Is every country fit for social investment? Italy as an adverse case

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The scientific debate on social investment (SI) is moving from an ideological and normative approach towards a more realistic one. Scholars are paying closer attention to the actual developments in social policy and to the contextual conditions and impacts of SI policies. Considering this, two main issues arise. First, that SI policies are politically feasible and likely to have positive impacts only if specific contextual conditions are met. Second, SI policies were supposed to have a positive impact on both inequalities and economic growth: a strong theoretical assumption that needs to be carefully tested. The Italian case will be used here to illustrate this new perspective and the consequences of the lack of contextual pre-conditions. For this reason, the article is divided into three parts. The first part will present our theoretical argument in the context of the most recent analytical accounts of SI policy in Europe. In particular we will argue that, given the lack of crucial structural pre-conditions, SI policies may have ambiguous and even unexpected negative impacts on both economic growth and equal opportunities. In the second and third parts, we will present empirical evidence of this ambiguity considering childcare and apprenticeship reforms in Italy. More specifically, based on empirical research carried out in Italy, we want to answer two questions: (1) Why is the Italian welfare state so ‘unfriendly’ to SI policies? What are the main factors explaining the limited room for SI policies? (2) When an SI approach is promoted in specific policy areas in Italy, what is its social and economic impact? Do these interventions achieve the positive results to be expected according to the SI approach? Finally, the last part synthesises the main arguments and aims to open a critical discussion on the structural pre-conditions of SI policies and the need for further analysis of the political economy contexts in which SI policy develops.

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Introduction

The scientific debate on social investment (SI) has recently started to shift from an initial strong ideological appeal and normative frame towards a more

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realistic approach. Scholars have progressively moved from advocating a drastic re-orientation of welfare policy to paying closer attention to the actual developments in social policy and to the impacts of SI policies on the pre-existing welfare structure. Along this line of thought, Nolan (2013) suggests making a distinction between a political and an academic role of the notion of SI. Presented initially as a policy strategy useful as a way of contrasting the dominant neoliberal paradigm, the SI approach is increasingly considered to be a real policy development which should be evaluated in its implementation and in terms of its actual socio-economic and political effects.

Considering these changes, our article intends to contribute to the debate to which this shift gave rise by putting forward two strongly interrelated arguments. First, we argue that SI policies work *only* under specific contextual conditions, and differences in SI developments cannot be explained solely on the basis of different ideological attitudes concerning welfare policy (Morel et al., 2012a). We will also show that broader socio-economic features play a relevant role in such developments and that, if such contextual conditions are not favourable, SI policies are not likely to be developed. Second, as a consequence of this need for a context-sensitive approach, we challenge the assumption, strongly rooted in the academic and political debates, that SI policies have *necessarily* a positive impact on both inequalities and economic growth. We will show that, under specific contextual conditions, the social and institutional mechanisms activated by a SI strategy are likely to have unexpected, harmful consequences.

In order to develop these arguments, we consider the case of Italy as *an extreme adverse case* for SI policies. The analysis of adverse cases is largely considered in social sciences as a research strategy useful to illuminate the social and institutional conditions under which specific mechanisms effectively produce their expected impact, and what are instead the contextual circumstances paving the way for unexpected, and less positive, consequences (Portes, 2000). Even though an adverse case study cannot be considered as a counter-factual proof of inadequacy or ineffectiveness of a specific policy, nevertheless it makes explicit what are the pre-conditions allowing its development and making its positive impact likely to occur.

By analysing the Italian case as an adverse context, we will address two main questions: (1) What are the main factors preventing the spread of SI policies in Italy? Are traditional answers considering the well-known characteristics of Mediterranean welfare systems able to account for this failure, or do we need to introduce a different explanation? We will show that a broader political economy perspective (Iversen and Stephens, 2008) is necessary in order to give an adequate answer to this question; (2) even in a context of little scope for SI strategies, when a SI approach is promoted in specific policy areas, what are its social and economic impacts? Do these interventions achieve the positive results to be expected according to the SI approach (Morel et al., 2012b)? We will argue that, given the lack of crucial structural pre-conditions, SI policies have ambiguous impacts in Italy: they may be highly ineffective or they may even have unexpected negative impacts on both economic growth and equal opportunities.

The purpose of our analysis is to open a discussion on the structural pre-conditions paving the way for SI policy and to promote a more general political economy approach to the study of its actual impact through a critical appraisal of the allegedly universal positive impacts of SI policies. In specific contexts, in fact, SI can be not only unlikely but also detrimental to welfare policy developments, especially in times of austerity.

Hereinafter, the article is structured in three parts and a conclusion. The next part will present our theoretical argument in the context of the most recent analytical accounts of SI policy in Europe. The following two parts are devoted to the Italian case: the former provides a new explanation of the lack of SI policies in this country, while the latter reports the impact of two relevant SI policies recently introduced (or profoundly reformed) in Italy. Finally, in the conclusion, we summarise our empirical results and critically discuss the need for further analysis of the political economy contexts in which SI policy develops.

Looking differently at SI policies

The SI approach has been claimed to be a strategy aiming at recalibrating contemporary welfare capitalism as an alternative to the neoliberal solution. Its ambitious goal is to reconcile social policy and economic growth, adapting contemporary welfare systems to the needs and requirements of the so-called knowledge-based economy (Jenson, 2009; Morel et al., 2012a). In this sense, an SI strategy should enable a paradigmatic change in welfare systems in their attempt to overcome the limits and contradictions of the Keynesian welfare state model. At the core of this paradigm is a new vision of the functional relationship between welfare and the economic system, based on the activation of new mechanisms virtuously linking the social and economic spheres.

More specifically, the following three functions of the SI strategy which might have positive and synergic effects (Bonoli, 2014; Hemerijck, 2013, 2015: 248) have been identified:

1. *Human capital development ('stocks' in Hemerijck's terms)*. Promoting investments in human capital will increase labour productivity, technological innovation and competitiveness by meeting the increasing demand for a high-skilled and flexible labour force that is crucial in contemporary knowledge-based economies.
2. *Activation ('flows')*. Policies easing the access to the labour market and supporting high-quality, stable employment for groups that are traditionally excluded (such as lone parents) through active labour market actions and regulation promoting flexible security.
3. *Social inclusion ('buffers')*: Promotion of a minimum-income universal safety net as social protection against the rise of social risks and economic stabilisation 'buffers' in ageing societies, contributing also to increase female employment and higher parity among children at the same time.

All these mechanisms have been considered as intrinsically positive, and therefore their feasibility and synergic progressivism has not been questioned.

Only recently, scholars have started to investigate the actual developments of SI policies in European countries. However, so far, research has mainly focused on the difficult implementation of such strategy (especially in countries affected by big fiscal constraints) and on the main social and economic impacts. As Nolan (2013) has pointed out, while the SI strategy is supposed to produce long-term positive impacts, this research is only able to register short-term effects and a few forecasts about the expected future impacts. Regardless of such limitation, research has found a relevant gap between the explicit goals of the SI strategy and its implementation. Looking at recent trends in spending for unemployment protection, Bonoli (2014) noticed a dominant approach narrowly focused on activation and distribution of work incentives, downplaying investments in human capital development and/or in income protection. On a larger scale, a recent European Social Policy Network (ESPN) report (Bouget et al., 2015) concluded that 'due to its novelty and slow dissemination and diffusion, the development of a SI approach in this period (2013–15) has been very limited', mainly due to 'the impact of the economic crisis and a policy environment dominated by fiscal consolidation policies whose primary aim is to reduce public budget deficits' (p. 12). The same report identified distinct clusters of countries with different approaches to SI, suggesting that the uneven implementation of SI policies over Europe has contributed to increase, not to reduce, the disparity among the member states.

Further research has analysed the impact of SI policies confronting normative expectations with actual or potential accomplishments. Three different critical aspects have been pointed out: (1) SI policies can produce negative distributional outcomes (Pintelon et al., 2013; Van Vliet and Wang, 2015) as they are highly exposed to *Matthew effects*, that is, *to cumulative advantage effects* (Abrassart and Bonoli, 2014; Cantillon, 2010; Van Lancker and Ghysels, 2012) and are likely to exclude disadvantaged subjects (such as disabled people or immigrants) from public support as they often have no access to the labour market (Cantillon, 2011; Cantillon and Van Lancker, 2013); (2) the 'productivism' inherent to SI policy (subordinating social goals to economic returns) can paradoxically contribute to increase gender inequality, despite its strong support for female employment, as it does not recognise social goals (such as higher gender parity within the households) that are not pertinent to economic rationality (Jenson, 2009; Saraceno, 2015); and (3) in a time of dominant austerity policy and strong fiscal constraints, SI policies can delegitimise the normative basis of social protection spending, which is considered as a mere cost unable to produce economic dividends; furthermore, it can easily crowd out traditional compensatory welfare policies by diverting public funds otherwise potentially used for social protection functions (Bouget et al., 2015; Cantillon, 2011).

While these analyses show the actual limitations and possible contradictions in the implementation of SI policies, they do not question the positive synergies potentially activated by SI strategies nor do they directly challenge the normative and analytical assumptions of the SI paradigm. Since SI is accepted as a positive development, critics limit themselves to assess whether and to what extent this policy has actually met the expected results. 'Perverse effects' are considered as due to bad or narrow implementation or due to instrumental use of SI policies aiming to reduce the overall level of welfare expenditures. Indeed, most of these analyses have been explicitly proposed as contributions to make SI a more effective policy approach and to propose it as a complementary rather than an alternative strategy to compensatory welfare policy (Morel et al., 2012b). The strategy in itself is still unchallenged and considered as an almost universal, positive advance.

This assumption, however, opens up two analytic questions that are still to be answered. The first question pertains to the existence of specific contextual pre-conditions for SI developments. While previous research has shown limitations in the feasibility of the SI strategy (Bonoli, 2014), it's still unclear what are the main reasons explaining this potential failure and the consequent unease and limited spread of SI policies across Europe. Scholars have mainly identified factors related to the previous structure of welfare spending (Nikolai, 2012), the existence of fiscal and financial constraints due to the austerity policy driven by the European Union (EU) stability pact (Bouget et al., 2015), or to a very partial implementation of such policy reinforced by a narrow vision of the SI strategy (Bonoli, 2014). Whatever the main explanatory factor is, most of these studies share the optimistic idea that the SI approach is a potentially universal strategy, which is often poorly or badly implemented because of external constraints or limited understanding of its potential. There is little discussion, however, about the fact that, according to their epigones, SI should develop and would produce positive outcomes anywhere in Europe, from Greece to Sweden. In addition, there is no analysis trying to explore the existence of specific institutional and socio-economic pre-conditions making SI a feasible and positive strategy in specific contexts. Assuming SI as a universal, almost worldwide strategy, attention towards the institutional and structural pre-conditions for SI strategy have been neglected and poorly debated.

A second (related) question refers to the theoretical assumption that an SI strategy necessarily produces positive outcomes. If some research has stressed the presence of negative distributive effects (such as the *Matthew effect*), these failures have been mainly considered as the result of a narrow conception of SI. The positive effect of SI strategies has not been challenged or questioned, as if positive outcomes could be generated almost automatically and not in relation to specific pre-conditions and mechanisms. But, again, pre-conditions are not the same ones anywhere nor do the same mechanisms work in the same way under different conditions.

A closer inspection of how the SI strategy works in different contexts is needed. Indeed, what is usually overlooked is the fact that the functional link between human capital development, labour productivity and demand for high-skilled professional services (Andersson, 2007; Nelson and Stephens, 2012; Wren, 2013) may vary from country to country. Lundvall and Lorenz (2012), for example, found out that 'people work and learn quite differently in different parts of Europe. In Southern Europe, jobs are simple or Taylorist, while jobs in the Nordic countries are characterised by more access to learning and to discretion in pursuing tasks' (Morel et al., 2012a: 25). This result is consistent with further research findings, showing that different country-based institutional and socio-economic settings regulate the functional mechanisms by which high skills are created and inserted into the labour market, productivity and employment are increased and low skills are protected (Iversen and Stephens, 2008). Adopting a broader political economy approach, Wren (2013) identified three typical configurations:

1. *Liberal regimes*. The high flexibility in the labour market contributes to an increase in the wage gap between high-skilled and low-skilled jobs, and this turns into an incentive for high private investments in high-quality education; on the other hand, high demand for low-cost services increases the supply of low-skilled, manual service jobs, contributing to increased female employment but also to keeping these wages at a very low level.
2. *Social-democratic regimes.* A low wage gap due to high market coordination requires huge public investments in high-quality education in order to meet the demand for high-skilled workers; high level of female employment is guaranteed through a range of public intervention, going from public employment to work–care reconciliation services and activation measures.
3. *Christian-democratic regimes.* In these countries, a high level of market coordination and relatively low public investment in high-quality education (the traditional apprenticeship and vocational training system seems less able to produce a great supply of high-skilled workers to meet the demand of the most competitive production sectors) have dampened both the supply of high-skilled workers and the level of female employment; at the same time, the relatively high protection of low-skilled workers does not stimulate private investments in low-cost services contributing to a strong dualisation between insiders (workers who are protected) and outsiders (the unemployed, temporary workers etc.).

Further empirical research is needed in order to build on this typology, which closely reflects the traditional *Varieties of Capitalism* approach (Hall and Soskice, 2001) and partly overlaps with Esping-Andersen (1990) welfare regimes. A striking problem is the lack of a specific account for the configuration that is typical of Mediterranean countries, which have been long subsumed under the Christian-democratic (or continental) regime as in Esping-Andersen's approach. The same applies to the need to consider post-socialist countries which gave rise to hybrid models (Cerami, 2006).

What we propose here is to acknowledge the existence of different configurations of the functional link between human capital development, growth of the most knowledge-based economic sectors and regulatory systems contributing to employment growth and work protection. Despite a progressive global economic integration, there are still specific institutional and structural contextual conditions making this functional link peculiarly different across countries. These contextual conditions do not only set the frame for SI development but also alter what are supposed to be the socio-economic and institutional 'virtuous' mechanisms on which the SI strategy is based. Not only are 'buffers' promoting different types of social inclusion from country to country, but also 'stocks' and 'flows' are differently shaped across Europe. If it is expected that SI is (or should be) a 'universal' or at least European-wide strategy, this differentiation should not only be acknowledged, but should also be part of the analytical architecture of the SI approach, in particular, when it comes to develop context-sensitive SI strategies.

In the following section, we try to advance in this direction through the analysis of the European country that is one of the worst performers of the SI strategy: Italy. We will try to show, (1) what contextual pre-conditions can explain this failure and (2) what is expected to be the main impact of SI strategy in such an adverse context.

Why we do not expect SI policies in Italy to have a positive impact

The actual absence of SI policies in Italy has been demonstrated on the basis of the structure of national social expenditures: public spending on family policy, education and active labour market policy is lower, and that on old age and survivors' pensions is higher than the Organisation for Economic Co-operation and Development (OECD) average (Nikolai, 2012). On the one hand, the Italian welfare system is even more 'compensatory' than other familistic or corporative welfare systems, as shown by the levels and trends of old age and survivors' pension expenditures in the past 10 years (moving from 15% of gross domestic product (GDP) in 2000 to 18% in 2012, against 12% as the average level in the EU-27). On the other hand, social expenditure on family and childcare policies have been permanently lower in Italy than in all other welfare regimes over the past two decades (Saraceno and Keck, 2010). Since 2000, Italy has had the lowest share of family/children, active labour policies and tertiary education expenditure as a percentage of GDP (with the sole exception of Poland).

The actual structure of social expenditure supports the argument that the very poor development of SI policies in Italy is due to both relatively unbalanced and low per capita social expenditure and its high institutional inertia, reinforced by the huge public debt within the constraints of the harsh fiscal constraints imposed by the European Stability Pact (Jessoula et al., 2015). Over the past two decades, this prevented any significant increase in the coverage of new social risks (Ranci and Migliavacca, 2015).

As already maintained, the feasibility of SI strategies depends on the specific configuration of the interdependency existing among the education system, the labour market and social inclusion policies (Solga, 2014). Data on welfare expenditures account for the capacity of welfare policies to promote SI in specific policy areas, but these data must be complemented with analysis of the three 'virtuous mechanisms' that are supposed to work together to make an SI strategy feasible and likely to produce a positive impact (Hemerijck, 2013, 2015). We will therefore test the salience of three contextual pre-conditions by attempting to answer the following questions: (a) Are investments in the human capital 'stock' able to increase employment and labour productivity, on the one hand, and to decrease inequalities, on the other hand? (b) Is high de-familisation of care and support to female employment able to ease the 'flow' of women towards the labour market? and (c) Are increases in employment and the introduction of 'social buffers' able to protect people against poverty and to create good-quality jobs? An SI strategy is supposed to foster these positive dynamics in order to increase the overall performance and productivity of the economic system. However, all these contextual pre-conditions seem to be lacking in Italy.

Does human capital development increase employment?

Even though, in recent years, Italy has witnessed a strong increase in tertiary education participation, it is one of the European countries with the lowest tertiary attainment rate for 30- to 34-year-olds (20%), quite distant from the Europe 2020 Strategy target (fixed at 40%). The OECD data confirm this fact, showing that Italy ranks 34th among 37 OECD countries in the percentage of the population aged 25–34 attaining tertiary education.

Italy's very low level of attainment in tertiary education is explained by the structure of the Italian labour market. In 2012, micro (1–9 employees) firms accounted for almost 47 percent of all employment, while small (10–49 employees) firms represented 20 percent. Self-employment, mainly based on one-person companies, is among the highest in Europe and accounts for 23 percent of total employment versus 15 percent as the EU-27 average (Eurostat, 2014a). This molecular structure of the Italian production system has long depressed the demand for high-skilled human capital owing to the lack of capital investments and positive managerial attitudes towards research and technological innovation (Ramella, 2014).

The low connection between tertiary education and the labour market raises doubts that increasing human capital investments in Italy would produce higher employment at least in the short- and medium-term. Indeed, this is confirmed by the fact that the labour market for graduates has become more difficult over the past decade. Contrary to what has happened in most EU countries, in the past decade, the levels of employment for people with higher education in Italy (the International Standard Classification of Education (ISCED) 5–6) have moved closer to those for people with no more than upper-secondary education (ISCED 3–4). The employment rates of individuals with higher education decreased between 2000 and 2012 from 82 to 79 percent, while that of people with upper-secondary education was stable. Moreover, in the same period, unemployment rates of tertiary-educated individuals rose from 5.9 to 6.4 percent, while the unemployment of those with upper-secondary education only slightly increased from 7.4 to 7.7 percent (OECD, 2014).

Finally, there is evidence that the economic returns to tertiary education in Italy are very low compared with those in other EU countries. Checchi et al. (2013) found that in Italy, tertiary-educated individuals aged 25–34 earn only 9 percent more than upper-secondary educated ones, while the OECD difference is on average 37 percent. Moreover, Ballarino and Scherer (2013) found a clear decline in the returns of education, especially for students with upper-secondary and tertiary education attainment, in the period from 1985 to 2010. In addition, the level of over-education of tertiary-educated workers aged 25–34 is very high in Italy: 19 percent according to Maestripieri and Ranci (2016). This shows how hard it is for young people with high qualifications to find an adequate job.

An SI strategy should therefore require a large-scale change in both public spending (widening access to tertiary education and improving the quality of educational programmes) and the occupational structure (supporting the growth of high productivity sectors). Without state promotion (Mazzucato, 2013) of the most knowledge-intensive economic sectors and an increase in firms' size, further public investments in high-skilled human capital will not be particularly functional in the current economic structure of the country.

Does de-familisation of care have an impact on female employment?

A second contextual pre-condition for SI to be effective is the country's capacity to increase female employment through the de-familisation of care responsibilities (Esping-Andersen, 2002). The gender gap in the employment rates of persons aged 25–49 is in Italy almost double that in the other major European countries (Eurostat, 2015a): 0.28 in 2013 compared to 0.11 in Germany or 0.05 in Sweden. Even in Spain, it is much lower: 0.15. Improvements in the time span 2000–2013 have been proportionally less than the equivalent trend in other European countries: the gap has been reduced by 32 percent in Italy, while by 64 percent in Spain, 44 percent in Germany, 46 percent in France. Only in the United Kingdom, where the gap is less than the Italian one, has its reduction been lower: 24 percent (Eurostat, 2015a).

A large part of this gap is due to reconciliation difficulties (Esping-Andersen, 2009): Italy is one of the countries where the impact of parenthood within the 25–49 cohort on female employment is the greatest in Europe. And what is worse, this impact has not been significantly reduced in the 2000s (Naldini and Saraceno, 2008). Indeed, according to Eurostat (2015b) figures, in the period 2005–2012, the reduction of such impact in Germany was 28 percent and in Spain 31 percent, while in Italy it was only 15 percent and in the United Kingdom, it was 10 percent. In France, there was no reduction but the parenthood impact is 40 percent less than in Italy.

Many factors explain this difficulty: the low level of public expenditures on family and childcare services along with the strong cash-based orientation of social policies (Saraceno and Keck, 2010), the wide segregation of women in the secondary labour market characterised by low wages and high precariousness (Bettio et al., 2013) and the persistence of huge disparities in the gendered division of labour within households (Anxo et al., 2011). Furthermore, tertiary education is unable to reduce this gap: not only is the employment rate of women with tertiary education lower than in any major European country (73.8% in Italy vs 82.7% as EU-25 average), but it has also been decreasing in the past decade (−4.8%) more than the EU-25 average (−1.5%) (Eurostat, 2015b).

In Italy, therefore, an SI strategy aimed at improving female employment would encounter major obstacles. The persistence of gender inequality in both the labour market and the household would undermine a potentially positive impact. In order to be effective, SI policies would require large-scale changes not only in reconciliation measures but also in the care–work balance, as well as in the role of women in the labour market and in the family more generally.

Is social policy able to create good-quality employment and reduce poverty?

The last contextual pre-condition is related to the capacity to create good-quality (in terms of salary and stability) jobs and protect people from income poverty (Berton et al., 2009). In Italy, the share of in-work poverty has grown in the past decade (from 9.6% in 2006 to 10.6% in 2013) and has been constantly higher than the EU-27 average (8.2% in 2006 and 9.0% in 2013 as EU-27 average). This is partly related to the unequal protection on the labour market by different groups (Sacchi and Vesan, 2015). For instance, young people are greatly affected by temporary employment and the weak protection which goes with it. Despite being slightly lower than the EU15 level (21.5% against 21.7% in 2013), the youth temporary employment rate has increased the most since 1995 (by +221%) compared with the EU15 increase (by +35%). This situation has further discouraged young people not only from entering the labour market but also from enrolling for education and training. Italy has – after Bulgaria (24.7%) and Greece (27.4%) – the highest numbers not in education, employment or training (NEET) rates (2012: 23.9%) in Europe (+4.6% since 2008) (Eurostat, 2014b).

Finally, from 2005 to 2013, Italy had been able to create new jobs only among traditionally low-qualified service, trade and craft workers (+14%), while high-skilled (managers and professionals) and semi-skilled (technicians and clerical support) workers had sharply diminished their relative weight (−45% and −55%) (Eurostat, 2014c). The latter had positive trends in France (+14%), Germany (+28%) and especially in the United Kingdom (+89%). In opposition to what happened in other big European countries, in Italy job creation has privileged a 'low road' towards further dequalification of labour supply.

A country unfriendly to SI

Italy is not a friendly country when it comes to SI policies. The contextual – both structural and institutional – pre-conditions which might facilitate SI strategies are not in place. Not only are active welfare policies less developed than in other EU countries, but current trends in social expenditures do not show any re-orientation in their structural composition. More significantly, the configurations of the educational system and the labour market do not allow a positive impact of SI policies.

In synthesis: first, the lower supply of high-skilled labour meets an even lower demand for high-skilled workers; therefore, a large increase in the supply of tertiary-educated workers is likely to encounter increasing difficulties in the labour market. Second, persistent gender disparities in both the labour market and household organisation have slowed down the growth of female employment in the last decades, making care/work reconciliation very difficult to achieve in Italy. Finally, Italy is unable to create good-quality and high-skilled employment, and this exacerbates the dualisation of the labour market, often pushing non-standard workers towards in-work poverty and poorly protected jobs.

If this is the contextual scenario, one wonders whether and to what extent SI strategies developed at the local or national level, through interstitial innovation, may have an influence on these structural conditions, and what this influence is likely to be. In the next part of the article, we review some relevant SI policies. We highlight their evolution and general impact in order to provide some evidence on their outcomes.

What SI policies actually are in Italy and what their impact is

What is the actual impact of SI strategies in a country, such as Italy, where not only social policy but also the education system and the labour market are not able to feed the functional synergies that the SI envisages to turn social expenditure into a productive factor with a positive dynamic?

In order to answer this question empirically, we focus on innovations in two specific policy areas which can be regarded as SI-oriented:

Childcare policies;

The apprenticeship system.

Childcare policies

In Italy, childcare services addressing children aged 0–2 have been generally considered as high-quality educational services aimed at providing children with a professional, pedagogically tested facility.

There is evidence that childcare services have a good impact on employment and human resource developments even in Italy. Del Boca et al. (2012) found that attending a daily care service when aged 1–2 had positive impacts on the later educational attainments at high school and university, significantly increasing final scores. Childcare has positive effects also on female employment: a 10 percent increase in the coverage rate of childcare services at the national scale is estimated to produce a 13 percent increase in the overall employment rate of mothers (Brilli et al., 2011).

Although these results meet the expectations of the SI approach, current developments of childcare policies in Italy substantially alter this positive result.

Compared to other EU countries, Italy developed early childcare services very late. Starting from a very low coverage (5.8% in 1992), the supply of public childcare services raised to a 11.9 percent coverage rate at the national level in 2012 (Italian National Statistic Office (ISTAT), 2015). In spite of recent national austerity measures and the delayed development of a national plan aimed at improving coverage rates, early childcare services have further increased. This growth in public supply, however, does not necessarily mean that its impact has been as positive as expected.

This is due to two interrelated reasons. First, a large part of this growth has been possible because the supply of services has been privatised. Vis-à-vis a slight increase of publicly funded childcare services, privately managed, publicly financed ones have increased much more, to reach, in 2012, 23 percent of the overall publicly funded supply (Ranci and Sabatinelli, 2015).

The trend towards privatisation has been stronger in big cities (see Table 1) and has obtained a significant reduction in the unitary costs of services. While in public services a national contract provides educators with a good salary and security of employment, in private agencies atypical contracts and outsourcing are dominant in order to increase flexibility and to cut labour costs. In short, growth in supply has been mainly obtained by worsening the working conditions of employees in childcare services, who have increasingly become part of a 'secondary labour market' (Doeringer and Piore, 1971), characterised by low wages and non-standard employment. This brought about a harsh trade-off between quantity and quality: the increase in demand occurring in the past two decades has been met only through deterioration in the quality of services.

Second, the impact of childcare policies on female employment is lower than expected. Gambardella et al. (2015) and Pavolini and Arlotti (2015) found that the eligibility criteria applied to access daily childcare services in 101 Italian big cities greatly benefit mothers in permanent employment. Their children have priority in accessing services in almost 100% of municipalities, while children of unemployed (accepted in 78% of municipalities), temporarily employed (accepted only in 36%) or inactive (accepted in 30%) mothers are significantly disadvantaged. Moreover, lower levels of income do not prioritise access. The overall outcome is that low work-intensity households do not have priority access to childcare services and end up severely penalised. This selection process produces a *Matthew effect* already witnessed in other countries (Abrassart and Bonoli, 2014; Van Lancker and Ghysels, 2012) and questions the ability of these policies to activate the large number of Italian mothers who do not participate in the labour market. In synthesis, even though childcare services have increased throughout the country, even in times of austerity, their contribution to an SI strategy is less positive than expected.

Apprenticeship

Apprenticeship systems are potentially a highly coherent part of an SI strategy because they have an important training/educational component and develop skills potentially relevant for a knowledge-based competitive economy.

In the mid-1990s, the Italian apprenticeship system was a declining option as a consequence

Table 1. Female employment and childcare services in six Italian cities (%).

	Milan	Bologna	Pesaro	Rome	Naples	Bari	Italy
Female employment rates (15–64) (2012)	60.8	63.7	58.4	53.1	24.2	34.2	50.5[a]
Childcare services							
Coverage rates in 2003	20%	29%	14%	12%	3%	7%	9%[b]
Coverage rates in 2012	31%	37%	23%	27%	6%	9%	12%[b]
Δ 2003–2012	+11%	+12%	+9%	+15	+3%	+2%	+3%[b]
Of which publicly funded managed by private providers							
% in 2002	14%	6%	33%	30%	(0)	50%	n.a.
% in 2012	39%	24%	41%	42%	(0)	51%	n.a.
Δ 2003–2012	+25%	+18%	+8%	+12%	(0)	+1%	n.a.

Source: Cerea et al. (2015).
[a]Eurostat (2015c).
[b]ISTAT (2015).

of de-industrialisation. However, the need to adapt regulations to the changed context, high youth unemployment rates and the difficulties of school-to-work transition revamped interest in this policy, kicking-off an intensive reform activity. This culminated in consideration of apprenticeship schemes as the 'main entry into the labour market for young people' (Legge Nazionale (LN), 1992/2012, art. 1.b.) and their inclusion as a key component in the Italian *Youth Guarantee* strategy.

The path towards an SI-based apprenticeship system started in Italy in 1997 and has followed different steps. Age limits have been increased to 29, and also access after high school graduation has been granted. Apprenticeship has become the mixed training contract *per definition* alternating on-the-job training with off-company training. Beyond traditional apprenticeship contracts, an *advanced training and research apprenticeship contract* has been introduced addressing the needs of highly qualified people. As a consequence of such reforms, the number of apprentices started to rise again, increasing from 250,000 in 1997 to 650,000 in 2008, when the crisis also hit the apprenticeship system (ISFOL-INPS, 2013).

In spite of this interesting development, implementation of the new system has disclosed a basic contradiction: the lack of coordination between institutions, on the one hand, and between training/education and the labour market, on the other hand. Reforms only marginally considered the Italian socio-economic structure or the deficiencies of the education system. Regions were expected to regulate, plan and monitor the implementation of reforms and to support enterprises providing off-company training and education. A major role was also given to the social partners, which – through collective bargaining – had to define both professional profiles and training content. The result of these complex interactions was 200 different contracts within 20 different regional regulatory frameworks and about 800 professional profiles (Di Monaco and Pilutti, 2012). In synthesis, reforms reinforced the existing fragmented landscape of actors organised at different territorial levels with diverging agendas and often lacking the institutional capacity to adequately coordinate and implement multilevel governance arrangements (Bonoli and Emmenegger, 2010), in particular in southern regions.

As a consequence of this complexity, take-up rates and the quality of apprenticeship have remained at a very low level. In 2011, more than 80 percent of all apprentices did not participate in off-company training activities (Villani, 2015: 18). This scant consideration of training activities intersects with relatively unstable contracts: despite a foreseen duration of more than 2 years, 50 percent of apprentices stay less than 12 months in the same company (see Table 2). Moreover, more than 85 percent of the contracts are interrupted before their foreseen end, and nearly 50 percent are interrupted within 3 months (Villani, 2015). Although the figures have slightly improved

Table 2. Formal duration of apprenticeship contracts and duration of contracts within the same company (%).

Months	Formal duration of apprenticeship contract[a]			Actual duration of apprenticeship in same company[b]		
	M	F	T	M	F	T
<12	12.6	12.2	12.4	50.0	50.3	50.2
13–24	7.7	8.4	8.0	18.7	17.9	18.3
>25	75.0	77.7	76.2	31.3	31.7	31.5
Don't know	4.7	1.8	3.4	n.a.	n.a.	n.a.
Total	100.0	100.0	100.0	100.0	100.0	100.0

Sources: Villani (2015).
M: male; F: female; T: total.
Data of '1' and '2' cannot be compared directly, but should be used as proxies for the difficulties of planning a training programme in a context of highly unstable contractual arrangements.
[a]2011: Own calculations on Rilevazione Continua Forze Lavoro (RCFL)-ISTAT microdata (; representative sample).
[b]2009: INPS Emens Archive (administrative data), ISFOL-INPS (2013).

in the past few years, the high interruption rates support the argument that apprenticeship contracts are systematically misused. Their training mission is subordinated to short-term labour costs saving strategies undermining the potential investment.

In order to prevent misuse as a form of cheap labour, the most recent reforms (LN, 1992/2012) have set limits on the access of employers to the system (apprenticeship is allowed only for firms that have hired 50% of previous apprentices). However, the same reforms have relaxed the duration of apprenticeship contracts (6–36 months) and training requirements (a training plan for apprentices is no longer mandatory; off-company training is reduced to 120 hours within 3 years etc.) undermining its use as a measure for transition from education to work. In spite of such incentives and a 100 percent tax relief given for every apprentice hired, the system has not off-set the substitution effect with other flexible labour contracts: apprenticeship contracts accounted for less than 3 percent of new contracts compared to 68 percent of fixed-term contracts in 2011 (ISFOL-INPS, 2012: 62).

These facts make the impact of apprenticeship reforms rather feeble and do not provide the most favourable ground for the development of SI strategies in the school-to-work transition. Not able to address the structural problems, reforms have become just a tool for short-term hiring strategies. This implies, however, that in absence of a systemic strategy able to address structural problems, apprenticeship reforms have become – as Bonoli (2012) puts it – dysfunctional for SI strategies.

Conclusion: what are the contextual pre-conditions for SI policies to work?

In this article, we have considered the Italian case as an example of a socio-economic and institutional system strongly adverse to the SI approach. We have shown that the lack of SI policies in Italy cannot be simply considered as the *sole* consequence of a 'passive' welfare state and its focus on compensatory benefits. It is *also* the result of a specific configuration of the relationship between the education system, the labour market, and the welfare state both in their structural and institutional characteristics.

SI has been generally considered as a supply-side political strategy aimed at meeting the demand for a high-skilled labour force arising from the most competitive, efficient and internationalised economic sectors in a country. Our analysis of the Italian case, however, has identified three main contextual pre-conditions that must be in place in order to make this strategy feasible and effective:

(a) A strong functional interdependence between the education system and labour demand and a shared orientation towards high-skilled employment. Structural disconnection between these two systems exposes human capital investments to the risk of over-education and poor economic returns.

(b) A relatively high level of gender parity within households and in the labour market. This might enable early education policies to effectively promote female employment and contribute to the production of future human capital. If these goals are not prioritised in childcare policy and/or are not actually achieved because of socio-cultural resistance or structural constraints in the labour market, then SI in care/work reconciliation becomes poorly effective and can easily originate *Matthew effects*.

(c) A capacity of the labour market and of the social protection system to include people (especially the young) into the labour market. Offering social bridges to avoid social exclusion, chances for (re)qualification and good-quality employment in the middle- to long-run are crucial. If most of the new entrants in the labour market are at high risk of being trapped in low-paid, low-qualified and unprotected flexible jobs, activation measures have no room to support permanent employment growth.

The lack of these three contextual pre-conditions – both structural and institutional – explains not only why, in Italy as well as in other countries with similar situations, the functional pressure for SI policies may be very weak, but also why, once adopted, this strategy does not yield the expected beneficial effects: human capital investments do not necessarily increase employment and productivity; growth in childcare provision does not actually foster further female employment; and activation measures are not able per se to produce good-quality occupation and reduce youth unemployment. In the same line of thought goes also the opinion of the European Economic and Social Committee on 'The impact of social investment on employment and public budgets' affirming that

> successful implementation of a broad-based social investment package requires a credible macroeconomic and institutional basis. Without a change in the policy of one-sided expenditure reductions it will above all not be possible to achieve successful labour market integration and fair social and economic participation for the broadest possible sections of society. (Grief, 2014, § 5.1.2.)

Our analysis of two SI-oriented policies shows that these adverse results depend not only, nor necessarily, on the poor quantity and quality of such policies, but also, and basically, on a specific configuration of the relationship between skill formation processes, productivity and employment trends, and social protection dynamics that do not fit the premises of the SI paradigm. As these configurations are clearly variable across Europe, the SI strategy should be context-sensitive and tailored to the different structural and institutional configurations in order to be suitable and effective.

Italy has been presented here as a radically adverse case for SI policies because it lacks these contextual pre-conditions. If other countries show similar negative impacts, the question would be to what extent they can be explained by analogous, or different, socio-economic and institutional configurations. Like in the *varieties of capitalism* (from Hall and Soskice, 2001, onwards) and *welfare regime* analyses (from Esping-Andersen, 1990, onwards) we propose to start thinking about these different but systematic ways of structuring the functional link between education, labour policies and work–family measures. We believe that including the contextual pre-conditions within the analytical toolbox of SI analysis will be a fruitful research avenue which will help to overcome the one-size-fits-all SI strategies and their potential political misuse.

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