determine legitimate benefit recipients helps to explain, for instance, the historical preference in Italy toward category-based benefits (Dell’Aringa and Lodovici 1996, 182).

More recently, the experience with the Italian RMI experimentation would also seem to confirm this, though only up to a point. The insertion portion of the RMI, particularly with regard to employment integration, required significant coordination and resources at the municipal level, which many of the poorer areas lacked (Alti 2001, 5). This was a well known issue, with the Berlusconi government referring to local governments’ “lack of capacity in designing and implementing social insertion measures” as one of the central problems with the RMI; yet even that government did not appear to have believed this was an insurmountable issue, given its assertion that one of the advantages of its new RUI programme would be overcoming this issue via the introduction of “incentive schemes

for local administrations to operate synergistically” (Ministero del Lavoro e delle Politiche Sociali 2003, 27-28 (my translation)). Whether the introduction of such improvements could simply have occurred under the RMI is up for debate, but the assumption that administrative difficulties can be overcome appears widespread.

That is not to suggest that the problem is a trivial one, however, and the belief in the challenges posed by administrative issues is not simply found on the right end of the political spectrum. When asked about the persistent delays in re-implementing a national RMI-style benefit, the President of the PD Labour Forum, Emilio Gabaglio, pointed firstly to the current lack of resources and secondly to, as he put it, “structure”:

You know, in a country such as ours – I am thinking primarily of the Southern regions, but not only them – there is a problem of efficacy, transparency, control. These mechanisms [such as the RMI] can quite quickly become clientelistic tools, or even worse. As such there are somewhat cerebral reservations, a sort of fear – and we need to get over this – but we [also] need to create organisations capable of guiding and managing a process of this type. (Interview, Gabaglio 2012 [my translation])

Concerns with these sorts of problems thus clearly extend beyond party boundaries, and it is easy to understand how attempts to institute SA might be met with popular scepticism (despite the apparent belief among politicians that they can in fact be addressed).

Nevertheless, moving away from abstract conceptions of a general lack of capacity across municipalities and looking instead at the issues that were actually encountered under the RMI, it becomes obvious that administrative difficulties have not in and of themselves thwarted reform. Rather than suggesting a complete lack of competency or capacity on the part of municipal governments, many of the concrete problems that arose (e.g. a lack of access to documents needed to verify eligibility, low involvement in insertion

programmes, a limited number of occupational programmes due to low levels of private sector involvement) had practical, workable solutions that did not necessarily require inordinately greater administrative capacity (Sacchi and Bastagli 2005, 122-124). To be clear, this would have undoubtedly required some retooling and even organisational improvements, as well as a rebalancing of existing policies to prevent functional overload (Matsaganis et al. 2003, 646-647). Yet such changes need not have been revolutionary, and as such there does not appear to be any reason to assume that administrative limitations have doomed Italian minimum income schemes from the start. As such, while technical administrative issues have indeed played a role – most notably by making improvements considerably more challenging than they otherwise would have been – it is difficult to conclude that they have actively prevented governments from attempting substantial unemployment reform. It is easy to understand, however, how these sorts of problem might engender scepticism among the public with regard to the feasibility of such a programme, thereby potentially further decreasing pressure for reform.

The last factor, and arguably the most important in our case, involves the family-centred nature of Southern European welfare states such as Italy's, with state protection concentrated on the risks that the family cannot deal with by themselves (Mingione 1995, 140; Gough 1996, 14; Trifiletti 1999, 50; Matsaganis et al. 2003, 642; Ferrera 2005, 8). In Italy, as in the other cases, this has been made possible by the persistent strength of the family, which has insulated adult children from risk. This is an especially important phenomenon since Italian youth (and particularly young women) are more likely to enter atypical, unstable employment, and the group as a whole also has a much higher unemployment rate, at 27.9% for those under 25 and 14.7% for those aged 25 to 29,

compared to 8.4% for the population as a whole;¹³ the combination of these two factors mean that there is a substantial generational division in Italy when it comes to accessing unemployment benefits (Barbier and Fargion, 455; OECD 2011).

These circumstances at least partially help to explain why Italian children are substantially more likely than children in France (and indeed, in most Western countries) to remain at home later: constraining ourselves to the pre-crisis period, while in 2007 the average French woman moved out when she was 23 and the average French man did so at 24, the corresponding figures for Italy are 29 and 31 (Eurostat 2009, 29). In point of fact, home leaving ages within Southern Europe have actually tended to increase since the 1970s, which may be connected to the interaction of a cultural tradition of not leaving home before marriage and the post-sexual revolution tendency to delay marriage (Giuliano 2007, 943). Yet in addition to these cultural factors, there are of course financial ones: a 2007 Eurobarometer survey of Italian youth (aged 15-30), for instance, suggests that the principal motivation for remaining at home longer is financial, with just under half (49%) of them responding that this is the case (compared to 30% in France) (The Gallup Organization 2007, 72). This is further reinforced by responses suggesting that while approximately 50% of young Italians derive most of their income from their relatives/partners, 0% receive it from unemployment benefits (in France, the relevant numbers are 30% and 6% respectively) (The Gallup Organization 2007, 75). Since only about 10% of Italian men and 23% of Italian women live with a partner (compared to 30%

¹³ Data for 2010. The relevant figures for France, by comparison, are higher for the total population (at 9.3%) but lower for both under 25s (at 22.5%) and for 25-29s (at 12.1%).

and 43% in France) these numbers suggest an even more striking reliance on relatives in Italy (Eurostat 2009, 32).

The prediction is therefore that this ability to rely on the family affects the attitudes of the young toward the unemployment benefit system, thereby removing a potential source of electoral pressure toward reform. Indeed, evidence that consumption losses associated with unemployment spells are actually lower in Italy and Spain than they are in the UK and Germany suggests that family networks may actually be able to do even more work for the unemployed than comparatively generous welfare states (Bentolila and Ichino 2001, 19-20). This is of import since youths, dramatically overrepresented among the unemployed and atypically employed, offer a potential pressure point for reform as parties jockey to attract electoral support – as was the case in France (see Silver 1994, 533). While welfare state insiders would typically be expected to be either ambivalent or opposed to the types of reforms in question (given that they already qualify for generous benefits and extension would potentially threaten those benefit levels), the perspective of outsiders on the matter serves as our central focus.

The argument here is that since welfare state outsiders (i.e. individuals without direct access to benefits) are sometimes found within a family unit that ultimately contains someone who does benefit from the current system, the insider/outsider division can come to be viewed in familial terms; in other words, if your parents benefit from a generous system of protection and pass along some of those benefits to you, you will likely be less bothered by your lack of direct access to those protections. This is especially the case if you expect to one day become an insider yourself. In light of the higher ages at which youth leave home in Italy, this mechanism would be expected to be of greater relevance than in

France: protected by their families in their current moments of need from entering a free fall, Italian youths are still able to derive a sense of protection from the system (as well as a hope that they will one day be able to benefit directly from it), thereby pre-empting pressure to recalibrate the design of unemployment benefits. (The corollary of this lack of protection outside the family structure is, of course, that remaining home later is actually incentivised by Italian social policy.) With family income derived primarily from those already on the inside, insider benefits (rather than the extension of residual, low-level benefits to youths themselves) take prominence.

What is more, to the extent that youth are perceived to be the ones most prone to falling through the gaps in the unemployment system, popular concern over the issue is likely diminished by the knowledge that most of them can simply rely on their families. Thus, while the first two Southern European characteristics have a more general dampening effect on the demand for and perceived possibility of reform, this latter factor has both a general effect and a more targeted one. Note that this argument, combined with the trend toward Italian youth remaining at home later – the median home leaving age increased from 25.1 in the early 1980s to 29 by the mid-2000s – helps to make sense of the puzzle illustrated in Figure 1 (Billari et al. 2001, 28; Eurostat 2010).

As a final note, a similar logic also applies, of course, to other groups that disproportionately hold outsider status: most notably women and immigrants. Both groups may be broadly perceived to be undeserving of benefit extension, whether due to the potential access to benefits via family members (particularly for women) or through the potential for cheating by those employed in the informal economy (especially vis-à-vis

immigrants). But what of the potential for pressure from these welfare outsiders on their own accord?

Taking the groups in turn, insofar as women lacking personally derived access to benefits have spouses with access, their interests shift to align with welfare state insiders; this of course leaves women who do not themselves qualify for direct access and lack a spouse who does – but once youths and immigrants are excluded from this group, the number of restrictions leaves a limited number of women in this category. Using the 2008 EVS survey to calculate a rough estimate of the size of this category, for instance, suggests that only about 1.5% of women (excluding retirees as well) fall into this group.

Immigrants and their children, on the other hand, are considerably more numerous and are both disproportionately more likely to be labour market outsiders and to lack benefit access through a family member (unlike with youths and women) (2008b). Yet the fact that so many immigrants lack citizenship, and hence the right to vote, obviously diminishes their potential impact; in other words, these individuals are often triply outsiders – in the labour market, the welfare state, and politics. Furthermore, there are a number of factors that have made immigrants unlikely to create a strong popular movement for reform in Italy: the recent nature of most immigration (with the immigrant population one of the smallest in Europe until the late 2000s) has left the group less established and relatively marginalised; their more disparate origins (when compared with France) give even the largest groups – Romanians, Albanians, and Maghrebi – limited common ground for mobilisation (Eurostat 2013); and the whiteness of the majority of immigrants (coming from Central and Eastern Europe) prevents the issue from being

framed in terms of anti-racism (as happened in France). Overall, then, youths remain the principal group of interest in examining the lack of pressure for reform.

To summarise, the preceding section has suggested that certain characteristics common to Southern European welfare states – namely the prevalence of the informal economy, administrative difficulties, and family support – has, in Italy, undercut potential electoral incentives toward reforms of the sort seen in France. In addition, administrative problems at the municipal level have further complicated reform by making improvements more difficult. While conclusively linking these factors to a lack of reform would be rather difficult, given that we are attempting to explain non-events over long periods of time, the next section will nevertheless provide some support for the theory using survey data. Since the size of the informal economy is predicted to have a general dampening effect on demand for reform (making the effects difficult to uncover within a single country), we will focus primarily on the effects that belief in municipal administrative capacity and living with one's parent(s) into young adulthood have on attitudes towards the unemployed.

Examining Public Opinion

Part of the expected impact of the prevalence of the factors highlighted above is the diminishment of popular dissatisfaction with the current benefit system. This prediction, of course, presupposes that there is a difference of public opinion in these two countries, but directly comparing French and Italian survey responses would be inappropriate as they are situated within starkly contrasting systems: while French social transfers reduce the population at risk of poverty by 50%, the equivalent Italian figure is a paltry 16% (well

below even the EU average, at 35%) (Eurostat 2010, 101). As a result, we will limit ourselves to looking at the Italian responses to the 1999 European Values Study, which took place around the time the Italian RMI experiment began.

Table 2.1 provides an initial indication of the attitudes of Italians toward the unemployed. Respondents were asked to what extent they were concerned about the living conditions of unemployed persons in Italy, and were given five potential answers ranging from “not at all” to “very much” (recoded from 0 to 1 in our analysis). The table presents the mean Italian responses of those thirty-five years of age and under versus those over thirty-five. As one notes from the table, Italian youth – despite their disproportionate status as welfare state outsiders – are actually less likely than their older counterparts to be worry about the living conditions of the unemployed, potentially due to their general lack of experience with truly precarious unemployment. The difference between the responses is statistically significant ($p < .01$) and though not huge (at around 0.03), it represents a noticeable divide (given a standard deviation size of about 0.22 for the entire population). This is especially striking since, given the precarious position in the labour market, one would expect youth to be more, not less, concerned about the unemployed.

[Table 2.1 about here]

Table 2.2 then proceeds to separate out the mean attitudes of those youths who live with their parents from those that do not. While at first glance the latter do indeed seem to be slightly more concerned about the unemployed, the difference is not statistically significant. Furthermore, when we compare Tables 1 and 2 it becomes clear that the gap

between the attitudes of youths who do not live at home and those over 35 is approximately as large as that between youths on the whole and over-35s. This suggests that there may be something particular about the Italian youths on the whole, but to further explore whether our variables of interest are of import we must turn to more sophisticated statistical analysis.

[Table 2.2 about here]

Indeed, regression results (presented in Table 2.3) suggest that once the standard controls are included in the analysis, we do in fact see the predicted effect of living with a parent on the attitudes of youths.¹⁴ Building on the models used by authors such as Blekesaune and Quadagno (2003), Jæger (2006), and van Oorschot (2006), controls included in the model include: *unemployment*; *full-time employment* (defined as working over 30 hours a week or being self-employed); *family income* (in deciles); *gender*; *education levels* (with brackets of lower, middle, and upper); and being *retired*.

Of our variables of interest, the results suggest that living in the parental home (defined as being 35 or under and living with at least one parent)¹⁵ is tied to statistically significant decreases of about 0.06 (out of a total range of 0 to 1) on responses as to

¹⁴ Unfortunately the 1999 version of the EVS survey does not include data on country of origin, preventing us from examining for the potentially different impact of living with (typically less well-protected) immigrant parents.

¹⁵ Since the design of the relevant survey question does not allow one to distinguish adult children living in their parent's home from adult children who have brought their parent into their own home, a cut-off of age 35 was chosen to prevent the likelihood of the latter possibility affecting the results. With a median home-leaving age of about 30, this was a relatively conservative cut-off point.

whether an individual is concerned about the unemployed.¹⁶ A variable for those youths who live outside of the parental home is included in the analysis as well, to test for the possibility that what may really matter is simply being young, but the variable fails to achieve significance.¹⁷ The potential interaction between living in the parental home and being unemployed is also incorporated into the model, but it too does not reach significance. Lastly, a variable measuring a belief in municipal administrative capacity was included, constructed using a question asking whether “more power to local authorities” is a good thing (with three possible responses – “bad thing” (coded 0), “don’t mind” (coded 0.5), and “good thing” (coded 1)); it does not, however, reach statistical significance, despite the coefficient taking the correct sign. The direct “youth living in parental home” variable therefore seems to be the major factor at work. Whether through a lack of experience with true precariousness or due to their indirect access to the more generous welfare state insider perks, residing with one’s parents is associated with a noticeably lower level of concern for the unemployed.

[Table 2.3 about here]

The only other variable in the model that achieves significance is holding full-time employment (defined as either working 30 hours or more of work per week or being self-employed), used as a rough proxy for having personal access to more generous benefits (in

¹⁶ Note that our results, both here and above, are not substantially impacted by separating out non-student youth from student youth.

¹⁷ A variable for retirees is used to complete the controls for age. Alternatively, directly including an age bracket variable leads to no substantial changes to the results, and the variable itself does not significance.

addition to a solid income base more generally). Here again the variable is associated with a decrease in concern for the plight of the unemployed, with a statistically significant negative impact of about 0.04. This conforms with the general expectation that welfare state insiders, by virtue of having access to a stronger social safety net, exhibit a lower degree of concern for the unemployed. Thus, there appear to be two potential routes to lowered concern for the unemployed – holding full time employment and being a young person living in the parental home – and the latter appears to have an even greater effect than the former.

To sum up our findings, while different conceptions of local administrative capacity do not come out as significant, Italian youth do seem to be less concerned for the unemployed than their older compatriots. Given that these youths in particular are both more likely to hold atypical work and are disproportionately ill served by the current system, this result is rather counter-intuitive. Once we include controls in the analysis, however, living with a parent appears to at least partially explain their counterintuitive responses (as per our prediction). Whether these findings are indicative of a generalisable relationship will be the subject of the next section.

Exporting the Model

In an attempt to briefly examine the broader applicability of these findings, this section will apply the same model to two Southern European (Spain and Greece) and two Christian Democratic (France and Germany) welfare states. The insurance principle is paramount in all of these cases, but the Southern European states obviously share a greater

number of features with Italy; these countries have generally higher home leaving ages, larger informal economies, and administrative difficulties, as well as a poorer record of poverty reduction via social transfers (with all three countries around 16%) (Eurostat 2010, 101). As such, one would expect a similar mechanism to be playing out particularly in these instances.

That being said, it should be noted that in terms of RMI schemes, Italy has more in common with Greece (which lacks one entirely) than Spain (which developed a variety of approximately RMI-style benefits at the regional level from 1989 through 1999) (Arriba and Moreno 2005, 176; Matsaganis 2005, 69-71). Yet the scope of the difference here is less than one might think, as only the programme developed in the Basque Country can be regarded as a true minimum income scheme; while there are a few others that approximate one (i.e. in Madrid, Catalonia, and Navarre), most are a weaker form of social assistance, while a few are more similar to workfare (Arriba and Moreno 2005, 178). We may therefore situate the opinions across Southern Europe within a broadly comparable framework, though the Spanish are undoubtedly the least similar.

[Table 2.4 about here]

With that in mind, Table 2.4 presents the results of the analysis on both Spain and Greece.¹⁸ In Spain, only one variable even approaches significance: level of education (although being a young person in the parental home comes quite close), which is

¹⁸ Missing data for Portugal prevents us from including it here.

associated with increased concern for the unemployed. In Greece, by contrast, being young in and of itself seems to decrease concern for the unemployed, as living in or out of the parental home are both associated with about a .05 drop (the two coefficients are not statistically distinguishable). In line with our predictions, however, belief in local authorities reaches significance in this instance and has a sizeable increase in concern; a belief that increasing the power of local authorities is a good thing rather than bad is associated with an increased concern for the unemployed of about 0.19 (out of a total range of 1). Note that in neither country does being unemployed or holding full-time employment appear to impact opinions.

[Table 2.5 about here]

Within the Christian Democratic welfare states, more traditional explanations appear to take precedence (see Table 2.5). Being more educated and (especially) unemployed all increase levels of concern for the unemployed in both France and Germany. In Germany being male also decreases concern, while in France being a retiree appears to increase it. As for our variables of interest, in both cases, being a young people *outside* of the parental home is associated with lower levels of concern for the unemployed, while in France a preference for greater municipal authority nears significance (with the expected positive impact).

What explains the apparent significance of youth outside of the parental home in this instance? Rather than there being something special about this group of youths, it is a function of the distribution of youth living arrangements across the countries we have

discussed: in the French and German cases, as one would expect, a much larger proportion of youth in the sample live outside the parental home (at 77% and 87% respectively).¹⁹ As a result, in these cases the “youth outside of the parental home” category ostensibly stands in for “youth”. Conversely, the small number of observations within the category of “youth living with parents” at least partially explains why the variables fail to reach significance not only in France and Germany but also in Spain, where the sample size is much smaller;²⁰ although the coefficients in these cases are about the same as in the Southern European countries, the standard errors are notably greater.

In sum, this section has attempted to provide an indication as to the generalisability of the findings in the Italian case by presenting some suggestive evidence. While further research on the subject is of course necessary, particularly to explain discrepancies in the timing of programme development across the countries discussed, the data do appear to be pointing in the predicted directions regarding concern for the unemployed within the Southern European cases. More generally, additional research is required to discern the more general and indirect society-wide effects of the informal economy (via the understanding that many “unemployed” persons are actually informally employed) and the knowledge that young people can rely on their families in times of need. Chapter 3 will therefore attempt to address this issue.

¹⁹ In the Italian, Spanish, and Greek samples, by contrast, approximately 39%, 52%, and 42% of young people lived outside of the parental home respectively.

²⁰ With just over 700 observations, the Spanish sample generally has around 600 fewer observations (and at minimum around 200 fewer) when compared to the other cases.

Conclusion

This chapter has explored the contrasting fates of the French and Italian RMI programmes in an attempt to better understand the determinants of benefit extension – specifically via residualisation – within broader conditions of fiscal constraint. After laying out three potential theories that might give us insight into this process, the chapter proceeded to examine the factors surrounding the development of the respective RMI schemes. There it was suggested that theories based on partisanship are unable to explain the divergence: while the French benefit developed primarily out of internal debate and concern regarding *exclusion*, with the RMI enjoying bipartisan support, the implementation of the Italian version was politically contested and largely connected to external factors related to the European Union (as evidenced by the left's failure to reintroduce the programme after regaining office). This contrast helps to explain why, after these factors subsided, the Italian scheme was able to disappear without much fanfare.

In order to explain this absence of internal pressure (or conversely, electoral incentives) in Italy, it was then argued that certain characteristics of the Southern European welfare states, as highlighted by Ferrera (2005), worked to diminish internal pressure for reform. More specifically, the prevalence of the informal economy and central role of the family in the Italian welfare state have mitigated calls for reform by decreasing the perceived precariousness of being unemployed with no access to unemployment benefits. The role of the family in particular is claimed to have had the effect of pacifying pressure from the young, who are disproportionately unable to access benefits. In addition, a lack of administrative capacity on the part of many municipalities has further

complicated government attempts at reform and arguably added to public scepticism regarding the feasibility of an RMI-style programme.

The claimed impact of both living at home and perceived administrative difficulties was then supported via an analysis of survey data from the 1999 EVS survey. (Testing the effects of informal economy size requires multi-level modelling, which will be carried out in the subsequent chapter.) The end result of these factors is the noted divergence between the reform trajectories of the French and Italian unemployment benefit systems – and a preliminary examination of survey responses in other Christian Democratic and Southern European countries suggests that a similar dynamic may be at play in other cases as well, at least with regard to the impact of late home leaving and administrative capacity. Certain Southern European traits therefore appear to have a meaningful impact on the extension of welfare state coverage through minimum income schemes.

Ultimately, we arrive at point where we must theorise about a dog that did not bark. It is obvious that the structure of the Italian welfare state (among others) creates a rather large group of individuals in typical employment who do well by the skewed nature of unemployment benefits. That neither they nor the unions (excepting CGIL) that represent so many of them should press the government to reform the system is no surprise. But the lack of popular pressure from the large number of individuals that are excluded from coverage (or who otherwise do not particularly benefit from the current system) is indeed peculiar, and it indicates a general lack of electoral incentives for parties to pursue reform. To explain this, it has been suggested that certain characteristically “Southern European” attributes have diminished calls for reform. The result of these factors is thus a level of

popular discontent with the current system that is lower than might otherwise be expected, which in turn helps us to understand the contrasting outcomes in France and Italy.

Figure 2.1 – Attitudes toward Government Responsibility for the Unemployed

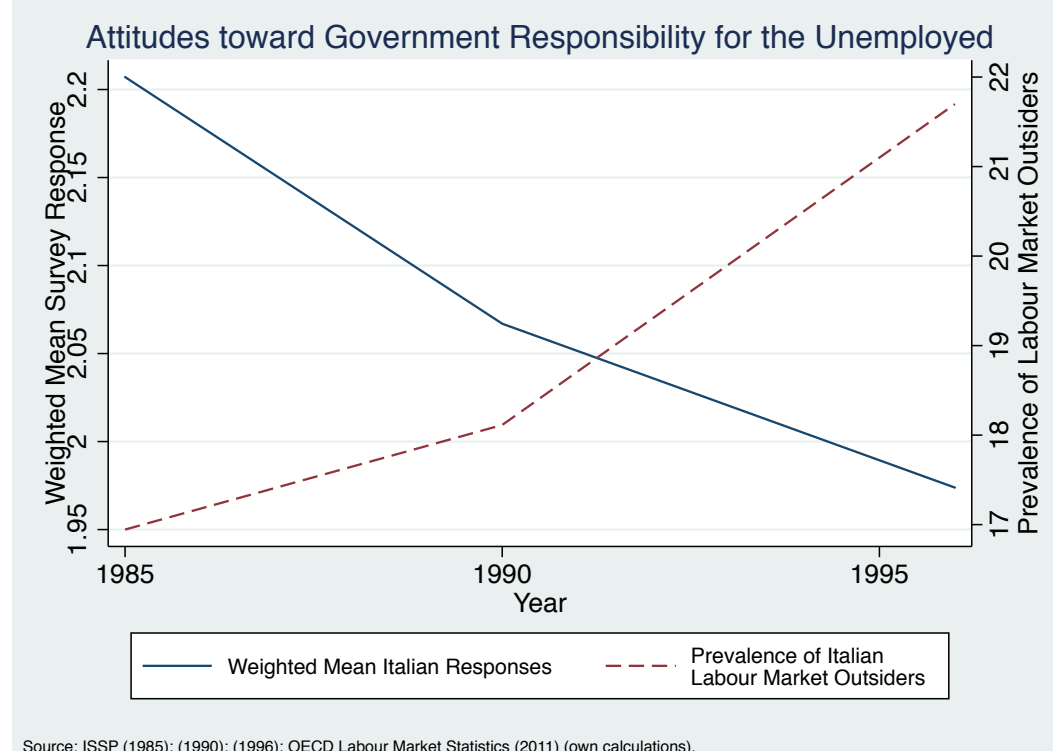


Table 2.1 – Age and Mean Concern for the Unemployed in Italy
Mean Survey Responses on the European Values Study (1999)

	Aged 35 and Under	Over 35
To what extent do you feel concerned about the living conditions of unemployed people in your country: 0 to 1, where 1 signifies very much	0.644 (.009)	0.676 (.006)
N	716	1264

Source: EVS 1999 Data (2011a). Own calculations using two tailed t-tests.
Standard errors are italicised in parentheses.

Table 2.2 – Predicting Italian Concern for the Living Conditions of the Unemployed

Predictors of concern for the living conditions of the unemployed in Italy	
Total Population	
Independent Variables	
Youth living in parental home	-.059*** (.016)
Youth outside of parental home	-.018 (.019)
Unemployed	-.071 (.058)
Parental Home & Unemployed Interaction	.050 (.067)
Belief in Increasing Municipal Power	.025 (.016)
Full-time Employment	-.038* (.017)
Family Income	-.003 (.002)
Male	-.007 (.013)
Education Level	-.010 (.009)
Retiree	-.005 (.019)
Constant	.675 (.023)
N	1360
R ²	.033

Note: Cells contain OLS linear regression coefficients with standard errors italicised in parentheses. Coefficients that reach ($p < .05$) or almost reach ($p < .10$) significance are bolded.
+ $p < .10$, * $p < .05$, ** $p < .01$, *** $p < .001$

Source: EVS-1999 Data (2011a).

Table 2.3 – Living with Parents and Mean Concern for the Unemployed in Italy
Mean Survey Responses on the European Values Study (1999)

	Italians aged 35 and under	
	Does not live with a parent	Lives with a parent
To what extent do you feel concerned about the living conditions of unemployed people in your country: 0 to 1, where 1 signifies very much	0.647 <i>(.014)</i>	0.644 <i>(.011)</i>
N	252	444

Source: EVS-1999 Data (2011a). Own calculations using two tailed t-tests.
Standard errors are italicised in parentheses.

Table 2.4 – Concern for the Living Conditions of the Unemployed in Spain/Greece

Predictors of concern for the living conditions of the unemployed in Southern Europe

	Spain	Greece
Independent Variables		
Youth living in parental home	-.036 (.023)	-.042* (.019)
Youth outside of parental home	-.018 (.021)	-.055** (.021)
Unemployed	.022 (.039)	-.056 (.092)
Parental Home & Unemployed Interaction	-.041 (.059)	.060 (.101)
Belief in Increasing Municipal Power	.015 (.018)	.093*** (.016)
Full-time Employment	-.007 (.019)	-.003 (.018)
Family Income	.002 (.004)	-.001 (.004)
Male	-.001 (.017)	-.011 (.017)
Education Level	.023+ (.012)	-.021 (.013)
Retiree	.019 (.026)	.020 (.037)
Constant	.598 (.026)	.669 (.039)
N	714	905
R ²	.013	.040

Note: Cells contain OLS linear regression coefficients with standard errors italicised in parentheses. Coefficients that reach (p < .05) or almost reach (p < .10) significance are bolded.

+ p < .10, * p < .05, ** p < .01, *** p < .001

Source: EVS-1999 Data (2011a).

Table 2.5 – Concern for the Living Conditions of the Unemployed in France/Germany

Predictors of concern for the living conditions of the unemployed in Continental Europe

	France	Germany
Independent Variables		
Youth living in parental home	-.054 (.033)	-.044 (.050)
Youth outside of parental home	-.052* (.020)	-.044* (.019)
Unemployed	.131*** (.036)	.070* (.031)
Parental Home & Unemployed Interaction	-.012 (.102)	-.013 (.069)
Belief in Increasing Municipal Power	.034+ (.020)	-.022 (.019)
Full-time Employment	-.024 (.022)	.007 (.023)
Family Income	-.001 (.004)	.004 (.005)
Male	-.022 (.017)	-.041* (.017)
Education Level	.026* (.010)	.052*** (.013)
Retiree	.044+ (.026)	.041 (.025)
Constant	.597 (.030)	.493 (.035)
N	1210	1343
R ²	.042	.042

Note: Cells contain OLS linear regression coefficients with standard errors italicised in parentheses. Coefficients that reach (p < .05) or almost reach (p < .10) significance are bolded.

+ p < .10, * p < .05, ** p < .01, *** p < .001

Source: EVS-1999 Data (2011a).

Chapter 3

Home Leaving and the Informal Economy in a Broader Context: Unemployment Coverage across the OECD

Through an examination of the French and Italian cases, the previous chapter attempted to explore the central factors affecting the residualisation of unemployment benefit regimes. Having already attempted to draw lessons from the comparisons of these two countries, the obvious next question is whether and to what extent these findings are applicable in a broader setting. In an attempt to address this issue, this chapter will provide a statistical assessment of the generalisability of the findings on unemployment coverage. This analysis will be carried out in two stages, with the ultimate intention of conceptually linking (albeit not directly) the results of the survey analysis with actual policy changes. The first will explore the factors influencing public opinion, including the effects of different national level variables on individual preferences using multi-level modelling. The goal here, as in Chapter 2, is to analyse demand-side variation on the issue of benefit extension, both at the individual- and national-level. The second will shift our attention toward actual outcomes, employing two approaches to deal with different types of changes: time-series analysis will be used to examine the national-level determinants of incremental changes in coverage levels; while duration analysis will allow us to move beyond the typical approach and directly address policy change, helping us to better understand the timing of dramatic increases (or lack thereof) in coverage via the introduction of national social assistance programmes.

Before proceeding with this investigation, the chapter will begin by briefly setting out the variables to be included in the analysis; this discussion will include, where applicable, arguments for the use of non-ideal data when better options are not available. The subsequent section of the chapter will then proceed to present the results of the statistical investigation, laying out each type of analysis in turn. These results will then be followed up with a brief summary and some conclusions, including references to the limitations of the findings and directions for future research.

To preview the findings, this chapter will suggest that the variables set out in Chapter 2 do appear to have more generalisable effects. The results of the multi-level model survey analysis suggest that the size of the informal economy, later home-leaving ages, and decreased faith in municipal administrative capacity may negatively impact concern for the unemployed. To recap, this is key because it shapes the electoral incentives for parties to pursue reform. The size of the informal economy and home leaving ages also appear to matter vis-à-vis incremental changes in coverage, as indicated by the time-series analysis of unemployment insurance coverage and reciprocity ratios – but these results appear to be driven solely by certain particular countries. By contrast, the results of the duration analysis, which directly addresses the introduction of residualising policies, are more robust, with the size of the aforementioned variables likely having a general effect on more revolutionary social policy reforms (though in the case of the informal economy the results are less definitive).

Taken together with the results of the multi-level model survey analysis, the findings presented in this chapter suggest that the conclusions presented in Chapter 2 are likely generalisable to other cases, with our key variables negatively impacting both

attitudes (vis-à-vis concern for the unemployed) and benefit extension via residualisation. Implicit in this argument is that the size of the informal economy and late home-leaving among young adults are impacting policy changes at least partially *through* their effects on attitudes (by shaping electoral incentives), though a lack of longitudinal survey data prevents us from directly addressing this question quantitatively. Yet despite certain limitations, the relative consistency of the findings across various approaches to the issue provides support for our argument and suggests that the limitations are data-based rather than theoretical.

The Model

This section will lay out the variables to be employed throughout the rest of the chapter as we attempt to test the generalisability of the variables highlighted in the case studies. We will begin by laying out the dependent variables to be used, and then proceed to the explanatory ones specific to each of the types of analysis. The section will then conclude by outlining the additional variables to be included in the analysis, listing the standard variables in the literature that will be included.

Dependent Variables

Dealing first with the public opinion data, the variable used in Chapter 2 remains at the centre of our analysis: concern for the living conditions of the unemployed. The idea here is that, controlling for the extent of poverty reduction in a given system (along with other variables), popular concern for the unemployed should indicate support for benefit extension and (more generally) concern about the prevalence of welfare state

outsiders. The particular survey question used in this analysis is taken from the 1999¹ European Values Study (2011), with answers ranging from "not at all" to "very much". Because of the survey source, data are unfortunately unavailable from other OECD countries, which limits our analysis somewhat with regard to its generalisability. There are, of course, some potential limitations to using these sorts of survey responses, particularly since our question is in the middle of battery of similar ones, which may introduce some non-random response error (see Green and Citrin 1994). Furthermore, cultural norms around deference, politeness, etc. may also lead respondents to give responses that may or may not reflect their true opinion on an issue (e.g. Javeline 1999). Yet despite these limitations, the question is a relatively standard one and should serve as a broadly reasonable measure of concern for the unemployed.

For the time-series analysis, however, the situation is rather more complicated. Difficulties isolating policy change through statistics alone makes the task of discovering a single perfect measure of access to unemployment benefits rather complex. One of the standard measures in the literature on welfare states, spending levels, obviously serves as a rather poor indicator of changes in coverage levels. As Allan and Scruggs (2004) point out, even if we look directly at spending on unemployment benefits, it is unlikely to directly correlate with the extent to which welfare states protect citizens vis-à-vis the market. Increases in the number of welfare recipients may not be apparent in aggregate social expenditure levels if they coincide with welfare cuts; furthermore, in cases where the cost of welfare service delivery increases over time due to exogenous factors, providing a stationary level of service provision would actually

¹ Data from 1999 is used to allow us to further build upon the analysis already carried out in the previous

require increasing levels of expenditure (Allan and Scruggs 2004, 498). As such, spending levels are not included in the analysis, with alternative, more direct measures of coverage used instead.

Yet since good coverage data is rather difficult to uncover, two distinct dependent variables are used in the time-series analysis. The first of these variables (for which far more data are available) is *unemployment insurance coverage levels*, gaged as a proportion of the labour force insured for unemployment, taken from Scruggs (2004). The data here cover 16 countries and typically from 1960 up to the early 2000s, though the exact dates vary depending on the country.² Unfortunately the measure suffers from some serious limitations, as it fails to incorporate all of the aspects of benefit coverage that we are interested in conceptually; most notably, since the measure looks only at unemployment insurance, it cannot capture the difference between countries where citizens have access to unemployment assistance and those where they do not. It is therefore unable to distinguish between countries with residualised systems and countries with no benefits for those who cannot access the primary system. Furthermore, it lacks observations for any Southern European welfare states apart from Italy, and even there it is only available for the 1960s and 1970s.³

Due to the limitations with this dataset, a second, unpublished OECD measure – *reciency ratios* – is used as a complementary measure.⁴ This variable presents the proportion of income-replacement benefit recipients out of the total number of people

² These are: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, the Netherlands, New Zealand, Norway, Sweden, the United Kingdom, and the United States.

³ Note that the Southern European countries have both the largest informal economies and the highest median age at which children leave home. While the rest of the countries demonstrate no real pattern in this regard, these countries are exceptions – making it particularly unfortunate that we are unable to include all of the Mediterranean countries in a single model looking at coverage levels.

who are technically unemployed, thereby providing a measure of the proportion of *unemployed* welfare state outsiders that avoids the aforementioned conceptual difficulties with Scruggs' measure. While this measure only includes 15 countries,⁵ it does contain data on more Southern European countries (specifically Spain and Portugal, though it does not contain any data whatsoever on Italy). Additional problems include the loss of a number of cases and years across the Corporatist family of welfare states (see Esping-Andersen 1990), leaving a very limited number of observations in this category as well, and the unadjusted nature of the data, thereby somewhat complicating cross-country comparisons. Furthermore, due to its focus on the currently unemployed, the measure is unable to tell us how many individuals would lack access to unemployment benefits if they were to lose their jobs. In light of these drawbacks and the potential importance of including countries from different welfare state families (see, for example, Saint-Arnaud and Bernard 2003), this alternative measure will therefore be used alongside the Scruggs measure in an effort to compensate for both of their shortcomings.

Lastly, there is the dependent variable used in the duration analysis: *the existence of a national social assistance programme*. Since both of the above coverage measures are incapable of fully capturing the changes in coverage levels as expressed in the qualitative chapters, a binary variable was created to indicate the presence (coded 1) or absence (coded 0) of a universally available benefit programme for the unemployed (i.e. a residualised system). In this way, we are able to distinguish reforms that expand coverage through residualisation from those that simply extend access to

⁵ The countries largely remain the same as in the unemployment insurance coverage levels data, aside from

unemployment insurance. This measure was constructed on the basis of qualitative information about the various countries, derived principally from *The Last Safety Net: A Handbook of Minimum Income Protection in Europe* (Bahle et al., 2011) and the *Social Security Programs Throughout the World* database.⁶ The resulting dataset spans the 1960 to 2010 period and includes a total of 18 countries,⁷ although due to the nature of duration analysis certain countries were necessarily dropped from the final analysis (discussed in more detail below). The measure was then used to indicate the length of time taken for a universally available, national benefit programme to be introduced. Unfortunately, the binary distinction does mean that some nuance is lost, such that the introduction of one-off municipal or regional programmes is not reflected in the data. Overall, however, the variable illuminates vast policy changes that might otherwise go unnoticed using other measures.

Explanatory Variables

Two variables serve as the primary focus of our analysis and will be used in all three iterations of our analysis: (1) *the size of the informal economy* and (2) *the median age at which youth leave home*. Within the survey analysis, a variable indicating whether the respondent is a young adult (35 and under)⁸ living in their parental home is included as well⁹, as is a variable measuring a belief in municipal administrative capacity, constructed using a survey question asking whether "more power to local

⁶ See: <http://www.ssa.gov/policy/docs/progdesc/ssptw/>

⁷ These are: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, the Netherlands, New Zealand, Portugal, Spain, Sweden, the United Kingdom and the United States.

⁸ Since the design of the relevant survey question does not allow one to distinguish adult children living in their parent's home from adult children who have brought their parent into their own home, a cut-off of age 35 was chosen to prevent the likelihood of the latter possibility affecting the results.

⁹ A variable for those youths who live outside of the parental home is included in the analysis as well, to

authorities" is a good thing (with three possible responses – "bad thing" (coded 0), "don't mind" (coded 0.5), and "good thing" (coded 1). To recap, the size of the informal economy is expected to negatively impact coverage by decreasing popular concern about the lack of welfare state access to labour market outsiders, while late home leaving by youths has a dual effect: on the individual level, young outsiders in the parental home will be less pro-reform thanks to their less precarious life, and on the national level, knowledge that young outsiders are protected by the family in the absence of welfare state provision will decrease popular concern toward the need for extensive benefits and high coverage levels. At the individual level, greater faith in municipal administrative capacity, in turn, is expected to increase the belief that local authorities can be entrusted with overseeing benefit distribution. The section will begin by describing the datasets that were used in the case of the two national-level variables, and then outline how the non-longitudinal data has been used for our time-series analysis.

In the case of the informal economy, its very nature obviously makes its size difficult to estimate. For our purposes we use the 2010 database prepared by Schneider, Buehn, and Montenegro for a World Bank study, which includes data for 162 countries from 1999 to 2007. Since the time period is not long enough for our longitudinal purpose (data covering a longer time period is unfortunately unavailable),¹⁰ the mean value was taken for the 1999 to 2006 period (2007 is excluded due to data limitations). The estimation uses a Multiple Indicators Multiple Causes model (a type of structural equations model) on a broader scale than other comparable studies; the advantage of this approach is that it avoids basing the estimation on any one particular predictor of

the size of the informal economy (such as currency demand or electricity usage) (Schneider et al. 2010, 10).

[Figure 3.1 about here]

While using an average from the late 1990s/early 2000s is obviously not ideal, access to limited earlier data suggests that this approach does not overly distort relative differences among countries. To examine the reasonableness of this approach, Figure 3.1 presents the growth of the informal sector in a sample of OECD countries, with earlier data taken from a number of sources compiled in Schneider and Hofreither (1986, 21). The data here are presented as purely suggestive, since there are a two particular limitations to longitudinal comparisons in this instance: first, the 1980 data are calculated as a percentage of GNP, conflicting with the GDP calculation for 2000; second, although the figures are – as usual – estimates,¹¹ the values were calculated using the (less sophisticated) currency-demand approach, which suggests that they are unlikely to be as accurate as recent measures. Despite these drawbacks, however, examining the countries in descending order of the eventual size of their informal economy, we note that almost all of the countries (save for the largest 3) have experienced considerable growth of their informal sector. Italy, Spain, and Belgium, with strikingly large informal economies in 1980, appear to have hit an upper limit, with the former two even decreasing a small amount. Yet despite this, the overall ordering of countries in 2000 is in most instances predictable from the size of the informal economy in 1980, with a few exceptions for countries on the lower end.

Overall, this suggests that the most recent estimates can be relatively reasonably projected backward.

Projecting more minute differences among the countries back through time, however, would be problematic, as it would require excessive faith in the over-time consistency within countries. As such, for the longitudinal analyses the informal economy measure was constructed by dividing the countries into terciles on the basis of their position in the rank ordering, with low-, average-, and high-value countries grouped together (respectively coded 1, 2, and 3); by contrast, the variable was left as is, with their specific values taken for 1999, for the survey analysis. This approach allows us to deal with the data limitations credibly while also getting at the effects of the informal economy.

An analogous approach was taken with regard to the age at which youth leave home. Measuring the age at which youth leave the parental home is not entirely straightforward, since in some instances young people leave the nest only to return to it (or indeed, never leave at all); nevertheless, the median age of home leaving (calculated as the age at which half of all youth no longer live with their parents) serves as a fairly standard measure of the variable (Iacovou 2011, 2). Unfortunately, longitudinal data on this measure are similarly limited. Here the bulk of the data are derived from Eurostat (2010), which includes all of the EU-25 countries (though only the EU-15 countries were included in our analysis). Additional data were then added for the non-European countries for which comparable data could be found,¹² bringing the total number of

¹² These are: for Australia, the *ABS Censuses of Population and Housing* (2009); for Canada, the *Statistics Canada, Censuses of Population* (2001); for New Zealand, the *Family and Household Projections 2001(base), 2021 (2004)*; and for the US, the *U.S. Census Bureau, Current Population Survey, Annual Social*

cases to 18. In most instances, the data refers to 2007, though for Canada and New Zealand only data from 2001 were available.

[Figure 3.2 about here]

Using a single data point in a longitudinal setting obviously raises the same issues discussed above with reference to the informal economy, leading us to another comparison of data over time (see Figure 2). Comparing data for home leaving in the 1980s with home leaving in the 2000s, one notes that there is limited shifting around: youth in countries that left home relatively early in the past continue to leave early, while countries in which they left relatively later in life continue to be found at the upper end of the spectrum. There are of course outliers, with Portugal in particular experiencing a notably greater increase than one would have predicted, but overall the order of countries remains rather consistent. As was the case with the size of the informal economy, it would appear that while countries have generally experienced an upward trend in the median age at which youth leave home, a similar pattern persists. This leads us to use the same categorisation employed for the measure of the informal economy, dividing the countries into low-, average-, and high-value groups (coded 1, 2, and 3 respectively). While not perfect, this approach allows us to circumvent data limitations in both instances that would otherwise prevent analysis. Note that precise values (rather than terciles) will be used in the survey analysis, however, as we can be rather more confident in their accuracy given the availability of data from either the exact year (in the case of the informal economy) or within the decade (in the case of home-leaving).

Standard Variables

The final additional variables included in the models reflect the controls and other explanatory variables typically pointed to in the literature. The multi-level model survey analysis builds on the models used by authors such as Arts and Gelissen (2001), Blekesaune and Quadagno (2003), Jæger (2006), and van Oorschot (2006), as well as that constructed in Chapter 2. Variables include: (1) unemployment; (2) full-time employment (defined as working over 30 hours a week or being self-employed); (3) family income (in deciles); (4) gender; (5) education levels (with brackets of lower, middle, and upper); and (6) being retired. In light of findings by authors such as Boeri et al. (2001), Bonoli and Häusermann (2009), and Taylor-Gooby (2011), we expect these standard variables to be highly important. At the national level, controls are also added for: (9) *poverty reduction*, measured as difference between pre-transfer and post-transfer poverty rates (own calculation using Eurostat data (2012)); (10) *the structure of inequality*, using the 90/10 ratio (see Lupu and Pontusson, 2011);¹³ (11) *change in migrant stock* (see Soroka et al., 2006);¹⁴ (12) the *mean unemployment rates* over the past three years (to indicate the general labour market conditions); and (13) *change in GDP per capita* (with the latter two taken from the OECD (2012b; 2012d)). Since we expect that our mechanisms of interest are likely impacted by the prevalence of the insurance principle (rather than means-testing or universalism) in a given system, we also include (14) an *insurance principle dummy* variable for Corporatist and Southern European welfare states (see Esping-Andersen 1990; 1999; Ferrera 1996; 2000; Naldini

¹³ Data from LIS (2012) for the closest available years to 1999 (ultimately ranging from 1998 to 2001).

2003).¹⁵ While most of these variables are quite standard, poverty reduction is added in to control for the effect of different levels of social transfers on concern for the unemployed.

The longitudinal models, in turn, take as their foundation the work of (to name but a few) Hicks (1999), Huber and Stephens (2001), Swank (2002), Allan and Scruggs (2004), and Soroka et al. (2006). Although the variables are typically applied in regressions looking at welfare state expenditure, generosity, or decommodification, they remain relevant insofar as all three of these issues are tied up with coverage levels.

Presented in the order in which they are listed in the regression results, these standard variables are: (1) *the previous year's coverage levels* (depending on the dependent variable), which is included to take into account the effects of potentially cumbersome welfare states or, conversely, institutional inertia; a variety of lagged economic factors – namely, (2) *GDP per capita*, (3) *inflation*, and (4) *unemployment* – to capture changes in the number of unemployed persons; (5) *the percentage of the labour force that is female*, with increases in the size of the female workforce hypothesised to increase social service provision by changing popular attitudes towards the value of social services (see Huber and Stephens 2001, 56); (6) *an interaction effect for left government and union density*; and *change in migrant stock* (see Soroka et al., 2006)¹⁶. Save for left government (which is derived from Armingeon et al. 2011) and the lagged versions of coverage levels (with their sources discussed above), each of these variables is taken from the OECD (2012b; 2012c; 2012d). In most cases, the variables are lagged by a year to take into account the circumstances with which governments were

¹⁵ This may be the case since the institutional structures that tend to be associated with the insurance principle (e.g. a multitude of occupation-based unemployment schemes) may inculcate different attitudes toward other potential benefit recipients – both those who qualify for access and those who do not.

concerned at the time of devising the next year's budget; the only exception is unemployment levels, where the *change* (rather than lagged value) is taken since increases in unemployment may, depending upon the nature of the benefits, directly impact coverage and/or reciprocity.

Findings

Turning now to the empirical analysis, this section will present the results of the survey analysis (via multi-level models), time-series regressions, and duration analysis. While the survey analysis will be carried out on a subset of European countries using EVS data from 1999, the time-series and duration analysis are performed on a sample of OECD countries over varying segments during the 1960 to 2010 period. Due to data limitations, the countries included in the samples vary somewhat across the different types of analysis, and are specified in each instance. The multi-level modelling is carried out using Generalised Least Squares (GLS) random-effects regressions, while the time-series analysis is carried out using Ordinary Least Squares (OLS) linear regressions. The findings are presented below in three subsections, using survey, time-series, and duration analysis to examine benefits for the unemployed. The discussion of the results from these various models will be centred upon the ways in which the factors pointed to in Chapter 2 may impact both attitudes and policy changes, with the implication that decreased concern for the unemployed may decrease the likelihood that a country will extend benefits.

With that in mind, let us begin by presenting the results of the survey data analysis.

Understanding Attitudes

In this section we explore the demand-side of the equation, attempting to determine what individual- and national-level factors shape individual concern for the unemployed – and by extension, popular interest in the extension of benefits for the unemployed. While it is true that concern for the well being of unemployed persons does not necessarily equate to mass pressure for benefit extension, without it we would expect political discourse on the issue likely to be quite muted. Thus, by exploring the variables impeding such concern we attain some insight into factors that ultimately (though indirectly) help to shape the possibility of reform itself.

Using response data from the 1999 EVS survey, concern for unemployed persons is measured using the question "to what extent do you feel concerned about the living conditions of unemployed people in your country", with answers ranging from "not at all" to "very much" (recoded from 0 to 1 for our purposes). Starting with as broad a sample as possible, Table 3.1 presents the first multi-level model analysis. Over 11000 observations are drawn from 11 European countries.¹⁷ Starting off with the individual level variables, at first glance being a young person living in the parental home does appear to be associated with a substantial decrease in one's concern for the unemployed – but given that being a youth outside of the parental home has a similar effect, the impact can be chalked up to being young. That being said, when combined with being unemployed, living in the parental home has an additional, substantial negative impact that counteracts the positive impact of being unemployed. A belief in increasing municipal power also has the predicted positive impact, though extending this variable from Southern European to other countries potentially complicates the

¹⁷ These are: Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, the Netherlands, Spain

exact import of this finding. Of the other individual-level characteristics to reach statistical significance, being older and more educated are both associated with greater concern for the unemployed, while holding full-time employment and having greater family income are associated with lower levels of concern.

[Table 3.1 about here]

At the national-level, both the median age of home leaving and the size of the informal economy, as per our expectations, are correlated with decreased concern for the unemployed (even when controlling for differing levels of poverty reduction across the systems). In this instance, moving across the interquartile range of media home leaving ages (from 23.6 to 27.7) would be associated with a general decrease of about 0.08 on responses in general across the country (out of a total range of 0 to 1). Note also that concern for the unemployed more generally does appear to be slightly higher in the countries that give the insurance principle prominence (i.e. in Corporatist and Southern European welfare states). A greater amount of poverty reduction via social transfers, in turn, also has the expected effect of dampening concern for the unemployed, as it decreases the perceived precariousness of the unemployed. Of the economic controls, mean unemployment is associated with increased concern while changes in GDP do not reach significance.

Overall, these results suggest that the mechanisms at work in Chapter 2 may well be applicable to public attitudes more broadly. Insofar as welfare state outsiders fall into the category of unemployed persons, pressures to extend benefits to outsiders is diminished as concern for the unemployed decreases. Thus far, however, we have

focused on the impact of these variables on attitudes, which obviously begs the question of whether they are actually associated with distinct outcomes regarding welfare state coverage. In order to deal with this issue, we must now turn to time-series and then duration analysis.

Understanding Changes in Coverage Levels (Part One)

The results of our first attempt at analysing outcomes – in this case using time-series analysis to examine gradual changes to coverage levels (acting as a proxy for the proportion of welfare state outsiders) – are presented in Table 2. Due to the limitations discussed above, full models examining both of the aforementioned coverage level measures are listed: to recap, that means that Model 1 examines unemployment insurance coverage (i.e. the proportion of workers with access to the principal system) while Model 2 looks at income replacement for the unemployed (i.e. the proportion of the unemployed with access to either the principal or residual system). As expected, each of the lagged values for the dependent variables is statistically significant. On the question of factors affecting unemployment insurance coverage, the results from Model 1 suggest a number of significant standard variables: namely, inflation, change in unemployment, the lagged size of the female labour force, and lagged trade union density. More importantly for our purposes, both the size of the informal economy and the age at which youth leave home have significant, negative effects on coverage levels. This would suggest that countries with growing informal economies and later home leaving have also experienced decreasing levels of unemployment insurance coverage. Removing Italy from the sample, however, leads all of these latter factors, save for the

size of the female labour force, to lose their significance – possibly as a result of the result of the dearth of Southern European cases in the Scruggs measure.

[Table 3.2 about here]

To compensate for the limitations of this measure, we then turn to Model 2, which examines factors impacting the proportion of income-replacement recipients. Note that, as mentioned above, although this measure lacks data on Italy, it does include the Spanish and Portuguese cases. Comparing these results to those of Model 1, only changes in unemployment retains its significance¹⁸, though both union density and female labour force participation approach significance (but the direction of the latter's impact has switched). The only other variable to reach significance is GDP per capita, which appears to negatively impact coverage. Neither the size of the informal economy nor the median age at which youth leave home, however, reach significance in this instance.

Taking these preliminary results in tandem, it is clear that data limitations severely restrict what time-series analysis can tell us about changes in the availability of benefits for the unemployed. As referenced above, there are a number of issues that are raised by the time-series analysis approach: these results fail to include together the Southern European welfare states that are likely to be most similar to Italy; and each of the coverage level measures suffers from additional problems, both conceptually and due to a limited number of observations for certain key countries. Furthermore, the time-series analysis as a whole points more toward the determinants of gradual

changes in coverage than policy changes necessarily, which poses a problem since our analysis in Chapter 2 was concerned with the introduction of new benefit regimes. As such, we require another approach to parse out what factors actually lead to major increases in unemployment coverage levels, specifically via the residualisation route noted in Chapter 2.

Understanding Changes in Coverage Levels (Part Two)

In order to deal with the shortcomings of the time-series analysis, we therefore proceed to directly analyse social policy changes themselves, using duration analysis to examine the likelihood of a country implementing a nationally available social assistance programme (i.e. residualising its system). The data here cover the period from 1960 onward, such that any country that developed a social assistance programme before then is excluded from the analysis. The result is the inclusion of 13 (primarily Corporatist or Southern European) countries¹⁹ – three of which (Portugal, Spain, and Greece) were not democracies for the entire period; this complicates the analysis since dictatorships would obviously be expected to have a different relationship to public opinion than democracies, but in order to avoid equating (for example) the early 1960s with the late 1970s, we use 1960 as the starting point. In any event, neither including a "democracy" dummy variable nor excluding the non-democratic years dramatically changes the results.

Figure 3.3 presents a visual representation of the development of social assistance programmes across these countries. Starting from 1960, the graph illustrates

¹⁹ These are: Austria, Belgium, Finland, France, Germany, Greece, Italy, the Netherlands, Portugal, Spain,

the number of countries that lack national social assistance programmes in any given year, with countries dropping out as they introduce the scheme. As Figure 3 suggests, the introduction of these programmes occurred with rapid frequency in the first few years of the 1960s, picked up again (though more slowly) in the mid-1970s, and stopped entirely by 2000. Note that this means that while some countries adopted the programme during the period of welfare state expansion, numerous others introduced social assistance during the period of broader retrenchment. In the end, two countries (Italy and Greece) fail to develop a commensurate programme.

[Figure 3.3 about here]

As a first indication of the potential relevance of our variables of interest, Figure 3.4 then presents the pattern of programme introduction in countries that fall below and above the average home leaving ages and informal economy sizes (not controlling for other factors). Both graphs in Figure 3.4 suggest that countries falling below the mean levels were much quicker to develop social assistance programmes than their above-average level counterparts. Not only did the process begin notably earlier in these cases – with that first surge of early 1960s development evidently occurring only in countries with below average home-leaving ages and informal economies – but it was also entirely completed across these cases in under thirty years. In the above average-level countries, by contrast, the process was much more sporadic and ultimately remains incomplete.

[Figure 3.4 about here]

It is of course quite likely, however, that above average home-leaving ages or larger than average informal economies is associated with other characteristics such as a less developed economy; as a result, it is difficult to discern from the graphs alone whether the variables actually have any impact in and of themselves. But while the above results are only indicative, performing duration analysis allows us to include other potentially relevant factors in the examination. The results largely confirm the apparent relationship between these two variables and the development of social assistance programmes (see Table 3.3), although the limited number of observations introduces substantial noise and prevents us from drawing any strong conclusions. While we have a total of thirteen countries in the sample, data limitations lead that number to drop to twelve in Model 2 (through the loss of the Netherlands) and eleven in Model 3 (with the added loss of Denmark).²⁰ The relatively small number of cases, collinearity issues, and the unavailability of time-series data for some of our variable limit our ability to construct full models - so we instead construct a basic model (using only variables of interest), a basic model with political variables, and a full model that incorporates economic controls.

Model 1, which features only the informal economy and leaving home variables, suggests that both of our variables of interest verge on significance (not an insubstantial finding given the small sample size), with the predicted direction of the effect. Here we note that moving from the below average to the above average group (i.e. a two-point increase) in terms of home leaving is associated with just over a 110% decrease in the

²⁰ Note that the results of the Models 1 and 2 do not change notably when run only with the cases

likelihood that their country will develop a social assistance programme. Making the same move across the groupings of informal economy sizes, in turn, is associated with about a 128% decrease.

[Table 3.3 about here]

Model 2 then includes political variables in the analysis. The impact of both the informal economy and the median age at which youth leave home fully achieve significance, with an even stronger negative impact on the likelihood of introducing social assistance. In addition, size of the female workforce nears significance, which surprisingly (though in keeping with the results of the time-series unemployment insurance coverage model above) decreases the likelihood of developing social assistance. Government partisanship fails to achieve significance, though this may possibly be because leftist parties have had a different relationship to reform in the period of welfare state expansion versus the period of welfare state retrenchment (see Pierson 1994).

Model 3, however, which adds the economic variables to our already significant ones, sees our two variables of interest fall slightly to the other side of the $p=0.10$ divider.²¹ Nevertheless, the median age at which youth leave home is particularly close to significance (at almost 90% certainty with only 11 cases in the sample) and the hazard ratio increases substantially in terms of the variables effect. Here, moving from the below average group to the above average one is associated with a 173% decrease in the likelihood of introducing social assistance in any given year. Of the other

variables, the unemployment rate is the only one to near significance, with a single point increase in unemployment decreasing the likelihood of programme introduction by just over 66%.²²

Summing Up

Drawing the above findings together, there are a number of overall observations we would make. First, unemployment rates either reach or near significance in all of the models. In the time-series analysis, higher unemployment rates are associated with both decreased unemployment insurance coverage and decreased reciprocity ratios. Furthermore, judging by the results of the duration analysis, each percentage point increase in unemployment is responsible for a substantial decrease in the likelihood of introducing social assistance.

What logic underpins these findings? In the case of the time-series results, the explanation likely relays certain non-political implications of increased unemployment on insurance coverage/reciprocity rates. In the former instance, increased unemployment may lead less individuals to qualify for insurance coverage, or may be indicative of bleak labour market conditions that push more individuals to take more precarious jobs. In the latter instance, increases in the number of unemployed individuals may indicate difficult labour market conditions in which individuals are likely to become long-term unemployed (potentially losing their access to benefits). Alternatively, they may also signify that precarious labourers, with their weaker job protection and (in some instances) decreased access to benefits, are the workers who

²² The inclusion of GDP among the economic variables dropped a number of additional cases and is

are disproportionately "shed". The duration analysis results, by contrast, suggest a more political explanation: countries with higher average unemployment are less likely to residualise their system of benefits for the unemployed (through implementing social assistance), possibly because the costs of doing so would necessarily be higher. This appears to be the case despite the results of the multi-level model survey analysis, which suggested that mean unemployment rates are associated with slightly higher concern for the unemployed. Irrespective of the explanations we adopt, however, the impact of unemployment is evidently rather robust.

Next, the size of the female labour force has a statistically significant negative effect in both the unemployment insurance coverage and one of the duration analysis models. In the time-series results, we are given the impression that female participation in the labour market has the opposite effect one would expect, with the variable associated with decreased coverage levels.²³ This might suggest that unemployment insurance, with its often-rigid qualification requirements, remains a relative bastion of male breadwinners, such that as women have increasingly entered the labour market (often on a part time or short-term contract basis), coverage levels have decreased. And while the results of Model 2 in the duration analysis hint that these interpretations may not tell the whole story, the loss of significance when economic variables were included in the analysis suggests that the variable may not actually impact programme implementation.

Of our variables of particular interest, the size of the informal economy and the age at which youth leave the parental home both reached significance in more than one

²³ While it does take the expected sign in the model looking at unemployment benefit rates, the variable

instance, although the former achieved it less frequently. In the case of the informal economy, the findings are as we would expect. In the multi-level model analysis, a larger informal economy is associated with lower concern for the well being of the unemployed. The time-series analysis, in turn, suggests that a larger informal economy is associated with lower insurance coverage levels, but these results appear to be driven principally by the Italian case. Lastly, in the duration analysis models, the variable either reached or neared significance until unemployment levels were controlled for, which suggests that in this instance the size of the informal economy may possibly have been standing in as a proxy for unemployment. Alternatively, the small sample might be responsible for the loss in significance as the number of variables in the model increased. In any event, it is nevertheless difficult to conclude on the basis of the results that the effects of the informal economy noted in the survey analysis are necessarily connected to delayed residualisation.

Regarding the leaving home variable, the findings suggest that the age at which youth leave the parental home appears to be of rather broad import. In terms of attitudes, later home-leaving is associated with decreased concern for the unemployed more generally, while living with one's parents while being unemployed appears to have the same effect at the individual level. The results of the time-series analysis are less robust, here again driven by Italy: while a below average home leaving age is associated with decreased unemployment insurance coverage rates, removing Italy from the sample removes the statistical significance. The overall inconsistency of these results might be explained by the reciprocity model's lack of Italian data, yet the other Mediterranean countries might reasonably be assumed to be filling the Italian role. The different conceptual nature of the measures may therefore be the driving factor behind

these divergent results, suggesting that while access to the principal unemployment benefit system is driven down by late home leaving (at least in the Italian case), the availability of income-replacement benefits more generally may increase (at least in the Irish case). It is worth noting that this finding arises despite, not because of, Portugal and Spain, which have both high home leaving ages and the two lowest reciprocity rates; the expected impact of home leaving may therefore be a Southern European phenomenon.

All that being said, the relationship in the duration analysis model is as predicted, although the variable does dip to the other side of the $p=0.10$ marker when we include the economic variables. Given that there are only 11 observations in the sample, however, this finding remains indicative (though further investigation is obviously required). Taken together with the results of the multi-level model survey analysis, the results of this chapter are consistent with our overall argument that later home-leaving may lead to decreased concern for the unemployed more broadly, which in turn may result in less pressure on governments to expand coverage via residualisation.

Lastly, increased faith in municipal power also has the predicted positive impact, though, as was mentioned above, extending this variable from Southern European to other countries potentially complicates the exact import of this finding since it may be standing in for attitudes toward devolution in some countries.

Overall, the findings presented in this section suggest that the size of the informal economy, the age at which youth leave home, and unemployment rates are the factors that relatively consistently appear to impact attitudes toward the unemployed, coverage levels, and the introduction of social assistance – though in the time-series

analysis certain results appear to be driven by particular cases. In addition, female labour market participation also appears to have a negative impact on coverage and programme introduction. Most importantly, however, the variables pointed to in Chapter 2 (in addition to unemployment) exhibit relatively consistent effects, and in the expected direction, on both the survey results and on the likelihood of a country developing a nationally available social assistance programme. This suggests that although the factors vary somewhat in their impact on incremental changes across different measures of coverage, when it comes to attitudes and the – arguably connected – more sweeping (i.e. third order) changes, the findings of the qualitative analysis are at least partly generalisable.

Conclusion

In sum, this chapter has attempted to discern the generalisability of the findings in Chapter 2 regarding the extension of benefits for the unemployed through residualisation. Specifically, this has meant paying special attention to the size of the informal economy and late home-leaving among young adults, employing three types of quantitative analysis (multi-level model survey analysis, time-series, and duration analysis) to explore three different aspects of benefit extension/welfare state residualisation (respectively, public opinion, incremental changes in coverage, and residualisation itself). It began by giving a brief overview of the variables to be included in the analysis, and then proceeded to present the results of the analysis. The findings of the multi-level model survey analysis were presented first, and the results suggested that the size of the informal economy and the median home-leaving age appear to lower national levels of concern for the unemployed, while unemployed youth living with

their parents and individuals with low faith in municipal administrative capacity are less concerned with the unemployed. In an attempt to examine the possible connection between the impact of these variables on attitudes and actual outcomes, this was then followed by the time-series analysis. Here we looked at incremental changes in unemployment insurance coverage and reciprocity ratios, though in these cases the statistical significance of our variables of interest was driven by specific countries.

Comparing the determinants of incremental changes in coverage versus those related to residualisation specifically, the section then concluded by using duration analysis to more precisely examine our subject of interest: the determinants of the introduction of a national social assistance programme. Note that it is in this way that we attempt to overcome a common problem in quantitative analysis: namely, the use of simplified dependent variables (based on available time-series data) that may not actually reflect policy changes. The results of the analysis suggest that both the size of the informal economy and the median age at which youth leave home appear to matter more generally (though in former instance the results are less robust); the flipside of our arguably better specified dependent variable, however, is that data limitations prevent us from drawing definitive conclusions. The findings of this chapter therefore suggest that at least some of our conclusions may be generalisable to at least the broader OECD context, with our variables of interest negatively impacting both attitudes (*vis-à-vis* concern for the unemployed) and benefit extension through policy reform (shaped by the electoral incentives implicit in those attitudes). Longitudinal survey results would help to establish a more definitive causal link from the former to the latter, but unfortunately such data is unavailable. Despite certain limitations, however, the relative consistency of the findings across the various models would

appear to indicate that the shortcomings are data- rather than theory-based. Future research might attempt to deal with these data limitations using country-level data and a series of mini-case studies, but in the mean time our results will serve as indicative at the very least.

Taken as a whole, the general pattern we are highlighting in this chapter has at its core an interest-preferences-policy connection. Policy structures both what citizens need and what they view to be the state's proper realm of responsibilities; and while we may think of the different coverage levels as a tangible manifestation of culture, that "culture" is itself impacted by the effects of policy and broader institutional settings on popular attitudes. With home-leaving, policy both effects the possibilities for youth to leave their parental home while at the same time decreasing general demand for policies (such as increases in benefit coverage) that would assist youth who cannot (or choose not to) rely on their parents; the result contributes to institutional inertia by decreasing demand for change and removing electoral incentives for parties to pursue reform. The size of the informal economy exhibits a similar impact, being both shaped by and shaping government policy – in this instance through public preferences formed under conditions of either higher or lower probabilities that (so-called) unemployed persons are in need of state aid (and/or that such social assistance programmes can adequately assess who actually needs assistance). The resultant preferences then condition the apparent impact of partisanship, as they allow/require leftist parties to seek out reform.

Figure 3.1 – Informal Economy Size Comparison (1980s and 2000s)

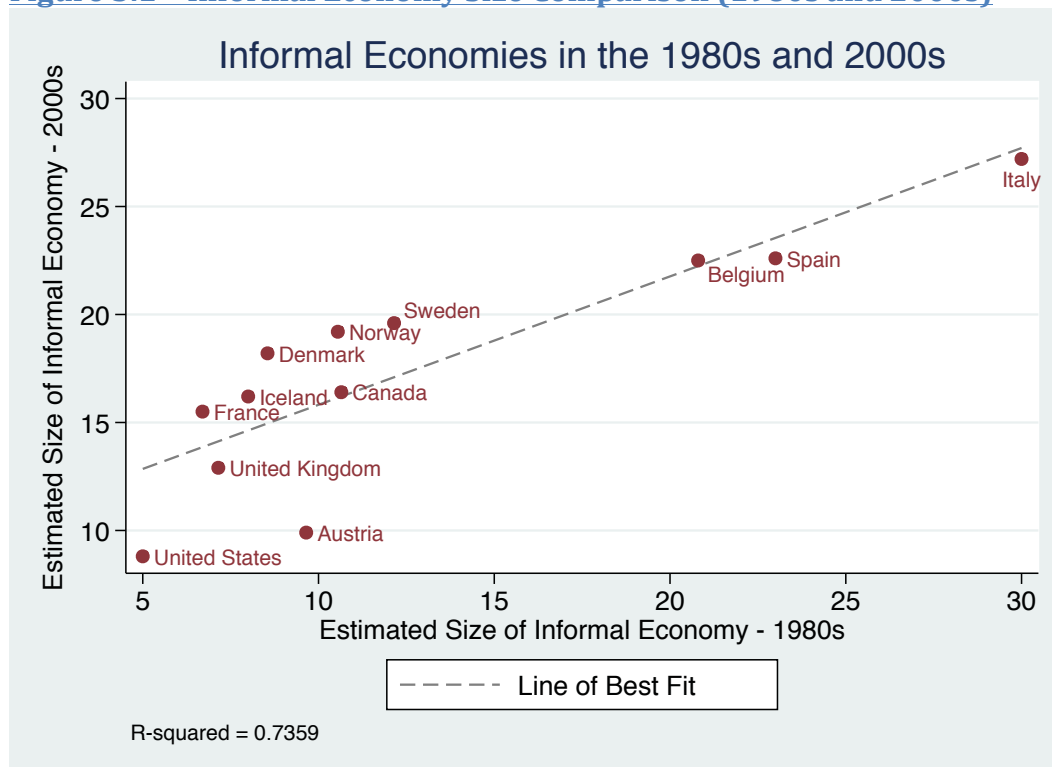
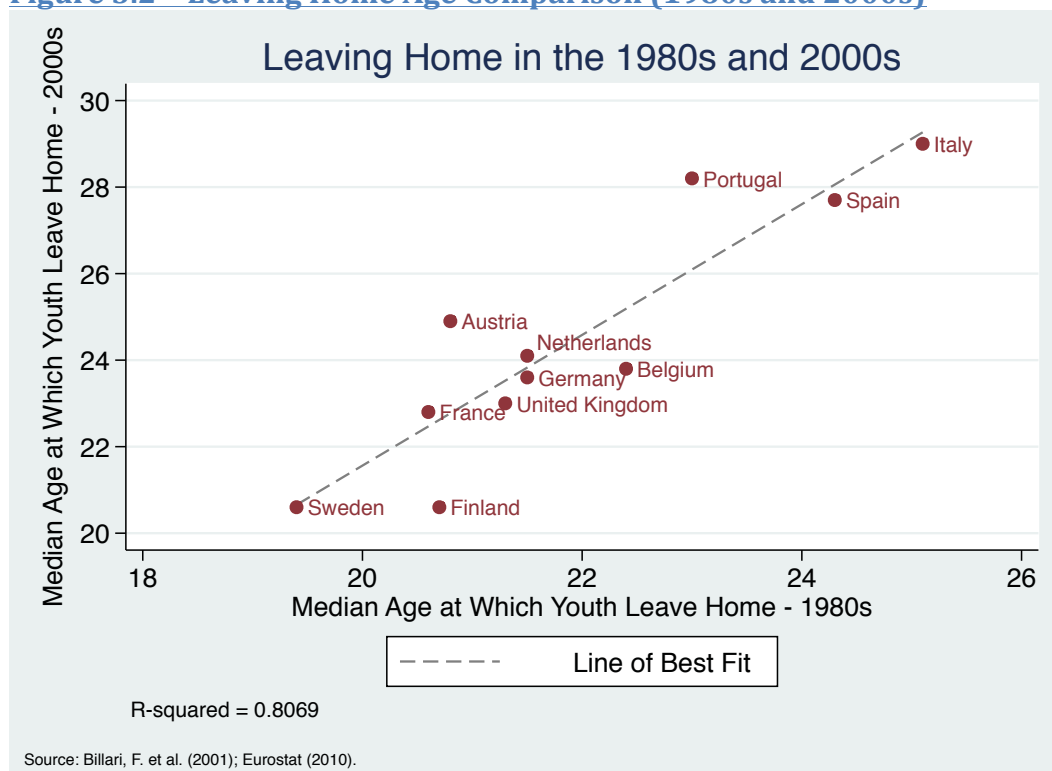


Figure 3.2 – Leaving Home Age Comparison (1980s and 2000s)



Source: Billari, F. et al. (2001); Eurostat (2010).

Figure 3.3 – Countries without a National Social Assistance Programme

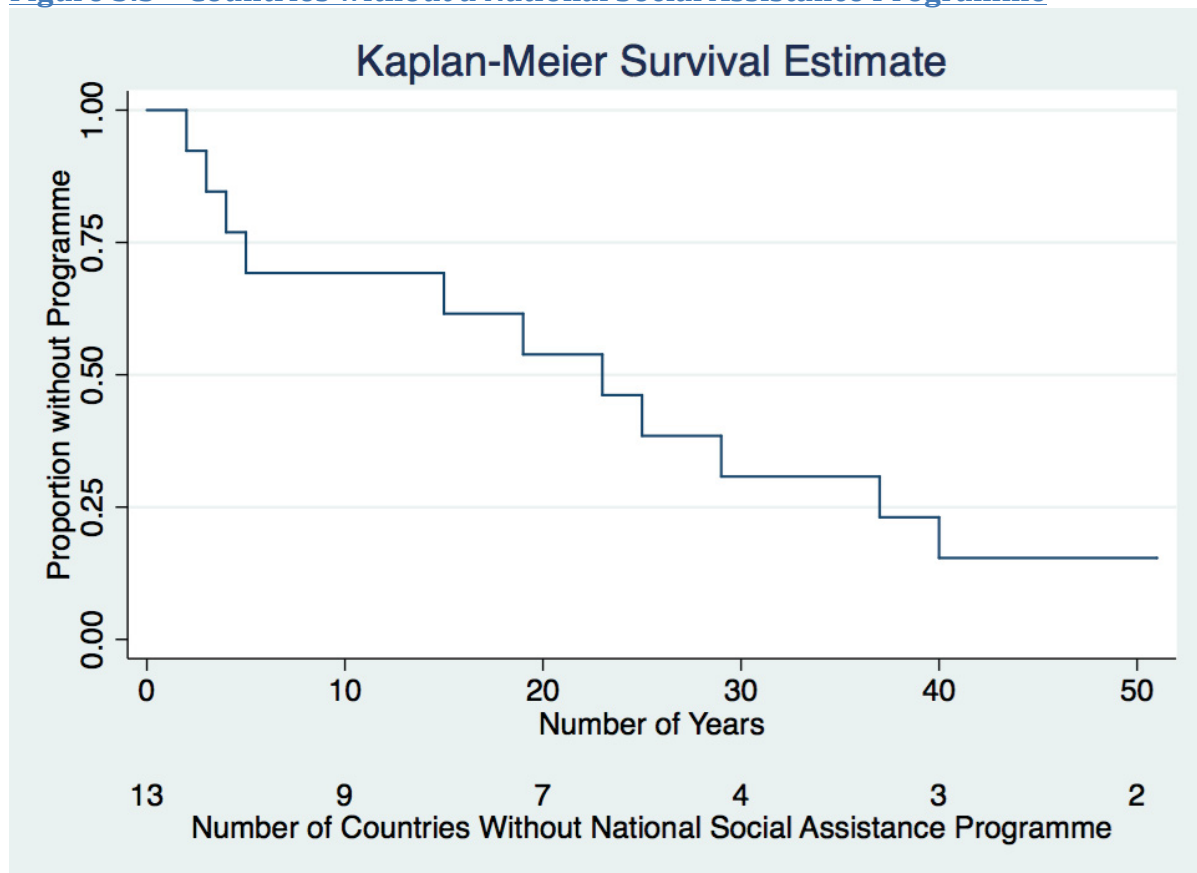


Figure 3.4 – Median Home Leaving and Programme Introduction

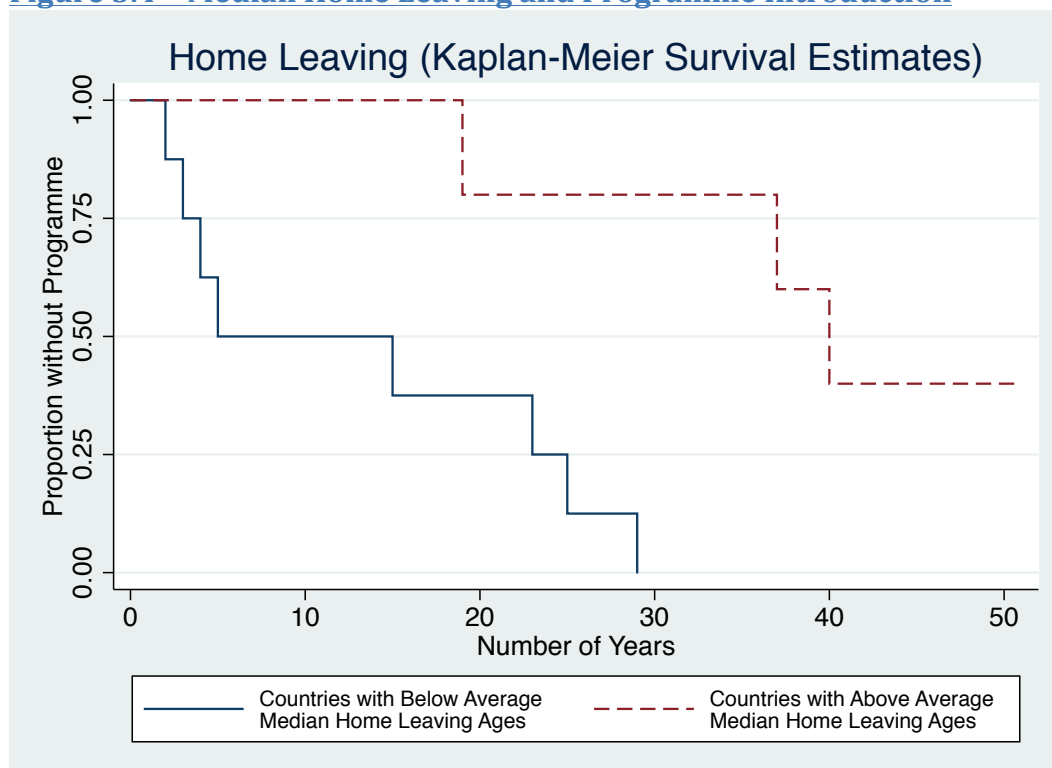


Table 3.1 – Concern for the Living Conditions of the Unemployed across Countries
Predictors of concern for the living conditions of the unemployed

Independent Variables	
Youth living in parental home	-0.054^{***} (0.008)
Youth outside of parental home	-0.056^{***} (0.006)
Unemployed	0.087^{***} (0.011)
Parental Home & Unemployed Interaction	-0.048[*] (0.024)
Increase Municipal Power	0.028^{***} (0.006)
Full-time Employment	-0.020^{***} (0.006)
Family Income	-0.003^{**} (0.001)
Male	-0.008 (0.005)
Education Level	0.013^{***} (0.003)
Retiree	0.022^{**} (0.007)
Median Age of Home Leaving	-0.019^{***} (0.003)
Size of the Informal Economy	-0.003^{***} (0.001)
Poverty Reduction	-0.017^{***} (0.002)
90/10 Inequality Ratio	0.066^{***} (0.006)
Δ Immigration	-0.0002^{***} (0.00005)
Mean Unemployment (1997-1999)	0.005^{***} (0.001)
Δ GDP	-7.64e-08 (0.0000002)
Insurance Principle Dummy	0.017[*] (0.007)
Constant	1.024^{***} (0.080)
N Observations	11117

R^2	0.068
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Note: Cells contain GLS random-effects regression coefficients (with standard errors italicized in parentheses. Coefficients that reach ($p < .05$) or almost reach ($p < .10$) significance are bolded.
+ $p < .10$, * $p < .05$, ** $p < .01$, *** $p < .001$

Source: EVS-1999 Data (2011a).

Table 3.2 – Time-Series Analysis, Benefits for the Unemployed

Independent Variables	Model 1: ²⁴ Unemployment Insurance Coverage Levels	Model 2: ²⁵ Unemployment Benefit Reciprocity Ratios
DV $t-1$	-0.094 *** (0.007)	-0.074 ** (0.028)
GDP t	9.32e-08 (1.40e-07)	-5.37e-07 * (2.55e-07)
Inflation t	-0.113 *** (0.022)	0.201 (0.163)
Δ Unemployment	-0.493 *** (0.096)	-1.110 ** (0.457)
Female Workforce $t-1$	-0.122 *** (0.017)	0.228 ⁺ (0.131)
Union Density $t-1$	0.025 ** (0.008)	0.091 ⁺ (0.049)
Left Government $t-1$	0.001 (0.005)	0.017 (0.024)
Left & Union Interaction $t-1$	-0.00003 (0.00009)	-0.001 (0.001)
Δ Immigration	0.413 (0.555)	-0.795 (1.187)
Size of Informal Economy (Tercile)	-0.347 *** (0.081)	-0.999 (0.952)
Median Age Youth Leave Home (Tercile)	-0.941 *** (0.182)	1.713 (1.270)
Constant	14.22 (1.218)	-7.394 (5.843)
N	423	291
Number of Panels	15	14
R^2	0.077	0.084

Note: Cells contain OLS linear regression coefficients with panel corrected standard errors italicised in parentheses. Coefficients that reach ($p < .05$) or almost reach ($p < .10$) significance are bolded.

⁺ $p < 0.10$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

²⁴ Removing any one country does not typically affect the results, though in the Italian case all but the size of female labour force and lagged coverage levels lose their significance. In addition, the removal of Austria causes the size of the home-leaving variable to lose significance, while removing Denmark has the same effect on the informal economy variable and removing France eliminates the effect of trade union density.

²⁵ Removing any one country does not substantially impact the results, with only small variations occurring in most instances. Excluding Ireland, however, does lead to a substantial drop in the coefficient

Table 3.3 – Duration Analysis, Benefits for the Unemployed

Duration Analysis – Benefits for the Unemployed			
	Model 1:²⁶ Basic Model	Model 2:²⁷ Basic Model with Political Variables	Model 3:²⁸ Full Model
Independent Variables			
Size of Informal Economy (Tercile)	0.359⁺ (0.058)	0.285[*] (0.049)	0.205 (0.193)
Median Age at which Youth Leave Home (Tercile)	0.443⁺ (0.075)	0.215[*] (0.024)	0.135 (0.129)
Female Workforce	---	0.772⁺ (0.053)	0.710 (0.257)
Union Density	---	1.140 (0.164)	---
Left Government	---	1.053 (0.460)	---
Left & Union Interaction	---	0.998 (0.366)	---
Inflation	---	---	0.826 (0.677)
Unemployment	---	---	0.338⁺ (0.070)
N	13	12	11

Note: Cells contain survival analysis hazard ratios with p-values italicised in parentheses. Hazard ratios that reach ($p < .05$) or almost reach ($p < .10$) significance are bolded.

⁺ $p < 0.10$, ^{*} $p < 0.05$, ^{**} $p < 0.01$, ^{***} $p < 0.001$

²⁶ These findings do not appear to be driven by any one particular country.

²⁷ These findings do not appear to be entirely driven by any one particular country, though in some instances the model does collapse.

²⁸ These findings do not appear to be entirely driven by any one particular country, though in some instances the model does collapse. Also, the removal of Portugal from the sample does notably impact the

Chapter 4

Healthcare Coverage in France and Italy: Bismarck, Beveridge, and Making the Transition

As was the case with unemployment benefits, a basic distinction can be drawn between insurance-based and universalist healthcare systems. In the first instance, access to healthcare is derived from occupational status, with the frequent implication that an individual's benefits and contributions vary depending on occupation. Even more importantly, however, labour market outsiders (e.g. the unemployed, the informally employed, or caregiving spouse-less women with atypical employment patterns) can end up falling through gaps in the system. Universalist healthcare systems, on the other hand, base access to healthcare not on occupational status but on citizenship or residency. Such systems therefore privilege equality of access and care across individuals and geographic regions, although the extent to which they achieve these goals clearly varies.

In drawing out a comparison of France and Italy, this chapter will present outcomes that contrast with the expectations based on the story told in Chapter 2. As has already been pointed out, with regard to benefits for the unemployed, France gradually filled the many gaps in the insurance system by building up benefit coverage via universally available means-tested benefits (engaging in residualisation, most dramatically from 1989 onwards); in Italy, by contrast, the insurance approach remains paramount and large coverage gaps persist. An alternative process arose in healthcare, however. Both countries built up semi-public insurance-based systems in the post-war period and were faced with coverage gaps and variations in benefit levels, yet Italy

made a complete transition to a Beveridgean system in 1978 (taking the universalisation route) while France opted to maintain and extend its Bismarckian system (most notably, yet again, via residualisation). In both the realm of healthcare and unemployment in France, therefore, one notes a greater focus on working within the current broader framework (what Hall (1993) refers to as "second order" changes), but in Italy, paradigmatic (i.e. "third order") changes in healthcare coexisted alongside a general failure to reform benefits for the unemployed (278-279). The Italian case in particular is rather puzzling, given the trend toward greater segmentation and coverage gaps in other social policy areas. Before examining what factors led to divergent outcomes across our two policy fields, however, we must investigate how to best explain the French and Italian divergence in healthcare.

This chapter begins with a brief presentation of background information on the two healthcare systems, laying out the historical trajectories in France and Italy, and then turns its primary focus to explaining the pursuit of different approaches to coverage extension in the two countries. This contrast is framed principally by reference to the 1999 French *Couverture Maladie Universelle* (CMU) and the 1978 Italian *Servizio Sanitario Nazionale* (SSN). After making a case for the importance of the distinction between the types of reforms pursued in France and Italy, the chapter will proceed to examine how the dramatic institutional change in Italy can best be understood. The broader Italian context will then be contrasted to that of France, with the ultimate aim of understanding the divergent approaches to dealing with the welfare state outsiders. This analysis includes a combination of secondary sources and insights derived from interviews with party and union officials, as well as (though to a lesser extent) archival research.

Through an examination of healthcare system evolution, this chapter will attempt to address another aspect of the evolution of welfare state dualisation, examining the determinants of residualisation versus universalisation in an effort to deal with coverage gaps under conditions of relative fiscal constraint. Although in this case the Italian reform occurs in a period that might generally be thought of as more expansionary vis-à-vis the welfare state, fiscal and economic difficulties were already quite present in Italy, with the SSN introduced within the framework of austerity; and while atypical labour had yet to begin its dramatic increase, there was nevertheless a sizeable group of citizens without access to the healthcare system.

Two aspects of this approach distinguish the present investigation from previous studies looking at the determinants of healthcare reform: first, the insider/outsider framework is employed in order to gain insights regarding universalist versus residualist attempts to correct for gaps in coverage; and second, this analysis is carried out with the ultimate goal of contrasting developments in two infrequently compared domains (i.e. healthcare and benefits for the unemployed). In the end, this chapter will present another argument based on the impact of structural factors on party and popular preferences (particularly on the left-wing of the political spectrum). As before, this analysis will be couched in a discussion of how different systems have managed, impacted, and/or accommodated those preferences.

More specifically, the argument highlights the ways in which institutions have affected preferences, which in turn have shaped electoral incentives and therefore affected policies – leading to the altering or complete restructuring of institutions; as a result, some institutions are more prone to change than others. In Italy, the failure to more substantially reform the healthcare system after the Second World War left

certain constitutional principles and political aspirations unrealised, and a broader movement for welfare state reform then coincided with the fiscal crises of the insurance funds to open a window for change in the 1970s. In terms of pro-reform public opinion, popular movements, and the invocation of republican principles, here we see some parallels to the case of the French RMI. Yet in this instance organisational incentives added another layer to the story: specifically, the clientelistic aspects of the health insurance system provided the Italian Communist Party (PCI) with an additional incentive to push for dramatic healthcare reform, as it allowed the party to undermine the Christian Democrat's (DC) network of clientelism.¹ Once the PCI's influence in government peaked, a massive overhaul of the system was enacted.

The story of French healthcare reform also has some parallels with the case of the French RMI, but without the added organisational incentives for left-wing parties. Compared with the Italian case, the French semi-public health insurance system enjoyed greater popular legitimacy, made state intervention more politically feasible, and gave unions pro-status quo incentives. Furthermore, earlier reforms of the system, coupled with the absence of rampant clientelistic networks, also affected the policy preferences on the left, particularly within the French Communist Party (though in any event its political influence upon entering government in 1981 was not comparable to that of the PCI in the late 1970s). The end result of these factors was the residualisation of the French healthcare system and the universalisation of the Italian one.

¹ Undermining the DC's clientelistic networks improved the PCI's electoral competitiveness, while developing its own clientelistic resources facilitated the maintenance and expansion of the PCI's support

Contextualising the Cases

While grouping healthcare systems into specific types can be somewhat complex (cf. Ferrera 1995; Wendt et al. 2009; Freeman and Frisina 2010; Toth 2010), the French and Italian healthcare systems in the immediate post-war decades can broadly be defined as relying on the insurance principle rather than universalism. Both systems preserved the privileges of groups that had previously enjoyed generous benefits (under already existing fragmented schemes), with the funds divided along occupational lines – thereby entailing variations of coverage and contributions. But while both countries maintained a fragmented insurance model that allowed previously well-protected groups to jealously guard their benefits, the management of the funds in France saw a far greater role for workers’ representatives than that of Italy. Subsequent reforms saw the Italian healthcare system shift over to a universalist NHS in 1978, while a little over 20 years later the French eventually created a residual means-tested system and standardised benefit packages for most covered persons.

France

The current healthcare framework in France was introduced in the months immediately following the Second World War, with the creation of the modern French social security system (which includes healthcare) via the *ordonnance du 4 octobre 1945* that created the *régime général*.² This new social insurance scheme, developed over the next two years, marked a transition away from targeted medical assistance benefits, a centralisation of some of the already existing occupational schemes, and an extension

² This replaced the initial French social insurance healthcare scheme, which had been introduced over the course of 1928-1930 and made health insurance compulsory for all employees. A paragon of fragmentation, this new system would consist of 702 separate funds by the end of 1933 (Kerr 1995: 641).

and reform of the previous system (Rochaix and Wilsford 2005, 99). The law made attachment to the social insurance scheme obligatory for most categories of workers (whether French citizens or residents), laying out the framework for the healthcare system (Ordonnance n° 45/2454 1945).

Emboldened by the political weakness of the centre-right at the time, the left was able to push through the reform during the Liberation period when parliament was unable to overturn executive decisions; the more radical aspects (such as the establishment of a single fund for all citizens), however, were undermined quite quickly thereafter, as the return to parliamentary normalcy opened up space for opposition from doctors associations, Catholic forces, and those workers with access to better quality benefits (Immergut 1990, 400). The eventual compromise reached by 1947 would therefore see the implementation of a less radical reform and the entrenchment of certain already existing privileges, which would come to shape the subsequent period greatly; most notably, this occurred through the variety of insurance providers, the system of partial reimbursement, and, relatedly, the continued relevance of insurance mutuals through complementary coverage (Evans 2005, 281; Steffen 2010, 360).

Structurally, rather than having the state or private companies run the scheme, the actors involved agreed to exclude the state from direct management of the system and create a corporatist, semi-public system with the central role given to employee's representatives and employer's associations (Catrice-Lorey and Steffen 2006, 168). While union dominance of the system was the norm for the first two decades (with 75% of seats going to unions), parity was restored in 1967, leading to significant contestation between unions and employers (as well as among unions) (Steffen 2010, 361). The exclusion of the state from the insurance funds, in turn, was the product of general

agreement, reflecting both a distrust of the central government and the importance broadly assigned to intermediate institutions (Palier 2002, 4). Nevertheless, the state would increasingly assert its ultimate control over subsequent decades, with final authority resting with the state (Rochaix and Wilsford 2005, 101).

Here, as with unemployment insurance, the hope was that through the expansion of the occupations covered under social insurance, eventually the entire population would have healthcare coverage. This was achieved not only through the *régime général*, which covered about two thirds of all workers, but also through 122 additional occupational schemes (known collectively as the *régimes spéciaux et particuliers*), covering occupational groups that initially refused to join the *régime général* (about a fifth of the working population), and 19 independent schemes, largely for the self-employed and agricultural workers (Bonoli and Palier 1996: 243-244). The extension of health insurance was gradual, with schemes slowly added for groups such as students (1948), soldiers (1949), farmers (1961), and self-employed non-agricultural workers (1966).

This process was further developed in 1974, when individuals who did not fall into any of the already existing occupational schemes were provided access to health insurance benefits, so long as they paid the necessary contributions. For those who could not afford to pay, a request could be made to have their *département* make the contributions for them. In reality, however, coverage problems persisted, as the availability and conditions of this exemption varied greatly across *départements* (Sandier et al. 2004, 7). More generally, the fragmented system also had the effect of failing to provide uniform benefits across groups, with some occupational schemes providing better health benefits than others (Sandier et al. 2004, 8).

The most dramatic shift away from this system involved two developments under Jospin's centre-left government (though the ideas had originally been floated by Juppé's previous, centre-right government):³ the introduction of a residual health insurance scheme, the *Couverture maladie universelle* (CMU) in 1999;⁴ and the 2001 standardisation of the benefit packages provided by the three main insurance funds. The CMU sought both to extend health care to those not covered and provide free complementary health insurance to those who would otherwise be unable to afford it. Under this scheme, all residents of France who pass a means-test are eligible to access benefits from the programme, with the regime co-financed by the state, the insurance funds, and the complementary health insurance providers. To that end, it created the CMU to "guarantee everyone healthcare treatment by a health insurance regime, and to those with the lowest income a right to complementary coverage and an exemption from upfront payment" (Loi N° 99-641 1999 [my translation]). Given that access is means-tested, however, it is important to note that the programme did not mark a transition to a Beveridgean universal system (despite the use of the term *universelle* in its name) but rather the extension of the Bismarckian system via the introduction of an additional scheme (Barbier and Théret 2003, 144; Steffen 2010, 380). At the same time,

³ During his time as Prime Minister, Juppé had made an issue of the equity issues intrinsic to the Bismarckian model, complaining that "There are currently 19 different regimes – the source of inequalities, complications, and additional costs. The universal regime will initiate a right to the same benefits for all, under the condition of regular French residency. It will permit the coordination of contributions of every insured person. It will be created gradually; it will not involve the creation of a 'single regime' because it will remain compatible with a occupation-based organisation of funds; but it will permit a drastic simplification of the relations between regimes and the conditions of qualification; it will bring with it the guarantee that all will be covered by health insurance – that, in a word, every French person will be well cared for." (Juppé 1995 [my translation])

⁴ Although this was a relatively expensive initiative at 9 billion francs, the state redirected funds that had previously been assigned to local authorities to provide health care to the poor, thereby leveraging the

of course, delinking coverage from work obviously introduced a shift away from classical Bismarckianism (Bouget 1998, 166).

Furthermore, benefit standardisation across the three main insurance funds (the *Régime général* (which includes CMU recipients), *Mutualité sociale agricole*, and *Caisse Nationale d'Assurance Maladie et Maternité des Travailleurs non-Salariés des Professions non Agricoles*) had the effect of standardising health insurance coverage and benefits for approximately 95% of the population (Sandier et al. 2004, 36). In addition to extending coverage (both primary and complementary) to those unable to afford it, the Jospin government was therefore also responsible for standardising the benefits received by the vast majority of the population. Note, however, that all of these reforms occurred within the health insurance framework.

Italy

In the immediate post-war period, there was initially a sense that healthcare should be completely reformed by the state.⁵ This position was reflected in both the D'Aragona Commission's report and the new Constitution, with the latter proclaiming that "The Republic safeguards health as a basic right of the individual and in the interests of the collectivity, and guarantees free treatment for the poor" (Costituzione Della Repubblica Italiana, 1947 [my translation]; Spence 1996, 61). Yet despite these assertions, drastic changes were blocked by a weak Italian economy, political

⁵ The previous system, developed under fascism, had made healthcare (unsurprisingly) a corporate affair, with health insurance constituting a part of collective agreements, paid for by employers and employees (without any contributions from the state). The result was a complex system of benefits characterised by enormous variation, with many groups of workers having no access to benefits whatsoever (particularly in the field of agriculture). While the different insurance funds were eventually brought under a single administrative body in 1942, this did little to deal with the vast disparities in provision that continued to

polarisation, and a confluence of actors opposing reform, resembling those that prevented more radical reform in France: employer's associations, sections of the Church, medical associations, and occupational groups with generous benefits under the previous corporatist system (Ferrera 1993, 234).

Under these circumstances, successive governments opted to retain a more traditional system of health insurance funds (with more fragmented control than that found in the French system of semi-public funds under divided worker and employer association control) and were hesitant to regulate and standardise their benefit packages. At the same time, health insurance coverage slowly extended to previously excluded occupations, particularly over the course of the 1950s and 1960s, with new mutuals (having their own contribution, benefit rules, and administrative structures) usually formed "under strict DC control" (Ferrera 1986, 456; Ferrera 1996, 55). The eventual result was the proliferation of funds, which also served as a clientelistic network, and the near complete coverage of the Italian population (Piperno 1983, 157). Indeed, by 1977 only about 3 percent of the population, many of whom were unemployed, had no coverage (OECD 2012). At the same time, certain public elements of the system were simultaneously developed alongside the insurance system, particularly with the creation of public hospitals and the increasingly autonomous state administration in charge of certain public health issues (Maino 2001, 74).

The limitations of this system were many, however, with some resulting from the nature of health insurance systems more broadly and some from specifically Italian peculiarities: benefits were dependent on labour market status rather than citizenship; there was a high level of organisational fragmentation among the funds, with over bureaucratisation and variable coverage among insurance funds; there was striking

North-South regional variation (in terms of access to doctors, hospitals, etc.); the funds consistently flirted with bankruptcy, leading the state to step in repeatedly to save them; and there was a decided lack of emphasis on preventative medicine (Ferrera 1995, 278-279). Yet despite all of this, opposition from doctors, the health insurance funds, and those insured individuals with particularly high-quality benefits combined together with the difficulty of actually reforming the entire system to draw out the reform process considerably (Maynard 1975, 158-159; France and Taroni 2005, 172).

This would all change with the 1978 creation of a National Health System (*Servizio Sanitario Nazionale*, SSN) (created by Law 833/1978), which enacted a thorough reform of the system, shifting from a health insurance system to one of universal healthcare. This position was highlighted in the principles delineated in the law, echoing the Italian Constitution and declaring that "The Republic safeguards health as a fundamental right of the individual and a concern of the collectivity through the national health service. The protection of physical and psychological health must take place in obedience to the dignity and liberty of the individual" (Legge N.833 23 Dicembre 1978, [my translation]). In practice this reform entailed eliminating the vast array of insurance funds, standardising benefits, extending benefits to uncovered citizens, and reconceptualising healthcare as a right of citizens rather than workers (Brown 1984, 80; Ferrera 1995, 279). The original intent for this new system was to include both aspects of full universality (free and equal use for all citizens, regardless of income, location, or employment status) and democratic control (through the involvement of political parties) (Donatini et al. 2001, 14). The latter aspect in particular had considerable negative repercussions: assigning administrative positions to parties on the basis of their electoral strength had the predictable effect of placing

many unqualified individuals in managing positions and creating considerable friction between those individuals and career administrators (Ferrera 1995, 281-282).

Beveridge versus Bismarck

While the primary goal of this chapter is to explain the divergent trajectories in the French and Italian healthcare systems, the developments highlighted above lead us to first address a separate issue: namely, is the distinction between a Bismarckian health insurance system and a Beveridgean universalist one meaningful for our larger purpose?

While the scope of the divergence is not quite as great as one might expect, the difference is nevertheless a meaningful one. The creation of the Italian SSN clearly affected the degree to which benefits were available, extending coverage to the 3.5 million Italian citizens – and eventually even non-citizens – who had previously fallen outside of the system. Similarly, it removed the individual basis for health insurance, taking the focus away from contribution records and thereby providing for far more equal access across groups (Freeman 2000, 37). Those individuals with poor employment records (disproportionately women) or who fell outside of the traditional labour market (i.e. labour market outsiders) thereby received a notable improvement in their access to health services; what is more, this occurred in a manner incommensurate with simply developing health assistance benefits for those who cannot access regular coverage, since in general they provide lower quality benefits (Guillen 2002, 50-51). As a result, this approach to reform effectively erased the welfare state insider/outsider distinction. What is more, the creation of the SSN standardised benefit packages across all occupational groups (and even for those outside of the

labour market), further contributing to equality of access and care. The central role given to equity under universalist healthcare systems is therefore not just interesting from a theoretical perspective, as it has real life ramifications as well.

Of course none of this is to suggest that the universal nature of Italian healthcare system results in better health outcomes than those in France. First, the Italian system undoubtedly has its shortcomings. The SSN has certainly struggled to provide standardised care across the regions (see Saraceno and Negri 1994, 21) and has notably demonstrated a few peculiarities even vis-à-vis other universal healthcare systems. The funding of the SSN, for instance, took quite a few years to approximate that of other countries with universal healthcare: even though the financing of the system itself was immediately shifted to the central government, the move away from occupation-based contributions to general taxation in Italy was a slow one (with all of the implications for progressivity in tax/contribution collection that implies). Indeed, there is some debate about whether the Italian healthcare system should be grouped in precisely the same healthcare typology as the Northern European variants (cf. Moran 2000, 147; Palier 2004, 28; Toth 2010, 340), and Ferrera went so far as to label it a system of "conditional universalism" (1995, 281). Nevertheless, the shift away from an insurance model is quite evident.

Second, the French system, despite maintaining its insurance-based system, has also moved toward greater coverage and equity through residualisation as well as some standardisation. In the former case, this occurred through aforementioned 1999 introduction of the CMU (which extended benefits to those falling outside of the system). In the latter, it was carried out most notably through the 2001 benefit standardisation that resulted in adherents to the three principal insurance funds

(together covering approximately 95% of the population) having access to the same healthcare benefits. Although this (incomplete) standardisation does leave occupationally derived differences for those individuals in the remaining 5% of the population (including such disparate groups as miners, clergy, railway workers, and artists), they have become the exception rather than the rule.⁶ Yet despite these improvements, the system at the very least retains the theoretical distinction between those insiders with access to the principal system and those outsiders who access the residualist one.⁷

By way of one final caveat, it should also be noted that the differences between the two systems do not map easily onto either quality of care or levels of public satisfaction with the systems. Despite the persistent inequities of the French system, it has sometimes been pointed to as a model of care – ranked, for instance, first overall by the World Health Organization (just ahead of second place Italy) in the late 1990s (2000, 153). Public satisfaction with the two healthcare systems, on the other hand, is far more divergent, with the French considerably more satisfied with their system than their Italian counterparts (see Table 4.1 for an example of opinions from just after the introduction of the CMU). Italians are nonetheless slightly more likely than the French to support a strong role for the public healthcare system, likely reflecting the far more statist nature of the Italian system with its relative dearth of other actors seen to play

⁶ The acceptability of such differences seems to derive partially from questions of choice ("they had the choice to integrate into the system during the creation of the generalized social security, and they didn't want to"), partially from divisions among workers and employers ("we don't agree with... acting in solidarity with 'employer' regimes"), and partially from differences in contribution levels ("they don't make the same contributions anyways"), as *Force Ouvrière* Confederal Secretary Patrick Privat stated to me in an interview (Interview, Privat 2012 [my translation]).

⁷ Aside from questions of access, France too suffers from issues surrounding variation in the quality of care along both geographic and income-based lines, continuing to be a problem (cf. Bodwin and Le Bar

constructive roles. Overall, however, these sorts of institutional differences are not necessarily reflected in either public satisfaction or quality of care.

[Table 4.1 about here]

Instead, the main differences of interest here relate to the nature of the healthcare systems themselves, with regard to both institutions and philosophies. In the former instance, France's insurance system is still highly fragmented institutionally, providing a means-tested scheme for would-be outsiders. In the latter instance, the French system assigns the insurance principle and complementary residualism prominence over universalism. For our purposes, the relevant juxtaposition is driven primarily by the French focus on residualising reform within the existing broader framework in the field of healthcare coverage, as well as the considerable time lag in these developments (with the principal reforms occurring just over two decades after the Italian reform). The stark contrast with the Italian reforms, both in healthcare coverage (where the system was completely recreated via universalisation) and in the field of benefit coverage for the unemployed (where governments largely failed to act) makes this divergence particularly interesting. Our ultimate emphasis, of course, remains on different approaches to gaps in welfare state coverage, with changes in healthcare programmes serving as one example of how these processes might play out. As such, even if one were to believe that the French and Italian systems were functionally equivalent, the different reform paths to the current systems would be of theoretical interest.

Explaining Healthcare Reform

Having acknowledged the significance of the divergent trajectories in France and Italy, we now turn to our principal question: how can one explain the contrasting decisions to extend coverage (and standardise benefits) through universalisation in Italy and residualisation in France? Drawing on the literature studying the introduction of universal healthcare, one notes a number of (often complementary) theories that may explain the extension of healthcare benefits through universalisation. These theories will be reviewed with the aim of both laying out existing work and drawing out the implications that are potentially related to insider/outsider divides.

Theory 1: Left-wing Strength

First, there are arguments stemming from Power Resource Theory, suggesting that a strong working class, organised through labour unions and left-wing parties, leads to more egalitarian outcomes. Given that this theory implies a concern with welfare state outsiders on the part of left-wing actors, this approach is obviously similar to the *Egalitarian Left* theory discussed with regard to benefits for the unemployed. In trying to explain social policy outcomes, Korpi, for instance, stresses the importance of the distribution of power between workers and employers; this is evident in the extent to which the labour force is unionised, the vote-share of leftist parties, and their presence in government (measured both over time and within a given government) (1980, 307). In one application of this framework to healthcare reforms specifically, Navarro argues that universality will be pursued by the working class in order to strengthen broad class solidarity (and similarly will be opposed by the capitalist class to maintain class fragmentation), with: "the different types of funding and organization of

health services... explained primarily by the degree to which the differing class aims in the health sector... have been achieved through the realization of class power relations" (1989, 891-892). Note that there are two relevant theoretical implications to the Power Resources approach. First, the theory implies that public opinion within the working class is inherently pro-reform – that workers generally prefer universalist systems. Second, the argument that leftist parties and organisations will reach out to welfare state outsiders rather than turning in upon themselves and trying to protect traditional insider supporters/members (or, alternatively, organisational strength derived from the existing institutional arrangement). It therefore provides an interesting addition to the theories discussed in Chapter 2.

Indeed, the strength of left-wing parties is a rather consistent variable in explanations of major healthcare reform in Italy, for instance (e.g. Robb 1986, 622; Vicarelli 1995, 129; Spence 1996, 63-64; France and Taroni 2005, 173; Toth 2010, 329), so one of the principle aims in this chapter must be to examine the role played by the French left.

Theory 2: Interest Group Weakness

Another oft-stressed factor in discussions of divergent developments across different healthcare systems (including with regard to the gradual universalisation of benefits funds (see Wilsford 1994, 258-275; Freeman 2000, 26; Guillen 2002, 58-59)) is the impact of interest groups, in particular doctors' associations and insurance. In this instance, positive public attitudes toward the insurance funds and doctors' associations, as well as the absence of schisms within the groups, are seen to augment their ability to counteract reformist forces. Additionally, we can expect the impact of these groups on

healthcare policies to be mediated through institutional arrangements that either facilitate or thwart the potential influence they can exert, affecting the type of interest groups formed and the strategies their leaders employ (Immergut 1992, 3). Rather than suggesting any particular stance by welfare state insiders/outsideers or parties, this theory highlights the potential role of interest groups and institutional arrangements on the balance of pressures for and against reform - specifically through the strengthening of a countervailing force. This chapter will therefore explore the difference between the relevant French and Italian lobbies as well as their institutional settings in order to assess the extent to which these factors might help us understand the differing outcomes.

Theory 3: Political Decentralisation

Decentralisation may also matter through the shaping of demand for reform and the encouragement of experimentation at lower levels of government. Examining the contrasting outcomes in Canadian and American healthcare developments, for example, Maioni suggests that the federal and parliamentary aspects of the Canadian political system facilitated provincial experimentation, the formation of a new pro-reform party, and the eventual creation of a universal healthcare system (under a Liberal minority government relying on the support of the New Democratic Party); in the US, by contrast, the weakness of the executive in the legislative arena and party discipline, as well the institutionally driven tendency for the Democratic Party to move toward the centre (with a broad coalition of support incorporating both typical proponents of reform (e.g. labour unions) and opponents of it), has persistently prevented change (1997, 424-425). Indeed, the development of regional governments is another relatively common

theme in the literature on institutional impact, with the process associated with structural reorganisation and a changing context for party strategy in both Spain and Italy (Ferrera 1989, 116; Guillen 2002, 58). Broadly speaking, decentralisation may shape popular demand for government provision of healthcare by creating a lower level of government with greater perceived administrative capacity, or it may increase demand for a universal healthcare by showing (through policy experimentation) that such programmes are indeed feasible. Despite the fact that neither country has a federal system, a consideration of the role of decentralisation in France and Italy will therefore be included as well.

With these hypotheses serving as our working framework, let us now turn to a closer examination of benefit extension and standardisation in Italy and then France. Given that the above theories are themselves often drawn from analyses that include the Italian case (and in a few instances the French case as well), our primary purposes in this chapter will be to a) sketch out the Italian process of universalisation and b) investigate whether and to what extent those same factors were present in the French case. The goal here is to refocus historical analysis on the aspects of the already existing theories that might tell us something about the extension of benefits to welfare state outsiders more generally, giving us insights into the choice to pursue that goal either through residualisation or universalisation. Overall then, the next two sections will attempt to draw attention to the instances in which the comparison either casts doubt on or reinforces the existing theories, always with an eye to ultimately exploring varying, across-domain approaches to gaps in welfare state coverage.

Italian Advancements

As was mentioned above, the principles underlying the 1978 reform could actually be found in the Constitution itself, yet it took over three decades for the system to be implemented.⁸ The universalisation of healthcare in Italy was thus itself not immune from delays. While the decision not to implement universal healthcare immediately upon the ratification of the constitution can largely be understood in terms of financial difficulties, a number of other, more political factors also played a role: most notably political polarisation and opposition from Confindustria (the Italian employers' confederation), doctors, Catholic associations, and the occupational groups that stood to have their privileged position in the previous system eroded (Ferrera 1993, 234; Vicarelli 1995, 127-128). Yet the delays to reform long outlasted the centrality of fiscal limitations, as the latter would gradually decrease with the Italian boom that began in 1950. As a result, in order to understand the universalisation of healthcare in Italy we must investigate what potentially relevant factors changed over the course of those years.

To begin with, one notes that the SSN reform was preceded by mass mobilisation in favour of reform. One of the most critical steps toward reform was the spread of the movement for change, with the 1970s in particular marking the growth of popular movements pressing for welfare reform, including in the field of healthcare (Paci 1989, 90). In this way, one notes the importance of public opinion recurring yet again, with

⁸ It is worth noting that the perception of the SSN's creation as primarily an overdue realisation of constitutional principles was common among those left-wing party and union representatives with whom I spoke (Interview, Fantozzi 2012; Interview, Touadi 2012; Interview, Treves 2012; Interview, Zipponi 2012). As the Director of the Labour Division of *Italia dei Valori* put it, "these cornerstones of the Republican Constitution were not easy to put into effect, since in many cases there were counter tendencies, such as... the belief that healthcare must be run as a business, with a market, competitiveness, and competition – making it no longer a case of solidarity but of the market" (Interview, Zipponi 2012).

the apparent shift in preferences toward reform creating electoral incentives for parties to restructure the system. Insofar as the working class and its related movements were heavily incorporated into this movement, this growth in public pressure also conforms with the theory highlighting *Left-wing Strength* and contrasts with the broadly status quo preferences that seem to dominate attitudes around unemployment benefits. The leftist union CGIL (*Confederazione Generale Italiana del Lavoro*) in particular had been pressing for the creation of an SSN since 1956, with their Executive Committee claiming that

the moment to realise the institution of a modern national health service has arrived... It is urgent and indispensable to resolve as quickly as possible this barrier to human and societal progress for the entire nation, in the interests of the huge mass of workers and their families (CGIL 1956, 462 [my translation]).

Note that this framing, put forth in the era of welfare state expansion, constructs the issue as one of broad societal progress and interests, without resorting to referencing distinctions among groups in terms of access and benefit generosity.

Yet the "battle by trade unions and the working class to prevail over the insurers," as one CGIL director phrased it, was joined not only by rising left-wing parties but also by large contingents of doctors hoping to reform a system they argued was ill-functioning (Vicarelli 1995, 128; Interview, Treves 2012 [my translation]). Countering the "free choice" arguments of the major medical union (FNOM), for instance, the National Secretary of another medical union (ANAAO) argued that "free choice must comprise the freedom of citizens to participate in the organisation of healthcare and the power to decide the criteria of this organisation" (Testai 1971 [my translation]).

Coinciding with the expectations of the *Interest Group Weakness* hypothesis, this break in the anti-reform front helped facilitate change: professional opposition to reform was

less powerful than it might otherwise have been (and had been in the past), as doctors themselves were divided on the issues (Freeman 2000, 26). Recall that medical associations played a role in blocking more radical reform in the immediate post-war period not only in Italy but in France as well.

Further supporting the *Interest Group Weakness* theory, pressures to fundamentally refashion the system were exacerbated by the recurring crises of the insurance mutuals. With their continual return to the brink of bankruptcy, the funds appeared increasingly incapable of keeping the system afloat on their own, challenging their credibility and sway over public opinion (Spence 1996, 63). This then culminated in the 1974 assignment of hospital debt to the public sphere, after the insurance funds failed to deal with rising costs, which in turn resulted in increasing calls for reform in the media (Brown 1984, 77; Vicarelli 1995, 129). "It's increasingly urgent that we fully attain a new healthcare system, carry out the things that remain to be done, [and] eradicate the 'sickness industry'", read an article in *La Stampa* discussing the recently enacted reform; "INAM", the main insurance fund in Italy, "spends more by itself than the entire British NHS", declared *L'Unità* in an article entitled "How much does not reforming healthcare cost" (Scarpa 1974 [my translation]; De Vito and Giliberto 1975 [my translation]). The result was the arrival of a critical juncture, as decisions about how the system could be stabilised were pushed to the fore, during a period of particularly low public support for the insurance funds. This later factor also had the added effect of diminishing the potential force of countervailing pressures from the funds.

Pro-reform popular movements, schisms within the medical community, and popular concern over the crisis of the insurance funds occurred alongside an additional

key institutional development: regionalisation. Although the *Political Decentralisation* hypothesis does not apply perfectly since Italian regionalisation did not introduce a proper federal system, the creation of the Italian regional governments in 1970 (another longstanding unfulfilled promise from the Constitution) nevertheless contributed to the pro-reform environment. In particular, the newly created regional governments acted as an additional pro-reform force (Ferrera 1986, 458). The stance of the regions on the issue was largely guaranteed by the jurisdictional promises set out in the Constitution, which assigned the regional governments numerous responsibilities over healthcare; yet perhaps even more importantly, the creation of the regions also made possible the delegation of control to a lower level of government – one less tainted by a lack of public respect than the central government (Guillen 2002, 58; France and Taroni 2005, 172-173). Popular scepticism toward government competency was thereby at least partially muted (recall the role of concerns about administrative capacity discussed in Chapter 2), and the new regional governments provided an additional pressure group for reform that had been lacking in the 1940s.

Yet while these factors created an atmosphere generally favourable towards reform, the most direct cause of healthcare reform was the electoral strengthening of the left, which resulted in the *historic compromise* (*Compromesso storico*, with the government relying on support from the PCI) government that would shortly thereafter create the SSN (Robb 1986, 622; Immergut 1992, 240). The support for the Power Resource Theory here is obvious, with the PCI a working class party with considerable connections to the labour movement, most notably through its connections with the CGIL. The party was well positioned ideologically to deal with public concerns about decreasing the role of the market and effecting egalitarian and universal access to

healthcare. Indeed, implementing an SSN-style system had been a pet project since the early 1960s, though even with the introduction of the first proposal in 1962 they were arguing that "a favourable outcome required that public opinion follow and sustain this struggle" (Brown 1984, 77; "Editoriale" 1962 [my translation]). This position, in turn, was complemented by the pro-reform stance of the Italian Socialist Party (*Partito Socialista Italiano*, PSI) (Ferrera 1986, 454).

Note that reform was viewed not only as a popular measure to seek, but also as contributing to the grander project – which is to say that it was attractive for both vote-seeking and ideological reasons; the PCI considered the complete refashioning of the healthcare system central to both workers' health and "the broader transformation of the organisation of society" (Collettivo dell'Istituto Superiore di Sanità 1971, 39 [my translation]). Furthermore, given that the health insurance funds constituted one of numerous clientelistic networks from which the DC distributed posts and derived political power (see Ferrera 1996a), the PCI also had a more practical interest in redesigning healthcare. In this way, the eventual SSN reform can be seen to reflect more than just a desire for benefit extension. Indeed, the party had been waiting for years for circumstances to align and thereby make such a transformation possible. As the plan's architect, Giovanni Berlinguer stated at a 1963 conference pushing for the reform,

But what are the realistic time frames for the transition from a mutualistic system to a national health service? It is not oversimplification but rather realism to affirm that they depend essentially on the relationships among political and even electoral forces, between those who want reform and those who impede it (1963, 13 [my translation]).

Evidently these conditions would not arise until the mid-1970s, when the PCI's surge in electoral strength – coupled with the refusal of other parties, especially the PSI, to

continue to join governing coalitions that excluded the PCI – made its continued exclusion from government appear increasingly difficult to maintain.

The (temporary) cross-party consensus that arose during the *historic compromise*, in turn, also helped to overcome the instability of parliamentary majorities in the Italian system (similar to that which the French had experienced under the Fourth Republic) (see Immergut 1992, 240). The contrast with the immediate post-war period is striking, as the PCI had not been in government since the May 1947 crisis. By the time of the *historic compromise*, however, the party was not only strong enough to demand the reform in exchange for its support (Ferrera 1989), but also held enough seats to help pass the legislation without requiring the government to rely on a plethora of smaller parties. Couched within a broader strategy of trading exclusion from cabinet posts for both legitimisation and policy influence, the PCI hoped to finally enact, through the "policy of austerity", long-sought structural changes while simultaneously consenting to deflationary measures (D'Alimonte 1999, 148). The goal here was to use the broader crisis as an occasion for progressive transformation, with, as then PCI National Secretary Enrico Berlinguer explained, objectives such as: moving beyond consumerism; achieving full equality and liberation for women; carving out a role for worker and citizen participation in firms, the economy, and the state; and, more broadly, "proposing ways of life and relationships among individuals and states that are more integral, social, [and] human" (Berlinguer 1977, 26 [my translation]). Aside from the reference to women (with gender at least partially important due to women's disproportionate status as labour market outsiders), here again the focus is much more society-wide than insider/outsider based.

The scope and extent of these policy goals arose in circumstances best summed up by the then DC Prime Minister Giulio Andreotti's famous statement in 1978 that "without the approval of the Communist Party, the Italian Parliament could not even send out Christmas cards" (as cited in Ruscoe 1982, 4). And while the SSN reform legislation had initially been both pushed for and largely drafted by the left, the DC and its partners, fearful of provoking and subsequently losing a referendum on the issue (as had already happened with divorce), allowed the reform to pass without substantial revision (Robb 1986, 622). The importance of the PCI in this process – and the political instability that led to their inclusion in government – is highlighted by the fact that once its support was no longer relied upon by the government, consensus around the reform collapsed (Spence 1996, 63-64).

But despite the central role of the party, to characterise the overhaul as simply a product of the PCI would be an exaggeration. Even in the remaining communist circles this position seems to be uncontroversial. The National Director of the Work, Welfare, and Citizenship Policies section of the Communist Refoundation Party (*Partito della Rifondazione Comunista*, one of the remaining unreformed fragments of the old PCI), for example, stated that the creation of the SSN "saw the convergence of different political and non-political forces, of which the PCI was an example... [of] those who committed themselves to this reform" (Interview, Fantozzi 2012 [my translation]). The temporary increase in the PCI's political power was combined not only with the systemic financial crises of the old model, but also with regionalisation and a broad movement for reform; indeed, the latter was comprised of not only the public but also the regional governments and certain medical associations. In this way, the adoption of the SSN broadly corresponds with Kingdon's theory of policy windows (Kingdon 1984). The

contrast with the circumstances surrounding the creation of the previous healthcare system in the immediate post-war period is stark: with a stronger economy, a surging PCI, new regional governments hoping to realise their constitutionally assigned power, and financially troubled insurance funds, the forces favouring the maintenance of the mutualistic system had slowly seen their position weakened.

Under these circumstances, reform of some sort appears to have been almost overdetermined – but why did the Italian government pursue universalisation rather than residualisation? At first glance, it might appear that a less transformative reform of the health insurance system would not have been enough to deal with mounting political and popular pressure for reform. The nature of the insurance funds meant that variations in access to healthcare would have persisted regardless of whether the system could be made to function properly and without recurring government assistance. Even a 1973 attempt by the government to introduce a two-tiered system met with complaints about variation in access, particularly from politicians on the left – with one former PCI Deputy, for example, arguing that the proposal "calls for a pyramid-shaped healthcare system: at the lowest level the national service, at the apex the clinics for the rich" (Scarpa 1973 [my translation]).

But this desire to use healthcare reform as a means for more transformative reform – one that had long been a "pet project" of the PCI – can also be understood along less ideological and more pragmatic lines. As was mentioned above, the erstwhile health insurance system served as a valuable clientelistic resource of the DC. The pursuit of reform through residualisation would have done little to undermine that network, and even if the PCI could have used its enhanced power at the time to attain clientelistic spoils for itself, it could not trust the DC to keep its word when the PCI's

support waned. By contrast, the broadly supported "democratic" element of the new system – ostensibly designed to promote democratic representation – promised to consistently provide parties of all stripes with clientelistic spoils to distribute as they continued to build up their party machines (Ferrera 1996a, 54-55). For the PCI (and even the PSI), then, the DC's strong ties to the old system meant that anything short of a complete overhaul would leave the party's greater influence in tact. Combined with ideological preferences, this meant that the form that benefit extension took was actually a central issue on the left, especially for the PCI. The means used to achieve benefit extension mattered as much as the end, with universalisation far more preferable than residualisation.

Elsewhere on the political spectrum, other factors conspired against residual reform as well. For the more technocratically inclined, knowledge of rising costs and the general poor functioning of the system in the past helped to drive would-be centrist and centre-right reformers away from proposing such changes, and there was also a certain appeal to central budgetary control and cost containment (Brown 1984, 78-79).⁹ Yet the DC had other reasons to alter its position with regard to healthcare reform: although they were the dominant party and were most likely to favour a non-transformative reform of the old system (in light of its ties to both the insurance funds and the Church hospitals), to the extent that a more revolutionary reform was inevitable, carrying it out under DC tutelage actually allowed them to guarantee their own share of the spoils (Brown 1984, 79). As such, the party's earlier proposals for only moderate tinkering were eventually replaced in the early 1970s by calls for a national health service (albeit

⁹ Here the British NHS was clearly an inspiration for parties across the spectrum, providing a model for both equality of access and cost containment – though for obvious reasons the left focused more on the

without the nationalisation of either medicine or physicians), though they were rather timid in pursuing reform on their own (de Miguel 1977, 386).¹⁰ The rising fortunes of the PCI then pushed the DC toward accepting even more dramatic reform.

By way of one final consideration, given the central role of the PCI in this story, one is perhaps left questioning how (and to what extent) the SSN survived the end of the *historic compromise* in 1979. In particular, support for a universalist healthcare system began to dissipate over the course of the 1980s as the shortcomings of the system – in combination with sky-rocketing expenditures (especially on pharmaceutical drugs) and an inability to discipline regions for overspending – became apparent (Ferrera 1995, 280).¹¹ Anti-SSN fervour eventually reached its apex in the 1994 elections, when abandoning the universal nature of the healthcare system was a significant campaign issue, with division falling along coalition lines; indeed, the first Berlusconi government (1994/1995) planned to privatise the health system, but the government collapsed before it had an opportunity to do so (Spence 1996, 48). More generally, however, reforms have taken a less revolutionary tack, tapering certain aspects of the system's universalism via regulations on prescriptions, the increasing use of co-payments (for specialist care, diagnostic tests, and pharmaceutical drugs), and the phasing out of coverage for certain types of care (e.g. in dentistry).¹² Lacking recurrent crisis of the healthcare system and a popular movement for reform, institutional inertia has therefore prevailed: the complete overturning of the system entailed high fiscal and

¹⁰ That persistent delay of such reforms was attributed to the same sorts of delays that plagued the immediate post-war period: economic difficulties and opposition from certain employers' associations, pharmaceutical companies, medical associations, and segments of the Church (de Miguel 1977, 389).

¹¹ The popularity of the system would soon be dealt a further blow with revelations of the vast corruption at work up to the Tangentopoli scandal.

¹² While initially controversial, the use of co-payments would slowly become more normalised, over time gaining broad political support. As a *Partito Democratico* deputy – one who described the universalism of the healthcare system as "indispensable" – would later put it, "perhaps we exaggerated in the past the

political costs of reform with low potential pay off – especially in light of the fragile governing coalitions and opposition by regional governments (France and Taroni 2005, 175).

Summing up, the post-war reform of the healthcare system was particularly unsatisfactory for the Italian left, as it failed to base healthcare access on citizenship or grant greater worker input through the structure of health insurance administration, while at the same time also providing the DC with important clientelistic resources. This led to early clamouring for transformative reform, which would restructure the founding principle of the system from insurance-based to universalistic. The 1970s then saw a culmination of circumstances that substantially augmented pressures for change: mass mobilisation for reform suggested that public opinion supported the reconfiguration of the system, shifting the potential electoral costs for parties interested in maintaining the status quo; recurring crises of the insurance funds challenged the system's sustainability, both on a technical level and in the eyes of the public; the newly created regional governments increased calls for reform, both through the desire of these governments to increase their own powers and through bringing into being a level of government less tainted by corruption in the public's eyes; and, most importantly, the surge in electoral strength of the PCI dramatically augmented their influence and put the universalising reform on the immediate agenda. The end result was benefit extension and standardisation through the creation of a universal healthcare system.

Staying the Course in France

What, if anything, do these considerations tell us about the preference for a residualising rather than universalising approach to healthcare extension and standardisation in the French case? Turning first to *Left-wing Strength* hypothesis, it should be noted that the preferences on the left in France were formed under circumstances quite different from those in Italy. In particular, by giving unions a central role in the management of the system, the post-Second World War re-organisation of health insurance in France had the effect of placating potential demands from labour for a universal healthcare system.

Whereas an Italian union would be the first organisation to lay out a proposal for the complete transformation of healthcare in Italy, its French equivalents were silent on the issue – instead acting as protectors of the *acquis sociaux*. This likely reflects both the pro-status quo preferences of their membership and the incentives inherent in the social insurance system, which provides unions not only with administrative posts but also power and influence derived from their role in the health insurance funds (Palier 2002, 8). And while the centrality of organised labour's role may have diminished after the 1967 reform that re-established parity, French unions ultimately remain far more integrated into the system than their counterparts had been Italy. In this case, then, the developments reflect much more accurately the expectations of the insiders/outsider perspective.

This institutionalised position has led even to a certain unease regarding the residualisation implicit in the extension of coverage via the CMU, with an apparent preference for the primary system - and universalisation of that benefit scheme -

instead. As the former National Secretary Jean-Christophe Le Duigou of *Confédération générale du travail* (CGT) relates,

If there are people who cannot pay their contributions, the system should cover them... The CMU is better than nothing, but in my opinion it was necessary to reflect more deeply upon the idea of giving the *Caisse nationale de l'assurance maladie* [the national sickness insurance fund] the capacity to truly cover excluded individuals... You might find this a bit demanding, but we think it's necessary to defend the principles [of the system] without voting in programmes that fall short of these principles... We insist on constantly reaffirming that the contributory and solidarity [principles] must go hand in hand (Interview, Le Duigou 2012 [my translation]).

Given the strong predicted role of leftist unions in the push for universal healthcare (see Navarro 1989, 891), this organisational incentive made them considerably more opposed to a revolutionary reform of the system – though they were equally opposed to residualisation as well. As was the case with regard to benefits for the unemployed, although they express concern for excluded individuals, proposals to deal with the issue are often framed in terms of assisting individuals in their quest to find non-precarious jobs (Interview, Le Duigou 2012). At the same time, the major leftist unions, the *Force Ouvrière* (FO) and the CGT, have also been quite sceptical of state involvement in healthcare – with, as FO Secretary General Jean-Claude Mailly's would later argue, "increasing state control seen as a prelude to privatisation" (2008, 113 [my translation]). Organisational incentives around maintaining union support and sources of power (highlighted by research in other welfare domains (e.g. Davidsson and Emmenegger 2012)) combined with low and declining union membership levels (both

generally and compared with Italy)¹³ to weaken the role they might otherwise have played.

What, then, of the French Communist Party (*Parti Communiste Français*, PCF)? The pro-status quo institutional incentives experienced by the unions did not apply to the PCF, and given their long-awaited re-entry into French government (the first since the French May 1947 crisis) via a coalition under Mitterrand, why was there no similar pressures for reform? The most obvious response is that despite occurring around the same time as the Italian *historic compromise*, the situations were not comparable in that the two Communist Parties had quite distinct levels of power. In France, the PCF was finally included in government not because of worries over destabilisation, but because the Socialist Party (*Parti Socialiste*, PS) had surged past them right into power, bringing the PCF along as coalition partners. This corresponded with a significant drop in the PCF's electoral support (which had previously been roughly on par with that of the PS) that clearly positioned them as the junior partner, with just a fraction of the seats. This contrasts starkly with the situation in Italy, where the PCI was closing in on the DC, receiving just over 34% of the votes cast in 1976 (not far from the DC's 38.7%).

Above and beyond this point, however, the position of the PCF toward universalistic healthcare systems simply was and is not the same as that held by the PCI. It is worth noting that within the PCF it appears that the French healthcare system (as well as the other social insurance institutions) is conceived of as "original", falling outside of any Beveridge/Bismarck dichotomy. The Editor-in-Chief of the PCF's *La Revue Économie et Politique* put it thusly:

¹³ While the gap between French and Italian union density was only 5 percentage points in 1960 (at 10.6% and 24.7% respectively), by 1990 it had grown to almost 20 points (at 9.0% and 28.0% respectively).

It is neither the state nor business accords that define the level of coverage. It is precisely, in fact, universal... a bit like the British system, but... financed by the productive wealth of corporations... It is not an individual who decides, nor is it the state that decides for individuals. It is a different model, piloted by the workers themselves (Interview, Rauch 2012 [my translation]).

At the same time, however, he also argued that the leftist principles of the system (including "universalist ambitions") seen to have been incorporated into the system by the PCF in the immediate post-war period, have been "a progression of attacks that have led to the current situation wherein universalism is less and less the general framework, with a corresponding rise in individual insurance" (Interview, Rauch 2012 [my translation]). This understanding led the PCF to oppose the CMU as insufficient, "a bad solution to a real problem," arguing instead, just as the CGIL did, for universalism via the integration of excluded individuals into the current system; the recurring theme here was to "create the conditions necessary for excluded individuals to have salaried jobs that permit them [to access the main funds]" (Interview, Rauch 2012 [my translation]).

Moreover, my interview subjects at the PCF also argued that universally extending access to the principal system was financially feasible, so long as declining wages (and concomitantly decreased contributions) were reversed through a broader economic shift away from speculation and toward production (Interview, Morin 2012; Interview, Rauch 2012). Here again the solution to coverage issues and the welfare state dualisation that has resulted from labour market dualisation is situated in the reversal of labour market dualisation itself. Yet even with this undermining of social security, gradual rather than dramatic changes can be viewed as sufficient since the system is seen to have the appropriate leftist principles at its base. Here again, the nature of the

most... healthcare system appears to be a conditional universalism in this

case thanks to greater worker input into the management of the system and an absence of clientelism. As such, potential left-wing pressure for universal healthcare was tapered by the structure of the institutions. If there was any working class pressure for total reform, it certainly was not reflected in the preferences of even the more radical of its representative organisations.

The *Interest Group Weakness* theory, in turn, highlights additional effects of the post-war reorganisation of the French health insurance system. In the first instance, what might be conceived of as the insurance lobby (leaving aside the issue of complementary coverage providers) was transformed from the pre-war hodgepodge of insurance mutuals into the co-managers of the semi-public insurance system itself. Given that these co-managers – the social partners – are representatives of labour and employer associations, the creation of the semi-public system had the effect of granting the fund managers much greater legitimacy in the eyes of the public. The influence of doctors' associations, in turn, was stronger under the Fourth Republic (with its many veto points) than it has been under the Fifth; regardless of this diminution of influence, however, their opposition to reform has had little to do with the question of NHS-style healthcare, which has not been a real subject of political debate (see Godt 1987, 467; Immergut 1990, 401). To ascribe explanatory power to the influence of lobby groups would therefore be problematic in this instance, pointing us toward other factors instead.

With regard to the *Political Decentralisation* hypothesis, the French example provides support for this theory through the combination of an absence of federalism and the lack of an NHS-style system. While France has experienced some moderate decentralisation, particularly since the 1986 introduction of regional elections and the

corresponding downloading of certain administrative and political competencies, this process has been slower and much more limited than in Italy. Even leaving aside the total lack of federalism, the opportunities for legislative experimentation – a central factor to reform in the Canadian case, for example – are restricted to specific issues and for a set period of time, with the legislation either cancelled or expanded to the national level at that point (Schrijver 2006, 207). In the field of healthcare competencies, downloading has been limited to the 1996 creation of "regional hospital agencies" (*agences régionales de l'hospitalisation*), charged with improving resource allocation to hospitals (Catrice-Lorey and Steffen 2006, 175). French healthcare itself thus remains quite centralised compared with other health insurance systems, such as the German and Dutch variants (Hassenteufel and Palier 2007, 576). Overall then, the French case has been characterised by both limited decentralisation (generally and with regard to healthcare competencies) and a lack of notable region-driven pressure, all of which is consistent with the *Political Decentralisation* hypothesis.

Most fundamentally, we would suggest that the explanation of the lack of paradigmatic change (and a universal system more generally) in France lies in the institutional organisation of the French health insurance system. Here one can point to four relevant factors in particular, already alluded to above. First, there is the greater institutionalised role assigned to unions in the post-war system, which, with its central role for union representatives, gave it a substantial incentive to maintain the system. Coverage extension through residualisation would undermine this position, so the preferred course of action was effectively increasing the number of labour market and welfare state insiders, ideally to the point where the insider/outsider distinction no longer exists.

Second, the extended role for the social partners (i.e. employer and employee representatives) in the management of the system helped provide the system – and what one might conceive of as the pro-status quo "insurance lobby" (i.e. the social partners) – with greater popular legitimacy. This provides a significant contrast to the Italian case, where the role for worker representatives was far less entrenched. With its more substantial post-war reorganisation, the deep involvement of the unions in French health insurance management helped to at least partially realise the new conceptions of citizenship rights that became popular (especially on the left) in the wake of the mass sacrifices of the Second World War. In Italy, by contrast, despite constitutional declarations to the contrary, these new citizenship rights went largely unfulfilled in healthcare until the creation of the SSN.

A direct comparison of the largest health insurance boards in these two countries serves to illustrate this point. In France, the board of directors of CNAMTS (*Caisse nationale de l'assurance maladie des travailleurs salariés*), which covers about 80% of the population, has traditionally been composed of an equal number of worker and employer representatives, together constituting almost 80% of the board. The situation was quite different with the largest health insurance fund in Italy, INAM (*Istituto Nazionale per l'Assicurazione contro le Malattie*), which covered just over half of insured individuals by the mid-1970s: although just under a third of the board seats were assigned to union representatives and just over half to employer and employee representatives combined, in reality the DC maintained strict control over (and close connections with) the insurance boards (Maynard 1975, 159; Ferrera 1986, 456; Sandier et al. 2004, 24; Rochaix and Wilsford 2005, 101). What is more, as Ferrera argues, INAM acted as one of the "most significant fiefdoms of political patronage for the

Christian Democrats", further deteriorating the sense that the social partners were central to the system (Ferrera 1996a, 56 [my translation]). The actual role and significance of worker representatives in France was thus much less suspect than it was in Italy – a factor which then shaped public opinion and, as a result, party platforms.

Third and relatedly, the absence in France of an Italian-style system of political patronage fiefdoms altered the preferences of left-leaning voters and politicians, who did not view the health insurance system as a source of political power for the centre-right. Here again, as in Chapter 2, one notes the apparent relevance of particularly Southern European characteristics. The contrasting designs in the two countries therefore afforded the respective systems either more or less popular legitimacy, particularly in the eyes of leftist unions, voters, and parties.

Lastly, in addition to the popular legitimacy aspect, the stronger semi-public characteristics of the French health insurance also legitimised greater state intervention to keep the already existing system afloat. The 2003 Douste-Blazy Law provides a perfect example of this: faced with mounting deficits, the government increased contributions and user fees, and even transferred the debt to a special fund (*Caisse d'Amortissement de la Dette Sociale*, the "Fund for the Redemption of the Social Debt") financed by additional contributions (Sorum 2005, 239-240). In Italy, by contrast, the assumption of insurance fund debt in the mid-1970s resulted in a considerable political and popular backlash. Lack of support for the state propping up the system suggests that any such change would almost certainly have been politically unfeasible in the long term if not accompanied by a major structural overhaul - making universalisation much more likely than residualisation.

By diminishing potential left-wing union, party, and popular pressure for reform, these factors help to explain not only the lack of a universalist restructuring of the French healthcare system, but also the over two decade delay in extending benefits to uncovered individuals and standardising benefits for the majority of users. While the CMU, as a residualist, non-transformative reform, was obviously a simpler approach to extending coverage than the SSN, the broader social insurance framework in France altered the preferences of left-wing actors by requiring that extension occur alongside the preservation of already existing insider privileges (whether for members, voters, or organisations themselves). And although this delay was also likely affected by the more limited nature of the coverage problem in France¹⁴ (at the time of the CMU's introduction in 1999, an estimated 150 000 individuals were without coverage, as opposed to the approximately 1 700 000 without coverage in Italy prior to the SSN's creation in 1978), there was also the additional issue of the 6 million people in France without complementary coverage (Barbier and Théret 2003, 144; OECD 2012). Furthermore, while the coverage rates in Italy tended to lag behind the French rates by about 2 percentage points over the course of the 1970s (up until the introduction of the SSN), French coverage levels prior to 1978 were not wholly different from Italian ones (OECD 2012) (see Table 4.2).

[Table 4.2 about here]

¹⁴ The CGT's former National Secretary Le Duigou, for instance, highlighted the relative lack of a problem by contrasting it to the situation in the labour market: "[in healthcare] there are not, overall, the inequalities that one finds in wages – by contrast, there is a small minority of the population that does not fall within the public system and for whom there was the need to create a right, the CMU" (Interview, Le

Overall, this chapter has highlighted the use of residualisation in France as a means to extend coverage to welfare state outsiders, though this was nevertheless paralleled by some benefit standardisation (a process that is still not fully complete). In light of the generally popular and comparatively well-functioning semi-public insurance funds, the 1999 means-tested CMU reform under Jospin expanded coverage in a more timid manner than the one pursued in Italy, opting to add a regime (for those without coverage) to the occupationally divided system. This measure was then followed in 2001 with benefit standardisation for 95% of covered persons. As a side benefit, tinkering with the broader insurance model also helped the government bypass opposition from the social partners, thereby making the reform much more politically feasible. Ultimately, then, one notes the use of less revolutionary reforms in France to achieve similar (though, as stressed above, certainly not identical) improvements to the healthcare system.

Conclusion:

This chapter has attempted to outline the major developments in the French and Italian healthcare systems in order to explain the divergent approaches to benefit extension and standardisation in the cases. Both countries opted for health insurance rather than universalist systems in the immediate aftermath of the Second World War, and both were faced with gaps in coverage that were slowly filled in a piecemeal fashion (though with greater state guidance in France). While French governments were typically more willing and able to intervene than the Italian ones, variations across insurance funds persisted in both countries as extension was extended in a piecemeal fashion. Yet Italy would change course entirely in 1978, eliminating the old system and

creating the SSN – a development that is of particular interest since it contrasts so starkly with the Italian failure to reform in the field of benefits for the unemployed.

In explaining the different reforms pursued in French and Italian healthcare, this chapter has used a combination of secondary sources and interview data, as well as some archival research, to ultimately make a similar argument to that found in previous chapters: one in which structural factors have affected pressures toward reorganisation. Most notably in this instance, the greater role for workers representatives in the French insurance funds granted the system a greater degree of legitimacy on the left, thereby making greater state intervention possible and giving unions pro-status quo institutional incentives. The power given to workers' representatives in the management of the funds marked the realisation of certain post-Second World War citizenship ideals, which in turn helped bring the PCF on board as well.

The Italian system, by contrast, failed to bring those on the left-leaning citizens and politicians fully into the fold and left certain citizenship ideals (as represented in both the D'Aragona Commission's report and the Italian Constitution) unfulfilled. The fact that the health insurance funds served as important clientelistic resources for the DC further contributed to leftist opposition to the system and support for transformative reform, though for more pragmatic and less ideological reasons; in this way, one can once again note the import of the characteristics associated with Southern European states. The spread of popular movements for reform in the 1970s then suggested a broader shift in public opinion, coinciding with the fiscal crises of the insurance funds. Taken together, these factors created the circumstances under which the PCI would press for and achieve the 1978 SSN reform during the period of its

greatest influence. Thus, institutions were key here for two reasons: first, the structure of relevant institutions appears to have led the public to be far more pro-reform than was the case vis-à-vis unemployment reform, thereby incentivising pro-reform positions on the part of vote-seeking parties; and second, the PCI in particular derived organisation-related incentives from the institutional context – which is of special interest because the PCI was the key political actor pushing for reform. The overall result was dramatic, paradigmatic ("third order") institutional change ushering in universal coverage and the mass standardisation of benefits.

In France, by contrast, the extension of benefits to welfare state outsider would need to wait just over an extra two decades to occur, and would happen through residualisation - undoubtedly a more timid (and in the case of benefit standardisation, incomplete) "second order" approach to the issue. The delay can partially be understood as a product of the absence of the above listed pressures for reform from both the public and leftist parties/unions (in each instance structured by the institutional differences highlighted above); but it is likely also the result of the less serious nature of these problems in France, with the creation of the CMU extending coverage to far fewer previously uncovered individuals than had been the case with the SSN. The French residualist approach to unemployment reform highlighted in Chapter 2 was thus paralleled by a residualist healthcare reform, though in the case of healthcare France was the late developer rather than the early one.

The contrasts both between the French and Italian cases and between the two policy fields are undoubtedly clear at this point, and Chapter 6 will examine how the outcomes in the two policy domains might be understood within a common framework. To preview the conclusions, it will be suggested that the left's relationship to reforms

addressing welfare state dualisation is a variable one, since fiscal and/or political limitations prevent the extension of generous benefits to all. More precisely, this variation has been conditioned by institutional arrangements that structure party preferences directly (by creating certain organisational incentives) and indirectly (through public opinion). I will make the case that these sorts of considerations respectively impact the choice between universalising and residualising reforms, and the choice between reform and inaction. This heterogeneity across countries and policy domains also means that attempts to uncover a single relationship between the left and welfare state reform are inherently problematic. Even where the left appears to have played a crucial role in addressing welfare state dualisation, institutions matter more than ideology.

Before proceeding to that analysis, the next chapter will address a number of missing elements in the analysis thus far: first, despite the more limited direct impact of public opinion in this policy domain, it will analyse attitudes toward healthcare within the framework of multi-level model analysis; second, and in line with our approach in Chapter 3, it will then explore the generalisability of the conclusions drawn in this chapter, employing both time-series and duration analysis.

Table 4.1 – French and Italian Survey Responses, Healthcare

Mean Survey Responses on the Eurobarometer (2002)

	France	Italy
Level of Satisfaction with the Healthcare System: 0 to 1, where 1 signifies very satisfied	0.564 (.008)	0.334 (.008)
N	987	987
Government/Social Insurance should only provide essential services (e.g. for serious diseases): 0 to 1, where 1 signifies strongly agree	0.337 (.010)	0.285 (.010)
N	983	990

Source: Eurobarometer 57.2 (2002). Own calculations using two tailed t-tests, with all differences statistically significant ($p < .001$).

Standard errors are italicised in parentheses.

Table 4.2 – Total Healthcare Coverage as a % of the Population

Total Healthcare Coverage as a % of the Population

	1960	1970	1980	1990	2000	2010
France	76%	95.6%	99.1%	99.4%	99.9%	99.9%
Italy	87%	93%	100%	100%	100%	100%

Source: "OECD Health Data" (2012).

Chapter 5

Federalism, the Left, and Lobby Group Strength: Examining Healthcare Coverage across the OECD

Retaking up our investigation into the generalisability of the findings of the chapters comparing the French and Italian cases, this chapter will explore the results of the healthcare analysis in Chapter 4. Reflecting the approach of Chapter 3, it will do so using a combination of multi-level model, time-series, and duration analysis. Here again, the goal is to ascertain the factors (at both individual- and national-level) impacting popular attitudes toward welfare state programmes, couched within a more general exploration of the interplay between public opinion and national level influences on policy decisions surrounding how to address gaps in coverage. The latter aspect of this interplay will be analysed most notably through the use of duration analysis (designed in this case to uncover the determinants of universalisation), though we will also examine incremental changes in healthcare coverage levels through time-series analysis.

Prior to laying out the results of this exploration, we will first delineate the dependent, explanatory, and control variables to be used in the proceeding statistical examination. The chapter will then proceed to sketch out the factors shaping public opinion, presenting the findings of multi-level model survey analysis looking at two survey questions from a 1996 Eurobarometer. Given our predictions about the impact of contextual factors on public preferences, which in turn contribute to pressures/incentives toward reform (and therefore policy outcomes), the goal here will

be to examine what factors lead individuals to feel that: (a) governments are responsible for ensuring access to healthcare (thereby addressing the role assigned to governments vis-à-vis welfare state outsiders); and (b) substantial reform of the healthcare system is required (thereby ascertaining the degree of reform thought to be necessary). In an attempt to link this analysis to actual outcomes, we will then turn to examining changes in coverage levels, once again using time-series and duration analysis, designed to analyse changes in coverage levels and policy respectively. While the time-series analysis will examine all changes in coverage, the duration analysis in particular will allow us to move beyond the typical approach and more precisely address our question of interest: namely, what factors push governments toward universalising their healthcare systems? We will then conclude by summarising the findings of the previous sections and laying out some general conclusions, tying the results of this analysis to those of previous chapters.

In brief, this chapter will present evidence suggesting that social health insurance systems shape public opinion in a particular way that impacts the likelihood of pursuing residualisation instead of universalisation; this impact is noted both at the level of survey data and actual policy outcomes, though of course by analysing these issues separately we are unable to definitively state that public opinion is the intervening variable between institutional factors and policy change. More directly, evidence also suggests that left-wing government presence impacts the probability of transformative healthcare reform – adding a role for partisanship vis-à-vis welfare state dualisation that was not observed in previous chapters. By contrast, we do not find evidence that decentralisation or lobby group strength impact reform choices, though this may partially be the result of some difficulties in operationalisation. Overall, the

results suggest that the analysis carried out in the previous chapter has broader applicability.

The Model

In setting up the quantitative analysis to come later in this chapter, this section will outline each of the variables to be used in the proceeding investigation. We will begin by presenting the dependent variables utilised in each type of analysis, listing their sources and limitations. The explanatory variables, as indicated by the analysis of the French and Italian cases in Chapter 4, will then be presented in turn. The section will then conclude by noting the controls that will also be included in the subsequent multi-level, time-series, and duration analysis models.

Dependent Variables

The dependent variables used in the section on healthcare generally reflects the approach taken in Chapter 3 with regard to benefits for the unemployed, though in this instance there are less issues with the coverage data. For the multi-level model survey analysis, we use two survey questions from a 1996 Eurobarometer survey (corresponding to the period during which the French healthcare reform described in Chapter 4 was initially being discussed) to get at our attitudes of interest: the first deals with government responsibility to ensure access to healthcare, while the second assesses the extent of reform that is thought to be necessary (Reif and Marlier 1998). With regard to the former variable, respondents were provided with three potential opinions and asked to select the one which best represented their own:

- 1) the (NATIONAL) government has to ensure that health care is provided to all people residing legally here, irrespective of their income.
- 2) the (NATIONAL) government has to ensure that health care is provided only to people residing legally here with low incomes.
- 3) the (NATIONAL) government does not have to ensure that health care is provided to people residing legally here, even those with low incomes.

The question thus addresses the responsibility assigned to governments regarding extending healthcare access to welfare state outsiders. For our purposes, the ordering of the possible responses were reversed and recoded 0 through 1, with 1 corresponding to a strong belief in government responsibility to ensure healthcare access (addressing pressures for change versus satisfaction with the status quo).

The variable dealing with the extent of reform thought necessary, in turn, was derived from a separate question asking respondents to choose the statement most closely corresponding to their personal opinion:

- 1) On the whole, health care in (OUR COUNTRY) runs quite well.
- 2) There are some good things in the way health care in (OUR COUNTRY) runs, and only minor changes would make it work better.
- 3) There are some good things in the way health care in (OUR COUNTRY) runs, but only fundamental changes would make it work better.
- 4) Health care in (OUR COUNTRY) runs so badly that we need to rebuild it completely.

Once again the order of these responses was then reversed and with the values recoded 0 through 1, with 1 in this instance corresponding to a strong belief in the need for a grand transformation of the healthcare system. With regard to both of the survey questions, data are unfortunately only available for 15 European countries,¹ preventing us from including North America and the Antipodes in the analysis. Though ideally the

¹ These are: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the

two questions would have been combined, taken together they provide a reasonable starting-off point.

Within the time-series analysis, the model is constructed using *healthcare coverage levels*, though this time they are taken from the OECD (2012a). The dataset contains 21 countries and typically covers the 1960 to 2010 period, with only the US significantly lacking observations.² While this dataset does provide an indication as to the prevalence of healthcare outsiders, it fails to distinguish between coverage changes that are the result of policy and those that are artefacts of other changes. This is the result of the nature of the OECD coverage data, which emphasises incremental changes rather than sweeping systemic ones. What is more, the data does not distinguish between system types; the issue here is not only that there is no inclination as to whether the benefits are standardised, but also that a completion of coverage (say a ten-point rise from 90% to 100%) is more noteworthy for us from a theoretical perspective than an equivalent increase that does not lead to complete coverage (say a rise from 60% to 70%).

To deal with these limitations, a final, binary dependent variable was constructed for use in the duration analysis, this time indicating universalisation (via the creation of *universally available, (generally) standardised healthcare*) rather than residualisation (as was the case in Chapter 3). (While we would ideally be able to analyse both types of changes, a dearth of cases prevents us from being able to examine residualisation.) The universalisation measure was constructed for the 1960 to 2000 period using qualitative data derived primarily from the *Social Security Programs*

² These are: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, the Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, the United

Throughout the World database.³ Data was collected for the same twenty countries used in the time-series analyses, though the statistical requirements of duration analysis prevent a number of them from being included in the final analysis. The overall result is both a measure of the length of time countries took to develop universal, standardised healthcare and an indicator of countries that have not carried out such a reform. As was the case with unemployment binary, this means that while the variable does capture the large policy changes that were underweighted or even missed in the coverage variable, differences between private and semi-public non-standardised systems are lost. Thus, a private system with low coverage, such as that of the US, must be grouped in with a semi-public system with almost complete coverage, as in the case of France; the very nature of duration analysis means that we unfortunately cannot incorporate different degrees of standardisation and/or coverage. But while this analysis alone clearly has its drawbacks, using the binary variable does allow us to directly address universalisation, thereby complementing the analysis looking at incremental changes in coverage.

The Explanatory Variables

In contrast to the issues surrounding variables used to analyse benefits for the unemployed in the last chapter, the models related to healthcare coverage are relatively simple to construct, with longitudinal data (taken from a variety of sources) available in all instances. For all of the variables, save for structural constraints, we expect a positive correlation – i.e. higher values of the variables should increase coverage levels.

The first variable of interest, supported by both the broader literature (e.g. Navarro 1989; France and Taroni 2005) and the findings of Chapter 4, is *left-wing party*

strength in government. The variable is measured as the percentage of left-wing party members in the cabinet, weighted by number of days in office during any given year. The data is taken from the Comparative Political Data Set I (Armingeon et al. 2011) and contains information on 23 OECD countries over the 1960 to 2009 period. Classification of parties, particularly when comparing leftist and centrist ones, does pose some problems of course. Perhaps most seriously, there is of course the potential that a given party may, even compared to an ideal-type leftist party (rather than other actually existing ones), shift from one designation to another over time. In addition, the inclusion of ideological factors not related to a party's welfare state preference in the classification process may muddle the way the left-centre-right distinction reflects a party's potential policy impact (Schumacher 2011, 5-6). Nevertheless, for our purposes we are interested in the impact of left-wing parties relatively broadly conceived (rather than only specifically pro-welfare expansion ones), and given that the alternative, party manifesto-based approach is not without its own difficulties (e.g. Dinas and Gemenis 2010) we have opted to use the Armingeon et al. data. For the multi-level model survey analysis, averages over the 20 years prior to the survey are used in order to roughly approximate the recent influence of left governments in a given country; for the duration analysis, the mean is taken for the period from 1960 either to the adoption of universal healthcare or, in cases where no reform has occurred, through to 2009. Figure 5.1 demonstrates the distribution of the latter variable, indicating considerable variance across cases.

[Figure 5.1 about here]

The next variable, again supported by both the literature (particularly studies originating from the Power Resource Theory perspective) and Chapter 4, is *trade union density*. This variable is measured using OECD data generally covering the 1960 to 2009 period, calculated as the percentage of union members in the labour force. In some instances, such as France, this approach unfortunately underestimates the influence of unions, as well as the coverage of collective bargaining agreements more broadly. Overall, however, the data provides the most accurate proxy available for union influence. Note that the potential interaction between union density and left government is incorporated into the models as well. In addition, just as with left government, 20-year averages of trade union density are used to approximate trade union influence in the multi-level model analysis, while the duration analysis uses the pre-reform mean. Figure 5.2 demonstrates the considerable cross-country variance in the latter instance.

[Figure 5.2 about here]

The third variable of interest is *decentralisation*, supported by our findings and studies such as those of Maioni (1997) and Guillen (2002). This is used in lieu of federalism in order to avoid obscuring, for example, the differences between the French and Italian contexts. This measure is taken from Huber et al. (2004) (updated by Armingeon et al. 2011) and lists countries as having either having strong (coded 2), weak (coded 1), or no decentralisation (coded 0). Data is available for OECD countries typically from 1960 through to 2009, and while most of our cases fall into the strongly

decentralised (5 cases) or not at all decentralised (7 cases) categories for the entire period, a few countries do alter part way through or have weakly decentralised systems

Last, there is the variable attempting to measure potential lobby group impact. Note that this is a somewhat tricky concept to operationalise, but data on *structural constraints* offer a proxy for the prospective opportunities for lobbies to impact policy outcomes (see Immergut 1992). Data here come again from Armingeon et al. (2011), though in this instance it is updating work by Huber et al. (1993). The variable provides an indication of the number of constitutional veto points, calculated additively using information on the presence/absence of federalism, the type of government (parliamentary or presidential), the electoral system, bicameralism, and the frequency of referenda. A score for each of our countries is available during the 1960 to 2009 period, thereby indicating the varying extent to which lobby groups could more easily impact health policy decisions. Figure 5.3 notes considerable variation over the pre-reform/2009 period across our cases.

[Figure 5.3 about here]

In addition to these variables, a dummy variable for *the existence of a social insurance healthcare system* is used in both the survey and duration analysis section for reasons discussed in Chapter 4. The expectation here is that these Bismarckian systems may engender a different attitude toward both the role of the state in healthcare provision and the need for a transformation of the healthcare system more broadly. As a result, they may thereby decrease the likelihood of a country developing NHS-style universal healthcare. These countries are defined by the connection between

employment status and coverage (implying the potential prevalence of outsiders), service delivery via public or non-profit hospitals for inpatient care but private (for-profit) care in other sectors, and "corporatist self-regulation based on collective bargaining between sickness funds and provider associations" (Schmid et al. 2010, 469). Unfortunately these already existing classifications do not capture the nuanced differences between the French and Italian systems pointed to in the previous chapter, but in the interest of maintaining a clear-cut classificatory scheme we do not modify the categorisation. The implications of this decision will be further discussed in the context of the results of the analysis.

Note that we are unable to include a variable that adequately captures the potential impact of centre-right clientelistic networks in healthcare, due to measurement difficulties. The best available approximation - a dummy variable for Southern European welfare states - poses problems since the welfare state type is traditionally defined both by the prevalence of clientelism *and* a universalistic healthcare system (Ferrera 1996a). Thus, while it is likely that the variable shapes leftist party preferences, we are unfortunately unable to address its impact quantitatively at this time.

Finally, since the existence of social health insurance is expected to impact the likelihood of dramatic shifts in access to healthcare (i.e. universalisation) rather than incremental changes, the variable is not included in the time-series. This measure was constructed using country classifications laid out by Toth (2010, 328) – themselves compiled from Flora (1986), Immergut (1992), and Cutler and Johnson (2004) – as well as Schmid et al. (2010, 468-469). Values were entered for all of our cases and for each

year in the 1960 to 2009 period, and while most countries did have social health insurance systems for at least part of that period (11 cases), some did not (4 cases).

Standard Variables

As in Chapter 3, the multi-level model survey analysis is carried out using a general framework constructed on the basis of work by authors such as Arts and Gelissen (2001), Blekesaune and Quadagno (2003), Jæger (2006), van Oorschot (2006), and Busemeyer et al. (2009). Variables include: (1) *unemployment* (of potential import due to the nature of benefit coverage in social health insurance systems); (2) *family income* (in quartiles); (3) *gender*; (4) *education levels* (with three brackets, corresponding to leaving school: by the age of 15; between the ages of 16 and 19; and after the age of 19); (5) being *65 and over* (standing in for the unavailable retiree dummy variable);⁴ (6) *age bracket* (with brackets of 15-24, 35-39, 40-54, and 55 and over); and (7) *self-assessed health* (with 5 responses ranging from very bad to very good). At the national level, controls are also added for: (8) *population 65 and over*, measured as a percentage of the total population; (9) *the percentage of the labour force that is female*, with increases in the size of the female workforce hypothesised to increase social service provision by changing popular attitudes towards the value of social services (see Huber and Stephens 2001, 56); (10) *health coverage levels*; and (11) the *mean inflation rates* and (12) *mean GDP* over the past three years (to indicate the general economic condition). All of these variables are taken from the OECD (2012a; 2012b; 2012c).

As with the framework for the multi-level model analysis, here again the longitudinal models are built using previous research such as that carried out by Hicks (1999), Huber and Stephens (2001), Swank (2002), Allan and Scruggs (2004), and Soroka et al. (2006), as well as Korpi (1989) and Cutler and Johnson (2004). Presented in the order in which they are listed in the regression results, these standard variables are: (1) *the previous year's health coverage levels*, which is included to take into account the effects of potentially cumbersome welfare states or, conversely, institutional inertia; a variety of lagged economic factors – namely, (2) *GDP per capita*, (3) *inflation*, and (4) *change in unemployment*; (5) *the percentage of the labour force that is female*, for the reasons noted above; and (6) *the share of the population over 64*. Once again, all of this data is derived from the OECD (2012a; 2012b; 2012c).

Findings

Having laid out the variables to be used, this section will now present the results of the empirical analysis. It will begin with the multi-level model survey analysis and then proceed to both the time-series and duration analysis. As mentioned above, the survey analysis will be carried out using Eurobarometer data from 1996 while the time-series will be conducted on a sample of OECD countries over varying segments (due to data limitations) during the 1960 to 2009 period. The duration analysis, in turn, is carried out on the same 21 countries analysed in the time-series analysis, but only over the 1960 to 2000 period. The multi-level modelling is performed using Generalised

Least Squares (GLS) random-effects regressions, while the time-series analysis is employs Ordinary Least Squares (OLS) linear regressions.⁵

As in Chapter 3, the discussion of the results from these various models will focus on the ways in which the factors pointed to in the qualitative analysis may impact both attitudes and policy changes, with the effect on policy partially mediated by the impact on attitudes.

Understanding Attitudes

Given our working assumption that contextual factors shape public opinion, which in turn may shapes policy changes by structuring electoral incentives, we begin by examining the individual- and national-level factors that may shape attitudes. Unlike the analysis surrounding unemployment coverage, however, none of the variables of interest highlighted in the qualitative analysis are located at the individual level; as such, the individual level variables we include are all fairly standard, designed principally as controls that assist us in determining the national level factors impacting attitudes.

As stated above, our analysis of public opinion vis-à-vis healthcare is divided into two parts (with both questions coming from a 1996 Eurobarometer survey): the first relating to the government's responsibility in ensuring access to healthcare (addressing the issue of outsiders and measuring desire for change versus contentment with the status quo); and the second relating to the extent of healthcare reform judged necessary (measuring desire for more revolutionary reform). Starting off with the question of

⁵ The pairwise approach is utilized in the time-series analysis, due to a lack of time periods common to all

government responsibility, three potential answers were available to respondents, ranging from no government responsibility (coded 0), to government responsibility for low-income residents (coded 0.5), to government responsibility for all residents, regardless of income (coded 1). Note that the latter two responses may be understood as support for residual and universalist approaches respectively. Table 5.1 presents the results of the multi-level model analysis examining these attitudes, incorporating over 10000 observations from 13 European countries.⁶ Dealing first with the individual-level variables, only the controls for family income and being male reach statistical significance, with both variables associated with a diminished belief in the government's responsibility to ensure access to healthcare. Conversely, at the national-level, the controls associated with older populations, greater female labour market participation, and higher GDP per capita are all correlated with a greater belief in government responsibility on the matter.

[Table 5.1 about here]

Of our variables of interest, those associated with Power Resource theory point in opposite directions, with a recent history of left government associated with a moderate decrease and trade union density a moderate increase. Though we can only speculate, this might be explained by a perception in countries with a greater left government presence that enough (or possibly too much) responsibility has already

⁶ These are: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the

been assumed by the government vis-à-vis access to healthcare – a perception not entailed in higher trade union density.

Having a decentralised system of government, in turn, appears to be correlated with a lower belief in government responsibility (with moving from a federal to a centralised system associated with a drop of about 0.14 (out of a total range of 1)). Conversely, a social health insurance system is linked to increased assigned responsibility (of about 0.15). Both of these findings may appear, *prima facie*, somewhat contrary to our expectations. Yet in the case of decentralisation, the result is not completely surprising since our predictions in Chapter 4 around decentralisation related primarily to non-attitudinal effects such as policy experimentation (despite some proposed impact on public opinion in Italy). As a result, the causal relationship here is rather complicated. Furthermore, the proposed policy impact is supposed to relate to faith in lower levels of government, but the survey question unfortunately refers only to the "French government", "Italian government", etc.

The presence of a social health insurance system, by contrast, was more firmly expected to result in decreased responsibility assigned to the government (due to the central role for the social partners). The observed effect suggests the opposite relationship, perhaps due to reasons similar to those discussed with regard to left government: the typically stronger observed role of government in countries with NHS-style healthcare may lead residents of those countries to feel as though the government has overreached. Already living in a universalist country, these individuals are likely less concerned with issues of outsiders and more concerned with factors such as cost and quality of care. In addition, governments in these countries may generally also be

the subjects of more criticism around their handling of healthcare, further undermining support for government responsibility.

Thus far we have limited ourselves to opinions about government responsibility in ensuring access to healthcare, but given that our ultimate interest is in pressures for transformative reform, we must consider the possibility that the two attitudes do not track well. It is possible, for example, that residents of countries with social health insurance believe more strongly in government responsibility (despite the system's weaker role for the state) while also being less interested in transformative reform – and indeed, this is what we find when we turn to our second question.

To recap, respondents were presented with four potential statements on healthcare from which to choose, essentially encapsulating: (a) no reform required; (b) minor changes required for improvement; (c) fundamental changes required for improvement; and (d) complete transformation required for improvement. Responses were then recoded from 0 to 1 for our purposes and analysed in the same manner as those above. Table 5.2 presents the results, which once again include over 10000 observations from (the same) 13 European countries. Looking first at the controls, at the individual-level both family income and gender are no longer significant, while education, age (including being 65 and over), and self-assessed health all gain statistical significance. In all but the first instance, each of these variables is associated with decreased belief in the need for extensive reform. The effect of self-assessed health in particular is especially strong, perhaps because the increased exposure to the healthcare system experienced by ill persons increases their desire for stability in the system and/or their overall satisfaction with it.

[Table 5.2 about here]

At the national-level, controls for the size of the female workforce and GDP per capita maintain their significance but the direction of their effects is now reversed, with both variables associated with a weakened belief in the need for reform. The share of the population 65 and over, by contrast, is no longer significant. Most interestingly, health coverage level is now statistically significant, with higher coverage levels correlated with increased belief in the need for reform. This finding suggests that low coverage levels in and of themselves do not lead to increased belief in the need for reform, as one might expect.

Once we incorporate our variables of interest in the discussion, the surprising impact of high coverage levels starts to make more sense. The negative effect of having a social health insurance system suggests that satisfaction with the status quo in these countries (complete with their typically lower coverage levels) is notably higher (with a impact of about 0.34 out of a total range of 1). The exact nature of this relationship is unclear, however, since social health insurance systems may engender decreased calls for reform or universal healthcare systems may engender greater calls for reform. Further research is required to clarify the exact nature of the relationship, but is beyond the scope of our task here.

As for the other variables referenced in Chapter 4, strong recent histories of left-wing government and trade union density are both associated with downward pressure on calls for reform. This is quite possibly due to the perception that desired reforms have already been carried out and/or higher levels of satisfaction with those systems on the whole. (Note that the interaction of the two variables slightly counteracts this

effect.) Decentralisation is not significant in this instance, but more structural constraints – contrary to our expectation – are correlated here with a greater belief in the need for reform. The counterintuitive result suggests that the variable may be capturing some other meaningful impact aside from the potential impact of lobby groups on governments.

On the whole, these results indicate that the factors discussed in Chapter 4 likely have a more general impact on attitudes, with an especially notable and consistent impact of social health insurance systems and left government/trade union density. Interestingly, these results are also consistent with the discussion in the previous chapter of the French *Couverture Maladie Universelle* (CMU) programme: the residualisation approach to coverage extension (with a strong role for government in insuring access to healthcare) that would be taken in France a few years after the survey appears consistent with public opinion in social health insurance systems. Nevertheless, the conclusions we can draw from this section alone are necessarily limited for a number of reasons. First, even with the combination of the two survey questions we are not completely able to assess opinions around the need for (and methods required to achieve) coverage extension. Second, dealing only with data from 1996 is obviously quite restrictive, given the *longue durée* nature of our argument. Third, the 1996 data limit us in our ability to analyse the corporatist healthcare systems, particularly in Southern Europe, that did not survive all the way to the 1990s; note that this limitation also forces us to compare attitudes in countries that have already universalised versus those that have largely chosen the residualisation approach (rather than looking solely at pre-coverage extension countries). Finally, focusing on survey responses alone excludes many of the mechanisms discussed in Chapter 4.

As a result, we must now proceed to analyse actual changes in coverage levels as we compensate for these shortcomings and round out our investigation.

Understanding Policy Changes (Part One)

As in Chapter 3, we follow up our analysis of public opinion by examining the determinants of gradual changes in coverage levels via time-series analysis. Table 5.3 presents the results of this analysis,⁷ looking at healthcare benefit coverage levels in 21 countries.⁸ The results here are somewhat surprising, with almost all variables – including lagged healthcare coverage levels – failing to reach or even near significance. Inflation is the only exception, with the higher levels surprisingly associated with increased coverage levels.⁹ One explanation for this finding may be the rapid increases in coverage that occurred in a number of high-inflation countries – especially Greece, Italy, Portugal, and Spain, but also Finland in 1964, Australia in 1975, and Ireland in 1980). Yet irrespective of how we explain the apparent effect of inflation in the model, it is clearly not very effective at explaining gradual changes in healthcare coverage on the whole.

[Table 5.3 about here]

⁷ Note that we are unable to ascertain the effect of social health insurance systems in the time-series model, since we expect its effect to manifest itself in one-off increases in coverage (rather than incrementally), leaving us to deal with the variable in the duration analysis below.

⁸ These are: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, the Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, the United Kingdom and the United States.

⁹ As in the previous section, no substantial differences arise when we include controls for right wing

The most likely reason for this limitation is that while the time-series analysis might give us some indication of the determinants of smaller changes such as those that occurred via residualisation in France, it cannot distinguish between changes that are political in origin and those that are not: for example, those that occur due to increased immigration in a non-universal system, or those that result from changes in the labour market. Coverage levels are therefore not ideal as a dependent variable. In order to specifically address changes of political origin – in particular universalisation – we must instead turn to analyse policy change directly through duration analysis.

Understanding Policy Changes (Part Two)

The analysis of factors shaping public opinion around healthcare as well as gradual changes in coverage levels all leads us to our direct examination of policy change. The findings of the duration analysis are presented using a similar approach to that used in Chapter 3's examination of coverage levels for the unemployed. The analysis here explores the factors driving a given country's probability of universalising its healthcare system (i.e. introducing universally available healthcare with at least ostensibly standardised for beneficiaries). The investigation looks at the latter half of the 20th century, when most healthcare system change occurred, though data limitations prevent us from including the pre-1960 post-war period. As suggested in the previous section, recall that many of the effects we noted in Chapter 4 related to revolutionary rather than incremental changes in coverage. As a result, duration analysis will hopefully better allow us to analyse whether or not the findings of the qualitative analysis can be generalised. Note that, in contrast to the approach taken in

Chapter 3, duration analysis is used in this instance to examine the determinants of universalisation (rather than residualisation).

To begin with, Figure 5.4 presents a diagram of the timing of introductions of universal healthcare programmes. In this instance, after eliminating countries that had already developed the programme by 1960 (of which there were six), we begin with fifteen cases.¹⁰ Once again, included within this set of countries are two cases (Spain, and Portugal) that were not democratic for the entire period; but here again, in most instances neither including a "democracy" dummy variable nor excluding the non-democratic years from the analysis notably weakens the results (and in any event, both approaches would introduce problematic theoretical complications¹¹). By comparison with the introduction of social assistance discussed in Chapter 3, the progress in developing universal healthcare programmes has been quite distinct: here the changes are less evenly distributed (all of them occur in the first 25 years, and most occurring during the expansionary welfare state phase) and far more of the countries fail to ever introduce the programme (eight as opposed to two). Bear in mind that for our purposes, countries with universal healthcare have created public programmes with ostensibly equal access to standardised care, save for inevitable geographical variation of course. This necessarily means that insurance-based systems – whether private or semi-public, whether with coverage levels that are relatively low or near-complete – all fail to qualify in equal measure.

¹⁰ The countries included in this analysis are: Australia, Austria, Belgium, Canada, Finland, France, Germany, Ireland, Italy, the Netherlands, Portugal, Spain, Switzerland, and the United States. Greece is excluded due to classificatory difficulties with its nominally universal system.

¹¹ As discussed in Chapter 3, excluding the non-democratic would lead us to equate (for example) the early 1960s with the late 1970s. In addition, there is very limited variation in the democracy variable's

[Figure 5.4 about here]

How do our main variables of interest track alongside these changes? In the case of structural constraints, decentralisation, or trade union density, no clear pattern results. Yet as Figure 5.5 indicates, both the existence of a social health insurance system and above average left-wing government presence do appear to be related to the introduction of universal healthcare (though without controlling for other variables). In the case of the social health insurance dummy the graph indicates, in line with our anticipated results, that such systems are more resilient to change. That being said, almost half of the countries with social health insurance switched to universal healthcare, indicating that the variable's presence is certainly not sufficient to prevent change.

Left-wing governments also appear to be related to the introduction of universal healthcare, though the graph presents highly counter-intuitive results. Contrary to our expectations, the majority of changes are actually associated with countries that experienced below average exposure to left government. This can partly be explained by early-adopting countries such as Canada and Ireland that had no history of left government over the period in question, but the results still beg the question of whether the left may not actually be particularly associated with the universalisation of healthcare. In an attempt to better assess the true nature of the factors at work, we therefore now proceed to the results of the duration analysis.

[Figure 5.5 about here]

As in Chapter 3, given that collinearity and the small sample size lead to technical difficulties when too many variables are included, the results are divided up into a series of three models.¹² Note that health coverage levels are included in all of the models in an attempt to take into consideration the general state of the healthcare system.¹³ Turning our attention to the results of Model 1 presented in Table 4, the findings seem to confirm the impact of two out of three of our institutional variables of interest, with both variables achieving significance and taking the predicted sign. According to this simplified model, having a social health insurance system decreases the probability of a country introducing universal healthcare by almost 100% in any given year. By contrast, adding one additional structural constraint (taken as a proxy for easier lobby group access) would result in an almost 80% decrease in likelihood. The effect of decentralisation, however, does not reach statistical significance, nor does health coverage level.

[Table 5.4 about here]

Model 2 then presents the political variables of interest, again alongside health coverage levels. In this instance, only left government approaches significance in this model, a notable result given the very limited number of observations. Yet contrary to our expectations (though in keeping with the results of the multi-level model survey analysis), the variable appears to actually decrease the likelihood of a country implementing universal healthcare – though dropping France from the sample, causes

¹² Although we start off with 15 countries in the sample, data limitations cause the loss of Canada and Finland in Model 2.

the result to no longer approach significance (despite the fact that France itself did not experience a change in its system).

Thus far we have not yet controlled for other potentially important variables in our analysis, however, requiring us to view the results of Models 1 and 2 with considerable scepticism. Model 3 finally combines our institutional and political variables of interest along with economic controls.¹⁴ The results of the larger model indicate that only inflation surpasses the $p=0.10$ marker – although GDP per capita, union density, left government, and the social health insurance dummy come extremely close (the loss of Canada and Finland leaves only 13 cases in the sample).¹⁵ Inflation is correlated with a considerable increase in the probability of reform, as moving across the interquartile range (from 3.38 to 7.64) is associated with an over 600% greater likelihood. GDP, on the other hand, appears to have a slight negative effect, likely because countries that failed to develop universal healthcare had higher mean GDPs (as the averages contained observations that continued up until 2000).

As for our variables of interest, having a social health insurance once again appears to negatively impact the likelihood of transformative reform, as predicted. Pointing to a less clear relationship, the two variables associated with Power Resource Theory near $p=0.10$ but neither surpasses the marker and the signs point in opposite directions. The low number of observations and collinearity are likely to blame here, though in any event the greater range of left government values (compared to trade union density) suggests that the overall impact of the left is still an increased probability of reform.

¹⁴ Note that we are unfortunately unable to include the left-union interaction variable in the model, given the data limitations inherent in our ultimately very limited number of observations.

¹⁵ Note that the results of the Models 1 and 2 do not change dramatically when run only with the cases

Summing Up

In presenting an overview of the preceding analysis, we would draw attention to a number of noteworthy results. Turning first to the multi-level modelling results, several (though not all) of the factors discussed in the previous chapter appear to have an impact on public opinion. First and most notably, living in a country with social health insurance system is correlated with both a greater assigned role to government in ensuring access to healthcare *and* a lower perceived need for substantial reform. Second, the variables associated with Power Resource Theory have a less clear relationship to attitudes than we had expected, as they appear associated (on the whole) with a weaker belief in government responsibility and the need for transformative reform. This is possibly because people strong left government presence may lead people to feel that the government has already addressed its responsibilities in ensuring access.

Finally, our other two variables of interest only reach significance in one or the other of the regressions, with contrary effects to those we expected: decentralisation is negatively correlated with a strong assignment of government responsibility, while structural constraints is positively correlated with a belief in the need for substantial reform. In the former instance we expect that this is a result of a limitation in the question's wording (since it would likely be interpreted as narrowly referencing the central government) and the fact that part of the proposed impact outlined in the previous chapter did not occur via public opinion. In the latter case, the structural constraints measure is likely capturing some element aside from potential lobby group impact (for which it was intended to act as a proxy).

Yet despite the interestingness of the results of the multi-level model survey analysis, we cannot address our central theory without also analysing the determinants of policy changes. Our first attempt to do so, looking at gradual changes in coverage levels via time-series analysis, yielded little of interest. We noted that the use of time-series analysis does not actually allow us to directly address policy changes vis-à-vis access to coverage (whether through universalisation or residualisation), since in many instances changes may be artefacts of immigration, unemployment, or other non-policy factors.

The duration analysis, by contrast, is more appropriate for assessing the impact of our variables of interest, as it looks directly at the decision to carry out universalisation. Once we control for relevant factors the impact of left-wing government is consistent with the partisanship theory laid out in Chapter 4, though the variable only nears $p=0.10$. Similarly, the presence of a social health insurance system appears also to have a generalisable effect. As mentioned above, however, the preciseness of these results is limited by the fact that the differences between the French and Italian systems highlighted in the previous chapter are not captured by the dummy variable (since the difference is arguably one of degree rather than kind).¹⁶ Yet insofar as the pre-SSN Italian system, for example, can be understood as somewhat of an impure social health insurance, these impurities could easily be understood as undermining the pro-status quo impact of the variable. Given that this description could likely be extended to other Southern European welfare states that switched over to

¹⁶ In addition, the limited number of countries (4 out of 15) that do not qualify as having social health

universalist healthcare systems (see Toth 2010), the variable's impact remains consistent with our expectations.

Taken as a whole, the findings presented in this chapter are consistent with our larger story, suggesting that certain structural factors – the most consistent of which appears to be the presence of a social health insurance system – likely shape popular opinion, which in turn then impacts the likelihood of transformative reforms that address gaps in coverage. By contrast, the impact of decentralisation and lobby groups did not come out clearly in the results, though this may partly be the result of aforementioned limitations (with the survey question and proxy variable used, respectively). Lastly, left government strength also had the expected impact, but of course (consistent with the expectations delineated in the previous chapter) did not have its impact via public opinion.

Conclusion

Overall, this chapter has set about testing the generalisability of the results of the qualitative analysis carried out in Chapter 4, employing three types of complementary quantitative analysis in order to address different aspects of the issue. The chapter began by laying out the variables to be used in the analysis, and then proceeded to the multi-level model survey analysis intended to assess the impact of the different structural factors on public opinion. Two survey questions from a 1996 Eurobarometer survey were analysed: the first relating to government responsibility for ensuring access to healthcare (thereby addressing the outsider issue); and the second addressing the need for substantial reform of the system. The results suggested, most notably, that living in a country with a social health insurance system is associated with an increased

belief in the former and a decreased perceived need for the latter. It is worth noting that these findings correspond well with the residualisation approach taken in the social health insurance system discussed in the previous chapter (i.e. the 1999 introduction of the CMU in France).

In an attempt to link these determinants of public opinion with actual changes in outcomes, factors affecting gradual changes in healthcare coverage were then assessed via time-series analysis. While that investigation yielded little of interest, our effort to use duration analysis to ascertain the causes behind transformative policy reform (i.e. universalisation) was more fruitful. Here again, this suggests that the use of readily available time-series data likely undermines attempts to use quantitative analysis to explore certain types of policy reform. In particular, the presence of a social health insurance system appears correlated with a decreased likelihood of developing a universalist healthcare system, while left government strength is associated with an increased probability of reform. The findings presented in this chapter therefore provide support for the argument that the results of the qualitative analysis performed in Chapter 4 are of more generalisable import. As was the case with the quantitative analysis of benefits for the unemployed, analysing longitudinal survey results alongside policy change would obviously have been the ideal approach to determining a causal link, but a lack of pertinent data prevent us from doing so. The use of country-level data and mini-case studies might be used in the future to address the limitations inherent in our approach, but in the interim these results imply the value of further research on the subject.

In sum, as in the chapters analysing the determinants of different approaches to coverage extension regarding the unemployed, it has once again been argued that

structural factors (most notably the presence of a social health insurance system) impact public opinion, which in turn affects policy change through structuring parties' electoral incentives. Yet in contrast to the situation vis-à-vis benefits for the unemployed, partisanship does appear to matter in this case, with a strong presence of leftist government likely increasing the probability of reform. Note that the differing roles for partisanship across the policy domains highlight the lack of one standard relationship between the left and welfare state reform, and this theme will be taken up further in the next chapter.

Figure 5.1 – Mean Left Government Presence

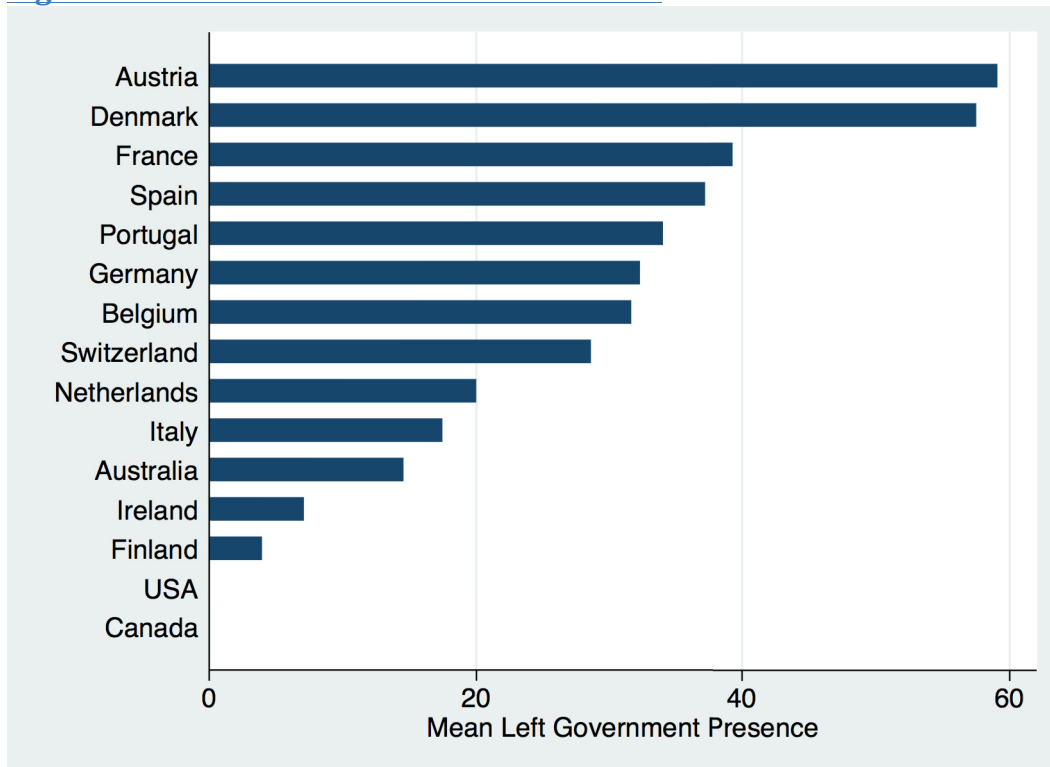


Figure 5.2 – Mean Structural Constraints

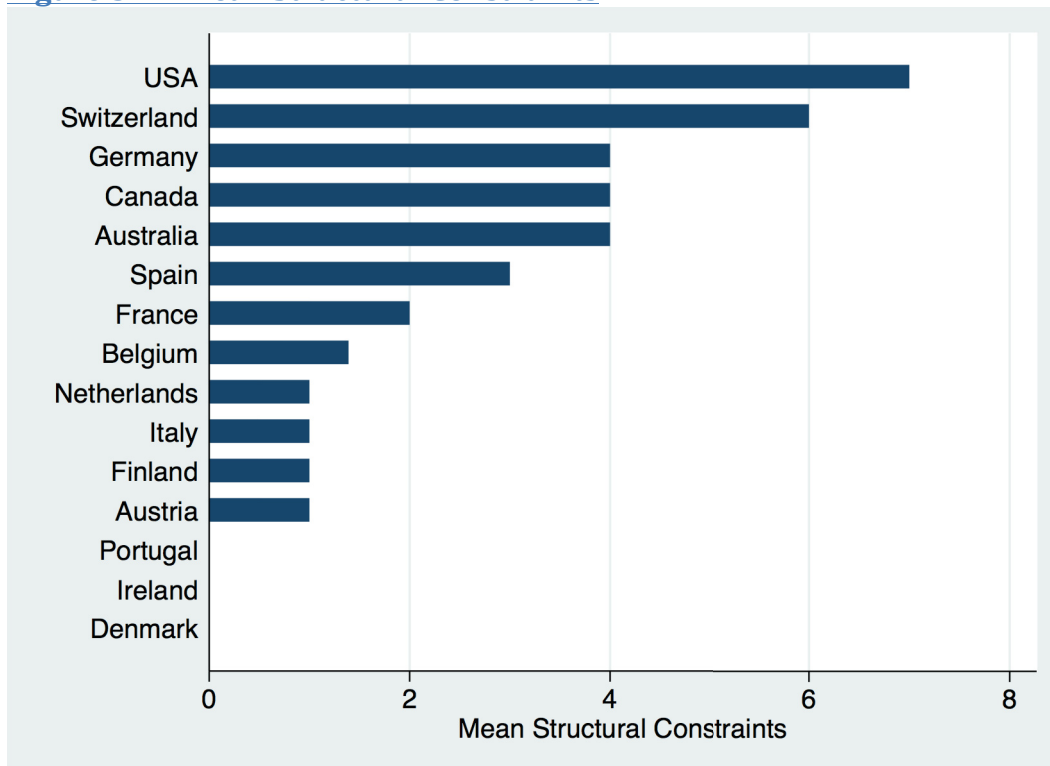


Figure 5.3 – Mean Trade Union Density

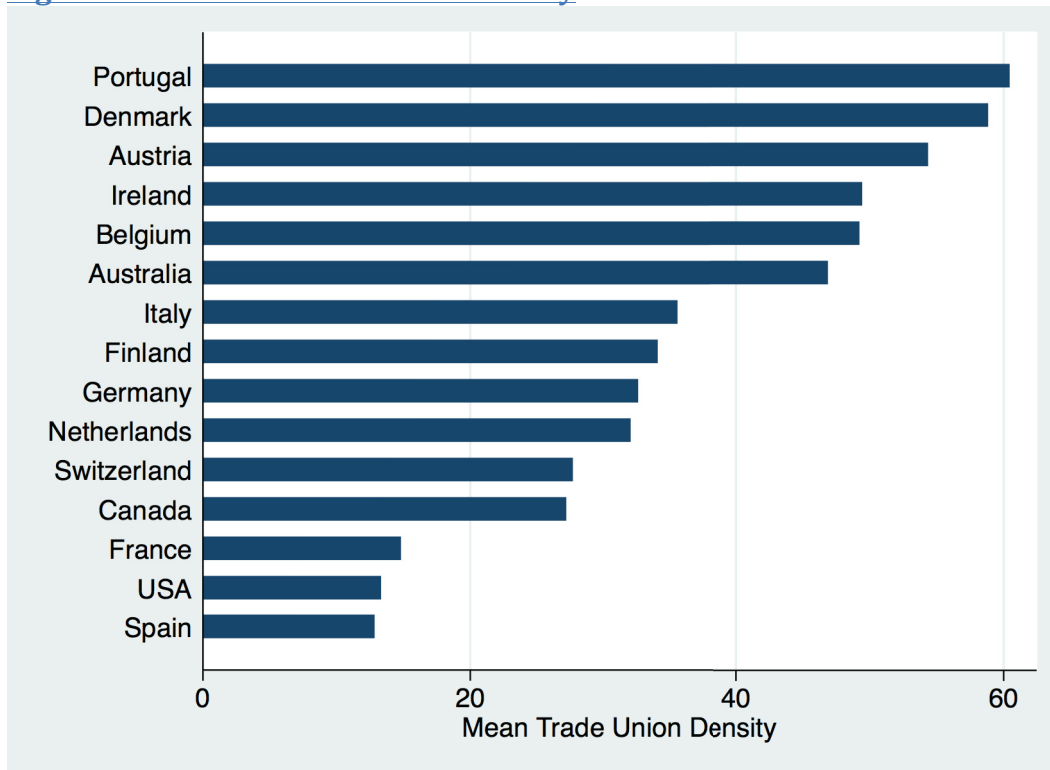


Figure 5.4 - Countries without Universal Healthcare

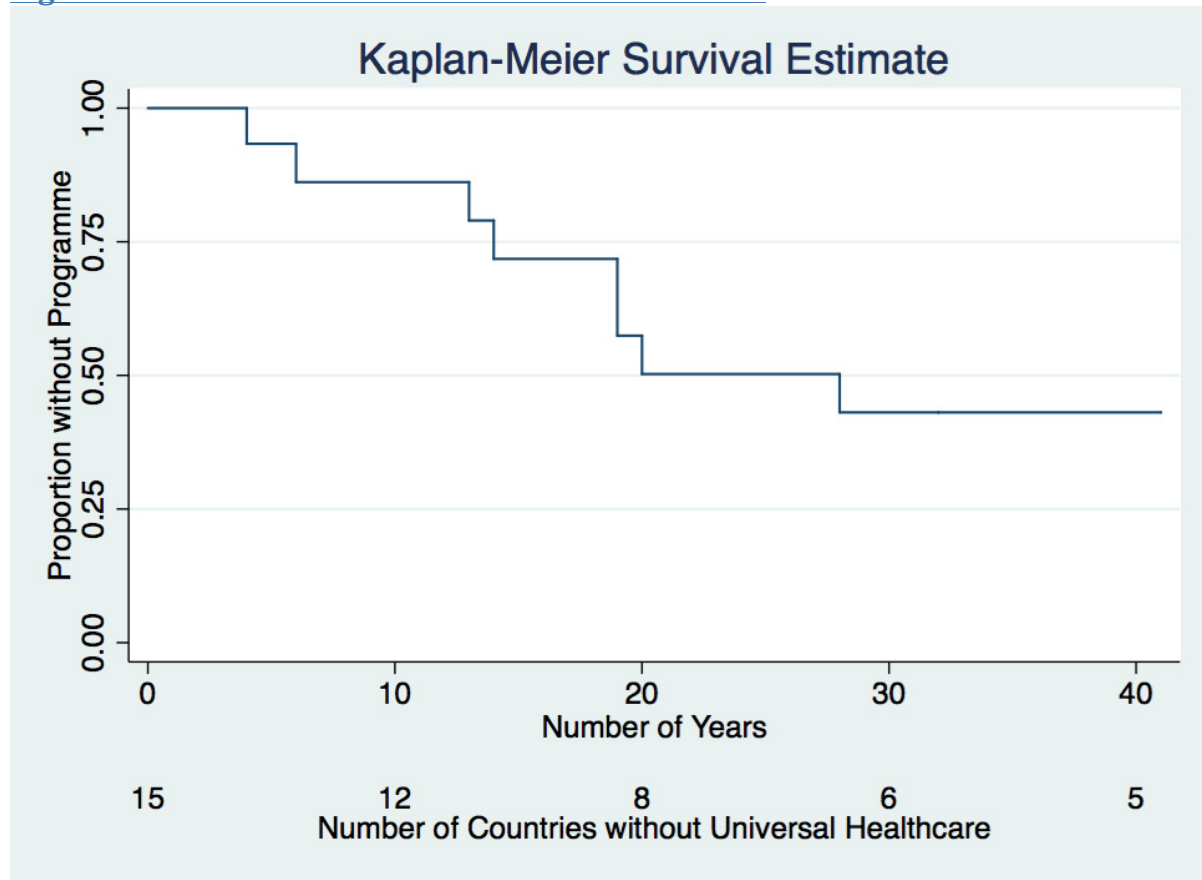


Figure 5.5 – Social Health Insurance, Left Government, and Programme Introduction

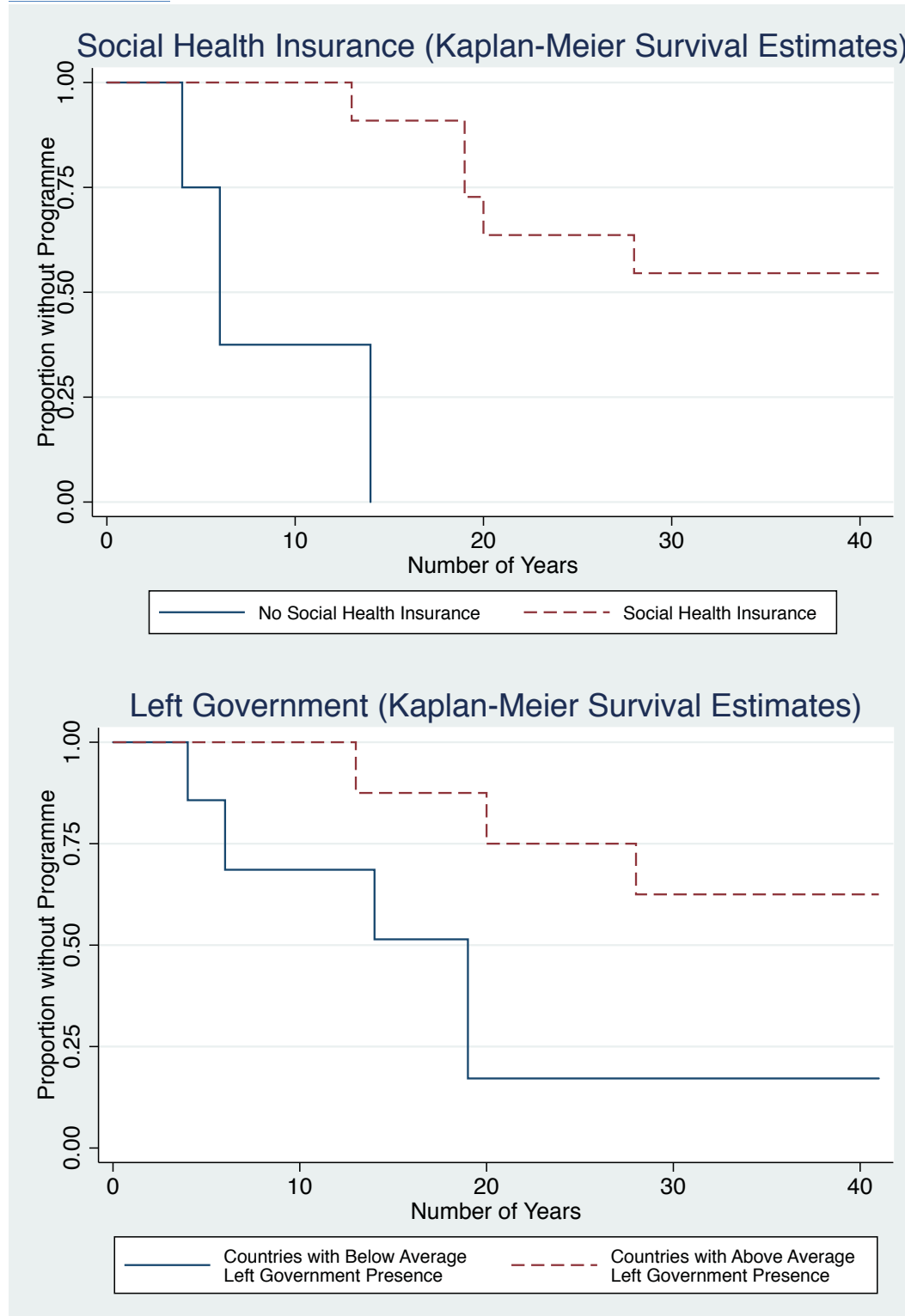


Table 5.1 – Belief in Government Responsibility to Ensure Access to Healthcare across Countries**Predictors of belief in government's responsibility to ensure access to healthcare**

Independent Variables	
Unemployed	-.002 (.010)
Family Income	-.012 ^{***} (.002)
Male	-.013 ^{**} (.005)
Education Level	.005 (.004)
Aged Over 64	-.009 (.008)
Age Bracket	-.003 (.003)
Self-Assessed Health	-.004 (.011)
Health Coverage Level	-.00001 (.001)
Mean Left Government (1977-1996)	-.004 [*] (.002)
Mean Trade Union Density (1977-1996)	.003 [*] (.001)
Left & Union Interaction	.00004 (.00004)
Structural Constraints	-.017 (.017)
Decentralisation	-.070 [*] (.028)
Social Health Insurance Dummy	.150 ^{***} (.034)
Share of Population 64 and over	.016 [*] (.007)
Female Workforce	.005 ^{***} (0.001)
Mean Inflation (1994-1996)	-.001 (.009)
Mean GDP per capita (1994-1996)	8.68e-08 ^{***} (1.46e-08)
Constant	.328 (.108)
N	10218
Number of Panels	13

Note: Cells contain GLS random-effects regression coefficients (with standard errors italicised in parentheses). Coefficients that reach ($p < .05$) or almost reach ($p < .10$) significance are bolded.

+ $p < .10$, * $p < .05$, ** $p < .01$, *** $p < .001$

Table 5.2 – Belief in the Need for Extensive Healthcare Reform across Countries
Predictors of belief in the need for extensive reform

Independent Variables	
Unemployed	-.003 (.011)
Family Income	-.0004 (.003)
Male	-.004 (.005)
Education Level	.010 [*] (.004)
Aged Over 64	-.054 ^{***} (.009)
Age Bracket	-.007 [*] (.003)
Self-Assessed Health	-.109 ^{***} (.012)
Health Coverage Level	.007 ^{***} (.001)
Mean Left Government (1977-1996)	-.017 ^{***} (.002)
Mean Trade Union Density (1977-1996)	-.025 [*] (.002)
Left & Union Interaction	.0004 ^{***} (.00004)
Structural Constraints	.084 ^{***} (.019)
Decentralisation	-.023 (.030)
Social Health Insurance Dummy	-.335 ^{***} (.037)
Share of Population 64 and over	.009 (.008)
Female Workforce	-.018 ^{***} (0.001)
Mean Inflation (1994-1996)	.015 (.010)
Mean GDP per capita (1994-1996)	-2.18e-07 ^{***} (1.57e-08)
Constant	.328 (.108)
N	10310
Number of Panels	13

Note: Cells contain GLS random-effects regression coefficients (with standard errors italicised in parentheses. Coefficients that reach ($p < .05$) or almost reach ($p < .10$) significance are bolded.
+ $p < .10$, * $p < .05$, ** $p < .01$, *** $p < .001$

Source: Eurobarometer 44.3: Health Care Issues and Public Security, February-April 1996 (1998).

Table 5.3 – Time Series Analysis, Healthcare Coverage Levels**Time Series Analysis – Healthcare Coverage Levels**

	Model 1:¹⁷ Healthcare Benefit Coverage Levels
Independent Variables	
DV $t-1$	-0.035 (0.025)
GDP $t-1$	-0.00002 (0.00002)
Inflation $t-1$	3.454 ^{**} (1.329)
Δ Unemployment	-1.350 (6.317)
Female Workforce $t-1$	1.272 (1.808)
Population over 64 $t-1$	1.750 (2.086)
Union Density $t-1$	-0.436 (0.408)
Left Government $t-1$	-0.195 (0.299)
Left & Union Interaction $t-1$	0.004 (0.005)
Structural constraints $t-1$	3.310 (4.815)
Decentralisation $t-1$	-2.983 (9.401)
Constant	287.7 (235.3)
N	700
Number of Panels	21
R^2	0.036

Note: Cells contain Random-effects GLS regression coefficients with standard errors italicised in parentheses. Coefficients that reach ($p < .05$) or almost reach ($p < .10$) significance are bolded.

⁺ $p < 0.10$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Table 5.4 – Duration Analysis, Healthcare

Duration Analysis – Healthcare			
	Model 1: ¹⁸ Structural Model	Model 2: ¹⁹ Political Model	Model 3: ²⁰ Full Model
Independent Variables			
Health Coverage Level	1.007 (0.815)	0.983 (0.473)	1.085 (0.160)
Social Health Insurance Dummy	0.001 ^{**} (0.005)	---	0.00001 (0.104)
Structural Constraints	0.204 [*] (0.038)	---	5.512 (0.420)
Decentralisation	3.10 (0.308)	---	0.0002 (0.151)
Union Density	---	1.000 (0.998)	0.675 (0.128)
Left Government	---	0.884 ⁺ (0.086)	1.345 (0.129)
Left & Union Interaction	---	1.002 (0.265)	---
Inflation	---	---	2.482 ⁺ (0.060)
GDP Per Capita	---	---	0.99997 (0.121)
N	15	15	13

Note: Cells contain survival analysis hazard ratios with p-values italicised in parentheses. Hazard ratios that reach ($p < .05$) or almost reach ($p < .10$) significance are bolded.

⁺ $p < 0.10$, ^{*} $p < 0.05$, ^{**} $p < 0.01$, ^{***} $p < 0.001$

¹⁸ These findings do not appear to be driven by any one particular country, though in some instances the model does collapse.

¹⁹ Although the country does not itself experience a change in its system type, the removal of France from the sample does substantially impact the significance of Left Government.

²⁰ These findings do not appear to be entirely driven by any one particular country, though in some instances the model does collapse and the removal of Austria from the sample does substantially impact

Chapter 6

Conclusion

This thesis began by laying out the following puzzle: in a post-industrial world in which employment is increasingly “non-standard”, how does the left deal with the insider-outsider welfare state division that stems naturally from tying benefits to standard employment history in insurance-style programmes? On the one hand, the broad leftist commitment to egalitarianism would suggest that this issue should be of considerable concern to left-wing parties and unions; pursuing the matter would contribute to both ideological consistency and a reaching out to labour market and welfare state outsiders. At the same time, however, fiscal and political constraints on welfare state scope and spending mean that any levelling of access and benefit generosity would almost certainly entail levelling down. It would therefore destroy many of the traditional privileges enjoyed by a variety of occupational groups – groups that often constitute a sizeable portion of the left’s support base. What is more, the issue is often further complicated by organisational interests in maintaining certain social insurance institutions, with the goal of preserving sources of power and influence.

Research on this topic has been surprisingly limited (see Davidsson and Naczyk 2009), with the dominant debate focusing on unions and/or labour market reform (cf. Rueda 2005; 2006; 2007; Emmenegger 2009; Clegg et al. 2010; Palier and Thelen 2010; Davidsson and Emmenegger 2012). Over the course of the thesis, we have therefore attempted to shed light on the ways this dilemma has played out vis-à-vis welfare state reform. A comparison of French and Italian reforms in the fields of benefits for the unemployed and healthcare provided the bulk of our framework for understanding the

consistent attitude on the left toward these types of reforms, the introduction laid out a number of general hypotheses to explain variation:

Hypothesis 1: the left may typically opt to maintain the backing of traditional (insider) supporters with pro-status quo preferences, leading partisanship to have a limited impact on party preferences regarding benefit coverage and standardisation. This decision may be based, for example, on the perceived feasibility of poaching more votes than might be lost by pursuing reform.

Hypothesis 2: the left may seek the support of outsiders where possible, but the latter group's preferences across countries may differ (being sometimes pro-reform, sometimes pro-status quo), with outcomes in line with those preferences. Outsider preferences might be shaped, for example, by the distribution of access to social programmes in society.

Hypothesis 3: the left may seek/oppose the extension and standardisation of benefits for reasons separate from the stance of outsiders and the division between insider and outsider supporters - perhaps because it is of use to the leftist organisations themselves. This might be the case, for example, because leftist parties/unions prioritise the status quo to maintain political resources derived from the current institutional arrangement (or oppose it to undermine rival parties/unions political resources).

Hypothesis 4: different relationships may dominate different policy domains. This could be the result of issues related to an issue inherent to the policy domain (e.g. is it dominated by life-cycle or redistributive characteristics?)

While the first and third hypotheses stress the importance of party dynamics, the second points to potential variation in outsider preferences, and the fourth highlights intrinsic qualities of different policy domains. Insofar as institutional context factors into all of the hypotheses, we might also group the hypotheses into two categories, based on whether institutions shape party decisions indirectly (as in H2 and the first half of H4) or directly (as in H1, H3, and the latter half of H4). We will return to an assessment of these hypotheses in a moment, but before doing so we must first recap the findings of each of the preceding chapters so as to better situate our broader conclusions.

The first chapter served as an introduction to both the topic and the dissertation as a whole, providing a review of related literatures and an outline of the methodology and structure of the subsequent chapters. It laid out the two goals of the thesis: to compensate for the dearth of research on the relationship between partisanship and reforms that affect inequality of access and benefit levels vis-à-vis the welfare state; and to provide a critique of quantitative studies that use as their dependent variables time-series measures that poorly align with the actual policy changes in which they purport to be interested.

The thesis then turned to analyse the determinants of benefit extension and standardisation. Chapter 2 compared the reform of benefits for the unemployed in France and Italy, paying particular attention to the two RMI benefits that sought to residualise their respective systems and provide welfare state outsiders with access to low-level benefits. Since the Italian version of the scheme was adopted a full decade after the French programme and was cancelled within a few years, we explored differences between the two cases that might explain the divergence.

Various existing theories were considered, and it was argued that different outcomes were the result not of partisanship-based factors, but rather of contrasting levels of public pressure. The chapter posited that the divergence in public opinion was partly the result of the playing out (in Italy) of institutional factors typically associated with Southern European welfare states (see Ferrera 2005): namely, the prevalence of informal work, limited administrative capacity, and the central role of the family unit. Both the prevalence of informal work and the centrality of the family decreased the perceived precariousness of being unemployed with no direct access to unemployment benefits. In addition, the latter factor also decreased demands for reform from young adults who would otherwise have had no benefit recourse. Limited administrative capacity, in turn, contributed to the perception that an RMI-style programme was simply not feasible – especially in light of the complications that arise from the prevalence of informal employment. The result of this decreased demand for reform then played out at the policy level by removing electoral incentives for vote-seeking parties. These findings were then supported using an examination of public opinion in Italy and a few other countries.

Chapter 3 then tested the generalisability of these findings. It began by building on the survey analysis with which the previous chapter ended, using multi-level model analysis to investigate the impact of the institutional factors highlighted above. All three of our variables of interest appear to be of generalisable import, having the expected impact in each instance. Since we care about public opinion not in and of itself but for its potential impact on policy, we then shifted our focus to outcomes: first through the use of time-series analysis (using coverage levels as its dependent variable), then through an examination of policy change directly. While the former analysis provided us with

limited purchase, the latter suggested that both the size of the informal economy and the median age at which youth leave home likely impacts the probability of reform. This finding served as support for both the conclusions of Chapter 2 and our broader argument about the importance of properly defining the dependent variable in quantitative studies that seek to assess policy changes.

In Chapter 4, we shifted our attention to reforms in the field of healthcare, concentrating on the 1978 SSN in Italy and the 1999 CMU in France. In this instance, the French once again pursued a residualising approach, whereas the Italians universalised their system (a stark contrast to their failure to act vis-à-vis benefits for the unemployed). As in Chapter 2, various pre-existing theories were delineated, and while they generally contributed to our understanding of the divergence, the story told here was once again one in which different institutional arrangements shaped preferences for or against reform. In this instance, however, the direct impact of institutions on party preferences was seen to play a more crucial role than was the case in the chapter on benefits for the unemployed. In France, the institutional structure of healthcare attracted support for the status quo from both the public and the left (with a substantial role for workers representatives), making a complete overhaul of the system less likely. In Italy, by contrast, these sources of support were missing. A universal healthcare system had long been a pet-project of the PCI, and a broad popular movement in the 1970s eventually suggested a shift in public opinion toward reforming the system. On top of these factors, the clientelistic resources that the DC derived from the health insurance system also gave the PCI strong incentives to work to completely dismantle the system when its influence was at its peak. Here again, then, we note the importance of certain defining institutional features of Southern European welfare states (see

Ferrera 1996). The end result was a dramatic transformation of healthcare in Italy, despite the fact that access to benefits for the unemployed has remained broadly unreformed.

Chapter 5 then examined whether these findings might be exportable to other contexts. The approach here reflected that of Chapter 3. We began by looking at attitudes about the government responsibility's to provide access to healthcare and the need for dramatic reform of the system. The results here yielded limited support for the standard theories on reform – though social health insurance systems were associated with higher assigned roles of government responsibility – but this was likely due to the fact that the comparison between attitudes in health insurance and universalised healthcare systems take different structures as their referents. The chapter then proceeded to the longitudinal analyses, looking first at healthcare coverage levels and then at the universalising reforms themselves. While the former investigation (employing time-series analysis) produced little of interest, the latter one (using duration analysis) provided support for the findings of the previous chapter.

Partisanship and the presence of a social health insurance system were seen to have an impact, although the full specification of this model was more difficult due to issues related to data and categorisation. Nevertheless, the chapter offered at least preliminary support for the generalisability of the previous chapter's conclusions.

Taken together, what do these findings tell us about our broader question and hypotheses? Most generally, they suggest that there is no consistent relationship between the left and welfare state dualisation across countries and policy domains – either in the form of supporting or opposing benefit extension. Contra Rueda's findings on labour market reform (2005; 2006; 2007), we note that left-wing parties do not

consistently hunker down and pursue the exclusive interests of their insider support base; rather, they often extend benefits through residualisation, and sometimes even pursue universalisation. That being said, they do appear to be more inclined toward the former approach than the latter, but this inclination does not rely simply on the attractiveness of pursuing the votes of outsiders at the potential expense of lost insider votes. While vote-seeking behaviour may spur a party toward action, it is not enough to determine what type of reform they carry out.

To begin with the first part of that equation, this thesis has stressed the central role of institutions in shaping outsider opinions. Dualised welfare states would normally be expected to inculcate different attitudes toward reform, with (in general) insiders pro-status quo and outsiders pro-reform. But institutional arrangements can diminish public pressures for reform across both groups, and the chapters highlight common mechanisms through which this might occur: they might do so by suggesting that welfare state outsiders are not truly outsiders, since they have easy access to indirect benefits (through the family) or under the table work – leading the public as a whole to be more pro-status quo; they might legitimately provide outsiders with indirect access to benefits, thereby making them less pro-reform than they would otherwise be; or they might give trade unions a central role in the system, making leftists and trade unionists more pro-status quo. As such, and in line with Hypothesis 2, even where the left seeks outsider support, that attempt will have different implications in different contexts – a conclusion that complements Emmenegger’s findings on labour market preferences (2009). Coupled with the impact of institutions on broader public opinion, these sorts of contextual factors appear to shape whether or not benefit coverage is extended at all – through either residualisation or universalisation – by shaping electoral incentives.

The manner in which dualised welfare states are reformed, on the other hand, appears to be tied to both public opinion *and* the organisational preferences of leftist parties. By providing some parties with a valuable political resource, an institutional arrangement may give other parties an added incentive to overhaul the system. We can therefore see hypotheses 3 and 4 at work in two key ways: the first sees the adoption of a pro-status quo position on the left in situations where unions are key social partners (since that ostensibly provides workers with institutionalised input); and the second sees the adoption of a pro-reform stance where political rivals derive substantial political resources from the status quo (as through clientelism). Where there is a dualised welfare state and a fiscal or political limitation preventing the extension of generous benefits to all, these sorts of considerations are likely to condition the choice between residualist and universalist approaches to reform.

Note that in both policy domains, many of the relevant factors shaping public opinion and party preferences are either associated with Mediterranean countries or constitute defining characteristics of the Southern European welfare state typology (see Ferrera 1996; 2000; 2005; Martin 1996; Rhodes 1996; Naldini 2003). We can observe this in the case of both benefits of the unemployed (where the size of the informal economy, a lack of municipal administrative capacity, and the role of the family were central) and healthcare (where clientelism played an important role). This makes logical sense, given that Southern European welfare states tend to combine weak or absent social assistance with universal healthcare – and the mechanisms discussed throughout this thesis may well help to explain this rather counterintuitive combination of low- and high-coverage programmes.

We would therefore stress this institutionalist explanation in accounting for the differences across the policy domains, rather than basing our argument on differences between life-cycle and redistributive policies (cf. Jensen 2012). Inherent in the life-cycle/redistributive distinction is the idea that policies in the former grouping involve redistribution along health status and age divisions – which, given that most people can easily envision themselves aging and/or falling ill, creates a limited sense of conflict. We would argue, however, that in systems where benefits are not standardised across occupational groups, altering the distribution of benefits does indeed entail redistribution that is not simply based on health status or age; insofar as a levelling down for certain groups is inevitable, reforms under these circumstances do in fact involve redistributive struggles.

These findings provide a framework for future examinations of the relationship between partisanship and welfare state dualisation, and it is hoped that they have therefore helped to rectify a significant gap in the literature. Ideally, they would also help to dissuade further attempts to uncover a uniform relationship between partisanship and welfare state reform on a grand scale. In addition, our variegated approach to testing the generalisability of our comparative analysis has illustrated the potential pitfalls of using coverage level data to analyse policy reforms. Instead, we have suggested that the timing of policy reforms themselves serve as a more appropriate dependent variable, and that such an approach is possible using duration analysis. Unfortunately, the drawback here is that data limitations may present a significant hurdle where various countries have introduced a given policy over a prolonged period of time (thereby requiring access to extensive longitudinal data).

These limitations on our ability to draw strong conclusions from the quantitative analysis suggest a valuable avenue for future research. Further case studies and comparisons could complement the thesis' attempt to assess generalisability using large-N statistical analyses. In particular, it would be useful to compare and contrast developments within the welfare state families in which the Italian and France cases are couched – adding a consideration of additional Southern European welfare states (e.g. Portugal, Greece, and Spain) and Continental ones (e.g. Germany, Belgium, and the Netherlands). Examinations of other policy domains, such as pensions, would also offer valuable insight into the generalisability of our findings and, more broadly, the way in which institutional arrangements structure preferences. In addition, future research might continue to explore the factors that shape the attitudes of welfare state outsiders. Although there has been more work on this question (e.g. Häusermann and Schwander 2011) than on our principal one, combining survey and interview data could provide a fruitful approach to exploring the implications of our analysis.

To conclude, this thesis has explored the left's relationship to reforms addressing welfare state dualisation, arguing that there is no consistent impact across countries and policy domains. Instead, the left's stance has been shaped by institutional arrangements – in particular certain characteristic features of Southern European states – which structure party preferences directly (by creating certain organisational incentives vis-à-vis the long-term viability of the party/union) and indirectly (through public opinion). Respectively, these sorts of considerations impact the choice between universalising and residualising reforms, and the choice between reform and inaction. As such, even where the left appears to have played a crucial role in addressing welfare state dualisation, institutions matter more than ideology, leading the left to matter in

different ways across different countries and policy domains. Attempts to uncover a single relationship of the left to welfare state reform *writ large* will therefore inevitably be undermined by studies looking at other cases and domains.

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Appendix

In carrying out the interviews, I first selected the relevant organisations to contact. Since my dissertation concentrates primarily on the behaviour of left/centre-left parties, I began by consulting the literature to determine which organisations are generally categorised as such. After constructing this list, I then selected the parties that held seats when the reforms I focus upon were passed: in Italy, this led me to contact the *Partito Democratico*, *Italia dei Valori*, *Partito della Rifondazione Comunista*, and *Partito dei Comunisti Italiani*; in France, the relevant parties are the *Parti Socialiste*, *Parti Radical de Gauche*, *Europe Écologie – Les Verts*, and *Parti Communiste Français*. Given that labour unions are also relevant to my analysis, I also sought interviews with officials at the three large union confederations in each country: in Italy, these are the *Italiana Sindacati Lavoratori*, *Unione Italiana del Lavoro*, and *Confederazione Generale Italiana del Lavoro*; in France, they are the *Confédération Française Démocratique des Travailleurs*, *Force Ouvrière*, and *Confédération Générale du Travail*.

I then contacted the national headquarters of the parties and unions using the contact information available on their websites. After outlining my research project, I asked to make an appointment with someone in the relevant section of the organisation, so as to inquire about the organisation's positions on the relevant topics and policies. Although I was unable to obtain interviews in all instances, I was able to speak with individuals at the *Partito Democratico*, *Italia dei Valori*, *Partito della Rifondazione Comunista*, *Partito dei Comunisti Italiani*, *Europe Écologie – Les Verts*, *Parti Communiste Français*, *Confederazione Generale Italiana del Lavoro*, *Force Ouvrière*, and *Confédération*

Générale du Travail.¹ Interview subjects tended to be National Directors/Presidents of the relevant sections, though in some cases I was given interviews with former/current elected politicians, National Secretaries, and Editors-in-Chief of party reviews. On a few occasions I was able to interview two subjects at a given organisation.

The interviews were then conducted in a semi-structured manner.² I constructed the question script using preparatory research carried out before the interviews, with separate versions based on country and whether the subject was associated with a party or a union. The script incorporated questions covering general positions (e.g. regarding welfare state dualism, universalism, etc.), stances regarding key policies, and related interactions with other key organisations/interest groups. Interviews were held in two rounds: the first exploratory round was conducted shortly after my proposal defence, so as to gain insights that might inform early writing and archival research; and the second round, approximately one year later (by which point I had already written drafts of all relevant chapters), which gave me the opportunity to ask more specific questions using an updated script. In most instances, interviews were conducted with the same subject on both occasions.

Following each round, I typed out notes for the interviews (which were all recorded) and regrouped responses by question and relevant subsection of the draft thesis chapters. This involved looking for overlaps across interviews, as well as noting the ways in which certain questions were largely evaded. Finally, these observations were incorporated into the chapters, along with quotations that best summarised the positions presented in the interviews.

¹ In the case of the *Partito Democratico* and *Italia dei Valori*, my unsolicited interview requests were not successful, but I was nevertheless able to obtain interviews through networking.

² While I had a general script, I would ask additional questions where appropriate and ended each