

# Italy: Public policy

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## ITALY

### *Public Policy*

Isabella Blengini



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This policy brief discusses labor and employment related laws in Italy, which relates to the dimensions of the quality of employment. Rather than discussing all labor and employment related public policies, this policy brief will highlight the most significant legislation in order to provide a general introduction to current public policies pertinent to quality of employment in Italy.

This brief includes four sections:

- An in-country policy context introducing the reader to the policy background of Italy.
- A discussion of dimensions of quality employment, providing a policy overview of the major public policies affecting each dimension. The following matrix represents factors that impact the quality of employment. Both employers and employees have a role in determining whether these factors are fulfilled, but government policies strongly influence how this is accomplished. Discussion for each dimension of quality of employment consists of several forms of public policies, including mandates/laws, administrative measures, or programs which moderate the Italian labor market. Many employment laws are multi-faceted and therefore apply to a number of quality of employment indicators, while others laws and policies neatly fall within one or another factor. This policy brief discusses seven components in this matrix. Opportunities for Meaningful Work is omitted because it is usually not legislated in Italy.
- A contextual focus on the main insights related to the phenomenon known as brain drain.
- A brief conclusion on the implications of policy for quality of employment in Italy.



This brief uses the quality of employment framework to discuss the effect of public policies in Italy.

## IN-COUNTRY POLICY CONTEXT

Before discussing the 7 dimensions of public policies in Italy, this paper will provide a brief discussion of important country contexts, all of which directly affect quality of employment in Italy.

### *Increased aging population*

The problem of an aging population and age discrimination has become a key issue in every part of the world and especially in Italy. The Italian National Statistical Office (ISTAT) forecasts that in the next two decades the Baby Boomer generation will reach retirement age, and they will be replaced by new cohorts roughly half the size.<sup>1</sup>

The value of the dependency ratio (measures as the participation rate of individuals over 65 in relation to the participation rate of the population aged 15-64) has been increasing over time because of the constant increase in the population of people aged 65 and older. In less than a decade the ratio went from 34% in 2001 to almost 40% in 2008.<sup>2</sup> The participation rate for people aged 55-64 has been fluctuating between 29.4% in 2001 and almost 34% in 2008, but it is still well below the European average.<sup>2</sup>

A typical practice that reflects age discrimination in Italy is represented by the exclusion of older workers from training in the workplace or the inclusion of age-limits in recruitment advertisements. It is, however, extremely important to understand that age discrimination in Italy does not involve the elderly population only, but also the very young and the educated who experience notable difficulties in entering the labor market and obtaining stable employment. The impact of age discrimination is greater for older women, people with disabilities, people of non- traditional sexual orientation, and people from an ethnic minority background. This gives rise to multiple forms of discriminations. In other words, it happens that some people do not suffer only one form of discrimination in just one particular sector, rather, multiple forms of discriminations for various reasons.<sup>1</sup>

## POLICY OVERVIEW

### DIMENSIONS OF QUALITY OF EMPLOYMENT



#### ➔ Indicators of Fair, Attractive and Competitive Compensation, & Benefits

*Employees' basic economic needs are secured, and fair and equitable distribution of compensation and benefits among employees is promoted.*

#### Overview

The regulation of minimum wages varies across Europe. Eighteen of the twenty six European countries considered have, similarly to Canada, Japan and the US, a law explicitly defining the national minimum wage. Italy instead uses collective agreements as the main mechanism to regulate low pay.

#### Minimum wage

The percentage of employees covered by these collectively agreed minimum wages is almost 100% in Italy, excluding 'irregular' workers, which represent a relatively large share of the Italian labor market. Table 1 provides an overview of the relative level of collectively agreed minimum wages in some low-paid sectors. In Austria, Germany, Finland, and Italy, the lowest collectively agreed wages in low-paid sectors are around 50% of the gross average wage in all industries and services. Differently, German hairdressers receive only 35% of the gross average wage.<sup>3</sup>

In Italy collectively agreed minimum wages are adjusted every two years and the supervision is mainly delegated to trade unions or the social partners in general and industrial/labor tribunals or courts.<sup>3</sup>

Table 1: Collectively agreed minimum wages in low-paid sectors in countries without a statutory minimum wage, as % of the gross average wage for the whole economy\*

Country	Textiles/ Clothing	Retail	Hotels/ Restaurants	Hair Salon
Austria (2003)	48/52**	51/53**	48	46
Finland (2002)	>50	>50	>50	n/a
Germany (2004)	50	45	42	35
Italy (2004)	57	60	59	52

\*Note: Whole economy represented by industry, including energy and construction, wholesale, retail, banking and insurance.

\*\* Figures in Austria refer to blue-/white-collar workers.

Source: EIRO(2009)<sup>3</sup>



### ➤ Indicators of Opportunities for Development, Learning & Advancement

*Job skill development and advancement are promoted for employees of as many industrial sectors, employment statuses, and life/career stages as possible.*

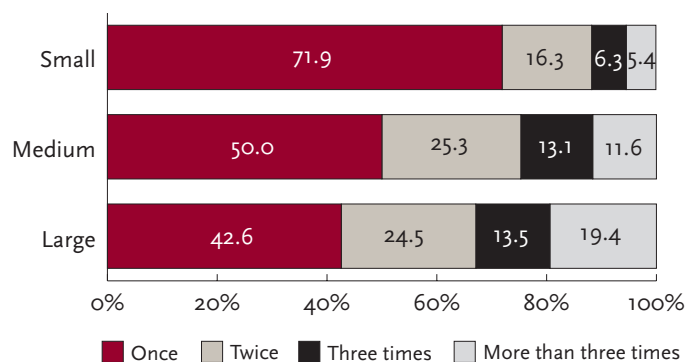
#### Overview

According to various studies conducted by the Institute for the Development of Vocational Training (Isfol), there is not an effective, life-long learning system able to respond to workers demands. Most regions which hold training policies entitlement, however, introduced vouchers in order to satisfy training demand by workers.<sup>4</sup>

#### Vocational training

Most regions in Italy try to stimulate workers' training by introducing vouchers and holding training entitlement. However, the results are still poor according to the Isfol studies.<sup>4</sup> Vocational training in Italy is typically provided by training agencies or by large companies. Usually young workers are offered regular training by agencies only, while companies tend to provide training to clerks and highly qualified workers. Clerks and skilled workers are also the main applicants for individual training, sometimes encouraged by their employer in order to avoid the bureaucratic burden and costs associated with training plans.<sup>4</sup>

Figure 1: Continuing Vocational Training activities financed by ESF, by company size, 2001–2007 (%)



\*Note: Data from a survey of 1,106 companies: 155 large (250 employees or more), 320 medium (50–249 employees) and 631 small (fewer than 50 employees).

Source: Regional Agency for Labor and Training, Friuli Venezia Giulia.  
(As cited in Eurofound (2009)<sup>4</sup>)

*The regular use of European Social Fund (ESF) resources, which shows an almost consistent investment in human capital, increases with company size. While only 5.4% of small companies used ESF resources at least four times during 2001-2007, this proportion increases to 11.6% in medium-sized companies and to 19.4% among large companies (See Figure 1).*



## ➤ Indicators of Wellness, Health & Safety Protections

*Protection of employees' safety and health at their worksite is mandated, and their physical and mental well-being is promoted. In case of job-related injury or illness compensation or other forms of social protection are offered in an accessible manner.*

### Overview

The issue of occupational health and safety is addressed both at the European and at the Italian level. What follows, first, is a description of the European legislation concerning these issues, and then a description of Italian regulation.

### European context

The European notion of health and safety includes all aspects of the worker's well-being. Approximately two-thirds of all European social policy directives are in this field. The European Union law has produced various directives covering conditions in the workplace, requirements concerning work equipment and exposure to dangerous substances such as chemical, physical and biological agents. The European Union's Communication of March, 2002, introduced a wider notion of health and safety at work, addressing new risks, such as stress, depression, violence and harassment.<sup>5</sup> It also encouraged female participation in the workforce, employment of older workers, and expansion of 'atypical' work. The Union introduced quantified targets for occupational health and safety, although these are to be determined by the Member States, and are not EU targets.<sup>5</sup>

### Italian context

The issue of occupational health and safety received increasing attention on the Italian public agenda due to the persistently high numbers of reported accidents at work. During the Second Health and Safety at Work Conference in 2007, the government presented guidelines in order to unify the existing legislation on health and safety in a single text. The existing standards will be modified and harmonized to ensure that they fully respect EU regulations. Particular attention will be paid to young, migrant and agency workers and to more precarious sectors, such as construction. The Ministry of Labor and Social Security and the Ministry of Health, together with social partners and regions, are supposed to cooperate in order to realize this project. The legal requirements of small and medium-sized enterprises (SMEs) will be simplified, and perhaps viewed, as a management objective in order to introduce measures to promote health and safety at work. In addition, in order to increase social awareness on health and safety issues, a training system will be developed as a prevention tool under the educational system. Lastly, public tenders will ask details on the execution of health and safety standards. This will be a binding requirement in evaluating the company's offer and its right to benefit from public funding.<sup>5</sup>



### ➤ Indicators of Opportunities for Meaningful Work

*Opportunities for meaningful or fulfilling employment are promoted through facilitating appropriate job-skill matches, self-realization through occupation, or community participation away from routine work.*

*This dimension is omitted because it is not the focus of legislation in Italy.*



### ➤ Indicators of Provisions for Employment Security & Predictability

*Stable provision of employment opportunities for job seekers is promoted, clear communication of terms of employment is facilitated, and protecting job security of the employed is a policy objective.*

#### Overview

The 2001 “White Paper” of the Ministry of Labor introduced the notion of “flexicurity.” The purpose was to increase the degree of work flexibility in all labor market institutions, balanced by a wider eligibility for unemployment benefits which, until now, were restricted to only permanent workers.<sup>6</sup>

#### Employment security

In 2007, the Ministry of Labor launched a project to increase the unemployment benefit for various categories of workers for 12-months and require the unemployed to attend training courses.<sup>6</sup> Such a proposal was in agreement with the EU “welfare to work” principles, but budget constraints are slowing down the full implementation of the project.



## Indicators of Workplace Flexibility

*Availability and utilization of flexible work options are promoted for employees of various life stages through increasing their control over work hours, locations, and other work conditions.*

### Overview

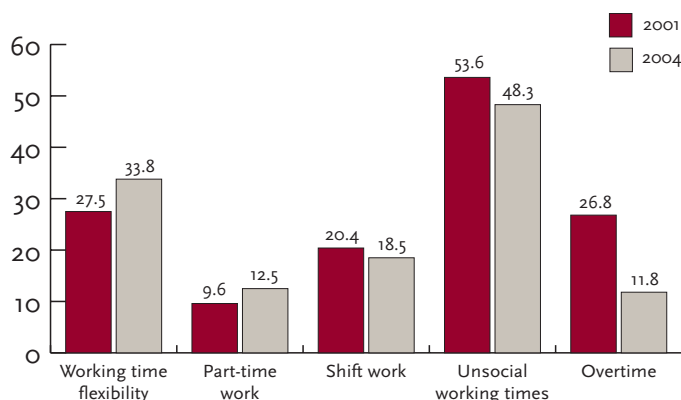
The reforms introduced in 1997 and in 2003 had the main goal to increase flexibility in the Italian labor market.

### Promoting labor market flexibility

The flexible, contractual schemes introduced in 1997 and 2003, aimed to increase employment possibilities by providing financial incentives for employers and by lowering the requirements of working conditions for those in disadvantaged groups.<sup>7</sup>

Figure 2 summarizes the main changes in work-time arrangements between 2001 and 2004. Several factors explain these changes. All sectors experienced an increase in their use of work-time flexibility; the expansion of service industry sectors and the increase of part-time work, (this sector has a high concentration of female workers, of whom 25% work part time).<sup>7</sup> Similarly, the growth in the service sectors seems to be responsible for the slight decrease of work shifts and unsocial hours. The decline in overtime is related partly to poor economic performance over a prolonged period, and partly to the increasing use of other flexible work-time arrangements.<sup>7</sup>

Figure 2: Dynamics of working times (as of 2001 & 2004)



Source: Calculations by Fondazione Pietro Seveso, based on Istat, 2004 and 2005 (As cited in EWCO (2007)<sup>7</sup>)

As Figure 2 shows, the prevalence of “working time flexibility” and “part-time work” increased by 28.1% and 37%, respectively, from 2001 to 2004, while “overtime” decreased dramatically by 53.7%. “Work shifts” and “unsocial working times” shows slight declines both in absolute values and in their proportions.

### Flexibility options

According to the Survey on working conditions conducted by EWCO in 2004, it is possible to conclude that among the most used flexibility options is flexible start/end times, with a fixed length of daily work-time (21.5%), followed by individual agreements related to the management of work-time flexibility (5.2%). The latter option is particularly employed in agriculture and personal services, where 2.7% of respondents have complete flexibility, while the same proportion have on-call contracts. Work-time accounts are reported by a small proportion of respondents (1.4%).<sup>7</sup>





## ➡ Indicators of Culture of Respect, Inclusion & Equity

*Diversity in the workforce and inclusion of less advantageous populations are promoted, and equity in work conditions is pursued.*

### Overview

A general principle of equality appears in Article 3 of the Italian Constitution. This general principle is then reinforced in “Worker Statute” and in the Legislative Decree of 9 July 2003, in application of the European Directive that establishes a general framework for equal treatment in employment and occupation.<sup>1</sup>

### *Equitable treatment for employees with disabilities*

The most widespread forms of discrimination are related to gender and disability. Currently in Italy, there are 2.6 million people with disabilities, 5% of the population over the age of 6.<sup>1</sup> The most significant problem is the integration of the disabled into the labor market. According to the ISTAT in 2005, only 26.5% of people with disabilities were employed, and 32% were affected by serious forms of disability.<sup>1</sup> 82% were employed on open-ended contracts, and 56.1% were employed in the private sector. About 14.6% of the disabled reported acts of discrimination at the workplace, while 13.5% of people with disabilities between the ages of 15-67 have never worked.<sup>1</sup> The unemployment rate of people with disabilities is higher than among other people, and this kind of discrimination affects women twice as much as men.

### *Equitable treatment for employees of different gender*

As far as gender discrimination is concerned, according to ISTAT data for 2006, there is still a huge gap between men and women. Whereas the inactivity rate for men is about 25.6% and that of women is about 49.9%, reaching 63.8% in the South.<sup>1</sup> Gender discrimination results in lower income, difficult access to stable employment and career advancement. According to a 2004 study<sup>8</sup> which took into consideration the 35-44 age group, single women have the highest employment rate (86.5%), followed by women with partners but without children (71.9%) and finally by women who are part of a couple with children (51.5%). In the last group which has a partner and children, the highest employment rate (63.8%) is among women with only one child and the lowest (35.5%) for women with 3 or more. The presence of women in leading positions in enterprises both in the public and the private sector is still limited. The number of women in Parliament is less than 20%.<sup>1</sup>

### *Equitable treatment for younger and older employees*

In Italy, not only older workers but also younger ones are subject to a form of discrimination. The labor force participation rate for 2008 in the 15-24 age group was 31.6%, while the participation rate for the age group 25-54 was 79.7%.<sup>2</sup> The low employment rate of older Italian workers is mainly attributable to the direct transition from employment to retirement rather than to unemployment. Therefore, the main concern in the Italian labor market has been to stimulate the employment of younger people, even if this is to the detriment of older workers. The introduction of early retirement schemes is generally not considered by trade unions as discriminatory and, in fact, for many decades they have been extensively used in economic restructuring, based on a broad social consensus.<sup>1</sup>



Collective agreements in Italy cover a wide range of working conditions. Furthermore, unions at the national level have been closely involved in broader political issues such as changes to welfare provision, taxes, and industrial development, particularly in the South of Italy. The government's budgetary plans are discussed with the unions every year. Italy does not have a system for setting a legal, national minimum wage, however, industry level agreements apply to all employees in the industry, and so de facto set a minimum wage for that particular industry.<sup>9</sup>

## ➤ Indicators of Promotion of Constructive Relationships at Work

*Employer-employee frictions and conflicts are mitigated, and constructive workplace relations are facilitated.*

### Overview

In Italy, there are more trade unionists than any other countries in the EU. There are three main union confederations – CGIL, CISL and UIL – whose divisions were initially based on political differences, although these have become less clear over time..

### Collective bargaining

A national agreement between unions, employers and government in 1993 clarified the ways in which bargaining had to be conducted. Collective bargaining in Italy takes place at two levels, the industry level and the company level. Industry level bargaining deals with projected inflation, while company bargaining focuses on productivity increases. Industry level negotiations are intended to ensure workers a constant purchasing power. In other words, the growth rate of wages has to be equal to the expected growth rate of prices. Pay negotiations at company level should provide a mechanism for the employees to take account of particular company level developments, such as improved productivity and the risk of job losses. The employers' association, Confindustria, has recently called for bargaining to be made more decentralized, thus increasing the importance of company level bargaining.

## CONTEXTUAL FOCUS:

### BRAIN DRAIN

#### Overview

The brain drain is the result of the lack of financial support and appropriate incentives for research that characterize the Italian university system.

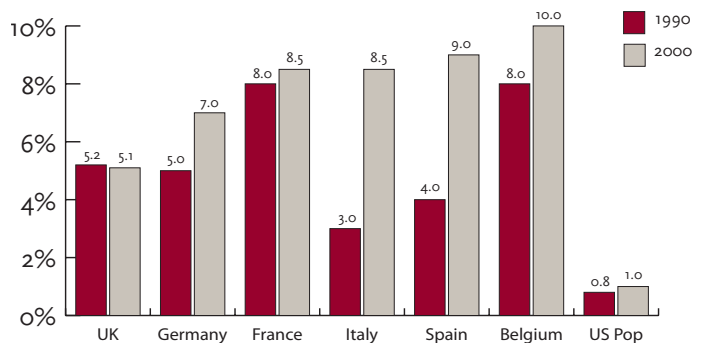
#### Brain drain

In Italy, both in the public and private sectors, resources devoted to research are both fewer and less productive than in other advanced economies.<sup>10</sup> The large part of the problem lies in Italy's academic system. In order to get a permanent academic job, it is necessary to take part in national competitions. Calls for these competitions are rare and positions are few. As a result, it is almost impossible for young researchers to experience career advancements sooner than 10 years after obtaining their Ph.D. Slow career progression, low salaries, little competitiveness, few resources, bureaucracy, and the lack of a real meritocracy are all factors that discourage researchers from pursuing careers in their home country.

Extremely poor public funding is a chronic problem for Italian research affecting both universities and National Research Council institutes.<sup>10</sup> Moreover, private industry's support for basic research is very scarce, and only a very small number of institutions benefit from this kind of funding. For the first time in 2001 Italy introduced a national research plan, which includes a series of strategic programs to better manage resources and increase competitiveness in basic and applied research.<sup>10</sup> The so-called operation 'brain buster', launched by the Minister of Education (with the law DM 26/01/2001) aimed to attract back Italian scientists and/or foreign academics working in the research sector abroad. In 2003, the Government allocated resources to call back those researching abroad; 96 researchers have moved back to Italy.

Candidates willing to work in an Italian university are selected through the "direct call" system and not through the usual procedure of contests. Talent flows to and from a country are important indicators of the efficiency of the educational and labor market systems. Italy is characterized by low rates of retention and attraction of 'talent' such as university graduates, researchers, scientists and other high-skilled human capital.<sup>11</sup> This is a big problem that has to be solved as soon as possible, since net outflows of talent today mean limited innovation tomorrow.<sup>12</sup>

Figure 3: % of workers with Phds newly arrived in the US



Source: Boeri (2005)<sup>13</sup>

As it is possible to note from Figure 3, in 2000 the Italians with a Ph.D. represented a high percentage of newly arrived workers in the U.S. Other countries that are highly represented among the newly arrived highly educated workers in the U.S. are Belgium, Spain and France.

## IMPLICATIONS FOR QUALITY OF EMPLOYMENT

In Italy, every aspect of the employment relationship is strongly regulated. High regulation, however, becomes a problem since it introduces rigidity in the labor market. As a result, employees are highly protected and basically do not face any competition with unemployed people in search of a job, while highly educated and young people find it difficult to enter the labor market. These kind of rigidities in the labor market also have an impact on the Italian real economy that is not able to grow as fast as it could, given its existing resources in terms of human capital.

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Established in 2007 by the Center on Aging & Work, the Global Perspectives Institute is an international collaboration of scholars and employers committed to the expansion of the quality of employment available to the 21st century multi-generational workforce in countries around the world.

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