

EU Social Policies: Challenges and Opportunities for Italy

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At the Nice European Council in December 2000, the heads of state and government of the European Union (EU) were unable to come to an agreement on extending qualified majority voting to issues dealing with social policy. A predictable outcome, almost a foregone conclusion. Indeed, the streamlining of decision-making procedures in these matters would have given the Commission considerable clout – as it is in charge of setting and scheduling the community agenda – as regards issues of legitimate concern for European citizens. Yet, it is only natural that national governments want to keep their veto. Whenever decisions have to be made concerning the size of the welfare state or the share of GDP to be allocated to social transfers and pensions, the citizens of the various EU countries manifest a clear desire to maintain the *status quo*. A recent survey by the Rodolfo Debenedetti Foundation shows that, when budget constraints are made clear (that is, when proposals are made either to increase both transfers and taxes or to reduce both), European citizens tend to want to keep things the way they are; they would prefer neither to expand nor to cut back on the welfare state.² It would have been difficult, therefore, for national governments to justify delegating responsibility for

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- 1 This is a revised and updated version of an article published in the Italian foreign policy yearbook, *L'Italia e la politica internazionale* (Bologna: il Mulino, forthcoming), a joint endeavour of the IAI and the Istituto per gli Studi di Politica Internazionale (ISPI).
 - 2 T. Boeri, A. Börsch-Supan, and G. Tabellini, "Would you like to Shrink the Welfare State? The Opinions of European Citizens", *Economic Policy*, no. 32, 2001. Similar indications emerged from a survey by Eurobarometer in the early nineties; see European Commission, "EU Citizens and Social Protection", *Eurobarometer Survey on Opinions and Attitudes of Europeans* no. 68, Brussels, 1993 (europa.eu.int/comm/dg10/epo/eb.html)

these matters to a supranational authority, especially in the small EU countries with comprehensive and generous welfare systems, such as the Nordic countries, or in Great Britain, which dedicates less resources to social expenditures than the major countries of continental Europe. Both feared – for opposite reasons – being drawn into the orbit of the French and German welfare systems.

Nevertheless, there will be a high cost to pay for not strengthening Europe's supranational authorities. It will be more difficult to pass reforms that increase the transferability of social protection benefits. It is true that provisions have been in place for years for the transfer of numerous benefits from one country to another, including so-called "first pillar" pensions, but these provisions must be further defined and extended (above all as regards supplementary pensions, unemployment benefits and social assistance). Without this kind of updating, labour mobility will remain low in the EU. It is still hard for European citizens to take advantage of one of the main benefits associated with belonging to a single, integrated economic space: the possibility of changing your job and moving somewhere else if the company you work for or the region you live in is in difficulty. Full labour mobility in the EU would be an important form of social insurance.³

Achieving this objective calls for the intervention of European supranational authorities, not only because methods for calculating pensions and forms of taxation on supplementary schemes have to be coordinated among the member states, but also because the Commission is in a better position than national governments to withstand pressure from national lobbies (such as that of insurance companies) which tenaciously oppose a stiffening of competition in the provision of supplementary pensions.

The first part of this article considers the progress made to date in coordinating social policies among EU countries and discusses the ambitious objectives established by the Lisbon summit. The second discusses the contribution made by Italy to Community action. The third assesses the advantages and disadvantages for Italy of a possible future strengthening of European supranational authority in these issues.

Seeking coordination in EU social policy

Although the nineties were essentially the Maastricht decade, characterised by monetary union and coordination of macroeconomic policies, they also witnessed a few timid steps on the part of the EU with regard to structural reforms, especially in welfare and the labour market.⁴

The most important innovations involved employment policy. The turning

3 See G. Bertola, T. Boeri and G. Nicoletti, *Welfare and Employment in a United Europe* (Cambridge, Mass.: MIT Press, 2001).

4 For a reconstruction and assessment, see M. Ferrera, A. Hemerijck and M. Rhodes, *The Future of Social Europe* (Oxford: Oxford University Press, forthcoming 2001).

point coincided with the beginning of the so-called “Luxembourg process” in 1997 and the introduction of a new chapter on employment in the Amsterdam Treaty. This chapter calls for coordination of national policies through a new strategy of “management by objectives”, and the Luxembourg process (thus called because it was launched at the extraordinary EC meeting on employment held in the Grand-duchy in November 1997) is one way of implementing this coordination. Each December, the Union institutions set employment guidelines and subsequently verify by means of an institutionalised procedure whether they have been concretely implemented by member states. The National Action Plans, to be presented to the EU by each government in spring, provide for the involvement of the social partners in the defining of objectives and instruments. In autumn, the EU assesses the achievements, selects the “best practices” (so-called “benchmarking”) and draws up country specific recommendations.

In spite of its “soft” character (that is, lacking any binding or sanctioning measures), the coordination process is taking on growing importance in the formulation of public policy at the supranational, national and sub-national levels. Although the accent is on employment, the Luxembourg process has crucial implications for other sectors of social policy as well. It is not surprising that many of the guidelines in the field of employment drawn up so far within the new institutional framework call for the reform of various aspects of national welfare systems: from the way in which benefits are financed, to the eligibility criteria, to the sanctions applied to those who seem not to cooperate with public employment services in actively seeking work.

A coordination process has also slowly started to take shape in the field of social protection as such, thanks mainly to the efforts of the Commission and the European Parliament. This process began in 1992, spurred by two recommendations on “convergence” of the objectives of social protection.⁵ It continued with the establishment of a system of periodic verification (the Reports on Social Protection in Europe) and the launching of a framework initiative on the future of social protection and its “modernisation” (a term coined in a 1997 communication⁶). The process peaked with a proposal advanced by the Commission in 1999 to undertake a “concerted strategy for modernising social protection”, modelled on the Luxembourg process.⁷

A third emerging element of European social policy (in the broad sense) is the so-called “macroeconomic dialogue” inaugurated at the Cologne summit in 1999 to favour coordination among European business and trade union

5 The first (92/441/CEE) was the Council’s recommendation of 24 June 1991, defining common criteria for sufficient resources and services in the social protection systems; the second (92/442/CEE) was the Council’s recommendation of 27 July 1992, relative to convergence of objectives and social protection policies.

6 Communication from the Commission no. 102 of 12 March 1997, “Modernising and improving social protection in the European Union”.

7 Communication from the Commission no. 347 of 14 July 1999, “A concerted strategy for modernising social protection”.

representatives, the Commission, the ministers of finance and labour, the European Central Bank and the governors of the national central banks on the subject of the interconnections between wage, monetary, budget and fiscal policies. As minimal as it may seem, this new strategy of concertation could be useful in overcoming the institutional impasses in which many attempts at “positive integration” in sectors other than those of the market and the currency have bogged down in the past. The first report on industrial relations put out by the Commission in June 2000⁸ is strongly slanted in this direction, aimed as it is at highlighting the progress made in strengthening “social dialogue” at the European level.

During 2000, the Luxembourg process, the concerted strategy for modernising social protection, and the macroeconomic dialogue were given new impetus as regards both substance and method by the Portuguese presidency (January-June), which culminated in the extraordinary Lisbon Council in March 2000. On that occasion, the heads of state and government agreed upon a very ambitious strategic objective for the next decade: the Union “should become the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion”.⁹ Three main efforts have to be undertaken to reach that objective:

- the transition to the new economy has to be accelerated, intensifying all structural reforms that can favour competitiveness and innovation through market liberalisation;
- the European social model has to be modernised, making the policies involving human capital more robust and fighting social exclusion;
- development has to be sustained through an appropriate mix of macroeconomic policies.

Above and beyond declarations of principle, the Lisbon Council set ambitious objectives for increasing the employment rate in Europe. The percentage of the working age population gainfully employed should increase from 62 percent in 1999 to 70 percent in 2010 and the rate of female employment should rise to at least 60 percent.

As for methods, the Council confirmed the importance of “open coordination” (as in the Luxembourg process) and also introduced two important innovations:

- open coordination will be extended to education and social inclusion policies. The European Council will take on the task of managing all processes begun in the fields of employment, economic reforms and social cohesion (Luxembourg, Cardiff,¹⁰ Cologne, concerted strategy, etc.). Each March, a session of

8 European Commission, *Industrial Relations in Europe*, Brussels, 2000.

9 Conclusions of the Presidency, Lisbon European Council, 23-24 March 2000.

10 The Cardiff process regards coordination of structural reforms to increase the efficiency of the internal market.

the European Council will be dedicated to the issue, as a gathering point for and link between the various processes;

- member countries will be committed to supporting the overall plan (now known as the “Lisbon strategy”), actively collaborating in the common dialogue and benchmarking. Although not explicitly stated, open coordination could in the future be taken as a kind of preparatory stage for the “enhanced cooperation” already mentioned in the Treaty of Amsterdam and now explicitly called for by the Nice Treaty: after a breaking-in period, a certain number of countries more interested and open to the idea of a federal Europe could move on from open coordination to enhanced cooperation – that is greater integration as concerns substance and decision-making instruments.

In addition to emphasising social policy during the March and June European Councils, the Portuguese presidency set up a High Level Working Party on Social Protection, composed of two high-ranking officials from social ministries per country, tasked with launching the concerted strategy for modernising the social protection systems. During the course of the year, the status of this new body was raised and formalised: it is now officially called the Social Protection Committee and will operate in parallel and conjunction with the Employment Committee created earlier for the operational management of the Luxembourg process.¹¹ In addition to improving, along with the Commission and Eurostat, the information system for social protection (data collection, analysis and assessment), the new committee should help to draft the Progress Report on the Lisbon Strategy to be presented annually at the spring session of the European Council dedicated to economic and social issues, and should provide operational guidelines for achieving the four objectives set down in the 1999 communication¹² and adopted in Lisbon: ensuring sustainable pensions, promoting social inclusion, developing an active employment policy; and improving the quality and financial stability of the health systems. The European Council in Santa Maria da Feira invited the committee to give priority to the first two objectives, in accordance with two communications on social exclusion and pensions prepared by the Commission.¹³

On the operational plane, the Broad Economic Policy Guidelines (BEPGs) were approved between April and June 2000, on the basis of the procedures set down by the Cologne process.¹⁴ In line with its social orientation, the Portuguese presidency worked to get around the traditional decision-making duopoly of the

11 See the new Article 144 of the Treaty establishing the European Community (TEC) amended in Nice.

12 Communication from the Commission, “Strategies for jobs in the information society” (COM/6193/00).

13 Communications from the Commission no. 79 of 1 March 2000, “Building an inclusive Europe” and no. 622 of 11 October 2000, “The future evolution of social protection from a long-term point of view: safe and sustainable pensions”.

14 Council report on the Broad Guidelines of the economic policies of the member states and the Community, submitted to Santa Maria da Feira, 19/20 June 2000.

Commission and Ecofin, calling for greater input from other Council bodies (mainly the Employment and Social Policy Council) and the social actors, as called for by the inclusion of the Cologne process in the broader Lisbon strategy. As it was the first round of the strategy, Portuguese efforts were not very successful and the BEPGs approved in June were focused mainly on economic and financial issues (policies for increasing stability, promoting a knowledge-based economy, sustainable development, wage moderation, reform of the labour market).

Finally, at the end of Portugal's term, the Commission proposed that a more specific programme of community action against social exclusion be set up on the basis of Article 137 of the Treaty of Amsterdam.¹⁵ The objectives of the programme are to analyse and assess social exclusion and the policies in place to combat it in the member states, promote cooperation as well as a system of benchmarking among countries, and support networks of actors involved in the fight against exclusion. The programme should be agreed upon and launched in 2001.

During the French presidency (July-December), the issues of unemployment and welfare understandably lost ground on the community agenda, giving way to institutional reforms. True, the latter also have a "social" component, which came out both during negotiation of the Union's Charter of Fundamental Rights and in the extension of majority voting (one of the proposals being to extend it to questions concerning social security, opposed above all by Great Britain).¹⁶ But the main thrust of the Intergovernmental Conference lay elsewhere, essentially in enlargement, the rebalancing of powers among countries, and enhanced cooperation. Nevertheless, there were also a few events of significance for social policy in the second half of the year.

With the publication of the Joint Employment Report in September (formally approved by the Council in December), the Luxembourg process reached its fourth round. The National Action Plans that the member states had presented in May were assessed by the Commission, which formulated 55 recommendations. The guidelines proposed for 2001 confirmed the traditional four "pillars" of European employment strategy (promoting employability, entrepreneurship, adaptability and equal opportunities) with a few important novelties: new "horizontal" guidelines on employment rates, lifelong learning and the involvement of social partners; more specific objectives relative to the pillars of adaptability and equal opportunity; new emphasis on the regional dimension of employment, the involvement of local authorities and the fight against work in the underground economy and more. The guidelines for regional development and for the fight

15 Proposal for a decision of the EP and of the Council establishing a "Programme of Community action to encourage cooperation between member states to combat social exclusion" (COM/2000/0368 – COD/2000/0157).

16 Even if the decision-making procedures were not changed, the new Article 137 of the TEC amended in Nice added two items to the list of matters in which the Community "supports and integrates" the action of the member states: the fight against social exclusion and the modernisation of social protection systems.

against underground work, in particular, were introduced upon Italian initiative, in an attempt to shift the axis of Community recommendations towards problems of greater concern to EU Mediterranean countries, given that the original guidelines were mainly tailored to the experience of the northern countries.

In November, Ecofin approved and made public a progress report on the impact of population ageing on public pension systems, drafted by an intergovernmental work group (coordinated by Vittorio Grilli of the Italian Treasury Ministry). The report is meant to contribute to lengthening the timeframe of economic policy decisions, emphasising the interests of those who will be 60 in 2050. For the first time, it produces long-term spending estimates for all EU countries, based on hypotheses that are consistent among the various countries. Up to that time, various countries had provided projections with shorter timeframes: Luxembourg up to 2020, Portugal 2025, Germany and Austria 2030, France 2040. The projections contained in this report cover the next fifty years and all EU countries, even those that have been most reluctant to produce (or at least make public) their projections for welfare spending and to update them every two to three years, taking account of unexpected variations in growth rates and the main aggregates involved in calculating the pension deficits (wages, employment rates, etc.) Furthermore, the projections are based on explicit and internally consistent hypotheses, jointly agreed upon by a working group of the EU Economic Policy Committee. For example, it is hypothesised that there will be a gradual convergence in growth of labour productivity among member states: as of 2025, the rate of growth of labour productivity will be the same throughout the European Union. This is important because small variations in future scenarios as regards the dynamics of labour productivity can generate considerable differences in spending projections. Thus, these figures make it more difficult to propose politically attractive schemes based on heroic assumptions about migratory trends, the growth of productivity or the degree of participation in the labour market.

But what aroused the greatest interest in the press in the second half of 2000 was the approval in Nice of the new five-year (2000-2005) European Social Agenda. This document lays out six main orientations for EU policy in this field: 1) fostering more and better jobs; 2) predicting and managing the changes in the work place by creating a new balance between flexibility and security; 3) fighting poverty and all forms of exclusion and discrimination; 4) modernising social protection; 5) promoting equal opportunity; 6) strengthening the social policy aspects of enlargement and the EU's external relations. For each of these major orientations, the agenda envisages a detailed range of initiatives which will involve all important actors: the Commission, the Council, the European Parliament, the national, regional and local governments, the social partners and non-governmental organisations. In order to implement the agenda, recourse will be made to all available institutional procedures: social dialogue, legislation, structural funds (in particular, the European Social Fund), community action plans, instruments for

evaluation and information – so-called “mainstreaming”¹⁷, as well as open coordination. In line with the Lisbon strategy, this latter method will be strengthened and extended: strengthened by defining increasingly sophisticated “performance indicators” that make it possible to set up scoreboards at the Commission for monitoring and evaluation; extended – for a start – to the sector of social exclusion. The new Social Protection Committee will be in charge of managing a new process together with the Commission. The first step was the presentation by each member state within June 2001 of a two-year action plan for fighting poverty and social exclusion in accordance with set objectives and indicators. This is an important – and demanding – innovation, above all for countries like Italy, traditionally not well equipped for operational (and not only declaratory) planning, monitoring and evaluation.

The Italian point of view and Italian initiatives

As in other sectors, Italian action in the EU arenas in the field of social policy during the year 2000 was characterised by little attention for the issues on the agenda and marked problems in coordination – both horizontal (among ministers, between the government and parliament) and vertical (between the permanent representatives in Brussels and the central government, between the latter and the sub-national governments). The result was limited external impact on supranational policy-making. The most emblematic indicator of the lack of coordination may well be the following: the Department of Social Affairs of the Prime Minister’s Office, led by the Minister for Social Solidarity Livia Turco, was only brought into the decision-making process in the last months of the year. During the Portuguese presidency, which shaped, as previously stated, the EU agenda for social issues not only for the year 2000, but for the next five years, coordination and representation of Italian interests was monopolised by the Ministry of Labour.

The absence of coordination was even more serious if one thinks that in 2000 the Italian government was involved in at least two efforts of great importance for the community agenda: experimentation of the Minimum Insertion Income (*Reddito minimo di inserimento* - RMI) and approval of the framework law for the reform of social assistance. The latter set up a solid and promising institutional framework for the reshaping of many social benefits and services, thereby creating virtuous circles between assistance, the family and the labour market. But in order to become operational, the framework law calls for a long list of implementational rules (about 15 are the responsibility of the government and a dozen or so of regional authorities). The reform also calls for the establishment of information and planning systems that will be essential if Italy is to participate effectively in the new process of open coordination as regards the fight against social exclusion. It

¹⁷ This term refers to the preventive evaluation of Community initiatives to assess their conformity with respect to certain set objectives, such as gender equality.

remains to be seen whether Italian institutions will be able to fill the gaps between the national and the supranational levels as regards both organisation and substance.

Minimum Insertion Income (RMI) and the framework law (*legge quadro*) for social assistance reform are two largely incomplete reform fields. In response to Community urgings, some progress was made in monitoring the labour market. Two monitoring reports, drafted in June and December 2000 by the working group for monitoring the interventions on employment and labour policy set up by the Ministry of Labour, offered quantitative support for the National Employment Plan sent to Brussels in May 2000.¹⁸ Yet, the Ministry's planning capabilities still seem weak and the fragmentation of community directives tends to be reflected in the dispersion of initiative proposals. As the Commission's Joint Employment Report 2000 points out,¹⁹ Italian plans continue to be evasive about the structure that should implement active labour market policies, the reform of the employment office and the establishment of a public employment service of the kind that exists in other OECD countries. According to the Commission, this keeps Italy from adopting a preventive approach to employment problems. The Joint Report also laments Italy's delay in reforming social buffers.

The Italian government's most significant contribution to community action as regards social policy may well have been the coordination of medium-term projections on pension spending in the EU countries, mentioned previously, carried out by the working group of the EU Economic Policy Committee, coordinated by Italian Treasury Ministry official Vittorio Grilli. It goes without saying that this contribution was mainly technical.

Italy's scarce interest in the EU agenda for social issues may be due to the traditional weaknesses of the Italian political system, which make it difficult to work out medium- to long-term strategies. The electoral system continues to reward small parties which represent specific interests – not always reconcilable with those of the broader public – and the segmentation within political groupings makes it more difficult to define medium- to long-term strategies for essentially redistributive policies such as the ones discussed in this article.

Unsettled issues

In this context, numerous fundamental problems of the Italian social protection system remain unsolved.²⁰ The Italian system still has great difficulty in fulfilling the three main objectives of any social protection system: 1) reducing extreme

18 Italian Ministry of Labour and Social Protection, *Rapporto di monitoraggio sulle politiche occupazionali e del lavoro*, nos. 1 and 2, Rome, 2000.

19 European Commission, *Joint Employment Report 2000*, Brussels, 2000.

20 See T. Boeri, *Uno stato asociale* (Bari: Laterza, 2000).

poverty and social exclusion; 2) providing insurance coverage which market mechanisms cannot offer against possible events that provoke a vertical drop in income; 3) increasing the benefits deriving from participation in the labour market. The latter has become increasingly important, given demographic trends: the only way to avoid a decrease in the number of working people in an ageing world is to increase participation.

As concerns the first objective, the reduction of extreme poverty, Italy is the EU country with the lowest transfers to the poorest 20 percent of the population. As a consequence, extreme poverty is more extreme than elsewhere, the poorest 30 percent of the population receives just over 10 percent of social transfers as compared to the 30 percent EU average. In the Netherlands, Denmark and Sweden, social spending leads to an approximate 80 percent reduction in the incidence of poverty, in the sense that 80 citizens out of 100 with an income 50 percent less than average income (those conventionally called "poor" with respect to the rest of the population) are brought back above this threshold by public intervention. In Italy, only 50 percent of the poor are taken out of poverty. As a consequence, the poor in Italy are relatively worse off than elsewhere: the poorest 30 percent of the population receives 12 percent of disposable income as compared to an EU average of 16 percent. It is true that some measures taken in the last two years (from the RMI to cash benefits for families with three or more children under 18 years of age) are aimed at addressing this situation, but these steps are still timid and insufficient.²¹

With respect to the second objective, reducing inequality in the broad sense (between individuals, within and across generations, during an individual's working life), various studies have assessed the degree of targeting of social spending, that is to say, the share of transfers allocated to citizens in the lowest income brackets. The calculations are rather complex because redistribution does not take place only through gross social spending, but also through taxation of social transfers and tax deductions. All known research studies agree, however, that the targeting of Italian social spending is very low. For every million lire spent on social policies, little more than 250,000 lire reach the citizens with incomes below 50 percent of the average. This can be explained to some extent by the fact that public pensions account for a much greater share of social spending than in other OECD countries, where pension expenditure is typically less redistributive in its aims than other components of the welfare state. But the low redistributive capacity of social spending is not only the result of the make-up of Italy's social spending, it also depends on the configuration of the single programmes. Suffice it to think that 30 percent of unemployment benefits in Italy are

21 For some initial assessments and considerations, see the *Rapporto annuale sulle politiche contro la povertà e l'esclusione sociale* produced by the Commissione di indagine sull'esclusione sociale, Rome, 2000. For a reconstruction and evaluation of Italian reforms in the nineties, under the European conditioning, see M. Ferrera and E. Gualmini, *Salvati dall'Europa?* (Bologna: il Mulino, 1999).

paid out to persons with an income one third higher than average, as opposed to an average of less than 20 in the rest of the EU. At the same time, Italian pensions have less of a redistributive capacity than in other European countries. Italy is the EU country which spends the most for pensions as a proportion of national income; yet, the pensions reduce income inequality among people over 55 years of age much less than elsewhere.²² The Gini index (a measure of income concentration which increases as inequality in income distribution increases) calculated for over 64-year-olds, drops much less in Italy than in other EU countries when the pension is calculated as part of disposable income. For years, Italian public pensions had perverse redistributive effects, rewarding civil servants and those with higher wages in the last years of their working career, rather than individuals who had had lower incomes throughout their working lives.

As for the third objective, to stimulate participation, for years in Italy those who continued to work after 55 had, *de facto*, to pay a tax of 70-80 percent of their net work income! This figure is obtained by comparing the variations in the individual's pension wealth if he or she works one year more with the income obtainable by continuing to work, after taxes and social contributions. No other European country has so strongly discouraged people from working after the age of 54. It is no wonder, then, that Italy is the OECD country with the lowest rate of participation in the work force. Only 57 percent of people between the ages of 15 and 64 have a job or are looking for one: 43 working age Italians out of a 100 (compared to little more than 30 in the European Union and 22 in the United States) not only do not work, but are not actively looking for a job.

Conclusions

Achieving the ambitious objective of increasing the employment rate set down during the Lisbon summit (and further reiterated at the Stockholm summit in March 2001) calls for substantial further reform of the Italian welfare system. The system should be fairer, able to protect many from the risk of unemployment rather than accompany a few out of the work force, and able to provide greater incentives to participation, above all on the part of workers close to retirement age. These are crucial matters that cannot be put off any longer. The year 2001 is the year set for a verification of the state of implementation and progress in the Dini reform; this should be considered an opportunity to relaunch reform.

Can the European Union help to deal with the problem? As mentioned in the beginning, the European supranational authorities cannot replace national governments in this field. Excessive protagonism could be counterproductive in that supranational authorities would in any case not be able to take account of national specificities and reform trajectories which cannot but differ from country to country.

²² See Boeri, *Uno stato asociale*.

Nevertheless, Europe can be of help in improving the efficiency, effectiveness and equity of the welfare systems of its member countries. And it can do so in essentially three ways. First, by favouring the exchange of ideas and encouraging coordination among the social policies of the member states. To some extent, this is already happening; but instead of tiring member countries with long lists of recommendations that grow with every round (as with the guidelines for compiling the National Employment Plans), the EU should insist more on monitoring, assessment and benchmarking, thereby stimulating better management of public resources in the various countries, starting with reform of the administrations called upon to implement the actions planned by the national government. Promotion of greater effectiveness and efficiency of social protection systems against the backgrounds of ageing populations was officially indicated as a priority on the European agenda by the Stockholm European Council in March 2001 dedicated to economic and social issues.

Secondly, the EU could provide incentives for the gradual introduction of a real pan-European system of assistance of last resort, a safety net aimed at preventing forms of extreme poverty, a minimum income for European citizens that brings the systems that exist in almost all EU countries closer together. Europe can also press governments to decentralise the management of transfers above this minimum income, relying more on the so-called third sector at local level and favouring controls on the willingness to work of those receiving unemployment benefits through closer links between contributors and spending centres.

Finally, it can demand greater transparency in financing the welfare state. Many – too many – European citizens do not know how much it costs and, if we are to go by surveys, overestimate the transfers they can reasonably expect from the pension system in the years to come. Hence the usefulness of coordinated forecasting on pension spending at the European level. The Community should present itself to European citizens as a guarantee of the improved functioning of their welfare systems, rewarding those that prove capable of more effective management of social spending. The European Commission has planned to put forward concrete proposals (by means of a communication scheduled for September 2001) on cooperation at European level as regards pensions: it can only be hoped that member states – and above all Italy – will seriously support this initiative.