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A federalist's dilemma: Trade-offs between social legitimacy and budget responsibility in multi-tiered welfare states

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Abstract
In multi-tiered states, subnational policymakers face a dilemma: on one hand, they must ensure the social legitimacy of their subnational unit by owning relevant policies including their potentially negative consequences; on the other, they have to manage their budget responsibly, which limits the scope of policy development. We study this dilemma in relation to social policies, by examining how the constituent units and municipalities in Germany, Italy, Spain and Switzerland deal with it, taking social assistance as an empirical example. Our analysis suggests that the combination of the federation's history and a multinational political context affects the incentives and the choices made by the policymakers regarding ownership and disownership of policy competencies in the field of social assistance. By analysing mechanisms that are likely to play out in multi-tiered welfare states, our article contributes to both the social policy and the political science literatures.

Keywords
Federalism, legitimacy, local social policy, social assistance, territorial politics

Introduction

The constituent units in a federal state must pay attention to a range of issues. One of them is ensuring that their level of government is perceived as

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legitimate by a majority of citizens. Citizens receive services and interact with different levels of government. If one of these levels is perceived as scarcely relevant, it will be difficult for politicians to mobilize voters and to obtain resources from the central government. Ultimately, a scarcely relevant level of government may face the prospect of abolition.

One very effective way to fulfil this legitimacy function is to create social programmes that are available only to the residents of a given unit or that top up existing national ones, and thus show voters that autonomy matters. This strategy may have a drawback, though. Constituent units in a federation generally bear responsibility with regard to balancing their budget. To have an unbalanced budget may put them in a difficult position vis-à-vis the central government which might limit their sovereignty by forcing spending cuts. This will most likely result in humiliation and de-legitimize the unit's government. Overspending may be worse than irrelevance, as the consequence may be a reputation for incompetence.

It is fair to assume that constituent units – member states of the federation and municipalities – must balance these two possibly conflicting aspirations: legitimize their very existence on one hand, and manage their budget responsibly on the other. Subnational governments therefore face opposite incentives in their decision on whether (or not) to take over competencies in social policy: they have strong incentives to own such policies in order to signal relevance of their subnational jurisdiction, but they also have incentives to disown them because of their budgetary implications. By 'owning' a policy we mean the fact of having substantial influence over it, being responsible for its budget and being regarded by the general public as in charge of it. In federal countries, policymakers are under conflicting incentives with regard to the ownership of social policies. This is what we call the federalist's dilemma.[1]

In this article, we examine how the constituent units of four different federal countries deal with the dilemma, illustrating how subnational (regional and local) governments' room for manoeuvre is affected by the institutional and cultural context. We expect the two objectives – legitimacy versus budget responsibility – to be combined differently in 'Holding-together' versus 'Coming-together' federations as well as in 'Uni-national' versus 'Pluri-national' states.

In Coming-together federations, such as Switzerland and Germany, policymakers at the subnational level are not expected to be concerned with questions of legitimacy as these are old federations where federalism is grounded strongly in the constitution. In this context, we expect subnational units to be more inclined to solve the dilemma by disowning the cost of policies as they do not need much in terms of legitimation. In contrast, in countries with a recent history of being a unitary state, the so-called Holding-together federations like Italy and Spain, decision makers at the subnational level need policy competencies to show the relevance of their government level and face a stronger dilemma concerning their policy decisions. Therefore, they will be inclined to create and keep policies, possibly at the cost of also having to own the budgetary responsibility for the policy. We can expect this also because in Holding-together federations, the constituent units tend to have more limited fiscal autonomy and can thus more easily shift the blame upwards in case of budget imbalances.

Furthermore, we expect this dynamic to be moderated or intensified by the presence of a Uni-national or a Pluri-national state and by the relative political salience of that issue. In federations where Pluri-nationalism is important – that is, some constituent units have a different national identity – the incentive to own policy could be stronger than in Uni-national states, especially if different identities are a politically salient issue, that is, minorities are big and vociferous enough to be politically relevant. Constituent units in Pluri-national countries can use social policy not only to reinforce their culture-based legitimacy but also in order to protect their distinctiveness in relevant policy fields.

To illustrate our argument empirically, we focus on four countries that display different combinations of these properties: Germany, Italy, Spain and Switzerland. To analyse the federalist's dilemma, we consider the relations between different levels of government regarding social assistance, that is, means-tested minimum income schemes. Social assistance programmes are among the few social policies that provide opportunities to regional governments to show their relevance, since in most countries the main social insurance schemes are managed by the central government. In the following sections, we specify our analytical framework and we test our hypotheses for the four selected countries.

Theoretical framework

Theoretically, we see the constituent units of a federation and local governments as significant political actors of the welfare state (Obinger et al., 2005; Pierson, 1995; Sellers and Lidström, 2007). We build on this literature by taking on the issue of the incentives faced by the various levels of government in relation to social assistance policy. In order to do this, we rely on the political science literature on multilevel governance and comparative federalism.

Holding-together versus coming-together federalism

Federal institutions emerged from distinct historical processes. According to Stepan, we can distinguish between 'Coming-together' and 'Holding-together' federations (Stepan, 1999). Coming-together federations are the result of a bargaining process whereby previously independent states have joined to form a bigger unit, so that by pooling sovereignty and retaining identity, they could secure a common good, such as increasing collective security or a common market (Riker, 1964). In these countries, autonomy of subnational governments (local and regional) is guaranteed by the constitution (Lijphart, 1985: 4–5). Some examples of this kind of federal arrangement are the United States, Switzerland and Australia. Conversely, in Holding-together federations, a former unitary state comes to the decision to divide its powers between the national government and constituent sub-units. As the political system is transformed, powers that were formerly at the central level are transferred to subnational units and turn the country into a federation or a quasi-federation (Watts, 2008, 11). What is important for our argument, however, is that the constitutionally guaranteed autonomy of subnational governments (local and regional) is weaker than in Coming-together federations (Lijphart, 1985: 4–5). One example for such a federal arrangement is Spain, which evolved from a strongly centralized country into a quasi-federation during its transition to democracy (Börzel, 2000: 17).

Against this background, we expect incentives for subnational policymakers to own and disown policy competencies and costs for social policy to be different in Coming-together and Holding-together federations. In Coming-together federations, policymakers do not need to worry about earning legitimacy by acquiring new policy competencies since subnational units have a long tradition of legislative and administrative authority and therefore already possess enough legitimacy in the eyes of citizens. Thus, when facing the risk of overspending – as in the case of rising caseloads in social assistance (Bonoli and Trein, 2016) – decision makers can focus on dealing with the costs of the policies, for example, by shifting them and (part of the) legislative and administrative dimensions of the policy to higher levels of government (Bonoli and Trein, 2016; Braun and Trein, 2014). In contrast, in Holding-together federations, subnational policymakers operate in a context of subnational state-building (Ferrera, 2005). This entails the transferring of authority from the national to the subnational level and the wish not to give it back. Thus, we expect lower levels of government to give a higher priority to the acquisition and preservation of policy competencies and administrative capacity. As a result, owning the policy is likely to be strategically important for them and they will be less willing to let go of policy and administrative competencies even when risking budget imbalances.

In addition, the constituent units of Coming-together federations tend to have a larger degree of fiscal autonomy.[2] This means that where there are fiscal problems, it will be more difficult for them to shift the blame upwards to the central government as they own the resources. In contrast, in Holding-together federations, where taxes are essentially controlled by the centre, constituent units may more easily escape blame if their budget is unbalanced. Considering the impact of tax autonomy reinforces our expectation that Coming-together federations will be more inclined to react to the dilemma by disowning the policy because they have budgetary responsibilities and losing the power to provide social assistance does not put into question the legitimacy of subnational governments. On the contrary, Holding-together federations want to keep the policy but do not have to worry about extensive costs since, anyway, they depend more on central governments' transfers than subnational units in Coming-together federations.

Uni-national versus pluri-national federations

Federations differ not only in the historical origins but also in their degree of ethnic and cultural heterogeneity, notably between the member states of the federation. In this respect, federal countries can be divided between mostly 'Uni-national' and rather 'Pluri-national' federations, with the latter being basically states which incorporate more than one national community within their boundaries (Moreno, 2001: 16). In other words, in Pluri-national federations, there are cultural differences in the population that overlap with the subnational governments' territories, that is, the spatial distribution of minorities correlates with territorial authority. On the contrary, Uni-national federations are countries without significant ethno-territorial heterogeneity between their constituent units.

The presence of more than one nationality within a federation is important to understand political incentives to 'own' or 'disown' (social) policies for subnational units. In Pluri-national federations, subnational governments are likely to favour the acquisition and the preservation of policy competencies as a way to reinforce legitimacy and identity against the national government and other subnational governments (Béland and Lecours, 2005a; 2005b: 606). As Keith Banting put it, in nationally heterogeneous countries, 'social programmes designed and controlled at the regional level can become instruments for strengthening regional cultures and enhancing the significance of local communities in the lives of citizens' (Banting, 1995: 271). Therefore, activism in the social policy realm might prove useful for 'competitive region building' purposes (Ferrera, 2005; Pierson, 1995). In this situation, horizontal competition among the regions tends to emerge, since constituent units might lose clout if they are seen as less active than their peers. In addition, policy ownership is likely to be attractive in Pluri-national countries as it can be presented as a means which constituent units can use to preserve their distinctiveness. As a result, we can expect social policy innovation in one region to be followed by the reaction of the other units or 'spillover effects' (Obinger et al., 2005). Therefore, in Pluri-national federations, subnational policymakers are likely to be keener to keep or acquire policy competencies in social policy – even if this means taking financial responsibility for the programmes. Conversely, in Uni-national federations, where both vertical and horizontal competition among government layers are less relevant, subnational units have lower incentives to introduce costly programmes and can focus on keeping the costs for the policies they own under control.

To sum up, we hypothesize that the combination of Holding-together and Pluri-national federalism provides the strongest incentives for lower levels of government to introduce social policy programmes at the regional level even if it comes along with the responsibility to assume some of their costs (Spain). Conversely, the configuration of Coming-together and Uni-national federalism creates the lowest incentives (Germany). In between these two extreme cases, one finds Uni-national Holding-together federations (Italy) and Pluri-national Coming-together federations (Switzerland). In these two cases, we expect incentives to be mixed. Building on this, we develop the following hypotheses (see Table 1): in Germany, subnational units have the lowest incentives to own social policy competencies and thus a large room for manoeuvre for disowning the policy costs. Swiss cantons have some incentives to hold competencies over social policy, because it is an important policy area in which they can make a difference. However, their legitimacy is unquestionable, so keeping social policy is not vital for them. In Italy, subnational units have some incentives to own policy competencies at the subnational level (legitimation) but the country's unitary tradition limits the value of owning the policy. In Spain, subnational governments have the strongest incentives to own policy competencies at the subnational level as they combine a unitary history with a strong salience of pluri-nationalism. Thus,

Table 1. Hypotheses concerning sub-units' incentives to take over and keep competencies in (social) policies.

Type of federal arrangement	Uni-national	Pluri-national
Coming-together	-- (*Germany*) • *No incentives to own policy competencies at the subnational level*	-+ (*Switzerland*) • *Some incentives to own policy competencies at the subnational level (due to pluri-nationalism)*
Holding-together	+- (*Italy*) • *Some incentives to own policy competencies at the subnational level (due to Unitarian history)*	++ (*Spain*) • *Strong incentives to own policy competencies at the subnational level (due to Unitarian history plus pluri-nationalism)*

the room to manoeuvre for disowning the policy will be the lowest.

Legitimacy and budget responsibilities for social assistance in four countries

The empirical part of this article consists of four case studies. The case studies are structured in the following way. We begin by briefly characterizing each case by the two independent variables. We then explain the institutional set up of social assistance and present policy developments since the 1990s. What is crucial in relation to our hypothesis is also how each country reacted to large shocks that affected social assistance policy. These vary in nature across our sample. For Germany and Switzerland, social assistance policy came under the spotlight as a result of a continuous rise in caseload since the 1990s. For Spain and Italy, instead, the main shock was the post-2008 crisis.

Germany: shifting policies and clients in the context of cooperative federalism

German federalism. Germany is an example of a Coming-together and Uni-national federation. In 1871, under Prussian hegemony, the principalities and kingdoms of the German empire came together into a modern state (Manow, 2005). After a period of centralization during the Third Reich, the founders of the reconstructed Federal Republic of Germany re-created shared federalism. Today, the federal level adopts the framework legislation for many important policy fields, whereas the member states are responsible for policy implementation (Rudzio, 2011) but have few on taxes (Blöchliger and Nettley, 2015). Regarding social policy, the role of subnational units is limited. The role of the *Länder* regarding social policy concerns implementation above all (Schmidt, 2005). Since the constitution demands similarity of living conditions across the country, there is little room for conflicts due to regional welfare diversity. This is so also because the party system is highly centralized – with the exception of the Bavarian Christian Social Union (CSU), there are no important political parties with regional identities (Wagemann, 2016). The main conflict regarding solidarity among regions concerns the diversity between net-payers and net-takers of the fiscal equalization system. Against this backdrop, German citizens identify themselves with the national state. Regional identities remained important in everyday life but are no source for serious political conflicts.

Social assistance. Between 1961 and 2004, social assistance was governed by federal law (SGB I, SGB X). The law regulated only the framework conditions, while the *Länder* and the municipalities determined payments and conditions of implementation (Schmidt, 2010: 730–731). The benefits were paid out of the municipality budgets. Social assistance was a last resort benefit paid to people with no or insufficient entitlement to federal benefits.

Rise in caseload. Social assistance caseloads have risen more or less constantly since the early 1980s, with an acceleration after unification. The proportion of the population on social assistance went from 0.9 percent in 1980 to 3.4 percent in 2004, reaching just under 3 million clients. One important consequence of this rise was a crisis in municipal finances in the early 2000s (Hassel and Schiller, 2010b: 173). The *Länder* and the municipalities consider the national government responsible for the rising caseload. This development was largely a consequence of the rolling back of early retirement schemes and of benefit reduction in unemployment insurance against the background of the German unification and the economic crisis of the 1990s (Bonoli and Trein, 2016). These practices pushed more and more individuals onto social assistance, which resulted in increasing costs for municipal governments. Some cities, such as Düsseldorf, Frankfurt, Leipzig or Lübeck, founded public job companies (*Beschäftigungsgesellschaften*) in order to deal with the negative consequences of downwards cost-shifting (Hassel and Schiller, 2010a), but without success.

Policy response. In 2004, in order to deal with the problem of rising caseload in municipal social assistance, the national government adopted a major reform (*Hartz IV*) that merged social assistance with unemployment assistance – the second pillar of the national unemployment insurance scheme. Originally, unemployment assistance had guaranteed unlimited support to the long-term unemployed. In the run-up to the 2004 reform, the national government consulted extensively with the constituent units, above all with the municipalities. Eventually, they agreed to the reform in exchange for transferring a large share of cost for the new basic support scheme (*Arbeitslosengeld II*, colloquially known as 'Hartz IV') to the national government (Hassel and Schiller, 2010b: 112–113). At the local level, the new scheme is managed by 'Jobcentres' that are joint operations between the federal employment agency and the municipalities. Municipal social assistance is now a residual scheme catering only for people who are unable to work and the main responsibility for financing the cost of the minimum income programme has been shifted upwards to the national government.

Whereas the policy changes regarding social assistance remained uncontested by the municipal and *Länder* governments, some municipalities (about 100, known as *Optionskommunen*) preferred to implement social assistance policies as independently as possible from the federal government and were allowed to have their own Jobcentre as an alternative to the joint municipal–Federal employment agency model (Konle-Seidl, 2009: 8; Bandau and Dümig, 2015; Jantz et al., 2015). According to our model, we can say that there was some variation in the way German municipalities solved the federalist's dilemma. The vast majority opted for disowning social assistance, while the 100 *Optionskommunen* chose to keep it. *Optionskommunen* are found throughout the country, with a slightly stronger concentration in the North and in the East. They seem to cluster rather than being dispersed across the country, suggesting that neighbour-emulation might be a mechanism behind the choice of this more independent model.[3] Identifying the determinants of the choice to become an *Optionskommune* would be an extremely interesting question that unfortunately goes beyond the scope of this article.

In Germany, the subnational governments (*Länder* and municipalities) did not insist on keeping social assistance policies in their own portfolio. Above all, they were concerned with the cost from rising caseloads that occurred due to downwards cost-shifting of welfare recipients from national programmes. Thus, they welcomed the transfer of policy competencies (e.g. setting benefit levels) from the subnational to the national level. Nevertheless, many municipal governments preferred implementing the new basic support scheme as independently as possible from the national government (e.g. in an *Optionskommune*).

Switzerland: keeping the policy but not the clients

Swiss federalism. Switzerland is a typical case of a Coming-together and Pluri-national federation. Its member states, the cantons, were sovereign states, with their own institutions, currencies and armies (Kriesi and Trechsel, 2008: 11). Forms of intercantonal collaboration go back to the late middle age, but modern Switzerland was born in 1848, after a short civil war opposing the more conservative catholic cantons, who wanted to retain cantonal sovereignty, to the protestant ones, who instead had a preference for centralization. Even though the civil war was won by the centralizers, the 1848 constitution was clearly a compromise between the two visions, and it maintained substantial competencies for the cantons (Kriesi, 1995). In today's Switzerland, the cantons retain almost exclusive competencies in many important policy areas, such as education, family policy and social assistance.

The cantons have played and continue to play an important role in shaping people's identities as well as the linguistic divides (Switzerland has four national languages: German, French, Italian and Rhaeto-Romance). This is not only because of history but also because of the fact that political institutions support the persistence of strong cantonal identities. Each one of the 26 cantons has its own political system with a constitution, a government, a parliament, political parties and canton-based media. About 80 percent of the Swiss find that the municipal and the cantonal level matter most to their daily lives (Denters et al., 2014). In our framework, Switzerland can be considered as a Coming-together federation and a Pluri-national country, where the notion of pluri-national refers to both language and cantonal identities (Kriesi and Trechsel, 2008: 11; Mueller, 2013).

Social assistance. Social assistance is regulated and financed by the cantons. In addition, many cantons allow large room for manoeuvre to the municipalities. Federal-level involvement in social assistance is limited to an article in the Federal constitution (Art. 115) which entitles every resident to a minimum subsistence income and *de facto* forces cantons to run social assistance schemes. A bigger role is played by a professional association, the Swiss Conference for Social Assistance (SKOS/CSIAS). It publishes guidelines on various aspects of social assistance, including benefit levels. These guidelines are not binding but are generally followed more or less strictly by a majority of the cantons (Bonoli and Champion, 2015).

Rising caseload. Social assistance became a political issue in the early 1990s. Following the 1991–1993 recession, caseloads (and spending) increased sharply. Between 1990 and 2000, the number of clients doubled. As a result, since the early 2010s, the problem of cost containment in social assistance is high on the agenda within the cantons and, increasingly, also at the federal level.

Like the German *Länder*, the Swiss cantons considered the federal government responsible for at least part of the rise in caseloads. In fact, reforms adopted in the main federal programmes (unemployment and invalidity insurance) have restricted access to both schemes, with the result that a number of would-be clients of these two programmes are now forced to rely on cantonal social assistance. This practice, which has been termed 'cost shifting' (Bonoli and Trein, 2016; Overbye et al., 2010), is to an extent documented in longitudinal and caseload studies (Fluder et al., 2009; Salzgeber, 2012: 64).

Policy responses. The Cantons complained about the impact on their finances of cuts in federal programmes, but at the same time they, too, played the cost-shifting game (Bonoli and Trein, 2016). These cost-shifting practices were widespread during the 1990s and 2000s but were seldom done in an open and transparent way. There are several examples of cost-shifting practices. One of them is the provision of contribution-paying jobs to social assistance clients for a limited period, so that they can open a new entitlement period to federal unemployment insurance (Conseil Fédéral (CF), 2008: 7046). This option has in principle been outlawed in 2009. In other instances, social assistance offices are known to support their clients' efforts to obtain a federal invalidity pension (Bonoli and Trein, 2016: 610–612).

In parallel, there have been calls for stronger federal involvement in social assistance policy, not so much from the cantons, but more from social assistance professionals. The federal government has responded to such calls in a report published in 2015. The report argued that social assistance is a central pillar of the country's social security system and that more uniformity is needed. However, it also argued that it is up to the cantons to find ways to better coordinate their systems and not to the federal government to legislate in this field. The position of the federal government was also based on the consultation of the cantons who, through their peak organization, opposed the transfer of the competence for social assistance to the federal level (CF, 2015: 57).

Overall, the impression one gets when studying the Swiss case, is that cantons are not trying to transfer social assistance to the federal level. However, faced with rising caseloads, they would like the federal government to play a bigger role in limiting the costs of social assistance, essentially by facilitating access to federal schemes. The former, of course is difficult to obtain, and that is arguably why in the past, the cantons have tried, through various channels, to contain their costs by shifting clients back to federal programmes. Swiss cantons remain attached to social assistance and clearly oppose a federalization of the scheme (CF, 2015: 57). Their approach to solving the dilemma is to contain costs by trying to keep and push clients onto federal programmes.

Spain: building a regional model in a pluri-national country

Decentralization. Spain is a national state – indeed, one of the oldest of the world – made up of different nationalities and regions (Linz, 1997). Linguistic and cultural diversity among geographical areas contributed to make territorial politics and the struggle against centralism the single most constant factor in Spain's political history (Moreno, 2001). After the fall of the Franco hyper centralist dictatorship (1936–1975), the 1978 Spanish Constitution recognized 'the right to autonomy of the nationalities and regions' within the idea of an indivisible nation-state. In the following decades, the emerging federal *Estado de las Autonomias* was gradually reinforced (Sala, 2014) – also to respond to the increasing challenges posed by the Basque and Catalan nationalists. Accordingly, Spain is a clear-cut case of a Holding-together federation, serving the purpose of accommodating the internal diversities typical of a pluri-national country (Linz, 1997).

Spatial policy rescaling processes have collided with the dynamics of welfare change, so that in the last 30 years, the Autonomous Communities (ACs) have assumed increasing importance in this policy field. In particular, social policies with a large component of service provision, such as healthcare, active labour market policies and social care services, are left largely in the hands of subnational authorities.

The expansion of social assistance. In Spain, social assistance benefits traditionally existed solely at the municipal level, and they tended to be discretionary and uncertain in their delivery. The extended family was the main social shock absorber in case of poverty (Naldini, 2002). To strengthen this rudimentary social assistance model, in the late-1980s, both faith-based organizations and trade unions mobilized in favour of a national anti-poverty programme. However, the Socialist government opposed the introduction of a national programme, partially because it was considered a road towards welfare dependency (Aguilar et al., 1995) but also because the government feared an institutional conflict over competence with the ACs, especially with the Basque Country, Navarra and Catalonia (Natili, 2016).

These ACs had already introduced – or were planning to introduce – a regionally based anti-poverty benefit, also because strong regionalist parties in government supported the introduction of a regional safety net, with an explicit region building purpose. In the absence of national intervention, these programmes diffused rapidly throughout the country, and in the brief 1989–1995 period, all ACs introduced public anti-poverty programmes. According to Arriba and Moreno (2005), the historic ethno-territorial competition that characterizes the Spanish territorial model explains this rapid institutional diffusion: since 'no region wanted to be left behind' (Arriba and Moreno, 2005: 150), policy innovation in the Basque Country was followed by 'institutional mimesis', that is, the reaction of the other units and the introduction of similar programmes in the whole country. These dynamics were favoured by the presence of powerful social actors supporting the adoption of a social safety net and of a party system providing few incentives to campaign against social assistance benefits (Natili, 2018).

The impact of the crisis. During the economic and financial crisis, these regional measures were gradually extended and consolidated – in particular between 2007 and 2015, a significant expansion of regional safety nets is apparent in Spain, despite the introduction of heavy budgetary constraints on subnational expenditure (Del Pino and Pavolini, 2015). No less than 12 ACs introduced legislative improvements, the number of beneficiaries has more than doubled and total regional expenditure on minimum income schemes increased from around €360 million in 2006 to almost €1.4 billion in 2015.

At the same time, the onset of the economic crisis and increasing poverty rates – coupled with the comparative weaknesses of the Spanish minimum income model (Ayala, 2011) – favoured the (re)emergence of a debate over the opportunity to introduce a national programme. New proposals to introduce a national scheme were put forward as a response to the economic crisis by the trade unions and by all parties in opposition (Aguilar and Arriba, 2016).

Despite these pressures, national measures in the field of social assistance remained extremely weak and no social rights were introduced – also because the ACs did not back these proposals. Rather than demand national intervention, the ACs have played the 'upwards cost-shifting game' (Bonoli and Trein, 2016). All the regional laws regulating safety nets have emphasized the 'subsidiary' nature of regional programmes, meaning that claimants need to have applied to all existing national social programmes before requesting regional benefits. Furthermore, the benefit amount is often calibrated so that receiving unemployment assistance benefits – and in particular the so-called *Plan Prepara* targeted to long-term unemployed – prevents access to regional safety nets. Finally, some ACs responded to the rapid increase of beneficiaries during the crisis by providing contribution-paying temporary employment to clients who are, as a result, able to claim national unemployment insurance. In Castile and Léon (Orden 894/2013) special subsidies for nongovernmental organisations (NGOs) have been introduced, offering at least 6-month jobs to beneficiaries of the Citizenship Guaranteed Income, and similar measures also exist in other ACs, such as Cataluña and La Rioja.

To conclude, Spanish ACs have been eager to maintain their competence over social assistance policies, expanding their welfare effort even in the difficult post-crisis context. At the same time, some attempts to shift the costs – but definitely not the programmes – to the national level are visible.

Shifting responses to the federalist's dilemma in Italy, between partisan dynamics and opportunistic behaviours

Decentralization. Italy is a case of a Holding-together and Uni-national federation. Unification in 1861 has been followed by a strong centralization of the political and administrative system, despite the huge socio-economic differences that characterized the country, especially along the North–South divide. Only the 1948 Constitution defined Italy as a unitary state divided into regions. Yet their actual establishment was a very slow process, and the ordinary regions only became fully operative in the late 1970s. Even then, regional autonomy remained limited, since subnational governments lacked clear policy competencies and were entirely dependent on the central state for resources. In the 1990s, regionalism experienced a new surge in Italy, ordinary and constitutional legislation gradually dismantled traditional centralism (Baldini and Baldi, 2014; Keating and Wilson, 2010), and the Italian unitary state developed into a regional (and possibly federal) one.

An essential driver for decentralization was the electoral success of the Northern League. This was built on resentment against inefficient central governments and transfers of resources to poorer southern regions in the more economically developed Northern regions (Diamanti, 2003). Yet Italy is characterized by the absence of politically salient plurinationalism. Although the North–South divide presents some cultural elements, it is mainly driven by wide regional economic and social disparities, and Italian regions do not claim identity distinctiveness (Baldini and Baldi, 2014; Keating and Wilson, 2010). Italy can therefore be portrayed as a case of Holding-together federation in a predominantly Uninational country.

The expansion of social assistance. Until the mid-1990s, social assistance in Italy was comparatively underdeveloped and there was no national framework law. Regional[4] and municipal social assistance benefits and services tended to be discretionary, uncertain in their delivery and heavily conditioned by budgetary constraints (Saraceno, 2002). Only in the mid-1990s, a centre–left government adopted an innovative national pilot programme, the Minimum

Insertion Income (Mii). The pilot was however soon discontinued in 2002 by the newly elected centre–right government (Jessoula and Alti, 2010).

The failed extension of the national Mii – coupled with the introduction of the constitutional reform (C. Law 3/2001) that strongly reinforced the legislative power of the ordinary regions – favoured a broader diffusion of regional safety nets. In sharp contrast with the centre–right government's decision, a number of regions ruled by centre–left coalitions decided to introduce regionally based social assistance programmes (Natili, 2018).[5] Yet, differently from the Spanish case, these regional schemes did not spread throughout the country.

The impact of the crisis. Moreover, the advent of the financial, economic and sovereign debt crises led to a phase in which regionally based programmes were drastically limited: from 2009 until 2014, subnational governments did not introduce any new initiatives. Furthermore, existing regional safety nets were rapidly discontinued in all cases where a centre–right coalition had replaced the centre–left government that had previously introduced them (Natili, 2018).

During the economic crisis, regions demanded a national-level intervention in this field. In mid-2010, the *Conference of the Regions* put forward a proposal to the national government aimed at introducing essential levels of services in the social assistance sector, including a national anti-poverty safety net. The centre–right cabinet formally welcomed the proposal, yet no discussion followed and the document had no concrete outcomes (Jessoula et al., 2016). A greater investment in this field was performed by the subsequent Monti government. This cabinet introduced on an experimental basis the New Social Card, which was later reinforced by the following centre–left governments, re-named Active Support Income (SIA) and implemented throughout the country since September 2016. This was followed by the launch of six regional social assistance programmes,[6] with the aim of complementing and extending the coverage to excluded poor families. Those regional schemes are highly visible at a limited cost, since they build on the national intervention. Once again, only regions ruled by centre–left coalitions did so.

Therefore, in the Italian case, social assistance competencies and programmes fluctuated periodically between national and regional governments. The decentralization of social assistance favoured greater intervention of the subnational level, and (some) regions intervened to fight poverty, acquire new competencies and legitimize their role. Yet, this was strongly affected by partisan dynamics (Natili, 2018). The advent of the economic crises increased the cost of having regional programmes, and most of the regions solved the federalist's dilemma by abstaining from intervening and waiting for national intervention, despite increasing poverty rates. Once a new national programme was introduced, opening up the possibility of sharing the financial and administrative costs with the national level, several left-ruled regions took the initiative and launched new programmes. Those dynamics reveal how shifting incentives on the continuum between costs and possibility to claim credit affected the preference of regional governments facing the federalist's dilemma, at least in the case of a centre–left government. Conversely, a centre–right coalition seems immune to these dynamics, and remained in all cases a sufficient condition – both at the national and local level – able to prevent the introduction and/or institutionalization of a public safety net (Jessoula et al., 2016).

Discussion and conclusion

Our analysis has shown that in each of the four countries covered, there is a clear tension between two fundamental objectives of subnational governments: to gain or preserve legitimacy and to manage budgets responsibly. Subnational units need to legitimize their existence by providing some tangible benefits to the resident population. Social assistance provides them with an opportunity to show that they matter. That is why, in our view, this apparently marginal field of social policy acquires such big relevance in the relationship between federal and subnational authorities. At the same time, they need to avoid excessive increases in spending, otherwise they risk having to raise taxes, ask for a bailout by the central government, and, more generally, they risk a reputation of incompetence in financial matters.

The tension between legitimation and budget responsibility plays out somewhat differently in the four federations covered in this study, in a way that reflects our expectations. We expected Germany to be the country where the legitimation function is least important. As a Coming-together federation, the existence of the *Länder* does not need to be continuously justified, and as a Uni-national country, identity-based competition is also quite limited. As seen above, Germany has witnessed a big transfer of responsibility in the field of social assistance from the municipalities to the federal government. The shift has generated some resistance by some municipalities regarding implementation (the *Optionskommunen*), but overall it was largely accepted by subnational actors (*Länder* and municipalities).

Things are slightly different in the second Coming-together federation we analysed, Switzerland. In our model, we expect the Pluri-national character of some federal states to provide additional identity-driven incentives to own policy at the subnational level. This seems to be the case in Switzerland, where the cantons have clearly rejected a proposal to shift social assistance policy to the federal level that could have resembled the German 2004 reform. At the same time, the cantons have to deal with the thorny issue of rising caseloads and costs. Their response has been not to question the ownership of the policy, but to try to shift costs upwards (by trying to move clients onto federal programmes) and to resist the adoption of measures that would generate further downwards cost-shifting (like limiting access to federal programmes).

In Spain, we observe a very strong attachment to social assistance by the regions, which, unlike in Germany or Switzerland are not compelled to run such schemes. Their involvement can be explained with reference to the high priority given to the legitimation function, which, in our model should be strongest in Spain (Holding-together and Pluri-national federation). Interestingly, the Spanish regions have adopted practices that are reminiscent of the Swiss story: cost-shifting.

Finally, in Italy, we expected some incentives to introduce regional programmes given by the recent acquisition of power by the subnational units and a limited role of competition based on identity between the national and local territories. In this situation, the regions introduced programmes in periods of (fiscal) abundancy and abstained in periods of budgetary crisis. Yet our model has worked according to our prediction only partially, since the legitimation-based explanation of social policy worked only for centre–left regional governments. Social assistance schemes were introduced only in regions ruled by the centre–left and not in those ruled by their right-wing competitors. This outcome can be explained with reference to the composition of Italian right-wing coalitions in recent years, and the predominance of their conservative and welfare chauvinist component (Jessoula et al., 2016). This meant that right-wing regional governments had to find other ways to show relevance.

From this analysis, we may draw three conclusions. First, the choice to own or disown social assistance policy is a real dilemma for constituent units in multi-tiered welfare states. The case studies show that this is a major issue in all the countries we cover. Second, the history of the federation and its national composition go a long way towards explaining the way in which countries go about dealing with the dilemma in practice. Overall our model is rather successful at predicting policy outcomes. Third, our case studies, particularly those on Switzerland and Spain, show that, in order to also fulfil their legitimacy function in adverse conditions, constituent units can be creatively opportunistic and develop strategies that allow them to keep the ownership of the policy and at the same time contain the increase in caseload (and costs) by shifting clients upwards onto national programmes and by resisting attempts by the federal government to shift them downwards. Cost-shifting allows subnational units to maximize the legitimation function while minimizing costs.

Our model seems roughly accurate at accounting for the observed outcomes, but are there alternative explanations? First, we could hypothesize that differences in policy responses are driven by problem pressure and that as caseloads increase beyond acceptable thresholds, competence is shifted upwards. This explanation would explain the German story but would have difficulties making sense of the attachment to social assistance by the Swiss cantons and the Spanish ACs.

Another alternative explanation is suggested by the Italian case and refers to the way in which the territorial cleavage is represented in the political arena. In Italy, the territorial and left–right cleavages tend to overlap,[7] since the regionalist party is clearly located on the right of the political spectrum. As a result, owning social assistance can serve a legitimation function only for regions ruled by the left. Regions ruled by right-wing coalitions need other policies to gain legitimacy (e.g. a tougher stance on migrants). The Italian case indicates that the cleavage structure could play an important role in the way in which the constituent units solve the federalist's dilemma.

A third alternative explanation would relate the observed outcomes to differences in fiscal federalism across the four countries: subnational units in countries with more fiscal autonomy (Switzerland and Germany) would be more inclined to disown policy because they are visibly responsible for any budget imbalances. In relation to this hypothesis, the evidence is mixed. Fiscal autonomy is strongest in Switzerland, but the Swiss canton are not particularly inclined to disown minimum income policy, less so than the German *Länder* and the Italian regions. This may be due to the fact that the incentives provided by fiscal autonomy, though they act in the expected direction, are weaker than more powerful forces that relate to identity and are captured by our distinction between Uni- and Pluri-national federations. Alternatively, it may be the case that cost-shifting, which is pervasive in Switzerland, allows constituent units to reconcile legitimacy and budget responsibility. As a result, there is little pressure to disown the policy.

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Notes

1. In line with the European tradition, for the purposes of this article, a federalist is someone who seeks to augment the discretion of regional governments against the absolute power of the central government. This understanding is opposite to the sense of the term's meaning in the famous federalist papers (Hamilton et al., 2008). Therein, a federalist is someone who favours a stronger central government.
2. In our sample, the two Coming-together federations have a considerably higher degree of tax autonomy than the two holding together federations. In Switzerland, 39.9 percent of tax receipt are collected at the regional/local level. In Germany 30.8 percent, in Spain 23.6 percent and in Italy a mere 16.5 percent (figures for 2014; Organisation for Economic Co-operation and Development (OECD), 2015). Nevertheless, the reader should keep in mind that, in Germany, subnational governments set the tax rates together with the federal government (OECD, 2015).
3. A map of the Optionskommunen can be found here: https://www.landkreistag.de/images/stories/themen/Langzeitarbeitslose/161101%20DLT%20Optionskarte%20-%20104%20OK.pdf (visited 12 June 2018).
4. In particular, the absence of a comprehensive and inclusive national anti-poverty safety net had, by the early 1990s, already induced two Special Status Regions of Northern Italy – Valle d'Aosta and Trentino Alto Adige – to introduce regionally based schemes.
5. Regionally based schemes were introduced in Basilicata (L.r.n. 3/2005), Campania (L.r.n. 2/2004), Friuli Venezia Giulia (L.r.n. 6/2005), Latium (L.r.n. 4/2008), Apulia (L.r.n. 19/2006) and Sardinia (L.r.n. 23/2005).
6. These are Apulia, Basilicata, Friuli Venezia Giulia, Emilia Romagna, Molise and Sardinia.
7. That is to say, since parties take consistent positions across the class and the territorial cleavage so that these dimensions' correlate, we end up with one unidimensional space (cf. Rovny, 2015).

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