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### The path-dependent nature of urban governance: Emerging modes in Finland and Italy

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THE PATH-DEPENDENT NATURE  
OF URBAN GOVERNANCE: EMERGING MODES  
IN FINLAND AND ITALY<sup>1</sup>

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ABSTRACT

*The socio-economic changes and the territorial reorganisation they imply (new productive districts, new emerging regional economies, etc) together with the processes of political and administrative reform bring about a deeper process of rescaling strongly affecting European urban societies since the end of the 70s. Among the main consequences we find the processes of welfare state reform towards new forms of local welfare arrangements characterised by the rhetoric of activation policies. Cities are now increasingly the main actor in the design of new welfare policies within the broader context of the reconfiguration of urban governance.*

*The aim of the paper is to investigate the modes of urban governance emerging from the reform process common to most EU countries. My hypothesis is that there is a relationship between urban governance modes and welfare regimes. The analysis of urban welfare modes of governance in two EU capitals, Helsinki and Rome bring to light the role of local institutional milieus in shaping modes of governance. Although there are common challenges and a common response toward an increasing neo-liberal role of activation policies, local institutional milieus have played a crucial role in defining a path-dependant process of reform. In social democratic welfare regimes a managerial mode of governance has emerged, stressing the central role of the State. In the familistic welfare regime, the consolidated role of third sector organizations and the non-structured and fragmented position of local public authorities in welfare policies has shaped a mode of clientelistic and corporatist governance.*

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## INTRODUCTION

Socio-economic changes and the territorial reorganisation they have implied (new productive districts and new emerging regional economies), together with the processes of political and administrative reform, have brought about an in depth process of *rescaling* (Swyngedouw, 1989) strongly affecting European urban societies since the end of the 70s.<sup>2</sup> The processes of welfare state reform towards new forms of local welfare arrangements, supported by the rhetoric of the subsidiary principle, are among the main consequences. Cities have become strategically crucial geographical arenas in which a variety of neo-liberal initiatives<sup>3</sup> –along with closely interwoven strategies of crisis displacement and crisis management– have been articulated (Brenner, Theodore, 2002); nonetheless, the city has become the space in which multiple processes of social exclusion are taking place, threatening the urban social fabric and challenging urban social cohesion.<sup>4</sup>

The crisis of the national managerial welfare state model opened the way to a new form of welfare involving new actors such as private bodies, Ngo institutions and the so called Third Sector.<sup>5</sup> New forms of welfare have emerged during the last decade and the title of *welfare mix* describes the role of new actors appropriately (Ascoli, 2002). Moreover, it is the way in which institutional actors and new actors interact with each other that defines new modes of urban governance. Urban societies have been strongly affected by this transformation and metamorphosis in local welfare policies, representing a privileged area of analysis in order to investigate local answers to common European challenges.

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2. Jessop outlines that in the last three decades western societies have been characterised by the transformation trend from the Keynesian Welfare National State (or “KWNS”) towards the Schumpeterian Workfare Postnational Regime (“SWPR”) (Jessop, 2002).

3. The process of market driven social spatial changes has been defined as Neoliberalism (Brenner, 2004a; Brenner, 2004b; Brenner and Theodore, 2002).

4. The revised European Strategy for Social Cohesion defines the latter as follows: the capacity of a society to ensure the welfare of all its members, minimising disparities and avoiding polarisation. A cohesive society is a mutually supportive community of free individuals pursuing these common goals by democratic means (EU, 2004). However, “social cohesion” remains a controversial concept (Maloutas, Pantelidou, 2004).

5. Third sector is the sector of economy in which services or activities, recognised as public –in the sense that the State is seen as ultimately responsible for their provision– are nevertheless not provided by the State itself but by institutions which are intermediaries between the market and the State. These institutions are too independent of the State to be regarded as part of the State, but are too closely and distinctively associated with the goals, activities, and responsibilities of the State to be thought of as simply part of the private sector (Freedland, 1998: 3).

In our analysis the focus is on *activation policies*<sup>6</sup> because we consider these policies as emblematic welfare policies of the post-Fordist society. In the labour market, strongly affected by the globalisation process and the decrease in the employment rate, the visible hand of the welfare state has been accused of disturbing market dynamics. Therefore the workfare approach and activation measures have been introduced in order to avoid dependence and passive attitudes towards jobs among claimants, subordinating social to economical policy (Jessop, 1994). Despite the absence of sociological research claiming the evidence that social assistance *per se* creates dependence (Saraceno, 2002: 235-258), the myth of welfare dependence is strongly rooted and is still present. Activation policies represent the symbolic and emblematic answer to this belief.

In the EU context activation became a fashionable concept despite its vagueness and weakness (Crespo Suarez, Serrano Pascual, 2005: 19-44). Research on activation policies in EU countries brought to the light the ambivalence and ambiguity of these policies (Hanesch et al., 2001). Despite similar tools (subsidized jobs, training, requalification) EU welfare regimes differ in relation to conditionality, compulsion, generosity and the local fragmentation that these policies generate (Kazepov, 2004). The stronger accent on compulsory activation and conditionality is to be found in liberal regimes, even though all other regimes also introduced it. The social-democratic regimes foster more empowering policies, while the conservative (corporative) regimes balance obligation and empowerment. The familistic regime is the most problematic because, despite the path breaking reforms of the second half of the 1990s introducing rmi-like [minimum insertion income] schemes, the implementation in most cases still reproduces previous arrangements. The latter is also the one in which spatial differentiation is the highest in Europe (Mingione et al., 2002). Since the 1990s the activation approach has characterised welfare policies, and cities are now increasingly the main protagonist in designing these policies within the broader context of the reconfiguration of urban governance.

The aim of the paper is to investigate how European cities face the challenges to social cohesion by shaping different modes of urban

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6. Activation policies refer to an increased and explicit dynamic linkage introduced in public policy between social, welfare, employment and labour market programmes, which implies critical redesigning of previous income support, assistance and social protection policies in terms of efficiency and equity, as well as enhancing the various social functions of paid work and labour force participation (Barbier, 2001).

governance into activation policies. It is divided into three parts. The first defines the theoretical framework of urban governance according to Di Gaetano's and Strom's (2003) approach. The second part analyses the challenges of the welfare state within two opposite welfare regimes, in Finland and in Italy, discussing their main welfare reforms and focusing on the implementation of activation policies in the two different urban welfare governances in Helsinki and in Rome. The third part discusses the emerging modes of urban governance in a comparative perspective.

In the conclusion, the comparison of the new modes of urban governance in such opposite welfare regimes emphasises common and different features and stimulates the investigation of the path-dependent aspects in modes of governance.

## 1. URBAN GOVERNANCE: THE THEORETICAL FRAMEWORK

The starting point of our research is the definition of governance as "the reflexive self-organization of independent actors involved in complex relations of reciprocal interdependence, with such self-organization being based on continuing dialogue and resources-sharing to develop mutually beneficial joint projects and to manage the contradictions and dilemmas inevitably involved in such situations" (Jessop, 2004).

In the last decade, governance has acquired positive connotations such as "middle way", "consultation", "negotiation", "subsidiarity", "reflexivity", "dialogue", in contrast to the anarchy of the market or the state's "iron fist" (Jessop, 2004). However, governance is not an easy alternative and we argue that its building process is strictly linked to the institutional milieus in which urban social policies are embedded. The challenges in the formation of the new governance process are challenges that urban society has to face in order to foster social cohesion.

Urban governance provides an illuminating window through which to analyse the contemporary rescaling of new welfare state policies. Urban dimension through its governance models has become the protagonist of designing and implementing welfare policies in the context of the increasing risk of social exclusion. Change in society, in fact, brought about a decreasing capacity of the state to steer and control, blurring the boundaries between and within the public and the private sectors. The term *governance*, therefore, mainly refers to a cooperative form of control of collective actors; a new way of interaction between state and society, between public and private actors, which implies a redefinition of the relationship between actors in the urban arena. Moreover, the new role of the state in post Fordist society has

been one of the main interests in investigating the different modes of governance emerging in European cities.

In EU countries, the rescaling process of state authority has been characterised by a change in regulative dynamics: from hierarchic to cooperative and network regulation. Within this context, the local government has been in charge of guaranteeing democratic legitimacy and the rules upon which interaction has been processed. So, performing governance by networks has represented a great challenge for local government. Cities became a privileged site of aggregation and representation of interests and the crucial issue has been “bringing them together to organize a mode of city governance” (Le Gales, 2004).

It is *through* and *within* the relationship among urban actors that welfare urban policies have been defined in the last decade; moreover, as networks are less stable institutions than formal ones, it is necessary to focus on the process of their interaction. Since there is not just one form of governance but many, it is interesting to investigate how different modes of governance have shaped different welfare policies, within different welfare regimes.

Based on DiGaetano’s and Strom’s (2003) analysis, the process of urban governance requires three different levels of analysis concerning the structural aspects, the cultural factors, and the role of political actors. Political institutions represent the logical analytical focal point of analysis, being the formal institutional arrangement that includes governmental bodies and agencies, political parties, interest group organizations and partnerships among these subjects. Moreover, these political organizations should not be considered as isolated elements because they are embedded in the *institutional milieus*, that we defined as the political domain in which the structural context of economic and state structuring and restructuring, political culture, and political actors intersect in the process of urban governance (ibidem 363). Political systems are not just the sum of their formal institutional structures. Political institutions in each city are linked together by informal arrangements called *modes of governance*. In order to analyse the different modes of governance in an urban context we are going to investigate the following aspects:

1. Governing relations which we define as the modes of interaction between government officials and private sector interests (economic or from the community).
2. Governing logic: as the method by which political decisions are made
3. Key decision makers: with regard to the role of politicians, bureaucrats, agents of various civic interests.
4. Political objectives: concerning their material or symbolic aspects (ibidem).

The different role played by the actors involved as well as the different governing relations and logic contribute to defining different political objectives and in so doing they outline different modes of governance. According to DiGaetano and Strom (2003) the modes of governance can be classified into five ideal typical cases for which some empirical evidence has already been produced in recent years (Geddes and Le Galès, 2001; Jessop, 2002; Kazepov, 2004).

The *clientelistic* model is characterised by particularistic and personalized relationships between politicians and clients or other favoured interest groups, engaged in pragmatic exchange in order to reach selective benefits. In this model the pursuit of common objectives of public interest is overshadowed by the pursuit of individual and private interests, which are reached via the material exchange of goods. The democratically elected political actors actively participate in negotiations for the preservation of political power allowing the granting of favours to particular interest groups, in exchange for political support.

In the *corporatist* model, the different public and private actors sit, with equal contractual capacities, at the same representatively democratic table, for the consensual construction of shared political objectives. In this model the public and private actors are involved in the activity of bargaining and negotiation for the attainment of compromises that are the fruit of the democratic model of local participation. The pursuit of such objectives is, however, realized through the definition of exclusivist coalitions. The presence of dominant private subjects gives rise to the risk, therefore, of leaving insufficient space in the representative arena for the weaker subjects (for example, voluntary associations) pursuing particular objectives.

The *managerial* model introduces the regulative principles of the market in the management of public interests. The competition between suppliers of services, and the increase in the choice of services for the consumer, represent the driving themes of the “New Public Management” that characterizes this model of governance. The relationships between democratically elected political actors, and the private interests of the suppliers of services, are distinguished by formality and the bureaucratic contractual dimension. However, the self-regulatory capacity of supply and demand of services gives rise to the risk of relegating the politically representative actors to a marginal role, making it difficult to attain an equilibrium between private and public interests.

The *pluralistic* model distinguishes itself by the high degree of competition between the various interest groups in the field. In this model, the government assumes the role of mediator between private opposing parties in the competitive arena. Because of the high levels of tension among the opposing

political factions, particular emphasis is given to the management of conflicts. Volition and the ability to bargain become fundamental aspects in the local political culture. The key actors are represented, therefore, by the ensemble of politicians and their respective private interest groups, who form competitive blocks and alliances for the definition of politics.

The *populist*<sup>7</sup> model is characterized by the mobilization of popular support in the definition and implementation of politics. The logic that drives government is inclusively democratic, encouraging individuals and groups to extend their participation in the processes of government. The key actors are politicians, chosen democratically, and community activists who seek to institutionalize the mechanisms in order to widen popular political control. The political orientation is mainly symbolic, now that it pursues the purpose of spreading the process itself of participation, paying great attention to the procedures and democratic practices.

Most authors agree that different institutional milieus, with their structural contexts and political cultures, seem to provide environments that are more receptive to some modes of governance than others (DiGaetano and Strom, 2003). This depends on the fact that urban governance is related to the role of local governments (Pierre, 1999: 375), which implies different institutional settings –also defined at the national level– and underlying values, norms, beliefs and practices.

Similar policies embedded in different institutional contexts produce, therefore, different impacts according to the stage of the local governance process-building and to the local modes of governance. Moreover, the forms of governance seem to be in keeping with the existing institutional settings.

## 2. URBAN GOVERNANCE CHALLENGES IN DIFFERENT EU WELFARE REGIMES: FINLAND AND ITALY<sup>8</sup>

This part of the paper shortly presents the main elements of the two different welfare regimes, in Finland and in Italy; then it discusses the main

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7. In DiGaetano and Strom's (2003) typology of modes of governance the "populist" is the more controversial. According to the description presented by the authors it would be preferable to substitute the term populist with "participatory".

8. The paper focuses on Italy and Finland. However the presented research is part of a broader research project that intends to investigate urban governance challenges in activation policies in other EU countries as well. The field research in Finland was carried out within the RTN fellowship project, while the Italian case was part of a broader research founded by the Italian Minister of Research on the transformation of Italian society.



welfare reforms, focusing on the implementation of activation policies in the two diverse urban welfare governances in Helsinki and in Rome.

Finland, or, as the native call it in Finnish, *Suomi*, is a country of lakes and islands and the same words suitably describe its capital, Helsinki; on the contrary Rome is the city of the seven hills, upon which Ancient Rome built the capital of its empire. Lakes and hills: do they have any influence on welfare policies? Despite some old fashion sociological theories (Montesquieu, 1748) stressing the relationship between place, climate and society, we focused on such opposite urban contexts in order to investigate the relationship between urban governance modes and welfare regimes.

From the point of view of welfare policies, Finland and Italy present similar key indicators concerning expenses for social protection as a percentage of their GDP. Both countries spent 25,2% of their GDP in social services in 2000,<sup>9</sup> two percentage points below the EU average of 27,3%. However, Italy has spent more than 63% of its social protection expenses for pensions, while Finland only 35%. Looking at labour market policies, Finland spent almost 3% of its GDP for activation policies in 2000, while Italy just 1%. Moreover, in Finland the gap between rich and poor is much less significant than in Italy: using the Gini index, Finland is third, in the EU, after Denmark and Sweden, while Italy is at the bottom of the list where the gap is considerably wider. In terms of low income households –60% of the median of national income– the percentage of people at risk of poverty before social transfers is the same in Finland and Italy (21%), but it is sharply different after social transfers: 11% in Finland and 18% in Italy.<sup>10</sup> In terms of gender the two countries present similar rates of employment for women: 71% in Finland and 68,5% in Italy. However, in Finland 37% of parliament seats are occupied by women, while in Italy only 11%. These indicators frame two welfare systems that are representative of two different welfare regimes.

According to well established welfare state typologies, the Finnish welfare state is a good example of the social democratic regime-type (Esping Andersen, 1990), while the Italian welfare regime corresponds to the Southern European regime (Flora, 1986; Ferrera, 1996 and 2000; Saraceno, 2002).

In the social democratic regime, all citizens are entitled to a wide range of universal and decommodifying benefits and services, and high employment

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9. Data from Commissione Europea (2003).

10. Data concerning Italy are aggregate data at the national level that do not take into account north-south differences within Italy.

levels are necessary in order to finance the extensive welfare commitments. Benefits and services are decommodifying because they are granted as a right and free people from the necessity to participate in the labour market by offering high levels of compensation in relation to market earnings (Esping Andersen, 1990: 21-22). The aim of these extensive and generous social policies is to create a solid basis of support for the welfare state among all income groups and to achieve a high degree of equality of both incomes and opportunities (ibid.: 27). The welfare is “encompassing” (Esping-Andersen and Korpi, 1987: 42-43) because of its comprehensiveness: a large number, most of human needs for social security are covered by the state.

On the contrary, the Italian Southern European regime (Flora, 1986; Ferrera 1996 and 2000; Saraceno, 2002) is characterised by the following features:

- a) *strong relationship between labour market participation and social protection*: provisions –except health– depend on the claimants’ labour market position or on the categories they belong to (e.g. lone mothers, blue collar workers in big or medium-sized companies, elderly)
- b) *strong subsidiarity*: the family plays a major role in cultural (Church), economic (family businesses) and participatory terms; women have comparatively low activity rates and heavy care responsibilities in a still strong gender division of labour.

These characteristics brought several authors to classify Italy within a South European model of welfare (Leibfried, 1992; Mingione, 1996) and not within the conservative model as Esping-Andersen (1990, 1999). Their main argument is that, despite evident similarities with countries where welfare provisions are dependent on contributory records, the characteristics just mentioned above refer to a different regulatory principle: the family and reciprocity networks as a crucial and strategic actor.

### **2.1. The challenges to social cohesion in Finland: the welfare reform process and the emergence of activation policies**

In Finland, the Nordic principle of universalism has been evident since the first experiences of family policies. In 1948 a law was passed on child allowances and a year later on maternity benefits; according to these laws every child under 17 years was entitled to child allowances and every woman giving birth was entitled to maternity benefits.

In the late 1980s the Finnish welfare state was very close to the institutional, social democratic or encompassing welfare state model as defined by Korpi and Esping-Andersen and climbed to the welfare state level

already reached in Sweden and Denmark. Since the beginning of the 1960's, social policy had been systematically improved, supported by economic progress. In the period from the early 1950s to the end of the 1980s the annual growth of gross domestic product averaged well over 3 percent. However, at the beginning of the 1990s, the Finnish welfare state was harshly tested.

In the 1990s Finland had to cope with exceptionally deep recessions as well as with the pressures brought about by closer integration into global financial markets. Moreover the USSR crisis significantly affected the Finnish economy, bringing about the collapse of 1/5 of its trade. The 1990s recession in Finland was the most serious in the history of the OECD. Finnish GDP slumped by more than seven percent in 1991, and economic growth was zero or negative for four years between 1990 and 1993 (OECD, 1997). The unemployment rate plummeted by nearly 15 percentage points between 1989 and 1994, reaching 17-18 per cent in the mid-1990s (*ibid*). Given the high levels of unemployment and the deep economic crisis, the welfare state appeared in a condition of high vulnerability. Moreover, Finland, in the early 1990s became part of the EU and EMU (Economic and Monetary Union) and this imposed additional pressure on social spending. However, despite the deep recession, Finland increased its public spending.

Subsistence for unemployed is mainly ensured through an unemployment allowance (basic or earnings-related), labour market subsidy and unemployment pension. Basic unemployment allowance and labour market subsidy are administered by the Social Insurance Institution (Kela), while the earnings-related allowance is administered by unemployment funds.

The basic unemployment allowances cover all people, aged between 17 and 64 years, residents in Finland, who are registered as full-time job seekers at the local employment office, meeting the employment criteria. After waiting seven days, the basic unemployment allowance is paid for five working days weekly for a maximum of 500 days, and amounted to no more than € 495 monthly in 2003. Unemployed people over 59 are entitled to the basic unemployment allowances until the age of 60, when they are eligible for an unemployment pension. The basic unemployment allowance is a means-tested<sup>11</sup> measure. Moreover a child supplement of € 94-178 (in 2003) per month may be added to the basic unemployment allowance.

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11. Means-testing implies that the total income of the applicant (and spouse) over a certain sum is taken into account in deciding the benefit requirement.

Earnings-related unemployment allowance is granted to unemployment fund members, meeting the criteria of fund membership and according to time spent in employment. It includes the basic component, equal to the basic unemployment allowance, and the earnings-related component; its size depends on the claimant's previous earnings.

The labour market subsidy is given to unemployed people, aged 17-68, who have already received basic unemployment allowance or earnings-related allowance for the maximum of 500 days, or people who are not entitled to unemployment allowance. Claimants have to be registered as full-time job seekers at the local employment office, being available in the labour market. The subsidy is of the same amount as the basic unemployment allowance, and is unlikely to be means-tested. The aim of the labour market subsidy is to improve the claimant's prospects of returning to the labour market through employment policy measures.

Reforms of recent years have modified the size and duration of the unemployment allowance and the details of employment conditions. Eligibility criteria for unemployment allowance and social assistance have been tightened to encourage people to seek employment. However, this policy ends up in increasing poverty among the unemployed (Keskitalo, Mannila, 2004: 106). The most vulnerable group are young people because they are not eligible for labour market support. They are strongly encouraged to attend training courses or to accept the offered job.

Unemployment benefits and labour market subsidies are managed by a national institute, while social assistance is in the charge of local municipalities. Moreover, social assistance is meant as a temporary aid in the absence of income or along with other support. Almost half of those on social assistance also receive labour market support or the basic daily allowance (Heikkila, Keskitalo, 2002). The Social Assistant Act (1412/97) claims that social assistance is the last financial support resort which aims at promoting the recipient's independent action, without any strict obligation to work.

In Finland *activation of the unemployed* has been part of welfare policies since the '80s. Public employment services have been in charge of "activating" the unemployed, offering opportunities to improve qualifications and become re-qualified into secure employment through subsidised work. Activation employment policies have been characterised by different services such as employment policy adult education, work experiences, hands-on training or rehabilitative measures organised by unemployment offices, apprenticeship training or training for the long-term unemployed. Moreover, activation has been implicitly part of social

assistance services. Day care for all children below school age has been a good example, stressing the importance of promoting labour participation of single parents and women.

During the 1980s, activation measures were explicitly present within social assistance services addressed only to immigrants. In order to promote immigrant integration into society, immigrants were required to taking part in drawing up an activation plan for themselves within five months of receiving social assistance. In case of refusing to follow the plan, it was possible to reduce the social assistance by 20%. However, because of its geographical position and its policies, Finland does not have a large immigrant community: in 2003 immigrants were 0,34% of the population (Statistics Finland, 2004).

Because of the very low unemployment rate, there was not any specific need for activation up to the 1900s, when “activation came into fashion because of the economic recession” (Valimaki, 2004). The unemployment rate increased from 3% to 19% and the number of people receiving social assistance doubled, from 6% in 1990 to 12% in 1996. The explicit references to activation appeared in the policy agenda of the first Lipponen government (1995-1999) and were reinforced during the second Lipponen government.

In 1996, people in condition of need that were refusing job offers or activation measures had their benefits cut by 20%. In 1998, activation measures were introduced into unemployment office service. Unemployment offices were charged with drawing up a job-search plan for each of their clients, and following the implementation of the plan, meeting them periodically. The reduction of the support for two or three months represented the sanction in case of unjustifiable refusal to work or to attend the planned training programmes. Sanctions were introduced in the 1998 Social Assistance Act, according to which benefits might be reduced up to 40% in case of refusing work or training options, requiring cooperation between social services and the employment office. In any case, reductions had to be temporary and could not last more than two months. Tailor-made plans have to accompany reductions in benefits. Moreover the Social Assistant Act of 1997 claims that activation plans for social welfare clients should be drawn up jointly with the social welfare and employment authorities. However, implementation of tailor-made plans have been problematic because of the contrasting attitudes of the employment and social welfare services. Recent research stresses the contrasting behaviour of the two authorities. On one hand, the social welfare officer aims at helping people to maintain and recover control over their lives and, on the other, labour authority services aim at employing people in a condition of need in the open market (Heikkila, Keskitalo, 2002).

Activation measures, traditionally part of labour administration, were introduced in social assistance policies in 1996 and became a crucial aspect in social policies in the 2001 Act on Rehabilitative Work Experience. The main feature in the Act lies in the ‘activation plan’ that has to be defined by people in condition of need together with the labour or social affairs authorities. The aim of the Act is to end unemployment by activation and rehabilitative measures with the help of improved cooperation between labour and social affairs authorities (Keskitalo, Mannila, 2004).

The proposal of the broad-based ministerial committee led by Kari Valimaki<sup>12</sup> was the basis for the Act on Rehabilitative Work Experience of 2001. One of its main points of discussion regarded cooperation between labour and social affairs administrations. In order to tackle long-term unemployment, the Valimaki working group presented a programme based on “rehabilitative work” addressed to clients whose labour market status is most problematic.

After 1994, the unemployment rate has decreased significantly (it was about 9%, in 2003). However, it is evident that the long term unemployed and young people have become the most vulnerable group risking social exclusion.

The other important input to activation policies in Finland was provided by the Vaarala Working Group that stressed the necessity to reorganize the division of responsibilities between social welfare and employment administrations. In 2002, 18 joint services pilot projects were launched in the largest Finnish cities in order to promote integration among labour administration, social affairs administration and Social Insurance Institutions. After some years of experimenting joint services between social and employment services, activation policies in Finland are now characterised by the organization of a new service called Palke. Palke is the “centre for rehabilitative work” for people with a long-term unemployment history, young people, or people with drugs or mental health problems.

According to the 1999 Constitution, “Finland is divided into municipalities, the administration of which shall be based on self-government by their inhabitants”. Finland is a unitary state without a federal arrangement as well as without self-governing regional units between the central and the local level,<sup>13</sup> as there are in Italy.

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12. Kari Valimaki was interviewed by the author in August 2004.

13. However, the financial department of the Ministry of Health and Social Affairs is now working on the project to introduce social service regions in relation to the 20 health districts already present on the territory.

The responsibility for organizing social services lies with the municipalities. The central government tries to respect the autonomy of the municipalities and the law does not regulate in detail the scope, content, or method of organizing the services. Local authorities have the right to levy taxes. Moreover they receive an annual share of the revenues from corporate taxes. Local autonomy is, therefore, very high and difficulties in implementing national framework law derive from the lack of local skills and not really from budget limitations (Valimaki, 2004).

Implementation of the “Rehabilitative Act” (2001), therefore, has been very different among municipalities. Hameenlinna, for example is one of the best examples of local administration in the whole of Finland, and it has been mainly due to the presence of “committed people in the administration office” (Valimaki, 2004).

Helsinki<sup>14</sup> covers 16% of all jobs in Finland and even though unemployment is falling, it is still a problem since the unemployment rate was 9,6% in 2003 ([http://www.hel2.fi/tietokeskus/julkaisut/pdf/06\\_05\\_22\\_askelo\\_vj21.pdf](http://www.hel2.fi/tietokeskus/julkaisut/pdf/06_05_22_askelo_vj21.pdf)). The unemployment rate in Finland was 8,7% in June 2005.

Efficient housing policies in the recent decades have avoided the generation of highly problematic areas in Helsinki (Haila, Le Gales, 2002). The city is, in fact, quite homogenous in terms of people at risk of social exclusion.

Regarding activation policies, there have been many small local projects in Helsinki aimed at “activating people” in condition of need. The organization of the Palke service, however, represents the main example of the implementation of activation policies in the city. On the basis of the “Rehabilitative Act”, Palke has been instituted in Helsinki in 2004.<sup>15</sup> Sari Toivianen, the manager of Palke, introduced the services stressing that “we are not an organization, we are a network, a multiple organization”. In the same building, 100 officers were going to meet 4000 clients in 2005 in order “to find a good solution for each of them: job or long term education

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14. The coastal capital of Finland has 540,000 inhabitants and is the centre of national government and administration. Helsinki and eleven neighbouring municipalities form the Helsinki Region, which is one of the fastest growing conurbations in Europe. The vitality of Helsinki Region accounts for some 30% of Finland’s national product, while the gross domestic product per capita exceeds the EU average by about 30%. The central economic area of the Helsinki Region, i.e. the Helsinki Metropolitan area, comprises Helsinki together with the municipalities of Espoo, Vantaa and Kauniainen.

15. The service met the first clients in the summer 2004, just as our field research was being carried out.

according to the personal situation". Palke with its effective integration between social and employment offices is an example of high coordination among different welfare services. 50% of the Palke personnel come from the employment services that depend on the Ministry of Labour, while the other 50% come from the social services department that depends on the local municipalities. Within the social services personnel there are social workers, psychologists, nurses, representatives of Kela (the national pension system).

Palke clients are expected to attend the services periodically for weeks, months or even years if necessary. The efficiency of Palke services represents a challenge which relies partly on the problematic cooperation experiences between labour and social services in recent years. Moreover, Palke has to be considered as an example of unified labour, social and, in some way, also health services. The labour market position is significantly affected by the health of people requiring work, and moreover, in western society "illness is predominantly a withdrawal into a dependent relation, ... asking to be 'taken care of'" (Parsons, 1951: 285). Health condition and labour position as well as activation policies are therefore strongly linked to each other.

## **2.2. The challenges to social cohesion in Italy: welfare reform processes and activation policies<sup>16</sup>**

In Italy, social protection dependence on the labour market position and the crucial role played by the family have structured a very fragmented welfare system. Moreover, in order to outline the main aspects of Italian welfare policies, the following features have to be considered (Kazepov, Genova, 2005):

- a) *Strong north-south division*: the territorial imbalances characterise not only the socio-economic structure, but also the institutional design of policies (often regionally and locally fragmented). The high industrialisation in the centre-northern regions, where a diffused SME-based industrial sector strengthens the occupational base, contrasts with high unemployment in the southern regions, where wide informal work goes hand in hand with a subsistence economy. Important income inequality is a clear consequence.
- b) *Underdeveloped safety net*: fragmented social policies, in particular social assistance schemes, and strong emphasis on pensions serve to consolidate inequalities in the redistributive system.

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16. An earlier version of this part of the paper has been partly presented in Kazepov and Genova (2005).



- c) *Weak, passive and gendered form of subsidiarity*: the state does not support families directly to maintain standards of living and overcome conditions of need, but only people in the labour market. The strong gender division of labour implicit in this form of subsidiarity brings about a very unbalanced distribution of power within households.
- d) *Women and young people as particularly vulnerable groups*: this is even more evident in the south, where unemployment affects them in particular and, as a consequence, their labour market participation is very low and female emancipation is harder to occur.

In the post-war period and up to the end of the '80s Italian labour market policies were aimed mainly at protecting the bread-winner, confining the risk of becoming poor because of unemployment at the entry level. Once *in* the labour market (with a secure regular job), it was more difficult to be dismissed. *Cassa Integrazione Guadagni* (CIG) was the scheme aimed at Temporary Wage Compensation in case of economic crisis that was used as a functional equivalent of a non-existing adequate unemployment benefit. Most employees of large and medium sized manufacturing industries were covered by this measure. Those who were not covered by the generous measures based in insurance were covered by a much less generous scheme and only for a very short period of 180 days bringing about highly segmented access.<sup>17</sup>

The rigid and fragmented nature of passive labour policies worsened the segmentation of the Italian labour market, increasing the difficulties in finding new jobs for young people with no work experience.

Regarding social services, the Italian welfare system has been characterised by a high level of heterogeneous services, because of the lack of a national framework law up to 2000.

In the 1970s and 1980s the labour market and social assistance policies became more and more inadequate in alleviating need in a society that was undergoing profound transformations. On the contrary, they contributed to reproducing high levels of inequality. This scenario began to change rapidly during the 1990s when, also due to European constraints (e.g. the Maastricht Treaty and the European Monetary Union), reforms began to make labour market regulations more flexible and labour policies and services more decentralised, even though considerably later than in most European

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17. The ordinary unemployment benefit corresponded, until the late 1980s, to the low amount of around € 0,4 per day per person and was granted only to people who had worked a given number of days before unemployment. Now the amount corresponds to 40% of the last wage.

countries. In particular, access to income maintenance for the unemployed was widened by extending the right to new categories previously excluded, but duration and generosity were tightened. As a consequence, the previously well protected family breadwinners exposed to mass industrial dismissals began to face conditions of vulnerability and more flexible market relations.

Since the end of the 1980s this picture started to change.<sup>18</sup> The main reform promoting *active labour policies* was introduced in 1996 by Prime Minister Prodi, with the agreement of the main five trade unions. The reform opened the Italian labour market for the first time to atypical forms of work<sup>19</sup> and, in order to raise the number of people benefiting from active measures, significantly reformed public employment service (PES), in line with EES's (European Employment Strategy) guidelines.<sup>20</sup>

The last relevant reform was signed by Prime Minister Berlusconi in 2002. It was permeated by a welfare-to-work approach and failed in developing an agreement with the main actors involved, leaving out one of the main trade unions (Cgil). The PES is characterised by further reforms, giving more importance to private actors and to activation measures, and introducing compulsory orientation meetings to define training programs and job experiences in order to consolidate competitiveness and social inclusion.

In this new context the traditionally passive labour policies have lost their meaning, because almost all new jobs would fall under the statute of atypical work with practically no social protection guarantees attached to it (Fargion, 2003), and the new forms of social support have still to be fully implemented. In fact, Italian labour policies up to the end of the 1990s were characterised by the scant attention paid to the institution of a last safety net. This was due to the fact that the great majority of the population was covered by contributory schemes, i.e. families were protected through the position on the labour market of the (male) breadwinner,<sup>21</sup> while assistance to particular categories in need (e.g. homeless, the poor who accumulate

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18. Some workers received 80% of their last wage for decades; many received it until (early) retirement, without any real attempt to reintegrate them on the labour market.

19. The new atypical forms of work have been systematically regulated in the so called Riforma Biagi, law n. 30 of 2003.

20. In 1997, competence for active labour policies shifted from the central state to regions and provinces. Regional commissions are in charge of planning and auditing labour policies; while provinces deal with managing job placement services (Decree 469 of 1997).

21. Adult males had, and still have, one of the lowest unemployment rates in Europe whilst young people have one of the highest. The latter, however, were supposed to be in care of the former (passive subsidiarity) and therefore there seemed to be in no need for a minimum safety net.

several conditions of need) was still seen as charity and thus a prerogative of voluntary, mainly Catholic associations.

Labour policies and income support schemes have developed in an independent, irrational and totally uncoordinated way. The changes in labour market policies in the last fifteen years have significantly affected the redistributive power within the family, and consequently social assistance reform has become a crucial necessity.

Since 1977 policies targeted at people in a condition of economic and social need were the responsibility of the regional and local authorities. The lack of a framework law at the national level left Regions and Municipalities in a legislative *vacuum* for more than twenty years, whose negative consequences have deeply structured the consolidation of institutional inequality in Italy (Negri and Saraceno, 1996; Kazepov, 2000).

A national framework law was approved only in November 2000. Until then, many regions had approved regional framework laws on social assistance (even though some did not). However, in doing that, the regions did not co-ordinate their efforts, so that there were different access criteria to benefits and services in the different regions. Within this framework, municipalities brought a further level of complexity by designing specific rules for specific categories, often interpreting the framework law loosely and maintaining high discretion in the distribution of benefits. One main consequence of this complex morphology has been the consolidation of a differentiated system of social citizenship, framed by very different legal contexts within which *citizens* are entitled to different sets of rights, related not so much to their condition of need, but to the specific eligibility rules and to the specific way in which social services are organised in the place where they live, not excluding even patronage arrangements. Moreover, in a context of budget constraints, claimants are categorised in target groups like minors, single mothers, the elderly.

The new framework law (328/2000) on social assistance and social services tried to address this situation of increased vulnerability and fragmentation by defining some general criteria with the aim at overcoming existing policy differences among local contexts and foreseeing non-discretionary rights. According to this law the State has the responsibility for defining the “essential levels for social interventions” (Liveas) and to structure social policies by providing guidelines to regions and municipalities.

At the end of the 1990s, the new social needs relating to the labour market and rising vulnerability stimulated the social and political debate around *activation* measures and around the introduction of a minimum

income measure. As a result, the *Reddito Minimo di Inserimento* (RMI), the first nationally homogenously designed means-tested minimum income, was tested for four years and then abandoned, even if it was foreseen in the framework law in order to overcome local differences in welfare services.<sup>22</sup> However, change in governmental political parties brought about many changes in welfare policies. Some of the most innovative policies, therefore, like the *Reddito Minimo d’Inserimento* (RMI, a minimum income scheme with active and empowering tools) have been withdrawn and substituted by the RUI (*Reddito di Ultima Stanza*, last level income support), which has also not yet been implemented. Among the controversial issues around the RUI we have the fact that after the constitutional reform, the matter became a regional competence, with no institutionalised activation measure attached to it and –with lacking “liveas” and targeted funding– also not a priority. Some regions will have more resources to foster it, while others having the more severe problems, will be trapped in a vicious circle (Ranci Ortigosa, 2000; Kazepov, 2000; Gori, 2004).

During the recent decades, the process of rescaling welfare policies has taken place within a new normative framework.<sup>23</sup> The process of territorial reorganisation of single policy areas is embedded in a wider trend, which in 2001 brought a revision of the Italian Constitution, reinforcing and consolidating the tendency by changing the institutional relationship between State, Regions and Local Authorities. The revision entailed a new role for municipalities, which became, according to the principle of subsidiarity, the main actors of social policies within a context in which Regions have gained the legislative power over most policies areas (health, education and means-tested income maintenance, social assistance). Therefore, it is not difficult to foresee an increasing regional differentiation maintaining and even reinforcing the existing problems.

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22. The RMI was initially introduced by law 237/98, originally concerned 39 Municipalities, mainly in the South, for two years (1999-2000), while after January 2001 the experimental phase has involved 270 municipalities, again mainly concentrated in the South, up to December 2002.

23. Municipal administrations were strengthened through wider autonomy and direct election of the mayors (law 142/90); the right to an effective and transparent public administration was stated (law 241/90); the associational fabric had a clear institutional frame acknowledging their social value (266/91; 383/2000); the Bassanini laws (59/97, 127/97, 191/98) changed the balance of powers in the public administration and identified Regions and local authorities as responsible for activation labour policies (law 469/97); between 1990 and 1998 the Bank Foundations were reformed and became an important actor patronizing the local development; social policies were based on networking, effectiveness and outcome control (285/97 for children policies; 286/98 for immigration policies; 328/00 for a comprehensive system of social policies).

The involvement of civil society and the third sector also represents one of the main innovative aspects of law 328/2000 confirming the common European path towards a multilevel governance process. However, in Italy, this trend might represent a real challenge to citizenship rights. The emphasis on the local dimension seems to put citizenship rights again in the hand of local discretion.

Local social policies are defined in *Piani di Zona (area plans)*, i.e. a concerted planning document agreed by the actors of the *ambito (the area)*, which includes one large municipality or a group of small municipalities and the relevant stakeholders representing the territorial unit for social policies, as defined by the new law. Most of the Italian Regions (but not all) have been involved in defining the *Piani di Zona*; however, the output has been very heterogeneous since the quality of interaction among the involved actors as well as the contents and consequences of *area plans* were very different (Gori, 2004). Moreover, the main welfare policy challenge will be to increase the role of the *area plans*, moving from a locally fragmented (even though concerted) planning document towards a concerted and integrated managing system of social services within the *ambito*. From this point of view, *area plans* might represent an opportunity to settle and improve the integration between social and health services, a crucial aspect in an aging society.

The fact that the new national framework law has not yet been fully implemented, is made more complex by the constitutional reform of 2001, which attributed welfare competence only to the Regions, generating large and long lasting transitional problems in a regulative context where differences do not only still persist but are also again legitimated from the institutional point of view. The state is no longer legitimated to provide guidelines. On the contrary regions are fully autonomous on all welfare issues except the definition of the level of essential welfare provisions. Nonetheless, after 4 years, the State has still to define the *Liveas* and the system still leaves space for a high degree of discretion at the local level (Municipalities, Provinces, Regions).

Rome, because of its geographical position and of its local organization welfare system, has to be considered an emblematic case study of Italian welfare policies. Its unemployment rate is 8%, slightly below the national level of 8,7%. According to national law 328/2000, in March 2002, the local administration of Rome approved the “*Piano Regolatore Sociale*” (PRS) (Regulatory Social Plan), with the aim of coordinating the 19 local municipal social plans. Within the administrative rescaling process municipalities have been in charge of planning and managing local social policies taking on

board the guidelines and the “essential levels for social interventions” (Liveas) set in the PRS. On the basis of the national law and of Italian welfare services tradition, political and administrative institutions as well as social cooperatives, and voluntary associations have been the crucial actors in local Roman welfare policies.

The lack of national policies specifically concerning “activation”, and the heterogeneous implementation of national law 328/2000 brought about very different local services related to the activation of people in conditions of need. The Roman PRS promotes a “workfare” approach in order to support the gradual autonomy of people through work experiences (PRS approved by Giunta, 2002: 51). Within the local administration of Rome there have already been some projects aimed at inserting people with specific needs; however, they have only involved some specific target groups, such as minors at risk of social exclusion, drug addicts, prisoners, immigrants, people with mental problems, or with other handicap problems. The importance of integration between social policies and labour policies has been stressed in the PRS, even though its results are still very modest. Activation policies in Rome have been mainly targeted at specific target groups, excluding the majority of young people or long term unemployed. Moreover, local social plans have been very heterogeneous concerning the actors (political - institutional actors and cooperative and voluntary groups) involved in planning and in the program approving services. Fragmentation in social services and high differences in resources distribution make very difficult to present a unified picture of the activation policies in Rome. Some examples of local activation policies are present in the city based on the initiative of local politicians or representative of social cooperatives or associations.

To sum up, our research results highlight the presence of some sporadic examples of activation policies targeted at some minority groups, stressing the lack of structured activation policies targeted for example at young people looking for work for the first time (43,4% of all unemployed people in Rome).

### 3. NEW MODES OF URBAN GOVERNANCE: A COMPARATIVE APPROACH

The processes of welfare reform that took place in the last decade in Finland and in Italy have been characterised by a strong emphasis on new relationships among actors involved in urban welfare policies. The political and administrative rescaling processes have stressed the role of local services in facing the challenges to social cohesion in European societies. The focus on

local solutions as answers to global problems has been considered a symptom of the post Fordism crisis, and a reflection of its continuing global-political disorder (Peck, Tickell, 1994). Moreover, the new urban governance has been required to manage the difficult balance between competitiveness and cohesion (Geddes, 2000; Le Gales, 2002).

The tendency towards a new coordination among urban actors is a common European Neoliberalist trend; however, its implementation and therefore its outputs and outcomes in terms of local welfare policies have been very different, confirming the complexity in the process of creating European citizenship<sup>24</sup> and the path dependent trend within each urban context .

Despite the distinctiveness of European cities from other contexts –in particular the USA (Kazepov, 2004)– each city is something unique, the result of an individual history, made up of a type of integration and external representation, different social relations, culture and political elites, which is difficult to grasp (Le Gales, 2002). Modes of governance of European cities depend first of all upon characteristics of the structure of local society. These are objective conditions, which do not determine the making of a mode of governance but which make it more or less likely and contribute to the form it will take. A mode of governance has its characteristic forms of coalitions of actors and institutionalization of collective action in order to respond to demands and to solve collective problems. It depends, first of all, on the actors involved in the process and, secondly, on the type of arrangements and the way collective action is institutionalized between them (Le Gales, 2002: 268-269). Therefore we investigated the role of local institutional milieus in forging the modes of urban governance that emerged in the last decade within the two European capitals that are representative of two different welfare regimes.

Investigating the two case studies, some additional analytical tools in comparing the two examples of European welfare urban governance have been introduced. In order to gain a deeper insight into the analysis, the concept of *governance promoter* has been applied as the key protagonist in the initial process of the new urban governance setting. In the two cases analysed the governance promoter was identified in two legislative acts: the “Rehabilitative Act” in 2001 in Finland, and law 328 of 2000 aiming to create

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24. Even though the concept of citizenship in Europe is “forced to become transnational since people no longer restrict their space of action to the national realm; since discourses transcend national discourses; since legal rules are no longer contained in the nation state” (Eder, Giesen, 2004: 266).

an integrated system of social services and intervention in Italy. Both of the juridical norms introduced new governance aspects concerning welfare policies with regard to vertical governance (governance among actors involved in the rescaling process, in different institutional positions: state, regions, municipalities) and horizontal governance (governance among actors working at the same geographical level, such as local political parties, local cooperatives, local voluntaries associations).

Moreover the role played by this governance promoter is crucial in the implementation of the new urban governance. In the case of Finland the act had an incisive effect, shaping, after some years of experimental projects, the Palke services. In Italy, on the other hand, the law has mainly a symbolic effect, since it has not yet been fully implemented in all the country and the urban governance models foreseen by the law are a long way from being realised. Actors have not been fully prepared for the roles assigned by the law, highlighting the inadequacy of the institutional milieu in adapting itself to this juridical innovation.

**TABLE 1**

<i>Analytical categories</i>	<i>Finland</i>	<i>Italy</i>
Governance promoter	Rehabilitative act 2001	law 328/2000
Governance promoter role	Effective	Symbolic

In addition to the governance promoter, we applied the concept of *governance coordinator* because even though the term “governance” is strictly linked to coordination, we argue that a settled governance coordinator is required in order to make governance work. Within the European urban governance model the role of governance coordinator has been assigned to the local public authority. Therefore, considering the Helsinki case study, we argue that the local public authority has a strong and efficient role in planning (Valimaki working group) and implementing (Sari Taivianen, the manager of Palke) activation policies. While, analysing Rome, the role of the local public authority in coordinating activation policies has been very weak, because even though coordinators have been nominated with regard to the municipal planning phase, they have not been involved in managing activation policies services. Even though there have been a common positive rhetoric concerning coordination, actors are not very familiar with structured coordination actions. Most of the time, civil



servants, as well as social workers, volunteers, or other personnel working in the social services take part in the same welfare projects according to their personal attitude and interests, while a modest attention is dedicated to building a shared project mission.

**TABLE 2**  
*Governance coordinator in activation policies in Finland and Italy*

<i>Analytical concept</i>	<i>Policies phases</i>	<i>Finland – Helsinki</i>	<i>Italy – Rome</i>
Governance coordinator	Planning	President of the National Commission <i>Strong role</i>	Responsible for the social and health policies department of the Commune of Rome <i>Weak role</i>
	Implementation	Manager of Palke <i>Strong role</i>	Responsible (coordinator) of local municipalities (19 municipalities in the Commune of Rome). <i>Weak role</i>

Moreover, it is the different institutional matrix concerning the rescaling processes of administrative and political powers that significantly affects the two urban governance modes. Finland is characterised by a consolidated autonomy of local municipalities in a framework of a social democratic welfare regime. The absence of intermediate institutions between the state and the municipalities and their clearly different roles represent a more favourable, because less complex, context for urban governance processes. In Italy, on the contrary, the effects of recent administrative and political devolution processes and the limits of the new local autonomy are blurred. There is, therefore, a lack of a clear definition of tasks and aims among the different actors involved in the vertical governance process. Political and administrative tasks are not clearly defined or implemented, causing a wide lack of effective coordination among actors. Communication problems, difficulties in attributing and sharing responsibilities as well as in promoting a management culture in public institutions and in realizing effective working groups are the main aspects constraining the process of urban governance in Rome.

Resources invested in promoting the new urban governance represent another important focus of our comparative analysis. In Finland, actors involved in urban welfare governance reforms have been trained to face the new complexity emerging from the integration of different approaches. On the contrary, in Italy the protagonists in planning and managing social services have been thrown into the new institutional welfare reformed services without either adequate training or adequate economic compensation for the increasing commitment required. The new Finnish welfare services pay attention to the specific needs of each claimant, while the bureaucratic logic still prevails in the Italian services.

The involvement of the private sector and the third sector is almost absent in Finnish urban welfare governance, while it is crucial in Italy. Nonetheless it represents a problematic aspect in the rescaling of the welfare governance process in Italy because according to local administrators local agreements among public-private actors are more incline to increase the logic of clientelism.

Moreover, the new urban governance defines new policy outputs and outcomes that deserve to be audited. Auditing processes are part of the Finnish governance process, but not yet of the Italian, stressing the attention that the two welfare regimes pays to the effectiveness of social services.

In order to draw a synthetic picture of the modes of governance that have emerged in the two case studies, we have applied the theoretical framework, presented in the first part of the paper.

**TABLE 3**

*Finland and Italy: a comparative perspective of the analytical categories applied in investigating urban modes of governance*

<i>Analytical categories</i>	<i>Finland</i>	<i>Italy</i>
Key decision makers	Politicians and civil servants	Politicians and powerful civic leaders (cooperative and NGO)
Governing relations	Formal, contractual and bureaucratic	Particularistic, personalised exchange
Governing logic	Authoritative decision making / Consensus building	Reciprocity
Political objectives	Purposive	Symbolic

If we look at the main actors involved in the process of urban governance in facing welfare challenges, on one hand we see the key role of politicians

and civil servants in the Helsinki case; on the other, politicians and powerful civic leaders are the protagonists of welfare urban governance of Rome. Italian welfare has been characterised by the significant role played by social cooperatives and voluntary associations, which according to our research are the local governance promoters of fragmented local activation policies.

While the analysis of Finnish urban governance stresses the key role of institutional actors, the Italian case study highlights the problematic aspects of coordination among institutional as well as third sector actors, drawing a picture of a more challenging urban governance in the case of Rome.

With regard to governing relations, the Helsinki mode is characterised by formal and contractual relations, within a frame of well structured welfare services. On the contrary, in Rome the south European welfare regime perpetuates particularistic and personalised exchange relations, stressing the limits of welfare services in such welfare regimes. Despite the vanguard role of the governance promoter in Italy, the new mode of governance results in perpetuating perverse fragmentation and particularistic logic.

Path dependent aspects are, also, evident with regard to the logic of the governance emerged in the last few years. In the Finnish case authoritative decision making logic goes together with consensus building dynamics, stressing the role of the state as social services manager in line with the social democratic welfare regime. In the Italian case, the governing logic is mainly characterised by reciprocity as according to the particularistic and fragmented south European welfare regime.

The focus on political objectives emblematically stresses that in the Finnish welfare regime the objective has been purposive, while in Italy it has been mainly symbolic, as we have already highlighted in our analysis.

## CONCLUSIONS

The paper has analysed how European cities (with Helsinki and Rome as case studies) have faced the common challenges to social cohesion through a common process of neo-liberal welfare reform towards activation policies. Despite the similar trend of welfare policies towards activation policies, the path-dependent tendency of the existing institutional matrix significantly affected the outcome of the reform processes. The same challenges to social cohesion in Helsinki and in Rome would have opened a common policy window within the shared Neoliberalism process. However, within the two welfare regimes the responses have been very different in terms of governance modes and therefore in term of policy outputs. On one hand, in

the case of the social democratic welfare regime a managerial mode of governance emerged, unifying the labour, social and health services committed to offering a joint service to the client who is expected to participate actively in creating tailor made services. In the social democratic model the strong role of the state has been confirmed. Welfare services have been provided by the state or municipal authorities, with a modest collaborative presence of voluntary associations, under a strong governance coordination by public authorities. The increasing importance of the workfare approach, the focus on effectiveness and efficiency of new services, such as its managerial system, is in line with the neo-liberal EU trend.

On the other hand, in the case of the south European welfare regime, a clientelistic and corporatist mode of governance emerged, stressing a rather weak role of the state in coordinating the new urban welfare governance and in favour of a strong consolidated presence of third sector actors, partly independent and sometimes actively promoting and coordinating services, instead of public actors.

There are some signs that the Finnish, as well as the Swedish, welfare states have moved in the direction of the Central European or Bismarckian model on one hand and towards the Anglo-Saxon residualist model of the other as a result of the economic crisis and social policy restructuring in the early and mid 1990s. In welfare states based on the Central European model, most benefits are earnings-related and hence only paid out to wage earners (Timonen, 2003). However, despite the reforms of the 1990s, the Finnish welfare system can be still recognised as representative of the social democratic model because of the encompassing nature of its welfare policies and the generosity of benefits and the provision of social and health services that are intended to be used by everybody, and not just the people most in need. Therefore restructuring was defensive and intended to carry the system over a crisis period, not to dismantle it (Timonen, 2003: 7); and in so doing the “stickiness” of its reputation has been confirmed (Cox, 2004).

On the other hand, the transformation of the Italian welfare system has perpetuated the features of the south European regime, characterised by highly fragmented welfare policies from the territorial and target points of view.

Our research, therefore, stresses the role of the institutional milieus in shaping different modes of governance. In “flowing” modernity (Bauman, 2003), institutions persist in being the “*cognitive, normative and regulative structures and activities that provide stability and meaning to social behaviour*” (Scott, 1995: 33), even when social cohesion is challenged and the urban social fabric is threatened by socio-economic precariousness.

Institutional milieus have played a crucial role in self-reinforcing local institutions and in shaping the urban governances that have emerged in the last decade in European cities. However, it is not just that “history matters”; what happened at an earlier point in time will affect the possible outcomes of a sequence of events occurring at a later point in time, but the main element that emerges is that in the process of welfare reforms in both countries the “costs of reversal” have been too high (Pierson, 2000) in the last decade to make more effective and deeper reforms in the welfare regimes. Despite the common urban social cohesion challenges, therefore, different welfare regimes have developed different strategies to face the new social complexity and these strategies present many aspects of path-dependence.

However, the path dependency hypothesis does not intend resulting in a determinist approach. According to the neo-institutional theory, changes might occur in a set of possible circumstances because of the role of actors in re-interpreting and building institutions (Kazepov, 2004).

Moreover the concept of social cohesion assumes different meanings and tools according to the different institutional milieus and related welfare regimes: in the social democratic welfare regime the State has been the main actor in charge of promoting and supporting social cohesion, while in the familistic welfare regime, social cohesion has mainly relied on third sector actions. Different welfare regimes have shaped different local institutional tools to foster social cohesion, and in so doing have defined different modes of governance.

Comparing welfare modes of governance in Helsinki and in Rome it might be stressed that in spite of the common challenges to EU welfare regimes, there was no common answer to them. The responses to these challenges have been diverse in welfare modes of governance and, therefore, in welfare programmes.

In “liquid modernity” (Bauman, 2003), the context still matters, and has represented the indispensable starting point in our analysis of social phenomena (Kazepov, 2004); even though, “the ‘solid’ stage of modernity, marked by two remarkable authorities: territoriality and finality, is concluded and turned into the ‘liquid’ modernity in which the ‘place’ (whether physical or societal) has been replaced by the unending sequence of new beginnings, inconsequentiality of deeds has been substituted for fixity of order, and the desire for a different today has elbowed out concern with a better tomorrow” (Bauman, 2003: 11-25).

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