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# Labour Market Studies

## ITALY



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# **Labour Market Studies**

# **Italy**

**By**

**Fondazione Giacomo Brodolini**

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## I. LABOUR MARKET ANALYSIS AND FORECASTS

### 1. The labour force

The structure of the Italian population has changed radically since the 1960s. Births have declined steadily, producing one of the lowest fertility rates in the world, while life expectancy has lengthened greatly. In the '80s Italy shed its historical position as a land of emigration and began to take in significant numbers of European and non-European immigrants. In combination, these trends have resulted in the '90s in a negative natural balance and a positive migratory balance, and consequently a considerable expansion of the working-age population.

Labour force trends have been decisively characterized by gender. That is, the behavior of men and women has diverged sharply, more or less everywhere in Italy. On the demand side, the additional labour demand has been directed exclusively to the female segment; but it has also had a decisive geographical concentration in the Centre and North of the country.

*A key structural feature of the labour force is the existence of nearly 2.5 million non-regular positions, as well as another 441,000 non-declared employed. All told, such "non-institutional" economic activities involve some 15% of Italian residents' employment positions; in addition, about 700,000 jobs are held by non-resident aliens (unregistered immigrants).*

The employment slump of 1992-95 destroyed 1.2 million jobs (nearly 6% of total employment) but did not alter these fundamental characteristics. If anything, it exacerbated them. In particular, while female labour demand stagnated after two decades of virtually uninterrupted growth, this did not affect women's labour market participation, which continued on its growth path. And if there was an attenuation of the prevalence of youth unemployment - which had traditionally permitted the social effects of joblessness to be buffered through families - the incidence of the more mature unemployed increased. This is a new phenomenon and a rupture with the social and economic model that, at least until now, has succeeded in keeping social tension relatively defused, even in the South, despite extremely high levels of unemployment.

### 2. Job creation and job loss

From 1970 to 1995 Italian GDP recorded average annual growth of 2.6%, while the number of full-time equivalent workers increased by 0.4% a year. The rate of output growth has been much higher in manufacturing (3.7%), but this sector recorded average productivity gains of 4.4%, so that growth was insufficient even to maintain the level of labour input, and employment shrank at a rate of 0.7% a year. Only in the service sector, in connection with relatively poor productivity performance, was growth of output achieved with increased labour input (2% per year). During the '80s the demand for labour in the industrial sector declined as a consequence of far-reaching restructuring and reorganization; at the beginning of the '90s, these trends began to affect the service sector as well.

*Only the public sector has been sheltered from the adjustment process, even though public employment contracted in 1993 and continued to decline, though less steeply, in 1994 and 1995.*

Firm size provides the key to understanding the changes that have taken place in work organization and employment in Italy. Small and tiny firms have increasingly become the main source of job creation, while large firms (except in retailing) are steadily destroying jobs. More generally, the main features of job creation in Italy are now the following:

- a recent resumption of job creation in the services, especially the advanced services sector, after a phase of intensive reorganization that did away with over 600,000 jobs;
- the steadily growing employment role of small and tiny firms;
- an upward trend in self-employment and atypical employment;

- a recovery in the demand for female labour and skilled labour, but not sufficient to offset the expansion of the labour force in these segments.

### 3. Wage and salary trends

Wages and salaries in Italy have traditionally depended on two main factors: cost-of-living indexation and productivity. The tripartite agreements signed in July 1992 and July 1993 established a new wage-setting framework, based on clear-cut guidelines:

- all wage indexation was finally abolished;
- the bargaining system was reformed, and the wage provisions of collective agreements at national and local levels were strictly defined;
- national contracts should regulate industry-wide minimum wages, with reference to official inflation targets; while local (firm or district) contracts should set gross wage differentials, according to local productivity and profitability;
- new, more flexible methods of workforce utilization were allowed for.

Since 1993, however, productivity gains have not always been equitably shared either between workers and employers or among industries and occupations, thus fostering inequality. From 1993 to 1995, average annual productivity gains came to 5% in agriculture and 6.8% in transport and communications, but the rates of real wage increase were substantially lower (2.5% in agriculture and 2.3% in transport and communication). In the public sector real wages actually declined (-1.2%).

Furthermore, nominal wages have risen less than the cost of labour, as social contributions have continued their powerful uptrend, testifying to the slowness of the pension system in adapting to the new framework ushered in by the accords of 1992 and 1993. In short, even though the agreements have effectively curbed wages and profits have increased very substantially, this has not led to job creation on a large enough scale to recoup the jobs destroyed during the slump.

### 4. The principal causes of unemployment

The increase and intractability of unemployment in Italy cannot be traced to any single, simple cause. One key aspect, however, is certainly demography. As the working-age population has expanded and participation rates have risen, the economy has proven unable to keep pace by creating jobs. To grasp the nature of unemployment, we must consider three qualitative changes in the demand for labour.

- *tertiarization*: in the '60s, '70s and '80s the service sector expanded continuously, reaching a share of almost 60% in total employment. During the '90s, while agriculture and industry continued to shrink, for the first time there was a contraction in the incidence of the service sector, where job losses were even more severe than in industry;
- *feminization*: one of the most striking traits of the Italian labour market is the growing feminization of all its main facets in the last 20 years (at present women account for 37% of the labour force, 35% of employment and more than 50% of unemployment);
- *employment age concentration*: another evident phenomenon of the last 30 years is the progressive concentration of employment in the middle age-groups: in 1995 the employment rate of 30-49-year-olds was 50% higher than that of the entire working age population (aged 15-69); in 1966, the gap had been only 20%.

The present dramatic situation (2.8 million jobless, corresponding to an unemployment rate of 12.2%) is the result of the progressive deterioration in the labour market in the South, where the demographic pressure has been much greater.

Aside from demographic and investment trends, the main explanatory variables of the dominant feature of Italian unemployment, which hits mainly women and first-job seekers with intermediate educational level, are institutional factors and qualitative labour mismatches. The Italian social and economic system rests solidly on the role of family, so that for mature men work is both a right and a duty. The allocation mechanism of scarce jobs therefore ensures full employment only to people in the central age-groups. The same age-based criterion increasingly applies also for women, whose participation pattern (particularly in Northern regions) is coming to resemble that of men. The present, increasing concentration of jobs in the central age-groups is, for men, merely the accentuation of a historical tendency while, for women, it represents a structural change that has taken place in the last twenty years. This pattern, given an almost constant number of job opportunities and an expanding labour supply, has entailed increasing difficulties for young people of both sexes in entering the job market.

Rising household incomes are at the origin of the progressively higher educational level of the incoming cohorts; but the occupational mix has not evolved in an analogous way. Technological progress seems, on the contrary, to be provoking a polarization of the skill mix. Here again, wages cannot be expected to act as an equilibrating mechanism because of technological rigidities on the demand side, the lack of downward flexibility on the part of the better educated, and the length of the interval between market signals and school-leaving. This model implies a worsening of the situation of the young and of women as the imbalance between demand and supply worsens, and is therefore consistent with the regional pattern of unemployment. The dearth of demand in the South has become so acute that job opportunities no longer suffice even to satisfy all the men in the central age-group. Accordingly, even this group is beginning to display significant unemployment.

## **5. Macroeconomic policies and forecasts**

The present macroeconomic situation differs from that of the turn of the decade. Notwithstanding the disequilibria of the labour market, the financial picture has improved markedly. This result reflects policy-makers' decision to concentrate on financial solutions to the monetary turmoil of 1992 and overcome the country's budgetary difficulties, in order to qualify for European Monetary Union. The economic adjustment has been pursued mainly in two ways: countering inflation through a severe incomes policy and reducing the deficit by spending cuts and tax increases.

Fiscal policy has benefited the equilibria of the economy, defusing the inflationary threat inherent in devaluation and positively orienting expectations with regard to the financial framework. Since 1993 one of Italy's traditional macroeconomic relations - the pass-through of devaluation to domestic prices - has been rendered inoperative. The sharp devaluation of 1992-93 resulted in no upturn in inflation but, instead, in a slowdown and a tendency to convergence towards the EU average. The key to this remarkable achievement was the concertation of wage dynamics (although it is not yet clear how greatly the lack of an upsurge in inflation was due to this concerted incomes policy and how greatly to sluggish domestic and international demand).

In any case, the adjustment has come at the cost of the worst employment crisis since the Second World War, in connection with such factors as the slump in public capital spending (with a severe impact on the construction industry) and the labour market repercussions of tax and contribution increases. The negative impact has been only very partially offset by the devaluation-related export boom and the structural adjustment caused by the policy of disinflation, which have influenced expectations and investment less than expected.

On the one hand, today's inflation figures confirm the efficacy of the measures adopted; but on the other the economic downturn, the repercussions for the public finances, and the forecasts of economic growth far from sufficient to curb unemployment have aggravated the

difficulty of sustaining economic expansion while avoiding the risk of failure to meet the Maastricht criteria and consequent exclusion from EMU.

*For 1997-98, yearly GDP growth below 2% will mean employment growth of about 0.2%, and an unemployment rate well over 12.5%.*

## II. LABOUR MARKET INSTITUTIONS AND LEGISLATION

### 1. Public institutions

The public institutions entrusted with the regulation of the Italian labour market are:

- the Ministry of Labour and Social Security, which with its central administration, its regional Agencies and its local offices has overall responsibility for drafting, applying and monitoring labour legislation and for providing placement services;
- the National Economic and Labour Council (CNEL), which consists of representatives of social partners plus experts, and acts as an advisory institution for the Government and the Parliament;
- the Institute for Workers' Training and Guidance (ISFOL), a public law institution that works in cooperation with the Ministry of Labour and Regional governments to develop vocational training and guidance;
- the specialized offices of local authorities (Regional, provincial and municipal governments). Regional governments play the fundamental role in providing vocational training and guidance.

This system is currently under reconsideration, as its relative effectiveness calls for decentralization and closer integration with private and non-profit local agents.

### 2. The system of industrial relations

Employer-employee relationships are subject to a substantial body of legislation comprising social security and labour law and regulations. The fundamental rights of workers, among which are freedom of opinion, union rights, protection against disciplinary actions and reinstatement in case of dismissal without just cause, are laid down by the Labour Rights Act (Law 300 of 1970).

Trade union freedom is guaranteed by the Constitution. The protection of the weaker party in the labour market (i.e. the worker) extends to the constitutional guarantee of the right to strike, widely recognized and recently regulated by law in the public services. The Labour Rights Act further establishes the right of the most representative unions to have company-level representatives.

*In view of the possible inconsistency between local and national representativeness, some limits to this right were introduced in the wake of a referendum held in 1995.*

Employers are represented by three main organizations: the Confederation of Italian Industry (*Confindustria*), the Confederation of Commerce (*Confcommercio*), and the Confederation of Agriculture (*Confagricoltura*).

The trade union movement is strong, in spite of major recent transformations. Union membership is not compulsory. The major national trade union confederations and their political orientations are: CISL (centre), CGIL (left), UIL (centre-left), and CISNAL (right). The three most representative organizations (CGIL, CISL, UIL) are engaged in a difficult process of convergence into a single confederation. There are unions at the industry, sector

and company level. Unions at every level have the right to call strikes. The largest and most powerful industrial unions are those of the metalworkers and the chemical workers.

*During the last decade many unions not affiliated with the main confederations have greatly increased their bargaining power and capacity for action. These new organizations have arisen mainly in such key public service sectors as health, transportation, and education.*

The most important changes to the industrial relations system introduced by the tripartite agreement of 23 July 1993 were:

- a general agreement in principle on incomes policy;
- the definitive abrogation of the automatic wage indexation mechanism and the introduction of partial cost-of-living coverage during intervals in the renewal of expired contracts;
- complete separation between national and local, non-overlapping levels of negotiation;
- the institution of wage bargaining every two years at the national, industry-wide level (while the legal and work rules portions of the contracts run for a four-year term);
- new matters for local bargaining (at company or territorial level) every four years.

The rationalization of the bargaining system was complemented by provisions for the formation of a unified body for worker representation at the company level. The members of this representative council are mostly elected by the work force, and in smaller part are designated by the trade unions themselves. The council has powers to conduct company-level collective bargaining.

### 3. General Labour Policy

Between July 1992 and October 1995 more than 1,200,000 jobs were lost, with very substantial repercussions on the unemployment rate. The trend was particularly adverse for young people. The recent debate on labour market policy has accordingly centred on measures to increase the flexibility of the labour market by changing work time regulations, increasing occupational mobility and helping labour deployment within firms. The debate was relaunched at the end of 1993 by the European Commission's White Paper on *Growth, Competitiveness and Employment*. The Italian Ministry of Labour responded immediately with a paper of its own, *Obiettivo occupazione: una strategia di medio periodo per il mercato del lavoro italiano*. According to this document, the Italian labour market is characterized by a slow expansion of both female and youth employment, and by education rates far below the European average. With respect to European convergence, Italy is at a disadvantage not so much in its high unemployment rate as in its low employment rate. In this respect, the main policy line is to put into full operation the provisions of the agreement of 23 July 1993, regarding vocational training, human capital, research and development, and "regulated flexibility" in employment relations. The new Pact for Employment (24 September 1996) moves further in this direction. The main labour policy initiatives of recent years have been in three areas:

- increasing labour market flexibility through the introduction of new regulations on atypical employment and hiring procedures;
- granting general reductions in payroll taxes, as well as cuts in wage costs and social insurance contributions for various regions and economic sectors (these efforts have proven quite unsuccessful, as the actual growth of social contributions has continued to outpace inflation);
- fostering integration or reintegration of disadvantaged groups (women, young people, workers on short-time compensation and on the mobility rolls, drug abusers, etc.) into working life.

More recently, in accordance with the agreements reached by the EU Member States in Essen in 1994, Italy has prepared a Multiannual Programme for Employment based on the following priority objectives: i) to increase the rate of employment, especially in southern Italy; ii) to invest in human resources, current and future, and implement the principle of equal

opportunities; iii) to broaden the productive base and sustain its growth; iv) to ensure the effective operation of the labour market, by encouraging flexibility; v) to offer a variety of services to workers and businesses: accurate signals, information, individual guidance, training, etc.; vi) to guarantee, on certain conditions and through integrated management of incentives and social shock absorbers, financial protection for unemployed people actively seeking work.

#### 4. Employment protection schemes

As regards individual dismissals, Italian rules have traditionally been more restrictive than those of other major EU countries. Severance pay and notice requirements are stricter; the acceptable causes are somewhat loosely worded in the law, making dismissal decisions by firms more easily contestable; and "just cause" for summary dismissals is more stringent. Perhaps the most important restriction, however, is the heavy penalty levied on the employer if a dismissal is judged "unfair": economic compensation and also mandatory re-hiring. Together with the favourable rulings traditionally handed down by the courts to workers appealing dismissals, this has made outright dismissal infrequent as an instrument of adjusting the size of the work force. Legislation has moved to attenuate the stringency of these regulations. Exemptions from the most onerous regulations have been granted to small firms. As in the case of hiring restrictions, this has probably affected Italy's overall industrial structure. The main employment protection schemes are as follows.

Regular short-time earnings compensation (*Cassa Integrazione Guadagni Ordinaria*), aimed at guaranteeing industrial workers' wages in case of lay-off or a reduction in the company's activity due to temporary events not attributable to the employer or to the employees, or caused by the economic situation. Eligible for regular benefits are production and clerical workers and middle-level management and technicians who have been temporarily laid off or are working reduced hours in industrial firms. Regular CIG compensation is fixed at 80% of the gross wage for the hours not worked (from 0 up to the contractual maximum), but never more than 40 hours a week. The compensation is paid over a continuous period of at most three months, which may be extended quarter by quarter in exceptional cases, up to a maximum of 12 months during a given 2-year period.

Special short-time earnings compensation (*Cassa Integrazione Guadagni Straordinaria - CIGS*), whose purpose is not only income maintenance but also employment protection in case of restructuring, reorganization or conversion. The special compensation benefit amounts to 80% of the pay the workers would otherwise have earned, up to a gross monthly ceiling (in 1996, 1,340,000 lire for workers earning up to 2.9 million lire gross, and 1,613,000 lire for those earning more).

Work-sharing agreements (solidarity contracts), aimed at preventing labour shedding and collective redundancies during the course of the procedure for CIGS or for placing workers on the mobility rolls. The two sides reach collective agreements providing for reduced working time with a corresponding cut in collectively agreed wages. The reduction may be "horizontal" (daily) or "vertical" (monthly, weekly, yearly). In both cases the Government provides a quarterly allowance that is divided between the firm and the workers. The size of the allowance is variable: i) if a working time reduction of more than 20% is agreed, employers are entitled to a 25% reduction of their social insurance contributions; ii) if the working time reduction is more than 30%, the contribution relief amounts to 35%. The rates rise to 30% and 40% respectively for companies operating in the areas listed under Objectives 1 and 2 of EC Directive 2052/88.

## **5. Working time regulation**

Full-time: the maximum legally allowable working time in industrial and commercial firms is 8 hours a day, or 48 hours a week, plus up to 12 hours of overtime under agreement between employers and unions. The legal working week has been gradually supplanted by a contractual week -- generally a 40-hour, 5-day week -- that is now universal. The contractual working week thus determines the normal duration of labour services without affecting the maximum.

Overtime: legally defined as those hours worked over and above legal working time, overtime is counted separately and paid at least 10% more than the normal rate. The rate is fixed by collective agreement, depending on category of overtime (day or night work, working days or holidays, etc.). As a general rule, the law prohibits the indiscriminate use of overtime and specifies the cases in which it is admissible. Overtime that is not purely occasional is prohibited, except in exceptional cases required by production and technical constraints where averaging work time over a given period is impossible.

Part-time work is designed to enable workers who wish to do so to work fewer hours than those provided for in collective bargaining agreements, or to work for predetermined periods of time in the course of a week, a month or a year. Workers willing to work reduced hours can ask to be registered on a special placement list. Part-time contracts must be written, specifying the functions and the organization of working hours.

Flexible hours have been regulated with increasing care since the early '80s, both in collective bargaining agreements and in legislation (mainly using social shock absorbers). However, the tendency to abandon standard criteria in fixing the quantity of work in favour of a broader, more varied range of times, modes and models (multi-period schedules, annual calendar, functional and internal flexibility, part-time) has not been adequately sustained by Italian legislation.

Fixed-term employment contracts are authorized when the duration is limited by the nature of the work (seasonal), or for the temporary replacement of an absent worker (who retains the right to his/her job), or for carrying out a specific task or service predetermined in time and of an extraordinary or occasional nature. They can be authorized also for tasks or series of tasks that require workers with different skills from those normally used in the firm, and for personnel related to specific shows or to specific radio and television programmes.

Early retirement programmes have sought both to make possible shorter careers and to safeguard the income of workers in troubled or restructuring firms and industries. Lacking any universal legislation, these programmes have been governed by a series of temporary measures designed for individual sectors. A new phase in the programme was opened by Law 223/1991, which significantly amended the previous rules: i) it extended early seniority pensions to sectors where the programme had always been based on old age pensions; ii) it mandated the Interministerial Committee for Economic Planning to check early retirement eligibility, in an effort to make the programme independent from the short-time compensation programme.

## **6. Contractual minimums**

Unlike such countries as France, Spain and the Netherlands, in Italy workers have no economy-wide minimum. They do enjoy a Constitutional guarantee (Article 36), that calls for equitable compensation in proportion to the quantity and quality of work. Therefore, every contract establishes differential contractual minimums, according to grade and skill. Under the new wage-setting provision agreed upon by the July 1992 and 1993 agreements, a four-year national industry-wide contract, with renegotiation of the wage provisions and the recouping of any differential between actual and target inflation every two years, sets contractual

minimums consistent with the target inflation rates. Since 1992 such minimums have risen very little, usually well below both inflation and gross wages, thus giving grounds for conflict over the compensation for losses in purchasing power, most notably in the case of the metalworkers.

*While average inflation from 1992 to 1995 was 4.7%, the average annual rise in contractual minimums was 2.5% in agriculture, 3.4% in industry, 3.8% in wholesale and retail trade and 2.8% in transport.*

### III. LABOUR POLICIES

#### 1. Passive labour policies

The recent trends in the main income support programmes are the following.

Regular and special short-time earnings compensation experienced rapid growth in the number of hours compensated in 1991, 1992 and 1993; the trend was reversed in the first quarter of 1994, with a significant differentiation between regular and special compensation; by December of that year regular benefit hours had declined by 50%, while special benefits had slipped by just 1%. This pattern continued in 1995 and 1996. However, regular short-time compensation, which had fallen first and most sharply, turned upwards with growth of 12.7% in the first quarter of 1996.

The Mobility programme, designed for workers who are definitively removed from production, provides two advantages: first, registration in special mobility rolls, which offer preferential hiring; and second (for a smaller group), entitlement to the special mobility benefit (the same amount as CIGS). So-called "long" mobility has taken on special importance in recent years: for some workers put onto the mobility rolls in certain periods, the mobility benefit was extended until retirement age (provided that the worker was within 5 years of the retirement age and had 15 contribution years). The recent progressive decrease in resort to special compensation has entailed a corresponding increase in the mobility rolls, which are expected to further expand, at least in the near future. The number of mobility allowances, on the contrary, in 1995 declined 7%, owing in part to the gradual exhaustion of the eligibility period.

Solidarity contracts, recently reformed with the aim of making them more attractive to both firms and workers, have shown a strong impulse in the employment crisis, while, after a period of continuous reduction, early retirements increased again by 6,000 in 1995, totalling 102,000. Due to the high costs, the Government has recently announced its intention to forgo any further early retirement programme.

#### 2. Active labour policies

The Italian vocational training system is still marked by quite a sharp dichotomy between academic education and vocational training, so that there are notable discrepancies within the school-training-work circuit. In a highly fragmented labour market, in any case, training is mostly directed to two distinct groups: i) young people, with the development of training strategies designed for work access; ii) adult workers, for whom the necessity is training plans to maintain human capital and to prevent social exclusion.

Trainee contracts provide tax incentives to firms that hire and train young workers. In 1994 the eligible age range was extended (now 16 to 32), and two distinct types of trainee contract were provided for, aiming respectively at: i) the acquisition of an intermediate skill level or else a high skill level (maximum duration, 24 months); ii) facilitating job market access through a job experience (maximum duration, 12 months).



In areas of the country where unemployment rates are above the national average, the law now provides for work access plans, to bring young people aged 19-32 into the work force. The age limit is extended to 35 for the long-term unemployed, i.e. those on the employment service rolls for more than two years. Such plans can be embodied in projects providing for socially useful jobs and participation in training activities, or providing both training and work experience for professionally qualified persons.

Introduced to provide employment for workers on special short-time compensation and on the mobility rolls, socially useful projects (characterized by their social purposes and by the fixed time frame in which they must be completed) have recently enjoyed considerable success in achieving job market reintegration or access. Work cannot exceed 80 hours a month for a maximum of 12 months. The mounting number of workers on special short-time compensation and mobility and the inability of the public finances to defray the cost of adequate income supports have prompted government, employers and trade unions to relaunch the projects, making short-time and mobility benefits conditional upon participation in the projects.

Employment and job creation subsidies have seen quite heavy use since the late '80s. These programmes are quite numerous. Italian laws aimed at expanding employment through new enterprise formation carry the names of De Vito (Law 44/1986) and Tremonti (Law 489/1994). Law 44 was designed to promote the formation of businesses constituted by young people and located and operating in the South. The success of the measure in improving both labour markets and the local productive fabric persuaded Parliament both to extend its geographical ambit and to substantially increase the funds appropriated. The law now extends to all depressed areas (i.e. the districts qualifying for Objective 1, 2 and 5b). To make the implementing agency more flexible, the law creates a public limited company, the Company for Youth Entrepreneurship, whose shares may be purchased by public bodies and other economic organizations. Its mandate is to provide services to organizations, agencies, firms and other economic bodies, for the creation of new enterprises and support to small and medium-sized enterprises formed chiefly by young people aged 18-29 or exclusively by those aged 18-35.

Measures to expand the employment base were also taken in 1994, in the effort to foster and speed up the economic recovery and ensure that it led to job creation. Parliament granted incentives both for self-employment and for payroll employment. The Tremonti Law enacts substantial tax relief and simplification for new enterprises started up by people younger than 32, by unemployed persons and the handicapped. The law restricts the alternative tax treatment to specified areas of the economy.

*These are: a) energy efficiency and the promotion of renewable energy sources; b) natural, biological and biodynamic agriculture; c) differential collection of trash and garbage; d) water and flood control, environmental clean-up, and planning for the upgrading, maintenance or restoration of historic city centres; e) products that have been assigned the ecological quality seal pursuant to EEC regulation 880/1992.*

One of the great weaknesses of Italian labour policy is a lack of evaluation of the effectiveness and the efficiency of programmes. The evaluation of labour policy measures involves essentially three aspects: the consistency of instruments with objectives, impact, and the way in which the programme is implemented. In Italy, only very rarely has the need to accompany labour policies with active evaluation been recognized. In recent years, however, greater attention has been accorded to these issues. The new organizational structure for labour market regulation, created by Law 56/1987 and Law 223/1991, includes monitoring and evaluation of policy measures through the Labour Market Observatories and the regional Employment Agencies.

## IV. OTHER POLICIES THAT INFLUENCE THE LABOUR MARKET

### 1. The education system

The Italian labour market is sharply distinguished from those of other European economies by its relative underendowment of human capital. Only 30% of all labour force participants older than 25 have more than compulsory schooling, compared with 35% in the European Union as a whole; only 10% are university-educated, compared with an EU average of 25%. The education system is divided into two main sub-systems.

- School and university education. Schooling is compulsory up to the age of 14, with all children following the same national syllabus. A bill is being drafted to raise the minimum school-leaving age to 16, to fit in with European standards. Once compulsory education is completed, youngsters must decide on the next level of education, making a choice from three main groups: academic high schools ("*liceo*"), technical schools and vocational schools.
- Regional-based vocational training. Each of the 20 Regions offers a great variety of vocational training courses. Training structures are completely separate from the school-university track, but proposals for linking the two systems are under consideration. Initial training given to school leavers is of interest to youngsters that leave school immediately after the termination of compulsory education or that drop out of upper secondary school. For certificate-holders and university graduates courses are often specialized; school-leavers are often given general training courses.

The transition from school to work is anything but immediate and consequential. At the national level, there are (as we have seen) labour market instruments to facilitate young people's entry, including apprenticeship and trainee contracts.

### 2. Social security and welfare

Public spending in the field of social security and welfare takes up a considerable amount of the budget. In 1995 it amounted to 443.1 trillion lire, around 25% of GDP and over 50% of public spending.

The social security sector has created problems for the Italian economy and in particular for the labour market: besides the imbalance between services and benefits, there is the high cost of the pension system, which includes welfare-based benefits and allowances improperly aimed at redressing labour market imbalances. Quite notable is the problem of inadequate spending for families. Also to be noted is the inefficiency of the national health service, which has costs similar to those borne by other European countries, but with lower service standards. The sector is weighed down by high personnel costs to the detriment of investment. Scant (or unrecorded) assistance is given to the economically disadvantaged, whereas legislation does safeguard the rights of deserving categories, such as the disabled, the blind, the deaf and dumb. Finally, there are important regional disparities in the quality and efficiency of the local health and welfare authorities.

Recent efforts to curb spending and increase quality in three sectors (social security, welfare and health) have had uneven results. Cost effects have been significant and visible in the health sector, and there has been relative cost stability in the welfare sector, whereas social security spending has continued to rise pending the effects of recent pension reforms.

*A direct consequence of the reduction in public spending has been a parallel increase in private health spending.*

### 3. Industrial policies

The economic and social gulf separating the northern and southern regions has always been among Italy's most severe and intractable problems. The search for solutions to this dualism has centred on the fight against unemployment, which has taken on dramatic proportions in the South. Over the years the state has focused on developing productive activities and creating jobs, but with unresolved problems such as the poor quality of public services and spotty communication and transport infrastructure, economic policy initiatives must be made more efficient in order to create the conditions for self-sustained development of the southern economy. An interesting series of initiatives in the spirit of the Confidence Pact, known as the "Territorial Pacts", is intended to explore changes in local development. This instrument requires the participation of local political and economic actors, agreeing on a local development programme in accordance with the objectives outlined by the European Union Support Framework.

## V. THE DEBATE ON EMPLOYMENT

### 1. The Italian model

The Italian economy is at a notorious disadvantage with respect to its nearest European competitors. It is set off by a number of specific features, involving both macroeconomic arrangements and the employment equilibria. The macroeconomic factors include an extremely high saving rate, traditionally high (though now steadily declining) structural inflation, inadequate capital formation (two thirds slower than in the other leading countries), public services poorer in quality and lesser in quantity than in most European countries, and a public debt still larger than GDP, despite four consecutive primary budget surpluses.

Among the specific features of the labour market, the following are worth recalling.

- The employment rate is significantly lower than the average for the industrial economies; only half of all Italians of working age are engaged in economic activity.
- Female participation is percentage points lower than in northern European countries.
- Joblessness rates are perceptibly higher than in most OECD countries.
- The share of total employment accounted for by self-employment is significantly above the average for the industrial countries, and still rising.

### 2. North-South dualism

In the central and northern regions the unemployment rate is now between 7% and 8%, more or less in line with other EU countries if not lower. But in the South the rate is over 21%; moreover, the participation rate is low as well, especially for women; and whereas in northern Italy the bulk of the jobless are unemployed workers (i.e. job-losers), in the South the largest group is that of first-job seekers.

*Another disparity consists in the share of non-regular employment in the two parts of the country. Non-regular work now represents some 34% of total employment in the South, as against 18% in the Centre-North.*

A series of Government documents have stressed the need for constructive dialogue between central and regional governments and the social partners, to map out the most appropriate lines of action to foster the conditions for development in selected areas. The terms of the 1993 agreement and the 1996 Pact for Employment leave no doubt as to the general consensus on the main strategy for countering the dualism in the labour market. The fundamental option in favour of concertation and negotiation with the social partners is an integral part of the Italian model of industrial relations. In this context, the Government has

provided for local, territorial agreements pursuant to Law 341/1995, to provide stimulus and direction for local job creation initiatives responding to the needs of depressed areas. This strategy is based on the Committee for Employment, instituted in 1992.

The Government recently sought to transcend Italy's traditional development policy, centred solely on extraordinary development assistance, with a series of measures mapping out a new strategy of action based on broader, "ordinary" regional development policies for all the disadvantaged parts of the country. And, finally, there is agreement that a prerequisite<sup>3</sup> to speeding up economic growth is effective action to combat organized crime, an area in which important though not yet definitive successes have been achieved.

### **3. Employment flexibility**

The Italian labour market has traditionally been characterized by a pervasive set of rules. The relaxation of this regulation is thus considered a vital requirement for employment growth. Government and social partners have long agreed on the need for additional accompanying programmes to activate and strengthen the labour market and bring it into line with Europe, by fostering the enlargement of employment in the "secondary segment" of the labour force (less than full-time, open-ended contracts).

The need for flexibility was recognized by the July agreements of 1992 and 1993. The signatories to the 1993 accord agreed that increasing employment would depend not only on stable economic growth but also, crucially, on more flexible regulation of the labour market and flexibility in bargaining, as concerns forms of employment and wages.

The controversial question of wage flexibility has not been dealt with directly by the Government, which holds that this is the prime province of management and labour negotiators; however, Government did pledge to ease, to some extent, the contributions levied on the productivity- or profit-linked increases negotiated at company level. But the ensuing action was very limited.

### **4. Vocational training and human capital**

One of the most striking shortcomings of the education system is that, unlike other EU countries, Italy still does not extend compulsory schooling beyond age 14. Moreover, the dropout rate is high at all levels, especially in vocational schools and in the universities. Despite a number of initiatives, including some in the private sector, vocational education remains limited and very little diversified at the post-compulsory level. At both upper secondary school and university levels, furthermore, links between training and work access are difficult. Continuing training on the job still involves only a minority of firms and workers.

Government and business and labour organizations have agreed on the need for modernization and requalification of education and training systems, in order to enrich basic and vocational qualifications and skills and enhance industrial competitiveness and the quality of services. The July 1993 agreement stated that this process would entail both resolute actions to improve and develop the various types of training and the evolution of industrial relations and corporate policies to implement initial training for work access, vocational requalification and continuing training.

With the concurrence of the social partners, the Government undertook a number of initiatives to promote investment in vocational training by simplifying procedures, providing technical assistance, and meeting deadlines for public cofinancing. Law 341/1995 provides for territorial agreements. This is a new approach taking advantage of the contribution of business and labour to initiatives for the development of the South and areas in crisis.

## **5. The public employment service**

Since given Italy's present levels of unemployment no possibility must be left unexplored, government, business and labour have agreed in formal tripartite documents on the need to make the public agencies for employment more efficient in actually matching demand and supply. There is broad consensus on the need for very significant decentralization of labour policies and institutions. To this end high-quality services, both public and private, must be available locally and in virtual networks. It is universally agreed that the role of the Regions must be enhanced, while naturally maintaining a national system that ensures compliance with certain standards. The regional Employment Agencies have shown their usefulness in action, but are still less than fully satisfactory.

New models and mechanisms for greater efficiency, effectiveness and economy in production have been introduced into the public services, which should also bring some benefit in terms of employment. In this direction, a very important step is the phasing out of the public monopoly on job placement, with the authorization of private agencies, which could be spurred by the introduction of provisions for temporary employment. Despite numerous attempts to improve the public employment service and experiments with private placement initiatives, overall reform is still needed.

## **6. Concealed and irregular work**

In terms of labour market regulatory provisions, Italy's low employment rate is reflected in a structural imbalance in the overall employment mix. While the segment of typical employment relations is more or less in line with that of its European partners, Italy has a disproportionately small "secondary" job market. A policy of incentives to bring underground activities to the surface, combined with measures for training human resources, could raise the employment rate without making the entire job market precarious. This would directly increase social contribution revenues and, indirectly, tax revenues. Changes in the system of income and social security tax levies on atypical employment (part-time, second jobs) could eliminate disproportionate costs. At the same time, suitable forms of checking by the labour inspectorate need to be instituted, shifting staff from today's often pointless placement functions. In addition, measures are needed to do away with the present complicity between underground employers and workers.

Atypical jobs, with reduced social contributions and income tax incentives, could be associated with lesser social security benefits, especially for the young, postponing their full entitlement until they move on to standard, primary-segment employment. Another proposal is partial income tax deductibility for domestic assistance, which would help to bring a good deal of off-the-books work into the net.

So far Italian governments have not clearly resolved to eliminate or at least attenuate this anomaly, which damages not only the labour market but also the public finances. An indirect commitment was made in the 1993 agreement, with the government's recognition of the need to make atypical employment contracts attractive. The massive presence of non-regular employment stems essentially from a peculiar system of relative prices, i.e. a set of fiscal and contribution provisions that has affected the structure of employment. To cite just one example, one full-time worker costs significantly more than two part-time workers.

To alter the structure of comparative advantage as between regular and underground activities, while at the same time progressively changing the social welfare function, greater responsibility must be exercised by all economic and social actors.

## 7. The Prodi Government programme for employment

The Government of Romano Prodi made clear and explicit commitments regarding employment in its Economic and Financial Planning Document for 1997-1999, presented to Parliament in June 1996. The Document makes employment a priority objective, with special attention to the South. Structurally, the Government has made a number of practical commitments:

- to promote the enlargement of the productive base and support new enterprise formation and employment in small firms, with incentives to small and tiny businesses that are formed or that increase their work force, with a view to closer integration with large firms;
- to reform the state employment service through decentralization, liberalization and a lighter state presence, making the most of the role of private parties;
- to revise, through concertation, both social shock absorbers and employment incentives to achieve greater certainty and less administrative discretionality;
- to plan socially useful projects in conformity with the principle of mutual solidarity; in this regard the government plans to promote the growth of the non-profit sector, which realizes solidarity in decentralized and generally efficient fashion and which can be expected to play a major role in providing services and creating jobs;
- to devise, in agreement with the social partners, a set of measures for regulated flexibility on both the demand and supply sides of the labour market;
- to draft a plan for part-time hiring of young people by government departments;
- to foster initial and continuing training programmes, both in and out of the school system, both in-service and for the unemployed, to improve and update human capital;
- to ease the tax and contribution burden on the cost of labour by shifting part of it (health service contributions, for instance) from payroll taxes to general taxation;
- to promote and provide incentives for self-employment and enterprise creation by young people, with support to the law on youth entrepreneurship and "word-of-honour" loans for young people, including student loans as well as business start-up loans.

*The Government further proposes to move in several directions:*

- *fostering a favourable climate for investment, economic activity and the exploitation of local resources by extending tax relief to firms that invest and create jobs;*
- *testing, in the South, new forms of labour market flexibility, with special attention to young people;*
- *developing local pacts and company agreements for flexibility, which in the past have succeeded in shrinking the underground economy and encouraging capacity expansion and new investment;*
- *stepping up the vast array of real services to industry, service businesses and the tourist sector;*
- *upgrading public administration;*
- *promoting investment in transport and communication infrastructure to facilitate the movement of people, goods, services and above all information.*

The subsequent tripartite *Pact for Employment*, signed on 24 September, ratified the social partners' consensus on this overall policy approach and set out measures, incentives, contribution relief and tax reductions designed to tackle the employment emergency but also to upgrade and improve the labour market in general. The pact is certainly an appreciable measure, with such positive features as less rigid discipline of apprenticeship, innovations concerning part-time contracts, strong incentives to new employment and so on.

The fruitfulness of so many significant commitments in practice will depend heavily on the climate of mutual trust and confidence that the social partners and local governments manage to establish, so as to sustain at the grass-roots the effort undertaken at the central level. The task is not at all an easy one, as is clear from this year's investment and employment figures as well as from the bitter dispute over renewal of the metalworkers' contract. Nevertheless, an honest effort to establish such social trust, confidence and loyalty is a "real requisite" for the meaningfulness and completeness of Italian participation in Economic and Monetary Union.

# I. LABOUR MARKET ANALYSIS AND FORECASTS

## 1. Demographic trends

Since the turn of the 1960s the size and composition of Italian population have changed dramatically, under the uneven influence of demographic factors.

The annual number of births has declined progressively, from a peak of 1,016,000 in 1964 to just 526,064 (Graph 1.1) while the fertility rate has dropped to 1.2, one of the lowest in the world. This phenomenon, which took demographers and economists totally by surprise, occurred in just a twenty-year period: in fact births were already down to 556,000 in 1986 and the number has remained pretty much constant since then. At the same time life expectancy has increased to 74 years for males and 81 for females. Italy, historically a country of emigration, has been since 1973 a country of net immigration and this is already reflected in the multiethnic look of the country's cities, large towns and factories.

Therefore, at present Italy is characterized by a negative natural balance and by a positive migratory balance, and both values are expected to increase at least in the next few years.

Total population has risen from 49.2 million in 1961 to 56.6 in 1995, while population structure and geographical distribution have been radically transformed (Table 1.1). From a structural point of view, the decrease of the birth rate and the increase of the average age at death has produced an aging of the population that can be captured observing that the weight of young people has lost 7.9 percentage points while the working age population and the elderly have gained respectively 5.1 and 4.6 points.

Although these trends have been common to all Italian regions, their timing and dimensions have been differentiated. The process has affected Northern regions first, progressing from North to South, so that while in the Northern part of the country the relative weight of the young is already down to 12.6%, in Southern regions - where 46.3% of Italian young people live - the figure is still 19.5%.

Between 1961 and 1995 the working age population increased by more than 8 million. Table 1.2 shows the relative role of generational turnover (entries and exits by age), migration and death. The picture is a rather complicated one, reflecting drastic changes in the roles of these three contributory factors over the years.

Until the turn of the '80s, generational entries into the working age population increased, reflecting the post-war baby boom. This trend was partly counteracted, however, by an increase in generational exits, so that the impact on the generational balance was rather modest. Moreover this period was characterized by a negative migratory balance.

In the 1981-1991 period the drop in the birth rate began to be felt, so that generational entries have progressively decreased while the positive trend of exits has continued, with the exception of the years from 1981 to 1986, when the cohorts that were involved in the Second World War exited from the working age population. As a result we register a drop in the yearly natural balance of around 100,000. During the same period we find a total positive migratory balance of almost one million.

## 2. The structure of the labour force

### *Recent labour market trends*

#### *Premise*

In the last three years, the Italian labour market has suffered the worst slump since the Second World War. Employment has plunged and unemployment has begun to rise again, reversing the first timid improvement favoured by stagnant population, especially the shrinking size of new entry cohorts.

What was actually happening was not perceived immediately, partly because Istat's quarterly Labour Force Survey, the main source in this field, had modified its data observation system and revised its method of calculating the reference population. Just as the slump was beginning Istat substantially changed the survey questionnaire and the criteria for classification. The aggregate itself was also revised for alignment with the findings of the 1991 census.<sup>1</sup>

#### *The fundamental trends of the 1980s*

The fundamental labour market developments of the '80s were a pronounced rise in unemployment but also an increase in employment. While not sharp, the expansion of employment was certainly not negligible; it grew more than during the '70s, when by contrast unemployment had not increased. The gain in employment in the '80s was almost entirely accounted for by women, but this did not prevent the growth of female unemployment. This reflected underlying changes in labour market equilibria that were asymmetric as between the two sexes. There was a significant decline in the men's participation rate and a substantial rise in the women's.

The geographical breakdown adds a further element: nearly all of the gain in employment came in the Centre and North, nearly all the increase in unemployment in the South. The expansion of the female labour force was faster in the South than in the Centre and North, but it mostly took the form of additional unemployment, not employment as in the rest of the country.

In short, the changes in the labour supply were highly gender-specific, with divergent trends for men and women, but basically common nationwide. The growth in the demand for labour was not only gender-specific but also geographically characterized, concentrated in the northern part of the country. In what follows we examine how the employment crisis has modified these underlying trends.

#### *Recent trends in employment and unemployment*

Graph 1.2 is an index of employment trends in the last three years, with 1993 equal to 100, as in the other index graphs.<sup>2</sup> The drop in employment has been substantial, a loss of 350,000 between April 1993 and April 1996. The trough came in

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<sup>1</sup> The revision of the questionnaire could not be put off any longer. It had to be brought into line with the Eurostat definitions, from which it diverged too substantially. But this created problems of continuity with existing data series, and the difficulties of adjustment have not yet been entirely resolved. Accordingly we have elected to separate the analysis of recent trends from that of the longer term, which is set forth in section 2.5 below.

<sup>2</sup> The actual numbers referred to in the text are reported in the statistical appendix.



April 1995, at 400,000 below the starting figure. Since then there has been a gradual recovery that seems to be in course of consolidation.

Unemployment has risen significantly. The number of persons unemployed, by the Eurostat definition, has risen from 2,373,000 in April 1993 to 2,816,000 in April 1996. The differentials between men and women have remained unchanged, with the male unemployment rate rising from 7.8% to 9.6% and the female rate from 15.0% to 16.7%.

The recession does not seem to have altered the basic relative patterns of the labour market of the '80s; rather it has had the effect of worsening the existing tendencies. Graph 1.3, for example, shows that during the two years of recession male employment, which had been roughly stable during the '80s, dropped sharply, while women's employment, which had been increasing rapidly, declined only slightly. In the last year, that of economic upturn, female employment has resumed its growth, while male employment has achieved only a slower rate of decline. Thus the relation between the two has remained virtually unchanged.

Some elements, aside from the relative positions, are worth underscoring:

- a) women's employment stopped growing after 20 years of uninterrupted expansion;
- b) this had no effect on women's participation, which continued its significant growth.

This has had an impact on discussions of the determinants of labour force participation. The "discouraged worker" hypothesis, long debated in Italy, posits that during employment slumps the labour supply may contract because the more marginal strata, especially young people and women, give up looking for work and are thus no longer counted as unemployed.

The consequence is that during recessions the true severity of unemployment may not emerge, but it will be harder to reduce in the subsequent recovery because this latent, temporarily hidden labour supply will return to the job market.

Can this thesis still be sustained? The powerful growth of the female labour force in the '80s was certainly fueled and "pulled" by a rapidly growing demand for labour. But the growth in the supply far exceeded that in the demand. It was accordingly suggested that certain key features of women's labour force participation had been modified: that work outside the home, once transitory and sometimes utterly marginal in women's lives, had become increasingly basic, fundamental to women's identity.

If the increase in the labour force corresponded to basic cultural changes in the female component, this had crucial implications for the functioning of the labour market itself. It was theorized that the "new female labour force" tended to be much less "discourageable" than in the past, less dependent on ups and downs in demand.

The pattern of the employment crisis of the last three years provides evidence in support of this thesis. The female labour supply in fact continued to grow even as women's employment declined. This does not mean that there were no signs of "discouragement", but that such signs were common to men and women. In the three years, there has been a growth in the "potential labour force" of men and women alike (Graph 1.4), i.e. people who say they are looking for work but have not taken any job search actions in the month preceding the survey. And for both sexes there was an increase in the number of persons "outside the labour force but willing to work" (Graph 1.5), i.e. those declaring that they are not looking for a job but would take one if it were offered.

### *Sectoral employment trends*

In the '80s, employment expanded solely by virtue of the services sector, both public and private, while the secular decline in agricultural employment and the more recent but equally pronounced drop in industry, especially in large firms, continued. In ten years more than a million jobs were lost in farming, which counted under 2 million in 1990. Another 900,000 were lost in industry, bringing the total in 1990 to 6.8 million. However, employment in the services grew by 2.6 million over the decade, and by 1990 the number employed in this sector had reached 12.6 million.

Graph 1.6 shows that the slump of the early 1990s affected the services first and foremost, blocking their employment growth immediately and until April 1995. Since then there has been a gradual recovery, but nothing comparable to the previous dynamic job creation. The performance of industrial employment was better than expected, with a loss of 70,000 workers in manufacturing during the first two years, mostly recouped in the last year. Overall, then, industry excluding construction performed better during the three recession years than during the decade of employment expansion. The contraction in construction employment, however, was sharp, with a loss of 150,000 jobs in three years. Many observers have noted that this is also a "political" crisis due to the virtual freeze on public works projects triggered by the uncovering and prosecution of widespread graft and corruption (and this explanation is applicable to a good number of components of the services sector as well).

As for the relative weight of salaried employment and self-employment, the latter has performed decidedly better (Graph 1.7), as has been the case for a number of years now.

### *The geography of recession*

As noted, the expansion of the '80s was sharply diversified geographically. The growth of employment came almost entirely in the Centre and North, that of unemployment in the South. In the last three years the disparity has worsened. As Graph 1.8 shows, the fall in employment in the North was relatively sporadic, and the three years actually ended with a positive net balance, employment rising from 10,348,000 in April 1993 to 10,401,000 in April 1996, while the South experienced a severe collapse, employment dropping from 6,010,000 to 5,640,000. Meanwhile, unemployment increased by just 25,000 in the North and by 380,000 in the South.

The trend in central Italy was more contradictory, with only a moderate decline in employment but a substantial rise in unemployment. The data are recent, however, and their proper assessment will require additional information on the structure of the labour force by sex and education, for which sufficiently long series are not yet available.

In any case, now as never before, after a decade of overall expansion and three years of grim recession, the problem of employment in Italy can be identified with the regional problem. Three figures sum it up: in 1996, the South of Italy accounted for 36% of the total population and just 28% of employment, but a full 57% of unemployment.

### ***Elements of labour force structure***

#### *Aspects of "non-institutional" work in Italy*

The data presented here were developed as part of Istat's project to re-estimate the national accounts. They are thus official data but not gathered directly; instead, they are derived by comparing different sources. A brief summary of the definitions will accordingly be useful.

- a) Regular employment positions: the positions of employees regularly registered on firms' payrolls and of self-employed persons whose activities are performed in work premises identifiable as such as the seat of enterprises.
- b) Non-regular employment positions: the positions of employees not officially on the payroll of firms and of self-employed persons whose activities are performed in work places that cannot be described as the seat of enterprises. Statistically, these are counted by subtracting payroll staff of firms from the number of persons explicitly employed as found in the labour force survey.
- c) Undeclared employed persons: labour force survey respondents who do not explicitly state that they are employed but do say that they have worked at least some hours during the reference week.
- d) Non-resident aliens: this estimate covers only non-resident aliens employed by Italian enterprises.
- e) Second jobs: employment positions in addition to the primary one.

In 1995, Italy counted nearly 18 million regular employment positions, as well as nearly 2.5 million non-regular positions and 441,000 non-declared employed (Table 1.3). Primary employment positions that can be described as "non-institutional" thus involved some 15% of total residents' employment positions. In addition, there are some 700,000 non-resident aliens; for these, only salaried employment is estimated, not self-employment.

Non-institutional employment is equally common among wage-earners and the self-employed; the sectors in which it is most widespread are the market services and construction.

The situation as regards second jobs is more complicated. Istat reports some 7.2 million jobs. This would mean that about a third of all persons employed have a second job. Obviously, these jobs are highly sporadic; they may even produce substantial earnings, but when converted into standard (or full-time equivalent) labour units, they amount to just 1.8 million "normal" jobs. The vast majority of these second jobs (some 4 million) are in agriculture; the rest consist mainly in self-employment or salaried employment in the market services.

#### *Part-time work*

Traditionally, part-time work has played a marginal role in Italy, though efforts have been made of late to adapt contractual provisions in this regard. In 1994, just 1,176,000 of Italy's 20,120,000 employed persons were working part-time. Unsurprisingly, the large majority are women working in the services.

#### *The structure of the labour force by age*

One specific feature of Italian unemployment, by European standards, has always been the prevalence of youthful first-job seekers in total unemployment. By means of mechanisms that have not yet been thoroughly studied, the job market has always favoured the employment of the more mature workers. This feature used to be ascribed to lack of mobility, the standard image of the job as a "fortress" that may have been hard to get into but, once obtained, even harder to be gotten out of. But then it was found that the Italian labour market is marked by very considerable mobility; and on reflection this was only to be expected, given the clear predominance in all sectors of small and medium-sized enterprises, one of whose characteristics is high turnover.

The fact is that in the past adult workers certainly enjoyed very good job security; above all, however, it was always easier for them than for younger workers to find

another job. More than in other countries, the best passport to jobs has always been having one already.

Yet this feature of the labour market, i.e. high youth unemployment, has permitted the effective buffering of the economic repercussions of unemployment, which have been shifted onto families. Households are highly resourceful; they can activate even "pieces" of a job (notably those second jobs mentioned above) to cope with the delayed entry of children into the job market.

This method of blunting the economic consequences of unemployment has proved extremely efficacious, making very high unemployment rates "tolerable" for long periods. The social repercussions have not been unproblematical, however, with the exclusion of the younger generation from work socialization, especially in the South.

What needs underscoring, though, is that with the job crisis of the last few years this mechanism has begun to jam. Not only has unemployment increased; the incidence of mature workers has risen sharply. In just three years the share of all unemployed accounted for by persons over 30 rose from 35% to 40%. The sharpest rise was registered by the 30-39 age-group, which corresponds to the age when a household's need for income is greatest. This alteration not just in the extent but in the social nature of unemployment has not yet been suitably discussed; much less have the inevitable social and economic consequences been assessed.

#### *Labour force and educational attainment*

It was long said, in Italy, that academic degrees were "useless" and unemployment in general was described as "intellectual unemployment" of upper secondary school and university graduates.

Actually, however, the problem of "intellectual unemployment" must be significantly put in perspective. True, these more advanced degrees no longer guarantee immediate success in the labour market with a secure, well-paying job. But as we shall see it can certainly not be sustained that better education is useless or counterproductive.

The age and educational distribution of the employed and the unemployed is given in Table 1.4. Clearly, the university degree gives you significant advantages in the labour market: graduates constitute 10.7% of total employment but only 6% of the unemployed. Those with just the upper secondary degree unquestionably encounter greater difficulty: 35.2% of employment but 37.1% of the unemployed. Those with no more than compulsory schooling (still only to age 14 in Italy) are worse off still, representing 37.2% of the employed and 47.2% of the unemployed. The probability of being unemployed thus decreases as one's educational level rises. The sole exception is persons with no more than elementary schooling (having dropped out at age 10); indeed, they appear to be favoured. Of course, these people gravitate around unskilled jobs that most Italians now tend to reject.

In any event, the figures on education cannot be grasped in their full significance unless they are adjusted for age. When this is done we find that young university or high school graduates do appear to have greater difficulty finding work than their less well educated counterparts.

However, the figures need proper interpretation. A single example should suffice. Take young people aged 20-24. In this age-group, upper secondary graduates account for 47.8% of the persons employed and 55.8% of those unemployed, while for persons with only compulsory schooling the opposite holds: the employed distinctly outnumber the unemployed. Holding the high school degree thus seems to entail some sort of impediment to success in the job market. The fact is that unless the data are corrected

along a time horizon, they can be misleading. A 20-24-year-old lacking the high school degree is not at an advantage. It is only that he has had more time to find a place in the world of work, since he left school an average of four or five years earlier. His more educated contemporary has probably just entered the labour market, not yet had time to make the transition from school to work, an especially lengthy process here in Italy. From this perspective, the entry problems of those with better educational attainments are largely scaled down.

Looking at the older age-groups, the situation is decisively reversed. Among those aged 40-44, those with upper secondary degrees account for 35.2% of the employed and no more than 20% of the unemployed. The same goes for university graduates.

On the whole then, it appears that possession of a high school or university degree does not greatly shorten the waiting time before entry into employment; but those who have gotten their degree and completed the transition phase have much lower risk of remaining unemployed.

#### *Labour market and education: gender specificity*

The rise in the average level of education since the Second World War has been more marked among women. Traditionally, men tended to be better schooled than women. Over the years the difference narrowed and was eventually inverted. Today, in the 25-29 age-group, 53% of the women have at least an upper secondary degree, compared with 49% of the men. Their better education has not yet produced any advantage in the labour market; women continued to have more trouble finding the first job than men, and to be hired to lower positions when they do find work.

One reason for this is the type of schooling selected. Many women still incline to the humanites, whose only vocational outlet is teaching, but the number of teachers is contracting in line with demographic trends. And this can only worsen, as there is no hint of even a levelling off of the birth rate.

### **3. Main trends in job creation and job loss**

From 1970 to 1995 Italian GDP recorded an average annual growth of 2.6%, while labour units (full-time equivalent employed) increased by 0.4% a year. Thus the growth rate in output has been achieved largely by raising productivity. However, this broad trend proves to be significantly differentiated both by time period (see Graph 1.9) and by productive sector.

During the '70s GDP grew by a yearly average of 3.7%; this expansion was accompanied by the increase in the number of salaried labour units at a rate of just over 1%, while self-employed labour units increased by 0.6% a year. During the '80s the growth of output slowed to 2.4%, and that of employee labour units to less than 1%. The self-employed labour force, by contrast, appears to have increased at a higher rate. The faster growth of self-employment was fostered both by the expansion of the business and personal services sector, and by changes in the relationships between firms and workers. In construction, for example, firms have elected to "sub-contract" work rather than take workers directly onto their own payrolls. Thus, the individual worker is increasingly treated as a "firm", no longer working as an employee but operating on commission.

In the first half of the '90s output growth has averaged just 1.4% a year (Table 1.5). This slowdown precluded all growth of the work force, which in fact registered annual decreases of 0.6% in employee labour units and of 0.9% for self-employment.

The rate of output growth has been much higher in manufacturing industry. During the '70s the annual average increase was 6%. Growth slowed progressively to 2.8% in the '80s, then was forced to a recession in 1991 and 1993, and picked up again in 1994 and 1995, to average 1.5% for 1990-95. Only during the '70s was there any expansion of employment in the sector, with the number of standard labour units rising at an average annual rate of 1%; there was contraction of 1.4% a year during the '80s, and the job loss quickened in the '90s to 2.0%.

During the three decades, output in the market services expanded at annual rates of 4.5%, 3.2% and 2.0% respectively. The very modest productivity gains of this sector allowed for more substantial growth of the work force, which expanded by an annual average of 2.5% over the period. In the early '90s, however, this employment growth slowed to 0.5%.

The interplay of productivity and output was such that Italian firms had to expand the volume of production by more than 2% a year in order to create any jobs at all. In manufacturing in particular, which recorded average productivity gains of 4.4%, output growth of 3.7% was insufficient even to maintain the level of labour input, so that employment has shrunk at a rate of 0.7% a year. Only in the service sector have jobs been created; there, due to the sector's relatively poor productivity performance, the growth of output was achieved with increased labour input.

Following the oil crises of the '70s, Italian industry engaged in a drawn-out adjustment process. The need to save on energy costs and remain competitive internationally spurred Italian industries to adopt the "just-in-time" model of production. To effect this adjustment, they cut down stocks and contracted out a large volume of service activities and component production to smaller enterprises, which were able to manage their work force with greater flexibility.

During the '80s the demand for labour in the industrial sector declined; the growth of the service sector was favoured, as this was traditionally an area of real opportunity to start up businesses. However, the additional work force caused a drop in average productivity, which was already rather low.

In the early '90s a slump in output owing to the recession that set in in the second half of 1990 combined with steady productivity gains to provoke severe job loss, most especially in manufacturing, and seriously impeded job creation in the services as well.

Major industries restructured production systems; with regard to the work force, they resorted to the Short-time Earnings Compensation programme, which paid benefits to workers who had effectively been laid off. This programme enabled enterprises to make more flexible use of their work force, enhancing competitiveness and cyclical adaptability. Sometimes, when required by particular circumstances, output growth could be achieved by reducing resort to short-time compensation and increasing overtime. The result was that only firms experiencing prolonged expansions of output needed to hire additional workers.

At the beginning of the '90s, this kind of restructuring emerged in the service sector too. The first to be affected was transportation, notably the state railways; the process then spread to communications and, more recently, banking. At present far-reaching changes in work organization are proceeding in the distributive sector as well. Major retailers are competing more and more effectively with small stores, as new

shopping centres, discount stores and supermarkets, offering wider choice of products at lower prices, are being established almost daily in residential neighbourhoods.

Only the public sector has been left out of the adjustment process, so far. The government sector now appears to be a drag on employment growth for the entire economy. The priority, recently, has been public financial adjustment rather than the promotion of efficiency or structural adjustment. Under budgetary restrictions, most government departments have been hiring only to replace (not even entirely) retiring employees.

Accordingly, public sector employment has been declining since 1993. In that year the overall employment rate fell, due to the decline in output combined with the effects of restructuring in the services and public budget cuts. The contraction of employment continued, though less steeply, in 1994 and 1995. During these years, job losses were especially severe in construction and the energy sector. The main cause here was the recession, whereas in transport and communication it had been sectoral restructuring (Table 1.5).

The key factor to consider in examining the processes that have determined the changes in work organization in Italy is firm size. The dichotomy between large firms, characterized by job loss, and small ones, with job creation, has in fact become more pronounced.

Between 1990 and 1994 some 700,000 to 800,000 employee labour units were eliminated each year; in the same period about 650,000 or 750,000 new units were created annually.

Job loss prevailed substantially, with a net loss of more than 400,000 during the period. The vicissitudes of job creation and job loss determined the nature of the restructuring processes. In the end, enterprises employing more than 20 workers experienced job loss, whereas minor enterprises have registered net job creation.

In the five years from 1990 through 1994 the larger enterprises dismissed a net total of more than 500,000 workers, as each year 300,000 to 400,000 labour units were eliminated and just 200,000 to 300,000 new ones created. By contrast, minor enterprises employed more than 100,000 additional units, since the 350,000-400,000 units destroyed every year were more than offset by the creation of new labour units (Tables 1.7 and 1.8).

As regards the unemployment rate, the effects of changes in the demand for labour may not be immediate or unambiguous. Apart from cyclical factors, the Italian labour market is characterized by a set of features that influence the unemployment rate:

- the secular rise in labour market participation by women since 1972, which was only briefly interrupted from 1992 to 1994 and has in any case not been dependent on the demand for labour;
- most women continue to conform to the typical worker-housewife-worker career pattern; accordingly their alternating labour force entry and exit pertains to the area of the transitions between non-labour force and labour force, more than to the demand for labour;
- workers who lose their jobs before regular retirement age tend not to look for another job; most simply withdraw from the labour market;
- the great difficulty encountered by young people in finding work obliges them to remain students, perhaps longer than they would like; consequently, many are recruited directly from the so-called non-labour force, rather than from among the officially unemployed.

All in all, neither the employment nor the unemployment rate can be fully accounted for by the alternating phases of economic recession or expansion. The only reliable basis for an analysis of labour market trends is appraisal of the main tendencies in job creation and employment.

However, average unemployment rates do underscore with great clarity the enormous gap between the southern and northern parts of Italy. In 1995 the average unemployment rate in Italy was 12%; in the central and northern regions the rate was 7.8%, as against 21% in the South. The recent recovery in output has been export-led, and domestic consumption has lagged far behind. The result is that in 1995 modest improvement in the employment rate was found only in the Centre and North, where most export firms are located. Obviously, this could not but aggravate the disparity between North and South.

The sharp employment crisis of 1992-1995 interrupted the steady increase in women's participation since 1972. The service sector had drawn women into the labour force, as it had been relatively immune to cyclical downturns, at least until 1992<sup>3</sup>. In 1995 women's participation again turned upward, but largely in the status of "other job seekers", demonstrating their basically marginal role within the labour market. During the current year the female employment rate has risen in the northern and central regions, where the men's rate has been essentially stable. The data for the South, however, show a persistent decline in both female and male employment rates.

The decline comes in an economy already suffering from structurally low employment rates. The reasons for structural unemployment in the South are discussed in detail in section I.6. What is most interesting is the evidence of one key feature of the Italian economy adversely affecting job creation: investment. A look at the performance of investment in the long run highlights this fundamental weakness of the labour market. In the quarter-century from 1970 to 1995 the pace of real gross capital formation in Italy has come to just 40% of the average for the G-7 countries.<sup>4</sup> The impact of this gap on employment rates has been exacerbated by a disproportionately fast expansion of the working-age population,<sup>5</sup> bringing the rate of real capital formation per person of working age down to 36 percent of the G-7 average; and the rate of capital formation per labour force participant has been lower still. Italy's investment gap is concentrated in the South, where public investment programmes have failed to overcome the structural deficit in private investment.

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<sup>3</sup> As a matter of fact, the recent structural changes in the economic system have widened the time gaps between employment and economic cycles. For instance, in the last period of economic recession, while the industrial sector faces reduction in production from the second quarter of 1991 to the second quarter of 1994, and the national GNP declines for a more shorter period, from the second quarter of 1992 to the third quarter of 1993, the employment recession is much longer, lasting from the third quarter of 1992 to the fourth quarter of 1995.

<sup>4</sup> OECD, *Economic Outlook*, various years.

<sup>5</sup> OECD, *Historical Labour Force Statistics* reports average yearly growth of 0.45% in the Italian population aged 15-64, which is above 50 percent of the G-7 average.



## 4. Wage and salary trends

Wages and salaries in Italy have traditionally depended on two main factors: cost-of-living indexation and productivity. The *scala mobile* cost-of-living allowance long had a central role in determining the course of Italian wage growth.

In 1969, in response to the high profits of the '60s, unions won wage increases and terms that exerted their influence throughout the labour market during the '70s. The oil crisis in 1973 and 1974 triggered a leap in inflation from 5.6% to 10.4% and then to 19.4%. Combined with the indexation mechanism, this touched off a price-wage spiral driving labour costs up.

In 1982 government, business and labour initialed a broad agreement in an effort to break this spiral, instituting a programmed or target inflation rate that would determine the number of *scala mobile* steps for the year. The impact on inflation was remarkable. The rate fell from 15% in 1983 to 10.6% in 1984 and 4.6% in 1987. Since then annual price increases have fluctuated between a high of 6.6% and a low of 3.9% in 1994 (Graph 1.10).

Further tripartite agreements were signed in July 1992 and July 1993, establishing very significant guidelines for incomes policy and collective bargaining:

- all wage indexation was finally abolished;
- the bargaining system was reformed, with the national, industry-wide contracts to be complemented by bargaining at company level; the contracts now run four years, with renegotiation of the wage portion every two years;
- new, more flexible methods of work force utilization were allowed for.

As regards wages in particular, the change from the old three-year contracts makes for more frequent bargaining and more effective monitoring of wages trends with respect to the cost of living. Generally speaking, the 1993 accord specifies that industry-wide wage increases be held to the government's target inflation rates, with possible catch-up increments to reflect any disparity between target and actual inflation to be bargained over in the last two years of the contract.

The concession of supplementary wage increases at the firm level on the basis of productivity growth reflects a recognition of the differing impact of international competition on the various sectors and branches of the economy, which has had a notable effect on the overall trend of labour costs (Table 1.9).

However, the benefits of productivity gains have not always been equitably shared between workers, enterprises, and industries. In combination with other factors, this has produced additional inequalities in the economy.

In practice, since the turn of the '80s Italian firms operating in competitive sectors have regularly concluded wage agreements that kept the real increase in labour costs below the gains in productivity. In the sheltered sectors, by contrast, this constraint was inoperative and labour costs outstripped productivity increases.

From 1979 to 1995, average annual productivity gains came to 3% in agriculture, industry, transport and communications. The rate of real wage increase in agriculture and industry was substantially lower, at 0.5%. Even so, these workers achieved the largest wage increases within the economy.

The sectors not threatened by international competition registered much more modest productivity gains, so that the wage increases in those sectors, while smaller than in industry and agriculture, were larger than productivity increases. In fact, these increments appear to depend on the overall enhancement of productivity for the economy

as a whole. Rising labour costs in these sectors led to increasing costs of services, including services to goods producers. This undermined the competitiveness of farms and manufacturers in the world market. Rates of productivity increase have varied considerably in the '70s, '80s and '90s (Table 1.10).

In the early '70s real per capita wages regularly outpaced productivity growth in all sectors. This reflected the collective bargaining agreements of the late '60s, achieved in conditions of sharp industrial conflict, which only recouped, in part, earlier productivity gains.

The largest wage increases were awarded in 1974 and 1977, when the main industry-wide contracts were renewed. From 1980 to 1986, by contrast, real wages always lagged behind productivity. Some recovery was detectable from 1987 to 1991.

In the entire decade of the '80s, the average annual rate of increase in real wages in manufacturing industry was 1.4%, compared with average productivity growth of 4.3%. Wage bargaining in 1990 and 1991 clearly reflected this past pattern, as increases on that occasion substantially exceeded inflation. In September 1992 economic recession, a runaway budget deficit and an unmanageable exchange rate led to the devaluation of the lira. Yet, under the impact of economic crisis, wages declined, even beyond the provision of the agreements of 1992 and 1993, favouring Italian competitiveness. This led to considerable profit increases for Italian exporters.

The fact that wage increases have not kept pace either with inflation or with productivity (a gap of 2 percentage points in 1992-1993, more than 3 points between 1994 and 1995) has altered the distribution of income in favour of employers (Table 1.11). This disparity was criticized by the Governor of the Bank of Italy in the course of his remarks to the central bank's general meeting on 31 May 1996. In the last year the gap between productivity and real labour costs per worker was the widest ever, at 3.1 percentage points, while real per capita wages declined by 1%.

The OECD's evaluation of total factor productivity by sector shows an average annual gain of 0.9% between 1979 and 1995. This resulted from a significant increase in labour productivity (1.8%), rather than from capital productivity which actually declined by an annual rate of 0.9%. The decline in capital productivity, steeper than in the other European countries, signals a broadening technology gap with Italy's main competitors and undermines the achievements in terms of labour productivity.

In order to allow wages to increase in line with labour productivity, the 1992 and 1993 agreements provide for decentralized bargaining at the company and district level, to avoid the rigidity inherent in determining wage increases by reference to a single, average rate of productivity growth. Individual firms can decide wage rates in differential, responsive fashion, on the basis of assessment of actual productivity.

This wage-setting provision had the effect of moderating contractual minimums and increasing the incidence of the flexible portion of total wages. Companies have gained the power to differentiate wages for individual workers and thus bring earnings more closely in line with particular production requirements. In the four years from 1992 through 1995 the new bargaining procedures, the continuing recession and the fear of inflation (now universally viewed as the main economic enemy), effectively curbed contractual raises. Compared with average contractual increases of around 6% in the late '80s and that of 9.9% in 1991, the contractual raises agreed to in industry from 1993 to 1995 were less than 3.6% (Table 1.12).

Moreover, since 1991 actual per capita earnings have grown practically in line with the contractual minimums, whereas in earlier years the former had generally outpaced the latter by about 1.5 percentage points.

In 1993-95 individual gross wage rates increased just 0.4% more than the contractual minimums. In other words, owing to disinflation and recession, company-level agreements in the last few years have not resulted in any general rise in earnings levels. So, after the agreements of 1992 and 1993, decentralized company- or district-level bargaining has led to a moderation of wage increases, compared with the growth registered during the previous years. In short, wages have been determined on the basis of the industry-wide agreements.

As a consequence of the tripartite agreements, moderation in social contribution increases should have favoured the second-level bargaining results. Instead, during the last three years the increase in contributions outpaced contractual minimums by 1.4%, while the differential observed in the course of the previous three years was just 0.9%.

Strict control on social contribution costs is impeded by several factors. The objectives set, in fact, appear to be contradictory; it is very hard to programme wage increase without causing a growth in contributions and labour costs; the urgent need to redress the public finances makes this target even more elusive.

If we look at recent trends in wage dispersion, we find a growing differentiation according to skill levels, with white-collar workers obtaining larger increases than blue-collar workers. In industry, from 1990 to 1994 white-collar employees' earnings rose 0.8 points per year more than blue-collar workers'.

During these same years, increases have also been differentiated according to firm size. Average per capita earnings in industrial firms with over 50 employees have risen 0.6 or 0.7 points per year more than in those with fewer than 20 workers. All in all, then, white-collar workers in medium-to-large industrial firms have gained more than 1 percentage point a year as compared with blue-collar workers in small firms. After the egalitarian policies followed during the '70s, if such trends continue in the future wages and salaries could quickly return to being quite sharply differentiated.

The remarkable increase in gross operating profit has been the result of this type of anti-inflation policy; which caused a substantial rise in profit margins. From 1993 to 1995 gross operating profit showed yearly increases of 4, 7.4 and 10.6 percentage points, far outstripping labour costs (including employers' social contributions), which grew by just 1%, 1.4% and 4.4% respectively in the three years.

Italian adjustment measures have so far produced a differential between profit and labour income growth averaging 5 percentage points a year. In the same period 720,000 jobs have been lost; savings on labour costs have not been reinvested in job creation; rather, they have gone to swell employers' profits (Table 1.13), even if a modest increase in employment (0.2%-0.3%) has been detected at the beginning of 1996.

## **5. The main causes of the rise in unemployment since 1980**

### ***Demographic aspects***

To understand Italian unemployment, the starting point is demographics. The substantial growth of working age population in Italy has not been accompanied by a comparable expansion of employment. In a very long run perspective (1961-1995) the performance of the Italian labour market can only be judged as unsatisfactory in the extreme, as the present level of employment is actually well below that of 1961. Three main phases characterize this period.

1. From 1961 to 1972, still boom years, employment contracted by almost 1.5 million, as the growth of the industrial and tertiary sectors was insufficient to fully compensate for the fall in agricultural employment.
2. Over the next 20 years, the period of tertiarization, employment grew rather steadily, at an average of 125,000 jobs a year.
3. During the '90s the Italian labour market has suffered the most severe employment crisis since the immediate aftermath of the Second World War, with the loss of nearly 1.5 million jobs in just three years.

In all three periods the labour force has moved in the same direction as employment. However, when employment has declined labour force has declined more modestly, and when employment has increased the labour force has grown more rapidly. As a result unemployment has increased in each of the three periods; it has now reached a level once unimaginable, even in the most pessimistic forecasting scenarios.

Considering the main labour market indicators (Graph 1.11 and Table 1.14) different patterns emerge for men and women. The male employment rate has declined continuously, dropping more than 21 percentage points (from 83.8% in 1961 to 62.1% in 1995); the participation rate also displays a downward trend, but not as steep, so that the gap between the two has increased constantly. The female employment and participation rates both registered their low point in 1972 and increased quite substantially in the following 20 years; during the recent crisis the women's employment rate went down, but the participation rate continued to climb. For women too the unemployment rate has risen throughout the period considered. Overall, the employment rate for the entire economy has lost more than 10 percentage points, the participation rate than 4.5; and the unemployment rate has nearly trebled.

The dynamic underlying these phenomena can be better understood by analysing the generational turnover in the labour force and in employment (Table 1.15). Between 1966 and 1991 the labour force expanded by 3,536,000, the net result of 15,736,000 generational entries and 12,200,000 generational exits. Of the exits, 2 million were due to death. In the same time interval employment increased by only 2,312,000 (14,322,000 generational entries and 12,010,000 exits). Therefore additional demand (i.e. net job creation) explains only 16.1% of entries, while the remaining 83.9% are accounted for by generational exits<sup>6</sup>. The role of additional demand has therefore been modest indeed, except in 1976-81 and 1986-91. However, while men have entered employment only through substitutive demand (i.e. replacing workers who retired), 42.6% of female entries are explained by additional demand.

### *Qualitative aspects*

Over the entire period the Italian labour market has been further marked by a series of qualitative developments, proceeding at variable pace, but consistently in the same direction: tertiarization, feminization, concentration of employment in the middle age groups, and geographical polarization.

*Tertiarization* - At the beginning of the '60s farm jobs accounted for 30% of total employment, while industry and services shared the rest (Table 1.16 and Graph 1.12). In the three decades that followed, the incidence of the primary sector (agriculture) declined uninterruptedly, to 7.4%; the share of the secondary sector, industry, enjoyed a

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<sup>6</sup> Sad to say, death has provided almost as many jobs to young people as has the expansion of output and economic activity.

period of expansion that lasted until the start of the '70s, and then also turned downward; the tertiary or service sector expanded continuously, reaching a share of almost 60%. During the '90s, while agriculture continued to shrink, we register for the first time a contraction of the incidence of the service sector, where employment has been hit by the economic slump even harder than industry. However in 1995 both shares have reached values higher than in 1991.

In this case, again, generational labour demand in terms of flow (Table 1.17) is a very powerful tool for understanding the relative role of the sectors. During the 1966-71 period, 56.2% of entries into employment were accounted for by industry. Starting with the following five-year period, the service sector becomes the main job provider to new entrants, its share increasing from 42.0% in 1966-71 to 75.7% in 1981-86. It then dropped to 64.3% in 1986-91.

In short, the period of pronounced tertiarization that has brought the sector's employment share to a level of 59.4% in 1994 seems to be at an end; the most likely prospect is for the employment structure by sector to remain relatively stable in the near future.

*Feminization* - One of the most striking traits of the Italian labour market is the gradual feminization of all its main components in the last 20 years. At present women account for 38.2% of the labour force, 35.4% of employment and 53.4% of unemployment (Table 1.18).

During the '60s the presence of women in the labour market was sharply curtailed by the decline of agriculture, but in the subsequent decades this trend was more than offset by the tertiarization of the economy, which took the form both of growth of the service sector itself, and of expanding white-collar occupations and professions within agriculture and industry.

The feminization process is even more evident in flow data, showing for instance a rise in women's share of employment inflows (labour demand) from less than 30% in the late '60s to 39.5% at the end of the '80s. The same data also show that the time pattern of female entries has substantially changed, increasingly resembling that of men, i.e. early entry and an interrupted presence until retirement age.

*Employment age concentration* - One of most striking phenomena of the last 30 years is the progressive concentration of employment in the middle age-groups.

In the mid-'60s the pattern of employment by age differed radically as between men and women (Graph. 1.14). For men there was virtually full employment for the population aged 30-55; the employment rate for the youngest age-group (teenagers) was around 45%, and that for men aged 65-69 was around 30%.

Female employment rates, by contrast, peaked in correspondence with the 20-24 age-group and declined regularly above that age, with the exception of the 30-44 age group, whose somewhat higher employment rate indicated some return to the labour market on the part of women whose children were now of school age. Overtime the pattern of the female employment rate by age has drawn steadily closer to that of men, although at a lower level. Essentially, the explanation is that the new cohorts entering the labour market have increasingly behaved like men, remaining in the labour market even after marriage. This attitude has presumably been prompted by the fact that these women, better educated, tended much more to be engaged in tertiary activities, which are less demanding in terms of physical effort and psychological stress, and which were also perceived as more in tune with the image of working women coming from middle-class families.

At the same time, male employment rates have declined all across the age spectrum, the difference from the previous level widening as the distance from the central age-group increases.

What the overall employment rates show, then, is the increasing concentration of employment in the 30-55 age-group. Given the stagnant or declining level of employment, this has resulted in lower employment rates for the younger and older cohorts.

This phenomenon is more clearly highlighted by what we term weighted employment ratios, calculated by dividing the proportion of total jobs assigned to each age-group by that group's relative weight in the population (Table 1.19). In 1966 young people had a share of jobs just a little larger than their demographic weight so that their weighted employment ratio was 104, a value that does not compare too badly with the value of 118 for the central age-group. The value for young women was higher (130) than for men and also higher than that of the central age-group. In 1995 the weighted employment ratio for the 30-49 age group peaked at 147.3, while the corresponding values for the first age-group had declined to 77.9 and that for the older group to 64.5. This phenomenon is even more pronounced for women, whose weighted rates have progressively assumed the same pattern as men's.

### *The features of unemployment in Italy*

In 1995, 2,724,000 people, representing 12% of the labour force, were estimated to be in search of a job. However, this figure reflects the introduction in 1992 of the Eurostat definition. Going by the old definition for the sake of comparability with previous periods, we have an estimate of 3.72 million, corresponding to an unemployment rate of 15.7%, which gives us a better appreciation of how seriously the state of the Italian labour market has deteriorated.

Not only has unemployment expanded; its main structural characteristics have also undergone notable changes.

In Italy unemployment has always involved mainly youth. Table 1.20 shows two aspects of this phenomenon that warrant reflection. The unemployment rate of the 14-29 age-group has steadily increased, the group's share of all unemployed people has decreased until the beginning of the '90s to come back during the recession period almost to the 1977 value: this obviously implies that unemployment remains mainly a youth problem (seven out of every ten unemployed), and it tends to expand more rapidly among older people, during "normal" economic phases.

Another characteristic of the Italian labour market - to which we will give special attention in discussing the causes of unemployment - is the special role played by first-job seekers (Table 1.21). This category reached its largest share of total unemployment at the beginning of the '80s (52.2%) and has declined progressively since then, bringing its weight down to 46.9% for men and 38.7% for women. This result is consistent with the diminished weight of young people in overall unemployment.

A rise in unemployment can be caused by a lengthening in the average duration of unemployment, increasing turnover, or both. From 1978 to 1995 the incidence of the long-term unemployed (Table 1.22) rose from 32.1% to 68.4%, women's situation being only slightly worse than men's (69.8% as against 66.8%). The key factor in long-term unemployment, however, is the status of the job seeker. Almost four-fifths of first-job seekers have been in this condition more than one year. The situation is only a little better for "other job seekers", sex playing here a major role (the values for men and women are respectively 46.1% and 70.9%). Work experience also appears to be an

important element, in that the percentage of long-term unemployed among "unemployed workers" (those having lost a previous job) is "only" 57.7%. Since unemployment entries have also grown strongly, both duration and turnover have contributed to the increase in unemployment.

In 1995 30% almost one third of the working age population (WAP) had no more than an elementary school certificate (Table 1.23); however, this proportion has been declining sharply (it had been 57.8% in 1978), and will continue to do so, given that the new entry cohorts have more education than the exit cohorts.

Men typically have more education than women. This gap, however, is gradually narrowing, due to the fact that among the younger age-groups women's level of education is on average higher than men's.

Educational attainment has always had a strong influence on labour force participation, especially for women (Table 1.24). In general we observe that participation rates rise with education. In 1995 the participation rate of persons with no more than primary schooling was 34.9%, while for university graduates it was 86.6%. The rates for lower secondary and upper secondary graduates were 59% and 65.6% respectively. The strength of this correlation is due primarily to the behaviour of women, whose rates of participation by educational level vary more widely and correlate very closely. Moreover, the decline in male participation is almost entirely "explained" by the reduction in participation by men with low educational level. The same phenomenon can be observed for women, although their participation rate has increased significantly since 1978. And disparities between men and women in the overall pattern of labour market participation narrow as educational level rises.

For both men and women, unemployment rates increase with education until the upper secondary level, while university graduates have the lowest rate. Since 1978 unemployment has increased more sharply for those with less schooling and especially for those with no more than elementary schooling, whose unemployment rate nearly trebled, from 4.2% to 13%. This phenomenon is particularly evident for men.

To determine whether holding particular educational credentials prompts entry into the labour force and especially whether it facilitates finding a job, we have computed indices relating the percentage of employed and labour force holding each type of diploma to that group's share of the WAP and the percentage of unemployed to labour force share.

The main finding confirms previous observations: the probability of being in the labour force and that of being employed increase with educational level. The probability of a university graduate's being employed is 1.7 times greater than that of a person with the lowest level of schooling for men and 4 times greater for women. Most striking is that the probability of unemployment, for labour force participants, also increases with education, with the exception of university graduates, whose unemployment probability is about half the overall average. Lower and upper secondary school graduates have the greatest probability of being unemployed.

### ***Regional differences***

Perhaps the most salient feature of the Italian economy and of its employment pattern is the enormous, and increasing, regional disparity. In a word, with the notable exception of Liguria, the employment rate declines regularly as one moves from Northern to Southern regions, and the gap between the South and the Centre-North of the country is very wide indeed (Graph 1.15).

The behaviour of labour demand corresponds very closely to the total level of unemployment and to the employment and unemployment rates of young people and of women. In substance what we want to stress is:

- the strong direct correlation between total employment and the employment level of young people and of women;
- the strong inverse correlation between the level of total labour demand and of total excess supply of young people and of women.

The present dramatic situation is the result of the progressive deterioration of the labour market in the South, reflecting a structural incapacity to create jobs while demographic pressures are much greater than in the North.

As Table 1.25 shows, during the '80s the rate of growth of the working age population was twice as high in the South as in the North. Moreover, whereas northern population growth stems mainly from immigration, reflecting a demand-pull for labour, in the South the natural balance explains almost all WAP growth. At the same time, southern employment expanded by just 17,000 jobs a year, against labour force growth of 93,000; the corresponding figures in the North were 58,000 and 60,000.

While in the North the expansion of labour demand has been sufficient not only to employ the local labour force but also to draw in a substantial flow of immigration, in the South there has been a labour glut, affecting chiefly women and young people. The women's unemployment rate has risen by 11.2 percentage points and that of young people by 12.8 (Table 1.26). In both cases the differential with the North is dramatic (21.4 and 27.7 points respectively).

### ***Italian and European unemployment trends***

The evolution of unemployment in Italy can be usefully seen against the backdrop of trends in other European countries.

The oil crisis of 1974 and the recession of 1981 shook the economies of the European Community member states with a violence that caused some observers to refer to the Depression of the '30s, when almost no one was spared at least the risk of joblessness. Job creation stagnated just as, for demographic reasons, the labour force was growing strongly (0.7% per year). The result was a sharply climbing unemployment rate, from an average of 3% in 1974 to a peak of 10.9% in 1985 for the European Community as a whole (Table 1.27).

Italy represents a singular case, differentiating itself to some degree from the performance of its EC partners. Adjustment to the supply-side shocks of the early '70s was quicker and less costly in terms of output, investment and employment (Giavazzi and Spaventa, 1990).

Over this same period, Italy's relative position, internationally, was reconsidered and revalued; there was a statistical revaluation of output, highlighting the gains made in the course of three decades of growth second, among the industrial countries, only to that registered by Japan. However, these same years witnessed an unprecedentedly rapid rise in the public debt in order to cover state spending which, through the redistributive channels of social protection, sustained demand and the growth of employment in the services and the sheltered sectors (Brunetta and Tronti, 1993).

In 1989 and 1990, the structural adjustment and policy reform conducted since the start of the '80s visibly bore fruit. The Community achieved rapid growth (3.2% per year). Though slower than in the '60s, this growth was nonetheless sufficient to produce a sharp rise in employment, which expanded by 1.3% per year, while the unemployment



rate dropped from 10.8% in 1986 to 8.7% in 1990 (Table 1.28). Italy followed the European trend, with what can only be called an employment boom in 1990-91, with the creation of some 600,000 jobs.

The cyclical upturn thus revitalized the labour market. Job destruction slowed, especially in industry, and hiring resumed. Moreover, the unemployed whose geographical location, training, or age made them more desirable regained active status.

As an effect of past recessions and persistent unemployment in many regions, the working of the member state economies and labour markets underwent far-reaching transformation. Unemployment was most severe among the less skilled and, in general, the poorer classes of society, playing a significant role in the emergence of new forms of social exclusion. Whereas through the mid-'80s youth employment was the salient feature of the labour market, since then the most alarming problem has been the growth of long-term unemployment (Table 1.29). Unemployment turned upward again in 1991 and soared with the employment contraction of 1992-94 (Tables 1.30, 1.31).

As regards the unemployment rate, Italy's performance improved thanks to smaller WAP entry cohorts (the end of the baby boom) and, at least at first, the country retained its relative advantage. This is cited as the reason why the employment recession began later here than in most other industrial economies.

Closer inspection clearly reveals the inherent weakness of a system plagued by continuing structural problems (severe geographical disparities, youth unemployment, etc.), especially in the face of the end of the buffer function performed in the past by the tertiary sector, traditionally characterized by slow productivity growth and labour intensiveness (Table 1.32).

The role of compensating for redundancies in manufacturing and agriculture that the services had played in previous cyclical downturns depended on that sector's being relatively sheltered from competition, enabling it to manage prices in such a way as to ensure profit, to the advantage of employment but to the detriment of the inflation picture and the competitiveness of firms exposed to international competition.

This advantage for the services sector was further sustained by the rapid rise in public deficit spending. Most lately, with the country engaged in a programme of severe financial and structural economic adjustment, the mechanisms that once enabled the services to more than offset the job losses in industry and agriculture have simply jammed.

### ***The causes of unemployment***

The stagnation of employment has now become the dominant long-term characteristic of the Italian labour market. The expansion of the working age population, with the consequent growth of the labour force, has therefore brought a steady decline in the employment rate and a rise in unemployment.

The importance of demographics in the long-run trend of unemployment can be seen in a simple analytical framework. We classify the possible states of the labour market, on the basis of employment and unemployment trends (Table 1.33). The possible combinations of expansion and contraction produce four distinct states: a) attraction; b) complementarity 1, or tight labour market; c) complementarity 2, or slack market; d) discouragement.

Examination of the empirical data on the cyclical trends in employment and participation (Table 1.34) shows that the seemingly paradoxical possibilities set forth, theoretically, in Table 1.33 have actually profoundly marked the Italian labour market. The cycle of the '60s (1959-1972) was a period of discouragement, in which the

unemployment rate did not rise but fell because the number of unemployed declined faster than the number employed. More significantly, the subsequent employment cycle, from 1972 to 1991, was one of powerful employment growth and attraction (additional participation), with a rise rather than a fall in the unemployment rate (the number of job seekers grew much faster than the number of persons employed).

The causes of these "strange" labour market trends consist first in the secular rise in female participation and second in the demographic shock constituted by the entry of the baby boom generation into the labour market (Bruni, 1988). These overriding phenomena mean that the "overall" rate of unemployment, while unquestionably still a fundamental sign of social malaise, is basically not suitable as an indicator of the real state of strain in the labour market.

The increasing imbalance between labour supply and demand can thus be ascribed to the fact that the long-term growth of output has been totally accounted for by technological progress; or, to put it in another way, that the average growth of investment has not been sufficient to increase labour demand at the rate needed to keep pace with demographic tendencies.

Yet demographic trends can be said to be a cause of unemployment only in that they constitute a challenge, a condition for unemployment that could be countered and eliminated by economic growth and appropriate economic policies. In the long run, the size of the labour supply must be taken as a given; and an easily foreseeable one at that, given its strong correlation with working age population, which itself can be projected well in advance from perfectly known factors (the number of births 20 years previous and actuarial mortality rates). In Italy, moreover, the growth of the working age population has been rather modest and is slowing down.

Technological progress must be considered as a necessary, natural element of an economy operating in a context of globalization and ever-sharpening competition. It is unrealistic to imagine that the rate of growth of the Italian economy could have been consistent with any greater elasticity of employment with respect to output.

Finally, the literature has not as yet offered any persuasive evidence of the existence in Italy of the wage-employment relationship postulated by neoclassical economics.

In conclusion the chief cause of unemployment in Italy is the inadequacy of long-term economic growth.

Turning to the structure of unemployment, we have shown that the lack of job opportunities has affected the various categories within the labour force differentially and disproportionately. Institutional factors and qualitative mismatching are the main factors explaining the features of Italian unemployment, which involves mostly women and young people of intermediate educational attainments seeking their first job.

The Italian social and economic system rests solidly on the economic role of family and on a set of values expressed in rules, unwritten norms and the behaviour of individuals and social actors. For mature men, work is both a right and a duty. The allocation mechanism is therefore such as to ensure full employment to men in the central age-groups; the same age-based criterion is also increasingly true for women, whose labour market behaviour in Northern regions is coming resemble that of men, although at a lower level.

The conclusion is that, at present, for men and women alike there is increasing concentration of jobs in the central age-groups. For men this is merely the accentuation of a historical tendency; for women, a structural change that has taken place in the last twenty years. It is evident that this pattern, given a constant number of job opportunities

and an expanding labour supply, has entailed increasing difficulties for young people of both sexes to enter employment, while the probability of entering employment increases with age up to the 35-39 age bracket.

The increase in average household income is at the origin of the progressively higher educational level of the incoming cohorts. The occupational mix of demand has not evolved in an analogous way. Technological progress seems, on the contrary, to be provoking a polarization of the skill mix.

Also in this case prices cannot be expected to act as an equilibrating mechanism because of technological rigidities on the demand side, the lack of downward flexibility of the more educated, the length of the interval between market signals and school leaving by the relevant cohorts.

The behavioral model we have presented implies a worsening of the situation of the young and of women as the imbalance between demand and supply worsens, and is therefore consistent with the regional pattern of unemployment we have previously described. The lack of labour demand in the Southern regions has now gotten so acute that job opportunities no longer suffice even to satisfy all the men in the central age-group. Accordingly, even this group is beginning to display significant unemployment, a new phenomenon for the Italian labour market and a rupture with the social and economic model that at least until now has succeeded in keeping social tension relatively defused despite extremely high levels of unemployment.

## **6. Macroeconomic policies and forecasts**

After years of sluggish growth or stagnation, owing to the international business cycle and to domestic political instability, economic indicators now show the Italian economy as in less critical condition.

In 1994 GDP resumed growth with a gain of 2.2%. The recovery was consolidated in 1995 with a further growth in output of 3%. Encouraging signs have come not so much from the expansion of consumer spending, which has been more sluggish than in past upturns, with an overall increase of 2.6% during the two years, as from the surge in exports, which have continued growing at a pace of nearly 10% a year, as in 1993 (Table 1.35).

Though not in compliance with the Maastricht standards, the public finances are responding to tough deficit-reduction measures, and the public debt appears to have peaked in relation to GDP. The exchange rate too is returning to values more consistent with the economic fundamentals.

Unfortunately these financial improvements have not benefited the labour market. The number of persons employed in 1995 was under 20 million, down more than a million since 1992; the overall employment rate remains steady at 35%, 10 points lower than the European average. The jobless still number more than 2.7 million, 400,000 more than in 1993, with an average unemployment rate of over 12%. The situation in the South is dramatic indeed; the labour market crisis there is reflected in average unemployment rates of more than 20% in the regions of Campania, Sicily and Calabria. The average naturally conceals even higher peaks in such cities as Naples and Palermo, and in the weaker segments of the labour force (women, youths, etc.), where the rate goes as high as 30% or 35%.

Compared with the turn of the decade, then, the economy is in a substantially different situation. Despite the disequilibria in the labour market, the financial variables - both the public accounts and inflation - have improved. This should perhaps not come as any great surprise, given that the recent performance of the Italian economy reflects the decision by policy-makers to concentrate above all on devising financial solutions to the monetary turmoil of 1992 and overcoming the country's budgetary difficulties enough to qualify for European monetary union. What is surprising, though, is the success of the strategy adopted. Setting monetary matters aside and concentrating on the structural aspects of the macroeconomic strategy adopted by successive governments in the past three years, the economic adjustment has been pursued mainly in two ways: countering inflation through an incomes policy aimed chiefly at tighter control over wage growth; and reducing the government deficit by spending cuts and tax increases.

That this policy approach would succeed in controlling a highly instable macroeconomic framework such as that faced in 1992 could certainly not be taken for granted. Actually, the policies adopted have proved capable of positively influencing the equilibria of the economy, avoiding the risk of inflation connected with devaluation and improving expectations regarding the public finances. One fact stands out. Since 1992, one of the patterns that long characterized Italy, namely the pass-through from depreciation of the currency to domestic prices, has apparently become inoperative. The sharp depreciation of the lira in 1992 and 1993 produced no increment in the rate of inflation. Instead, from 1993 on inflation actually slowed, with convergence towards the European average.

In short, the system drew lasting benefit from the gain in competitiveness due to the currency float, maintaining the positive trend in export markets and quite swiftly reversing the sharp recession of 1993. At the same time simultaneous action on inflation and the budget proved capable of significantly influencing interest rates, easing the burden of public debt service.

Two questions need to be clarified in assessing recent economic policy.

The first concerns the reasons for its success. Three years ago, in fact, there was nothing to guarantee that the economic policy mix adopted would achieve its objectives. Yet the recipe worked: a structural change prevented inflation from driving interest rates and the deficit up and thereby wiping out the gain in competitiveness.

The second involves the assessment of the way in which these dynamics weighed on the real economy, and the labour market in particular. First of all, the employment impact of the recent macroeconomic policies can be traced to four main areas: the devaluation-related export boom; the negative effect of public spending cuts; the structural adjustment and the policy of disinflation, which have influenced expectations and investment; and the government tax measures that have altered labour market equilibria.

### ***Italian economic policy in the first half of the '90s: paradigms and instruments***

In September 1992 the European Exchange Rate Mechanism was hit by a financial thunderstorm. The shock was particularly severe for Italy. The overvaluation of the lira and the mounting disequilibrium of the public finances concentrated speculation on the Italian currency, and in the space of just a few weeks the government was forced to withdraw from the ERM. Free to float, the lira depreciated, ultimately stabilizing at about 30% below the exchange rate against the Ecu that had prevailed in the early '90s.

The situation threatened to seriously jeopardize the stability of the system. For years, in a situation dominated by severe public financial disequilibria, the enormous

burden of interest on the public debt and the effects of indexation, the paradigm underlying government economic policy had assigned exchange rate stability (with its beneficial impact on prices) the central role in achieving the public financial adjustment required by the convergence criteria for monetary union.

Now, however, the economic policy approach based on the fixed exchange rate, designed to narrow the differential between domestic and international interest rates, was untenable. In the short run central bank intervention to stabilize the exchange rate simply resulted in soaring interest rates.

Moreover, the depreciation threatened a rekindling of inflation, putting the public finances still further out of control. The devaluation of the currency might be expected to boost exports, of course, but at the same time it threatened to trigger an inflationary spiral like those of the late '70s and early '80s<sup>7</sup>.

### ***The role of concertation***

Inflationary expectations were totally dashed as early as 1993, as in connection with the tripartite agreement on incomes policy sponsored by the government, price rises actually tended to slow down. Under the agreement, business and labour organizations gave up automatic wage indexation and formally recognized that collective bargaining was the normal mode of wage determination. In the Italian experience, the wage determination mechanism had been based on past inflation, which entailed deleterious momentum effects, prolonging inflation even in periods of fundamental disinflation, i.e. when economic conditions demanded a sudden reduction in the rate of price increases.

The abolition of wage indexation thus shifts the whole system from reference to past inflation to forecasts of future inflation, as estimated by the bargaining parties.

In addition the new straggled negotiation schedule, with regulatory provisions revised every four years and economic clauses renegotiated every two years, relieves the normative portion of labour agreements of the excessive load of bargaining issues and tension that has marked Italian practices in this sphere until now. With the new rules, the two sides may be more selective as regards the matters for negotiation upon contract expiry, allowing the kind of innovative specialization that has been repeatedly called for but never achieved (Brunetta and Tronti, 1995).

To be sure, it cannot yet be determined closely enough how much these successes actually depended on concertation and how much the absence of any inflationary surge reflected slack domestic and international demand.<sup>8</sup>

In any case, many contributions have shown that the choice made in 1992 and 1993 to act on the indexation machinery by means of an incomes policy agreed on through concertation with business and labour organizations produced a structural break in the processes by which macroeconomic equilibria were formed.<sup>9</sup> This certainly does not mean that the risk of inflation in Italy has vanished; but it has modified the risk differential with other countries. Today, unlike the past, the inflationary risks to which the Italian economy is exposed are comparable to those of its European partners<sup>10</sup>.

The imbalance in the public accounts remained unresolved. While the absence of a step-up in price inflation prevented the upward adjustment of nominal interest rates,

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<sup>7</sup> See Amitrano, De Grauwe and Tullio (1995).

<sup>8</sup> For a review of the various positions see Jacobelli (1994). In particular, advocates of this thesis include A. Graziani, A. Amato, S. Ricossa.

<sup>9</sup> They include I. Cipolletta, C. Imbriani, P. Sylos Labini.

<sup>10</sup> See Modigliani, Baldassarri and Castiglionesi (1996).

withdrawal from the EMS exchange rate mechanism vitiated the gradual whittling away of rates over the years that had been pursued through the policy of fixed exchange rates.

In this situation the only way to foster adjustment and international realignment was to intervene on the budget imbalance, thus sending a signal of economic governability to the financial markets, in hopes that this would suffice to move interest rates downwards as desired.

### ***Budget policy***

Action in this sphere was severe but effective (Table 1.36). In the two years from 1991 to 1993 Italy achieved the most substantial structural financial adjustment of all the OECD countries. In 1993 the budget deficit was 1.6 percentage points lower than in 1992, in proportion to GDP, and 3.6 points lower than in 1989. For the first time in 20 years the primary budget balance (net of interest expenditure) was in surplus, equivalent to 4% of GDP.

The 1992 budget passed at the end of 1991 envisaged a state-sector deficit of 127.8 trillion lire. In March the government issued a revised estimate of 160 trillion, and another in July of 180 trillion. During the summer, in honouring commitments to the European Commission, the Italian Government adopted urgent measures to increase tax revenue by 30 trillion, cutting the estimated deficit for the year to 150 trillion, or 156 trillion under a new definition of the public sector (Table 1.37).

A few weeks later the deficit target for 1993 was set at 143 trillion, 83 trillion less than the deficit projected on a current programmes basis. To achieve the target, substantial measures on both the revenue and the expenditure sides were indispensable. Under a special enabling act, the Government implemented a number of structural measures to cut expenditure in the areas of public employment, pensions, the health care system, and local government. The cuts were estimated at 29 trillion lire. The uncontrolled growth of public spending was halted, and though the debt still increased, it did so at a slower rate (6.3%, as against 10% in 1992).

The Government persevered with its rigorous budget policy. The outturn for 1993 put the deficit at 154.4 trillion, overshooting the target by 10 trillion. The target for 1994 was set at 144.2 trillion (viewed from another perspective, this represented a one-year deferral of the target date), a reduction of 10 trillion by comparison with 1993 and of 38.5 trillion against the projection on a current programmes basis. The line of action taken by the Government emphasized severe new spending cuts, totalling about 26 trillion lire. The main measures were: cuts in public investments and transfers to local authorities and state enterprises (12.9 trillion); cuts in retirement outlays to be achieved by equalization between the private and public sectors (2.2 trillion); reorganization of local government spending and improvement of public contracting procedures (4.4 trillion); cuts in health expenditure deriving from a new drug distribution system (4 trillion); a lower wage bill in the public sector (2.5 trillion).

The budget forecasts soon proved to be unrealistic, however. In just six months trends in the public finances indicated a final deficit of nearly 160 trillion. In July the government was obliged to enact an additional budget package consisting essentially of cuts in transfers and one-time-only measures. The original target was nevertheless not met, and the projection was for a final deficit of 154 trillion lire.

In the years that followed public financial adjustment continued to be the main objective of government economic policy.

In September 1994 forecasts for 1995 put the current-programmes deficit at more than 180 trillion lire; the government set a target of 136.8 trillion. A correction

worth 48 trillion was thus required. Of this amount, 27 trillion would come from cuts in spending (transfers for pension outlays, health care, public sector hiring, etc.) and 21 from revenue increases (social security and tax condonations, cuts in tax exemptions and deductions).

By early 1995 it was already apparent that the estimates had been overoptimistic. The decline in interest rates that the government had counted on was not taking place. A climate of heavy political uncertainty focused speculative pressures on the lira. Interest rates rose, and with them government debt service charges. In February the government was forced to announce another supplementary budget package worth 21.5 trillion lire (5.5 trillion in spending cuts and 16 trillion in additional indirect tax revenues).

This time, at least, the target was achieved, and the 1995 deficit came to just 130 trillion lire. The accounts were thus moving progressively towards greater structural balance.

For 1996, with a target deficit of 109 trillion lire, the current-programmes projection was 143.5 trillion. A package of 34 trillion was accordingly needed. This was done through a series of current spending cuts (reduced transfers to the regions, in particular) and tax increases. A major role was also played by the pension reform enacted in the summer of 1995, most especially the freeze on long-service pensions.

Yet again, however, the budget forecasts proved not to be correct. A slowdown in economic growth, higher-than-expected interest rates and several unexpected events drove the state sector borrowing requirement estimate for 1996 to 130 trillion lire, an overshoot of 21 trillion. Hence another adjustment package, adopted in the spring, worth 16 trillion lire for the current year. This was designed to bring the 1996 deficit down to 113 trillion, basically in line with the planning target.

As for 1997, the Economic and Financial Planning Document put the current-programmes deficit at 121 trillion lire. This contrasts with the Maastricht convergence requirement for monetary union membership of 88 trillion. Hence, savings of 32 trillion lire to be enacted in the Finance Law for 1997. This is to consist of 16.5 trillion lire in additional revenue and 21.2 trillion in spending reductions. Among the areas slated for rationalization by the government are public sector procurement, personnel costs, welfare, relations with public service agencies and firms, export and import insurance and guarantees, defense, education, and incentives to firms.

### ***Economic policy choices and real economic growth***

The foregoing can be considered a serviceable, if brief, description of the reasons for Italy's economic policy choices in the early '90s and the methods of implementation. We now need to see how those choices have affected the real economy, and in particular the labour market variables.

In the first half of the '90s several events have had a decisive impact on the world economy. Following the Gulf War and the political upheaval in central and eastern Europe, the international economy went into recession. This meant reduced demand for Italian exports, with recession in all the export-oriented industries. Also, starting with the first judicial inquiries into political corruption in 1992, Italy moved into a touchy period of political and institutional transition, with repercussions that threw the public works sector into severe crisis. During these same years, changes in the fiscal and social security system appear to have produced major alterations in the choices and conduct of employers and the labour force.

A lively debate is under way on these themes. So far, no unanimous conclusions have been reached. In any event the various theses upheld have many points of

convergence; they are the point of departure for an initial reflection on the impact of recent macroeconomic policy choices.

This macroeconomic view of Italian output and employment trends will be complemented by discussion of a number of themes (still of a general nature) relating to two especially important elements in interpreting the employment crisis of 1992-1994:

- the precipitous drop in public investment spending and its impact on the construction industry;
- the effects on the labour market of the tax and social security reforms enacted during the period.

***Incomes policy, budget policy, trends in output and employment: a quantitative assessment of the "virtuous circle"***

Following the acute crisis of early 1993, with a simultaneous fall in GDP, consumption and investment, the next year already displayed signs of recovery. The balance of trade, which had turned positive in 1992 thanks to the competitive advantage of devaluation, brought in its wake a surplus in the balance of payments on current account, so that within a few months Italy's foreign debt was brought back under control. On the wage front, the 1993 agreement stabilized the rise in nominal wages; real wages declined by 1.3% in 1993 and 1.2% in 1994.

Finally, domestic demand also turned upward, hesitantly at first and then more and more decisively, and together with a rapid rise in productivity this widened profit margins, which returned to the levels registered in the late '80s.

Two factors in particular marked the process of adjustment following the devaluation of the lira in 1992:<sup>11</sup> on the one hand the immediate improvement in the balance of payments on current account, on the other the continuing disinflationary tendency.

The former phenomenon, even within just weeks of the devaluation, showed the falseness of forecasts of an unavoidable "J-curve" in the country's external accounts. Devaluation almost always brings a transitory worsening of the balance of payments. This is explained (Gandolfo, 1989) by drawing a distinction between adjustment trends in three successive intervals: the currency contract period, the pass-through period and the volume adjustment period.

The first of these is defined as the period during which contracts signed before the devaluation fall due. During this time prices and volumes are pre-established. Given the devaluation, and given that the contracts are denominated largely in foreign currencies, the balance of payments in domestic currency can only deteriorate.

The second period is that in which prices are free to move but volumes remain fixed owing to the rigidity of demand and supply in imports and exports. Here again, the balance of payments (in domestic currency) will deteriorate.

In the third period both prices and volumes can vary. Still, as volumes do not adjust instantly but with a lag (owing to friction, for instance), there may be a still further deterioration before the improvement takes effect.

In our specific case, however, trade volumes showed an almost immediate improvement. Exporters elected not to take full advantage of the profit opportunities inherent in the sizable devaluation of the lira. Instead they opted to raise prices by less than the depreciation. At the same time foreign producers, partly because of the sluggish world economy, partly because of declining demand and moderate price increases in

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<sup>11</sup> For a detailed analysis, see Modigliani, Baldassarri and Castiglianesi, op. cit.



Italy, decided to pass only part of the devaluation of the lira through to their prices, in an effort to defend their market shares by narrowing their profit margins.

The combined result was that the Italian balance of trade responded immediately and in positive fashion, with a considerable improvement as early as the closing months of 1992.

The second phenomenon of interest is the country's success at "devaluation without inflation". Despite the sharp devaluation of the lira, the pace of price increases actually slowed down further in 1993 and 1994. Repeatedly, in the course of past decades, Italy had used exchange rate movements to spur international competitiveness. These operations had always had negative results, however. The country's explicit and implicit mechanisms of indexation eventually fueled dangerous "vicious circles", or wage price spirals that quickly undid the advantages gained and further aggravated the structural budget deficit.<sup>12</sup>

This time, however, this did not happen, and the crisis was overcome thanks to a "virtuous circle" which first consolidated substantial gains in competitiveness and then a gradual recovery in output levels, led by the expansion of demand.

Various interpretations have been given of the "happy coincidence" of devaluation with incomes and economic policy measures taken before, during and immediately after the foreign exchange crisis of September 1992. A summary of the findings of the works examined is given in Table 1.38.

The analysis suggested by Locarno and Rossi (1995) is based on contrafactual simulations. They propose to test the thesis that the devaluation had negligible effects on prices and major effects on the balance of trade. Their results, obtained by projecting the performance of the economy had there been no exchange crisis, are held to demonstrate the contrary: a powerful inflationary impact and only a minimal contribution to the improvement in the trade balance. Here, the decisive factors in explaining the fall in domestic demand in 1993 and the beneficial effects of devaluation (on prices and the external accounts) are said to have been the changed behaviour of consumers and investors (albeit at the cost of the sharpest recession since the Second World War) and the role of foreign demand.

A second model is that of Centro Europa Ricerche (CER, 1995). This study examines what might have happened had the crisis of September 1992 resulted in a single realignment, without Italy's withdrawal from the EMS and the free float of the lira. This

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<sup>12</sup> "Vicious circle" refers to a situation in which the international depreciation of the currency generates domestic inflation rapid enough to annul the hoped-for advantage of the devaluation (gains in competitiveness and the restoration of balance in the country's external payments on current account), necessitating renewed devaluation. Various theoretical explanations of the phenomenon have been offered. Basevi and De Grauwe (1977) argue that the explanation lies in the fact that prices are sticky downward. In the wake of an initial monetary shock, the currency depreciates, assuming more reactive financial than real markets, by more than would be consistent with the long-term equilibrium (overshooting). This is followed by price rises, whose downside stickiness or rigidity renders restrictive monetary policy vain. The monetary tightening then causes revaluation of the currency, but this is not followed by price declines. Hence the persistent balance-of-payments deficits, the gradual devaluation of the currency, further impulse to inflation, etc. The indicated therapy is exchange market intervention to ensure that the exchange rate does not diverge too far from its long-term equilibrium value. Other analysts (Modigliani and Padoa-Schioppa, 1977) explain the vicious circle using a model in which prices are determined as a mark-up over costs and wages are indexed to prices. Here, devaluation entails an increase in production costs (owing to higher prices of imported inputs) and thus in prices. This is followed by an increase in wages, hence in costs. The circuit closes with a new increase in prices. The loss of competitiveness thus generated produces a balance-of-payments deficit. This necessitates renewed devaluation, setting off the price-wage spiral. The only therapy is to interrupt the circle by acting on the cost of labour. For a review of the main theoretical positions, see Gandolfo (1989).

scenario posits a situation in which wage growth is fixed according to the agreement of July 1993. The results indicate that continued participation in the ERM would have had positive effects on prices. Even with a sharply devalued lira, the decision to continue to apply the Exchange Rate Mechanism would have induced more pronounced convergence towards the average European rate of inflation, with benefits for the entire productive economy.

Finally, the estimates effected by Modigliani, Baldassari and Castiglionesi (1996) assess the impact of each individual economic policy measure. Reconstructing a scenario "adjusted" for the effects of the incomes policy agreement and the budget cuts of the Amato government, the authors "quantify" the effects of these two factors. The exercise confirms the thesis that the combined effect of the two was very substantial in terms of lower inflation and higher employment.<sup>13</sup>. In these analysts' view, had these two measures not been taken the Italian economy would have quickly degenerated into an "explosive" spiral. The inflationary rebound would have triggered a price-wage spiral fueled by further devaluation of the lira. And the public finances would have rapidly degenerated into a solvency crisis. Both pressures would have been amplified in a perverse feedback mechanism.

### ***The public works crisis***

Public investment expenditure slowed sharply in the first half of the '90s (Table 1.39). After a dip of about 1 trillion lire in 1992, there was a severe slowdown in the next two years, with a reduction of more than 7 trillion lire from 45.5 trillion in 1992 to just over 38 trillion in 1994. A slight recovery was staged in 1995, with real growth of 1.4% to over 40 trillion lire. Overall, the reduction in investment expenditure between 1991 and 1995 came to more than 13%. This is all the more serious in real terms: adjusted for inflation, the fall in spending amounted to 38%.

This meant a considerable diminution in the share of income going to expand and improve the country's infrastructure and fixed capital. In 1985 3.7% of GDP had been allocated to this purpose, compared with 2.3% today. The sector has thus suffered a much sharper slump than most other parts of the economy.

Nor is this an isolated case. In most EU countries the need to adjust the public finances has brought severe difficulties for this sector. Nevertheless, the extent of the crisis in Italy is such that the economic downturn alone cannot explain it. There would appear to be contributory causes, some strictly economic, others institutional:

- a) the particular cyclical conditions and the absolute necessity (especially beginning in 1992) to curb public spending in order to comply with the constraints of the future monetary union;
- b) the reform of the Southern Italy Development Fund;
- c) the outbreak of corruption scandals and the effect of judicial action on the conduct of government departments.

Moreover, the early part of the '90s also witnessed a negative trend in investment by agencies in the enlarged public sector and by formerly state-controlled corporations. Often a change in the legal form of a company and its impending privatization induced a

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<sup>13</sup> For instance, they estimate that in 1993 the household consumption deflator would have risen 7.5%, or more than 2 points more than that actually recorded. This is due mainly to the labour cost agreement (2.4 points) and only marginally (0.3 points) to the Amato budget package. Aside from the combined effects, these results usefully isolate the differing impact of the two actions: unlike that of the incomes policy agreement, the hypothetical elimination of the fiscal policy package has no decisive effect on inflation; its effects are more significant on the real economy.

period of reorganization and balance-sheet adjustment. Major, strategic investment projects were thus shelved; the solutions chosen were less burdensome in terms of corporate indebtedness and less risky in terms of solvency.

A significant factor in the sectoral crisis was the contraction of expenditure on the part of ANAS, the national highway agency, especially in the last two years. The agency has had operational difficulties consequent upon its conversion into a public corporation. In 1994 and 1995 total expenditure dropped by more than 35%.

Equally important has been the role of investment by local authorities, financed by the Deposits and Loans Fund (and other credit institutions) with loans at least partially repayable by the central government. Such loans were cut by more than half between 1989 and 1994, from 11.89 trillion to 5.58 trillion lire. Again, the figures for 1995 suggest some slight recovery, with total lending to local authorities of more than 6 trillion.

Given these tight budget constraints, European Union support (especially funding for the development of the disadvantaged areas under Objectives 1, 2 and 5b) might have served to attenuate the investment downturn. But Italy's utilization of the structural funds has so far proven highly unsatisfactory. The figures for the first Community Support Framework show that as of the end of 1993 30% of the available resources had yet to be disbursed. The indications of the CSF of 1994-1999 are similar. Again, the resources made available by the Union have been deployed with alarming delays and with great difficulty.

Nor have the streamlining and speeding of procedures promoted in recent years had any considerable effect. Generally, however, these legislative changes and procedural streamlining have not been intended for immediate, cyclical benefits but have been seen as the occasion for reforming the methods of making and implementing planning choices. The key development here has been the new legislation governing the planning system, with the rationalization of the procedures and forums for so-called negotiated planning: the planning understanding, the planning agreement, the planning contract, the territorial pact.

Of equally little countercyclical impact have been the efforts to launch plans and projects for the realization of large-scale infrastructure. These have been impeded by the inability of most spending bodies to develop, quickly, clear, consistent sectoral and territorial plans for long-term actions that do not change with every change in the political picture.

An initial indication of the impact of the public investment crisis on labour market equilibria comes from the national accounts. Between 1993 and 1995 the number of salaried labour units in the sector dropped about 10%, or from 1,135,000 to scarcely 1,000,000 in just three years. This contraction of employment is about twice as severe as that registered in the rest of the economy. Its effects on the social equilibrium of the country were aggravated by the poor performance of the independent construction sector, a traditional "buffer" for the industry, allowing payroll workers to migrate into self-employment.

### ***Fiscal adjustment, social security reform, and labour market behavior***

Some reflection is certainly required concerning the implications of economic policy actions on labour market equilibria with reference to the highly singular employment developments of 1992 and 1993. The severe drop in employment and the structural break it indicates are subject to two interpretations. The events of 1992-93 could be seen as the start of a new labour market growth path. Alternatively, the

employment crisis of those years can be thought of as a singular event, a sudden adjustment, in a compressed interval, due to the combination and overlapping of a variety of causes, but which will quickly fade as soon as new points of equilibrium are established.

Undeniably, there was the severe slump in output involving a number of sectors that were traditionally sources of job growth, adversely affecting the number of unemployed and the balance of the labour market. Yet, leaving aside the problem of the modification of the labour force survey, the extent of the employment decline during the two years, especially as regards the employment aggregate, was such as to suggest that it must have been at least partly due to particular events.

The first thing to bear in mind in considering these surprising changes in labour market variables is the tax changes enacted at the end of 1992, and specifically the introduction of a minimum tax to combat tax evasion and avoidance. Three years after the introduction of this mechanism, the effects are still controversial. The fiscal impact appears to have been positive, with an increase in average declared income for those affected and hence in the average tax revenue. When one turns from average tax revenue to the number of taxpayers, however (i.e., the impact on employment), the results are much less encouraging. The labour force survey found that during 1993, while total employment declined by 2.6%, self-employment contracted by 3.2%; the fall was concentrated mainly among part-time self-employed workers (Tables 1.40, 1.41).

Much of this change, of course, must be ascribed to the shake-out of marginal enterprises due to recession. Yet the fact that the shake-out hit both farming and services hard, was more severe in the South, and disproportionately involved the youngest and oldest age-groups suggests the possibility (though not necessarily the probability) that the survey results depend at least in part on more widespread reluctance to state publicly that one is employed, when this threatens to bring new fiscal liabilities.

The second element to consider is the changes in the pension system beginning in the autumn of 1992. Detailed data on retirements are not available. But we do know that in 1992 the number of new INPS pensions jumped from a trend of around 280,000 a year to 455,000. And the labour force survey's breakdown of the work force by age shows that beginning in 1992 and continuing through 1993, generational exits from employment (the withdrawal of the oldest cohorts from the labour market) abruptly accelerated.

Here too, the phenomenon could be attributed to the asymmetric impact of the recession on work force segments. But can we really rule out the possibility that a part of the drop in employment was induced by the effect of the new rules (and the resulting change in expectations) on workers' choices between working and retirement?

There are reasonable grounds, therefore, for maintaining that the labour market developments of 1992 and 1993 are not the pure result of the contraction of output but the product of a combination of cyclical and structural factors. The cyclical factors were economic performance itself and the government's policy measures concerning public spending; the structural ones, only partially connected with the immediate state of the economy, involved unexpected modifications in the institutional and normative arrangements governing employment relations, which affected individual choices between work and leisure.

A confirmation of this point comes from the observation of the trend and cyclical changes in unemployment rates, in the different areas of the country (Graph 1.16). The aggregate trend changes (calculated as the differences with respect to the values of the corresponding quarters one year before) continued to be positive and noticeable up to the third quarter of 1995, falling afterwards around zero. This feature signals the

continuing growth in the unemployment rate, even if cyclical changes could sometimes be negative. Positive aggregate changes reflected those in the Center and Southern regions, as in the North trend changes were negative from the second quarter of 1995 onward.

After the last quarter of 1995, the negative values showed by cyclical changes signal possible future negative values in trend changes too. The reduction in unemployment rates, though, is expected only in the Northern and Central regions, while in the South one could expect only a gradual stabilization around values slightly higher than the present one.

### ***Conclusions, forecasts, proposals***

We have seen that Italy's macroeconomic performance has demonstrated that the economic policy choices of recent years have succeeded, in spite of all the difficulties, in moving the country towards economic and financial adjustment.

The inflationary surge of 1995, the uncertainties over economic adjustment and the recent slowdown in growth nevertheless present the risk of compromising the efforts of the last three years and above all cloud the prospects for quickly overcoming the employment crisis.

Table 1.42 sets forth the projections by leading Italian and international forecasting agencies of the main economic variables for 1996-1998. There is general agreement on the progressive, albeit modest, improvement in the macroeconomic picture, and the labour market in particular, denoting the definitive end of the crisis of 1992-95.

For 1996 the forecasts of GDP growth are not unanimous, ranging from 0.7% (Confindustria) to 2.2% (OECD), but for 1997 a consensus value of around 2.0% emerges, which would set the stage for a gradual acceleration of growth in 1998.

Forecasts of household consumption are for a continuing slowdown in 1996, with some slight upturn only starting in 1997.

The adjustment of the public finances will benefit from the further damping of inflationary tendencies. Forecasts are for a perceptible slowdown in the rate of price rises (as gauged by the household consumption deflator) of nearly 2 percentage points by the end of 1997. This will be followed by a decline to an average of 2.5% in 1998.

Employment should begin to recover noticeably by the end of 1996 and to consolidate the upturn over the next two years. Estimates are for employment growth of 0.4% in 1997 and 0.7% in 1998.

However, the expansion of employment is not expected to be accompanied by an improvement in the unemployment picture. Comparing the employment forecasts with the latest labour force projections effected by the Fondazione Giacomo Brodolini, which simulate labour market trends until 2001 on employment growth hypotheses of 0.4% and 0.8% annually, we find that the growth in employment will not be enough to lower the overall unemployment rate (Tables 1.43, 1.44).

The forecasting exercise projects the continuing marked dichotomy of the labour market in both regional and gender terms.

Geographically, the southern regions will remain far behind, failing to share in the gains registered at the national level. For the entire period considered the employment rate in the South will be a striking 10 percentage points below the national average and the unemployment rate will be about twice as high.

By gender, the trends are divergent. The employment rate for men, though still much higher than that for women (an overall average of 60.1% as against 33.8%) will

decline progressively to about 2 points lower than in the base year of 1995; meanwhile, the women's rate is projected to rise by more than 1 point.

Interestingly, the projections are for a rise in the female rather than the male employment rate in the South but not in the Centre and North, testifying to the increasing feminization of the southern economy from its traditionally very low levels.

Thus, although the forecast is for a general improvement in 1997 and 1998, the expected rate of employment expansion will not be sufficient to bring the overall unemployment rate down to its 1995 level.

In conclusion, while on the one hand the inflation figures confirm the efficacy of Italian policy measures in containing prices, the economic slowdown and its adverse impact on the public finances confront policymakers with the difficult problem of finding a way not to abandon the adjustment path on which the country has embarked, which would raise the danger of failure to comply with the Maastricht standards and relegate Italy to the group of second-class countries, outside the monetary union.

Naturally, in the light of these developments, attention once again turns to the idea of another round of concertation, prompting unions and employers to continue the policy of predetermination of nominal wages, which has been the key pillar of stability since 1992.

This is the thesis put forward by Franco Modigliani,<sup>14</sup> who argues that the likely resurgence of a wage-price spiral and the reasonable doubt over the possibility of reducing the public debt require a courageous incomes policy "with target inflation rates of zero" and a concomitant further public financial adjustment package.

Only a drastic slowdown in the rate of price increases, in fact, will make the structural adjustment achieved in recent years fully perceptible. Government interest expenditure is now more than 200 trillion lire annually. Actually, this outlay is partially offset by an invisible benefit, namely the inflation-induced reduction of some 110 trillion in the real value of the public debt (which Modigliani terms the "inflation tax" levied on holders of the public debt).

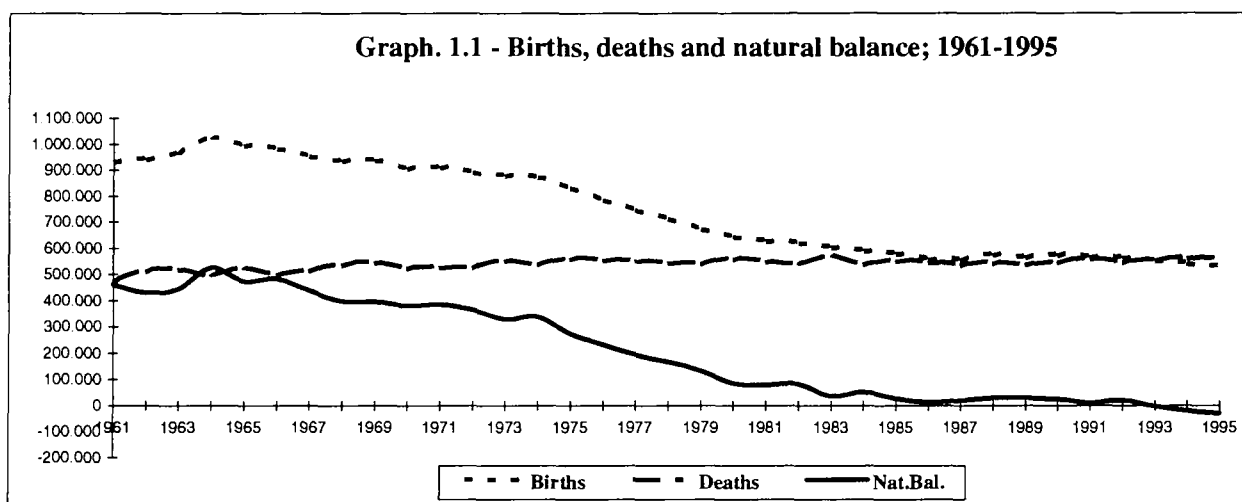
The "true" interest on the debt thus amounts to some 90 trillion lire. But this does not emerge from the present accounts, as there is no revenue item in the accounts reflecting the diminished value of the debt. Hence, the need for further disinflation to bring out, in accounting terms as well, the substantial balance already achieved by the public finances.

This, in the briefest possible summary, is the substance of the proposal. Its adoption would enable Italy, within two years, to sharply reduce the "country risk" universally recognized as responsible for impeding the full use of the monetary and fiscal policy levers and compromising the country's medium- and long-term growth prospects.

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<sup>14</sup> Modigliani, Baldassarri and Castiglionesi, *op. cit.*

Graph. 1.1 - Births, deaths and natural balance; 1961-1995



Source: ISTAT.

Table 1.1 - Total population by regions and main age groups

	ITALY		NORTH	CENTRE	SOUTH	ITALY
	1961	1995				
absolute values						
0-14	12281	8678	3181	1506	4019	-3603
15-70	34379	42491	19322	8231	14938	8112
71+	2496	5472	2645	1121	1678	2976
total	49156	56641	25148	10858	20635	7485
percentage composition by age						
0-14	23,2	15,3	12,6	13,9	19,5	-7,9
15-70	69,9	75,0	76,8	75,8	72,4	5,1
71+	5,1	9,7	10,5	10,3	8,1	4,6
percentage composition by regions						
0-14	-	-	36,7	17,4	46,3	-
15-70	-	-	45,5	19,4	35,2	-
71+	-	-	48,3	20,5	30,7	-
total	-	-	44,4	19,2	36,4	-

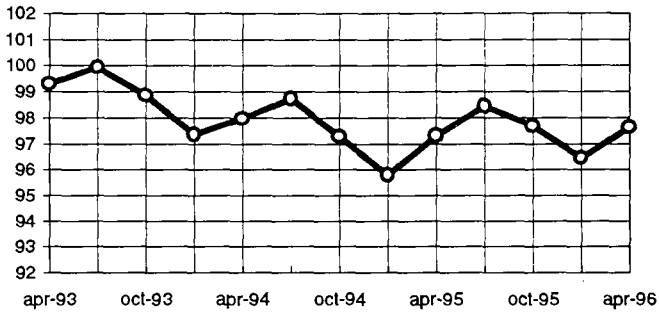
Source: FGB, based on ISTAT data.

Table 1.2 - Working age population; entries and exits by cause; 1966-91

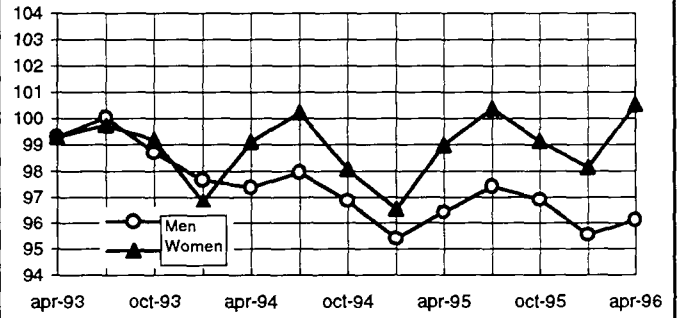
	1966-71	1971-76	1976-81	1981-86	1986-91	1966-91
<b>Generational balance</b>	<b>2.029</b>	<b>2.189</b>	<b>2.284</b>	<b>2.193</b>	<b>1.791</b>	<b>10.486</b>
Generational entries	3.735	4.041	4.456	4.346	4.209	20.787
Generational exits	1.706	1.852	2.172	2.153	2.418	10.301
<b>Deaths</b>	<b>952</b>	<b>951</b>	<b>1.010</b>	<b>904</b>	<b>929</b>	<b>4.746</b>
<b>Migratory balance</b>	<b>-144</b>	<b>83</b>	<b>-407</b>	<b>678</b>	<b>249</b>	<b>459</b>
<b>Total balance</b>	<b>933</b>	<b>1.321</b>	<b>867</b>	<b>1.967</b>	<b>1.111</b>	<b>6.199</b>

Source: FGB, based on ISTAT data.

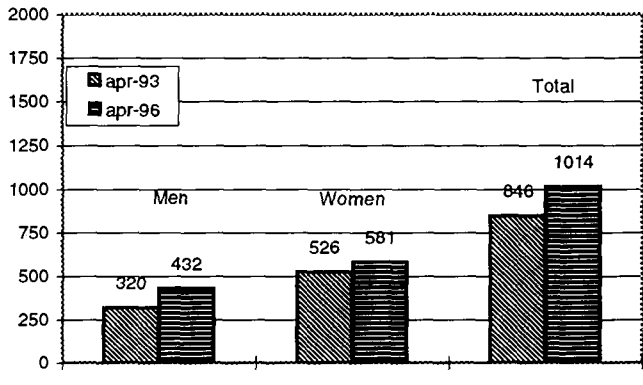
**Graph 1.2 - Total employment (indices)**



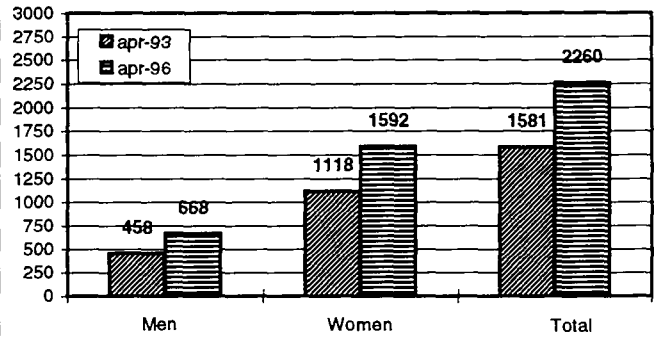
**Graph 1.3 - Employment by gender (indices)**



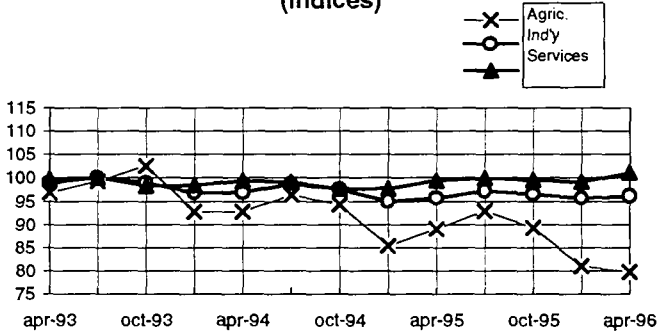
**Graph 1.4 - Potential labour force (in thousands)**



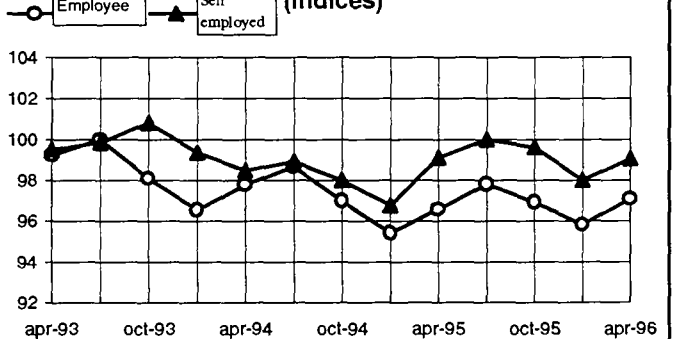
**Graph 1.5 - Non-labour force, willing to work (in thousand)**



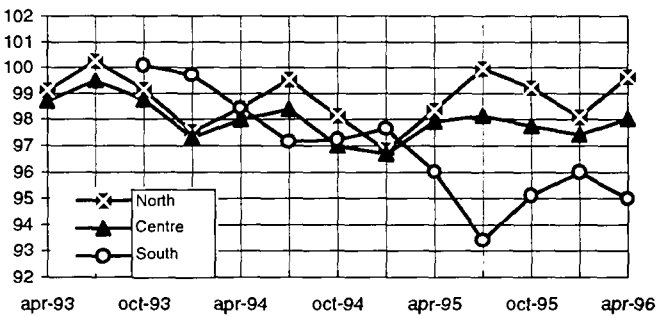
**Graph 1.6 - Total employment by sector (indices)**



**Graph 1.7 - Total employment by status (indices)**



**Graph 1.8 - Employment by Region (indices)**



Source: FGB, based on ISTAT data.



**Table 1.3 - Employment position by type, branch and status**  
(1995: in thousands)

Employees	Regular	Non-regular	Undeclared employed	Non resident aliens	Total	Second jobs
Agriculture	65,0	543,2	12,6	93,5	714,3	-
Industry excluding construction	3.873,3	270,0	18,8	13,3	4.175,4	-
Construction	592,4	389,3	34,2	45,1	1.061,0	-
Market services	4.759,0	319,0	109,5	245,6	6.360,3	927,2
Non-market services	3.913,3	2,0	15,4	286,0	4.462,9	246,2
<b>Total</b>	<b>13.203,0</b>	<b>1.523,5</b>	<b>190,5</b>	<b>683,5</b>	<b>16.773,9</b>	<b>1.173,4</b>

Self-employed	Regular	Non-regular	Undeclared employed	Non resident aliens	Total	Second job
Agriculture	446,5	319,4	95,5	-	4805,2	3943,8
Industry excluding construction	534,1	129,2	14,7	-	898,2	220,2
Construction	421,3	110,7	15,4	-	653,2	105,8
Market services	3.204,1	389,9	125,4	0,0	5.427,5	1.708,1
Non-market services	-	-	-	-	-	-
<b>Total</b>	<b>4.606,0</b>	<b>949,2</b>	<b>251,0</b>	<b>-</b>	<b>11.784,1</b>	<b>5.977,9</b>

Total	Regular	Non-regular	Undeclared employed	Non resident aliens	Total	Second job
Agriculture	511,5	862,6	108,1	93,5	5.519,5	3.943,8
Industry excluding construction	4.407,4	399,2	33,5	13,3	5.073,6	220,2
Construction	1.013,7	500,0	49,6	45,1	1.714,2	105,8
Market services	7.963,1	708,9	234,9	245,6	11.787,8	2.635,3
Non-market services	3.913,3	2,0	15,4	286,0	4.462,9	246,2
<b>Total</b>	<b>17.809,0</b>	<b>2.472,7</b>	<b>441,5</b>	<b>683,5</b>	<b>28.558,0</b>	<b>7.151,3</b>

Source: ISTAT, 1996.

Table 1.4 - Population aged 15 and over by education, age-group, employment status - April 1996

AGE	Univ. grad.	Upper second'y	Lower second'y	Elem'y	Total	Univ. grad.	Upper second'y	Lower second'y	Elem'y	Total
	In thousands					Percentage composition				

**EMPLOYED**

15-19	0	100	340	38	478	0,0	20,9	71,1	7,9	100,0
20-24	16	751	761	44	1571	1,0	47,8	48,4	2,8	100,0
25-29	202	1249	1234	90	2775	7,3	45,0	44,5	3,2	100,0
<b>Total 15-29</b>	<b>218</b>	<b>2099</b>	<b>2336</b>	<b>173</b>	<b>4825</b>	<b>4,5</b>	<b>43,5</b>	<b>48,4</b>	<b>3,6</b>	<b>100,0</b>
30-34	345	1313	1298	129	3086	11,2	42,5	42,1	4,2	100,0
35-39	384	1111	1128	196	2818	13,6	39,4	40,0	7,0	100,0
40-44	403	978	966	391	2738	14,7	35,7	35,3	14,3	100,0
45-49	344	738	818	730	2629	13,1	28,1	31,1	27,8	100,0
50-54	204	432	499	701	1835	11,1	23,5	27,2	38,2	100,0
55-59	133	255	266	609	1264	10,5	20,2	21,0	48,2	100,0
60-64	64	88	111	312	574	11,1	15,3	19,3	54,4	100,0
65-69	29	29	22	96	176	16,5	16,5	12,5	54,5	100,0
<b>Total 15-69</b>	<b>2124</b>	<b>7042</b>	<b>7444</b>	<b>3336</b>	<b>19946</b>	<b>10,6</b>	<b>35,3</b>	<b>37,3</b>	<b>16,7</b>	<b>100,0</b>

**UNEMPLOYED**

15-19	0	69	185	16	270	0,0	25,6	68,5	5,9	100,0
20-24	14	452	307	36	810	1,7	55,8	37,9	4,4	100,0
25-29	76	273	235	43	628	12,1	43,5	37,4	6,8	100,0
<b>Total 15-29</b>	<b>91</b>	<b>794</b>	<b>728</b>	<b>95</b>	<b>1708</b>	<b>5,3</b>	<b>46,5</b>	<b>42,6</b>	<b>5,6</b>	<b>100,0</b>
30-34	48	135	179	40	402	11,9	33,6	44,5	10,0	100,0
35-39	17	75	117	45	253	6,7	29,6	46,2	17,8	100,0
40-44	7	30	68	51	156	4,5	19,2	43,6	32,7	100,0
45-49	3	23	45	58	129	2,3	17,8	34,9	45,0	100,0
50-54	1	9	22	48	80	1,3	11,3	27,5	60,0	100,0
55-59	1	5	13	45	64	1,6	7,8	20,3	70,3	100,0
60-64	0	1	2	15	18	0,0	5,6	11,1	83,3	100,0
65-69	0	1	1	2	4	0,0	25,0	25,0	50,0	100,0
<b>Total 15-69</b>	<b>168</b>	<b>1072</b>	<b>1174</b>	<b>400</b>	<b>2814</b>	<b>6,0</b>	<b>38,1</b>	<b>41,7</b>	<b>14,2</b>	<b>100,0</b>

**POPULATION AGED 15-69**

15-19	0	466	3209	188	3863	0,0	12,1	83,1	4,9	100,0
20-24	45	2676	1565	161	4448	1,0	60,2	35,2	3,6	100,0
25-29	359	2129	2010	296	4795	7,5	44,4	41,9	6,2	100,0
<b>Totale 15-29</b>	<b>407</b>	<b>5270</b>	<b>6784</b>	<b>645</b>	<b>13106</b>	<b>3,1</b>	<b>40,2</b>	<b>51,8</b>	<b>4,9</b>	<b>100,0</b>
30-34	432	1731	1997	310	4471	9,7	38,7	44,7	6,9	100,0
35-39	425	1393	1684	441	3943	10,8	35,3	42,7	11,2	100,0
40-44	427	1177	1388	764	3757	11,4	31,3	36,9	20,3	100,0
45-49	371	920	1214	1386	3891	9,5	23,6	31,2	35,6	100,0
50-54	231	603	922	1583	3338	6,9	18,1	27,6	47,4	100,0
55-59	177	463	733	2024	3398	5,2	13,6	21,6	59,6	100,0
60-64	122	297	540	2307	3266	3,7	9,1	16,5	70,6	100,0
65-69	99	244	437	2120	2899	3,4	8,4	15,1	73,1	100,0
<b>Total 15-69</b>	<b>2692</b>	<b>12100</b>	<b>15699</b>	<b>11578</b>	<b>42069</b>	<b>6,4</b>	<b>28,8</b>	<b>37,3</b>	<b>27,5</b>	<b>100,0</b>

Source: FGB, based on ISTAT data.

STATISTICAL APPENDIX: ITALIAN LABOUR FORCE (in thousands)

ITALY: Labour Force by gender

MEN	Labour Force (Eurostat definition)						Unemploy't rate (Eurostat)	Employ't rate	Partic. rate (Eurostat)
	Employed	Unemployed (Eurostat)				Total Labour Force			
		Unemployed workers	First-job seekers	Other job seekers	Total unemployed				
apr-93	13.304	515	512	91	1.118	14.422	7,8	63,7	69,0
jul-93	13.404	467	526	97	1.090	14.494	7,5	64,1	69,3
oct-93	13.222	535	575	96	1.206	14.428	8,4	63,1	68,9
jan-94	13.082	610	515	94	1.219	14.302	8,5	62,3	68,1
apr-94	13.045	609	545	108	1.262	14.307	8,8	62,2	68,2
jul-94	13.123	545	551	110	1.207	14.329	8,4	62,6	68,3
oct-94	12.977	608	597	109	1.313	14.290	9,2	61,9	68,1
jan-95	12.780	643	588	114	1.345	14.125	9,5	60,9	67,3
apr-95	12.917	601	597	113	1.310	14.226	9,2	61,3	67,5
jul-95	13.049	550	599	120	1.268	14.317	8,9	62,0	68,0
oct-95	12.982	593	611	114	1.318	14.300	9,2	61,5	67,8
jan-96	12.801	623	594	116	1.333	14.134	9,4	60,7	67,0
apr-96	12.875	622	644	106	1.372	14.246	9,6	61,0	67,5

WOMEN	Labour Force (Eurostat definition)						Unemploy't rate (Eurostat)	Employ't rate	Partic. rate (Eurostat)
	Employed	Unemployed (Eurostat)				Total Labour Force			
		Unemployed workers	First-job seekers	Other job seekers	Total unemployed				
apr-93	7.116	359	499	396	1.255	8.371	15,0	33,0	38,8
jul-93	7.148	337	489	395	1.222	8.370	14,6	33,1	38,8
oct-93	7.107	384	522	428	1.335	8.442	15,8	32,9	39,1
jan-94	6.938	412	459	412	1.282	8.220	15,6	32,1	38,0
apr-94	7.103	395	495	427	1.316	8.419	15,6	32,9	39,0
jul-94	7.182	359	487	406	1.252	8.434	14,8	33,3	39,1
oct-94	7.028	395	544	452	1.391	8.419	16,5	32,6	39,0
jan-95	6.918	416	527	451	1.394	8.312	16,8	32,0	38,5
apr-95	7.094	417	534	454	1.405	8.499	16,5	32,9	39,4
jul-95	7.192	394	553	459	1.405	8.597	16,3	33,4	39,9
oct-95	7.104	402	591	458	1.452	8.555	17,0	32,9	39,6
jan-96	7.032	426	550	447	1.423	8.455	16,8	32,6	39,2
apr-96	7.203	422	575	448	1.445	8.647	16,7	33,3	40,0

TOTAL	Labour Force (Eurostat definition)						Unemploy't rate (Eurostat)	Employ't rate	Partic. rate (Eurostat)
	Employed	Unemployed (Eurostat)				Total Labour Force			
		Unemployed workers	First-job seekers	Other job seekers	Total unemployed				
apr-93	20.420	874	1011	487	2.373	22.793	10,4	48,1	53,7
jul-93	20.552	804	1015	492	2.312	22.864	10,1	48,4	53,8
oct-93	20.329	919	1097	524	2.541	22.870	11,1	47,8	53,8
jan-94	20.020	1022	974	506	2.501	22.522	11,1	47,0	52,8
apr-94	20.148	1004	1040	535	2.578	22.726	11,3	47,3	53,4
jul-94	20.305	904	1038	516	2.459	22.763	10,8	47,7	53,5
oct-94	20.005	1003	1141	561	2.704	22.709	11,9	47,0	53,4
jan-95	19.698	1059	1115	565	2.739	22.437	12,2	46,3	52,7
apr-95	20.011	1018	1131	566	2.715	22.726	11,9	46,9	53,3
jul-95	20.241	943	1152	578	2.673	22.914	11,7	47,5	53,8
oct-95	20.086	995	1202	572	2.769	22.855	12,1	47,1	53,5
jan-96	19.833	1049	1144	563	2.756	22.589	12,2	46,5	52,9
apr-96	20.078	1044	1219	553	2.816	22.894	12,3	47,0	53,6

Source: ISTAT, Quarterly labour force survey.

\*\* Participation and employment rates for population aged 15-70.

ITALY - Potential labour force by gender

MEN	Potential labour force				Total unemployment (broad definition)				Labour Force (broad def.)	Unemploy't rate (broad def.)	Partic. rate (broad def.)
	Unemployed (action 1-6 mos. ago)				Unemployed (action 1-6 mos. ago)						
	Unemployed workers	First-job seekers	Other job seekers	Total unemployed	Unemployed workers	First-job seekers	Other job seekers	Total unemployed			
apr-93	120	171	30	320	634	683	121	1.438	14.742	9,8	70,5
jul-93	118	171	35	323	585	697	132	1.414	14.818	9,5	70,9
oct-93	119	168	24	312	654	744	121	1.518	14.740	10,3	70,4
jan-94	160	195	27	382	770	710	121	1.602	14.684	10,9	69,9
apr-94	161	192	32	385	770	736	141	1.647	14.692	11,2	70,1
jul-94	155	212	38	404	700	763	148	1.611	14.733	10,9	70,3
oct-94	162	190	37	389	771	786	146	1.703	14.680	11,6	70,0
jan-95	184	205	35	425	828	793	149	1.770	14.550	12,2	69,3
apr-95	176	213	34	423	777	809	147	1.733	14.649	11,8	69,6
jul-95	167	221	37	424	716	819	156	1.692	14.741	11,5	70,1
oct-95	158	221	41	420	751	832	154	1.738	14.720	11,8	69,8
jan-96	182	208	35	425	805	802	151	1.758	14.559	12,1	69,0
apr-96	179	216	37	432	801	860	142	1.804	14.679	12,3	69,6

WOMEN	Potential labour force				Total unemployment (broad definition)				Labour Force (broad def.)	Unemploy't rate (broad def.)	Partic. rate (broad def.)
	Unemployed (action 1-6 mos. ago)				Unemployed (action 1-6 mos. ago)						
	Unemployed workers	First-job seekers	Other job seekers	Total unemployed	Unemployed workers	First-job seekers	Other job seekers	Total unemployed			
apr-93	114	205	208	526	473	704	604	1.781	8.897	20,0	41,2
jul-93	118	200	228	546	455	690	623	1.768	8.916	19,8	41,3
oct-93	106	194	190	491	490	717	619	1.826	8.933	20,4	41,4
jan-94	129	223	202	554	541	681	614	1.836	8.774	20,9	40,6
apr-94	122	215	238	575	517	709	665	1.891	8.994	21,0	41,7
jul-94	131	237	242	609	490	724	648	1.862	9.043	20,6	41,9
oct-94	131	227	226	585	526	771	678	1.976	9.004	21,9	41,7
jan-95	141	226	234	601	558	752	685	1.995	8.913	22,4	41,3
apr-95	126	220	231	577	543	755	685	1.982	9.076	21,8	42,1
jul-95	127	207	225	559	520	760	684	1.965	9.157	21,5	42,5
oct-95	124	215	212	551	526	806	670	2.003	9.106	22,0	42,2
jan-96	139	224	229	593	566	774	677	2.016	9.048	22,3	41,9
apr-96	140	220	221	581	563	795	668	2.026	9.229	22,0	42,7

TOTAL	Potential labour force				Total unemployment (broad definition)				Labour Force (broad def.)	Unemploy't rate (broad def.)	Partic. rate (broad def.)
	Unemployed (action 1-6 mos. ago)				Unemployed (action 1-6 mos. ago)						
	Unemployed workers	First-job seekers	Other job seekers	Total unemployed	Unemployed workers	First-job seekers	Other job seekers	Total unemployed			
apr-93	234	376	238	846	1.107	1.387	725	3.219	23.639	13,6	55,6
jul-93	236	371	263	869	1.040	1.387	755	3.182	23.734	13,4	55,8
oct-93	225	362	214	803	1.144	1.461	740	3.344	23.673	14,1	55,7
jan-94	289	418	229	936	1.311	1.391	735	3.438	23.458	14,7	55,0
apr-94	283	407	270	960	1.287	1.445	806	3.538	23.686	14,9	55,7
jul-94	286	449	280	1.013	1.190	1.487	796	3.473	23.776	14,6	55,9
oct-94	293	417	263	974	1.297	1.557	824	3.679	23.684	15,5	55,6
jan-95	325	431	269	1.026	1.386	1.545	834	3.765	23.463	16,0	55,1
apr-95	302	433	265	1.000	1.319	1.564	832	3.715	23.726	15,7	55,7
jul-95	294	428	262	983	1.237	1.580	840	3.657	23.898	15,3	56,1
oct-95	283	436	253	971	1.278	1.638	825	3.741	23.827	15,7	55,8
jan-96	321	432	265	1.018	1.370	1.576	828	3.774	23.607	16,0	55,3
apr-96	320	437	257	1.014	1.364	1.655	811	3.830	23.907	16,0	56,0

Source: ISTAT, Quarterly labour force survey.

**ITALY - Population by gender**

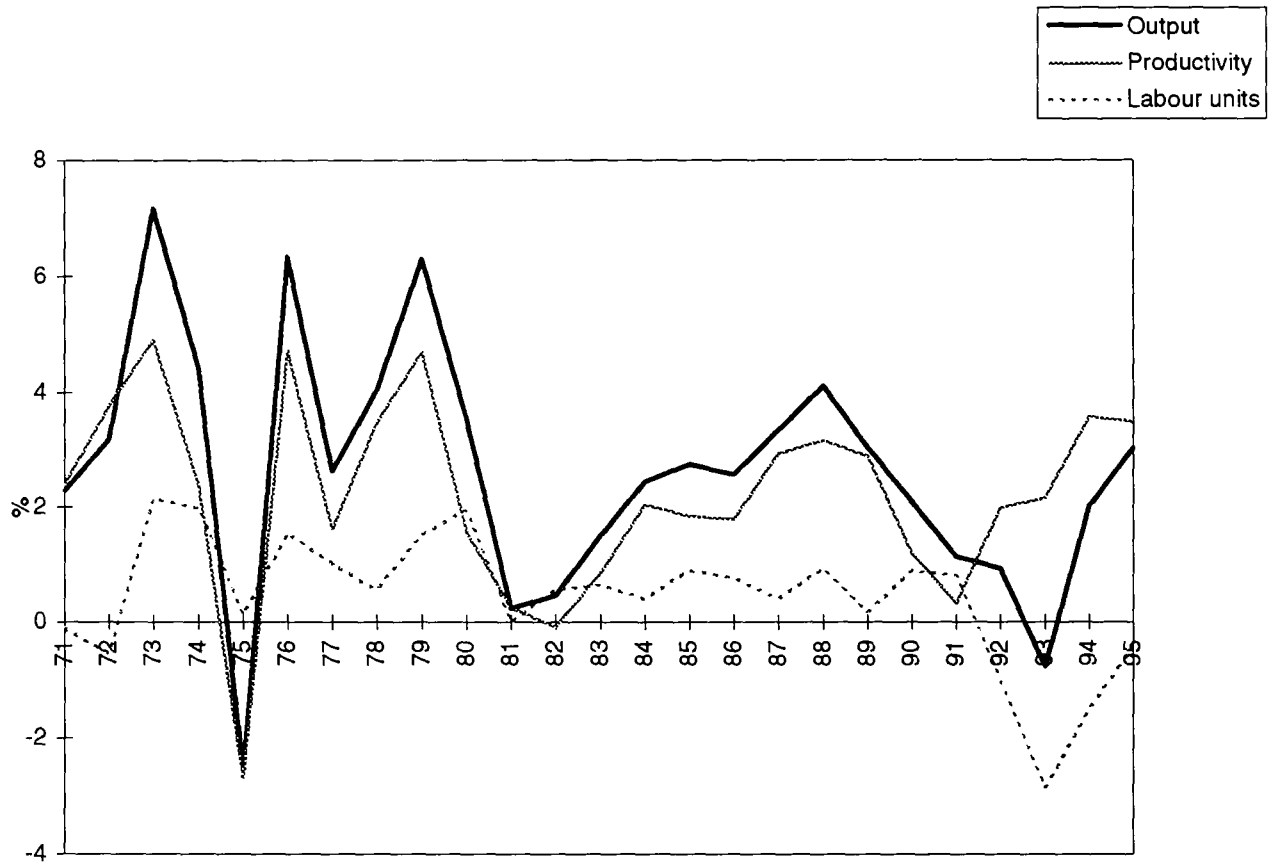
MEN	Non-Labour force						Total pop.	Working age pop.	
	Working age (15-70)			Non-working age					
	Willing to work	Not willing	Total aged 15-70	Under 15	Over 70	Total non-working age			
apr-93	458	5.696	6.154	4.521	1.964	6.485	12.639	27.381	20.896
jul-93	513	5.574	6.087	4.530	1.992	6.522	12.609	27.427	20.905
oct-93	526	5.675	6.201	4.535	1.975	6.511	12.711	27.451	20.941
jan-94	543	5.777	6.320	4.449	2.021	6.469	12.789	27.473	21.004
apr-94	597	5.684	6.281	4.444	2.040	6.484	12.766	27.458	20.973
jul-94	603	5.629	6.232	4.450	2.063	6.513	12.745	27.478	20.965
oct-94	621	5.673	6.294	4.450	2.060	6.510	12.803	27.483	20.974
jan-95	611	5.829	6.440	4.454	2.060	6.514	12.954	27.504	20.990
apr-95	647	5.766	6.413	4.468	2.043	6.511	12.924	27.573	21.062
jul-95	692	5.606	6.298	4.467	2.054	6.521	12.818	27.559	21.039
oct-95	663	5.709	6.372	4.470	2.037	6.507	12.879	27.599	21.092
jan-96	684	5.860	6.544	4.475	2.028	6.503	13.047	27.606	21.103
apr-96	668	5.751	6.419	4.477	2.041	6.518	12.937	27.616	21.098

WOMEN	Non-Labour force						Total pop.	Working age pop.	
	Working age (15-70)			Non-working age					
	Willing to work	Not willing	Total aged 15-70	Under 15	Over 70	Total non-working age			
apr-93	1.206	11.484	12.690	4.278	3.114	7.392	20.082	28.979	21.587
jul-93	1.293	11.391	12.684	4.284	3.130	7.414	20.099	29.015	21.600
oct-93	1.260	11.403	12.662	4.289	3.146	7.435	20.097	29.030	21.595
jan-94	1.342	11.508	12.850	4.207	3.221	7.428	20.278	29.052	21.624
apr-94	1.366	11.228	12.594	4.208	3.265	7.473	20.066	29.060	21.588
jul-94	1.426	11.124	12.550	4.208	3.276	7.484	20.034	29.077	21.593
oct-94	1.480	11.105	12.585	4.208	3.279	7.487	20.072	29.076	21.589
jan-95	1.447	11.226	12.674	4.212	3.295	7.507	20.181	29.094	21.587
apr-95	1.502	10.990	12.492	4.212	3.288	7.499	19.991	29.067	21.568
jul-95	1.585	10.807	12.392	4.211	3.307	7.518	19.909	29.066	21.549
oct-95	1.569	10.912	12.481	4.216	3.294	7.510	19.992	29.098	21.587
jan-96	1.597	10.944	12.540	4.218	3.302	7.520	20.060	29.108	21.588
apr-96	1.592	10.790	12.382	4.220	3.283	7.503	19.885	29.114	21.611

TOTAL	Non-Labour force						Total pop.	Working age pop.	
	Working age (15-70)			Non-working age					
	Willing to work	Not willing	Total aged 15-70	Under 15	Over 70	Total non-working age			
apr-93	1.664	17.180	18.844	8.799	5.078	13.877	32.721	56.360	42.483
jul-93	1.806	16.965	18.771	8.814	5.122	13.936	32.708	56.442	42.505
oct-93	1.786	17.078	18.863	8.824	5.121	13.946	32.808	56.481	42.536
jan-94	1.885	17.285	19.170	8.656	5.242	13.897	33.067	56.525	42.628
apr-94	1.963	16.912	18.875	8.652	5.305	13.957	32.832	56.518	42.561
jul-94	2.029	16.753	18.782	8.658	5.339	13.997	32.779	56.555	42.558
oct-94	2.101	16.778	18.879	8.658	5.339	13.997	32.875	56.559	42.563
jan-95	2.058	17.055	19.114	8.666	5.355	14.021	33.135	56.598	42.577
apr-95	2.149	16.756	18.905	8.680	5.331	14.010	32.915	56.641	42.631
jul-95	2.277	16.412	18.689	8.678	5.360	14.038	32.728	56.626	42.587
oct-95	2.232	16.622	18.854	8.686	5.331	14.017	32.871	56.698	42.681
jan-96	2.281	16.804	19.085	8.692	5.331	14.023	33.108	56.715	42.692
apr-96	2.260	16.541	18.802	8.696	5.325	14.021	32.823	56.730	42.709

Source: ISTAT, Quarterly labour force survey.

**Graph 1.9 - Volume of output, productivity per worker, labour units  
(annual percentage changes, 1971-1995)**



Source: FGB, based on ISTAT data.

**Table 1.5 - Average annual changes in output (\*), productivity (\*\*) and labour units in Italy, 1970-95**

Year	Production	Productivity	Labour Units
<b>OVERALL ECONOMY</b>			
1970-79	3,8	2,8	0,9
1980-89	2,4	1,7	0,7
1990-95	1,4	2,1	-0,7
1970-95	2,6	2,2	0,4
<b>MANUFACTURING INDUSTRY</b>			
1970-79	6	5	1
1980-89	2,8	4,3	-1,4
1990-95	1,5	3,5	-2
1970-95	3,7	4,4	-0,7
<b>MARKET SERVICES</b>			
1970-79	4,5	1,9	2,5
1980-89	3,2	0,2	2,5
1990-95	2	1,9	0,5
1970-95	3,4	1,2	2

(\*) Value added at factor cost at constant prices, net of building rentals.

(\*\*) Output per worker.

Source: FGB, based on ISTAT data.

**Table 1.6a - Total labour units. Annual percentage changes**

SECTOR	1990	1991	1992	1993	1994	1995
<b>Total labour units</b>						
Agriculture	-1,8	0,1	-4,7	-7,3	-4,3	-3,4
Industry	0,8	-0,8	-2,5	-4,0	-1,6	-1,3
- Excluding construction	0,4	-1,9	-3,7	-4,9	-0,7	-1,3
- Energy	0,5	-1,0	-2,0	-3,6	-3,2	-5,0
- Manufacturing	0,4	-1,9	-3,7	-4,9	-0,6	-1,2
- Construction	2,2	2,9	1,1	-1,5	-3,9	-1,2
Services	1,4	1,7	0,2	-1,6	-1,1	0,4
-- Market	1,7	1,9	-0,1	-2,1	-1,3	0,7
- Distributive	1,0	1,4	-0,2	-2,1	-1,5	-0,1
- Transport and Communications	-0,4	0,4	-0,7	-1,1	-2,7	-1,5
- Credit and Insurance	2,2	2,6	1,2	0,0	-0,5	-0,9
- Others	3,8	3,4	0,0	-2,9	-0,4	3,3
-- Non-market	0,7	1,1	1,1	-0,6	-0,7	-0,3
- Public Administration	0,2	0,4	0,4	-0,7	-1,1	-0,7
- Others	4,0	5,1	5,0	0,4	1,3	1,3
<b>TOTAL</b>	<b>0,9</b>	<b>0,8</b>	<b>-1,0</b>	<b>-2,9</b>	<b>-1,5</b>	<b>-0,4</b>

Source: FGB, based on ISTAT data.

**Table 1.6b - Employee Labour Units, annual percentage changes**

Sector	1990	1991	1992	1993	1994	1995
Agriculture	-0,8	-3,9	0,4	-9,3	-5,1	-3,8
Industry	1,0	1,4	-3,2	-5,3	-1,3	-1,9
-- Excluding construction	0,5	-2,1	-4,2	-5,6	-0,3	-1,5
-- Energy	0,1	-0,9	-1,8	-4,1	-3,2	-4,7
-- Manufacturing	0,5	-2,2	-4,3	-5,7	-0,2	-1,4
- Construction	2,8	1,8	0,7	-0,4	-5,2	-3,2
Services	1,6	2,1	0,9	-0,8	-1,4	-0,1
- Market	2,2	2,9	0,7	-0,9	-1,9	0,1
-- Distributive	2,1	1,8	1,9	-0,1	-1,0	0,3
-- Transport	-0,8	0,6	-0,8	-0,5	-3,5	-0,9
-- Communications	0,8	-0,5	-1,9	-2,4	-3,5	-5,9
-- Credit and Insurance	2,1	2,7	1,1	0,0	-0,3	-1,0
-- Others	4,3	6,3	0,4	-2,1	-2,3	1,6
- Non-market	0,7	1,1	1,1	-0,6	-0,7	-0,4
-- Public Administration	0,2	0,4	0,4	-0,7	-1,1	-0,7
-- Others	4,0	5,1	5,1	0,3	1,3	1,4
<b>TOTAL</b>	<b>1,2</b>	<b>0,6</b>	<b>-0,5</b>	<b>-2,7</b>	<b>-1,5</b>	<b>-0,8</b>

Source: FGB, based on ISTAT data.

**Table 1.6c - Self-employed labour units. Annual percentage changes**

SECTORS	1990	1991	1992	1993	1994	1995
<b>Self-employed labour units</b>						
Agriculture	-2,4	2,1	-7,1	-6,4	-3,8	-3,3
Industry	0,2	1,5	0,4	0,8	-2,4	0,8
- Excluding construction	-0,4	-0,7	-0,6	-0,9	-2,9	-0,4
- Energy	...	...	...	...	...	...
- Manufacturing	-0,4	-0,6	-0,6	-1,0	-2,9	-0,3
- Construction	1,0	5,0	2,0	3,2	-1,7	2,5
Services	1,0	0,8	-1,2	-3,6	-0,6	1,4
-- Market	1,0	0,8	-1,2	-3,6	-0,6	1,4
- Distributive	0,2	1,2	-1,8	-3,6	-1,9	-0,5
- Transport and Communications	-0,3	0,7	1,0	-1,6	0,3	1,0
- Credit and Insurance	...	...	...	...	...	...
- Others	3,1	-0,2	-0,5	-4,1	2,2	5,5
-- Non-market	...	...	...	...	...	...
- Public Administration	...	...	...	...	...	...
- Others	...	...	...	...	...	...
<b>TOTAL</b>	<b>0,1</b>	<b>1,2</b>	<b>-2,1</b>	<b>-3,3</b>	<b>-1,5</b>	<b>0,4</b>

Source: FGB, based on ISTAT data.



**Table 1.7a - Job creation by firm size, 1990-1994 (in thousands)**

No employees in firm	1990	1991	1992	1993	1994
1-5	258,6	254,8	228,4	204,2	210,7
6-9	86,6	81,2	75,8	65,2	74,2
10-19	109,8	103,1	88,2	80,5	89,1
20-49	97,4	88,4	78,8	72,0	88,4
50-99	49,0	47,6	44,6	36,4	48,5
100-199	42,1	38,0	31,0	30,9	38,5
200-499	47,5	39,1	27,5	25,9	30,9
500-999	32,5	19,1	18,2	28,4	20,8
1000- +	51,4	59,9	44,0	22,5	43,7
<b>TOTAL</b>	<b>774,9</b>	<b>731,2</b>	<b>636,5</b>	<b>566,0</b>	<b>644,8</b>
1-19	455,0	439,1	392,4	349,9	374,0
20- +	319,9	292,1	244,1	216,1	270,8

Source: FGB, based on INPS data.

**Table 1.7b - Job destruction by firm size, 1990-1994 (in thousands)**

No employees in firm	1990	1991	1992	1993	1994
1-5	182,0	176,0	175,8	177,4	160,0
6-9	84,5	85,0	90,9	93,7	81,7
10-19	109,9	114,2	122,9	121,5	107,5
20-49	93,7	102,4	113,8	118,0	106,5
50-99	46,5	53,2	63,8	61,0	57,6
100-199	35,7	41,5	54,6	49,9	49,0
200-499	33,7	41,1	52,5	52,8	58,6
500-999	22,6	28,7	34,2	33,3	38,0
1000- +	72,2	64,3	93,2	83,4	104,2
<b>TOTAL</b>	<b>680,8</b>	<b>706,4</b>	<b>801,7</b>	<b>791,0</b>	<b>763,1</b>
1-19	376,4	375,2	389,6	392,6	349,2
20- +	304,4	331,2	412,1	398,4	413,9

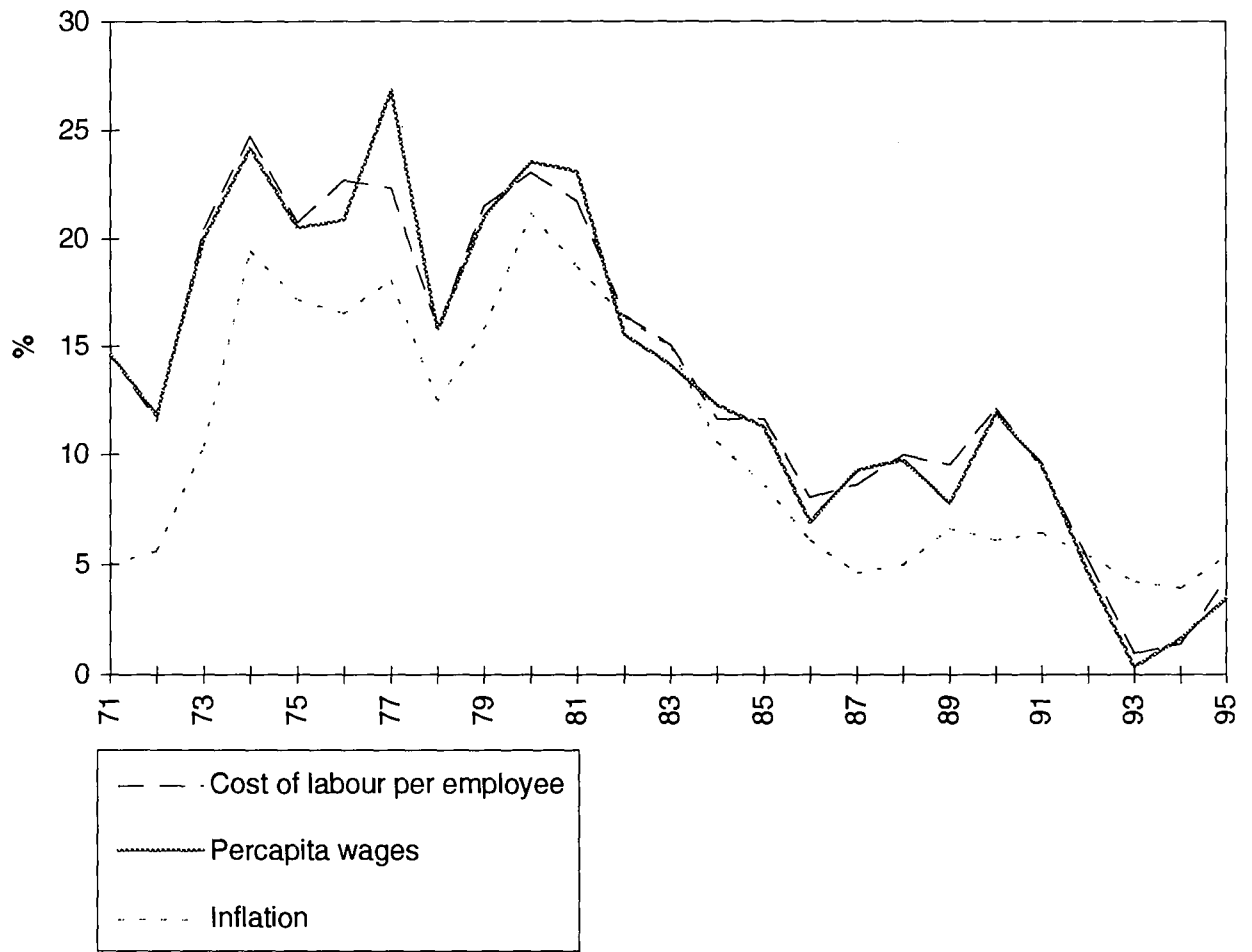
Source: FGB, based on INPS data.

**Table 1.8 - Net job creation by firm size, 1990-1994 (in thousands)**

No employees in firm	1990	1991	1992	1993	1994
1-5	76,6	78,8	52,6	26,8	50,7
6-9	2,1	-3,8	-15,1	-28,5	-7,5
10-19	-0,1	-11,1	-34,7	-41,0	-18,4
20-49	3,7	-14,0	-35,0	-46,0	-18,1
50-99	2,5	-5,6	-19,2	-24,6	-9,1
100-199	6,4	-3,5	-23,6	-19,0	-10,5
200-499	13,8	-2,0	-25,0	-26,9	-27,7
500-999	9,9	-9,6	-16,0	-4,9	-17,2
1000- +	-20,8	-4,4	-49,2	-60,9	-60,5
	0,0	0,0	0,0	0,0	0,0
<b>TOTAL</b>	<b>94,1</b>	<b>24,8</b>	<b>-165,2</b>	<b>-225,0</b>	<b>-118,3</b>
1-19	0,0	0,0	0,0	0,0	0,0
20- +	78,6	63,9	2,8	-42,7	24,8
	15,5	-39,1	-168,0	-182,3	-143,1

Source: FGB, based on INPS data.

**Graph 1.10 - Cost of labour, wages and prices, 1971-1995**  
(annual percentage changes)



Source: FGB, based on ISTAT data.

**Table 1.9 - Productivity (P) and Unit Labour Cost (ULC). Average annual percentage changes**

SECTOR	1987-1989		1990-1992		1993-1995	
	P	ULC	P	ULC	P	ULC
Agriculture	4,2	2,7	4,3	2,9	5	-2,5
Industry	4,2	4	1,6	6,7	3,7	0,5
- Excluding construction	4,3	3,8	2,5	6	4,7	-0,3
--Energy	2,1	6,2	3,3	6,3	5,6	-1,1
--Manufacturing	4,6	3,5	2,3	6,1	4,8	-0,2
- Construction	3,2	5	-0,9	9,4	-0,8	3,2
Market services	2,4	5,5	0,7	6,7	3,1	1,4
- Distribution	3	5	0,6	6,9	2,7	2,4
-Transport and Communication	3,6	3,5	3,3	4,6	6,8	-3
- Credit and Insurance	2,3	5	1,5	6,7	4,1	1,3
- Other	0,7	8,1	-0,9	8,2	0,9	3,5
Non-market services	0,1	9,2	0	9,4	0,5	2,4
- Government	-0,1	9,2	0,4	9,5	0,7	2,2
<b>TOTAL</b>	<b>3</b>	<b>5,4</b>	<b>1,2</b>	<b>7,2</b>	<b>3,1</b>	<b>0,9</b>

Source: FGB, based on ISTAT data.

**Table 1.10 - Increases in productivity and real gross earnings per employee, 1970-1995 (average annual % growth)**

Years	Productivity (*)	Real gross earnings per employee (**)
<b>OVERALL ECONOMY</b>		
1970-79	2,8	4,3
1980-89	1,7	1,5
1990-95	2,1	0,6
1970-95	2,2	2,3
<b>MANUFACTURING INDUSTRY</b>		
1970-79	5,0	5,5
1980-89	4,3	1,4
1990-95	3,5	0,8
1970-95	4,4	2,8
<b>MARKET SERVICES</b>		
1970-79	1,9	3,2
1980-89	0,2	0,9
1990-95	1,9	0,5
1970-95	1,2	1,6

(\*) Value added at factor cost, constant prices, net of building rentals.

(\*\*) Deflated using CPI for production and clerical workers households.

Source: FGB, based on ISTAT data.

**Table 1.11 - Average annual percentage change in productivity (P) and real gross per employee (R), 1970-1995, by sector**

SECTOR	1970-1995		1990-1995		1995	
	P	R	P	R	P	R
Agriculture	3,7	3,0	4,6	-0,4	4,0	-2,9
Industry	3,2	2,7	2,7	0,7	6,0	-1,2
-- Excluding construction	4,0	2,7	3,6	0,9	6,7	-0,8
-- Energy	1,5	1,7	4,4	1,3	6,5	0,1
- Manufacturing	4,4	2,8	3,5	0,8	7,0	-0,8
- Construction	0,7	2,3	-0,8	-0,1	4,8	1,4
Services	1,0	1,7	1,5	0,5	1,9	-0,8
- Market	1,2	1,6	1,9	0,5	2,2	-0,2
-- Distributive	1,4	2,1	1,7	0,6	3,3	-0,3
-- Transport	2,6	1,5	3,5	0,1	6,8	-0,9
-- Communications	5,3	1,3	10,7	2,5	11,3	1,5
-- Credit and Insurance	0,0	1,2	2,8	1,8	-1,6	4,0
-- Others	-0,4	1,4	0,3	0,1	-0,4	-1,5
- Non-market	0,0	1,9	0,3	0,5	0,4	-1,5
-- Public Administration	0,1	2,0	0,6	0,6	0,6	-1,6
-- Other	0,3	1,0	0,1	1,5	0,6	0,7
<b>TOTAL</b>	<b>2,2</b>	<b>2,3</b>	<b>2,1</b>	<b>0,6</b>	<b>3,5</b>	<b>-1,0</b>

Source: FGB, based on ISTAT data.

**Table 1.12 - Earnings and cost of labour industry**  
Annual percentage changes

	Contractual minimums	Per employee labour income	Gross earnings per employee	Social contributions
1987	6,5	7,5	8,6	4,8
1988	6,0	7,7	7,4	8,7
1989	5,8	9,8	7,1	16,5
1990	6,7	9,0	8,2	11,0
1991	9,9	9,3	9,3	9,4
1992	5,6	6,9	6,9	6,8
1993	3,6	4,0	3,6	5,0
1994	3,2	2,6	3,7	0,3
1995	3,3	5,7	4,0	9,6
1987-89	6,1	8,4	7,7	10,0
1990-92	7,4	8,4	8,1	9,1
1993-95	3,4	4,1	3,8	5,0

Source: FGB, based on ISTAT data.

**Table 1.13 - Gross operating profit, labour income and payroll employment**  
Annual percentage changes

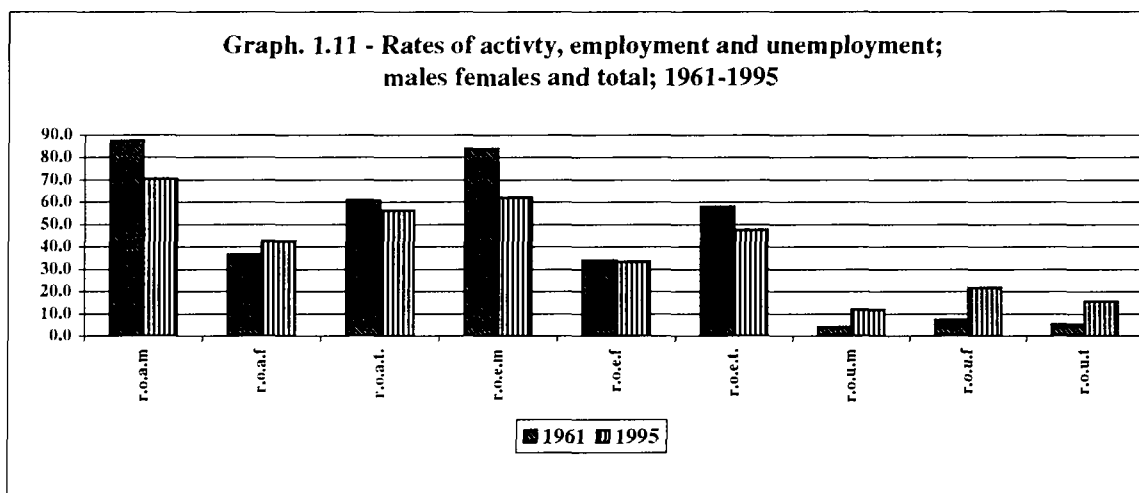
	Gross operating profit	Employee labour income	Employee labour units
1987	7,4	8,6	0,4
1988	10,3	10,0	1,2
1989	8,7	9,5	0,7
1990	6,8	12,1	1,2
1991	6,6	9,4	0,6
1992	4,9	5,2	-0,5
1993	4,0	1,0	-2,7
1994	7,4	1,4	-1,5
1995	10,6	4,4	-0,8
1987-89	8,8	9,4	0,8
1990-92	6,1	8,9	0,4
1993-95	7,4	2,3	-1,7

Source: FGB, based on ISTAT data.

Tab. 1.14 - Employment, unemployment, labour force, working age population and main labour market indicators

	Empl't	Unempl't	Labour Force	W. A.P.	Part. rate	Empl't rate	Unempl't rate
<b>Men</b>							
1961	14,204	621	14,825	16,942	87.5	83.8	4.2
1972	13,784	659	14,443	18,469	78.2	74.6	4.6
1991	14,039	1,069	15,108	21,430	70.5	65.5	7.1
1995	12,933	1,734	14,667	20,827	70.4	62.1	11.8
1995*		1,311	14,244		68.4		9.2
<b>Women</b>							
1961	6,223	487	6,710	18,314	36.6	34.0	7.3
1972	5,192	637	5,829	19,450	30.0	26.7	10.9
1991	7,462	1,458	8,920	22,228	40.1	33.6	16.3
1995	7,077	1,986	9,063	21,282	42.6	33.3	21.9
1995*		1,414	8,491		39.9		16.7
<b>Total</b>							
1961	20,427	1,108	21,535	35,256	61.1	57.9	5.1
1972	18,976	1,296	20,272	37,919	53.5	50.0	6.4
1991	21,501	2,527	24,028	43,658	55.0	49.2	10.5
1995	20,010	3,720	23,730	42,109	56.4	47.5	15.7
1995*		2,725	22,735		54.0		12.0

Source: FGB, based on ISTAT data.



Source: FGB, based on ISTAT data.

Table 1.15 - Labour force and employment; generational turnover; 1966-91; absolute values

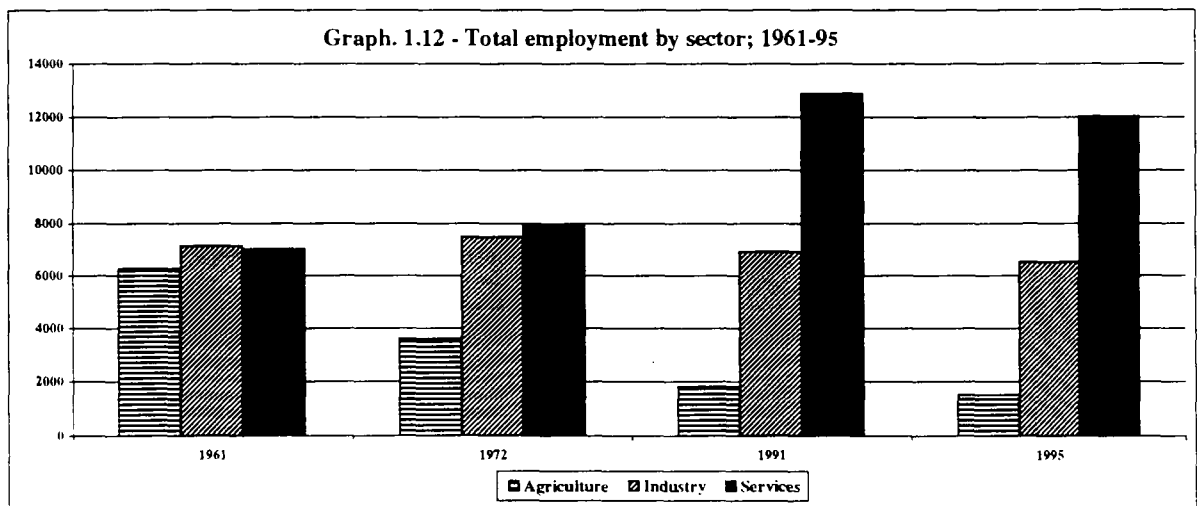
	1966-71		1971-76		1976-81		1981-86		1986-91		1966-91	
	Absolute values											
<b>Males</b>	L.F	Empl.	L.F	Empl.	L.F	Empl.	L.F	Empl.	L.F	Empl.	L.F	Empl.
Generational balance	-95	66	61	-213	215	122	211	-114	257	252	649	113
Entries	1.695	1.772	1.752	1.584	2.056	1.886	2.065	1.769	2.218	2.151	9.786	9.162
Exits	1.790	1.706	1.691	1.797	1.841	1.764	1.854	1.883	1.962	1.900	9.137	9.050
Exits by death	379	374	361	361	352	344	313	309	320	312	1.725	1.699
Exits by age	1.411	1.333	1.330	1.436	1.489	1.420	1.541	1.575	1.642	1.588	7.412	7.350
<b>Females</b>												
Generational balance	32	44	473	334	1.007	695	740	460	636	666	2.887	2.199
Entries	779	742	992	845	1.539	1.227	1.293	1.012	1.348	1.335	5.950	5.160
Exits	747	698	519	511	532	532	553	552	713	668	3.063	2.961
Exits by death	64	63	55	54	57	56	49	48	56	53	280	275
Exits by age	683	634	464	457	475	476	504	504	657	615	2.783	2.686
<b>Total</b>												
Generational balance	-63	110	534	121	1.222	817	951	346	892	918	3.536	2.312
Entries	2.474	2.514	2.744	2.429	3.594	3.113	3.358	2.781	3.566	3.486	15.736	14.322
Exits	2.537	2.404	2.210	2.308	2.372	2.296	2.407	2.435	2.674	2.568	12.200	12.010
Exits by death	443	437	416	415	409	400	362	356	375	365	2.005	1.974
Exits by age	2.094	1.967	1.794	1.893	1.964	1.896	2.045	2.079	2.299	2.203	10.195	10.036
<b>Percentage composition</b>												
<b>Males</b>												
Entries	100	100	100	100	100	100	100	100	100	100	100	100
Balance	-5.6	3.7	3.5	-13.5	10.5	6.5	10.2	-6.4	11.6	11.7	6.6	1.2
Total exits	105.6	96.3	96.5	113.5	89.5	93.5	89.8	106.4	88.4	88.3	93.4	98.8
Deaths	21.2	21.9	21.4	20.1	19.1	19.5	16.9	16.4	16.3	16.4	18.9	18.8
Exits by age	78.8	78.1	78.6	79.9	80.9	80.5	83.1	83.6	83.7	83.6	81.1	81.2
<b>Females</b>												
Entries	100	100	100	100	100	100	100	100	100	100	100	100
Balance	4.1	5.9	47.7	39.5	65.4	56.6	57.2	45.5	47.1	49.9	48.5	42.6
Total exits	95.9	94.1	52.3	60.5	34.6	43.4	42.8	54.5	52.9	50.1	51.5	57.4
Deaths	8.5	9.1	10.5	10.6	10.7	10.5	8.9	8.6	7.8	8.0	9.1	9.3
Exits by age	91.5	90.9	89.5	89.4	89.3	89.5	91.1	91.4	92.2	92.0	90.9	90.7
<b>Total</b>												
Entries	100	100	100	100	100	100	100	100	100	100	100	100
Balance	-2.5	4.4	19.5	5.0	34.0	26.2	28.3	12.4	25.0	26.3	22.5	16.1
Total exits	102.5	95.6	80.5	95.0	66.0	73.8	71.7	87.6	75.0	73.7	77.5	83.9
Deaths	17.5	18.2	18.8	18.0	17.2	17.4	15.1	14.6	14.0	14.2	16.4	16.4
Exits by age	82.5	81.8	81.2	82.0	82.8	82.6	84.9	85.4	86.0	85.8	83.6	83.6

Source: FGB, based on ISTAT data.

**Table 1.16 - Employment by sector and sex**

	Males				Females				Total			
	1961	1972	1991	1995	1961	1972	1991	1995	1961	1972	1991	1995
<b>Absolute values</b>												
Agriculture	4.120	2.430	1.165	956	2.152	1.159	658	534	6.272	3.589	1.823	1.490
Industry	5.240	5.873	5.259	4.934	1.898	1.596	1.656	1.560	7.138	7.469	6.915	6.494
Services	4.844	5.481	7.678	7.043	2.173	2.437	5.175	4.982	7.017	7.918	12.853	12.025
Total	14.204	13.784	14.102	12.933	6.223	5.192	7.489	7.076	20.427	18.976	21.591	20.009
<b>Percentage composition</b>												
Agriculture	29,0	17,6	8,3	7,4	34,6	22,3	8,8	7,5	30,7	18,9	8,4	7,4
Industry	36,9	42,6	37,3	38,2	30,5	30,7	22,1	22,0	34,9	39,4	32,0	32,5
Services	34,1	39,8	54,4	54,5	34,9	46,9	69,1	70,4	34,4	41,7	59,5	60,1
Total	100	100	100	100	100	100	100	100	100	100	100	100

Source: FGB, based on ISTAT



Source: FGB, based on ISTAT data.

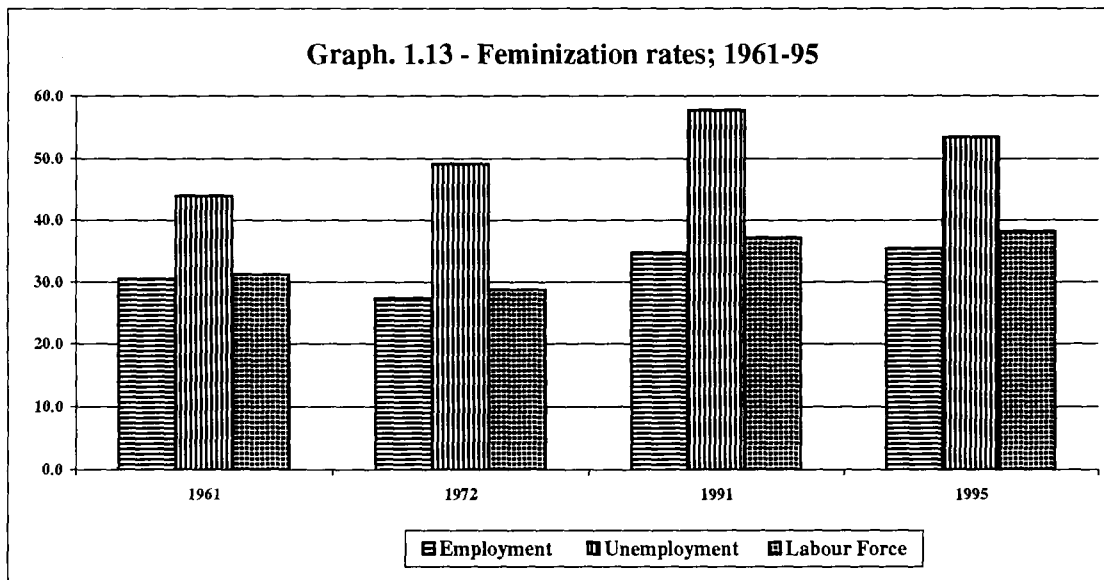
**Table 1.17 -Flow demand by sector; percentage composition and rate of feminization**

	1966-71				1971-76				1976-81				1981-86				1986-91			
	Agr.	Ind.	Serv.	Total	Agr.	Ind.	Serv.	Total	Agr.	Ind.	Serv.	Total	Agr.	Ind.	Serv.	Total	Agr.	Ind.	Serv.	Total
Males	5.2	56.2	38.6	100	3.6	40.4	56.0	100	3.7	23.6	72.6	100	4.0	23.9	72.1	100	4.6	38.5	56.9	100
Females	7.7	42.4	49.9	100	6.8	24.5	68.7	100	4.6	22.5	72.8	100	3.5	15.1	81.4	100	4.1	20.4	75.5	100
Total	5.9	52.1	42.0	100	4.8	34.5	60.7	100	4.1	23.2	72.7	100	3.8	20.5	75.7	100	4.4	31.3	64.3	100
Rate of fem.	38.6	24.1	35.3	29.7	52.1	26.0	41.6	36.7	41.3	35.1	36.2	36.2	35.7	28.5	41.7	38.8	36.8	25.7	46.4	39.5

Source: FGB, based on ISTAT data.

**Table 1.18 - Level of Feminization**

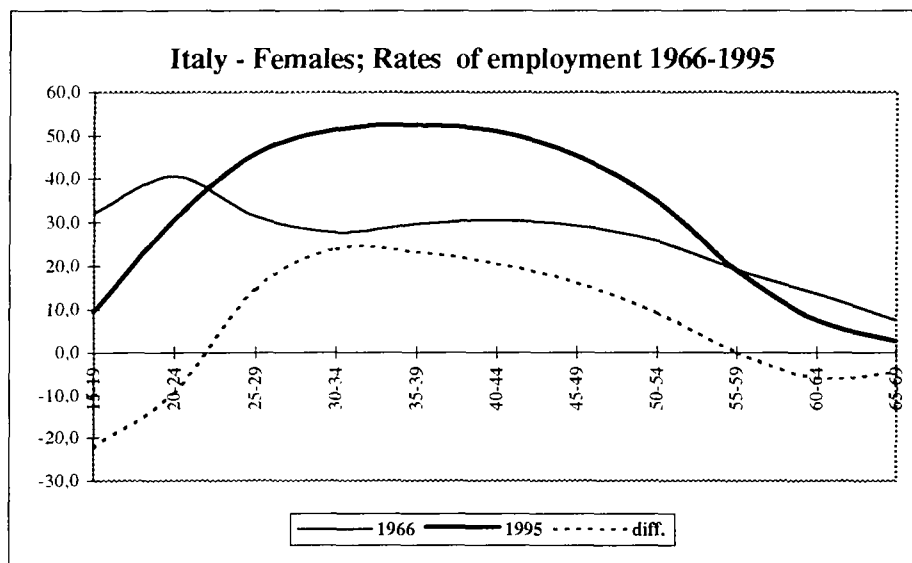
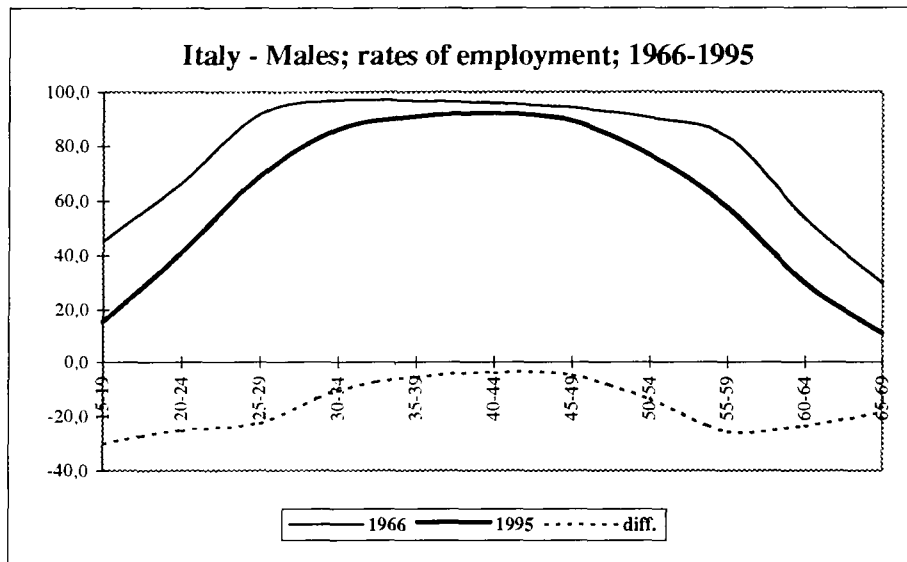
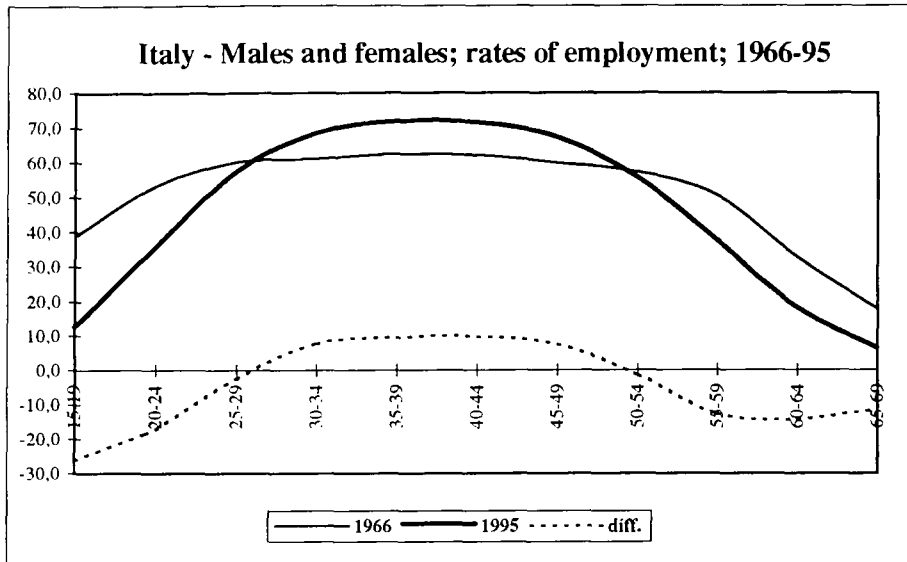
	Employment	Unemployment	Labour Force
1961	30.5	44.0	31.2
1972	27.4	49.2	28.8
1991	34.7	57.7	37.1
1995	35.4	53.4	38.2
1995*		51.9	37.3



Source: FGB, based on ISTAT data.



Graph 1.14



Source: FGB, based on ISTAT data.

**Table 1.19 - Weighted employment ratios**

	Weighted rate of employment					
	Males		Females		Total	
	1966	1995	1966	1995	1966	1995
15-29	93,1	70,2	129,8	90,8	104,1	77,9
30-49	117,1	144,7	114,0	151,1	118,2	147,3
50-69	85,0	74,8	37,2	49,0	72,8	64,5
Total	100,0	100,0	100,0	100,0	100,0	100,0

Source: FGB, based on ISTAT data.

**Tab. 1.20 - Age group 14-29; unemployment rate and percentage values; 1977, 1991 and 1995**

	Unemployment rate			Percentage values		
	Men	Women	Total	Men	Women	Total
1977	13,5	22,6	17,3	77,2	71,7	74,1
1991	19,4	30,2	24,2	74,2	68,4	70,9
1995	27,3	38,2	32,1	75,6	71,2	73,3
1995*	21,9	31	25,8	61,8	61,6	61,7

Source: FGB, based on ISTAT data.

**Tab 1.21 - Percentage distribution of unemployment by type; 1961-1995**

	1961	1972	1981	1991	1995
<b>Men</b>					
First-time jobseekers	29,6	46,0	57,9	56,5	46,9
Unemployed having lost jobs	51,5	30,8	15,0	22,4	44,3
Other jobseekers	18,8	23,2	27,0	21,1	8,8
<b>Women</b>					
First-time jobseekers	33,9	41,6	48,0	42,4	38,7
Unemployed having lost jobs	19,1	9,3	8,7	14,0	27,1
Other jobseekers	47,0	49,1	43,3	43,5	34,3
<b>Total</b>					
First-time jobseekers	31,5	43,8	52,2	48,4	42,5
Unemployed having lost jobs	37,3	20,2	11,3	17,7	35,1
Other jobseekers	31,2	36,0	36,5	33,9	22,4

Source: FGB, based on ISTAT data.

**Table 1.22 - Percentage of long term unemployed by job seeking condition, 1978-94**

	1978	1991	1994
<b>Men</b>			
First job-seekers	33,9	65,3	77,3
Unemployed workers	20,3	29,3	54,9
Other job-seekers	28,7	17	46,8
Total	30,2	40,7	64,5
<b>Women</b>			
First job-seekers	36,7	66,9	78,6
Unemployed workers	22,1	28,6	54,2
Other job-seekers	32,9	50,8	70,7
Total	33,7	54,5	69,2
<b>Total</b>			
First job-seekers	35,3	66,1	78
Unemployed workers	21,1	29,2	54,6
Other job-seekers	31,7	51,3	66,5
Total	32,1	51,3	67

Source: FGB, based on ISTAT data.

**Table 1.23 - Employed, unemployed, labour force and working age population  
by schooling: percentage composition and relative weight, 1994**

	Emp.	Unemp.	L.F.	WAP	E/WAP	U/WAP	U/LF	LF/WAP
<b>Men</b>								
None or elementary	22	18,6	21,6	27,2	80,9	68,4	68,4	79,5
Lower secondary	45,5	50,8	46,1	43,8	104	116	116	105,3
Upper secondary	23,8	26,7	24,1	22,8	104,6	117,2	117,2	106
University	8,7	4	8,2	6,3	138,5	62,9	62,9	130,1
Total	100	100	100	100	100	100	100	100
<b>Women</b>								
None or elementary	18	13,6	17	34,8	51,5	39	39	48,9
Lower secondary	42,2	47,6	43,3	39,4	106,9	120,7	120,7	109,8
Upper secondary	29,8	33,5	30,6	21,2	140,6	158,1	158,1	144,3
University	10,1	5,3	9,1	4,5	222,5	116,5	116,5	200,2
Total	100	100	100	100	100	100	100	100
<b>Total</b>								
None or elementary	20,6	15,9	19,9	31,1	66,2	51,2	51,2	63,9
Lower secondary	44,3	49,1	45,1	41,6	106,7	118,1	118,1	108,4
Upper secondary	25,9	30,3	26,6	22	118	138,1	138,1	121
University	9,2	4,7	8,5	5,4	170,4	86,5	86,5	157,9
Total	100	100	100	100	100	100	100	100

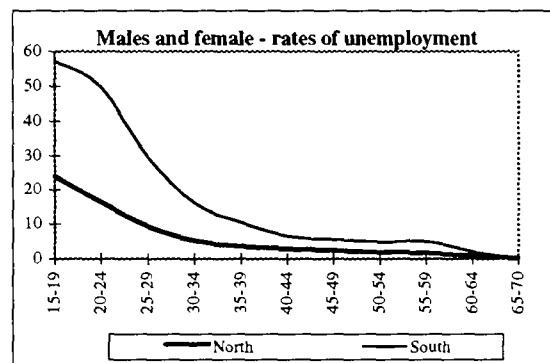
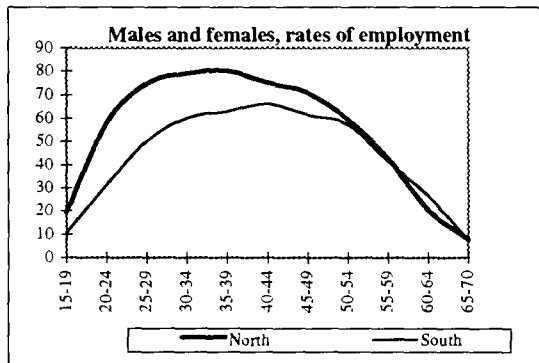
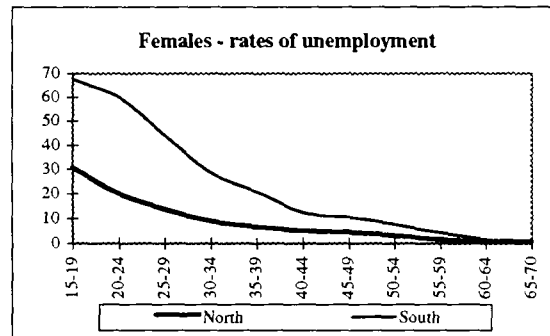
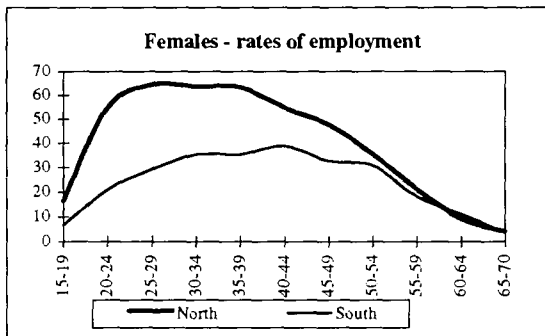
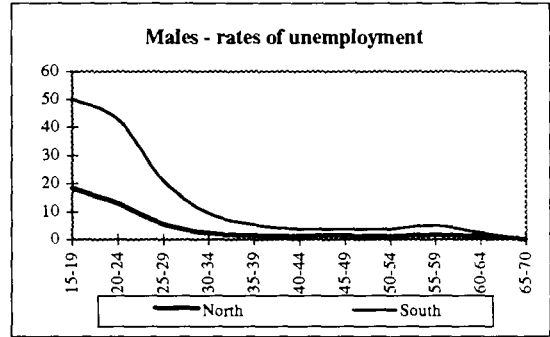
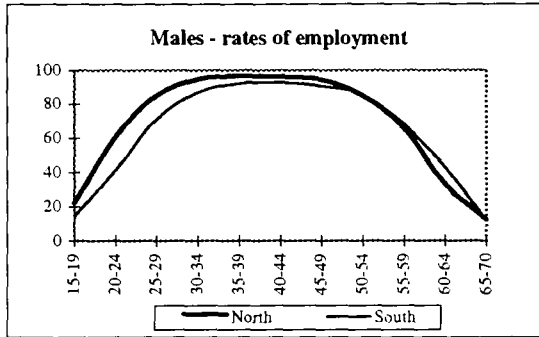
Source: FGB, based on ISTAT data.

**Table 1.24 - Rates of employment, participation and unemployment by sex and schooling;  
1978 and 1994**

	1978			1994		
	r.o.e.	r.o.p.	r.o.u.	r.o.e.	r.o.p.	r.o.u.
<b>Men</b>						
None or elementary	75,1	77,1	2,5	49,4	54,7	9,6
Lower secondary	64,4	68,7	6,3	63,5	72,4	12,3
Upper secondary	66,8	74,3	10,1	63,9	72,9	12,4
University	88,1	92,8	5,1	84,6	89,5	5,4
Total	71,3	74,8	4,7	61,1	68,8	11,2
<b>Women</b>						
None or elementary	24,8	27	8,1	16,4	19,7	16,9
Lower secondary	31,3	37,1	15,6	34,0	44,3	23,2
Upper secondary	45,9	57,3	19,9	44,8	58,3	23,1
University	75,3	85,6	12	70,9	80,8	12,3
Total	29,7	33,9	12,5	31,8	40,4	21,1
<b>Total</b>						
None or elementary	47,5	49,6	4,2	30,6	34,7	12,0
Lower secondary	48,8	53,8	9,4	49,3	58,9	16,3
Upper secondary	57,2	66,5	14	54,5	65,7	17,1
University	83,4	90,1	7,5	78,7	85,8	8,2
Total	50	53,8	7,2	46,2	54,3	14,9

Source: FGB, based on ISTAT data.

**Graph 1.15 - Labour market indicators in Northern and Southern Italy (1991)**



Source: FGB, based on ISTAT data.

**Table 1.25 - Working age population, employment, unemployment:  
absolute and yearly percentage growth; 1981-91**

	North South		North South		South-North differential
	in thousands		yearly percentage growth		
<b>WAP</b>					
Total balance	1408	1486	0,53	1,06	0,53
Natural balance	430	1452	0,16	1,04	0,88
Migratory balance	978	34			
<b>Labour force</b>	607	930	0,39	1,24	0,85
<b>Employment</b>	581	172	0,4	0,27	-0,13
<b>Unemployment</b>	26	758	-0,01	0,97	0,98

Source: FGB, based on ISTAT data.

**Table 1.26 - North and South: main labour market indicators**

	North		South	
	1981	1991	1981	1991
rate of employment (15-69)	54,8	54,2	46,7	43,2
rate of employment (women)	35,9	39,9	25,0	24,3
rate of employment (15-29)	53,0	52,3	34,0	30,5
rate of unemployment (15-69)	6,4	6,3	11,9	19,9
rate of unemployment (women)	11	10,2	21,2	31,6
rate of unemployment (15-29)	15,2	14,1	30,1	41,8

Source: ISTAT.

**Table 1.27 - Unemployment rate\* in some EU countries in the 1980s**

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
GERMANY	3,2	4,5	6,4	7,9	7,9	8,0	7,7	7,6	7,6	6,9	6,2
FRANCE	6,3	7,4	8,1	8,3	9,7	10,3	10,4	10,5	10,0	9,4	8,9
ITALY	7,7	8,5	9,2	10,0	10,1	10,2	11,2	12,1	12,1	12,1	11,5
UNITED KINGDOM	5,3	8,3	9,7	10,5	10,7	11,0	11,0	9,8	7,8	6,1	5,9
DENMARK	7,0	9,2	9,8	10,4	10,1	9,0	7,8	7,8	8,6	9,3	9,6
SPAIN	11,5	14,3	16,4	18,2	20,1	21,5	21,0	20,5	19,5	17,3	16,3
<b>TOTAL EU</b>	<b>6,1</b>	<b>7,9</b>	<b>9,2</b>	<b>10,3</b>	<b>10,8</b>	<b>11,0</b>	<b>11,0</b>	<b>10,8</b>	<b>10,2</b>	<b>9,3</b>	<b>8,7</b>

\* As a percentage of labour force.

Source: OECD, 1994.

**Table 1.28 - Employment\* in some EU countries in the 1980s**

	1980	1981	1982	1983	1984	1985	1986
GERMANY	1,6	-0,1	-1,2	-1,4	0,2	0,7	1,4
FRANCE	0,1	-0,5	0,1	-0,3	-0,9	0,5	0,3
ITALY	1,3	0,2	-0,3	0,2	0,4	0,4	0,5
UNITED KINGDOM	-0,9	-3,4	-1,9	-0,2	2,3	1,0	0,3
DENMARK	-0,5	-1,3	0,4	0,3	1,7	2,5	2,6
SPAIN	-3,0	-3,0	-1,3	-1,1	-1,8	-0,9	2,2
<b>TOTAL EU</b>	<b>0,2</b>	<b>-1,0</b>	<b>-0,9</b>	<b>-0,4</b>	<b>0,3</b>	<b>0,6</b>	<b>0,9</b>

\* Annual rate of growth.

Source: FGB, based on OECD (1994) data.

**Table 1.29 - Incidence of long-term unemployment from survey-based data in selected EU countries**

	1983		1991		1992		1993		1994		1995	
	6 months and over	12 months and over	6 months and over	12 months and over	6 months and over	12 months and over	6 months and over	12 months and over	6 months and over	12 months and over	6 months and over	12 months and over
<b>GERMANY</b>	65,8	41,6	54,1	31,5	54,9	33,2	59,6	40,0	63,3	43,9	65,4	48,3
<b>FRANCE</b>	66,9	42,2	58,0	37,2	58,1	36,1	58,2	34,2	61,7	38,3	68,9	45,6
<b>ITALY</b>	80,9	57,1	84,2	68,0	69,1	57,7	75,9	57,3	78,6	60,8	79,4	62,9
<b>UNITED KINGDOM</b>	65,7	45,2	46,6	28,5	57,2	35,4	62,9	42,5	63,4	45,4	60,7	43,5
<b>DENMARK</b>	65,8	43,4	53,4	31,4	49,7	26,8	45,1	25,1	54,0	32,1	46,6	27,9
<b>SPAIN</b>	72,8	52,4	68,4	51,1	66,1	47,4	69,6	50,1	73,4	56,1	72,2	56,5

\* Percentage of total unemployment.

Source: OECD, 1996.

**Table 1.30 - Unemployment rate\* in some EU countries in the 1990s**

	1990	1991	1992	1993	1994	1995	1996**	1997**
<b>GERMANY</b>	6,2	6,7	7,7	8,8	9,6	9,1	10,3	10,4
<b>FRANCE</b>	8,9	9,5	10,4	11,7	12,6	12,3	12,1	12,2
<b>ITALY</b>	11,5	11,0	11,6	10,4	11,3	11,2	12,1	12,0
<b>UNITED KINGDOM</b>	5,9	8,2	9,9	10,2	9,4	8,7	7,9	7,5
<b>DENMARK</b>	9,6	10,5	11,2	12,2	12,0	10,8	9,2	9,2
<b>SPAIN</b>	16,3	16,3	18,4	22,7	24,3	24,0	22,9	22,7
<b>TOTAL EU</b>	<b>8,7</b>	<b>9,2</b>	<b>10,2</b>	<b>11,2</b>	<b>11,8</b>	<b>11,4</b>	<b>10,9</b>	<b>11,3</b>

\* As a percentage of labour force.

\*\* Projections.

Source: OECD, 1996.

**Table 1.31 - Unemployment in the EU: two recessions**

1980s	1990s
<b>GROUPS AFFECTED</b>	
<p>Unemployment hits the weakest groups in society (women and the unskilled).</p> <p>At the turn of the decade, the salient feature is youth unemployment.</p> <p>Towards mid-decade there is a growth in long-term unemployment (from 45% of the total in 1983 to 55% in 1988, when over half of all unemployed had been out of work for 12 months or more).</p>	<p>Growing unemployment in the traditionally weak segments of the economically active population.</p> <p>Together with components of structural unemployment (young people, the "chronically" jobless), "new" jobless now emerge (male breadwinners), in part because youth unemployment is curbed by the declining birth rate.</p> <p>Unemployment begins to affect the more highly skilled (white-collar workers and managers).</p>
<b>AREAS AND SECTORS</b>	
<p>The slowdown in output aggravates regional disparities.</p> <p>By sector, the crisis mainly affects industry. But the massive redundancies in that sector are more than offset by the growth of service jobs.</p>	<p>The effects of the downturn are more "equitably" distributed than in the '80s, with a diminution in regional disparities (Italy is an exception to this rule).</p> <p>The recession affects the entire economy, and the services no longer function as an employment buffer.</p> <p>The crisis is longer than the previous ones.</p>
<b>CAUSES</b>	
<p>Labour-saving restructuring to increase flexibility and competitiveness.</p>	<p>Restructuring now seen as the "normal" mode of operation of enterprises faced with global competition.</p>

Source: FGB.

**Table 1.32 - Unemployment in Italy: two recessions**

1980s	1990s
<b>GROUPS AFFECTED</b>	
<p>Unemployment affects young people (especially in the South: waiting for a good job, a high reservation wage), women, and the unskilled.</p> <p>Redundancies almost exclusively among factor workers.</p> <p>Total employment does not contract, but the number of unemployed rises as baby-boom children reach working age.</p>	<p>Youth unemployment remains high, but labour policies are no longer strictly youth-oriented (end of baby boom).</p> <p>The economy remains less "feminized" than other countries.</p> <p>The "classical" weak segments are joined by unemployed workers in their prime, who have trouble finding alternative jobs.</p> <p>Unemployment now also affects the more highly skilled (skilled workers, managers and technicians).</p>
<b>AREAS AND SECTORS</b>	
<p>Regional disparities are aggravated, with a dichotomous labour market.</p> <p>Unemployment affects the major industrial districts of the Centre and North, due to restructuring, which affects industry only.</p> <p>The sharp contraction of industrial employment is counterbalanced by growing employment in the services, public and private, which are sheltered from international competition. Second jobs contribute to the income of the already employed.</p>	<p>At first, an attenuation of regional disparities, as the cyclical downturn hits the entire economy.</p> <p>Starting at the end of 1990, the employment decline in industry is not offset by public employment, much less in the private sector.</p> <p>Employment in the services holds up poorly, owing chiefly to greater openness to international competition.</p> <p>Unemployment remains extremely high in the South due to structural as well as cyclical factors.</p>

Source: FGB.

**Table 1.33 - Possible states of labour market**

EMPLOYMENT	UNEMPLOYMENT	LABOUR FORCE	UNEMPLOYMENT RATE	STATE OF LABOUR MARKET
Expanding	Expanding	Expanding	Contracting/Expanding	Attraction
Expanding	Contracting	Expanding / Contracting	Contracting	Complementarity 1: tight market
Contracting	Expanding	Expanding / Contracting	Expanding	Complementarity 2: slack market
Contracting	Contracting	Contracting	Expanding/Contracting	Discouragement

Source: FGB, 1995.

**Table 1.34 - Labour market cycles and states in Italy, 1959-1994**  
Average annual growth rates (in brackets, average annual changes in thousands)

Labour market cycle	Employment	Unemployment	Labour force	Unemployment rate <sup>1</sup>	State of labour market
1959-72	-0.46 (-89)	-2.25 (-33)	-0.58 (-112)	-0.12	Discouragement <sup>2</sup>
1972-91	0.72 (+146)	4.08 (+74)	1.00 (+220)	0.25	Attraction <sup>3</sup>
1991-94 <sup>4</sup>	-2.72 (-572)	-0.85 (-22)	-2.52 (-595)	0.19	Discouragement
1994-95 <sup>5</sup>	-1.12 (-229)	8.02 194	-0.15 -34	0.87	Complementarity 2: slack market

<sup>1</sup> Average annual absolute change.

<sup>2</sup> The extreme case of discouragement, with the unemployment rate going down because unemployment falls faster than employment.

<sup>3</sup> The extreme case of attraction, with the unemployment rate rising because unemployment increases faster than employment.

<sup>4</sup> Data for 1992-1994 are consistent, prior to the revision of April 1995.

<sup>5</sup> New series.

Source: FGB, based on ISTAT, Quarterly labour force survey.



**Table 1.35 - Macroeconomic performance of Italy since devaluation (percentage changes)**

	1992	1993	1994	1995
GDP	0,6	-1,2	2,1	3,0
HOUSEHOLD CONSUMPTION	1	-2,4	1,5	1,7
GROSS FIXED INVESTMENT	-1,8	-12,8	0,2	5,9
EXPORTS OF GOODS AND SERVICES	5,9	9,1	10,5	11,6
IMPORTS OF GOODS AND SERVICES	5,4	-8,1	8,9	9,6
GDP DEFLATOR	4,7	4,3	3,6	4,5
CONSUMPTION DEFLATOR	5,6	5,4	4,6	5,9
INDUSTRIAL PRODUCTION (a)	-0,2	-2,4	5,2	5,3
CAPACITY UTILIZATION (a) (b)	90,1	87,1	90,7	94,5
EARNINGS PER EMPLOYEE LABOUR UNIT (a)	7,3	4,1	3,4	4,5
UNIT LABOUR COST (a)	2,9	2,7	-3,1	-0,5
BALANCE OF TRADE (c)	3.852	51.989	57.193	71.744
BALANCE OF PAYMENTS ON CURRENT ACCOUNT (c)	-35.219	17.828	24.329	44.583

(a) Industry excluding construction. (b) Level. (c) Billions of lire.  
Source: Banca d'Italia, 1996.

**Table 1.36 - Main indicators of general government accounts  
(percentage of GDP)**

	1991	1992	1993	1994	1995*
Revenues (a)	40,5	43,0	44,4	41,8	43,6
Total expenditure (b)	53,4	53,6	56,9	54,1	54,2
Current deficit	-6,0	-7,4	-5,7	-5,5	-3,6
Borrowing	-10,2	-9,5	-9,6	-9,0	-7,5
Net borrowing	0,0	1,9	2,6	1,7	3,5
Public debt (c)	101,3	108,4	119,4	125,4	125,1

\* Forecast.

(a) Gross of revenue on capital account.

(b) Net of revenue on capital account.

(c) Under definition given in EC Regulation 3605/93.

Source: Ministero del bilancio e della programmazione economica, 1996.

**Table 1.37 - State sector borrowing requirement: Economic and Financial Planning Document targets and outturns  
(in trillions of lire)**

DOCUMENT	PRIME MINISTER	1992	1993	1994	1995	1996	1997	1998
EFPD 1993-95	Amato		1.480	1.250	870			
EFPD 1994-96	Ciampi			1.442	1.278	1.064		
EFPD 1995-97	Berlusconi				1.386	1.209	1.069	
EFPD 1996-98	Dini					1.094	876	631
Actual borrowing		1.560	1.544	1.552	1.300			

Source: Ministero del bilancio e della programmazione economica, 1996.

Table 1.38 - Summary of main explanatory models

Theory of reference	Model	Purposes	Findings
LOCARNO-ROSSI 1995	Bank of Italy	Gauge the impact of the September 1992 devaluation on inflation and trade balance.	Effects on inflation and trade balance denied. Deflator in 1993, -3.9%. Trade balance 1993: + 22 trillion lire.
CER 1995	CER	Gauge impact of withdrawal from ERM on various incomes policy hypotheses.	Remaining within ERM would have brought considerable convergence towards European average inflation. Total GDP 1993-94, +1.5%.
MODIGLIANI-BALDASSARRI-CASTIGLIONESI 1996	Confindustria Research Centre	Gauge effects on devaluation, income policy and Amato budgetary package.	The July agreement on cost of labour and the public financial measures helped break the "vicious circle" of prices and wages and consolidate the gains due to devaluation. Devaluation effect: 1993 GDP: 3.1%; deflator 1993: -3.9%; employment 1993: +0.5%. Incomes policy effect: 1993 GDP: 0.8%; deflator 1993: 2.4%; employment 1993: +0.5%. Amato budgetary package effect: 1993 GDP: -2.6%; deflator 1993: 0.3%; employment 1993: -1.3%.

Source: FGB.

**Table 1.39 - Public investment spending, 1990-94 (trillions of lire)**

	1990	1991	1992	1993	1994	1995
<b>CENTRAL GOVERNMENT</b>	<b>10.887</b>	<b>12.857</b>	<b>12.513</b>	<b>11.628</b>	<b>10.841</b>	<b>10.700</b>
a) GOVERNMENT DEPARTMENTS	4.983	5.705	5.361	5.206	5.278	6.300
b) AUTONOMOUS AGENCIES	4.170	5.347	5.942	5.283	4.743	3.530
- Anas	4.132	5.309	5.906	5.245	4.707	-
- Forests	38	38	36	38	36	-
c) OTHER CENTRAL GOV'T AGENCIES	1.734	1.805	1.210	1.139	820	870
<b>LOCAL AUTHORITIES</b>	<b>29.532</b>	<b>30.352</b>	<b>29.474</b>	<b>27.389</b>	<b>25.956</b>	<b>27.700</b>
a) REGIONS	4.921	5.308	5.271	4.940	4.034	4.300
b) PROVINCES AND MUNICIPALITIES	17.987	17.928	17.843	16.527	16.068	17.400
c) HOSPITALS AND USL*	2.373	2.403	2.045	1.813	1.567	1.500
d) OTHER LOCAL AGENCIES	4.251	4.713	4.315	4.109	4.287	4.500
<b>SOCIAL SECURITY INSTITUTIONS</b>	<b>2.722</b>	<b>3.378</b>	<b>3.554</b>	<b>2.152</b>	<b>1.314</b>	<b>1.800</b>
<b>TOTAL</b>	<b>43.141</b>	<b>46.587</b>	<b>45.541</b>	<b>41.169</b>	<b>38.111</b>	<b>40.200</b>

\* Local Health Units.

Sources: Ministero del bilancio e della programmazione economica, 1996; Presidenza del Consiglio dei Ministri, 1995.

**Table 1.40 - Employment by sector and occupational status, October 1992 - October 1993, changes in thousands**

STATUS	SECTOR				TOTAL
	Agriculture	Industry excl. constr.	Construction	Services	
<b>EMPLOYEES</b>					
a) fixed-term	-56	-41	-24	-114	-235
b) permanent	-30	-79	-23	6	-126
<b>SELF-EMPLOYED</b>					
a) full-time	-37	25	-7	-100	-119
b) part-time	-9	-13	-8	-45	-75
<b>TOTAL</b>	<b>-132</b>	<b>-108</b>	<b>-62</b>	<b>-253</b>	<b>-555</b>

Source: ISTAT, 1994.

**Table 1.41 - Employment by age and occupational status, October 1992 - October 1993, changes in thousands**

STATUS	AGE				TOTAL
	15-24	25-34	35-54	55+	
<b>EMPLOYEES</b>					
a) fixed-term	-63	-68	-89	-17	-237
b) permanent	-160	-108	96	47	-125
<b>SELF-EMPLOYED</b>					
a) full-time	-41	-26	-37	-15	-119
b) part-time	-8	-17	-38	-11	-74
<b>TOTAL</b>	<b>-272</b>	<b>-219</b>	<b>-68</b>	<b>4</b>	<b>-555</b>

Source: ISTAT, 1994.

**Table 1.42 - Economic forecasts, 1996-1998 (percentage changes)**

	Confindustria june (a)	OECD june (d)	ISCO july (e)	FPR september (c)	CER october (b)	EU october (f)
<b>Gdp</b>						
1996	0.7	1.7	1.2	0.8	0.8	0.8
1997	2.1	2.3	1.8	2.0	1.4	1.4
1998	2.9	-	-	2.8	1.8	2.6
<b>Final domestic consumption</b>						
1996	0.7	1.9	1.2	0.7	0.7	0.2
1997	1.6	2.5	1.5	1.2	0.5	0.8
1998	2.3	-	-	1.6	1.6	2.5
<b>Consumer price deflator</b>						
1996	4.3	3.9	4.0	-	3.9	3.9
1997	2.9	2.9	2.8	-	3.1	2.9
1998	2.2	-	-	-	2.8	2.6
<b>Employment</b>						
1996	-0.3	0.2	0.2	0.2	0.0	0.3
1997	0.4	0.2	0.3	0.4	-0.1	0.1
1998	0.9	-	-	0.6	0.3	0.5
<b>Unit labour costs</b>						
1996	4.3	2.5	5.3	5.0	5.8	5.7
1997	2.9	2.3	2.4	1.5	3.6	2.8
1998	1.6	-	-	0.2	2.0	1.0
<b>Gross per employee earnings</b>						
1996	4.8	4.5	5.6	5.4	5.2	4.1
1997	4.4	4.9	4.4	2.9	4.4	3.7
1998	3.5	-	-	2.2	3.7	3.6

Sources: (a) Centro Studi Confindustria, 1996 - (b) CER, 1996/b - (c) Ministero del bilancio e della programmazione economica, 1996, Forecasting and Planning Report - (d) OECD, 1996 - (e) ISCO, 1996 - (f) Eurostat and Commission Services, 1996.

**Table 1.43 - Labour market indicators, 1995-2001: Posited employment growth rate of 0.4%**

	Centre-North, population aged 15-69 (in thousands) 1995: annual average 1996-2001: projections												South, population aged 15-69 (in thousands) 1995: annual average 1996-2001: projections												Italy, population aged 15-69 (in thousands) 1995: annual average 1996-2001: projections											
	1995				1996				1997				1998				1999				2000				2001											
	1995	1996	1997	1998	1999	2000	2001	1995	1996	1997	1998	1999	2000	2001	1995	1996	1997	1998	1999	2000	2001	1995	1996	1997	1998	1999	2000	2001								
<b>MEN</b>																																				
Employment	8835	8836	8837	8838	8839	8840	8841	4016	4016	4016	4016	4016	4016	4016	4016	4016	12851	12852	12853	12854	12855	12855	12855	12855	12855	12856	12857									
Substitutive demand	232	232	232	227	232	230	229	98	101	101	101	101	101	101	101	101	330	330	333	328	333	333	333	333	333	331	331									
Additional demand	1	1	1	1	1	1	1	0	0	0	0	0	0	0	0	0	1	1	1	1	1	1	1	1	1	1	1									
Labour force entry	295	296	296	292	296	294	293	142	145	145	146	146	146	146	146	146	438	441	441	437	441	441	441	441	441	440	440									
Labour force exit	282	283	283	278	283	281	280	132	135	135	135	135	135	135	135	135	414	414	417	413	418	418	418	418	418	416	416									
Labour force	9331	9344	9357	9371	9384	9397	9410	4839	4849	4860	4871	4882	4892	4902	4913	4924	14183	14206	14231	14251	14278	14303	14328	14353	14378	14403	14428									
Unemployment	496	508	520	533	545	557	569	823	833	844	855	866	876	887	898	909	1308	1331	1353	1377	1399	1422	1446	1469	1492	1515	1538									
Employment rate	65.62	65.22	65.12	65.13	65.11	65.12	65.15	52.05	51.58	51.39	51.18	50.95	50.80	50.65	50.50	50.35	61.96	60.44	60.18	60.11	60.01	59.91	59.87	59.83	59.79	59.75	59.71									
Participation rate	69.31	68.97	68.95	69.05	69.12	69.22	69.35	62.71	62.28	62.19	62.07	61.93	61.88	61.73	61.58	61.43	68.26	66.70	66.52	66.54	66.54	66.54	66.60	66.60	66.60	66.60	66.60									
Unemployment rate	5.32	5.44	5.56	5.68	5.80	5.93	6.05	17.00	17.18	17.37	17.55	17.73	17.91	18.09	18.27	18.45	9.24	9.38	9.53	9.67	9.82	9.96	10.11	10.26	10.41	10.56	10.71									
Population entry (a)	226	222	222	218	212	210	208	171	171	170	169	169	168	168	168	168	397	393	388	388	381	379	376	376	376	376	376									
Population (a)	13463	13547	13571	13570	13575	13575	13570	7279	7716	7786	7815	7847	7906	7966	8026	8086	20742	21263	21357	21385	21422	21458	21476	21494	21512	21530	21548									
<b>WOMEN</b>																																				
Employment	5402	5458	5514	5571	5627	5684	5741	1649	1672	1694	1717	1740	1763	1786	1809	1832	7051	7130	7209	7288	7367	7447	7527	7607	7687	7767	7847									
Substitutive demand	101	101	104	107	108	108	110	39	39	41	40	42	41	42	43	44	140	140	145	147	150	149	152	152	152	152	152									
Additional demand	56	56	56	56	57	57	57	23	23	23	23	23	23	23	23	23	79	79	79	79	80	80	80	80	80	80	80									
Labour force entry	266	269	269	272	273	274	276	125	127	127	129	129	128	130	130	130	391	396	396	399	402	402	405	405	405	405	405									
Labour force exit	191	191	193	195	196	196	197	94	96	96	95	96	96	97	97	97	284	288	288	290	293	292	295	295	295	295	295									
Labour force	6092	6168	6244	6321	6399	6477	6555	2351	2382	2414	2446	2478	2510	2542	2574	2606	8443	8550	8658	8767	8877	8987	9097	9207	9317	9427	9537									
Unemployment	690	710	730	751	772	793	814	702	711	720	729	738	747	756	765	774	1392	1420	1450	1479	1510	1539	1570	1601	1632	1663	1694									
Employment rate	39.34	39.57	40.04	40.42	40.87	41.27	41.64	21.97	21.48	21.64	21.82	22.00	22.22	22.45	22.68	22.91	33.20	33.04	33.37	33.66	33.98	34.31	34.62	34.93	35.24	35.55	35.86									
Participation rate	44.37	44.71	45.34	45.87	46.47	47.03	47.55	31.33	30.61	30.84	31.08	31.33	31.63	31.96	32.29	32.62	39.76	40.08	40.50	40.87	41.24	41.61	41.98	42.35	42.72	43.09	43.46									
Unemployment rate	11.33	11.51	11.69	11.88	12.06	12.24	12.42	29.86	29.83	29.81	29.79	29.77	29.76	29.74	29.72	29.70	16.49	16.61	16.74	16.87	17.01	17.13	17.26	17.39	17.52	17.65	17.78									
Population entry (a)	205	201	201	199	197	194	195	174	174	173	172	172	172	171	171	171	379	374	374	371	369	366	366	366	366	366	366									
Population (a)	13730	13794	13772	13780	13770	13772	13786	7505	7782	7829	7870	7909	7955	7956	7956	7956	21235	21576	21601	21650	21679	21707	21742	21777	21812	21847	21882									
<b>TOTAL</b>																																				
Employment	14237	14294	14351	14409	14466	14524	14582	5665	5688	5710	5733	5756	5779	5802	5825	5848	19902	19982	20062	20142	20222	20303	20384	20464	20544	20624	20704									
Substitutive demand	333	333	336	334	340	338	339	137	137	142	141	143	142	144	144	144	470	470	478	475	483	480	483	483	483	483	483									
Additional demand	57	57	57	57	58	58	58	23	23	23	23	23	23	23	23	23	80	80	80	80	81	81	81	81	81	81	81									
Labour force entry	562	562	565	564	569	568	569	267	267	273	272	275	275	277	277	277	829	829	837	836	844	842	846	846	846	846	846									
Labour force exit	473	473	475	473	478	477	477	225	225	230	230	232	232	234	234	234	698	698	705	703	710	708	711	711	711	711	711									
Labour force	15423	15512	15601	15692	15782	15874	15965	7179	7221	7263	7306	7349	7392	7435	7478	7521	22602	22733	22865	22998	23131	23265	23400	23534	23668	23802	23936									
Unemployment	1186	1218	1250	1283	1316	1349	1383	1514	1533	1553	1573	1593	1612	1633	1653	1673	2700	2751	2803	2856	2909	2962	3016	3070	3124	3178	3232									
Employment rate	52.36	52.28	52.49	52.68	52.90	53.11	53.31	38.32	36.70	36.57	36.55	36.53	36.54	36.58	36.62	36.66	47.41	46.64	46.70	46.80	46.92	47.04	47.17	47.30	47.43	47.56	47.69									
Participation rate	56.72	56.73	57.06	57.37	57.72	58.04	58.36	48.56	46.59	46.52	46.58	46.64	46.73	46.87	46.96	47.05	53.07	53.23	53.44	53.65	53.86	54.07	54.28	54.49	54.70	54.91	55.12									
Unemployment rate	7.69	7.85	8.01	8.18	8.34	8.50	8.66	21.09	21.24	21.38	21.52	21.67	21.81	21.96	22.10	22.24	12.10	12.26	12.42	12.58	12.73	12.89	13.04	13.19	13.34	13.49	13.64									
Population entry (a)	431	423	423	417	409	404	403	345	345	344	342	341	341	339	339	339	776	767	767	759	750	745	742	742	742	742	742									
Population (a)	27193	27341	27343	27350	27345	27347	27356	14784	15498	15615	15685	15756	15818	15862	15906	15950	41977	42839	42998	43055	43101	43165	43229	43293	43357	43421	43485									

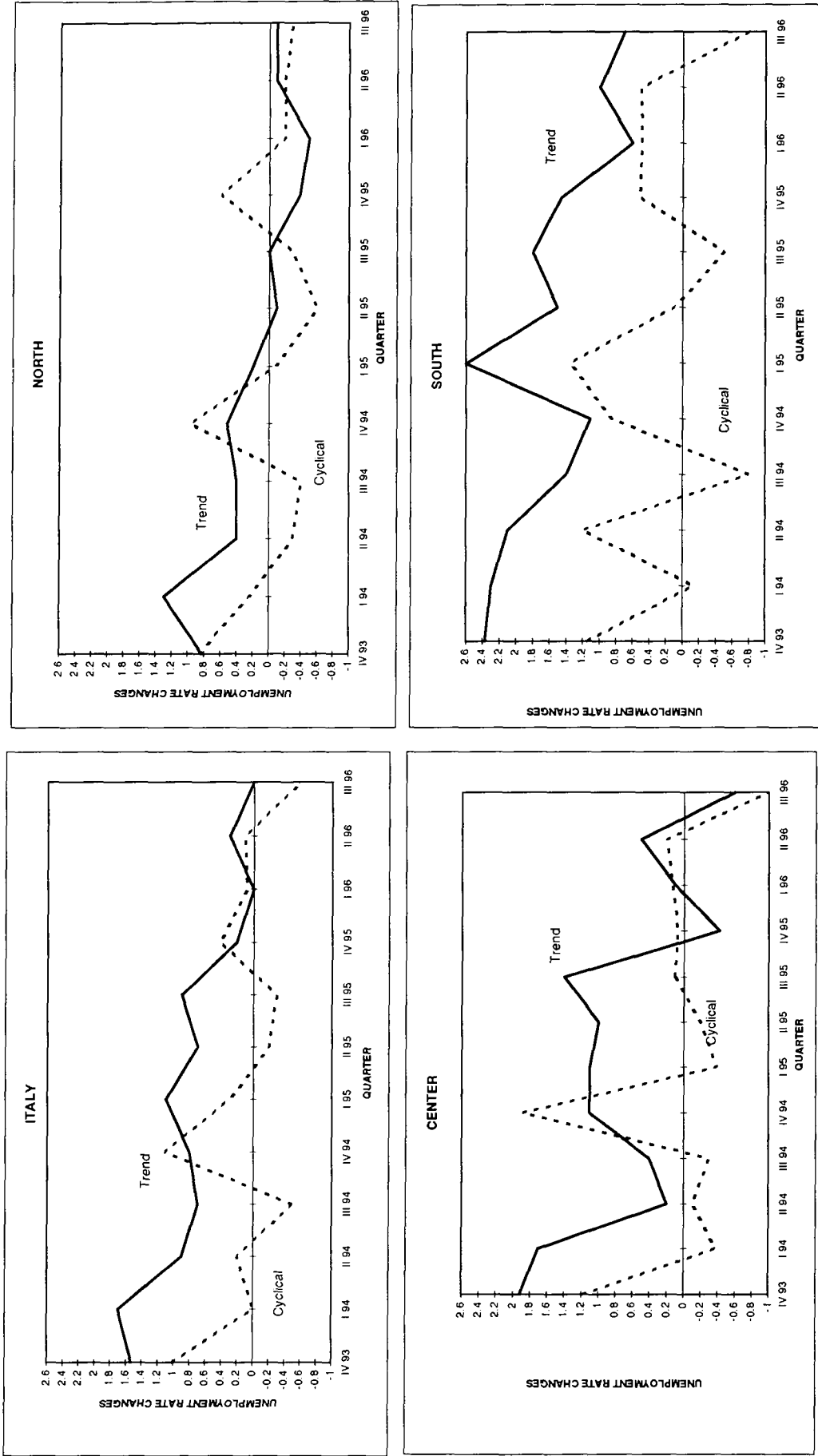
Source: FGB.

**Table 1.44 - Labour market indicators, 1995-2001: Posited employment growth rate of 0.8%**

	Centre-North, population aged 15-69 (in thousands)										South, population aged 15-69 (in thousands)										Italy, population aged 15-69 (in thousands)										
	1995: annual average					1996-2001: projections					1995: annual average					1996-2001: projections					1995: annual average					1996-2001: projections					
	1995	1996	1997	1998	1999	2000	2001	1995	1996	1997	1998	1999	2000	2001	1995	1996	1997	1998	1999	2000	2001	1995	1996	1997	1998	1999	2000	2001			
<b>MEN</b>																															
Employment	8835	8872	8909	8946	8983	9020	9057	4016	4031	4046	4061	4076	4091	4106	12851	12903	12955	13007	13059	13111	13163										
Substitutive demand		232	37	227	232	230	239	98	101	101	101	101	101	102	330	330	333	328	333	331	331										
Additional demand		37	37	37	37	37	37	15	15	15	15	15	15	15	52	52	52	52	52	52	52										
Labour force entry		322	322	318	322	321	320	153	156	156	156	157	157	158	475	478	478	475	479	478	478										
Labour force exit		289	289	285	289	287	287	134	137	137	138	138	138	139	423	426	426	422	427	425	425										
Labour force	9331	9364	9397	9430	9463	9496	9530	4828	4847	4866	4885	4904	4923	4942	14211	14263	14315	14315	14367	14419	14472										
Unemployment	496	492	488	484	480	476	473	816	820	820	824	828	832	836	1308	1308	1308	1308	1308	1308	1308										
Employment rate	65.62	65.49	65.65	65.92	66.17	66.45	66.74	55.17	52.24	51.97	51.96	51.94	51.90	51.94	61.96	60.68	60.66	60.82	60.96	61.10	61.29										
Participation rate	69.31	69.12	69.24	69.49	69.71	69.95	70.23	66.33	62.82	62.50	62.51	62.45	62.45	62.51	68.26	66.83	66.78	66.94	67.07	67.20	67.39										
Unemployment rate	5.32	5.25	5.19	5.14	5.07	5.02	4.96	16.82	16.84	16.85	16.87	16.88	16.90	16.92	9.24	9.20	9.17	9.14	9.10	9.07	9.04										
Population entry (a)	13463	13547	13571	13570	13575	13575	13570	7279	7716	7786	7815	7847	7883	7906	20742	21263	21357	21385	21422	21458	21476										
Population (a)																															
<b>WOMEN</b>																															
Employment	5402	5365	5328	5291	5254	5217	5180	1649	1634	1619	1604	1589	1574	1559	7051	6999	6947	6895	6843	6791	6739										
Substitutive demand		101	104	107	108	108	110	39	39	41	40	42	41	42	140	140	145	147	150	149	152										
Additional demand		-37	-37	-37	-37	-37	-37	-15	-15	-15	-15	-15	-15	-15	-52	-52	-52	-52	-52	-52	-52										
Labour force entry		179	181	184	185	185	187	90	90	92	91	93	93	94	268	273	273	276	279	278	281										
Labour force exit		191	193	195	196	196	197	94	94	96	95	97	96	97	284	288	288	290	293	292	295										
Labour force	6092	6080	6069	6058	6048	6037	6027	2351	2347	2343	2339	2336	2332	2329	8443	8427	8412	8398	8384	8369	8356										
Unemployment	690	715	741	767	794	820	847	702	713	724	735	747	758	770	1392	1428	1465	1503	1541	1578	1617										
Employment rate	39.34	38.89	38.69	38.40	38.16	37.88	37.57	21.00	21.00	20.68	20.38	20.09	19.84	19.60	33.20	32.44	32.16	31.85	31.57	31.28	31.00										
Participation rate	44.37	44.08	44.07	43.96	43.92	43.84	43.72	31.33	30.16	29.93	29.72	29.53	29.39	29.27	39.76	39.06	38.94	38.79	38.67	38.56	38.43										
Unemployment rate	11.33	11.76	12.21	12.67	13.13	13.59	14.05	29.86	30.38	30.91	31.43	31.97	32.51	33.05	16.49	16.95	17.42	17.89	18.38	18.86	19.35										
Population entry (a)	13730	13794	13772	13780	13770	13772	13786	7505	7782	7829	7870	7909	7935	7956	21235	21576	21601	21650	21679	21707	21742										
Population (a)																															
<b>TOTAL</b>																															
Employment	14237	14237	14237	14237	14237	14237	14237	5665	5665	5665	5665	5665	5665	5665	19902	19902	19902	19902	19902	19902											
Substitutive demand	333	333	336	334	340	338	339	137	137	142	141	143	142	144	470	470	478	475	483	480	483										
Additional demand																															
Labour force entry	501	504	504	503	507	506	507	243	243	248	248	250	250	252	744	744	752	750	757	756	759										
Labour force exit	479	482	482	480	485	483	484	228	228	233	233	235	234	236	707	707	715	712	720	718	720										
Labour force	15423	15444	15466	15489	15511	15534	15557	7179	7194	7209	7224	7240	7255	7271	22602	22638	22675	22713	22751	22789	22827										
Unemployment	1186	1207	1229	1252	1274	1297	1320	1514	1529	1544	1559	1575	1590	1606	2736	2736	2773	2811	2849	2887	2925										
Employment rate	52.36	52.07	52.07	52.05	52.06	52.06	52.04	38.32	36.55	36.28	36.12	35.95	35.81	35.71	47.41	46.46	46.33	46.25	46.18	46.11	46.05										
Participation rate	56.72	56.49	56.56	56.63	56.72	56.80	56.87	48.56	46.42	46.17	46.06	45.95	45.87	45.84	53.84	52.84	52.84	52.78	52.78	52.79	52.82										
Unemployment rate	7.69	7.82	7.95	8.08	8.21	8.35	8.48	21.09	21.25	21.42	21.58	21.75	21.92	22.08	11.95	12.09	12.23	12.38	12.52	12.67	12.82										
Population entry (a)	27193	27341	27343	27350	27345	27347	27356	14784	15498	15615	15685	15756	15818	15862	41977	42839	42958	43035	43101	43165	43218										
Population (a)																															

Source: FCB.

Graph 1.16 - Unemployment rate: trend and cyclical changes - October 1992/July 1996



Source: FCB on Istat data.

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## II. LABOUR MARKET INSTITUTIONS

### 1. Public institutions

The public institutions entrusted with the task of regulating the Italian labour market are:

1. the Ministry of Labour and Social Security, both through its central administration and its local offices;
2. the National Economic and Labour Council (CNEL);
3. the Institute for Workers' Training and Guidance (ISFOL);
4. the specialized offices of local authorities (regional, provincial and municipal governments).

In what follows we offer a brief description of their respective characteristics, powers and jurisdictions.

#### ***Ministry of Labour and Social Security (Ministero del Lavoro e della Previdenza Sociale)***

The Ministry of Labour and Social Security has overall responsibility for drafting, applying and monitoring labour legislation. Structurally it consists in the central administration plus regional, provincial and local district labour offices.

##### *I. Central administration*

The central administration has three decision-making levels:

##### The Minister

The Minister of Labour has the fundamental role of coordinating the Ministry and reporting to the Prime Minister, the cabinet, and the two houses of the Parliament, and in particular to their Labour Committees.

To perform this role the Minister personally takes care of political direction, setting objectives, establishing programmes to be implemented and evaluating the correspondence of results with the general directives. In any case, the powers reserved to the Minister include: nomination, appointment, annulment, revocation and dissolution of administrative and control bodies, technical committees, special commissioners, commissioners assigned to liquidate cooperatives, and managers of agencies subject to ministerial supervision and protection.

Other matters under the Minister's direct authority are:

1. matters under the jurisdiction of the Directorate-General for Social Security and Social Assistance, the Directorate-Generale for Cooperatives, and the Central Office for vocational training;
2. standards for the award of contracts to perform studies, research, etc., with research institutes and agencies;
3. standards for the award of grants, subsidies, competition prizes and stipends.

The Minister maintains relations with international bodies, dealing with issues concerning the world of work. He/she is in contact in particular with the ILO, the Council of Ministers of Social Affairs, the European Commission, the Statistics Office of the European Union and the European Parliament. He/she also participates in the meetings of the OECD and the Council of Europe. The cabinet of the Minister of Labour

has a special office responsible for external relations which co-ordinates the activities of the Directorates-General in the international domain.

#### The undersecretaries

In the present Cabinet, the Minister of Labour is assisted by three undersecretaries, whose areas of responsibility, as the Minister's proxies, are divided as follows:

1. One is assigned the matters under the jurisdiction of the Directorate-General for Labour Relations, with special emphasis on application of rules on occupational safety and health. In addition, this undersecretary has the following responsibilities:
  - a) chairmanship of the regional committees for employment of Abruzzo, Calabria, Emilia-Romagna, Marche, Sardinia and Valle d'Aosta;
  - b) chairmanship of the Central Commission for regulations governing domestic work, the Central Commission on work at home, the the Permanent Advisory Committee on accident prevention and hygiene at the workplace.
2. A second undersecretary is assigned the matters under the authority of the Directorate-General for Employment and of that for the Labour Market Observatory. He/she is also chairman of the Central Commission for Employment and the regional commissions for employment of Basilicata, Latium, Molise, Piedmont, Tuscany and Veneto.
3. The third undersecretary sees to the tasks of the Directorate-General for General Affairs and Personnel (including staff training, computerization and the reorganization of the Ministry). Additional responsibilities include:
  - setting guidelines and organizing the work of the labour inspectors;
  - planning and execution of projects for socially useful work, relations with the ministries and governmental bodies and departments involved in such projects;
  - the stipulation and application of territorial agreements in the depressed parts of the country and questions inherent in EC Objectives 1, 2 and 3;
  - chairmanship of the regional commissions for employment of Campania, Friuli-Venezia Giulia, Liguria, Lombardy, Apulia and Umbria;
  - questions concerning the application of the agreement of 23 July 1993 as far as it bears on trade union rights and representation.

#### The Directors General

The Ministry's central administration is run by seven Directors General. Their tasks are organized as follows:

##### *A. Directorate-General for General Affairs and Personnel*

This Directorate is responsible for the organization of the offices, staff recruitment and training. Two services fall within its ambit: the Central Labour Inspectorate, and the Central Service of the Labour Offices. They deal with personnel matters and the organization and operation of the Labour Inspectorate and Labour Offices; they also supervise and monitor those offices.

##### *B. Directorate-General for Labour Relations*

This Directorate is responsible for: international labour problems and relations with international bodies concerned with labour problems; labour supervision and

labour legislation; health and safety at work; employees' family problems; trade unions; collective bargaining agreements; employment contracts and labour disputes.

*C. Directorate-General for Employment*

This Directorate is mainly responsible for: employment promotion measures; monitoring the examination and approval of trainee contract projects and solidarity contracts financed by the Employment Fund, relations with the central and regional employment commissions, the employment agencies; unemployment, internal and international migration; special and ordinary placement; compulsory hiring of special categories of workers; free movement of workers within the EU; emigration; international workers' exchange; assistance to repatriated and emigrating workers and their families.

*D. Directorate-General for Social Security and Social Assistance*

This Directorate is in charge of: international problems of social security and welfare assistance; control and administrative supervision of social security bodies and remuneration of their staff; problems of financing social security; general compulsory social insurance; wage supplementation funds; wage compensation; family allowances and social assistance;

*E. Directorate-General for Cooperatives*

This Directorate deals with: economic problems of cooperatives, development and promotion of the cooperative movement; maintaining a general file on cooperatives; legal recognition of national associations and consortia of cooperatives; supervision of the management of cooperatives, consortia and associations; dissolution of cooperatives and compulsory liquidation.

*F. Directorate-General for the Labour Market Observatory*

This Directorate is responsible for general surveys on the employment situation, flows and quantitative and qualitative requirements; employment forecasts; studies on labour market trends; co-ordination of investigations and surveys carried out at the various local levels. It keeps relations with the Regional bodies for monitoring the labour market. The Directorate also acts as technical secretariat for the Central Employment Commission (see below).

*G. Central Office for Vocational Guidance and Training*

This office deals with: international issues involved in workers' vocational guidance and training; vocational guidance: the European Social Fund; relations with the regions as regards vocational training; and setting up and financing vocational training courses abroad.

Central Employment Commission (*Commissione Centrale per l'impiego*)

According to the rules, this Commission should establish the national criteria for implementing general and active employment policy in accordance with economic planning guidelines and EU orientations. In view of labour market trends in both quantitative and qualitative terms and the economic reference framework of regional vocational training policy, by 30 July each year the Commission should lay down the guidelines for employment policy and the development of workers' earnings. To this end

it should commission and organize studies and systematic statistical surveys of the national labour market and its evolution.

The Commission is chaired by the Minister of Labour and consists of:

- ten trade union representatives, six employer representatives, one of staff, three of self-employed workers and one representative of the cooperative movement;
- four Directors-General of the Ministry of Labour;
- five representatives of the Regions;
- one equal opportunity counsellor.

Depending on the agenda, representatives of the administrations concerned will also attend the Commission's meetings. The Commission has its own technical secretariat. Its members have a term of office of three years.

## *II. Regional, Provincial and Local District Labour Offices*

### Regional Labour and Employment Offices (*Uffici Regionali del Lavoro e della Massima Occupazione*)

The functions of these offices include guidance, stimulation, planning and monitoring of Labour Ministry activities concerning employment policy, industrial relations, labour disputes and co-operation. They co-ordinate the activities of the Provincial Labour Offices and work in cooperation with the Employment Agencies.

The organizational structure of the URLMO is as follows:

- Area I: Monitoring the labour market; co-operation;
- Area II: Matching labour supply and demand; social services;
- Area III: Industrial relations; mobility.
- Area IV: General services; organization and planning;
- Area V: Telecommunication services and data processing centres.

Quite recently these offices have gotten involved in new engagements concerning the regulation of Regional employment services through the signing of agreements with Regional governments, Regional Employment Agencies, local offices of the Ministry of Education, etc.

### Regional Employment Commissions (*Commissioni Regionali per l'Impiego*)

CRIs were instituted by Law 675/1977 to foster labour mobility in accordance with the requirements arising from industrial restructurings and conversions. They were subsequently reformed as to their tasks and composition as follows:

- the Minister of Labour or an undersecretary delegated by him, as chairman;
- one member of the Regional government as deputy chairman;
- two members designated by the Regional Council;
- four representatives designated by employers' organizations;
- six members designated by the trade unions;
- two members designated by non-industrial employers' organizations and organizations of self-employed workers;
- one equal opportunity counsellor;
- the Directors of the Regional Employment Agencies and of the Regional Labour Office, both without voting right.

The tasks of the Regional Employment Commissions were redefined by Law 56/1987, which defines them as bodies for planning, implementing and monitoring

active labour policy. Their tasks were extended by Law 223/1991. They now have the following functions:

- within their own geographical area, they carry out the tasks of the Central Employment Commission;
- they give recommendations on the vocational training programmes drawn up by the regional administration, and propose the implementation of vocational training and retraining programmes;
- they can prepare programmes for the integration of hard-to-place workers;
- they can decide on various methods of registration on the placement lists;
- they approve lists of redundant workers (mobility lists) and take initiatives to promote their reintegration, working in collaboration with the employment office;
- they can propose reserving a proportion of up to 20% of all hirings for the most disadvantaged groups, which are also defined according to regional demands;
- they can make special agreements with firms with reference to hirings, particularly in the case of disadvantaged groups (experimenting new kinds of mandatory placement).

The members of the Regional Commission remain in office for three years.

#### Employment Agencies (*Agenzie per l'impiego*)

Employment Agencies are set up by the Ministry of Labour in each region (Fig. 2.1). They usually work together with the national and regional bodies that monitor the labour market and with the services competent for vocational training. Their technical function is to implement the guidelines issued by the Regional Employment Commissions. In particular they promote initiatives aimed at creating jobs, encourage the placement of the weakest groups on the labour market and draw up proposals and programmes for active labour policy. In this area they are usually involved in managing the mobility lists (monitoring the workers enrolled, proposing individual and collective solutions, programming socially useful jobs for mobility workers, etc.). They also conduct labour market studies and surveys at regional level.

#### Provincial Labour and Employment Offices (*Uffici Provinciali del Lavoro e della Massima Occupazione*)

Provincial Labour and Employment Offices are the bodies which manage, plan and control the activities of the administrations associated with setting up employment services, promotional management of industrial relations, the settlement of labour disputes, management and development of measures aimed at promoting co-operation. They also co-ordinate active labour policy measures and put the guidelines and directives of the Central Administration into concrete form, as well as those emerging from the co-ordination activities of the Regional Labour Office. The provincial offices are organized as follows:

Area I: Monitoring the labour market and dynamic employment factors; co-operation;

Area II: Employment services; social services;

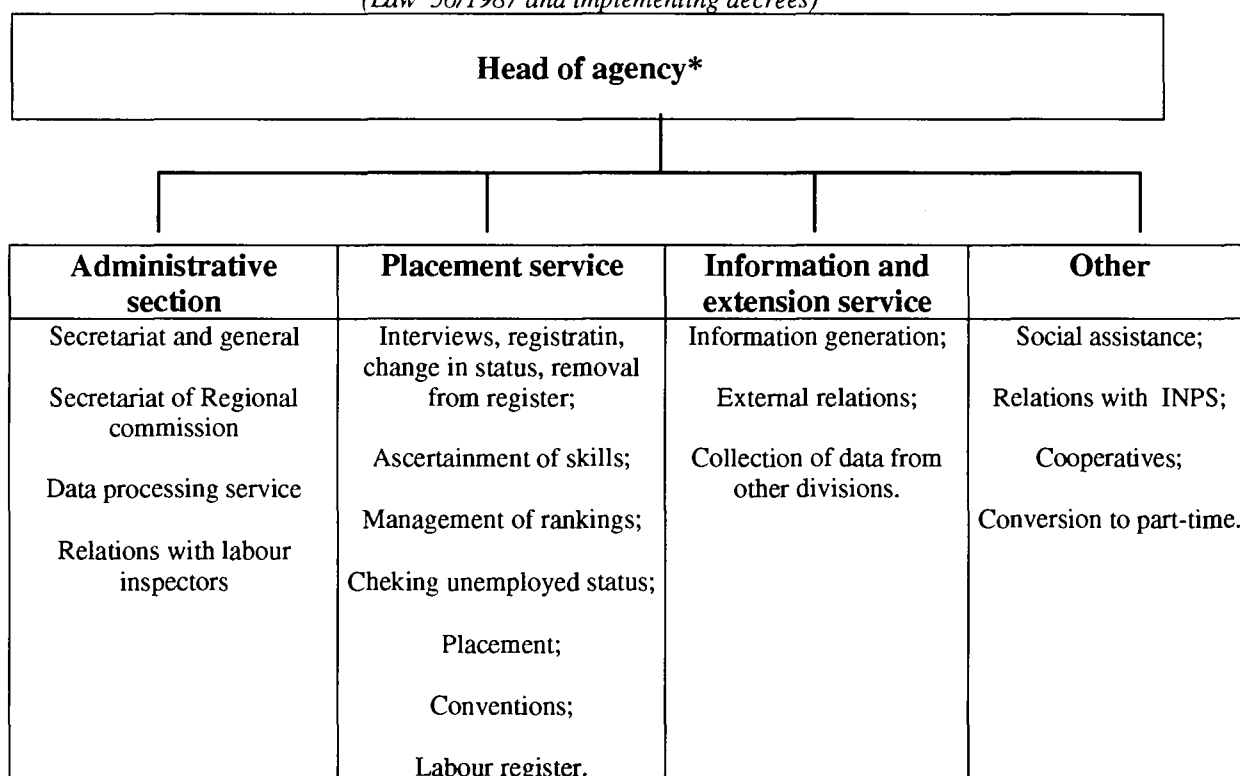
Area III: Industrial relations; mobility;

Area IV: General matters, organization and planning;

Area V: Management of finances and state assets.

**Figure 2.1 - The Regional Labour Agency**

*(Law 56/1987 and implementing decrees)*



\* The Director of the Provincial Labour Office nominates a Grade 9 officer for approval by the Minister of Labour. If such officer cannot be found, a Grade 6 or 7 officer may be named, provided he/has directed a municipal labour agency section.

Source: Ministero del Lavoro, 1988.

Local District Employment Offices (*Sezioni Circoscrizionali per l'Impiego e per il Collocamento agricolo*)

The Local District Employment Offices and those for Placement in Agriculture are local branches of the Provincial Labour Offices, to which they report directly, and are defined by geographical area based on the local characteristics of the labour market, the structure of other administrative bodies and geographical distance. These offices are the main instrument for implementing active employment policies and mobility policy.

The District Offices also perform other tasks: surveys of data and information on the labour market, participation in initiatives to promote new employment opportunities, supply of information to workers on employment options and working conditions, communication of information on measures to support initiatives to set up new firms advice and support for both employers and employees to promote labour market integration, and pre-screening of job-seekers. This last task relates primarily to difficult-to-place job-seekers and young people looking for their first job.

These local offices are structured as follows:

- Service I: Information and promotion;
- Service II: Employment;
- Service III: Placement in agriculture;
- Service IV: Delegated and decentralized activities;
- Service V: Administration and organization.



The Local District Employment Offices are also involved in the creation of local information systems on the labour market, often in co-operation with other public bodies active at the local level (Regional Employment Agencies, Regional Governments, etc.).

***Placement and employment services: the debate on the new organizational arrangements***

The services directed to ensuring efficient allocation of labour resources (guidance, placement, vocational training) are increasingly strategic in a framework of ever-increasing labour mobility and flexibility in modes and forms of utilization. Unfortunately, the greatest weakness of Italian labour market regulations is the lack of efficient services in this area.

In part, Italy's backwardness in this sphere can be ascribed to the traditional conception of worker protection in exclusively defensive terms, with the institution of constraints on socially dangerous action by employers or pure and simple economic compensation for difficulties (income supports).

Typical in the first regard is the state employment service, which until recently was structured in utterly bureaucratic terms. As for the second aspect, let us recall the countless bitter experiences with repeated extensions of special short-time wage compensation even when there was no real prospect of the workers' return to active service.

Over the past three years a number of innovations have been made in the placement service in the effort to achieve a more modern and efficient set of "employment services". A decree law, several times reiterated, most recently by the present government, institutes a notable advance over the previous situation.

The old public placement system exercised a passive bureaucratic distributive function and simple checking on the employers' compliance with rules implying some interference, varying in severity, with their freedom of choice in hiring ("mandatory rank-order placement").

The government of Carlo Azeglio Ciampi altered these arrangements by abolishing the requirement of authorization by the competent public authorities, putting into practice a major principle of administrative simplification.

However, the replacement of the request for official referral with a simple ex-post notification of the district office leaves a good deal of room for improper practices by employers (off-the-books work).<sup>1</sup>

In reiterating the decree the government of Lamberto Dini, while confirming this orientation, in line with the generalization of the principle of individual rather than rank-order hiring enshrined in Law 223/1991, Article 25, introduced three important changes.

1. It laid down that with the final abolition of the authorization process, direct hiring was not merely a prerogative of the employer in alternative to the request for referral and the administrative authorization, but the only effective hiring procedure.
2. It shortened the deadline for employer notification to 5 days and also recognized simplified procedures, such as the possibility of effecting notification through their own employers' associations.

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<sup>1</sup> The requirement only of notification, and leisurely notification at that (10 days) made it easy for employers to justify any failure to register workers in case of inspection by saying that the deadline had not yet expired.

3. It emphasized action to counter elusion and off-the-books work both with rules for greater transparency<sup>2</sup> and through tougher sanctions; inspection was assigned a preventive function in this sphere.

In short, the District offices were no longer called on to provide merely passive authorization but to perform an active function of promotion, serving the matching of labour demand and supply.

However, it must be noted that the new rules, while disactivating and undermining the old system of constraints, do not appear to be capable of creating a new system expressly based on the modern "service" function. The current debate on labour market organization, apart from treating the theme of the public monopoly on mediation between demand<sup>3</sup> and supply of labour appears to be focused on a fundamental problem, namely the organizational arrangements of public agencies. The realization that efficient service depends on synergy with the local community and conditions makes the necessity of thorough reorganization self-evident.

The incomes policy agreement of 23 July 1993 pledged the government to reorganize the local offices of the Labour Ministry to achieve more effective labour policy through synergy between regional administrations and the social partners.

A ministerial committee instituted by Gino Giugni and chaired by Tiziano Treu had drafted a bill enacting the creation of a national public body (a National Agency for Employment) that would be independent of the ministry, strongly decentralized through regional agencies for employment, and run by a three-way management (social partners, central government, regions). Along the lines of similar agencies in other countries,<sup>4</sup> this structure would have safeguarded the national body by redefining tasks and decentralizing by transferring responsibilities to more local bodies, exploiting existing resources and stimulating cooperation and coordination.

So far the bill has been blocked by the regions' demands for administrative independence in employment and active labour policies. A compromise solution is under study to ensure uniform national conditions while taking adequate account of the ideas and needs of the regional administrations.

All the same, although so far the government has failed to get a reform measure through Parliament, some decentralization, especially in the areas of information, assistance for the transition from school to work, and guidance, is being enacted in some regions through conventions among the various public bodies involved (provincial and regional labour offices, labour agencies, school districts, etc.), pursuant to the recommendations of Decree Law 181/1996.

### ***The National Economic and Labour Council (CNEL)***

At the central level, an important role is played by the National Economic and Labour Council. It consists of representatives of the social forces (employers, employees, self-employed workers) plus experts, and acts mainly as an advisory institution for the Government and as a regulating body for industrial relations.

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<sup>2</sup> It required the employer, upon hiring a worker, to provide the worker with an attestation giving the details of registration of the hiring and information on the terms of the employment relation, in line with Directive 91/533).

<sup>3</sup> As what is now required is services to facilitate the encounter between workers and employers, no longer bureaucratic rulings (i.e. authorization for hiring), it is reasonable to expect the entry of private agencies in Italy, as in many other European countries.

<sup>4</sup> Such as ANPE in France and the Federal Labour Institute in Germany.

The CNEL was set up under Article 99 of the Constitution, and reformed by Law 936/1986. It is a particularly important advisory body; it is empowered to submit bills in the field of economics and labour, and it takes part in drafting economic and social legislation.

#### *Decision-making bodies*

A Chairman; two Deputy Chairmen; an Assembly; commissions and committees; a Secretary-General; a Secretariat.

The Chairman represents CNEL and maintains contacts with Parliament, the government and the regions. He/she calls the Assembly, presides over its sessions, decides on its agenda and defines and co-ordinates the activities of the commissions and committees.

#### *Organization*

The CNEL is composed of representatives from the goods and services producing sectors, as well as of experts. There are 111 members in all, besides the Chairman. The breakdown of membership is as follows:

- 12 economic, social science and legal experts, eight appointed by the President of the Republic and four nominated by the Prime Minister.
- 99 representatives of the goods and services producing sectors, public and private; 44 of them represent wage and salary earners, 18 represent the self-employed, and 37 represent employers.

Members are appointed by decree of the President of the Republic on the proposal of the Prime Minister, following consultation with the Council of Ministers. Members have a five-year term of office.

The working of this institution is mainly based on the activities of its several commissions, the most important of which is the Information Commission, responsible for keeping a data bank on the labour market and running a monitoring unit on collective bargaining agreements at all levels (national, industrial, local, company).

A new field of activity recently introduced, still within the overall tripartite orientation, is the promotion of local concertation aimed at creating new infrastructures and enterprises (Territorial Pacts).

#### ***Institute for Workers' Vocational Training and Guidance (Istituto per lo Sviluppo della Formazione Professionale dei Lavoratori)***

The training institute is a public law institution that works in close cooperation with the Ministry of Labour and with other government departments and regional governments to stimulate the development of vocational training and guidance. Its mandated purposes are:

- research on innovations and skills required by trends in labour demand and supply;
- technical assistance in planning training activities and projects;
- didactic experimentation and multimedia programmes;
- documentation on employment policies and training and guidance methodology.

The main philosophy now guiding ISFOL is to bring the Italian training system closer to European standards. On the basis of the technical assistance missions assigned to it by the ministry, the institute is elaborating such standards in cooperation with the ministry itself and the regions and social partners.

ISFOL also has a strong tradition of research for system innovation. Combined with its technical assistance programmes, this makes ISFOL the only public agency for research and technical assistance in vocational training. The Board of Directors includes representatives of ministries, regions, and worker and employer organizations.

The Institute's organs are: a Chairman, a Board of Directors (with, as noted representatives of the Ministry of Labour, the regional authorities, and employer and union organizations), the Executive Committee and the Board of Auditors. The following areas of research are operative: technical assistance, documentation, labour policies and industrial relations, Community funding, labour market and vocational training, occupations, experimental training methods and production of didactic software, institutional and legal studies.

### ***Local authorities***

While the Ministry of Labour has the greatest responsibilities for regulating the labour market, even at the local level (through its local offices), regional governments have a fundamental role in the organization of vocational training and guidance. Law 845/1978 determined the spheres of competence of the central and regional governments, specifying their respective functions and regulating the corresponding methods of financing.

In particular, the regions regulate the following areas through their own laws:

- planning, setting up and financing vocational training activities;
- vocational qualification of the disabled and people who are unfit for work;
- training and retraining of training personnel;
- organization of socially useful projects, both within the region and among different regions.

The Ministry of Labour (through the Central Office for Vocational Guidance and Training) has retained responsibility for relations with the European Social Fund and the European Community, as well for the European harmonization of training standards, qualifications and quality assessment.

Thanks to the extensive organizational autonomy that the regions enjoy, vocational training differs so greatly from region to region that it is more realistic to talk of multiple systems. In many areas, regions can also delegate their powers to lower level local governments (provinces and municipalities). This happens with reference to training and to guidance and assistance to the unemployed and to the disabled. Provinces and municipalities are also responsible for the preparation of projects for utilizing redundant workers and the long-term unemployed on socially useful projects.

As noted, local governments are expected to enjoy growing power in the management of the labour market through the delegation by the central government of full responsibility for active labour policies. Experiments in this direction have already taken place with piecemeal agreements to improve centre-periphery cooperation and develop local synergies among various local agents (public, private and non-profit alike) in the regulation of local labour markets.

### ***Labour market observatories***

These monitoring units are set up by each region. They plan and organize local surveys of the employment situation, conduct specific studies, make estimates and forecasts of labour market trends. In some regions they are organized on the provincial level, and they offer guidance services.

## 2. The system of industrial relations and collective wage negotiations

### Labour relations

Employer-employee relationships in Italy are subject to a substantial body of legislation relating to social security and labour regulations.

The employment relationship is subject to:

- the Civil Code;
- pertinent laws on employment;
- collective bargaining agreements;
- individual employment contracts;
- custom and practice.

The fundamental rights of workers are laid down by Law 300/1970, the Labour Rights Act. Among these are freedom of opinion, union rights, protection against disciplinary actions, reinstatement in case of dismissal without just cause.

Collective bargaining agreements may be nationwide and cover an entire sector (manufacturing) or, more often, a single industry (e.g. textiles); they may also be local (district, firm or plant level). The four main categories of employees considered by collective agreements are executives, middle managers and technicians, clerical workers, and production workers. Executives have separate, interindustrial contracts, while other workers' conditions are regulated by collective agreements (industry or local), and clerical workers share a unique ranking scale with production workers.

The distinction is particularly important, as the category in which an employee is classed determines, through collective bargaining, such matters as employer and employee social security contributions, seniority benefits, vacation entitlement, notice for termination or dismissal, and retirement and death benefits. Collective bargaining agreements also set minimum wage levels for each grade level. By law, collective bargaining agreements apply only to the members of the unions party to the contracts. The wage provisions, however, are applied to all employees, as the courts have generally ruled that the contractual minimums must be complied with in conformity with the Constitutional right to "sufficient compensation".

Trade union freedom is guaranteed by Article 39 of the Constitution. The protection accorded to the weaker party in the labour market (i. e. the worker) extends to the constitutional guarantee of the right to strike, which is widely recognized and recently has been regulated by law in the area of the public services. Furthermore, a special procedure against anti-union conduct on the part of employers is provided for (Article 28, Labour Rights Act). Trade union freedom was powerfully boosted by the Labour Rights Act, which established the right of the most representative unions to have company-level representatives. In view of the possible inconsistency between local and national representativeness, some limits to this right have been set in the wake of a nationwide referendum held in 1995. These will be discussed further on.

### Employers' organizations

Employers are represented by three main organizations: the Confederation of Italian Industry (*Confindustria*), the Confederation of Commerce (*Confcommercio*), and the Confederation of Agriculture (*Confagricoltura*).

## Trade unions

The trade union movement is strong, in spite of recent, noticeable transformations. Union membership is not obligatory. The major national trade union confederations and their political orientations are: CISL (centre), CGIL (left), UIL (centre-left), and CISNAL (right wing).

The three most representative organizations (CGIL, CISL, UIL) are involved in a difficult process of convergence into a single confederation, to work for common objectives in the interests of all working people. There are unions at the industry, sector and company level. Unions at every level have the right to call strikes. The largest and most powerful industrial unions are those of the metalworkers and of the chemical workers.

During the last few years, many unions not affiliated with the main confederations have greatly increased their bargaining power, mainly in such key public service sectors as health, transportation, and education. Thanks to the explicit constitutional protection of the right to strike, these organizations have sometimes caused inconvenience to the general public.

The 1980s brought significant difficulties for unionization, in Italy as in other countries. This may be considered, in a sense, part of the ordinary, cyclical nature of unionization, with waves of new union membership alternating with periods of contraction. In any case, comparing the degree of unionization in 1990 with that of the early '60s, the balance is not purely negative. The number of members has risen in all the industrial countries, though in some countries the unionization rate has gone down. In Italy, the unionization rate, though having dropped from 31.4% in 1976 to 23.2% in 1990 (La Valle, 1994), remains higher than in 1960. Thus despite its current difficulties, organized labour in Italy has remained stronger than before the last wave of expansion.

In considering the decline in membership it must be borne in mind that one of the key factors in unionization is changes in the composition of the work force. Historically, rising unionization rates have found fertile terrain in the declining incidence of farm work and the growth of industry. Unions took root mainly among the male production workers of mass manufacturing industry. They have had much greater difficulty in extending their influence to technicians, white-collar employees, professionals, and workers in small, fragmented firms.

Traditionally, that is, organized labour has had its main strongholds in the industries and segments that are suffering employment contraction and whose quantitative incidence on the economy appear due to diminish. The prospects for union expansion are thus not good.

The total membership of CGIL, CSIL and UIL rose by more than 1.5 million, or 17.64%, between 1980 and 1993 (Table 2.1). The largest gain was scored by th4e CISL (+707,397), followed by CGIL (+637,521) and UIL (+241,547). Since 1992, for the first time since the founding of CISL and UIL, CGIL membership has gone below 50% of the total membership of the three confederations. From 1950 to 1991, the CGIL had always had more members (counting active workers, unemployed, and pensioners) than the other two confederations combined.

Another significant milestone is the fact that in 1993, for the first time, pensioners outnumbered active workers among CGIL members (2,666,463 as against 2,540,437). The pensioners federation now accounts for 50.92% of the confederation's total membership of 5,236,571. The fact that of all the categories the only one registering substantial growth is that of pensioners is especially eloquent; given the unlikeliness of an upturn in unionization among active workers, the trend is bound to continue.

The number of payroll employees belonging to CGIL, CISL and UIL fell by 20.69% between 1980 and 1993, from 7,135,555 to 5,660,956 (Table 2.2). Again, the sharpest loss was suffered by the CGIL (-27.42%), followed by CISL (-19.96%) and UIL (which shrank by less than 2%).

Accordingly, there has been a significant decline in unionization rates. It is worth noting, however, that while the unionization rate remains an important indicator of union representativeness, it is not the only one. In 1992 the overall rate of unionization rose, thanks to a gain in industry. In 1993 it fell (Table 2.3), despite a gain of over 6 points in agriculture (from 87.60 to 93.69), owing to decreases of 0.47 points (or 1.10%) in industry, 0.40 points (1.72%) in the market services and 1.72 points (3.52%) in the non-market services. On the basis of these data, then, the sharpest recent loss in representativeness for the major confederations has come in the public services. This presumably depends on the freeze on contract renewals and the resistance of many public employees to the so-called "privatization" of the public employment relation.

The "southern" orientation of CGIL, CISL and UIL membership, especially among active workers, is perceptible (Table 2.4). Whereas 28.82% of all Italian payroll employees were located in the South in 1993, the southern share of the three confederations' membership was 33.91%. The increasing overrepresentation of the South corresponds to an underrepresentation of the Northwest, which accounted for 30.46% of total employees and only 26.08% of union membership.

### **Collective bargaining**

All employees in Italy are entitled, by collective agreements, to an additional month's remuneration (the so-called "thirteenth month") payable in December. Some agreements provide for additional payments in some industries, such as banking (sixteen monthly paychecks) and the petroleum industry (fifteen). In commerce, a fourteenth salary is paid in June. In addition, on leaving employment with a firm, for whatever reason, an employee is entitled to severance pay of about one month's wage for each year of service, which Italian law considers as a form of deferred remuneration. This severance pay is increasingly utilized by collective agreements as a way of funding supplementary, company-based pension plans.

Overtime work is remunerated at a higher rate than normal hours. The amount of the increment is set by collective bargaining and generally varies with the type of overtime (daytime, night, holiday), itself defined by collective agreement.

From 1975 until December 1991, there was automatic inflation indexing for all wages and salaries, in the form of a cost-of-living escalator or "scala mobile". The scala mobile was suspended by the tripartite agreement of 31 July 1992 between government and business and labour organizations. Wage increases are thus to be determined solely by collective bargaining, in the framework of a specified bargaining procedure.

In 1993, Legislative Decree 29 enacted the reform of employment relations in the public sector, to improve human resources management and improve efficiency and productivity.

A second tripartite agreement was signed a year later, on 23 July 1993. The most important changes embodied in it were:

- an agreement in principle on incomes policy;
- the definitive abrogation of the scala mobile and the introduction of partial cost-of-living coverage during intervals between the expiry of one contract and the signing of the next;

- complete separation between two different levels of negotiation, ruled by a "no-overlap principle";
- the institution of wage bargaining every two years at the national, industry-wide level (while the legal and work rules portions of the contracts run for the full four-year term);
- new matters for local bargaining (at company or territorial level) every four years, focusing on forms of profit-sharing or gain-sharing.

The rationalization of the bargaining system was complemented, in the July agreement, by provisions for the formation of a unified body for worker representation at the company level. The members of this representative council are mostly elected, and in smaller part are designated by the trade unions themselves. The council has powers to conduct company-level collective bargaining.

The agreement also instituted formal concertation arrangements, in which business and labour representatives meet with the government, in two important annual economic policy "sessions".

1. *The May/June session.* Prior to the presentation of its three-year Economic and Financial Planning Document, the government undertakes to disclose its budgetary objectives for the period. The purpose of the session is to develop jointly agreed targets for inflation, GDP growth and employment.

2. *The September session.* This session forms part of the budget process, and its conclusions are to be transposed into the annual Finance Bill.

The government further undertakes, in the course of the two sessions, to set out the ways, means and timetable for swift corrective action to modify conduct inconsistent with incomes policy, notably through fiscal and parafiscal measures, with special reference to levies that affect the cost of labour (*tax-based incomes policies*).

With regard to bargaining arrangements, in the analysis of Giugni (1993), the two July agreements have done away with automatic indexation and formally recognized the central role of collective bargaining, which if not compulsory (which it is not) is at least the normal mode of wage determination; and the consequent normalization of contract negotiation and renewal procedures.

Obviously, these elements are logically interrelated. In practice, all respond to the need to simplify wage rules and avoid overlapping between contract and bargaining levels.

A significant provision in this regard is the new, staggered negotiation schedule, with regulatory provisions revised in the contract renewal every four years and the economic clauses renegotiated every two years. This should relieve the normative portion of labour agreements of the excessive load of bargaining issues and tension that has marked Italian practices in this sphere until now (Treu, 1993).

This is the standpoint from which to examine the relationship between national and decentralized bargaining levels. Essentially, there are two mechanisms by which the higher level might dominate the lower: a referral clause obliging the parties to restrict decentralized agreements to matters and within limits specified by the national contract; and the specialization principle, by which local bargaining can only deal with matters not settled at the central level.

The solution enacted with the 23 July agreement combines the two. It establishes that the items provided for in decentralized agreements must be different, not repetitive of national contract items, and it further specifies that company-level wage items must be related to productivity and the economic performance of the firm.



A particularly interesting feature is the new relationship between wages and inflation. First-level bargaining takes as its point of reference the government's inflation target, with a clause permitting the recouping, after two years, of any differential (above a "deductible" of 0.5 percentage points a year) between actual and target inflation. Second-level bargaining at the company or district level is conducted with reference to productivity or profits. For this reason, given the no-overlap clause, if productivity improves total earnings (first- plus second-level) remain tied to company performance, eliminating the inflationary potential of wage increases. This advantage is reinforced by the fact that this way of determining wages helps to limit the distribution of productivity gains between dynamic and stagnant companies, producing better balanced growth as between industries exposed to international competition and those sheltered from it (Brunetta et al., 1994).

Another innovation is the commitment to assure differential treatment of company-level paycheck elements in regard to social security levies. Demanded insistently by the employers' side, this provision is explained by the particularly heavy incidence of social security taxes in Italy. Up to now, the provisions on this point are limited to Decree Law 295/1996, which exempts second-level increments from income and social security taxes, up to 1% of total contractual earnings (a figure that may subsequently be raised to 3%). Second-level wages nevertheless remain subject to a 10% employer contribution to compulsory pension funds.

### **Employee representation at company level**

Trade union representation within the company is provided for under Article 19 *et seqq.* of the Labour Rights Act. It can be implemented at the initiative of the workers in each production unit if it is associated with:

- a) one or more associations affiliated to one of the confederations that are most representative at the national level;
- b) one or more trade union associations which, though not affiliated to those confederations, are signatories of national and provincial collective labour agreements applied by the company.

In the companies with several production units, the trade union representatives can set up co-ordinating bodies.

This provision applies to industrial and commercial firms employing more than 15 people and to agricultural firms employing more than 5.

In response, in part, to the trend to deunionization, there have been efforts to revise the entire system of labour relations. In particular, a referendum campaign was launched to overthrow the principle of presumed representativeness for certain unions (though this representativeness was in fact evident) not based on standard procedures defined by law. As a consequence of the referendum, Article 19(a) of the Labour Rights Act was abrogated and Article 19 (b) was transformed into the statement that in any case a union signatory to a contract applied in a given company shall be considered representative. In this way, and against the intentions of the referendum's own promoters, representativeness comes to be determined by employers. For this reason, among others, the drive for a further redefinition of company-level trade union representative bodies remains strong.

As regards public employment, a major rules change enacted in 1993 as part of the rationalization of the civil service for greater efficiency provides that public employees shall be subject to the same rules as private-sector employees and accorded much more ample powers than previously to the collective bargaining agreement.

**Table 2.1 - CGIL, CISL and UIL Membership, 1980-1993**

	CGIL		CISL		UIL		TOTAL	
	N° members	% change	N° members	% change	N° members	% change	N° members	% change
1980	4,599,050	-	3,059,845	-	1,346,900	-	9,005,795	-
1981	4,595,011	-0,09	2,988,813	-2,32	1,357,290	0,77	8,941,114	-0,72
1982	4,576,020	-0,41	2,976,880	-0,40	1,358,004	0,05	8,910,904	-0,34
1983	4,556,052	-0,44	2,953,411	-0,79	1,351,514	-0,48	8,860,977	-0,56
1984	4,546,335	-0,21	3,097,231	4,87	1,344,469	-0,52	8,988,035	1,43
1985	4,592,014	1,00	2,953,095	-4,65	1,306,250	-2,84	8,851,359	-1,52
1986	4,647,038	1,2	2,975,482	0,75	1,305,682	-0,04	8,928,202	0,87
1987	4,743,036	2,07	3,080,019	3,51	1,343,716	2,91	9,166,771	2,67
1988	4,867,406	2,62	3,288,279	6,76	1,398,071	4,04	9,553,756	4,22
1989	5,026,851	3,28	3,379,028	2,76	1,439,216	2,94	9,845,095	3,05
1990	5,150,376	2,46	3,508,391	3,83	1,485,758	3,23	10,144,525	3,04
1991	5,221,691	1,38	3,657,116	4,24	1,524,136	2,58	10,402,943	2,55
1992	5,231,325	0,18	3,796,986	3,82	1,571,844	3,13	10,600,155	1,90
1993	5,236,571	1,10	3,769,242	-0,73	1,588,447	1,06	10,594,260	-0,06
<b>1980-93</b>	<b>637,521</b>	<b>13,86</b>	<b>709,397</b>	<b>23,18</b>	<b>241,547</b>	<b>17,93</b>	<b>1,588,465</b>	<b>17,64</b>

Source: Cesos, 1995.

**Table 2.2 - Wage and salary earner membership of CGIL, CISL and UIL, 1980-1993 and unionization rate\***

	CGIL		CISL		UIL		TOTAL		UNIONIZATION RATE.**	
	N° members	% change	N° members	% change	N° members	% change	N° members	% change	A	B***
1980	3,484,004	-	2,507,641	-	1,145,910	-	7,137,555	-	49,00	48,60
1981	3,387,040	-2,80	2,371,471	-5,40	1,142,756	-0,30	6,901,267	-3,30	47,60	47,00
1982	3,266,816	-3,50	2,286,728	-3,60	1,134,376	-0,70	6,687,920	-3,10	46,20	45,60
1983	3,134,011	-4,10	2,224,112	-2,70	1,121,054	-1,20	6,479,177	-3,10	45,20	44,50
1984	3,030,323	-3,30	2,261,668	1,70	1,114,040	-0,60	6,406,031	-1,10	44,90	44,30
1985	2,939,370	-3,00	2,055,663	-9,10	1,064,110	-4,50	6,059,143	-5,40	42,00	41,40
1986	2,825,273	-3,90	1,967,105	-4,30	1,046,086	-1,70	5,838,464	-3,60	40,30	39,70
1987	2,768,384	-2,00	1,951,994	-0,80	1,069,024	2,20	5,789,402	-0,80	39,90	39,40
1988	2,733,017	-1,30	2,018,463	3,40	1,099,727	2,90	5,851,207	1,10	40,00	39,10
1989	2,717,567	-0,60	1,993,706	-1,20	1,104,166	0,40	5,815,439	-0,60	39,50	38,90
1990	2,724,802	0,30	2,023,802	1,50	1,123,787	1,80	5,872,391	1,00	39,20	38,60
1991	2,706,214	-0,70	2,070,880	2,30	1,136,175	1,10	5,913,269	0,70	39,10	38,20
1992	2,641,782	-2,38	2,107,060	1,75	1,157,250	1,85	5,906,092	-0,12	39,14	38,39
1993	2,528,565	-4,29	2,007,015	-4,75	1,125,375	-2,75	5,660,955	-4,15	38,52	38,69
<b>1980-93</b>	<b>-955,439</b>	<b>-27,42</b>	<b>-500,626</b>	<b>-19,96</b>	<b>-20,534</b>	<b>-1,79</b>	<b>-1,476 599</b>	<b>-20,69</b>	<b>-</b>	<b>-</b>

\* for UIL, the figure for 1993 excludes 13,038 employees of Fenecal non engaged in work activity but that have retained membership at specially reduced dues.

\*\* Based on the following sources for total payrolls: ISTAT, Labour force survey, average for the year 1992; *Relazione Generale sulla situazione economica del Paese 1994* (draft) for column B; and National Accounts data.

\*\*\* The rate for 1993 is not comparable with previous years due to changes in the procedures of the quarterly labour force survey.

Source: Cesos, 1995.

Table 2.3 - CGIL, CISL and UIL membership by sector, 1993

	CGIL		CISL		UIL		TOTAL		UNIONIZATION
	N° members	% change	N° members	% change	N° members	% change	N° members	% change	RATE**
Agriculture*	316,800	-3,21	256,772	-4,11	135,679	1,25	709,251	-2,72	93,69
Industry	1,219,384	-5,12	685,581	-5,71	385,509	-6,17	2,290,474	-5,48	41,89
Market services	510,874	-2,03	461,085	-4,28	271,771	-0,93	1,243,730	-2,64	22,79
Non-market service	481,507	-5,17	603,577	-4,27	332,417	-1,67	1,417,501	-3,98	47,01
Total employees	2,528,565	-4,29	2,007,015	-4,75	1,125,376	-2,75	5,660,956	-4,15	38,52
Total self-employees	11,872	-10,46	156,986	-7,72	92,730	-1,30	261,588	5,67	-
Pensioners	2,666,463	4,74	1,542,986	5,19	357,313	11,44	4,565,862	5,39	-
Non-employed	29,671	-2,33	63,155	17,35	13,028	-	105,854	25,72	-
Grand total	5,236,571	0,10	3,769,242	-0,73	1,588,447	1,05	10,594,260	-0,06	-

\*for CGIL, estimated figures, as the agriculture and food-processing union (Flai) no longer gives the breakdown between farm workers (es-Federbraccianti) and food processing (ex-Filziat).

\*\* Based on total employees in sector taken from Istat, Occupazione e redditi da lavoro dipendente anni 1980-93 (1994).

\*\*\*Includes unemployed for CGIL, unemployed and youths for CISL, and for UIL the workers cited in note to Table 2.2.

Source: Cesos, 1995.

Table 2.4 - Regional shares of wage and salary earner union membership, 1980-1993

	CGIL		CISL		UIL		TOTALE*	
	1980	1993	1980	1993	1980	1993	1980	1993
Northwest	30,2	27,2	29,1	25,6	27,6	24,4	29,4	26,1
Northeast	23,0	23,4	19,4	19,7	18,6	16,5	21,0	20,7
Centre	21,0	20,8	16,2	17,6	17,8	19,1	18,8	19,3
South	25,8	28,7	35,3	37,1	36,0	39,9	30,8	33,9

\*Figures for UIL and total include the workers cited in note to Table 2.2.

Source: Cesos, 1995.

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### III. LABOUR MARKET LEGISLATION

#### 1. General Labour Policy of the Government

Between October 1992 and January 1995 about 1,000,000 jobs were lost, with very substantial repercussions on the unemployment rate. The trend was particularly adverse for young people, many of whom elected to stay at home with their parents for lack of job opportunities. The labour market policy debate in Italy has accordingly centred on measures to increase the flexibility of the labour market by changing working time regulations, increasing occupational mobility and rendering labour deployment within firms more flexible. Production structures, it was argued, have to become more elastic in view of technological and organizational change.

The debate was relaunched at the end of 1993 with the publication of the European Commission's White Paper on Growth, Competitiveness and Employment. The Italian Ministry of Labour responded immediately with its own document, "Obiettivo occupazione: una strategia di medio periodo per il mercato del lavoro italiano" (Objective Employment: A medium-term strategy for the Italian labour market).

According to this document the Italian labour market is characterized by the slow expansion of both female and youth employment, and by education rates far below the European average. With respect to European convergence, therefore, Italy is at a disadvantage not so much in its high unemployment rate as in its low employment rate.

In this respect, there still remains much to do to put into full operation the provisions of the agreement of 23 July 1993 regarding vocational training, human capital, research and development, and "regulated flexibility" in employment relations.

In order to achieve these results, it is necessary:

- to increase economic growth to around 3% annually;
- to promote the development of human capital, raising the school-leaving age to 16 or preferably 18 (compulsory schooling now ends at 14), and to increase the number of employed with upper secondary or university education;
- to increase "regulated flexibility" of employment relations so as to uncover "underground" workers and an increase in part-time work to reach European levels.

Consequently, the main labour policy initiatives of recent years have been in three directions. First, that of increasing labour market flexibility, through the introduction of new regulations on atypical work and hiring procedures. Other innovations have then been made in the field of employment incentives, through general reductions in corporate taxes depending on additional employment, as well as cuts in wage costs and social insurance contributions for various regions and economic sectors. These last efforts have proven quite unsuccessful, as the actual growth of social contributions has continued to outpace inflation. The last line of initiative has been that of the integration or reintegration of disadvantaged groups into working life: women, young people, workers on short-time compensation and on the mobility rolls, drug abusers, etc.).

More recently, in accordance with the agreements reached by the EU Member States in Essen in December 1994 and confirmed in Cannes in June 1995, like the other members Italy has prepared a Multiannual Programme for Employment (1995). In this framework, the Italian Government's initiatives are based on the following priority objectives:

- to increase the rate of employment, especially in southern Italy;
- to invest in human resources, current and future, and implement the principle of equal opportunities;
- to broaden the production base and sustain its growth;
- to ensure the effective operation of the labour market, by encouraging flexibility;
- to offer a variety of services to workers and businesses: accurate signals, information, individual guidance, training, etc;
- to guarantee, on certain conditions and through integrated management of incentives and social shock absorbers, financial protection for unemployed people actively seeking work.

The Programme highlights the current situation, the policy objectives and the reform initiatives being prepared by the Government in the areas of training deficit and employment policies.

As to the first point, the document clarifies that while the stock of Italy's labour force is in general undertrained, this is not the case for the flow of new entrants, whose education and training level is relatively good.

The present situation presents, anyway, other areas in which policy actions are needed, such as the high dropout rate, the shortness of compulsory schooling, the reform of the training system (especially creating an efficient continuing training system, virtually from scratch) and, finally, the development of good quality post-secondary training as an alternative to university education.

As to employment policies, the Programme states that the antidote to unemployment is a coordinated set of policies, which combines at least three general elements:

- selective investment, particularly in infrastructures and new labour-intensive sectors;
- measures designed to increase labour market flexibility;
- investment in education, training and research, in order to maximize the quality of human resources.

As a methodological point, efforts need to be concentrated largely in the weak areas of the country, almost all of which are in the South. The Government's initiatives are presented as a response to the five policy areas identified at Essen as the macro-objectives for the convergence of employment policies; as such, they involve:

- promotion of investment in vocational training;
- increasing the employment benefits of growth;
- reducing ancillary labour costs to encourage employment;
- increasing the effectiveness of employment policy;
- measures in favour of groups particularly hard-hit by unemployment.

Lastly, looking at the figures on public expenditure in labour market programmes (Table 3.1), Italy's basket appears to be quite small, below 2% of GDP (close to the UK, but well below France, Spain and Germany), and particularly biased toward youth measures, reflecting large outlays for trainee contracts (0.55% of GDP in 1992).

### **Atypical employment arrangements**

An important aspect of the flexibility of the labour market is the menu of available employment arrangements. While the full-time, open-ended contract has historically been the norm in most European countries, during the 1980s a number of

more flexible contractual forms were developed, such as fixed-term and part-time work, temporary work, overtime and work-sharing.

Italy has been slower than most other EU countries in moving in this direction. Law 230/1962, still in force, restricts the freedom to enter into "flexible" work arrangements (Casavola, 1993). Moreover, during the 1970s, the unions were successful in limiting recourse to such arrangements, as well as to overtime work. In the 1980s, partly due to a reduction in union bargaining power, piecemeal liberalization was promulgated as regards fixed-term and part-time contracts and work-sharing "solidarity" contracts; and limits on overtime were relaxed.

*Fixed-term* arrangements were liberalized with Law 56/1987. In spite of many further, unsuccessful attempts at reforming the matter, the rules nevertheless remain restrictive by comparison with other major EU countries, most significantly as regards the maximum allowable duration of contract, the range of cases in which fixed-term work is allowed, and the heavy penalty imposed on violators (typically requiring such employers to convert the fixed-term contract into an open-ended one). Furthermore, private placement agencies - a common way of arranging temporary fixed-term work - have not yet been authorized to operate in Italy. Partly as a result of these restrictions, the share of temporary and fixed-term to total employment in Italy is one of the lowest in Europe, and consists in any case mainly of seasonal work in agriculture (Graphs 3.1 a-b).

*Part-time* work is currently regulated by Law 863/1984, which partly liberalized previous rules. However, important restrictions remain, and the share of part-time to total employment in Italy is one of the lowest in Europe (Graphs 3.2 a-b). Part-time workers cannot work overtime, and working hours must be set precisely in advance. Employers argue that the current regulation of part-time work makes the employment of two half-time workers more costly than that of one full-time worker (Confindustria, 1993).

The low share of fixed-term and part-time employment may also be explained by the fact that a certain degree of labour market flexibility has been attained by other means, notably *self-employment* (Graph 3.3), subsidized trainee contracts, overtime, and the prevalence of small firms, many of which are able to evade regulations.

Temporary employment through the operation of labour intermediary agencies is outlawed under a 1969 law. This type of atypical arrangement is now the focus of legal, political and social debate. Given the profoundly different current economic situation, the risks that the law was designed to guard against no longer subsist. The retention of the ban is unwarranted, outdated, especially by comparison with the principles governing the single market, i.e. "freedom of establishment" for all EU firms and "mutual recognition" of national laws.

The arguments in favour of introducing such "labour leasing" arrangements in Italy rest mainly on the potential for finding job opportunities that would otherwise be lost or absorbed by informal, underground employment.

For firms, the benefits would consist in the prompt availability of selected manpower that can fit immediately into active service. For workers, the main advantage is that temporary work may be a means of access to stable employment, as well as encouraging the emersion of underground employment, which can only be described as now at pathological levels.

Since the early '80s there have been a number of initiatives designed to introduce "labour leasing". The various bills submitted to Parliament reflect an orientation towards the French model of labour leasing, i.e. they provide for equal treatment of temporary workers with regular staff performing the same duties.

## 2. Employment protection schemes

As regards individual dismissals, Italian rules have traditionally been more restrictive than those of other major EU countries. Table 3.2 presents a summary comparison of the main aspects of regulations governing individual dismissals in France, Germany, the UK and Italy. The severance pay and notice requirements in Italy are stricter than in the other countries; the acceptable causes are somewhat loosely worded in the law (redundancy is not explicitly mentioned), making dismissal decisions by firms more easily contestable; and "just cause" for summary dismissals is more stringent, rendering it less usable. The severance pay is paid to all workers, in any case of separation, and is notably higher than in other European countries as it is considered by Italian legislation like a deferred pay, rather than a help for re-employment. The benefit for employment termination (*Trattamento di fine rapporto*) is, thus, the major cause for the Italian differential in the tax wedge on wages. Perhaps the most important restriction, however, is the heavy penalty levied on the employer if a dismissal is judged "unfair": economic compensation and also mandatory re-hiring. Together with the favourable rulings traditionally handed down by the courts to workers appealing dismissals, this has made outright dismissal very infrequent as an instrument of adjusting the size of the work force (Emerson, 1988a and 1988b).

Rules for collective dismissals typically stipulate longer advance notice and - often - consultations with union representatives and the Government. At the same time, however, large-scale restructuring of the work force (including firm closures) is acknowledged as a prerogative of the employer. In Italy, the law requires consultations lasting up to 75 days. If agreement is not reached during this period, the dismissals may take place (with severance pay). However, dismissed workers can appeal to the courts, and juridical doctrine has always been that a worker fired following a decision to reduce the work force is entitled to appeal as if in a case of individual dismissal (Treu *et al.*, 1993). Thus, given that redundancy is not explicitly mentioned as an acceptable cause for dismissal, collective dismissals are at least as difficult to justify in court as individual ones.

The Government has taken steps to attenuate the stringency of these regulations. Exemptions from the most onerous regulations have been granted to small firms: those employing fewer than 15 employees (six in farming) are not subject to heavy penalties for "unfair" dismissals; for firms with under 35 employees, the courts may order compensation only if the employer refuses to re-hire the dismissed worker. As in the case of hiring restrictions, this has probably affected Italy's overall industrial structure.

The main employment protection instruments in Italy are described below.

### **Regular short-time earnings compensation benefits (*Cassa Integrazione Guadagni, Ordinaria - CIGO*)**

The purpose of the short-time compensation fund is to guarantee industrial workers' in case of lay-off or a reduction in the company's activity due to temporary events not attributable to the employer or to the employees, or which are caused by the economic situation.

The following types of employee are eligible for regular benefits: production and clerical workers and middle-level management and technicians who have been temporarily laid off or are working reduced hours in industrial firms, with the exception of certain specified sectors.

In addition, the regular CIG compensation covers:



- members and employees of producers' and workers' cooperatives;
- workers of other sectors depending on industrial firms, if they are working on secondary tasks directly linked with the activity of these firms;
- seasonal workers and workers who are subject to seasonal unemployment or are regularly laid off.

Regular CIG compensation is fixed at 80% of the gross wage for the hours not worked, from 0 up to the contractual maximum, but never more than 40 hours a week. The compensation is paid over a continuous period of at most three months, which may be extended quarter by quarter in exceptional cases, up to a maximum of 12 months during a given 2-year period. A company that has benefited from the wage compensation for 12 consecutive months can reapply only after at least 52 weeks of normal operation.

The benefits are paid by the employer to the entitled workers at the end of each pay period, and the employer is then reimbursed by the social security administration (*Istituto Nazionale della Previdenza Sociale* - INPS) according to specific rules. Special regulations apply to the agricultural sector.

The short-time compensation fund is financed by employers' contributions of 2.20% of the wage bill subject to the INPS employees' pension fund. The percentage is reduced to 1.9% for companies with under 50 employees.

Firms benefiting from the CIG have to pay an additional contribution of 8% of the wage compensation paid to their employees (4% for companies employing smaller than 50 employees).

INPS manages the Fund. In compliance with specific rules, the company submits a claim to the INPS provincial office; in particular it must follow the procedures the law lays down for consultation with the trade unions.

The decision to grant regular compensation is taken by the provincial office, after consulting a Provincial Commission, appointed by order of the director of the Regional Labour Office and composed of the director of the Provincial Labour Office (who chairs it), an official from the Provincial Labour Inspectorate, employer and employee representatives from the industry concerned, designated by the most representative union organizations at provincial level.

Applications for extensions are also submitted to the Provincial Commission.

### **Special short-time earnings compensation (*Cassa Integrazione Guadagni, Straordinari - CIGS*)**

The purpose of the special short-time compensation programme (CIGS) is not only income maintenance but also employment safeguards for the workers, once productive activity in a company has resumed following restructuring, reorganization or conversion.

Special benefits can be provided in the following cases:

1. company restructuring, reorganization or conversion;
2. crisis situation within a company;
3. bankruptcy;
4. compulsory liquidation by administrative order;
5. special administration of a company in which economic activity is terminated;
6. existence of a work-sharing agreement (see below).

Eligibility is open to:

- industrial firms (including construction and related firms) which in the six months prior to application employed, on average, more than 15 workers (including trainees);

- cooperatives and their members processing, transporting or marketing animal or plant products;
- transport and haulage firms, travel agents and travel companies, firms in the trade sector with more than 50 employees;
- artisanal firms with more than 15 employees;
- leased canteen-operating firms and cleaning firms suffering from economic crisis in the leasing firms;
- firms in the railway support sector, securities firms, private radio and television companies and those linked to them in functional terms.

The benefits are available to the following groups of persons:

1. production workers and the like and "intermediate-category" employees;
2. clerical and white-collar staff (including travelling sales persons);
3. managerial staff employed by the aforementioned companies.

Workers made redundant lose their entitlement to earnings compensation if they refuse to attend a vocational training or retraining course, or engage in self-employment or salaried employment while drawing benefits.

The special compensation benefit amounts to 80% of the pay the workers would otherwise have earned, up to a gross monthly ceiling that in 1996 was 1,340,000 lire (for workers earning up to 2.9 million lire gross). For those earning more, the benefit is raised to 1,613,000 lire.

Like regular benefits, special benefits are administered by INPS. Companies must apply to their local Regional or Provincial Employment Office. The application must specify, in addition to the reason for the layoffs, their nature and duration, the criteria for the selection of the employees to be laid off, and the procedure for rotation.

Enterprises that consider that they will not be in a position to re-employ the redundant employees subsequently may proceed according to the regulations governing redundancies. The workers affected are placed on the mobility rolls to facilitate their reintegration into the labour market.

The contributions that finance special short-time compensation are as follows:

1. a general contribution of 0.9% of the earnings subject to social security contributions, of which 0.6% is paid by the employer and 0.3% by the employee;
2. an additional contribution of 3% for firms actually benefiting from CIGS with 15 to 50 employees, and of 4.5% for larger firms.

In the case of a crisis within the enterprise, the benefits last 12 months. This is extended to 24 months for firms undergoing restructuring, reorganization or conversion.

Exemptions from the 12-month limit may be granted by the Ministry of Labour for particularly complex programmes, in consideration of the technical characteristics of the manufacturing processes, the employment effects of the restructuring or reorganization measures, etc.

### **Work-sharing agreements (Solidarity contracts)**

Solidarity contracts are work-sharing agreements stipulated in order to prevent labour shedding and collective redundancies during the course of the procedure for granting special short-time compensation or inclusion on the mobility rolls. The two sides reach collective agreements providing for reduced working time with a corresponding cut in collectively agreed wages. The reduction in hours may be "horizontal" (daily) or "vertical" (monthly, weekly, yearly). In both cases the

Government provides a quarterly allowance that is divided between the firm and the workers. The size of the allowance, under Law 236/1993, is variable:

- if a working time reduction of more than 20% is agreed, employers are entitled to a 25% reduction of their social insurance contributions. This rate rises to 30% for companies operating in the areas listed under Objectives 1 and 2 of EC Directive 2052/88;
- if the working time reduction is more than 30%, the contribution relief amounts to 35% or 40%, respectively.

The wage compensation provided for in solidarity contracts is paid from a special fund under special CIG. Under Legislative Decree 39/1996 it comes to 50% (60% in Objective 1 districts). The compensation can last up to 24 months, extendable to 48 (and to 60 in Objective 1 districts).

Firms interested in the allowance - which can be extended to a maximum of two years - apply to the Provincial Employment Office, which passes it on to the Directorate General for Labour Relations, which verifies it and, where appropriate, issues a certificate of approval. The allowance is then paid out by INPS.

### **3. Regulation of working time**

#### **Full-time**

Under a 1923 law, the maximum allowable working time in industrial and commercial firms is 8 hours a day, or 48 hours a week, plus up to 12 hours of overtime under an agreement between employers and unions. This legal working week, however, has been gradually supplanted by a contractual week, generally a 40-hour, 5-day week that is now universal. The contractual working week thus determines the normal duration of labour services without affecting the maximum.

Legal holidays are now 15 yearly. Under the Constitution, vacation days are not renounceable, paid, and enjoyed over a continuous period of time. The number of days is fixed by collective bargaining; most current contracts call for around 26 days a year.

The National Economic and Labour Council (CNEL) has recently been working on a draft bill on working time and flexible hours, but it has not found a broad consensus. CNEL's interest in contributing actively to reforming Italy's outdated legislation in this sphere stems in part from the agreement of 23 July 1993 but above all from EC stimulus. In September 1993 the EU Council adopted Directive 93/104/EC, which the member states were to transpose into domestic legislation within two years, as provided by Article 118 of the Treaty. Over the yearsw Community institutions have enacted a number of provisions concerning working time, calling on national authorities, employers and unions, without prejudice to the principle of subsidiarity, to conduct themselves in accordance with Community indications.

In its legislative initiative, CNEL had the following purposes in mind:

- modernizing Italian legislation to adapt it to European decisions and trends in our direct competitors and to make it serve employment growth and corporate competitiveness;
- taking full advantage of the gains instituted by collective bargaining and sustaining their further development, with safeguards to the fundamental right to safety and security, to permit effective contractual management of working time and flexibility

in such a way as to produce equitable distribution of the benefits among the individual and collective contracting parties;

- contributing to produce rules that can satisfy individual needs for flexibility.

The CNEL draft provides for flexible, personalized working hours. There is no reason why truly bargained regulations on working time have to produce work schedules that are inconvenient and disliked by the workers. Flexible hours could permit a better distribution of activities and workers over time and within the organization of the company, with more rational and balanced use of all productive factors.

As regards the work week, the draft incorporates the Community directive on working hours and sets the average work week at 48 hours, including overtime.

Another innovative feature of Directive 93/104, though one already present in Italian law (albeit only for farm workers and other exceptional cases) is the provision for a reference period during which the average number of weekly hours must be calculated; the Directive sets this period at 4 months. This will require amendment of the Italian law, which sets only a maximum work week, which collective bargaining can naturally shorten by agreement of the two parties.

### **Overtime**

The aim of overtime regulation is to limit overtime working in industrial enterprises, so as to promote employment. Under the present law, overtime is defined as those hours worked over and above legal working time. It is counted separately and paid at least 10% more than the normal rate.

The rate is fixed by collective agreement, depending on category of overtime: day or night work, working days or holidays, etc.

As a general rule, the law prohibits the indiscriminate use of overtime and specifies the cases in which it is admissible.

Overtime that is not purely occasional is prohibited in industrial firms, except in exceptional cases required by production and technical constraints where averaging work time over a given period is impossible.

In non-industrial firms, the use of overtime is permitted if there is an agreement between the two parties; however, it may not exceed two hours a day and 12 hours per week, or an equivalent average duration during a set period.

The Labour Inspectorate has to be informed of overtime and is empowered to stop or restrict it.

### **Part-time work**

Part-time employment contracts are designed to enable workers who wish to do so to work fewer hours than those provided for in collective bargaining agreements, or to work for predetermined periods of time in the course of a week, a month or a year.

Workers willing to work reduced hours can ask to be registered on a special placement list. Such registration does not preclude registration with the ordinary placement list as well. Part-time contracts must be written, specifying the functions and the organization of working hours.

A worker may therefore request that his/her full-time contract be converted to part-time.

Workers with a part-time contract have priority when full-time personnel is recruited.

A worker employed for 20 hours a week may remain registered in the first category on the ordinary placement lists, therefore still applying for full-time jobs.

In order to promote part-time work, the Ministry of Labour may partially exempt companies from the general compulsory disability, old-age and survivors' insurance for part-time employment contracts which, in order to expand the workforce or on the basis of collective bargaining agreements relating to the decree on excess manning levels, convert full-time into part-time employment.

### **Flexible hours**

Flexible hours have been regulated with increasing care since the early '80s both in collective bargaining agreements and in legislation (mainly using social shock absorbers). However, the tendency to abandon standard criteria in fixing the quality and quantity of work in favour of a broader, more varied range of times, modes and models (multi-period schedules, annual calendar, functional and internal flexibility, part-time) has not been adequately sustained by legislation.

In any case, work time flexibility does not relate only to troubled firms; it must be based on a solidly participatory, non-conflictual approach, as is specified in the 23 July 1993 agreement. If hourly flexibility is not to be limited to crisis situations, we need a more ample tool kit that can satisfy not only needs relating to plant utilization in traditional industry but also production and distribution of goods and services, in industry, the services, public and private alike. CNEL's draft bill emphasizes the need for decentralization and experimentation, taking account of the requests for flexibility raised by workers themselves. Work schedules must take account of the propensity to bargained regulation of hours, with differentiation in reference to both short and long intervals.

Major innovations in this regard are contained in the textiles industry contract signed in July 1995. Without prejudice to possibilities already present, the agreement includes specific rules on fixed-term contracts, part-time work, leave, absence and schooling. With regard to flexible hours in particular, the agreement highlights the special features of the industry and the objective of limiting recourse to overtime, short-time compensation, and anomalous decentralization.

The main innovation is permission for firms to deal with variations in production needs by establishing different schedules in particular times of year, with up to 96 hours a year of overtime (above 40 hours but never more than 48 hours in a week).

The hours worked above the contractual maximum of 40 per week will be compensated during the year, in periods of less intensive production demand, by an equal decrease in weekly working hours. The workers will receive the regular weekly pay both during overtime and short weeks. Work above the contractual hours will be paid a premium of 12% for the first 48 hours and 15% for the next 48 hours, due immediately.

The agreement stipulates that ordinarily management will communicate to the company works council the hours plan and the divisions involved in overtime and short-time, and how many hours. The procedures for assigning overtime and utilizing the hours reductions, consistent with company needs, will be set jointly in advance by management and works council.

### **Fixed-term employment contracts**

The fixed-term contract is authorized in the following cases:

- when the duration is limited by the nature of the work (seasonal work), including in commerce and tourism;

- for the temporary replacement of an absent worker (who retains the right to his/her job);
- for carrying out a specific task or service predetermined in time and of an extraordinary or occasional nature;
- for tasks or series of tasks which require workers with skills which differ from those normally used in the firm, provided that these tasks are limited to complementary or additional work, for which there is no employment continuity in the firm;
- for the recruitment of personnel related to specific shows or to specific radio and television programmes.

Furthermore, fixed-term employment contracts can be used in the cases laid down in collective bargaining agreements. Such agreements stipulate the percentage of overall staff that can be hired on a fixed-term basis.

Fixing the duration of employment is not valid if it is not the result of a written document.

In specific cases workers who have been hired under a fixed-term contract for a seasonal job have priority for recruitment by the same company with the same status.

Workers who have been hired under a fixed-term contract for less than four months in the calendar year, remain registered and retain their ranking on the public employment service placement lists.

### **Early retirement**

In Italy, early retirement programmes have sought both to make possible a shorter duration of working careers and to safeguard the income of workers in troubled or restructuring firms and industries. Lacking any universal legislation, these programmes have been governed by a series of temporary measures designed for individual sectors.

Originally conceived as a benefit for older workers in industry who had lost their jobs as the result of sectoral or local crises or corporate restructuring and reorganization (Law 1115/1968), the early retirement programme assumed its current configuration in a series of sectoral measures enacted during the '80s. The main features were the early award of the old age pension to workers meeting certain age and contribution requirements who had been dismissed from crisis-ridden or restructuring firms. To this end they were credited with imputed contributions up to the minimum age required, giving them pensions equal to what they would have had at the regular retirement age. The benefit was often predicated on special short-time compensation, as two alternative modes of handling redundancies.

A new phase in the programme was opened by Law 223/1991, which significantly amended the previous rules:

- it extended early seniority pensions to sectors where the programme had always been based on old age pensions;<sup>1</sup>
- it mandated the Interministerial Committee for Economic Planning to check early retirement eligibility, in an effort to make the programme independent from the short-time compensation programme.<sup>2</sup>

<sup>1</sup> There was also provision for the old age pension. Conditional upon the existence of a collective bargaining agreement, the latter was nevertheless assigned a decidedly secondary role.

<sup>2</sup> Early retirement was made available to the employees of firms deemed "of interest to the nation" that had drafted "adequate programmes of growth and investment" and had submitted a restructuring or reorganization plan to the Committee.

The latest measures on early retirement in industry were enacted by Law 451/1994, authorizing retirement plans (approved by the Ministry of Labour for up to a maximum of 8,500 workers) for employees transferred to the mobility rolls in the course of restructuring programmes agreed to with trade unions and such as to have a substantial impact on employment, owing to the size and geographical distribution of the firm. Eligible workers are those who were dismissed in 1994, who are in the group of "hard-to-place" workers, and who would have been eligible for extended mobility benefits, i.e. benefits up to retirement age.

Despite certain changes, however, the legislative attitude has not really changed in the '90s. Rather than institute a universal approach, the law retains the original sectoral approach, with recourse to successive extensions and stratifications (Fondazione G. Brodolini, 1995). Actually, especially in the face of the recent recession, this was a conscious choice, designed to "rationalize" the use of the programme. The recent tendency to curb use of early retirement must necessarily be viewed in connection with the fact that it is unquestionably the most costly form of social shock absorption.

Finally, let us examine early retirement in the light of the changing exigencies of the labour market. Shortening work careers, as it does, the programme would not appear to be in line with the emerging tendencies towards a gradual raising of the retirement age and the contribution requirements for pension entitlement, as confirmed by Law 335/1995 reforming the entire pension system.

### ***Flexible retirement***

Flexible retirement was introduced by Law 863/1984, Article 2, which provides for early retirement combined with part-time work (no more than half the normal working hours of the firm). This possibility is open to workers in firms that have signed "external" solidarity contracts who are no more than 24 months away from the standard retirement age and who meet the minimum contribution requirements.

The early retirement benefit depends on conversion from full-time to part-time within a year of the date of the solidarity contract and on a clause providing for a further increase in employment in exchange for the additional reduction in hours. Thus this sort of phased retirement should result in a redistribution of existing jobs, with the adverse economic effects offset by early enjoyment of the pension benefit.<sup>3</sup>

Early retirement is available to workers who are no more than 60 months away from the standard retirement age and who have at least 15 years of contributions. To take advantage of the programme they must agree with the employer, pursuant to a collective bargaining agreement, to convert from full-time to part-time but no less than 18 hours a week.

Those taking advantage of the phased retirement plan enjoy cumulability of earned income with the old age pension, up to the amount corresponding to the hours by which the employment contract is shortened.

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<sup>3</sup> Unlike the straight early retirement programme, whose benefits are solely economic, the flexible retirement provisions also provide an employment gain.

## 4. Contractual minimums

The question of earnings and of labour costs in general is highly complex. There is no uniform referent but a multiplicity of notions of earnings, both legal and contractual.

Legally compulsory definitions of earnings, which by this fact are binding on collective bargaining agreements as well, are those concerning:

- severance pay;
- notice indemnities;
- the "thirteenth month";
- sick pay;
- vacations.

There are no legal minimum wages covering all sectors; instead, every contract establishes differential contractual minimums according to grade and skill. A further complicating element is the fragmentation of earnings into a large number of separate items.

The various components account for varying proportions of the total. Thus the structure of individual earnings depends on the imbalance between automatic and non-automatic items and between direct, indirect and deferred wages.

The contractual minimum does not actually form part of the pay packet, because it is formally distinct from contractual earnings and from de facto earnings. Nevertheless, the concept plays an important role in incomes policy. Unlike such countries as France, Spain, and the Netherlands in which the government sets a minimum wage, in Italy workers have no economy-wide minimum. They do enjoy a Constitutional guarantee (Article 36), but this is not limited to subsistence wages but calls for equitable compensation in proportion to the quantity and quality of work.

However, since the Italian legal system does not provide for the extension of collective bargaining agreements to all workers or for any universally applicable intersectoral minimums, in legal actions reference to the earnings set by collective bargaining is optional, not obligatory. And even when court action is warranted by the need to provide for consistent efficacy of the collective contract, jurisprudence finds considerable difficulty in defining the criteria of fair compensation.

Accordingly, the tendency is to narrow the range of elements to be taken into account under Article 36. Contractual minimum wages are now considered to comprise:

- contractual minimums at each grade;
- the cost-of-living increments incorporated into base pay under the old *scala mobile*;
- any non-wage items covered by general agreements;
- seniority increments;
- other elements of base pay.

The minimum earnings so defined were found in 1991 to average 76% of employees' actual earnings. The grade minimums accounted for just 30%, while automatic elements accounted for the rest: cost-of-living increments for 40% and seniority raises for 6% (Carinci, 1991).

The need to curb these automatic mechanisms and institute greater wage flexibility was recognized in the agreement of 31 July 1992, which abolished the *scala mobile* after 46 years of operation, and that of 23 July 1993, which introduced the two-level collective bargaining system: a 4-year national industry-wide contract, with



renegotiation of the wage provisions every two years consistent with the target inflation rates, supplemented by company-level agreements based on productivity and profits.

### Wage growth

In 1995, while consistent with the wage moderation enshrined in the 1992 and 1993 incomes policy pacts, the cost of labour was affected by the increase in output, via an increase in the number of hours of overtime.

Wage moderation, together with the sharp contraction of the employment base during the recession and the considerable rise in overtime during the recovery, resulted in a pattern of income distribution that disadvantages the most consumption-inclined groups. At the same time, many self-employed workers have been hit by recession, especially micro-enterprises in the service sector.

In 1995, gross per capita earnings increased by an average of 4.3% (1 point more than 1994); inter-sectoral variations were very considerable (Table 3.3). Effective nominal wages were sustained by company-level bargaining, with raises based on profitability, pursuant to the 1993 agreement. Contractual minimums also accelerated from 1994, especially in the market services sector. Their twelve-month increase for the entire economy was 3.3% in August, as against 2.6% in January and 2.8% in August 1994. This step-up was due essentially to contract renewals in 1994, especially in the service sector, which went into effect in 1995.

Table 3.1 - Public expenditure in labour market programs in some EU countries as a per cent of GDP

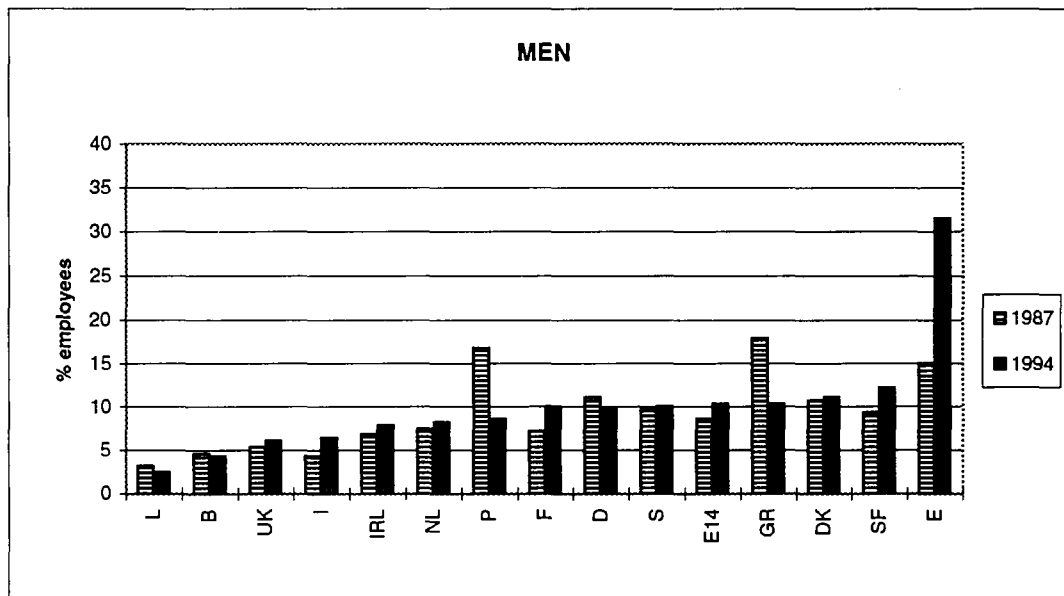
PROGRAMMES CATEGORIES	FRANCE				GERMANY					ITALY		SPAIN					UNITED KINGDOM*			
	1991	1992	1993	1994	1991	1992	1993	1994	1995	1991	1992	1991	1992	1993	1994	1995	91/'92	92/'93	93/'94	94/'95
<b>1. Public employment services and administration</b>	<b>0,13</b>	<b>0,14</b>	<b>0,15</b>	<b>0,16</b>	<b>0,22</b>	<b>0,24</b>	<b>0,25</b>	<b>0,24</b>	<b>0,23</b>	<b>0,08</b>	<b>0,08</b>	<b>0,12</b>	<b>0,11</b>	<b>0,11</b>	<b>0,10</b>	<b>0,09</b>	<b>0,20</b>	<b>0,22</b>	<b>0,24</b>	<b>0,21</b>
<b>2. Labour market training</b>	<b>0,35</b>	<b>0,39</b>	<b>0,45</b>	<b>0,44</b>	<b>0,47</b>	<b>0,65</b>	<b>0,56</b>	<b>0,42</b>	<b>0,38</b>	-	0,02	<b>0,18</b>	<b>0,10</b>	<b>0,12</b>	<b>0,23</b>	<b>0,35</b>	<b>0,15</b>	<b>0,13</b>	<b>0,15</b>	<b>0,13</b>
a) Training for unemployed adults and those at risk	0,29	0,32	0,39	0,39	0,44	0,62	0,53	0,40	0,38	-	0,02	0,15	0,07	0,09	0,17	0,28	0,15	0,13	0,14	0,12
b) Training for employed adults	0,06	0,06	0,05	0,06	0,03	0,03	0,03	0,02	-	-	0,02	0,03	0,03	0,03	0,06	0,07	-	-	-	-
<b>3. Youth measures</b>	<b>0,23</b>	<b>0,26</b>	<b>0,29</b>	<b>0,27</b>	<b>0,05</b>	<b>0,06</b>	<b>0,07</b>	<b>0,06</b>	<b>0,06</b>	<b>0,61</b>	<b>0,83</b>	<b>0,05</b>	<b>0,07</b>	<b>0,10</b>	<b>0,09</b>	<b>0,08</b>	<b>0,17</b>	<b>0,15</b>	<b>0,14</b>	<b>0,13</b>
a) Measures for unemployed and disadvantaged youth	0,09	0,08	0,10	0,08	0,04	0,05	0,06	0,06	0,05	0,30	0,28	0,04	0,07	0,10	0,09	0,08	-	-	0,01	0,01
b) Support of apprenticeship and related forms of general youth training	0,14	0,17	0,19	0,18	0,01	0,01	0,01	0,01	0,01	0,32	0,55	-	-	-	-	-	0,17	0,15	0,14	0,13
<b>4. Subsidised employment</b>	<b>0,11</b>	<b>0,13</b>	<b>0,2</b>	<b>0,21</b>	<b>0,34</b>	<b>0,51</b>	<b>0,47</b>	<b>0,37</b>	<b>0,41</b>	-	-	<b>0,40</b>	<b>0,28</b>	<b>0,20</b>	<b>0,17</b>	<b>0,19</b>	<b>0,02</b>	<b>0,04</b>	<b>0,02</b>	<b>0,03</b>
a) Subsidies to regular employment in the private sector	0,05	0,04	0,04	0,05	0,06	0,07	0,07	0,06	0,07	-	-	0,12	0,09	0,09	0,11	0,12	-	-	-	-
b) Support of unemployed persons starting enterprises	0,02	0,02	0,02	0,03	-	-	-	0,01	0,02	-	-	0,20	0,14	0,05	0,02	0,01	0,02	0,01	0,02	0,01
c) Direct job creation (public or non-profit)	0,04	0,07	0,13	0,13	0,28	0,43	0,40	0,31	0,31	-	-	0,08	0,05	0,06	0,04	0,05	-	0,03	-	0,01
<b>5. Measures for the disabled</b>	<b>0,06</b>	<b>0,08</b>	<b>0,09</b>	<b>0,08</b>	<b>0,25</b>	<b>0,25</b>	<b>0,28</b>	<b>0,26</b>	<b>0,26</b>	-	-	<b>0,01</b>	<b>0,01</b>	<b>0,01</b>	<b>0,01</b>	<b>0,01</b>	<b>0,02</b>	<b>0,03</b>	<b>0,03</b>	<b>0,03</b>
a) Vocational rehabilitation	0,01	0,02	0,02	0,03	0,15	0,14	0,15	0,14	0,13	-	-	-	-	-	-	-	-	-	-	-
b) Work for the disabled	0,05	0,06	0,06	0,06	0,1	0,11	0,13	0,12	0,13	-	-	0,01	0,01	0,01	0,01	0,01	0,02	0,02	0,02	0,02
<b>6. Unemployment compensation</b>	<b>1,47</b>	<b>1,61</b>	<b>1,73</b>	<b>1,57</b>	<b>1,49</b>	<b>1,48</b>	<b>2,00</b>	<b>2,03</b>	<b>2,08</b>	<b>0,60</b>	<b>0,71</b>	<b>2,85</b>	<b>3,17</b>	<b>3,59</b>	<b>3,26</b>	<b>2,60</b>	<b>1,41</b>	<b>1,59</b>	<b>1,60</b>	<b>1,41</b>
<b>7. Early retirement for labour market reasons</b>	<b>0,47</b>	<b>0,40</b>	<b>0,39</b>	<b>0,38</b>	<b>0,30</b>	<b>0,47</b>	<b>0,59</b>	<b>0,27</b>	<b>0,06</b>	<b>0,28</b>	<b>0,32</b>	-	-	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>2,82</b>	<b>3,00</b>	<b>3,28</b>	<b>3,12</b>	<b>3,13</b>	<b>3,65</b>	<b>4,21</b>	<b>3,66</b>	<b>3,47</b>	<b>1,58</b>	<b>1,96</b>	<b>3,60</b>	<b>3,75</b>	<b>4,12</b>	<b>3,86</b>	<b>3,32</b>	<b>1,98</b>	<b>2,15</b>	<b>2,17</b>	<b>1,94</b>
Active measures (1-5)	0,89	1,00	1,17	1,17	1,33	1,69	1,62	1,35	1,33	0,70	0,93	0,76	0,58	0,53	0,60	0,72	0,57	0,56	0,57	0,53
Passive measures (6 and 7)	1,94	2,01	2,11	1,95	1,80	1,96	2,59	2,31	2,14	0,88	1,03	2,85	3,17	3,59	3,26	2,60	1,41	1,59	1,60	1,41

- Nil or less than half of the last digit used

\* Excluding Northern Ireland

Source: OECD, 1996

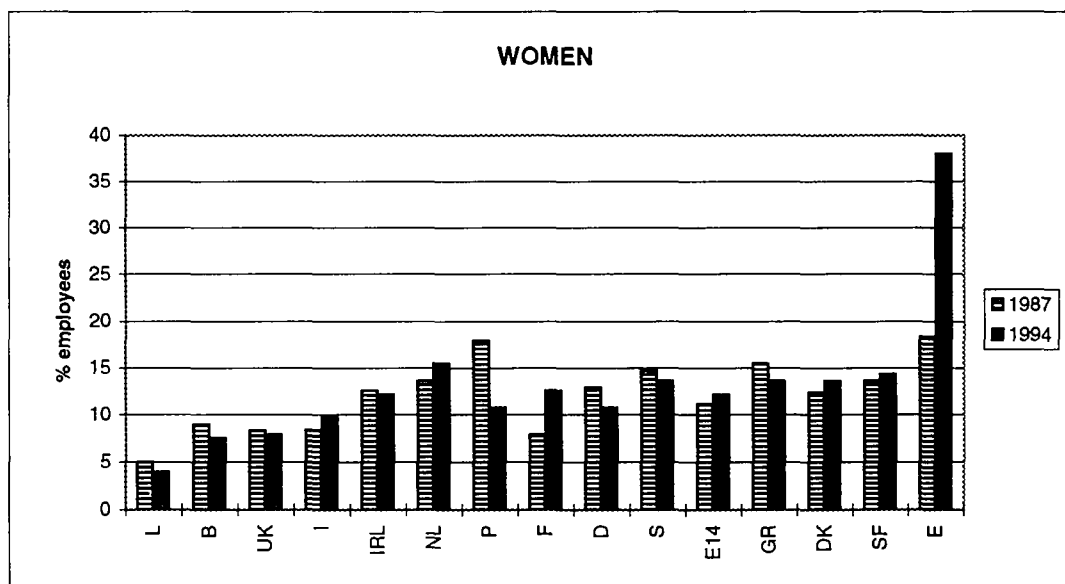
**Graph 3.1a - Temporary employees in Member States - Men, 1987 and 1994\***



\* Excludes A S 1993.

Source: European Commission D-G V, (1995).

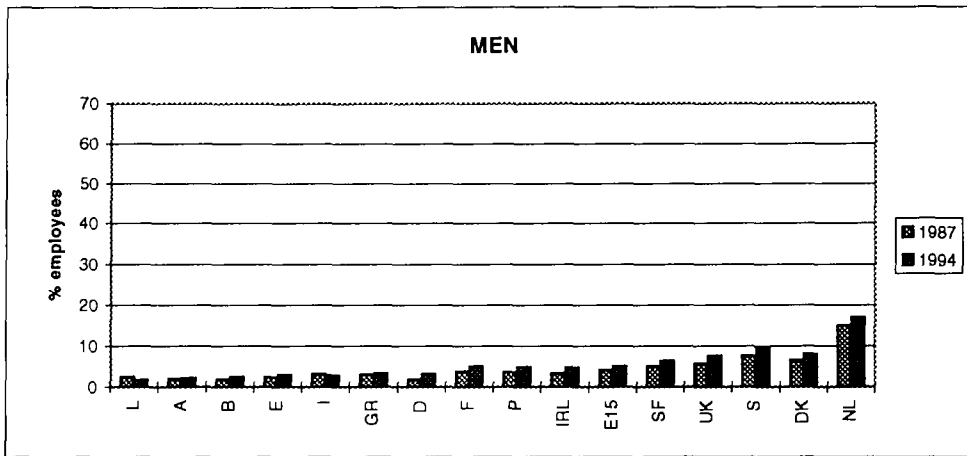
**Graph 3.1b - Temporary employees in Member States - Women, 1987 and 1994\***



\* Excludes A S 1993.

Source: European Commission D-G V, (1995).

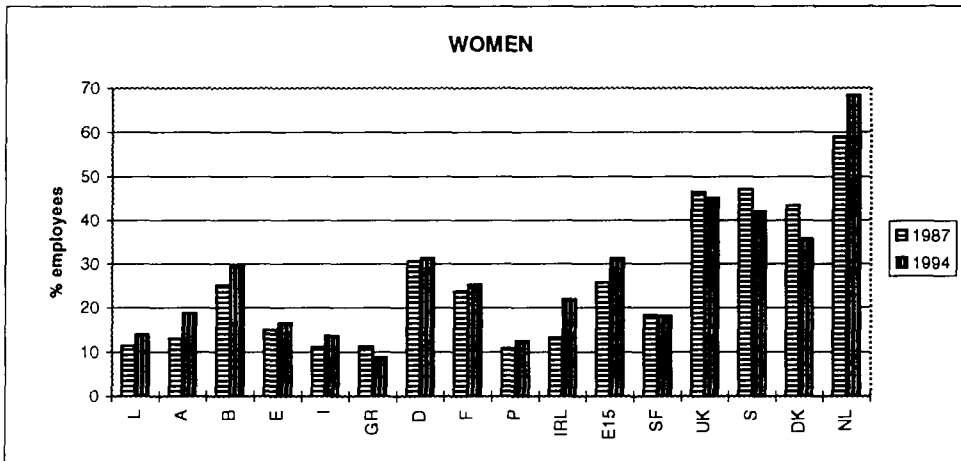
**Graph 3.2a - Part-time working in Members States - Men, 1997 and 1994\***



\* A S 1993.

Source: see Graph 3.1.

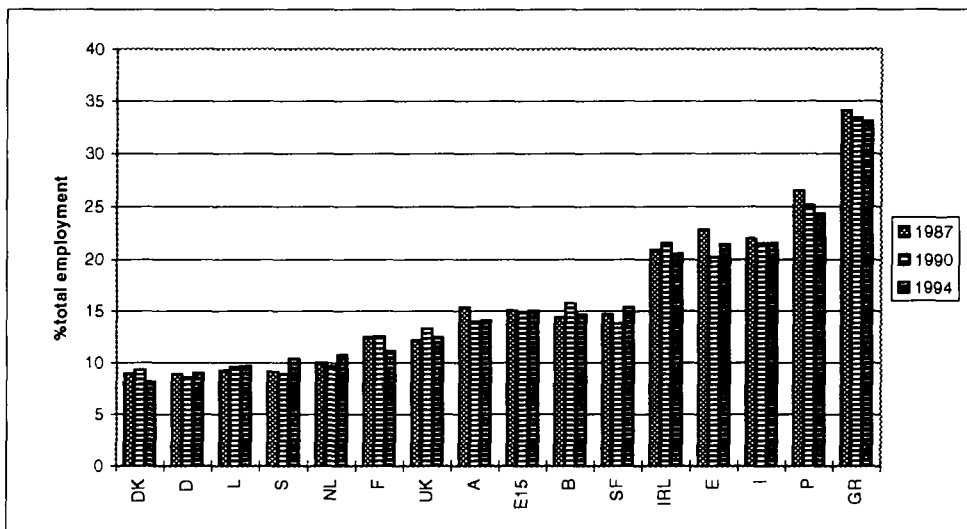
**Graph 3.2b - Part-time working in Members States - Women, 1997 and 1994\***



\* A S 1993.

Source: see Graph 3.1.

**Graph 3.3 - Self employment in Member States, 1987, 1990 and 1994**



Source: see Graph 3.1.

**Table 3.2 - Regulations on individual dismissal**

	FRANCE	GERMANY	UNITED KINGDOM	ITALY
Applicability of the regulations	Limited applicability to firms with less than 11 employees, and for workers with less than 2 years of service	Not applicable to firm with less than 6 employees; limited applicability for workers with "special" employments contracts (e.g. fixed-term)	Not applicable for workers with less than 2 years of continuous service	Not applicable for fixed-term workers
Acceptable causes	Ineptitude; redundancy (but the firm is obliged to offer 5 months' retraining)	Ineptitude; redundancy (but the firm is obliged to take into account "social" criteria in choosing redundant workers); firm is also obliged to offer, if possible, alternative employment	Ineptitude; redundancy	Serious ineptitude; economic motives (no specific mention of redundancy)
Notification requirement*	One to two months for workers with at least 2 years of service	4 weeks to 7 months, depending on length of service and type of contract	1 week per year of service, up to 3 months	2 weeks to 4 months
Protected workers	Union representatives; pregnant workers or workers on maternity leave; workers on military service	Workers' council members; pregnant workers and workers in military service	Trade union members; pregnant workers or workers on maternity leave	Union representatives; pregnant workers, nursing mothers; workers on military service
Burden of proof	Employer	Employer	Employer in case of redundancy; otherwise worker	Employer
Summary dismissal (no notification requirement)	Grave misconduct	Grave misconduct	Absenteeism, insubordination, violation of professional secrecy	Interruption of relation of "trust" (e.g. criminal act)
Severance pay	Equal to one-tenth of a months' pay for each year of service for workers with at least 2 years of service (except in cases of summary dismissal) for companies with more than 10 employees; additional pay in lieu of notification available	No legislated severance pay, but firm is obliged to pay to the workers its contribution to his or her retirement plan	0.5-1.5 weeks pay for each year of service for workers with at least 2 years of service (for redundant workers only); additional pay in lieu of notification available	Equal to 12 months pay divided by 13.5 for each year of service, payable in all cases of individual dismissal
Penalty for unfair dismissal	Rehiring, with payment of due wages, <i>or</i> at least 6 months pay; applies to companies with more than 11 employees	Rehiring, with payment of due wages <i>or</i> compensation equal to 12 months pay in firms with more than 5 employees	Rehiring (payment of due wages), <i>or</i> compensation equal to regular redundancy payment	Firms with more than 15 employees: rehiring <i>and</i> compensation equal to at least 5 months pay; firms with up to 15 employees; rehiring <i>or</i> compensation equal to 2.5-14 months pay (depending on length of service)

\* In all countries, the notification requirement may be modified by collective agreements.

Source: Demekas D.G. (1995).

**Table 3.3 - Cost of labour, contractual wages and actual wages per capita  
(average annual changes)**

		1985-1992	1992-95	1995
<b>Agriculture</b>				
	A) Cost of labour	6,68	2,36	2,17
	B) Actual wages	6,33	2,53	2,27
	C) Contractual wages	6,12	2,47	2,19
<b>Industry</b>				
	A) Cost of labour	8,25	4,12	5,73
	B) Actual wages	7,75	3,78	4,28
	C) Contractual wages	6,41	3,36	3,31
<b>Distribution</b>				
	A) Cost of labour	5,54	5,18	6,68
	B) Actual wages	7,75	3,78	5,73
	C) Contractual wages	6,44	3,75	5
<b>Transport</b>				
	A) Cost of labour	7,06	3,61	5,96
	B) Actual wages	7	2,33	5
	C) Contractual wages	6,16	2,77	4,49

A) Labour income per standard labour unit.

B) Gross earnings per standard labour unit.

C) Contractual wages per employee (production and clerical workers).

Source: FGB, based on Banca d'Italia, "Relazione Annuale 1995", Appendix, Rome, 1996.

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## **IV. LABOUR POLICIES**

This chapter examines the effects of Italy's labour market programmes, in both qualitative and quantitative terms. On the one hand we look at income support instruments, or passive labour policy measures, and on the other we assess active policy programmes intended to foster an enlargement of the employment base; this provides an overall picture of the strategies adopted in Italy to deal with unemployment, in terms both of budget allocations and number of persons affected.

The drastic repercussions on the labour market of the economic crisis and recession of the early 1990s prompted legislators both to adjust existing income-support programmes (short-time earnings compensation and unemployment benefits) and to broaden the range of income supports available to workers excluded from the productive process or formally unemployed. The most significant of these recent programmes are the mobility allowance, early retirement, and solidarity contracts.

All these programmes, however, operate to safeguard those who are employed; the officially jobless are much less well protected.

In the sphere of labour supply recent years have produced little in the way of innovation. Legislation has sought to contain rapidly rising youth unemployment more by adjusting existing laws (trainee contracts) than by introducing totally new programmes. Aside from work integration plans (basically trainee contracts, in any case), the main programmes are for internal flexibility (via temporary work and job sharing), and the bill incorporating these measures has yet to be approved by Parliament. In what follows we look first at income support programmes and then at the set of active labour policy programmes.

### **1. Passive labour policies**

#### **Income support programmes**

Commonly known as "social shock absorbers," passive labour policies aim exclusively or predominantly to provide income support to individual workers who have lost or are losing their jobs.

Italy's procedures for managing redundancies are highly diversified in form and character. The consequent accentuation of labour market balkanization results in extremely disparate levels of protection for workers in basically the same situation.

The government is now working on a plan to reorder programmes in this area, precisely in order to eliminate these great disparities of treatment. The need for a universal system of income protection is increasingly pressing because, for one thing, the budget costs of some programmes (such as early retirement) are excessive, while the benefits of others (unemployment benefits) are utterly inadequate.

The main income support programmes are the following:

- a) regular and special short-time earnings compensation;
- b) mobility allowance;
- c) solidarity contracts;
- d) regular unemployment benefits;
- e) early retirement.

Let us now treat these social shock absorbers in detail.

**a) *Short-time earnings compensation***

Short-time earnings compensation (Cassa Integrazione Guadagni, CIG) is certainly the programme most commonly used by firms to cope with difficulties in an industry, an area or a market. Law 223/1991 was designed to return this means of handling redundancies to its natural and intended use as a temporary instrument, with a strict demarcation of time limits and characteristics in order to curb the indiscriminate resort to the programme in any and all moments of difficulty.

The recession of the last four years has convinced legislators to relax these constraints, to enable firms to survive and workers to remain in the labour market in less uneasy fashion. The rules governing short-time compensation and the adjustments to enlarge the range of firms eligible for coverage have been described in the previous chapter. Continuous regulatory adjustments sought to respond to the need for flexibility, which had arisen with particular urgency in the Italian labour market, as the result of the persistence of a crisis from which the economy now appears to be emerging.

The data highlight the rapid growth in the number of regular CIG hours compensated in 1991, 1992 and 1993; the trend was reversed in the first quarter of 1994, with a significant differentiation between regular and special compensation, and by December of that year regular benefit hours had declined by 50%, while special benefits had slipped by just 1%. This pattern continued in 1995 and 1996 (Table 4.1). However, regular short-time compensation, which had fallen first and most sharply, turned upwards with growth of 12.7% in the first quarter of 1996 (Table 4.2).

Disaggregation of the figures for December 1994 reveals further interesting features:

- as for regular benefit hours, production workers and clerical workers followed different trends, the former showing an increase of 15.4% for the year and the latter a decrease of 10.6%;
- as for special benefits the divergence is much less marked, with the overall decrease of 42.8% reflecting drops of 45.3% for production workers and 34% for clerical workers;
- within the construction industry scheme, there was an increase of 6.4% for clerical workers in the building crafts division, while those in the stonecutters division continued to show an increase in benefit hours (Table 4.2).

The progressive decrease in resort to special compensation, which is due not just

to the end of the recession but also to the gradual exhaustion of the eligibility period, entails a corresponding increase in the mobility rolls. This is because the shift from the status of employed (those on short-time compensation are officially employed) to that of unemployed requires an interim period on the mobility rolls. The latter will thus continue to expand, at least in the near future.

### ***b) Mobility***

Introduced by Law 223/1991, the mobility allowance now constitutes, together with short-time compensation, one of Italy's most widely used social shock absorbers. This programme is designed for workers who are definitively removed from production. It provides two advantages: first, registration in special mobility rolls, which gives them preferential treatment in hiring; and second, economically, the special mobility benefit. Eligibility depends on previous short-time compensation, while the amount and duration of the benefit depend essentially on age and the location of the firm (in the South, the duration is doubled). Duration is 12 months for workers younger than 40, 24 months for those aged 40 to 50, and 36 months for those over 50.

So-called "long" mobility has taken on special importance in recent years. For workers put onto the mobility rolls by 31 December 1992 (a deadline that has been extended, however, to the end of 1994 and, in some cases, to 1995 for firms with more than 500 employees), the mobility benefit is extended until retirement age, provided that the worker is within 5 years of the retirement age and has enough contribution years (15) to qualify.

The mobility rolls are still growing. On 31 December 1995 those enrolled numbered 316,242, an increase of 7.4% in a year (Table 4.3). It is worth noting, nonetheless, that this represents a very pronounced slowdown in the pace of growth, from 39.9% in the previous 12 months.

Geographically, the situation remains particularly critical in the South, where the rolls expanded by 23.6% in 1995, only somewhat slower than the 31.8% growth recorded in 1994. The state of manufacturing industry shows pronounced improvement in the Centre-North, where the rise of 44.8% in the number of workers on the mobility rolls in 1994 gave way to a decline of 1.5% in 1995. The sharpest declines came in regions characterized by large numbers of smaller companies, such as Veneto, Marche, Umbria, and Abruzzo.

Hirings from the rolls came to 59,424 in 1995; over 54,000 of these were in the Centre and North, only 5,000 in the South (Table 4.4). The number of hirings continues to grow, albeit at a slower rate: a 27.8% increase in 1994 was followed by a 19.5% increase in 1995.

While on the one hand this manifests the signs of economic recovery, on the other it suggests that the set of incentives to hire workers from the mobility rolls is insufficient to get firms to hire redundant workers. The incentives under Law 223/1991 are similar in kind but differ in duration, depending on whether the new employment contract is fixed-term or open-ended. This is a factor of considerable interest. The data show that 48% of workers hired from the mobility rolls have been signed to open-ended contracts and the same percentage to fixed-term contracts. The remainder, just 1,856 persons, have taken part-time positions (Table 4.5). The structure of incentives may be

influential here, in that when a contract is converted from fixed-term to open-ended, the employer enjoys the social security tax relief for the entire term fixed plus 12 additional months.

### *c) Solidarity contracts*

Created by Law 863/1984, this job-sharing programme is designed to counter redundancies. The mechanism provides for a company agreement to reduce working hours (on a daily, weekly, monthly or annual basis) with a wage supplement to workers for the hours lost. Two types of solidarity contract are provided for: defensive, in which instead of redundancies there is a cut in hours for the entire work force; and offensive, in which new jobs are created by agreement to shorter hours.

For each solidarity contract, the programme provides a supplement equal to 50% of the wages lost due to shorter hours (60% in the South). For employers, the benefits consist in social security relief of 25% (30% in areas of crisis) if the shortening of hours is greater than 20%; 35% (40% in crisis areas) if the shortening exceeds 30%.

Despite the incentives, solidarity contracts did not achieve widespread use until they were made even more advantageous for employers by Law 236/1993 and Law 451/1994. However, expansion of the programme is limited to the resources available from the Fund for Employment. Whereas 230 billion lire was appropriated to the programme in 1995, in 1996 only 36 billion was made available.

Information on the number of workers involved is scanty. In the first six months of 1995 more than 700 firms used solidarity contracts, involving 59,000 workers, compared with 780 firms and 50,000 workers in 1994.

### *d) Regular unemployment benefits*

Eligibility for these benefits is open to the involuntarily unemployed whose employment relationships have been terminated or suspended (individual dismissal not for just cause or collective dismissals not subject to the mobility programme). The oldest Italian income support programme for the jobless, it was introduced in 1960, but it was set at a fixed-amount benefit of 800 lire a day, unindexed, eventually rendering it insignificant.

In 1988 the benefit, like short-time compensation, was redefined as a percentage of the previous wage, the figure being put at 7.5%. In the '90s provision was made for its progressive increase in order to serve as the sole income support for the unemployed. Law 451/1994 raised the benefit first to 27% and then to 30%, until December 1994. Subsequent measures were to bring it to 40%, pursuant to the agreement of 23 July 1993. However, Decree Law 31 of 8 February 1995 (reiterated several times, now designated Decree Law 300/1996) lays down that the percentage remains fixed at 30%.

Regular benefits run for 180 days. Eligibility requirements are a total of 2 years of covered employment and 78 days worked during the previous 12 months.

Apart from regular benefits, a programme of special unemployment benefits was introduced in the '60s for jobless industrial workers. This has now been supplanted by the mobility allowance of 80% of the last monthly wage for a total of 18 months.

Construction workers are currently eligible for the special unemployment benefits.

*e) Early retirement*

These programmes provide the possibility for workers to take their pensions an average of 5 years early, but sometimes as much as 7 or 10 years. Early retirement is governed by a series of different laws, reflecting separate cases and bargaining agreements. In particular the size of the benefit varies, and in some instances the cost is entirely defrayed by the government, in others shared equally by government and employers. Law 223/1991 sought to phase out the early retirement programme, but the onset of recession induced legislators to retain this income support instrument, although its use has been made conditional on specific provisions.

Law 451/1994 provided for early retirement plans involving about 25,000 workers.

Early retirement was used massively in the '80s and it continues to be made heavy use of, despite perplexity over the high cost, which runs in the teeth of the objective of lowering pension costs pursued by the pension reform of 1995. Overall, on 31 December 1995 the number of workers drawing early retirement benefits was 391,000. In 1994 and 1995 alone more than 23,000 acceded to early retirement programmes; 87% were in industry and the remainder divided between dockers (7.5%), printing and publishing workers (5%), and steel (0.5%) (Table 4.6).

**Income maintenance programmes: cost analysis**

Let us now examine the cost, for the public finances, of the individual income support programmes for workers no longer active in production.

In 1995, the INPS budget put total income support spending at 10.5 trillion lire, broken down as follows: short-time compensation, 1.8 trillion; mobility and unemployment benefits, 5.8 trillion; early retirement, 2.9 trillion (Table 4.7).

The trend in outlays turned perceptibly downwards in 1994. Following steady growth in the first four years of the '90s in all benefit programmes (the mobility programme needs separate treatment) to peak in 1993, at the worst of the industrial recession, the situation improved notably in 1994 and 1995.

Less massive use of the individual benefit programmes has curbed budget outlays. Spending overall dropped from 12.24 trillion lire in 1993 to 10.56 trillion in 1995. In the cost analysis that follows, we shall refer to these two dates, i.e. the years preceding and following the reversal of trend that occurred in 1994.

Programme-by-programme, we can see how resort to the various benefits varies with market conditions. For the most distinctly cyclical programmes, adjustment is rapid and the budgetary impact is more variable. For others outlays are quite constant over time. The incidence on total spending further depends on the extent of firms' resort to a given programme and the number of workers involved totally (early retirement) or partially (short-time compensation, mobility, unemployment benefits), the benefit being provide for a given number of hours, days or months.

Short-time compensation, and especially regular compensation, is the easiest and quickest programme for dealing with market crises, and as such it is most powerfully affected by economic trends. The total number of hours compensated was virtually halved, from 444,951 to 224,850, between 1993 and 1995, with a savings of over 3 trillion lire (outlays dropping from 4.8 trillion in 1993 to 1.8 trillion in 1995). Regular compensation showed the sharpest drop in hours (from 154,509 to 31,265) and in expenditure (from 1.355 trillion to 295 billion lire).

The incidence of short-time compensation on total income maintenance spending accordingly dropped from 39.5% in 1993 to 17% in 1995.

While spending on short-time compensation has always been substantial, it must be noted that during the '90s firms' contributions to the programme have been steadily raised, so that the actual cost to the budget are less than for other programmes. Indeed, in 1995 company contributions under this head came to 4.6 trillion lire and those of the government to just 1.9 trillion. For the programme as a whole, revenues exceeded benefit outlays by 3.4 trillion (Table 4.8).

The mobility programme, by contrast, shows a substantial deficit of 1.9 trillion lire; revenues of 863 billion from companies and 705 billion from government are far from covering the outlays of 3.5 trillion lire in 1995 (Table 4.9). Expenditure has risen sharply in recent years. This in fact is the only programme whose spending did not turn down in 1994. This is due to the fact that the mobility rolls are the last in a series of redundancy programmes and as such are resorted to by firms when all other benefit programmes are exhausted.

Also in deficit are the unemployment benefit and early retirement programmes (Table 4.10). The former had revenues of 4.1 trillion and outlays of 6.7 trillion. The latter is the most costly of all the programmes, accounting for 27.6% of total income maintenance spending in 1995. And against company contributions of 340 billion in 1995, the programme had government contributions totalling nearly 3.0 trillion; that is, the government covers 89.7% of the cost of the early retirement programme (Table 4.11).

## **2. Active labour policies**

Recent legislation covering active labour policy has redefined income support provisions and, at the same time, continued to increase labour market flexibility by re-regulating and extending the range of programmes designed specifically for bringing young people into the job market.

The goal of expanding the employment base has been pursued not only via flexibility but also through incentives to businesses, to foster initiatives at the local level. The flexibility measures considered here comprise trainee contracts and work access plans, the latter designed to combat unemployment in areas of greatest social distress. In the area of employment policies we shall assess the impact of Law 44/1986 on youth entrepreneurship and all the other forms of incentives to businesses.

## **Vocational training**

Of all active labour policies, training programmes are considered the most effective tool for improving the functioning of the labour market. Certainly, the role of training changes with the frame of reference. In a cyclical downturn, the function of training in the short term differs from the long term. The short-term role of buffer in an employment emergency is flanked by a strategic medium- to long-term role in requalifying the labour force and solving structural problems.

In speaking of training, then, there are various aspects. We range from basic instruction to higher education, from training programmes designed for disadvantaged categories to training as the instrument of transition from school to work, to training as a social shock absorber.

Each "type" of training poses problems of its own, with different objectives, beneficiaries, constraints and expectations on the part of workers and employers.

Here, we deal specifically with vocational training as a strategy for matching labour demand with supply. First, let us note that the training system is still marked by quite a strict dichotomy between education and vocational training and that there are notable discrepancies within the school-training-work circuit. The fact that education and vocational training are on separate tracks has aggravated the employment situation by putting the school system at an even greater remove from the world of work. This creates serious problems both for job seekers and for employers.

Many observers point to vocational training as a way of enlarging the employment base and improving the working of the labour market in the short-to-medium term. The problem of investment in human resources and training quality is also at the centre of Italy's Multiannual Program for Employment (see III.1). Given that the quality of human resources is the foundation of economic development as well as scientific and cultural advance, investment in human capital is simply obligatory for any nation's growth.

In a highly fragmented market like Italy's, in any case, training must be directed to two distinct groups:

- young people, with the development of training strategies designed for work access but also capable of ending the reciprocal isolation of the various segments of the training system and establishing ongoing relations between schooling, training and work;
- adult workers, for whom we need training plans to maintain the human capital of the work force, to prevent exclusion of labour owing to obsolete skills.

Legislation has moved recently on both planes. For young people, provision has been made for training and guidance stages within companies; for unemployed workers on short-time compensation or mobility rolls, there are courses to upgrade human capital in line with the emerging needs of the economy.

The purpose of training and guidance stages is to facilitate occupational choice by furthering young people's knowledge of the productive system. The formula, which calls for "practical training and experience" is designed to provide initial access to the world of work for young people who have completed their schooling. The programmes can be planned by universities, school districts, public schools, training and guidance centres, employment agencies and the local offices of the Ministry of Labour, and so on.

They are carried out through conventions between the planners and the firms that host the young people for a specified period of time.

In-company training, in fact, which must not be limited to the school-leaving years but should be continuing through one's career, appears to be the most preferred for companies.

An EU-sponsored survey of Italian firms with at least 10 employees in all economic sectors (except farming and government) found that the financing and promotion of staff training directly by firms, with ongoing adaption of workers' skills to changes in productive processes, is viewed as important and likely to have an expanded role in the near future. In fact, the pronounced changes in production systems in the past decade have been accompanied by considerable improvement in skills both in terms of educational background and in terms of vocational training qualifications.

The survey found that training activities effected by firms themselves (both in-company and external) made a major contribution to this enhancement of human capital. In 1993, it was found, 15% of the respondent firms were providing continuing training for their staff. Considering training in the broad sense (continuing and initial both), the percentage rises to 25%, as 10.4% of the firms surveyed were engaged in the training activities called for by trainee or apprenticeship contracts.

The most common form of training is the programmed course (Table 4.12). On-the-job training, with the presence of an expert-trainer, was found in 36.4% of the firms. In the more highly computerized companies, a new form of self-training is taking hold: computer-assisted on-the-job training.

Training for newly recruited workers lasts longer than for other employees: on average, 121 hours as against 56 for retraining, 36 for updating, and 32 for managers' training.

The training propensity of firms also varies with size and sector. The percentage of firms engaging in training activities rises with firm size, from 8.6% among companies with 10-19 employees to 89.1% among those with at least 1,000 employees. Large firms also sustain the largest part of expenditure on training courses, 70 of the total of 2.346 trillion lire (Istat, *La situazione del Paese nel 1995*).

Turning to formal courses in training centres given by the regions or recognized agencies (15,000, with 323,000 students), we see how marginal training courses are, especially in the South. Despite its very high levels of joblessness and unemployment, the South accounted for just 17.8% of all students attending such courses (Tables 4.13 and 4.14).

To strengthen the training system and adapt it to the needs of companies, Law 236/1993 instituted a Fund for Vocational Training and for access to the European Social Fund. The fund is financed by a contribution surcharge of 0.3% on the companies subject to unemployment insurance contributions. Most regional vocational training activities are co-financed with national and Community resources (Tables 4.15, 4.16). Looking at the institutions that run such courses, 30% are directly publicly operated and 64% are run under conventions with government. The plan for access to ESF programmes for 1994-99 calls for total spending of ECU 9.35 billion, 5.25 billion provided by the ESF and 4.09 billion in Italian cofinancing. A good share of the spending will be in the Objective 1 regions (ECU 3.96 billion, of which 2.74 billion from the ESF



and 1.22 billion from the national budget).

### **Trainee contracts**

This programme of work access for young people was enacted as part of Law 863/1984. Over the years it has been revised, both in terms of the tax incentives to firms and in terms of training requirements.

Among the correctives, Law 451/1994 raised the age range (now 16 to 32), and introduced two types of trainee contract:

- 1) the trainee contract aiming at the acquisition of an intermediate skill level or else a high skill level (maximum duration, 12 months);
- 2) a contract aiming at facilitating job market access through a job experience, in which the trainee can adapt his or her vocational capabilities to the production and organizational environment (maximum duration, 12 months).

Law 451 (Article 16, para. 3) permits firms to hire trainees at a lower job classification than that to which they are actually assigned. Paragraph 5 specifies the minimum amount of time that must be devoted to training activities, for each type of contract: 80 hours for contracts aiming at acquisition of intermediate skills, 130 hours for high skills, and 20 hours for job market access contracts. Paragraph 6, finally, deals with social contributions, providing that contracts to acquire intermediate or high skills will continue to enjoy the 25% contribution relief already envisaged (in the South and for artisanal firms, the contribution requirement for trainees is the same as for apprentices). For work access trainee contracts, the contribution relief is accorded for the trainee period only if, on expiry, the contract is converted into a regular, open-ended position.

There has been a good deal of discussion of the labour market impact of the trainee contracts, i.e. whether they really create additional jobs or whether their effect is primarily one of displacement. In any event, since the legislation went into effect in May 1984, a total of 3.5 million young people have found jobs or at least gained some work experience under the trainee programme.

The recession has naturally had repercussions on this work access programme. Looking at recourse to trainee hiring over the decade (Table 4.17), we see that after a halting start-up period, due largely to firms' problems in complying with the new rules, the trainee contract was very commonly used by firms as the primary way of recruiting young workers.

In 1991, with the country in recession, there was a first sharp decline in trainee hirings; the decline continued for two years, bottoming out at 183,000 in 1993. There was a moderate upturn in 1994, with 221,000 trainees taken on during the year.

The trend continued upward in 1995, with 248,000 hirings. Disaggregation by age reveals a changing attitude on the part of firms. Whereas until recently the bulk of trainee hirings were in the 19-24 age-group, in 1995 there was a 19% increase for 25-29-year-olds and a decrease in hirings of trainees aged 15-18.

By economic sector, the only solidly positive performance was in industry, with a 20.5% increase in trainee hirings; in the services, recruitment by this route increased by a modest 5.5%.

## **Work access plans**

In parts of the country where unemployment rates are above the national average, the law provides for special work access plans to bring young people aged 19-32 into the work force. The age limit is extended to 35 for the long-term unemployed, i.e. those registered in the employment service rolls for more than two years.

The plans can be embodied in two different types of project:

- those providing for socially useful jobs and participation in training activities involving remedial education and first- and second-level vocational training;
- those providing both training periods and work experience for professionally qualified persons.

The first results of the application of this instrument will be available in 1997.

## **Marginal subsidies for employment**

The measures to facilitate job access include incentives to firms that increase employment, known as "marginal subsidies for employment". Employment or job creation subsidies have seen quite heavy use since the late '80s. Nearly all these programmes act by reducing the cost of labour. Virtually all such incentives are accorded in the form of social security contribution relief to firms.

Although such employment programmes are numerous, we have little information on their real effects, i.e. if and to what extent the subsidies have affected employment decisions of firms as intended by the legislation. That is, we do not know if these measures have actually created additional jobs or whether, instead, they may not have further aggravated disparities of treatment for some groups of unemployed workers as against other, less well protected jobless groups, with a pure displacement effect.

The employment subsidies dealt with are those designed for certain "disadvantaged" groups of long-term unemployed or for the reintegration of workers on special short-time compensation or mobility. The return of these workers to active production has been sought through a set of tax reliefs and hiring incentives.

- a) Firms hiring workers from the mobility rolls receive the same contribution relief as for apprentices. The relief lasts for 12 months for an open-ended contract; for a fixed-term contract it coincides with the contract itself. However, if the fixed-term contract is converted into an open-ended one, the firm is eligible for another 12 months of relief. If the contract is open-ended, the employer is entitled to 50% of the worker's residual mobility allowance.
- b) There are also incentives for the hiring of workers on unemployment or special short-time compensation. If a firm hires workers in these situations for at least 24 months to open-ended contracts, it enjoys 50% social contribution relief for 36 months (100% relief in the South).
- c) If the worker hired has been on special short-time compensation for at least three months, not necessarily consecutive, in firms that have been on the programme for at least six months, the firm is entitled to the same contribution relief provided for apprentices, for a period of 12 months. The employer also receives 50% of the worker's mobility allowance.

- d) Finally, if a firm hires a worker who has been on special unemployment benefits for at least 12 months, it is eligible for a 75% cut in social contributions for 12, 24, or 36 months depending on the length of the worker's previous unemployment (less than 24 months, 24 to 36 months, or over 36 months, respectively). The employer may opt for a smaller reduction (37.5%) for twice the standard period.

### **Programmes for high-unemployment groups: socially useful projects**

Introduced to provide work for workers on special short-time compensation and on the mobility rolls, socially useful projects have recently enjoyed considerable success in achieving job market reintegration or access. These projects are characterized by their social purposes and by the fixed time frame in which they must be completed.

For young people, vocational access plans call for socially useful projects as a means of labour market entry. Inclusion of the long-term unemployed or other jobless persons does not count as official employment (for purposes of the state employment service rolls). Work cannot exceed 80 hours a month for a maximum of 12 months.

The mounting number of workers on special short-time compensation and mobility and the inability of the public finances to defray the cost of adequate income supports induced government, employers and trade unions to relaunch the socially useful projects with an understanding (18 November 1994) making short-time and mobility benefits conditional upon participation in the projects.

With this in mind, the rules governing the projects laid down in Law 451/1994 have been reformulated and revised. To make start-up of the projects easier and more rapid, Decree Law 232/1995, several times reiterated and now in effect as Decree Law 300/1996, enacting "urgent measures on socially useful projects, income support and social security measures", modifies the provisions both as to project sponsors and project approval procedures.

Eligible project sponsors are:

- a) local authorities;
- b) government departments, except those with excess personnel;
- c) publicly controlled corporations;
- d) other institutions to be decreed by the Minister of Labour;
- e) social cooperatives as per Law 381/1991.

Workers on short-time compensation or mobility allowance can be employed on the projects for no longer than their benefit period. However, the projects can continue to employ workers whose short-time or mobility benefits have ceased, provided that the project managing agency notifies the regional committee for employment and the regional office of the social security administration. Until completion of the project, and in any case for no more than 12 months from the termination of benefits, these workers are entitled to income support equal to 64% of their short-time compensation.

As of February 1996, a total of 4,850 projects involving 79,820 workers had been presented (Table 4.18). The projects thus employ an average of 16 workers. The

largest projects are those in Apulia, averaging 36 workers, in Campania (22) and in Lazio (20); the smallest are in Emilia (3), in Liguria (6) and in Basilicata (7).

Not all the workers provided for in the projects have actually been taken on, however; in fact, only 66.7% have actually worked on the socially useful projects.

The largest numbers of projects have been submitted where joblessness and unemployment are most severe, with alarming social malaise: Campania (1,255 projects), Calabria (454), Sardinia (378) and Apulia (372). Overall, 69.7% of the projects are located in the South, 12.3% in the North and 18% in the Centre. Projects in the South, on paper, were to account for 78.2% of the workers involved; in practice, the figure came to 83.2%; the North accounted for just 6.6% and the Centre for 10.2%.

The workers hired for these projects have been divided into two distinct categories, in implementation of the priorities laid down by law and in effect through December 1995. Category A consists of workers whose short-time or mobility benefits were scheduled to lapse by the end of 1994; Category B, those whose benefits would lapse by the end of 1995. The result has been that no less than 79.2% of the workers taken on were in Category A (Table 4.19).

In 1996, these categories no longer apply; the law leaves it to the regional commissions for employment to set parameters and priorities in keeping with the state of the local labour markets.

### **Employment programmes: Law 44/1986**

Italian legislation aimed at expanding employment through new enterprise formation carries the names of De Vito (Law 44/1986) and Tremonti (Law 489/1994). Law 44 seeks to promote youth entrepreneurship in the South with the formation of businesses, including cooperatives, constituted by young people aged 18-29 and located and operating in the South. This legislation is a sort of hybrid between industrial policy and employment policy.

The success of the measure in improving both labour markets and the local productive fabric persuaded Parliament both to extend its geographical ambit and to provide incentives for its application. This is the nature of recent legislation effecting significant legal and administrative reforms and substantially increasing the funds appropriated for its financing.

Law 95 of 29 March 1995, enacting "urgent measures for the recovery in entrepreneurial activities", reforms the rules on the promotion of youth entrepreneurship (Article 1). The main point is the broadening of the area in which the law may be applied. Originally limited to the areas covered by the old Southern Italy Development Fund, it now extends to all depressed areas, i.e. the districts qualifying for Objective 1 (promotion of development and structural adjustment of underdeveloped regions), Objective 2 (reconversion of industrially declining areas), and Objective 5B (development of disadvantaged rural districts).

To make the implementing agency more flexible, the law transforms the Committee for the Development of New Youth Entrepreneurship" into a public limited company, the "Company for Youth Entrepreneurship", whose shares may be purchased by public bodies and other economic organizations. The mandate of the company is to

provide services to organizations and agencies, including local agencies, to firms and other economic bodies, for the purpose of creating new enterprises, supporting small and medium-sized enterprises formed chiefly by young people aged 18-29 or exclusively by those aged 18-35.

Total appropriations for the programme (Article 1, para. 4) are set at 100 billion lire in 1994 and 1995 and 300 billion in 1996.

The effectiveness of Law 44 is demonstrated by the number of enterprises formed. Note that recent studies have found that more than half the enterprises so formed have survived longer than three years, which is generally viewed as the necessary running-in time to solve start-up problems and move definitively into the productive economy. As of 1 July 1996, 4,697 projects had been submitted and 1,083 approved. Of the latter, 872 actually received subsidies, at a cost of 3.1 trillion lire, or per worker investment of 148.5 million (Table 4.20).

Detailed examination of the projects approved shows the employment of 28,347 persons, including both shareholders and employees. Of the shareholders, 31.5% have been women. By region, the leader is Campania with 267 projects funded, followed by Abruzzo (155), Apulia (143) and Calabria (136). In terms of employment, the leader is again Campania, with 6,585 jobs, followed by Abruzzo (4,873), Apulia (3,818) and Calabria (3,421) (Table 4.21). By sector, manufacturing is predominant with 2,355 projects, or 51% of the total; agriculture accounts for 28.2% and the services for 20.6% (Table 4.21).

### **Other hiring incentives: the Tremonti Law**

Measures to expand the employment base were also taken by the government on 8 June 1994, in the effort to foster and speed up the economic recovery and ensure that recovery did not take place without job creation. Parliament enacted incentives for job creation in the form of both self-employment and payroll employment.

Law 489/1994, the Tremonti Law, ratifying with amendments Decree Law 357/1994, enacts a new system of tax treatment for new enterprises started up by people younger than 32, by unemployed persons and the handicapped. Whereas the original decree specified the eligible persons but not possible sectors of activity, the final version of the law restricts the alternative tax treatment to specified areas of the economy. The alternative tax treatment is reserved to those who start up new productive activities in the following fields:

- a) energy efficiency and the promotion of renewable energy sources;
- b) natural, biological and biodynamic agriculture;
- c) differential collection of trash and garbage;
- d) water and flood control, environmental clean-up, and planning for the upgrading, maintenance or restoration of historic city centres;
- e) products that have been assigned the ecological quality seal pursuant to EEC regulation 880/1992.

Those starting up these new enterprises can avail themselves, one time only, of the alternative fiscal treatment, which combines all tax liabilities relating to the enterprise

in a single, lump-sum tax. This amounts to 2 million lire for the first year of activity, 3 million for the second year and 4 million for the third. It replaces the government fee for holding a VAT account, the municipal tax on the operation of enterprises, the municipal tax on real estate, the tax for the occupation of public land, the personal income tax and the local income tax for commercial activities, and the tax on the net worth of enterprises.

However, the law sets an expenditure ceiling of 300 million lire for eligibility for the alternative tax. The ceiling is raised to 500 million for enterprises falling under points a), b), c) and e) or if the business's annual turnover exceeds 1 billion lire. More than a tax cut, the measure reduces operating expenses. By eliminating a whole series of taxes, it cuts administrative and accounting costs, which are always burdensome for a new firm.

Article 1-bis of the law provides an incentive to workers on short-time compensation to start up a self-employed activity. Workers receiving this benefit who start up productive activities pursuant to Article 1 may, upon request, receive in advance and all at once, their entire short-time compensation entitlement, subject to the limits and criteria set by the Minister of Labour.

As for payroll employment, the law provides a "hiring bonus" in the form of a tax credit equal to 25% of the labour income subject to withholding tax. The credit is awarded to employers who increase their permanent staff by hiring young people, the unemployed or the handicapped. The law specifies that the employment base also counts workers on short-time compensation or on the mobility rolls, apprentices and trainees.

### **3. Evaluation of labour policy measures**

One of the great weaknesses of Italian labour policy is the lack of attention to evaluation of the effectiveness and the efficiency of programmes. This means proceeding practically by trial and error, trouble-shooting, tackling problems as they emerge in the labour market (emergency legislation), rather than using tested policy measures and properly designed programmes.

The objective of active labour policies, as we know, is to improve the functioning of the labour market by facilitating and speeding up the matching of supply and demand. These actions, like income support programmes, are costly both in budgetary terms and in human resources, where dispersion effects are combined with substitution and displacement.

Accordingly, in the advanced countries active labour policy measures are almost always supplemented by the appropriation of resources for evaluation of the effects. Evaluating a measure means examining its contribution to modifying the pre-existing situation in relation to its objective. The measure can be deemed efficient if the instrument used is the least costly for achieving the desired result.

Evaluation of effectiveness and efficiency means looking at the relation of objectives to costs and results. Thus the evaluation of labour policy measures involves essentially three aspects: the consistency of objectives with instruments, the impact of the

programme, and the way in which the programme is implemented.

In Italy, only very rarely has the need to accompany labour policies with active evaluation been recognized. The main instances are Law 44/1986 and the Agency for Employment in Trento. In recent years, however, somewhat greater attention has been accorded to these issues. The new organizational structure for labour market actions provided for in Law 56/1987 and 223/1991 comprises monitoring and evaluation of policy measures through the Labour Market Observatories and the agencies for employment.

Programme monitoring is more common. Unlike evaluation, which uses statistical methods and focuses on the net results of actions, monitoring requires an essentially descriptive approach, with the systematic, continuous collection of the information needed to gauge the gross costs and gross results.

Nevertheless, both monitoring and evaluation of active labour policy programmes are still inadequate. The most common approach is the legal, formalistic one. The lack of interest in the impact of the programmes is reflected in the highly inadequate collection of information. Only with Law 79/1983 and Law 863/1984 was the problem of ensuring adequate information posed; and at first this need went unfulfilled, owing the lack of a specialized division within the Labour Ministry and to the lack of a statistically-oriented attitude. Law 56/1987 instituted the Labour Market Observatory and provided explicitly for monitoring of policy programmes, reflecting the increasing interest in this aspect of labour policy. Only since then, in fact, have labour market observations, previously sporadic and heterogeneous, become systematic and organic, at least as regards some programmes. This is the case, for instance, of the data on trainee contracts.

Much of the evaluation effort has focused on programmes for youth employment. In the absence of data sufficient to assess the microeconomic impact, nearly all the studies performed have used administrative sources: namely, state employment service figures on registrations, referrals and hirings and terminations, by age. These works disclose a structural change in 1983, with Law 79 (followed by Law 863/1984 instituting trainee contracts). In that year there was a downward shift in the employment entry age, more pronounced for men than for women.

The main source works are Bordignon, Schenkel and Torelli (1982) estimating the effects of Law 285/1977 on young people's registration with the employment service; Arrigo, Bruno and Guarna (1987), estimating the impact of Law 79/1983 on new hirings by projecting the hiring flow had the law not been passed; Brunetta and Turatto (1988), estimating the impact of trainee contracts under Law 79 and Law 863 on hirings nationwide.

The main shortcomings of these studies lie not only in the poor quality of the data but in the difficulty of isolating and quantifying the real impact of the new programmes to bring out their specific effects. Brunetta and Turatto, for instance, estimate the substitution and displacement effects between age-groups by a stock-flow analysis, but they have to grapple with the enormous problems stemming from the need to include all the variables that may potentially influence the relation between the programme and the dependent variable. The omission of even a single significant variable will obviously distort the results severely.

Scandizzo (1991) evaluates the programme of work access for young people under Law 113/1986, underscoring the poor training content of these projects, their utilization mainly for the lower classes of unemployment and for smaller firms.

Much broader monitoring of trainee contracts is reported in Bulgarelli and Giovine (ISFOL, 1988). This study, while not such as to quantify the dispersion and substitution effects of the programme, does at least report the characteristics of the young people generally taking advantage of the measure, the conversion rate (of trainee into permanent contracts) and the training content. The programme can thus be meaningfully compared with apprenticeship as a means of work access.

Two other interesting works seek to evaluate the effects of employment subsidies for mature workers (either unemployed or on short-time compensation) in the province of Trento. Two methodologies were used. Ichino and Felli (1988) followed a virtually experimental approach, comparing a group of workers involved in the benefit programme and a control group. Samek Lodovici (1988) took a non-experimental approach based on interviews with the firms involved to gauge the various dispersion effects according to the evaluation of the employers themselves as to whether the hirings under the programme were additional or not.

Studies monitoring and evaluating the labour market impact of short-time compensation have also been conducted. Microeconomic assessment is especially difficult, not just owing to the lack of data but also because the programme itself, designed to attenuate the cyclical variability of employment, is macroeconomic in nature. Tronti (1991) discusses the potential and the limitations of macroeconomic analysis of the impact of short-time compensation on the working of the labour market. The programme proves to have a significant effect in slowing down job turnover in industry but appears to have little effect on wage growth.

Padoa-Schioppa (1988) is a work designed for prior evaluation of the potential impact of short-time compensation by comparison with the fixed-sum unemployment benefits commonly provided in other countries. Still other studies have monitored the utilization of short-time compensation in samples of firms, examining specific procedures and the direct effects within companies.

Works monitoring and evaluating programmes for new enterprise formation, in particular Law 44/1986, are more numerous and, above all, more complete. This is because from the outset the law itself provided for monitoring and because data collection has been systematic and complete. So far, the work done has consisted chiefly in monitoring via prior evaluation of projects submitted and ongoing evaluation of those approved. Subsequent evaluation of firms having reached full autonomy should begin shortly.

The most interesting of these studies are Scandizzo (1991), Comitato per lo sviluppo di nuova imprenditorialità giovanile (1993), and Betta and Festa (1988). The first simulates the effects of Law 44 on the economies of the South and the Centre-North. The second presents the results of the programme after seven years. The third, finally, studies a programme of support to enterprise formation by workers receiving short-time or unemployment benefits for a year or more in the province of Trento.



**Table 4.1 - Short-time earnings compensation - Hours compensated in Thousands**

<b>SCHEME AND TYPE OF BENEFIT</b>	<b>1980</b>	<b>1981</b>	<b>1982</b>	<b>1983</b>	<b>1984</b>	<b>1985</b>	<b>1986</b>	<b>1987</b>	<b>1988</b>	<b>1989</b>	<b>1990</b>	<b>1991</b>	<b>1992</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996 (*)</b>
<b>INDUSTRY SCHEME</b>	<b>245,191</b>	<b>501,574</b>	<b>563,310</b>	<b>690,816</b>	<b>746,393</b>	<b>633,815</b>	<b>585,550</b>	<b>476,877</b>	<b>380,152</b>	<b>309,776</b>	<b>299,144</b>	<b>361,181</b>	<b>415,196</b>	<b>497,177</b>	<b>373,419</b>	<b>265,065</b>	<b>70,671</b>
Regular	109,338	189,015	193,205	229,250	198,280	121,708	101,667	88,783	62,576	50,965	76927	143,645	182,983	240,301	119,652	57,899	23,022
Special of which:	135,853	312,559	370,105	461,566	548,113	512,107	483,883	388,094	317,576	258,811	222	217,536	232,212	256,875	253,767	207,165	47649
production workers	124,764	282,598	332,379	412,953	489,974	455,011	430,517	345,365	282,306	228,533	197177	192,017	201,079	217,764	205,938	157,460	35,370
clerical workers	11,089	29,961	37,726	48,613	58,139	57,096	53,366	42,729	35,270	30,278	25040	25,519	31,133	39,110	47,828	49706	12,279
<b>CONSTRUCTION SCHEME</b>	<b>61,946</b>	<b>76,171</b>	<b>56,981</b>	<b>55,702</b>	<b>70,104</b>	<b>82,816</b>	<b>61,806</b>	<b>56,970</b>	<b>39,966</b>	<b>35,183</b>	<b>34550</b>	<b>51,695</b>	<b>46,147</b>	<b>52,219</b>	<b>48,899</b>	<b>34,802</b>	<b>14,401</b>
<b>TOTAL</b>	<b>307,137</b>	<b>577,745</b>	<b>620,291</b>	<b>746,518</b>	<b>816,497</b>	<b>716,631</b>	<b>647,356</b>	<b>533,847</b>	<b>420,118</b>	<b>344,959</b>	<b>333694</b>	<b>412,876</b>	<b>461,343</b>	<b>549,396</b>	<b>422,318</b>	<b>299,866</b>	<b>85,072</b>

\* April.

Source: INPS.

Table 4.2 - Short-time compensation hours

SCHEME AND TYPE OF BENEFIT	APRIL			Total January-April		
	1995	1996	% CHANGE	1995	1996	% CHANGE
<b>INDUSTRY</b>						
<b>Regular benefits</b>	4,101,732	6,730,323	64,08	20,414,221	23,022,447	12,78
Production workers	3,625,685	6,222,197	71,61	18,299,155	21,131,551	15,48
Clerical workers	476,047	508,126	6,74	2,115,066	1,890,896	-10,60
<b>Special benefits</b>	20,355,238	9,129,300	-55,15	83,375,785	47,648,664	-42,85
Production workers	15,773,246	6,635,663	-57,93	64,758,624	35,369,569	-45,38
Clerical workers	4,581,992	2,493,637	-45,58	18,617,161	12,279,095	-34,04
<b>TOTAL</b>	24,456,970	15,859,623	-35,15	103,790,006	70,671,111	-31,91
<b>CONSTRUCTION SCHEME</b>						
<b>Construction industry</b>	2,416,404	2,936,408	21,52	10,772,828	9,534,494	-11,49
Production workers	2,356,009	2,877,067	22,12	10,486,530	9,312,425	-11,20
Clerical workers	60,395	59,341	-1,75	286,298	222,069	-22,43
<b>Building crafts</b>	897,526	1,244,005	38,60	3,630,240	3,864,317	6,45
Production workers	896,432	1,240,770	38,41	3,620,899	3,854,896	6,46
Clerical workers	1,094	3,235	195,70	9,341	9,421	0,86
<b>Stonecutters</b>	272,658	379,302	39,11	1,203,689	1,001,767	-16,78
Production workers	268,932	376,325	39,93	1,190,018	987,016	-17,06
Clerical workers	3,726	2,977	-20,10	13,671	14,751	7,90
<b>TOTAL</b>	3,586,588	4,559,715	27,13	15,606,757	14,400,578	-7,73
<b>TOTAL</b>	28,043,558	20,419,338	-27,19	119,396,763	85,071,689	-28,75

Source: INPS.

Table 4.3 - Workers on mobility rolls (Law 223/1991, Article 6)

REGION	REGISTERED AT 31.12.1992	REGISTERED AT 31.12.1993	REGISTERED AT 31.12.1994	REGISTERED AT 31.12.1995
VALLE D'AOSTA	42,5	44,4	43,9	487
PIEDMONT	1,3	2,2	3,0	31
LOMBARDY	1,0	2,7	4,1	39
LIGURIA	0,2	0,4	0,7	9
VENETO	0,8	2,0	3,1	27
TRENTINO ALTO ADIGE	26,3	0,1	0,2	0,2
FRIULI V. GIULIA	0,2	0,5	0,8	0,6
EMILIA ROMAGNA	0,5	1,1	1,8	1,6
TUSCANY	0,7	1,0	1,3	1,3
MARCHE	0,6	0,9	0,8	0,5
UMBRIA	0,3	0,6	0,8	0,6
LATIUM	0,9	1,7	2,4	3,2
ABRUZZO	0,3	0,6	0,8	0,0
MOLISE	37,9	63,7	81,5	0,1
CAMPANIA	2,0	4,0	4,9	6,6
CALABRIA	90,0	0,3	0,4	0,6
APULIA	1,3	1,7	2,1	2,7
BASILICATA	0,1	0,2	0,3	0,4
SARDINIA	0,3	0,5	0,9	1,0
SICILY	N.P.	0,6	0,9	0,8
<b>TOTAL</b>	<b>10,7</b>	<b>21,0</b>	<b>29,4</b>	<b>31,6</b>

Source: Ministero del Lavoro.

Table 4.4 - Hirings from mobility rolls, 1995

	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Year
PIEDMONT	830	1.084	1.124	632	1.159	870	436	231	819	1.429	621	913	10.148
VALLE D'AOSTA	20	61	44	25	42	72	48	49	61	40	24	18	504
LOMBARDY	299	363	149	599	127	309	262	240	86	151	192	161	2.938
LIGURIA	572	232	296	227	211	297	199	141	304	275	221	173	3.148
VENETO	1.398	1.235	3.739	1.127	934	1.063	887	670	585	854	701	603	13.796
TRENTINO ALTO ADIGE	73	107	143	170	173	139	155	99	148	132	93	117	1.549
FRIULI V.GIULIA	184	252	356	294	180	88	43	81	388	396	164	213	2.639
EMILIA ROMAGNA	524	541	759	476	388	427	198	14	386	361	387	69	4.530
TUSCANY	729	658	705	542	692	459	492	231	528	629	470	312	6.447
UMBRIA	49	230	354	31	255	175	118	96	116	116	206	30	1.776
MARCHE	594	313	223	351	539	375	97	175	472	440	402	280	4.261
LATITUM	355	283	233	169	210	248	165	109	275	241	268	173	2.729
ABRUZZO	109	164	139	102	81	78	66	102	96	80	83	0	1.100
MOLISE	2	7	5	8	10	10	8	9	9	11	6	8	93
CAMPANIA	0	59	0	0	0	0	0	0	0	0	0	0	59
APULIA	0	173	34	141	84	97	114	114	154	110	206	96	1.323
BASILICATA	21	8	28	24	32	22	21	16	19	25	27	20	263
CALABRIA	0	4	9	0	0	41	0	0	3	12	11	8	88
SICILY	0	0	0	275	286	481	95	97	0	0	0	0	1.234
SARDINIA	26	73	169	24	77	36	77	0	97	94	79	47	799
SOUTH	158	488	384	574	570	765	381	338	378	332	412	179	4.959
CENTRE-NORTH	5.627	5.359	8.125	4.643	4.910	4.522	3.100	2.136	4.168	5.064	3.749	3.062	54.465
<b>ITALY</b>	<b>5.785</b>	<b>5.847</b>	<b>8.509</b>	<b>5.217</b>	<b>5.480</b>	<b>5.287</b>	<b>3.481</b>	<b>2.474</b>	<b>4.546</b>	<b>5.396</b>	<b>4.161</b>	<b>3.241</b>	<b>59.424</b>

Source: Ministero del Lavoro.

**Table 4.5 - Workers hired from mobility rolls, 1995**

MONTH	PERMANENT JOB	PART-TIME	FIXED-TERM	TOTAL
JANUARY	3,003	163	2,619	5,785
FEBRUARY	2,908	188	2,751	5,847
MARCH	4,141	178	4,190	8,509
APRIL	2,463	159	2,595	5,217
MAY	2,716	162	2,602	5,480
JUNE	2,344	172	2,771	5,287
JULY	1,411	168	1,902	3,481
AUGUST	1,050	102	1,322	2,474
SEPTEMBER	2,377	126	2,043	4,546
OCTOBER	2,749	154	2,493	5,396
NOVEMBER	1,826	172	2,163	4,161
DECEMBER	1,677	112	1,452	3,241
<b>TOTAL</b>	<b>13,434</b>	<b>1,856</b>	<b>28,903</b>	<b>59,424</b>

Source: Ministerio del Lavoro.

**Table 4.6 - Early retirement pensioners on 31.12.1995 by branch and year of award\***

YEAR OF AWARD	Dockers (Law 230)	Printing (ex L.416)	Industry (ex L.155)	Steel (a) (ex L. 193)	Total
1980	.....	67	719	.....	786
1981	.....	72	21,479	.....	21551
1982	.....	387	19,954	.....	20341
1983	.....	256	25,233	.....	25489
1984	2,032	324	25,979	14,093	42428
1985	1,348	364	28,105	9,774	39591
1986	880	458	28,097	8,389	37824
1987	4,107	431	27,43	8,699	40667
1988	888	2,196	28,694	8,554	40332
1989	1,334	1,665	22,362	4,249	29610
1990	1,544	394	7,934	4,37	14242
1991	1,086	519	2,589	2,702	6896
1992	1,247	1,034	34,717	7,145	44143
1993	299	1,312	1,7	118	3429
1994	1,701	793	8,765	41	11300
1995	75	403	11,861	52	12391
<b>TOTAL</b>	<b>2,142</b>	<b>11</b>	<b>295,618</b>	<b>68,186</b>	<b>####</b>

(a) Since 1/7/1984; previously, under the general industry programme.

\* Including those having in the meantime reached retirement age.

Source: INPS.

**Table 4.7 - Income support benefits, 1990-1995 (periods in thousands, amounts in billions of lire)**

	SHORT-TIME EARNINGS COMPENSATION						UNEMPLOYMENT		MOBILITY		EARLY RETIREMENT	
	Reg. ind'y scheme		Reg. constr. scheme		Special scheme		Days	Amount of benefit	Months	Amount of benefit	Number beneficiaries	Amount of benefit
	Hours	Amount of benefit	Hours	Amount of benefit	Hours	Amount of benefit						
1990	51,376	376	26,302	229	233,264	1,467	142,256	3,110	-	-	156,236	3,248
1991	94,806	743	44,789	430	220,747	1,444	145,297	3,282	217	161	129,606	3,549
1992	121,765	1,022	42,512	421	235,816	1,608	145,616	3,137	810	744	128,797	3,497
1993	154,509	1,355	48,281	492	242,161	1,642	158,882	3,862	1,531	1,520	111,731	3,369
1994	78,008	696	45,335	479	222,708	1,541	137,939	4,012	1,990	2,164	94,702	2,902
1995	31,265	295	31,383	347	162,202	1,160	129,825	3,924	1,638	1,918	101,591	2,918

N. B. benefits net of imputed contributions.

Source: FGB, based on INPS data.

**Table 4.8 - Short-time earnings compensation revenues and expenditures, 1991-1995**

	REVENUE			EXPENDITURE			BALANCE
	Private sector	State	Total	Benefits	Imputed contributions	Total	
<b>Regular industry scheme</b>							
1991	1,748	-	1,748	764	265	1,029	719
1992	2,601	-	2,601	976	345	1,321	1,280
1993	2,608	39	2,647	1,427	509	1,936	711
1994	2,641	128	2,769	789	283	1,072	1,697
1995 a)	2,642	128	2,770	347	124	471	2,299
<b>Regular construction scheme</b>							
1991	736	-	736	393	137	530	206
1992	966	-	966	432	152	584	382
1993	873	-	873	486	174	660	213
1994	786	71	857	499	178	677	180
1995 a)	786	72	858	350	125	475	383
<b>Special scheme</b>							
1991	1,119	1,220	2,339	1,395	572	1,967	372
1992	1,099	1,220	2,319	1,683	728	2,411	-92
1993	1,167	1,824	2,991	1,734	783	2,517	474
1994	1,184	1,789	2,973	1,683	778	2,461	512
1995 a)	1,204	1,739	2,943	1,526	658	2,184	759
<b>Total</b>							
1991	3,603	1,220	4,823	2,552	974	3,526	1,297
1992	4,666	1,220	5,886	3,091	1,225	4,316	1,570
1993	4,648	1,863	6,511	3,647	1,466	5,113	1,398
1994	4,611	1,988	6,599	2,971	1,239	4,210	2,389
1995 a)	4,632	1,939	6,571	2,223	907	3,130	3,441

(a) Budgeted.

Source: INPS.

**Table 4.9 - Mobility allowances, 1991-1995, on an accruals basis (in billions of lire)**

	REVENUE			EXPENDITURE			BALANCE
	Private sector	State	Total	Benefits	Imputed contributions	Total	
1991	340		340	123	96	219	121
1992	954		954	685	248	933	21
1993	575	136	711	1.502	770	2.272	-1.561
1994	677	328	1.005	2.362	1.110	3.472	-2.467
1995 (a)	863	705	1.568	2.361	1.154	3.515	-1.947

Source: INPS.

**Table 4.10 - Unemployment benefits, 1991-1995, on an accruals basis (in billions of lire)**

	REVENUE			EXPENDITURE			BALANCE
	Private sector	State	Total	Benefits	Imputed contributions	Total	
1991	3.630	0	3.630	3.109	1.774	4.883	-1.253
1992	3.703	0	3.703	3.251	2.139	5.390	-1.687
1993	3.780	35	3.815	3.851	2.750	6.601	-2.786
1994	3.781	755	4.536	4.345	2.975	7.320	-2.784
1995 (a)	3.867	185	4.052	4.098	2.652	6.750	-2.698

Source: INPS.

**Table 4.11 - Early retirement benefits, 1991-1995, on an accruals basis (in billions of lire)**

	REVENUE			EXPENDITURE			BALANCE
	Private sector	State	Total	Benefits	Imputed contributions	Total	
1991	126	1.796	1.922	3.549	383	3.932	-2.010
1992	1.379	2.115	3.494	3.497	1.344	4.841	-1.347
1993	907	2.826	3.733	3.369	644	4.013	-280
1994	245	2.834	3.079	2.902	378	3.280	-201
1995 (a)	340	2.987	3.327	3.015	1.524	4.539	-1.212

(a) Updated budget.

Source: INPS.

**Table 4.12 - Company training activities, 1993**

Type of training activity	Percentage of all companies	Percentage of firms engaged in continuing training
Training courses	9.4	62.3
On-the-job training	5.4	36.4
Conferences, workshops, seminars	7.7	51.0
Organizational measures for training purposes: job rotation, quality circles	1.9	12.7
Self-learning, correspondence courses, computer-assisted training, etc.	1.3	8.4

Source: ISTAT, Rapporto Annuale 1995.

**Table 4.13 - Training course students by region, annual changes**

REGION	1990-91(a)		1991-92 (b)		1992-93 (b)	
	Number	%	Number	%	Number	%
North	190,860	7.2	210,818	69.0	222,916	68.9
Centre	35,609	13.4	40,397	13.2	43,191	13.3
South	39,580	14.9	54,264	17.8	57,530	17.8
<b>Total</b>	<b>266,049</b>	<b>100.0</b>	<b>305,479</b>	<b>100.0</b>	<b>323,637</b>	<b>100.0</b>

(a) Excluding the provinces of Padua, Siena, Rieti, Latina, Frosinone, Isernia, Campobasso, Caserta, Benevento, Avellino, Salerno, Bari, Potenza and Trapani.

(b) Excluding the region of Apulia.

Source: Censis, based on data from ISTAT, 1995.

**Table 4.14 - Training courses by region, annual changes**

REGION	1990-91(a)		1991-92 (b)		1992-93 (b)	
	v.a.	%	v.a.	%	v.a.	%
North	8,526	67.2	9,489	63.4	10,123	64.9
Centre	1,766	13.9	2,190	14.6	2,049	13.1
South	2,398	18.9	3,288	22	3,430	22
<b>Total</b>	<b>12,690</b>	<b>100</b>	<b>14,967</b>	<b>100</b>	<b>15,602</b>	<b>100</b>

(a) Excluding the provinces of Padua, Siena, Rieti, Latina, Frosinone, Isernia, Campobasso, Caserta, Benevento, Avellino, Salerno, Bari, Potenza and Trapani.

(b) Excluding the region of Apulia.

Source: Censis, based on data from ISTAT, 1995.

**Table 4.15 - Community and national funding subdivided by objectives - Years 1994/1999 - Figures in millions of ECU**

OBJECTIVE	DESCRIPTION OF OBJECTIVE	CSF	NATIONAL	TOTAL
1	Development and structural up-grading of regions lagging in development	2,739	1,225	3,964
2	Conversion of regions hard hit by industrial decline	142	192	334
3	Fight against long-term unemployment	1,316	1,609	2,925
4	Adaptation of workers to industrial changes	399	487	886
5b	Facilitating the development and structural up-grading of rural zones	122	170	292
Adapt	Adaptation of economic-production systems to the new market demands	190	170	360
Employment	Community initiatives NOW, HORIZON, YOUTHSTART	349	240	589
Leonardo	Leonardo Project	Sum to be allocated annually		
Former Art. 6	Pilot activities	Sum to be allocated annually		
	<b>TOTAL</b>	<b>5,257</b>	<b>4,093</b>	<b>9,350</b>

Source: European Commission, 1996.

**Table 4.16 - Community and national financing - Objective 1 regions - CSF 1994/1999 - Figures in million ECU**

OBJECTIVE	DESCRIPTION OF OBJECTIVE	CSF	NATIONAL	TOTAL
1	Development and structural up-grading of regions lagging in development	938	457	1,395
3	Fight against long-term unemployment	1,529	636	2,165
4	Adaptation of workers to industrial changes	272	132	404
	<b>TOTAL</b>	<b>2,739</b>	<b>1,225</b>	<b>3,964</b>

Source: European Commission, 1996.



**Table 4.17 - Hirings under trainee contracts (Law 863/1984, Article 3), 1984.1995**

	WORKERS HIRED			AGE			EDUCATION			SECTOR			FIRM SIZE			
	MEN	WOMEN	TOTAL	15/18	19/24	25/29	LOWER SECOND	UPPER SECOND	UNIV.	AGR.	IND.	SER.	0/49	50/249	250/499	+500
1984 (1)	7,312	3,382	10,694	1,750	6,918	2,026	7,237	3,347	110	32	7,254	3,408	5,403	3,139	1,081	1,071
1985	65,076	43,358	103,434	14,174	74,267	19,973	67,705	38,961	1,768	458	65,794	42,182	76,102	21,498	5,248	5,586
1986	133,568	95,558	229,126	30,796	154,711	43,619	142,850	80,682	4,239	1,044	140,310	87,772	164,777	42,495	11,736	10,118
1987	241,641	161,215	402,856	50,494	262,223	90,139	250,931	144,299	7,626	2,662	234,467	165,727	285,973	75,710	23,254	17,919
1988	293,220	200,423	493,643	65,814	319,941	107,888	320,664	162,419	10,560	3,159	289,612	200,863	34,7106	92,263	30,440	23,834
1989	316,626	212,671	529,297	64,018	342,959	122,320	351,453	166,758	11,086	2,232	314,216	212,848	366,092	101,652	33,105	28,448
1990	281,624	187,426	469,050	49,341	296,502	123,207	310,645	149,280	9,125	2,030	267,571	199,449	331,132	87,688	27,406	22,824
1991	179,824	112,719	286,543	32,115	178,135	76,206	190,193	90,990	5,369	1,502	156,165	128,980	206,086	47,499	16,419	16,273
1992	141,750	94,676	236,426	20,837	148,571	67,018	153,294	77,299	5,833	2,865	121,804	111,757	174,468	37,306	12,227	12,425
1993	109,102	73,967	183,069	14,440	112,883	55,746	115,279	62,136	5,654	639	93,665	88,765	143,064	22,586	6,869	10,550
1994	139,799	81,317	221,116	14,925	129,179	77,012	143,195	70,793	7,128	796	131,436	88,884	162,273	32,883	9,748	16,212
1995 (2)	162,932	85,735	248,667	16,509	140,507	9,165*	161,428	78,744	8,495	736	156,887	91,044	176,849	37,300	13,920	20,597

Source: based on data from Ministero del Lavoro - Osservatorio sul Mercato del Lavoro.

(1) May-December.

(2) Provisional.

(\*) 25 and over.

**Table 4.18 - Socially usefull projects, 29 February 1996**

	<b>Projects as of 30.11.95</b>	<b>No. workers expected</b>	<b>Projects, 1.12.95- 29.2.96</b>	<b>No. workers expected</b>	<b>Total projects</b>	<b>Total workers expected</b>	<b>Total hirings at 29.2.96</b>
PIEDMONT	215	3,080	86	893	301	3,973	2,535
VALLE D'AOSTA	6	60	1	4	7	64	38
LOMBARDY	16	300	26	125	42	425	347
LIGURIA	64	405	20	158	84	563	118
TRENTINO	.....	.....	.....	.....	.....	.....	.....
VENETO	63	487			63	487	322
FRIULI V.GIULIA	49	300	18	43	67	343	10
EMILIA ROMAGNA	44	132	.....	.....	44	132	140
TUSCANY	280	1,642	47	238	327	1,880	756
UMBRIA	42	737	.....	.....	42	737	779
MARCHE	153	1,583	31	154	184	1,737	963
LATIUM	281	6,339	59	739	340	7,078	2,919
ABRUZZO	180	1,982	121	1,346	301	3,328	1,251
MOLISE	61	312	61	214	122	526	258
CAMPANIA	1,121	20,680	134	7,477	1,255	28,157	24,813
APULIA	308	11,893	64	1,446	372	13,339	9,425
BASILICATA	231	1,706	14	98	245	1,804	819
CALABRIA	343	5,027	111	1,478	454	6,505	1,585
SICILY	222	3,501	.....	.....	222	3,501	2,838
SARDINIA	378	5,241	.....	.....	378	5,241	3,365
<b>TOTAL</b>	<b>4,057</b>	<b>65,407</b>	<b>793</b>	<b>14,413</b>	<b>4,850</b>	<b>79,820</b>	<b>53,281</b>

Source: Ministero del Lavoro.

**Table 4.19 - Hirings for socially useful projects, to 29 February 1996**

	<b>Category A hirings to 30.11.95</b>	<b>Category A hirings, 1.12.95- 29.2.96</b>	<b>Category B hirings to 30.11.95</b>	<b>Category B hirings, 1.12.95- 29.2.96</b>	<b>Total hirings, 1.12.95- 29.2.96</b>
PIEDMONT	1,680	48	437	370	2,535
VALLE D'AOSTA	37			1	38
LOMBARDY	258	25	14	50	347
LIGURIA	50	13	7	48	118
TRENTINO	.....	.....	.....	.....	.....
VENETO	312	.....	10	.....	322
FRIULI V.GIULIA	10	.....	.....	.....	10
EMILIA ROMAGNA	132	8	.....	.....	140
TUSCANY	738	10	.....	8	756
UMBRIA	687	79	13	.....	779
MARCHE	893	17	19	34	963
LATIUM	2,193	476	129	121	2,919
ABRUZZO	930	12	249	60	1,251
MOLISE	159	.....	.....	99	258
CAMPANIA	17,012	633	1,492	5,676	24,813
APULIA	8,258	5	515	647	9,425
BASILICATA	470	21	241	87	819
CALABRIA	1,468		58	59	1,585
SICILY	2,187	.....	651	.....	2,838
SARDINIA	3,315	27	16	7	3,365
<b>TOTAL</b>	<b>40,789</b>	<b>1,374</b>	<b>3,851</b>	<b>7,267</b>	<b>53,281</b>

Source: Ministero del Lavoro.

**Table 4.20 - Youth entrepreneurship (Law 44/1986). Projects accepted by Region\***

REGION	N° Projects	Shareholders	Workers	Project investment	Investment per worker
EMILIA ROMAGNA	1	2	14	1,200	85.7
FRIULI	0	0	0	0	
LIGURIA	5	19	30	1,227	40.9
LOMBARDY	2	5	25	6,039	241.6
PIEDMONT	9	36	79	6,157	77.9
TRENTINO	0	0	0	0	
VALLE D'AOSTA	0	0	0	0	
VENETO	6	20	47	7267	154.6
<b>TOTAL NORTH</b>	<b>23</b>	<b>82</b>	<b>195</b>	<b>21,890</b>	112.3
ABRUZZO	155	1,001	3,872	472,064	121.9
LATIUM	99	701	2,273	312,320	137.4
MARCHE	26	135	549	72,547	132.1
TUSCANY	8	28	74	11,639	157.3
UMBRIA	5	28	54	4,201	77.8
<b>TOTAL CENTRE</b>	<b>293</b>	<b>1,893</b>	<b>6,822</b>	<b>872,771</b>	127.9
BASILICATA	51	269	958	170,082	177.5
CALABRIA	136	1,102	2,319	346,256	149.3
CAMPANIA	267	1,856	4,729	761,523	161.0
MOLISE	36	171	762	129,122	169.5
APULIA	143	925	2,893	443,880	153.4
SARDINIA	39	161	447	87,645	196.1
SICILY	95	802	1,961	299,150	152.5
<b>TOTAL SOUTH</b>	<b>767</b>	<b>5,286</b>	<b>14,069</b>	<b>2,237,658</b>	159.0
<b>ITALY</b>	<b>1,083</b>	<b>7,261</b>	<b>21,086</b>	<b>3,132,319</b>	148.5

\* Situation at 1 July 1996. Investment in millions of lire.

Note 1: 89 projects rejected; 68 withdrawn.

Source: Società per l'Imprenditorialità Giovanile S.p.A.

**Table 4.21 - Projects submitted by branch of activity, to 1 July 1996**

<b>BRANCH</b>	<b>PROJECTS SUBMITTED</b>
<b>AGRICULTURE</b>	1,301
Farming and livestock	1,083
Fisheries	92
Other agricultural activities	126
<b>INDUSTRY</b>	2,355
Metallurgy	35
Processing of non-metallic minerals	154
Chemicals	129
Manufacture of metal products	175
Manufacture of machinery and mechanical equipment	107
Manufacture of office and data processing machines	9
Manufacture of electrical and electronic materials and equipment	196
Manufacture of automobiles and accessories	22
Manufacture of other transport equipment	12
Manufacture of precision instruments	50
Basic food processing	275
Sugar, beverages and other food products	187
Texiles	160
Hides and leathers	28
Shoes, clothing and draperies	224
Wood and wood furniture	170
Paper, printing and publishing	177
Rubber and plastics materials	185
Other manufacturing	60
<b>SERVICES</b>	953 (7)
Land transport	30
Air transport	23
Travel agencies	48
Business services	795 (7)
Leasing	57
<b>GRAND TOTAL</b>	4,609 (7)

N. B. Excluding: a) projects withdrawn by the submitting company prior to decision;  
b) 88 projects carrying ISTAT code numbers not eligible for subsidies.

In brackets, projects submitted under Law 236/1993.

Source: Società per l'Imprenditorialità Giovanile SpA.

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## V. OTHER POLICIES THAT INFLUENCE THE LABOUR MARKET

In modern-day Italy, labour market issues cannot be separated from other matters also crucial to employment levels, such as training, social security and industrial policies.

### 1. Characteristics of the education system

#### Quantitative data

The Italian education system is divided into two main sub-systems: school and university education, and regional-based vocational training.

School education is compulsory up to the age of 14, with all children following the same national syllabus. A bill is being drafted to raise the minimum school-leaving age to 16 to fit in with European standards. Once compulsory education is completed, youngsters must decide on the next level of education, which entails making a choice from three main groups: academic high schools ("*liceo*"), technical schools and vocational schools.

In the 1994-95 academic year, a total of 10,801,586 students attended Italian schools and universities, a drop of 0.4% vis-a-vis the previous year.

Compulsory education schools were attended by 100% of youngsters in the corresponding age ranges. In non-compulsory upper secondary education, 73.5% of youngsters continued to attend school, a rise of 2.9% vis-à-vis the previous year. This figure is rather high, considering that enrolment is optional, and that the courses usually last five years, with no early certificate available except in vocational schools (Table 5.1).

The rate of first-year enrolment was also high: the percentage of 14-year-olds enrolling in upper secondary schools was 90.3%, 20 points higher than twelve years previously.

The fall in the number of first-year enrolments in the 1994-95 academic year (-4%) should be attributed to demographic trends, although there were differences depending on study orientation.

In the 1993-94 academic year, 500,151 students obtained the upper school-leaving certificate, 7.5% more than in the previous year.

Despite the rise in the number of certificate holders, the success rate of upper secondary education shows that only 59.8% of 18-year-olds managed to complete their studies according to schedule.

Figures show that in 1993, approximately 225,000 youngsters (8.2% of all students) left school without obtaining a certificate. Failure is most common in the first year of studies, when 14.4% of those enrolled leave. It should be considered, however, that in the same year, a further 130,000 youngsters re-enrolled on courses after having dropped out in previous years.

The upper secondary school certificate is the only qualification accepted for university admission. Any such certificate allows access to any type of faculty. Student limits are imposed for a few courses only.

The positive trend of university student numbers was reversed after many years in the 1994-95 academic year, when 336,539 students enrolled, 22,250 fewer than the previous year (-6.2%). There continued to be a positive trend for the briefer, vocation-oriented university degree programmes created by the 1990 reform, enrolments in which rose by 7.7%, which represented a slowdown in growth (Table 5.2).

These results did not depend solely on demographic factors. The percentage of holders of school certificates obtained in the previous year enrolled at university fell from 72.3% in 1993-94 to 66.9% in 1994-95. One of the reasons was that the risk of unemployment for graduates had risen considerably in recent years. On average, it takes university graduates 18 months to find their first job, upper secondary diploma holders 21 months, and lower secondary school-leaving certificate holders 26 months.

Moreover, the probability of completing university studies is very low. Every year, the number of graduates (96,278 in 1994) is considerably lower than the number of newly enrolled students.

Students seldom manage to complete their course of studies on schedule. The 'productivity rate' of the Italian university system shows that only 31.3% of the students that enrolled in 1990 completed their studies on time (considering an average of five years for degree courses and seven years for medicine); 81.2% of students had taken more than the regular number of years (Table 5.3).

### **Regional vocational training**

Each of the 20 Italian regions proposes a great variety of vocational training courses, depending on the type of occupation, target user type, duration, etc.

Training structures are completely detached from the school-university system, although proposals have been made to link the two systems. Initial training given to school leavers is of interest to youngsters that leave school immediately after the termination of compulsory education or that drop out of upper secondary school, certificate-holders and university graduates. For the latter, courses are often specialized, whereas school-leavers are given general vocational training.

In 1993, approximately 245,500 youngsters received training, 79.8% of whom were in search of their first job. The remainder were a mixed bag: disadvantaged persons, women, unemployed, workers subject to 'mobility' norms, employed persons, etc. In Italy, a system of on-the-job training is still not in place, although all regions, thanks to Community funding, are drawing up development plans relative to worker training. Activities organized for adults, workers and the unemployed are constantly on the rise. Post-secondary training provided by Regions has also grown considerably, representing 19% of total training vis-à-vis 4% in 1984-85. A sure sign of the need to renew the regional Professional Training system is provided by the under-use of the European Social Fund for the 1994-1995 period. By 31 December, 1995, Italy had used an average of 17% of available funds, a third with respect to totals of other Member Countries.

National figures on the efficacy of regional training in terms of subsequent employment levels are not available. Studies carried out have been sporadic and are not comparable.

### **Labour market entry**

The transition from school to work is not immediate and consequential. Initially, there is an exploratory phase, and studies are often supplemented by temporary work experiences unrelated to the course of studies followed.

The age at which youngsters find their first steady job has risen progressively, but there has also been an increase in the proportion that work and study at the same time (from 4% in 1987 to 8% in 1992) and in students with seasonal or temporary jobs (from 25% to 32% over the same period).

Job search is usually performed by the individual, as adequate career guidance systems or contacts between schools and businesses are lacking.

In 1992, the most common way of seeking employment for young people aged 14 to 29 was to ask friends and relatives. Career guidance and employment agencies were consulted by only 8.8% (Table 5.4).

At the national level, there are labour market instruments to facilitate young people's entry, including apprenticeship and trainee contracts. These instruments aim to provide the necessary skills to perform a specific job. Currently, both sorts of contract are going through a period of crisis, and training requirements in Italy have traditionally been relegated to a secondary role.

Apprenticeship contracts have also fallen over time, from 529,741 in 1990 to 426,735 in 1994. Training currently plays a crucial role in the Italian government's active employment policies. The aim is to reevaluate training and apprenticeship contracts and utilise student work experience programmes in order to combat youth unemployment.

### **Professional opportunities for university graduates**

The unemployment rate for university graduates aged 25 to 29 (14.7%) is higher than that for young people of the same age in possession of upper secondary certificates (11.5%), who have had more time to seek employment. But the chances of finding a job remain better for the university-educated. Over 92% of graduates find a job within five years. Of those obtaining their degree in 1992, 42% found a steady job after three years, 25% found temporary or occasional employment, 23% were still looking for a job and 10% declared they were not seeking work for various reasons (family, military service, further studies, etc.). Employment rates varied with gender and geographical location, standing at 80% for males and 69% for females. Three years after graduating, 85% of young people in the North had found a job as against only 59% in the South. Also, 26.3% of graduates had jobs for which the degree was not necessary.

The chances of finding a job relatively quickly were better for graduates in dentistry, veterinary studies, engineering, business, and economics (Table 5.5). Finding work proved to be more difficult for law graduates (43% of whom were still jobless after three years) and for graduates in literary subjects and social sciences. Entry into the labour market was also troublesome for graduates in such scientific fields as biology (53.8% of whom were still unemployed after three years) and natural sciences (44.4%).

## 2. Social security and welfare

Public spending in the field of social security and welfare takes up a considerable amount of the budget. In 1995 it amounted to 443.1 trillion lire, around 25% of GDP and over 50% of public spending. Per capita spending and the ratio to GDP are basically in line with the EU average (Table 5.6).

In recent years, however, these values have fallen below the EU average, owing to social security cuts begun by the Government of Giuliano Amato in 1991 and continued under Carlo Azeglio Ciampi and Lamberto Dini.

Breaking down social spending, retirement benefits account for around 70% of the total, while health takes up 21.4% and welfare 8.3%. Of this figure, actual social welfare benefits account for only 2.5% of spending, dwarfed by pensions and allowances.

The social security sector has created many problems for the Italian economy and in particular for the labour market. In addition to the clear imbalance between services and benefits (amounting to over 75% of social security and welfare benefits), there is the high cost of the pension system, which includes welfare-based benefits and allowances improperly aimed at redressing labour market imbalances (notably disability pensions). There is also the problem of inadequate spending for families. Also to be noted is the inefficiency of the national health service, which has costs similar to those borne by other European countries but with lower service standards. The sector is also weighed down by high personnel costs to the detriment of investment. Scant assistance is given to the economically disadvantaged (the poor, the unemployed), whereas legislation does safeguard the rights of deserving categories such as the disabled, the blind, the deaf and dumb. Finally, there are important regional disparities in the quality and efficiency of the local health and welfare authorities.

These problems are further exacerbated by the heavy tax and social security burden, which has reached 40.6% of GDP. In terms of labour costs, for every 100 lire in take-home pay, the corresponding gross earnings are 136 lire, while the cost to firms is 205 lire. These values are higher than in most other European countries (Table 5.7).

Recent efforts to curb spending in the three sectors (social security, welfare and health) have produced varying results. Effects have been significant and visible in the health sector, and there has been relative cost stability in the welfare sector, whereas social security spending has continued to rise. Spending control has also been pursued by reviewing the costs borne by users.

In the health sector, there have been drastic cuts in public spending on medicines (with a 16.8% reduction from 1993 to 1994), thanks to rules changes governing free and subsidized medicines and the reclassification of subsidized/non-subsidized medicines. Even so, the Finance Law target of keeping public spending on medicines under the ceiling of 10 trillion lire was not fully achieved. Hospital care spending continued to rise (by 2.2%), while spending for other services remained stable.

A direct consequence of public spending cuts has been a parallel increase in private health spending. Figures clearly reveal the substitution effect: current public health spending diminished by almost 980 billion lire in 1994, a drop of 1.1% (Table 5.8), while current private health spending grew by almost 5 trillion, or 13.6%.

With reference to spending in the welfare sector, there was an 8.1% increase in the share allotted to civil disability pensions, which account for over half of the total.

In the social security sector, figures show that:

- total pensions and annuities rose by 7.2% in 1994, accounting for 61.9% of all spending for social benefits;
- spending on programmes linked to the economic cycle underwent varying fortunes (with a rise in unemployment benefits and fall in short-time earnings compensation) but generally fell in size vis-à-vis other allowances in the sector;
- severance pay jumped by 18.4%, presumably due to a spate of early retirements in the public sector in advance of the freeze on length-of-service pensions imposed in September 1994.

Major social security and health reforms in the interest of economy were initiated in 1995.

The social security reform act, Law 335 of 8 August 1995, passed after protracted talks among social part, was intended to carry through measures already approved in 1992 and 1994. This detailed, complex law governing compulsory retirement insurance and supplementary pension funds introduces a new system for younger workers (those with under 18 years of service at 31 December 1995) and for others (Table 5.9).

For workers having more service (the group that had been working for at least 15 years when the Amato reform came into effect and who had obtained greater protection), the traditional earnings-based award formula is retained, in that their pension will normally correspond to a percentage of the pensionable salary in the last ten years (520 weeks) of activity (the number of working years multiplied by the 2% accrual rate), with the exception of the pro-rata calculation of periods prior to the coming into force of the Amato reform.

For new workers and workers with a length-of-service of less than 18 years (for the latter, there is the pro-rata calculation of the previous period according to the old rules), a new contribution-based system came into force on 1 January 1996, so that pensions will be calculated according to the total amount of social security contributions paid in.

The savings projected by the law over the next ten years are sizeable: more than 108 trillion lire, excluding the "costs" of supplementary social security (21 trillion) and the estimated fall in income tax revenue of 13.6 trillion. Analyzing the various items more closely, it may be seen that until 1998, the extra revenue exceeds the fall in expenditure. At the end of the decade, extra revenue will amount to more than a third of the decrease in expenditure, and most of the latter (roughly 18 trillion lire) will be acquired by the year 2000 (Table 5.10).

In the health sector, the reform of the National Health Service was begun on 1 January 1995, following the application of Legislative Decree 502/1992 (amended by Decree 517), the main points of which include a reduction in the number of Local Health Authorities to 228, their transformation into autonomous "firms", with economic accountability and having their own management; the creation of hospital "enterprises" (76); the introduction of a funding system for charges for standard diagnosis groups (DRGs); the introduction of the principle of competition in the sector and free choice for patients; and finally, charters for public health services to monitor service quality.

This reform process has already encountered several difficulties, mainly in introducing a new financing and accounting system, renovating obsolete structures (there are still 254 hospitals that have fewer than 120 beds), and avoiding unnecessary

hospitalization. Clearly inadequate are home-help services and assistance to the elderly and the disabled (Table 5.11).

In both the health and social security sectors, there has been a strong tendency to develop voluntary, supplementary forms of assistance. The creation of private funds has been sanctioned by the 1995 pension reform and by health reform decrees.

In the sphere of pensions, Italy has moved towards the regulations of countries where pension funds are most developed by shifting taxation from the moment of accumulation to the moment when services are provided. Mutual fund management companies, like banks, securities firms and insurance companies, will be allowed to stipulate agreements for the management of pension fund assets. The types of pension fund allowable have been expanded to include not only defined-benefit and defined-contribution organizations (already envisaged by previous norms) but also "management accompanied by guarantees for the return of principal". The rights of fund participants are further safeguarded through the introduction of the so-called "custodian" figure, charged with overseeing the fund's assets and monitoring the fund manager's activities.

In the health sector, proposals for supplementary funding are less highly developed.

The reduction of public social spending and the need to curb labour costs call for alternative sources of social security financing. In Italy, proposals include energy taxes, VAT increases and pollution taxes.

In June 1996, the new Finance Minister announced in Parliament a reduction in social security contributions and in the number of taxes, tax rate cuts, the transformation of health contributions into income regional taxes, a review of the capital levy system, incentives for corporate restructuring and a review of consumption taxation.

### **3. Industrial policies**

The economic and social gulf separating the central-northern regions of the country from southern regions has always been one of the most difficult problems for economic policy-makers.

The search for solutions to socio-economic dualism has centred on the struggle against unemployment, which has taken on dramatic proportions in the South. Over the years, the state has focused on developing productive activities and creating jobs.

The disparity between North and South is clear from the figures on gross product per inhabitant (Table 5.12). Taking 100 as the base value for Italy in 1993, central-northern regions averaged 117.9, with peaks of above 121 in north-western regions. In the same year, the southern regions posted a value of 69.2. Following a brief recovery of this indicator in 1990 and 1991, the recession - which began in Italy at the end of 1991 and lasted through 1993 - lowered per capita output in the South. Looking at relative figures, the rising importance of the Northeast and of the central regions in the formation of GDP is evident.

The socio-economic divide stands out even more starkly if one considers unemployment rates (Table 5.13). Nationwide, the rate stood at 12% in 1995. In the northern regions it was 6.8%, in the centre 10.3%. In 1986, the North had had a jobless

rate of 8%. Since that year, it has always been below 7%. In the same period, the unemployment rate in the South has gone from 16% to 21%.

Another indicator of regional differences is investment (Table 5.14). From 1981 to 1995, the ratio of gross fixed capital formation to GDP fell in both major areas: in the Centre-North, from 21.1% to 19.3% and in the South from 25.7% to 19.1%. Taking 100 as the value of investment per inhabitant in the Centre-North, during this period, citizens in the South were allocated a smaller and ever declining share, dropping from an index of 72.1 to 55.0. The highest values for the South were registered during the mid-1980s.

With unresolved problems such as mass unemployment, the poor quality of public services, and spotty communication and transport infrastructure, economic policy initiatives must be made more efficient (at both national and Community levels), in order to create the conditions for an autonomous and self-generating development of the economy in the South, centring on local resources and the creation of entrepreneurs capable of under taking and exploiting new business opportunities.

Industrial policy goals, as outlined in the Community aid programme for Objective 1 regions for 1994-99, must necessarily include bringing southern regions back into the mainstream economy and reducing their unemployment rates. The Community Support Framework 1994-99 decided in 1994 by European Commission, provides, for the eight regions of Mezzogiorno, about 15.000 Mecu charged to Structural Funds and about 32.000 Mecu with the partnership of the Italian Government and public and private institutions.

Monitoring Committees, formed by representatives of the regions, the government and the European Commission, are responsible for the implementation of the programmes.

A territorial pact is an agreement among local public and private actors. Its aim consists of local development, mainly in the areas of the country with economic and structural problems and high levels of unemployment.

The main tools used for the pacts are: flexible work, non-conflictual industrial relations, enterprise creation schemes, training plans and private and public partnership in financing the projects.

These initiatives were established by three resolutions passed by the Inter-Ministerial Committee for Economic Planning in May 1995, November 1995 and July 1996 and are related to the targets of the Fourth Framework Programme.

The local actors (firms, local authorities, unions and chambers of commerce) are responsible for promoting the territorial pacts. This is a significant contrast to previous practice where State Intervention in Southern Italy was mainly managed by Central Government, with a low level of efficiency.

The territorial pact is based on the agreement among local actors and on a well-defined project in which the content, the aims, the area and the methods of procedure to finance the project are outlined.

The procedures for carrying out the pact involve the participation of three important institutions, whose role is to coordinate and to bring about the successful conclusion of the agreement. These are:

- the Council of Economy and Labour, who receives and analyzes the proposals; supports the realization of the agreement; and appoints a consultancy to provide the development project with technical assistance. The promoters of the pact and the consultancy then do a feasibility study,

determine the evaluation and the terms for the realization. Finally, create a company which assumes responsibility for the project;

- the Ministry of Budget and Economic Planning, who receives the complete project, confirms that is in line with the afore-mentioned methods established by Inter-Ministerial Committee's resolutions and supervises proceedings through a special committee;
- the Inter-Ministerial Committee for Economic Planning, who finally approves the project and pays out the funds.

By November 1996, 95 proposals had been received by the Council of Economy and Labour. Three projects - the pacts for Enna, Siracusa and Brindisi - are to be approved shortly. The total fund for the territorial pacts is approximately 400 billion liras (as laid down by the 1996 Financial Act).

In more detail, it is possible to identify areas of intervention offering growth opportunities for the country in general and the South in particular:

- infrastructure;
- tourism;
- preservation of the artistic and environmental heritage;
- the development of productive activities in high-technology sectors, with special reference to information technology (electronics, telecommunications, etc.), new materials and biotechnologies.

Each of these fields offers excellent growth opportunities that may have significant collateral benefits for employment and for the quality and efficiency of the national productive system. Official documents show time and time again that the hopes of national and Community economic policy-makers lie in these sectors.

The sector requiring most urgent action is infrastructure. Table 5.15 shows the current situation in various areas, comparing them with the national average in terms of the availability of networks and systems that help create an adequate economic and social environment. An analysis was made of the state of infrastructure for energy, transportation, communications and water supply. Credit facilities were also included, as an essential element for the growth of economic activities.

Category by category, the imbalance of infrastructures, very much to the detriment of the *Mezzogiorno*, is glaring. Taking 100 as the base value for the country as a whole, the North has a value of 115, the Centre 101.5, the continental South 83.5 and the major islands 69.6.

The imbalance is most pronounced for water supply networks, with the southern regions having a value that is just 50% of the national average, and even further from the values of northern regions. The situation is worse still for Sicily and Sardinia, where the relative index number is a dismal 39.8.

There is also a great disparity between the major areas in communication and energy infrastructures, whereas the gap for credit and transport infrastructures is narrower.

The investments of state-owned corporations have served, in part, to supply infrastructural resources for the nation (Table 5.16). According to figures from the Budget Ministry and the Interministerial Committee for Economic Planning, between 1992 and 1995 there was a fall of roughly 9 trillion lire in total investment by state-controlled corporations. This brought about a fall in investment in the *Mezzogiorno* from 6.7 to 3.6 trillion lire.



In manufacturing, services and infrastructures, the sharpest investment cuts came between 1992 and 1993, at a time when the effects of the recession were being felt most. In spite of the recovery in subsequent years, investments continue to lag.

In the whole of Italy between 1992 and 1995, over 53 trillion lire was invested in services and infrastructures. The figure for the South was just over 9 trillion.

There will presumably be a revival of investment spending in coming years, with the consequent possibility of reversing unemployment trends in the South. Yet growth opportunities may be hampered by budgetary constraints and the need to reduce inflation. These constraints will be given top priority by Italy considering the importance ascribed to the completion of European Economic and Monetary Union and will, thus, limit the scope for stimulus to domestic demand.

Some of the most important local resources in the South - as in Italy generally - are cultural and environmental. This sector offers considerable growth opportunities and could go far towards resolving job problems, encouraging entrepreneurial activities and enhancing structures pertaining to non-profit activities. A recent survey (Table 5.17) identified important factors relating to the growth in demand for the goods that constitute Italy's immense artistic and environmental heritage. Between 1979 and 1992, the number of visitors to museums and similar institutions grew by 23.8%. The largest increases were recorded by technical and scientific institutions, and specialized and general local museums. During the same period, the range of structures offered to the general public in these categories was broadened.

Furthermore, there was a significant rise in the number of visitors to nature reserves, botanical gardens, aquariums, etc. (40.7%) and in the number of structures open to the public dealing with the natural environment (122.5%).

The preservation of the natural and architectural heritage of the regions and cities of the Mezzogiorno is closely tied up with the potential growth of the tourist industry. In addition to plans to expand supply of tourist facilities and raise the quality of services, it will also be necessary to do something about the state of decay in many areas of the South.

Looking at the state of the Italian tourist industry, demand from abroad may be seen by the figures in Table 5.18. Between 1992 and 1994, the number of foreign tourists rose significantly from 63.4 million to 76.2 million. Of other countries studied, only Spain recorded a larger increase in absolute terms and enjoyed a larger demand, with 97.8 million foreigners visiting that country in 1994.

Hotel accommodation capacities, taken to mean the number of beds available in hotels and similar facilities, may be considered as an indicator of the supply of tourism-related services. Table 5.19 compares some European countries for the years 1991, 1992 and 1993. During this period, Italy, Spain and Portugal raised their capacities, while the situation in Germany and Austria remained basically unchanged. In short, it may be seen that Italy has raised its potential in this sector in relation to rivals (especially in the Mediterranean), while Spain remains the number one destination for international tourism in Europe.

Looking further at tourist-related structures, capacities may also be interpreted by taking into consideration the average number of beds per hotel. Of the countries studied, Portugal and Spain have the largest hotels, containing an average of 199.6 and 166.5 beds respectively. In Italy, the average number of beds was 49.5 (Eurostat 1996).

New entrepreneurial initiatives and employment opportunities may well come from high-technology industries. A priority objective for Italy is to establish itself in

this sector. Table 5.20 shows the shares of employment, exports, and value added of G7 countries in recent years in high-technology manufacturing industries (aerospace, computers and office equipment, communications equipment and semiconductors, electronic machinery, pharmaceuticals, scientific instruments). Between 1970 and 1991, the percentage of workers engaged in high-technology sectors grew by 0.9% in Italy, as compared with 3.4% in the United States, 4.8% in Japan, 3.1% in Britain and 3.6% in Germany.

As regards exports, high-technology sectors grew in importance in all the above countries. In the United States, the share of total exports grew from 25.9% in 1970 to 37.7% in 1991. In Japan, there was a rise of almost 16 percentage points, and in Britain the export share for these sectors practically doubled. On the other hand, high-technology manufacturers in Germany and Italy showed less propensity to export. Italy's backwardness in this field can best be gauged by value added. All the other countries recorded a rise of at least 5 percentage points in the share of total value added accounted for by high-tech sectors during the period, while in Italy the share actually dropped.

**Table 5.1 - School attendance (a) - 1994-95**

Nursery schools	96.5
Primary schools	100.8
Lower schools (b)	104.8
Upper schools	73.5

(a) number enrolled per 100 children in age group.

(b) the figure may exceed 100 owing to pupils entering early or late or repeating years.

Source: Censis based on Istat data.

**Table 5.2 - University students enrolled by degree course**

Degree course area	Number					% change vis-a-vis previous year				
	1990-91	1991-92	1992-93	1993-94	1994-95 *	1990-91	1991-92	1992-93	1993-94	1994-95 *
Scientific	36208	38839	37857	40410	38351	2.1	7.3	-2.5	6.7	-5.1
Medicine	8205	8997	8778	8633	8727	2.1	9.7	-2.4	-1.7	1.1
Engineering	53858	55193	51118	49221	44178	11.1	2.5	-7.4	-3.7	-10.2
Agriculture	5587	5768	6173	7210	7372	9.2	3.2	7	16.8	2.2
Economics	58080	58916	56218	56634	50006	8.3	1.4	-4.6	0.7	-11.7
Social Sciences	33138	34518	34639	33524	33407	2.9	4.2	0.4	-3.2	-0.3
Law	51407	54800	60671	71963	65036	13.4	6.6	10.7	18.6	-9.6
Literature+languages	61297	67681	71425	73125	69997	4.4	10.4	5.5	2.4	-4.3
Short degree courses	4967	5345	16590	18069	19465	-5.9	7.6	210.4	8.9	7.7
<b>Total</b>	<b>312747</b>	<b>330057</b>	<b>343469</b>	<b>358789</b>	<b>336539</b>	<b>7.9</b>	<b>5.5</b>	<b>4.1</b>	<b>4.5</b>	<b>-6.2</b>

(\*) Provisional figures.

Source: Censis based on Istat data.

**Table 5.3 - Productivity of university system by degree course area ( number of graduates per 100 enrolments 5 years previously)**

Degree course area	1994 (a)	% change 1993-94
Scientific	34.1	-0.4
Medicine (b)	77.2	4.9
Engineering	25.7	-0.5
Agriculture	41.7	-6.7
Economics	28.8	-1.1
Social Sciences	21.5	0.8
Law	28.9	-1.8
Literature+languages	34.3	0.2
<b>Total</b>	<b>31.3</b>	<b>-1.0</b>

(a) Provisional figures.

(b) for medical students, figures refer to enrolments 7 years previously.

Source: FGB, based on ISTAT data.

Table 5.4 - Young people's job hunting methods (percentage values)

	Northwest	Northeast	Centre	South	Total
Help of friends and relatives	68.7	52	56	59.2	59.4
Registered at employment agency	33	33.3	46.6	72	57.6
Participation in public examinations	26.1	24	44	43.2	38.6
Applications to firms	45.2	40	43.1	26.3	33.5
Replies to ads	37.4	29.3	32.8	28.7	30.8
Presentation at businesses, schools, etc.	28.7	33.3	25.9	20	23.8
Appeals to influential persons	24.3	13.3	17.2	16.4	17.5
Recourse to guidance centres	8.7	8	6.9	9.4	8.8
Placing newspaper ads	7	12	6	4.6	6

Source: Iard survey, 1992.

Table 5.5 - 1992 University graduates present in the labour market in 1995

Degree course area	having found employment			Worked before graduating and perform the same job	Total employed graduates	Still looking for job
	permanent	temporary	total			
Scientific	31.5	29.1	60.6	10.3	70.9	29.1
Medicine (a)	31.3	40	71.3	6.2	77.5	22.5
Engineering	46.8	25.1	71.9	15.5	87.5	12.5
Agriculture	45.7	26.9	72.6	10.7	83.3	16.7
Economics	46.8	20.8	67.6	12.7	80.3	19.7
Social Sciences	24.3	20.1	44.4	29.7	74.1	25.9
Law	33.3	10.1	43.5	13.5	57	43
Literature+languages	19.2	28.6	47.8	24.8	72.6	27.4

(a) for medical students, figures refer to enrolments 7 years previously.

Source: ISTAT.

**Table 5.6 - Consolidated social security costs (all institutions)**

	1993	1994	1995
Health	96.169	95.984	95.553
Social security	280.671	299.448	312.457
Welfare	33.014	34.682	35.146
Total	409.854	430.114	443.136

Source: General report on the economic state of the nation,  
Budget Ministry, April 1996.

**Table 5.7 - Tax and social security contribution burden (index)**

	Take-home pay	Gross earnings	Labour costs for firm
Italy	100	136	205
France	100	132	191
Germany	100	155	186
United Kingdom	100	139	153

Source: Censis, 1995.

**Table 5.8 - Public and private health spending (annual values in billions of lire; % change)**

	Public health spending	% change	Private health spending	% change
1992	86.682	-	27,992	-
1993	86.515	-0.2	33,469	19.6
1994	85,535	-1.1	38,005	13.6

Source: Istat, 1995.

**Table 5.9 - Innovations introduced by the pension reform**

Workers	Pension scheme	Award system	Amount of pension
With 18 years or more seniority	Pay-as-you-go	Earnings based	Years of seniority x 2% on the last 10 years of earnings
With less than 18 years seniority or just hired	Pay-as-you-go	Contribution based	Total of contributions paid "virtual" fund for accounting purposes

Source: Censis.

Table 5.10 - Impact of the social security reform on public spending (values in billions of lire)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	Total 1995-2005
Total savings deriving from the decree accompanying the Finance Law presented on 30 September 1994 (articles 10 to 13 and paragraphs 1, 2, 3 of art. 14)	7,748	7,151	7,570	6,079	8,394	11,481	16,630	19,145	21,429	23,941	24,798	154,366
Idem, with material errors corrected and re-calculated as per observations of the Chamber of Deputies Budget Service	7,161	6,911	7,570	5,398	8,437	11,690	14,106	15,003	15,993	16,936	17,793	126,998
Total savings deriving from the agreement with trade unions, converted into the reform bill of which:	4,547	8,442	6,755	8,413	9,204	10,503	11,341	12,172	12,988	13,649	15,135	113,149
less expenditure	4,547	3,942	3,168	4,412	5,878	7,407	8,795	9,950	11,218	12,069	14,000	85,386
additional revenue of which:	-	4,500	3,587	4,001	3,326	3,096	2,546	2,222	1,770	1,580	1,135	27,763
new contributions	-	2,450	2,576	2,852	2,732	2,814	2,985	3,706	3,167	3,282	3,380	29,314
extension of existing contributions	-	1,884	2,408	2,477	2,551	2,827	2,788	2,871	2,587	3,408	3,317	26,848
additional income from changes to tax base and contributor group less revenue, of which:	-	635	656	683	689	716	736	736	753	773	790	7,167
less income tax	-	-265	-1,570	-1,171	-1,329	-1,437	-1,555	-1,647	-1,737	-1,772	-1,891	-14,374
incentives for supplementary social security schemes	-	-204	-483	-840	-1,317	-1,824	-2,408	-2,814	-3,270	-3,751	-4,281	-21,192

\* Estimate for the year 2005.

\*\* Including the effects of the reduction of the period of contribution exemptions.

Source: Sole-24 Ore based on Treasury Ministry data.

Table 5.11 - Summary of the range of non-hospital services available to the elderly

Region	Elderly population >65, % of regional total	References to Objective-Elderly Project (*)	N° of local health authorities per Region	No. of authorities types services operation <sup>1</sup>					
				Home-based hospitalization	Rehabilitation centre	HIA	Telehelp/Teleassistance	RUC	GEU
Piedmont	18.2	R	22	1	1	23	11	22	8
Valle d'Aosta	16.8	R	1	0	0	1	1	0	1
Lombardy	15.3	N	44	1	sì	sì	sì	sì	sì
Liguria	22.5	N	5	1	sì	5	1	5	5
Prov. autonoma di Trento	16.9	N	1	0	1	1	1	1	0
Prov. autonoma di Bolzano	13.9	P	4	0	0	4	4	0	0
Veneto	16.1	N	22	0	3	5	22	sì	n.d.
Friuli-Venezia Giulia	20.0	R	6	0	0	6	6	0	5
Emilia-Romagna	20.5	R	13	0	12	13	8	8	13
Tuscany	20.3	N	12	0	12	12	sì	9	n.d.
Umbria	20.2	R	5	0	1	5	2	5	1
Marche	19.4	R	13	2	0	13	9	2	13
Latium	14.9	R	12	0	11	12	2	0	12
Abruzzo	17.6	N	6	0	5	6	0	4	1
Molise	18.2	N	4	0	0	1	0	0	1
Campania	11.6	N	13	0	0	4	0	0	3
Apulia	13.0	N	12	0	0	n.d.	0	0	0
Basilicata	15.0	N	5	0	0	3	2	0	4
Calabria	13.9	N	11	0	0	3	1	0	9
Sicily	14.2	N	9	0	0	9	0	0	0
Sardinia	13.1	R	8	0	0	8	0	0	0
<b>Italy</b>	16.0		228						

(\*) N = refers to national project, R = to regional project, P = to provincial project.

HIA = Home integrated assistance.

RUC = Reservation unified centres.

GEU = Geriatric evaluation units.

**Table 5.12 - GDP per inhabitant (index , 1990-1993)**

	1990	1991	1992	1993
Italy	100	100	100	100
Central-Northern regions	117.8	117.3	117.5	117.9
North-West	124	122.5	121.5	121.6
North-East	118.7	118.5	119.9	120.6
Central regions	108.4	109.2	109.9	110.5
South	69.3	70.1	69.8	69.2

Source: Budget Ministry, General report on the economic state of the nation, April 1996.

**Table 5.13 - Unemployment rates in Italy; 1986-1995**

	North	Centre	South	Italy
1986	8	9.7	16.5	11.1
1987	7.8	9.7	19.2	12
1988	6.9	9.8	20.7	12
1989	6	10.6	21.1	12
1990	5.1	9.8	19.7	11
1991	5.1	9.6	19.9	10.9
1992	5.9	9.9	20.4	11.5
1993	6.2	8.6	17.5	10.2
1994	6.8	9.6	19.2	11.3
1995	6.8	10.3	21	12

Source: Bank of Italy, 1996.

**Table 5.14 - Gross fixed capital formation - 1981-1995 (% values and index)**

	Ratio to GDP		Per inhabitants (index, North-Centre = 100) South
	North-Centre	South	
1981	21.2	25.7	72.1
1982	20.0	24.8	74.1
1983	19.3	25.6	80.2
1984	19.5	25.7	80.5
1985	19.4	24.5	75.5
1986	19.3	24.1	73.3
1987	19.8	24.2	72.2
1988	20.6	24.2	68.7
1989	21.2	23.5	64.1
1990	21.5	24.1	64.7
1991	21.3	23.6	66.3
1992	20.9	22.8	63.8
1993	18.8	20.3	59.7
1994	18.6	18.9	57.7
1995	19.3	19.1	55.0

Source: Svimez, 1996.



**Table 5.15 - The state of infrastructure in Italy (1994; index, Italy = 100)**

	Energy	Transport	Communicatio	Water supply	Credit	General index
North	125	101.7	122.7	136.9	105.8	115
Centre	91.9	98.1	112.4	108.8	102.9	101.5
South	83.5	96.1	66.7	56.3	93.4	83.5
Islands	54.6	96.2	65.2	39.8	68.4	69.6
North-Cen	114.5	100.5	119.6	128.4	105	106
Mezzogior	72.9	96.1	66.2	50.9	83.3	78.5
Italy	100	100	100	100	100	100

Source: Tagliacarne Institute and Ferrovie dello Stato, 1995.

**Table 5.16 - The investments of state-owned corporations, 1992-1995 (bil**

Sector	1992		1993		1994	
	Italy	Mezzogiorno	Italy	Mezzogiorno	Italy	Mezzogiorno
Services and infrastructures	14,925	2,803	17,024	2,268	10,913	1,650
Manufacturing	9,705	3,919	8,152	3,145	5,233	2,194
Total	24,630	6,722	25,176	5,413	16,146	3,844

Source: Budget Ministry, 1996.

**Table 5.17 - Museums, similar institutions and visitors in Italy, 1979-199**

	Institutions, % change	Visitors, %
Arts-Archeology	72.2	10.3
History	90.8	11.3
Science-Natural history	78.7	18
Technical and Scient. Inst.	236.7	76.6
Ethnography/Anthropology	102.2	32.7
Nature Reserves, Botanical Gardens, aquariums	122.5	40.7
Specialized and general local museums	91.5	107.5
<b>Total</b>	<b>84.2</b>	<b>23.8</b>

Source: ISTAT, 1995.

**Table 5.18 - Number of foreign visitors in some European countries (1992-1994, millions)**

	1992	1993	1994
Germany	28.4	26.1	26.4
Spain	76.9	82.9	97.8
Portugal	17.9	16.2	18.8
Austria	64.2	62	59.1
Italy	63.4	64.6	76.2

Source: ISTAT, 1995.

**Table 5.19 - Number of beds available in hotels and similar facilities (1991-1993, thousands)**

	1991	1992	1993
Germany	1,311	1,298	1,323
Spain	972	1,003	1,009
Portugal	189	191	199
Austria	654	654	651
Italy	1,708	1,723	1,725

Source: EUROSTAT, 1995.

**Table 5.20 - Shares of employment, exports and value added in high technology manufacturing industries (percentages)**

G7 COUNTRIES	Employment		Exports		Value added	
	1970	1991	1970	1992	1970	1991
Italy	10.2	10.9	12.7	15.1 (1)	13.3	13.2 (2)
United States	17.6	21	25.9	37.7	18.2	23.7 (2)
Japan	16	21.8	20.2	36.1	16.4	22.2 (2)
United Kingdom	16.3	19.4	17.1	30.9	16.4	21.8
Germany	16.5	20.1	15.8	20.6	15.3	20.8
France	14.0	18.4	14.0	23.4	12.8	18.8
Canada	10.4	10.0	9.0	13.7	10.2	11.2 (3)

Source: OECD Jobs Study, 1994.

(1) 1992.

(2) 1991.

(3) 1989.

## **VI: THE DEBATE ON EMPLOYMENT IN ITALY: MAIN TOPICS AND LINES FOR REFORM**

### **1. The Italian model**

The Italian economy is at a notorious disadvantage with respect to its nearest European competitors. A major effort is still needed to stabilize the ratio of public debt to GDP and pave the way for the lira's return to the ERM, at an exchange rate that is sustainable in the long run. The disarray of the public finances, moreover, requires frequent spending curbs, while fiscal pressure (the ratio of tax revenue to GDP is higher than the European average) represents a severe constraint on any gain in the international competitiveness of Italian goods.

Italy's difficulties are bound up with a number of specific features, involving both macroeconomic arrangements and the employment equilibria. The macroeconomic factors include (Ministero del Lavoro e della Previdenza Sociale, 1994):

- one of the highest saving rates in the industrial world;
- higher structural inflation than in main competitors;
- a rate of fixed capital formation two thirds slower than in the leading industrial countries;
- public services that are poorer in quality and lesser in quantity than in most other European countries;
- public debt that is larger than GDP, despite the fact that for four years the country has run a primary budget surplus.

Among the specific features of the labour market, the following are worth recalling (Istat, 1996):

- The employment rate is significantly lower than the average for the industrial economies.
- Female participation is 10 percentage points lower than in the countries of northern Europe.
- Rates of joblessness are perceptibly higher than in most OECD countries. Only half of all Italians of working age are involved in economic activity. The waste of resources is evident with respect to young people and married women, whose rates of joblessness are 62% and 64%, compared with just 27% for household heads.
- The share of total employment accounted for by self-employment is significantly above the average for the industrial countries, and still rising.
- The underground economy accounts for the equivalent of 4 million full-time jobs.
- Part-time employment rates are some 10 percentage points lower than in northern Europe.
- The level of skill of the labour force is considerably lower than in other industrial countries, and in a good number of instances inadequate to companies' needs. At present the formal education and vocational training of the Italian labour force is lower than the average for the leading EU countries; differences within the EU are even more pronounced when consideration is extended beyond the range of compulsory schooling.

It is clear, furthermore, that the two groups of features are interrelated. For instance, the underground economy and, in part, the extent of self-employment can be seen as causes of the difficulties of the public finances. Off-the-books work naturally generates next to no social contribution or tax revenue, while these non-regular workers are often entitled not only to the social benefits and health care enjoyed by all citizens but to additional assistance, stemming from their ostensibly disadvantaged status.

The low employment rate means that every worker employed in the private sector must maintain more than two other people, compared with just one for a Japanese worker and 1.5 for an American. It is easy to see why for the Italian earnings must be higher, or else related costs in terms of public spending, hence taxes and social security contributions.

Other things being equal, a lower employment rate produces a latent loss of competitiveness, which has to be offset by increments in productivity. Moreover, the labour market has historically been the source, at least in part, of the inflation that has undermined the competitiveness of Italian exports.

A reading of the fundamental indicators highlights the essence of the special Italian situation by comparison with the other industrial countries with more harmonious economic developments: the labour force participation rate (especially for women), and the employment rate are still much lower than in other countries, owing in part to the relative neglect of part-time work.

All the same, the difficulty of creating jobs during economic expansion is a problem common to all the industrial countries for some years now, albeit to differing degree. In Italy, since the mid-1970s GDP and employment have moved asymmetrically, with unemployment rising during recession but not falling significantly with economic recovery. Despite this continuing difficulty, unemployment in Italy is not significantly out of line with the rest of the EU.

Unemployment in Italy does have some specificities, however. For one thing, while the increase in the number of mature workers losing jobs in industry is a trait shared with the rest of Europe, the groups hardest hit by unemployment are still young people under the age of 25 and women, with rates of 34.3% and 20.7% respectively, far above the averages in other countries. Also, the duration of unemployment is longer and the average age of unemployed workers is higher; those unemployed for more than 12 months accounted for 63% of total unemployment in Italy in 1995.

The key trends within the Italian labour market are thus (OECD, 1996):

- increasing dispersion among regional unemployment rates;
- the steep increase in structural unemployment for women and young people;
- a sharp rise in long-term unemployment.

According to the official documents, one of the top priority objectives of the Italian government is significantly raising the employment rate, especially in the South. Geographical disparities underscore the need for focused, multilevel action that views the European, national and regional dimension of problems and instruments.

The Italian discussion on employment strategy cannot be understood without taking into account that labour policy measures have almost all been the product of concertation and negotiation with the social partners, both in major contract disputes and in general agreements on economic and financial policy.

In general, the tripartite agreement of 23 July 1993 reflected the unanimous recognition by government, business and labour, in line with the indications of the

European Union, that combating unemployment would require a coordinated set of policy measures, combining three main elements:

- selective investment, mainly in infrastructure and in new, labour-intensive sectors;
- labour market flexibility;
- investment in education, training and research, to maximize the quality of human capital.

Such policy guidelines have been recently reconfirmed by the Tripartite Pact for Employment of 24 September 1996.

It must be acknowledged, however, that despite the broad consensus on the "ills" afflicting the Italian labour market and on the path to its revitalization, in terms of practical responses much is still to be done.

## **2. North-South dualism**

Italy's nationwide labour market indicators, it is well known, conceal immense differences between the northern and southern parts of the country. In the central and northern regions the unemployment rate is now between 7% and 8%, more or less in line with other EU countries if not lower. But in the South the rate is over 21%; moreover, the participation rate is low as well, especially for women, which suggests that the potential labour force is even larger than that picked up by the official statistics.

The Mezzogiorno is a structurally dependent economy, in which consumption is sustained artificially by large-scale transfers of resources from outside (Leonardi, 1995). A number of factors have impeded the formation and expansion of businesses in the South, such as the lack of infrastructure, high transport costs and the invasive presence of organized crime. These obstacles have deterred inflows of private capital investment, both Italian and foreign (Oneto, 1993). The nationwide coverage of collective bargaining agreements has resulted in wage differentials in the private sector insufficient to compensate for the pronounced productivity gap. Only thanks to social contribution relief for employers have unit labour costs in manufacturing been kept in line with the rest of the country.

Until 1993, public development programmes for the South included support and salvage measures, in the form of cash transfers as well as preferential social contribution rates, to hold down the non-wage portion of the cost of labour. These spending provisions, which tended to save jobs at the expense of efficiency, accounted for 4.2% of the gross product of the Mezzogiorno at the last cyclical peak in 1990. Extraordinary development assistance was terminated in 1993, to be replaced by support based on nationwide criteria, in line with Community rules.

Another factor contributing to the disparity in labour costs between Centre-North and South is the share of non-regular employment. Non-regular work now represents some 34% of total employment in the South (33% in 1980), as against 18% in the Centre-North (16% in 1980). Non-regular or unregistered workers are most common in agriculture and construction.

The geographical disparity in unemployment is striking, with a rate of around 20% in the Mezzogiorno, compared with less than 8% in the rest of the country. Moreover, whereas in northern Italy the bulk of the jobless are unemployed workers (i.e. job-losers) in the South the largest group is first-job seekers.

As the tripartite agreement of July 1993 notes, "without a policy for inter-regional equalization, economic recovery threatens to result in widening the gap separating the rest of the country from the areas that are economically less developed, areas in industrial decline, and areas of disequilibrium between labour demand and supply" (Presidenza del Consiglio dei Ministri, 1993). The agreement pointed to the instruments that could be used to conduct a new policy of regional development:

- sectoral coordinating authorities;
- programmatic agreements between the central and regional governments, to concur on a scale of infrastructural priorities for the region and speed up the process of concession and authorization;
- specific rules to remove procedural barriers, permitting swift approval and implementation of policies.

In addition, in order to attenuate external diseconomies in line with the provisions of the Agreement, the Government pledged to relaunch the planning of public infrastructural investment, requalifying public demand as an instrument of support to productive activities.

This regional policy was intended to facilitate the launching of measures for the reindustrialization of declining industrial districts and the promotion of new economic activities, mobilizing private resources as well.

A series of Government documents (Ministero del Lavoro e della Previdenza Sociale, 1994) have stressed the need for constructive dialogue between central and regional governments and the social partners, to map out the most appropriate lines of action to foster the conditions for development in the areas selected.

The terms of the 1993 agreement leave no doubt as to the general consensus on the main strategy for countering the dualism of the Italian labour market. But in practice little has been done.

Actually, both in the course of Parliamentary discussion of the Finance Act for 1996 and later, during the election campaign, discussion on the policies to relaunch the southern economy was much farther-ranging. There was some convergence between business and labour representatives, both on the general need for prompt government action (in view among other things of the worsening economic situation, which had largely spared the Centre-North and further aggravated the employment problems of the South), and on the need for effective application of the 1993 tripartite agreement.

The debate continues vigorously, with essentially three positions facing one another:

1. Confindustria (the leading industrial employers' organization) has called for derogation from national wage bargaining, in order to make up for the higher social costs of those investing in southern regions. The unions have responded in differential fashion; while CISL and UIL have shown willingness to discuss the question, the largest union, the CGIL, has dissented sharply.
2. The labour movement, in its various organizational forms, appears not to favour derogation from nationwide wage bargaining; instead, it has proposed local agreements in which employers may gain labour flexibility, short-time, etc., in exchange for job creation. In other words, Italian unions appear to be aiming chiefly at plant-by-plant or locally limited pacts (such as that governing Fiat's plant at Melfi), while rejecting the idea of a general derogation that fails to take specific situations into account.

3. Some analysts (e.g. Brunetta, 1996) cite the recommendations of the International Monetary Fund, not just to provide incentives for southern development but more generally to revitalize the entire Italian industrial structure. Such observers call for gradually going beyond the national, industry-wide collective bargaining agreement by progressively transferring such matters as job descriptions, hours and many wage items to decentralized negotiations, and keeping only the overall regulatory framework governing working conditions at the national level.

This would go beyond the agreements on collective bargaining and income policy of 31 July 1992 and 23 July 1993, assigning to second-level bargaining (at the company, province or district level) both the task of fully catching up with inflation, where and to the extent this is possible, and that of bargaining over productivity gains.

In the opinion of such analysts, this would produce the requisite wage differentials for companies in different parts of the company, to bring earnings more closely into line with real productivity, as well as reflecting the differences in living costs between different regions, without rigid, nationally mandated wage limits for certain regions, which would truly bring useless rigidity.

This last position, however, aside from the evident problem of social acceptability, also clashes with the empirical evidence on labour cost differentials between Centre-North and South. According to Istat, the differential was as wide as 16 percentage points, on average, in 1993. Second, the agreement of 23 July 1993, which tied the purchasing power of contractual minimums (which account for about 80% of average gross earnings) to that date and made second-level pay agreements conditional on productivity (which rose 3% a year on average between 1992 and 1995), is already a powerful mechanism for widening inter-company wage differentials.

In the wake of the agreement manifested by the social partners on the approach to revitalizing the southern labour market, the Government sought to transcend Italy's traditional development policy for the disadvantaged areas, centring solely on extraordinary development assistance, with a series of measures mapping out a new strategy of action based on broader, "ordinary" regional development policies for all the disadvantaged parts of the country (OECD, 1996).

Finally, there is agreement that a preliminary condition for speeding up economic growth in the South is effective action to combat organized crime (Brunetta and Tronti, 1994), an area in which important though not yet definitive successes have been achieved.

All in all, however, despite the lack of conflict between business and labour in terms of analysis and indication of the path to take confirmed in the recent Pact for Employment, little action has still been taken to overcome the dualism of the Italian labour market.

### **3. Employment flexibility**

The Italian labour market has traditionally been characterized by a pervasive set of rules. The relaxation of this regulation is thus considered a major step towards increased employment.

In the past, job-saving rules attenuated the loss of jobs in recession times but by the same token lowered firms' propensity to hire during expansions. By impeding mobility, in practice these rules segmented the labour force: on the one hand,

"guaranteed" workers with virtually iron-clad job security and on the other the long-term unemployed and new entrants, with little or no influence on wage formation in the official economy. At the same time, restrictions on the use of fixed-term contracts (which remain relatively rare in Italy), has further limited the chances of finding work. Probably the impediments to flexible hours are one of the factors causing high unemployment and low participation rates for youth and women.

Until 1991 Italian restrictions on hiring and firing were considered to be among the most rigid in the EU (Table 6.1). Moreover, temporary, seasonal and occasional work are still subject to strict rules that make further deregulation a must. The wage agreement of July 1993 called for introducing more flexible employment contracts; these forms of employment are still under discussion.

To achieve the objective of expanding employment, Government and social partners have long agreed on the need for additional accompanying programmes to activate and strengthen the Italian labour market and bring it into line with the rest of Europe, by fostering the enlargement of employment in the "secondary segment" of the labour force (less than full-time, open-ended contracts). It is precisely measures of this kind that could have the potential for producing the expected increases in employment.

The need for flexibility was recognized by the tripartite agreement of 31 July 1992, which abolished the *scala mobile* after 46 years, and by that of 23 July 1993, which introduced a two-level bargaining structure.

The signatories (all the main trade unions and employer associations) to the 1993 accord agreed on the fundamental thesis that increasing employment would depend not only on stable economic growth but also, crucially, on more flexible regulation of the labour market and flexibility in bargaining as concerns forms of employment relationship and wages. Specifically, the agreement called for:

1. the modernization of the legislation and regulations governing working hours, taking full advantage of and further expanding the gains of collective bargaining with safeguards for fundamental safety rights;
2. the introduction of temporary employment relations, incorporating adequate safeguards to guarantee that such arrangements are not used as a means for doing away with permanent, steady jobs;
3. special forms of fixed-term employment, administered by bodies sponsored or authorized by the Agencies for Employment, in order to encourage the re-employment and requalification of workers on the mobility rolls or receiving special unemployment benefits.

Enjoying the support of the social partners, the Government drafted a series of bills to implement the July agreement.

1. As regards flexible entry and instruments for matching labour demand and supply, following the end, two years ago, of rank-order hiring from the State Employment Service rolls, the public monopoly on placement services was anticipated to be ended, with provision for controlled competition from private agencies and the definitive abrogation of the requirement of authorization for individual hiring. Actually, the limitations that the public monopoly places on freedom to provide services, undermining the overall efficiency of placement as such, are all the less tolerable in that the service provided by the State agency is now of very poor quality indeed.
2. To foster labour market flexibility, a number of bills for temporary work have been presented. Clearly, however, the introduction of temporary employment (Italy is the only major European country in which it is outlawed) must not be overemphasized: it should operate chiefly in the interstices of the labour market.



3. The Government's solution concerning fixed-term employment contracts was in line with the approach of controlled, negotiated forms of flexibility. The bill moved in two directions:

- moderately extending and clarifying the model fixed-term contract envisaged by the law;
- allowing use of fixed-term employment on the basis of general and temporary production requirements for a set portion of the work force that can be raised by collective bargaining agreement.

Greater flexibility was provided in areas of economic crisis, where fixed-term workers can make up as much as 10% of a company's work force. In the developed areas, where the situation is closer to full employment and fixed-term work accordingly less necessary, the limit is 6%, in order to foster stabler forms of hiring.

4. Extra flexibility linked with the employment situation was proposed as regards a hiring quota for the mobility rolls. The quota for areas in crisis was reduced.
5. In implementation of the 1993 tripartite agreement, the Government pledged to promote part-time employment by eliminating the obstacle of more than proportional social security costs. Other flexibility measures included the simplification and further promotion of training stages.

The controversial question of wage flexibility has not been dealt with directly by the Government, which holds that this is the prime province of management and labour negotiators; however, Government did pledge to ease, to some extent, the contributions levied on the productivity increases negotiated at company level.

Possible measures could involve the revision of solidarity contracts (already effected, in part) and a redistribution of the social contributions depending on number of hours worked. These proposals have been made by a number of analysts, including union spokesmen, and should be further studied. As to overtime, the Government feels that the time is now ripe for revision of the legislation (dating back to 1923) on daily and weekly working hours. Another method for redistributing working hours that the Government has pledged to promote is job sharing between husband and wife.

A decisive element in any effort to improve the performance of the labour market is increasing the flexibility of total wages and salaries, and above all that of relative wages.

The most recent measures directly affecting the labour market have included:

- a packet of provisions in June 1995 for the refinancing of solidarity contracts, streamlining the administrative procedures for approval of socially useful projects, and in many cases making unemployment benefits conditional upon willingness to work in such schemes. Employers' social security contribution obligations were revised to favour part-time and other atypical forms of employment;
- agreement on new wage determination methods in the public sector, with greater emphasis on individual performance and less on seniority;
- new incentives for investment in the depressed areas in conformity with EU criteria (August 1995); the creation of a guarantee fund for the consolidation of the debts of small and medium-sized enterprises in the South (April 1995);
- the carrying out of major infrastructural public works projects in the South that had already been approved but were delayed by corruption scandals and procedural obstacles; finally, incentives for business formation in the South.

All in all, despite significant gains in flexibility and the joint indication of the right way forward by Government, business and labour, many of the proposals have bogged down in Parliament.

In any case, it must be admitted that more flexible working hours have not produced precisely the results expected. A study of recent company-level agreements on the matter in 1990-1994 shows that large and small businesses in North and South alike have effected various modifications in working hours, to adapt them more flexibly to peak demand periods. Essentially, flexibility has taken two forms (OECD, 1996):

- “adaptive”, involving flexible starting and stopping times for daily working hours;
- “strategic”, involving all other hours questions.

This large number of changes in working hours - daily and monthly or yearly - has had virtually no positive effect on employment.

#### **4. Vocational training and human capital**

The Italian labour market is sharply distinguished from those of other European economies by its relative underendowment of human capital. Only 30% of all labour force participants older than 25 have more than compulsory schooling, compared with 35% in the European Union as a whole; only 10% are university-educated, compared with an EU average of 25%.

A number of empirical studies have demonstrated that in the industrial countries the growth of real per capita income cannot be explained solely by the increase of capital and labour (OECD, 1996). Changes in the quality of the factors of production must also be taken into account, as well as technical change and changes in the economic and social climate. Recently, new theories of growth have stressed the externalities of education, training and R&D. It is likely that these externalities have increased in importance in recent decades, with the adoption by some companies of new methods of work organization based on flexibility and workers' participation. One of the most striking shortcomings of Italy's education system is that, unlike other EU countries, it still does not extend compulsory schooling beyond age 14. Moreover, the dropout rate is high at all levels, especially in vocational schools and in the universities. Despite a number of initiatives, including some in the private sector, vocational education remains limited and very little diversified at the post-compulsory level.

At both upper secondary school and university, furthermore, links between training and work access are difficult. Continuing training on the job still involves only a minority of firms and workers.

It is evident that this severe disequilibrium also affects employment. Poor communication between the training system and the labour market means that not only the labour supply but also the demand is structurally underqualified (resulting in unemployment for the well educated) and, at the same time, that Italian products are relatively poor in intellectual content, hence unsophisticated, low-technology, and low in value added. This weakness may constitute a serious handicap for the growth of Italian exports, above all because it directs those exports towards traditional industries in which Italy finds itself in competition not with the advanced but with the emerging economies, with their comparative advantage in labour costs. The accumulation of human capital and technological modernization of products are thus both essential, if wage growth is not to damage the export sector.

Government and business and labour organizations have agreed on the need for modernization and requalification of education and training systems to enrich basic and vocational qualifications and skills, and improve the competitiveness of industry and the quality of services.

The July 1993 agreement stated that this process would entail both resolute actions to improve and develop the various types of training offered and the evolution of industrial relations and corporate policies to implement initial training for work access, vocational requalification and continuing training.

Italy needs quality training (Brunetta and Tronti, 1995), both in school and in extra-scholastic institutions, both for youths and for mature workers, for the employed and the unemployed alike, to make the most of our human capital resources.

On these premises, Government, business and labour (Presidenza del Consiglio dei Ministri, 1993) concurred on the need for:

- a) regular, systematic linkage between the educational system and the economic system, among other things through the participation of the social partners in the institutional bodies of the central and regional governments in which the orientation, programmes, and evaluation and monitoring procedures for the training system are defined;
- b) the establishment of systematic inter-institutional coordination among the bodies active in the training process (Ministry of Labour, Ministry of Education, Ministry for Universities and Scientific Research, the Regional governments) to ensure the effective, integrated management of the system;
- c) the institution of a National Council on Vocational Training under the Ministry of Labour, with representatives of the ministries named above and of the Ministry for Industry, the Regional governments, and business and labour organizations;
- d) the prompt adjustment of the vocational training system with the revision of the framing legislation in this field, Law 845/1978, along the lines set out above, and taking account of the potential contribution of the school system, embracing:
  - emphasis on occupational orientation as an essential factor;
  - the setting of uniform national training standards, consistent with Community harmonization;
  - the reallocation of institutional responsibilities between the Ministry of Labour (the power to set guidelines) and the Regional authorities (the role of planning training programmes). In this framework, the Conference of Central and Regional Governments must be assigned the task of bringing training policies under a single planning and evaluation system;
  - the decisive role of observatories of vocational skill demand, instituted bilaterally by business and labour organizations;
  - specific consideration of action on behalf of the weaker segments of the labour force;
  - a pluralistic, flexible system of management;
  - the inception of continuing training;
- e) the extension of compulsory school attendance to age 16 through a legislative measure which, among other things, must provide for taking advantage of the contributions that vocational training initiatives can make to the school system. To increase the social efficacy of the measure, it must be accompanied by the design of suitable instruments to prevent and retrieve drop-outs, defining this activity as one of the possible applications of projects of collective interest;
- f) completion of the reform of upper secondary education, with a view to building a school system for the 21st century, with flexible integration between the national

- academic and vocational training system and on-the-job training experience for young people up to age 18;
- g) taking advantage of the independence of schools and universities and qualified vocational training institutes to extend and improve the availability of training opportunities beyond the first vocational certificate, the high school diploma, and the university degree, with special reference to the preparation of technicians specialized in new technologies, with the necessary legislative support for such training processes and programmes;
  - h) appropriation of the financial resources deriving from the levy of 0.30 percent on firms to continuing training, with emphasis on this line of action in the future Community reform of the European Social Fund;
  - i) provision for a special three-year plan for the requalification and retraining of staff, including school teachers and vocational training instructors, to assist in the start-up of the reforms described above.
  - j) revision of the trainee contract to provide for the generalization of the age limit of 32 and to define two different types of contract, such as to permit adaptation of the training programme and its duration to different needs;
  - k) placing greater stress on the skills-development function of apprenticeship, among other things through the intervention of the bilateral agencies and the Regional authorities, and certification of results.

With the concurrence of the social partners, the Government undertook a number of initiatives to promote investment in vocational training by simplifying procedures, providing technical assistance, and meeting deadlines for public cofinancing. Law 341/1995, Article 6, provides for territorial agreements. This is a new approach taking advantage of the contribution of business and labour to initiatives for the development of the South and areas in crisis. The bill on flexibility contains guidelines for apprenticeship, a traditional and still widely-used form of employment in Italy, but one that has now been largely emptied of real training content, in contrast with other countries. The bill accordingly makes the subsidies connected with apprenticeship contracts conditional on meeting a minimum training requirement, providing a transitional period for employers to adapt.

Yet again, however, it can only be said that much remains to be done. Talks between the Government and the social partners resumed following the elections of April 1996, have led to the tripartite Pact for Employment.

## **5. The public employment service**

Work changes in quantity and in quality; now one of the qualities required is flexibility. The way in which labour is performed is being transformed (think of the possibilities inherent in the "home office", which make for an objective convergence between the condition of the salary-earner and the self-employed worker). There is a consequent need to reregulate employment relations, redesign the welfare system and redefine the system of industrial relations itself.

The rules governing the working of the labour market must bring out the demand for labour, not depress it or foster the growth of the underground economy (Table 6.2).

Second, since given Italy's present levels of unemployment no possibility must be left unexplored, government, business and labour agreed in July 1993 on the need to

make the public agencies for employment more efficient in actually matching demand and supply.

The fundamental option in favour of concertation and negotiation with the social partners is an integral part of the Italian model of industrial relations. In this context, the Government has provided for local, territorial agreements pursuant to Law 341/1995, to provide stimulus and direction for local job creation initiatives responding to the needs of depressed areas. This strategy is based on the Committee for Employment, instituted in 1992, and its subsequent action. The task force has taken three lines of action:

- initiatives to accelerate public investment spending;
- collective bargaining agreements in the major industries;
- areas in crisis.

There is broad consensus on the need for very significant decentralization of labour policies and institutions. To this end high-quality services, both public and private, must be available locally and in virtual networks. It is universally agreed that the role of the regions must be enhanced, while naturally maintaining a national system that ensures compliance with certain standards, first and foremost the crucial one of labour market statistics.

The Regional Employment Agencies, instituted by Law 56/1987, have shown their usefulness in action, but are still less than fully satisfactory. Accordingly a national agency has been proposed for coordination - in no way diminishing the operating autonomy of the local agencies but centralizing such necessarily uniform functions as guidelines, standards and controls - and to revise the agency model in the light of Italian and European experience.

The proposed National Agency for Employment should be a bilateral institution with full power over the resources allocated to it; it should be presided over by the regional authorities, and the representation of the central government should be in the minority. This proposal represents a major move towards decentralization of labour and employment policies and institutions. In the future, further progress can be imagined, innovations that are still premature.

Finally, let us mention action to improve the organization and functioning of the public administration (Ministero del Lavoro e della Previdenza Sociale, 1994). New models and mechanisms for greater efficiency, effectiveness and economy in production have been introduced, which should also bring some benefit in terms of employment.

In this direction, a very important step is the phasing out of the public monopoly on job placement, with the authorization of private agencies, which could be spurred by the introduction of provisions for temporary employment. The effective capability of public employment offices to find jobs for the unemployed appears to be modest indeed. A comparison between the way people look for work and how they actually find jobs is revealing in the extreme. More than half of Italian job-seekers apply to public employment offices, but only 8% actually get placed through them. The most effective job-finding channel remains informal personal networks of relatives and friends.

Public placement nevertheless retains a major role in agriculture (Table 6.2); in the North the public system places 27% of employed farm workers, and in the South 39%. Whereas in the South public employment offices are a relatively good way of finding work in the public sector (25%) and in transport and communication (21%), in the North they mainly provide access (though less extensively) to jobs in banking and insurance (15%) and the non-market services (12%).

In a framework characterized by general expectations of liberalization and decentralization of public services, some experiments with private placement services have been conducted, all local and free of charge, by non-profit agencies and organizations of the social partners. While the legal registration of employment continues to be the task of the public offices, unemployed counselling, job search and vacancy signalling services have been provided by such institutions as the industrialists' association Confindustria in the region of Emilia-Romagna, some university graduates' associations in the North, and Catholic associations throughout the country.

These experiments and the numerous efforts to reshape the public employment service have not obviated the need for overall reform. In particular, placement services need to be redesigned to capitalize on local structures and agents and to create a new placement system, bringing public, private and non-profit agencies together in a single network.

## **6. Concealed and irregular work**

In terms of labour market regulatory provisions, Italy's low employment rate is reflected in a structural imbalance in the overall employment mix. While the segment of typical employment relations is more or less in line with that of our European partners, Italy suffers a disproportionately small "secondary" job market. By this, we mean all those employment relationships other than the standard, permanent, full-time job; as a rule such groups as women, young people and old people are overrepresented in the secondary segment. In particular, the low level of employment stems from the structurally substantial role of underground employment: work without a regular contract, off-the-books work, accounts for a significant portion of tax evasion. A policy of incentives to bring underground activities to the surface, combined with measures for training human resources, could raise the employment rate without making the entire job market precarious. This would directly increase social contribution revenues and, indirectly, tax revenues. The benefits of this policy approach would more than offset the costs, instituting a virtuous circle both in contribution and tax terms and in the enhanced efficiency of the economy itself (Brunetta, 1994).

The measures required to bring underground activities to the service are not only complicated but also hard to carry out, in that they will alter deeply rooted economic and social equilibria. What is more, the introduction of tax and contribution incentives for the so-called secondary segment of the labour market, if not correctly implemented, could have perverse repercussions on the primary segment (Tables 6.3, 6.4).

In short, what has to be changed is the system of income and social security tax levies on atypical employment (part-time, second jobs) to eliminate the existing disproportionate costs. Atypical jobs, with reduced social contributions and income tax incentives, could be associated with lesser social security benefits, especially for the young, postponing their full entitlement until they move on to the standard employment of the primary segment.

At the same time, suitable forms of checking by the labour inspectorate need to be instituted, shifting staff from today's often pointless placement functions to those of inspection. In addition, measures are needed to do away with the present complicity between underground employers and workers. For instance, partial income tax

deductibility for domestic assistance would bring a good deal of today's off-the-books work to light.

Although the paths for bringing underground activities to the surface are numerous and do not present insurmountable difficulties, so far Italian governments have not yet made a clear commitment to resolve or at least attenuate this anomaly, which damages not only the labour market but also the public finances. An indirect pledge was made in the 1993 labour cost agreement in the form of the government's recognition of the need to make atypical employment contracts attractive. The massive presence of non-regular employment within the Italian economy stems essentially from a peculiar system of relative prices, i.e. a fiscal and contribution structure that has affected the structure of employment. In Italy, to cite just one example, one full-time worker costs more than two part-time workers.

What has to be done, in brief, is to alter the structure of comparative advantages as between regular and underground activities while at the same time progressively changing, within Italian culture, the social welfare function. Greater responsibility needs to be accorded to all economic and social actors to shrink the area of non-compliance with contractual, tax and contribution rules (Brunetta, 1995).

Of course, such a strategy would have costs, especially in the short term. Initially, revenues would drop owing to the application of incentives to secondary-segment jobs already registered. There would also be danger for marginal enterprises whose economic *raison d'être* is bound up with the use of non-regular labour, at a savings of 50% compared with on-the-books workers. In the longer term, however, this could be more than offset by the emersion effect and the enhanced transparency and efficiency of firms.

The strategy of fostering the emersion of the underground economy, then, is the only way of expressly enhancing the flexibility of the Italian labour market while contributing to the adjustment of the public finances, by raising the employment rate towards European levels.

## **7. The general climate of confidence**

Italy's experience during the last two recession periods in 1979-83 and 1991-93 shows that one way of avoiding a situation in which wage moderation is enforced by unemployment, as in the Phillips curve paradigm, is to conclude general incomes policy agreements that can minimize the social costs of reorganization and maximize the benefits of growth. Judging Italy's July pacts on the performance of the first three years (1993-1995), their achievements are unquestionably notable. Compared with the period from 1985 to 1992, the annual rise in unit labour costs diminished by about 5 percentage points, a slowdown second only to that achieved by the United Kingdom. This adjustment led to a pronounced improvement in microeconomic health, as evidence by the sharp reduction in structural inflation despite a 30 percent devaluation of the lira. Moreover, Italy has effected the most substantial public financial adjustment among all EU countries and is now running the largest primary budget surplus.

These gains have greatly strengthened international confidence in the Italian economy and introduced major changes that significantly improve the regulation of employment relations and ameliorate the comparative advantage of new hiring (including the creation of open-ended jobs). However, they have not succeeded in instilling in the country the climate of confidence and optimism that is indispensable to the full and rapid

conversion of the increased profit margins into an expansion of the productive base. Certainly another indispensable element is a fall in bank rates, which cannot come without sweeping reorganization and modernization of the banking system. Yet employers do not seem to be shouldering their full share of the responsibility for the adjustment. Despite the enormous benefits they have obtained from devaluation and wage moderation, they have continued to hold a very high proportion of their profits in foreign currency and have significantly postponed the job-creating investment that should have flowed "naturally" from observance of the spirit as well as the letter of the agreements. Those agreements set a cap on overall wage increases (industry-wide plus company-level) corresponding to the evolution of companies' profits. This has introduced a powerful factor of economic participation capable of transforming not only wage determination but also the mode of working and relations between workers and firms.

The new collective bargaining rules have sought to establish better balance between the powers of the two sides, but this has not yet translated into a general climate of joint responsibility, greater confidence and unity of purpose in industrial decisions and labour relations. Accordingly, the operations needed for job creation have not yet become as simple and economical as the "spirit of July" would wish. To be sure, the long-awaited turnaround in the employment slump has finally come. Between October 1995 and July 1996 the equivalent of 200,000 jobs were created, net of the reduction in short-time compensation. Especially encouraging have been the signs of job stability in industry and the growth of payroll employment. There have been some signs of an improvement in manning levels even in large industry, which had suffered an authentic exodus beginning in the early '80s. Yet these gains are still modest by comparison with the sacrifices made by workers and consumers. And this itself is the main risk, for if the economy fails to "believe" strongly enough in the "spirit of July", what tenuous confidence there is could give way to mistrust and conflict (as the difficulty in concluding the contract of the metalworkers, the traditional wage leader, demonstrates). In this way the very substantial gains made by the economy could be undone before they produce meaningful success in what is by all accounts the most important area: employment.

## **8. The Prodi government programme for employment**

The government of Romano Prodi made clear and explicit commitments regarding employment in the framework of its Economic and Financial Planning Document for 1997-1999, presented to Parliament in June 1996 (Presidenza del Consiglio dei Ministri, 1996). The Document makes employment one of the government's priority objectives, with special attention to the South, where unemployment is mainly a problem of underdevelopment.

Actions in this field form part of the overall framework of economic policy. They complement the policies of public financial adjustment and are coordinated with the latter. In the Document, the government notes that the key to dealing with the problem consists in extending to unemployment the method of concertation used in combating inflation, as in the 1992 and 1993 agreements. In this light, in the incomes policy session in June, serious talks were launched with business and labour organizations with a view to an agreement framing policy measures to reduce unemployment. The purpose is to



create an "Alliance for Jobs". Where necessary, legislative initiatives, administrative actions and collective bargaining agreements will follow.

Structurally, the government has made a number of practical commitments:

- promoting the enlargement of the productive base and supporting new enterprise formation and employment in small firms, with incentives to small and tiny businesses that are formed or that increase their work force, with a view to closer integration with large firms;
- reforming the state employment service through decentralization, liberalization and a lighter state presence making the most of the role of private parties;
- revising, through concertation, both social shock absorbers and employment incentives to achieve greater certainty and less administrative discretionality;
- planning socially useful projects in conformity with the principle of mutual solidarity; in this regard the government plans to promote the growth of the non-profit sector, which realizes solidarity in decentralized and generally efficient fashion and which will have a major role in providing services and creating jobs;
- implementing a series of measures, in agreement with the social partners, for regulated flexibility on both the demand and supply sides of the labour market; total employment should be stimulated by new regulations on part-time work (including part-time work by employees eligible for seniority pensions, in order to allow hiring), temporary work, apprenticeship and trainee contracts; jobs should be better distributed and the market made more efficient;
- drafting a plan for part-time hiring of young people by government departments;
- urging initial and continuing training programmes both in and out of the school system, both in-service and for the unemployed, to improve and update human capital;
- weighing actions to ease the tax and contribution burden on the cost of labour by shifting part of it (health service contributions, for instance) from payroll taxes to general taxation;
- promoting and providing incentives for self-employment and enterprise creation by young people, with support to the law on youth entrepreneurship and "word-of-honour" loans for young people, including student loans as well as business start-up loans.

As we have seen, some of these themes were dealt with in the agreement of 23 July 1993 but have been only partly implemented. One of the initial pledges of the government is the full application of the agreement.

The Economic and Financial Planning Document reflects the awareness that none of the actions is sufficient in itself. Together, however, and combined with public investment in the South, these form the conditions for regaining competitiveness and for a climate conducive to an expansion of the productive base and employment. The planned measures thus represent an overall design to improve the efficiency of the labour market in a framework of greater solidarity and more certain protections, through new mechanisms, new types of action, new protagonists (the "third sector" of non-profit organizations) in the production of public goods.

The ultimate target that the government appears to be seeking with these measures is a larger and more competitive productive base in the global market, in line with the plans for European union as drafted at Maastricht, which requires, among other things, reform of public intervention and of labour market institutions.

The government has further pledged to complement the foregoing with a new investment policy, which is essential to competitiveness and to employment support, and

special attention to the South with its acute, unsustainable problems. To revive the southern labour market, government, business and labour agree on the need for new bargaining instruments to forge a system that can attract entrepreneurial initiatives. Ideas include the conclusion, in selected areas, of "area contracts" between central and local government departments, unions, employers, banks, and other interested parties. Under the area contract framework, agreements between unions and employers could seek to create the conditions for attracting new investment, expanding existing activities and maximizing the employment benefits. The area contract designates the person responsible for implementation, sets a timetable and quantitative targets, and identifies low-cost, equipped industrial districts.

Clearly the job creation policies the government is counting on are partly based on structural measures to improve the working of the markets, but they could also be sustained by renewed investment to enlarge the productive base and increase productivity. The government wants above all to foster a propitious climate of opportunities that provides incentives for entrepreneurs and supports them in technological and organizational innovation. At the same time major infrastructural projects must provide the occasion to involve local productive forces and improve the competitiveness of the country as a whole.

In addition to these nationwide measures, the planning document stresses the need to involve central, regional and local government, unions and employers in action to deal with Italy's gravest emergency, namely its worsening regional disparities. The government is aware that the southern question will require substantial economic policy innovation, with a shift from top-down, centralized policy to endogenous, self-propelled growth integrated into the national and European economies; this is the only way to achieve independent, unassisted growth.

The government proposes to move in several directions:

- fostering a favourable climate for investment, economic activity and the exploitation of local resources by extending tax relief to firms that invest and create jobs;
- testing, in the South, new forms of labour market flexibility, with special attention to young people;
- developing local pacts and company agreements for flexibility, which have succeeded, in the past, in shrinking the underground economy and encouraging capacity expansion and new investment;
- stepping up the vast array of real services to industry, service businesses and the tourist sector;
- upgrading public administration;
- promoting investment in transport and communication infrastructure to facilitate the movement of people, goods, services and above all information.

In its vocational training policies the government seems to have gotten off on the right foot, with an effort, finally, to connect basic public education with vocational training. Naturally, this departure has come very late.

There has been some dissent in trade union quarters as regards the labour market policy measures, with contrast between rigid and flexible doctrines. The government's proposals are prudent and based essentially on continuity with those of the previous legislature. Note that the July 1993 agreement itself now appears partly outdated. It would not be a bad thing if the government took the initiative (in such areas as temporary work, entry-level wages for a set period, less job security for new workers) rather than leaving these matters to the social partners.

In conclusion, it must be acknowledged that the new government has begun to move, although action must be accelerated. Not only is there now universal awareness of the serious condition of the Italian labour market, there is also an official convergence of the social partners on possible solutions. Such a convergence has been formalised in the 75 pages of the Pact for Employment of 24 September 1996, presented in detail in the following pages. Nevertheless, it is often difficult to translate the conclusions of the tripartite agreements into practice, with the result that the Italian labour market could still be at a severe disadvantage with respect to its nearest competitors for a long time.

### ***The Pact for Employment, 24 September 1996***

The tripartite agreement signed on 24 September outlines an overall policy on jobs, designed to tackle the employment emergency but also lay the foundations for upgrading the labour force, improving firms' competitiveness and modernising the labour market and employment services. The pact is certainly an appreciable measure, with such positive features as less rigid discipline of apprenticeship, innovations concerning part-time contracts, and so on.

The intent to effect structural changes in the management of the labour factor takes essentially three paths:

1. broadening the range of measures; the idea is not to confine labour policy to its traditional precincts, but to mobilize all possible instruments (from research to public works);
2. manpower flexibility: from new regulations on temporary employment businesses to the drive to bring underground work to the surface, the entire programme is based on flexibility as the main principle of labour market innovation;
3. the "localization" of problems and solutions, which runs throughout the pact, from the assignment of training initiatives to small local enterprises to the proposal to revitalize local vocational training, research and guidance structures. This approach is clearest in the provisions on areas of crisis.

It must be understood, however, that the Pact does not consist in effective decisions, but only in pledges by government and the social partners that must still be realized. Essentially, it sets out guidelines for reforming the training system, relaunching research and innovation, active labour policies, relaunching infrastructural construction projects and upgrading public demand. It also introduces the so-called "Area Contract" for intervention in the least developed districts. The agreement, therefore, pledges the government to rapid implementation of the instruments and measures set forth.

With the pact, government, business and labour seek to outline a strategy to end or attenuate structural unemployment in Italy: public works, incentives directed to specific population groups and areas, "regulated" flexibility, reform of working hours and training. The three parties agree on the urgency of a special employment plan to raise the employment rate, especially in the South. The involvement and participation of all sides is needed to meet the challenge of job creation, in the awareness that public financial rehabilitation, the establishment of the conditions for stable growth, and employment policies are not alternative but concurrent objectives.

Government and the social partners underscore their conviction of the need for an integrated strategy involving macroeconomic policy, labour market measures and

employment policies. Fiscal policy is recognized as fundamental to the growth of employment; the government pledges to act consistent with this recognition, with a reduction in payroll charges that increase the cost of labour as soon as the budget for 1997.

As to labour policies, the pact not only endorses the priorities set by the Essen Council of the EU and the contents of Italy's tripartite agreement of 23 July 1993, with appropriate adjustments, but also confirms the need to pursue the Maastricht convergence criteria through rigorous budgetary policy.

The dialogue on employment in Italy actually forms part of the broader dialogue throughout Europe, which was intensified during the Italian presidency with the tripartite conference in Rome, organized within the programme of action for employment proposed by Santer.

The guidelines of Italian employment policy are drawn from the Delors White Paper, which stressed the exigencies of infrastructure, training and research, services for local or virtual communities of small and medium-sized enterprises and the new job opportunities, ranging from environmental protection and urban renewal to social services and care, especially in the non-profit sector.

For the implementation of the Pact, further to the provision of 9 trillion lire aimed at financing an investment program, the July 12 decision of CIPE (the Interministerial Committee for Economic Planning) has devoted 1 trillion to the improvement of active labour policies along the lines defined in the Pact itself.

The resources, necessary to fulfil the commitment to social contribution relives, taken on with the European Commission, are to be budgeted by the 1997-99 finance bill. The extraordinary effort for promoting employment will require for 1997 an additional funding of 1.5 trillion, to be financed through the reduction of tax evasion and the privatization of State-owned companies. Fiscal incentives for new enterprises will be funded through a restructuring of the tax burden.

The signatories to the pact emphasized the extreme importance, for the success of these initiatives and the creation of an environment propitious to new investment in the South, above all of the restoration of law and order.

Following these guidelines, the pact details a series of measures that will affect the Italian labour market profoundly.

#### ***A) Training***

Government and the social partners are agreed that the quality of the education and training system is fundamental to present and future competitiveness. Hence the government's commitment to jobs and employment, involving business and labour organizations as well, must be based, consistent with EU guidelines, on adequately financed structural measures to improve the efficiency and efficacy of Italian education and training systems.

The objective of the signatories is on the one hand to increase both the quantity (length) and the quality of schooling; and on the other to bring about the conditions for continued access to training throughout one's working life, adapting to changes in the

competitive conditions of the labour market and meeting the need for adaptability and constant aptitude for learning.

The government pledges to extend compulsory schooling, to ensure the right to training and to devise special plans for measures to overcome the disparity in training between different parts of the country, with special attention to the South and other districts of social distress. In this, local governments, social forces and voluntary organizations should be involved. It is considered essential:

- to realize the autonomy of school districts and institutions;
- to transform vocational training centres into training agencies;
- to conclude the overall reform of the school system;
- to develop higher education;
- to favour the broadest possible use of training stages;
- to promote effective guidance for young people, with the participation of universities, regional authorities and schools and training institutions.

### ***B) Apprenticeship***

#### *Objectives of the reform*

- Enhance the training content of apprenticeship, which is unquestionably sadly neglected today, with special incentives for the firm's role;
- make apprenticeship into a special channel for alternating skill acquisition by young people lacking qualification or having qualifications relevant to their actual job;
- expand access to apprenticeship (in terms of sectors, educational qualifications, vocational profiles, and age) and promote its regulation via collective bargaining;
- deal with the transition from training to work, and between external and on-the-job training, within an overall project that is flexibly managed, sensitizing firms and fostering the necessary organizational adjustments.

Apprenticeship will now be a possibility for all sectors, including agriculture. The agreement assigns the decision as to vocations covered to collective bargaining. Apprenticeship is opened to young people aged 16 to 24 (26 in the South).

The essence of the reform is the trilateral structure of apprenticeship, which will now involve the young person, the company and the training structure from the start. Government and the social partners pledge to oversee the quality of the entire process; the final certification of the qualification obtained is to be entered in the worker's training record.

### ***C) Continuing training***

#### *Objectives of the reform*

- to promote training investment by firms and develop a system of recognition of workers' training credits;

- to promote entrepreneurs' training and updating in all sectors;
- to redirect the system, which still overemphasizes initial training, through the reform of vocation training legislation;
- to promote collective bargaining on this issue.

#### **D) Permanent training**

##### *Objective of the reform*

- to introduce a flexible tool for the workers' benefit, along the lines of the most advanced experiences in Europe.

##### *The model proposed*

To permit access to training, leave for training purposes will be regulated, both by law and through collective bargaining. The government considers that a proper instrument may be training grants to replace the income of a worker planning an investment in training; such grants would be decided by the bilateral training agency for the industry concerned. An especially flexible variant could be temporarily switching from full-time to part-time, with the training grant making up for some of the income loss.

#### **E) Temporary work**

##### *Objectives of the reform*

As we know, temporary employment businesses are new to Italian labour law. The intention is to serve a segment of labour demand and labour supply, especially in large cities, that is appreciable in size but limited because temporary employment is more costly than fixed-term hiring. The main advantage that government and the social partners expect from the introduction of temporary employment businesses is the emersion of currently unregistered employment positions.

##### *The model proposed*

Temporary employment will be introduced in the areas and sectors and according to the principles of the tripartite agreement of July 1993. In agreement with the social partners, the government will assess the results of the experimentation after two years. In agriculture and construction, temporary employment may be introduced experimentally, upon completion of ministerial examinations, with agreement between the parties as to the procedures for experimentation. The agreement expressly excludes certain cases: replacement of strikers, plants where there has been a staff reduction for the tasks involved in the previous 12 months, jobs that require special medical oversight or that are especially hazardous.

The temporary employment business can hire a worker either on a contract for the same duration as the task to which he will be assigned, or on an indefinite contract, with the proviso that he work only through that business. In the latter case the worker

will be guaranteed, either by law or by collective bargaining agreement, a minimum salary for the periods of availability. As to the general features of the contract, there will be complete parity between the temporary worker and regular employees of the firm using the temporary worker's services. As an incentive to vocational training, a fund financed by contributions from the temporary employment businesses will be used, with joint funding from the Regions, to finance training activities for the temporary workers and imputed contributions for their training periods.

#### **F) Incentives for hours reduction and reordering, part-time**

##### *Objectives of the reform*

The September Pact affirms the parties' intention to transpose the Community directive on working hours by the deadline set. The government pledges to enact incentives for bargained reduction of hours and to promote reordering of work schedules, taking into account the establishment of multiperiod hours (several weeks, monthly, annual) both in general and for specified categories.

Further, to encourage the use of part time and equalize social contributions for this form of employment, the government will offer incentives both in general (with further contribution relief) and for specified categories: young people at their first work experience in Objective 1 districts; women returning to the labour market after a prolonged absence; older people phasing out their work engagement, provided that they be replaced by young hirees. The extension of the part-time provisions to the agricultural sector, on a collectively bargained basis, is also provided for.

In the foreword of the Pact, the Government states its commitment to adopt the European Decision on working time (no. 93/104), according to what will be agreed by social partners. In any case, the new weekly standard of 40 hours (as defined in the European Decision) will be ruled by law.

#### **G) Socially useful projects**

##### *Objectives of the reform*

The design is for thorough revision of current rules with organically reformed legislation (a framing law) to enhance and make the most of local initiative. The reform is intended to meet the needs of large numbers of workers, with priority going to those who have lost their entitlement to income support programmes (social shock absorbers), but also extending the programme to groups so far excluded. The pact calls for the development of projects and business plans with special reference to such spheres of activity as the recovery of abandoned industrial areas, water control projects, environmental recovery, asbestos protection and clean-up, protected areas, nature parks, the artistic heritage.

#### **H) New employment services**

To further the transition from a policy of passive income support for the jobless to a policy of active employment promotion, the government pledges to redesign the

instruments and rethink the structures assigned to the task. The reform of employment services will be based on three main approaches:

- institutional decentralization;
- regulated liberalization (opening to private agencies, an active role for joint union-employer bodies);
- a strong role for the central government in regulation, guidelines and planning.

### ***1) Contribution relief and tax reductions***

The pact sees tax reductions as essential incentives for creating jobs.

#### *Transfer of social contributions to general taxation*

In order to reduce the cost of labour, legislation passed by the government under an enabling act for the reform of regional and local finances will abolish payroll health contributions (currently paid by employers, employees and pensioners as well as the self-employed) and instead levy a general tax.

#### *Contribution relief for Objective 1 areas*

In the regions designated by general legislation, action will take account of EU constraints on assistance. In particular:

- one hundred percent social security contribution relief in all sectors for new workers hired in 1997 to open-ended contracts increasing manning levels. For 1998 and 1999 the measure will be agreed with the EU Commission;
- partial reduction of contribution rates, with the programme being phased out starting 1 January 1998.

#### *Tax reductions*

The government attaches special importance to the development of the non-profit sector with a view to reordering the functions performed directly by the state and by non-economic public agencies, safeguarding and providing incentives for job opportunities for young people. In this regard the government, after consulting the social partners, will submit a draft enabling act for regulation of the entire non-profit sector, laying down the conditions and key prerequisites for such organizations.

#### *Tax breaks for new businesses*

The government intends to enact a measure to spur economic recovery and the expansion of employment, with special tax treatment for certain specified types of new business. Specially favourable tax treatment is to be provided for:

- young people up to age 32 starting up a business for the first time;



- workers on short-time compensation or mobility;
- the handicapped;
- persons starting up activities in environmental protection sectors.

The tax benefits consist in exemption from corporate tax and from personal income tax on artistic or professional activities up to a set amount for the first two years. For the same period, there will also be reductions in the local real estate tax and the incipient regional tax.

The ordinary system of tax reductions for those eligible is extended to five years for entrepreneurial initiatives in Objective 1 areas.

#### **J) Emersion of underground employment**

In view of the positive results already perceptible thanks to Decree Law 405/1996 which sought to favour the emersion of off-the-books employment by providing for agreements for the gradual phasing in of contractual minimums, government and social partners agree on the usefulness of extending this type of contract to additional sectors and to step up experimental bargaining initiatives at the local level.

To provide additional incentive for firms to stipulate phasing-in agreements, the parties stress that employment brought to the surface should be treated like new employment on the date that the regular collective bargaining terms are fully phased in. This will make the company eligible for whatever new employment incentives are in effect as of that date.

#### **K) Area contracts**

In parts of the country with low growth rates and the worst employment problems, especially the South, it is particularly urgent to create a propitious environment for new businesses and job creation. In a word, this means fostering new investment by rapid, certain administrative action, concomitance of the different departments' decisions, especially good union relations, a cost of money no higher than in other parts of the country, effectuation of investment and the commitment to reinvest profits to strengthen the individual company's capital base and technological assets.

The signatories accordingly seek to develop a new instrument for intervention in designated areas among those covered by the Coordinating Committee for Employment Initiatives under the prime minister's office. The new instrument consists in operating procedures and new bargaining tools that can forge a framework of administrative and financial certainties, drawing in new business initiatives in various sectors, taking account of specific opportunities and propensities.

For each of the areas initially selected, an Area Contract will be signed within 60 days by the central and local government departments involved, representatives of unions and employers, banks and any other participants. The contract designates a person responsible for its execution, the objectives and timetable for execution in terms of size and type of investment, the availability of low-cost, equipped areas, and the private resources involved as well as those deriving from ordinary legislation, which will be appropriated under accelerated procedures.

The Area Contract must also provide for a framing programme stipulated by government departments, public agencies and publicly controlled corporations as well as an agreement between employers and trade unions. The portion relating to action by government departments and agencies may also provide for considerable administrative flexibility, with the development by these bodies of a framing programme agreement indicating all the features of the programme to be implemented. There will be agreements between employers and unions instituting advantageous conditions for new investment or for the expansion of existing businesses and for maximization of the job impact.

The government will promote the formation of an agency assigned exclusively to promoting investment in the designated areas by Italian and foreign investors. Promotion of these areas, with the advantage of the contract agreements themselves, will be performed by the local promotion firms linked to the agency for the promotion of the nation's industrial areas, envisaged in the Constitution.

Table 6.1 - Indicators of labour rigidity in 1991

	Procedural difficulties	Advance notice and compensation for individual dismissal without fault	Difficulty in dismissal	General ranking on basis of severity dismissal regulations
Italy	2,0	11,0	10,0	9,0
Belgium	3,5	10,0	2,0	4,0
Denmark	1,0	6,0	3,0	2,0
France	7,0	5,0	5,5	5,5
Germany	9,0	2,0	8,0	7,0
Greece	6,0	7,0	7,0	8,0
Ireland	5,0	3,0	4,0	3,0
Netherlands	11,0	1,0	5,5	5,5
Portugal	8,0	8,5	11,0	10,5
United Kingdom	3,5	4,0	1,0	1,0
Spain	10,0	8,5	9,0	10,5

Source: Grubb D. and Well W. (1993), "Employment regulation and patterns of work in EC countries", in OECD, *Economic Studies*, n. 21.

Table 6.2 - Channel for obtaining a job, by sector (people employed in 1991 that entered their present job in 1990-91)\*

CHANNELS	SECTORS								
	Agriculture	Industry	Construction	Distributive	Transport and Communication	Banking and Insurance	Other Market Services	Public Sector	Other Non-Market Services
<b>Public employment offices</b>									
- Centre-North	27.4	5.6	2	6	4.7	14.6	4.3	5.5	12.1
- South	38.6	6.7	8.1	2.9	20.7	0	3.9	24.6	8.2
<b>Public examination</b>									
- Centre-North	4.2	0.5	0.4	1	0	5.5	2	79.7	26.5
- South	0.4	0	1.2	4.9	8.5	1.8	4	38.3	18.8
<b>Newspaper advertising</b>									
- Centre-North	2.8	3.3	11.4	9.1	14.1	7.6	7.7	0	7.5
- South	0.3	5.2	0.5	6.5	4.5	27	2.8	0	0.7
<b>Personal visit / curriculum vitae sending</b>									
- Centre-North	12.3	16.8	17.8	12.1	12.6	16.3	16.8	5.9	6.8
- South	3.1	16	2.5	3.6	2.8	24.7	5.4	4.4	5.1
<b>Friends and relatives</b>									
- Centre-North	53.5	61.8	56.8	44.1	46.3	47.2	32.4	2.1	36.4
- South	47.9	59.8	82.9	45.7	57.9	36	67.8	21.5	53.7
<b>Data bank</b>									
- Centre-North	0	0.1	0	1.2	0	0	0.2	0	0.5
- South	0	0	2.5	0	0	0	0	0	0
<b>Selfemployment</b>									
- Centre-North	0	5.9	5.2	15.1	20.6	5.7	19.1	2.7	2.6
- South	7.6	0	0.7	20.5	6.1	13.4	13.4	9.9	8.1
<b>Taking a relative's job</b>									
- Centre-North	0	3.3	6.6	7.8	1.7	0	0.4	0	0.5
- South	2.2	5.1	1.4	16	0	2.7	2.8	0	3.3
<b>Other</b>									
- Centre-North	0	2.7	0	3.7	0	3.3	17.3	4.1	7.2
- South	0	7.3	0	0	0	3	0	1.3	4

\* % share on sectoral total employment.

Source: Casavola P. and Sestito P., 1993.

**Table 6.3 - Employee labour units, 1995**  
(in thousands)

Branch	Regular	Non-regular		Total
		Irregular	Other	
<b><i>Market goods and services</i></b>	<b>8681.2</b>	<b>1405.7</b>	<b>884.3</b>	<b>10971.2</b>
Agriculture, forestry, fisheries	63.2	427.4	102	592.6
Industry	4191.4	659.3	96.5	4947.2
Industry excluding construction	3644.1	270.0	27.8	3941.9
Construction and public works	547.3	389.3	68.7	1005.3
Market services	4426.6	319.0	685.8	5431.4
<b><i>Non-market services</i></b>	<b>3882.2</b>	<b>2.0</b>	<b>394.6</b>	<b>4278.8</b>
Government	3568.7	0	0	3568.7
Other	313.5	2	394.6	710.1
<b>Total</b>	<b>12563.4</b>	<b>1407.7</b>	<b>1278.9</b>	<b>15250</b>

Source: Istat, Occupazione e redditi da lavoro dipendente, 1980-1995, May 1996.

**Table 6.4 - Employee labour units, 1995**  
(percentage shares)

Branch	Regular	Non-regular		Total
		Irregular	Other	
<b><i>Market goods and services</i></b>	<b>79.1</b>	<b>12.8</b>	<b>8.1</b>	<b>100.0</b>
Agriculture, forestry, fisheries	10.7	72.1	17.2	100.0
Industry	84.7	13.3	2.0	100.0
Industry excluding construction	92.4	6.8	0.7	100.0
Construction and public works	54.4	38.7	6.8	100.0
Market services	81.5	5.9	12.6	100.0
<b><i>Non-market services</i></b>	<b>90.7</b>	<b>0.0</b>	<b>9.2</b>	<b>100.0</b>
Government	100.0	0.0	0.0	100.0
Other	44.1	0.3	55.6	100.0
<b>Total</b>	<b>82.4</b>	<b>9.2</b>	<b>8.4</b>	<b>100.0</b>

Source: Istat, Occupazione e redditi da lavoro dipendente, 1980-1995, May 1996.

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