

STUDY

Requested by the EMPL committee



Employment, Vocational Education and Training and Social Policies in Italy

A review of employment, VET and social policies



Policy Department for Economic, Scientific and Quality of Life Policies
Directorate-General for Internal Policies
Authors: SAMEK LODOVICI M., CREPALDI C.,
ORLANDO N., NICO G., ROMANIELLO D.
PE 631.050 - February 2019

EN

Employment, Vocational Education and Training and Social Policies in Italy

A review of employment, VET and social policies

Abstract

This document presents recent developments in the social, employment and VET situation and policies in Italy. The report provides an assessment of the recent evolution of key economic, social, and labour market trends in Italy, and an overview of current employment, VET and social policies.

The document was prepared by Policy Department A at the request of the European Parliament's Committee on Employment and Social Affairs.

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

AUTHORS

Manuela SAMEK LODOVICI, Chiara CREPALDI and Nicola ORLANDO, IRS-Istituto per la Ricerca Sociale
Gianluigi NICO, University of Rome Tor Vergata, Faculty of Economics
Davide ROMANIELLO, University of Rome Tre, Faculty of Economics

ADMINISTRATOR RESPONSIBLE

Aoife KENNEDY

EDITORIAL ASSISTANT

Roberto BIANCHINI

LINGUISTIC VERSIONS

Original: EN

ABOUT THE EDITOR

Policy departments provide in-house and external expertise to support EP committees and other parliamentary bodies in shaping legislation and exercising democratic scrutiny over EU internal policies.

To contact the Policy Department or to subscribe for updates, please write to:
Policy Department for Economic, Scientific and Quality of Life Policies
European Parliament
L-2929 - Brussels
Email: Poldep-Economy-Science@ep.europa.eu

Manuscript completed: October 2018
Date of publication: February 2019
© European Union, 2019

This document is available on the internet at:
<http://www.europarl.europa.eu/supporting-analyses>

DISCLAIMER AND COPYRIGHT

The opinions expressed in this document are the sole responsibility of the authors and do not necessarily represent the official position of the European Parliament.

Reproduction and translation for non-commercial purposes are authorised, provided the source is acknowledged and the European Parliament is given prior notice and sent a copy.

For citation purposes, the study should be referenced as: Samek Lodovici, M, Crepaldi, C., Orlando, N., Nico, G., Romaniello, D., *Employment, VET and Social Policies in Italy*, Study for the Committee on Employment and Social Affairs, Policy Department for Economic, Scientific and Quality of Life Policies, European Parliament, Luxembourg, 2019.

© Cover image used under licence from Shutterstock.com

CONTENTS

LIST OF ABBREVIATIONS	5
LIST OF BOXES	6
LIST OF FIGURES	6
LIST OF TABLES	7
EXECUTIVE SUMMARY	8
1. RECENT DEVELOPMENTS IN EMPLOYMENT AND SOCIAL INCLUSION	10
1.1. The macroeconomic context	10
1.2. The social context	11
1.3. The labour market	14
1.4. Vulnerable groups in the labour markets	20
1.4.1. Young people	20
1.4.2. Migrants	24
1.4.3. Women	27
1.5. Vocational education and training: key features	29
2. RECENT DEVELOPMENTS IN THE ITALIAN LABOUR MARKET AND VET POLICIES	30
2.1. Recent developments in labour market reforms	30
2.1.1. Overview of recent labour market reforms in Italy: the Jobs Act reform	31
2.1.2. Measures enacted since 2015	34
2.1.3. Initial indications of the Conte government	36
2.2. Recent developments in VET policies	36
2.2.1. Organisation and responsibilities in the implementation of VET programmes	36
2.2.2. Overview of recent or proposed reforms in VET	38
3. RECENT DEVELOPMENTS IN SOCIAL POLICIES	41
3.1. Social protection	41
3.2. The fight against poverty	41
3.2.1. Family and children policies	41
3.2.2. Policies for the non-self-sufficient elderly and the disabled	42
3.2.3. Policies for the protection of migrants	42
3.2.4. Pensions	43
3.2.5. Expenditure for social policies	43
4. LABOUR MARKET AND SOCIAL DEVELOPMENTS IN LOMBARDY AND PIEDMONT	44
4.1. The social context in the regions of Lombardy and Piedmont	44
4.2. Labour market conditions in Lombardy and Piedmont	46

4.3.	Overview of recent labour market interventions and VET in Lombardy and Piedmont	48
4.4.	Overview of recent social policy developments in Lombardy and Piedmont	50
4.4.1.	Lombardy	50
4.4.2.	Piedmont	50
4.5.	The role of the ESF in Lombardy and Piedmont	51
REFERENCES		57
ANNEX		59

LIST OF ABBREVIATIONS

ANPAL	National Agency for Active Labour Market Policies
ASDI	Assegno di Disoccupazione (Unemployment grant)
ASPI	Assicurazione Sociale per l'Impiego (Social insurance for employment)
ATO	Accredited training organisations
CEDEFOP	European Centre for the Development of Vocational Training
CIE	Centro di identificazione ed espulsione (Repatriation centre)
CSR	Country Specific Recommendation
CVT	Continuing vocational training
EPL	Employment Protection Legislation Index
EU28	European Union, 28 countries
GDP	Gross domestic product
IeFP	Istruzione e Formazione Professionale (Vocational Education and Training)
ILO	International Labour Organization
IMF	International Monetary Fund
IMU	Imposta Municipale Propria (Municipal property tax)
ISCED	International Standard Classification of Education
ISEE	Indicatore di situazione economica equivalente (Indicator of household economic conditions)
ISTAT	Istituto Nazionale di Statistica (National Institute of Statistics)
NASPI	Nuova assicurazione sociale per l'Impiego (New social insurance for employment)
NGO	Non-governmental organisation
OECD	Organization for Economic Cooperation and Development
PASS	Network of social protection and social inclusion
PPP	Purchase power parity
REI	Reddito di Inclusione (Inclusion income)
SIA	Support for Active Inclusion
UNESCO	United Nations Educational, Scientific and Cultural Organization
VAT	Value added tax
VET	Vocational education and training

LIST OF BOXES

Box 1. Youth Educational attainment	22
Box 2. Main provisions of the Jobs Act (L.183/2014) and its related implementing decrees	32

LIST OF FIGURES

Figure 1: GDP growth (PPP 2011 international USD). Years: 2000-2023 (from 2019, IMF projections)	10
Figure 2: Relative and absolute poverty in Italy and main geographical areas (2008, 2013 and 2017)	12
Figure 3: Poverty profile by age and education (percentage of total population)	12
Figure 4: Poverty profile by occupation and labour force status (percentage of total population)	13
Figure 5: Italy male and female population (percentage of total population) by age group (2017)	15
Figure 6: Jobs gap with respect to the pre-crisis trajectory of employment	16
Figure 7: Employment rates in Italy by sex, geographical area and age in 2013 and 2017	17
Figure 8: Incidence of fixed-term employees by geographical area in 2013 and 2017	17
Figure 9: Incidence of part-time workers by geographical area in 2013 and 2017	18
Figure 10: Unemployment rate (15+) in Italy, in EU28; by geographical area of Italy (2013-2017)	19
Figure 11: Unemployment rate 15-29 in Italy by geographical area and sex (2013 and 2017)	20
Figure 12: Incidence of part-time and fixed-term employees (15-24 and 25-34) in 2013 and 2017	21
Figure 13: NEET rate in Italy and EU by sex (2013 and 2017)	21
Figure 14: NEET rate in Italy and EU by level of education attained (2013 and 2017)	22
Figure 15. Percentage early leavers age 18-24 from education and training over total youth (18-24)	23
Figure 16: Inflow and outflow migration levels to and from Italy (2008-2016)	24
Figure 17: Internal and external immigration inflow by geographical area and region (2012-2016)	25
Figure 18: Employment rate of immigrants in Italy, by sex and geographical area (2013 and 2017)	25
Figure 19: Employed immigrants by level of education attained (2013 and 2017)	26
Figure 20. Employed immigrants by type of occupation and sex (2013 and 2017)	27
Figure 21: Incidence of fixed-term and open-ended contracts by sex (2013 and 2017)	28
Figure 22: Wage income by sex (left scale) and gender wage gap (right scale) in 2017	28
Figure 23: Adults' participation in VET in Italy and EU by sex in 2013 and 2017	29
Figure 24: Participation in VET in Italy by age in 2013 and 2017	29
Figure 25: Participation in VET in Italy by occupation group in 2013 and 2017	30
Figure 26: Relative poverty in Italy, Piedmont and Lombardy (2014-2017)	44
Figure 27: Distribution of labour income in Lombardy and Piedmont in 2017	45
Figure 28: Internal and external immigration inflow by geographical area and region (2012-2016)	46
Figure 29: Employment rate (15+), by region and sex; employment rate (15-24)	47

Figure 30: Incidence of fixed-term employees in the regions of Piedmont and Lombardy	47
Figure 31: Real monthly wage paid to employees (constant 2010 price)	48
Figure 32: Per capita GDP - in Italy, EU28, world; Italy's pre-crisis path and IMF projections (2019-23)	59
Figure 33: General government spending (% total GDP) and ratio to general revenue	59
Figure 34: Map of Italian regions (NUTS 2)	60

LIST OF TABLES

Table 1: Number of hours per year spent in formal, non-formal VET in Italy and EU by age cohort	39
Table 2: Expenditure for social policies in Italy 2012-2016	43
Table 3: ESF 2014-2020 Thematic Objectives and Investment priorities in the Lombardy region	53
Table 4: ESF 2014-2020 planned budget and allocations at 31.12.2017 in Lombardy	54
Table 5: ESF 2014-2020 Thematic Objectives and Investment priorities in Piedmont	55
Table 6: ESF 2014-2020 planned budget and allocations at 31.12.2017 in Piedmont	56

EXECUTIVE SUMMARY

Italy has been one of the EU Member States worst hit by the 2008 crisis. However, over the past 5 years, Italy's output growth has reversed its negative trend, albeit at a slower pace compared to the EU28 average: from 2013 to 2018, annual average gross domestic product (GDP) grew by 0.4 percentage points, compared to 1.8 percentage points for the EU28.

Since 2014, the employment level has started to increase, climbing back to the 2007 pre-crisis level. From 2014 to 2017, 250,000 jobs per year on average were created in the Italian labour market, almost closing the jobs gap relative to 2007. However, reaching the pre-crisis number of jobs may not be enough to return to pre-recession employment rates, as new labour forces are expected to enter the labour market. In 2017, the employment rate (20-64) stood at 62.3 per cent, up from the 59.7 per cent in 2013, but still 0.6 percentage points lower than the 2008 rate (62.9), and very far from the EU2020 national targets of 67-69 per cent.

Italy's employment-to-population ratio also shows wide regional, gender and age gaps. **Regional gaps** in employment rates (15+) between southern and northern areas of Italy have widened significantly since 2000, even if they have stabilised in the past few years. Since 2013, **gender gaps** in employment rates (15-64) have also stabilised, but continue to be greater than the EU28 average (19.0 percentage points in Italy, 11 percentage points in EU28). **Age gaps** in employment rates, on the other hand, are widening over time. The youth employment rate (15-24) stood at 17.1 per cent in 2017, compared to 47.7 per cent for adults (25+) and compared to a youth employment rate of 34.8 per cent in the EU28 (2017).

Besides the weak labour market recovery from the point of view of job creation, the Italian labour market is also characterised by **increasing precariousness and instability of employment**, with increasing use of fixed-term contracts in terms of both incidence and levels. Weak economic growth has also **increased the risks faced by individuals of becoming poor**. The absolute poverty incidence by individuals increased from 3.6 per cent of the total individuals in 2008 to 8.4 per cent in 2017. The highest rates of poverty are in southern regions and among the young generation, as well as among people in unemployment and people who, although working, are employed in low-skilled jobs.

Labour market outcomes in the **Regions of Lombardy and Piedmont** have constantly improved over recent years and are above the corresponding national averages. Despite the two regions showing a better performance in terms of employment creation compared to the national average, **increasing labour market precariousness remains a cause for concern**.

The last five years have been characterised by a number of measures to support the implementation of important **labour market and social policy reforms enacted since 2011. These improve the flexibility of the labour market and job creation, and extend social assistance and social protection coverage**.

Since 2014, a number of measures have been enacted under the so-called Jobs Act reform (Renzi government). The stated goal of the Jobs Act reform was twofold. On the one hand, the reform aimed to encourage jobs growth by making labour input cheaper. On the other hand, it aimed to make permanent open-ended contracts more appealing to employers, through the introduction of increasing-protection employment contracts (*contratto a tutele crescenti*). These are new, open-ended contracts with lower dismissal costs and reduced legal uncertainty compared to previous ones. Another important development was the extension of social protection to self-employed workers without employees. Overall, the measures enacted aimed to promote a combination of labour market flexibility and security for workers. A partial reversal of the Jobs Act provisions was carried out by the

Conte government in 2018 with the so-called Dignity Decree (*Decreto Dignità*), which restricted the use of fixed-term contracts and increased the costs of dismissals.

The vocational education and training system in Italy was also profoundly revised under the so-called Good School reform (*Riforma della Buona Scuola*). The Good School reform also includes initiatives to simplify short-term and apprenticeship contracts to align them better with labour market needs.

A combination of vocational education and training measures and employment measures have been implemented and promoted in the regions of Lombardy and Piedmont, to support better labour market outcomes compared to the Italian average.

Turning to social policies, in 2016, overall expenditure on social protection amounted to 29.7 per cent of GDP. The largest shares were allocated to pensions (48.7 per cent) and to health-care (23.1 per cent), while only 6.9 per cent went to unemployment and social exclusion, 6.3 per cent to family, maternity, and children, and 5.8 per cent to invalidity.

Since 2016, the fight against poverty has started to figure prominently on the Italian political agenda, following an alarming increase in poverty rates and levels. EU Structural Funds have supported the setting up of the necessary infrastructure in terms of services and operators. The 2016 Stability Law and the subsequent decree introduced the Support for Active Inclusion (SIA). This measure paved the way for the new REI (inclusion income), implemented in December 2017. The target group of eligible beneficiaries was widened on 1 July 2018. However, due to the lack of resources the new measure is not sufficient to cover all those living in absolute poverty, and the monetary transfer to families is still very small. Although this measure is not yet a true minimum income, as in other more advanced European countries, the overall structure has been set up. The new measure is funded through a Poverty Fund with a budget of approximately EUR 2 billion for 2018, which should increase to 2.7 billion in 2020. Notwithstanding these improvements, the main weakness of the Italian welfare system remains unchanged. There are still too many fragmented measures to support individual and household incomes, with large differences in coverage across population groups and territorial levels, with only some regions and municipalities providing additional measures to the national ones, and a large number of individuals and households left without protection, especially among young people.

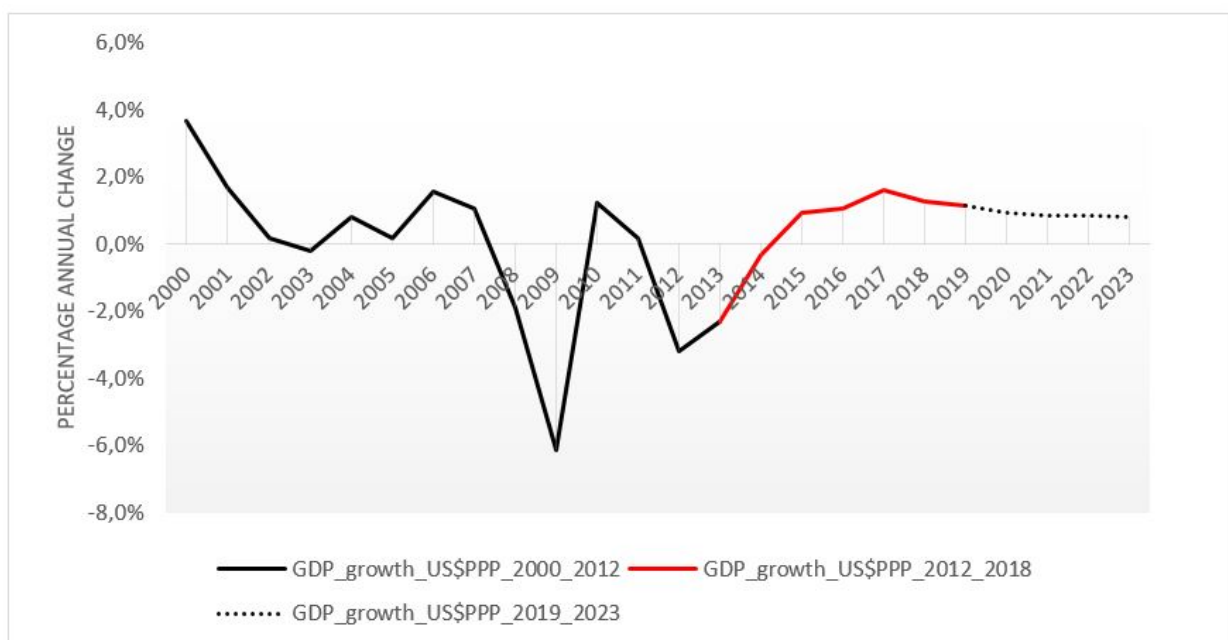
The new Conte government (2018) is discussing replacing the REI with a new universal measure, the so-called citizens' income (*Reddito di cittadinanza*), to provide people living in absolute poverty with higher benefits compared to those provided by the REI. The estimated resources needed for its full implementation are approximately EUR 17 billion. However, in the current negotiations on the budget law the amount dedicated to *Reddito di Cittadinanza* is much lower, EUR 9 billion (of which EUR 2.6 to be drawn from the resources already allocated for the REI).

1. RECENT DEVELOPMENTS IN EMPLOYMENT AND SOCIAL INCLUSION

1.1. The macroeconomic context

During the decade after the economic and financial crisis of 2008-2009, Italy experienced a decline in its output growth. Output growth per capita¹ dropped by approximately 6.1 percentage points in 2009, recovering after 2013 although remaining on a slow growth trend throughout 2018 (IMF data). Over the period 2013-2018, Italy's GDP growth averaged 0.4 per cent per year, much lower than the EU28 average (1.8 per cent, according to IMF data)². According to IMF projections, average output growth is expected to be 0.9 percentage points over the next five years.

Figure 1: GDP growth (PPP 2011 international USD). Years: 2000-2023 (from 2019, IMF projections)



Source: Author's elaboration based on IMF DATA, World Economic Outlook Database.

The poor economic performance of the Italian economy appears to be driven largely by weak aggregate demand, leading to very low inflation rates. A number of macroeconomic policies have had an adverse effect on Italy's economic growth in the past five years. In particular, the so-called spending review (Decree Law 95/2012) and the pension reform (Decree Law 201/2011), both of them implemented under the Monti government. A number of additional policy interventions were also implemented to increase tax revenue. Higher municipal taxes on property were introduced in 2011 through the so-called IMU (*Imposta Municipale Propria* – Law. 214/2011); in 2013, value added tax (VAT) was increased from 21 per cent to 22 per cent (Decree Law 76/2013) and in 2011, major tax revenue

¹ GDP per capita is measured in constant purchasing power parity (PPP) international \$ in order to allow for cross-country comparison among strongly heterogeneous countries in terms of development.

² Furthermore, the weak economic growth of the past 5 years will most likely be insufficient to recover the lost ground during the crisis period. While both the level of GDP per capita of the world economy and the EU28 have surpassed the corresponding pre-crisis level (see Figure 2), in 2018 Italy's level of per capita GDP is still lower and only back to the 1999 level. According to International Monetary Fund (IMF) projections, in 2023 the level of per capita GDP will still be below the pre-crisis level in 2007 by about 1.219 US international dollars (see Figure 32 in the Annex).

interventions were also implemented through an increase in the excise duty on fuel, repeated in 2013 and 2017 (Decree Law 183/2011, Decree Law 124/2013 and Decree Law 50/2017).

The implementation of the above-mentioned fiscal and expenditure measures allowed Italy's general government deficit – gross of passive interests – to converge towards the EU Maastricht parameters: Italy's government budget deficit decreased by approximately two percentage points, going from –3.7 in 2011 to –1.5 in 2018 (IMF data). **On the other hand, these policies have reduced private income and reduced consumer and business confidence, as well as reducing labour demand in the public sector.** Finally, the austerity package implemented has caused long-lasting **deflation** and continued weakness in the Italian economy (see Figure 33 in the Annex).

Suggested QUESTIONS for DISCUSSION

- Are macroeconomic policies adequately supporting sustained economic growth? What types of investments are needed to support growth and what measures are in place to support investment?
- What are the main constraints on expansionary macroeconomic policies? What measures are in place to tackle the high Italian public debt-to-GDP ratio?
- What are the main macroeconomic challenges facing Italy?

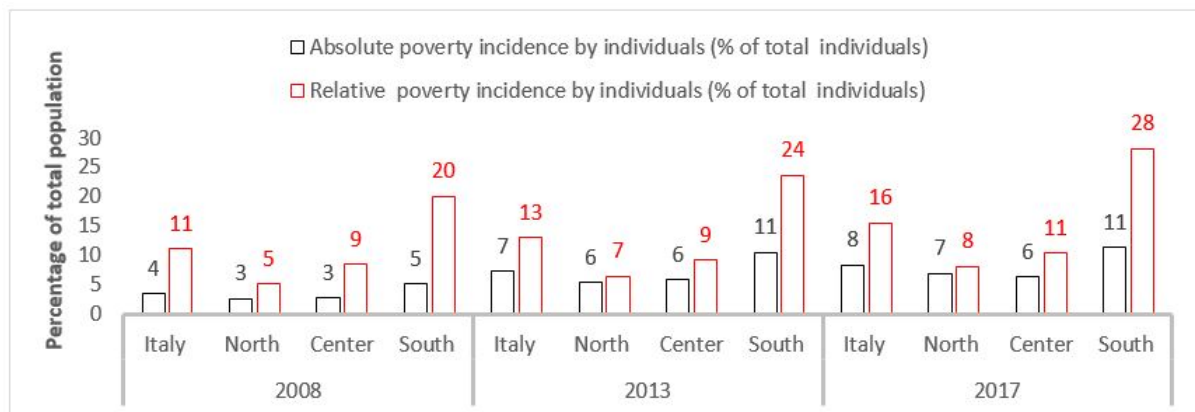
1.2. The social context

For almost a decade, Italy's poor economic growth has led to a substantial increase in the incidence of poverty, causing situations of severe material deprivation. Both absolute poverty (measured as the proportion of households or individuals with an income below the subsistence level) and relative poverty (measured in terms of a cut-off point in relation to the overall distribution of income, e.g., 60 per cent of the median value) have increased over time, **while inequality has stabilised** (Istat data, 2018).

The absolute poverty incidence by individuals has increased by 4.8 percentage points, from 3.6 per cent of total individuals in 2008 to 8.4 per cent in 2017, recording its highest incidence in more than two decades (Istat, 2018).

The incidence of poverty in Italy is of particular concern and is mainly concentrated in southern Italy. The average absolute poverty incidence in Italy has been largely driven by a drastic increase in the South, recording its highest absolute value of 11.4 percentage points in 2017 (Istat data, 2018). Even more alarming is the drastic increase in the relative poverty incidence. Despite a general increase in relative poverty in all Italian geographical areas, people living in the southern regions are relatively more disadvantaged than their peers living in the northern and central regions. In the South, the relative poverty incidence increased from 20.1 per cent in 2008 to 28.2 per cent in 2017, implying that an increasing proportion of the Italian population residing in the South is receiving an income below 60 per cent of the median income (Istat data, 2018).

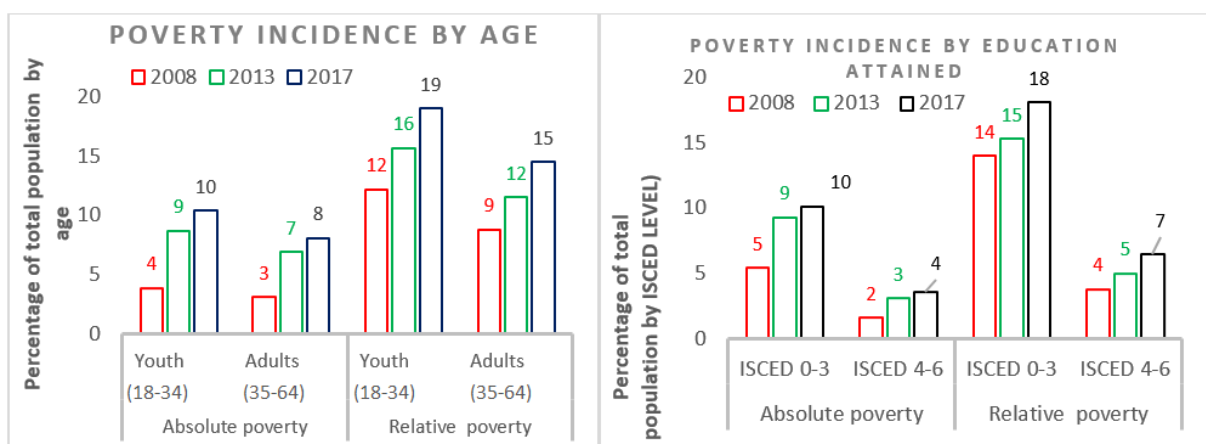
Figure 2: Relative and absolute poverty in Italy and in the main geographical areas of Italy (2008, 2013 and 2017)³



Source: Istat data 2018.

The poverty profile by age, sex, type of occupation/labour force status and level of education attained shows an alarming concentration of poverty particularly among young people, and people with a low level of educational attainment. In 2017, relative and absolute poverty was particularly severe among young males in the age cohort 18-35, and mainly concentrated among people with low educational levels.

Figure 3: Poverty profile by age and education (percentage of total population)



Source: Istat data 2018.

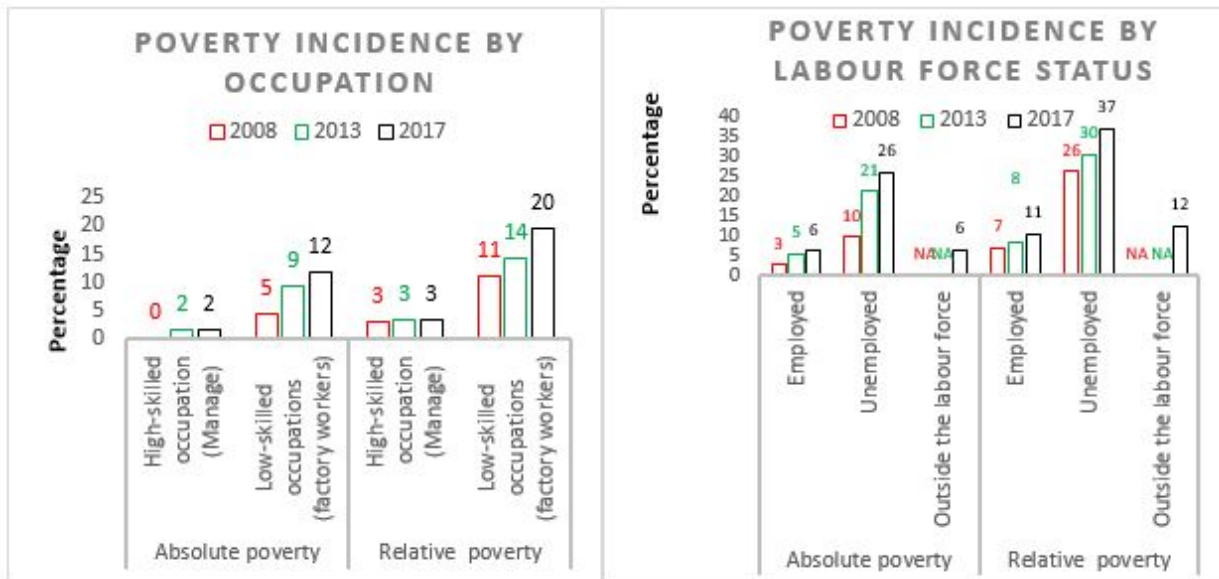
The absolute and relative poverty gaps between young people aged 18-34 and adults (35-64) has widened over time, reaching their highest gaps of 2.3 and 4.5 percentage points in 2017. In a similar vein, better-educated people show lower relative poverty and absolute poverty rates, compared to people who have low levels of education (ISCED⁴ from 0 to 3). For instance, according to

³ Italian Northern regions: Aosta Valley, Liguria, Lombardy, Piedmont, Emilia Romagna, Friuli Venezia Giulia, Trentino- Sud Tyrol, Veneto; Centre regions: Lazio, Marche, Tuscany, Umbria; Southern regions: Abruzzo, Molise, Campania, Apulia, Basilicata, Calabria, Sicily, Sardinia. (see Map of Italian regions (NUTS 2 level) in annex.

⁴ The International Standard Classification of Education (ISCED) is a statistical framework for organising information on education and is maintained by the United Nations Educational, Scientific and Cultural Organization (UNESCO). The ISCED organises the level of education into six levels, which are 0: Pre-primary education; 1: Primary education or first stage of basic education; 2: Lower secondary education or second stage of basic education; 3: Upper secondary education; 4: Post-secondary non-tertiary education; 5: First stage of tertiary education; and 6: Second stage of tertiary education.

data from Istat, in 2017 the absolute poverty incidence among people who attained at most lower secondary education (ISCED 0-3) was almost three times higher than the corresponding poverty rates of those who attained post-secondary and tertiary education (ISCED from 4 to 6).

Figure 4: Poverty profile by occupation and labour force status (percentage of total population)



Source: Istat data 2018.

Other population groups exposed to the risk of poverty are low-skilled workers and the unemployed. While relative poverty has remained virtually unchanged among high-skilled workers in managerial positions (from 3.2 per cent in 2008 to 3.4 per cent in 2017), low-skilled manual workers recorded the highest incidence of relative poverty in 2017. The latter stood at almost 20 per cent in 2017, up from 11.2 per cent in 2008. The relative and absolute poverty incidence is also particularly severe among the unemployed, reaching 26 per cent and 37 per cent respectively in 2017. Since 2008, the absolute poverty incidence among the unemployed increased sharply by 16.4 percentage points, thus making the provision of unemployment benefits a necessary goal (Istat data, 2018).

Weak economic growth, coupled with the lack of job opportunities and increased rates of unemployment, has magnified the risks faced by individuals of becoming poor. Over the past 5 years, a number of policy interventions to fight poverty have been implemented in Italy (see Section 4), but they have been inadequate and insufficient overall given the magnitude and intensification of the number of people living in absolute poverty.

High poverty rates tend to be accompanied by stabilising inequality. Income inequality in Italy, as measured by the Gini coefficient and based on disposable income (Eurostat data, 2018), is relatively high compared to the EU28 (0.331 and 0.308 in 2016, latest available year for the EU28, but has stabilised over time (from 32.8 in 2013 to 32.8 in 2017). **Despite a low overall Gini coefficient, in 2017 the average labour income of the 20 per cent of the population at the bottom⁵ of the**

⁵ This corresponds to the 20% of the total employed population with the lowest income, or similarly, to the 20% of the population whose labour income is smaller or equal to the first cut-off value of 20%.

(labour) income distribution was more than three times lower than the labour income of the richest 20 per cent of the population⁶ (see Table 1, in the Annex).

Income distribution in Italy has not substantially varied in the last decade (Table 2 in the Annex), with the top 20 per cent of the population getting 31.7 per cent of all labour income, and the lower-income population groups (the bottom 20 per cent) only getting 9.6 per cent of all labour income⁷.

Suggested QUESTIONS for DISCUSSION

- What measures are envisaged to tackle poverty among young NEETs and single parents?
- What territorial measures are envisaged to tackle the territorial specificities of social exclusion in Italy, e.g., large families and children in Southern Italy, migrants in northern Italy and in the large cities?
- What efforts can be made in terms of policy implementation to combat poverty in the southern regions of Italy?
- How can micro and macro-economic policies support the fight against poverty and inequality in Italy?
- What are the main social challenges facing Italy in the coming years?

1.3. The labour market

Demographic trends are an important driver of labour supply, together with the population's participation decisions. In Italy, as in most EU countries, the population age-sex structure shows a typical 'constrictive'⁸ population pyramid (Figure 5 below), with an ageing and shrinking population. Italy's constrictive population structure mirrors a low fertility rate and a higher (than the world's average) life expectancy rate. According to Eurostat data, the combination of a low fertility rate and a relative high life expectancy rate has resulted in a small percentage of people in the younger age cohorts and a relatively high proportion of people in the older age cohorts (55 and over).

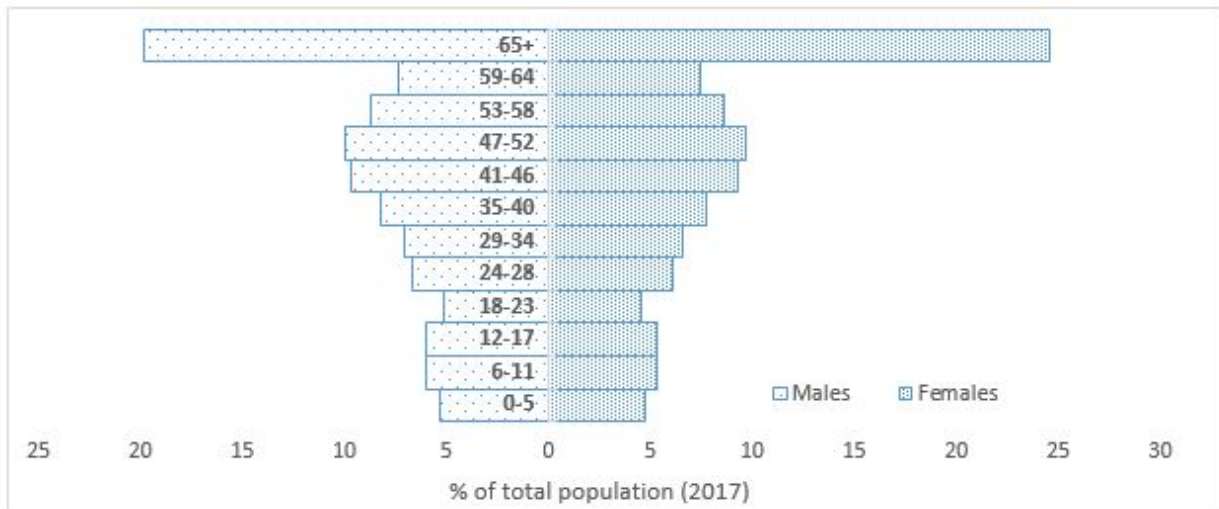
Over the period 2016-2050, Italy's demographic structure is expected to change further. According to Eurostat projections (Eurostat population projection, data repository 2018), the share of the working-age population (15-64) is projected to decrease by 10 percentage points, from approximately 64 per cent in 2018 to 54 per cent in 2050. These expected changes are likely to result in a worsening of the old-age dependency ratio (the proportion of people aged 65 and above over the total working-age population and in a reduction of labour supply) if not compensated for by higher labour participation rates and immigration inflows. The 2018 old-age dependency ratio of approximately 32 per cent is expected to almost double over the next 30 years, reflecting Italy's low fertility rate (Eurostat, 2018).

⁶ This corresponds to the fifth group, the one representing the fifth quintile or, similarly, the 20 % of population with the highest income: an income greater than the fourth cut-off value of 80 %.

⁷ Authors' calculation based on Istat microdata from LFS2017.

⁸ 'Constrictive' population pyramids are typically found in countries with higher levels of social and economic development and present a smaller percentage of people in the younger age cohorts. By contrast, less developed countries show 'expansive' population pyramids characterised by high fertility rates and lower than average life expectancies, resulting in an overall high concentration of people in the younger age cohorts.

Figure 5: Italy male and female population (percentage of total population) by age groups (2017)



Source: Authors' elaboration based on Eurostat, population projections 2018.

<https://ec.europa.eu/eurostat/data/database>

As for labour demand, the depth and duration of the recession have resulted in a severe deterioration of Italy's labour market, with declining employment levels and increasing unemployment.

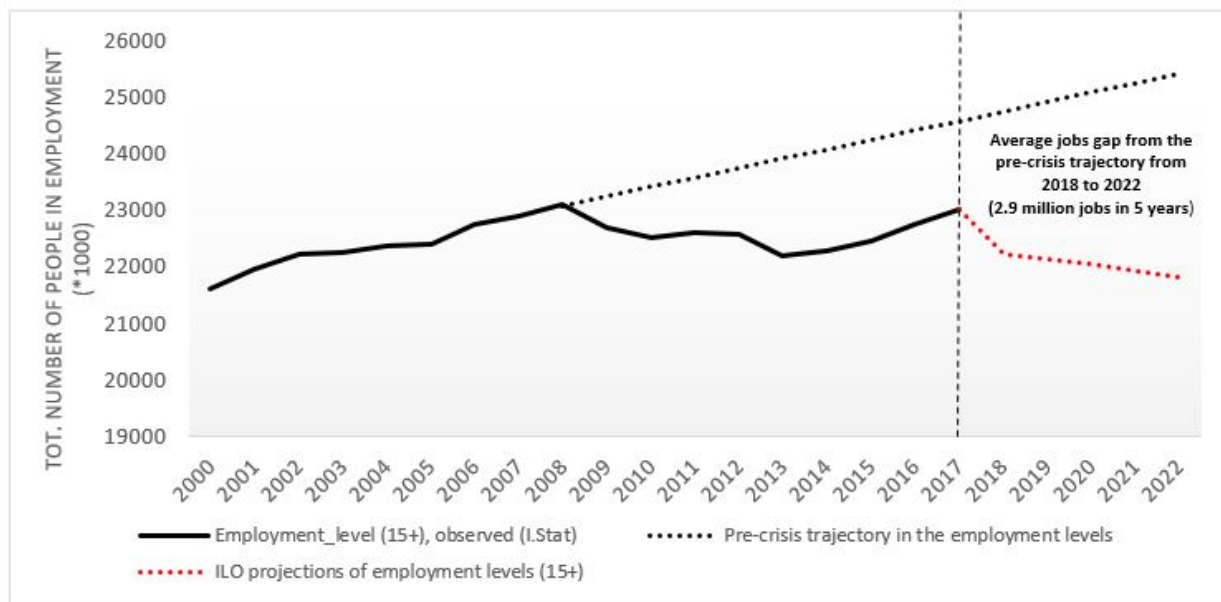
Since 2014, the downward trend in employment levels has been reversed with the creation of 250,000 jobs per year on average, over the period 2014-2017 (Istat data, 2018).

In 2017, the Italian National Statistical Office estimated a total of nearly 23 million people in employment (+15). Italy's jobs gap relative to 2007 has almost closed (Figure 6), indicating that it took nearly a full decade after the start of the recession for employment to return to close to its pre-recession level. Despite employment levels almost returning to pre-crisis levels, the overall number of employed people is still below the 2007 level: **a total of 128,000 jobs still have to be created in order to return to 2007 levels of employment**⁹. However, this does not mean that the Italian economy is at full employment. Given that every year, new people are expected to enter the labour market, simply reaching the pre-crisis number of jobs may not be sufficient. Looking at the pre-crisis trajectory of the employment levels and the projected levels of employment over the next five years, **a total of 2.9 million jobs need to be recovered in order to return to the pre-crisis employment rate**. Before the crisis, average employment creation in Italy amounted to approximately 166,000 jobs per year, over the period 2000-2007, whereas an average of 138,000 jobs per year have been lost during the period 2008-2013. Even more alarming is the fact that, according to the International Labour Organization (ILO) 2010 projections, it is expected there will be a widening of the jobs gap¹⁰ from the pre-crisis trajectory, as the ILO estimates a contraction in the level of employment over the next five years.

⁹ This is calculated as the difference between the 2007 pre-crisis level of employment and the 2017 level of employment.

¹⁰ The jobs gap is calculated as the difference between the pre-crisis employment trajectory – estimated through a time trend regression over the period 1997-2008 – and the short and medium-run ILO projections over the period 2018-2023.

Figure 6: Jobs gap with respect to the pre-crisis trajectory of employment



Source: Authors' calculation based on Istat (2018) and ILOSTAT.

In 2017, the employment-to-population ratio (20-64) stood at 62.3 per cent, up from the 59.7 per cent in 2013, but still 0.6 percentage points lower than the 2008 rate (62.9), and **very far from the EU2020 national targets of 67-69 per cent** (Istat data, 2018).

Italy's employment-to-population ratio also shows wide regional, gender and age gaps.

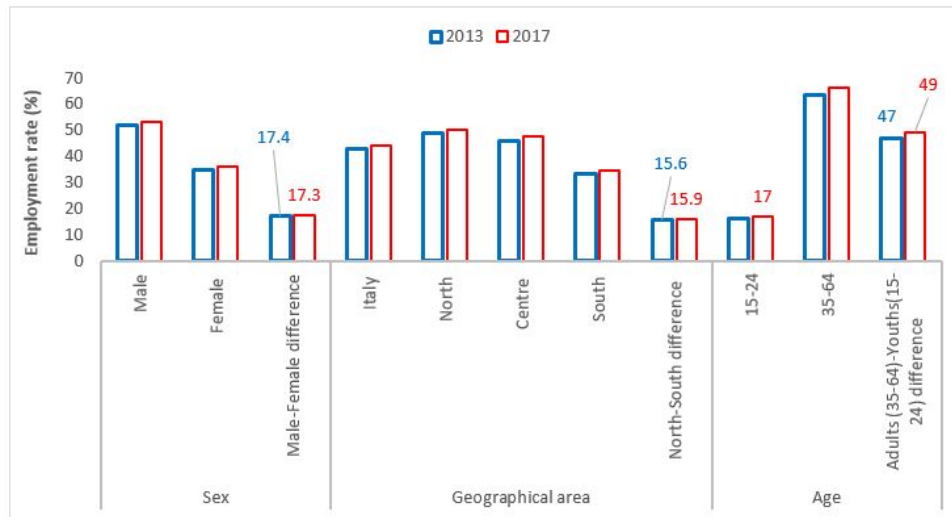
Regional gaps in employment rates (15+) between southern and northern regions have significantly widened since 2000, although they have stabilised over recent years (from 2013 to 2017). In 2017, the employment rate in the South was 34.3 per cent, an increase of 1.3 percentage points compared to the 2013 rate. Regional gaps however remain a major concern: the employment rate in southern regions was 15.9 percentage points lower than the corresponding rate in northern regions, a difference that continued to widen, albeit slowly (0.3 percentage points) even in the years of recovery since 2013 (Istat, Labour Force Survey data, 2018).

Gender gaps in employment rates (15+) have stabilised since 2013, although in Italy the female employment rate is still very low compared to the EU average. In 2017, Italy's employment rate for women stood at 35.8 per cent, up from the 34.4 per cent in 2013, compared to 46.3 in 2013 and 49 in 2017 in the EU28 respectively. Despite the increase, there are still wide gender disparities. Compared to men, women face greater difficulty in accessing and remaining in the labour market, with the male employment rate being 17.4 percentage points higher than the female one in 2017. At EU28 level, the male employment rate (15+) was 11.4 percentage points higher than the corresponding female employment rate in 2017 (Istat data, 2018).

Age gaps in employment rates continue to widen over time. The youth employment rate (15-24) stood at 17.1 per cent in 2017, compared to 34.8 in the EU28. By contrast, the adult employment rate (25+) in Italy stood at 47.7 per cent in 2017, while in the same year the adult employment rate (25+) in the EU28 was 57.4. An immediate measure of the relative disadvantage that young people face in the labour market is the ratio adult-to-youth employment rate. On average, in 2017 adults were 2.7 times more likely to be employed compared to young people in Italy, whereas the ratio of adult-to-youth employment rate in the EU28 was 1.7 in 2017 (Eurostat data, 2018).

A detailed analysis of young people and women in the labour market is given in Sections 1.4.1 and 1.4.3.

Figure 7: Employment rates in Italy by sex, geographical areas and age in 2013 and 2017

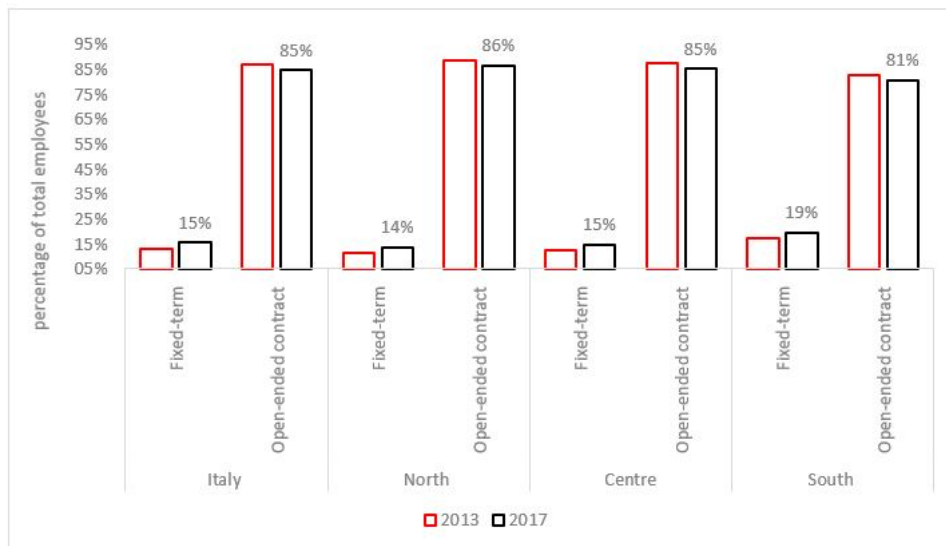


Source: Istat data 2018.

Over recent years, Italy has undergone a profound process of structural reform aimed at increasing labour market flexibility. Overall, this has resulted in further precariousness in the Italian labour market.

According to Istat data (2018), since 2013, the use of fixed-term contracts has increased both in terms of incidence and levels. Compared to the 2013 level, the number of fixed-term employees increased by 525,000 in 2017, and the incidence of employees under fixed-term arrangements increased by 2.2 percentage points in Italy, reaching 15.4 per cent, whereas the increase in the EU28 was 0.7 percentage points (from 13.6 in 2013 to 14.3 in 2017). Fixed-term jobs are particularly widespread in southern Italy, where their incidence reached 19.3 per cent in 2017 compared to 13.7 per cent in northern Italy (Figure 8).

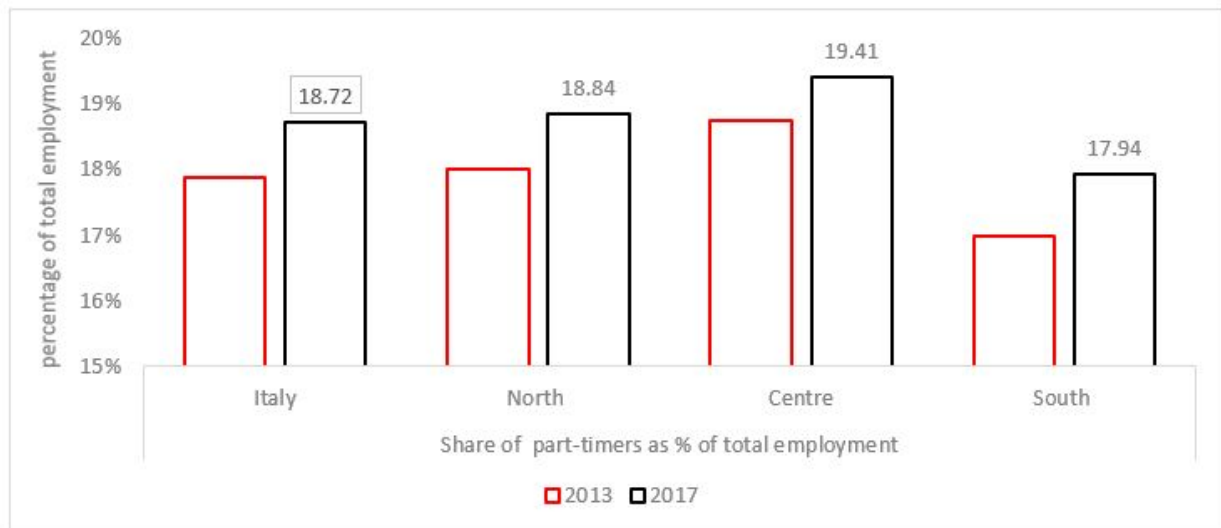
Figure 8: Incidence of fixed-term employees by geographical areas in 2013 and 2017



Source: Istat data 2018.

The incidence of part-time workers, i.e. workers who work fewer than 35 hours per week, **has also increased relative to 2013**. The 2017 share of part-time workers out of total workers stood at almost 19 per cent, up from 17.9 per cent in 2013, and similar to the EU28 average (19.4 in 2017). According to OECD (2018) data, **almost 76 per cent of all part-time workers in Italy declared themselves to be involuntary part-time workers**. Despite a general upward trend in part-time work in all geographical areas of Italy, the incidence of part-time jobs is higher in the northern and central regions, while southern regions recorded a lower incidence in relative terms in 2017.

Figure 9: Incidence of part-time workers by geographical areas in 2013 and 2017



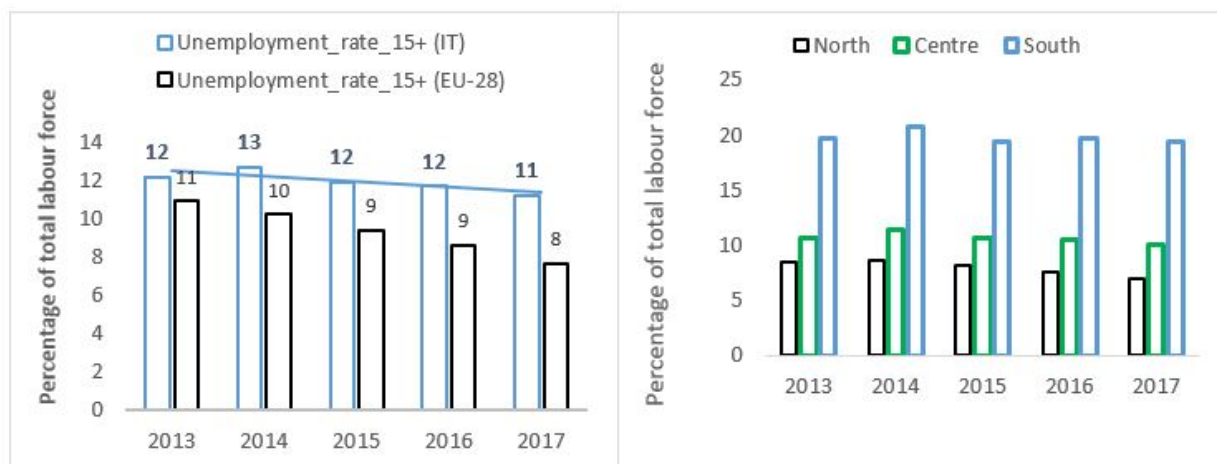
Source: Istat data 2018.

Turning to unemployment, **in 2017 there were 2,906 million unemployed people in Italy** (Istat data, 2018). The unemployment rate reached 11.2 per cent in 2017, below the crisis peak of 12.1 per cent in 2013, but still much higher (5.1 percentage points) than the unemployment rate recorded before the crisis in 2007 (6.1 per cent) and 4.3 percentage points higher than the EU average (7.6 per cent in 2017).

Women are more likely than men to be unemployed (Istat data, 2018). Despite a slight decrease since 2014, the female unemployment rate reached 12.3 per cent in 2017, 2 percentage points higher than that of men (10.3 per cent in 2017).

Regional differences in economic growth are also reflected in the labour market: people residing in southern regions face a higher probability of being unemployed. An immediate measure of the relative disadvantage that people residing in the South face in the labour market is the ratio of south-to-north unemployment rate. **On average, people living in the South are almost three times more likely to be unemployed compared to people living in the North** (Istat data, 2018).

Figure 10: Unemployment rate (15+) in Italy and the EU28 from 2013 to 2017 (left side graph); Unemployment rate (15+) among geographical areas in Italy (right side graph)



Source: Istat data 2018 and Eurostat.

Since 2014, Italy has started to recover the jobs lost during the crisis. Nonetheless, unemployment continues to be a pervasive phenomenon and requires effective job creation policies and measures. **Long-term unemployment represents a key policy challenge for Italy**, especially because of the economic and social costs associated with a long period of labour market detachment, which may lead to discouragement and lower labour market participation.

According to data from the Italian National Statistical Office (Istat, 2018), **the incidence of the long term unemployed¹¹ was 45.8 per cent in 2008**, it peaked at 61.5 per cent of total unemployment in 2014, to slowly decline to 58.8 per cent in 2017. **Marked differences exist across regions, both in the incidence of long-term unemployed and in terms of duration:** compared to people residing in the northern regions, the incidence of long-term unemployed tends to be nearly 1.3 times higher in southern regions (50.4 per cent in the North and 65.8 per cent in the South). Unemployed people living in the South tending to remain outside the labour market for about 11 months longer than people living in the North¹² (data for 2017).

Suggested QUESTIONS for DISCUSSION

- What are the main factors behind the high rates of unemployment and inactivity in Italy?
- What are the main labour market challenges Italy is going to face in incoming years?
- What measures are envisaged to support employment creation? Are recent developments in employment policies adequate to support employment and reduce unemployment and inactivity, especially in Southern regions?
- What measures are planned to curb the increasing trend towards precarious forms of employment?

¹¹ The long-term unemployed are defined as people who have been looking for a job for one year or more over total unemployed people.

¹² Data extracted from the 2017 Italian labour force survey.

1.4. Vulnerable groups in the labour markets

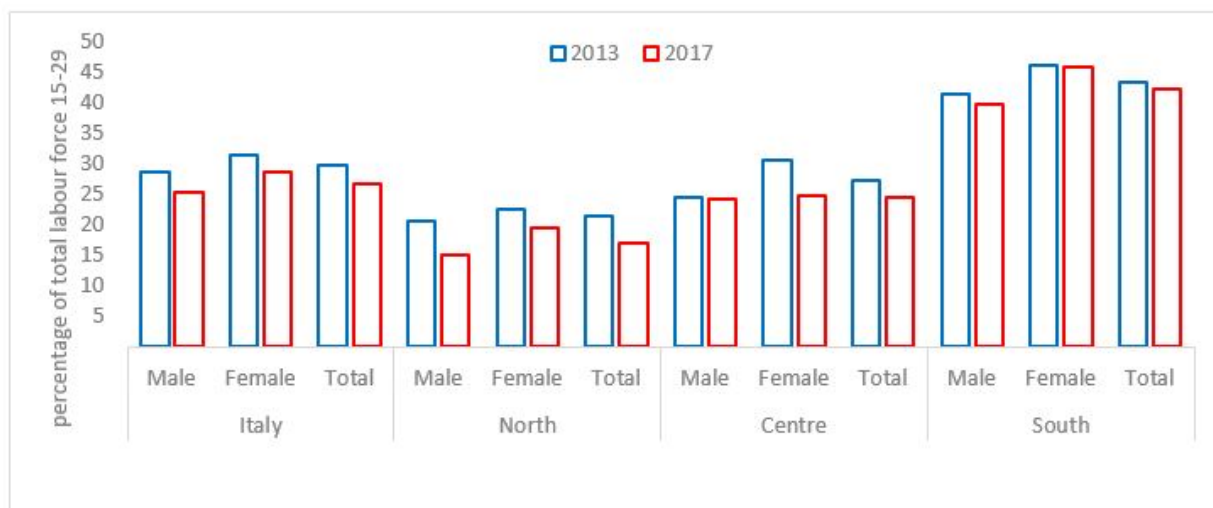
1.4.1. Young people

Despite a widespread improvement in the educational attainment of younger generations (see Box 1 on page 22), Italy is currently facing an unprecedented youth employment crisis, with nearly 729,000 young people (15-34 years old) unemployed in 2017. **High and rising unemployment rates coupled with the length of time it takes to find employment have resulted in many young people giving up the search or migrating abroad. The inclusion in the unemployment count of the discouraged would add an estimated 14.4 percentage points to the youth unemployment rate (15-34) in 2017** (Istat data, 2018).

In Italy, the youth unemployment rate of the 15-29 age cohort stood at 26.7 per cent in 2017, still higher than the 15.3 per cent of 2008. Youth detachment from the labour market is higher for young women than for young men (28.6 per cent of the total female labour force 15-29 in 2017, compared to 25.3 per cent for young men) and higher in southern regions, in line with the overall trend in the Italian labour market (Istat data, 2018).

The slight reduction in the youth unemployment rate over the past 5 years was accompanied by a negligible increase in the share of youth in employment (from 29.1 per cent in 2013 to 30.3 in 2017), with **large regional differences. According to Istat data (2018) The employment rate in the North is much higher than in southern Italy (38.4 per cent in the North and 20.7 in the South).**

Figure 11: Unemployment rate 15-29 in Italy by geographical areas and sex (2013 and 2017)



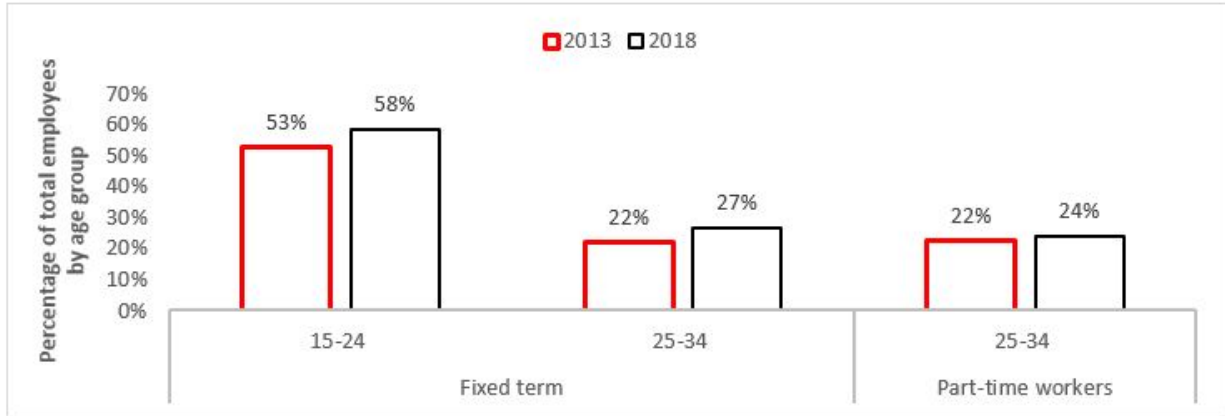
Source: Istat data 2018.

The weak position of young people in the Italian labour market **is also shown by the concentration of young workers in atypical forms of work**, notably part-time and fixed-term jobs. The incidence of fixed-term employees has continued to grow, reaching a share of 58 per cent of total employees 15-24¹³ and 27 per cent of total employees 25-34 in 2017. The same applies to part-time, where the incidence in total young employees increased from 22 per cent in 2013 to 24 per cent in 2017. Labour market precariousness can also be seen by looking at the trend in **the share of underemployed youth**,

¹³ The selected age cohorts for these indicators are not aligned to the ones selected for previous analysis due to missing data in the national repository.

which increased in 2017 by 1 percentage point from its 2013 rate (from 3 to 4 per cent), partially offset by a reduction in the share of involuntarily part-time from 79.9 in 2013 to 77.1 in 2017 (Istat data, 2018).

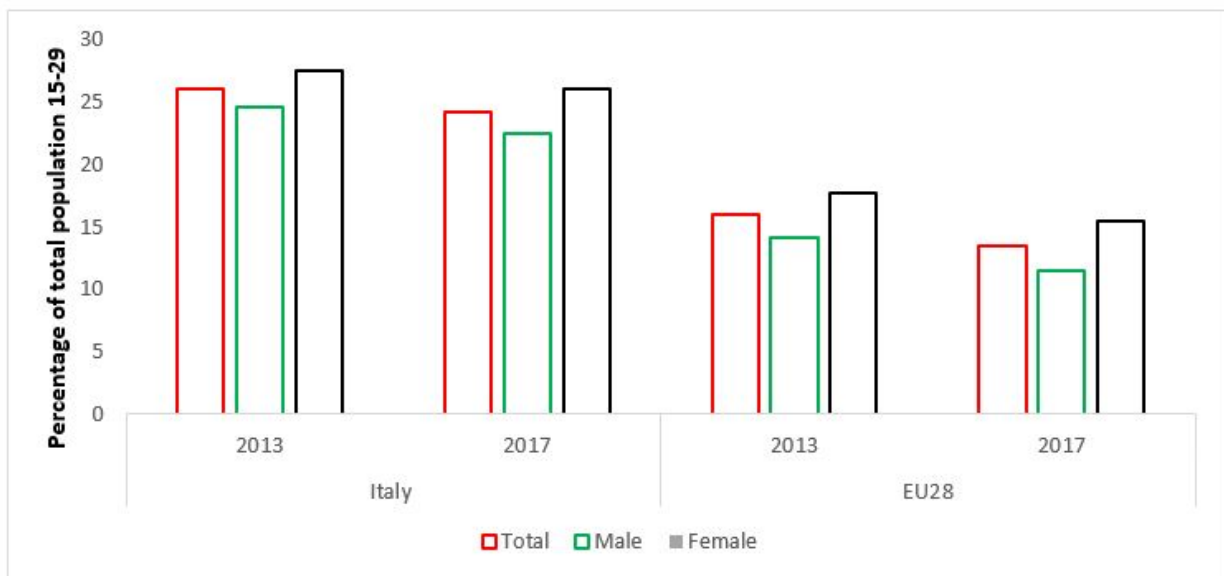
Figure 12: Incidence of part-time and fixed-terms employees (15-24 and 25-34) in 2013 and 2017



Source: Istat data 2018.

The detachment from the labour market for many young potential entrants has resulted in an increasing number of young people becoming discouraged and abandoning the job search, especially among young women. The share of young NEET (young people not in Education, Employment or Training) dramatically increased after the onset of the economic crisis by 3.8 percentage points from 2008 to 2016. **From 2014 to 2017 the NEET rate rose at a more modest pace, before decreasing to 24.1 per cent in 2017, still approximately 10 percentage points higher than the EU28 average** (Eurostat data, 2018).

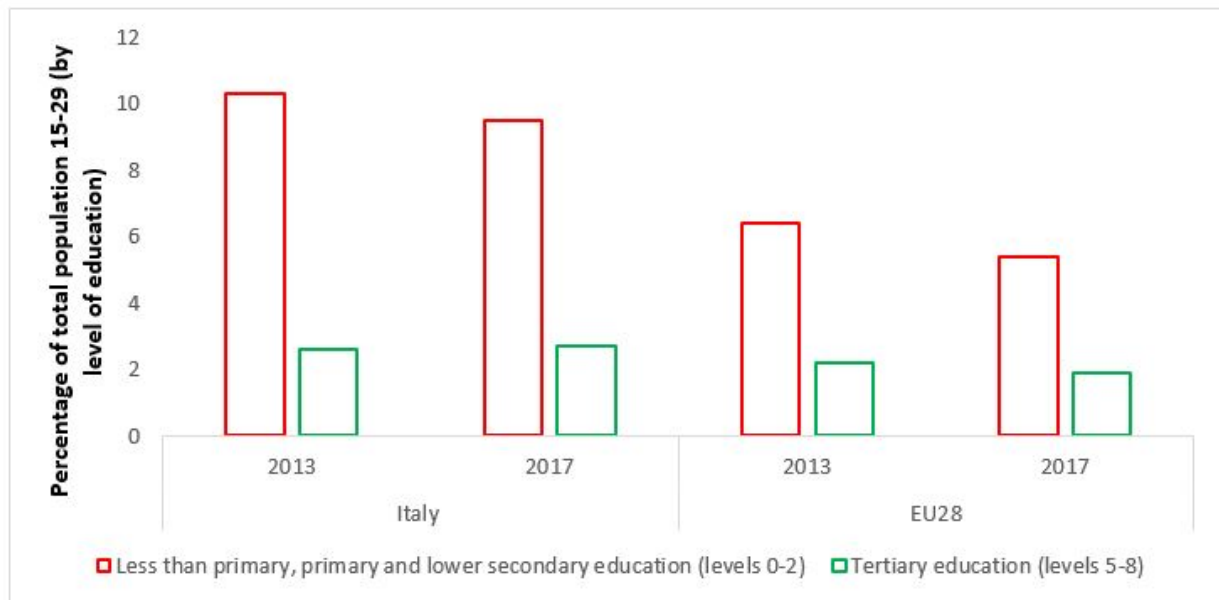
Figure 13: NEET rate in Italy and EU by sex (2013 and 2017)



Source: Eurostat data.

The greatest proportion of NEET is concentrated among those with low educational attainment (ISCED 0-2), whereas it tends to be stable and very low overall among those with tertiary education. On average, over the period 2013-2017 the share of young NEET (15-29) with at most lower secondary education was almost four times higher than the corresponding share of young people with tertiary education (Eurostat data, 2018).

Figure 14: NEET rate in Italy and EU by level of education attained (2013 and 2017)



Source: Eurostat data.

Box 1. Youth Educational attainment

Italy has made considerable progress in its educational system, and improved the level of educational attainment across generations. However, some weaknesses remain – namely the low rates of tertiary education attainment also in the younger generations, and the high rates of early school leaving.

Young people are more likely than adults to attain higher educational levels. According to Eurostat data, in 2017 the share of young people aged 20-29 who attained a level of education higher than lower secondary is 1.3 times greater than that of adults (35-64).

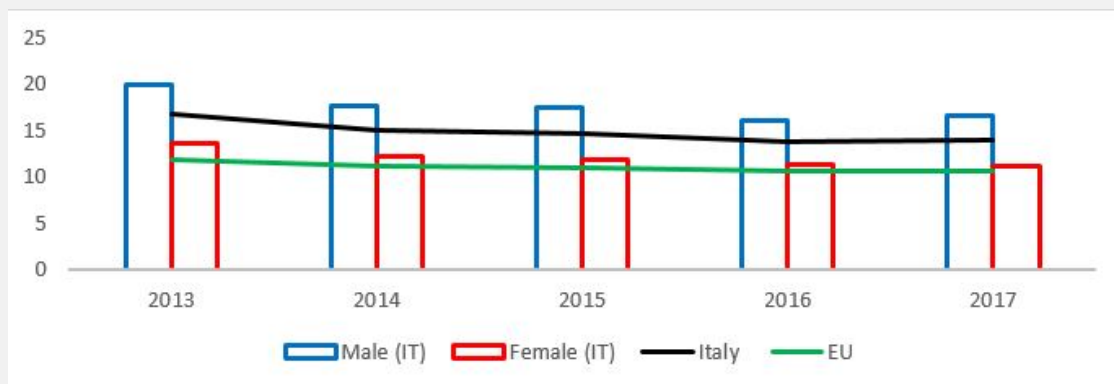
Despite an overall improvement in educational attainment across generations, the share of young people (25-29) who attained tertiary education is still below the EU average. In 2017, the proportion of youth (15-29) who attained tertiary education was 26.8 per cent in Italy compared to the EU28 average of 38 per cent. On the other hand, the share of youth with the lowest educational attainment (ISCED 0-2) declined from 24.5 in 2013 to 21.9 in 2017, but remained above the EU28 average by 6.4 percentage points. As in other countries, young females 20-29 are better educated than their male peers and the gap is widening: according to Eurostat figures, 32.9 per cent of young females aged 20-29 attained tertiary education in 2017, compared to only 21 per cent of young males in the same age cohort.

Educational attainment	Country	Male	Female	Total	Male	Female	Total
		2013			2017		
Percentage of young people who attained at most lower-secondary education (less than primary, primary and lower secondary education (levels 0-2))	Italy	27.5	21.4	24.5	24	19	22
	EU28	19.3	15.2	17.3	17.2	14	15.5
Percentage of young people who attained tertiary education (levels 5-8)	Italy	17.8	28.8	23.3	21	32.9	26.8
	EU28	30.4	41	35	32.8	43.5	38

Source: Eurostat data.

Early school leaving is still one of the main challenges faced by the Italian education system (Figure 15 below). The EU 2020 target of reducing the rate of early school leaving in EU countries below 10 per cent by 2020 has not yet been achieved in Italy. Over the period 2013-2017, the percentage of early school leavers aged 18-24, although declining, has remained systematically higher than the corresponding EU average. In 2017, the share of young people who left formal or informal education – after attaining at most lower secondary education – was at 14 per cent in Italy, still 3.4 percentage points above the EU28 average and far above the EU target of 10 per cent. Young women make up a smaller proportion of early school leavers than their male peers (5.5 pps lower).

Figure 15: Percentage of early leavers age 18-24 from education and training over total youth 18-24



Source: Eurostat data 2018.

Suggested QUESTIONS for DISCUSSION

- What are the main needs and challenges for the labour market integration of young people in Italy?
- Are the national employment policies implemented in Italy adequate to combat the high youth NEET rates, particularly in southern regions?
- What measures are in place to curb the increasing trend towards precarious forms of youth employment?

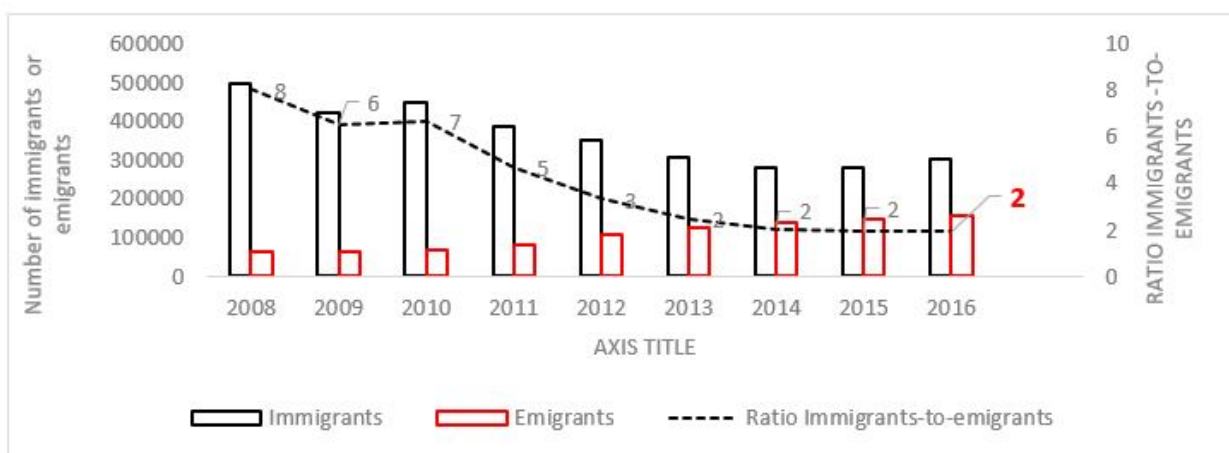
1.4.2. Migrants

Migrants and ethnic minorities (e.g., the Roma) are another population group particularly affected by poverty and social exclusion.

Despite weak economic growth, the net migration flow, measured as the difference between immigrants and emigrants, remains positive in Italy, although declining. The ratio of immigrants to emigrants recorded its lowest figure of 2 in 2016, indicating that for every two people entering Italy, one emigrates, with a sharp downwards trend since 2010.

According to Istat data (2018), despite a deceleration in annual migrant inflows, Italy's largest share of immigrants in 2016 (latest data available) is from extra EU27 countries (approximately 36 per cent of total immigrants to Italy), followed by immigrants from African countries (27 per cent of total immigrants) and EU27 countries (25 per cent of total immigrants).

Figure 16: Inflow and outflow migration levels to and from Italy (2008-2016)

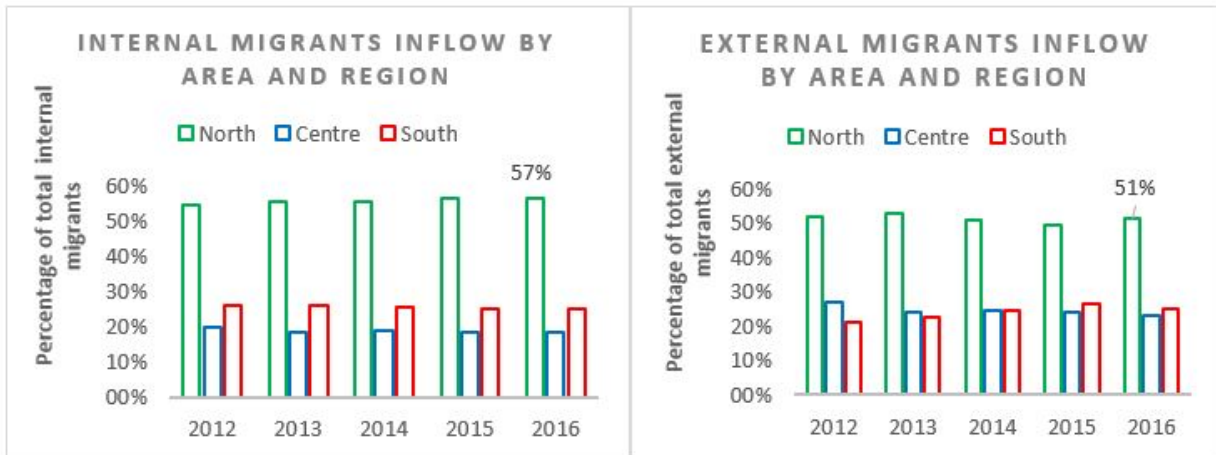


Source: Istat data 2018.

The share of Italian emigrants – over total emigrants from Italy – has increased sharply over the past 5 years, from 64 per cent in 2008 to 73 per cent in 2016. The drastic increase in the shares and levels of Italian emigrants – the latter increased from 39 thousand Italian emigrants in 2008 to 114 thousand Italian emigrants in 2016 – is likely to be an effect of weak economic growth and the lack of employment opportunities in Italy (Istat data 2018).

Large regional differences in standards of living, especially between the North and the South of Italy, has had an impact on the outflow and inflow of migration. In 2016, approximately 57 per cent of total immigrants moved from other areas of Italy, particularly from the South to the North. The proportion of external immigrants (foreign-born) moving to the North stood at 51 per cent of total external immigrants in Italy (2016).

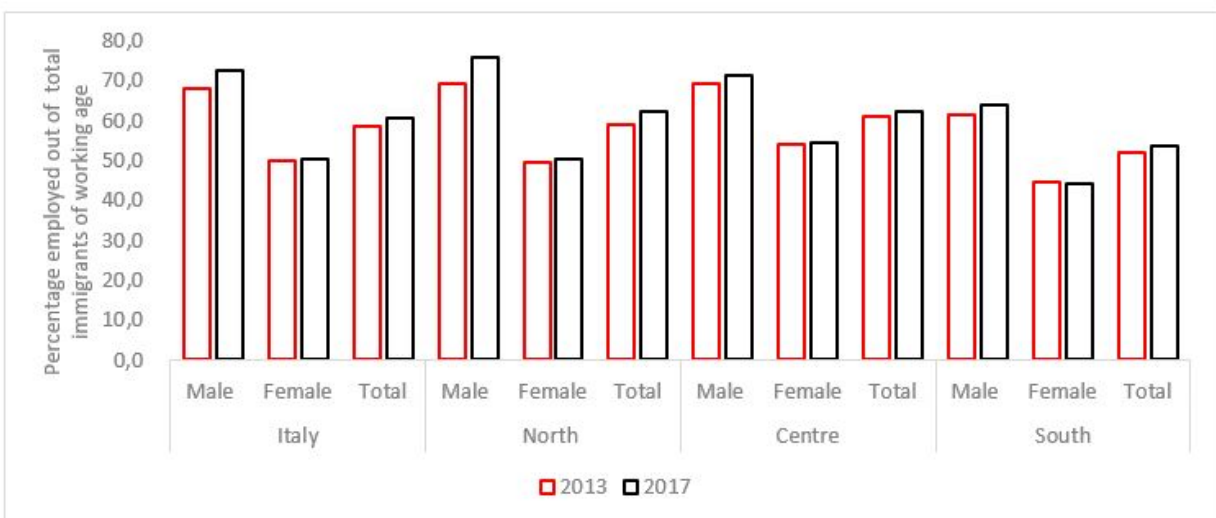
Figure 17: Internal and external immigration inflow by geographical areas and regions (2012-2016)



Source: Istat data 2018.

The participation of immigrants in the Italian labour market has continued to grow over time. **The employment rate (15-64) of immigrants is higher than the corresponding national employment rate**, with nearly 61 per cent of total immigrants of working age in employment (2017). In 2017, the **employment rate of foreign-born migrants was higher for males than for females** (72.4 and 50.2 per cent respectively), and was mainly **concentrated in the northern and central areas of Italy**, thus confirming the attractiveness of and greater job availability in these areas. In 2017, the employment rate of foreign-born migrants stood at 60 per cent in northern and central Italy, while the corresponding employment rate in southern Italy was nearly 54 per cent (Istat data 2018).

Figure 18: Employment rate of immigrants in Italy, by sex and geographical areas (2013 and 2017)

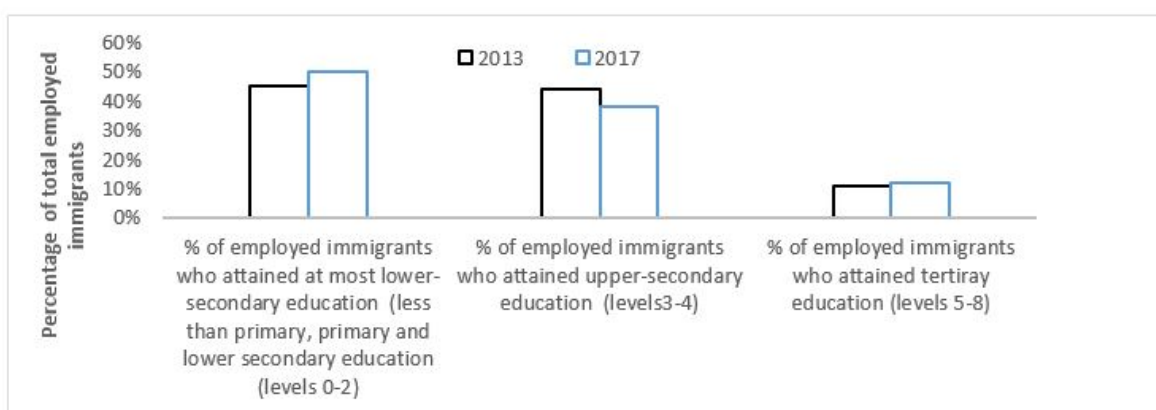


Source: Istat data 2018.

In 2017, the **foreign-born unemployment rate was above the national unemployment rate because of greater participation of foreign-born migrants in the labour market**. Compared to 2013, the foreign-born unemployment rate decreased in 2017 but remained higher than the corresponding national unemployment rate, at 14.3 per cent of the total labour force of foreign-born migrants. **Foreign-born women face a higher probability of being unemployed** than foreign-born males, while the **highest rate of unemployment for foreign-born workers was in southern Italy** (2017).

In 2017, Italy accounted for 2.4 million immigrants in employment. The composition of the foreign-born workforce tends to be characterised by a high incidence of people with low educational levels (50 per cent of total foreign-born in employment in 2017), while the labour market participation of foreign-born with tertiary education was relatively low (12 per cent in 2017).

Figure 19: Employed immigrants by level of education attained (2013 and 2017)



Source: Istat data 2018.

Over the past 5 years, the incidence of immigrant workers has increased in the agricultural sector from 4.6 per cent in 2013 to 6.1 per cent in 2017, while it has fallen in both construction and manufacturing, by roughly three percentage points, from 2013 to 2017. The share of foreign-born workers also increased in the accommodation activities sector, e.g., hotels and restaurants, from 18 per cent in 2013 to 22 per cent in 2017 (Istat data 2018).

Migrant workers continue to be over-represented among low-skilled manual and non-manual occupations, as well as in precarious jobs (Figure 20). The incidence of immigrants in managerial and professional occupations, typically higher-skilled occupations, accounted for only 7 per cent in 2017 (up from 6 per cent in 2013) while they represented the highest incidence among low-skilled elementary occupations (35 per cent in 2017). The participation of foreign-born women in the labour market is particularly high in sales activities (47 per cent in 2017).

Figure 20: Employed immigrants by type of occupation and sex (2013 and 2017)



Source: Istat 2018.

In the past 5 years, in line with the general trend in the Italian labour market, the incidence of migrant employees working under fixed-term arrangements has increased drastically, going from 15.4 per cent in 2013 to nearly 20 per cent in 2017. The increase in the use of fixed-term contracts has affected foreign-born men more than women: in 2013 the proportion of foreign-born males working under fixed-term arrangements stood at 17 per cent of total foreign-born employees, but increased sharply to almost 23 per cent in 2017 (Istat data, 2018).

Suggested QUESTIONS for DISCUSSION

- What are the main needs and challenges related to migration flows and policies?
- What measures are in place to support the labour and social integration of migrant workers?
- How can migration policies support the Italian labour market in addressing demographic change (ageing and shrinking population)?

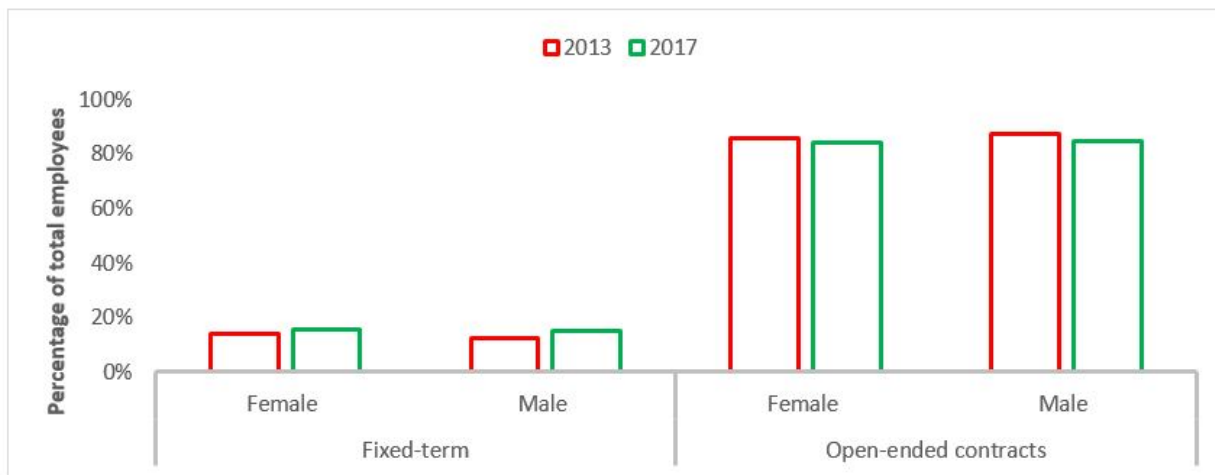
1.4.3. Women

In spite of the fragile recovery in job creation since 2014, **women's participation in employment remains disappointing. In 2017, the employment rate of women was 48.9 per cent, up from 46.5 per cent in 2013 but still almost 20 percentage points below the employment rate of men (68.1 per cent in 2017).** Territorial differentials play a crucial role in determining gender gaps in employment: in 2017, the employment rate of women stood at 59.2 per cent in northern regions, compared to 32 per cent in the southern regions.

Although women on average have higher educational attainment compared to men, **employed women mainly perform low-skilled jobs**, with nearly 44 per cent of total employed women in 2017 employed in sales type activities. If we add to that, the number of women employed in manual low-skilled occupations, typically in the manufacturing industry, and other elementary occupations, the share of women in low-skilled occupations reaches 63 per cent (2017). However, the incidence of women doing low-skilled jobs has decreased by 1.4 percentage points since 2013 (Istat data, 2018).

Compared to men, **women also face a greater probability of being employed on temporary contracts:** in 2017 nearly 16 per cent of total employed women worked on temporary contracts, an increase of almost 2 percentage points compared to 2013 (Istat data, 2018).

Figure 21: Incidence of fixed-term and open-ended contracts by sex (2013 and 2017)



Source: Istat 2018.

Gender sectoral and occupational segregation, along with the widespread use of non-standard forms of contracts for women, is reflected in high gender wage gaps. According to estimates based on the Italian Labour Force Survey¹⁴, **the gender wage gap in 2017 was on average 19.5 per cent**, with women residing in the south of Italy facing a lower gender wage gap relative to the north.

Figure 22: Wage income by sex (left scale) and gender wage gap (right scale) in 2017



Source: Authors' calculation based on microdata from LFS.

Suggested QUESTIONS for DISCUSSION

- What are the main needs and challenges for female labour market participation?
- What measures are envisaged to support the employment of women and to reduce the gender wage gap and employment segregation?

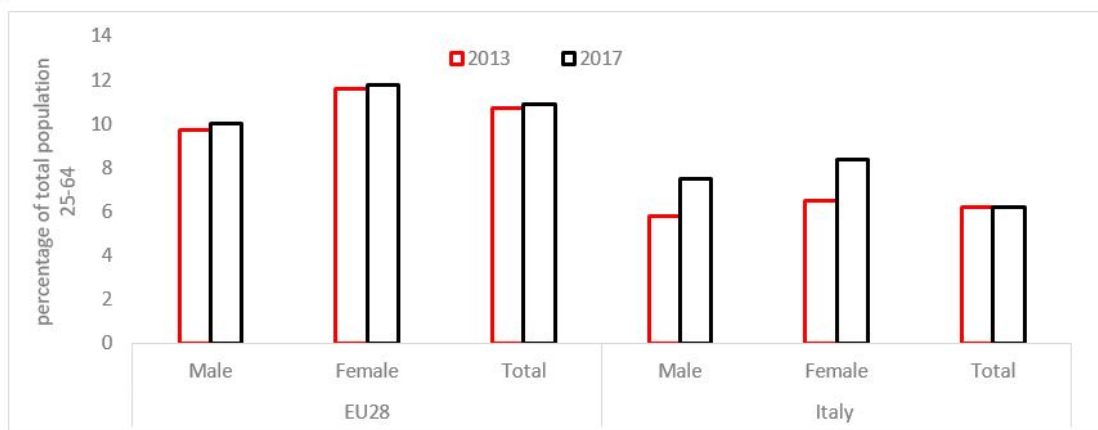
¹⁴ Authors' calculations based on Istat Labour Force Survey microdata for 2013 and 2017.

1.5. Vocational education and training: key features

The probability of having poor employment outcomes is often related to the lack of vocational or occupational qualifications. Such qualifications may be gained through school, work experience or a combination of both. The poor performance of the Italian labour market and the need to increase workers' employability has resulted in a number of strategic objectives to strengthen vocational education and training (VET) and expand apprenticeship-type programmes.

According to Eurostat, adults' (25-64 years old) participation in formal and non-formal VET in Italy has increased over the past 5 years, but is still below the EU28 average: adults' participation in VET is 3.4 percentage points below the EU average, with women more likely to participate in VET than their male counterparts.

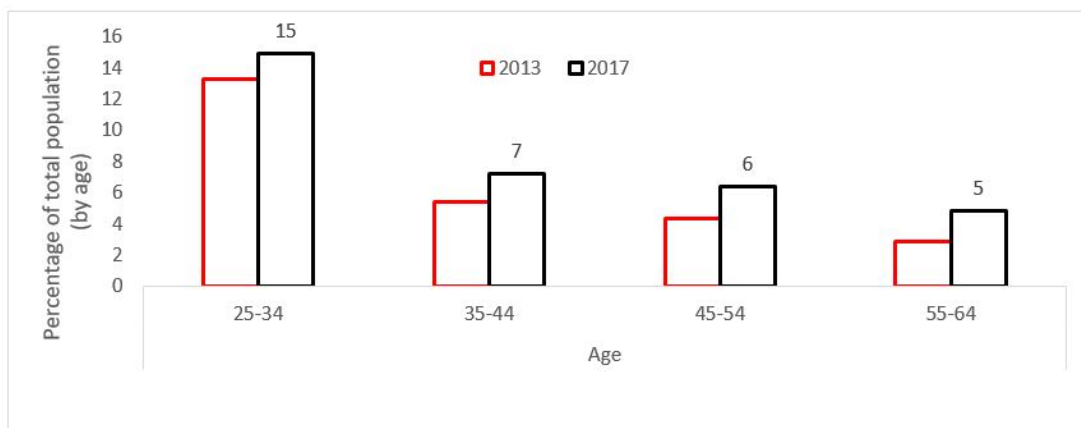
Figure 23: Adults' participation in VET in Italy and EU by sex in 2013 and 2017



Source: Eurostat data, 2018.

Participation in VET is much higher for the younger age cohorts. As in other European countries, participation decreases considerably in the older age groups, with a generation gap of 10.1 percentage points in 2017. In Italy, youth participation (25-34) was 14.9 per cent, while elderly people (55-64) who participated in VET was only 4.8 per cent in 2017.

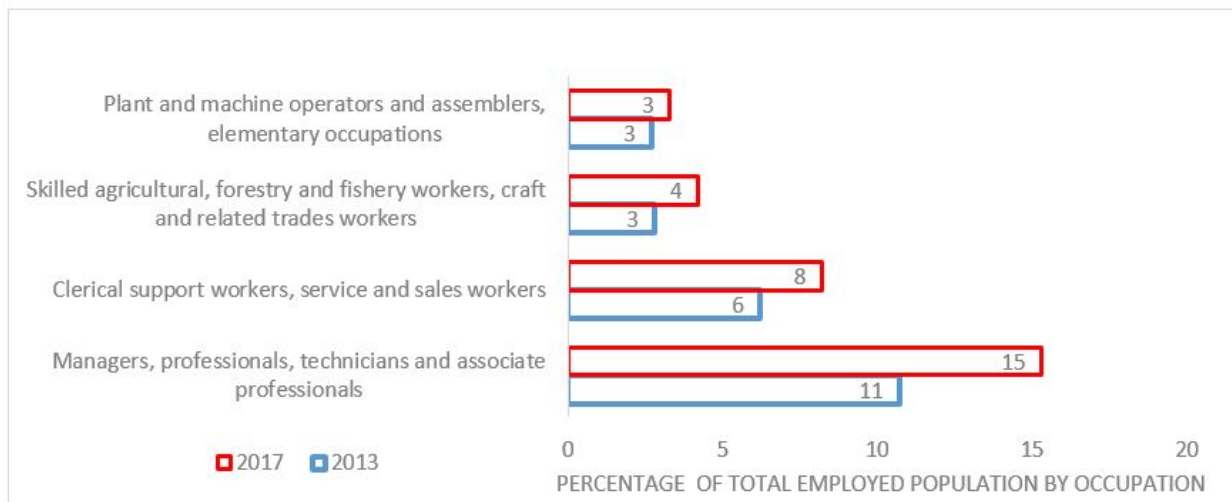
Figure 24: Participation in VET in Italy by age in 2013 and 2017



Source: Eurostat data, 2018.

Among the employed population, the **participation in VET of the working-age population (15-64) is higher for those who engaged in high-skilled occupations**, notably managerial and professional occupations. The latter increased from 10.7 per cent in 2013 to 15.3 per cent in 2017. Employed people carrying out **manual low-skilled occupations recorded the lowest incidence in VET participation** (3.3 in 2017), despite a slight increase since 2013, in line with the national trend.

Figure 25: Participation in VET in Italy by occupation groups in 2013 and 2017



Source: Eurostat data, 2018.

Suggested QUESTIONS for DISCUSSION

- What are the main challenges that VET systems are going to face in the near future?
- How could VET policies be designed to increase workers' employability?
- Are VET policies sufficiently addressing the need to match labour demand and labour supply in the Italian labour market?

2. RECENT DEVELOPMENTS IN THE ITALIAN LABOUR MARKET AND VET POLICIES

2.1. Recent developments in labour market reforms

Since the mid-1990s, Italy has undergone a profound process of structural reform aimed at increasing labour market flexibility and stimulating employment creation. The main reforms that started to introduce greater flexibility into the Italian labour market were the Treu Package in 1997 (Law 196/1997) and the Biagi Law of 2003.

In spite of its positive effects on employment growth, the flexibility introduced in the Italian labour market has led to a sharp increase in the incidence of non-standard forms of employment, including involuntary part-time workers and fixed-term contracts.

2.1.1. Overview of recent labour market reforms in Italy: the Jobs Act reform

Table 1. Summary table of the main labour market reforms enacted in Italy since year 2012.

Act	Main contents
Law 92/2012	Facilitates the use of fixed-term contracts via the introduction of two additional forms of temporary employment; Art. 18 Law. No 300/1970 is amended.
Law 183/2014	Further revision of unemployment benefits; introduction of a type of contract with increasing protection.
Decree Law 34/2014	Liberalisation of fixed-term contracts: no obligation to justify the issuing of a fixed-term contract, possibility to renew up to five times.
Law no183/2014 (Jobs Act)	Change in open-ended contract form via reform of protection against invalid dismissals and creation of a new contract (<i>Contratto a tutela crescente</i>), reform of unemployment benefits and focus on active labour market programmes (ALMPs).
Law 190/2014	Tax incentives for fixed-term hiring (three years exemption from social security contributions)
Law 208/2015	Firms hiring employees on permanent contracts are able to pay 40 per cent less in total contributions.
Law 232/2016	Bonus equated to 100 per cent of the social security contribution paid by the employer, for southern Italy-based firms that hire new workers. Tax incentives for hiring apprentices and NEET.
Law 81/2017 (Self-Employed Jobs Act)	Extension of protection and social security for autonomous workers.
Law 205/2018	Reduction of 50 per cent of total contribution for firms that hire employees aged 35 years old or under, extension of the bonus for southern Italy-based firms that hire new workers, bonus for hiring women and older workers.
Law 87/2018 (Decreto Dignità)	Reduction in renewal of fixed-term contracts (one time only); obligation to justify the reasons for a fixed-term contract; financial compensation in case of invalid dismissal increased by 50 per cent with respect to the Jobs Act reform. Tax incentives for hiring on open-ended contracts.

In 2012 the so-called Fornero labour market reform (Law No 92/2012) was aimed at reducing labour market segmentation and the wide differences in employment protection between insiders and outsiders. It amended Articolo 18, the main instrument for employee protection against invalid lay-offs under open-ended contracts, by lowering the cost of dismissal. The Fornero labour market reform also introduced a revision of the unemployment benefits system which was extended to a larger eligible group but made conditional on active job search by those eligible.

Law No 183/2014 aimed to facilitate workers' recruitment on temporary contracts and also introduced a new typology of open-ended contract which allows firms to have no firing costs in case of dismissal of workers.

The functioning of the Italian labour market was further affected by the **Jobs Act reform**, which came into force during the Renzi government. The Jobs Act reform comprised two legislative provisions, notably the **Decree Law 34/2014** (also known as the Poletti decree, as it was enacted by the Minister of Labour Giuliano Poletti on 20 March 2014) and **Law No 183/2014** (enacted on 10 December 2014), which contained a number of provisions to be implemented via legislative decrees, all enacted during

2015. The stated **goal of the Jobs Act reform** was twofold: on the one hand, it aimed to **encourage investments**, particularly from abroad, **by making the labour input cheaper**; on the other hand, it aimed to **make permanent contracts more appealing for employers** by introducing **increasing-protection employment contracts (i.e. *contratto a tutele crescenti*)**. These new forms of permanent (open-ended) contracts reduce the costs of dismissals during the first three years on the job, with severance pay that increases with employee seniority.

Decree Law 34/2014 (the Poletti Decree), focused mainly on fixed-term contracts and apprenticeships. The core features were:

- Employers are allowed to issue fixed-term contracts without indicating technical, organisational and/or production related-reasons for doing so. Compared to the Fornero reform there are no substantial changes in the length of fixed-term contracts, whose overall limit remained unchanged, up to 36 months. However, fixed-term contracts can be extended up to five times, as opposed to the Fornero reform, which allowed the extension of fixed-term contracts only once.
- The issuance of fixed-term contracts cannot exceed 20 per cent of open-ended contracts, implying that the ratio of fixed-term contracts to open-ended contracts cannot be greater than 0.2.
- Employers with more than 50 employees must guarantee that at least 20 per cent of total apprentices are given an increasing-protection employment contract upon completion of their apprenticeship. The decree law also provides for an individual training plan, while apprenticeship-type contracts can also be issued to fourth and fifth level high school students, even if they are under 18 years old.

A number of legislative measures were also enacted under **Law no183/2014**, mainly focusing on the system of unemployment benefits, a new system of industrial relations (i.e. the interrelations between employers and employees, labour/trade unions, employer organisations and the state), and the revision of the employment service system and active labour market policies. Overall, the measures enacted aimed to promote a combination of labour market flexibility and security for workers, through the following major provisions:

- First, the extension of unemployment benefits to a larger number of beneficiaries to avoid discouragement in the job search for the long-term unemployed.
- Second, a decrease in employment protection for open-ended contracts to reduce dualism in the labour market, particularly between protected workers, on the one hand, and unprotected short-term workers on the other hand (mainly young people and unskilled workers).
- Finally, a reform of the employment service system by establishing a central authority operating as a national coordinator for the provision of employment-related services.

Box 2. Main provisions of the Jobs Act (L.183/2014) and its related implementing decrees

The Reform of Unemployment Benefits (D. Lgs. no 22/2015)

The Jobs Act revised the system of unemployment benefit by introducing a new social insurance for employment scheme, namely the NASPI (*Nuova assicurazione sociale per l'impiego*). The NASPI replaces the previous unemployment benefits schemes, implemented under the Monti government, the ASPI (*Assicurazione Sociale per l'Impiego*) and the 'mini-ASPI'.

The target group for the NASPI is wider than before and includes 1) employees of any kind working under different working arrangements, including apprentices and interns, 2) people in involuntary unemployment who paid at least 3 weeks of contributions in the 4 years prior to become unemployed and with at least 30 days of effective work in the 12 months prior to becoming unemployed. The total

amount of unemployment benefit paid to the above-mentioned beneficiaries by the NASPI cannot exceed EUR 1,300, and it is gradually reduced. The NASPI is already reduced by 3 per cent after the first 4 months from the start of the unemployment benefits.

The provision of the NASPI is expected to last no longer than 24 months. Individuals eligible for the NASPI can receive it for a total number of weeks equal to half the number of weeks they made contributions for over the past four years.

A number of rules are envisaged in the NASPI:

1) In order to encourage job search, unemployed people who are eligible for the NASPI are obliged to accept any kind of job that is aligned to their skills and expertise, where the distance from their place of residence is no further than 50 kilometres and with a remuneration which is at least 20 per cent higher than the unemployment benefit received in the last month.

2) Individuals must also actively participate in Active Labour Market Policies. The Jobs Act reform introduced an additional type of unemployment benefit, namely the ASDI or unemployment grant (*Assegno di Disoccupazione*). Individuals who, after having benefited from the NASPI have not found a job yet, are entitled to receive an unemployment grant for additional 6 months. The amount of the ASDI is equal to 75 per cent of the NASPI. In order for individuals to be eligible for the ASDI, the same rules as for the NASPI apply.

The reform of the open-ended contract (D. Lgs. No 23/2015)

The most important revision of the Jobs Act reform concerns the new open-ended contract (the *contratto a tutele crescenti*), designed to become the prevalent contract in the labour market. According to this new typology of open-ended contract, workers' protection increases over time in line with job tenure, whereas dismissal is cheaper, especially during the first three years on the job, with severance pay that increases with employee seniority.

The legislative rules on discriminatory, illicit and oral dismissal remain unchanged but the worker's reinstatement is abolished in the case of unfair dismissal (ex. Article 18). Reinstatement is replaced by financial compensation, which is paid by the employer to the employee and increases with the employee's seniority. The compensation paid to workers who are dismissed corresponds to two months gross pay (most recent year) multiplied by number of years of job tenure, but it does not accrue for social security contributions. This compensation cannot be less than 4 months and cannot exceed 24 months. The same applies to collective dismissal.

The revision of Active Labour Market Policies (D. Lgs. no 150/2015)

The Jobs Act also reforms the system of active labour market policies by establishing a central agency for the coordination of active labour market policies (ANPAL – *Agenzia Nazionale per le Politiche Attive del Lavoro*). As an independent agency, it is mandated to coordinate active employment policies among regional job centres to foster employability of the unemployed. The ANPAL also provides a set of common instruments to different regions aimed at increasing the quality of services provided to the unemployed, as well as tools for monitoring unemployed persons.

By establishing a central agency for active labour market policies, the government aims to rationalise costs associated with active labour market policies.

Maternity and work-life balance (D. Lgs 80/2015)

The Renzi government adopted a number of measures to support parental care and working mothers, whatever their employment position. Mandatory paid maternity leave (at 100 % of pay) is made more

flexible, for example if a new-born is hospitalized during the period of compulsory maternity leave, the mother can suspend her maternity leave for the corresponding period, and recover it, in whole or in part, starting from the date of discharge or even from an earlier date. This also applies to cases of adoption and custody. Maternity benefits are extended to workers dismissed during the maternity leave (also in cases of justified dismissals), and to self-employed mothers.

Fathers are entitled to four days compulsory paid leave (equal to 100 % of pay) within 5 months of the birth, to be granted at the same time as the maternity paid leave, plus three days of paid leave if the mother agrees to transfer them from her maternity leave. Maternity and paternity leave is extended to all workers, including self-employed workers.

Parental leave is extended up to when the child is age 12 (previously age 8). In addition, the child age limit for benefiting of partially subsidised parental leave (at 30 % of pay for a maximum of 6 months leave) is increased from 3 years to 6 years, and extended to 8 years for low income families. Total parental leave in Italy is equivalent to 6 months for each parent and 10 months overall for both parents, increased to 11 months if the father takes at least 3 months of paternity leave. A single parent may take up to 10 months. Parental leave can also be used on a daily or hourly basis.

If the mother does not choose to take parental leave, she is entitled to work only 6 hours per day until the new-born is 12 months old. All these rights also apply to adopting parents.

Suggested QUESTIONS for DISCUSSION

- Was the Jobs Act reform effective in generating employment opportunities?
- Were the measures implemented effective in improving the work-life balance?
- How has the introduction of the “contratto a tutele crescenti” (increasing protection contract) encouraged hiring with open-ended contracts?
- Was the new system of unemployment benefits and the corresponding Active Labour Market Policies beneficial in terms of improving labour market efficiency?

2.1.2. Measures enacted since 2015

Since the implementation of the Jobs Act reform, the functioning of the Italian labour market has remained virtually unchanged. A number of the measures enacted since 2015 have been aimed primarily at reducing the tax wedge on labour:

- **The 2015 Stability Law** (Law 190/2014) encompasses a series of measures for reducing the contributions on new hiring under increasing-protection employment contracts (*contratti a tutele crescenti*). These are:
 - ✓ Three years exemption from social security contributions (for a maximum amount of EUR 8,060 per year) for those firms hiring employees under increasing-protection employment contracts;
 - ✓ Total deductibility of the labour cost that is included in the regional tax on productive activities (IRAP: regional tax on productive activities).
- The 2016 and 2017 Stability Law extended the reduction of contributions on new hiring:
 - ✓ **The Stability Law for 2016** (208/2015) provides contribution relief to support employment creation with permanent contracts. Firms hiring employees under permanent contracts are permitted to get a 40 per cent reduction in total contributions (up to a maximum amount of EUR 3,250);

- ✓ A number of measures targeting specific employment groups have been provided for in the Stability Law for 2017 (Stability Law 232/2016):
 - Firms hiring students who are enrolled in alternating school-work programmes are exempted from the payment of social security contributions – up to EUR 3,250 per year – for three consecutive years.
 - Firms hiring young NEET are exempt from the payment of contributions up to a maximum of EUR 8,000 per year.
 - A bonus equal to 100 per cent of the social security contributions paid by the employer is available, up to a maximum of EUR 8,060 per year, for southern Italy-based firms that hire new workers.
 - There is contribution relief to support employment creation for women and those aged 55 years and over.
- Finally, the **Stability Law for 2018 (205/2018)** provides:
 - ✓ a reduction of 50 per cent of total contributions for firms that hire employees aged 35 years old or under;
 - ✓ total exemption from payment of contributions for those firms that hire students who, in the past, were enrolled in alternating school-work programmes;
 - ✓ the extension of the bonus for southern Italy-based firms that hire new workers;
 - ✓ the extension of the contribution relief to support employment creation for women and those aged 55 years and over.

Under the **Gentiloni government**, new measures were enacted for ‘**dependent self-employed**’¹⁵ workers (the so-called *collaboratori*). The most important protection measures provided to this category of workers (Law 81/2017) were the following:

- The termination of the relationship between the dependent self-employed and the employer is no longer allowed without notice and without compensation.
- The tax-free allowance for dependent self-employed workers has increased, from EUR 4,800 to EUR 8,000.
- Dependent self-employed workers are entitled to maternity leave, for a period equal to 2 months prior to the date of birth and 3 months following the birth.
- Flexibility in terms of time and place of work is possible. Dependent self-employed workers are allowed to perform ‘smart working’, upon agreement with the employer. The wage paid to dependent self-employed workers who perform smart working must be equivalent to the one paid to those who perform their tasks in the workplace, as established according to collective labour agreement for internal workers.

Suggested QUESTIONS for DISCUSSION

- Are the employment policies that have been implemented since 2015 supporting job creation? What have been their main strengths and weaknesses?
- What has been the impact of the labour market reforms for vulnerable groups, such as young people, women, elderly workers?

¹⁵ The International Labour Organization classifies dependent self-employed workers as ‘those workers who have contracts to provide a good or a service similar to those who are self-employed, but do not have complete authority over the work performed or how it is performed.’

2.1.3. Initial indications of the Conte government

On 12 July 2018, the new Italian Prime Minister, Giuseppe Conte, enacted a new legislative decree (87/2018) (*Decreto Dignità*) with the aim of modifying some of the measures enacted in the Jobs Act reform. The most urgent measures that modify those contained within the Jobs Act reforms are as follows:

- Extension of temporary working contracts that last up to 12 months is only possible for an additional 12 months subject to a declaration of the temporary and objective requirements of the firm.
- If the above-mentioned requirements do not exist, temporary working contracts must automatically be converted into contracts of open-ended type.
- The financial compensation provided for in the case of invalid dismissal is increased by 50 per cent with respect to the Jobs Act reform.
- In order to favour the issuance of open-ended contracts, firms are required to pay an increased contribution for unemployment benefits (NASPI) in the case of temporary contracts: from 1.4 per cent of the nominal wage (under the Jobs Act reform) to 1.9 per cent.
- For the years 2019 and 2020, firms hiring young people aged 35 years and under are allowed a 50 per cent reduction in total contributions.

The legislative decree enacted by the Conte government has been received with much scepticism, both from public opinion and economic institutions. In particular, the major non-governmental institutions, in a technical report, predicted that the measures will result in a loss of approximately 8,000 jobs per year, as a result of temporary contracts not being renewed.

In contrast, Italian trade unions have welcomed the new measures, but have pushed for additional efforts to fight precariousness in the labour market.

Suggested QUESTIONS for DISCUSSION

- What will be the likely effect of the increase in temporary workers' protection on employment creation?
- What will be the likely effect of the increase in cost of lay-offs on the hiring and firing of workers?
- What will be the likely effect of initial indications of the Conte government approach to the employment of low-skilled workers and young people?
- How can the EU Structural Funds support a more effective approach to employment?

2.2. Recent developments in VET policies

2.2.1. Organisation and responsibilities in the implementation of VET programmes

In general, the vocational pathway in Italy is organised as follows (see also the Italian Educational System, October 2014):

- 1) Pre-primary school (*scuola dell'infanzia*) for children aged 3 to 6 years of age.
- 2) A first compulsory cycle of schooling lasting 8 years and including:
 - **primary school** (5 years), for children aged from 6 to 11 years old;
 - **secondary school** (3 years), for children aged from 12 to 14 and finishing with a final examination.

3) A second cycle of education lasting from 3 to 5 years depending on whether pupils choose vocational training courses (IFP), or upper secondary school:

- **upper secondary school** lasts 5 years (*Licei, istituto tecnico, istituto professionale*) and ends up with a final examination enabling pupils to enter higher education;
- **vocational training courses** – under the aegis of the regions – lasting 3 years and aimed at young people seeking a vocational qualification (*Certificato di qualifica professionale*).

After completing the compulsory cycle of schooling (primary and lower secondary education), pupils can choose to enrol in **vocational training** which alternates between work experience and the classroom, and allows young people to acquire basic knowledge plus skills they will be able to put into practice on the job market.

The system of education in Italy is compulsory for 10 years. Compulsory education covers the first cycle of schooling, which lasts 8 years (5 years of primary) and the first 2 years of the secondary cycle.

4) Finally, higher **levels of education** are offered by universities and polytechnics in the field of health, paramedical sciences and the arts, over a variable duration. Professionally-oriented master's degrees are also offered.

The governance of vocational education and training (VET) in Italy tends to be shared among a number of institutional actors (CEDEFOP, 2014).

Firstly, the Ministry of Education is responsible for setting the general framework that underlies the VET in national school programmes. This is to say, the Ministry of Education has exclusive legislative competence for the 'general rules on VET' and for the determination of the essential levels of training that must be guaranteed throughout the national territory. Moreover, the Ministry of Education defines the general rules that are transferred to regions in the exercise of their competences.

Secondly, the Ministry of Labour and Social Policies is responsible for setting the general training framework for professional training. The overall objectives under continuing vocational training are also established by the Ministry of Labour. Finally, the Ministry of Labour and Social Policies allocate to the regions the necessary resources for the implementation of VET programmes.

Thirdly, the regions and the autonomous provinces are in charge of planning, organisation and provision of VET, mostly of the apprenticeship-type schemes.

Finally, **the social partners, including non-governmental organisations (NGOs) have a general advisory role on VET policies,** from which VET provision is then defined; the social partners also contribute to designing and organising active labour market policies. Beyond their advisory role at national and local levels, social partners have a crucial role in professional apprenticeship regulation and in the management of inter-professional funds for continuing education (CVT). They also define, through collective bargaining, contents, provisions related to specific occupations and tools to carry out training (CEDEFOP, 2014).

VET programmes tend to be very heterogeneous and very much region-specific. While the state-regions conference agrees on minimum education and training standards (valid at national level), VET programmes are linked to occupational profiles at the region level, with apprenticeship schemes developed in such a way as to avoid imbalances between the skills offered and the skills needed in the world of work.

Apprenticeships are open to young people aged 15 to 18 as part of compulsory schooling, but are also available to 18 to 29 year-olds. Apprenticeships combine periods at a training centre – at least 120 hours per year – with training in the workplace as part of a specific employment contract.

Apprenticeship in Italy includes both on-the-job and classroom training. People participating in apprenticeships are equated with employees and as such, they are entitled to insurance benefits. Since 2013, apprentices have also been covered by social security insurance. Employers hiring apprentices benefit from several incentives: only 35 % of total hours devoted to work and to vocational training is paid for by the employer; employers' also benefit from a reduction in social security contributions.

Programmes aimed at adults include adult education (or second chance education) courses under the competence of MIUR (Ministry of Education, University and Research), employer-based training (or continuing vocational training – CVT). These are generally provided within the framework of joint inter-professional funds managed by the social partners under the supervision of the Ministry of Labour. Training provided through ALMPs for unemployed adults is usually provided by the regions under the European Social Fund operational programmes.

Suggested QUESTIONS for DISCUSSION

- Is the organization of the VET system in Italy effective and efficient in supporting workers' skills and employability? What are the main weaknesses and challenges?
- Are regional VET provisions in line with the skills in demand in the regions?
- How can regional differences in VET provisions be overcome?
- How can the EU Structural Funds support a more effective approach to VET policies in Italy?

2.2.2. Overview of recent or proposed reforms in VET

Among the key priorities set in the EU2020 strategy, VET has been an important focus and is recognised as a key policy area for contributing to EU economic growth and social inclusion.

The youth labour market crisis, particularly severe in Italy, has resulted in a number of governmental responses to strengthen VET and, hence, employability. A package of measures was approved in the youth guarantee programme at the end of 2013 and launched in 2014. The youth guarantee programme is based on the principle that every young person aged 15 to 29 years has the right to 1) a good quality offer of employment, 2) a place in training or apprenticeship or 3) an offer to return to education, within 4 months of leaving formal education or becoming unemployed. Moreover, the Jobs Act (Law 78/2014) includes measures to boost employment and simplify bureaucracy for companies. It also includes initiatives to simplify short-term and apprenticeship contracts and to align them better with labour market needs.

Improvements have also been achieved in VET for adults, with the provision of more flexible and personalised adult education courses. There is greater attention in CVT and ALMP measures to the upskilling of adults, the recognition of prior learning and the implementation of the **national qualifications framework (NQF)**, which was adopted in January 2018¹⁶.

Within this evolving framework, Eurostat data show that the provision of continuing vocational training in enterprises in Italy has strongly increased, with 60.2 per cent of all Italian companies providing continuing vocational training in 2015, compared to 55.6 in 2011. **The percentage of companies that provided CVT increased by 10 percentage points from its 2010 rate, but it was below the EU28**

¹⁶ <http://www.cedefop.europa.eu/en/news-and-press/news/italy-national-qualifications-framework-finalised>

average (72.6 in 2015). Another indicator that signals increased participation in VET is the average number of hours spent by participants in both formal and informal education and training. **The number of hours spent in formal and non-formal education and training has increased over time, with young people (25–34) spending more hours than adults. In 2016, the average number of hours spent in a year in formal and non-formal VET in Italy was in line with the EU28 average.** However, young people in Italy tend to spend more hours in non-formal VET than in formal VET. It is interesting to note that, while the average number of hours spent in non-formal VET is higher in Italy than in the EU28, the number of hours spent by young Italians in formal VET is much lower than the EU28 average, suggesting the need to strengthen the provision for more formal VET programmes.

In order to increase the employability of workers, the Renzi government established a number of measures aimed at fostering the interconnection between education and vocational training, and the world of work. On the one hand, the **Jobs Act reform** (Law 183/2014) has played a **crucial role in setting the general framework for professional apprenticeship**, which aims to improve young people’s employability. On the other hand, the **Law 107/2015** – enacted under the Renzi government and informally referred as the **Buona Scuola (good school)** – has provided general measures for better integrating the training system within the educational system, in order to develop life-long learning strategies.

The **Jobs Act** (Law 183/2014) modified the rules underlying professional apprenticeship: employers are now allowed to sign a 3 or 4-year apprenticeship contract with young people aged 15-25 years, to allow them not only to acquire the skills necessary for the labour market, but also to obtain a professional degree, which is recognised as equivalent to the one that would have been obtained through formal vocational training courses.

The apprenticeship scheme is intended to be a work contract encompassing specific training objectives. To make the apprenticeship contracts more attractive for firms and institutions, the Jobs Act reform introduced new measures, resulting in a professional technical diploma (*apprendistato per la qualifica* and *diploma professionale*). The following measures are established by law:

- Only 10 per cent of total hours spent on training are paid by the employer;
- The apprentice is entitled to pay a reduced social security contribution (5.8 per cent);
- Firms with more than 50 employees can hire new apprentices only if in the previous 36 months they have converted the contracts of the previous apprentices into open-ended contracts.

Table 1: Number of hours per year spent in formal and non-formal VET in Italy and EU by age cohorts

Age		Italy		EU28	
		2011	2016	2011	2016
25-34	Formal and non-formal education and training	174	202	206	203
	Formal education and training	403	430	468	499
	Non-formal education and training	95	122	98	101

35-55	Formal and non-formal education and training	62	91	105	94
	Formal education and training	218	351	316	291
	Non-formal education and training	55	81	76	72

Source: Eurostat data, 2018.

The ‘Good School’ reform (Law 107/2015) allows young people who graduated from vocational training courses to access higher technical training in order to achieve a professional qualification.

In addition, the “Good School” framework for better integration between the labour market and the educational and training system, provides that students enrolled in the final 3 years of upper secondary technical and high school must alternate periods of workplace training and periods of school attendance, in order to get the skills required in the labour market and, hence, increase their employability.

The number of hours spent by students in workplace training ranges from 400 hours – over a 3-year period – for student enrolled in technical school - and 200 hours for students enrolled in high school (*licei*). Participation in training activities is compulsory in order to sit for the final upper secondary school exam.

According to the OECD (2017), the VET reforms implemented by the Renzi government go in the right direction. However, in spite of the efforts made in the development of an efficient VET system some problems still remain.

First, there is a problem with the visibility of VET programmes, perhaps because of the stigma attached to non-academic studies.

Secondly, there are differences in vocational programming between the different regions, as some regions that have not yet determined a legislative framework to implement the VET reforms.

According to OECD (2017) it is important to:

- Establish teaching standards and strengthen systems for evaluating their performance in order to improve teaching quality and bridge the performance gap across regions.
- Improve the quality and relevance of vocational education by providing training courses to existing teachers to ensure they continue to have current knowledge about industry practices and technologies.
- Support the implementation of alternating school-work programmes (*Alternanza Scuola Lavoro*) and increase incentives to provide traineeships under this programme.
- Create an efficient training system also for adults especially for those who are low-skilled, in order to prevent them becoming detached from the labour market.

Suggested QUESTIONS for DISCUSSION

- Is the “Good School” reform effective in improving young people’s skills and their employability?
- What has been the effect of the ‘alternating school-work program’ on young people’s employability and on skill matching?
- Is the Italian VET strategy aligned with the OECD skills strategy?
- What are the main challenges expected and how they are going to be tackled?

3. RECENT DEVELOPMENTS IN SOCIAL POLICIES

3.1. Social protection

In the last 3 years, the Country Specific Recommendations (CSRs) for Italy addressed key issues related to the social welfare and protection system: pensions, reform of public spending on social protection, coverage of childcare facilities and the fight against poverty¹⁷. These are the main reforms introduced since 2015/2016.

3.2. The fight against poverty

Since 2016, also thanks to the support given by the Structural Funds, which has allowed the setting up of the necessary infrastructure in terms of services and operators, poverty has featured strongly on the political agenda, which is unprecedented in the country. With the 2016 Stability Law and the subsequent decree, the Support for Active Inclusion (SIA) was introduced. This was the measure that paved the way for the new REI (inclusion income), implemented in December 2017. From 1 July 2018, the target group of beneficiaries has been widened. However, due to the lack of adequate resources the new measure is not enough to cover all those living in absolute poverty, and the monetary transfer to families is very small. It is not yet a true minimum income as in other, more advanced European countries, but the overall structure has been realised. The new measure is funded through a poverty fund with a budget of about EUR 2 billion for 2018, which is to increase to 2.7 billion in 2020.

The new government (2018) is discussing how to transform or replace this measure with a more relevant new one, the "citizens' income" (*Reddito di Cittadinanza*), which would provide double the benefits of the REI to all those living in absolute poverty. It is estimated that full implementation would cost EUR 17 billion. However, in the current negotiations on the budget law, the amount allocated to the citizen's income is much lower - EUR 9 billion (of which EUR 2.6 to be drawn from the resources already allocated for the REI).

In any case, the most important problem for the Italian welfare state remains unchanged which is that there are many fragmented measures to support household incomes: they are divided by categories and by territorial level, with some regions and municipalities providing additional measures on top of the national ones, and many others not, leaving millions of families without protection, especially young people.

3.2.1. Family and children policies

Concerning families and children, in the last 4 years two new benefits have been introduced to support families with young children: the Birth Allowance (*Assegno di Natalità*) and the Birth Award (*Premio alla Nascita*), similar to a previous temporary benefit called the Baby Bonus. The Birth Allowance, introduced for the 3-year period 2015–2017, was paid to families for the first 3 years of life of the newborn baby (or the date of adoption or pre-adoptive foster care). It amounts to EUR 80 per month for households with ISEE (Indicator of household economic condition) below EUR 25,000 per year, and EUR 160 per month for those below EUR 7,000. The overall fund amounts to EUR 1 billion for 2017 and EUR

¹⁷ CSR 2018: 1) Reduce the share of old-age pensions in public spending to create space for other social spending and 4) Encourage labour market participation of women through a comprehensive strategy, rationalising family support policies and increasing the coverage of childcare facilities.

CSR 2017: 4) Rationalise social spending and improve its composition.

CSR 2016: 4) Adopt and implement the national antipoverty strategy and review and rationalise social spending.

1.2 billion for 2018. At the end of the first 3 years the scheme was extended for 1 year but the support was reduced from 36 to 12 months.

In 2017, a one-shot measure was introduced to cover the costs of pregnancy and birth of a child. The Birth Award guarantees EUR 800 on the birth or adoption of every child starting 1 January 2017. It is a permanent, non means-tested, measure with a budget of EUR 392 million a year.

Measures aimed at reducing the cost of childcare services from 0 to 2 years have also been introduced thanks to the implementation of the so-called integrated education and training system for 0-6 year olds (Law 107/2015 Buona Scuola).

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

Policies for the non-self-sufficient elderly were not at the top of the past government's agenda, apart from the issue of pensions. It is worth noting is that after years of fluctuations in its overall level, the Non Self-sufficiency Fund has become structural, having been stabilised at EUR 450 million, and it should remain fixed until 2020.

Since 2015, there has been a *National Plan on Alzheimer*, a fast-growing disease, but it has yet to be fully implemented and most of the implementation is left to the regions. In 2017, a new *Caregiver Fund* was approved, with a budget of EUR 20 million a year for the next 3 years. An implementing decree to define who are the caregivers and how these resources will be used is still to be published.

In the area of disabilities, the most important policy introduced is the so-called "After us" (*Dopo di Noi*) measure (Law 22 June 2016 No 112) to deliver assistance for people with severe disabilities without family support. It is based on the principle of building an individual project and a multidimensional evaluation. After much work by the National Observatory, the *Second biennial action programme for the promotion of the rights and integration of people with disabilities* was approved at the end of 2017. In 2015, an important law on autism was also approved. In 2017, the Legislative Decree of April 13, 2017, No 66 approved new rules for the promotion of the scholastic inclusion of students with disabilities as part of the reform called *La Buona Scuola* (Law 13 July 2015, No 107). Finally, in 2017 the last judicial psychiatric hospitals were closed, applying Law 81/2014.

3.2.3. Policies for the protection of migrants

The first interventions for the transposition of European directives on international protection and trafficking were applied in 2014 (Legislative Decree 18/2014, Legislative Decree 24/2014 and Legislative Decree no. 142/2015). However, the most significant interventions to accelerate proceedings concerning international protection, as well as the fight against illegal immigration, occurred in 2017 with Law No. 46/ 2017. This modified the management of disputes over the recognition of protection, establishing 26 specialised court sections. It also introduced new procedures for the recognition of international protection, with a procedural model that aims to reduce the duration of the judicial process, eliminating a degree of judgement. The law also introduced changes to the Unified Immigration Treaty, to strengthen the fight against illegal immigration and to ensure the effectiveness of expulsions by simplifying the identification procedures and strengthening the CIEs (Repatriation centres).

3.2.4. Pensions

The Italian state pension scheme for employees in the private sector has undergone minor adjustments after the 2011 pension reform, the so-called *Fornero reform* (Law No 214, 22.12.2011) that raised the retirement age and abolished seniority pensions. From 1 January 2012, pensions accruing from December 31, 2011 have been calculated for all workers using the contribution-based system, based on the contributions paid throughout the employee's working life.

The Presidential Decree No. 157 of 28 October 2013 equalised the age of retirement for men and women, while Law No 232 of 11 December 2016, Law No 205 of 27 December 2017 and Presidential Decree No. 150 of 4 September 2017 promoted some experimental measures allowing people to retire early at the age of 63 using a loan.

3.2.5. Expenditure for social policies

In 2016 (latest data available) the overall national expenditure for social protection reached 29.7 per cent of GDP. The largest amount (48.7 per cent) was allocated to pensions and to health-care (23.1 per cent), while only 6.9 per cent went to unemployment and social exclusion, 6.3 per cent to family, maternity, and children, and 5.8 per cent to invalidity.

Municipalities are in charge of the implementation of social services. Available data show that in 2015 the expenditure of the municipalities on social services amounted to about EUR 7 billion, 0.4 per cent of GDP (unchanged since 2013). About 40 per cent of the resources were allocated to services and contributions for families with children, 25 per cent of the expenditure was for disabled people and about 20 per cent for the elderly; lower quotas were assigned to fighting poverty and social exclusion (7.0 per cent), immigrants (4.2) and combatting addictions (0.4). The main source of funding is the resources of municipalities and associations of municipalities, which together finance about 70 per cent of social services spending. The contribution of the national fund for social policies is 9 per cent, 4 percentage points lower compared to 2006, and it is proportionally higher in the South compared to the Centre-north of the country, where municipalities contribute a greater share .

In addition to the persistent difference between the Centre-north and the South, smaller municipalities appear to be particularly disadvantaged. Municipalities with a better standard of social services (which combine high levels of per capita spending with a wide range of services) are Rome, Milan, Turin, Genoa, Florence and all the other large municipalities of the Centre-north.

Table 2: Expenditure for social policies in Italy 2012-2016

Functions	2012	2016
Health, illness	24.1	23.1
Invalidity	5.9	5.8
Old age, pensions	50.1	48.7
Survivors	9.3	9.1
Family, maternity, children	4.2	6.3
Unemployment and social exclusion	6.5	6.9
Total	100.0	100.0

Source: Istat data, Conti della protezione sociale.

Suggested QUESTIONS for DISCUSSION

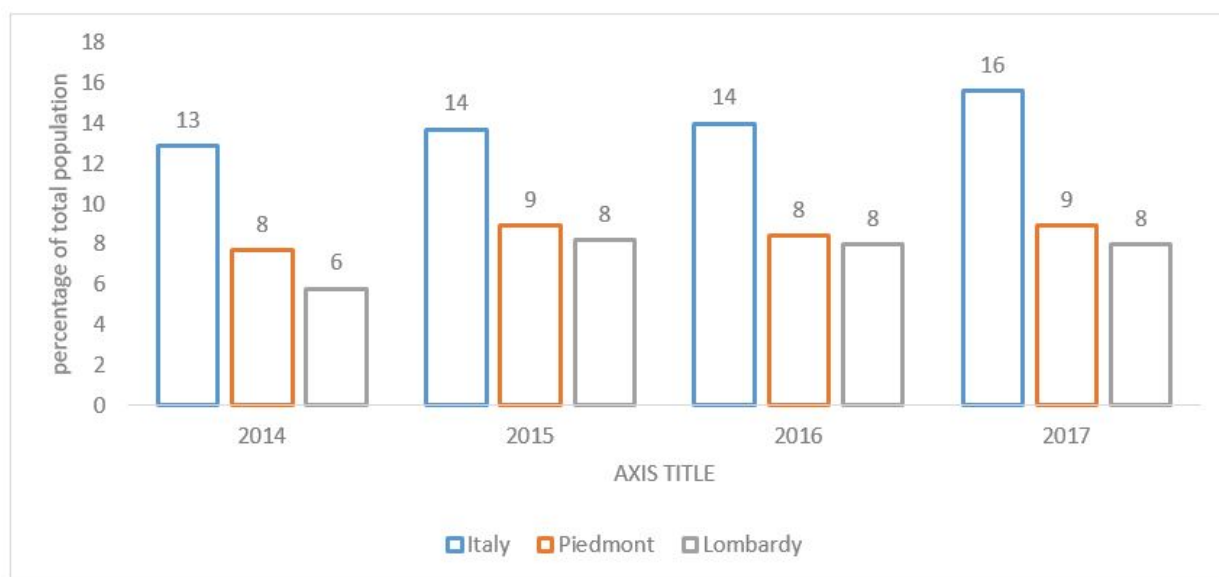
- Do social policies target the vulnerable groups most exposed to the risk of poverty? How can these policies be improved?
- How can the proposed Reddito di cittadinanza avoid welfare dependency and enhance an activation approach to welfare policies?
- How can the wide fragmentation of resources and policy responses be overcome in order to improve the fight against poverty and social exclusion?
- How long will it take to reform employment services and provide effective personalised integrated employment and social services?
- What measures can be envisaged to support the social integration of migrants and asylum seekers in a context where unemployment is widespread and there are few job opportunities in the labour market?
- How can the EU Structural Funds support a more effective approach to welfare policies in Italy?

4. LABOUR MARKET AND SOCIAL DEVELOPMENTS IN LOMBARDY AND PIEDMONT

4.1. The social context in the regions of Lombardy and Piedmont

The relative poverty incidence differs substantially across regions: despite following the same upward trend as the country as a whole, relative poverty in the regions of Lombardy and Piedmont is below the national average. Compared to the national average of 15.6 percent, relative poverty in the regions of Lombardy and Piedmont stood at 8 and 8.9 per cent in 2017 respectively, even if it has slightly increased over the past few years, by 2.2 and 1.2 percentage points respectively, from 2014 to 2017¹⁸ (Istat data, 2018).

Figure 26: Relative poverty in Italy, Piedmont and Lombardy (2014-2017)



Source: Istat data 2018.

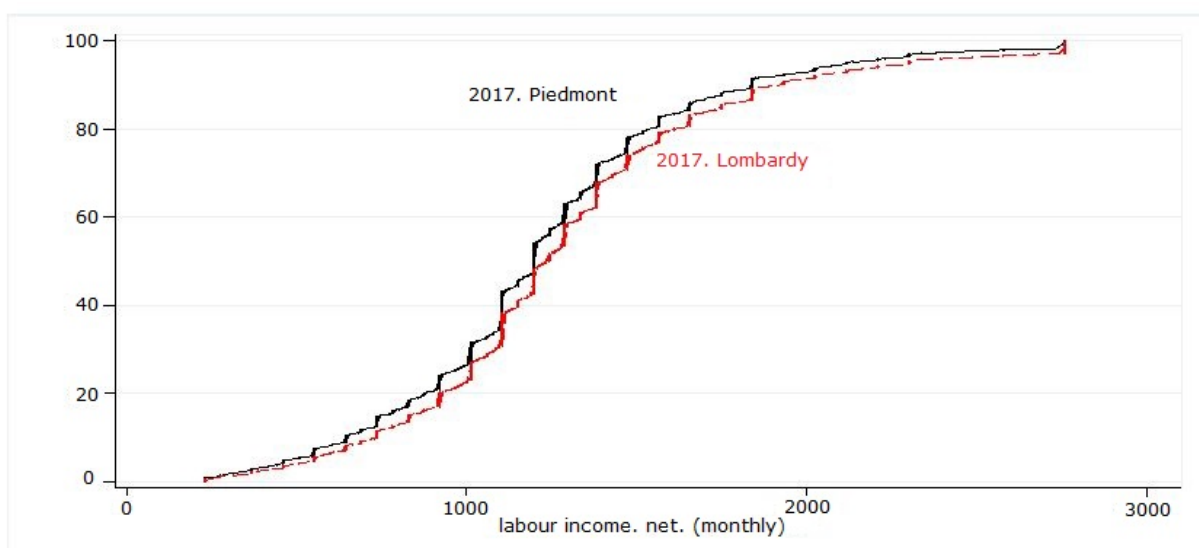
¹⁸ Regional data for Lombardy and Piedmont from Istat are only available starting from 2014.

Income inequalities in the regions of Lombardy and Piedmont are slightly below the Italian average, with the Gini coefficient being 0.209 and 0.207 in 2017, respectively (see Table 3 in the Annex). In 2017, the average labour income of the bottom 20 per cent of the population residing in the regions of Piedmont and Lombardy (EUR 593.7 and EUR 608,853 respectively in 2017) was slightly above the national average of the labour income of same income group (EUR 588.6). By contrast, the average income of the 20 per cent of the Piedmont and Lombardy population at the top of the income distribution (EUR 1,927,051 and 1,874,151 respectively in 2017) was slightly below the corresponding national average (EUR 1,939.2 in 2017).

Income distribution in Piedmont and Lombardy is aligned overall with the corresponding national income distribution: in 2017, the top 20 per cent of the population residing in the regions of Piedmont and Lombardy received 31.6 and 31.4 per cent of all labour income, respectively. In line with the income distribution dynamics in Italy, the lower-income population groups (the bottom 20 per cent) only received 10 per cent of all labour income distribution in Piedmont; the same applies in the case of Lombardy, with the bottom 20 per cent of the distribution having an income share equal to 10.2 per cent of total income (authors' calculation based on microdata from Istat, 2013 and 2017).

Figure 27 below shows the distribution of labour income, in Piedmont and Lombardy in 2017. According to Figure 27, Lombardy has a slightly better labour income distribution. Note, for instance, how below EUR 1,000 per month, labour income distribution in the region of Lombardy lies beneath Piedmont, implying that despite the same shape of the distribution, **a greater share of the Piedmont population (approximately 23 per cent) has an income lower than EUR 1,000. In the region of Lombardy, less than 21 per cent of the population has a labour income below EUR 1,000.**

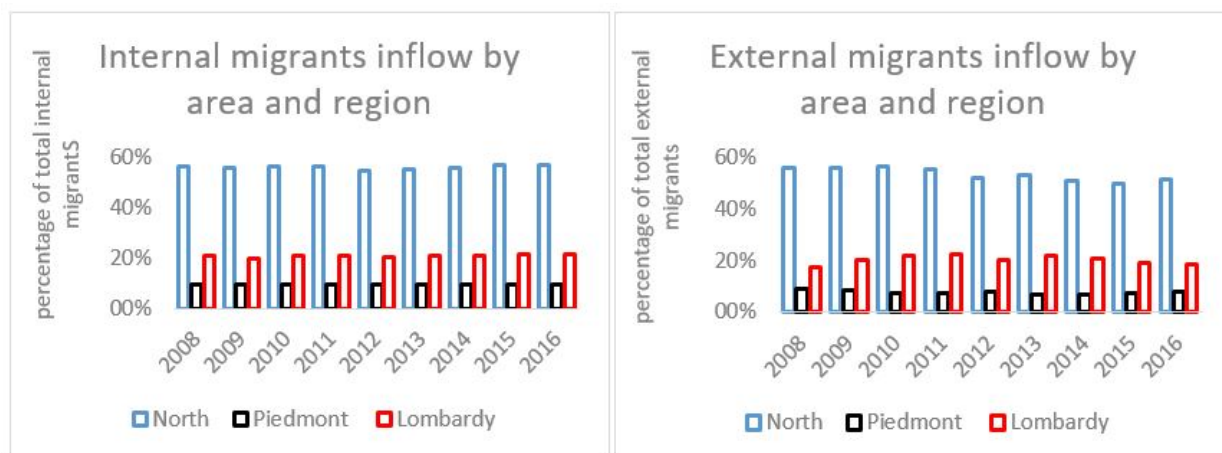
Figure 27: Distribution of labour income in Lombardy and Piedmont in 2017



Source: Authors' elaboration from labour force surveys (ISTAT microdata).

The better social context overall in Lombardy has resulted in a large proportion of both external and internal immigrants moving to Lombardy, with the latter receiving almost 22 per cent of the total internal immigrant inflow and 19 per cent of total external immigrant inflow in 2016. The share of internal and external immigrants is much lower in the region of Piedmont, 9.5 and 8.1 per cent respectively in 2016 (Istat data, 2018).

Figure 28: Internal and external immigration inflow by geographical areas and regions (2012-2016)



Source: Istat data 2018.

Suggested QUESTIONS for DISCUSSION

- What are the main strengths and weaknesses in terms of the social situation in the two regions?
- What are the main factors explaining the recent evolution of social conditions in the two regions?
- What are the main social challenges the two regions will have to address in coming years? How these regions are going to tackle these challenges?

4.2. Labour market conditions in Lombardy and Piedmont

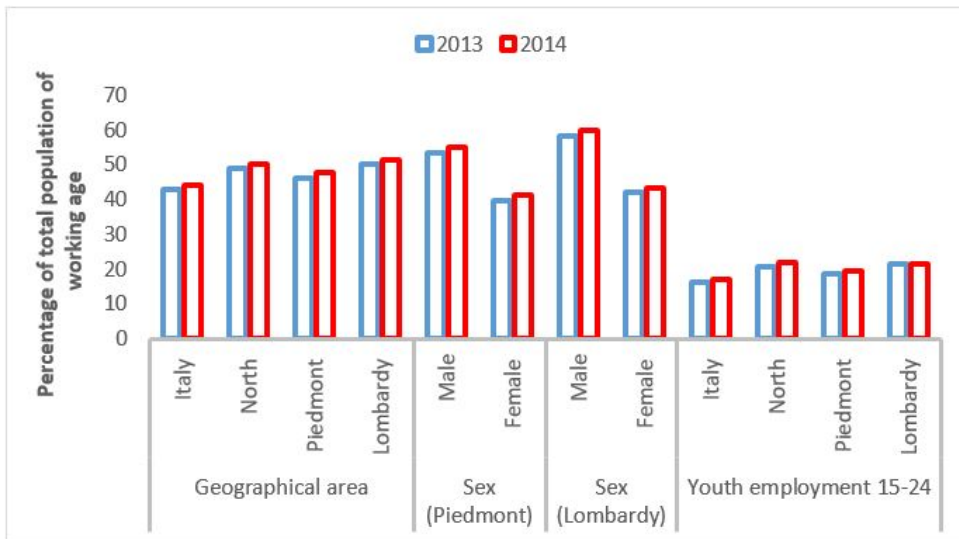
In 2017, the employment-to-population ratio (20-64) in Piedmont stood at 69.9 per cent, up from the 66.4 per cent in 2013, and 0.7 percentage points above the pre-crisis rate (69.1). A similar scenario applies to the case of Lombardy, with an employment-to-population ratio (20-64) that increased by 2.9 percentage points from 2013 (69.3) to 2017 (72.2). While the national employment rate (20-64) is still far from the EU2020 targets, the employment rate (20-64) of both regions is above the established EU targets of 67-69 per cent by 2020 (Istat data, 2018).

Labour market outcomes of both regions have constantly improved over recent years and are above the corresponding national averages. However, while the 2017 employment rate in the region of Lombardy was above the corresponding employment rate of the northern area of Italy, the employment rate in the region of Piedmont was still 2.4 percentage points below (Istat data, 2018).

Over the period 2013-2017, gender gaps in the employment rate have roughly stabilised in both regions. In 2017, the gender gaps in employment (15+) of both regions were below the national average (17.4 per cent), reaching 16 per cent in the region of Lombardy and 14 per cent in the region of Piedmont (Istat data, 2018).

In 2017, youth employment (15-24) decreased very slightly in Lombardy (-0.1 percentage points relatively to 2013), while it increased in the region of Piedmont (from 18.6 in 2013 to 19.5 in 2017). **The youth employment rate of both regions in the same year remained above the national average**, but below the corresponding rate of the northern area of Italy (Istat data, 2018).

Figure 29: Employment rate (15+), by region and sex; youth employment rate (15-24)

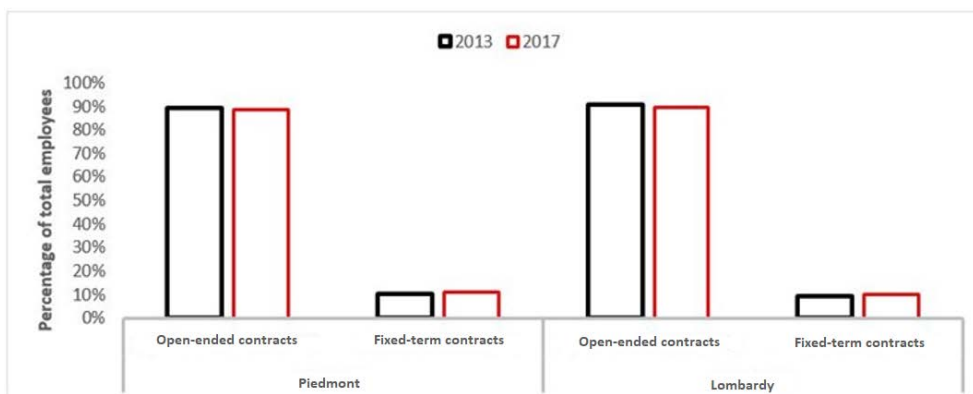


Source: Istat data 2018.

Compared to Italy as a whole, the regions of Piedmont and Lombardy show better employment recovery and a higher participation of working-age population in the labour market. Higher rates of employment have gone together with lower unemployment rates. **In 2017, the unemployment rates in the regions of Piedmont and Lombardy were 2.1 and 4.3 percentage points below the national average, respectively** (Istat data, 2018).

Despite the two regions showing a better performance in terms of employment creation compared to the national average, increasing flexibility and labour market precariousness remain a cause of concern, especially in the region of Lombardy. In 2017, the incidence of fixed-term employees in the region of Lombardy has increased from 9.4 per cent in 2013 to 10.3 per cent in 2017, whereas the increase has been less severe in the region of Piedmont (from 10.6 in 2013 to 11.2 in 2017). Despite labour market precariousness increasing over time, in 2017 the incidence of fixed-term contracts in the two regions was still below the national average (13.7 per cent).

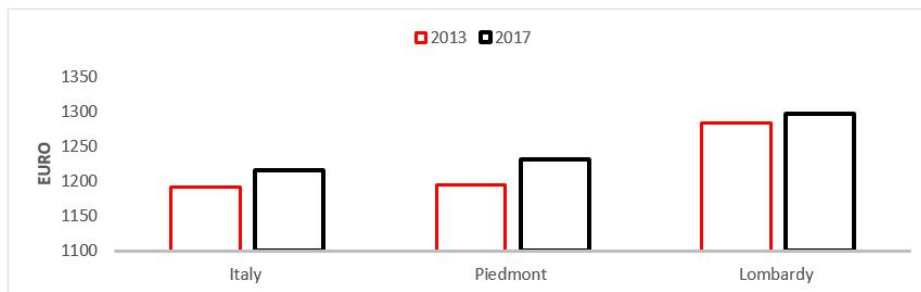
Figure 30: Incidence of fixed-term employees in the regions of Piedmont and Lombardy



Source: Author's calculation based on microdata from the Italian LFS (2013 and 2017).

The higher incidence of precarious jobs has weakened the bargaining power of workers, affecting the dynamics in real wages overall. **From 2013 to 2017, the percentage growth of real wages has been negligible, growing by only 3 per cent in the region of Piedmont and 1 per cent in the region of Lombardy.** In terms of levels, and compared to the national average, the average real wage tends to be much higher in the region of Lombardy (authors' calculation based on microdata from Istat, 2013 and 2017).

Figure 31: Real monthly wage paid to employees (constant 2010 price)



Source: Author's calculation based on microdata from the Italian LFS (2013 and 2017).

Finally, the participation in VET in the two regions is in line with the national average: the share of the regional population participating in VET in 2017 was 8 per cent in the region of Lombardy and 8.7 in the region of Piedmont (authors' calculation based on microdata from Istat, 2013 and 2017). Based on Eurostat data, the national average of people's participation in VET stood at 8.4 per cent in 2017.

Suggested QUESTIONS for DISCUSSION

- What are the main strengths and weaknesses of the labour markets in the two regions?
- What are the main factors explaining the recent evolution of labour market conditions in the two regions?
- What are the main challenges facing the labour market in the two regions? How these regions are going to address these challenges?

4.3. Overview of recent labour market interventions and VET in the Lombardy and Piedmont regions

As previously stated, the regions are responsible for the organisation of vocational training and can demand that accredited training organisations (ATOs) organise vocational training based on regional labour supply and demand. This process is aimed at facilitating the matching of supply and demand of skills on the labour market. As an alternative, technical institutions within the regions can organise vocational training in parallel with daily schooling activities, in accordance with the subsidiarity principle.

Towards this aim, regional legislation has enacted a number of measures to boost participation in VET.

In the region of Piedmont, a total of 102 ATOs and 58 public high schools have organised vocational training courses, with nearly 64,000 people participating in these courses (data source IRES, 2017). Specific vocational training courses have also been organised by the region of Piedmont to target specific population groups, notably young people with poor school performance, unemployed foreign-born and people with disabilities.

Lombardy has been the only Italian region to do VET testing as far back as 2010, implying that it was the first in Italy to organise region-specific VET courses. A total of 986 organizations, from professional schools to ATOs are responsible for the provision and organisation of VET in Lombardy.

In the region of Lombardy, students participating in VET can access a school voucher (*dote Scuola*) programme intended to help young people in their personal career development.

In terms of regional employment measures, it is worth noting that the region of Piedmont has implemented a number of interventions aimed at improving labour market efficiency. Notably, the provision of job vouchers (*buoni lavoro*), financed by the European Social Fund 2014-2020, fosters the employability of disadvantaged people (Regional Decree Law 20-3037/2016). Job vouchers are meant to be spent on professional career development. Other initiatives include the so-called *Cantieri di Lavoro*, (Job in progress) activated by municipalities in the region of Piedmont with the aim of supporting the recruitment of special categories of potential workers, such as people aged 45 years old and above or people living in poverty.

In the region of Lombardy, the most important employment measure is the so-called *Dote Unica Lavoro*, (single job endowment) a measure that also encompasses VET programmes. Specifically, the intervention identifies potential beneficiaries based on a number of factors ranging from the length of the period of unemployment, gender, age and level of education attained. The goal of the intervention is twofold: it seeks either to help people to enter (or re-enter) the labour market, or to support people undertaking a business project via vocational training courses.

Another important regional intervention, linked to the one mentioned above, is the *Inserimento Lavorativo* project (job placement project). This project is meant to provide unemployed people with the necessary monetary resources (up to EUR 1,850 over a six-month period), with the prerequisite that they have participated in the *dote unica lavoro* (single job endowment) project.

One final intervention in the region of Lombardy is the 'dote comune' project (unified employment endowment). It is meant to support young people falling under the category of NEET via paid internship (EUR 300 per month) performed in local institutions of the region of Lombardy. Young people who participate in internships receive a professional certificate that certifies the competences acquired.

Suggested QUESTIONS for DISCUSSION

- Are labour market and VET policies in the two regions effective in addressing the labour market needs at regional level? If not, why not?
- What are the main strengths and weaknesses of these policies?
- What lessons can be learnt for national policies and for other regions?
- Are new policy developments envisaged in the two regions?

4.4. Overview of recent social policy developments in Lombardy and Piedmont

4.4.1. Lombardy

In the **Lombardy** region several new social protection measures have been introduced in the last 5 years. The year 2018 is a time of transition due to the recent regional elections, so many of the current provisions are undergoing major changes.

The most relevant measure introduced by the past regional administration was the **Reddito di autonomia** - Income for autonomy - (Resolution No 5060 of 18 April 2016) as part of a new social policy to promote people's autonomy and guarantee opportunities for social inclusion in addition to income support. It was an example of an integrated policy focused on families, offering to those in difficulty further opportunities to access healthcare, social protection, housing and active job-search services. It was composed of five different benefits: a) the reduction of the out-of-pocket contribution to health expenses for diagnostic examinations (**Esenzione super ticket**); b) **Bonus famiglia** to support motherhood and new-borns; c) **Voucher Anziani e Disabili**, an economic support to support independent living of elderly and disabled people; d) **Progetto di Inserimento Lavorativo – PIL**, an ALMP measure to support insertion in the labour market through counselling and training; e) **bonus affitti**, to support rent expenses. In 2016 a new measure was introduced: f) **Nidi gratis (free childcare)**, with the aim of supporting families in conditions of economic and social vulnerability in accessing early childhood, services while *Bonus affitti* was suspended.

It is too early to have clear indications on the future structure of the Lombardy welfare system, which is still being drawn up by the new regional government.

What is worth mentioning is that the ESF is contributing to a large extent to promote policies addressing children, young people who are unemployed or in a vulnerable condition (offenders or addicts), disabled and elderly people and adults in a condition of extreme vulnerability, though several actions funded under Objective 9.

4.4.2. Piedmont

In **Piedmont**, the regional government is working on a general reform of welfare policies for the period 2018-2019 to introduce innovation and a new approach based on community development¹⁹. The key point is to bring together in the same territorial planning area (the social cohesion districts) all the policies and the stakeholders contributing to welfare and social cohesion: health services, social policies, active labour market policies, housing policies. In particular, the region is working on the definition of a law on the integrated regional socio-health system in order to guarantee citizens access to personalised, participatory and integrated support with a shared and fully homogeneous approach throughout Piedmont:

- to achieve effective integration between the health and social sectors;
- to establish a homogeneous regional system of social-health vouchers to support home care for non-self-sufficient elderly and disabled requiring long-term care, expanding the number of beneficiaries;

¹⁹ http://www.regione.piemonte.it/polsoc/dwd/2018/Patto_sviluppo_comunita.pdf

- to promote the revision of the legislation on residential care for disabled people;
- to make the fight against poverty, in all its different forms, a priority of the social policy system.

The support for the inclusion of people in severe economic difficulty is based on two main pillars: the full activation of the inclusion income (the national measure REI) and the implementation of the project *Senza Dimora* (homeless). It will be based on the implementation and coordination of the regional network of social protection and social inclusion, and on the improvement of social activation pathways (PASS).

In the area of child protection and care, the region is working on the support and strengthening of the centres for families (services set up by the Piedmont region to support families in their educational, social and care roles in all stages of life, supporting in particular parents facing unexpected critical events).

The new community development pact has as its essential element the promotion of a stable and structured connection between the planning of regional services and the social innovation strategy We.CARE. funded with Structural Funds. WeCARE is an overall strategy intended to a) stimulate collaborative processes in the local areas, promoting better local governance for the creation of the social cohesion districts; b) facilitate the experimentation of innovative services by the third sector; c) supporting corporate welfare initiatives able to take into account local needs; D) strengthening the growth of innovative entrepreneurial initiatives with a social impact.

Suggested QUESTIONS for DISCUSSION

- Are social policies in the two regions effective in tackling poverty and social exclusion? Why?
- What are the main strengths and weaknesses of these policies?
- What lessons can be learnt from the two regions' approach for national and other regions' policies?
- Are new policy developments envisaged in the two regions?

4.5. The role of the ESF in Lombardy and Piedmont

Across the EU, the European Social Fund (ESF) supports initiatives to ensure that young people complete their education and gain the skills needed to be more competitive on the job market. Reducing school dropout rates is a major priority here, along with improving vocational and tertiary education opportunities.

On 29 October 2014, the European Commission adopted a partnership agreement (PA) with Italy setting out the strategy for the use of European Structural and Investment Funds throughout the country. The adopted PA sets out clear political commitments to implement the goals of Europe 2020. Investing in human capital and helping people to enter the labour market is a top priority in Italy with a focus on issues highlighted in the country-specific recommendations. A strong emphasis is placed on combating youth unemployment. Some ESF employment measures are devoted to getting young people into work, in particular by helping them make the transition from school to work, with support for apprenticeships and work placements. Coaching and skills training courses are also available for young people with few or no qualifications. A large portion of funding is earmarked for concrete actions to tackle early school leaving and to improve the labour market relevance of education and training systems. Students should benefit from these measures, complemented by European Regional Development Fund (ERDF) investments in new school buildings and laboratories. In addition, ESF

measures create equal access to lifelong learning for all age groups to strengthen the skills of the workforce.

In the framework of the strategy of the 2014-2020 ESF Regional Operational Programme, the **Lombardy** region aims to achieve the following objectives.

- Promote the employment of young people and reduce the number of NEETs, in synergy with the Youth Guarantee initiative, with the aim of fostering the creation of permanent work opportunities by
 - active policy initiatives for the employment of young people, with special attention to those industries with higher growth prospects;
 - high-level training and research apprenticeships supporting the academic careers of graduates and fostering integration between the academic world and the Lombardy economy.
- Reduce the dropout rate from training and education by also consolidating the vocational education and training system (IeFP). This is both a comprehensive, high-quality training pathway especially for those young people most at risk of dropping out of school, and an innovative and diversified intervention providing training that matches the needs of the region's economy.
- Increase the skills of the workforce and facilitate job placement/reintegration by providing training interventions. This is linked to entrepreneurship needs and include actions updating workforce skills (including IT skills).
- Improve the quality of technical and vocational education and training by
 - adopting interventions to raise the level of initial technical/vocational education and training and the advanced technical institutes (ITS);
 - fostering system-wide measures for the development and coordination of the advanced technical institutes and vocational technical centres;
 - strengthening advanced technical institutes and vocational technical centres according to the regional economy's needs.

The following table reports the investment priorities – by thematic objectives – chosen by the Lombardy region according to the regional context and needs analyses.

Table 3: ESF 2014-2020 Thematic Objectives and Investment priorities in the Lombardy region

Lombardy Region			
Thematic Objectives		Investment Priorities	
TO 8	Promoting sustainable and quality employment and supporting labour mobility	8i	Access to employment for jobseekers and for inactive people, including long-term unemployed and people experiencing a great distance from the labour market; also through local initiatives for employment and supporting interprofessional mobility
		8ii	Sustainable integration of young people into the labour market, especially those not in employment nor training, including young people at risk of social exclusion or belonging to marginalised communities, also by implementing the Youth Guarantee
		8iv	Gender equality across all sectors, including access to employment and career promotions, conciliation of working life with personal life; promotion of equality of pay for same-level jobs
		8v	Adaptation to change for workers, firms and entrepreneurs
TO 9	Promoting social inclusion, combating poverty and any discrimination	9i	Active inclusion for promoting equal opportunities and active participation, and for improving employability
		9ii	Socio-economic integration of marginalised communities such as the Roma
		9iv	Improving access to approachable, sustainable and quality services, including social services and general health care
TO 10	Investing in education, training and lifelong learning	10i	Decrease and prevention of the early leavers phenomenon; promotion of equality in accessing high-quality pre-primary, primary and secondary education including formal, non-formal and informal training programmes allowing the resumption of education and training paths
		10iv	Improving coherence between education systems and the labour market; promoting the link of training to the labour market; strengthening and improving the quality of vocational and professional training by skills forecasting, curricula conforming, introduction and development of training systems based on the requests of the job market, including dual learning systems and apprenticeship schemes
TO 11	Improving the efficiency of public administration	11ii	Development of skills of all entities/institutions performing in the training sector, the lifelong learning sector and the training and social policies sector, also through sectorial and territorial mobilisation agreements for a reform at the national, regional and local levels
Technical support			Support the implementation of the ROP in its main stages: planning, execution, surveillance and control

Source: Lombardy ESF Regional Operational Programme (ESF ROP) 2014-2020.

By the end of 2017, of the total amount of ESF resources for the programming period 2014-2020, the Lombardy region allocated

- approximately EUR 27 million to advanced technical institutes;
- more than EUR 126 million to the permanent education and training system (leFP);
- approximately EUR 10 million on Lombardia Plus which supports the activation of and attendance at new training courses, with particular attention to industries with the highest growth prospects.

In total, about EUR 163 million (equal to around 49 % of the funds) has been allocated to Thematic Objective 10, Education and Training – around 17 % of the total ESF budget for the Lombardy region. The following table shows the total ESF budget and the total funds allocated at 31 December 2017 by thematic objectives (TOs) in the Lombardy region.

Table 4: ESF 2014-2020 planned budget and allocations at 31.12.2017 in Lombardy

		Lombardy Region			
		ESF planned budget		Funds allocated at 31/12/17 (€)	
Thematic Objectives		Absolute value	% (column)	Absolute value	% (of the ESF planned budget)
TO 8	Promoting sustainable and quality employment, and supporting labour mobility	358,000,000.00	36.9	73,665,949.88	20.6
TO 9	Promoting social inclusion, combating poverty and any discrimination	227,100,000.00	23.4	32,375,132.12	14.3
TO 10	Investing in education, training and lifelong learning	332,500,000.00	34.3	114,113,766.97	34.3
TO 11	Improving the efficiency of public administration	20,000,000.00	2.1	2,042,096.89	10.2
Technical support		32,874,516.00	3.4	12,920,311.35	39.3
Total		970,474,516.00	100.0	235,117,257.21	24.2

Source: Lombardy ESF Regional Operational Programme (ESF ROP) 2014-2020- Annual Implementation report 2017.

In its 2014-2020 ESF Regional Operational Programme, the **Piedmont** region pays particular attention to unemployed people with a priority focus on young people. In this regard, the apprenticeship system, although already demonstrating levels of excellence comparable with the national level, is considered fundamental in Piedmont. For this reason, ESF intervention aims to strengthen the apprenticeship qualification and diploma systems as well as apprenticeships to acquire a tertiary education degree and carry out research activities.

The Piedmont region also places strong emphasis on ESF measures to improve skills. In this field, preventive initiatives to tackle early school leaving are of a strategic importance. Moreover, due to the unsatisfactory statistics on tertiary education among young people and lifelong learning among adults, part of ESF resources have been allocated to higher education and lifelong training, with the aim of giving greater relevance to the skills needs expressed by regional industry and business.

The following table summarizes the investment priorities – by thematic objectives – chosen by the Piedmont region according to the regional context and needs analyses.

Table 5: ESF 2014-2020 Thematic Objectives and Investment priorities in Piedmont

Piedmont Region			
Thematic Objectives		Investment priorities	
TO 8	Promoting sustainable and quality employment and supporting labour mobility	8i	Access to employment for jobseekers and inactive people, including long-term unemployed and people experiencing a great distance from the labour market; also through local initiatives for employment and supporting inter-professional mobility
		8ii	Sustainable integration of young people into the labour market, especially those not in employment nor training, including young people at risk of social exclusion or belonging to marginalised communities; also by implementing the Youth Guarantee
		8iv	Gender equality across all sectors, including access to employment and career promotions; conciliation of working life with personal life; promotion of equality of pay for same-level jobs
		8v	Adaptation to change for workers, firms and entrepreneurs
		8vii	Actualisation of labour market institutions, such as private and public employment promotion services, by improving the satisfaction of job market requests; also by improving international mobility and a better cooperation among institutions and stakeholders
TO 9	Promoting social inclusion, combating poverty and any discrimination	9i	Active inclusion for promoting equal opportunities and active participation, and for improving employability
		9iv	Improving of access to approachable, sustainable and quality services, including social services and general health care
		9v	Promotion of social entrepreneurship and employment in social and solidarity economy enterprises
TO 10	Investing in education, training and lifelong learning	10i	Decrease and prevention of the early leavers phenomenon; promotion of equality in accessing high-quality pre-primary, primary and secondary education including formal, non-formal and informal training programmes allowing the resumption of education and training paths
		10ii	Improving the quality, access and effectiveness of secondary education or equivalent, in order to improve participation and success rates, especially for disadvantaged groups
		10iv	Improving coherence between education systems and the labour market, promoting the link of training to the labour market; strengthening and improving the quality of vocational and professional training by skills forecasting, curricula conforming, introduction; development of training systems based on the requirements of the job market, including dual learning systems and apprenticeship schemes
TO 11	Improving the efficiency of public administration	11i	Investing in institutional capacity and efficiency of public administrations and public services at national, regional and local levels, in the perspective of reforms, better regulation and fair governance
Technical Support			Support the implementation of the ROP in its main stages: planning, execution, surveillance and control

Source: Piedmont ESF Regional Operational Programme (ESF ROP) 2014-2020.

By the end of 2017, ESF resources in the Piedmont region supported the following measures:

- *Direttiva Mercato del Lavoro* (Labour Market Regional Deliberation) which provides – among others – support for training actions aimed at improving the employability of young people and adults, through post-graduate/diploma/degree specialisation courses in line with the professional needs of the regional production system, as well as qualification courses for people with low educational levels. Lifelong learning in adulthood is also fostered through training opportunities to prevent professional skills from becoming out-dated and projects supporting re-entry into the formal education system. The total ESF resources allocated as of 31/12/2017 to this mechanism amount to approximately EUR 153 million.
- *Direttiva Obbligo di Istruzione e Diritto/Dovere* (Regional Deliberation on Compulsory Education and Education right/duty) which tackles early school leaving by allocating resources to qualification courses, professional diplomas, as well as measures targeted at people with a negative experience

of education in order to prepare their re-entry into formal qualification paths. The total resources allocated on this intervention as of 31/12/2017 are approximately EUR 126 million.

- *Piano territoriale pluriennale 2016/2019 di programmazione del Sistema di Istruzione e formazione tecnica superiore* (Territorial Multiannual Plan 2016-2019 for the Higher Technical Education and Training System). From 2016, this plan regulates the implementation methods of the advanced technical institutes, with the aim of providing more targeted specialisation. By the end of 2017, approximately EUR 7 million had been allocated to this multi-annual territorial plan.

The total amount of ESF resources allocated to the above-mentioned measures, amounts to approximately EUR 286 million, equal to about 33 % of the total ESF budget for the Piedmont region. The following table shows the total ESF budget and the total funds allocated at 31 December 2017 by thematic objectives in the Piedmont region.

Table 6: ESF 2014-2020 planned budget and allocations at 31.12.2017 in Piedmont

		Piedmont Region			
		ESF planned budget		Funds allocated at 31/12/17 (€)	
Thematic Objectives		Absolute value	% (column)	Absolute value	% (of the ESF planned budget)
TO 8	Promoting sustainable and quality employment, and supporting labour mobility	399,600,000.00	45.8	177,384,635.00	44.4
TO 9	Promoting social inclusion, combating poverty and any discrimination	176,500,000.00	20.2	64,697,720.00	36.7
TO 10	Investing in education, training and lifelong learning	259,000,000.00	29.7	138,065,101.00	53.3
TO 11	Improving the efficiency of public administration	2,500,000.00	0.3	3,410.00	0.1
Technical support		34,690,000.00	4.0	15,712,698.00	45.3
Total		872,290,000.00	100.0	395,863,564.00	45.4

Source: Piedmont ESF Regional Operational Programme (ESF ROP) 2014-2020- Annual Implementation report 2017.

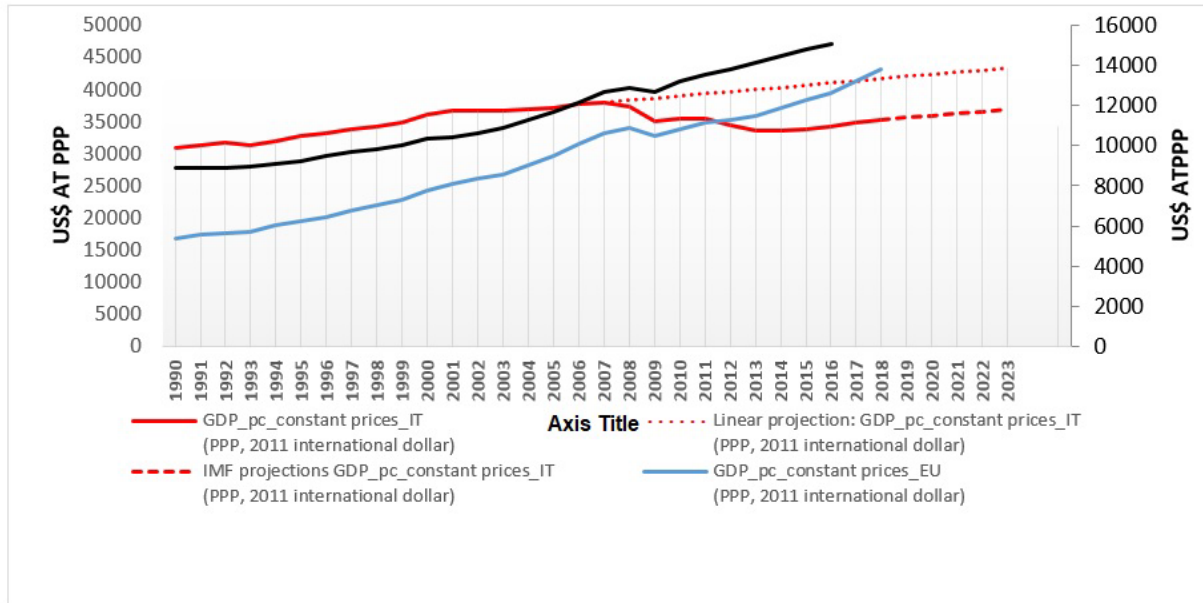
REFERENCES

- Bagnai A. and Ospina C. A., (2014), 'The a/symmetry annual macroeconometric model of the Italian economy: structure and properties'. Paper provided by Italian Association for the Study of Economic Asymmetries, Rome (Italy) in its series a/ Working Papers Series with number 1405.
<https://ideas.repec.org/p/ais/wpaper/1405.html>
- Camera dei Deputati – servizio studi, (2018), '[Misure di contrasto alla povertà](#)', Camera dei deputati, Roma.
- Cedefop, (2014). Vocational education and training in Italy Short description. Luxembourg: Publications Office of the European Union, 2014.
http://www.cedefop.europa.eu/files/4132_en.pdf
- Cedefop, (2016), Annual report 2016. Luxembourg: Publications Office of the European Union. Cedefop information series.
http://www.cedefop.europa.eu/files/4154_en.pdf
- Elder, S., (ILO 2015), 'What does NEETs mean and why is the concept so easily misinterpreted?' Technical Brief No.1, Geneva.
https://www.ilo.org/wcmsp5/groups/public/@dgreports/@dcomm/documents/publication/wcms_343153.pdf
- European Commission, (2017), 2017 European Semester: Assessment of progress on structural reforms, prevention and correction of macroeconomic imbalances, and results of in-depth reviews under Regulation (EU) No 1176/2011.
https://ec.europa.eu/info/sites/info/files/2017-european-semester-country-report-italy-en_0.pdf
- European Commission, (2018), European Semester: Assessment of progress on structural reforms, prevention and correction of macroeconomic imbalances, and results of in-depth reviews under Regulation (EU) No 1176/2011.
<https://ec.europa.eu/info/sites/info/files/2018-european-semester-country-report-italy-en.pdf>
- Fana, M., Guarascio, D. and Cirillo, V., (2015), 'Labour market reforms in Italy: evaluating the effects of the Jobs Act'. ISI growth working paper, 5/2015.
http://www.isigrowth.eu/wp-content/uploads/2015/12/working_paper_2015_5.pdf
- ILO, (2009), 'School-to-work transition survey: A methodological guide'. International Labour Office, Geneva: ILO Technical brief, 2009.
https://www.ilo.org/wcmsp5/groups/public/@ed_emp/documents/instructionalmaterial/wcms_140857.pdf
- ILO, (2010), 'Trends Econometric Models: A Review of the Methodology'. ILO Employment trends unit, January 19, 2010, Geneva. cd.
https://www.ilo.org/wcmsp5/groups/public/---ed_emp/---emp_elm/---trends/documents/publication/wcms_120382.pdf
- INAPP et al., Vocational education and training in Europe – Italy. Cedefop ReferNet VET in Europe reports; 2016.
https://cumulus.cedefop.europa.eu/files/vetelib/2016/2016_CR_IT.pdf
- IRES, (2017), Relazione annuale sulla situazione economica, sociale e territoriale del Piemonte - 2017 Così lontano, così vicino, IRES, Torino:
<https://www.ires.piemonte.it/relazione2018/RESET2018.pdf>

- ISTAT, (2016), La Povertà in Italia:
https://www.istat.it/it/files/2017/07/Report_Povert%C3%A0_2016.pdf
- ISTAT, (2017), La Povertà in Italia:
<https://www.istat.it/it/files//2018/06/La-povert%C3%A0-in-Italia-2017.pdf>
- ISTAT, (2018), Rapporto Annuale 2018 – La situazione del Paese, ISTAT, Roma:
<https://www.istat.it/storage/rapporto-annuale/2018/Rapportoannuale2018.pdf>
- ISTAT, (2018), Report – La povertà in Italia ISTAT, Roma:
<https://www.istat.it/it/files//2018/06/La-povert%C3%A0-in-Italia-2017.pdf>
- McGowan, M. A. and D. Andrews, (2015), '[Labour Market Mismatch and Labour Productivity: Evidence from PIAAC Data](#)', OECD Economics Department Working Papers, No. 1206.
- MIUR (2014), The Italian Education System, I Quaderni di Eurydice no. 30:
http://www.indire.it/lucabas/lkmw_img/eurydice/quaderno_eurydice_30_per_web.pdf
- OECD, (2017), Education Policy Outlook: Italy, OECD Publishing, Paris:
<http://www.oecd.org/education/Education-Policy-Outlook-Country-Profile-Italy.pdf>
- OECD, OECD Skills Strategy Diagnostic Report Italy 2017, OECD Publishing, Paris:
<https://www.oecd.org/skills/nationalskillsstrategies/Diagnostic-report-Italy.pdf>

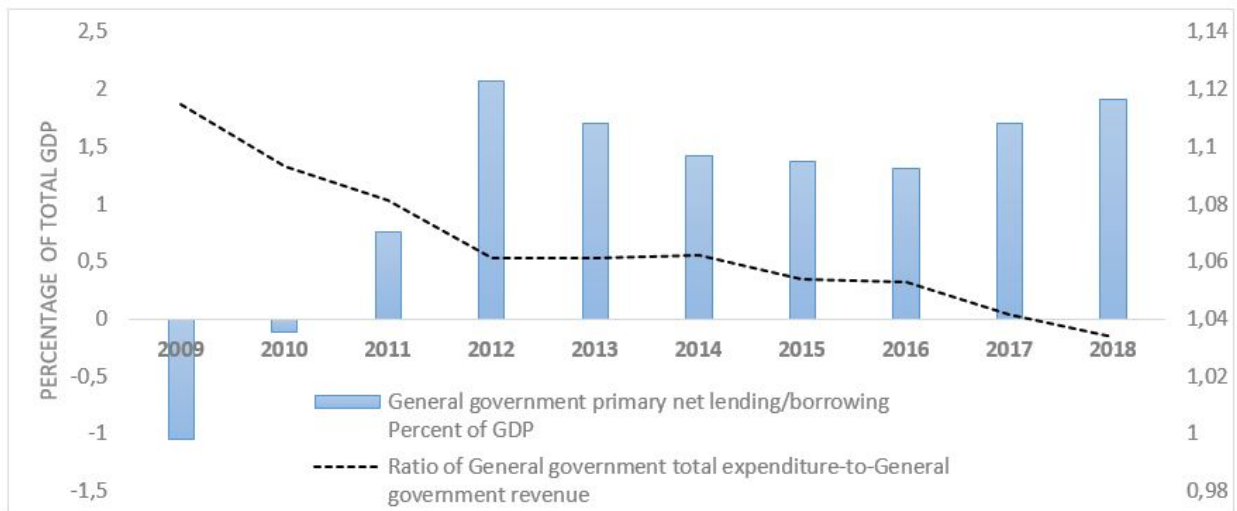
ANNEX

Figure 32: Level of per capita GDP (USD at PPP) of Italy (left side scale), EU28 (left side scale) and world (right side scale); Italy's pre-crisis path (2007-2018) and Italy's IMF projections (2019-2023)



Source: IMF World Economic Outlook Database.

Figure 33: General government primary expenditure (percentage of total GDP, left scale) and ratio of general government primary expenditure to general government revenues



Source: IMF World Economic Outlook Database.

Figure 34: Map of Italian regions (NUTS 2)



Source: Eurostat.

Table 1: Gini coefficient based on disposable labour income and average labour income (in euro at 2010 prices) by quintile

Year	Gini coefficient (based on disposable income)	Average net monthly labour income 1st quintile	Average net monthly labour income 2nd quintile	Average net monthly labour income 3rd quintile	Average net monthly labour income 4th quintile	Average net monthly labour income 5th quintile
2008	0.31	622.88	1,001.75	1,183.75	1,398.93	2,020.85
2013	0.328	545.32	934.48	1,142.57	1,361.39	1,915.74
2017	0.328	588.62	1,014.91	1,222.48	1,410.24	1,939.22

Source: Eurostat (2018) and authors' calculation from labour force surveys (Istat microdata).

Table 2: Labour income distribution

% of total population	Labour income 2008	Labour income 2013	Labour income 2017
0-20	10.0 %	9.3 %	9.6 %
20-40	16.2 %	15.9 %	16.3 %
40-60	19.3 %	19.5 %	19.5 %
60-80	22.5 %	23.1 %	22.8 %
80-100	32.0 %	32.3 %	31.7 %

Source: Authors' calculation from labour force surveys (Istat microdata).

Table 3: Gini coefficient in Piedmont and Lombardy

Year	Gini coefficient (based on labour income)	
	Piedmont	Lombardy
2008	0.213	0.21
2013	0.227	0.217
2017	0.207	0.209

Source: Authors' calculation from labour force surveys (Istat microdata).

This document presents recent developments in the social, employment and VET situation and policies in Italy. The report provides an assessment of the recent evolution of key economic, social, and labour market trends in Italy, and an overview of current employment, VET and social policies. The document was prepared by Policy Department A at the request of the European Parliament's Committee on Employment and Social Affairs.

PE 631.050
IP/A/EMPL/2019-1

Print ISBN 978-92-846-3630-3| doi: 10.2861/444876| QA-01-19-175-EN-C
PDF ISBN 978-92-846-3625-9| doi: 10.2861/581718| QA-01-19-175-EN-N