PUBLIC SECTOR REFORM AND UNION PARTICIPATION: THE CASE OF THE ITALIAN PENSION REFORM

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This is a paper about the role of unions in promoting public sector reform. Much of the literature treats public sector unions as "rent-seeking" organizations, striving to achieve private gains at the expense of the public good (and national treasury) (Lowi, 1969; Olson, 1982). Unions in the public sector are vilified both for blocking various reform efforts (Chubb and Moe, 1992) and undermining the legitimacy of government institutions (McConnell, 1966). As a result, "successful" reform can occur only if unions are circumvented or undermined (Pierson, 1994; 1996).

This paper advances an alternative argument. Through a case study of Italy's recent pension reform, we argue that the unions <u>can</u> play a positive role in the reform of the public sector. As in many other countries, Italian unions for years resisted efforts to scale back welfare state benefits and reform the pension system. These benefits were seen as "acquired rights," the product of intense struggle during the Hot Autumn strikes of 1969. Yet with time, the position of the Italian unions changed. It changed for a variety of reasons -- not least of which was the obvious and insupportable costs of the existing pension system – but especially because the unions were brought into the reform process. In other words, rather than being pushed aside or defeated in order to implement reform, the Italian unions were included in discussions/decisions concerning the cost of the current system and alternative reform proposals.

This process of participation was not linked to the union leadership alone. Rank-and-file members were also involved in the reform process through a systematic process of consultation. In fact, this latter process was key to the reform effort since it generated rank-and-file support for the reform and hence guaranteed the ability of the unions' leadership to keep their end of the bargain. In other words, because the reform process was accompanied by an extensive process of internal deliberation, debate, and eventually voting, the unions were able to overcome the opposition of a number of worker groups and embrace the reform. The process of deliberation and democratic decision-making was important not simply because it aggregated existing interests into a pro-reform coalition but also, and perhaps more important, because it contributed to shape these preferences themselves. Extensive discussion and deliberation within the unions permitted them to "filter out" the more particularistic concerns and embrace positions that were beneficial for the public good as a whole (Baccaro, 1996). We believe that the Italian experience with pension reform provides some important lessons for the process of public sector reform in other areas and in other nations as well.

The remainder of this paper is divided into four parts. First, we describe Italy's highly fragmented and dysfunctional pension system and how it came to create major economic and distributional problems by the early 1990s. Second, we review various efforts to reform the pension system. Third, we revisit the most recent reform effort -- which included both union participation in negotiations and rank-and-file consultation -- and explain how this more inclusive process contributed to the success of the reform. We conclude by pondering the more generalizable lessons this case study may provide for future attempts at reform.

The Italian Pension System from Expansion to Crisis

The Italian pension system has been among the most complicated and inequitable in Europe (De Cecco and Pizzuti, 1994). Layers of particularistic legislation created a highly particularistic system filled with special provisions and rules for different categories of workers. Historically, public sector workers benefited most from this system but over time, private sector workers improved their benefits as well. For example, in March 1968, the three main confederal unions, the Confederazione Generale Italiana del Lavoro (CGIL), Confederazione Italiana Sindacati Lavoratori (CISL), and Unione Italiana Lavoratori(UIL) pressured the Italian government into passing a pension reform which augmented the so-called "replacement ratio" (i.e. the ratio between pension benefits and previous pay) from 40 to 65 percent for workers who had paid social security contributions for 40 years.[1] One year later, renewed pressure from the confederal unions (which organized two general strikes in November 1968 and February 1969) induced the Italian government to approve a new, more generous modification of state pensions. The "replacement ratio" was further increased from 65 to 74 percent and pensions were indexed to prices in order to safeguard their purchasing power (see Turone, 1992: 359-62).[2] These modifications did not abolish the privileges granted in previous years to public-sector workers but rather extended some of the benefits of this system to private sector workers.

As a result of these various laws and provisions, the Italian pension system became highly fragmented and particularistic. There were 47 pension funds, all characterized by different rules for the determination of benefits. The great majority of pensions (85 percent) were paid by the Istituto Nazionale della Previdenza Sociale (INPS); the remainder, including the pensions of state employees, by a handful of other institutions. Even within INPS, there existed a multiplicity of special pension funds covering different kinds of workers. The pensionable age

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[1] Notwithstanding the obvious advantages for industrial workers brought about by this reform, the confederal unions, particularly the CGIL, contested it. Although the reform had been negotiated by the government and the three major confederations, vehement protest of its base induced the CGIL to withdraw its assent. The CGIL objected that this reform only increased benefits for prospective pensioners and not also for actual ones. It also organized a general strike on March 7, 1968. Participation in this strike was so massive that this strike has been later recorded as marking the beginning of the so-called "autunno caldo" (Hot Autumn). See Turone, 1992: 357-9.

[2] Other innovations brought about by the 1968-69 pension reforms included the calculation of pension benefits on the basis of remuneration rather than contribution, and the reform of the governance structure of the Istituto

for industrial workers was lower than all other Western countries (60 years for men and 55 for women) (see ILO, 1989: Table 18, p. 84). Pension benefits were tied not to the amount of contributions accumulated, but rather to past remuneration. Moreover, there were marked differences in the replacement ratios across categories of workers. For example, in the early 1990s the replacement ratio was 73% for industrial workers and 100% for employees of municipalities and health care personnel (see Pizzuti, 1994: 98). Social security contribution rates also varied greatly across categories of workers and many pensions for agricultural workers, artisans, and shop-keepers -- all categories with very low social security contributions -- were amply subsidized by the state (through the so-called integrazione al minimo). (For a more detailed outline of differences, see Table 1)[3] As a result of these differences, the average amount of pensions varied tremendously across different worker groups (see Tables 2 and 3).

Perhaps the most striking peculiarity of the Italian system, and also its main source of disparity, was the so-called "seniority pension" (pensione di anzianita'). Originally introduced for public-sector employees in 1956, seniority pensions were extended to industrial workers as well in the mid- to late 1960s. Seniority pensions allowed workers to retire even before they had reached the minimum pensionable age as long as they had been insured for a certain number of years. Again, this number varied greatly across categories : from 35 years for industrial workers to 20 years for male public-sector employees and 15 years for female public sector employees

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Nazionale della Previdenza Sociale (INPS) in which the "social partners," and in particular the labor unions, were granted managerial responsibilities (see Regonini, 1995).

[3] For more on the differences among internal rates of return (IRR) for various categories of workers, see Niccoli, 1991.

married or with children. This meant that a female typist who began working at 20 in one of Rome's many Ministries could begin receiving pension benefits at the age of 35.[4]

Seniority pensions placed an especially heavy burden on the state since they were paid to relatively young people with a long life expectancy[5] and depended less on the amount of contributions paid than on wages/salaries earned during the latter years of a worker's career. From the point of view of equity, seniority pensions not only created unjustified differentiations across worker groups by establishing unequal conditions for retirement but also (like other old-age pensions) clearly favored those who had begun working at a very young age. In fact, although the amount of contributions accumulated was the same, these early retirees received benefits for longer periods of time.[6]

In addition to these burdensome peculiarities, the Italian pension system also suffered from problems that were common to other European and Western systems based on "pay-as-you-go" (PAYG) insurance schemes.[7] PAYG systems are based on an "inter-generational" pact in which the active population devotes part of its resources to support the retired population. The active population accepts this obligation since it expects to be supported, in turn, by the future generations.[8] A pension system based on the PAYG mechanism is extremely vulnerable to economic shocks and demographic changes. As long as there is approximately the same ratio over time between active and retired workers, the PAYG system distributes costs equally across

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[4] Seniority pensions were an Italian peculiarity. Other European countries like France and Germany also allowed forms of flexible retirement for workers who had been insured for a number of years. However, those pensions were generally paid only to workers with a minimum age (63-60 in Germany) or were penalized in terms of benefits (like in France). For more on this, see OECD, 1988: 120-2.

[5] For example, if an industrial worker started working at the age of 15 (as it was often the case in the early post-war years), he would retire at the age of 50.

[6] For more on different internal rates of return (IRR) on contributions for "young" and "old" pensioners, see Fornero, 1995; Padoa Schioppa Kostoris, 1995.

[7] On the generalized crisis of the "pay-as-you-go" (PAYG) insurance systems, see OECD, 1988.

different generations. However, as soon as the age structure begins to change in the sense that there are relatively more retired than active people, the social security contribution rate that the presently active generation needs to pay to maintain the pension system in financial and actuarial equilibrium becomes unbearably high.

Another problem with a PAYG system is that it creates incentives for "myopic" policy-making. When the active population vs. retired ratio is high (as it was in the 1960s and 1970s in Italy due to the effects of the so-called "baby boom"), it becomes almost irresistible for legislators to augment pension benefits for current retirees and/or increase the number of beneficiaries, while maintaining unaltered (or even decreasing) social security contributions.[9] The effects of these measures on the pension system's balance sheet remain "invisible" for many years.[10] Once introduced, however, these generous modifications are very difficult to reverse since they come to be perceived as "acquired rights." People make plans based on expected income, and it is thus quite natural for them to resist even justified attempts to curtail their future income flows. This situation of "myopic policy-making" characterized pension policy in Italy during the 1960s and 1970s. Between 1960 and 1975, real pension benefits grew at an average annual rate of 6.5 percent. Between 1975 and 1981, they grew even faster : 8.2 percent per year (ILO, 1989: Table 2.2: 99).

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[8] For more on the equity implications of this "inter-generational" pact, see Somaini, 1996.

[9] In a PAYG system, actuarial equilibrium between inflows and outflows is defined by the following formula:

$$c \bullet W \bullet \frac{A}{R} = P$$

where c = contribution rate; W = average wage; A = number of active workers; R = number of retired workers; P = average pension.

This formula shows clearly that the amount of pensions depends on the ratio between active and retired workers (often referred to as "degree of maturity" of the pension fund). When this ratio grows, it is possible to increase pension benefits without increasing the rate of contribution or alternatively, reduce the rate of contribution while holding pensions constant. For more on this, see Livi Bacci, 1995.

[10] For more on this, see Castellino, 1990.

This situation began to change in the 1980s : various demographic and economic modifications challenged the financial stability of pension systems in both Italy and other Western countries. Due to declining fertility rates and growing life expectancy, the age composition of the population began to change fundamentally in the sense that fewer young people were asked to support a growing cohort of old (and no longer active) people. In Italy, the aging of the population became particularly severe : in the early 1990s the number of children per woman was 1.26, lower than all other countries (see Cazzola, 1995: 12). These demographic trends were compounded by other economic changes : the growth of unemployment reduced the number of active workers contributing to the pension system, while the aging of new entrants in the labor market (due to both increased years of schooling and high youth unemployment) decreased the average contribution period. As a result of these developments, the ratio between active and retired workers plummeted. Within the Fondo Pensioni Lavoratori Dipendenti (FPLD) (the largest pension fund managed by INPS), this ratio fell from 2.62 in 1963 to 1.1 in 1994 (Cazzola, 1995: 10).

Given this change, the financial equilibrium of the pension system could be maintained by adopting one of three possible policy options : 1) increase social security contributions; 2) reduce average pension benefits or 3) increase transfers from the public treasury to the pension system. The first two options were politically difficult since they implied targeting specific social groups to pay for the pension debt. Option three meant that the debt was *de facto* shifted on the shoulders of the future generations (since increased public expenditures were financed through "deficit spending" and not through new taxes). Needless to say, the Italian policy-makers chose option three. Between 1973 and 1994, the debt of INPS with Italy's Treasury increased from 776 to 129,071 billion lira (see Cazzola, 1995: 16).[11]

Since the late 1970s, virtually every Italian government has sought to reform the pension system. (For an outline of different reform projects, see Table 4). The various reform projects shared many key features in common : all sought to increase the pensionable age (to 65 years for men and 60 years for women); all proposed to limit, or even gradually eliminate the so-called "baby pensions" for public sector employees (i.e. seniority pensions after 20 or 15 years of insurance); all attempted to increase the time span on the basis of which the so-called "pensionable remuneration" was calculated;[12] and finally, all provided for the introduction of supplementary pension schemes, either managed by private financial companies (e.g. the De Michelis project), or administered by the state (e.g. the Donat-Cattin project).[13] Yet, none of these reform projects ever saw the light of day. Instead, all were blocked by a peculiar alliance

[11] This inter-generational conflict of interests was further compounded in Italy by other, inter-occupational cleavages. The Italian pension system was constituted by a plurality of occupational schemes all based on the PAYG mechanism. These occupational funds where characterized by different "degrees of maturity," i.e. by different ratios between active and retired workers. The pension funds established earlier in time, like the FPLD, had a comparatively low proportion of active workers and were thus, in structural passive. Other funds, like those covering the self-employed, were still relatively "young" and financially balanced. These funds could thus impose lower contribution rates on their associates than other funds. It was politically very difficult to transfer money from the active to the passive schemes or even equalize the contribution rates. In fact, the parties involved interpreted the financial situation of their pension schemes not (as they should have) as the result of particular demographic conditions but rather as the consequence of differential managerial capabilities. In other words, those worker groups whose pension funds were still active argued that they were better capable of managing their pension funds than other categories, and refused to finance "with their money" the passive funds.

[12] Pension benefits in Italy are calculated as percentage of the so-called "pensionable remuneration." Until 1992, this corresponded to the average monthly remuneration of the last five years for industrial workers, and to the last monthly remuneration for public sector employees. This mode of determining pension benefits created essentially two sorts of distortions : 1) it created incentives for evasion of both taxes and social security contributions in the early working years, since only the latest pay-checks were taken into consideration for the determination of pensions: 2) it favored the workers who received high pay increases in the last period of their careers. To (partly) obviate to these problems, all reform projects of the 1980s sought to increase to 10 years the reference period on the basis of which the pensionable remuneration was determined.

[13] The Donat-Cattin reform project was particularly interesting because it proposed to finance the supplementary pension schemes by using part of the financial reserves accumulated for severance pay (the so-called Fondo Trattamento di Fine Rapporto or Fondo TFR). This idea has been recently implemented by the Treu/Dini pension reform of 1995.

(or "iron triangle") among members of the Parliamentary Commission on Pension Reform (affiliated to both the majority and the opposition parties), various interest groups, and managers of INPS (see Regonini, 1995). In fact, the only legislative reform ever passed during the 1980s actually increased rather than decreased pension benefits.[14]

Three Attempts at Reform (1992-95)[15]

a) Amato's Emergency Plan

Efforts to seriously tackle these problems began in 1992 with the Amato government. Faced with a serious political and economic crisis,[16] the Amato government launched (with the support of the three major confederal unions CGIL, CISL, and UIL) an "emergency plan" which included, among other measures, the abolition of the scala mobile (wage escalator), important changes in the tax system, i.e. the introduction of the so-called "minimum tax" aimed at reducing tax evasion by small shop-keepers and the self-employed, and a thorough reform of the pension system. The main goal of this emergency plan was the reduction of Italy's burgeoning public deficit and debt in the hope that this would restore confidence in the Lira on international financial markets.[17]

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[14] For example, in 1990 a new law modified the pensions of the self-employed by introducing the PAYG system (which granted to the first generations of pensioners benefits much higher than the contributions paid) in their pension funds as well.

[15] Both this section and the next are based on field research carried out in July 1996.

[16] The year 1992 was very difficult for Italy. First, all major ruling political parties, including the Christian Democratic Party (DC) and the Socialist Party (PSI) were struck by a wave of corruption scandals known as "mani pulite" (clean hands). Some of them, e.g. the Socialist Party, disappeared altogether in the next few months. Second, the Sicilian Mafia launched an armed attack against the Italian state : in May and July two of the most famous anti-Mafia judges, Giovanni Falcone and Paolo Borsellino, were killed by the Mafia. Third, a major financial crisis forced the lira out of the European Monetary System in September and spurred a massive devaluation of the Italian currency.

[17] The Amato government passed legislation which reduced government expenditures and increased government revenues for a total of 120,000 billion Lira in 1992 (approximately 7.5 percent of GDP).

The Amato pension reform sought to : 1) increase the pensionable age to 65 years for men and 60 years for women; 2) augment from 5 to 10 years the time period used to calculate pensionable remuneration; 3) limit the indexation of pensions (pension benefits were no longer indexed to wages but only to prices); 4) harmonize the requisites for seniority pensions;[18] and finally 5) finally, delay for one year seniority pensions for workers with 35 years of insurance. It was estimated that the reform would reduce pension expenditures by 11,200 billion lira in 1993, 15,000 billion lira in 1994, and 20,000 billion lira in 1995. Thanks to these cuts, pension expenditures in Italy's largest pension fund, the Fondo Pensioni Lavoratori Dipendenti (FPLD) of INPS, were expected to decrease from 9.7 to 5.8 percent of GDP in 2025.[19]

Interestingly enough, notwithstanding these substantial cuts, the unions did not oppose the Amato reform. They did not call for strikes, although they clearly perceived a sense of unrest within their own ranks. [20]

Although the Amato reform changed the Italian pension system considerably, it left several key issues unresolved (see Castellino, 1996). First, even when fully implemented, the Amato reform maintained different pensionable ages for men (65 years) and women (60). This difference, coupled with higher life expectancy for women, was not only inequitable but also expensive. Second, although the reform had eliminated some of the existing disparities (for example, by homogenizing the requirements for seniority pensions), the Italian pension system was still fragmented into a plurality of different funds with different rules and different

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[18] The minimum number of contribution years for seniority pensions was increased from 20 (15 for women) to 35 -- the same limit applying to private sector workers. In this way, the so-called "baby pensions" were gradually phased out.

[19] This figures assumed that future pensions were indexed to prices only and not also to wages. See Pizzuti, 1994: Tab. 7, p. 69.

contribution rates. Third, the Amato reform left untouched the peculiarly Italian "seniority pension." Fourth, and perhaps most important, the Amato reform created perverse incentives for workers to retire as early as possible. For example, a worker retiring at the age of 65 after 43 years of contributions would receive 23 % less than if he/she had retired at the age of 57 after 35 years.[21] These incentives, coupled with the possibility of retiring after 35 years of work, contributed to eliminate many of the advantages conquered by increasing the threshold for old-age pensions.

b) Berlusconi's "Decisionism"

A second attempt at reform was launched by the center-right government of Silvio Berlusconi in 1994. Berlusconi did not welcome the support of the labor unions. Moreover, in contrast to Amato, during the electoral campaign he committed himself to reduce Italy's giant public debt (well above 100 percent of GDP) not through increased taxation but rather through expenditure cuts alone. However, the budget measures adopted by the previous governments left very little room for these additional cuts. As a result, it became clear that budget savings would have to come from a new "squeeze" on the pension system. Rumors that the Berlusconi government planned a thorough reconfiguration of the pension system provoked an increase (by 84 percent) in the number of applications for seniority pensions (Cazzola, 1995: 80).

The Berlusconi government proposed the following new modifications to the pension system : 1) a more rapid increase in the pensionable age; 2) a further "de-indexation" of pensions

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[20] The confederal unions only objected to one additional measure that Amato would have liked to introduce : the increase in the contribution period needed for seniority pensions from 35 to 36 years. Pressed by the trade unions, Amato gave up this additional modification (see Cazzola, 1995: 55).

[21] These figures are based on the present value (PV) of future pension installments. See Banca d'Italia, 1995: Tab. 1, p. 17*.

(pensions were to be indexed to "programmed" inflation, lower than actual inflation); 3) a reduction in the rate at which pension benefits accrued from 2 percent to 1.75 percent per year; 4) cuts on seniority pensions equal to 3 percent for each year preceding the minimum pensionable age.[22]

Through these proposed adjustments of the pension system, the Berlusconi government sought to send a clear signal to the international financial community that it was capable of promptly and resolutely dealing with Italy's macroeconomic problems. Berlusconi hoped that this "decisionistic" attitude would restore the fortunes of the Lira on international markets. Although the three main confederal unions (CGIL, CISL, and UIL) had declared repeatedly that they were not necessarily opposed to reform, and had demonstrated their willingness and capacity to cooperate with previous governments, the Berlusconi government, backed by Italy's organized business association, the Confindustria, deliberately marginalized them.

In response, the three confederal unions (CGIL, CISL, and UIL) mobilized against Berlusconi's proposed reform. On October 14, 1994 they organized a four-hour general strike and massive street demonstrations in all major cities to protest against the government's plan. It was estimated that three million workers participated in this strike. When the Berlusconi government refused bargain with the unions over pension reform, the unions organized a new mass demonstration in Rome on November 12, 1994. This time, about 1.5 million people took part in the demonstration. Not since the Hot Autumn had there been so much mobilization by labor unions in Italy.[23] Similar to the Hot Autumn, workers and unions joined ranks with

[22] The yearly Budget Law prepared by the Berlusconi government for 1995 included cuts on pensions for 8,000 billion lira, cuts on health care expenditures for 6,500 billion lira, and new inflows through the so-called condoni, i.e. "remissions" of various violations of the tax and districting codes after payment of penalties. At the same time, the new Budget Law abolished the so-called "minimum tax" which had increased taxes for the self-employed.
[23] See European Industrial Relations Review, 251, December 1994: 7.

students who were protesting against proposed educational changes. This nation-wide protest was followed in the next days by other, more limited strikes in various plants and cities throughout the country.

Due to these massive mobilizations, the parliamentary coalition supporting the Berlusconi government began to fray. The Northern League joined ranks with the opposition parties in supporting a legislative amendment that restored the 2 percent annual rate of accrual for pensions. Even the Confindustria asked government to resume dialogue with the trade unions. The employers feared that the atmosphere of intense social confrontation which the pension reform had stirred could negatively affect industrial relations at the company and/or plant levels as well. The three confederal unions continued to pressure the government by proclaiming a new eight-hour general strike for December 2, 1994. The night before the strike, the government signed an agreement with the three confederal unions and the strike was called off. All of the most important reform measures were deleted from the Budget Law for 1995. Instead, they would be decided through future tripartite negotiations between the government, Confindustria, and the three major confederal unions. A few days after capitulating on pensions, the Berlusconi government resigned.

c) Reform at Last : Dini's Pact with the Unions

After the fall of the Berlusconi government, the three confederal unions engaged in a new set of negotiations with the "technocratic" government led by Lamberto Dini.[24] In May 1995,

[24] Lamberto Dini had been Minister of Treasury in the Berlusconi government. In that capacity, he had supported the pension cuts proposed by the Berlusconi government. After Berlusconi's resignation, he led a cabinet composed of "technicians," i.e. experts not explicitly affiliated to any political party. Minister of Labor became Tiziano Treu, a labor law and industrial relations scholar who in the late 1970s-early 1980s had argumented about the necessity of

after three months of bargaining, an accord over pension reform was signed and sent to Parliament for approval. Parliament approved the new law (Law 335/95) without substantial changes on August 8, 1995.

The new reform introduced various structural innovations in the Italian pension system : 1) It created a clear separation between "insurance" programs (e.g. pensions) and "assistance" programs (e.g. unemployment benefits). The former were to be financed through social security contributions levied on wages and salaries; the latter through the general tax system.[25] 2) It introduced a new system for the calculation of pension benefits, no longer based (as before) on previous remuneration but rather on the amount of social security contributions paid by each worker.[26] 3) The reform provided for the gradual phasing out of seniority pensions and the establishment of a flexible retirement age between 57 and 65. Each worker (male and female), insured for at least five years, was allowed to retire at the minimum age of 57. The amount of pensions was, however, strictly linked to the amount of contributions accumulated. Therefore, those who had longer contribution periods received higher pensions. Moreover, the reform established financial penalties for those retiring before the age of 65. These penalties were

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introducing neo-corporatist policy-making in Italy as well, following the example of various Scandinavian and Northern European countries (see, for example, Treu 1984).

[25] It has been estimated that 57 percent of the funds transferred from the Treasury to INPS in 1992 were used to finance "assistance" measures such as reduced pay-roll taxes for companies in economically depressed areas (the so-called fiscalizzazione degli oneri sociali) or early retirements in declining sectors (Pizzuti, 1994: 58). This separations between "insurance" and "assistance" aimed at bringing clarity as to the source and destination of different funds.

[26] Italy's new pension system simulated a "fully-funded" model but remained a "pay-as-you-go" (PAYG) system. In a fully-funded model, each worker accumulates (through his/her social security contributions) a reserve fund which is later used to finance his/her pension benefits. In a PAYG system, instead, current active workers support current pensioners. Within Italy's present PAYG system, pension benefits are calculated as if the system operated like a fully-funded model in the sense that pension benefits are determined on the basis of contributions accrued. It would have been impossible to simply shift from a PAYG system to a fully-funded model. This would have posed a very heavy burden on the presently active generation which would have to provide both the resources necessary to establish new fully-funded pension schemes for their own retirement and the resources needed to pay for the pensions of the presently retired.

approximately equal to 3 percent for each year before 65. Thus, the 3 percent penalty, which had been so bitterly contested by the labor unions when it was proposed by Berlusconi, was re-introduced in the Dini reform and supported by the unions (see Castellino, 1996: 187).[27] 4) The new pension system unified the various pension schemes for different categories of workers. Contributions were homogeneously set at 32 percent for all categories of private and public sector workers and at 15-16 percent for the self-employed.[28] 5) Finally, the reform established a framework for the creation of privately-managed supplementary pension funds based on fully-funded schemes. Many of the details concerning the constitution of these new pension funds were devolved to collective bargaining between the parties concerned (e.g. unions, employers, cooperatives). The government laid out, however, a few important guidelines, concerning particularly the possibility of financing these supplementary funds using part of the reserves accumulated for the workers' severance bonuses (the so-called Trattamento di Fine Rapporto (TFR)) and the partial deductibility of these funds from income taxes.[29]

[27] In the transitory period before the reform was fully implemented (i.e. until 2008) workers were still eligible for seniority pensions, but the minimum number of insurance years was gradually increased from 35 to 40. Alternatively, workers could retire with 35 years of contribution if they had reached a minimum age which gradually grew from 52 to 57.

[28] The reform also extended compulsory pension insurance to worker groups not previously covered by state pensions. These worker groups were collectively designated as lavoro parasubordinato. This category includes a variety of contingent workers, especially young professionals, who while formally hired by companies as consultants, perform *de facto* the same work tasks of other full-time employees. The Treu/Dini reform introduced compulsory pension insurance for these workers as well, financed through earmarked contributions of 10 percent (two thirds of which paid by the employer and one third by the employee). The reform also introduced state pensions for immigrant workers.

[29] The reform envisaged a gradual transition to the new pension regime. It was established, in fact, that the new regulation applied in its entirety only to the newly-hired workers. Workers who had been insured for at least 18 years were subject to the old Amato rules (with the important exception of stricter eligibility rules for seniority pensions). Workers who had been insured for less than 18 years had their pensions determined through a mixed system which combined the old rules until 1995, and the new rules after that date.

The new structural reform of the pension system created clear incentives for workers to postpone their retirement, thus augmenting inflows through longer contribution periods while simultaneously reducing outflows by limiting pension installments to fewer years.

Yet the Dini reform was not without complications either. Early in the bargaining process, Confindustria withdrew from negotiations and later refused to sign the accord. Confindustria opposed the reform because it claimed that it did not reduce (and in fact, slightly increased) social security contributions (which are mostly paid by employers and constitute a sizable portion of labor costs), and because many of the largest and most diversified companies represented by the Confindustria hoped to extend their control to the very promising market of private pension funds. These companies argued that a reform which guaranteed average pension installments of approximately 65 percent of previous wages did not leave enough room for the constitution of supplementary, privately-owned pension funds. Interestingly enough, the savings obtained by the Dini reform were more or less comparable to those projected by the (failed) Berlusconi reform (see Table 5). The main differences were in the source of the savings. While the Berlusconi reform concentrated all of its savings on the curtailment of seniority pensions, the Dini reform distributed the costs of retrenchment to a wider social base (see Table 6).[30]

[30] After the accord was signed, it was targeted in Parliament with two opposite sorts of criticisms coming out of both the left and the right of the political spectrum. The Party of the Communist Refoundation (Rifondazione Comunista) contested the pension cuts as too harsh, while the neo-liberal Forza Italia (Berlusconi's party) argued that the reform was too generous and not rigorous enough to solve the problems of Italy's still extremely high public debt. The attitude of the post-Fascist Alleanza Nazionale was ambiguous : on the one side, it sometimes joined ranks with its political ally Forza Italia; on the other side, it sought to restore through legislative amendments many of the particularistic clauses favoring the public-sector workers and the self-employed (two of its largest constituencies) which the Treu/Dini reform had attenuated or eliminated.

But perhaps most surprising of all is that this structural reform actually took place, especially given the extreme heterogeneity of interests affected.[31] Public sector employees were deprived of all of their special privileges. Within the service sectors, there were several worker groups who could no longer count on particularistic norms concerning the determination of pension benefits. For example, electrical workers had a rate of accrual of pensions of 3 percent per year, rather than 2 percent like other workers. Bus drivers had their pensions calculated on a pensionable remuneration which included only the last six months rather than the last five years and benefited from a rate of accrual of 2.5 percent.[32] For all of these worker groups, rules were rendered homogeneous. Even within the industrial sectors, interests were diversified. Textile workers, predominantly female, had historically opposed all attempts at increasing the pensionable age for women (see Regonini, 1990: 353). Metalworkers, predominantly middle-aged men, were vehemently against any infringement of the "35-years-rule" for seniority pensions. Other workers, like the construction workers, were disposed to give up seniority pensions (because of the discontinuous nature of their jobs which made difficult for them to accumulate 35 years of contributions) but sought to keep unaltered the amount of old-age pensions. How were these competing interests reconciled ? Why did the Italian unions acquiesce to these major changes in the pension system ?

[31] For more on the difficulties of imposing retrenchment measures due to the fragmentation of interests involved, see Pierson, 1996.

[32] Shorter time periods used for the determination of pensions produced distortions and sometimes even true and proper frauds in the sense that the last pay-checks (those on which pensions were to be calculated) were in some cases artificially inflated so that the worker could receive higher pensions.

Interest Aggregation through Democratic Decision-Making

At first glance, Italy's 1995 pension reform appears to approximate the classic neo-corporatist scheme in which social policies are negotiated between the government and the "social partners." According to various authors, this mode of inclusive policy-making increases both the feasibility and the legitimacy of public policies (see Schmitter, 1981; Lehmbruch, 1979). Yet, Italy's pension reform differs greatly from the neo-corporatist model when one considers the process through which the aggregation/intermediation of interests was accomplished. Contrary to the prescriptions of neo-corporatist theory, the Italian labor unions sought to resolve the multiple distributional conflicts arising within their constituency not by adopting an hierarchical structure of decision-making, but rather by promoting democratic discussion among different worker groups.

According to much of the literature on neo-corporatist policy-making, trade unions which seek to represent diverse constituencies (i.e. workers with different skills, employed in different sectors) engage in a difficult trade-off between "particular" and "general" interests (Regini, 1981). On the one hand, their concern with national economic performance encourages them to formulate bargaining agendas that take into account various macroeconomic constraints. On the other hand, by doing so, they underexploit the market power of at least some worker groups. As a result of these conflicting pressures, peak-level bargaining often promotes internal dissent and organizational fragmentation within the unions.[33]

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[33] On the tendency of "political exchange" to compromise the organizational cohesion of trade unions, see Pizzorno, 1978a and 1978b. Philippe Schmitter and Wolfgang Streeck express the same concept by referring to two conflicting logics of representation : the "logic of membership" and the "logic of influence." (See Schmitter, 1989, and Streeck, 1994. According to Schmitter and Streeck, interest groups in general, and trade unions in particular, are engaged in two contrasting enterprises. On the one side, they need to satisfy their constituencies' bargaining demands to safeguard their internal cohesion ("logic of membership"). On the other side, they need to engage in compromises to maximize their own long-term organizational goals ("logic of influence"). Although the two logics

The need to insulate the unions' leadership from these centrifugal forces explains the importance that virtually all authors attribute to certain organizational features like internal hierarchy, centralization, and representational monopoly.[34] Measures like legal recognition, compulsory membership, automatic collection of union dues are all designed to prevent "exit" by rank-and-file workers (Offe, 1981). Direct access to public funds provides the unions' leadership with resources which do not depend on their members' voluntary support but flow directly from the state (Lange, 1984). Finally, organizational hierarchy and the centralization of decision-making in the hands of a limited number of union leaders restricts the capacity of individual members to even "voice" their concerns.[35]

Yet, protection from outside competition and the choking-off of internal dissent has often not proven to be sufficient in avoiding the delegitimation of union hierarchies and/or preventing fragmentation. In Sweden, for example, the considerable organizational power exercised by the peak-level blue collar confederation *Landsorganizationen i Sverige* (LO) over its industry affiliates did not prevent (and perhaps even spurred) the emergence of multiple cleavages between various groups of workers : skilled vs. unskilled, male vs. female, manual vs. clerical

are clearly related (since membership's support is necessary to acquire political and bargaining influence and vice versa), union organization appears to strive constantly to reach a temporary equilibrium between these two countervailing forces.

[34] See, for example, Schmitter's seminal definition of corporatism (in Schmitter, 1979: 13): "Corporatism can be defined as a system of interest representation in which the constituent units are organized into a limited number of *singular, compulsory, non-competitive, hierarchically ordered and functionally differentiated categories*, recognized or licensed (if not created) by the state and granted a deliberate representational monopoly within their respective categories in exchange for observing certain controls on their selection of leaders and articulation of demands and supports" (italics the authors').

[35] The undemocratic character of neo-corporatist organizations is perhaps best expressed by Wolfgang Streeck: "What is liberal about liberal corporatism, and possibly about liberal democracy in general, is ... freedom of entry and exit, not of individuals vis-à-vis their associations, but rather of associations vis-à-vis state policies and attempts at implementing social concertation. *From the point of view of the difference between authoritarianism and democracy, freedom of collective action vis-à-vis the state appears more important than freedom of the individuals who participate in collective action vis-à-vis their associations.*" Streeck, 1994: 11 (translation and italics' the authors).

workers, and private sector vs. public sector employees. These developments ultimately led to the collapse of centralized bargaining (Martin, 1992; Pontusson and Swenson, 1993).

In Italy, efforts to introduce the "institutional preconditions" for neo-corporatist policy-making through the centralization of union structures actually increased fragmentation and decentralization of Italian industrial relations.[36] Several categories of workers (especially skilled workers in the public sector) felt that their demands were underappreciated by the hierarchically-organized unions. In the second half of the 1980s, these workers began to defect and create their own "autonomous" organizations (the so-called sindacati autonomi and the comitati di base (COBAS)). With their aggressive bargaining behavior and frequent recourse to strikes, these new organizations further increased the anarchy and conflictuality of Italian industrial relations. (Locke and Baccaro, 1996a).

The failure of traditional neo-corporatist practices at home and abroad clearly influenced the leadership of Italy's unions as they entered into negotiations over pension reform. The confederal unions were well-aware that they risked compromising their internal cohesion, since the reform imposed significant losses on a variety of different worker groups. Therefore, they resisted the temptation to negotiate with government "behind closed doors" and, instead, engaged in what can be considered Italy's largest experiment with union democracy.[37]

In other words, after elaborating their position on pension reform, the three confederal unions consulted their base through assemblies organized in all major plant and offices throughout Italy. This large-scale consultation of the rank-and-file showed that there were large

[36] On the comparison between the Italian and Swedish Labor Movements, see Baccaro and Locke, 1996.
[37] This experiment with union democracy was part of a larger process of organizational change. Faced with a serious crisis of representation, the Italian confederal unions (CGIL, CISL, and UIL) sought to re-launch internal democracy by institutionalizing the periodic elections of workplace representatives, by organizing frequent

groups of workers who opposed indiscriminate cuts in pensions. In particular, many workers participating in these assemblies demanded that the new pension reform neither curtail the right of middle-aged workers to retire after 35 years of work nor reduce the rate of accrual of pensions. Essentially, workers did not want generalized reductions in the replacement ratio, i.e. the ratio between first pension installment and last pay-check.[38]

The confederal unions discussed these demands with government and together, they sought to distinguish between legitimate and unacceptable claims. For example, the demand to retire earlier than the pensionable age was only justified if it were requested by workers engaged in strenuous or hazardous jobs,[39] but not it were raised by employees performing clerical tasks.[40] Thus, the pension reform of 1995 contained special clauses for those engaged in the so-called lavori usuranti (i.e. monotonous, strenuous, and/or hazardous jobs). These workers were allowed to anticipate their retirement by up to two years. Also, to avoid generalized reductions in amount of pension benefits, the Dini reform concentrated cuts on those workers who chose to anticipate their retirement. For example, an industrial worker retiring at the age of 65 (maximum retirement age) after an insurance period of 43 years would receive a pension 27 percent higher than in the previous regime. However, if this same industrial worker decided to retire at 57

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assemblies to discuss bargaining agendas, and by subjecting all bargaining deals to the approval of workers through assemblies and referenda. For more on this, see Locke and Baccaro, 1996b.

[38] The average amount of old-age pensions administered by INPS was 14 million lira per year at the end of 1994 (approximately 9,000 dollars). This amount was often not enough to support oneself, particularly in big cities. However, various worker groups in the service and public sectors received much higher pensions (see Tables 2 and 3).

[39] In some assemblies, workers justified their demand to maintain seniority pensions by stating that certain jobs, for example in paint-shops, reduced life expectancy by up to eight years. See Nuova Rassegna Sindacale, May 29, 1995: 11.

[40] Particularly for skilled workers, seniority pensions constituted a powerful bargaining weapon vis-à-vis employers. When the skilled worker reached 35 years of contributions, he/she could threaten to leave and thus, force the employer to grant better wages and/or working conditions.

(minimum retirement age) with only 35 years of contribution, he/she would receive 12 percent less than in the previous regime. (See Banca d'Italia, 1995: Tab. 1, p. 17*).

After tentatively signing the accord on May 8, 1995, the confederal unions organized a new wave of assemblies (approximately 42,000) in all major plants and offices, and a final referendum on the accord, held between May 30 and June 1, 1995.[41] The assemblies were generally structured as follows : a union "cadre" illustrated the content of the accord, discussed the inevitability of the reform due to the inefficiencies and inequities inherent in the old system, and explained why alternative reform projects were undesirable. This presentation was then followed by a debate in which workers asked questions about their own specific situations, expressed their opinions about larger moral/distributive issues like the need to assure a pension for future generations,[42] or offered suggestions on how to eliminate existing inequalities (e.g. by speeding up the transition to the new regime for public sector workers).

Many voices of dissent were heard in these debates. Although the Dini reform provided for a gradual transition to the new regime, it deprived industrial workers with less than 28 years of insurance of their right to receive seniority pensions after 35 years of work. This cohort of industrial workers was, in some sense, a critical one. Most of them had entered the labor market in the late 1960s and had participated in the Hot Autumn wave of strikes of the late 1960s-early 1970s (Pizzorno et al., 1978; Sabel, 1982). This cohort was now approaching retirement and was

[41] In what follows, we draw on various articles published by Nuova Rassegna Sindacale (CGIL's weekly magazine) in May and June, 1995 describing these assemblies and debates.

[42] This is, for example, what a female employee of the Gruppo Finanziario Tessile (a large textile company located near Turin) declared during an assembly held in her plant : "I am convinced that the reform had to be done, because money was over. And I believe also that this reform can help us save a piece of our children's pensions." Nuova Rassegna Sindacale, May 29, 1995: 12.

extremely critical of the new rules curtailing seniority pensions.[43] Their demands were promptly endorsed by some, more leftist union groups like Essere Sindacato (an internal faction of the CGIL) and the Comitati di Base (COBAS).[44] Interestingly enough, however, even those workers who refused the accord, often declared publicly that they preferred to "voice" their dissent within the established labor unions (and thus, try to convince their colleagues) than defect to other organizations and thus, compromise the unity of the Italian union movement.[45]

The 42,000 assemblies were followed by a referendum. Between May 30 and June 1, 1995, elections were held in 49,000 different locations throughout Italy, including plants, offices, union locals, and municipalities.[46] Active workers (both union and non-union), the unemployed, and pensioners were all allowed to vote. Four and a half million people voted and 64 percent of them approved the reform (see Table 7). Pensioners voted overwhelmingly in favor of the accord (91 percent). This is hardly a surprise since the reform limited benefits for future retirees only. Active workers approved the reform as well, although with a lower percentage (58 percent) (see Table 8). Most industry federations endorsed the reform, although their level of support varied by sector and region. In Lombardy, Italy's richest and most industrialized region,

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[43] Interviewed by Nuova Rassegna Sindacale, a blue-collar worker of Asea Brown Boveri (Sesto San Giovanni) declared : "It is like a cross-country race. When at last you reach the finish-line, exhausted, you find a sign that says : 'Sorry ! We made a mistake. You have to run five miles more.'" Nuova Rassegna Sindacale, June 5, 1995: 15 (translation the authors').

[44] In the South, middle-aged industrial workers were much less concerned with seniority pensions than their Northern colleagues, since the lack of steady jobs made very hard for everyone to accumulate 35 years of contributions. See, for example, the comments of a blue-collar worker at the Fiat plant of Termini Imerese (near Palermo) : "How can we manage to reach 35 years of contributions here in Sicily ? There are no jobs here (*Cca travagghiu un ci nne'*, in Sicilian dialect). Nuova Rassegna Sindacale, May 8, 1995: 24 (translation the authors').

[45] The conviction that internal debate was preferable to defection was clearly expressed by a member of the Consiglio di Fabbrica (Works Council) of Officine Savigliana (a mechanical firm near Turin) interviewed after the Consiglio di Fabbrica had rejected the accord on pensions : "What we really find hard to swallow is the increase in pensionable age ... Yet, I believe that we should fight within the union to change those provisions we consider unacceptable. To be able to do that, we need to be and remain members of the union." Nuova Rassegna Sindacale, June 5, 1995: 16 (translation the authors').

[46] These 49,000 polling stations were approximately half of those set up for legislative elections by the Ministry of Interior. See Carlo Ghezzi, "Le lezioni del voto." Nuova Rassegna Sindacale, July 10, 1995: III.

however, active workers rejected the proposed reform. Moreover, two important categories of workers, the metalworkers and the school teachers, also turned down the accord. Both federations had a tradition of militancy. The metalworkers represented the historic vanguard of the Italian labor movement. In the late 1960s-early 1970s, they had initiated the Hot Autumn wave of strikes. In the early 1980s, their opposition to incomes policies provoked the collapse of Italy's early experiments with tripartite policy-making (Golden, 1988). School teachers were also extremely militant. In 1986, they initiated a wave of wild-cat strikes which rapidly extended to other public sectors like railroad and airline transportation (Baldissera, 1988; Bordogna; 1988: Lombardi, 1989). Many school teachers defected from existing unions and created their own organizations, the so-called Comitati di Base (COBAS).

In previous times, opposition from the metalworkers (let alone the school teachers) and from most workers in Lombardy would have spelled the demise of the reform. Yet, because of the democratic process through which the pension reform was discussed and voted upon, the metalworkers and teachers accepted it as well. In short, participation by the unions in the reform process led not to its capture nor to its demise but rather guaranteed the political support it needed to succeed.

Concluding Considerations

This paper has described recent efforts to reform the Italian pension system. In the process, it has illustrated two distinct but interrelated points. The first concerns the potential role of labor unions in public sector reform. The second focuses on the importance of democratic deliberation in the shaping of preferences.

Contrary to much of the literature on public sector/welfare state reform, which invariably prescribes the insulation of governmental policy-makers from interest group pressures, the Italian experience illustrates that unions can play a positive role in promoting reform. Yet to do so they need to participate in the reform process. In Italy, unions for years resisted all changes to the existing pension system. Existing benefits had gained the status of "acquired rights" and thus, were defended by all means possible. As a result, repeated efforts throughout the 1980s to reform Italy's pension system were defeated. Yet, once the unions were brought into the reform process by the Dini government, they were able to overcome their opposition and embrace reform.

Participation involved not simply the unions' leadership, which negotiated the various changes with government officials, but also rank-and-file workers who participated in thousands of assemblies and voted on the proposed reform. This process of democratic deliberation and decision-making provided Italian workers with an opportunity not simply to learn more about the proposed reform but also to express their opinions about particular aspects of the reform. In some instances, i.e. retirement age for workers employed in physically taxing jobs, their opinions led to modifications in the proposed reform itself. But above all, the assemblies encouraged a process through which preferences were not just expressed but also shaped in ways that "filtered out" more particularistic concerns. In other words, over the course of these debates some workers came to realize that although the proposed reform challenged their immediate interests, it nonetheless addressed broader societal concerns, like the preservation of the pension system for future generations. Other groups, like the powerful metalworkers and school teachers did not change their preferences. Yet because they perceived the process to be open and democratic, they went along with the majority's decision to support the reform.

This suggests that democratic decision-making has a powerful institutional influence over the formation and/or manifestation of political preferences. The necessity to justify one's own claims through reference to either principled reason or generalizable interests, leads the participants in a deliberative assembly to "suppress" those political arguments which, being based only on self-interest, cannot be easily defended and made acceptable to others. This, in turn, gives arguments which take into consideration other people's interests a privileged chance to emerge from the debate (Baccaro, 1996). Of course, this argument about deliberative democracy cannot be demonstrated convincingly through the analysis of one case; it requires instead much more systematic and comparative research. But this is the topic of another paper.

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Table 1. Eligibility Rules, Contribution Schemes, and Determination of Pension Benefits (1990).

	INPS (a)	State (b)	Municipalities (c)
Social Security Contribution	19.26% (employers) 7.15% (workers)	non specified 6.75% (workers)	17.7% (employers) 6.55% (workers)
Old-Age Pension	60 (m) and 55 (f) yrs. With 15-year contribution	65 (m) and 60 (f) yrs. With 15-year contrib.	60 yrs. (m-f) With 25-year contrib.
Seniority-based Pension	35-year contrib.	20-year contrib. (15 yrs. married women)	25-year contrib. (20 yrs. married wom.)
Pensionable Remuneration	Average remuneration of last 5 years	Last monthly pay-check (increased by 18%)	Last monthly pay-check
Amount of Pension	80% of pensionable base (after 40 years) (d)	95% of last pay-check (after 40 years)	100% of last pay-check (after 40 years)
Indexation	Prices and wages	Prices and wages	Prices and wages

(a) The Istituto Nazionale per la Previdenza Sociale (INPS) manages different pension funds covering private sector industrial workers, agricultural workers, artisans, shop-keepers, and other special categories (e.g. transportation workers, telecommunication workers, electrical workers, clergy, etc.).
(b) State employees, including school teachers.
(c) Employees of municipal authorities and health care personnel.
(d) Corresponding to approximately 73% of last pay-check.
Source: Adapted from Censis, Rapporto sulla situazione sociale del paese. 1991. Milan: Franco Angeli, 1991: 434.

Tab. 2. Disability, old-age, and survivors pensions for different categories of workers (1992).

	Number (thousand)	Average Amount (thousand Lira)	(%)	% of GDP
1. Industrial workers (FPLD)	10,005	10,868	96	7.2
2. Self-employed	3,536	6,783	60	1.6
2.1. Agricultural workers	1,994	6,718	59	0.9
2.2. Artisans	787	7,177	63	0.4
2.3. Shop-keepers	755	6,551	58	0.3
3. Public servants	1,933	22,258	196	2.8
3.1. State employees	1,276	23,258	203	1.9
3.2. Municipal employees	657	20,685	192	0.9
4. Total	15,474	11,357	100	11.6

Source: Felice Roberto Pizzuti, "Note sul sistema pensionistico italiano." In Marcello De Cecco and Felice Roberto Pizzuti, eds. La politica previdenziale in Europa. Bologna: Il Mulino, 1994: Tab. 1, p. 51.

Table 3. Number and Amount of Old-Age Pensions Administered by INPS at the End of 1994.

	Number of Pensions	Average Amount per Year (in thousand lira)	
Industrial workers (FPLD)	5,130,007	14,796	106
Agricultural workers	719,682	9,114	65
Artisans	380,703	10,734	77
Shop-keepers	414,709	8,776	63
Transportation workers	63,043	31,565	225
Telecommunication workers	26,218	35,289	252
Excise workers	6,213	26,044	186
Electrical workers	44,803	34,250	244
Airline workers	1,840	43,727	312
Miners	6,327	21,143	151
Public utility (e.g. gas) workers	3,210	30,087	215
Tax collectors	5,574	35,816	256
Clergy	13,129	9,452	67
Total	6,815,458	14,003	100

Source: adapted from Giuliano Cazzola, Le nuove pensioni degli Italiani. Bologna: Il Mulino, 1995: Table 3, pp. 48-9.

Table 4. Outline of failed pension reforms (1984-91)

	De Michelis (1984)	Formica (1989)	Donat Cattin (1990)	Marini (1991)
Pensionable Age	65 (m and f)	65 (m and f)	65 (m and f)	65 (m and f)
Years of contribution (minimum)	20 yrs.	20 (m) and 15 (f) yrs.	15 yrs.	15 yrs.
Pensionable remuneration	Average remuneration of last 10 yrs.	Average remuneration of last 10 yrs.	Average remuneration of last 10 yrs.	Average remuneration of last 10 yrs.
Seniority-based pension	After 35 yrs.	After 35 yrs.	After 40 yrs.	After 35 yrs.
Amount of pension	80% of base (after 35 yrs.)	80% of base (after 35 yrs.)	80% of base (after 40 yrs.)	80 % of base (after 40 yrs.)
Indexation	wages	wages	wages	wages
Harmonization of private/public sector pension regimes	yes	yes	yes	yes
Supplementary pension schemes	yes	yes	yes	yes

Source: adapted from CENSIS, Rapporto sulla situazione generale del paese. 1991. Milan: Franco Angeli, 1991: 421

Table 5. Berlusconi and Dini's reforms of pensions. Expected budget savings (in billion lira).

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	Total
1. Berlusconi (a)	6,911	7,570	5,398	8,437	11,690	14,106	15,003	15,993	16,936	17,793	119,837
2. Dini (b)	8,629	6,816	8,224	9,223	10,319	11,472	12,210	12,932	13,451	15.020	108,296

(a) savings as (re-)calculated by the Budget Office of the Lower House. Data initially provided by the government overestimated savings.
(b) these figures (provided by the government) correspond to the estimates performed by Il Sole -24 Ore (Italy's major financial newspaper).
Source: Giuliano Cazzola, Le nuove pensioni degli Italiani. Bologna: Il Mulino, 1995: Tables 7 and 8, pp. 110-1 and 114.

Table 6. Breakdown of budget savings from the Dini reform of pensions (in billion lira).

	Savings (1996-2005)	% of total savings (1996-2005) (a)
1. Cuts on "seniority-based" pensions	59,159	40
2. Social contributions on "lavoro parasubordinato" (b)	30,827	21
3. New social security contributions (c)	26,843	18
4. Changes in "survivor pensions" (d)	16,424	11

(a) Expected total budget savings from the Dini reform are 147,784 billion lira. These savings are, however, partly offset by reduced tax inflows (- 34,835 billion lira), particularly due to the favorable tax regime granted to private pension funds (- 13,639 billion lira).
(b) The category of "lavoro parasubordinato" includes those workers (particularly young professionals) who while formally hired as part-time consultants, perform *de facto* the same tasks as other full-time employees. This category was previously not covered by any state pension financed through social security contributions. Consequently, the labor costs for employers of this category of workers were lower than the labor costs of other corresponding full-time employees. The Dini reform has extended compulsory social security contributions (equal to 10 percent of pay, of which 2/3 are to be paid by the employer and 1/3 by the worker) to "lavoro parasubordinato" as well.
(c) The Dini reform increased overall social security contributions by 0.7 percent : 0.35 percent paid by the employer and 0.35 percent paid by the worker.
(d) Reduction of entitlements for surviving spouses of insured members.
Source: Giuliano Cazzola, Le nuove pensioni degli Italiani. Bologna: Il Mulino, 1995: Table 7, pp. 110-1 (calculations the authors').

Tab. 7. Results of the referendum on pensions (all voters)

Regions	Voters	Valid Votes	Yes's (%)	No's (%)
Piemonte	408,365	400,900	52.64	47.36
Valle d'Aosta	6,800	6,682	59.55	40.45
Liguria	150,235	147,875	58.84	41.16
Lombardia	881,604	867,128	52.45	47.55
Veneto	334,367	328,210	62.47	37.53
Trentino - Alto Adige	44,939	43,638	58.46	41.54
Friuli Venezia Giulia	83,702	82,106	64.08	35.92
Emilia Romagna	603,442	594,487	71.47	28.53
Toscana	323,665	319,124	64.86	35.14
Marche	112,148	110,201	69.38	30.62
Umbria	68,164	67,103	66.89	33.11
Lazio	353,799	349,789	64.40	35.60
Abruzzo	65,202	63,998	62.57	37.43
Molise	16,392	16,102	74.28	25.72
Campania	236,997	233,632	69.54	30.46
Puglia	192,907	190,332	73.56	26.44
Basilicata	30,576	30,115	73.16	26.84
Calabria	121,689	119,168	82.56	17.44
Sicilia	304,556	298,903	79.53	20.47
Sardegna	89,547	87,842	68.94	31.06
Total	4,429,096	4,357,335	64.07	35.93

Source: Nuova Rassegna Sindacale, No. 26, July 10, 1995.

Tab. 8. Results of the referendum on pensions (active workers)

Regions	Voters	Valid Votes	Yes's (%)	No's (%)
Piemonte	400,933	393,371	50.68	49.32
Valle d'Aosta	6,339	6,226	58.26	41.74
Liguria	125,048	122,786	51.99	48.01
Lombardia	782,930	768,694	*47.38*	*52.62*
Veneto	276,709	270,715	56.77	43.23
Trentino - Alto Adige	41,452	40,170	56.34	43.66
Friuli Venezia Giulia	70,601	69,045	58.67	41.33
Emilia Romagna	429,138	420,951	61.96	38.04
Toscana	258,914	254,660	58.29	41.71
Marche	84,642	82,790	61.56	38.44
Umbria	50,916	49.896	60.18	39.82
Lazio	311,853	308,035	60.45	39.55
Abruzzo	59,046	57,308	59.62	40.38
Molise	12.594	12,381	68.89	31.11
Campania	183,196	180,379	61.42	38.58
Puglia	155,996	153,418	69.20	30.80
Basilicata	24,306	23,845	71.70	28.30
Calabria	89,631	87,615	78.70	21.30
Sicilia	194,019	190,588	75.57	24.43
Sardegna	67,004	65,299	62.17	37.83
Total	3,625,267	3,558,172	57.75	42.25

Source: Nuova Rassegna Sindacale, No. 26, July 10, 1995.

Tab. 9. Results of the referendum on pensions (by category of workers).

Category	Voters	Valid Votes	Yes's (%)	No's (%)
Pensioners	804,282	798,565	91.26	8.51
Agricultural workers	116,299	114,190	61.23	38.77
Chemical workers	267,620	262,753	53.44	46.53
Construction workers	160,344	157,310	72.40	29.86
Metalworkers	732,945	717,533	*44.68*	*55.32*
Textile workers	193,007	188,572	56.97	43.03
Printing workers	58,412	57,166	56.83	43.17
Distribution workers	156,659	154,005	64.53	35.47
Transportation workers	161,191	158,681	50.72	49.28
Communication workers	139,676	137,785	53.77	46.23
Electrical workers	105,828	104,231	61.10	38.90
State employees	741,686	730,515	57.46	42.54
Bank and insurance workers	190,573	186,933	64.90	35.10
School/Univers./Research workers	63,427	62,019	*47.30*	*52.70*

Source: Nuova Rassegna Sindacale, No. 26, July 10, 1995.