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LIKE IN A SKINNER BOX: EXTERNAL CONSTRAINTS AND THE REFORM OF RETIREMENT ELIGIBILITY RULES IN ITALY

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Keywords

pensionable age, reform, Italy, *vincolo esterno* (external constraint), institutional change

ABSTRACT

LIKE IN A SKINNER BOX: EXTERNAL CONSTRAINTS AND THE REFORM OF RETIREMENT ELIGIBILITY RULES IN ITALY

Italy is among the European countries which have proceeded the farthest in reforming old age protection arrangements in the last two decades. Not only the pension architecture has been remodelled since the early 1990s by launching a transition to a multipillar structure (1993), also the introduction of a NDC system in the first paygo pillar was legislated in 1995 to replace the traditional earnings-related schemes. Despite these incisive changes, reforms of eligibility (age and seniority) conditions for retirement have lagged behind.
Various contributions have showed how, on the one hand, reforms in the 1990s were made possible by exogenous pressures—and specifically the external constraint (*vincolo esterno*) posed by EU fiscal rules; on the other, external pressures were filtered by the domestic policy-making thus leading to a strong protection of so-called acquired rights in order to appease the unions. Due to the weaker "Euro-grip" since the early 2000s, changes in eligibility conditions for retirement have become contradictory, ambivalent when not expansionary (e.g. in 2007).
Things have suddenly changed, however, when the economic crisis and the "debt agony" have broken into the stage. Between 2009 and 2011 several measures included in the austerity packages adopted by the cabinets led by Berlusconi and, then, Monti have repeatedly aimed at tightening eligibility conditions to be entitled to both old age and seniority pensions. The consequence of these interventions are a steep increase of pensionable age, the full harmonization of requirements across genders and economic sectors to be implemented in the next five years, as well as the automatic link of eligibility requirements to changes in life expectancy.
By revisiting the *vincolo esterno* thesis, the paper argues that, first, European constraints actually represent irresistible forces only when they are coupled with pressures exerted by financial markets. Second, differently from the past wave of reforms (1992-97), recent pressures have led policy-makers to adopt measures which will be implemented in the short-run. This represents a novelty which proves the enhanced disruptive potential of exogenous pressures on national social security arrangements after the 2008-09 economic crisis, also capable to affect previously (quasi)immovable objects such as retirement age by overcoming resistance by the "insiders".

LIKE IN A SKINNER BOX: EXTERNAL CONSTRAINTS AND THE REFORM OF RETIREMENT ELIGIBILITY RULES IN ITALY

INTRODUCTION

Welfare state arrangements have long been considered resistant to (especially cost containment) change, as conveyed by the metaphors of "frozen landscapes" and "immovable objects" respectively proposed by Esping-Andersen (1990) and Paul Pierson (1994, 2001). Both theoretical claims and empirical analyses have emphasized the resiliency of *pension systems* to retrenchment interventions (Pierson 2000), especially in Bismarckian countries where pension entitlements are perceived as "earned" rights due to the contributory nature of old age protection schemes (Myles and Pierson 2001). Interventions aimed to reduce pension entitlements—by either changing benefits formulas and indexation rules or lengthening the minimum contributory period and, last but not least, *raising pensionable age* (i.e. "normal", legal retirement age)—are risky operations for political actors and therefore extremely difficult to implement.

Further literature has shown, however, that (i) significant retrenchment reforms have been adopted also in Bismarckian welfare states, (ii) various factors/conditions as well as diverse reform strategies pursued by policy-makers have favoured/made possible the adoption of these reforms (cf. Schludi 2005, Bonoli and Palier 2007, Palier 2010). With regard to the Italian case, Ferrera and Gualmini (1999, 2004) argued that between the early 1990s and the early 2000s the so called *vincolo esterno*—that is, an external constraint putting pressure on domestic policy-makers—has eased the reform process, particularly the shift from distributive "credit-claiming" (Pierson and Weaver 1993) policies of the period 1945-1990 to retrenchment interventions. More in details, their analysis and subsequent contributions (Ferrera and Jessoula 2007, Natali 2007, Jessoula 2009) have shown that the two major pension reforms adopted in 1992 and 1995, as well as the later adjustment in 1997, were adopted under the strong pressure exerted jointly by EU budget constraints and financial markets. These external factors actually represented *necessary* conditions to "impose losses in the field of pensions"—using Pierson and Weaver's words (1993)—and retrench the most costly pension system in Europe (Jessoula 2009).

Against this background, this article has two main aims. First, to reconstruct the *reform trajectory of pensionable age* in Italy—and, more generally, of *eligibility conditions* for retirement (see section 1)—by extending the analysis to the period 1992-2012

in order to capture if, and to what extent, these pension parameters do actually represent "immovable objects". Second, to propose an interpretation of the reform trajectory by identifying the conditions that have allowed reforms, with a special focus on the role played by external constraints and their interaction with domestic political dynamics in three different phases: (i) the first retrenchment interventions in 1992-97, (ii) contradictory measures adopted between 2001 and 2007, (iii) recent changes legislated between the burst of the crisis and December 2011.

Accordingly, section 1 traces the boundaries of the analysis by both sketching the architecture of Italian pensions and illustrating the (peculiar, in comparative terms) traditional setting of eligibility conditions for retirement. Two diverse routes to retirement have actually played a major role in Italy: standard *old age pensions* and *seniority pensions*. Section 2, after briefly discussing the reform stalemate in the 1980s, provides a detailed account of the reform trajectory of eligibility conditions in the two periods 1992-1997 and 2001-2008, while section 3 focuses on the reforms of eligibility conditions included in three anti-crisis packages adopted in 2009-2011. The fourth section provides an interpretation of the reform trajectory by identifying the conditions that have allowed—but also hampered—reforms: this is done by revisiting the *vincolo esterno* argument or, in other words, by evaluating the role played by external pressure on reforms of retirement eligibility conditions in Italy. Section 5 concludes the article.

In line with existing literature, I will argue that external pressures were behind the tightening of eligibility conditions for retirement over the last two decades. The *vincolo esterno* has actually represented a *necessary condition* for institutional re-adaptation in Italy in the light of the strong public support to Europe—both on the public opinion side (till the early 2000s) and the elite side—and the "joining the club" factor (cf. Graziano, Jacquot and Palier 2011) with respect to the inclusion of Italy in the "Euroclub" in the mid-late 1990s. Nevertheless, the all but linear trajectory towards stricter eligibility conditions reveals that the relevance of the *vincolo esterno* has varied greatly in the three periods, and that until 2008 reforms content was mostly shaped by the interests and preferences of major political and especially social actors. In fact, governments' ability to craft "distributive packages" that might be accepted by the unions—the actual veto players in the field of pensions in Italy—represented a second *necessary condition* for the adoption of reforms. By contrast, recent developments suggest that the strength of *vincolo esterno* has substantially increased in the last phase (2009-11) and the balance between external pressures and domestic factors in influencing pension policy outputs seems to have turned in favour of the former.

1. Pension architecture and labour market exit in Italy

Since the Golden Age (1945-75), the architecture of Italian pensions has presented a single public pillar providing both minimum protection against poverty in old

age via social assistance schemes (first tier) and income maintenance for the whole employed population (second tier). With regard to the former, a means-tested pension supplement (*integrazione al minimo*) existed for retirees with very low contributory pensions, while all people in need over 65 years received means-tested flat rate 'social pensions': both benefits were replaced by the new so called "old age social allowance" in 1995 providing tax financed income-tested benefits at 65.[1] The second tier of the first pillar is PAYGO and provides contributory pensions to those who fulfil contribution requirements and reach an age threshold. In the past, benefits were earnings-related and generous in comparative terms. However, the 1995 reform introduced a Notional Defined Contribution (NDC) system with a long phasing-in period. This had three major implications: first, that only new entrants in the labour market after 31 December 1995 would receive pensions fully calculated with the NDC system; second, that public pension levels are expected to diminish substantially in the next three decades (cf. Jessoula and Ferrera 2006, EC 2010, 2012); third, that the majority of workers who retired between 1996 and 2011 received earnings-related pensions calculated with the old and more favourable rules. However, the latest reform adopted in December 2011 shortened the phasing-in period of the NDC system: since January 2012 the latter will be actually applied *pro rata* (that is for working years after 2011) also to previously exempted workers—i.e. those with at least 18 years of paid contributions in 1995.

Reforms adopted since the 1990s have also launched a transition of the pension system from a single-pillar to a multipillar architecture by introducing a regulatory framework for second and third pillar pensions (1993) which also includes tax incentives (1993, 1995, 2000, 2005) and a peculiar provision aimed to favour the conversion of a pre-existing severance pay scheme (TFR) into funded supplementary pension provision (cf. Jessoula 2011). Two decades after the introduction of the regulatory framework, however, the coverage of supplementary pillars is still limited—about 5,5 million members out of 22,5 million gainfully employed—though varying considerably according to economic sectors (industry *vs* service sector), firms size (medium-big *vs* micro-small) and territorial areas (North/Centre/South of the country). This is mostly due to the "choice for voluntarism" made by policy-makers with regard to affiliation to supplementary schemes (Jessoula 2011).

In light of both the limited coverage of supplementary pillars and the tight link of eligibility conditions in the latter with requirements in the public pillar, in the following I will exclusively focus on first pillar pension rules.

1.1. Traditional routes to retirement, from the Golden Age to the labour reduction route

In past decades Italian pension arrangements were not only generous with respect to benefit levels, but especially with regard to *eligibility conditions* which also varied

[1] The yearly amount for 2012 is EUR 5,577, paid in 13 monthly instalments.

greatly across the various professional categories in accordance with the Bismarckian imprint.

Since expansionary reforms in the 1950s-60s, *two main exit routes* from the labour market were available for both public and private employees as well as for the self-employed. The first route was represented by standard *old age pensions*: workers were entitled to retire when reaching a pre-defined age (*pensionable age*) and provided a minimum contributory period (15 years until 1992). However, workers could also retire prior to reaching pensionable age via so called *seniority pensions*—the second route—provided the fulfilment of a *longer period of paid contribution*: no age requirement existed to be entitled to these benefits.

As mentioned above, until retrenchment measures adopted in the 1990s, eligibility rules for both old age and seniority pensions were rather *loose* and *varied* a lot across professional groups. With regard to old age pensions, between 1939 and 1992 standard rules for employees in the private sector set a differentiated pensionable age for men (60) and women (55). For the self-employed the age requirement was higher—i.e. 65 for men, 60 for women; for civil servants the age threshold was 65 for both men and women, while other public employees were allowed to retire at 60.

As for seniority pensions, since 1956 extremely favourable rules applied to public sector employees who were allowed to retire after only 20 years regardless of age—so-called "baby pensions" (for married women and mothers contribution requirements were further reduced by 5 years). Seniority pensions were also introduced for both private sector employees and the self-employed in 1965 permitting them to retire after 35 years prior to reaching the pensionable age.

1.2. Tackling de-industrialization and employment crises after the mid-1970s

Similar to many other European countries, since the late 1970s Italian governments embarked on the so called 'labour reduction route' to tackle the employment consequences of economic shocks and de-industrialization by reducing labour offer. In addition to the extensive use of already existing programs, such as seniority pensions and short-time work schemes CIGO and CIGS—which functioned as 'shock absorbers' by limiting open unemployment and compensating workers for the temporary loss/reduction of income[2]—also new schemes were created to favour early exit from the labour market. Proper *early retirement* (*prepensionamento*) was introduced in 1981, allowing private sector employees to retire 5 years before reaching pensionable age, and then massively exploited for the rest of the decade.

Combined with slower economic growth since the late-1970s, these measures produced dramatic effects in a country that had traditionally been characterized

[2] The mobility allowance, introduced in 1990, was mostly used for the same purpose.

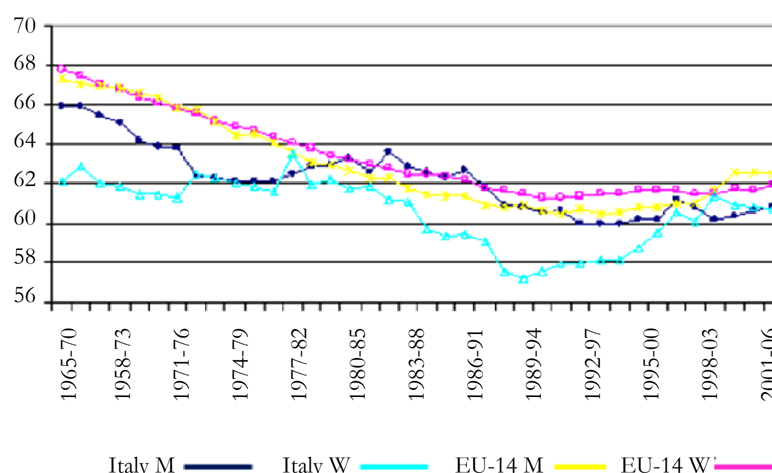
by low employment rates: not only unemployment continued to grow (11.1% in 1991, 11.9% in 1998), but also total employment declined in the early-to-mid 1990s (Table 1) and the effective age of exit from the labour market fell drastically (Figure 1).

Table 1. **Employment and unemployment rates, Italy and EU-15, 1990-1999 (%)**

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Employment rate, 15-64										
Italy	52.6	52.6	52.3	52.5[1]	51.5	51.2	51.4	51.6	52.2	52.9
EU-15	61.5	62.0	61.1	60.2	59.9	60.3	60.5	60.8	61.7	62.5
Unemployment rate, 15-64										
Italy	11.5	11.1	11.7	10.1[1]	11.1	11.7	11.7	11.8	11.9	11.5
EU-15	8.4	8.6	9.7	10.8	11.2	10.7	10.9	10.7	10.0	9.3

[1] Break in series
Source: OECD online employment database

Figure 1. **Effective age of exit from the labour market, Italy and EU-14*, 1965-2006 (%)**



* EU-14: Germany not included
Source: OECD online employment database

However, since the early 1990s, pension reforms as well as labour market measures have started to modify the picture. In the field of labour market policies, options for early exit have been restricted by phasing out early retirement: between

2000 and 2008, the average annual stock of early retirement beneficiaries has significantly diminished, from about 165,000 beneficiaries to only 38,000.[3] Reduced reliance on early exit strategies has gone hand in hand with pension reforms aimed to tighten eligibility conditions and harmonize retirement rules in order to contain costs. The following section focuses on the Italian trajectory of eligibility conditions adjustment to changed demographic and economic circumstances in the last three decades, with a special focus on the period 1992-2012.

2. TIGHTENING ELIGIBILITY CONDITIONS: THE ITALIAN TRAJECTORY 1992-2008

A few background factors must be kept in mind when looking at the various reform plans aimed to contain pension costs by modifying eligibility conditions since the 1980s in Italy. First, exogenous transformations putting pressures on pension (especially paygo) schemes have been particularly acute: the Italian population has/is actually undergone/undergoing a faster process of demographic ageing than the average of EU countries[4]—due to both longer life expectancy and lower fertility rates since the early 1990s—, the economy has grown at a slower pace than almost elsewhere in Europe after 1995, while employment rates have increased—especially in 1997-2007—but they are still low in comparative terms. Also, public pension expenditure has risen at an unprecedented pace—from about 4% of GDP in the 1960s to roughly 10% in the early-1980s—and projections in the early-1990s showed that expenditure might have reached 23-24% of GDP in 2040. Last but not least, Italy has suffered from critical public finance conditions since the 1990s—high deficit levels and the well-known soaring public debt, i.e. around 120% of GDP in 1991-2, still around 120% in 2011.

Against this backdrop, the adjustment trajectory of eligibility conditions to changed circumstances has been all but linear in Italy in the last three decades, and four main periods may be identified:

(i) from the early-1980s to 1992;
(ii) 1992-97, with the adoption of three "emergency" pension reforms;
(iii) some ambivalent and contradictory measures between 2001 and 2007;
(iv) recent interventions aimed to tighten eligibility conditions included in the various anti-crisis(es) austerity packages in 2009-11.

[3] While some of this decline has been offset by reliance on other schemes that can offer alternative exit routes from the labour market, such as CIGS and the "mobility allowance", the increase in these measures has been much more modest (on average, +1,200 people per year) compared to the sharp reduction in the stock of early retired (on average, –16,000 people per year, cf. Jessoula and Vesan 2011).

[4] The old age dependency ratio for Italy was 30% in 2007 and it is expected to reach 42% and 59% in 2030 and 2060 respectively, in comparison to a EU-27 average of 25%, 38% and 53% in the same years (European Commission 2010).

2.1. Many plans, no reforms in the 1980s

Several reform plans were prepared by Labour and Welfare ministers in the 1980s following the recognition of the critical condition of the national pension system by an *ad hoc* commission in 1981. These plans shared some proposals aimed to restore the financial viability of the public pillar. Next to interventions on contribution rates, indexation rules and formulas to calculate benefits, reform proposals also aimed to tighten eligibility conditions by harmonizing rules with particular reference to: (a) eligibility conditions for old-age pensions between the various occupational categories, (b) equalizing the pensionable age for male and female private employees, (c) gradually abolishing the privileged regulation of seniority pensions for public sector employees.

However, all these plans rarely reached Parliament and they were abandoned because of a change of government or early elections. In fact, the Italian political system was not ready for pension retrenchment, largely because it was still marked by high fragmentation and a polarized party system, with weak governments usually relying on broad coalitions. During the 1980s, several parties participated in governmental coalitions, with an average of 3.7 parties per coalition. These governments were "colorful" and heterogeneous, usually including both the center-right and center-left, with the pivotal Christian Democratic Party in the middle. Such coalitions were deeply divided, especially between the increasingly influential Socialist Party and the Christian Democrats, which affected governmental stability and often led to fierce confrontations between Government and Parliament. Governments remained in power only 300 days on average—a formidable obstacle on the way to retrenchment in the field of pensions. To put it in a nutshell, reform plans failed and eligibility rules remained untouched because the political logic of a "polarized pluralist" party system made it convenient (if not "necessary") for policy-makers to continue in the pursuit of expansionary pension measures in spite of strained public finances and dramatically increasing pension expenditure.

From another perspective, this was possible because the domestic policy-making was still relatively insulated from external pressures and the macroeconomic policy framework remained in tune with Keynesian notes.

Things changed, however, in the early-1990s with the deepening of the European integration and the inclusion of the convergence criteria in the Maastricht Treaty. All pension reforms adopted in Italy between 1992 and the recent economic crisis—1992, 1995, 1997, 2004, 2007, 2009, 2010, 2011—included measures regarding eligibility requirements for either old age or seniority pensions. Though an overall trend towards stricter eligibility conditions may be detected, the trajectory has not been straightforward: ambivalence, inconsistencies and contradictory measures emerge when looking at the various stages of reform due to diverse policy priorities as well as policy-making styles of subsequent governments.

2.2. First retrenchment in emergency, 1992-97

The first three reforms were adopted in 1992, 1995 and 1997 in a climate of national emergency due to the multi-dimensional—economic, fiscal and politico-institutional—crisis which affected the country (cf. Ferrera and Gualmini 2004, Jessoula 2009).

The 1992 **Amato reform** changed requirements for both *old age* and *seniority pensions***.** However, the contribution requirement for seniority pensions for private employees was not changed due to opposition by the trade unions. The latter also led to the gradualist character of the reform which included long phasing-in periods for the various measures in order to safeguard older workers that represented unions' core constituency. The pensionable age for private employees was raised gradually from 55/60 to 60/65 for women/men (to be phased-in by 2002); the minimum contributory period for seniority pensions was to be gradually equalized at 35 years for public and private employees, thus *eliminating* the most striking anomaly represented by the above mentioned "baby pensions".

Three years later, the watershed pension reform (**Dini reform**, 1995) introduced a NDC system in combination with a *flexible pensionable age* in the age bracket 57/65 years. These applied to new entrants in the labour market after 1995 only. Due to the logic of the NDC system—which remarkably rewards later retirement—in the long run this combination would provide incentives to retire late. Nevertheless, in the short-medium term, the differentiated pensionable age (60W, 65M) remained in place for workers exempted from the application of the NDC system. For this group of workers the reform gradually tightened eligibility conditions for *seniority pensions*: the *contribution requirement* would be increased gradually from 35 to 40 years by 2008 for all professional categories, but a special clause allowed to retire by combining the previous (lower) contribution requirement (35 years) with an age threshold to be increased gradually in order to reach 57 years in 2006.

Finally, the 1997 **Prodi reform** accelerated the increase of the age condition for seniority pensions: 35 years of contribution combined with 57 years of age would be necessary to be entitled to a seniority benefit in 2004.

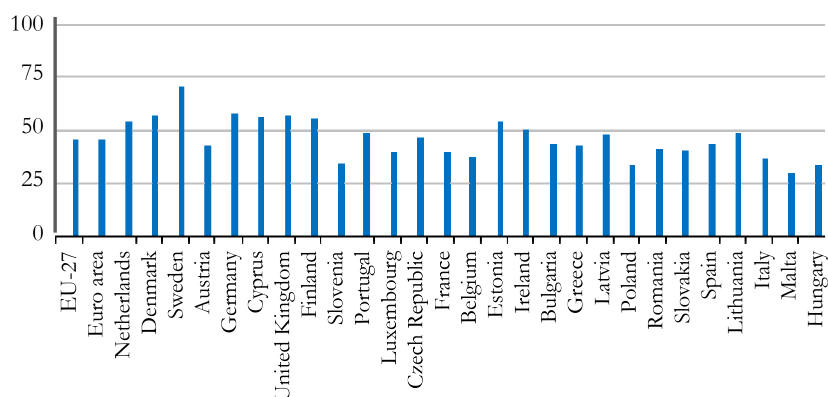
2.3. Inconsistent reforms of eligibility conditions in a quasi-majoritarian democracy, 2001-08

The **Maroni-Tremonti reform** adopted in 2004—after a lengthy and often harsh policy-making process between the centre-right government, the unions and Confindustria—abolished the flexible pensionable age previously introduced by Dini, and proposed a two-step reform process. In the short term (until 2007), the main measure was a set of incentives (tax bonus equal to 100% of pension contributions) to encourage later retirement when the entitlement to a seniority pension had been attained based on the transition rules defined by the Dini and Prodi

reforms. The second phase, after 2008, rested on more "structural" changes regarding both *old age* and *seniority pensions*. First, the re-introduction of the *fixed and differentiated (between sexes) pensionable age*: 65 years for males, 60 for females (with a minimum contributory period of 20 years for workers subject to the earnings related system, 5 years in the NDC one). Second, the reform tightened eligibility conditions for seniority pensions by requiring 60 years of age, in combination with 35 years of paid contribution by January 2008 (and a further increase to 61+35 in 2012). This measure, which would imply an increase of the age threshold by 3 years between December 31st 2007 and January 1st 2008, was strongly contested by the unions as well as by the centre-left opposition. The latter, once returned to power after the 2006 elections, smoothened the transition to the new requirements for seniority pensions by setting at 58+35 years the combination of the age+ contribution thresholds after December 2007. Also, the 2007 **Damiano reform** introduced a "quota" system for the period after 2008 ("quota 95" with a minimum of 59 years of age in 2009; "quota 96" and minimum 60 years in 2011, 97/61 in 2013).

Until very recently, the (gradual) increase of pensionable age was thus partly offset by the permanence of the relatively loose requirements for seniority pensions which contributed to the very low employment rate in the age bracket 55/64 (35.7% in Italy *vs* 46.0% in the EU-27 in 2009, see Figure 2). The exit age from the labour market (60.8 years in 2009) has also remained closely linked to the age requirement for seniority pensions.

Figure 2. **Employment rates 55/64 (%), 2009**



Source: Eurostat

Nevertheless, as a result of repeated reforms of eligibility conditions, during the 2000s the average age of labour market exit for both men and women has increased (from 60 and 58 respectively to almost 61 for both sexes) for the first time in the last three decades, and inactivity rates among older people have declined steadily (Table 2).

Table 2. **Inactivity rates in the age group 55-64, selected countries, 1990-2006 (%)**

	1990	1994	1998	2002	2006
EU*	60	62	60	58	53
Belgium	78	77	76	73	66
Denmark	43	46	47	40	37
France	67	69	69	64	60
Germany	58	59	56	57	45
Italy	**68**	**70**	**71**	**70**	**67**
Netherlands	69	70	66	57	50
Spain	60	62	61	57	53
Sweden	–	–	33	29	27
United Kingdom	47	48	49	45	41

* 1990: EC-10; 1994: EU-12; 2004: EU-15; 2006: EU-25
Source: elaboration from Clasen and Clegg 2011, Statistical Annex

3. Restricting access to retirement in response to the crisis(es), 2009-11

Reforms adopted between 1992 and 2007 were crucial not only for the introduction of the NDC *in lieu* of the earnings-related system in the first pillar and the design of the new multipillar pension architecture, but also for the stepwise tightening of eligibility conditions for old age and especially seniority pensions, the latter representing the main route to early retirement in Italy. However, most reforms included long phasing-in period and exemptions from the new rules and in 2008 eligibility conditions for standard old age pensions still varied between males and females as well as across professional categories, as reported in Table 3 below (p. 17).

After the outbreak of the financial-economic shock in 2008-9 and the following sovereign debt crisis in 2010, recent measures—adopted in 2009-10 and especially those enacted since May 2011—have mainly aimed to shorten the transition period to the new rules in order to *reduce expenditure in the short-medium term***.** Interventions have mostly regarded *eligibility conditions* for both *old age* and *seniority pensions*, as well as the rules to *calculate benefits*. Same as in the early-to-mid 1990s, recent interventions were included in major "austerity packages" propelled by exogenous factors.

3.1. The first two "austerity packages" in 2009 and 2010

Harmonizing eligibility conditions in the public sector

As extensively discussed elsewhere (Jessoula 2010), in response to ECJ judgement C-47/07 of 13 November 2008 the first anti-crisis package legislated by the

centre-right Berlusconi Government raised the *pensionable age for female employees* in the *public sector* from 60 to 65, to be implemented gradually between 2010 and 2018 (**Sacconi reform**, Law 102/09).

However, in spring 2010 the European Commission urged faster phasing-in of the new eligibility conditions for women employed in the public sector. Despite opposition by the unions, the Italian Government agreed to Commission's request and, in summer 2010, Parliament adopted Law 122/10. This introduced a 4-year increase of the pensionable age for female workers in the public sector—to be implemented quickly, from 61 in 2011 to 65 in 2012, thus harmonising it with the age threshold for male workers.

By contrast, in the *private sector* differentiated pensionable ages for men (65) and women (60) remained in place.

Linking pensionable age to demographic change

The first anti-crisis package introduced by Law 102/09 also included other pension measures, among which the first regulation aimed to *link eligibility conditions for old age benefits to demographic trends*. Subsequent Law 122/10 specified the rules to make the link effective: starting in 2015, every three years the ministry of Labour and Social Protection would raise the pensionable age in order to neutralise changes in life expectancy. The second increase was planned for 2019 (derogating to the 3-year rule) in order to align the revision of eligibility conditions with the revision of conversion coefficients in the NDC system.[5] The age threshold for being entitled to the means-tested social allowance as well as the age requirement to receive seniority pensions (60 years for employees, 61 for the self-employed combined with 35 years of paid contributions in 2011, raising to 62 and 63 respectively in 2013) would be increased in accordance with the same procedure.

Also, Law 122/2010 lengthened the waiting period between the fulfilment of age/contributions requirements (for old age/seniority benefits) and the effective moment of retirement (i.e. the "exit window mechanism", see European Commission 2010). This period was extended to 12 months for employees and 18 months for the self-employed, thus further increasing the actual pensionable ages as well as tightening contribution requirements for seniority pensions.

3.2. The 2011 Fornero reform

Due to increased external pressures, in 2011 various anti-crisis packages were adopted by both the centre-right Berlusconi Government and the subsequent 'technocratic' Cabinet led by the economist Mario Monti. The full illustration of reform packages legislated in 2011 is beyond the scope of this paper, thus only

[5] Conversion coefficients are the parameters applied to transform the total amount of paid contribution into annuity at retirement.

the drastic interventions on eligibility conditions for retirement will be presented in this paragraph by paying particular attention to measures included in the latest **Fornero reform** adopted in December 2011 (Law 214/11).

Building on measures already included in Law 102/09 and Law 122/10, Law Decree n. 98 (enacted in July 2011 by the Berlusconi Government) and especially the subsequent Law Decree 201/11—so called "Rescue Italy" decree by the Monti Government, then converted into Law 214/11—introduced major changes mostly aimed to: (a) *promote regulatory harmonization* between *genders* and among *professional categories* (and generations[6]), as well as, (b) *raising the retirement age* in the short-medium term by tightening eligibility conditions.

Increasing the pensionable age and harmonizing eligibility conditions for men and women

As far as standard retirement via *old age pensions* is concerned, Italy had already taken some major steps in 2009 and 2010 by both linking the pensionable age to changes in life expectancy and equalizing (by 2012) the pensionable age for women employed in the *public sector* (60 years in 2008) with the age required for men (65 years) employed in the private and the public sectors. As mentioned above, however, in 2011 a diverse pensionable age for female employees in the *private sector* persisted (60 years) and no actions had been taken towards harmonization (see Table 3, second column from the left).

Measures adopted in the course of 2011 have radically modified this picture (Tables 3 and 4) by:

(i) gradually harmonizing the standard pensionable age for *women* employed in the *private sector* with other categories (increase from 60 to 62 in 2012, then full equalization in 2018);

(ii) raising the standard pensionable age for both public employees (male/female) and men employed in the private sector to 66 years in 2012;[7]

(iii) anticipating the first adjustment of pensionable age to changes in life expectancy, with a first *forfait* 3-month increase in 2013, then progressive and automatic adjustment to life expectancy every three years until 2019, and every two years afterwards.

These measures will likely entail a substantial increase of the standard pensionable age, which is expected to reach 66 years and 7 months for all categories in 2018 and 67 in 2019. Also, a "safeguard clause" set the standard pensionable age at 67 in 2021.

[6] On this front the 2011 reform has made a major step towards a thorough harmonization of rules across generations by shortening the phasing-in of the NDC system. Since January 2012 the latter will actually be applied *pro rata* (that is, for working years after 2011) also to previously exempted workers (that is, workers with at least 18 years of contributions in 1995).

[7] The increase is partly compensated by the elimination of the waiting period for receiving pensions (i.e. the "exit window mechanism", see European Commission 2010).

Changes to eligibility conditions introduced after 2008 are summarized in Table 3 below, which also presents the new requirements to be entitled to old age pensions in force after 2011 and their projected evolution in the next decade.

Table 3. **Tightening of eligibility conditions for old age pensions and old age social allowance**

	Before austerity packages	After Laws 102/09 & 122/10	After Law 214/11	Standard age for old age pension	Projected** standard age for old age pension	Minimum*** standard age for old age pension	Projected standard age for old age pension
Year of retirement	**2008**	**2011**	**2012**	**2013***	**2018**	**2021**	**2050**
Males public sector	65	65	**66**	66y 3m	**66y 7m**	67	69y 9m
Males private sector	65	65	**66**	66y 3m	**66y 7m**	67	69y 9m
Females public sector	60	2011: 61 2012: 65	**66**	66y 3m	**66y 7m**	67	69y 9m
Females private sector	60	60	**62**	62	**66y 7m**	67	69y 9m
Social allowance	*65*	*65*	***65***	*65 3m*	***66y 7m***	*67*	*69y 9m*

* First automatic adjustment to change in life expectancy: 3 months

** The actual pensionable age will depend on the automatic link to life expectancy

*** Actual pensionable age can be higher than 67, in accordance with changes in life expectancy

Table 4. **Increase of pensionable age for women employed in the private sector**

Year of retirement	Standard pensionable age
2012	62
2013	62
2014	63,6
2016	65
2018	66

Importantly, further conditions for retirement have been either introduced or modified. According to the new rules, retirement will be possible:

(a) after contributing for at least 20 years (formerly 5 years in the NDC system), and,

(b) only in case the pension amount is at least 1.5 times higher than the old age social allowance (i.e. approximately EUR 635/month in 2012). In case the pension value is lower, retirement is allowed only at 70.

Finally, the reform introduced

(c) the possibility of *late* and *early* retirement at 70 and 63 (see below) years respectively in 2012, *de facto* re-introducing a flexible pensionable age in the bracket 63/70. The lower and upper limits will be also adjusted in accordance with life expectancy.

In the next section, the new conditions for retiring prior to the standard pensionable age are briefly summarized.

Restricting access to early retirement schemes

The regulation of *early retirement* has become rather complex after the adoption of the Fornero reform. The most important novelty is represented by the *abolition of seniority pensions*: this has led, however, to the introduction of a new early retirement scheme—so called *pensione anticipata*—with different rules for workers subject to the NDC system *pro rata*—i.e. in the short term—and for those fully subject to the NDC system in the medium-long run.

For the first group, retirement is possible after contributing for 42 years and 1 month (41 and 1 month for women) in 2012, but penalizations apply in case of retirement before 62. Differently, in the new NDC system the new early exit route is represented by the possibility to retire at 63 years, provided the fulfilment of two conditions: (a) the payment of contributions for at least 20 years; (b) the pension amount is at least 2.8 times higher than the old age social allowance. It is important to stress that all age and contribution requirements for retirement are linked to changes in life expectancy.

3.3. PROJECTED IMPACT OF RECENT REFORMS

Pension reforms included in the anti-crisis packages in the second half of 2011 will impact on both public pension sustainability and the actual age of retirement.[8] On the first front, legislated measures will allow substantial savings in the next three decades. Cost reduction will progressively increase from around 2.7 billion Euros in 2012 to 22 billion Euros in 2020 (Table 5).

Table 5. **Savings from measures on pension included in Law Decree 201/11 (million Euros), 2012-2021**

2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
2,767	5,968	8,540	11,910	14,757	17,890	20,029	21,518	22,037	21,038

Source: Relazione tecnica – Decreto Legge 201/11 (Technical Annex – Law Decree 201/11), p. 44

[8] This should also entail an increase of public pension levels in the future due to the logic of the NDC system; for a discussion, see Jessoula 2012, Jessoula and Pavolini 2012.

Accordingly, the reduction of public pension expenditure on GDP will be 0.2 percentage points in 2012, 0.9 in 2015 and 1.4 in 2020, then gradually declining to 1.1 percentage points in 2025, 0.9 in 2030 and 0.5 in 2035 (Table 6).

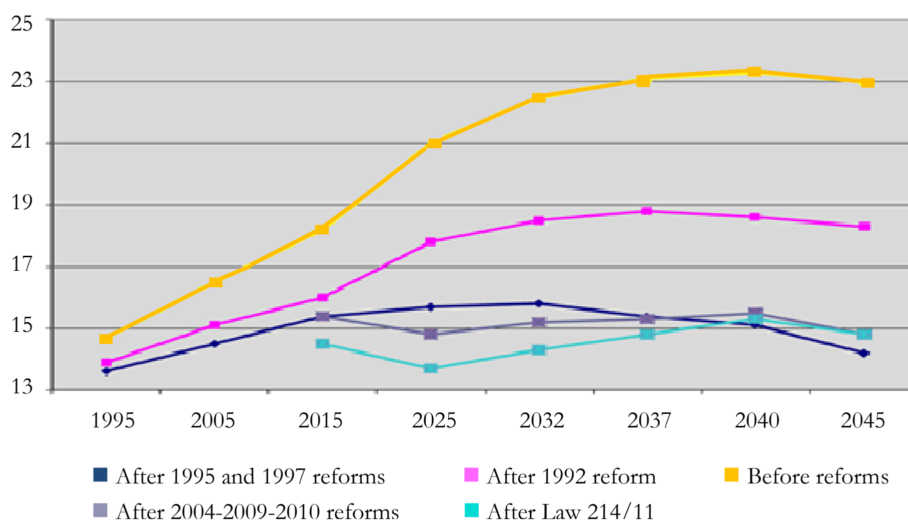
Table 6. **Reduction of pension expenditure on GDP (%), 2012-2050**

2012	2015	2020	2025	2030	2035	2040	2045	2050
0.2	0.9	1.4	1.1	0.9	0.5	0.2	0.0	0.0

Source: Relazione tecnica – Decreto Legge 201/11 (Technical Annex – Law Decree 201/11), p. 44

Measures approved in 2011 will therefore further contribute to reduce the burden of public pension expenditure in the next decades by adding to reforms of the 1990s and later adjustments in 2004-10. Figure 3 below clearly shows the impressive cumulated contribution by the various reforms to contain pension costs in the next decades. It is crucial to notice the diverse temporal impact of reforms: while measures adopted in 1992-97 mostly reduced the burden of public pensions in the *long run*, changes included in the 2009-11 anti-crisis packages are directed to reduce expenditure in the *short term*. Despite critical demographic and economic trends, Italy is one of the very few countries in Europe where public pension expenditure is actually expected to diminish from 15.3% on GDP in 2010[9] to roughly 14% in 2026-27.

Figure 3. **Public pension expenditure (% GDP) after the various reforms**



Source: Ministero dell'Economia e delle Finanze, various years; Technical Annex – Law Decree 201/11

[9] Data source: Ministero dell'Economia e delle Finanze 2011a.

As for retirement age, the tightening of the eligibility conditions for both old age and seniority pensions and their link with life expectancy after 2013 might be effective measures to increase both the actual age of exit from the labour market and the employment rate of older workers. The Government estimated a cumulated increase of age requirements for old age pensions around 3.5/4 years by 2050. Accordingly, the standard pensionable age should pass from 66 to around 70 in 2050, a remarkable increase for formerly slow moving Italian pensions. This should also affect the effective age of retirement that is expected to reach, on average, 64 years in 2020 and 67 years in 2040.

However, these changes seem also likely to bring critical challenges for both labour market and welfare state arrangements in Italy. On the one hand, recent trends in the Italian economy—with continuing slow growth and recession in 2012 and (projected for) 2013—as well as in the labour market cast doubt on the capacity to cope with the massive increase of labour offer in the short-term (Mazzaferro and Morciano 2012). After some positive signs in 1997-2007, the Italian labour market is in fact characterized by a modest performance—in terms of labour market attachment, activity and employment rates. The employment rate for persons aged 20-64 is well below the EU-27 average (61.2% *vs* 68.6% in 2011) and the situation is particularly critical at both ends of the labour market, that is for young (19.4% in the age bracket 15-24 *vs* 33.6% in the EU-27) and the elderly (37.9% *vs* 47.4% in the EU-27 for persons aged 55-64), as well as for women (49.9% *vs* 62.3%). Unemployment is extremely high (29.1% *vs* 21.4%) among young people below 25 years of age (Eurostat data). Considering that ALMPs policies are still underdeveloped and especially lifelong learning programmes for older workers are virtually non-existent in Italy (cf. Ministero dell'Economia e delle Finanze 2012), the rapidly growing labour offer might turn into higher unemployment for the elderly, consequently offsetting the beneficial effects of recent pension reforms on social expenditure.

On the other hand, the tightening of eligibility conditions for women employed in both the public and the private sectors may well aggravate the reconciliation issue in a country where—due to the underdevelopment of child- (and elderly-) care services—retired older women play a crucial role in the provision of informal care. To put it in a nutshell, if "farewell to familialism" may constitute a positive and virtuous development in the medium-long run, the fast implementation of the new eligibility conditions is likely to create severe reconciliation problems to (most) Italian families and especially women.

4. LIKE IN A SKINNER BOX: REVISITING THE *VINCOLO ESTERNO* ARGUMENT

As illustrated in the previous sections, the 1990s represented a crucial period for the transformation of the Italian pension system, with three major reforms prompting a reconfiguration based on two major ingredients: (a) the change of

the nature, the scope and the essential features of the public pillar via the first retrenchment interventions in 1992, 1995 and 1997; (b) the launch of the transition to a multipillar system based on the development of supplementary funded schemes (1993). The reforms of the public pillar combined two diverse interventions on pensionable age—first, an increase in 1992, then flexibilization and equalization between genders in 1995, in accordance with the logic of the NDC system—coupled with the stepwise tightening of eligibility conditions for seniority pensions.

In contrast with the inconsistent pension policy-making and the impossibility to adopt retrenchment measures in the 1980s, cost containment interventions and tightening of eligibility conditions during the 1990s represented a novelty which called for an interpretation.

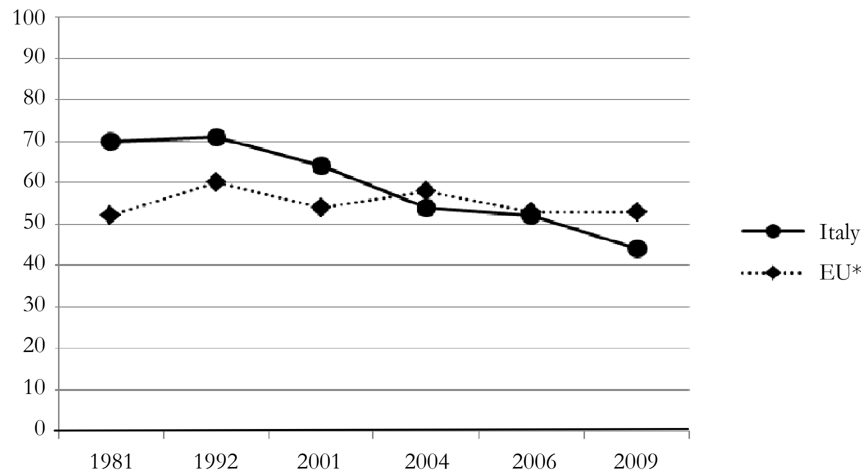
What allowed the shift from the distributive policy-making of the expansionary phase to retrenchment policies?[10] A broad literature has shown that the combination of both external and domestic factors played a major role. If the great political turmoil of the early-1990s and the shift from the so called First Republic to the so called Second Republic facilitated the adoption of reforms by removing longstanding veto players such as traditional political parties from the pension stage (Jessoula 2009), the *necessary condition* for the shift to cost containment measures—which also included tightening eligibility conditions for retirement—was represented by the so called *vincolo esterno*, i.e. external constraint.

The argument first proposed by Dyson and Featherstone (1996) and later developed by Ferrera and Gualmini (1999, 2004) runs as follows. Institutional change in the field of pensions in the early-to-mid 1990s was allowed by a broad (with regard to actors involved) as well as intense process of *learning*. Learning processes, however, "are particularly difficult, since they involve the restructuring of norms and practices that were successful in the past and that have thus generated widespread trust and loyalty […] This is why policy-makers tend to resist change" (Ferrera and Gualmini 2004, 22) especially when the latter involves retrenchment on very sensitive issues and affects well entrenched interests protected by powerful social (and political) groups—just like in case of pension reforms modifying, among other parameters, retirement conditions. Past experiences (success/failure), as well as ideational and institutional factors may be more of less favourable to learning, and the Italian political system had proved to be extremely resilient to change throughout the previous decade. Nevertheless, after summer 1992, things changed suddenly. The definition of the Maastricht convergence criteria as the first step in the "run-up to EMU" operated as a powerful external pressure that pushed domestic policy-makers to embark on the risky path—in political terms—

[10] Differently from most European countries, a major expansionary intervention was adopted in Italy in 1990, by extending the earnings-related system to the self-employed, when major fiscal strains were already evident in first pillar paygo schemes.

of austerity measures and structural adjustment which also included the interventions on both old age and seniority pensions described above. The mechanism through which the external constraint operated resonates with Skinner's "operational conditioning": like in the Skinner box, both punishments and rewards were conferred to Italy—in terms of variations in the national currency's value and interest rates—thus inducing domestic policy-makers, and especially the unions which defended existing pension rules, that maintaining the status quo would imply major as well as immediate and tangible losses.

Figure 4. **Percentage of Italians and EU citizens stating that the membership of their country to the EU is "a good thing"**



* 1981: EC-9; 1992: EC-12; 2001 and 2004: EU-15; 2006: EU-25; 2009: EU-27
Source: *Eurobarometer*, various years

Against this background, the partly (Amato) and fully (Dini) 'technocratic' cabinets managed to push through incisive retrenchment measures. More in details, in light of the widespread support for the EU integration project in the Italian public opinion (Figure 4 above) as well as among political and social elites, external pressures stemming from the interplay of EU budgetary constraints and financial market dynamics allowed governments to forge pro-reform coalitions and/or to legitimize retrenchment interventions (interviews 5 and 6). In the case of the Amato reform, financial markets' attacks on the national currency—which forced the Government to devaluate the national currency and subsequently design the pension reform—were crucial to obtain the acquiescence of both the unions in the negotiation with the Government (interview 5) and the silent consent of opposition parties that did not take part in the final vote in Parliament (see Jessoula 2009 for a detailed account). In 1995, the 'technocratic' Dini Government used the *vincolo esterno* argument in order to launch a four-month concertation process with the social partners that ultimately led to a social pact between the Government

and the unions and the fast adoption of the pension reform. In fact, the Cabinet managed to convince the unions that the status quo was no longer sustainable[11] due to the strong pressures coming from the EU and financial markets.

Nevertheless, the failure of the reform plan proposed by the Berlusconi Government (1994) proves that the *vincolo esterno* (and the "usage" of European resources by Italian governments[12]) was *not a sufficient condition* for reforms. Though the Berlusconi Government made explicit reference to European constraints in the policy-making process, this did not help to stop unions' protest against the reform plan. Both the ability and the willingness of governments to craft *"distributive packages"* that might be accepted by the unions—the actual veto players in the field of pensions in Italy—actually represented a further *necessary condition* for the adoption of reforms (Jessoula 2009). And the Berlusconi Cabinet was not effective on this: by proposing a reform plan which would have entailed substantial savings in the short run by affecting unions' core constituencies—i.e. retirees (via changes in the indexation mechanism) and older workers through *penalizations* in case of retirement via *seniority pensions*—it provoked the reaction of workers' organizations that were ultimately able to impose their will and block the reform process. By contrast, the Amato and Dini Governments managed to gain unions' acquiescence/support by substantially protecting older workers' and retirees' entitlements while (over-)burdening younger generations with adjustment costs: *long transition periods* to the new rules were introduced—for the phasing out of seniority pensions for public employees and the increase of pensionable age in 1992 as well as for the increase of the contribution requirement for seniority pensions in 1995—and special clauses allowing early exit from the labour market for older workers were also crafted (combination of age and contribution requirements, 1995).

The (2004 and 2007) pensions reforms in the second period analysed above were adopted in a radically different climate from the early-to-mid 1990s, and the contradictory interventions on eligibility conditions—designed by the centre-right and the centre-left governments—are particularly telling about the *interaction* of *external constraints* and *domestic political dynamics*.

In fact, after 1999 different factors made the *vincolo esterno softer:* first, Italy had finally joined the EMU; second, the condition of public finances had slightly improved in the late 1990s-early 2000s; third, the strong Euro shielded against financial markets' attacks. In other words, cost containment reforms were still needed in light of the huge Italian public debt, but there was no urgency and the operational conditioning mechanism did not activate. This allowed more room to maneuver for national policy-makers that crafted the new reform plans in accord-

[11] Before the final approval by the Parliament, however, the reform proposal gained further 'legitimacy' and support through a process of consultation of unions' leaders and affiliates (see Baccaro 2002) "in the shadow" of EU constraints.

[12] Cf. Jacquot, Graziano and Palier 2011 on the "usage" of European resources, Graziano and Jessoula 2011 for an application of the analytical framework to Italian welfare reforms.

ance with their policy priorities—sometimes in contrast with EU's recommendations, also in light of a significant reduction in the support of Italy's membership of Europe both at the public opinion and elite level (Figure 4; Interviews 1, 2, 3 and 4)—and within the framework of a bipolar political competition between the center-right and the center-left coalitions which governed the country in the periods 2001-06 and 2006-08 respectively. What did not change, however, was unions' ability to protect the interest of their core constituencies by either protesting against governmental plans or negotiating reforms with the Government.

Between 2001 and 2004, the three major unions fiercely and repeatedly opposed Berslusconi Government's reform plan aimed to (among other things) raise the age of retirement by increasing the pensionable age and introducing penalization when retiring via seniority pensions. Meanwhile, the all but pro-European Berlusconi Cabinet found it very difficult—in the modified climate depicted above—to play the *vincolo esterno* argument to convince increasingly Euro-skeptical Italians to accept further losses 'in the name of Europe' (Graziano and Jessoula 2011). Even when some measures regarding eligibility conditions for old age pensions (differentiated age for men/women) and especially seniority pensions (3-year increase of the age requirement in 2008), which were contested by the unions, were finally adopted in 2004 (Maroni-Tremonti reform), workers' organizations were able to campaign for their partial repeal. Actually, when government changed and the center-left coalition went back to power in 2006, the 2007 Damiano reform based on a social pact between the Cabinet and the unions (*Protocollo sul welfare*, July 2007) modified previously legislated measures by relaxing eligibility conditions for seniority pensions. This represented an *expansionary intervention* in an already hypertrophic sector which testifies both the weaker *vincolo esterno* in the early-to-mid 2000s and the persistence of unions' grip on public pension regulation.

Compared with the previous two periods, the peculiarity of the more recent phase 2009-11 stands out in many respects: (i) the relevance as well as the nature of the *vincolo esterno*, (ii) its interplay with national political dynamics and the role played by the various actors (especially the unions), and finally, (iii) the distributive impact of reforms along the temporal dimension. First and foremost, after the outbreak of the economic and especially the sovereign debt crises, the EU abruptly re-entered the domestic policy arena and pension policies went through an intense series of reforms which were substantially led by European pressures. Not only external pressures grew stronger but they were also of a different nature because traditional "hard and indirect" stimuli—i.e. those stemming from EU budgetary rules—coupled with *"hard and direct"* constraints as in the case of the 2008 ECJ ruling on the different pensionable age for men and women for public sector employees. Similarities and differences can also be detected with regard to *hard and indirect pressures*. The three pension reforms included in the subsequent anti-crisis austerity packages were adopted in a new climate of economic and fiscal emergency which closely resembled the phase 1992-97. In light of the huge Italian public debt and the low growth forecasts—as well as the weakness of the Berlusconi

Government—the interplay of EU budget constraints and financial markets re-activated the mechanism of "operational conditioning". Actually, policy-makers' attention (as well as media's) turned obsessively to the so-called "spread"—i.e. the difference between the interests paid by the Italian national Government and the German to sell government bonds—which increased already in 2010 then sky-rocketing in autumn 2011.[13] This mechanism—which also led to the resignation of the Berlusconi Government and the formation of the new technocratic Monti Cabinet—was behind the adoption of the 2010 pension reform and the two interventions aimed to restrict access to retirement adopted in the course of 2011.

What is most striking with respect to the past is, however, that new institutional EU actors—namely, the European Central Bank—became crucial in setting the *goals* for domestic policy reform. On August 5th, 2011 the then President of the European Central Bank, Jean-Claude Trichet, sent the Italian Government an official letter jointly signed with Mario Draghi (then Governor of the Bank of Italy, now President of the ECB) by which they urged to "frontload the measures adopted in the July 2011 package by at least one year. The aim should be to achieve a better-than-planned fiscal deficit in 2011, a net borrowing of 1.0% in 2012 and a balanced budget in 2013, mainly via expenditure cuts."[14] Also, the ECB did not simply call for austerity measures in the field of pensions, but indicated reforms in details: that is, making "more stringent the eligibility criteria for seniority pensions and rapidly aligning the retirement age of women in the private sector to that established for public employees, thereby achieving savings already in 2012." The 'technocratic' Monti Government—after replacing the Berlusconi Cabinet in November 2011—then approved the latest pension reform in accordance with recommendations illustrated above which constitute an unprecedented intervention by supranational authorities in the Italian pension policy-making.

Clearly, this had implications on the capacity of domestic actors to steer the policy-making process, especially on the veto power of the unions and, consequently, on the distributive effects of reforms. Differently from measures adopted in the 1990s, which provided key exemptions and very long phasing-in periods, recent interventions have mainly aimed to reduce expenditure by tightening eligibility conditions for old age and early retirement not only in the long run but also in the very short term. This means that also the interests of older workers (and pensioners) have been affected, thus provoking unions' disappointment and protest. From a slightly different perspective, it must be noted that reforms have been essentially "pushed through" by political actors (Government, Parliament), by making claims to Brussels, in front on an increasingly Euro-skeptical Italian population (cf. Figure 4 above).

[13] The growth of "spread" meant, at its peak, that interests to finance the Italian debt were 5%-6% higher than those requested for the Germany debt.

[14] Original text of the letter reported by the Italian newspaper *Corriere della Sera*, 29 September 2011.

5. Conclusions

The analysis of pensionable age trajectory, and more generally of retirement eligibility rules, in the last three decades has shown that these pension parameters that actually represented immovable objects until the late-1980s in Italy have undergone a thorough process of reforms after 1992. A trend towards stricter eligibility conditions is clearly visible across the various reforms, but the trajectory of adjustment has not been linear, and contradictory measures have been adopted in the different phases by diverse governments—flexibilization and equalization of pensionable ages *vs* re-introduction of a fixed age threshold for retirement and differentiation between sexes; tightening *vs* relaxation of conditions.

In line with literature stressing the importance of exogenous shocks in easing retrenchment interventions also in extremely resilient Bismarckian welfare states, the analysis has also revealed that the *vincolo esterno* has actually represented a *necessary condition* for tightening eligibility conditions for retirement in the last two decades in Italy. This has occurred in all the three selected periods. Nevertheless, the force of the *vincolo esterno* has varied greatly in the different phases letting national policy-makers a varying degree of autonomy.

In 2001-08, the period in which external pressures were less intense, EU budgetary constraints still played a role in pushing Italian policy-makers to further retrench pensions also by tightening eligibility conditions, but the mechanism of operational conditioning did not activate.[15] This allowed domestic political dynamics to unfold more freely. Under these conditions, the prominence of unions in the pension arena persisted and the distributive effects of reforms resembled those of the period 1992-97: the interests of unions' core constituencies were substantially protected and eligibility conditions became very slow-moving objects (being the cost of retrenchment mostly transferred on future generations, cf. Jessoula 2009).

By contrast, in the two crisis periods 1992-97 and 2009-11 external pressures heavily influenced the domestic policy-making through the mechanism of operational conditioning and, as suggested by Ferrera and Gualmini (2004) with regard to the first phase, the Italian pension arena started to function as a "Skinner box", thus responding to external stimuli by designing and subsequently legislating incisive pension reforms. This is telling in two respects.

First, the *vincolo esterno* fully displays its potential when the operational conditioning mechanism is activated, and this occurs when *EU fiscal rules combine with financial markets pressures*. In other words, EU budget constraints alone are not sufficient to induce national policy-makers to retrench pensions.

[15] In fact, the Maroni-Tremonti reform was justified by making reference to EU rules and the need to reduce the Italian public debt.

Second, in spite of the similar mechanism behind reforms, remarkable differences have emerged between the two phases particularly with regard to (i) the interaction of the *vincolo esterno* with domestic political dynamics, (ii) the "grip" of national actors on the reform content and, consequently, (iii) the distributive impact of reforms especially along the temporal dimension. Between 1992 and 1997 (and more generally until 2008) the *vincolo esterno* was crucial to induce Italian governments to reform pensions, but reforms content was mostly shaped by the interests and preferences of the major political and especially social actors: this was especially true with regard to changes in eligibility conditions for both old age and seniority pensions which might affect unions' core constituencies of older workers (and pensioners). Governments' ability to craft "distributive packages" that did not provoke resistance by the unions by diluting costs in the long run actually represented a second *necessary condition* for the adoption of reforms.

By contrast, recent developments suggest that the strength of the *vincolo esterno* has greatly increased in the last phase (2009-11) and the latter might have turned into a *sufficient condition* for reform, thus substantially constraining the ability of domestic actors to steer the reform process as well as to design policy changes in accordance with their preferences.

The incisive changes of eligibility conditions legislated in 2011—same as those introduced in 2009-10—were in fact triggered by exogenous pressures and aimed to improve sustainability and reduce pension expenditure in the *short-medium term*, therefore affecting the primary interests of the unions that seem to have lost their traditional veto power in the pension arena. Also, it must be noted, the nature of the *vincolo esterno* itself has somewhat changed in recent years, both because other supranational actors such as the ECB—beside the Commission—have exerted coercive power on Italian governments for the adoption of pension reforms and, even more interestingly, they have dictated specific policy options with regard to eligibility conditions in line with the reinforced EU fiscal coordination framework and the pension recommendations included in the 2011 and 2012 Annual Growth Surveys.

INTERVIEWS

- INTERVIEW 1 — EUROPEAN ANTIPOVERTY NETWORK, FEB. 2010
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