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POLICY DEPARTMENT
ECONOMIC AND SCIENTIFIC POLICY **A**



Economic and Monetary Affairs

Employment and Social Affairs

Environment, Public Health and Food Safety

Industry, Research and Energy

Internal Market and Consumer Protection

The Social and Employment Situation in Italy

NOTE for the EMPL Committee



DIRECTORATE GENERAL FOR INTERNAL POLICIES
POLICY DEPARTMENT A: ECONOMIC AND SCIENTIFIC POLICY

Social and employment situation in Italy

NOTE

Abstract

Due to its structural weaknesses Italy is one of the EU28 Member States worst hit by the crisis. The segmentation across gender, age, and territory is very marked and job opportunities are unevenly distributed among the labour force, with the marginalization of specific segments of the working population, in particular women and young people, and especially those residing in Southern regions.

Since 2011 several labour market and social protection reforms have been introduced: in 2012 the Italian labour market was reformed (Fornero reform) and the recently formed Renzi Government has announced a new Programme for Labour Reforms (Jobs Act).

The Italian Presidency programme is described in the 2014 Work Programme "Participation of Italy at the European Union". The document sets out the priority dossiers and areas on which Italy plans to engage at the European level.

This document was requested by the European Parliament's Committee on Employment and Social Affairs.

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CONTENTS

LIST OF ABBREVIATIONS	4
LIST OF FIGURES	6
LIST OF BOXES	6
EXECUTIVE SUMMARY	7
1. GENERAL OVERVIEW OF THE EMPLOYMENT AND SOCIAL SITUATION IN ITALY	10
1.1 The recession has aggravated the existing labour market structural weaknesses	10
1.2 The social situation	12
1.2.1 The growth of poverty and social exclusion	13
1.2.2 The decline in immigration	13
1.3 Vulnerable groups	14
1.3.1 Young people	14
1.3.2 Women	16
1.3.3 Migrants	17
1.3.4 The Elderly	17
2. OVERVIEW ON SOCIAL AND EMPLOYMENT LEGISLATION AND POLICY	18
2.1 Overview of recent developments in employment and labour market policies	18
2.1.1 The Fornero labour reform	19
2.1.2 Measures enacted in 2013 after the Fornero Reforms	22
2.1.3 Initial indications of the Renzi government	27
2.2 Social protection	28
2.2.1 The fight against poverty	28
2.2.2 Policies addressing specific population groups	29
2.2.3 Pensions	30
2.3 Social dialogue and the role of social partners and NGOs in policy design and implementation	32
2.3.1 Social dialogue in Italy and its most important actors	32
2.3.2 Social actors' involvement in the Youth Guarantee Plan	33
3. OVERVIEW OF PRESIDENCY PRIORITIES	34
3.1 Overview of the presidency programme	34
3.2 Main employment dossiers	36
4. LIST OF CURRENT IMPORTANT ISSUES IN EMPLOYMENT AND SOCIAL AFFAIRS	38
REFERENCES	40
ANNEX	42

LIST OF ABBREVIATIONS

ALMP	Active labour market policies
ABI	Italian Banking Association
ANIA	National Association of Insurance Companies
CGIL	General Confederation of Italian Workers
CIG	Cassa Integrazione Guadagni - wage guarantee fund
CISL	Italian Confederation of Workers' Trade Unions
CSR	Country specific recommendation
EMU	Economic and Monetary Union
EPSCO	Employment and Social Policy Council
EXPO	World Exposition
GDP	Gross domestic product
INPS	National Institute for Social Security
ISEE	Indicator of Equivalent Economic Situation
ITS	Higher Technical Institutes
MEP	Member of the European Parliament
NEET	Not (engaged) in Education, Employment or Training
NGO	Non-governmental organization
PES	Public Employment Services
SIA	Active Inclusion Support
SINP	National information system for prevention/social security
SRM	Single Resolution Mechanism
SSM	Single Supervisory Mechanism

TSS Social Summit for Growth and Employment

TTIP Transatlantic Trade and Investment Partnership

UIL Union of Italian Workers

VAT Value Added Tax

VET Vocational education and training

LIST OF FIGURES

Figure 1: Employment rate in Italy by sex, age group and geographical area, 2008-2013	11
Figure 2: Migration trends 2008-2012	14
Figure 3: % of reduction of the risk of poverty due to social transfers - year 2011	28
Figure 4: Total expenditure for pensions, % of GDP	31

LIST OF BOXES

Box 1: Main provisions of the Fornero Labour Reform	20
Box 2: The Youth Guarantee Plan	24

EXECUTIVE SUMMARY

Background

Italy has been one of the EU28 Member States worst hit by the crisis, due to its structural weaknesses aggravated by the economic and financial crisis. The segmentation across gender, age, and territory is very marked and job opportunities are unevenly distributed among the labour force, with the marginalization of specific segments of the working population, in particular women and young people, and especially those residing in Southern regions:

- With an employment rate of only 59.8% (20-64) in 2013 Italy is very **far from the EU2020 national targets** of 67-69%;
- **Gender gaps in employment rates** (15-64) even if declining, due to the dramatic decline in male employment, **still reach 18 percentage points** in 2013;
- **Age gaps in employment rates are much wider than in other EU countries**;
- **North-South territorial gaps are also the widest in Europe**: employment rates in Southern Italy are at a low 42% versus an average of 64.2% in the Northern regions.

Another distinctive feature of the Italian labour market is the **high level of taxation on labour** which tends to discourage labour supply and demand. High labour costs and employment protection regulation result in a peculiar flexibility model, based on a **high incidence of self-employment and undeclared work** in the underground or shadow economy.

The crisis has aggravated these structural weaknesses. The employment contraction has in part been mitigated by the reduction of working time through an increased use of social shock absorbers. Among the economic and labour market effects of the prolonged recession, there is also re-composition of the Italian employment structure in terms of the sex and age structure, occupations and types of contract.

From the social point of view the main effects registered are **increased poverty and social exclusion of increasingly large groups of the population**; a **decline in immigration**; increasing **fragilisation of young people**; a rise in crimes involving theft and robbery.

In 2012 **29.9% of the people living in Italy were at risk of poverty** or social exclusion, Compared to 2011, the indicator shows a 1.7 percent increase due to the growing proportion of people living in severely deprived families (11.2% to 14.5%).

The population growth observed since the beginning of the twenty-first century is due almost exclusively to migratory movements from abroad but in the last five years the dynamics of migration trends registered in the previous twenty years has progressively declined (-9.1%). **The economic crisis has had a significant impact on the labour market situation of migrants**, especially for males, due to the relatively high concentration of migrants in the construction sector, most hit by the crisis.

The economic crisis has hit young people in particular. Between 2008 and 2013 the employment rate of youth aged 15-24 dropped by 8 percentage point to reach 16.3% in 2013 and the unemployment rate increased by about 20 percentage points to reach the dramatic figure of 42.4% in January 2014, a level unprecedented in Italy. The high level of unemployment has led to **discouragement and inactivity among young people**, and **more than two million people aged 15-29 (23.9 per cent of the total) are NEET**, among the highest values in Europe. The difficult conditions experienced by many

young people in Italy are in part attributable to the peculiarities of the Italian welfare and education system:

- Past labour reforms (the Treu Law in 1997 and the Biagi Law in 2003) introduced **flexibility** only for new entrants, while maintaining protection for workers on open-end contracts. Italy also lacks effective **active labour policies** targeting young people;
- The **school-to-work transition takes longer than the EU27 average**: in 2009 the average time between leaving formal education and starting the first job was 10.5 months in Italy compared to 6.5 months for the EU27, while the more highly educated also show long transition durations (9.8 months);
- An issue much debated in Italy related to the **possibility for young people to move towards independent living** is the additional difficulty precarious workers have in accessing credit and housing without a regular wage.

The evolution of employment and social protection legislation and policy

Since 2012 several important labour measures have been implemented:

- In 2012 the Italian labour market was reformed (Fornero reform) with the aim to reduce disparities existing in employment protection and access to income support during unemployment, while guaranteeing an adequate degree of employment flexibility;
- Further measures have been introduced since the Fornero Reform, mainly through “urgent” decrees to support its implementation (in some cases introducing some temporary amendments to take into account the gravity of the crisis) and to incentivise the hiring of vulnerable groups, such as young people, women and workers in Southern Italy;
- The recently formed Renzi Government has announced a new Programme for Labour Reforms (Jobs Act).

Furthermore, because of the crisis recent years have seen severe cuts in public spending for social inclusion and social protection and some reforms were implemented. Among the six strategic objectives pursued by the government led by Enrico Letta (who recently resigned) two focused on social protection: the fight against poverty and pensions.

- With respect to the **fight against poverty**, the government has sought to strengthen social policies to achieve greater equity in Italian society: the SIA (Sostegno per l’Inclusione Attiva), the universal tool for the fight against poverty proposed, has not been implemented yet. It has currently been substituted by experimentation of an intermediate proposal, the so-called ‘new social card’ which marks a step in the direction of the SIA;
- The so-called **Fornero Pension Reform** made provision to raise the retirement age and abolish seniority pensions. The Letta government has endeavoured to improve the fairness of the reform, even in a long-term perspective, and to address the issue of those left uncovered by social protection due to the pension reform, the so-called “esodati”.

The following major issues are at the centre of current debate on labour and social inclusion policies in Italy:

- The **weaknesses of the employment services and active labour market policies** may hamper the successful implementation of the tasks envisaged by the Fornero reform. The fragmentation of competences between Regions and the State makes it difficult to integrate active and passive policies and results through a highly differentiated quality of services and with fragmentation of measures and regulations across regions;
- The **educational system** still shows severe weaknesses in terms of quality and outcomes, which in turn hamper smooth transition to work;
- The provisions of the Fornero reforms on the **regulation of entry contracts** to support access to the labour market for young people and women need to be revised;
- The **tax wedge on labour** is too high and there is a need to shift fiscal pressure from labour to property and the environment, as well as stepping up the fight against the shadow economy and undeclared work;
- The **European Structural Funds are used** to address the structural problems of the Italian labour market;
- As for the Italian **social protection system**, the main problems are related to its fragmentation in very different regional and local subsystems. Moreover, there is the problem of the rigidity of a system deploying a multiplicity of sectoral and category interventions with inadequate selectivity, and indeed the use of economic benefits instead of provision of services. These are among the main reasons accounting for the ineffectiveness of Italian social expenditure;
- The eight hundred million Euros allocated for 2014 to the **fight against poverty** is still far from the billion and a half Euro that the panel of experts at the Ministry of Labour has estimated as necessary to introduce a partial minimum income for people in a state of absolute poverty.

Social dialogue in Italy is mainly conducted through the industrial relations system, traditionally based principally on industry-wide bargaining and supplementary decentralized agreements, mostly at company level.

The Delegation for the Organisation of the **Italian Presidency programme** has been active since September 2013 on the basis of the Decree of the President of the Council of Ministries of 8 August 2013. However, at the moment the only formal document from which the following information is drawn is the 2014 Work Programme "Participation of Italy at the European Union" drafted by the former Ministry for European Affairs and presented to the Italian Parliament on 22 January 2014. The document sets out the priority dossiers and areas on which Italy plans to engage at the European level. The main priorities are:

- strengthening the Economic and Monetary Union;
- strengthening the internal market of the European Union to stimulate growth, competitiveness and employment;
- defining and implementing an European policy on migration flows in the Mediterranean;
- continuing the enlargement process and enhancing Europe's external relations.

1. GENERAL OVERVIEW OF THE EMPLOYMENT AND SOCIAL SITUATION IN ITALY

KEY FINDINGS

Italy has been one of the EU28 Member States worst hit by the crisis, due to its structural weaknesses aggravated by the economic and financial crisis.

With regard to the employment situation:

- Italy is still very far from its EU2020 national targets with wide gender, age and North-South territorial gaps;
- Distinctive features are the high level of taxation on labour and high incidence of (bogus) self-employment and undeclared work.

With regard to socio-economic conditions the most important issues are:

- the ageing of the population;
- the growth of poverty and social exclusion of increasingly large groups of the population;
- the decline in immigration;
- The crisis has in particular increased the fragilisation of young people's living and working conditions.

1.1 The recession has aggravated the existing labour market structural weaknesses

Italy has been one of the EU28 Member States worst hit by the crisis, due to its structural weaknesses aggravated by the economic and financial crisis. Segmentation across gender, age, and territory is very marked and job opportunities are unevenly distributed among the labour force, with the marginalization of specific segments of the working population, in particular women and young people, and especially those residing in Southern regions:

- With an employment rate of only 59.8% (20-64) in 2013 Italy is very **far from the EU2020 national targets** of 67-69%;
- **Gender gaps in employment rates** (15-64) even if declining, due to the dramatic decline in male employment, **still reach 18 percentage points** in 2013, with employment rates for men at 64.8% relative to 46.5% for women;
- **Age gaps in employment rates are much wider than in other EU countries**, with employment rates ranging from 70.2% in the 25-54 age bracket, to 16.6% for young people (15-24 years old) and 43.0% for the 55-64;
- **North-South territorial gaps are also the widest in Europe**: employment rates in Southern Italy are at a low 42% versus an average of 64.2% in the Northern regions.

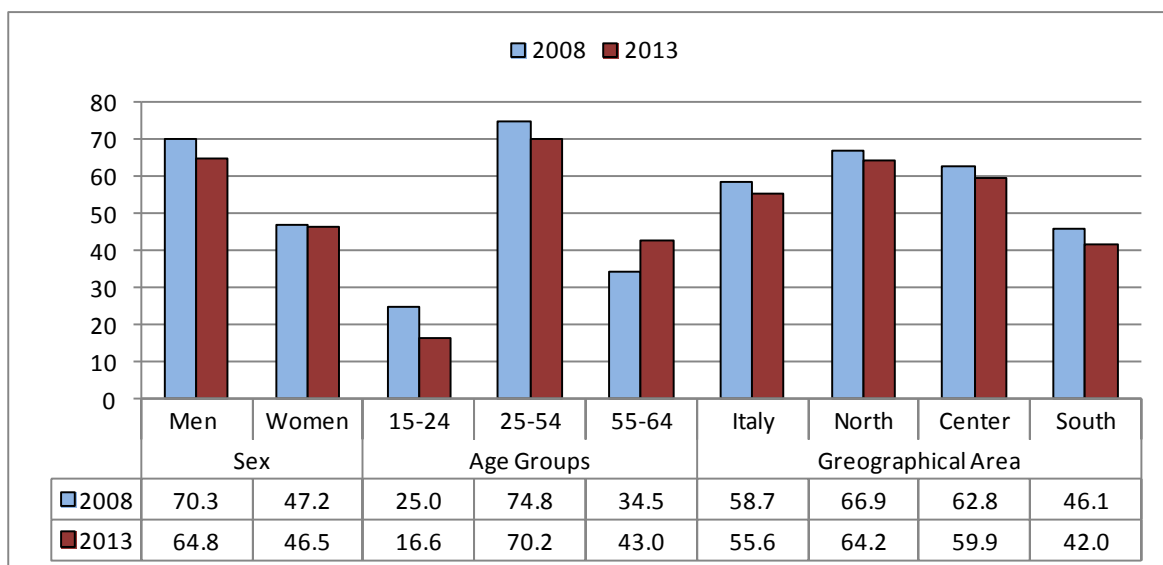
Another distinctive feature of the Italian labour market is the **high level of taxation on labour**, which tends to discourage labour supply and demand. In Italy the tax wedge, encompassing employers and employees' social security contributions as well as the

personal income tax (PIT), stood at around 44.5% on single low-wage earners in 2012 as compared with an EU28 average of 37.7%¹.

High labour costs and employment protection result in a peculiar flexibility model, based on a **high incidence of self-employment and undeclared work** in the underground or shadow economy.

The crisis has aggravated these structural weaknesses. As shown in Figure 1 below and in Table 2 (in Annex), **since 2008 almost 1 million workers have lost their jobs** (984,400, of which 479,000 between 2012 and 2013). The employment rate for the 15-64 population declined from 58.7% in 2008 to 55.6% in 2013 (Istat database). A dramatic contraction in employment has been registered in **Southern regions** (-9%) and among **male workers** (- 6.9%). At the same time, recent data show an **increase in the incidence of the black economy in 2012 after two years of decline**; the share of undeclared employment in the underground economy has risen to 12.1% of total employment, reaching 20.9% in Southern Italy.

Figure 1: Employment rate in Italy by sex, age group and geographical area, 2008-2013



Source: own calculation on Istat data, I.Stat (<http://dati.istat.it>)

The employment contraction has in part been mitigated by the reduction of working time through an increased use of social shock absorbers, particularly CIG² which was extended (*CIG in Deroga*) to firms and workers not originally covered. Like other European countries, Italy has also reduced working hours with increased use of involuntary part-time employment: between 2008 and 2013 the part-time share of total employment increased from 14.3% to 17.9%.

Among the effects of the prolonged recession, there is also a re-composition of the Italian employment structure in terms of the sex and age structure, occupations and types of contract.

¹ Tax wedge level as % of the total labour cost on single low wage earners (67 % of the average wage), 2012. Data from Joint European Commission-OECD project, *Tax & benefits indicators database* (http://ec.europa.eu/economy_finance/db_indicators/tab/).

² The CIG (Cassa Integrazione Guadagni) is a wage guarantee fund designed to support workers penalised by reduced working hours and temporary suspension from work, in order to avoid dismissals. It is managed by the National Social Security Institute (INPS) and used mainly by medium and large enterprises in the manufacturing and construction sectors.

The **age structure of employment shifted towards prime age and elderly women** (Istat, 2013), due to the reduction in youth hiring and the large number of dismissals of temporary workers (mostly young workers), together with the 2011 pension reform which raised the retirement age.

Changes in the **occupational composition favoured employment of women relative to men**, who have so far been penalised by the crisis of the manufacturing and construction sectors. In the medium and long run, however, fiscal consolidation and budget cuts, as well as the dramatic decline in consumption, are expected to affect women's employment in the service sector and public sector negatively.

As for types of contracts, the recession brought about a **decline in the share of standard full time open-ended contracts and full-time self-employment**, in favour of part-time jobs (increased from 14.3% in 2008 to 17.9% in 2013). Fixed term jobs, on the other hand, appear stable in the period at 13.2% in 2013; they are more widespread among women (14.2% versus 12.4% of men, in 2013) and among young workers, with over half the employees aged 15-24 on a fixed-term basis. Atypical contracts (considering both fixed term and project work) are generally short (one out of two lasts less than 12 months) although 19% of atypical workers have been doing the same job for at least 5 years (Istat, 2013).

The concomitant contraction of employment positions and the increase in activity rates (reaching 63.5% in 2013), brought about a **sharp increase in unemployment, which saw a yet steeper rise in 2013**. The unemployment rate reached the peak of 12.9% in January 2014 (the highest value since 1977). The increase in unemployment has been mainly due to dismissals or firms closing down, proving particularly severe for young people and in Southern Italy, as well as among non-nationals.

The incidence of long term unemployment reached 56.4% in 2013. According to Istat estimates (2013) in 2012 jobhunting lasted on average 21 months, with marked differences across regions (15 months in the northern regions and 27 months in southern regions and the islands) and types of workers (e.g. 30 months for new entrants).

1.2 The social situation

The most important aspects to be considered in relation to the evolution of the Italian context are, from a demographic point of view, the ageing of the population, and from a socio-economic point of view:

- the growth of poverty and social exclusion of increasingly large groups of the population;
- the decline in immigration;
- the increasing fragilisation of young people;
- the rise in crimes involving theft and robbery.

The crisis has profoundly impacted on all these aspects.

The population growth observed since the beginning of the twenty-first century continues and is due almost exclusively to migratory movements from abroad. As of 31 December 2012, there were 59.6 million residents. In Europe Italy is the fourth country in terms of demographic dimension: for its negative natural growth rate Italy takes one of the lowest positions in Europe, close to Greece and Portugal; conversely, growth due to migration confirms Italy among the countries with greater attractive force³, even though in the last

³ Istat, *Noi Italia 100 statistiche per capire il Paese in cui viviamo* Edizione 2014, 11 February 2014.

five years the vibrant dynamics of migration trends registered in the previous twenty years have progressively declined (-9.1%).

1.2.1 The growth of poverty and social exclusion

In 2012 29.9% of the people living in Italy were at risk of poverty or social exclusion, according to the definition adopted under the Europe 2020 strategy which combines the risk of poverty (calculated on income 2011), severe material deprivation and low labour intensity. Compared to 2011, the indicator shows a 1.7 percent increase due to the growing proportion of people living in severely deprived families (11.2% to 14.5%); by contrast, the proportion of people living in households at risk of poverty has proved stable (19.4%) after the increase observed between 2010 and 2011.

- The risk of poverty or social exclusion is **5.1 percentage points higher than the European average** (24.8%) as a result of the greater diffusion of severe deprivation (14.5% versus an EU average of 9.9 %) and of the risk of poverty (19.4 % versus 16.9 %):
- **Nearly half (48%) the residents in the South are at risk of poverty and exclusion**, and it is in this area that the increase in severe deprivation is more marked: +5.5 percentage points (from 19.7% to 25.2 %), while in the North it was +2% (from 6.3 to 8,3%) and in the Centre +2.6 (from 7.4% to 10.1 %);
- The risk of poverty or social exclusion **is higher for larger families** (39.5%) or **single-income families** (48.3%), the elderly, single parents (from 39.4 % to 41.7%), and families with three or more minor children (from 39.8 % to 48.3%);
- In 2011 **severe deprivation among people in families with predominantly self-employment income** was lower (7.1%) than was observed among members of families with income from employment (10.7%): in 2012 the gap narrowed significantly (12.6 % versus 13.7%);
- Half the families living in Italy were receiving a net income of not more than € 24 634 per year (about 2,053 per month) in 2011: in the South and the Islands 50 % of households receive received less than € 20,129 (about € 1,677 per month) . The median income of families living in the South comes to 73% of that of families living in the North. The richest 20% of households living in Italy receive 37.5% of total income, while the poorest 20% receive 8%.

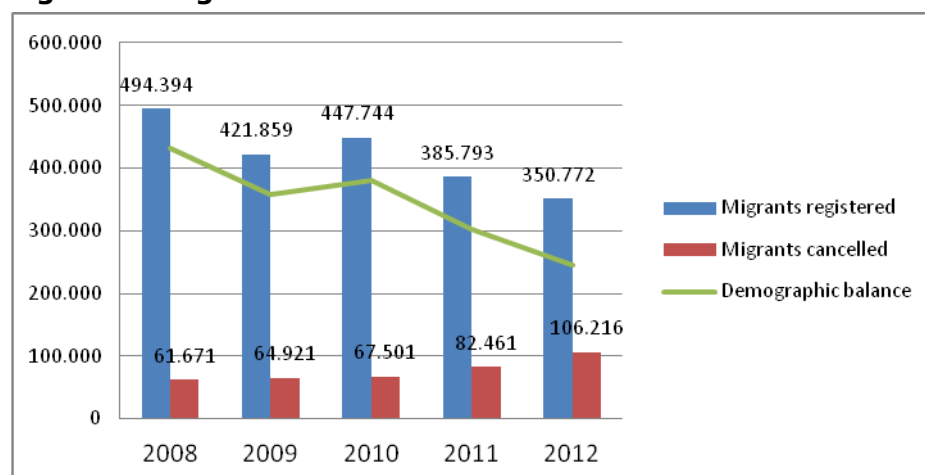
A clear indicator of the deterioration of the socio-economic condition of the country and its impact on the quality of life emerges from the data on criminality. **The effects of the crisis can be seen in the rise in robberies and thefts**, which affected all areas but to a greater extent the North-east, North-west and South (+7.6, +6.6 and +5.5 per cent – Istat 2012). In particular, muggings and thefts in apartments have been increasing even faster, by 40.5 and 40.3 respectively (2012). **Murders of men are in sharp decline**, with a rate declining from 4.4 per hundred thousand in 1992 to 1.3. However **the number of murders of women remains constant, around 0.5 per hundred thousand females**, in 46.3 percent of cases committed by the partner or former partner. **The theme of femicide has therefore now found a major place on the political agenda.**

1.2.2 The decline in immigration

Between 2011 and 2012 migrants registered from abroad decreased from 354,000 to 321,000. The net migration flow with foreign countries fell by 19.4% from 2011 to 2012. This is the lowest value recorded since 2007. The net migration rates are positive in all regions of Northern and Central Italy and negative in all regions of the South and the

Islands, confirming the greater attractiveness of the northern regions than the Southern ones⁴ (see Figure 2).

Figure 2: Migration trends 2008-2012



Source: Istat, Migrazioni internazionali e interne della popolazione residente, 27 January 2014

1.3 Vulnerable groups

1.3.1 Young people

In international comparisons the definition of 'young people' applies to people under 25 years of age. At the country level, on the other hand, political debate and some socio-economic surveys include the under 35-year-olds in the category of young people: as stated in the National Action Plan for the Employability of young people ITALIA 2020 by the Ministry of Labour⁵, this is a specific example of the Italian anomaly.

The greater vulnerability of young workers has to do with the fact that they are more likely to hold short-term, atypical labour contracts, and that they tend to be more vulnerable to employment loss even when they hold permanent contracts.

The **economic crisis has hit young people in particular**. Between 2008 and 2013 the employment rate of youth aged 15-24 dropped by 8 percentage point to reach 16.3% in 2013 and the unemployment rate increased by about 20 percentage points to reach the dramatic figure of 42.4% in January 2014, a level unprecedented in Italy.

The employment contraction has been more severe for the low-educated and for young males. It has affected all Italian regions, with youth unemployment rates reaching very high peaks in 2013, ranging from 31.2% in Northern regions to 51.6% in Southern ones. The youth unemployment ratio, measuring the proportion of the population of young people unemployed⁶, also sharply increased between 2008 and 2013 from 6.7% to 11.1%. The high level of unemployment has led to **discouragement and inactivity among young people**, so that the Italian labour market is also characterised by very high NEET rates

⁴ Istat, Migrazioni internazionali e interne della popolazione residente, 27 January 2014.

⁵ Ministero del lavoro, *ITALIA 2020 Piano di azione per l'occupabilità dei giovani attraverso l'integrazione tra apprendimento e lavoro* http://www.cliclavoro.gov.it/informarmi/cittadino/giovanilavoro/Documents/pianogiovani_web.pdf.

⁶ While the youth unemployment rate is the number of unemployed youth (aged 15-24) divided by the youth labour force (employed plus unemployed young people), the unemployment ratio is the number of unemployed youth divided by the total population aged 15-24. The unemployment ratio is thus by definition always smaller than the youth unemployment rate, because a large proportion of the young population is not in the labour market (many young people being students).

(young people not in employment, education or training). **Overall, more than two million people aged 15-29 (23.9 per cent of the total) are NEET, among the highest values in Europe.**

The **school-to-work transition takes longer than the EU27 average**: in 2009 the average time between leaving formal education and starting the first job was 10.5 months in Italy compared to 6.5 months for the EU27, while the more highly educated also show long transition durations (9.8 months)⁷. Entry jobs are largely temporary and, with the crisis, they are less likely to represent a stepping stone to permanent employment than in the past. The probability for young people (15-24 years) to move from temporary to permanent employment fell from 24.5% in 2004-2005 to 19.1% in 2008-2009, while the transition rate from temporary work to unemployment doubled from 5.8% in 2004-2005 to 10.8% in 2008-2009 (Istat, 2010).

Due to the precariousness of their employment conditions Italian young people tend to remain at their parents' home longer than the EU average and in general longer than most of their European contemporaries. The Eurostat figures show this Italian peculiarity clearly: in Italy 93.2% of the young people aged 18-24 were still living with their parents in 2012, while the EU28 figure came to 79.4%. For the following age group (25-34), the situation is even worse: 46.6% were still at their parental home against the 28.5% of the EU28. A striking contrast is offered by Denmark, where this applies to only 1.8% of the same age group. (see Table 3 in Annex). Eurostat data show that a **stable job is an absolutely crucial factor for young people to approach autonomy**, and not a cultural factor.

- An issue much debated in Italy related to the **possibility for young people to move towards independent living** is the additional difficulty precarious workers have in accessing credit and housing without a regular wage: an irregular or precarious job precludes young people from access to mortgages, but it also makes it very difficult to find a house for rent. The trend in the labour market has not been reflected by the financial proposals offered by the banks: the point emerging from the current debate is that banks should adapt to the evolution of the labour market;
- Another significant impact of youth unemployment and underemployment is to be seen on fertility rates: Isfol data⁸ show that **women in atypical working positions tend to wait several years before deciding to have children, while workers with more stable employment decide to have children earlier.**

The uncomfortable conditions experienced by many young people in Italy are in part attributable to the peculiarities of the Italian welfare and education system.

The **education and training system** is still sequential and lacking a higher vocational training track. Even though recent reforms have been enhancing the role of higher technical and professional education through the establishment of new Higher Technical Institutes (ITS), the links between the education system and the labour market are still weak. **Early school leaving** reached 17.6 per cent among the 18- to 24-year-olds in 2012, with peaks of 21.1% in the South (compared to the 12.8 percent EU average). Italy also shows very low levels of educational attainment among young people (only 21% of the 25-34 age group shows tertiary education attainment in Italy) and the incidence of expenditure on education in GDP was 4.2 per cent in 2011, well below that of the EU27 (5.3 per cent), with education often of poor quality, especially in Southern Italy. Furthermore, the Italian education system does not appear to support social mobility

⁷ Eurostat, Labour Force Survey Ad hoc module 2009.

⁸ Mandrone E., Marocco M., Atipicità, flessibilità e precarietà: una lettura economica e giuridica attraverso l'indagine isfol PLUS, ISFOL Working Paper 2012

(Pastore, 2012) and an increasingly serious challenge lies in the integration of children from immigrant backgrounds (CNEL, 2010).

Labour market regulation is another problematic feature. Past labour reforms (the Treu Law in 1997 and the Biagi Law in 2003) introduced flexibility only for new entrants, while maintaining protection for workers on open-end contracts. Even though recent measures have sought to reduce the duality of the labour market, young workers still experience much worse labour market conditions than adults. Only in 2012 did the 'Fornero' Labour Reform attempt to reduce both employment protection for permanent workers and the abuse of the less protected flexible contracts.

Italy also lacks effective **active labour market policies** targeting young people,⁹ and young workers are also less covered by **income support** measures than adults, as well as being more likely to be at risk of poverty during their life than the older generations.

1.3.2 Women

In spite of the better performance in female employment during the recession and the narrowing of the gender gaps, Italy remains characterised by **low female participation and employment**: in 2013 the female employment rate was 46.5%, as compared to an EU27 average of 58.6% (2012 data), partly due to high marginal effective tax rates for second-earners, particularly in low-income households, compared with those for single individuals – a factor likely to deter labour market entry for women.

Territorial differentials play a crucial role in this low performance: in 2013 the female activity rate amounted to 62.6% in northern regions as compared to 39.0% in the southern regions. Similarly, employment rates evidence a north-south gap of 26 percentage points (56.6% versus 30.6%).

With respect to men, employed women show a **higher incidence in low qualified jobs**, the share of over-education among employed women consequently coming 3 percentage points above that of men (23.3% versus 20.6% in 2012). Moreover, women have a greater probability of being employed in atypical jobs (the gender differential is 4 p.p.) and a **lower probability of transition into permanent jobs**: according to the Istat (Istat, 2013) calculation only 12% of women employed in atypical jobs in 2011 moved on to a permanent contract in the following 12 months, as compared to 20% of men.

The recession has intensified **gender segregation**: since the beginning of the crisis female employment growth in low qualified occupations (especially non-nationals in the personal care sector) has come to twice the rate registered for males, and three times in the service sector (Istat, 2013). In 2012, 50% of female employment was concentrated in only 18 occupations, while it took 51 occupations for males to make up the same share (Istat, 2013).

Gender segregation, together with a higher incidence of non-standard and atypical contracts among women, results in **high wage differentials**: in 2012 women's wages were on average 20% lower than those of men, 11.5% if considering only full time employment. Gender wage differential tends to be higher for women with tertiary education (Istat, 2013). Even if lower than in other EU Member States, the gender pay gap greatly contributes to a gender pension gap, with most women being on the minimum pension threshold and being much more at risk of poverty than men in older age.

⁹ Expenditure on active labour policies in 2011 was only 0.34% of GDP compared to 0.77 % for the EU27 (Eurostat LMP data).

1.3.3 Migrants

On 1 January 2013, the foreign nationals registered in Italy numbered nearly 4.4 million, equal to 7.4 percent of residents; of these, over 3,700,000 were non-EU citizens. Between 2011 and 2012 a decline was registered, accounting for 27 per cent of the flow of non-EU citizens entering Italy. The decrease in new arrivals has affected more men (-33 per cent) than women (-19.5 per cent), more permits to work (-43.1 per cent) than new concessions for family reunification (-17 per cent).¹⁰

The largest group of migrants by country of origin is from Romania (82,000 arrivals), followed by Chinese (20,000), Moroccan (20,000) and Albanian (14,000). Compared to 2011 there has been an appreciable reduction of arrivals from Moldavia (-41%), Ukraine (-36%), Peru (-35%) and Ecuador (-27%).

In 2013, migrants accounted for 10.2% of total Italian employment. They have higher employment rates¹¹ than nationals, both men (67.9% versus 64.5% of nationals) and women (49.3% versus 46.2%). However, migrants also have higher unemployment rates than nationals (on average, 14.1% versus 10.3%) because of larger participation in the labour market. **The economic crisis has had a significant impact on the labour market situation of migrants**, especially for males, due to the relatively high concentration of migrants in the construction sector, most hit by the crisis. Between 2008 and 2012 the unemployment rate of male migrants grew by 6.7 percentage points, compared to the 4.1 percentage points of nationals. As regards women, employment contraction has been mitigated by the growth of the sector of personal services and care: half the women migrants are employed as domestic housekeepers and cleaners or personal care workers, representing almost 77% of the total employed in the sector.

Occupational segregation of migrants results in higher rates of underemployment¹² and over-education compared to nationals: in 2012, the percentage of underemployed (10.7% vs 4.6%) and overeducated (41.2% vs 19.5%) among migrants was double that of the nationals. Moreover, the monthly net wage of migrants in 2012 was 25% lower than that of nationals (on average 968 € vs 1,304 €).

1.3.4 The Elderly

Population ageing is likely to affect all EU Member States sooner or later, but of them Italy is second only to Germany for the highest share of elderly people in the total population. On 1 January 2012, there were 148.6 aged persons per 100 young people. The country is characterised by marked geographical differences, both from the demographic point of view and in terms of organization and administration of services: Liguria, the oldest region in Italy has an index of 236.2, while Campania, the youngest Italian region shows an index of 100. The average life expectancy of women is 84.5 years, while for men it comes to 79 years, among the longest in the European Union.

- The over-65s in Italy number 12.3 million: about 1.8 million of these are not self-sufficient, and of these 1.4 million receive a carer allowance;
- Between 2011 and 2012 **poverty rates among elderly people showed a significant increase**, in particular among those living alone (from 34.8 % to 38.0 %).

¹⁰ Istat, *Noi Italia 100 statistiche per capire il Paese in cui viviamo* Edizione 2014, 11 February 2014.

¹¹ 15-64 years old.

¹² Work less than preferred.

2. OVERVIEW ON SOCIAL AND EMPLOYMENT LEGISLATION AND POLICY

KEY FINDINGS

With regard to employment legislation and policy:

- In 2012 the Italian labour market was reformed (Fornero reform) with the aim to reduce disparities existing in employment protection and access to income support during unemployment, while guaranteeing an adequate degree of employment flexibility;
- Further measures have been introduced since the Fornero Reform, mainly through “urgent” decrees to support its implementation (in some cases introducing some temporary amendments to take into account the gravity of the crisis) and to incentivise the hiring of vulnerable groups, such as young people, women and workers in Southern Italy;
- The recently formed Renzi Government has announced a new Programme for Labour Reforms (Jobs Act).

With regard to social legislation and policy:

- Because of the crisis recent years have seen severe cuts in public spending for social inclusion and social protection but some reforms were implemented during 2013. Among the six strategic objectives pursued by the government led by Enrico Letta (who recently resigned) two focused on social protection: the fight against poverty and pensions;
- With respect to the fight against poverty, the government has sought to strengthen social policies to achieve greater equity in Italian society: the SIA (Sostegno per l’Inclusione Attiva), the universal tool for the fight against poverty proposed, has not been implemented yet. It has currently been substituted by experimentation of an intermediate proposal, the so-called ‘new social card’ which marks a step in the direction of the SIA;
- The so-called Fornero Pension Reform made provision to raise the retirement age and abolish seniority pensions. The Letta government has endeavoured to improve the fairness of the reform, especially in a long-term perspective, and to address the issue of those left uncovered by social protection due to the pension reform, the so-called “esodati”;
- Social dialogue in Italy is mainly conducted through the industrial relations system, traditionally based principally on industry-wide bargaining and supplementary decentralized agreements, mostly at company level;
- NGOs and other civil organisations have very limited roles to play in policy design and decision-making processes.

2.1 Overview of recent developments in employment and labour market policies

Italy has long been characterized by a highly segmented labour market with “protected workers” on one side (full-time permanent workers in medium/large companies, fully covered in terms of employment and social protection rights) and “unprotected outsiders” on the other, either unemployed or employed on temporary atypical contracts with few

social protection rights. Women and young people have been the most penalised by this system, being over-represented in flexible, low-paid jobs which do not guarantee adequate pension rights and income stability in the long run.

The high social and economic costs of this model and the need for structural reform of both employment protection regulation and the welfare system have been emerging in full evidence, especially in the last decade, due to changes in family and social structure (with an increasing share of lone parents families and individuals living alone) and in employment structure (with the increasing share of flexible jobs).

The excessive regulation of employment contracts and the fragmentation of the benefits system have also produced a flexibility model, largely based on the **growth and extension of the underground economy**, a large share of self-employment and micro firms, where employment protection regulation and welfare benefits are usually lacking,¹³ and the somewhat partial and piecemeal introduction since the nineties of flexible employment contracts, without comprehensive reform of the welfare system and of the employment protection of permanent employment contracts (Bertola-Ichino 1995; Samek Lodovici 2000; Samek Lodovici-Semenza 2008).

Until 2012, **open ended contracts** for dependent workers had been regulated by the 1970 Workers Statute (Art.18), very restrictive in the case of individual dismissals in establishments with more than 15 employees, with restricted grounds for fair dismissals, long duration of legal procedures and lawsuits, and indeed great uncertainty about the results, with the possibility of the dismissed worker being reinstated in the job.

The highly fragmented **system of income support** during unemployment further enhanced the segmentation of the Italian labour market. Income support was very generous only with those workers involved in collective redundancies in large firms, through the wage guarantee scheme (CIG) for temporary lay-offs, and the "Mobility Benefit" scheme for collectively dismissed workers. By contrast, workers dismissed individually or laid off from small firms were only eligible for the much less generous "Ordinary Unemployment Benefit scheme". Those with no employment experience and the self-employed were not eligible for any benefit at all when unemployed. No assistance provisions for the long-term unemployed were in place, nor any special family or housing benefits. Furthermore, there was no relation between the payment of benefits and re-training or job search.

The implementation of efficient activation strategies has been limited by the difficulty experienced by the Public Employment Services (PES) in providing adequate services due to the lack of financial and qualified human resources¹⁴. Recent estimates show that public and private employment services together with education and training institutions intermediate only about 10% of the matching accomplished in the Italian labour market, the remaining going through informal channels and social networks¹⁵.

2.1.1 The Fornero labour reform

This intervention system was radically reformed in 2012 with the "Fornero reform" (Law 28 June 2012 n. 92), which came into force on 18 July 2012 during the Monti government.

¹³ Employment protection regulation only covers around half of total employment.

¹⁴ In 2009 according to Eurostat LMP data public expenditure for labour market services amounted to only 0.036% of GDP in Italy, relative to 0.233% of GDP in the EU28 average.

¹⁵ Mandrone E., D. Radicchia (2011), La ricerca di lavoro: i canali di intermediazione e i Centri per l'impiego, Studi Isfol, 2/2011

The reform aimed at reducing the existing disparities in employment protection and access to income support during unemployment, while guaranteeing an adequate degree of employment flexibility.

The core features of the reform are the following:

- revision of regulation of **employment contracts**, tightening the rules governing hirings to combat abuse of the less protected flexible contracts and promote apprenticeship as the main gateway to help young people into the labour market;
- revision of **regulation of dismissal procedures**, with the aim to make them less costly for the employers by introducing some relaxation of dismissal procedures, and simplification of dispute settlement procedures in order to incentivise permanent hirings;
- revision of the **unemployment benefits system** to make it more universal, by reducing existing differences in eligibility and replacement rates and extending eligibility to previously excluded unemployed workers;
- provisions to improve the **quality and effectiveness of active labour market policies** and enhance public employment services;
- provisions to guarantee **constant monitoring and evaluation** of the effects of the reform.

Box 1: Main provisions of the Fornero Labour Reform

Regulation of atypical forms of contract

The Reform confirms that “full-time open-ended salaried employment is the standard form of employment” and tightens regulation on the most flexible forms of dependent employment (*work on call, occasional or accessory work, associated work*), limiting its use to cases of effective organizational and production needs. In addition, to reduce bogus self-employment, regulation for the use of *independent contractors* (either the so-called project workers or autonomous workers with VAT numbers) has been made stricter and social security contributions have been made slightly higher for work-on-project contracts: they will gradually increase starting from 2014 up to 2018, when they will reach the maximum rate of 33 per cent.

New measures have also been introduced for *fixed term contracts*, in the direction of greater flexibility, while at the same time attempting to counterbalance them with some limitations. There is no longer the need to justify recourse to the first fixed-term contract of less than 12 months. However, the waiting period between successive fixed-term contracts was also extended and the period by which a fixed-term contract could be extended beyond its original deadline to meet organisational needs was increased, unless different rules are set by collective agreements. The maximum duration of fixed-term contracts remains 36 months (including extensions and renewals). Social contributions applied to fixed-term contracts were increased by 1.4% to contribute to the Social Insurance for Employment, partly recoverable if the employee is eventually confirmed on a permanent basis.

The *apprenticeship contract*, for a minimum period of 6 months and with generous social security discounts, is strongly favoured by the Reform as the main gateway to employment for young people, following revision of the system in 2011. However, to avoid the risk of possible abuses, companies are allowed to hire apprentices in a ratio of 3 for every 2 skilled employees; also, further hirings are allowed only if a given percentage of apprentices have been confirmed as permanent employees at the end of the apprenticeship contract (the percentage is now 30% and will rise to 50% after 36 months as from the law's entry into force).

Regulation of dismissals

The Reform has modified the regulation of unfair individual dismissals, hitherto regulated by the 1970 Workers' Statute. The reformulated Article 18 breaks the automatic link between unjustified dismissal and reinstatement, specifying the cases in which reinstatement remains and when it can be substituted by compensation. In order to reduce the costs entailed with lengthy litigation, the reform also introduced mandatory conciliation and simplified court procedures in cases of dismissal. The success of the new legislation will depend on its interpretation by the labour courts and by the use of out-of-court settlements.

Reform of the unemployment benefits system

The Fornero Reform radically revised the system of unemployment benefits, towards a more universal Social Insurance for Employment Scheme (ASpI - Assicurazione Sociale per l'Impiego). The new ASpI, to be fully phased in by 2017, will substitute all the previous Ordinary Unemployment and Mobility benefits, extending eligibility and coverage to all workers with at least two years of social security contributions and 52 working weeks over the preceding two years. The unemployment allowance will be available for shorter periods of time than the Mobility allowance: 12 months for those under 55 and 18 months for more senior employees. The ASpI is equivalent to approximately 75% of the previous monthly salary up to a predetermined ceiling. According to OECD estimates (OECD, 2013), the new system increases the net replacement rate over the first two years of unemployment from the previous low level of 22.5% to 34%.

Workers with less than two years' contributions but having worked at least 13 weeks in the preceding year are eligible to a reduced benefit (miniASpI). Project workers are eligible to a reduced unemployment benefit according to specific, more restrictive conditions. An experience-rating mechanism has been introduced to make firms contribute to the system according to their use of temporary and fixed-term workers and the dismissal rate of workers on open-ended contracts and apprentices.

The reform also restricted the use of CIG (Wage Guarantee Fund) only to cases of temporary reductions in working time due to changes in the business cycle or to cases of company restructuring or reconversion. For workers in sectors not eligible to CIG, the reform provides for the creation of bilateral solidarity funds managed by the social partners or participation in a residual public fund.

Finally, the Reform provides for the strengthening of ALMP and PES to support unemployed workers in the search for a new job and ensure employability.

Other provisions

Provisions are included to eradicate discriminatory practices against pregnant women, such as the practice of voluntary resignation signed by women when entering a job, to be used by employers to appeal to the court in case of maternity ("dimissioni in bianco", i.e. blank resignation). In addition a mandatory paternity leave of 1 day has been introduced.

It is too early to assess the impact of the reform implemented at a time of dramatic economic crisis. A recent monitoring report of the Ministry of Labour (2014) shows that since the Reforms and up to the first semester of 2013 the composition of hirings had changed towards a greater use of fixed term contracts, while the use of the less protected forms of atypical work (project work in primis) declined. However a decline in open-ended and apprenticeship contracts also occurred in the period.

2.1.2 Measures enacted in 2013 after the Fornero Reforms

Further changes have been introduced since the Fornero Reform, mainly through “urgent” decrees to support its implementation (in some cases introducing some temporary amendments to take into account the gravity of the crisis) and to incentivise the hiring of vulnerable groups, such as young people, women and workers in Southern Italy¹⁶.

- **Amendments to the Fornero Reforms**

In order to increase the attractiveness of fixed-term and other atypical contracts given the persisting recession, some of the restrictions in their use introduced by the Fornero reform have been removed.

- ✓ More favourable conditions have been introduced for the use of **fixed term contracts**: the possibility of fixed term contracts with no specified reasons has been extended; the minimum periods of interruption between two fixed term contracts with the same employees have been reduced; the notification procedures to be followed by employers have been simplified and more favourable conditions are applicable to fixed-term employment contracts entered into by the so-called innovative start-ups companies. Furthermore, collective agreement may provide for further amendments to the regulation;
- ✓ Some of the constraints to the use of the more flexible contracts (**project work, accessory work, association work, intermittent work**) have been removed;
- ✓ Common standards have been defined for all regions in relation to **apprenticeship contracts**;
- ✓ The procedures applicable to **dismissal for “objective reasons”** have been further simplified.

- **Increase in funds for the existing safety-net measures for 2013 and 2014**

250,000 workers at risk of unemployment have been supported with the so-called *ammortizzatori in deroga* (lit. shock absorbers in derogation) and a further 2.8 million workers have been covered by CIG, bilateral solidarity funds and solidarity contracts.

- **Measures to support the employment of young people**

Specific measures have been introduced to incentivise the employment of young people, including: hiring incentives, measures to support school/work alternance and the use of traineeships, incentives for youth self-employment and entrepreneurship. The Youth Guarantee will support intensified employment services to young people in the school-to-work transition.

- ✓ *Incentives*: a special incentive for employers hiring low educated young people aged 18 - 29 on a permanent basis, provided that they (a) have been unemployed for at least 6 months or (b) do not hold a high-school (or similarly ranked) degree. The incentive is operative until 30 June 2015 with a fund of 800 million euro. Since October 2013 over 22,000 applications have been registered and 16,000 young people hired. In addition, a pilot initiative was promoted by the Ministry of Labour in October 2012 to allow older workers to shift from full-time to part-time

¹⁶ The main decrees are: the “*Decreto Sviluppo-bis*” (D.L. 18 October 2012, no. 179), the “*Decreto del Fare*” (D.L. 28 June 2013, no. 76) and, recently, the “*Decreto Occupazione*”(D.L. 28 June 2013, no. 76). Such decrees have subsequently been converted into law and are currently in force.

employment, in order to favour the recruitment of young people on apprenticeships or permanent contracts;

- ✓ *Support for school/work alternance and traineeships*: specific measures were implemented between June and September 2013 to support vocational guidance and curricular traineeships in the final years of higher secondary and tertiary education. An agreement on guidelines was stipulated with the Regions in December 2013¹⁷. In addition, in February 2014 a coordination structure was set up between the Minister of Labour and Social Affairs and the Ministry of Education, University and Research;
- ✓ *Financial support for traineeships* targeting young NEETs between 18 and 29 years resident in Southern Italy with a total financial allocation of 56 million euro for 2013, 16 million for 2014 and 96 million for 2015. In addition, in September the Ministerial Agency Italia Lavoro promoted 3,000 traineeships of 6 months for young people in Southern Italy between 24 and 25 years with a tertiary degree. So far the project has registered 13,000 young candidates, 6500 companies and 5650 traineeships available. A specific Fund ("Fondo mille giovani per la cultura") has also been created in 2014 by the Ministry of Cultural Heritage and Tourism¹⁸ to promote traineeships in cultural services for young people up to 29 years, with a total financial allocation of 1 million euro. Furthermore, the Ministry of Labour and Social Affairs¹⁹ has created a Fund of 2 million euro per year for 2014 and 2015 to support traineeships in public administrations. A legislative decree setting up a national system for the *certification of skills*, including the recognition of non-formal and informal learning was adopted in January 2013;
- ✓ *Support for Self-employment and business start-ups* promoted by young people and disadvantaged workers. Financial resources have been allocated to support youth self-employment and business start-ups in Southern regions and the development of social infrastructures for vulnerable groups. The financial allocations for these measures amount to 26 million euro for 2013 and 2014 and 28 million for 2015;
- ✓ *Youth Guarantee*: The measures presented above are complemented by the National Plan for implementation of the Youth Guarantee in Italy, which the Italian Government officially presented to the European Commission in December 2013. The Plan was drafted according to the European Recommendation of 22 April 2013 and aims to ensure adequate training pathways and labour market insertion for young people between 15 and 24 years old.

¹⁷ The regions have exclusive regional responsibility for training policies in Italy.

¹⁸ Ministero dei Beni e delle Attività Culturali e del Turismo

¹⁹ Ministero del Lavoro e delle Politiche sociali

Box 2: The Youth Guarantee Plan

The Youth Guarantee Plan will be operationalised through implementation of a technological platform that will ensure the enrolment of young people in the project and the signing of agreements with all the Italian Regions to which the implementation of the Plan is delegated. It will also launch a national communication campaign selected through an online competition in November 2013.

The Youth Guarantee Plan was drafted by a special Unit (« Struttura di missione ») that was established at the Ministry of Labour and Social Policies according to article 5 of the Legislative Decree 76/2013. It is composed of representatives of the Ministry of Labour and Social Policies and its technical agencies – ISFOL and ItaliaLavoro – and of representatives of the Ministry of University and Research (MIUR), the Ministry of Economy (MISE), the National Department of Young People based at the Presidency of the Ministers, the National Institute for Social Security (INPS), the Regions and Autonomous Provinces and of the National Association of the Chamber of Commerce (Unioncamere).

The Youth Guarantee Plan will be concretely effective only if a combined strategy is shared and strictly agreed between the National State and the Regions which - in accordance with the national framework defined by the National Plan itself - will be in charge of defining specific implementation plans that could be supported at the national level if needed. To this end a National Operative Programme (NOP) for the implementation of the Youth Guarantee Plan in Italy will be established²⁰, in order to co-ordinate the financial resources allocated. The Youth Guarantee Plan will be financed by 567 million euro of the Youth Employment Initiative, by an additional amount of ESF resources (567 million euro) and by a national co-financing amount (379 million euro) in the period 2014-2015. The Managing Authority of this National Operative Programme will be the Ministry of Labour, while the Regions will act as intermediate bodies with the task of implementing active labour market policies addressing young people. The Ministry will be in charge of the technological platform, design and implementation of a national monitoring and evaluation system and all communication activities.

The Youth Guarantee Plan envisages a set of steps that range from preliminary information to the effective « taking in charge » of young people along different pathways. In detail:

- One-stop shop Information

A single information and guidance system will be in function. Young people will simply have to register, on the website www.garanziaiperigiovani.it, or on the website www.cliclavoro.gov.it or on any regional websites. All the websites will be integrated in a single technological platform based on link-up between regional datasets and central data from Ministries. Information will be automatically redirected to one database and information system that will be used to provide information and orientation services guaranteeing all actors involved immediate access to the same information: employment centres, authorized private and public agencies, regions and ministries. At the moment these websites are not operative, but, on the 20 February 2014 the State-Regions Conference finally approved the Guidelines for the technological platform that will serve as single basis for the entire system;

- Vocational counselling

²⁰ This will be better formalised once the National Partnership Agreement for the Structural Funds new programming period 2014-2020 is finally approved (the last draft proposal of the National Partnership Agreement was sent to the European Commission on the 9 December 2013).

After enrolling on the websites, each young person will have a preliminary interview setting him/her in the direction of an individual personalised training or labour market insertion pathway. In this way, the system will be able to systematise all the guidance pathways now present in different institutions. As a matter of fact, the Plan guarantees all young people enrolled in the project access to specialised support by qualified counsellors that will be able to offer all the information needed, as well as specialised guidance and support in the training and labour market insertion pathways. The possible pathways envisaged (to be discussed and agreed upon between the young people and the counsellors) are: a) specific professionalisation training; b) insertion in an apprenticeship or traineeship schemes; c) participation in the national civil service programme; d) insertion in the labour market through the establishment of an employment contract; e) entrepreneurship start-ups.

- **Measures to support women's employment**

- ✓ **Employment Incentives:** A decree was enacted in March 2013 that provides contribution relief to support employment for women who have been without regular paid employment for at least six months and resident in regions characterized by high unemployment rates. Another decree (April 2013) provides significant incentives for hiring unemployed women in sectors characterized by significant gender disparities;
- ✓ **Work-life balance.** The decree of 22 December 2012 has formally introduced an experimental mini-package to support employment of women for the next 3 years, including vouchers for 6 months to be used at the end of maternity leave as an alternative to the "congedo parentale facoltativo", which entails foregoing a part of parental leave. The 2012 *National Plan for Families* includes measures to increase the availability, quality and affordability of childcare and long-term care services and to better reconcile work and family life. The *Cohesion Action Plan* also includes measures to promote access to childcare and elderly care facilities in Italy's southern regions. In August 2013 an *Agreement between the State and Regional and local authorities* was signed to improve child care services;
- ✓ **Self-employment and entrepreneurship.** In 2013 an agreement between the Minister of Labour and Social Affairs and the Minister of Economic Development was signed for the establishment of a special section of the National Guarantee Fund reserved to women entrepreneurs. This will allow small and medium-sized enterprises promoted by women to access guaranteed loans with greater ease and favourable conditions.

- **Measures to reduce the tax wedge on labour costs**

The Stability Law for 2014 has provided for reduction of the contribution for safety and health insurance in the workplace and a reduction in taxation on new hirings. In addition, firms transforming a temporary contract into an open-ended one can be reimbursed for the additional contribution of 1.4% to Social Insurance for Employment.

- **Measures to strengthen employment services and ALMP**

Active labour market policies come under the competence of the Regions and Provinces, entailing a highly differentiated provision of measures across the Italian regions. Legislative decree 76/2013 activated a structure within the Ministry of Labour with the mission to coordinate and promote active labour market policies by: collecting data on employment services; defining national guidelines for the design of ALMPs and monitoring data collection; evaluating the effectiveness of the measures implemented and defining premium

mechanisms based on results. A Census of the existing 566 Public Employment Services was carried out in 2013 and a Database on Active and Passive labour market policies created to support integration between employment services and the authority responsible for the management of the Social Insurance System for Employment (INPS). A new ALMP fund is instituted with the Stability Law to support the employment of unemployed workers, with additional funds for Southern regions unemployment is particularly high.

- **Measures to tackle the shadow economy**

In Italy the policy approaches to undeclared work include: (i) a sanctioning system, including administrative, civil and penal sanctions; (ii) measures and incentives to transform undeclared work into regular work. According to the European Commission (2013) the main concrete step to bring the shadow economy and undeclared work into the open has been the transposition of Directive 2009/52/EC providing for minimum standards on sanctions and measures against employers of illegally present third-country nationals. Nevertheless, its implementation has yet to be monitored and it covers only third-country nationals; hence the importance of real determination in the fight against the shadow economy and undeclared work, as also stated in the national reform programme. Other measures to tackle the shadow economy have aimed at simplification of the normative and administrative procedures employers have to follow in their activity.

A number of recent measures seek to regularise undeclared work, as well as providing tax and social security incentives for employers to regularise employees. Particular emphasis is placed on measures designed to promote the spontaneous regularisation of undeclared work through involvement of the trade unions. In 2008 a Directive on Inspection Services introduced a series of modifications (to the previous legislation- D.lgs. 124/2004) in the systems of labour and social inspections. Other recent initiatives are: (i) the introduction in 2008 of a pilot "service voucher scheme" in the agricultural sector; (ii) a special inspection plan, launched in 2010 by the Ministry of Labour, to fight undeclared work in the agriculture and construction sectors in four southern Italian regions²¹. Finally, various activities have been undertaken by the regional authorities (e.g. observatories, promotional activities, VET), also making use of European structural funds, with particular reference to the ESF.

- **Measures for Safety and health at work**

In Italy, health and safety at work are regulated by Legislative Decree Law 81/2008 (known as the Testo Unico Sicurezza Lavoro). This decree transposes in Italy the European Directive on the protection of workers' safety and health, coordinated in a single piece of legislation that provides for specific sanctions against defaulters. Moreover, the Ministry of labour and social policies is implementing a series of activities to enhance safety and health at work: (i) institution of a "national information system for prevention" (Sistema Informativo Nazionale per la Prevenzione - SINP) aimed at sharing information among offices of Public Administration; (ii) construction of a "qualification system" for firms and self-employed workers in sectors at particular safety risk and introduction of a penalty points licence for the construction sector; (iii) appraisal of best practices, and of ethical codes, as well as agreements on safety and health at work implemented at the company and territorial level; (iv) a series of prevention campaigns on the media; (v) future introduction of health and safety information courses in the school system (including university)²².

²¹ Ministro del Lavoro e delle Politiche Sociali (2010), "Indagine conoscitiva della XI Commissione Lavoro della Camera dei Deputati su "Taluni fenomeni distorsivi del mercato del lavoro: lavoro nero, caporalato e sfruttamento della manodopera straniera".

²² Ministero del lavoro e delle politiche sociali-<http://www.lavoro.gov.it/SicurezzaLavoro/MS/SistemaPrevenzione/Pages/default.aspx>.

2.1.3 Initial indications of the Renzi government

On 12 March 2014, the new Italian Prime Minister presented his government programme (*La svolta buona* - 'On the right road at last'), which includes an ambitious programme of tax cuts and a "Jobs Act" to revise the Fornero Reform and the subsequent provisions.

The Jobs Act includes an urgent decree to simplify the regulation of fixed term and apprenticeship contracts, and a mandate for a bill (*legge-delega*) to further reform passive and active labour market policies, revise the regulation of employment contracts, and improve the work-life balance²³.

The urgent decree provides for the extension of the first fixed term contract with no specified reasons to 3 years (from the 12 months indicated in the Fornero reform) with a ceiling of 20% for its use. Furthermore there is now no limit to the number of times the contract can be renewed within the three years of validity. The regulation of apprenticeship contracts is also simplified by consenting the hiring of new apprentices without any constraint on the percentage of apprentices confirmed as permanent employees at the end of the contract (currently at 30%) and simplifying the training contents of the contract.

The mandate for legislative proposals regards:

- **Revision of the unemployment benefits system.** The proposal will provide for an extension of the ASpI (Assicurazione sociale per l'impiego) to all the unemployed, including the so called "collaborators". The new ASpI will unify the current ASpI and Mini-ASpI and is expected to last longer than the period indicated by the Fornero reform for former employees. The government is also evaluating the possibility to introduce a new Assistance Benefit for individuals left over the poverty threshold on conclusion of the ASpI;
- **Revision of the employment service system and active labour market policies.** The main aim is to: rationalize the incentive system both for dependent employment as well as self-employment and business start ups; establish a central Agency for the coordination of passive and active labour policies; and strengthen collaboration and partnerships between public and private employment services;
- **Rationalisation of employment contracts,** experimenting with the introduction of a single "insertion contract" with increasing protection against dismissal and a minimum wage for all employment contracts;
- **Extension of measures to support the work-life balance to all workers and incentivise female employment.** The maternity allowance is to be extended to self-employed mothers (the so called "parasubordinati", including collaborators). Proposed measures to support female participation to the labour market include: abolition of tax deductions for non-working spouses and a tax credit for women workers on low incomes; incentives for collective agreements supporting working time flexibility and productivity premiums; and integration of companies' child care services with public and private care services.

The government programme has been received with extreme interest by the social partners and commentators, even if details are still lacking. Commentators also consider as the main problematic issues: the coverage of costs and the timing of the reform proposals, which might take very long; the government will have six months to prepare the legislative proposals that will then have to be approved by Parliament.

²³ Ministero del Lavoro e delle Politiche Sociali, *Jobs Act: le misure per favorire il rilancio dell'occupazione, riformare il mercato del lavoro ed il sistema delle tutele*, <http://www.lavoro.gov.it/Priorita/Documents/Interventi%20per%20il%20lavoro.pdf>

2.2 Social protection

In 2012 social protection expenditure exceeded 30 percent of GDP in Italy (nearly 8000 Euros per inhabitant). Of the EU28 countries, Italy is slightly above the EU average, both in terms of value per capita and of GDP share²⁴ (see Table 5 in Annex).

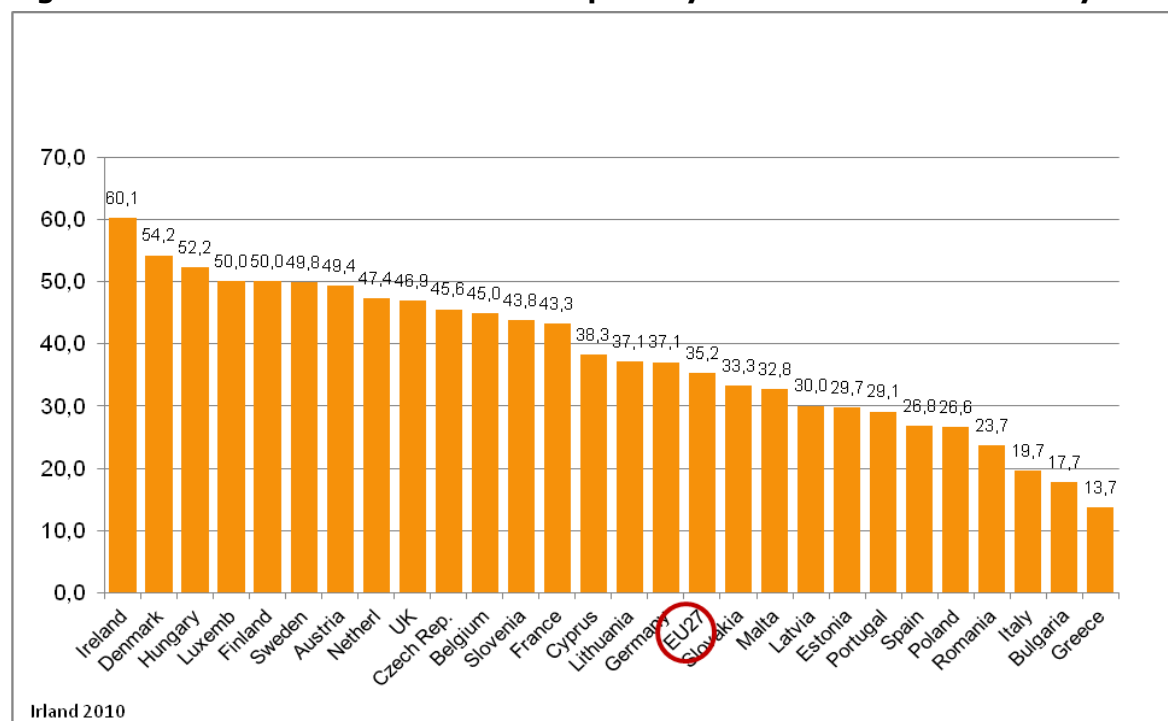
Because of the crisis, in recent years there has been a severe cut in public spending for social inclusion and social protection and in particular a cut in public spending of the regions and local authorities but during 2013 some reforms were implemented. Among the six strategic objectives pursued by the government led by Enrico Letta (who recently resigned), two focused on social protection:

- With respect to the **fight against poverty**, the government has sought to strengthen social policies to achieve greater equity in Italian society, seeking to implement a universal tool for the fight against poverty;
- On the **issue of pensions**, the government has endeavoured to improve the fairness of the pension system, especially in the long-term perspective, and to address the issue of those left uncovered by social protection due to the pension reform, the so-called "esodati".

2.2.1 The fight against poverty

The main problem of the Italian welfare system is its ineffectiveness in reducing poverty rates, as shown by Eurostat figures (see Figure 3).

Figure 3: % of reduction of the risk of poverty due to social transfers - year 2011



Source: own calculation on Eurostat data

In Italy there is **no single policy to fight poverty**. Traditional measures to support household incomes have scant effect in terms of re-distribution; they are fragmented and divided by categories (targeted), leaving millions of families without any protection,

²⁴ Istat, *Noi Italia 100 statistiche per capire il Paese in cui viviamo* Edizione 2014, 11 February 2014.

especially young people. The most recent reforms introduced are: 1) reform of the Indicator of Equivalent Economic Situation and 2) experimentation of the Active Inclusion Support (SIA) as a measure against poverty.

- **The reform of the Indicator of Equivalent Economic Situation (ISEE)** is a crucial step towards enhancing social equity. The new ISEE improves evaluation of the socio-economic conditions of beneficiaries accessing means-tested social protection services. It considers the value of personal assets and the characteristics of families with several minors and people with disabilities, while reducing the use of self-declaration, allowing for increase in controls and reduction in undue access to benefits;
- In 2013 a **universal tool for the fight against poverty** (Support for Active Inclusion – SIA) was designed to be tested during 2014 and to be formally implemented in 2015. The SIA was intended to provide not only economic support for households in poverty, but also to enhance work and social inclusion together with a commitment of the recipient to ensure compliance with compulsory education and pediatric visits planned by health protocols for minor children, as well as periodic monitoring of the current state of poverty. According to the Government, with this measure Italy should be in line with European best practices, catching up on a historical lag the European Commission criticised on various occasions. The SIA has not been implemented yet, an intermediate proposal being tried out in its place. This is the so-called 'new social card', which marks a step in the direction of the SIA and is in a testing phase on families with children and adults experiencing serious occupational difficulties. The experiment involves the 12 largest cities (50 million euro) and recently extended to all areas of Southern Italy (€ 168 million, with additional 300 million allocated for 2014 and 2015). In 2014 over 400,000 people will benefit from these actions covering the whole country, to be added to the present 450,000 users of the traditional "social card" (funded with €250 million). The national debate raises some critical considerations on the measure implemented, described in chapter 4.

2.2.2 Policies addressing specific population groups

With the Stability Law for 2014 funds for various chapters of social policies have been financed: the National Fund for Social Policies (with 300 million euro), the fund for non-self-sufficiency (350 million euro), assistance to unaccompanied minors (40 million euro), and childhood (30 million euro). Overall, the funding for social policies in 2014 marks a 50% increase over 2013.²⁵

Family and children policies

Family and children policies are represented both by subsidies for families with caring burdens and childcare services. The current debate considers the use of subsidies inadequate to ensure equality and effectiveness, but reform in this area is far from getting off the ground.

The **distribution of childcare services over the national territory is very uneven**, with large differences between the North-east (19.2 percent of children using public childcare services) and the South (5.0 percent): in Calabria the level is at 2.5 per cent while in Emilia-Romagna it stands at 26.5%.

²⁵ Ministero del Lavoro e delle Politiche Sociali, *Le politiche del lavoro e le politiche sociali del Governo Letta*, February 2014

According to the latest data published by ISTAT,²⁶ in the school year 2011/2012 the number of children who participated in social and educational services for those in early childhood decreased, albeit slightly (0.5%). This is the first time since 2004: on the one hand the municipalities have difficulty in covering childcare costs and on the other hand families, due to the crisis, have seen their spending power falling and as a consequence face increasing difficulty in paying the high tariffs to access these services.

In December 2012, the Ministry of Cohesion enacted the National Action Plan for Cohesion with the aim to accelerate the development and implementation of projects planned under structural funds. The plan enables the Italian regions to promote actions in favour of childcare and care for the elderly. The annual monitoring of the Plan, presented in November 2013, showed that a billion euro had been allocated by the Plan to promote childcare services but not all were used, and only 55,000 additional places have been created. Since 2007 the **availability of childcare places** increased from 234,703 in 2008 to 287,662 in 2012, for a coverage ratio rising from 14.8% to 19.7%, still far from the 33% goal set for 2010.

Policies for the non-self-sufficient elderly and the disabled

The Italian long-term care system has traditionally compensated for the lack of supply of services with direct money transfer mechanisms. In Italy the care system is organized around the central role of families, and more specifically of women. The growth of female participation in the labour market has not meant adequate development of public services, nor sufficient redistribution of caring activities within families, and this has been offset by recruiting paid domestic help, outside public regulation but indirectly subsidised by it. In Italy 1,600,000 immigrants work in domestic and care support, mostly women, and almost always irregular (even though domestic workers were the main beneficiaries of the last two amnesties for irregular migration - 2009: Berlusconi-Maroni; 2012: Monti. They have also benefited greatly from the previous major amnesty of 2002, known as the Bossi-Fini.)

In the last few years money transfers from the social services to non-self-sufficient elderly and the disabled have greatly increased while the services provided directly by the social services have decreased due to the cut in public spending: state funds for 2013 were in fact significantly lower than the funding of a few years ago (60% less than in 2008)²⁷.

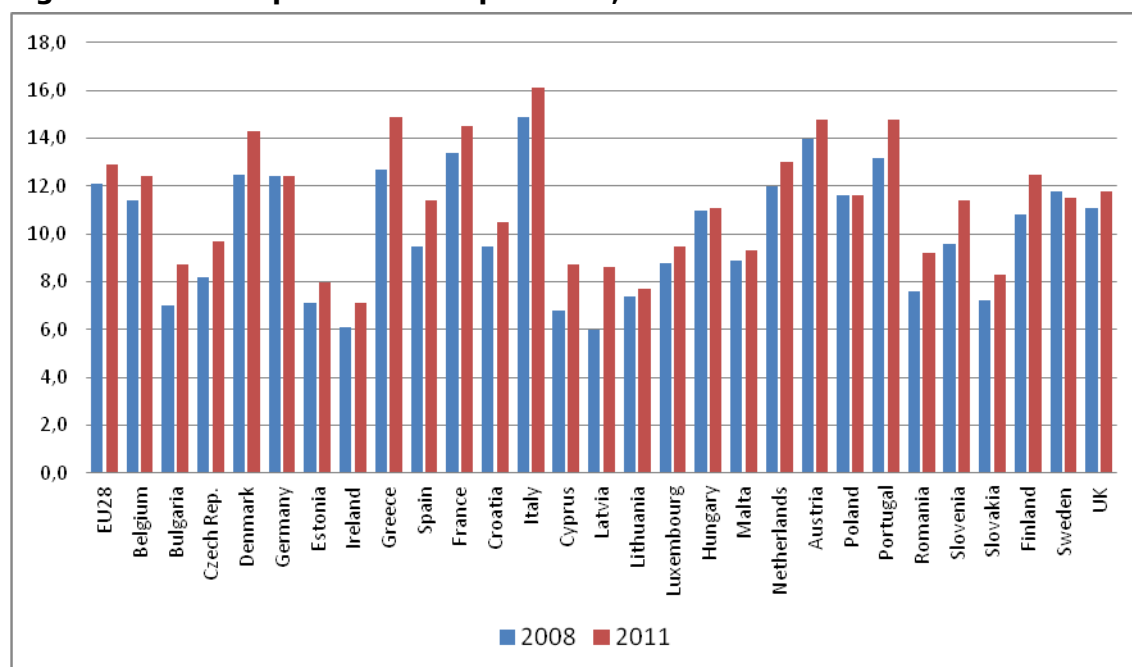
2.2.3 Pensions

In 2011 23.7 million pensions were paid in Italy, for a total cost of 266 billion euro, the incidence in relation to GDP being 16.8 percent, the highest in Europe, as can be seen in Figure 4. The majority of pension benefits (47.9 per cent) are concentrated in the northern part of the country²⁸.

²⁶ ISTAT, L'offerta comunale di asili nido e altri servizi socio-educativi per la prima infanzia October 2013

²⁷ N.N.A (Network Non Autosufficienza), L'assistenza agli anziani non autosufficienti in Italia - Rapporto promosso dall'IRCCS - INCRA per l'Agenzia nazionale per l'invecchiamento, 2013.

²⁸ Istat, *Noi Italia 100 statistiche per capire il Paese in cui viviamo* Edizione 2014, 11 February 2014.

Figure 4: Total expenditure for pensions, % of GDP

Source: Eurostat

- The "pension reform", the so-called Fornero reform (Law no. 214, 22.12.2011) has made provision to **raise the retirement age and abolish seniority pensions**. From 1 January 2012 pensions accruing as from 31 December 2011 have to be calculated for all workers with the contribution-based system, based on the contributions paid throughout working life;
- The new pension reform establishes that by 1 January 2018 **all female workers will reach retirement age at 66 years, equal to that of men**. The latest available figures on the effective retirement age date back to 2011: in Italy it was 59.2 for women (EU28: 61.1) and 60.8 for men (EU28: 61.9). They largely differ from the statutory retirement age in force at that time (60 for women and 65 for men)²⁹. The reform is being carried out in steps. In the private sector, the retirement age will gradually be increased (62 years in 2013, 63.5 in 2014, 65 years in 2015/2017). After 2018, a gradual rise in the retirement age (on the basis of life expectancy) up to 70 years in 2050 is envisaged. Not all female workers, however, will follow the same path. For autonomous workers the reform began in 2012 and 2013 with a retirement age of 63 years, 64 years and a half in the next two years, 65 and a half in 2016 and 2017, and finally 66 years in 2018. Female workers in the public sector since January 2012 have their retirement age at 66 years;
- **In 2013 649,621 new pensions were paid, showing a 43% decrease as compared to 2012** (when 1,146,340 new pensions were paid). These figures emerge from comparison between the INPS estimated budget for 2014 and the figures presented in the social budget of the Institute for 2012. Considering the number of pensions ceased at the end of 2013 (742,195), there are almost 100,000 pensions fewer than were paid at the end of 2012 (18,518,301 in 2013 and 18,607,422 at the end of 2012). The gap is expected to further increase in 2014 with a fall in new seniority pensions paid in 2014³⁰;

²⁹ The effective retirement age and the EU average are calculated as the average exit age from the labour force during a 5-year period (2006-2011).

³⁰ INPS, *Bilancio Preventivo 2014*; INPS, *Bilancio Sociale 2012*.

- The most recent reform enacted at the end of 2013 was designed to extend access to social protection measures for categories of workers not sufficiently covered, and in particular for those who had assisted people with disabilities;
- The government has also addressed the question of those left uncovered by social protection due to the pension reform, the so-called "esodati", and a way to improve the fairness of the pension system by establishing a solidarity contribution on pensions exceeding 90,000 Euros, increasing proportionally with the amounts received.

2.3 Social dialogue and the role of social partners and NGOs in policy design and implementation

2.3.1 Social dialogue in Italy and its most important actors

Social dialogue in Italy is mainly conducted through the **industrial relations system**, traditionally based principally on industry-wide bargaining and supplementary decentralized agreements, mostly at company level.

Pluralist representation systems characterise both the trade unions and the employers' associations. The three **largest union confederations** are the: Confederazione Generale Italiana del Lavoro (General Confederation of Italian Workers, CGIL), Confederazione Italiana Sindacati Lavoratori (Italian Confederation of Workers' Trade Unions, CISL), and Unione Italiana del Lavoro (Union of Italian Workers, UIL).

Despite their divergent political orientations, the three confederations have long formed a united front, since the mid to late 1960s, except when substantial differences on specific issues emerged. In addition to the unions represented by the three main confederations, there are several other confederations and some autonomous unions, particularly in the transport and public services sectors.

The most important employer confederation is Confindustria. Artisans and farmers have various associations, traditionally structured along the lines of political orientation. Employers' organizations in the commercial and tourism sectors are also structured by political orientation. The **cooperative system is an important player in many sectors**, including agriculture and fisheries, food, metalworking, construction, cleaning, social services and retail, and is organized in different employers' organizations as well. The banking sector has its Associazione Bancaria Italiana (Italian Banking Association, ABI) and the insurance sector its Associazione Nazionale fra le Imprese Assicuratrici (National Association of Insurance Companies, ANIA).

As mentioned in the previous chapters, Italy's responses to the economic crisis involved in various actions, including the latest wide-ranging reforms of the pension system and labour market.

The **social partners participated widely in the debate on the economic and social measures** to be introduced and played a crucial part in defining some of the most important tools addressing the economic crisis.

During the first phase of discussions on the Fornero labour reform, the Government held wide-ranging consultations with the social partners. However, because it was difficult to arrive at a consensus, the Government declared itself ready to proceed unilaterally and eventually presented a bill without agreement on the part of the social partners.

Both **unions and employers were dissatisfied** with the bill, although for different reasons. The trade unions thought that the changes in the rules on individual dismissals reduced the protection of workers excessively, but they agreed with the objectives of the

measures on non-standard contracts and unemployment benefits. The employers' associations regarded the increased constraints on, and costs of, atypical work as detrimental to economic activities and the intervention on individual dismissals as too limited and complex.

As mentioned above, a number of **adjustments to the reform law** have already been implemented, especially with a view to **reducing constraints on the use of flexible work**.

A substantial innovation was brought in by the Letta Government with the so-called "Labour Decree" in the summer of 2013. While the political agreement over these modifications took into consideration the remarks and criticisms advanced by the social partners, it was not discussed within a social dialogue framework, due to a slowing down (or even halting) the decision-making process. The agreement has not totally met expectations of social partners and they have reserved further evaluations after the implementation of the above mentioned "Labour Decree".

At the moment, both trade unions and employers organisations are also involved in several « Institutional Tables » addressing specific firm crises.

2.3.2 Social actors' involvement in the Youth Guarantee Plan

As specified above, the Youth Guarantee Plan was drafted by a special unit established at the Ministry of Labour and Social Policies which involved various other public national and regional stakeholders. The special Unit (Struttura di Missione) started work in July 2013 and since September 2013 several internal working groups have been set up to involve other institutional stakeholders.

Moreover, since October 2013 additional « **concertation meetings** » **have been held with representatives of social partners and of youth associations**, students associations and third sector NGOs. These meetings had a twofold aim: on one hand involving different actors in the process of defining the Youth Guarantee Plan, and on the other hand verifying the effective feasibility of the envisaged actions by activating concrete partnership collaboration. In both cases, the role of social actors, NGOs and associations was consultative. All these actors will also be invited to participate in the official Focus Groups, which will come into action as soon the Youth Guarantee Plan is really effective. A section of the national website will then be devoted to discussion among the actors involved.

Social partners will be also involved in the Steering Committee to be appointed as part of implementation of the National Operative Plan, which will in turn be in charge of the Youth Guarantee Plan.

3. OVERVIEW OF PRESIDENCY PRIORITIES

KEY FINDINGS

According to 2014 Work Programme "Participation of Italy at the European Union"³¹ the main priorities are those aimed at:

- strengthening the Economic and Monetary Union;
- strengthening the internal market of the European Union to stimulate growth, competitiveness and employment;
- defining and implementing a European policy on migration flows in the Mediterranean;
- continuing the enlargement process and enhancing Europe's external relations.

3.1 Overview of the presidency programme

The Delegation for the Organisation of the Italian Presidency programme has been active since September 2013 on the basis of the Decree of the President of the Council of Ministries of 8 August 2013. However, at the moment the only formal document from which the following information is drawn is the 2014 Work Programme "Participation of Italy at the European Union", drafted by the former Ministry for European Affairs and presented to the Italian Parliament on 22 January 2014. The document sets out the priority dossiers and areas on which Italy plans to engage at the European level.

The new Renzi Government did not appoint a Minister of European Affairs, but Mr. Gozi, under-secretary at the Presidency of the Council of Ministers, was specifically delegated to European Affairs on the 28 February 2014.

Italy last held the Council's rotating Presidency in 2003 and, following this year's Presidency, will not hold the role again until 2029.

Hence, this Presidency will represent a crucial opportunity for the country to highlight its contribution to the EU cause. However, this six-month period will coincide with a particularly delicate period in the life of the European Union's institutions, with most of the key political posts going through renewal. Importantly, new members of the European Parliament will enter the house in June 2014 and a 50% turnover of MEPs is anticipated.

Meanwhile, a new set of Commissioners will be appointed and a new President of the Commission will lead the EU executive branch. Besides, the posts of High Representative of the Union for Foreign Affairs and that of Council President will also be vacated during Italy's Presidency, with both Catherine Ashton and Herman Van Rompuy's term set to come to an end. Furthermore, on 1 November new Council qualified majority rules will kick in as per the Lisbon Treaty, potentially resulting in changed political equilibriums within the institution.

Given the scale of political change to be expected at EU level, Italy has expressed its intention to actively participate and contribute to this transition process, with the ambition to feed into wider talks on the nature of the Union and its future.

³¹ <http://www.politicheeuropee.it/attivita/18796/relazione-programmatica-2014-al-parlamento>

With respect to the **future institutional arrangements**, during its Presidency semester Italy intends to favour the possibility to integrate and enhance the different views on Union reform focusing on growth and employment.

Given the persistent economic challenges Italy and other EU countries continue to face, the Italian Presidency plans to focus largely on **issues of economic growth and unemployment**. In particular, it will seek to lead on common initiatives stimulating industrial competitiveness and growth, having expressed its will to enhance credit lines for businesses, especially SMEs. As part of a broader endeavour to achieve economic stability, Italy will also aim to propose actions on a Banking Union. Any opportunities to make progress on the Transatlantic Trade and Investment Partnership (TTIP) will also be seized, as Italy hopes to enjoy the honour of having a deal signed under its Presidency. At a minimum, it will aim to make significant steps ahead in the negotiations already underway.

In **financial services & taxation** the main priorities during the Italian semester - dependent on the results delivered by the Greek Presidency - will be completion of Banking Union, while attention will also be devoted to comprehensive assessment of the EU banks' balance sheets, expected to be concluded by October 2014. Within this field, particular attention will be devoted to the **Economic and Monetary Union (EMU) reform process** on the basis of the four building blocks identified in the Van Rompuy report of June 2012. The Italian Presidency semester will coincide with the implementation of two main pillars of the banking union: the Single Supervisory Mechanism (SSM) – full implementation of which is envisaged for October 2014 – and the Single Resolution Mechanism (SRM).

On **Technology**, Italy will probably have to deal with the much-debated data protection dossier, completing the EU Digital Single Market in electronic communications and networks by 2015, strengthening copyright protection and fighting cybercrime, including attacks on critical infrastructure, cyber-fraud and cyber-bullying.

With regard to **energy**, the upcoming Italian Presidency's priorities aim at promoting completion of the internal market for energy via enhanced integration of environmental and energy policies. Further work will also be undertaken to foster dialogue with EU strategic partners in terms of energy supplies.

Italy's main objective in the **transport** area is sustainable, efficient and safe development of the infrastructure through implementation of the trans-European network.

In the **environmental field**, Italy will strive to promote policies and measures to enhance the green economy and employment, and more in general the "greening" of EU policy as a whole. During its Presidency, Italy will continue working on a number of dossiers currently under discussion (e.g. the proposed revision of the Environmental Impact Assessment Directive), but will also address new dossiers. In particular, Italy intends to promote political debate to ensure that sustainable development is a "guiding principle" of EU development.

Italy will propose that the Environment Council should be involved, on equal footing with ECOFIN and the Employment Council, in the work on the "European Semester".

In line with the priorities set by the European Commission and Parliament Europe for 2014 with respect to growth and job creation, the Italian Government also intends to promote comprehensive debate on 'green growth' and 'job creation', and in particular youth employment, in the context of the meetings of the Environment Ministers and Labour Ministers of the Union. Discussion will be based on the forthcoming European Commission Communication on creation of 'green' jobs for the development of environmental and social indicators, as part of the 'beyond GDP' European project, which aims to extend the lively debate on human well-being in other than economic dimensions. The outcome of the

debate will contribute to the preparation of the Annual Growth Survey, which will launch the European semester and should recognise the benefits in terms of growth and employment offered by transition to a green economy and low carbon emissions; it should include actions on the environment among the priorities.

In the **food area**, Italy will aim to make progress on a number of dossiers already under way. Italy's focus will reflect the country's tradition and economic strength in the sector, which intersects with heightened attention at EU level on themes such as food safety. Further, Italy will aim to link any discussions taking place in EU fora with its own World Food Exposition (EXPO) "Feeding the Planet: Energy for Life", to be held in Milan in 2015. Moreover, the Summit of the Asia-Europe Meeting (ASEM) will be held in Milan in October 2014, in view of the Milan EXPO of 2015.

Finally, in the Presidency semester Programme all **external initiatives regarding European defence, strategic partnerships and further Union enlargement will be supported**. In particular, the semester will focus attention on the important **issue of migratory flows** with a view to relaunching a common European policy on migration.

In short, the following issues will be at the centre with the Italian Presidency of the Council of the European Union:

- Strengthening the Economic and Monetary Union through accomplishment of the banking and other instruments that are under discussion, with the aim of strengthening the Eurozone;
- Strengthening the internal market of the European Union to stimulate growth, competitiveness and employment with specific priorities in technology, energy and transport;
- Definition and implementation of a European policy on migration flows in the Mediterranean;
- Continuation of the enlargement process and enhancement of Europe's external relations, in particular to develop relations with strategic partners and to make the neighbourhood policy more effective, particularly in the Mediterranean basin;
- The European contribution to sustainable development and food security issues, which will also be at the centre of the EXPO 2015 in Milan (Feed the Planet, Energy for Life).

3.2 Main employment dossiers

Due to the recent turnover and the revised mandates of the new Minister in charge of employment and social policies, Mr. Giuliano Poletti, at the moment it is not possible to give any detailed update on the draft programme on employment and social policies for the forthcoming Italian Presidency. The following are the main officially agreed dossiers which Italy will be working on during its Presidency semester with a view to the EPSCO meeting (Employment and Social Policy Council) in autumn 2014.

- **Proposal for Directive concerning enforcement of the provision applicable to the posting of workers in the framework of the provision of services - COM(2012) 131**

The proposal for a Directive of the European Parliament and of the Council on application of Directive 96/71 on the posting of workers in the framework of the provision of services is one of the twelve priorities of the Single Market Act I.

The directive stems from the need to fully implement the previous directive 96/71/EC, which has over the years given rise to many problems of application. In addition, a number of judgments of the Court of Justice of the European Union dating back to 2007-2008 have

stimulated debate leading to formulation of the proposal. The judgments of the Court had, in fact, aroused a feeling of widespread alarm for fear that the intention was to grant some sort of primacy to economic considerations over social rights. On 9 December 2013, after complex negotiation lasting over eighteen months, the Council reached agreement on the text of the Directive. The trilogue negotiations were concluded on 27 February 2014.

The Directive is of great importance for Italy as it offers potential support for the competitiveness of Italian firms, as well as mobility and protection of workers.

- **Regulation of the European Parliament and of the Council on the European network of employment services, workers' access to mobility services and further integration of labour markets**

The Regulation aims to reinforce the EURES network in the direction of enhancing workers' access to intra-EU labour mobility support services, thus supporting fair mobility and increasing access to employment opportunities throughout the Union.

- **Tripartite social summit for growth and employment 2013/0361(APP)**

The Tripartite Social Summit for Growth and Employment (TSS) was set up by Council Decision 2003/174/EC, which formalised the practice of holding high-level, informal meetings as from 1997 in the framework of the European Employment Strategy, and subsequently the Lisbon Strategy. In its Communication of 2 October 2013 on the social dimension of the EMU, the Commission announced that it will present a proposal to revise the 2003 Council Decision. This proposal seeks to revise the 2003 Council Decision to ensure continuous concertation between the Council, the Commission and the social partners, and to enable the social partners at the European level to contribute, in the context of their social dialogue, to the various components of the Union's strategy for growth and jobs. Italy will consider the revision of the Council Decision 2003/174/EC into the Italian Presidency Programme, but no details are available at the moment.

4. LIST OF CURRENT IMPORTANT ISSUES IN EMPLOYMENT AND SOCIAL AFFAIRS

- The current debate on labour market conditions and policies highlights the **dramatic situation of young people** and the need to support employment by reducing the tax wedge on labour while rapidly removing the constraints still in place to hiring and income support during unemployment. Gaps between north and south in all social and economic indicators also represent a real concern for the Italian socio-economic and welfare system.
- In recent years **legislation for important structural reforms** has gone through in Italy, but implementation is still lacking, due both to the delays in enacting legislation and to the continuous changes in governments. Country specific recommendation (CSR) (2) to *ensure timely implementation of on-going reforms by swiftly adopting the necessary enacting legislation, following it up with concrete delivery at all levels of government and with all relevant stakeholders*, and monitoring impact, remains highly relevant.
- The **labour market reform** adopted in June 2012 and the subsequent measures address some important shortcomings that were pointed out by the Commission, while some efforts to improve the alternance between education and work have been made. However, many measures, especially those targeting young people and women, are still at a very early stage and the resources allocated are too scarce to improve the situation.
- The following major issues are at the centre of current debate on labour policies in Italy:
 - ✓ The **weaknesses of the employment services and active labour market policies**, and the risk that employment services may not be able to successfully implement the tasks envisaged by the Fornero reform and, in particular, by the Youth Guarantee. Recent estimates show that public and private employment services together with education and training institutions intermediate only about 10% of the matching accomplished in the Italian labour market, the remaining going through informal channels and social networks. The fragmentation of competences between regions (in charge of employment services and active labour policies) and the State (in charge of social protection systems, incentives and employment regulation) makes it difficult to integrate active and passive policies and results through a highly differentiated quality of services and with fragmentation of measures and regulations across regions;
 - ✓ The **educational system** in Italy still shows severe weaknesses in terms of quality and outcomes, which in turn hamper smooth transition to work;
 - ✓ The need to revise the provisions of the Fornero reforms on the **regulation of entry contracts** to support access to the labour market for young people and women;
 - ✓ The **tax wedge on labour** is too high and there is a need to shift fiscal pressure from labour to property and the environment, as well as stepping up the fight against the shadow economy and undeclared work;
 - ✓ The **use of the European Structural Funds** to address the structural problems of the Italian labour market.
- As for the Italian **social protection system**, it emerges from the present debate that the main problems are also related to its fragmentation in very different regional and local subsystems. Moreover, there is the problem of the rigidity of a system deploying a

multiplicity of sectoral and category interventions with inadequate selectivity, and indeed the use of economic benefits instead of provision of services. These are among the main reasons accounting for the ineffectiveness of Italian social expenditure and the core of the reform of measures to fight poverty under experimentation. CSR (2) addresses *“the need to reinforce the efficiency of public administration and improve coordination between layers of government”*.

- The debate highlights the **persisting difficulty of the Italian welfare system in integrating policies**, namely on labour market, housing, income support and families.
- The 800 million euro allocated for 2014 for the **fight against poverty** is still far from the 1.5 billion euro that the panel of experts at the Ministry of Labour has estimated as necessary to introduce a partial minimum income for people in a state of absolute poverty; for this reason the new measure to fight poverty is restricted to a very limited target of poor: the target are very poor families with at least one child under age, no one in the family having even a very limited or precarious job but at the same time at least one family member having lost or ceased work, proving the existence of contributions paid in the past. Country Specific Recommendation n.4 is to *“ensure effectiveness of social transfers, notably through better targeting of benefits, especially for low-income households with children”*.
- An issue much debated in Italy is the **difficulty young people have in finding their way towards independent living** due to the high level of youth unemployment and discouragement, precarious working conditions, and difficult access to housing and credit. In addition, women in atypical working positions tend to wait several years before deciding to have children, while workers with more stable employment decide to have children much earlier.
- **Early school leaving and the large population of NEETs** represent a serious challenge that Italy has to tackle. One of the CSR (4) addresses the need to *“strengthen vocational education and training”* and to *“step up efforts to prevent early school leaving. Improve school quality and outcomes, also by enhancing teachers' professional development and diversifying career development”*.
- The **diffusion of economic benefits instead of services**, as a critical point of the Italian welfare system, is addressed by CSR (4), which evidences the need to *“improve the provision of care, especially child- and long-term care, and out-of-school services”*.
- **Social concertation**, in the traditional sense of reaching economy-wide tripartite social pacts, **has not played a major role in recent response to the recession in Italy**. This was partly due to the attitude of successive governments, which did not attach great importance to inclusive negotiations and broad agreements. Enacting urgent measures to reassure international financial markets took priority over the pursuit of consensus among the social partners.

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ANNEX

Table 1: Employment rate (20-64) in Italy by sex and geographical area, 2008-2013

	North			Center			South			Italy		
	M	F	T	M	F	T	M	F	T	M	F	T
2008	80.8	61.0	71.0	78.2	56.2	67.1	66.7	34.0	50.2	75.4	50.6	63.0
2013	76.8	60.4	68.6	73.1	55.4	64.1	58.5	33.1	45.6	69.8	49.9	59.8

Source: own calculation on Istat data, I.Stat ([Http://dati.istat.it](http://dati.istat.it))

Table 2: Main labour market indicators in Italy by sex and geographical area, 2008-2013

2008	North			Center			South			Italy		
	M	F	T	M	F	T	M	F	T	M	F	T
Total employed	6980915	5085268	12066183	2816204	2040698	4856902	4266433	2215170	6481603	14063553	9341136	23404689
Empl rate (% pop aged 15-64)	76.2	57.5	66.9	73.0	52.7	62.8	61.1	31.3	46.1	70.3	47.2	58.7
Youth empl rate (% pop aged 15-24)	37.1	26.6	32.0	29.2	20.8	25.1	21.7	12.1	17.0	29.1	19.4	24.4
Unempl rate (% labour force)	2.9	5.2	3.9	4.6	8.2	6.1	10.0	15.7	12.0	5.5	8.5	6.7
Youth unempl rate (% labour force 15-24)	10.6	15.2	12.5	16.9	23.2	19.6	30.2	39.3	33.6	18.9	24.7	21.3
Long term unemployment rate *	0.9	1.9	1.3	1.7	3.4	2.4	5.0	8.9	6.4	2.4	4.0	3.0
Inactivity rate (% pop aged 15-64)	21.5	39.3	30.3	23.4	42.6	33.1	32.0	62.8	47.6	25.6	48.4	37.0
Activity rate (% pop aged 15-64)	78.5	60.7	69.7	76.6	57.4	66.9	68.0	37.2	52.4	74.4	51.6	63.0
NEET (% of total population aged 15-24)	9.0	12.3	10.6	11.1	13.7	12.4	23.4	26.1	24.7	15.6	18.5	17.0
Self-employed (% total employed)	29.8	17.8	24.7	29.7	20.5	25.9	29.1	21.6	26.5	29.5	19.3	25.5
Part-time employed (% total employed)	4.6	28.8	14.8	5.8	28.5	15.3	6.0	25.2	12.6	5.3	27.9	14.3
Fixed term contracts (% total employees)	9.6	13.2	11.2	11.1	15.3	13.0	15.0	21.8	17.5	11.6	15.6	13.3

2013	North			Center			South			Italy		
	M	F	T	M	F	T	M	F	T	M	F	T
Total employed	6664306	5111262	11775568	2682760	2063193	4745953	3743107	2155628	5898735	13090174	9330083	22420256
Empl rate (% pop aged 15-64)	71.8	56.6	64.2	68.1	52.0	59.9	53.7	30.6	42.0	64.8	46.5	55.6
Youth empl rate (% pop aged 15-24)	23.4	18.3	20.9	18.7	14.1	16.4	14.1	8.9	11.5	18.8	13.7	16.3
Unempl rate (% labour force)	7.6	9.5	8.4	9.8	12.2	10.9	18.7	21.5	19.7	11.5	13.1	12.2
Youth unempl rate (% labour force 15-24)	30.7	31.9	31.2	36.6	43.8	39.8	50.3	53.7	51.6	39.0	41.4	40.0
Long term unemployment rate *	3.8	4.6	4.2	5.1	6.5	5.7	11.5	14.0	12.4	6.5	7.4	6.9
Inactivity rate (% pop aged 15-64)	22.1	37.4	29.7	24.4	40.7	32.6	33.7	61.0	47.5	26.6	46.4	36.5
Activity rate (% pop aged 15-64)	77.9	62.6	70.3	75.6	59.3	67.4	66.3	39.0	52.5	73.4	53.6	63.5
NEET (% of total population aged 15-24)	16.8	16.8	16.8	19.6	19.8	19.7	31.3	28.0	29.7	23.2	21.9	22.6
Self-employed (% total employed)	28.7	16.8	23.5	30.0	19.1	25.3	30.2	20.5	26.7	29.4	18.2	24.7
Part-time employed (% total employed)	7.0	32.3	18.0	8.3	32.4	18.8	9.3	30.5	17.0	7.9	31.9	17.9
Fixed term contracts (% total employees)	10.7	12.4	11.5	11.8	13.4	12.5	15.9	19.3	17.3	12.4	14.2	13.2

* % of labour force that has been unemployed for over 12 months

Source: own calculation on Istat data, I.Stat ([Http://dati.istat.it](http://dati.istat.it))

Table 3: Share of young adults aged 18-34 living with their parents by age and sex

From 18 to 24 years		From 25 to 34 years	
GEO/TIME	2012	GEO/TIME	2012
Slovakia	95,8	Croatia	58,6
Malta	95,1	Slovakia	56,6
Italy	93,2	Bulgaria	52,8
Slovenia	91,7	Greece	51,6
Croatia	91,6	Malta	48,9
Luxembourg	90,2	Italy	46,6
Spain	88,9	Portugal	44,5
Poland	88,8	Romania	44,4
Cyprus	88,6	Slovenia	43,5
Portugal	87,9	Poland	43,4
Romania	87,8	Hungary	43,0
Czech Republic	87,4	Spain	37,2
Hungary	87,2	Latvia	34,5
Belgium	85,5	Czech Republic	33,7
Lithuania	84,9	Lithuania	33,5
Germany	84,4	Cyprus	30,4
Bulgaria	84,1	EU28	28,5
Latvia	82,0	Luxembourg	24,1
Greece	81,2	Ireland	22,6
EU28	79,4	Austria	21,8
Austria	76,3	Estonia	20,2
Ireland	76,1	Germany	17,3
Netherlands	71,2	Belgium	16,1
Estonia	70,3	United Kingdom	13,7
France	66,1	France	11,5
United Kingdom	64,9	Netherlands	10,6
Sweden	54,1	Sweden	4,1
Finland	45,0	Finland	4,0
Denmark	38,8	Denmark	1,8

source: EU-SILC) [ilc_lvps08] – 2012

Table 4: Social Protection expenditure in Italy by function

FUNCTIONS	2008	2012
Sickness/Health care	26,3	24,4
Invalidity	5,9	5,7
Old Age	51,6	52,3
Survivors	9,2	9,3
Family, maternity, children	4,9	4,8
Unemployment and social exclusion	2,2	3,5
Totale	100,0	100,0

Source Istat, Conti della protezione sociale

Table 5: Social Protection expenditure - Total expenditure Euro per inhabitant

GEO/TIME	2011
Luxembourg	18.136,02
Denmark	14.785,09
Sweden	12.070,93
Netherlands	11.578,16
Finland	10.522,02
Ireland	10.516,59
Austria	10.511,54
France	10.327,27
Belgium	10.146,25
Germany	9.389,88
Italy	7.725,25
United Kingdom	7.641,16
EU28	7.259,79
Spain	5.842,41
Greece	5.662,80
Cyprus	4.782,80
Slovenia	4.409,55
Portugal	4.298,59
Czech Republic	3.025,44
Malta	3.012,85
Slovakia	2.327,62
Hungary	2.281,16
Croatia	2.137,78
Estonia	1.951,78
Poland	1.847,61
Lithuania	1.742,18
Latvia	1.478,21
Romania	1.061,87
Bulgaria	927,43

Source: Eurostat Eurostat spr_exp_sum

Table 6 : Pensions - Euro per inhabitant

GEO/TIME	2011
Luxembourg	6.702,86
Denmark	5.433,65
Austria	4.641,71
Netherlands	4.289,85
Sweden	4.095,62
France	4.052,38
Finland	3.821,99
Italy	3.719,34
Germany	3.635,70
Belgium	3.626,33
United Kingdom	3.497,88
European Union (28 countries)	2.977,20
Ireland	2.550,74
Greece	2.327,05
Spain	2.228,70
Portugal	2.167,11
Slovenia	1.724,87
Cyprus	1.576,47
Malta	1.299,24
Czech Republic	1.068,88
Poland	956,59
Hungary	941,93
Croatia	906,76
Estonia	741,56
Slovakia	701,51
Latvia	595,40
Lithuania	578,31
Romania	496,57
Bulgaria	352,74

Source: Eurostat [spr_exp_pens]

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