

Decent Work Country Report - Italy*

by

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Table of contents

1	INTRODUCTION.....	5
2	THE ECONOMIC AND SOCIAL CONTEXT	6
2.1	STRUCTURAL GAPS AND MORE RECENT WEAKNESSES IN THE ITALIAN ECONOMY	6
2.2	CRISIS AND (PARTIAL) RECOVERY OF THE ITALIAN ECONOMY IN THE 1990'S	8
2.2.1	<i>The July 1993 Agreement and the wages moderation.....</i>	9
3	TRENDS IN WORKING AND EMPLOYMENT CONDITIONS	10
3.1	THE MODEL FOR UNION REPRESENTATION AND FOR INDUSTRIAL RELATIONS	10
3.1.1	<i>Norms on salary integration and collective dismissals.....</i>	12
3.1.2	<i>Participative models</i>	12
3.2	THE MODEL AND THE TOOLS FOR SOCIAL PROTECTION	13
3.2.1	<i>The pension system</i>	13
3.2.2	<i>The Social protection system.....</i>	14
3.2.3	<i>Legislative tools for the protection of the unemployed.</i>	17
3.2.4	<i>Other forms of social protection</i>	18
3.3	WAGES AND EARNINGS	19
3.3.1	<i>Wage moderation.....</i>	19
3.3.2	<i>Wages, productivity, profits and income distribution</i>	21
3.3.3	<i>Some international comparison</i>	23
3.3.4	<i>Wage differentials</i>	26
3.3.5	<i>Individual earnings inequality.....</i>	31
3.3.6	<i>Gender related wage differentials.....</i>	33
3.3.7	<i>In-work at risk of poverty.....</i>	35
3.3.8	<i>Young working adults.</i>	37
3.4	THE LABOUR MARKET	37
3.4.1	<i>The state of employment.....</i>	37
3.4.2	<i>The rates of activity and of employment increase but they remain low.</i>	38
3.4.3	<i>Female participation in the labour market and part-time jobs.....</i>	40
3.4.4	<i>Unpaid works and work-family reconciliation issues in a gender perspective.....</i>	41
3.4.5	<i>Working hours.....</i>	44
3.4.6	<i>Scholastic dispersion</i>	46
3.4.7	<i>Hourly flexibility.....</i>	47
3.4.8	<i>Contract flexibility and precarious employment.....</i>	49
3.4.9	<i>The quality of work: some relevant national surveys.....</i>	57
3.4.10	<i>Over 45.....</i>	66
3.5	UNDECLARED LABOUR AND UNDERGROUND ECONOMY	67
3.5.1	<i>The underground economy</i>	67
3.5.2	<i>Irregular (undeclared) employment.....</i>	68
3.6	POVERTY	72
3.7	IMMIGRATION.....	74
3.7.2	<i>Immigrants and employment.....</i>	76
3.8	THE SOUTH (OR THE MEZZOGIORNO)	78
3.8.1	<i>GDP, employment and productivity.....</i>	78
3.8.2	<i>Labour policies</i>	79
3.8.3	<i>Undeclared employment</i>	80
3.8.4	<i>Economic growth and regional gap in EU-25</i>	80
3.8.5	<i>Pressure from organised crime.....</i>	81
3.8.6	<i>Education and yield of the investment for education</i>	81
3.9	INDUSTRIAL ACCIDENTS	82
3.9.1	<i>INAIL'S commitment in combating undeclared unemployment.....</i>	83
4	LINKAGES, TRADE-INS AND TRADE-OFFS BETWEEN DIFFERENT ELEMENTS OF WORKING AND EMPLOYMENT CONDITIONS.....	83
4.1	STRUCTURAL GAPS AND PRINCIPAL TRENDS.....	83
4.1.1	<i>The "southern question", undeclared work and low rate of activity.....</i>	83
4.1.2	<i>Slowing down of growth and productivity</i>	84
4.1.3	<i>The wages</i>	87
4.1.4	<i>The precariousness of labour.....</i>	88
4.1.5	<i>Immigration</i>	88

4.2	THE MOST CRITICAL POINTS AND THEIR MUTUAL INFLUENCE.....	89
4.2.1	<i>Wage differentials and in-work at risk of poverty.....</i>	89
4.2.2	<i>The issue of female labour.....</i>	90
4.2.3	<i>Young adults.....</i>	91
4.2.4	<i>The South.....</i>	91
4.2.5	<i>Poverty.....</i>	92
4.2.6	<i>Social protection.....</i>	92
4.2.7	<i>Labour quality in the questionnaire surveys.....</i>	93
4.3	THE SEGMENTS MOST AT RISK: YOUNG ADULTS, WOMEN, IMMIGRANTS, UNDECLARED WORK, THE SOUTH....	94
4.4	THE POLICIES.....	94
4.4.1	<i>The July 2007 tripartite agreement and the subsequent Law 247/07.....</i>	95
4.4.2	<i>The 2008 Financial Act.....</i>	97
4.4.3	<i>Other measures against job instability, irregular labour, and job injuries.....</i>	98
4.4.4	<i>The wage question.....</i>	98
5	CONCLUSIONS AND POLICY RECOMMENDATIONS.....	99
5.1	THE LABOUR QUESTION IN ITALY.....	99
6	REFERENCES.....	102
7	GLOSSARY.....	105

1 INTRODUCTION

In Chapter 2, where the general context of the Italian economy and society is described, Italy emerges as an outstanding member of the most industrialized countries group, a democracy with a high standard of legal rights, social safeguards, and union protections. At the same time, Italy retains its own significant historical and structural difficulties: the South of the country (the *Mezzogiorno*), the low levels of employment (especially for women and young adults), the broad spectrum of the underground economy and of hidden labour, are described; and finally, the more recent trends are considered: wage moderation, the growth of flexible and precarious employment, rapid growth of immigration.

In Chapter 3 the basic characteristics of Italy's working conditions are analyzed in detail. In the premise, the specific traits of the system of industrial relations are delineated. A summary of the features of the system of social protections, of wage performance, with relative differentials, of the *at risk of poverty* areas in-work, follows.

The analysis of the labour market (also in Chapter 3) has highlighted these critical points:

- notwithstanding the strong increase of the rate of employment in the last ten years, levels remain low, especially because, despite the fact that the increase in employment levels is mostly due to the increase in the female component, female employment remains undersized compared to other EU-15 nations;
- the increase in labour flexibility and precariousness;
- the quality of on the job working conditions.

The dynamics of immigration, of the underground economy and labour are examined; as are the conditions of where poverty is most widespread, and those of the areas at higher risk of poverty; and, finally, the way in which all of these phenomena are present in the South of Italy are considered.

In chapter 4 we have analyzed how the different elements of employment and working conditions influence each other and in chapter 5 we have drawn some possible conclusions.

From the data examined, the overall picture is one of a country with many contradictions: despite Italy's status of industrial nation, and of a consolidated democracy with an articulate and weighty system of industrial relations, a specific "*labour question*", with significant disadvantages compared to the rest of "old Europe" (EU-15) outstands.

The main aspects of these critical issues are also evident: low salaries, the diffusion and increase of precarious labour, the burden of irregular work and of the underground economy, the condition of immigrants, especially illegal ones, and the issue of the South, all concur to darken the picture. In this framework, the specifics of female and young adult employment, and the import of schooling levels in areas of social unease, are clearly evidenced. From the investigations of the quality of work, Italian enterprises have shown themselves to be tardy in adopting the new forms of work organization based on greater worker participation, team work, on-going training, and job enrichment and enlargement; as well as higher rates of work are evidenced.

2 THE ECONOMIC AND SOCIAL CONTEXT

Italy, according to the most recent available figures (for the year 2006)¹, is a country whose GDP per capita ranks just behind the two other Western European G-7 countries, France and Germany, and just ahead of Singapore, Spain and Greece. Italy is also a country with a history of “high intensity” industrial relations. The social protection net presents very distinct features: the health care is organized mainly on a public, universal, patients cost-free, tax financed scheme; the retirement schemes are overwhelmingly public, financed by social contribution with a trend toward the unification between originally different sectors or occupation-based funds; basic unemployment handout schemes are rather weak; more substantial schemes are available for redundancies in bigger firms or for unemployment spells in some sectors (Construction, Agriculture): families retain a role in providing fundamental support for young people and needy elders.

The legal base for the union representation system is the *Statuto dei lavoratori (Workers Charter)* passed in 1970² and based on the following fundamental tenets: recognition of company union representatives, legal safeguard, and protection from *unfair dismissal* for all workers employed in firms with more than 15 employees.

The post-war labour agreements had permitted the automatic index-linking of wages, and, at the end of the 1960's, had produced the *punto unico di scala mobile*, the “unified point” indexation mechanism – all salaries of whatsoever sector and occupation were linked to this. When inflation rose 1% the *scala mobile* index would also increase by 1 point. On the basis of the egalitarian logic current in Italy at the time, this was *not a percentage point of the individual salary of each worker, but the same value for all workers*. It was also a mean for firms to cope with the acute social unrest of the period. However, the *scala mobile* and its mechanism led to conflict in 1983/4 prompting a series of revisions; the mechanism was mitigated bringing the adjustments of the rate from three to six months.

In July 23 1993 – after Confindustria and the other associations of employers renounced the then current system of *scala mobile* – a tripartite agreement (between the social parts and the government) was reached. It was defined by Gino Giugni, the main architect of the 1970 *Charter*, as a *constituent* agreement of the model for industrial relations in Italy, and it has supported and governed industrial relations in Italy to date. The agreement defined a model for industrial relations centred on *tripartite concerted action*, between the central government and the social parts, on the primary objectives of the income policy: firstly, at the level of national contract bargaining, whose wage policy was based on *planned inflation*; on the national sector collective bargaining (every four years for the full national contract renewal; every two years for salary rates only); on a ‘second’ level of bargaining, at company (or territory) level, to which the RSU (Rappresentanze Sindacali Unitarie – Works councils) are entitled.

2.1 Structural gaps and more recent weaknesses in the Italian economy

The Italy of the ‘90 inherits from the past a series of structural gaps which differentiate it from other European countries, and which can indicate a series of critical points in the internal social and labour conditions, and thus in the evaluation of DW in our country.

The following stand out:

¹ <http://unstats.un.org/unsd/demographic/products/socind/inc-eco.htm>.

² *Legge (law) 300*.

- The profound divide between the North and the Centre, on one side, and the South³ on the other (within which significant differences are also present), where all the critical points and the elements of risk assume greater proportions with respect to DW (see § 3.8): this is true for the rates of activity, employment, unemployment, gender divides, undeclared labour, social and economic sectors controlled by organized crime, etc;
- An activity and employment rate 8/9 points lower than the EU–15 average (see § 3.4);
- Rates of female activity and employment which, notwithstanding the strong increase of the last decade, remain firmly below the European average (including part-time jobs, and especially when compared to with the Scandinavian area);
- The existence of an *underground economy* (for definitions see § 3.5) to a greater extent than in other European economies;
- Productive specialisation in mature sectors with high manpower needs (especially exposed to competition from cheap labour countries), prevalently operated by small and tiny industries, characterized by low productivity rates and wages, and by a reduced union protection (from 15 employees downward the *Statuto dei lavoratori* is not applicable).

Some of the more recent developments must be added to these structural gaps in the economy: those connected to the European unification and the creation of the EuroZone, as well as those connected to the globalization of the economy on the one hand, and to the deregulation of the labour market, which has prevailed in industrialized countries, on the other.⁴

It is also worth mentioning that the Italian public debt soared during the '80s and by the beginning of the next decade it was well above 100% of the GDP, against a European average of about 60%, while national deficit was above 10%.

On top of these structural problems, between 1991-1993 the whole European economy underwent a recession (its growth rate, which during the 1980's had been above that of the USA, now fell well below). Italy was especially hit: in the year from 1992 to 1995 nearly 1.2 million of jobs were lost over a total of about 23 millions.

As we will see (§ 3.4.8), the deregulation of the labour market has begun in the early 1990's and has been implemented more thoroughly between 1995 and 2006, especially following the 1997 *Legge Treu*, and the 2003 *Legge 30* or *Legge Biagi* (named after the two prominent promoters), determined the growth of the fixed-term (temporary) jobs, especially with the younger workers and with the newly hired. The percentage share of temporary workers (both employee and self employed) on total employment is (2006) still below the 12% threshold. But if we focus on young peoples and young adult (15-29 yrs.) the figures are quite different: the temporary workers employment share is at about 28%. The different forms of temporary/fixed term jobs represents a relevant share of the total employment. A significant number of these young workers seem unable to overcome the *trap of precariousness*, constituted by a subsequent number of short-term contracts, quasi-subordinate (see § 3.4.8.1.6) jobs or self-employment which actually mask an evasion from both the duties and the protections of long-term employment.

³ The South of Italy (Mezzogiorno) typified by these development gaps is an area encompassing the regions of Abruzzo, Molise, Campania, Basilicata, Puglia, Calabria, Sicilia and Sardegna. It is not really a homogeneous area, and inside it we can identify regions such as Abruzzo, whose growth rate place them closer to the central ones than to the southern ones.

⁴ OECD Employment Outlook 2002

Table 1. Type of occupation by class of age. Year 2006 (a)

Age	Permanent employees	Fixed-term employees	Quasi subordinate work (formally self-employed)	Total temporary work	Other self-employed	Total
15-29 yrs.	57.7	23.9	4.4	28.3	14.1	100.0
30-39 yrs.	65.8	8.8	2.2	11.1	23.1	100.0
40-49 yrs.	67.6	6.3	1.2	7.5	24.9	100.0
50 and over	61.4	4.2	1.6	5.8	32.8	100.0
Total	63.9	9.7	2.2	11.8	24.3	100.0

(a) These figures are at a first sight somewhat different from other figures based on Eurostat data cited in the present Report, particularly regarding the share of fixed-term employees on employees on younger employees, at about 30% against 40% of the other estimates. But in the table above younger class is wider (15-29 yrs.) than in other tables (15-24 yrs.).

Source: calculation by the authors on data from *Rapporto sul mercato del lavoro 2006*, CNEL, Roma, 2007 (from Italian ISTAT LFS micro data).

Policy makers have tried to correct the trend and options and opinions differ often radically, as is normal in country like Italy which, since the 1990's, is governed through an, however much imperfect, bipolar system, in which two coalitions confront each other. The centre right being more oriented towards deregulation of the labour market policies, and the centre left towards issues of social protection. The same holds true for the social parts, although on issues like the liberalization of the economy from monopolies, or corporate protection, the sides often shift.

2.2 Crisis and (partial) recovery of the Italian Economy in the 1990's

In the early 1990's Italy had to face meeting the Maastricht criteria to join the Euro⁵: Italy, with its conspicuous history of devaluations after the end of the Bretton Woods era, was then one of the European countries whose situation was farthest away from Maastricht criteria. In 1992, public deficit was up to 10.9% of the GDP, the stock of public debt up to 108.7% of the GDP, and the inflation rate was 5,3% against the 3.2/3.5% of France and Germany⁶

Severe policies for the reduction of public spending, and deflation were put in place. Public debt and the balance of payments were so critical that Italy had to actually Monetary Union and devalue three times the Lira, bringing the exchange rate with the Deutchmark from 700/1 to 1.100/1. To this must be added the recession which hit Europe in the 1990's and which in Italy was considered the gravest since after the War.

To meet the Maastricht criteria, Italy was among the first European countries to follow the road of social agreements⁷, and the tripartite agreement came into being on July 23 1993.

⁵ The five Maastricht criteria:

- inflation rate no more than 1.5 percentage points higher than the 3 best-performing member states of the EU (based on inflation);
- the ratio of the annual government deficit to gross domestic product (GDP) not exceeding 3%;
- long term nominal interest rates that does not exceed by more than 2 percentage points that of, at most, the three best performing Member States in terms of price stability;
- the ratio of gross government debt to GDP not exceeding 60% - even if the target cannot be achieved due to the specific conditions, the ratio must have sufficiently diminished and must be approaching the reference value at a satisfactory pace;
- joining the exchange-rate mechanism the European Monetary System (EMS) for 2 consecutive years and not having devaluated the currency during the period.

⁶ Banca d'Italia, *Relazione annuale* - Anno 1998, Roma 1999

⁷ Fajertag e Pochet (Eds), *Social Pacts in Europe*, Etui-Ose, Bruxelles, 1997; Pochet, *Le pacts sociaux en Europe dans les années 1990*, Sociologie du travail, Paris, 2/1998 ; Negrelli S., *A social agreement to strengthen: shadows and lights*

This became the institutional frame for industrial relations and concerted action in Italy and, notwithstanding the tensions and the difficulties, it is still in place. Even as we write the social partners have begun parleys to update the contractual model laid down in July 1993.

In 1996 the Prodi Government accelerated the recovery process of the deficit so as to meet the Maastricht criteria and bring Italy into the EuroZone from its start-up. The Lira, from its 1995/6 low (which had permitted a rapid growth of exportation and profits for the industries) was revaluated and in 1998 the lira/euro equivalence was set (corresponding roughly to 900/1 Deutchmark).

The manoeuvre succeeded: public deficit fell below 3%, inflation for several years was below 2%, and close to the European average. Italy entered the Euro Zone from its start-up. But the costs were not light, especially for the salaried workers.

2.2.1 The July 1993 Agreement and the wages moderation

The recovery of the Italian economy was based on a restrictive monetary policy; on the moderation of wages guaranteed by the 1993 agreement; by a public debt reducing policy which, in the span of 7/8 years (from 1992 to 1996/8), cumulated some hundreds of billions of Lire (equivalent to hundreds of millions of euro); as well as on reduction of social security spending with the 1995 reform of pensions.

The July 1993 agreement was based on a contractual system in which national sector contracts are renewed every two years for the pay issues, and every four for the normative ones; for every two year period, wage growth is based on *planned* inflation (instead of on forecasted inflation, as in the majority of the European countries): discrepancies between *planned* and real inflation would be recouped in the following two years. The objective of the agreement was clearly to aide, through the tool of *planned* inflation, the deflation process of the Italian economy and yet to defend the purchasing power of wages (the redistribution of growth in productivity were left mostly to company bargaining⁸ and in part to the national contracts).

Obviously, the effectiveness of the system strictly depended on the fact that the objectives of *planned* inflation be the genuine aims of the economic policies of the governments, so that the real rate of inflation would actually be close to the planned one. This was not always so. In the two years 1995/96 the difference between *planned* inflation rate and effective inflation was of 6 points (while between 1997 and 1999 effective inflation actually fell below the *planned* one); again, between 2002 and 2004 the disparity between the two fell a further 4 points; for a comprehensive total of 10 points difference. This disparity between planned and effective inflation caused industrial relations into a wage-price spiral to recover the buying power lost in these periods; this ended up absorbing even the productivity surpluses (this was not the case in the second period, which was of stagnation and decline in productivity) and impeding any real possibility of their redistribution.

What resulted was a wage moderation policy which only partially defended the buying power of salaries, and certainly did not permit a redistribution of the productivity earnings achieved in that period. Recently, the Governor of the Banca d'Italia, Dr. Draghi, exposed the existence of a salary problem in our country.

of the Italian concerted action, in "Trade unions' relations in Italy", Report 1994-1995, CESOS, 1998; D'Aloia G. and Olini G. Italy Report, in Collective bargaining Report, ETUI, several years, Bruxelles;

⁸ The contracting system considered a second level of bargaining as well as the national level (see §. 3.1): this second level of company bargaining (or territorial bargaining for the smaller enterprises) in which workers could bargain for quotas of salary to be connected to company performance, and to the models of work organization. This agreement aimed not at the introduction of automatic mechanisms linking company performance and wages, but to the forging of programmes that had raised productivity and quality labour as their objectives.

3 TRENDS IN WORKING AND EMPLOYMENT CONDITIONS

3.1 *The model for Union representation and for industrial relations*

As previously mentioned, Italy is a country with a high density of industrial relations and contract bargaining.

The law in Italy which regulates union representation is again the “Workers Charter” (Law no. 300 of 1970). Apart from recognising and protecting the freedom of individual and collective union membership at work, and from assuring workers protection against individual dismissals for unjustified cause, the law also provides for important rights on union activity for work councils, at the company level, which benefit from specific requisites. The law assures these union and workers rights for enterprises with more than 15 employees. Since the tripartite *social pact*, signed in July 1993, the work councils named by the law are the “*Rappresentanze Sindacali Unitarie*” - RSU (Unitary Works Councils)⁹. The Charter of 1970 includes an essential norm (art. 28) aimed at making the entire system of union rights in the enterprise effective by repressing any eventual anti-union behaviour by the employer.

After Confindustria withdrew, in 1991, from the automatic system of wage/inflation index-linking (the *scala mobile*), the tripartite agreement of July 1993 (also on the basis of the agreement reached in 2002) redefined the whole picture of industrial relations, as well as the contractual model.

The new model for industrial relations provided for:

- a first degree of tripartite concerted action between government and social parts on the primary objectives of the income policy (inflation rates, income performance – both for subordinate employment and for other incomes, social costs, ecc.). One of the cardinal points of the income policy was – as already mentioned - *planned inflation*: inflation was to be defined concertedly, and was to be the target of all incomes, from price and tariff control to wages, and also set the priorities for the national economic policies. This tripartite concerted action was later extended to the local, or territorial, level by means of the ‘territorial agreements’ and of *bargained planning*, provided for by the 1998 *Christmas agreement*;
- full, comprehensive, renewal, of all national contracts, every four years; and an intermediate re-bargaining, every two years, in which only salaries and wages are re-discussed. Planned inflation was the reference point to determine wage performance. If there emerged, at the end of each two-year interval, a disparity between the rates of *planned* and *real* inflation, this would have to be recovered in the following two-year period; one of the primary objectives of national bargaining was to defend the purchasing power of salaries (however, a distribution of productivity earnings at this level was provided for);
- a second degree of bargaining, to take place at company level, at the heart of which was the creation of the so called ‘result bonuses’, through which company level bargaining was to be connected to company *performance*: a sort of *gain sharing* or *profit sharing*, although the agreement provided for broader discussion and understanding of “company strategies” aimed at realizing those performance objectives. For matters such as, wages, working time,

⁹ On November 4th 1997, legislative decree n. 396, on union representation and collective bargaining in public employment, was passed: With this act the Government acknowledged a large part of the content of the Protocol on public employment which the confederate unions and the government had signed on march 12. Decree 396 introduced numerous and important novelties in the system of union relations in public employment, among which the legal provision for the creation of unitary and elective organisms for personnel representation (RUP), in the work places, with universal suffrage and a proportional representation system, without the controversial clause that reserved a third of the RSU to the oo.ss. that had signed the CCNL.

training, union rights, only contents for their improvement can be bargained at the decentralised level, according to the principles of a) co-ordination, b) derogation “*in melius*” only for the workers.

The 15 years in which the Protocol was applied gave rise to a model-system of industrial relations which has been also defined as “*decentralized centralization*”.

Concerted action has involved not so much, and only, bargaining policies, but the sum total of the social policies. The 1995, 1997, and 2007 reforms of the pension system have been agreed on by both government and unions (and the 2007 one has the consent of the entrepreneurs as well).

The 12/22/1998 agreement, also known as the “*Christmas pact*”, despite the fact that it already took into account some of the inherent difficulties, it nonetheless proposed the most ambitious program yet for the implementing of concerted action: it was signed by 32 organizations of the social parts, and saw the participation and involvement of the local institutions. This novel, four-sided, configuration of concerted action innovates on the traditional tripartite and industrialist structure of the classic neo-corporative model. Moreover, it adopted the principle of subsidiarity as set out by the European council, and, through “*bargained planning*” and “*territorial agreements*” it extended the tripartite model of concerted action to the local level. The time for concerted action, however, was over: the Berlusconi government, elected in 2001, determined its end.

At the same time, in those sectors (Agriculture, Constructions, Tourism) and areas (Craftmanship) where seasonal employment and/or small firms are prevalent, a territorial level of bargaining and of union representation, for enterprises with 15 or less employees, is provided for (in Craftmanship they are called “*basin*” representatives).

There are also some SMEs and the retail sector collective contracts that indicate a lower threshold (8 employees in textile; 10 for the metal workers) for the right to elect workers representatives at the workplace and/or hold assemblies in the enterprise. In Italy employers’ associations and trade unions have established some bipartite bodies (*enti bilaterali*) for small firms in the craft sector, or in sectors with a high rate of irregular work and mobility (hotels and catering, retail, construction, farming), which, at local level, provide for social dialogue, territorial pacts and welfare schemes¹⁰.

National coverage of this second level of bargaining is estimated to be almost 100% of workers in the public sector, which has a legal obligation; 60% of workers in companies with more than 50 employees in the business sector (private sector, agriculture excluded); and 40% of workers in companies with more than 10 employees in the same sector. For micro-enterprise craft sectors, territorial bargaining coverage is estimated to 70% of employees.

As in all industrialized countries, Italy too has seen a decline in unionisation, especially among active working population.¹¹

Italy, nevertheless, maintains a comparatively medium-high rate of unionisation, where 33% of the active subordinate worker population is subscribed to trade unions (with approximately 12 million workers/pensioners subscribed to Cgil, Cisl and Uil¹², Italy is by far the first in Europe with regard to trade union membership; although, nearly 50% of the overall membership are retired workers). In the last years, an encouraging counter tendency was recorded, with membership rising also among the active working population, and not only among retired workers.

¹⁰ Bouquin S., Leonardi S., Moore S., *Employee representation and voice in small and medium-size enterprises - the SMALL project*, in “*Trasfer*”, n. 1/2007

¹¹ Visser J. (2006), *Union membership statistics in 24 countries*, Monthly Labor Review. January.

¹² Union pluralism, in Italy, is based on the three major associations (CGIL, CISL, UIL) and on other organizations, some of which have a general nature, like the three just mentioned, while others represent specific sectors (public executives, certain public sectors, education, etc.) and others yet that represent the hard-liners.

One of the other most recent and important achievements of the Italian trade union movement concern the representation of atypical workers: temporary workers through job-placement agencies and «quasi-subordinate» workers. They're organised and represented by their own unions (since 1998: Nidil-Cgil; Alai-Cisl and Apo-Uil), and take part in collective bargaining along with the unions of the stable employees.

The model for union organization is based on intensely democratic relationship between unions, RSU and workers. Collective agreements (both at national and at company level) are subject referendum approval. This is true for the central tripartite agreements as well. The July 2007 agreement, was voted on by more than 5 million people, between subordinate employees, retired workers, and those unemployed, and was approved by a large majority.

3.1.1 Norms on salary integration and collective dismissals

The norm in Italy which absorbs EC Directives on crisis and collective dismissals is mainly law 223 of 1991. Its provisions include a comprehensive set of regulations for companies faced with temporary crises, industrial restructuring and staff cutbacks. It outlines strict union rights on information and consultation, in favour of the collective representation of workers, companies and/or sectors. For example, the employer has to respect precise procedural duties if industrial restructuring is to be undertaken: timely information procedures, requirement of consultation and joint examination, adoption of objective criteria for the choice of personnel. The law also provides for the attribution of salary integration (the so called "Earnings Integration Fund") in the case of temporary restructuring, lasting a maximum of 36 months over a five-year period, or unemployment benefit for workers on 'mobility', awaiting the placement on another job (see § 3.2.3).

Workers employed in small companies cannot benefit from union rights to information and consultation nor, perhaps even more serious, social support mechanisms which soften the blow of job redundancy.

3.1.2 Participative models

The structure of industrial relations and collective bargaining is characterized by a participative model. We have seen how both the July 2003 and the July 2007 tripartite agreements were based on concerted action between the social parts and the government on the fundamental issues of the economic policy, especially wages and welfare. But the fabric of the whole contractual system is participative. Since the 1970's, the right to information, in respect to the national contract for the sector, was provided for, both at national level, and in the individual enterprises (especially for the larger ones, and at local level for the smaller ones), and also in respect to the important trends of the economy, employment, and labour conditions. In the 1990's, partially inspired by the German joint-management model, this participative logic expressed itself in the creation (once again: at all levels, national sector, enterprise, and local) of joint Commissions, Committees, and Observatories, with representatives from the enterprises, the labour unions, and the RSUs, on the most diverse matters: from labour organization to placements and training, from working environment and security to trends and perspectives of labour and enterprises. With regard to training, since the July 1993 agreement, the parts agreed to entrust to *Bipartite Bodies*¹³, instituted by the social parts (and financed with the enterprises and the workers contributions) the assignment of promoting the development of *continuous or on-going training*. Following the tripartite *Labour Agreement (Patto per il Lavoro)* of 1996, with the legislations solicited by the social parts (Law 196/1997, and the financial act of 2001), four, joint, inter-professional, Funds for on-going training were created (one for each of the major sectors of the economy: industry, agriculture, services, and craftsmen).

¹³ In truth, in some sectors characterized by a prevalence of small enterprises and/or by seasonal jobs, such as constructions or tourism, bilateral bodies between the parts, for the joint management of both differed salary quotas and for assistance and training, had existed since the 1960/70's.

3.2 *The Model and the Tools for Social Protection*

3.2.1 *The pension system*

The Italian pension system is essentially based on the stronghold of compulsory state pension contributions; it is a public system, tied to work income, and other retirement fund options are extremely limited. Indeed, the state-funded flat amount social security benefits, aimed at the redistribution of income to guarantee the minimum standard of life level, are limited to low-income senior citizens; while, notwithstanding the fiscal incentives, and the awaited developments for the use of the retirement bonuses to this end, private, voluntary and occupational, retirement funds represent a minimal quota.

The relative regulations were radically modified by the Dini reform (Law 335/1995), and by its subsequent modifications, which introduced the contributory method, raised the age of retirement and the minimum payment, introduced the price-indexing of benefits (and only partially for the higher pensions), tied the benefits to the growth of the nominal GDP and to life expectancy. The old retributive (or mixed) system, remains in force on the basis of the number of years worked at the moment of the reform, while the reform is applied in full only to those who entered the labour market from 1996 on.

Compulsory public social security is now organized as a contributory plan defined as notional (NDC), that is: a system in which the workers' payments are registered in personal accounts (existent only on paper), to which an interest rate, tied to the growth of the nominal GDP, is applied. At the moment of retirement, these are transformed into benefits using an actuarial formula that takes life expectancy into account. This assimilates the pension to a financial investment earning an average rate of interest equal to the average growth rate of the GDP. The capital and the earnings depend on the payments made (be they worker or employer dues), on the growth of the GDP, and on life expectancy. The incentive to postpone retirement till age 65 is implicit in the strict actuarial connection between the amount of payments made and the flow of benefits paid out. In effect, the adjustment of the rate of pension returns to life expectancy required a specific agreement between the government and the social parts which was never reached, not even in the July 2007 agreement.

Notwithstanding the fact that the legal age of retirement (so called *old age retirement*) is 65 for men and 60 for women, early retirement pensions (so called *seniority retirement*) require 35 years of payments, and an age of at least 57, or 39 years of payments (40 from 2008). More favourable conditions are provided for: workers who began their careers early, strenuous jobs, and those affected by company crises. Benefits are calculated on the basis of the sum total of payments made on the work income, during the entire course of the career, to date in measure of 33% of the gross amount (9.19% due by the employee and 23.81% due by the employer), using variable coefficients according to the age of retirement.

Payments are imputed during periods of sickness, maternity, military service, unemployment, redundancy and mobility. Minimum pension (equal to € 5699.82 euro a year) holders, over 70 years of age, benefit from a supplement; or sometimes even earlier according to the duration of the payments and the degree of invalidism. Benefits are price-indexed, but the adjustment is complete only for those pensions less than double the minimum, while it is of 90% for those pensions between two and three times the minimum one, and of 75% for pensions above three time the minimum one. Pensions paid-out are taxed according to the normal fiscal laws, but are not subject to social contributions.

According to the EU analysis, adequacy of benefits is fine: living standards of older people are close to average (95% of people aged 0-64), inequality of income distribution is lower than among the overall population, the risk of poverty is slightly lower than for the age group 0-64 (but sharp regional differences still persist, with poverty among older people concentrated in the South). Current workers, on average earnings, retiring at 65 after 40 years of contributions, expect a net

replacement rate of 78% from the statutory scheme for the first year, thereafter decreasing because of the index-linking of pensions to prices and not to wages. Since the actual average is 32 years of contributions, many workers suffer lower replacement rates; moreover, reforms will lead to a progressive decline in the replacement rate, from 78% today to 64% in 2050, even sharper for shorter career and self-employed workers. Despite the unfavourable demographic trends, such reforms improved sustainability of public old-age spending, which are expected to increase only marginally, from 14.2% of GDP in 2004 to 14.7% in 2050, significantly slower than the EU average and major countries.

Because the stabilizing of the relationship between expenditure and GDP is the result of the sharp drop in the rates of replacement, the effects will be felt by those workers, especially young adults, that experience discontinuous careers, subject to precarious and temporary contracts. They will be damaged by the lack of mechanisms to compensate for periods of unemployment or of reduced contributions, as the connection of the benefits with the sum total of the payments made makes it hard to recover possible moments of want in the career, both early on and later. Consequently, the central problem we risk over the next years is not so much financial sustainability, as the inadequacy of the social security benefits for the young generations, and for discontinuous workers. This could anyway cause an increase in public expenditure in terms of supplements needing to be paid out to an elderly population insufficiently provided with adequate pensions.

To overcome problems of international comparability, it is useful to jointly compare expenditure, at the net of retirement bonuses, with benefits for invalidism, old-age, surviving relatives (IVS – Total Invalidity, old age and survival pensions) and unemployment¹⁴. The Italian expenditure for IVS and unemployment is equal to 16%, and is in line with the European average, and lower compared to France, Germany and especially Sweden (where pensions for invalidism amount to almost 5% of the GDP), and only in Spain, whose social security expenditure appears as yet backward, does the total not rise over 13%. If we disaggregate the data for Italy, invalidism reads lower than average (1.5%), old-age pensions read in the average (11.5% at the net of the retirement bonus), while surviving relatives read above the average of any other country (2.5%), and unemployment is extremely limited (0.5%).

Table 2. Public social expenditure by function in the major countries (% of the 2004 GDP)

Country	Invalidism	Old age pensions	Surviving relatives	Unemployment	Total
France	1,7	10,9	1,9	2,3	16,8
Germany	2,2	12,0	0,4	2,4	17,0
Italy	1,5	11,5 *	2,5	0,5	16,0 *
United Kingdom	2,4	10,7	0,9	0,7	14,7
Spain	1,5	7,9	0,6	2,5	12,5
Sweden	4,7	12,0	0,7	2,0	19,4

(*) Note: Retirement bonuses excluded, equal to 1.4% of the GDP

Source: Pizzuti [2007: tab. 2.2, p. 73].

3.2.2 The Social protection system.

Unlike the EU–15 average, expenses for social protection in its entirety have risen in Italy, in the years between 1995 and 2005, more than the GDP. Nonetheless, the incidence of the total expenses remain below the European average. The most dynamic item is that of health care and sickness benefits: nevertheless, the incidence of this on the GDP still remains below the European average. The incidence of the expense for old-age pensions is also on the rise, along the lines of the EU–15

¹⁴ Pizzuti F.R., *Rapporto sullo stato sociale 2007. Tra pubblico e privato, tra universalismo e selettività*; Torino; Utet Università, 2007

trend. In this last case, however, the incidence on the GDP is of almost 2 points above the European average.

Table 3. Social protection benefits by functions in % of the GDP

		1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
European Union (15 countries)	All functions	26.5	26.8	26.4	26.0	25.9	25.8	26.0	26.3	26.7	26.6	26.7
	Sickness/Health care	7.2	7.1	6.9	6.9	7.0	7.0	7.2	7.3	7.5	7.5	7.7
	Invalidity	2.2	2.2	2.2	2.1	2.1	2.1	2.1	2.2	2.1	2.1	2.1
	Old age	10.6	10.8	10.8	10.7	10.7	10.8	10.8	10.8	10.9	10.9	11.0
	Survivors	1.2	1.3	1.3	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2
	Family/Children	2.1	2.2	2.2	2.2	2.1	2.1	2.1	2.1	2.2	2.1	2.2
	Unemployment	2.2	2.2	2.0	1.8	1.8	1.6	1.7	1.7	1.8	1.7	1.7
	Housing	0.6	0.6	0.6	0.6	0.6	0.5	0.5	0.5	0.5	0.5	0.6
	Social exclusion n.e.c.	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Italy	All functions	23.2	23.4	24.1	23.7	23.9	23.8	24.0	24.4	24.9	25.1	25.5
	Sickness/Health care	5.4	5.4	5.6	5.6	5.6	6.0	6.3	6.2	6.2	6.6	6.8
	Invalidity	1.6	1.7	1.6	1.5	1.5	1.4	1.4	1.5	1.5	1.5	1.5
	Old age	12.2	12.2	12.7	12.6	12.7	12.5	12.4	12.6	12.9	12.8	12.9
	Survivors	2.5	2.6	2.7	2.6	2.7	2.5	2.5	2.5	2.5	2.5	2.5
	Family/Children	0.7	0.8	0.8	0.9	0.9	0.9	1.0	1.0	1.1	1.1	1.1
	Unemployment	0.7	0.7	0.6	0.6	0.5	0.4	0.4	0.4	0.5	0.5	0.5
	Housing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Social exclusion n.e.c.	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.0	0.0

Source: calculation by the authors on EUROSTAT website data.

The growth of Family/Children benefits is also of some import, an incidence however which only reaches half of the European average. Pensions for Survivors are stable (but tally twice the European average), as are those for invalidity (lower in percentage the GDP). The Housing and Social exclusion items are, to all effects, absent in Italy, while they do have an, albeit limited, impact on the EU–15 countries. Last but not least, although the incidence of unemployment benefits is only one third that of the European average, it has nonetheless followed the decreasing trend of all the EU–15 countries.

Table 4. Welfare receipts by sector of origin and type in % of the GDP

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	
European Union (15 countries)	Total receipts	28.4	28.7	28.4	28.1	28.3	28.4	28.3	28.5	28.7	28.7	28.7
	<i>Total receipts excl. imputed contribution</i>	25.7	26.4	26.2	25.9	26.1	26.1	26.0	26.3	26.6	26.7	26.8
	<u>Social contribution</u>	<u>18.2</u>	<u>18.3</u>	<u>18.0</u>	<u>17.2</u>	<u>17.2</u>	<u>17.3</u>	<u>17.1</u>	<u>17.0</u>	<u>17.2</u>	<u>17.0</u>	<u>16.9</u>
	Employers' social contribution	11.1	11.2	11.0	10.8	10.8	11.0	11.0	11.1	11.1	11.0	11.0
	<i>Actual employers' social contribution</i>	8.5	8.8	8.8	8.6	8.6	8.7	8.7	8.9	9.0	9.0	9.0
	<i>Imputed employers' social contribution</i>	2.7	2.3	2.2	2.2	2.2	2.3	2.3	2.2	2.1	2.0	1.9
	Social contribution paid by the protected persons	7.0	7.1	7.0	6.5	6.4	6.3	6.1	5.9	6.0	6.0	6.0
	<i>Social contribution paid by the employees</i>	:	:	:	:	:	:	:	:	:	:	:
	<i>Social contribution paid by the self-employed</i>	:	:	:	:	:	:	:	:	:	:	:
	<i>Social contribution paid by pensioners and other protected persons</i>	:	:	:	:	:	:	:	:	:	:	:
	<u>General government contributions</u>	<u>9.1</u>	<u>9.3</u>	<u>9.3</u>	<u>9.8</u>	<u>10.1</u>	<u>10.1</u>	<u>10.2</u>	<u>10.6</u>	<u>10.6</u>	<u>10.8</u>	<u>10.9</u>
	<i>Earmarked taxes</i>	0.4	0.5	0.5	0.9	0.9	1.0	1.1	1.1	1.1	1.0	1.1
	<i>General revenue</i>	8.7	8.8	8.8	8.9	9.1	9.1	9.1	9.5	9.5	9.8	9.8
	<u>Other receipts</u>	1.1	1.1	1.1	1.0	1.0	1.0	1.0	0.9	0.9	0.9	0.9
Italy	Total receipts	24.7	25.0	25.2	25.0	25.6	25.5	25.6	26.0	25.7	26.7	26.8
	<i>Total receipts excl. imputed contribution</i>	22.3	23.9	24.2	24.0	24.6	24.5	24.6	25.2	24.9	25.9	26.1
	<u>Social contribution</u>	<u>16.7</u>	<u>17.0</u>	<u>17.2</u>	<u>14.9</u>	<u>14.8</u>	<u>14.7</u>	<u>14.7</u>	<u>14.8</u>	<u>15.0</u>	<u>14.9</u>	<u>15.3</u>
	Employers' social contribution	12.4	12.7	12.9	11.2	11.1	10.9	10.9	10.8	11.1	11.0	11.2
	<i>Actual employers' social contribution</i>	10.0	11.6	11.9	10.1	10.0	10.0	9.9	10.1	10.3	10.2	10.4
	<i>Imputed employers' social contribution</i>	2.4	1.1	1.0	1.0	1.0	1.0	1.0	0.8	0.8	0.8	0.7
	Social contribution paid by the protected persons	4.3	4.3	4.3	3.7	3.8	3.8	3.8	3.9	3.9	3.9	4.1
	<i>Social contribution paid by the employees</i>	2.5	2.6	2.6	2.5	2.4	2.4	2.4	2.5	2.4	2.4	2.4
	<i>Social contribution paid by the self-employed</i>	1.7	1.6	1.5	1.2	1.3	1.4	1.3	1.4	1.4	1.5	1.6
	<i>Social contribution paid by pensioners and other protected persons</i>	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	<u>General government contributions</u>	<u>7.4</u>	<u>7.3</u>	<u>7.4</u>	<u>9.5</u>	<u>10.0</u>	<u>10.4</u>	<u>10.5</u>	<u>10.8</u>	<u>10.3</u>	<u>11.4</u>	<u>11.1</u>
	<i>Earmarked taxes</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	<i>General revenue</i>	7.4	7.3	7.4	9.5	10.0	10.4	10.5	10.8	10.3	11.4	11.1
	<u>Other receipts</u>	0.6	0.6	0.6	0.6	0.8	0.4	0.5	0.5	0.4	0.4	0.4

Source: calculation by the authors on EUROSTAT website data.

The incidence of welfare receipts is obviously commensurate with the incidence of benefits, especially if we disaggregate imputed social contribution¹⁵ from the total. After the 1997/98 reform¹⁶, and the increase of General government contributions, the structure of the Italian welfare financing system is closer to the average European one. A difference still remains in the incidence

¹⁵ Imputed Social Contributions. Social contributions are imputed when employers provide social benefits themselves directly to their employees, former employees or dependants out of their own resources without involving an insurance enterprise or autonomous pension fund, and without creating a special fund or segregated reserve for the purpose; the imputed contributions are equal in value to the amount of social contributions that would be needed to secure the de facto entitlements to the social benefits they accumulate. (<http://stats.oecd.org/glossary>).

¹⁶ Reform which introduced IRAP (*Imposta Regionale sulle Attività Produttive, Regional Productive Activity Tax*), a net value added tax, and to the elimination of some social tax burdens, firstly the contribution to the national health system.

of Social contribution paid by protected persons, which in Italy is almost two points under the European average (§ 4.4).

The July 1997 tripartite agreement introduced significant innovations in these matters (see § 4.4.1).

3.2.3 Legislative tools for the protection of the unemployed.

As we have seen, compared to the other European models, the Italian social protection system is somewhat unbalanced in favour of pensions: expenditure for protection from the risks of unemployment represents only 0.5% of the GDP, compared to an average of 2-2.5% in other European countries.

The Italian system is essentially based on three institutions: Unemployment benefits (ordinary and with low requirements, with some provisions for agriculture and constructions, the two traditionally most seasonal sectors); the *Cassa Integrazione Guadagni* (Earnings Integration Fund, both ordinary and extraordinary) which guarantees financial support in cases of temporary suspension from work (due to market crises or company restructuring); and Mobility benefits, which give financial support in case of irreversible company crises which entail lost jobs.

3.2.3.1 Ordinary Unemployment Benefit:

is due to those workers who, in the previous two years, have both been insured by Inps¹⁷ and have a minimum of 52 weekly contributions, that have been fired or suspended by companies hit by temporary events (lack of work, of commissions, of standing orders, market crisis, etc.). It is payable for 180 days; the amount is equal to 40% of the salary received in the three months prior to severance, within the limitation of a monthly maximum gross amount established by the law (for 2007 this was equal to 844.06€ for workers who earned 1826.07€ or less, and up to 1014.48€ for those who received gross salaries of more than 1826.07€).

3.2.3.2 Unemployment Benefits with Reduced Requirements:

is due to those workers who cannot show 52 weekly payments in the last two years but have worked at least 78 days in the last year, or who have been insured in the last two years and can show at least one weekly contribution before the two years preceding the request; it is payable for a number of days equal to those actually worked in the preceding year, and for a maximum of 180 days; the amount is equal to 35% of the average daily wages for the first 120 days, and to 40% for the remaining ones, within the limitation of a monthly maximum gross amount established by the law (for 2007 this was equal to 844.06€ for workers who earned 1826.07€ or less, and up to 1014.48€ for those who received gross salaries of more than 1826.07€).

3.2.3.3 Cassa Integrazione Guadagni Ordinaria (CIGo) (Earnings Ordinary Integration Fund):

is an indemnity which, in case of temporary suspension or reduction of the productive activity of an enterprise, replaces the salary; it is due to manual workers, white collar workers and middle managers, of industrial enterprises in general, with the exclusion of apprentices; the amount is equal to 80% of the total wages that would have been earned during the period (for 2007 the maximum monthly limit was 844.06€ for workers who earned monthly 1826.07€ or less, and up to 1014.48€ for those who received gross salaries of more than 1826.07€); it is payable maximum 13 weeks but it can be prolonged to 12 months and in certain cases for up to 24 months; In the constructions and agricultural sectors, characterized by high seasonality, special mechanisms are provided to guarantee income and health and pension coverage for workers who works less-than-standard working hours.

¹⁷ Istituto Nazionale di Previdenza Sociale , Social Security National Institute

3.2.3.4 Cassa Integrazione Guadagni Straordinaria (CIGs) (Earnings Extraordinary Integration Fund):

is an indemnity which replaces the salary when a company is restructuring, reorganizing, reconverting or facing a crisis; it is due to manual workers, white collar workers and middle managers, of industrial (and constructions) enterprises with more than 15 employees, to the employees of enterprises in the service sector (commerce, tourism, etc.) with more than 50 employees; it is payable for maximum 12 months in cases of company crisis, for 18 months in cases of bankruptcy, and 24 months in cases of restructuring, reorganizing or reconversion; the amount is equal to 80% of the total wages that would have been earned during the period (for 2007 the maximum monthly limit was equal to 844.06€ for workers who monthly earned 1826.07€ or less, and up to 1014.48€ for those who received gross salaries of more than 1826.07€). In total, ordinary and extraordinary benefits cannot exceed 36 months in a five year period.

3.2.3.5 Indennità di mobilità (Mobility Allowance):

is normally reserved for workers made redundant by industrial companies (excluding constructions) with more than 15 employees, trading companies with more than 200 employees (and, usually for supplying firms); it is due to manual workers, white collar workers and middle managers (directors and apprentices, excluded) with an employment relationship of a continuous nature or, at any rate, not fixed, with at least twelve months service with the company, at least six months of which were actually worked. The period of the benefit is linked to the age of the worker and the company's regional location, and is payable for 12 months to workers under 40 (Southern Italy, 24 months), for 24 months to workers between 40 and 50 (Southern Italy, 36 months), for 36 months to workers over 50 (Southern Italy, 48 months). The amount corresponds to 100% of Cigs allowance for the first twelve months, to 80% from the thirteenth month onward.

The July 2007 tripartite agreement between the government and the social parts, and the subsequent Law 247/07 approved at the end of 2007, have modified some important parts of these norms (see § 4.4)

3.2.4 Other forms of social protection

In addition, Italian legislation provides other decisive tools of social protection, among which maternity and illness benefits should certainly be considered.

3.2.4.1 Maternity Benefits.

The working mother (subordinate or quasi subordinate employee) has the right to paid leave from her work place in the two months before the presumed date of birth, and in the three months following (the period can be adjusted to from one month before to four months after). During this period, a salary replacement indemnity is provided; even women working in the free professions can take advantage of the maternity leave, but they must completely abstain from work to receive payment. Autonomous workers have no obligation to abstain from work. Even a working father, in specific circumstances (death, or grave illness of the mother, abandonment, etc.) may have the right to the period of paid leave.

The amount payable is equal to 80% of the average daily wage. National collective contracts usually guarantee the full salary, binding the employer to pay the difference. The benefit is paid to the working women both for the period of the maternity leave and also in case of miscarriage after the 180th day of pregnancy.

In case of adoption or child custody, the maternity benefit is due for the three months following the child's entry into the family, on condition that the child be no older than 6 years of age (18 years for international pre-adoption custody or adoptions).

3.2.4.2 *Illness benefit.*

It is due to workers (blue-collar workers in industry, crafts, agriculture, workers and employees in the service sector, young workers with a training contract, and para subordinate workers) who become ill, in substitution of their salary for a period of maximum 180 days. The first three days are paid by the employer, while from the fourth day on Inps provides payment. The indemnity is of 50% of the average global daily wage (for the first 20 days), while it is equal to 66.66% for the following days. Usually the wage is guaranteed in full by the labour contracts that bind the employer to pay the difference.

National contracts provide paid leaves also for the working parents that needs to assist his children, and further leaves for the need to assist family members.

3.3 *Wages and earnings*

3.3.1 *Wage moderation*

In the period between 1993 and 2006, the *gross real average national sector wages* (deflated with the EU- Harmonized Consumer Price Index.) of the entire economy have lost an average of 0.3 percentage points a year (Table 5). We have here adopted the OECD terminology (OECD Main Economic Indicators - Sources and Definitions) of “*Wage rates*”, i. e. “*basic wages, cost-of-living allowances, and other guaranteed and regularly paid allowances*”. The definition of *wages* is close to what in Italian terms is known as “*contractual remunerations*” i.e. national sectoral wages (but differentiated according the job ladder position). While what is defined in the OECD Main Economic Indicators Sources and Definitions as “*Earnings*”- i. e. “*Wage rates + i) overtime payments; ii) bonuses and gratuities regularly paid; iii) remuneration for time not worked; iv) bonuses and gratuities irregularly paid; v) payments in kind*” - in Italian terms is known as “*gross actual/de facto remuneration*”¹⁸.

¹⁸ See <http://stats.oecd.org/mei/default.asp?lang=e&subject=11>.

Table 5. Earnings and wages¹⁹ by sectors. Average compound growth rates 1993-2006

	Gross Earnings	National Sector Wages	Difference (wage drift)
Agriculture	2,2	2.0	0.2
Manufacture of food products, beverages and tobacco	3.1	3.0	0.1
Manufacture of textiles and textile products	3.9	2.9	1.0
Manufacture of chemicals, chemical products and man-made fibres	3.6	2.8	0.6
Energy products	3.4	2.8	0.6
Manufacture of rubber and plastic products	3.4	3.0	0.4
Manufacture of : basic metals and fabricated metal products; machinery and equipment; electrical and optical equipment; transport equipment	3.2	3.0	0.2
Construction	3.0	2.9	0.2
Wholesale and retail trade	3.9	3.1	0.8
Banking	3.1	2.4	0.7
Public administration	3.6	2.6	0.9
<i>Whole economy</i>	<i>3.4</i>	<i>2.7</i>	<i>0.7</i>
Inflation	3.2 (a)	3.0 (b)	

(a) National Accounts deflator for households spending.

(b) EU- Harmonized Consumer Price Index.

Source: IRES processing of ISTAT data (National accounts, and general Index of gross contractual wages per employee).

In the same period the *gross real average earnings* (deflated with the implicit National Accounts deflator for households spending) grew an average of 0.2% a year.

As can be seen from Table 5, during the considered period the wage drift²⁰ between earnings and wages is, on average, of 0.7 mean percentage points per year, for the whole economy: an average which is the result of very slight differences, such as those of the agriculture, constructions, and metal-works sectors, and of wider ones, such as those of the textiles, chemicals, and public sectors. A difference in the growth rate between earnings and wages, albeit of varying intensity, has always been detected, at least from the '70. All in all, this highlights the existence of a wage gap²¹ that has been estimated²² to be of about 10% for the central categories of workers and employees, but even of 100% for middle managerial staff and high-profile professionals. It has also been estimated²³ – as again can be seen from Table 5 – that at the end of the 1990's national collective bargaining could account for almost two thirds of the total wage performance. This meant that out of the average rate of wage growth, fluctuating between 2.7% and 3.2% per year, a quota of about 1% could be attributed to the so called “extended wage drift” that includes collective bargaining at company level, over-time, and the different forms of the companies unilateral allocations.

¹⁹ See note 5 above.

²⁰ Difference between increasing rates

²¹ Difference between levels

²² Indagini Assolombarda, multiple years; Birindelli L. e D'Aloia G., *Slittamento salariale e differenziali retributivi e di produttività in Italia*, in Birindelli L., D'Aloia G., Megale A., *La politica dei redditi negli anni '90*, Ediesse, 2003

²³ Birindelli L. e Megale A., *Distribuzione del reddito e produttività*, in Birindelli L., D'Aloia G., Megale A., *I salari nei primi anni 2000*, Ediesse, 2005

As can be seen (Table 5) there are no significant differences between the growth rate of wages in different sectors, and this has been one of the positive effects of the "decentralized centralization" of the Italian industrial relations model (during the 1980's differences between the sectors were very large, and not always linked to higher productivity, but rather to monopoly sector power). At the same time, the alignment of the wage growth rates between the different sectors has been one of the obstacles to wages increasing at the same rate of productivity.

3.3.2 Wages, productivity, profits and income distribution

The earnings growth rate was much lower than the productivity one. As can be seen from Table 6, productivity in our country goes from growth rates above 2% in the 1970's and 1980's to growth rates between 1% (1996 – 2001) and 0% (2002 – 2006). The only exception being the period 1993 – 1995, which however corresponds to the two devaluations of the Lira, which empowered an export-led recovery. Nonetheless, between 1993 and 2006 productivity at constant prices has increased, on average, by slightly less than 1% a year.

Table 6. Italy Total economy. Growth, employment and apparent labour productivity. Average yearly compound growth rates 1971-2006. Percentage values.

	1971-1975	1976-1982	1983-1987	1988-1992	1993-1995	1996-2001	2002-2006
GDP at constant prices	3.2	3.3	2.6	2.4	1.4	1.9	0.7
Total employment in standard-time labour units (ULA) ²⁴	0.7	1.0	0.7	0.5	-1.4	1.0	0.7
GDP at constant prices per ULA	2.4	2.3	2.0	1.9	2.8	0.9	0.0

Source: calculations by the authors on ISTAT Italian National Accounts data.

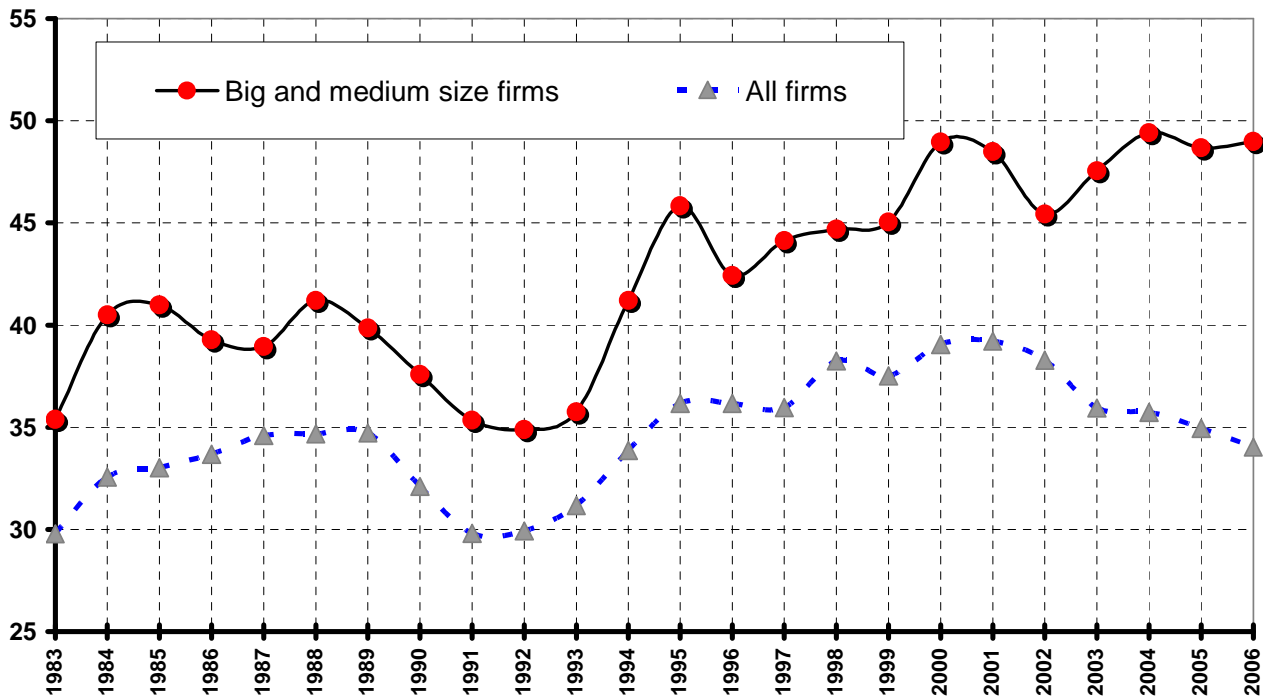
All this took place in an environment of progressive reduction of wealth per capita: the Italians, who in 1995 enjoyed an average income per capita above the European one, higher than the United Kingdom and close to those of traditionally prosperous countries like Sweden and France, after ten years of slow growth rates find themselves 8 points below the European average, 17 points below the United Kingdom²⁵.

In the same period, profits registered significant rates of growth (Figure 1). Notwithstanding the decline in the period between 2001 and 2006, profits have grown 10% between 1993 and 2006 for the totality of the enterprises assessed by ISTAT within National Accounting, while for the major industries taken as sample by Mediobanca (about 1700), profits have risen 40%.

²⁴ *Units of labour (ULA)* represent a measure of how much the labour factor contributes to a country's production in a given period. *ULA* are calculated by transforming the working positions, covered by each individual in the reference period, into full-time standards units.

²⁵ Tronti L., *Distribuzione del reddito, produttività del lavoro e crescita: il ruolo della contrattazione decentrata*, paper presentato alla XLIV Riunione scientifica SIEDS, "Impresa, lavoro e territorio", Università di Teramo, 24-26 maggio, in corso di pubblicazione sulla Rivista Italiana di Economia, Demografia e Statistica (2007).

Figure 1 – Italy. Industry excluding Construction. Gross profits 1983-2006 – Gross operative margin * / Value added. Data expressed in %.



Source: calculations by the authors on ISTAT Italian National Accounts data and on Mediobanca data.

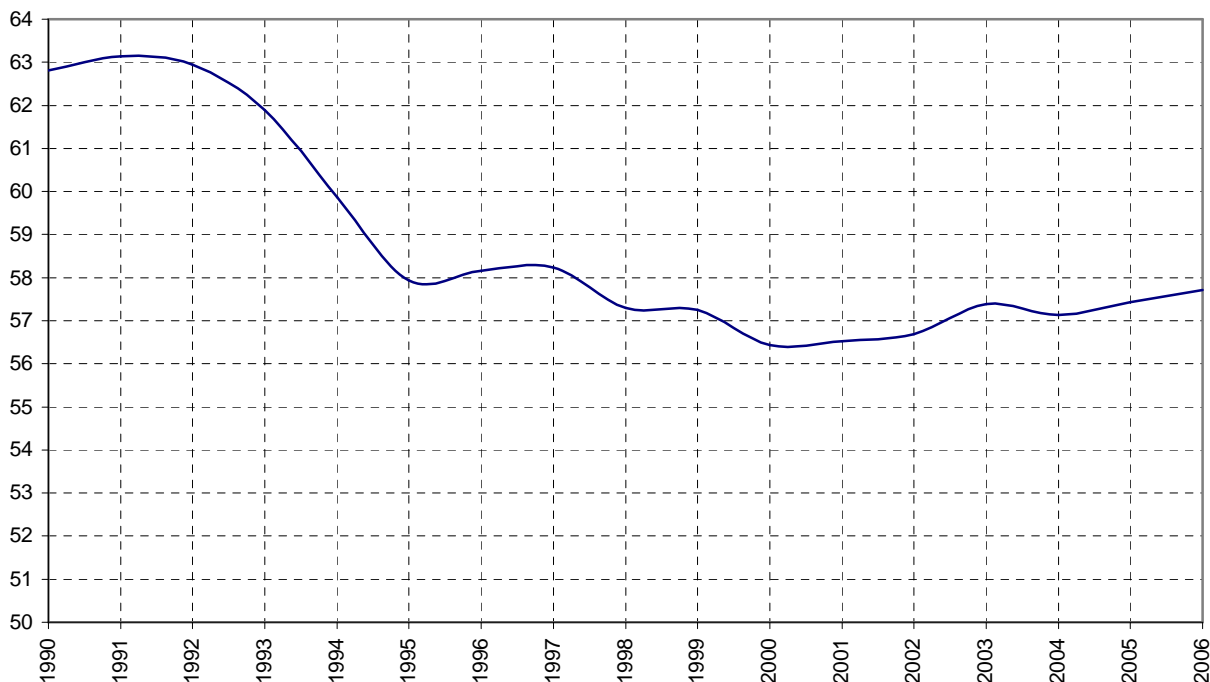
During the 1980's the relative share of GDP destined to gross earnings felt by 3.5 point (Table 7). The trend ensued during the 1990's and it has been reversed only in the most recent years, but as a consequence: a) of the recovery of earning purchasing power in a stagnant economic context and, b) of the increase of salaried employment on total employment. In connection with this, the relative share of the GDP destined to taxes and social security contributions increased; this is the cost of recovery of public finance (as yet incomplete) with which the Italian economy has been grappling between 1992 and 2006.

Table 7. Distribution of the GDP. Average yearly percentages at current prices. Years 1982, 1992 e 2006

	1982	1992	2006
Depreciation allowances	14.5	14.1	15.7
Indirect taxes + Social contribution	19.0	22.5	25.0
Gross earnings of employees	35.0	31.6	30.0
Gross operating profits + s.employed income <i>minus</i> depreciation allowances	31.4	31.7	29.3
TOTAL	100.0	100.0	100.0
Share of salaried employment on Total empl. (ULA)	69.1	68.9	71.4

Source: calculations by the authors on ISTAT Italian National Accounts data.

Figure 2. Labour compensation's share of GDP - adjusted for the employees' total employment share and for the 1997-98 social contribution reform



Source: calculation by the authors from ISTAT – National Accounts data.

As can be seen by Figure 2 **Error! Reference source not found.**, the overall mentioned tendencies have had the most dramatic effects on labour compensation's share of GDP, in the first mid of the nineties, in the same period, then, when the “*scala mobile*”(moving staircase) mechanism was ended and before the new July '93 contractual model was fully working; in the same period of the '92-'93 recession and of the first and second (1995) Italian lira devaluation. This decreasing tendency continued, even if mitigated until 2000. The light 2000-2006 increase is due to the productivity stagnation rather than to an earnings recovery.

3.3.3 Some international comparison

With the result that, in Italy, the dynamics of both wages and productivity are considerably slower compared to those of the major European countries.

The low growth rate of Italian earnings is even more evident when compared to that of the major European countries. Between 1998 and 2006, that is during the period of entry into the Euro area, *real gross earnings* in Italy have remained substantially the same, while other countries registered clearly higher rates of growth (Table 8): an average of 10% in the euro area, more than 15% in France and in the UK, 5% in Germany notwithstanding the wage freeze of the years since 2000. While *nominal earnings* have had a growth rate much more similar to that of other countries (Table 9).

Table 8. Real gross earnings. Manufacturing. National currency (deflated with the private spending deflator)

	1998	2005	2006
Euro area	100	108.9	110.1
France	100	114.1	115.9
Germany	100	105.5	105.0
Italy *	100	100.8	102.6
United Kingdom	100	115.2	118.4
Spain	100	104.7	105.3
USA	100	106.0	104.7

*For Italy gross “de facto” earnings for business sector employees from ISTAT-OROS gathering of administrative data has been used

Source: calculation by the authors on OECD data.

Table 9. Manufacturing industry*. Hourly nominal earnings in national currency. Index 1998 = 100

	1998	2001	2002	2003	2004	2005
OECD - Total	100.0	118.6	125.7	131.8	137.1	
Euro Area	100.0	108.5	111.6	114.8	117.4	119.7
France	100.0	112.0	115.9	119.0	122.2	125.7
Germany	100.0	107.0	108.7	111.4	113.7	114.9
Italy**	100.0	107.9	110.8	113.6	118.0	120.9
Spain	100.0	109.9	115.4	121.1	126.0	130.4
United Kingdom	100.0	113.6	117.5	121.7	126.3	130.9

* For some countries data are relative to Total Industry or to proxies. See OECD methodology notes.

** OECD utilises for Italy national bargaining hourly wage levels (“contrattuali”); instead, in order to achieve a better comparability we have used gross earnings data from ISTAT-OROS gathering of administrative source.

Source : Ires processing of OECD, Main Economic Indicators and Oros - ISTAT data

The greater part of the disparity of the differences registered in (deflated) real earnings is due to the different rates of inflation registered in the various countries. Indeed, the inflation registered in Italy was about twice that registered in Germany both between 1993 and 2006 and between 1998 and 2006. In the latter period, this was primarily caused by the lack of government intervention to mitigate the Euro change-over effect; including, and in outright violation of the July 1993 agreement, inaction towards price increases of products subject to *price-cap*. At the net of inflation disparity, nominal earnings have increased in Italy at rates compatible with those of the other countries.

The consequences are that Italy registers lower average earning levels than other European countries. In Italy, in 2005, the average *gross annual earnings* of childless *single* workers (Table 10) in the *Business sector* was 45% lower than in Germany and in the UK, and about 25% lower than in France. Net earnings register about the same disparities, with the exception of Germany where the difference falls to about 30%.

Table 10. Average gross and net (single childless worker) earnings and Labour cost. Industry and services (Business sector). Year 2005

	Gross earnings. (Euro)	Net earnings (Euro)	Labour cost (Euro)	Fiscal wedge
France	30 219	21 470	42 987	50%
Germany	41 074	23 942	49 638	52%
Italy	22 759	16 538	30 288	45%
United Kingdom	41 853	30 774	46 294	34%
Spain	20 701	16 493	27 036	39%
USA	25 507	19 497	27 503	29%

Source: calculation by the authors on OECD data

A more thorough analysis shows that, in Italy, a large part of the discrepancies are due to the greater impact of small enterprises (and their lower salaries) which, for example, concern a fourth of all manufacturing employment, compared to the 7% of Germany. Company size being the same, the disparity in earnings with Germany is clearly reduced: between 25 and 30%.

The combination of these factors has determined a situation whereby the incidence of labour costs on production costs is lower in Italy compared to other major European countries: on average 15% compared to Germany's 23% for manufacturing industry sector; 12.5% compared to 25% for companies with 1 to 9 employees; 18% compared to 28% for those with 10 to 19 employees; and so on²⁶.

The other basic reason for the slower growth of the rate of earnings in Italy lies in the slower growth of productivity.

Table 11. Labour productivity per worker in the *business sector*

	1998	2004	2005	2006	2007
France	100.0	107.5	109.3	110.9	112.5
Germany	100.0	105.3	106.4	107.5	108.4
Italy	100.0	101.6	101.1	101.7	102.9
United Kingdom	100.0	112.9	114.2	116.9	120.0
Spain	100.0	102.0	102.7	103.7	104.9
Usa	100.0	116.8	119.3	121.9	124.4

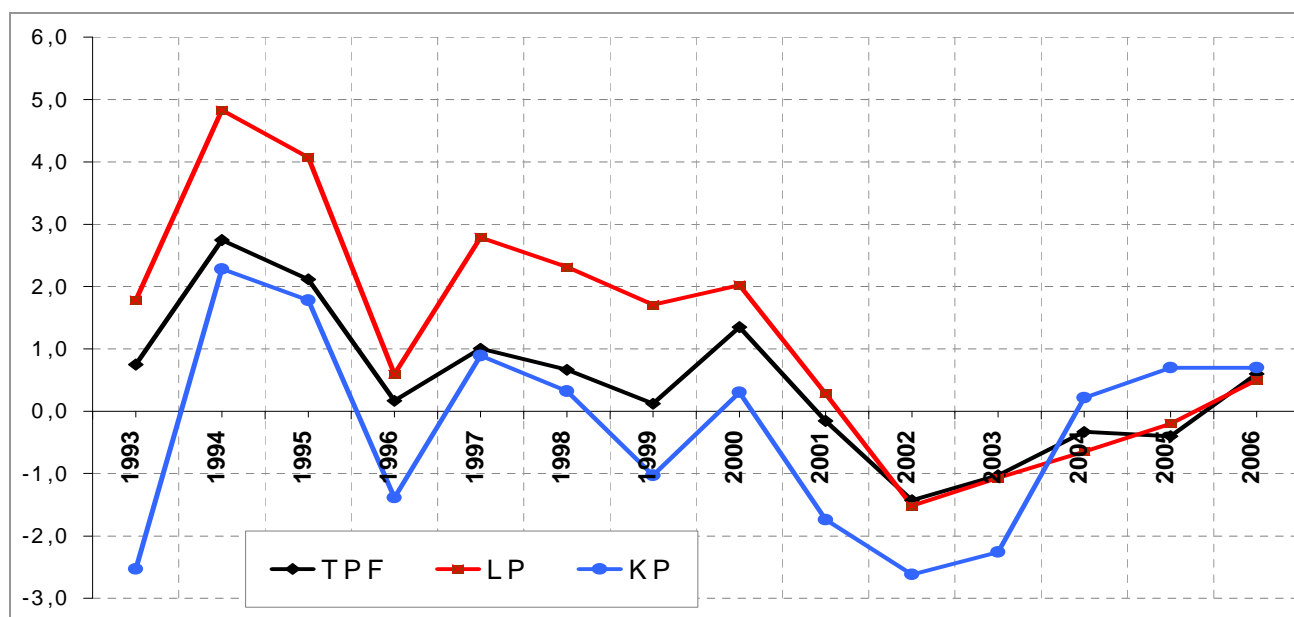
Source: calculation by the authors on OECD data

Between 1998 and 2007, productivity in the *business sector* in Italy has increased slightly less than 3% compared to the 8.5% of Germany, to the 20% of the UK, to the staggering 25% of the USA (Table 11). The real reason for lack of productivity growth lies not in labour productivity but in the productivity of capital (Figure 3).

If we examine the quota of value added that goes to subordinate employment (determined precisely by the ratio between growth in earnings and growth in productivity) it is clear that, for the entire period, in each country, this has been substantially constant (or has registered limited oscillations). This means that the growth rate of nominal earnings and nominal productivity have been, in each country, substantially aligned.

²⁶ D'Aloia G., *Italia – Europa – Salari, prezzi, produttività e l'effetto dimensione d'impresa*, http://www.ires.it/files/D'Aloia_191107.pdf

Figure 3. Yearly % growth rate of Total Factors Productivity (TPF) and of the partial productivity rates of services rendered by Labour (LP) and Capital (KP)



Source: IRES processing of ISTAT data.

As we have already outlined, the effectiveness of the industrial relation and collective bargaining system (see § 2.2.1 and 3.1) strictly depended on the fact that the objectives of *planned* inflation be the genuine aims of the economic policies of the governments, so that the real rate of inflation would actually be close to the planned one.

As we have seen, this was not always the case. In the two years 1995/96 the difference between *planned* inflation rate and effective inflation was of 6 points (while between 1997 and 1999 effective inflation actually fell below the *planned* one); again, between 2002 and 2004 the disparity between the two fell a further 4 points; for a comprehensive total of 10 points difference. This disparity between planned and effective inflation caused industrial relations into a wage-price spiral to recover the buying power lost in these periods; this ended up absorbing even the productivity surpluses (this was not the case in the second period, which was of stagnation and decline in productivity) and impeding any real possibility of their redistribution. In last five years, especially in public sector, very large delay have been accumulated (also two years) in renewing national contracts: also these delay have had a great influence on wage moderation in Italy.

The persistence, for a period of almost 15 years, of a basically stagnating trend in wage performance has determined what is now considered to be a veritable wage emergency in Italy. The Governor of the Banca d'Italia, has openly declared²⁷ that salaries are too low to support the demand and the growth in consumer spending. The Unions have presented the government and the entrepreneurs with a draft package of requests to allow for the rapid adjustment of net earnings, both by reducing the fiscal burden, and by increasing gross wages through the renewing of contracts, many of which are still frozen.

3.3.4 Wage differentials

Figures on this issue abound, and often differ, depending on the different sources and types of data processing. All agree on the existence of significant wage (and earnings) differentials in Italy: these are linked to many factors, the most important being: the number of company employees, gender,

²⁷ Draghi M., Governor of the Banca d'Italia, *Consumo e crescita in Italia*, Società italiana degli economisti, Università degli Studi di Torino, Torino, 26 ottobre 2007

work contract, immigrant or non-immigrant status, regular or irregular work (see § 3.4.7, 3.4.8 and 3.5).

We will examine some of the existing data (regardless of the outright data coherence).

Table 12 shows the average earnings differentials in the manufacturing industry, according to company size, in the period 2002-2004. Gross earnings in small enterprises (1 to 9 people employed – these absorb nearly one third of those employed in the manufacturing sector in Italy, one half of which are self-employed) turn out to be about one third lower than the average value for the total sector, and nearly one half of their value in the larger enterprises (more than 250 people employed).

However, the wage differentials are lower than the productivity ones. Indeed, productivity in small enterprises is more than 40% lower than the average of the total sector.

Table 12 - Manufactory Industry – Gross Earnings, labour costs, and productivity according to company class dimension - Average on the period 2002-2004

	Employee class		1-9=100	Tot=100
Gross earnings (millions of euro/year)	Total	21.9	148.1%	100.0%
Labour cost for employee (millions of euro/year)		31.0	152.2%	100.0%
Productivity (VA/person employed) (millions of euro/year)		43.1	173.0%	100.0%
Number of persons employed		3 955 734		100.0%
Share of self employed		16.7%		
Share of employee.		83.3%		
Share of sector GDP		72.1%		
Gross earnings (millions of euro/year)	from 1 to 9	14.8	100.0%	67.5%
Labour cost for employee (millions of euro/year)		20.4	100.0%	65.7%
Productivity (VA/person employed) (millions of euro/year)		24.9	100.0%	57.8%
Number of persons employed		1 206 309		30.5%
Share of self employed		53%		
Share of employee.		47.4%		
Share of sector GDP		81.8%		
Gross earnings (millions of euro/year)	da 10 a 19	16.9	114.1%	77.0%
Labour cost for employee (millions of euro/year)		23.3	114.2%	75.1%
Productivity (VA/person employed) (millions of euro/year)		34.2	137.2%	79.3%
Number of persons employed		725 024		18.3%
Share of self employed		13.7%		
Share of employee.		86.3%		
Share of sector GDP		68.2%		
Gross earnings (millions of euro/year)	da 20 a 49	20.0	135.6%	91.6%
Labour cost for employee (millions of euro/year)		28.2	138.6%	91.1%
Productivity (VA/person employed) (millions of euro/year)		42.6	171.2%	99.0%
Number of persons employed		757 021		19.1%
Share of self employed		5.6%		
Share of employee.		94.4%		
Share of sector GDP		66.3%		
Gross earnings (millions of euro/year)	da 50 a 249	23.9	161.9%	109.3%
Labour cost for employee (millions of euro/year)		34.2	167.8%	110.2%
Productivity (VA/person employed) (millions of euro/year)		52.4	210.3%	121.6%
Number of persons employed		992 626		25.1%
Share of self employed		1.5%		
Share of employee.		98.5%		
Share of sector GDP		65.2%		
Gross earnings (millions of euro/year)	sopra 250	28.1	189.9%	128.2%
Labour cost for employee (millions of euro/year)		40.3	198.0%	130.1%
Productivity (VA/person employed) (millions of euro/year)		61.4	246.5%	142.5%
Number of persons employed		1 061 202		26.8%
Share of self employed		0.2%		
Share of employee.		99.8%		
Share of sector GDP		65.8%		

Source: calculation by the authors on Eurostat (Structural Business Statistic) data

ISTAT has carried out a survey – on a sample of business sector enterprises– on the structure of wages²⁸ which has provided data on the characteristics of the human capital in relation to the local and sectoral specifics, and on the differences by gender, level of instruction, seniority, profession, and type of work contract. Data is relative to 2002.

The overall picture shows that the wage differentials are correlated to the different levels of productivity in the sectors and enterprises of belonging, to the levels of instructions and of training, to the experience matured on the job (and thus to company seniority), to the type of contract, and to the profession.

To evaluate the influence of each of these factors on wage levels, ISTAT researchers carried out a linear regression, the explanatory variables of which are the individual characteristics of each workers (gender, age, citizenship, level of instruction – derived from the Isced-97 international classification); the characteristics of the type of job (type of contract, profession, company seniority – Isco-88 international classification); and enterprise characteristics (size, sector, geographical location). The results highlighted the most significant wage differentials:

- Non-EU workers receive wages that are 6% lower than Italian citizens (an estimate that is visibly lower than the one set out in another section of the same Istat 2004 yearly report);
- Higher wages are connected to a higher level of education: compared to workers with elementary certification, those with high-school diplomas or with post-graduate training receive 14.2% more; those with a higher education (university level) receive 23.4% more;
- Job seniority has an incidence, per year of seniority, of about 0.7%; company seniority of about 0.3%;
- Fixed term contracts register hourly wages that are 10% lower than open ended contracts (probably because, on average, cover lower positions), while apprentices earn 22% less. Because of lower earnings and of the precariousness of their situation, fixed term contract workers tend to work more (they take less maternity leaves, less illness leaves, etc.); no negative differentials showed up for the hourly wages of part-time contracts.
- Compared to clerical employees, workers in services and sales show hourly wages which are 9% lower, blue collar workers tally 12% lower, and unskilled workers 16% lower; wages are 7% higher for technical jobs, and 90% higher for highly specialized jobs and for executives, the latter receive an extra 24,5% for their coordinative and managerial roles.
- As to regional differences, workers in the North-West are those with the highest wages, with a very small difference compared to workers in the North-East, but 12% higher than those of the South.

Table 13, on Industry proper, summarizes the basic data on wage differentials, labour costs, productivity, and earnings, of the Italian enterprises by class of those working in this sector (data is relative to 1999).²⁹

²⁸ Istat, *Rapporto Annuale 2004*, cap. 3; *Dipendenti ore lavorate e retribuzioni nelle imprese dell'industria e dei servizi* - Anno 2002, 11 marzo 2005.

²⁹ Birindelli L. e D'Aloia G. *Slittamento salariale e differenziali retributivi e di produttività in Italia*, in Birindelli L., D'Aloia G. e Megale A., *La politica dei redditi negli anni '90*, Ediesse, Roma, 2003

Table 13 – Industry excluding constructions. Value added per worker, gross profits on value added, hourly wage, hourly labour costs per worker, and wages per worker per company size: Indexes (Companies with more than 250 p.e. = 100); distributive quota (labour costs/value added) and hours worked. Year 1999

	Value added per worker (indexes)	Labour costs per worker (indexes)	Cost of labour on value added %	Gross wage per worker (indexes)	Hourly labour cost (indexes)	Gross profits on value added	Hours worked per worker
1-9	36.5	50.0	37.6	51.1	46.5	48.7	1 788
10-19	48.1	54.8	57.4	56.1	52.2	80.2	1 756
20-99	64.4	68.4	59.2	68.6	66.4	91.6	1 716
100-249	80.9	84.6	60.6	84.1	82.7	93.5	1 702
250 e oltre	100.0	100.0	58.4	100.0	100.0	100.0	1 666
Totale	65.6	75.0	55.9	75.4	73.0	87.7	1 716

Source: IRES processing on Istat data , Annual Report 2001, 2002

As can be seen, the wage and labour costs differentials by company size are extremely relevant: in enterprises with 1 to 9 people employed, gross wages and labour costs per worker are half of those of enterprises with more than 250 people employed. These gaps decrease with the increase in company size, but remain, however, significant: for enterprises with 10 to 19 workers, wages and labour costs are around 55% of those of the larger enterprises; those for enterprises with 20 to 99 workers are about 68.5%; and for those with 100 to 249 workers around 85%.

For hourly wages the gaps are even higher because the average worked hours increase with the decrease in company size.

From the data shown in Table 13, it is clear that productivity differentials (column one) are more or less the same as those of wages (albeit slightly higher), especially if compared to those of hourly wages, with the sole exception of the smaller enterprises. In this respect, it is necessary to keep in mind the considerable incidence of family-run businesses and of autonomous work in the smaller enterprises. Traits that frequently determine employee over-sizing (often only fictitious³⁰) in these enterprises and thus a reduction of productivity, when measured as the ratio between value added and number of workers.

Productivity differentials are higher than those of labour costs in the South, and also for smaller enterprises (although in constructions and services the gap between the two applies to larger enterprises as well).³¹ In the industry sector, excluding constructions, in the South in the smaller enterprises productivity is about 30% lower than in the North-West ; the labour costs 16,5% lower (see Table 14). In services and constructions the differentials remain high even for enterprises with more than 20 workers. Istat reveals that “these results certainly depend on the different sectoral structure of the enterprises located in the South (specialization of the South in low productivity sectors) and by the size of the enterprises (very high level of micro-enterprises)”, but underlines that, the size of the enterprises being equal, there is a *persistence* of this disadvantage in many sectors, which becomes more prominent in enterprises with less than 20 people employed.³² In this case also, the impact of autonomous work must be surmised in the under-sizing of the productivity levels.

³⁰ For example tied to the presence of family members among those employed to exploit fiscal and/or social security benefits, or with an amount of working hours that is far below the standard ones.

³¹ In this case also, for the smaller enterprises, the impact of family-run enterprises must be considered.

³² Istat , *Rapporto Annuale 2001*

Table 14 – Productivity differentials and labour costs by branch, geographic area, and company size.

	North-west		North-East		Centre		South	
	Labour cost per worker.	Value added per worker.	Labour costs per worker	Value added per worker.	Labour cost per worker.	Value added per worker.	Labour cost per worker.	Value added per worker.
INDUSTRY PROPER								
1-19	100.0	100.0	96.7	96.6	89.5	82.3	83.3	69.6
20 e oltre	100.0	100.0	89.9	90.7	93.1	94.8	89.0	91.7
Totale	100.0	100.0	89.8	89.7	88.8	85.1	83.6	77.7
CONSTRUCTIONS								
1-19	100.0	100.0	100.5	100.0	96.7	85.6	91.2	86.4
20 e oltre	100.0	100.0	86.1	81.8	99.1	87.3	79.6	71.5
Totale	100.0	100.0	98.0	99.3	94.7	83.8	87.4	84.2
SERVICES								
1-19	100.0	100.0	94.4	84.2	94.0	83.9	85.6	65.5
20 e oltre	100.0	100.0	86.9	76.5	103.9	96.8	90.2	76.1
Totale	100.0	100.0	87.8	79.2	98.9	87.1	85.9	65.4
TOTAL								
1-19	100.0	100.0	95.8	89.0	93.0	83.7	86.4	68.8
20 e oltre	100.0	100.0	88.9	85.4	97.5	94.6	87.9	81.7
TOTALE	100.0	100.0	89.5	85.3	93.3	84.5	83.5	68.6

Source: Istat, *Rapporto Annuale 2001, 2002*

3.3.4.1 *Wage differentials for non-EU workers*

Non-EU workers receive a gross wage that is lower than all other workers: 31% less in 2001, 32% less in 2002 and 34% less in 2003, following the effects of the regularization on the average wage of non-EU workers.³³

After the 2002 regularization (see § 3.7), the gross wage of regularized immigrants is lower yet: 43% less than the total of subordinate workers. And the new regulars earn even less than regular Non-EU workers.

In the Italian current debate there is not much room to discuss the minimum wage issue (indeed, Eurostat figures on minimum wages do not include Italy): it has been proposed by some experts and political representatives, but since it is considered an alternative to national sector contracts the unions disagree with it. The actual minimum wages are what is provided for by national collective bargaining at sectoral level (enterprises that do not respect national contracts are generally included in the concept of irregular employment - § 3.5). Only recently, the PD secretary, Mr Veltroni, proposed a minimum wage mainly for precarious workers.

3.3.5 *Individual earnings inequality*

A specific indication on salary dispersion, which structurally characterizes the labour market, is given by the distribution of the levels of average hourly gross earnings, according to Lorenz's arrangement. This highlights two of the principal determinants of wage differentials: gender, and sector of belonging of the worker. The female quota diminishes progressively with increase in salary class.

³³ Istat, *Rapporto Annuale 2004*, cap. 3

Table 15. Business sector (Industry & Services). Hourly gross earnings. 2002

Class decile	Class decile average (overall average=100)	Decile value/maximum (overall average=100)	Class decile composition	
			Females	Males
1	42.0	47.3	53.58%	46.42%
2	50.5	53.3	43.02%	56.98%
3	55.9	58.6	38.30%	61.70%
4	61.3	64.0	33.47%	66.53%
5	67.0	70.1	32.41%	67.59%
6	73.7	77.5	31.49%	68.51%
7	82.3	87.7	29.12%	70.88%
8	94.9	102.9	26.91%	73.09%
9	114.7	129.1	21.59%	78.41%
10	185.6	1277.3	17.22%	82.78%

Source; calculation by the authors on data from ISTAT, "Dipendenti, ore lavorate e retribuzioni nelle imprese dell'industria e dei servizi - Anno 2002", "Statistiche in breve", march 2005 (based on data from The European Structure of Earnings Survey – SES – on employees of firms with at least 10 people employed).

Considering the annual pro-capita earnings according to Lorenz's arrangement, with the increase in deciles there is a greater decrease in the female component quota than that observed for gross hourly earning. Indeed, while the hourly indicator cancels the effect that a greater or smaller use of part-time jobs (a typically female mode of work) has on earnings, this is highlighted by the pro-capita indicator. Table 16 shows also that with the increase of the education level the percentage of the employed receiving higher levels of average yearly earnings also increases. More than 50% of those who have an elementary or secondary level of education are present in the three lower deciles, while the presence of those with a diploma, or a university degree, in the higher deciles progressively increases.

Table 16. Business sector (Industry & Services). Employees' gross yearly earnings by class decile. 2002

Class decile	Class decile average (overall average=100)	Decile value/maximum(overall average=100)	Class decile composition				
			Gender		Maximum education degree attained		
			Females	Males	Primary/lo wer secondary education	Upper secondary education	Tertiary education (University degree)
1	31.4	47.5	63,7%	36,3%	52,6%	42,6%	4,8%
2	56.6	63.0	51,1%	48,9%	53,9%	42,6%	3,5%
3	67.5	71.7	38,2%	61,8%	53,0%	41,8%	5,2%
4	75.4	79.2	38,2%	61,8%	48,6%	46,7%	4,8%
5	82.9	86.9	27,8%	72,2%	44,6%	48,4%	7,0%
6	91.5	96.5	27,5%	72,5%	41,9%	48,8%	9,3%
7	102.7	109.3	25,5%	74,5%	36,3%	52,8%	10,9%
8	117.8	127.7	23,8%	76,2%	29,7%	56,6%	13,7%
9	142.8	161.2	21,2%	78,8%	18,8%	62,1%	19,1%
10	231.4	1158.2	14,6%	85,4%	7,0%	55,2%	37,9%

Source: calculation by the authors on the basis of ISTAT, Dipendenti, ore lavorate e retribuzioni nelle imprese dell'industria e dei servizi - Anno 2002, "Statistiche in breve", March 2005 (based on The European Structure of Earnings Survey – SES – on employees of firms with at least 10 people employed).

Table 17. Business sector (Industry & Services). Dispersion rates for the annual earnings of “full time equivalent” in 2002 . Business sector. (D= decile value.)

	D9/D1	D9/D5	D5/D1
France	3.4	2.0	1.6
Germany	3.2	1.8	1.8
Italy	2.5	1.8	1.4
Netherlands	2.8	1.8	1.6
Spain	3.2	2.0	1.6
Sweden	2.0	1.6	1.3
United Kingdom	3.2	2.0	1.6

Source: *Times of change: France 1993-2005, Documentation Française. Paris, 2000 (based on The European Structure of Earnings Survey)*

Italy shows a relatively contained comprehensive salary dispersion (highest decile /lowest decile): only in the Nordic countries is this gap lower. Dispersion in the higher part of the Italian distribution is on the same levels as Germany and the Netherlands, while Spain and UK show the greatest dispersion. In the lower part of the distribution, Italy again shows low values, higher only than the Nordic countries.

3.3.6 Gender related wage differentials³⁴

The existence of gender wage differentials can be given as a fact. In market economies, setting aside all composition effects, an unadjusted analysis of the hourly wage rates of men and women shows the presence of a gender *pay gap* in the wage average. Some studies show a narrowing of the gap in the last years but the differences between men and women are still relevant. According to the European Commission (data from 2003, published in 2005) the average female salary in EU25 is equal to 85% of the male average. According to OECD, there are countries where the *pay gap* differential is below 10% (Northern countries, Belgium and France), and countries where it is over 20% (USA, Canada, UK). For what concerns EU–15 (Norway included), the European Industrial Relations Observatory (EIRO) estimates the *pay gap* to be around 20%. A survey, recently conducted by the De Benedetti Foundation³⁵, shows, among other things, that this is principally due to wage structure. In Scandinavian countries, where there is less wage disparity in general, the *pay gap* differentials between men and women are lower. Conversely, in the UK, where there is more disparity, the divide between men and women is also wider.

All studies and sources register a gender wage differential, to the disadvantage of women, for Italy as well; although the extent of the differential is different, depending on the source, or on whether yearly earnings or hourly wages are considered, or whether net or gross earnings are taken into account. Moreover, the extent of the gender *pay gap* changes again if we consider compositions, that is: the differences in qualitative composition between male and female employment. The principal figures on the gender *pay gap* are shown in Table 18.

³⁴ For this subsection see: G. Altieri. “*Differenziali salariali tra uomini e donne*”. Rassegna sindacale, marzo 2007; E. Rustichelli (a cura di) “*Esiste un differenziale retributivo di genere in Italia? Il lavoro femminile tra discriminazioni e diritto alla parità di trattamento*”, ISFOL, Roma. 2007; M. Centra, C. Venuleo “*Differenziali retributivi: un’analisi dello scenario italiano*”, in Rustichelli (2007); M. Biagioli “*I differenziali salariali uomo/donna nell’indagine ISTAT sulla struttura delle retribuzioni*”, in Rustichelli (2007).

³⁵ De Benedetti Foundation, “*European Women at Work*”- 5th European Conference, Alghero, June 21st, 2003.

Table 18. Gender pay gap for employees (average Women earnings/average - Men earnings=100)

	1993	1996	1998	2002	2004
Yearly gross earnings		75.0		74.9	
Yearly net earnings	74.0		78.1	79.3	80.2
Hourly gross earnings		80.7		84.0	
Hourly net earnings	95.6		97.2		94.8
Yearly net earnings - adjusted for composition				73.2	
Hourly gross earnings - adjusted for composition				88.5	
Hourly net earnings – adjusted for composition					90.4

Source: gross earnings from Biagioli (2007) – original data from ISTAT Earnings Structure Survey; net earnings from CESOS, “Le relazioni sindacali in Italia e in Europa. Retribuzioni e costo del lavoro, 2004 -2005”, CNEL, Roma and Centra, and Venuleo (2007) – original data from Bank of Italy Households’ Budgets Survey.

Unadjusted redistributive data show a differential for the most recent years in the order of 20-25%, Nonetheless, the adjustment for hours worked, reduces its scope for both gross and net earnings to 5-15%. Hence, even if we take into account the fact that women earn less than men because they work less hours compared to men, there still remains a differential to be explained.

Compared to the importance of the hours worked, the role of gender differences in the qualitative composition of the jobs (sector, job ladder position, and so on) and in human capital endowment is more ambiguous and seems to depend on the statistical model and/or by the features of the statistic source (gross earnings from an ISTAT sample from Business sector firms, or net earnings from a Bank of Italy sample from all sectors. Net (yearly and hourly) earnings (total economy) differential *increases* when we consider qualitative composition effects. and, at the same time, women appear to be favoured by the effects of employment composition. Aside from the lower number of worked hours, it is the gender discrimination which explain the gender *pay gap*. Vice versa, from the estimate model applied to gross earnings (Business sector sample), the adjustment for composition effects appears to *reduce* the hourly gender pay gap: in this case, the qualitative composition effects go against the relative position of women. This noticeable difference may be imputed to the peculiar features and relevance of Public sector female employment, where women with a tertiary education degree represent a very high workforce’ share (e.g. Education). It’s also important to consider the fact that having upper secondary or tertiary education degree is for Italian women a far greater factor than for men for joining the employed population; so the female’s education employment composition in more favourable than men’s one. As a matter of fact, a mere 31% of employed women has only a lower secondary degree (or less) against the staggering 45% of employed men; the female upper secondary employment share is 49% versus 42% and the female tertiary share is 19% vs. 13% for men (Labour Force Survey, 2006 data)

Disparities between men and women in the labour market are present from first entry for the female component, and continue (often heightened) during the central phases of the working career, when it is often hardest to reconcile job and family life.

Wage discrimination is already prominent among unskilled workers, it decreases for employees, and again rises for executive positions. The male/female wage differential widens with the increase in education: women with degrees obtain salaries equal to 2/3 that of the men with the same qualifications. Wage differences are higher in the private sector. Public employment appears generally less discriminating.

Differentials increase with age, while the differences in hourly wages are minor, or even cancel out, between the younger generations until age 40. On the contrary, the older women earn much less because they did not pursue a career, and/or had to interrupt it to have children (especially in the South of Italy). The presence of small children generates a curious phenomenon: men earn more than their colleagues who have none, while women, with the sole exception of unskilled workers, see their salary decrease substantially. In both the public and the private sector, maternity continues to be viewed by the enterprises as a burden, and an inconvenience: women feel constrained to choose between children and career ambitions. It is not by chance that the parental leaves provided for by Law 53/00 were made use of almost exclusively by mothers. The presence of pre-school age children increases the gap in hours worked by men and women, independently of the professional position.

The discontinuity of the working-life impacts not only the current income of women, but also their future incomes: at the moment, only 9,9% of women reach 35-40 years of social security payments, while 79% of retired women has less than 30 years and of these only 52% manages to accumulate 20 years of payments. As a result, women have, on average, lower social security checks than men. In the younger segment of the population, the lowest salary divides are registered among the more highly educated, while in older age groups the salary divides are greater among the more highly educated, confirming that women find greater difficulty than men in accessing the more prestigious, and better paid, positions, usually reached in the more advanced phases of the working career.

Table 19. Gender pay gap in unadjusted form³⁶

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
European Union (15 countries) - Eurostat estimate	17	16	16	16	15	16	16	16	16	15	15
Italy (2004-05 provisional values)	8	8	7	7	8	6	6	:	:	7	9

Source: calculation by the authors on EUROSTAT website data.

Data on the gender pay gap in unadjusted form is clearly lower in Italy than the European average, conversely it should be remembered that the female employment rate remains low. In any case, conversely to what is happening at European level, in the period between 1995 and 2005, data for Italy does not show a decrease in the gender pay gap.

3.3.7 *In-work at risk of poverty*

Workers at risk of poverty (see note 37) represent a higher percentage of total employment in Italy than the EU-15 average (10 to 7 in 2006). Compared to the whole of EU-15 in Italy the greater quota of workers at risk of poverty is in the younger and intermediate age groups, and with a net prevalence of male workers compares to female workers (probably because of lower female employment rates). While in the whole of EU-15 it is the elderly workers who are at greater risk of poverty, and the divide between male and female is smaller.

³⁶ The gender pay gap is given as the difference between average gross hourly earnings of male paid employees and of female paid employees as a percentage of average gross hourly earnings of male paid employees. (http://europa.eu.int/estatref/info/sdds/en/earn/earn_gr_gpg_base.htm)

Table 20. In-work at risk of poverty³⁷ rates by age and gender (%)

			2004	2005	2006
European Union (15 countries)	Total	Total	:	7	7
		Between 18 and 24 years	:	9	9
		Between 25 and 54 years	:	7	7
		Between 55 and 64 years	:	8	7
		65 years and over	:	12	13
	Males	Total	:	8	8
		Between 18 and 24 years	:	9	9
		Between 25 and 54 years	:	8	8
		Between 55 and 64 years	:	8	7
		65 years and over	:	11	13
	Females	Total	:	6	7
		Between 18 and 24 years	:	10	9
		Between 25 and 54 years	:	6	6
		Between 55 and 64 years	:	7	7
		65 years and over	:	14	14
Italy	Total	Total	9	9	10
		Between 18 and 24 years	10	10	10
		Between 25 and 54 years	10	9	10
		Between 55 and 64 years	9	7	6
		65 years and over	4	2	6
	Males	Total	11	10	11
		Between 18 and 24 years	11	9	9
		Between 25 and 54 years	11	11	12
		Between 55 and 64 years	9	8	8
		65 years and over	5	3	6
	Females	Total	7	6	7
		Between 18 and 24 years	7	11	10
		Between 25 and 54 years	7	6	7
		Between 55 and 64 years	7	4	2
		65 years and over	2	0	7

Source: calculation by the authors on EUROSTAT website data.

³⁷ At-risk-of-poverty rate is defined as the share of people with an equivalised disposable income below the at-risk-of-poverty threshold, which is set at 60% of the national average equivalised disposable income (after social transfers). This share is calculated before social transfers (original income including pensions but excluding all other social transfers) and after social transfers (total income). (http://europa.eu.int/estatref/info/sdds/en/strind/socohe_di_base.htm)

Table 21. In-work at risk of poverty rates by education level – ISCED 97 (%)

		2004	2005	2006
Germany (including ex-GDR from 1991)	Pre-primary, primary and lower secondary education - levels 0-2	:	10	10
	Upper secondary and post-secondary non-tertiary education - levels 3-4	:	5	5
	Tertiary education - levels 5-6	:	4	4
Spain	Pre-primary, primary and lower secondary education - levels 0-2	16	16	16
	Upper secondary and post-secondary non-tertiary education - levels 3-4	9	9	8
	Tertiary education - levels 5-6	4	4	4
France	Pre-primary, primary and lower secondary education - levels 0-2	7	8	8
	Upper secondary and post-secondary non-tertiary education - levels 3-4	5	6	6
	Tertiary education - levels 5-6	3	2	3
Italy	Pre-primary, primary and lower secondary education - levels 0-2	15	14	15
	Upper secondary and post-secondary non-tertiary education - levels 3-4	6	6	7
	Tertiary education - levels 5-6	3	3	3
United Kingdom	Pre-primary, primary and lower secondary education - levels 0-2	:	15	13
	Upper secondary and post-secondary non-tertiary education - levels 3-4	:	8	8
	Tertiary education - levels 5-6	:	5	4

Source: calculation by the authors on EUROSTAT website data.

The connection between poverty risk and education level is very strong in Italy, as too in other European countries such as Spain and UK. In Germany and in France the divides appear much smaller in relation to the level of education.

3.3.8 Young working adults.

Moreover, young working adults condition makes the *earning question* worse: according to IRES surveys, an apprentice aged between 15 and 24 earns an average of 735/740 net euro a month; a short-term contract worker aged between 15 and 34 earns an average of 770 net euro a month; a co.co.pro, or a co.co.co (“quasi subordinate”, formally self-employed – see § 3.4.8.1.6) worker aged between 15 and 34 earns an average of 900 net euro per month. Between quasi subordinate workers, the youngest are the ones who get paid less: salaries under 800 euros a month are very common in workers aged 17-24 (56%), while workers aged 24-32 generally earn 800-1000 euro salaries.

3.4 The labour market

3.4.1 The state of employment

After the recession of early ‘90s had determined the loss of 1,2 millions of jobs, one of the results of the July 1993 agreement (and of the subsequent tripartite agreements of 1996 and 1998) was the improvement of the employment rate. Notwithstanding the modest growth rate of the economy between 1995 and 2006, thanks to the wage moderation and to the effect of the mentioned Treu and Biagi laws, which implemented labour market flexibility, employment has picked up.

Table 22. Italy. Total economy. Growth, employment and effective labour productivity. Average composite mean rates of growth 1982-2006. Percentage values

	1983-1992	1993-1995	1993-2006
GDP at constant prices	2.5	1.4	1.3
GDP deflators	8.1	4.1	3.0
Salaried Employment (ULA)	0.5	-1.3	0.6
Total Employment (ULA)	0.6	-1.4	0.4
PIL per ULA at constant prices	1.9	2.8	1.0

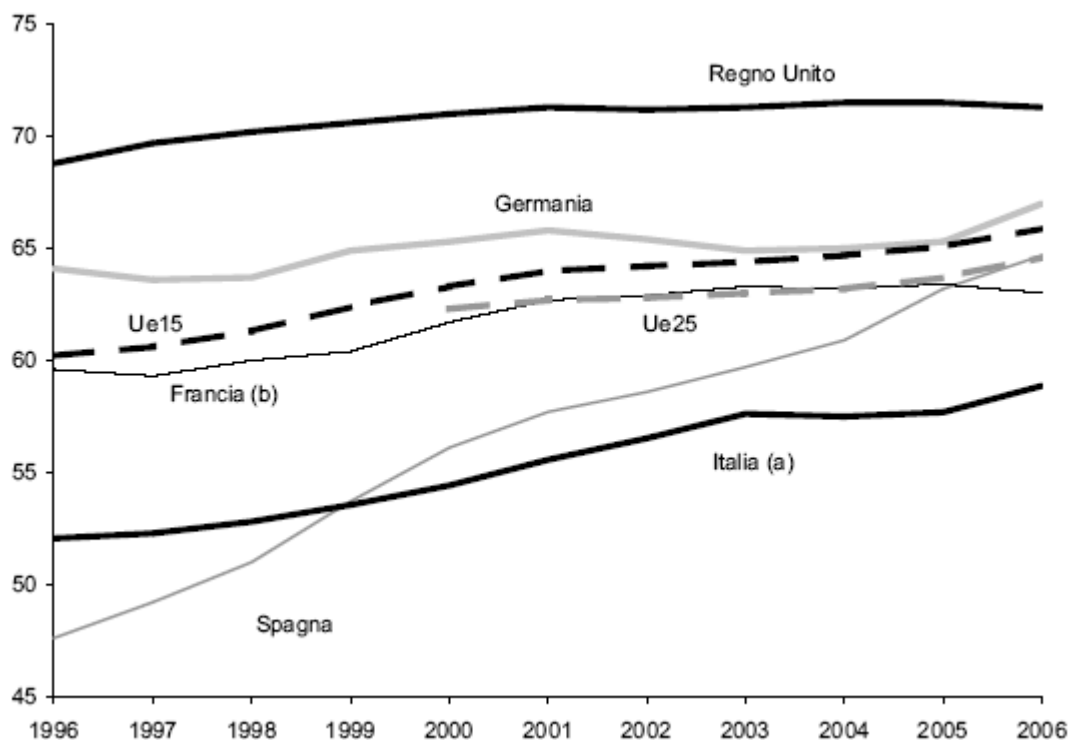
Source: calculations by the authors on ISTAT Italian National Accounts data.

On the whole, employment has increased from the 1995 turning point to 2006 by 2.9 million units.

3.4.2 The rates of activity and of employment increase but they remain low.³⁸

Since 2000 the GDP and employment have both grown at the average rate of slightly less than a percentage point per year, while in EUM employment has grown by an average of 0.9% yearly, opposite an increase of the GDP of about 1.6%³⁹.

Figure 4– Employment rates (ages 15-64) in Italy, in the EU, and in the principal Eu countries – Years 1996-2006 (second quarter data)



Source: ISTAT, *Rapporto annuale 2006*, Eurostat data, *Structural Indicators*

(a) Reconstructed series.

(b) First quarter

Despite ten years of employment growth rates above the European average, the rate of the active population remains low when compared to major European countries: 63% of the population aged 15 and 64, compared to 72% in EU-15; the same 9 points of disparity registered in 1996, when the incidence of the active population was only 59%.

³⁸ Data drawn from the ISTAT annual report, *Rapporto Annuale 2006*, Cap. 4.

³⁹ ISTAT, *Rapporto Annuale 2006*, Cap. 4.

The most significant quota of the increase in the active population is due to the growth of female participation in the labour market. Nonetheless, the rest of Europe has, in the last decade, made just as ample progress, hence a situation of disparity still remains. As in many other issues, this is also due to the negative impact of the South.

The role played by *irregular work* must also be taken into account, a share of which – employment in multiple jobs (the typically undeclared *second job*) – adds input to the productive system but does not modify the commonly calculated employment rate⁴⁰. Other components of irregular work add instead to the employment rate. Also in this case, the incidence of *irregular work*, is double in South Italy than in North.

Despite the increase by 7 points of the rate of employment in the last ten years, Italy still has the lowest (58.9%) among the major European countries, and in respect to both the EU–15 average and (65.9%) and the EU25 one (64.6%).

Table 23. Activity and Employment rates. 1996 and 2006

	Activity Rate						Employment Rate					
	1996			2006			1996			2006		
	Males	Females	Total	Males	Females	Total	Males	Females	Total	Males	Females	Total
Italy												
15-24 y. (a)	43.5	34.0	40.2	38.6	26.2	32.5	31.7	23.2	27.6	31.6	19.7	25.8
25-54 y.	90.4	54.3	72.4	91.9	64.7	78.3	84.2	47.5	65.8	87.8	59.8	73.8
55-64 y.	45.1	14.9	29.4	44.9	22.8	33.5	43.1	14.1	28.0	43.8	22.2	32.7
15-64 y. (a)	73.4	43.1	58.8	75.1	51.0	63.0	66.0	38.2	52.1	71.1	46.7	58.9
France (b)												
15-24 y.	38.2	33.1	35.6	41.1	32.3	36.8	28.6	23.1	25.8	32.8	24.8	28.8
25-54 y.	95.3	78.0	86.6	93.3	80.4	86.8	86.5	67.8	77.1	87.0	73.6	80.2
55-64 y.	36.7	27.7	32.1	43.2	37.4	40.2	33.7	25.5	29.4	40.6	35.1	37.8
15-64 y.	75.3	61.2	68.1	74.6	63.8	69.1	67.2	52.3	59.6	68.5	57.7	63.0
Germany												
15-24 y.	53.6	47.1	50.4	51.9	46.4	49.2	48.0	43.0	45.5	44.4	40.7	42.6
25-54 y.	92.9	73.7	83.5	93.8	80.4	87.1	86.1	67.0	76.7	84.6	72.9	78.8
55-64 y.	54.5	33.1	43.7	63.9	46.2	55.0	47.8	28.2	37.9	56.5	40.1	48.3
15-64 y.	79.3	61.3	70.4	81.0	68.3	74.7	72.7	55.4	64.1	72.5	61.4	67.0
United Kingdom												
15-24 y.	68.8	60.3	64.7	62.5	58.4	60.5	56.4	53.4	55.0	52.8	51.6	52.2
25-54 y.	92.1	74.6	83.4	91.6	77.9	84.6	84.6	70.3	77.5	87.8	74.8	81.2
55-64 y.	63.0	40.2	51.4	68.3	50.1	59.0	57.0	38.8	47.8	66.0	48.9	57.3
15-64 y.	83.3	66.6	75.0	81.7	69.2	75.4	75.1	62.3	68.8	77.0	65.8	71.3
Spain												
15-24 y.	44.0	37.2	40.6	51.7	44.5	48.2	27.9	19.3	23.6	43.8	34.7	39.4
25-54 y.	92.9	57.2	75.1	92.6	71.1	82.0	78.8	41.9	60.4	87.6	63.6	75.8
55-64 y.	56.4	20.1	37.6	63.6	30.7	46.7	50.1	17.6	33.2	60.5	28.6	44.1
15-64 y.	75.9	46.7	61.3	81.2	60.1	70.8	62.5	32.8	47.6	76.0	53.2	64.7
EU15												
15-24 y.	50.3	43.2	46.8	50.5	43.8	47.2	40.0	33.3	36.7	42.7	36.7	39.7
25-54 y.	92.7	69.3	81.1	92.8	76.2	84.5	85.2	61.7	73.5	87.1	70.4	78.8
55-64 y.	51.5	28.2	39.6	57.6	39.1	48.2	47.0	25.7	36.1	54.2	36.6	45.2
15-64 y.	77.8	57.3	67.6	79.1	63.9	71.5	70.3	50.2	60.2	73.4	58.5	65.9

(a) Reconstructed data. (b) Data from the first quarter

Source: ISTAT, Rapporto Annuale 2006, Roma 2007 (from Eurostat data - Structural indicators).

3.4.2.1 The decrease in the rate of unemployment

Between 1998 and 2006, the rate of unemployment fell rapidly and constantly by about 4.5 percentage points, without suffering the reversal of this trend experienced by other countries in the early decade. In 2006 the rate of unemployment in Italy was below the three other major countries of the Euro area and below both the EU–15 and the EU25 averages. This certainly positive result was determined largely by the increase in the quota of the employed population, which is greater than that registered elsewhere.

⁴⁰ ISTAT, ibidem

3.4.2.2 *The role of young adults in the labour market.*

In Italy, between 1996 and 2006, the presence of young adults in the labour market has decreased by almost 8 percentage points, six of which are concentrated in the second half of the decade considered. The rate of employment has also decreased by two points. In 2006 both the rates of activity and of employment turn out to be substantially lower (by about 15 percentage points) when compared to the EU–15 average and to the values for Spain and Germany (Table 23).

The drop in the rate of activity, due to the tendency to delay entry in the labour market, is the major determinant of the reduction of the rate of unemployment among young adults, which in Italy fell from above 30% in 1996 to about 20% in 2006 (Table 24). The drop in the rate of activity has concerned both men and, to a greater extent, women: 5 percentage points for the former, 8 percentage points for the latter between 1996 and 2006.

Table 24– Rates of unemployment in Italy by gender and age group – 1996 e 2006 (data from the second quarter seasonally adjusted)

	1996			2006		
	Males	Females	Total	Males	Females	Total
15-24	26.9	36.9	31.4	18.1	24.1	20.5
25 +	6.3	11.4	8.2	4.3	7.6	5.6
15-64	8.8	15.4	11.3	5.4	8.9	6.8

Source: ISTAT, *Rapporto Annuale 2006* (based on Eurostat data - Structural indicators)

The postponement of entry in the labour market to later in the life cycle, may in fact reflect discouragement due to the difficulties young adults find on attempting to enter the labour market, especially in certain areas of Italy.

Activity rates decrease sharply with the increase in family instruction, with levels of 16% where a family member has a higher education: a higher level of family schooling encourages a young adult to choose a longer educational objective.

Concerning the presence in the labour market of the adult “core” segment of the population, the 2006 situation shows values for EU–15 (25-54) activity rate of 84.5 %, and 78.8% for the employment rate. Italy, notwithstanding a significant improvement, still lags behind by 6.2 percentage points for the first indicator and by 5 points for the second.

The increase in participation and in employment rate has concerned mainly the female population. The total activity rate for 24-54 has increased from 1996 to 2006 by 8 percentage points; the rate of employment by nearly 6 point, with a performance well above the EU–15 average. In the 55-64 age group, instead, the Italian growth of the activity and of the employment rate has been greatly outpaced by the EU 15 one. The level of activity rate in this class is nearly 15 point below the EU–15 average and the level of employment rate in this class is 12.5 point below the EU–15 average. The difference are particularly strident for the female segment of the mature population.

3.4.3 *Female participation in the labour market and part-time jobs*

In Italy in 2006 the rate of female activity was equal to 51% with a distance of 13 percentage points from the rest of the EU–15 countries.

This holds true for all phases of working life: for ages 15-24, rates of activity and employment are lower in Italy by 17-18 percentage points compared to the European average; for ages 25-54 the difference is of 12 points for activity and above 10 points for employment; for pre-retirement ages (55-64) numbers are substantially the same.

Despite persisting negative differentials, however, the overall rate of employment has risen in the last decade: female employment has risen by almost 8 percentage points, and male employment by almost 5. In the same period, of the 2.7 million jobs increase registered for total employment about

62% concerned women, and female employment has grown by 2% a year, more than double the figure of male employment.

The female employment rate for the South is about 31% for 2006, about 15% lower than the domestic average; on the other hand, between 1996 and 2006 it has increased only by 5 percentage points, compared to the 10 of the Centre-North.

Table 23 shows that younger women have more difficulties accessing jobs.

The rate of female unemployment in Italy is only half a percentage point higher than the EU-15 2006 average.

In the last decade, the comprehensive growth of participation determined a contraction of one million units of the inactivity rate of the female working-age population (15-64). Nonetheless, in 2006 the incidence of inactive women of working age, with a value of almost 49%, is almost double that of the men.

All in all, female participation is still influenced by family duties which, in Italy more than in other European countries, appear as an important obstacle to entry and permanence in the labour market. The asymmetrical distribution of the housekeeping work loads, the inadequate supply of children oriented services, and a *welfare* system which does not adequately sustain family care and assistance, represent critical elements in the reconciling of work and family needs.

In the decade between 1996 and 2006 female part-time employees have grown by more than 71% (compared to the increase of 9% of males), their number went from 20% to 26% of the total of employed women. The increase is concentrated in the age groups where women face the necessity of combining paid jobs with family needs; so much so, that the majority resorts to part-time jobs so as to be able to take care of their children.

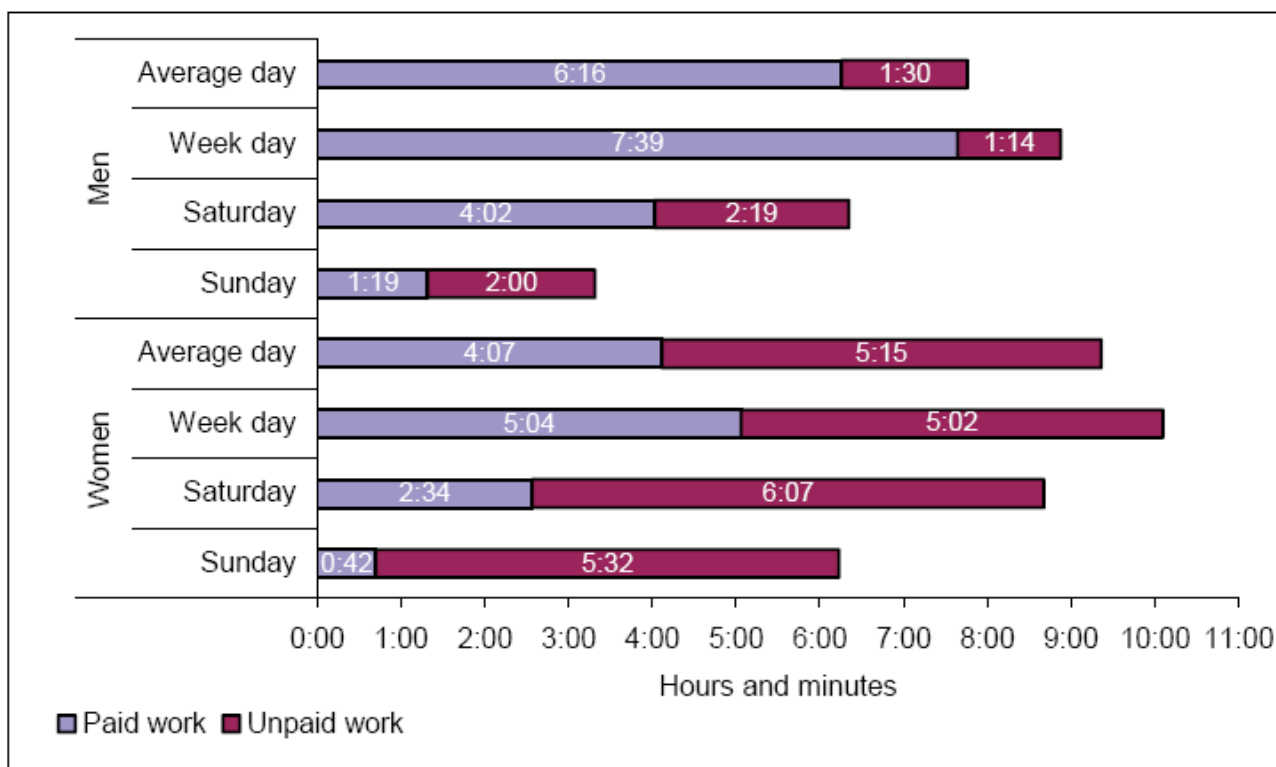
Once again the difference of the South stands out: working mothers register only 38% (compared to 63% in the Centre and 72% in the North-East). This probably indicates that in the South women are more exposed to risks and difficulties, larger families, greater housekeeping loads, less services, and less offers of part-time jobs, as well as a, traditionally, more asymmetrical division of roles.

Within the inactive segment, we can identify two subgroups: people who do not look for, and are not available for, work; and those who show different combinations of job searching and availability, showing a degree of inclination to participation. This area of inactivity, commonly known as the *grey area*, includes 2.6 million working people (15-64), and is concentrated prevalently in the South: women are more than 1.7 million of these.

3.4.4 Unpaid works and work-family reconciliation issues in a gender perspective

Women living in couple and without children dedicate overall to work (paid and unpaid) 1h14' more than men, but such a gap reaches 1h36' when they have children, as mothers dedicate overall 9h22' to work and fathers 7h46'. Part-time seems a remedy to a point. Despite the fact that part-time jobs do help reconcile the times, they do not really help reduce the total work time. A reduced paid work time indeed entails an increase of almost equal entity in the housework and care activities time. Consequently, the differences in the total workload based on the different working hours system are not particularly significant: women who work part-time have only 34 minutes more of total free time from work than those who work full-time. In other words, even for part-time female workers, work remains the main activity. Paid work is simply substituted by household work while the recovery of free time is still contained.

Figure 5. Italy Time for total work (paid and unpaid) of employed people living as partners in couple with children by gender and type of day



Source: Maria Clelia Romano & Rita Ranaldi, "Paid and unpaid work: perspectives for analysis", *Global Forum on Gender Statistics Rome, 10-12 December 2007* (based on data from Istat, *Time Use Survey 2002-2003*)

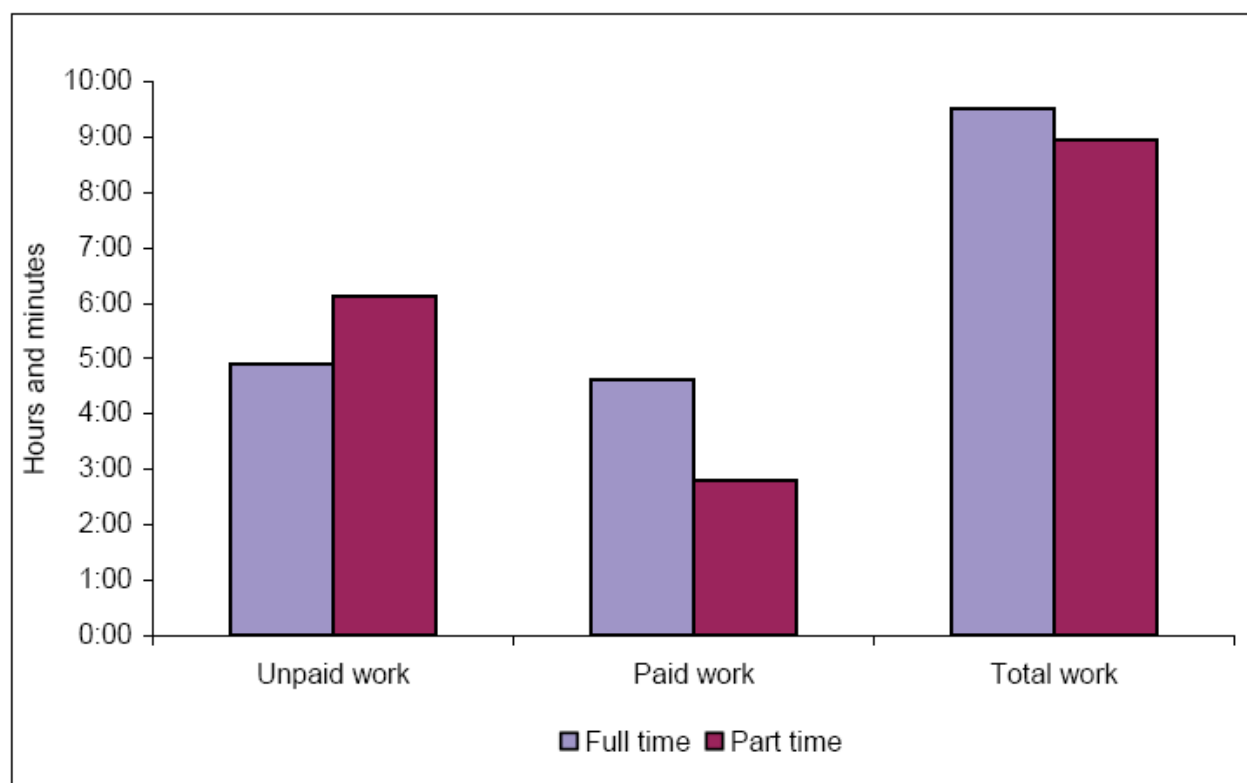
In brief, the picture that emerges when considering the data relative to paid work is only partial and does not enhance the effective workload that weighs upon Italian women. When considering the overall working time (paid and non-paid), the daily life of women results much more conditioned compared to that of men. In particular, the strong gender gap in terms of family workload leads men and women to organise differently their other life times. Such differences in family workload, which already develop in childhood and adolescence, increase in adult life and persist all through the more advanced ages, thereby affecting the whole organisation of daily life.

As one can see from such a picture, the traditional role division has persisted: men invest more in paid work and women take care of most of the household work, even when they have entered the labour market and must deal with a work overload that is difficult to manage.

Anyway, with such a work overload, unsurprisingly 18,3% of inactive women justify their condition exclusively with family reasons. Very often family reasons are indicated also by non-employed women who have stopped working (32.7% of the total). Anyway, the necessity to take care of the children is the most frequent reason for inactivity or for leaving the labour market given by Italian women from all generations, young and less young ⁴¹

⁴¹ ISTAT, Italian Labour Forces Survey, figures relative to 2005.

Figure 6. Time devoted by coupled women with children to (paid and unpaid) work by type of work and working hour system on an average day



Source: Maria Clelia Romano & Rita Ranaldi, "Paid and unpaid work: perspectives for analysis", *Global Forum on Gender Statistics Rome, 10-12 December 2007 (based on data from Istat, Time Use Survey 2002-2003)*

Table 25. Main childcare-related reasons given by people for not working or not working more. Women between 20 and 49 years. Year 2005

	Lack of childcare services during the day	Lack of childcare services at special times	Lack of childcare services during the day or at special times	Childcare services are too expensive	Available childcare services are not of sufficient quality	Other reason not linked with the lack of suitable childcare services	Not applicable (the respondent does not wish to work or work more and reduce the time for caring about children up to 14 and/or has no care responsibility)	No answer
European Union (15 countries)								
Total population	0.4	0.1	0.2	0.8	0.1	4.5	93.5	0.3
Active population	0.2	0.1	0.1	0.5	:	3.8	94.9	0.3
Employment	0.1	:	:	0.3	:	2.1	97.2	0.2
Unemployment	1.0	:	:	2.5	:	21.3	72.5	1.1
Inactive population	1.0	:	:	1.8	:	6.5	89.4	0.3
Italy								
Total population	1.4	:	:	0.9	0.1	5.6	91.8	0.1
Active population	0.7	:	:	0.5	0.0	3.7	95.0	:
Employment	0.4	:	:	0.3	:	1.9	97.3	:
Unemployment	3.5	:	:	2.1	:	18.6	75.2	:
Inactive population	2.6	:	:	1.6	0.2	8.9	86.4	0.2

Source: calculation by the authors on EUROSTAT website data.

The lack of childcare services appears to play a bigger role in Italy compared to EU-15 in explaining lower women working hours in the 20-49 yrs. population group. That is especially true for unemployed and inactive women.

3.4.5 Working hours

Looking at the period between 1995 and 2006, the number of weekly hours usually worked on the main job progressively diminishes by about one hour, going from 39.4 hrs/wk to 38.5 hrs/wk. The drop is due, in full, to the female component of employment, which not only shows a lower amount of hours usually worked, but also shorter actual working hours, as well as being a quota that is on the rise. Nonetheless, this tendency cannot be confirmed for full-time workers, both subordinate and non. These saw their usual working hours increase until 2004-5, and stabilize in the last few years. This applies to both the male and female component. Conversely, the average part-time working hours for the male component is falling; usual working hours for non-subordinate part-time female workers also decrease noticeably.

Table 26. Average number of usual weekly hours of work in main job, by sex, professional status, full-time/part-time and economic activity

	Year	Total			Full-time			Part-time		
		Total	Males	Females	Total	Males	Females	Total	Males	Females
Total employment	1995	39.4	41.3	35.9	40.4	41.7	37.9	24.6	29.2	22.7
	1996	39.5	41.5	36.0	40.6	41.9	38.0	24.6	29.0	22.7
	1997	39.4	41.4	35.6	40.5	41.9	37.8	23.8	27.7	22.2
	1998	39.4	41.4	35.7	40.6	41.9	37.9	24.1	27.9	22.4
	1999	39.2	41.3	35.4	40.5	41.9	37.9	23.4	26.7	22.1
	2000	39.1	41.3	35.4	40.6	41.9	38.0	24.0	27.2	22.8
	2001	39.1	41.3	35.3	40.6	41.9	38.0	23.9	27.3	22.7
	2002	39.1	41.4	35.3	40.5	41.9	37.8	23.9	27.7	22.6
	2003	39.0	41.4	35.2	40.5	41.9	37.9	23.3	26.3	22.4
	2004	38.8	41.8	34.2	41.4	42.8	38.6	20.7	20.3	20.8
	2005	38.6	41.6	34.1	41.2	42.6	38.4	21.1	20.6	21.3
2006	38.5	41.5	34.0	41.1	42.5	38.5	21.4	21.3	21.5	
Employees	1995	37.6	39.5	34.5	38.5	39.7	36.2	24.5	30.6	22.5
	1996	37.6	39.5	34.6	38.5	39.8	36.3	24.5	30.0	22.6
	1997	37.4	39.4	34.2	38.5	39.7	36.1	23.7	28.2	22.2
	1998	37.4	39.4	34.2	38.5	39.7	36.3	23.8	28.1	22.3
	1999	37.2	39.3	34.0	38.5	39.7	36.3	23.2	26.6	22.2
	2000	37.2	39.3	34.1	38.6	39.8	36.5	24.0	27.8	22.8
	2001	37.1	39.3	33.9	38.5	39.8	36.4	23.6	27.6	22.5
	2002	37.2	39.4	34.0	38.5	39.8	36.4	23.8	28.0	22.6
	2003	37.2	39.5	34.0	38.6	39.9	36.5	23.4	26.8	22.5
	2004	37.0	39.9	33.1	39.2	40.6	36.9	21.3	21.0	21.3
	2005	37.0	39.8	33.1	39.2	40.5	37.0	21.7	21.5	21.7
2006	37.0	39.8	33.1	39.3	40.6	37.1	22.0	22.1	21.9	
Not employees	1995	43.8	45.3	40.1	45.4	46.1	43.3	24.8	27.5	23.1
	1996	44.2	45.7	40.5	45.6	46.4	43.4	24.8	27.5	22.9
	1997	44.1	45.7	40.2	45.7	46.5	43.3	24.2	26.9	22.3
	1998	44.3	45.8	40.5	45.7	46.5	43.4	24.8	27.6	22.9
	1999	44.1	45.7	40.1	45.7	46.5	43.5	23.8	26.8	21.9
	2000	43.9	45.6	39.8	45.6	46.4	43.2	24.1	26.1	22.9
	2001	44.1	45.7	40.1	45.7	46.5	43.5	24.7	26.9	23.4
	2002	44.1	45.7	40.1	45.6	46.5	43.2	24.3	27.1	22.5
	2003	43.9	45.6	39.9	45.4	46.3	43.2	22.9	25.1	21.7
	2004	43.7	46.3	38.3	47.3	48.2	45.1	19.0	19.4	18.9
	2005	43.6	46.1	37.9	46.9	47.7	44.4	19.3	19.2	19.4
2006	43.2	45.7	37.6	46.5	47.4	44.0	19.7	20.1	19.5	

Source; calculation by the authors on the basis of EUROSTAT website data.

An examination of the actual weekly working-hours shows a difference from the usual ones. While the drop in total average worked hours is confirmed, data does not reflect the increasing trend for

hours worked by full-time workers, which are characterised by strong oscillations from one year to the next (usual working hours vary much less from year to year). The drop in worked hours in male part-time jobs is also confirmed.

Table 27. Average number of actual weekly hours of work in main job, by gender, professional status, full-time/part-time

	Year	Total			Full-time			Part-time		
		Total	Males	Females	Total	Males	Females	Total	Males	Females
Total employment	1995	39.3	41.3	35.5	40.3	41.7	37.6	23.4	27.8	21.7
	1996	38.7	40.8	34.9	39.8	41.2	36.8	23.3	27.3	21.6
	1997	39.2	41.3	35.4	40.4	41.8	37.5	22.9	25.8	21.7
	1998	39.2	41.4	35.3	40.5	41.9	37.6	23.1	26.5	21.7
	1999	39.1	41.3	35.2	40.5	41.8	37.7	22.9	25.9	21.7
	2000	39.1	41.3	35.2	40.6	41.9	37.8	23.4	26.4	22.3
	2001	39.2	41.5	35.2	40.7	42.1	38.0	23.5	26.4	22.4
	2002	35.7	38.0	31.9	37.0	38.4	34.3	21.4	24.8	20.2
	2003	38.9	41.3	35.0	40.4	41.8	37.7	22.8	25.5	22.0
	2004	38.4	41.4	33.7	41.0	42.4	38.0	20.4	19.8	20.6
	2005	38.1	41.0	33.5	40.6	41.9	37.9	20.7	20.4	20.8
2006	37.9	40.8	33.4	40.4	41.7	37.7	21.6	21.5	21.6	
Employees	1995	37.5	39.5	34.2	38.4	39.7	35.9	23.5	29.3	21.5
	1996	36.8	38.9	33.4	37.7	39.1	35.0	23.2	28.2	21.5
	1997	37.3	39.4	34.0	38.4	39.7	35.9	22.9	26.3	21.7
	1998	37.3	39.4	33.9	38.4	39.8	36.0	23.0	26.9	21.7
	1999	37.3	39.4	33.9	38.5	39.8	36.1	22.8	25.9	21.9
	2000	37.2	39.4	34.0	38.6	39.8	36.4	23.5	26.9	22.4
	2001	37.3	39.6	33.9	38.8	40.0	36.5	23.3	26.8	22.3
	2002	33.8	36.0	30.5	35.0	36.4	32.7	21.4	25.6	20.2
	2003	37.1	39.4	33.8	38.5	39.8	36.3	23.1	26.1	22.3
	2004	36.7	39.7	32.6	38.9	40.4	36.3	21.1	20.8	21.1
	2005	36.5	39.3	32.5	38.7	40.0	36.4	21.4	21.5	21.3
2006	36.4	39.2	32.5	38.6	39.9	36.3	22.2	22.3	22.2	
Not employees	1995	43.6	45.2	39.8	45.2	45.9	43.0	23.4	25.7	22.0
	1996	43.5	44.9	40.0	44.9	45.6	42.9	23.5	25.8	22.0
	1997	44.0	45.6	39.9	45.5	46.4	43.1	23.0	25.1	21.5
	1998	44.2	45.8	40.2	45.6	46.5	43.2	23.2	25.6	21.7
	1999	43.9	45.5	39.8	45.5	46.3	43.1	22.9	25.8	21.3
	2000	43.9	45.6	39.6	45.5	46.3	43.1	23.1	25.4	21.7
	2001	44.3	45.9	40.2	45.9	46.6	43.6	23.9	25.6	22.9
	2002	41.0	42.3	37.5	42.3	43.0	40.4	21.4	23.2	20.2
	2003	43.8	45.5	39.7	45.3	46.1	43.1	21.8	23.9	20.7
	2004	42.7	45.1	37.4	46.2	47.0	44.1	18.7	18.6	18.8
	2005	42.4	44.8	37.0	45.6	46.4	43.2	18.7	18.7	18.6
2006	42.1	44.5	36.7	45.2	46.0	42.8	19.6	20.3	19.3	

Source: calculation by the authors on the basis of EUROSTAT website data.

The decrease in average worked hours (both full-time and part-time) can also be explained by the increase of the incidence of part-time jobs. Although, in Italy, these remains well below the EU-15 average, their rate has doubled in the years between 1995 and 2004 essentially because of the increase of female-part time workers.

Table 28. Part-time employment as a percentage of the total employment per gender - 15 years and over (%)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
	European Union (15 countries)											
Total	16.0	16.3	16.9	17.3	17.7	17.9	18.0	18.2	18.6	19.5	20.3	20.7
Males	5.2	5.5	5.8	6.1	6.1	6.3	6.3	6.6	6.8	7.2	7.7	8.1
Females	31.3	31.6	32.4	33.0	33.4	33.6	33.6	33.4	33.9	35.2	36.1	36.6
	Italy											
Total	6.6	6.6	7.0	7.4	7.9	8.8	9.1	8.6	8.6	12.7	12.8	13.3
Males	3.0	3.1	3.3	3.5	3.4	3.9	3.8	3.7	3.3	4.9	4.6	4.7
Females	13.1	13.0	13.9	14.4	15.7	17.4	17.8	16.7	17.2	24.8	25.6	26.5

Source: calculation by the authors on the basis of EUROSTAT website data.

As mentioned above, working hours in Italy decreased slightly. However, internal flexibility within firms can be pursued with many means. During the 1990s, thanks to decentralised bargaining, many different practices in working time arrangements have become common. Recurrent working hours schemes were widely adopted (e.g. increasing working time during production peaks and lowering it in the rest of the year). However, the shift work incidence has scaled back in more recent years. Figures shows that shift work relevance is higher in Italy than the EU-15 average, demonstrating that organisational flexibility is also widespread among Italian firms.

Table 29. Employees working on shift work as a percentage of total employees, EU-15

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
	European Union (15 countries)											
Total	12.2	12.7	13	13.4	14.1	14.5	17.4	16.1	16.1	15.7	14.9	15.2
Males	13.8	14.2	14.6	14.8	15.5	16	19	18.1	18.1	17.3	16.6	16.7
Females	10.2	10.8	11	11.7	12.4	12.6	15.4	13.7	13.8	13.8	13	13.5
	Italy											
Total	17.9	18	18.3	18.6	18.9	18.3	21	21.8	21.6	18.6	18.3	17.8
Males	19.6	19.8	20	20.2	20.6	19.7	22.8	24.1	23.8	19.7	19.6	18.7
Females	15.2	15.1	15.5	16.1	16.3	16.2	18.5	18.6	18.4	17	16.6	16.6

Source: calculation by the authors on the basis of EUROSTAT website data.

3.4.6 Scholastic dispersion

In 2006 in Italy, the incidence of school drop-outs, measured through a statistical survey of the labour force, is equal to 21% (6 points above the EU25 average). Italy placed itself fourth to last in the member countries classification, ahead of only Spain, Portugal and Malta. The number of male drop-outs (24%) is greater than the female one (17%). Here too, the negative differential for the South shows up: in Campania, Puglia, Sicilia and Sardegna more than a fourth of the young population leaves school with, at most, the junior high-school degree (*licenza media inferiore*), and almost 90% of drop-outs come from families where the referent parent has at most, the so-called compulsory degree (*scuola dell'obbligo*⁴²), is a manual labourer, an unskilled worker or is unemployed (this features can easily overlapping). Dropping out of school corresponds to entry in the labour market for 80% of the males, and to inactivity for more than half of the females.

⁴² Since the "Riforma Gentile" of 1923 pupils have to attend school till the age of fourteen, However the compulsory junior high-school degree became effective from the 1963 reform. The Prodi government was committed to the elevation of compulsory education to age sixteen.

3.4.7 Hourly flexibility⁴³

In the second quarter of 2004 about a third of Italian employees work *flexitime*⁴⁴ (that is: they have flexible entry/exit hours), with an increase of about 6 points compared to 2001, with an ample diffusion of a flexible starting time, but with a rigid work day (exit time is determined by entry time). Only in slightly more than 5% of the cases, are the working hours determined each time on the basis of individual agreements between employer and employee. The *hour count* or *hour bank* – which determines a weekly or monthly average of working hours, allows to manage the specific daily working hours through an hour tab – involves only a mere 1.4% of employees.

These figures appear rather surprising if we consider that national contracts do allow for both the *hour bank* proper (in which part of the extra-time hours can be accumulated and then recovered as individual leaves), and *multiple-week flexibility* (in which weeks with longer than normal work-hours, and weeks with shorter than normal work-hours, may be scheduled in advance). An analysis of company bargaining,⁴⁵ which in Italy covers almost 40% of employees of private companies with more than 10 employees, and about 50-60% employees of companies with more than 50 employees, reveals that a substantial part of the collective agreements at company level deal with working-time flexibility.

Flexible Working hours represent the second most frequent bargaining item in all sectors for almost 70% of enterprises who bargain at company level. The most relevant phenomena concern: flexibility of working hours through yearly calendar bargaining; the introduction of flexible working hours scheduled over a period of several weeks; the introduction of the *hour bank* (also as a mean to check on and reduce over-time); increase in plant activity through the introduction of new shifts (night-shift, Saturday, Sunday, etc.). In this area there have been interesting experiences in reducing of working hours. An important aspect – especially in the metal-works sector – is the achievement of additional leaves (both paid and non) for family reasons (births, deaths, and family care-giving) and for specialized doctor appointments (with payment of the hours necessary for the visit and, sometimes, for transportation time), and even of additional unpaid temporary leaves both for medical therapies and to assist family members (children or parents). The most interesting experiments move towards: the transformation of fixed-term contract work into cyclical, vertical, or horizontal, open-ended reduced-time contracts – especially where fixed-term contract work is already necessary on a cyclical and repetitive basis; the guarantee that workers already hired with a fixed term contract have precedence in future open-ended contract hiring. Conversely, agreements on reduced time are in response to workers (especially women) who request to change their full-time jobs into reduced time ones so as to be able to cope with the needs of their lives and families.

A small number of employees work on an on-call only basis (2.7%), these are mainly: field hands, hand labourers, irregular waiters in hotels and restaurants. On-call jobs are extremely relevant in agriculture (34.1%), but is also quite common in personal services (7.4%) and in constructions (6.1%)

Part-time jobs involve only 12.5% of employees but it rises above 24% in the female sample: about three-quarters of which are horizontal part-time jobs, and only about 20% are vertical (working-time concentrated into a few days a week)

⁴³ Data for this subsection are mainly taken from ISTAT, *Statistiche in breve* of 29/12/05, *Flessibilità dell'orario e organizzazione del lavoro*, and are the result of a specific survey on atypical contracts and working hours, in the ISTAT *Rilevazione sulle forze di lavoro*, 2004, second quarter.

⁴⁴ It is important to keep in mind that actual worked hours in Italy were 38.1 (41 for men, 33.5 for women; 40.6 for full-time jobs, 20.7 for part-time jobs; 36.5 for subordinate workers, 42.2 for independent ones), Istat, *Rapporto annuale*, 2006. The worked hours per year, in Italy, were 1699: about 8% more than the EU-15 average, 10% more than France, and 15% more than Germany.

⁴⁵ Cnel, *Rapporto su lineamenti della contrattazione aziendale nel periodo 1998-2006.*, 30 novembre 2007

Table 30. Types of employees by sector of economic activity and work-time characteristics. II quarter 2004 (incidence percentages on the total of employees; absolute values expressed in thousands)

WORKING HOURS	Agriculture	Industry (excluding Construction)	Construction	Services					Total
				distribution	Provided to enterprises	social	personal	total	
FLEXIBILITY OF WORKING HOURS									
Daily with inflexible hours, flexible start and finish	19.7	18.8	20.6	22.5	28.6	21.1	21.0	22.7	21.5
Personal account of working hours	0.6	0.8	0.6	1.2	1.6	2.7	0.6	1.8	1.4
Personal agreement	17.6	2.6	8.2	5.9	4.6	2.6	16.0	5.5	5.2
Total flexibility	5.7	1.5	2.0	3.1	2.4	3.2	3.6	3.1	2.7
Other type of flexibility	4.0	1.5	1.6	2.1	1.9	1.9	2.4	2.0	1.9
Unaware	2.0	0.8	1.8	1.3	0.8	1.1	1.4	1.1	1.1
Flexible total working hours	49.6	26.1	34.7	36.1	39.8	32.5	45.0	36.3	33.8
Job-on-call	34.1	1.1	6.1	1.6	1.2	0.7	7.4	1.9	2.7
PART-TIME									
Daily reduced working hours	5.5	4.7	3.4	11.3	16.7	7.3	23.1	11.9	9.2
Half-day less every working week	0.0	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.1
Only a few days during the week	3.4	0.4	0.9	1.6	1.3	1.6	6.1	2.1	1.6
Only a few days during the week with reduced daily working hours	0.7	0.1	0.2	0.6	0.4	0.6	5.1	1.1	0.8
Alternate weeks	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other type of part-time	1.0	0.2	0.2	0.6	0.7	0.5	1.9	0.7	0.6
Unaware	0.2	0.0	0.1	0.1	0.1	0.1	0.3	0.1	0.1
Total	10.8	5.5	4.8	14.3	19.4	10.4	36.7	16.2	12.5
SHIFT WORK									
4 shifts	0.2	2.3	0.4	3.6	1.5	6.2	2.0	4.2	3.3
3 shifts	0.9	7.2	0.4	3.5	1.7	5.7	3.0	4.1	4.6
2 shifts, mornings/afternoons	1.7	8.7	0.7	8.6	3.2	9.2	8.7	8.0	7.5
2 shifts, mornings/nights	0.0	1.2	0.1	0.6	0.3	0.9	1.7	0.8	0.9
Other type of shifts	0.4	0.7	0.4	2.6	1.0	3.3	2.9	2.7	1.9
Unaware	0.1	0.2	0.1	0.3	0.4	0.5	0.6	0.4	0.3
Total	3.2	20.2	2.1	19.3	8.1	25.8	19.0	20.2	18.5
ATYPICAL WORKING HOURS									
At least one form of atypical working hours	56.1	38.0	27.0	63.0	29.2	54.1	72.3	54.5	48.3
Evening work	5.6	21.4	4.3	21.7	14.3	24.1	35.5	23.1	21.0
Night work	4.3	11.7	2.1	10.7	5.5	17.6	21.2	14.0	12.4
Work during holiday eves	53.2	27.7	25.5	58.0	23.5	50.7	68.8	50.2	42.6
Sunday work	17.9	7.5	3.0	19.8	9.1	23.2	42.8	22.2	16.9
EXTRA-TIME									
Fully paid	3.8	10.5	8.5	9.2	7.9	7.4	5.0	7.7	8.4
Paid in part	0.0	0.3	0.1	0.3	0.4	0.6	0.1	0.4	0.4
Entirely unpaid	1.0	1.5	0.7	2.1	3.6	3.2	1.6	2.8	2.3
Unaware	1.5	0.7	0.6	0.9	1.0	0.9	0.6	0.9	0.8
Total	6.3	13.0	9.9	12.5	12.9	12.1	7.4	11.8	11.8
Total employees	393	4296	1,089	2,814	1,786	4,504	1,259	10,363	16,141

Fonte: ISTAT, "Rilevazione sulle forze di lavoro 2004".

Shift-organized labour in the second quarter of 2004 concerned almost three million employees, slightly less than 20% of total employees (mostly in industry and services). 3.3% of employees working four shifts, often during the week-ends too; 4.6% working three shifts, and 8.4% two. There are no significant gender differences.

In 2004, almost half of employees (about 7.8 million) regularly or irregularly worked evenings, and/or nights, and or week-ends. Working on Saturday has become quite common and affects about 43% of employees; 20% in the evenings; 17% on Sunday; 12.4% nights. Sunday, evening, and night shifts are particularly relevant in services (22.2%), and especially in personal services (42.8%).

In 2004, almost 2 million employees (about 12% of the total) worked at least one hour over-time; and according to ISTAT data 365 thousand did not receive compensation for over-time worked, while another 58 thousand were compensated for only part of the hours worked.⁴⁶

3.4.7.1 *Self-Employment*

In the second quarter of 2004 self-employed workers were 6.297 million. Of these, 58% is self-employed proper, 24% are entrepreneurs or members of the free professions, 7.7% are quasi-subordinate⁴⁷ workers, 9% works in the family business.

Self employed, who work their jobs in complete autonomy of both organization and schedule, are about 4.6 million, 80% of the total, among these the entrepreneurs, professionals, and the self-employed proper; 8% of independent workers must follow both the instructions and the work shifts imposed by the client; and 11% must deal with client imposed restrictions. 130 thousands can manage their own time within a client-set job. All in all, the independent workers who do not benefit from a complete working autonomy are slightly more than 1 million.

Only 28.5 % of quasi-subordinate workers can work in complete freedom. In other cases activity is conditioned by the client and in 48.4% of these restrictions concern both job organization and time management.

A further element of weakness of the labour market performance of independent workers is the single-client feature which concerns 12.5% of independent workers (against the 19% registered in the 2001 survey). Of these, 59% are quasi-subordinate workers, 31% are self-employed proper and 10% are entrepreneurs and professionals. The single-client feature is especially high among quasi-subordinate workers (86.5%).

3.4.8 *Contract flexibility and precarious employment*⁴⁸

During the 1990's, many European countries reformed labour market regulations to contrast the high levels of unemployment with greater labour market flexibility. This, also on the basis of the indications from OECD and from SEO (Strategia Europea dell'Occupazione – European Strategy for Employment); the latter has strongly influenced the labour and employment policies of the European Union since 1997. In Italy, from the second half of the 1990's new forms of labour flexibility have been developed (also thanks above mentioned Treu and Biagi laws). In various cases, these have led to different forms of precariousness tied to the limited time-length of jobs, to absent or very limited social protections, and to the lack of basic standard workers' rights (sick-leave, maternity leave, vacation, etc.).

Flexi-time does not necessarily point to unstable work conditions. The survey on the labour forces indicates that precariousness derives from contract flexibility, and is tied to the lack occupational continuity and income instability. 88% of temporary employees (compared to the 55% EU average) states that “*a temporary job was not their intended choice*”.

⁴⁶ ISTAT, *ibidem*

⁴⁷ Vedi §. **Error! Reference source not found.** e nota 50

⁴⁸ Data for this subsection is drawn from *Indagine conoscitiva sulle cause e le dimensioni del precariato nel mondo del lavoro* Audizione del Presidente dell'Istituto nazionale di statistica Luigi Buggeri - XI Commissione (Lavoro Pubblico e Privato) – Camera dei Deputati - Roma, 7 novembre 2006

3.4.8.1 The different forms of atypical contracts introduced by the Italian legislation.

The three legislative measures that have introduced the major innovations in contracts in regards to flexibility and deregulation of the Italian labour market are: Law 196/97 (the so called “Treu Package”, that turned the September 1996 agreement into law); the 2001 decree n.368; and Legislative Decree n. 276, preceded by the n. 30/2003 Enabling Act (the so called Biagi Law). The July 2007 agreement and the subsequent Law 247, passed at the end of the year, have introduced numerous and significant changes in the existing regulations (see § 4.4.1).

3.4.8.1.1 Fixed term employment contracts, contingent (interim) work and staff leasing

The first centre left government of the ‘second republic’ (see § 2) which governed Italy from 1996 to 2001 (with three prime ministers: Mr. Prodi, Mr. Dalemà, and Mr. Amato) approved the so called Treu Package (from the name of the then Minister of Labour), Law 196/97, whose principal innovation was the introduction of contingent or interim work as set out in the first article of the law: this provided for a contract based on a trilateral plan of contractual relations in which interim work refers both to the supply contract (commercial scheme) between companies, the ‘*supplier*’ company and the ‘*client*’ one, and to the labour contract with which the supplying company hires, with a fixed term or an open-ended contract, the worker. Interim workers are formally employed by the supplying company that has engaged them and pays them. However, while carrying out the temporary job for which they have been first engaged and then outsourced, they are subordinate to the directive, hierarchical and disciplinary power of the user company.

So as to avoid a fraudulent and distorted use of this type of contracts, the law provides a series of limitations, such as lists of compulsory and final cases in which the supply contract may be terminated (those foreseen by the ccnl; temporary usage of qualifications not normally included in the company productivity structure; substitution of absentee workers), as well as those cases in which it is expressly forbidden (low professional qualifications, substitution of striking workers, recent collective dismissals, or recourse to Cig; exceptionally dangerous jobs). For the same reasons, the law left in force the norm forbidding the intermediation of labour (with penal sanctions).

The provision was of an experimental nature and the government and the social parts should have verified the developments of the new contract after two years. At the same time, the law delegated the definition of the details (acceptable and unacceptable qualifications, the percentage on the total number of employed, exceptions, times, and union rights) to collective bargaining. On April 16th 1998 Confindustria and the Unions signed a first agreement for the regulation of the interim work supply contract, where the maximum limit of interim contracts that each enterprise can stipulate was set at 8% (of the average number of employed per quarter); national contracts subsequently defined the relative contractual specifications.

The 2001 Decree n. 368 on fixed term employees, and the Legislative Decree n. 276, preceded by the n. 30/2003 Enabling Act (the so called Biagi Law), approved by the centre right coalition (2001-2006), introduced radical modifications to the Italian labour market regulations.

The 2001 Decree n. 368 overturned the exceptional character of the fixed-term contract, companies need now comply only with generic “technical, productive, organizational or substitutive reasons” to make use of it, hence, it is now on par with what was previously the standard open-ended full-time contract, to be exempted from which it was necessary for companies to exhibit specific causal links. Obviously the law does maintain some limitations: fixed term contracts are forbidden: in substitution of striking workers, in companies that have dismissed workers in the same positions in the preceding 6 months, or which have placed them in Cig⁴⁹; fixed term work contracts have a

⁴⁹ See below and §. 3.2.3

maximum duration of three years; and cannot be consecutively renewed; the definition of the quota of temporary contract workers which can be employed is deferred to the national contracts.

In harmony with decree n. 368, the 2003 legislative Decree n. 276 broadened the base of private subjects qualified to supply, intermediate, research, select, and reallocate personnel. Staff Leasing Companies take the place of the Interim Agencies defined in the Treu Law, and the concept of *staff leasing* supplants that of interim work. *Fixed-term* labour leasing can take place for technical, productive and organizational reasons “that can be connected to the ordinary activity of the *client company*”. The set-up of the previous law provided for a commercial relationship between the supplying agency and the client company and a parallel – distinct and written – relationship between the supplying company and the interim worker. Now everything is centred on the relationship between the two economic subjects, while the leased worker receives written notice only of the conditions and manner of his employment within the client company.

Moreover, the new norms on company spin-off (which allow greater fractioning, and the outsourcing of parts of the productive cycle to third parties), and the repealing of Law n. 1369/1960 (which forbade manpower intermediation) and the penal sanctions it provided for, must also be taken into account.

Decree n. 276 also introduced some new types of labour contracts.

3.4.8.1.2 *On call jobs:*

With this contract the worker gives his availability “to carry out discontinuous and intermittent work according to the needs identified by the collective contracts”; experimentally, it could be made use of by unemployed workers below age 25 or over 45 (those who have the greatest difficulty finding a job); the *On call job* contract provides for an “availability bonus” for the periods in which the worker is not employed; the instances in which it would have been possible to have recourse to this type of labour were to be defined by the collective national contracts, or, in substitution, by a directive from the ministry: but no collective contract ever produced the specifications, nor did the centre right government issue any directives.

3.4.8.1.3 *Job sharing:*

Provides that “two (or more) workers share the duties of one full-time job”;

3.4.8.1.4 *Part-time jobs:*

The law does away with a series of limitations for this type of contract: those relative to fixed-term part-time contracts (that previously could be suppressed only through collective bargaining); overtime is no longer voluntary but is owed to the extent established in collective bargaining; while there are less restraints on hourly compensation increases on overtime.

3.4.8.1.5 *Apprenticing:*

Decree n. 276 provides for three types of apprenticeship: apprenticeship to attain the right to/duty of education (from 15 to 18 years of age); professionalizing apprenticeship (from 18 to 29 years of age); apprenticeship to achieve the diploma or to complete vocational training (17 to 29 years of age).

3.4.8.1.6 *Quasi-subordinate Work*⁵⁰:

Decree n.276 states that “independent contract workers” (co.co.co), the type of quasi subordinate employment provided for in the preceding legislation, must be traced back to “a project, a program, or a phase of these” and must have a specified or specifiable duration, while open-ended co.co.co’s would no longer be possible. The relationship is suspended in case of illness, accident, maternity, with no indemnity benefits. In case of maternity the relationship is suspended for 180 days. During the maternity period, the Inps integration benefits, provided for by art. 64 of the TU on maternity (Legislative decree n. 151/2001), are supplied.

These regulations have undergone significant modifications in the July 2007 agreement and the subsequent Law n. 247/2007.

3.4.8.2 *Fixed-term employees in Italy and other European countries*

Analysis of the state of fixed-term employees⁵¹ in Italy and Europe allows the evaluation of the degree and place of *precarious employment*, on the assumption that, at international level, it is recognized that the state, and features, of temporary employees contracts can refer to a “*potential*” universe of possible situations of *unstable working conditions*⁵².

Table 31. Percentage of fixed-term employees on total employees (*)

Year	Ue25	Ue15	Italy	Germany	Spain	France
Total						
2000	12.6	13.7	12.8	12.7	32.3	
2001	12.9	13.5	12.2	12.4	32.0	
2002	12.9	13.2	12.3	12.0	32.0	
2003	13.0	13.0	12.7	12.2	31.8	12.7
2004	13.6	13.4	11.9	12.4	32.1	12.9
2005	14.2	14.0	12.4	13.8	33.3	13.3
2006	14.9	14.6	13.0	14.2	34.4	13.7
15-24 years						
2000	35.9	39.5	31.5	52.4	68.9	
2001	36.9	39.0	29.5	52.1	66.6	
2002	37.0	38.2	32.6	51.4	65.1	
2003	37.3	37.9	34.4	53.0	63.9	45.6
2004	38.8	39.0	34.4	55.5	64.8	46.5
2005	40.2	40.3	36.5	57.1	65.3	48.3
2006	42.0	41.9	40.3	56.8	66.6	49.6

(*) Data relative to the second quarter of each year.

Source: ISTAT, Indagine conoscitiva sulle cause e le dimensioni del precariato nel mondo del lavoro, Roma 2006 – Audition of L. Biggieri, President of the Istituto nazionale di statistica (ISTAT). to the Chamber of Deputies Labour Commission (from Eurostat data).

⁵⁰ Quasi-subordinate work is a relationship that should formally be placed in the autonomous work category, and thus not to be considered within subordinate work. The essentially subordinate nature of the worker’s relationship with the customer/employer, however, makes it comparable to subordinate labour; not to be considered as subordinate workers deprives those working with co.co.co. contracts, or with co.co.pro contracts, of the protections and rights that are typical of subordinate labour not only in open-ended contracts but also in fixed-term ones (unemployment benefits, health benefits, vacations; even the protections and the contributions for welfare are different). It is not easy to find a univocal English translation for these contractual types: the term “independent contract worker” in the USA usage is close. We have opted to use “*quasi subordinate work*” as our heading but when the type of contract needs be specified we will use “independent contract worker” for co.co.co and “independent contract project worker” for co.co.pro.

⁵¹ On the basis of data available in the Labour Forces Survey.

⁵² Biggieri L., *op. cit.* we think it is useful to specify that for “temporary employment” we intend the total sum of temporary employees (fixed terms and other atypical contracts) and quasi-subordinate (formally self employed) workers (see Table 33)

In Italy, the incidence of temporary employment (between 12% and 13% for the period considered) is not far from the EU25 average and is slightly lower than the EU–15 average: comparison with the major European countries shows values for Italy which are very similar to those of Germany and France and to the European average, only Spain registers substantially higher levels (33-34%).

For the period taken in account, young adults register a sharp increase in the percentage rate (between 31% and 40%) thus approaching the European average, but they remain well below the values registered for the other countries considered. Temporary contracts have now become the normal access route to the labour market.

According to the results of the ISTAT Labour Force Survey (*Rilevazione sulle Forze di lavoro*), between 2000 and 2005, the number of temporary employees in Italy has increased by 95 thousand units⁵³, going from 1,930,000 units to 2,030,000 units (Table 32). Compared to the first part of 2005, the first quarter of 2006 registers a further increase of temporary employees by 184 thousand units (Table 33).

Table 32. Fixed-term employees yearly growth by area and gender (%)

	Italy	North	Centre	South	Males	Females
2001	-0.7	-1.1	0.0	-0.7	-3.0	1.7
2002	1.5	2.9	-0.8	1.1	0.9	2.0
2003	1.2	-6.1	2.1	9.6	-0.4	3.0
2004	-3.1	-4.0	-4.1	-1.7	-6.1	-0.1
2005	6.1	7.8	5.6	4.7	8.8	3.6
I sem. 2006	6.8	7.3	11.4	3.9	6.2	7.3
2001-06	1.9	1.0	2.2	2.7	0.9	2.9

Source: calculation by the authors on data from: ISTAT. Indagine conoscitiva sulle cause e le dimensioni del precariato nel mondo del lavoro, Roma 2006 – Audition of L. Biggieri, President of the Istituto nazionale di statistica (ISTAT). to the Chamber of Deputies Labour Commission (from Eurostat data).

Table 32 shows how, between 2000 and 2006 (first semester), temporary employees increase most in the South (with an increase of almost 10% between 2002 and 2003) and for women. Also the central regions show a quite substantial increase, due to the rise of the last two years. The North shows on average a less substantial increase, as it happens for men.

3.4.8.2.1 Economic activity sectors and the public sector.

The number of people (Table 33) in temporary employment expressed as an absolute value is especially high (II semester 2006) in the service sector (1.9 million, equal to 12.4% of those employed in the sector). The highest incidences however are in the agricultural sector (24.2% for a total of 237 thousand employed). In the industrial sectors the temporary employment share is under 10% of total employment. Central and Southern regions, and women, show on average an higher temporary employment share.

At a more disaggregate, the share of temporary employment is particularly high in “Hotel and Restaurant” sector (19.7% for a total of 230 thousand employed), and in “Education, Health, and other Social Services” (16.6% for a total of 528 thousand employed).

⁵³ This figure reflects the stock increase and it may clearly differs from the flow of new contracts.

Table 33. Employment by type of occupation, sector of activity, area and gender. 2006 II quarter (thousands of unit and percentage quotas)

	Permanent employees	Fixed-term employees	Formally self-employed, quasi subordinate workers	Total temporary employment*	Other self-employed	Total employment
Thousands unit						
<i>SECTOR</i>						
Agriculture, hunting, forestry and fishery	231	230	7	237	511	979
Industry excluding construction	389	363	62	426	700	5 016
Costruction	1 010	161	14	175	712	1 897
Services	9 669	1 460	438	1 898	3 728	15 294
<i>AREA</i>						
Nord	7 851	894	270	1 164	2 824	11 839
Centro	2 991	451	147	598	1 154	4 743
Mezzogiorno	3 958	869	104	973	1 673	6 605
<i>GENDER</i>						
Maschi	8 653	1 103	224	1 327	4 091	14 071
Femmine	6 148	1 111	297	1 408	1 560	9 116
Total	14 801	2 214	521	2 735	5 651	23 187
% share of total						
<i>SECTOR</i>						
Agriculture, hunting, forestry and fishery	23.6	23.5	0.8	24.2	52.2	100.0
Industry excluding construction	77.6	7.2	1.2	8.5	14.0	100.0
Costruction	53.2	8.5	0.7	9.2	37.5	100.0
Services	63.2	9.5	2.9	12.4	24.4	100.0
<i>AREA</i>						
Nord	66.3	7.6	2.3	9.8	23.9	100.0
Centre	63.1	9.5	3.1	12.6	24.3	100.0
South	59.9	13.2	1.6	14.7	25.3	100.0
<i>GENDER</i>						
Males	61.5	7.8	1.6	9.4	29.1	100.0
Females	67.4	12.2	3.3	15.4	17.1	100.0
Total	63.8	9.5	2.2	11.8	24.4	100

(*) The aggregate includes temporary contract employees, quasi-subordinate workers, free-lance task workers.

Source: ISTAT. Indagine conoscitiva sulle cause e le dimensioni del precariato nel mondo del lavoro, Roma 2006 – Audition of L. Biggieri, President of the Istituto nazionale di statistica (ISTAT). to the Chamber of Deputies Labour Commission (from Eurostat data).

The importance of flexible contracts in Public Administration has grown rapidly over the last ten years. Temporary employment (exluding semi-subordinate work) share measured in terms of standard time annual was already 8% in 2001 and had became 9.5% in 2004 (about 350 thousands out of 3.65 million). The compartment with the highest level of temporary employment is notoriously Education, with more than 20% of the total in 2004.

3.4.8.2.2 *Length of contracts and working hours*

In 2006, the different forms of temporary contracts registered an average length of 12.8 months for men and one month more for women. It is noteworthy that about 37% of temporary employees has a contract of six or less months, and that only 19.6% can count on a contract of more than 2 years. The shorter contracts are present especially in the traditionally seasonal sectors.

The situation worsens further for women in areas like the South, where unemployment rates are high and employment rates lower. Here, the average length of temporary contracts for women is the briefest registered (about 10 months), and the average number of worked hours per week is the lowest (about 28), confirming the fact that weakness of the economic system generates greater inequality between men and women even in the context of precarious labour.

Weekly working-hours, for temporaries, averaged around 33 in 2006, compared to the average of 38.4 for permanent workers. Average weekly working hours for women are 29.7 compared to the 36.4 for men. Women ages 30 to 49 fall to around 28 hours per week.

The greater share of temporary employees (27.6% of the employed) is among young adults aged 15-29 (for a total of 1,112,000, or 40.7% of the total); temporary employees aged 30 to 39 total 800 thousand; and about the same again are 40 or above. Temporary employees over 30 represent up to 60% of the total of temporary contract employees; of these, almost 30% is aged 30 to 39 and the remaining 30% is 40 or above. This defines high-risk areas of working instability.

Among young adults, forms of contract flexibility are associated with precariousness especially when the levels of human capital are low, and family income insufficient: more than 40%, about 400 thousand, of young adults, who are temporary employees or quasi-subordinate workers, live in a family where no other member is employed, or, if employed, has a fixed-term or low level contract. Of these only 13% has a university degree.

Women with temporary employment represent 15.4 of the total of employed women, against 9.4% of the men. Moreover, if we consider the percentage incidence of fixed terms contracts, quasi-subordinate and occasional workers, women are almost double the men. If we consider temporary employees quasi-subordinate and occasional workers, among young adults, men total 24.4% of the employed, and women 32.3%. It must be said that, it is especially among young women that the highest incidence of temporary employment is registered (in the North-East, the Centre and the South, about 35% of employment).

The incidence of women temporaries, ages 30 to 39, on the total of women workers of the same age, is double that of the men (and it is more than double for ages 40 to 49), showing the greater difficulties that women find in stabilizing their jobs during their working-life.

The incidence of temporary employment grows with the level of schooling: from 10.6% among those who have a junior-high school degree, to 15.3% of those who have a University degree, and to 18.1% of those who have a higher education.

In the second quarter of 2006, 44.5% of workers who were unemployed in 2005, had a temporary contract, or a quasi-subordinate work , confirming the fact that entry into the labour market now happens prevalently through temporary employment. The incidence is higher among women (46.4%), in the North-East (48.9%), in industry proper (52%), and in public services to individuals other than health and education (57.7%).

3.4.8.3 *Quasi- subordinate work*⁵⁴

According to the eighth general census of Industry and services, dated 2001, the quasi-subordinate workers (co.co.co.) active on October 22nd 2001 were 827,000⁵⁵, 75.9% of which worked for

⁵⁴ See §. **Error! Reference source not found.** and note 50

enterprises, 12% for non-profit organizations, and the remaining 11.9% for public institutions. Contingent (interim) workers⁵⁶ were 119,000 and employed almost exclusively in private companies and public institutions (84.5% and 12.3% respectively). Recourse to these forms of atypical labour, remains proportionately modest compared to the number of those employed. The greater part of atypical workers considered, is employed (61.2% of contingent workers and 69.8% of quasi-subordinate workers) in the North of Italy; especially almost half of all contingent workers and more than one third of quasi-subordinate workers employed in enterprises are in the North-West. It is instead, in the Islands, that we find the lowest presence of these workers, and recourse to contingent workers employment is about a fourth that of the northern enterprises.⁵⁷

According to the *Ministry of Labour and Social Security Monitoring of Employment and Labour Policies* of February 2007 (“*Monitoraggio delle Politiche Occupazionali e del Lavoro, del Ministero del Lavoro e della Previdenza Sociale*”), in 2004 there were 1.75 million quasi-subordinate workers; 90% of which had a quasi-subordinate proper⁵⁸ work and 10% were freelance professionals; showing, compared to 2003, a decrease of 4.4% – equal to 81,000 units, due to the increase by 16,000 of the professionals and the contemporary reduction of the quasi-subordinate by 97,000 units.

The contributions of the quasi-subordinate refer to an average yearly income of € 14,300 euro, but more than 40% did not make more than € 5,000 euro in 2004. Women earn half of what men earn: € 9,150 euro compared to €18,050 euro. The disparity exists for all age groups, but increases in the adult years, especially ages between 40 and 49. Among young adults and senior citizens the disparity of income are extremely high: a young adult aged less than 25 earns about 4,000 euro a year, an over-sixty earns 21,400 euro a year.

If we compare 2004 with 2000 (Table 34) we can see that the number of quasi-subordinate increases to over 40% while their average income per capita only 4.8% (well below the 10% of inflation accumulated during the period, with a loss of buying power of 5 percentage points).

Table 34. Total number and average earnings of quasi-subordinate workers. Years 2000-2004

	Number		Average earnings	
		Growth (%)		Growth (%)
2000	1.091.159		13.626	
2001	1.224.378	12,2%	14.265	4,7%
2002	1.481.004	21,0%	13.411	-6,0%
2003	1.645.660	11,1%	13.412	0,0%
2004	1.548.920	-5,9%	14.282	6,5%

Source: Ministero del Lavoro e della Previdenza Sociale, Monitoraggio delle Politiche Occupazionali e del Lavoro, febbraio 2007

The prevalence of single-client temporary employment, especially among women and young adults, stands out: 70% of quasi-subordinates has no other activities to supplement income and social security contributions. Among single-client quasi-subordinate workers, those with no other income

⁵⁵ As can be seen, there are several different estimates of the “quasi-subordinate” workers entity: the Censimento Istat 2001, (827 thousands), the Istat Labour Force Survey (520 thousands- Table 33) and, last, the Ministry of Labour and Social Security Monitoring of Employment and Labour Policies, 1.75 millions. These last figure must be considered greatly overestimated because they come from administrative archives, and hence they count more than once multiple working positions that can be referred to a single person; furthermore they consider also multiple work of employees. The Istat survey, instead, consider only workers, for which the quasi-subordinate employment is the main employment condition. In this report we will use the figures from the Istat Labour Force Survey

⁵⁶ See §. 3.4.8.1.1

⁵⁷ ISTAT, Rapporto annuale 2003, Cap. 4

⁵⁸ See §. **Error! Reference source not found.** and note 50

not only earn less than their retired colleagues, or of those who have a second job, but are further penalized at social security level: indeed, the full yearly social contributions have been paid for only a third of these workers.

Quasi-subordinate employment is prevalently single-client. If the services are rendered 'exclusively', *atypical*⁵⁹ activities are predominant, carried out by 75% of workers: *atypical* activities involve 800,000 workers with no other source of income, or 52% of all quasi-subordinate.

In 2006, contingent (or staff leasing) workers⁶⁰ involved 270,000, equal to 170,000 standard-time units (often the jobs do not last the full month)⁶¹, roughly 1% of total salaried employment.

3.4.9 *The quality of work: some relevant national surveys*

In the last few years numerous surveys on labour and labour quality have been carried out on the basis of questionnaires handed out to those concerned. These types of surveys, carried out on significant and representative samples, may be of special interest from the point of view of DW: indeed these represent the workers own evaluation of their working conditions and are an important criteria in the assessment of the quality of labour. We will take into consideration 4 surveys: two by ISFOL (Istituto per lo sviluppo della formazione professionale dei lavoratori – Institute for the development of workers' professional training), the first achieved on the EuroFound] one, the second dating 2006, carried out on a representative sample of 2000 workers; the one carried out in 2002 by the *Democratici di Sinistra*⁶² (which resumed, after 13 years, the tradition of the greater *labour surveys* interrupted in 1989 after the last one carried out by the then PCI – Italian Communist Party) based on over 22,000 questionnaires handed out during the various *Festa dell'Unità*⁶³; and the one carried out by CGIL and Ires, on the occasion of the 100th anniversary of the foundation of CGIL, which handed out about 6000 questionnaires. We will also examine the analysis of company level bargaining with regard to labour flexibility and work organization.

3.4.9.1 *ISFOL surveys*

Isfol has obtained some indicators on the quality of work in Italy, on the basis of the 2002 *Third European survey on working conditions* by the European Foundation for the Improvement of Living and Working Conditions.

With regard to the degree of compatibility between work and life, 24.8% of Italian workers are partially unsatisfied, more than the EU–15 average (18.3%).

⁵⁹ The afore mentioned *Monitoring*, distinguishes three principal aggregates of quasi-subordinate employment: the first subdivides quasi-subordinates between quasi-subordinate proper (see note 50) workers and freelance professionals; the second distinguishes between *exclusive* sources of employment, or those *concurrent* with other activities, or with social security benefits, to generate income; the third, distinguishes between *typical* activities, expressly mentioned in art. 50, comma 1, c-bis, of the new *Testo Unico dell'Imposte sui Redditi* (TUIR; i.e.: administrator, mayor, auditor, freelance journalists, board and commission members) and *atypical* activities (the rest).

⁶⁰ See §. 3.4.8.1.1

⁶¹ Ministero del Lavoro e della Previdenza Sociale, *Monitoraggio delle Politiche Occupazionali e del Lavoro*, febbraio 2007

⁶² This is the political party made up, for the most part, of former members PCI who in 1989 declared their adhesion to that party as out-dated and concluded. It is one of the two parties which, in the Fall of 2007, gave birth to the Partito Democratico (Democratic Party) under the leadership of the then mayor of Rome Walter Veltroni. The other party being the Margherita which, at the beginning of the 1990's, had in turn gathered the Catholic Democrats coming from the social leftist tradition of the *Democrazia Cristiana* (the Christian Democrats, the relative majority party in Italy from the post-war period to the end of the second republic), and other forces of the liberal democratic area.

⁶³ The traditional annual national events organized all over Italy under the historical DS (former PCI) daily newspaper – *L'Unità*, which are a mix of political meetings, cultural events and a popular kermesse (other Italian parties also organize similar events).

With regard to working autonomy, in Italy 56.3 % of workers is able to choose or modify the order of their tasks, less than the European average (64.1%). If to autonomy we add “a positive value for the quality of work [...] only Greek workers place themselves worse than the Italians”. Regarding the possibility of choosing the working method, in Italy, the number of workers who say they are able to is slightly higher (2 points) than the European average of 70%. Regarding the possibility of varying their work pace, 75% of workers in Italy say they are able to, compared to 70% of the EU average.

An indicator for the more or less centralized organization of work, is the share of workers who have people working under them: the greater the share, the greater the decentralization of decisional powers. In Italy, the share of workers with subordinates barely passes 15%, compared to a European average of 20% (in the UK it reaches 30%); the predominance, in Italy, of small enterprises probably contributes significantly to the lowering of this share. Team work, according to a survey of the EuroFound], has affected 56% of European workers, but, in Italy, only 37.5% (here too, the size of the firms can weigh upon the result): in UK the figure reaches 75%.

Concerning gender discrimination, while, in Europe, workers who say they have first-hand knowledge of this type of discrimination are 4.6% (with peaks of 8.8% in Finland and 6.7% in the Netherlands), in Italy percentage falls to 1.6%; a similar trend applies to sexual harassment: in Europe, 4.5% say they have first-hand knowledge of this (11.6% in Finland, 9.7% in the Netherlands, and 8.1% in Sweden), while in Italy only 1.1% do. In both cases, we can suppose either a minor diffusion of the phenomenon, or less attention (or sensibility) of those interviewed. Italy places itself last in age discrimination as well (2% of those interviewed says they have first-hand knowledge of it compared to 4.7% in Europe). Concerning the disabled, Italy does not differ much from the rest of Europe, while it again falls last in ethnic or racial discrimination (1.4% versus 4% of the EU average).

The possibility of discussing work organization and its changes concerns, according to the ISFOL survey, 68% of workers compared to the 75% of the European average (again with Finland, Holland and Denmark showing higher values).

Regarding the work environment, the Italian situation is similar to the European one, with about a quarter of workers who consider their health at risk. In Sweden this percentage drops to 5.3%. Compared to the European average, Italian workers seem less exposed to situations of discomfort or risk: for moving of heavy objects, 30% compared to the EU 44%; for exposure to high temperatures, under 20% compared to almost 25%; and exposure to chemical substances a few points beneath the EU average; etc.

Italian workers who declare themselves dissatisfied with their jobs are 5% more than the European average of 3.3%. The slightly satisfied are 13.5% compared to EU-15 12.3%.

The second ISFOL⁶⁴ survey on this subject was carried out in 2006 on a sample of 2000 workers interviewed with the CATI technique. The questionnaire gathered information on work organization, career perspectives, job safety, reconcilability of working hours and personal life, factors of job satisfaction.

Contrary to the widespread impressions on working conditions in Italy, 88% of those interviewed declared themselves satisfied with their jobs, and only 2,7% were totally dissatisfied. Satisfaction is higher among women (92%) than men (86%). To justify such high levels of satisfaction, the survey surmises that responders made an implicit comparison with being unemployed.

⁶⁴ Isfol, *La qualità del lavoro in Italia – Seconda Indagine*, 2006 (Final Draft in progress).

Table 35 Degree and reasons of job satisfaction.

Satisfied workers (Very/Enough) by	2002			2006		
	Male	Female	Total	Male	Female	Total
Working hours	81.8	81.4	81.6	75.6	81.4	77.9
Autonomy	87.2	87.8	87.5	83.2	82.9	83.1
Stability	84.6	84.7	84.6	79.9	77.6	79.0
Salary	61.7	58.5	60.4	59.9	50.8	56.3
Work atmosphere	86.4	89.3	87.6	90.8	90.7	90.8
Job Duties and kind of work	87.1	89.5	88.1	88.4	90.5	89.2
Career	60.0	53.8	57.7	48.9	40.1	45.5

Source: First and Second ISFOL survey on the quality of work in Italy, years 2002-2006

As can be seen from the table, the two items which register the lowest levels of satisfaction are salary and career. Workers who believe they have scarce possibility of professional growth are more than 54%. For both these items the percentage of satisfied women is markedly lower than that of men, while the former declare themselves more satisfied about the work atmosphere and of their job duties. Fear of job loss concerns 21% of those employed and is higher for women.

Reasons of dissatisfaction tend to increase between 2002 and 2006: 7% more workers declare themselves dissatisfied about their salary, and 12% more of those interviewed see no prospects for professional growth. Fear of job loss also increases by 5 points, not all of which can be attributed to the increase of temporary workers.

Job satisfaction is closely connected to the level of education (92% for those with a university degree; 88% for those who have a high-school diploma, and 85% for those who only have compulsory education). The level of satisfaction is evidently connected to the higher salary levels for figures with higher schooling. The same holds true for career prospects.

More than 41% of those employed does not work the job to which they originally aspired (although the concept of aspiration appears very vague); among those working in the jobs they more or less expected to work in, 96% are satisfied with their working conditions, while the level of satisfaction decreases to 77% for those who had to give up their aspirations.

The average level of employment in the ISFOL survey appears high: 43% is represented by technical professions or high-profile jobs; manual labour – both qualified and non – represents 30% of the total sample, while the rest are employees. More than half of those working high-profile jobs say their job is repetitive, a quota which rises to more than 80% for manual workers and clerical employees. Job repetitiveness is especially high in smallest enterprises and in agriculture. Nonetheless, between 2002 and 2006, the diffusion of repetitive work has decreased by 2 points.

A further indicator of the quality of work is training opportunities: in this respect, if only 21% says they have no opportunities at all, it is clear that these decrease especially for manual workers and in agriculture (followed by industry and then Services). In this instance the situation appears better in small enterprises than in the larger ones.

The average working hours registered for the ISFOL sample is of 38 per week (one less than in the previous survey). The disaggregate shows this to be an average between the more than 40 average hours per week of private enterprises and the 32 hours per week of the public administration; the smaller and the larger enterprises show the longest working hours (around 40 average hours per week).

A significant quota (18%) works shifts (especially manual workers), 12% work a night shift and more than a fourth works holidays. Almost 13% of those employed does not have set working hours and slightly less than 48% has ample freedom as to the time they get to their jobs or leave them,

while the remaining 39% must follow rigid schedules. Standard subordinate employment and public employment are the most subject to rigid working times.

Between the two ISFOL surveys, the intensity of work has increased: the quota of workers subject to *high* or *discontinuous* (which implies periods of greater activity) rhythms of work has grown from 47.7% to 56.9%; the quota of workers subject to constantly high work rhythms has increased in 2006 by 2,5% and amounts to about 33%, while those who work at a rate they consider normal is not much higher, around 40%. In general, and for all enterprise sizes, more workers say they work normal rates than higher ones (although the difference between the two groups is never very high): only in enterprises with 50 to 199 workers are high activity rates more widespread.

Work place atmosphere⁶⁵ appears positive: colleague relations and boss relations are positive for about 85% of those interviewed (with a slight prevalence in males): Some critical areas however do emerge: among those who are dissatisfied with their boss (15.5%) 42% does not feel appreciated on the job, 27% feels they have no opportunity for growth, and 21% that their salary is inadequate. The element of disparity that worries the most (7.7%) are age and gender discrimination.

The quota of interviewees that say they perceive discrimination factors increases for gender discrimination (from 4.5 to 6,5%)⁶⁶, and for discrimination of the handicapped (from 3,2% to 3,8%), while age discrimination remains the same. The quotas decrease for political discrimination (from 5,4% to 4%) and religious discrimination (which goes from 2% to little more than 1%), ethnic discrimination remains unvaried (3%). Perception and diffusion of sexual harassment registers only a modest increase.

The sensation of being the object of abuse and injustice in respect to ones capabilities, activity, training, diligence, and work quality is much more widespread. It is an increasing phenomenon which the ISFOL survey considers an indication of a diffuse “organizational malaise”. The workers among which this feeling is most common are the higher profile jobs (almost 15%) and the public sector (20%, compared to 10% in the private one).

Career possibilities and professional success are fundamental aspects of labour quality perception: only 41% feels they have these possibilities (6 points less than in 2002), and with a clear unbalance to the disadvantage of women: 30% compared to 50% of men. Confidence in career expectations rises along with the levels of education and of professional qualification, and is greater in the private sector than in the public one and in the larger companies. Conversely, data on career assessment is positive for about 50% of workers, while of the other half, 40% consider themselves to be stable (with a higher percentage of women) and the remaining 10% to have worsened their position. The positive correlation with professional qualification is evident in this instance also.

53.4% declares they have never changed jobs (56.6% of women): if this is considered along with the data relative to workers who say they never had a career, the picture of a motionless working world emerges where, for all their lives, a significant quota of workers does the same thing.

The perception of health hazard risks has grown by over five points between 2002 and 2006: up to 31% among men and 25% among women. A positive correlation can be observed with high work rhythms: risk perception rises to 46% among those with a high activity rate of work, compared to 30% of those who work normal rates. The increase in risk perception can thus be connected to the increase in work rhythms. The perception of health hazards is linked more with conditions of physical strain than with those of psychological, mental or emotional stress. Compared to 2002, the

⁶⁵ The Isfol survey refers to works and theories by Williams R., Williams V., (1994), *Anger Kills: seventeen strategies for controlling the hostility that can harm your health*, New York, Harper Perennial e Jaffe Dennis T., (1995), “*The Healthy Company: Research Paradigms for Personal and Organizational Health*”, in *Organizational risk factors for job stress*, s.l., Stephen L. Sauter and Lawrence R. Murphy

⁶⁶ In this case, figures collected by Isfol, diverge from Dublin Foundation ones

incidence of job related illnesses increases by slightly more than 1% (especially in women: from slightly over 6% to more than 8%).

On the job accidents are clearly correlated (both in frequency and gravity) to the number of hours worked and to physical strain: the incidence of accidents exceeds 20% among those who work more than 45 hours per week, is fixed at 18% for those who work between 31 and 45 hrs/wk, and decreases to 10% for those who work up to 30 hrs/wk. Correspondingly the incidence of the seriousness of accidents increases with the increase of hours worked.

3.4.9.2 *The DS survey.*

The ISFOL survey conclusions are, for the most part, confirmed by the other surveys mentioned above.

Although the 2002 DS⁶⁷ survey is hampered by the bias of a sample typified by participation to a festival of a left-wing party (30% are DS party members and 56% are union members – 50% belong to one of the three unions, and 46% to CGIL), it is significant precisely because it is indicative of the perception of labour by the so called “*people of the left*”, thus inclined to have a more critical approach towards labour conditions. After a period which had seen the predominance of theories like⁶⁸ Rifkin’s on “*the end of work*”, or Beck’s model of the “*Brazilianization of Europe*”, the survey showed that “work has not disappeared ... and constitutes a central focus of collective and individual life”. The survey clearly showed how “the violation of the agreement between market and labour” that had characterized the twentieth century as “*the labour century*”, had radically modified the general perception of labour, which today is marked by preoccupation for job instability, worry about the future (*no job is steady*), unease about the wage issue, and the contrast between positive perception of one’s work and concern about its unsteadiness.

The survey showed that, at the time, almost half of the respondents earned net salaries between 1000 and 1.500 Euro a month. While almost a third of the sample said they earned less than 1000 euro a month: of these one half are women and three fourths are young adults; the same holds true for two thirds of quasi subordinate workers and three fourth of interim workers. What emerges is a salary question which is closely tied to the precariousness of jobs (which largely concern the young adult population) and to discrimination in general.

But the central element highlighted by the survey is that of insecurity about the future. This concerns job stability, flexibility, as well as social security. An insecurity (*no job is steady*) which concerns temporary workers more than those with an open-ended contract, as well as small enterprise workers, women, low qualification workers (and again the unease coincides with low salaries). The risk is not so much in unemployment as in falling into temporary jobs, with no prospects, and where one’s skills are underrated. This sense of insecurity is higher and more widespread than in the previous mass surveys conducted in the 1970’s-1980’s. This shows how the passage from the Fordist model, based on job stability, to the new knowledge economy, based on job flexibility, has left a void in workers’ perceptions of prospects and certainties. This even concerns social security: only 13% believes they will earn an adequate retirement pension. Conversely, temporary workers (but with jobs which have a possibility of positive future development) are the most available to trading job security with career and professional growth prospects.

Notwithstanding the degree of insecurity evidenced, the greater part of the respondents (80%) gave a positive assessment of their job: obviously satisfaction increases along with the professional level or with career prospects and is less among blue-collar workers of the bigger enterprises (albeit on

⁶⁷ Carrieri D., Damiano C. e Ugolini B. “*Il lavoro che cambia*”, Ediesse 2002

⁶⁸ J. Rifkin, *The End of Work*, NY, 1995; U. Beck, *What is globalization*, Cambridge 1999

the rise compared to previous surveys), which continue to be an area of unease. It is interesting that temporary workers (especially fixed term contract workers) say they are more satisfied than open-ended contract workers. Among the most preponderant elements of unease are: work related stress, for the more professionalized workers, and inadequate economic recognition of their work for executives.

3.4.9.3 *The Ires – Cgil Survey.*

In the 2006/2007 Ires – CGIL⁶⁹ survey the working world appears divided in two: 75% standard, *typical*, work and 25% non-standard, *atypical* (12% fixed-term or seasonal labour, 5% quasi-subordinate work, and 2% contingent or interim work). Atypical workers are higher among women (29% compared to 23% for men), among young adults (67% of those between 15 and 24), in the south (35%). For 67% of these workers the organization of their job is decided by a company superior.

In regards to job stability, the highest percentages of those who say they have only ever worked one job are among those 55 to 64 years old (26-28%), and those living in the South and the Islands (30%); while the highest percentages of those who say they have worked between 4 and six different jobs are those 25 to 34 years old, with the more dynamic areas of the country showing the greatest availability.

The South also registers the highest number of workers who work a second job (almost 25% compared to almost 10% in the North West, and slightly less than 20% in the rest of the country). A second job is connected to atypical work more than to standard work (35% compared to slightly more than 10%).

According to the Ires-CGIL survey, 44% of those interviewed say they do not use their educational training in their jobs: this happens much less in positions requiring higher-education specializations (post university degrees) and much more for the medium and lower positions. 80% of workers feel the need to up-date and better their professional profiles (especially those with higher education levels), but 33% says they must do this on their own, while 25% say that their company offers good opportunities to this end. In the private sector 43% of workers say they carry out duties requiring low professional, while in the public sector almost 80% (with a high component of teachers) says they carry out highly professional jobs: 56% of these, however, say they do so without adequate recognition (compared to 33% in the private sector).

As to flexibility, 34% say it is unilaterally regulated by the employer (45% for manual workers), 27% say it is regulated by collective bargaining (especially in the public sector) and 26% by individual bargaining (especially, in increasing order, by employees, managers and high-profile professionals).

35% of women say they earn less than 1000 euro per month, 34% earn between 1000 and 1300 euro per month and 16.55 over 1500 euro per month. The areas where wage conditions are worse are: the South, where workers earn 13.5% less than the average standard subordinate employee (an average of 960 €/mth); women (910 €/mth; -18%); immigrants and small enterprise employees (880 €/mth; -20%); atypical workers (809 €/mth; -27%); young adults aged 15-24 (790 €/mth; -29%). Almost 60% expresses difficulty in living off their salaries: a percentage which rises to 67% for manual workers and in the South, and to 70% for atypical workers.

Notwithstanding this critical scenario, the Ires-CGIL survey also confirms that 78.5% of those interviewed are satisfied enough (45%) or very satisfied (33%) with their jobs: a satisfaction which

⁶⁹ Altieri G., Carrieri D., Megale A. et al, *L'Italia del lavoro: un quadro d'insieme*, in Quaderni di Rassegna Sindacale - lavori 2007, Vol. 8 n. 1, Ediesse, Roma. 2007.

increases with the increase in professional qualification, and with the correspondence between duties carried out and their effective recognitions, and between expectations and tasks required.

For 67% of the interviewees their job is steady enough (40%) or completely (27%), but job security is considered much higher in the public sector (50%) than in the private one (20%); main reasons for uneasiness are: a generalized feeling of insecurity (“*no job is steady*”) expressed by 37% , an equivalent quota which connects the insecurity to temporary work, and 16% that connect it to difficulties of the company they work in.

Almost 60% of those interviewed would accept flexibility if it was accompanied by rights and protections and concerned a transitory phase of life.

The major concerns of workers are: not earning an adequate retirement pension (30%); not having continuative work and income (26%); not being able to maintain their present life-style (20%); and losing their job (20%).

Finally, with regard to social mobility, if 67% of the interviewees think they will have a situation which is equal (23%) or worse (34%) of their parents’ one, and 43% believe they will do better, the objective tendency is that of an increase in middle positions, while high, middle-low, and low positions decrease.

3.4.9.4 *Two European surveys*

From the European Community Household Panel (ECHP) data it seems, on average, that the Italian workers are quite dissatisfied with many of the aspects of their working activity. Moreover, between 1996 and 2001 the percentage of dissatisfied workers strongly increased, whereas in most of EU-15 countries, it has dropped. It’s worth noting that dissatisfaction has grown with respect to many of the flexibility dimensions: job security, type of work, working hours and working time. This in turns probably depends on the dramatic increase of atypical workers among the employed.

Table 36. Percentage of workers dissatisfied with different aspects of their job (ECHP data)

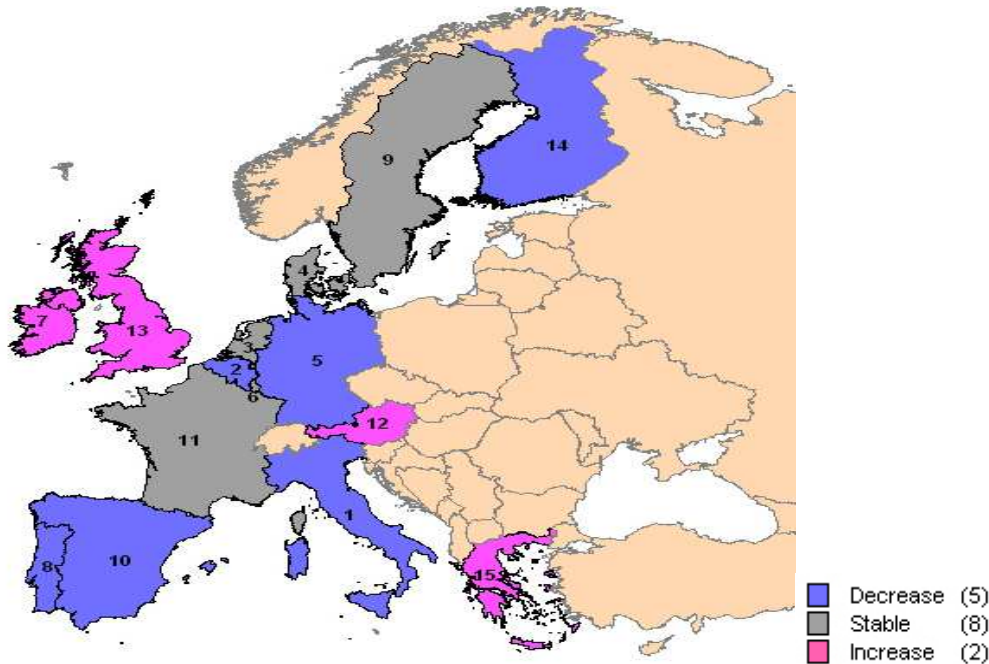
Country	Earnings		Job security		Type of work		Hours worked		Working times		Work environment		Overall	
	1996	2001	1996	2001	1996	2001	1996	2001	1996	2001	1996	2001	1996	2001
Denmark	23	23	19	14	10	9	13	12	13	11	14	11	8	7
The Netherlands	19	14	21	11	9	10	14	14	11	10	20	20	7	8
Belgium	30	28	23	18	15	14	17	18	16	16	21	20	17	16
France	47	39	29	21	12	11	25a	22	20	20	22	22	17	14
UK	28	26*	27	20	18	18	27	25					20	18
Ireland	35	23	22	15	12	11	17	11	13	9	13	11	16	13
Italy	53	54	30	33	27	31	31	35	29	33	31	34	33	33
Greece	61	52	40	35	37	32	37	33	35	34	40	33	45	36
Spain	59	51	34	29	26	22	35	35	28	27	27	29	28	25
Portugal	65	54	30	21	20	17	27	21	22	16	18	14	29	21
Austria	23	19	14	10	6	4	12	10	10	7	9	6	7	6
Finland	31	26	26	20	17	14	19	17	16	16	20	17	13	12
Mean	40	34	26	21	17	16	23	21	18	17	20	18	20	17

* 1997.

Source: M. Brynin and S. Longhi,. “The transformation of work? Occupational change in Europe”, “Work organisation and restructuring in the knowledge society - WORKS project“, 2007.

On the contrary, the 2005 EuroFound] *Fourth European Working Conditions Survey (ESCW)* shows that Italy has had the best quality of working conditions among the EU-15 countries, although the trend is downward for the year 1995-2005. It is important to note that ESCW provides many physical indicators to assess quality of working conditions, while ECHP findings concerns subjective measurement of job quality.

Figure 7. Rank and change in the quality of working conditions in 15 European countries between 1995 and 2005 (ESCW data)



Source: N. Greenan, E. Kalugina and E. Walkowiak, "The transformation of work? A quantitative evaluation of the shape of employment in Europe - European Working Conditions Survey", "Work organisation and restructuring in the knowledge society - WORKS project", (2007)

3.4.9.5 Organizational innovation and company level bargaining

As is well known, beginning with the Lisbon Conference⁷⁰, a vast amount of the international theoretical and empirical literature, as well as of the indications of the European Community Council, affirms that the road to innovation, and higher productivity, for European enterprises, is to flank technological innovation with organizational innovation, and that moreover the first without

⁷⁰ Among others: *Innovazioni Organizzative, risorse umane e relazioni industriali*, Pini P., a cura di, Franco Angeli, 2002; *The gains from investing in workplace organisation* Cristini A, Gaj A., Leoni R, First draft: November 2002; Revision (very preliminary): April 2003; *Flat Hierarchical Structure, Bundles of New Work Practices and Firm Performance* Cristini A., Gaj A., Labory S., Leoni R., March 2003, Revised version: June 2003; *New Enterprise Work Practices and Their Labour Market Implications*, OECD Employment Outlook. 1999; *Contrattazione a livello di impresa: partecipazione allo sviluppo delle competenze versus partecipazione ai risultati finanziari*, Leoni R., Valiotti G., Tiraboschi, *Lavoro e Relazioni Industriali*, n.2 1999; *Employee participation ad organisational change in European firms - Evidence from a Comparative overview of ten EU countries*, Coriat B., University Paris, 2002; *Organisational Innovation in European firms: a critical Review of the Survey Evidence*, Coriat B. in Archibugi D e Lundval B (eds) 2001; *Flexible Workplace Practice and labour productivity*, Bauer T. K. IZA, Institute for the study of labour, 2003; *How to compete: the impact of workplace practices and information technology on productivity*, Black Sandra E. and Lynch Lisa M. The review of Economics and Statistics, 200; *New Forms of Work Organization. Report from the EU Presidency Conference, 12 - 13 November 2002 in Roskilde*, EU Commission Presidency, Copenhagen, March 2003; *New Forms of Work Organization: The Obstacles to Wider Diffusion - FINAL REPORT*, European Commission DG Employment and Social Affairs; *New forms of work organization: Case studies, Final report*, European Commission, Directorate General for Employment, Industrial Relations and Social Affairs.

the second not only does not better the performance levels, but even risks making them worse. More, according to this literature, only those companies which adopt the *new forms of work organization* also known as *high performance work organization*, “*in bundle*” actually achieve better performance. The new forms of work organization are those that are based on a more widespread involvement of the workers, on *direct participation* (from its most traditional forms of job enrichment and enlargement, to the more innovative ones of *polyfunctionality* and multitasking, all the way to *team work*: group work, which in its most advanced forms – those of the Scandinavian model – provides for the team to name their own leader), on the principles of lean production, reduction of hierarchical levels, decentralization of decisional powers, involvement of workers in *decision making* and *problem solving*.

Some surveys carried out in Italy have evidenced a mild diffusion of these new organizational strategies, usually coupled with good industrial relations (*indirect participation*). However, the ISFOL survey⁷¹, which is the broadest, and was carried out at national level, shows that only 3% of workers have been involved in at least five innovative practices (*innovation in bundle*) compared to one third of workers in the UK.

The analysis⁷² of national bargaining at company level – carried out on the sample of 1000 companies of the *Archive for company bargaining in the private sector of the economy of the CNEL*⁷³ – shows that, at the end of the 1990's, bargaining on *organizational innovation* (with the above mentioned traits) was present only in very few (little more than ten) examples of *best practices* in the major enterprises, while *wage flexibility* (bonuses tied to company performance) and *numerical flexibility* (tied to working hours – preferred by unions as it guarantees employment – and to different forms of contracts; see § 3.4.8). Since 2000, however, even in the few instances of excellence, these innovative practices have, with the sole exception of two or three of the companies, been abandoned (at least from what can be gleaned from reading the agreements), with a strong accentuation of the centrality of working hours, contract, and wage flexibility, and a return to binding assembly lines; all in all the affirmation of a sort of *neo-taylorism*. A scenario that confirms the minority of the experiments with organizational innovation observed by the ISFOL survey.

The evaluation of the Italy employment schooling level confronted with major European countries (Table 37) is of great interest.

⁷¹ Leoni R. in Tomassini M. (a cura di), *Organizzazione, Apprendimento e Competenze, Indagine sulle competenze nelle imprese industriali e dei servizi in Italia*, , ISFOL, 2006

⁷² Cnel, *Lineamenti della contrattazione aziendale nel periodo 1998-2006*, 2007

⁷³ Consiglio Nazionale dell'Economia e del Lavoro (= National council for the economy and labour)

Table 37. Employment by sex, age groups and highest level of education attained. Year 2006

		Italy	France	Germ.	Spain	U. K.	EU15
Total	Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
	Pre- primary, primary and lower secondary education	39.6%	26.1%	15.6%	42.8%	22.3%	27.7%
	Upper secondary and post-secondary non-tertiary education	45.1%	44.3%	59.1%	23.5%	45.4%	45.0%
	Tertiary education	15.3%	29.6%	25.3%	33.7%	31.6%	27.1%
Male	Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
	Pre- primary, primary and lower secondary education	44.9%	26.3%	14.5%	48.1%	20.8%	29.6%
	Upper secondary and post-secondary non-tertiary education	42.4%	46.9%	57.3%	22.3%	48.2%	44.7%
	Tertiary education	12.7%	26.8%	28.2%	29.6%	30.2%	25.5%
Female	Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
	Pre- primary, primary and lower secondary education	31.4%	25.9%	16.9%	35.0%	24.1%	25.4%
	Upper secondary and post-secondary non-tertiary education	49.2%	41.3%	61.2%	25.2%	42.3%	45.3%
	Tertiary education	19.3%	32.8%	21.9%	39.8%	33.0%	29.1%

Source: calculation by the authors on EUROSTAT website data.

As can be seen, 40% of employment in Italy ranks in the lower class of education by comparison an average of 27.7% for EU15, 26% France, 22% U.K., and 15.6 Germany. Male education levels are worse that female.

3.4.10 Over 45⁷⁴

According to OECD data, Italy is the country with the lowest level of recruitment for people over 50 years old (only 4%) along with Netherlands, Belgium and Portugal. In Italy, in this age group, more than 700,000 individuals are unable to re-enter the labour market.

11% of those over 45 that work, or have worked, as subordinate employees, believe they are, or have been, discriminated because of their age. Half a million even believe to have been fired or made redundant because of it. Knowledge of this discrimination is wide spread among the population, so much so that 24% of the Italians say they personally know of subordinate employees over 45 years of age, who have been placed at a disadvantage or discriminated, and more than 53% expresses a high or very high level of alarm about the labour market performance for those over 45. A series of in-depth interviews conducted by SDA Bocconi researchers with managers aged 40 to 59 who have lived the trauma of being fired and the experience of a long and useless search for new employment, seem to confirm that “explicit and implicit procedures to expel managers over 50 from the labour market are in effect”

To be over 35 means that one is already excluded from the basin of company candidates *favourites*. On the basis of Unioncamere data, in 2005 recruitment concerns only 10.6% of people aged over 35, while 24.5% concerns those between 25 and 29; those under 24 total 16.4%, while 13.5% goes to those between 30 and 34.

Analysis of the more than 5000 job advertisements published between 1993 and 2004 by a national daily newspaper confirms the importance of the age variable for those who aspire to vacant positions: 42% of the ads expressly states an age preference which, in 87% of the cases, is below age 44. On average, ads are aimed at those between 24.8 and 34.2 years of age. In 57% of the ads a

⁷⁴ For this subsection see: M. Cristina Bombelli e Enrico Finzi (eds.), “Over 45. Quanto conta l’età nel mondo del lavoro”, Guerini e Associati, 2006, Milano

specific length of experience is requested which, in 89% of the cases, is under 5 years, and on average between 3.5 and 3.9 years. The most requested education diploma is the University degree (46.2% of the cases).

Age constraints are more stringent when the position is internal to the company (43.7% of the time a specific age is required) compared to external positions, such as agent (age is requested in 36.1% of the cases). In both kinds of positions, the age requested in the vast majority of the cases is under age 44.

Moreover, 88.6% of the offers are aimed at people with less than five years work experience. Among the functional areas, age discrimination seems less marked in production.

A series of in-depth interviews with head hunters and human resource company managers evidences a form of repression of the age discrimination problem. The typical first response of a head hunter is “a good element finds a job anyway!” Initially, they admit age could be a problem over 55, but in the subsequent phases of the interview they admit that the critical age for traditional sectors is 50-55 (insurance companies, banks, pharmaceutical), and even 35 for emerging sectors (investment banking, consulting, telecommunications, fashion, luxury goods). The managers most at risk are those who are employed in marketing, strategy, development, and commercial activity.

3.5 Undeclared labour and underground economy⁷⁵

3.5.1 The underground economy

In 2004, the value added of the underground economy⁷⁶, was estimated to be somewhere between a minimum of 16.6% (equal to 230 billion euro) and a maximum of 17.7% (equal to 246 billion Euro) of the GDP. In 2000 the minimal percentage was of 17.7% and the maximum of 18.8%.

Table 38. Value added produced by the underground economy. Years 2000 – 2004

Years	Lower assumption (A)			Higher assumption (B)		
	Euro millions	Change in %	% on GDP	Euro millions	Change in %	% on GDP
2000	211063	17.7		224513	18.8	
2001	225476	6.8	18.1	243669	8.5	19.5
2002	217535	-3.5	16.8	224707	-7.8	17.3
2003	219148	0.7	16.4	232411	3.4	17.4
2004	230604	5.2	16.6	245819	5.8	17.7

Source: ISTAT, *Statistiche in breve*, 14/12/06

⁷⁵ Data for this subsection is drawn from ISTAT, *Statistiche in breve*, 14/12/06, *La misura dell'economia sommersa secondo le statistiche ufficiali, Anni 2000-2004* e da ISTAT, *Rapporto annuale 2006*, cap. 4.

⁷⁶ According to the ISTAT definition, *underground “economic”* activities are the productive activities of goods and services which, although *per se* legal, consciously escape direct observation because connected to tax evasion and pension contribution fraud. *Economic underground* activities are included in the Italian GDP estimates. It is a part of the *unobserved economy*, which, on the basis of international definitions (OCSE *Handbook for Measurement of the Non-observed Economy* Sec95), is composed not only of the *economic underground activities*, but also from: a) illegal activities; b) informal sector production; and c) inadequacy of the statistical system. The concept of *underground economy* must not be confused with that of *informal economy*. *Informal activities* are defined as legal, small-scale productive activities, with low levels of organization, with little or no division between capital and labour, with work relations based on occasional employment, personal or family relations as opposed to formal contracts. Our data refers to the three principal types of *economic underground activities* (in short *underground economy*) pin-pointed by ISTAT. 1. In the first group, the totality of the ascribable aggregates is considered: a) consistency checks of industry micro-data; b) consistency checks on intermediate costs at macro level; c) hidden rents; the share of value added produced by unlawful constructions. 2. A second group highlights the share of value added produced by irregular employment (not declared by the enterprises). 3. To these two groups, owing to the reconciling of the independent estimates of the supply and demand of goods and services, an integration must be added. This can be defined as an integration due to the understatement of turnover or overstatement of costs.

In 2004, the underground economy amounted to roughly 17.7%, it can be broken down into a 10.2% of understatement of sales, to the plumping of intermediate costs, to unlawful construction works, and hidden profits, while only 6.4% is due to the use of *irregular employment*⁷⁷..

Table 39. Value added produced by the underground economy by type of integration. Years 2000 - 2004

years	Adjustment of turnover and intermediate costs			Irregular work			Reconciliation between forecasted offer and demand		
	Euro millions	% higher assumption	% of GDP	Euro millions	% higher assumption	% sul Pil	Euro millions	% higher assumption	% of GDP
2000	120.000	53.4	10.1	91.063	40.6	7.6	13.450	6.0	1.1
2001	128.923	52.9	10.3	96.553	39.6	7.7	18.193	7.5	1.5
2002	124.459	55.4	9.6	93.076	41.4	7.2	7.172	3.2	0.6
2003	130.291	56.1	9.8	88.857	38.2	6.7	13.263	5.7	1.0
2004	141.347	57.5	10.2	89.257	36.3	6.4	15.215	6.2	1.1

Source: ISTAT, *Statistiche in breve*, 14/12/06

3.5.2 Irregular (undeclared) employment

Table 40 shows that, in 2004, the irregular⁷⁸ standard *units of labour (ULA)*⁷⁹ were about 2.8 million, or 11.5% Which becomes 12.8% of employees.

⁷⁷ See Note 78.

⁷⁸ The concepts of *regular* and *irregular (undeclared) employment* are strictly connected to those of the *observable* and of the *not observable* productive activities included in the boundaries of the national accounting system. Employment is considered *regular* when the services rendered are registered and *observable* both by the fiscal and social security institutions, and by the statistical and administrative ones. Employment is defined as *irregular* when the services rendered do not respect the fiscal and social security laws in force; and, therefore, are not directly observable from the enterprises, the institutions, and the administrative sources. All services rendered in the following terms fall in this category: 1) continuatively and unlawfully; 2) occasionally, by people who declare themselves inactive (students, home-makers, pensioners); 3) by illegal immigrants and not resident foreigners; and 4) undeclared multiple activities, that is: secondary activities not declared to the inland revenue authorities.

⁷⁹ *Units of labour (ULA)* represent a measure of how much the labour factor contributes to a country's production in a given period. *ULA* are calculated by transforming the working positions, covered by each individual in the reference period, into full-time standards units.

Table 40. Units of regular and irregular labour by professional position. Years 2000-2004

Years	Declared	Undeclared	Total	Rate of declared workers	Rate of undeclared workers
	Total				
2000	20301.6	3110.7	23412.3	86.7	13.3
2001	20548.4	3280.2	23828.6	86.2	13.8
2002	21076.4	3055.8	24132.2	87.3	12.7
2003	21471.2	2811.7	24282.9	88.4	11.6
2004	21500.0	2794.1	24294.1	88.5	11.5
	Employees				
2000	13774.2	2505.0	16279.2	84.6	15.4
2001	13980.9	2672.9	16653.8	84.0	16.0
2002	14531.4	2426.9	16958.3	85.7	14.3
2003	14817.1	2175.2	16992.3	87.2	12.8
2004	14820.7	2167.4	16988.1	87.2	12.8
	Independents				
2000	6527.4	605.7	7133.1	91.5	8.5
2001	6567.5	607.3	7174.8	91.5	8.5
2002	6545.0	628.9	7173.9	91.2	8.8
2003	6654.1	636.5	7290.6	91.3	8.7
2004	6679.3	626.7	7306.0	91.4	8.6

Fonte: ISTAT, *Statistiche in breve*, 14/12/06

The growing flexibility of employment relations, in terms of schedule, duration, and creation of new forms of contracts (such as contingent or interim work or staff-leasing), along with the 2002 regularization of illegal immigrants (Law 189, July 30th 2002), has greatly aided the growth of regular employment. Between 2000 and 2004 the input of regular employment grows by 5.9% while units of irregular employment decrease by 10.2%.

According to the Ministry of the Interior, as a result of the amnesty, Law 189, 647,000 foreign workers were regularized, thus reducing the units of irregular employment, especially between 2002 and 2003.

The sectors most highly affected by irregular employment are those of Agriculture and of Services. In 2004, the rate of irregular employment is equal to: 18.3% in Agriculture (20.5% in 2000), to 13.4% in Services (15.3% in 2000), compared to the 5.7% in Industry (7.1% in 2000).

In the Services industry, the phenomenon of irregular employment is particularly wide-spread in “wholesale & retail trade, hotels & restaurants, repairs and transport”, where 18.4% of the units of labour go undeclared (19.6% in 2000); in detail: 35% in hotels and restaurants and bars, 28.8% in road transport of goods and people; domestic services peak to 49.4%.

In the Industry excluding Construction the rate of undeclared employment in 2004 was barely 3.8% (4.6% in 2000); in construction it was 10.8%, significantly down from 2000 (15.2%). In this case as well, as in the agricultural sector, the drop was due to the amnesty granted to foreign workers

Table 41. Rate of irregular units of labour by economic activity sector. Years 2000-2004

Sectors	2000	2001	2002	2003	2004
Agriculture	20.5	20.9	21.0	18.3	18.3
Industry	7.1	7.4	6.6	5.7	5.7
- Industry proper	4.6	4.6	4.2	3.8	3.8
- Construction	15.2	15.7	13.3	11.2	10.8
Services:	15.3	15.8	14.5	13.5	13.4
- Trade, hotels, shops and repairs; transports	19.6	19.7	19.5	18.4	18.4
- Monetary and financial Intermediation, entrepreneurial and real estate activities	10.3	10.4	10.0	10.1	9.5
- Other services	13.3	14.5	11.8	10.2	10.3
Total	13.3	13.8	12.7	11.6	11.5

Source: ISTAT, *Statistiche in breve*, 14/12/06

Irregular employment can be further broken down into different sub-groups: 1) irregular residents⁸⁰; illegal aliens and non-residents who, as such, are invisible as far as the inland revenue office is concerned, and excluded from surveys involving households; multiple irregular (possibly, forms of second job) activities⁸¹.

From 2000 to 2004, the irregulars residents went from 1.5 million *units of standard-time labour* (ULA) to about 1.6 (Table 42). The irregular non-resident foreigners went from 656,000 ULA of 2000 to the 125,000 ULA in 2004. Their percentage of the total units of labour went from 21% in 2000 to 4.5% in 2004. Multiple irregular activities, however, registered a high increase rate: from 915,000 ULA in 2000 to 1,033,000 ULA in 2004.

Table 42. Units of irregular labour by type of occupation years 2000-2004 (thousands ULA)

Years	Resident undeclared workers	Non-resident foreigners	Multiple irregular activities	Total
2000	1540.4	655.6	914.7	3110.7
2001	1625.5	721.1	933.6	3280.2
2002	1643.6	464.1	948.1	3055.8
2003	1686.3	113.5	1011.9	2811.7
2004	1636.8	124.6	1032.7	2794.1
	composition %			
2000	49.5	21.1	29.4	100.0
2001	49.6	22.0	28.5	100.0
2002	53.8	15.2	31.0	100.0
2003	60.0	4.0	36.0	100.0
2004	58.6	4.5	37.0	100.0

Source: ISTAT, *Statistiche in breve*, 14/12/06

In the same period, irregular ULA register an increase of 6% in the South, while Centre and North decrease by 17% and 20% respectively. This means that the regularization of immigrants was particularly effective in the Centre-North but had scarce impact on the South.

According to the ISTAT yearly report, *Rapporto Annuale 2006*, in 2005 irregular ULA totalled slightly less than 3 million, equal to a rate of irregular employment of 12%, showing a decrease compared to the levels registered in 2001 when irregular employment totalled 3.3 million units (13.8%).⁸² On the basis of the estimates of 2005, resident irregulars are equal to 1.6 million ULA,

⁸⁰ Workers who declare themselves in surveys involving families but who are not registered with the companies.

⁸¹ Estimated through indirect methods to spot the independents working in sectors where undeclared productive activity is rampant (transports, constructions, hotels and public concerns).

⁸² The ISTAT National Accounts in general, and the underground economy estimates in particular, are subjected to a process of periodical revision which in turn bring reassessment of the phenomenon. So, data referred to the same statistical entity may differ according to the timing of the releases.

followed by multiple-job holders with just over 1 million, while non-resident foreigners amount to 275,000 ULA.

While the proportion of illegal aliens among undeclared workers has risen considerably (from 49,6% in 2001 to 55.2% in 2005), it was the number of workers with additional positions that grew most significantly (up from 28.5% in 2001 to 35.5% in 2005).

The 2005 Censis⁸³ Survey portrays a reality which is significantly different from that registered by ISTAT. Firstly, the survey distinguishes between an employee working for a ghost-firm, with no contract whatsoever (*underground labour*) and one working a regular contract but receiving black money as part of the compensation (*irregular employment*). According to this survey, one of the most significant elements is the increase in *underground labour* within *underground enterprises* that operate solely on the *black economy*: national figures go from 12.9% in 2002 to 14.2% in 2005, as a result of a growth in the North-East and in the South, and a reduction in the North-West and in the Centre of Italy. The size of “completely underground” economy appears so to be on the rise.

Another interesting element highlighted by this survey is the increase of irregular employment among immigrants: 60% of those interviewed found this the single most important phenomenon in irregular employment: “immigrants are those most involved in irregular employment, and demonstrate the capabilities to generate ethnical enterprises, and of assimilating a process of slow emersion which is typical of the «native underground economy»”. It must be underlined that, according to Censis, 60% of these irregulars workers are *not* illegal immigrants, but have a regular residence permit.

CENSIS also points out that, in the South, the *underground economy* continues to represent a structural element of the productive fabric, and how the features which characterize it – high presence of ghost-firms, completely hidden labour, hidden criminal dealings, etc. – define a profile which is very distant from the processes analyzed till now (tax evasion, poor use of contract flexibility, and (mis)management of migratory flows): instead, precisely these aspects appear to be marginal in the South when compared to the importance that underground economy still has in that area. Local respondents outlined a scenario where irregular employment (CENSIS definition) has been abruptly rising over the past three-year period, and irregulars represent an outright majority of the total workforce.

An aspect particularly grave of undeclared labour is that of child labour. In Italy official Istat statistics (2002) estimate the phenomenon at 144,285 units, that is 3.1% of nearly 4.5 millions children beside 15 ears. The phenomenon is particularly grave in south Italy (for times higher than in Center North) and is linked with high unemployment rate and grave poverty situations. According to Ires Cgil estimates, the phenomenon is more than double than that outlined by official statistic.

⁸³ The survey was conducted by the CENSIS for the Ministry of Labour and Social Policies – the third such since 1998 - with 747 provincial participants, selected among representatives of employers’ associations and trade unions (Cisl, Cgil, Confartigiano, Confcommercio, Confindustria, Cna, Ugl and Uil), of institutions (Inps, Inail, chambers of commerce, services) and of professional bodies (Association of labour consultants, accountants). This method was validated by OECD and Eurostat through the special *handbook on the unobserved economy* created by its two agencies. Moreover, the survey being at its third edition (1998, 2002, 2005), it possesses features of continuity, and provides qualitative elements which are complementary to the quantitative estimates that ISTAT makes on the basis of the National Accounts data.

3.6 Poverty ⁸⁴

In 2006 the families who lived in relative poverty⁸⁵ amounted to 2,623,000, equivalent to 11.1% of resident families, i.e. 7,537,000 people living in poverty, 12.9% of the entire population⁸⁶. In 2002, the country's overall *incidence of poverty*⁸⁷ was 11%, or a total of 2,456,000 families or 7,140,000 individuals (equivalent to 12.4% of total population).

Table 43. Indicators of relative poverty by geography in 2005-2006 (in thousands and percentages)

	North		Centre		South		Italy	
	2005	2006	2005	2006	2005	2006	2005	2006
	Thousands of units							
poor families	510	595	270	315	1.805	1.713	2.585	2.623
resident families	11.227	11.378	4.533	4.598	7.507	7.591	23.268	23.567
poor persons	1.343	1.447	750	889	5.484	5.201	7.577	7.537
residents	26.253	26.458	11.165	11.244	20.660	20.669	58.077	58.371
	Composition percentage							
poor families	19.7	22.7	10.4	12.0	69.8	65.3	100.0	100.0
resident families	48.3	48.3	19.5	19.5	32.3	32.2	100.0	100.0
poor persons	17.7	19.2	9.9	11.8	72.4	69.0	100.0	100.0
residents	45.2	45.3	19.2	19.3	35.6	35.4	100.0	100.0
	Incidence of poverty (%)							
families	4.5	5.2	6.0	6.9	24.0	22.6	11.1	11.1
persons	5.1	5.5	6.7	7.9	26.5	25.2	13.1	12.9
	Intensity of poverty (%)							
families	17.5	17.8	18.9	16.9	22.7	22.5	21.3	20.8

Source, *Statistiche in breve, Famiglia e società, 04/10/07*

The phenomenon is more widely spread in the south, where the proportion of poor families is nearly five times higher than that recorded elsewhere in the country: Poorer families are those with numerous components (five or more) and those with three or four children, especially if minors.

Though the situation has improved, the incidence of poverty is above average also among those families having elderly members, with the degree of malaise increasing when the elderly members are two or when various generations cohabit (families with aggregate members).

Finally, poverty is closely associated to lower levels of education, to the working poor and to job exclusion: the incidence of poverty among families where two or more components are seeking work is almost four times higher than that among families with no unemployed members.

3.6.1.1 Territorial differences

In the south, 22.6% of the families appear to be below the poverty line and represent 65% of total number of families. In the centre-north, where less than 7% of the families live in poverty (5.2% in the north and 6.9% in the centre), there lives 35% of poor families notwithstanding the fact that 68% of the total number of families live in this area.

⁸⁴ The data contained in this paragraph were mainly drawn from ISTAT, *Statistiche in breve, Famiglia e società, 4/10/07*

⁸⁵ The relative poverty threshold: for a family of two it is equal to the average per head spending recorded in the country. In 2006, this spending amounted to € 970.34 per month. There are also other coefficients measuring the relative poverty threshold when the family comprises more than two members. For example, the poverty threshold for a family of four is 1.63 times that of a family of two (€ 1,581.65), for a family of six is 2.16 times (€ 2,095.93 euro).

⁸⁶ ISTAT, *Statistiche in breve, Famiglia e società, 4/10/07*

⁸⁷ The incidence of poverty is obtained by the ratio between the number of families with an average spending that is equal or below the poverty threshold and the total number of resident families.

In the south, poverty not only is wider but also more serious: poor families spend a monthly average⁸⁸ of € 752 (the *intensity*⁸⁹ of poverty is 22.5%), compared to € 798 and € 806 in the north and the centre (intensity: 17.8% and 16.9% respectively).

Poverty in all the regions of the south is more widely spread than anywhere else in the country; excepting in Abruzzo, where the percentage of poor families (12.2%) is close to the national average.

3.6.1.2 *The characteristic of poor families*

Poverty levels are highest among families with five or more members: relatively poor are nearly one-quarter (24.3%) of such families as well as over one-third (37.5%) of those who live in the south. The families concerned are principally couples with three or more children or with aggregated members, i.e. families where the incidence of poverty is highest, 25.6% and 17.8% respectively.

The characteristics of the person of reference are crucial in outlining the profiles of poor families: besides age, sex and education level, the factors closely associated to poverty are the participation in the job market as well as the professional condition and position.

Table 44. Incidence of relative poverty by study title of the person of reference and by geography in 2005-2006 (percentage values)

	North		Centre		South		Italy	
	2005	2006	2005	2006	2005	2006	2005	2006
	Study title							
Elementary or none	7.7	9.5	10.3	12.4	33.8	31.1	17.6	17.9
Junior high	4.5	5.3	5.9	6.5	26.3	25.1	12.3	12.2
Senior high or higher	2.1	2.2	2.8	3.5	10.5	11.5	4.5	5.0

Source: ISTAT, *Statistiche in breve, Famiglia e società*, 04/10/07

A low level of education (no title or elementary) of the person of reference is associated to an incidence of poverty, at 17.9%, that is nearly four times higher than that of a family at whose head is a person who has at least a high school diploma (5%). A low level of education is, in fact, associated with the difficulty of finding an employment or a qualified job: if the head of the family is looking for a job, the incidence of poverty reaches 28.2% (38.2% in the south).

While the incidence of poverty observed in the families of employees was lower than the national average (9.3%), it grew significantly if the breadwinner is a blue-collar worker (13.8%).

If, besides the breadwinner, the professional condition of the other family members is also observed, difficulties are obviously greater among those families having members who do not work or are out of a job: half of these families are poor. Though less serious, but with markedly higher-than-average poverty levels, are those families whose only source of income is represented by the pension of a member (28,3%). Nevertheless even in those families with employed components but in which other members are looking for a job (predominantly couples with two or three children), the incidence of poverty is around 24.1%

3.6.1.3 *Families that risk poverty and poorest families*

It is possible to outline the conditions where poverty is higher. In 2006, the monthly expenditure of approximately 1.14 million families – 4.8% of the total – was some 20% below the standard poverty

⁸⁸ *Average family spending*: it is calculated net of the costs for the extraordinary maintenance of homes, for life premiums and insurance annuities, for mortgages and loans.

⁸⁹ *Intensity of poverty*: measures, in percentage, by how much the spending of so-called poor families is below the poverty threshold.

line⁹⁰. Approximately three-quarters of these families live in the south. The monthly expenditure of 3% of such families is between 10% and 20% below the standard, while a further 3.3% was not lower than 10%.

Families that most certainly are not poor amount to 80.8% of the total, with values nearing 90% in the north and the centre-north and 64% in the south. It ensues that approximately one-third of families that are not poor (74.4%) live in the centre-north.

3.6.1.4 Families that risk poverty

Families that risk poverty, i.e. those families whose consumption levels are just above the poverty threshold (within the 20% margin), amount to 17% of the total in the south and to approximately 8% in the centre-north.

After showing that poverty levels have remained substantially unchanged between 2000 and 2006, a Caritas⁹¹ report did however reveal that a significant change, as emerging from numerous surveys, was represented by the increase in the number of families that risked poverty, families that lived just above the line of poverty (by € 10 to € 50 euro), and which according to ISTAT amounted to 900,000. According to the Caritas – Zancan report, a multidimensional approach that did not solely focus on the monetary aspect of the problem, showed that though poverty had not increased what had actually grown was insecurity as Italian families were increasingly worried of not being able handle negative events, such as the sudden illness of a family member, the instability of work or the rising cost of mortgage. After having shown the close connection between poverty and the number of components making up a family, the report highlighted that “every new child that is born, besides being a hope of life, raises in families the risk of becoming poorer” and that Italy was wittingly or unwittingly encouraging families to stop having children, with the consequence that the birth index in Italy is among the lowest in the world.

3.7 Immigration⁹²

All analyses show that Italy in not very many years has become one of Europe’s principal countries of immigration from being a country of emigration, with an immigration population of nearly three million (up from 2,768,000 in January 1, 2006)⁹³. In just over ten years – from the Nineties to today – the proportion of immigrants on the total population grew from 1% to today’s 5%, therefore over a span of time that was much shorter than that recorded by other large European countries with a more established tradition of immigration, such Germany, France and United Kingdom. There has been in recent times also an influx of immigrants coming from the new EU members from Eastern Europe. According to Caritas⁹⁴ estimates, legal aliens in Italy in 2006 were 3.6-3.7 million, which makes Italy, alongside Spain and immediately after Germany, as one of the big European countries of immigration.

⁹⁰ See note 37

⁹¹ Caritas, *Rassegnarsi alla povertà? Rapporto 2007 su povertà ed esclusione sociale*, il Mulino, 2007

⁹² Data included in this paragraph were predominantly drawn from ISTAT, Annual Report 2006, chapter 6

⁹³ Estimate calculated by the sum of registered foreign minors with foreign adults having a stay permit.

⁹⁴ Caritas, *XVII Rapporto sull’Immigrazione – Dossier Statistico 2007*.

Table 45. Foreign citizens who have signed the public registry in the 1996-2004 period

	1996	1997	1998	1999	2000	2001	2002	2003	2004	Average annual increase
Total foreigners	143,151	132,505	127,114	152,900	192,557	172,836	168,726	392,771	373,086	
	-7.4	-4.1	20.3	25.9	-10.2	-2.4	132.8	-5.0	20.1	20.1

Source: ISTAT, *Rapporto Annuale 2006*

The conspicuous heterogeneity of the immigrant population (some two-thirds of legal immigrants come from 15 countries across the globe) reduces the risk of creating cultural, religious and metropolitan ghettos as has occurred elsewhere in Europe. Migratory flows and peaks have coincided with the amnesties that have been granted. As mentioned earlier when discussing the issue of undeclared employment, the so-called Bossi-Fini provisions (laws 189 and 222 of 2002) included an amnesty which benefited 650,000 immigrants.

Foreign women residing in Italy have contributed significantly to improve, albeit moderately, the country's fertility rate (from 1.19 to 1.32 children per woman). Foreign citizens who have been naturalised are currently 180,000. Over five years, the number of foreign students has doubled, going up to 431,000 in the 2005/2006 academic year. In 2004, foreign citizens who been charged of one or more crimes were 117,000, i.e. 21% of the total. 62,000 have been sentenced (26%). In 2004 in Italia, public and private hospitals discharged more than 433,000 foreign citizens, i.e. 3.3% of the total number of discharged patients⁹⁵

The resources city administrations have spent for foreign citizens as part of the services provided under the heading of "immigrants and nomads" amounted to 2.4% of overall spending, approximately € 127 million out of a total social spending of nearly € 5.4 billion.

Among the various types of resources available for immigrants, the single most significant item was represented by economic aid, which absorbed 26.4% of the resources utilised under "immigrants and nomads". This was followed by housing, which absorbed 18.9% of spending. The remaining resources were divided between the professional social service (17.3%) and the activities in favour of social integration (15%). The "professional social service" is what immigrants initially seek for information, guidance and support. In 2004 this service offered support to 175,000 through its network of social workers: some 15,000 immigrants have sought its intermediation to find housing. The activities carried out by city administrations in favour of social integration have involved some 240,000 immigrants. The services provided include cultural mediation, recreational, social and cultural activities designed to stimulate the integration of the immigrant population.

3.7.1.1 *Illegal flows*

Italy is much exposed to migratory flows because of its geographical position. If the French government has confirmed for 2007 the target of expelling 25,000 illegal immigrants, in Italy persons apprehended in this condition exceed 100,000 a year. In 2006, out of the 124,383 illegal immigrants singled out by law enforcers, only 36.5% (45,449) were repatriated (in 1999 it was 64.1%).

⁹⁵ ISTAT, from administrative data relating to hospital discharge files gathered by the Ministry of Health

Table 46. Italy. Refusals, expulsions and repatriation of foreign citizens (1999-2005)

	1999	2000	2001	2002	2003	2004	2005	2006
Persons involved	112,881	130,791	133,655	149,783	105,739	105,662	119,923	124,383
% of repatriations out of persons involved	64.1	50.5	56.4	59.1	61.6	56.8	45.3	36.5

Source: Dossier Statistico Immigrazione Caritas/Migrantes. Elaborazioni su dati del Ministero dell'Interno

Within the European context, Italy has conducted a pilot project for the benefit of human trafficking victims. Starting from 2000, the initiative provided assistance to as many as 45,331 persons, the great majority of whom were women victims of sexual exploitation: in approximately one-third of the cases (13,854) bursaries were granted.

3.7.2 Immigrants and employment

The employment rate among immigrants is remarkably high, contributing to 6.1% of Italian GDP. They pay nearly € 1.87 billion in taxes through 2,300,000 income tax returns.

Presences for work or as a consequence of the rejoining of families (92% of the total) are very high⁹⁶. Northern Italy continues to be the principal pole of attraction for work-related presences (59% of the total at a national level), the centre is significantly behind (26.4%) while the south is even further adrift (14.7%).

Table 47 - Italy. Reasons behind the presence of legal immigrants (31.12.2006)

Reasons	Presences	%	Reasons	Presences	%
Work reasons	2.083.470	56.5	Religious reasons	70,152	1.9
Family reasons	1,312,587	35.6	Residence of election	51,204	1.4
Study reasons	107,427	2.9	Other reasons	65,212	1.8

SOURCE: Dossier Statistico Immigrazione Caritas/Migrantes. Elaborazioni su dati Ministero dell'Interno e Affari Esteri

For the first time, ISTAT recorded in 2006 the entity of second-generation immigrants, i.e. the aggregate number of foreigners born in Italy, net of those who have acquired Italian citizenship, was nearly 400,000.

The number of foreign women in Italy at the end of 2006 has been estimated by the Caritas/Migrantes dossier to be 1.8 million, equivalent to 49.9% of the total immigration population, confirming that women are a constant and consolidated feature of the current migratory process.

The activity rate of foreign women is high: 58.4% compared to just over 51% of the total female population. More than half does domestic work and provides personal assistance (more than 700,000 according to official statistics, but it is well known that many are undeclared), a mono-sectoral option (often obligatory) that does not reward their professional skills. Another relevant sector (1 out of every 10 workers) is that of hotels and restaurants. An INPS figure relating to 2004 revealed that the annual average wage of a female immigrant worker is around € 7,136.00 equal to 58.6% of the wage of a man, which is in turn lower than that earned by an Italian man. Female immigrants are also more exposed to the risk of unemployment (on an average by 8.6%). In fact, if for men the unemployment rate is 3.6 percentage points higher than the overall rate, for women the difference increases to 4.6 percentage points.

According to a research commissioned by the Ministry of Internal Affairs to "Makno & Consulting", respondents, in 85% of cases, get an idea of immigrants from what they hear from TV

⁹⁶ Caritas, op. cit.

news and believe that illegal immigrants outnumber legal immigrants by 50% (as if there were 4.5 million illegal immigrants).

Out of the 10,000 complaints it received in 2006, the National Anti-Discrimination Bureau came across 218 cases of ethnic and racial discrimination. While most occurred at work or concerned housing, cases of discrimination also involved relations between neighbours and the services provided by public offices and other entities such as banks. Italians tend to treat differently those with a different skin colour (that is why Africans are the most affected) or professing another religion (in particular, *islamophobia* is on the rise). A difficult life with dire shortcomings. For two-thirds frequented by immigrants – of whom one out of three is without a stay permit – Caritas help centres have highlighted the consequences of being unable to rely on a network of family relations and friends while underlining that the crucial problems faced by immigrants are joblessness, low wages and homelessness, without neglecting all the other problems arising from poverty⁹⁷.

The Caritas report – based on ISTAT data – calculated that foreign workforce in 2006 amounted to 1.47 million people (1.35 million employed and 127,000 jobless, with an unemployment rate of 8.6%), two-thirds of whom are concentrated in the north, one-quarter in the centre and 10% in the south. 40% of foreign workers are employed in the industrial sector and 55% in the tertiary, while only a small percentage in agriculture. More than one-quarter of foreigners work in disadvantaged shifts: 19% in the evening (from between 8 PM to 11 PM), 12% at night (after 11 PM) and 15% on Sundays. 85% work as employees. Their rate of activity (73.7%) surpasses by 12 percentage points that of the Italian population. The overall annual increase of employees (425,000 persons) can be ascribed by approximately two-fifths by legal aliens.

On an average, the foreign workers signs two contracts in one year. In the construction sector, 20% of immigrants work in black. However, as work becomes more stable and regular, trade union enrolment also rises: 680,000 in 2006, approximately one-third of the workforce.

A sign of stability is also represented by the consistency of the number of foreign entrepreneurs (141,393 according to chambers of commerce data revised by CAN on the basis of citizenship). Foreign entrepreneurs have been increasing at the rate of 8% with respect to the growth trend recorded in the past years and 70% operate in trade and construction.

The Caritas report showed that notwithstanding the fact that immigrants only earn an average of € 10,042 p. a. (Inps data relating to 2004), they still manage to send consistent amounts of money back home.

The situation described by the survey of *Médicins sans Frontières*⁹⁸ on the condition of immigrants who work in agricultures in the regions of the South of Italy, aptly titled “*A season in Hell*”⁹⁹, is truly dramatic. And the conclusions drawn by MSF are drastic: thousands of immigrants, 70% of which illegal, obliged to live in conditions which are unacceptable in a civilized country. MSF holds the whole of the political, institutional, and economic system responsible for a state of affairs which, notwithstanding a harsh law against illegal immigration, tolerates an alarming exploitation of illegal immigrants because it is necessary to the subsistence of the local agricultural economy. The situation appears unchanged from the previous 2004 survey. These immigrants which arrive healthy from their country of origin, become ill from the harsh labour and living conditions, when simple routine treatments would be enough. Basically, the conditions of *new slavery* are clearly etched.

⁹⁷ Caritas, op. cit..

⁹⁸ An NGO also known as *Doctors without Borders*.

⁹⁹ *Medici senza Frontiere, Una stagione all'inferno – Rapporto sulle condizioni degli immigrati impiegati in agricoltura nelle regioni del Sud Italia*, 2008

The survey was conducted on the basis of 600 questionnaires, handed out during the course of an intervention and cure campaign by an MSF team and addressed to those situations which seemed most to require sanitary aid.

72% of the interviewees had no residence permit; 90% had no work contract and thus had no legal, sanitary or social security protection. Black labour even accounts for 70% of regularized foreigners. The vast majority were not provided with protection against toxic agents, nor with working clothes and accident protection items. On average they can work less than 4 days per week for 8/10 hours a day for a wage that goes from 25 to 440 euro per day; while a third said they earned less than 25 euro per day. According to MSF operators, these labourers often work no more than 8 days a month earning no more than 240 euro.

Housing conditions appear disastrous: ruined farm buildings, abandoned factories, decaying structures without minimal services (water, electricity, toilets), with no door or window frames. MSF denounces the absence of any public welcoming policies or structures. 65% of the interviewed immigrants live in abandoned constructions, 20% in rented spaces, often sharing the same space with 4 people; half sleeps on the floor on some cardboard or a mattress. 62% of those interviewed has no access to toilets. 64% has no running water and must resort to public fountains. Often they denounce episodes of intolerance, violence and racism.

Notwithstanding the fact that the Italian Sanitary System guarantees assistance and treatment also to irregular immigrants, half of those treated had not looked for medical assistance; more than 60% said they “did not know where to go”, or that they risked losing work days and wages, or because the public health centres were too far away, or for fear of being identified as irregular.

3.8 *The South (or the Mezzogiorno)*¹⁰⁰

3.8.1 *GDP, employment and productivity*

In 2006, GDP in southern Italy rose 1.5%, compared to 1.9% nationwide and 2% in the centre-north. In the 2003-2006 period, aggregate GDP in the north and centre rose 3.7%, while growing only 1.4% in the south. It was the longest and most serious interruption in the process of convergence between the south and the rest of the country since many years. The slump was not due to a problem relating to capital accumulation (gross fixed investment grew 7.5% compared to a stagnation in the rest of the country) but rather to a slowing down of consumption (which, over the same period of time, grew by 2.9% compared to 4.2% in the centre-north) and to a fall in competitiveness with respect to the rest of the country and to international markets as testified by the impact of imports on GDP which grew to 23.6% in 2006 from 18.7% in 2002.

As for employment, working units in the south grew 1.2% in 2006 (compared to 1.8% in centre-north) after a slump of three consecutive years, recovering in a single year the jobs lost since 2003. Notwithstanding the negative trend of employment in the 2000-2006 period due to the restructuring underway in all sectors, productivity (value added for each worker) went down an average 0.1% every year, in the *Mezzogiorno* as in the rest of the country.

2006 GDP per head in the south was € 16,919, equivalent to 57.4% of the GDP per head in the centre-north, which was € 29,459, a difference of over € 12,000. The gap between the geographic areas shortened by a single percentage point in six years.

The positive trend shown by investments in 2006 was slightly better in the south (2.5%) than in the rest of the country (2.3%).

Also, exports in 2006 grew by 6.8% in the south but by 9.8% in the rest of the country.

¹⁰⁰ Data for this subsection is principally drawn from “*Rapporto Svimez 2007, sull’economia del mezzogiorno*”, Rome, July 10, 2007

All southern regions showed per head GDP that was lower than the average recorded in the country: the best performing region, Abruzzo, has a per head GDP equivalent to merely 80.6% of that of the country; while in the regions where performance is worst, GDP per head is equivalent to just 64.2% in Calabria, and does not reach 70% in Campania, Puglia and Sicily.

Table 48. Per head product and related components in the South (indexes: centre-north = 100)

Years	Product per head		Product per working unit		Working unit per inhabitant	
	In € (current rate)	(a)	(b)			
2000	13,962.7	82.1	82.1			68.6
2001	14,721.8	81.9	82.1			69.3
2002	15,260.2	81.5	81.8			69.9
2003	15,626.7	82.1	82.5			69.6
2004	16,038.8	82.0	82.6			69.4
2005	16,331.6	82.3	82.8			69.4
2006	16,919.1	82.6	82.8			69.5

(a) Calculated on current values and prices.

(b) Calculated on linked values (year of reference 2000).

Source: Developed by SVIMEZ from ISTAT and SVIMEZ.

In 2006, the employment rate, in the 15 to 64 age group, grew by 0.7% in the south and by 1% in the centre-north. In the south employment rate is equal to just 46.6% of the population, very far from average European levels.

It is above all atypical work that is on the rise in the south (75,000 units), predominantly concentrated among youths, with percentages 9 times higher than that recorded by open-ended contracts. Also growing is part-time work and the number of self-employed.

Unemployment rate in the south in 2006 was 12.3%, down from 19% in 2000. But out of the half-million who have disappeared from the unemployment roll only half have really found a job, while the other 250,000 have simply stopped looking for a job.

The shortage of jobs has triggered new migratory flows towards the centre-north. What also emerged is a postponement in the cycle of life of the entry in the job market due, on the one hand, to the difficulties in finding employment and, on the other hand, in the growing propensity to remain in the education system.

In the grey zone of joblessness, out of the 2.6 million inactive at a national level, 1.7 million (65%) was in the south. It is interesting to observe that many who are not actively searching for a job would be available for work.

Table 49. Principal indexes of the labour market: 2005 and 2006 averages (percentage values)

	Rate of activity 15-64		Employment rate 15-64		Unemployment rate	
	2005	2006	2005	2006	2005	2006
	South	53,6	53,2	45,8	46,6	14,4
Centre-North	66,5	67,2	63,3	64,2	4,8	4,4
North-West	67,6	68,4	64,6	65,7	4,4	3,9
North-East	68,8	69,6	66,0	67,0	4,0	3,6
Centre	65,2	66,0	61,0	62,0	6,5	6,1
Italy	62,4	62,7	57,5	58,4	7,8	6,8

Source: Developed by SVIMEZ on ISTAT data. Labour Force Survey.

3.8.2 Labour policies

In 2005, resources to boost income (passive policies) were higher than those set aside for stimulating employment (active policies) for the second year running. Spending for active labour

policies amounted in absolute values to € 6.7 billion, 0.47% of GDP. From 1996 to 2005, the number of those who benefited from active labour policies rose by 41%, above all in the south, where the number doubled. Growth was significant and constant until 2001 at a national level while over the following four-year period there was a contraction (-30%). The analysis at a territorial level showed that there was a marked growth over the first period in the south where the number of those who benefited quadrupled in 2001 with respect to 1996, while increasing 35 in the centre-north; on the contrary, the number of beneficiaries contracted at a faster rate in the south (-40% compared to -19.3% in the centre-north). The fall recorded in these past years reflected the fact that the principal job stimulus tools were no longer implemented, in particular the slowing down of incentives aimed at maintaining jobs, consisting mainly of tax breaks that had represented one of the key and most effective incentives. These were gradually reduced starting 2000 and finally altogether stopped in 2003, while the effects of the incentives specifically granted for the hiring of new workers in Objective 1 areas gradually ceased.

3.8.3 Undeclared employment

According to Svimez estimates, out of the nearly 3 million of irregular *ULA*¹⁰¹ in 2006, approximately 1.7 million (57%) are in the centre-north and correspond to 9.3% of total employment, while the remaining 1.3 million (43%) are in the south, with a rate of irregularity that was more than double (20.5%) while recording a growth rate of 1.3% between 2000 and 2006, compared to a drop of 6.7% in centre-south.

The rate of irregularity in the south rose once again to 20.5% in 2006 after having dropped to 19% in 2004 and recorded a peak of 21.5% in 2002. In that year, the number of irregular workers grew at a rate that was three times higher than that of regular workers: 2.7% (+37,000) against 0.8% (+44,000). Even in the centre-north, once the effects of the amnesty had ceased, irregular employment in 2004 started to increase again at a rate similar to the growth of regular employment.

In the southern regions, the rate of irregularity was higher in all productive sectors. The difference with the centre-north is particularly conspicuous in industry strictly speaking and in the construction sector. In the industrial sector proper, also as a consequence of the high presence of micro enterprises in the south, the gap between the two areas of the country is enormous: 13.5% in the south compared to 1.8% in the north. It would appear that irregularity in this sector is an almost exclusive feature of the south. The construction sector in the south – a sector whose impact on overall industrial employment is double with respect to the rest of the country – recorded a rate of irregularity of 22.8%, compared to 6.1% in the north. Trade in the south is the single sector with the than the rate recorded in the rest of the country (16.4%).

3.8.4 Economic growth and regional gap in EU-25

The past ten years have been characterised by a progressive widening of the European Union to include countries with lower income levels characterised by higher rates of growth and faster *catching up* processes. The new member states recorded in the 1995-2004 period a growth rate (6.1%) which was almost 50% higher than the rest of Europe. Even within EU-15, the poorer regions, grouped into Objective 1, grew more than the area's average: over the entire period, GDP per head grew an average 4.5% per year, compared to 4.1% in the remaining regions. Faster development in Objective 1 regions is indeed significant and is also a proof of how structural funds have contributed to trigger growth. An exception in this scenario is southern Italy. The performance of the south over the entire decade is markedly poorer compared to that of other Objective 1 areas: GDP per head in the area grew by 2.8% (4.5% in the Objective 1 area) in 1995-2004 and by just 0.4% (3.8% in Objective 1 areas) in 2000-2004.

¹⁰¹ See §. 3.5

3.8.5 Pressure from organised crime

Organised crime is another of the handicaps affecting southern economy and society. Killings ascribable to mafia organisations were 109 throughout the country in 2004, all in the south, with the exception of one which occurred in Lombardia. The 108 killings caused by organised crime amounted to one-third of all the voluntary homicides consumed in the area and were fewer with respect to the past as a sign of the change in strategy operated by criminal organisations. As far as robbery is concerned, the worst affected region was Campania that with nearly 16,000 reported cases (unchanged with respect to 2004), represented 66% of the total in the south and 34% in the country as a whole. The phenomenon of extortions in the south affects the Campania region (956 cases) more than the others, followed by Puglia (635), Sicily (668) and Calabria (351), i.e. in the four regions where the presence of organised crime is well rooted. Cases of extortion were, however, on the rise everywhere between 2004 and 2005.

At the end of 2007, city administrations that had received disbanding orders in compliance with law 221/1991 had risen to 171: 75 in Campania, 49 in Sicily, 37 in Calabria, 7 in Puglia, to which 3 in Basilicata, Lazio and Piemonte should be added. Out of the 171 cases, the disbanding order was reiterated 24 times (14 times in Campania, 7 in Sicily and 3 in Calabria).

Extortions continue to be the typical crime of mafia organisations and notwithstanding the trend of advancing more manageable demands, the cost of the *pizzo*, or protection, continues to be extremely prohibitive. According to Confesercenti estimates, approximately 160,000 businesses are forced to pay protection money. One-third of them were in Sicily, where 70% of businesses were paying protection; the percentage rose to 80% in Catania and Palermo. In Calabria, 15,000 businesses paid the *pizzo*, which is half of the total, with a peak of 70% in Reggio Calabria. In Naples, in the areas north of Bari and in the Foggia area, 50% pay for protection, with peaks in the hinterland of these cities that reach the totality of shops, restaurants and construction firms.

The number of shop owners who have been sucked into the money-lending ring is estimated to be more than 150,000, out of whom at least 50,000 have contracted debts with mafia-type organisations. Nearly half of all the businessmen who are in the hands of loan-sharks in the country was located in Campania, Lazio and Sicily. As a proportion of the number of active businesses, the highest value of money-lending victims was in Calabria (30%), followed by two regions where the mafia is not traditionally rooted, Molise (28%) and Lazio (29%).

Crimes ascertained by law enforcers connected to the illegal "cement cycle" were also on the rise: 7,038 during 2006, up 8% with respect to 2005. The rise reflected the growing number of illegal quarries and other extracting activities that have been closed down. 49% of all illegalities linked to the cement cycle is located in the four regions where the mafia is traditionally rooted, with Campania occupying first place, followed by Calabria, Sicilia and Puglia. These same four regions are again on top of the list in Italy as far as illegal construction in coastal areas is concerned. In these areas 61% of all reported cases and 63% of all seizures occurred.

The turnover of counterfeiting activities in Italy is estimated to be in the range of between € 3.5 billion and € 7 billion, 70% of which generated in the south. The most affected sector is fashion, with a turnover of € 2.55 billion, which is half of the total generated, followed by electronics (€ 105 billion), toys (€ 0.49 billion), consumer goods (€ 0.35 billion), pharmaceuticals and cosmetics (€ 0.35 billion).

According to the "Sos Impresa" report on crime by Confesercenti, criminal organisations make an annual profit € 90 billion, making the mafia the biggest earner among Italy's businesses.

3.8.6 Education and yield of the investment for education

The education process in the south has improved significantly in the past fifteen years. From 1990 to 2006 the schooling rate grew nearly 30 percentage points, compared to 20 p. p. in the centre-

north, to 92,5% (nationwide average of 92.4%), thereby almost entirely closing the initial gap. The rise was particularly significant in the higher secondary education, where 83 out of every 100 enrolled student in the 14-18 age group come from the south. A crucial increase was also recorded as far as tertiary education in the south is concerned: while in fact 70% of high-school graduates join university (75% in the centre-north), they will take more time to get a degree. A significant portion of the human capital is not directly employed productive processes. Youths between 20 and 29 who graduate in sciences are 7% in the south and 13% in centre-north.

Though the school dropout rate has improved, early school leavers¹⁰² in the south were 25.5%, compared to 16.8% in centre-north, which is still quite distant for the EU average of 14.9% (2005), which according to the targets set at Lisbon should be further reduced to 10% by 2010.

The situation is even more critical if compared with schooling rates in EU countries: people in the 25-64 age group that have high school diplomas in the Czech Republic, Slovakia and Hungary range between 75% and 89% of the population, compared to 42% in the south and 51% in the centre-north. The higher endowment of qualified human capital could turn out to be a key competition lever for the delocalisation of enterprises. Another critical element is represented by the qualitative shortcomings of our school system, especially in the south. The PISA survey by the OECD showed that in 2003 learning levels among youths in the south was on average 10% lower than those among students in the north. It would even appear that a 4-out-of-10 fail mark in a school report of a student in the north would correspond to a 7 in the south.

3.9 Industrial accidents

Italian public opinion was dramatically impressed by the grave accident at the Torino plant Thyssen Group, in which six workers died during the fire occurred. This last dramatic accident has increased further on the social alarm on this in the light also of President Napolitano's repeated appeals in the occasion of other mortal accidents.

According to the latest INAIL annual report (August 2007), reported accidents in 2006 were 928,000, down by 12,000 (-1.3%) with respect to the previous year, notwithstanding the nearly 2% increase in the number of jobs. The fall in the number of accidents mainly concerned males (-1.7%), because the percentage of injured females remained unchanged. The most consistent decrease was in agriculture (-5.2%) and in industry (-2.2%), while there was a slight increase in the services (+0.2%). The south has distinguished itself with a 2.9% decrease, followed by the centre (-1.3%) and by the northwest (-1.1%). More than 60% of accidents are concentrated in the north.

The fact that not all injuries are reported, especially in the areas of underground labour, must be kept into account: some estimates calculate that unreported accidents are around 300,000 a year.

Against a backdrop of declining industrial accidents, a countertendency concerned atypical and non-EU workers. Industrial accidents among quasi-subordinate and interim workers recorded rose in 2006 (+19%), while the rise in the number of non-EU workers covered by INAIL (now over two million) produced a rise in reported accidents, up 3.7% with respect to the previous year.

Declining accidents – at least the reported cases – were offset by an increase of *white deaths*¹⁰³, up 2.2% in 2006, after having diminished over the past five-year period (-11.9%). In fact there were 1,302 industrial deaths in 2006, 28 more than in the previous year. Just over 50% of the deaths were caused by road traffic accidents occurring while at work or while going to or off work.

¹⁰² Young people in the 18 to 24 age group that have a high school diploma but do not take part in other educational activity.

¹⁰³ In Italy fatal on the job accidents are called *morti bianche*, literally: *white deaths*.

Notwithstanding the contrary trend recorded in 2006, work-related deaths have diminished over the past five years by 3.2%. Mineral extraction is the sector where the death frequency is highest, followed by transports and construction.

Italy showed an index of 3,085 injuries for every 100,000 workers, below the average value recorded in the 12 countries of the EuroZone (3,698) as well as in the EU-15 (3,221). The ranking resulting from the harmonised statistics places Italy also for 2004 below countries comparable to it, namely Spain, France and Germany. As far as industrial accidents involving deaths, Italy recorded an index of 2.5 deaths for every 100,000 workers, in line with the figures from EU-15 and below those from the EuroZone (2.8). In the last five years, however, on the job injuries in the EuroZone have decreased on average more than in Italy.

Though constructions continue to record a high number of deaths, it is not the sector with the highest number of overall accidents. Accident frequency indexes are in fact highest – from 69% to 92% higher than that recorded in industry and services – in such sectors as the processing of metals (steel and iron, tubes, structure, tools, etc), of non-metal minerals (construction materials, glass, tiles, ceramics), of wood, and, in fourth place, the construction.

As for industrial deaths, the highest frequency was again recorded in the mineral extraction sector, a very high 0.37; followed by transports and construction (both with indexes of 0.20). Worth mentioning apart is agriculture, where the risk continues to be very high with a frequency index that is 75% higher with respect to industry and services, making it one of the riskiest sectors in terms of both overall frequency and accidents with permanent injuries or deaths.

Industrial illnesses showed a substantially stable trend in Italy: 26,03 reported cases, down 0.6 –0.% from 2005.

3.9.1 INAIL'S commitment in combating undeclared unemployment

Basing itself on ISTAT data on undeclared employment, Inail estimated some 200,000 industrial accidents among undeclared workers. The institute has strengthened its pool of inspectors. 22,830 non-compliant enterprises have been singled out, equivalent to 80.4% of those which were inspected, with peaks recorded in the south (82.35%), up 5 percentage points in terms of non-compliance from 74.6% in 2005). Declared workers were 53,272, 63% in the north, 19% in the centre and 18% in the south.

4 LINKAGES, TRADE-INS AND TRADE-OFFS BETWEEN DIFFERENT ELEMENTS OF WORKING AND EMPLOYMENT CONDITIONS

4.1 Structural gaps and principal trends

4.1.1 The “southern question”, undeclared work and low rate of activity

In describing the general context of the state of the Italian economy (§ 2), we brought to light a number of structural shortcomings within Italian economy and society: the *Mezzogiorno*, first and foremost, whose deficiencies and delays in terms of economic development and civic progress contribute – as observed – to worsen working conditions; the low rate of activity of women; a percentage of hidden economy and undeclared work significantly higher than that recorded elsewhere in Europe, correlated with a low employment rate at least in that portion that remains unaccounted; the difficulties faced by the young in finding a “*decent job*” and by the over 45 in finding a new job after having lost the previous one. (This latter case, in particular, highlights a specific issue, that by which the high degree of protection reserved to insiders combines with the difficulty that *outsiders* have in accessing an employment having the same protection and the same pay).

Against this backdrop, what causes particular concern is the consideration that in the poorer, “Objective 1”, regions of EU-15, per head GDP in the 1995-2004 period grew an average 4.5% p. a., while progressing in southern Italy by 2.8% (4.5% in the Objective 1 area) in 1995-2004 and by just 0.4% (3.8% in Objective 1 areas) in 2000-2004.

These structural elements of the Italian economy have been aggravated by the enormous public debt accumulated during the Eighties, when the growth of the Italian economy was “drugged” by soaring public spending and by the weight of debt interests, which pushed public deficit up to over 10% and debt from 60% at the beginning of the Eighties to over 100% at the beginning of the Nineties. The need to bring down these debt and deficit levels, while keeping inflation under check, with a view to complying with the criteria set at Maastricht and thus be among the first wave of countries into the Eurozone, has been a key constraint for the Italian economy from the Nineties to now, curbing its growth.

The Nineties in Europe opened with the most serious recession since the end of the war, affecting Italy in a particularly vehement way, as testified by the loss of over 1.5 million jobs in the industry sector (see § 2). The weak recovery recorded in the second-half of the decade in the continent, was further restrained in Italy by the need, as we have observed, to cut budgets considerably. This unsubstantial recovery was followed, in the early part of 2000, by another downturn, whose effects were once again particularly serious in Italy. Following the modest growth in the 2006-2007 period, the outlook is again not positive as the economy braces itself against the expected recession in the US; a recession once again caused (as it had been in the Nineties following the Enron crash¹⁰⁴) by the consequences of reckless financial operations (the subprime crisis), in an economy that appears to be excessively dependant on growth factors linked to wealth produced by financial speculation.

4.1.2 Slowing down of growth and productivity

This situation has slowed down Italian economy for almost fifteen years, at the same time producing a stagnation of productivity: GDP at constant prices for the economy as a whole grew in the 1992-2006 period at an average annual rate of 1.4% (compared to 2.5-3.0% in the Seventies and Eighties), falling in the 2002-2006 period to 0.7% (see § 3.3.2 Table 6). The annual average growth rate in the 1992-2006 period was under 1% (compared to 2-2.5% in the previous decades), decreasing to nil in the 2002-2006 period. This drastic slowing down of both the economy and productivity is viewed as the cause of decline of the Italian economy. Driven by the good performance of the exports sector and, in particular, of SMEs belonging to the segment employing between 100-250 workers¹⁰⁵, the brief recovery of the 2006-2007 period, while signalling the ability on the part of the Italian economy to bounce back, was not enough to fill the gap accumulated in fifteen years. Italy’s declining productivity becomes clearer from an international comparison: from 1998 to 2007, productivity in the *business sector* increased by 3% in Italy, compared to 8.5% in Germany, 12.5% in France and 20% in the United Kingdom.

4.1.2.1 The reasons behind Italy’s low productivity

But what is the reason behind this low growth in productivity and its decline with respect to the principal European countries. We believe, four factors can be singled out:

- During the Nineties and 2000, Italy recorded an overall annual average growth rate that was modest, and lower (or similar, as regards Germany – see Table 50) than that recorded by the principal European countries; at the same time, however, employment rose at an average annual rate (1.3%) that was often higher (barring Spain) than that recorded by the principal European countries: it was clear that productivity could not increase at a higher rate (see also Table 11).

¹⁰⁴ Stiglitz J., *I ruggenti anni '90*, Einaudi, 2004

¹⁰⁵ Mediobanca – Unioncamere, *Le medie imprese industriali italiane 1996-2003*, 2006

Table 50. Real GDP and Employment, 1998-2006, average annual rate, Total Economy

	GDP	Employment
Euro area	2.2	1.4
France	2.3	1.1
Germany	1.4	0.5
Italy	1.4	1.3
Spain	3.8	3.8
United Kingdom	2.8	1.0
United States	3.0	1.2

Source: calculation by the authors on EUROSTAT website data, Main Economic Indicators

- the reason behind the lower level of productivity of Italian enterprises lies in the “size factor” (Table 12): in fact, if the averages recorded by Italian manufacturing firms are observed, productivity in Italy (As can be observed, low productivity growth and declining productivity are partly due to structural factors – i.e. low productivity of SMEs, whose impact on the Italian economy is stronger than elsewhere in Europe (employees in enterprises having between 1 to 9 workers are 30% in Italy, compared to 7% in Germany, 11% in the UK and 12% in France) and low productivity in the south – and partly due the low growth of capital productivity. As we have observed low productivity growth in Italy was due, at least from 1996 onwards, to rising employment achieved in a low-growth scenario.

As we will see, this last factor can be ascribed to the change of the Italian model of development from *labour saving* to *capital saving*. In the 1980s, the excessive cost, and the excessive growth, in the cost of labour led enterprises to carry out *labour saving* investments whereby high GDP growth did not correspond to an equivalent growth in employment. In the 1990s the opposite trend emerged as a moderate growth of salaries and increasing labour flexibility led to a *capital saving* development model, which ensured a significant dynamism in terms of occupation notwithstanding a modest growth.

On the other hand, the fifth column of Table 52 clearly shows that, in all companies belonging to all size classes, the cost of labour in Italy as a proportion of total production costs (notwithstanding the relatively high tax wedge - Table 10) was the lowest among the countries surveyed. The cost of labour cannot thus be considered as one of the critical weaknesses of Italian productivity and enterprises.

- Table 52) is 24.5% lower than Germany’s, 18% than France’s and 28.5% than the UK’s. But if the differences are examined for same-size companies, for the ones employing from 20 to 49 workers to those employing from 50 to 249, productivity levels are substantially in line (barring Spain) or even higher in Italy. In should be observed in any case that pay differentials with respect to other countries are almost invariably higher that productivity differentials.
- If Total Factor Productivity performance is analysed, it is possible to observe that capital productivity recorded growth rates that were systematically lower than those recorded by labour productivity in the period between 1993 and 2003: capital productivity grew slightly more than that of labour in the period between 2004 and 2006 (Figure 3)
- The low productivity of labour in the enterprises of the south (see Table below)

Table 51. Value added per employed person (gross labour productivity) by area, economic activity and firm's size class (employment). Year 2005. Thousands of €

	North-West	North-East	Centre	South
Industry excl. Construction				
1-19	33.5	33.3	27.2	23.4
20 and over	63.0	56.9	66.5	49.1
Total	52.2	47.7	48.9	35.6
Construction				
1-19	27.0	33.4	26.3	27.9
20 and over	52.4	49.8	47.2	35.2
Total	31.6	36.7	30.0	29.5
Non -financial business services				
1-19	32.8	28.9	28.1	23.4
20 and over	48.5	42.8	54.8	38.8
Total	39.0	33.4	38.3	27.8
Total				
1-19	32.1	30.6	27.6	24.2
20 and over	55.2	50.4	58.5	41.7
Total	42.5	38.7	40.1	29.6

Source: calculation by the authors on data from ISTAT, "Struttura e competitività del sistema delle imprese industriali e dei servizi - Anno 2005", Rome, 2007

As can be observed, low productivity growth and declining productivity are partly due to structural factors – i.e. low productivity of SMEs, whose impact on the Italian economy is stronger than elsewhere in Europe (employees in enterprises having between 1 to 9 workers are 30% in Italy, compared to 7% in Germany, 11% in the UK and 12% in France) and low productivity in the south – and partly due the low growth of capital productivity. As we have observed low productivity growth in Italy was due, at least from 1996 onwards, to rising employment achieved in a low-growth scenario.

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Table 52. Earnings and productivity according number of persons employed class. Average 2002-2004 . Manufacturing

		Earnings	Productivity (AV/persons employed)	Share of personnel costs in production
		Italy deficiency with respect other countries		
Total	Germany	38.5%	24.1%	23.5%
	Spain	-2.6%	0.6%	16.9%
	France	21.9%	18.1%	17.2%
	Italy	0.0%	0.0%	15.3%
	United Kingdom	32.3%	28.5%	20.5%
1 - 9	Germany	22.1%	13.3%	24.9%
	Spain	-0.5%	-8.4%	20.1%
	France	29.0%	25.4%	14.0%
	Italy	0.0%	0.0%	12.5%
	United Kingdom	36.2%	44.2%	21.8%
10 - 19	Germany	20.6%	-1.4%	28.5%
	Spain	-2.2%	-19.5%	22.9%
	France	27.2%	13.1%	25.8%
	Italy	0.0%	0.0%	18.3%
	United Kingdom	33.4%	22.5%	26.9%
20 - 49	Germany	26.9%	0.9%	28.9%
	Spain	-11.2%	-23.7%	20.2%
	France	17.0%	0.2%	22.3%
	Italy	0.0%	0.0%	16.9%
	United Kingdom	25.5%	9.0%	26.0%
50 - 249	Germany	22.8%	-3.4%	24.6%
	Spain	-9.2%	-15.0%	17.6%
	France	5.7%	-14.2%	20.5%
	Italy	0.0%	0.0%	16.2%
	United Kingdom	22.3%	-0.3%	24.0%
250 and over	Germany	33.6%	9.9%	22.6%
	Spain	3.4%	12.0%	14.0%
	France	13.7%	5.8%	15.7%
	Italy	0.0%	0.0%	14.0%
	United Kingdom	25.2%	18.3%	18.0%

Source: calculation by the authors on EUROSTAT website data, Structural Business Statistic

4.1.3 The wages

As we observed earlier (§ 2.2 and § 3.3), with a view to overcome the financial crisis and achieve admission in the Euro area, Italy resorted to the *social pact* model, which was also implemented by countries that were facing similar conditions. This model consisted in tripartite talks defining a common policy (“concertation”) on wages and on the implementation of a policy aimed at reducing public spending by a sum that during the Nineties amounted to a total of several hundred billion Euro, and of which the 1995 pension reform – perfected successively in 1997 – was a key element.

The 1993 agreement targeted the disinflation of the Italian economy to be achieved by safeguarding the buying power of wages. To this end, a key move was the linking of the wage dynamics to planned inflation (§ 2.2 and § 3.3). This resulted in a long period of wage moderation during which wages recorded, in the 1993-2006 period, a loss of buying power, which fell at an annual average of 0.3%, and weak earnings, rising only 0.2% per year. This outcome was also due to the fact that planned inflation was often applied incorrectly, not in compliance with the spirit with which the tool had been defined in the 1993 agreement, cumulating a difference between planned and effective inflation by some 10 percentage points in 13 years. As a consequence, real growth was far more modest compared to that of other European countries, placing Italy in (§ 3.3.3 **Error! Reference source not found.**) 20th place in terms of net wages among the top-30 countries of the OECD¹⁰⁶.

¹⁰⁶ Oecd Taxing Wages: 2004/2005 , 2006

Banca d'Italia's latest survey on the wages of Italian families¹⁰⁷ showed that the improved performance of families where the breadwinner is an employee in the 2004-2006 period (+4.3% in real terms) compensated but partially the reduction recorded in 2000-2004: in the 2000-2006 period the income of these families had remained substantially unchanged in real terms (0.3%), compared to a growth of 13.1% recorded by families where the breadwinner is a self-employed. Thus, if in the last few years there had been a degree of rebalancing in favour of the families of employees, in the 2000-2004 period the focus moved away from employee to self-employed income. In fact, in the period under observation, the families of employees recorded a loss of income of approximately 4 percentage points, while those of the self employed improved income by some 13 p. p. This is the outcome of the slowing down of the wage dynamics in the 2000-2004 period, of the failure to check the dynamics of prices and of rising public spending in that same period.

Against this backdrop, wages have become a key concern for the country.

4.1.4 The precariousness of labour

The other key issue that has forcefully emerged during the 1990s and the early part of 2000 is that concerning labour flexibility and irregular work. As we have observed (§ 2.1, 3.2 e 3.4.8), laws aimed at making the labour market more flexible (the "Treu and Biagi" Laws – § 3.4.8.1) were implemented especially in the second-half of the 1990s in line with the other industrialised countries and in compliance with the indications coming from the OECD and the ESE - European Strategy for Employment. These laws radically changed the labour market.

The diffusion of fixed-term contract work in Italy in the employee sector proper is substantially in line with European averages (12-13%) and those of the other principal countries (§ 3.4.8.2). In the first-half of 2006, temporary employment (comprising temporary employees as well as quasi subordinate workers – see Table 33) involved approximately 2.7 million workers. But the highest increases were recorded among the young, where the number of fixed-term employees rose from 31% to 40% (**Error! Reference source not found.**); in the south (up 10% between 2002 and 2003); among women, with an annual average increase of 3% between 2000 and 2006, compared to men with an increase of just under 1% in the same period. Over-30 temporary employees represented up to 60% of total temporary contract employees. The share of temporary employment grew rapidly also in the public administration sector.

In 2006, the average duration of fixed-term contracts was approximately 13 months: 37% of such contracts lasted six months or less. But what again emerged was that the situation worsened for women and in the south (with contracts lasting an average of 10 months, with a working week of 28 hours – § 3.4.8.2.2). Temporary work for young people is associated with a high degree of precariousness especially if they come from poorer families or less educated.

If we consider the percentage incidence of fixed terms contracts, quasi-subordinate and occasional workers, women are almost double the men. The incidence of women temporary workers, ages 30 to 39, on the total of women workers of the same age, is double that of men (and it is more than double for ages 40 to 49), showing the greater difficulties that women find in stabilizing their jobs during their working-life.

4.1.5 Immigration

Further change in the structure and of the Italian economy and social fabric has been determined by immigration: as we have seen (see § **Error! Reference source not found.**), in the course of the last ten years, Italy, a country of emigrants, has turned one of the principal European countries for

¹⁰⁷ Banca d'Italia, *I bilanci delle famiglie italiane nell'anno 2006*, Supplementi al Bollettino Statistico, Indagini campionarie, Gennaio 2008

immigration, with 2,77 million immigrants in January 2006¹⁰⁸: with a percentage of immigrants that has risen from around 1% to almost 5% of the total population. In this respect, clandestine or illegal immigration represents an alarming issue: while in France in 2007 the government estimated around 25.000 illegal aliens to be expelled, in Italy the number tallied 100.000. The terrible living and working condition of the immigrants that work in agriculture in the South, dramatically described by the MSF survey (see § **Error! Reference source not found.**), capture the image of an extreme situation which does not concern the majority of immigrants (who work in the centre-North and in the metropolitan areas), but that must anyways be considered unacceptable and rapidly and totally eradicated. The intersection between (irregular) immigration and hidden labour is the area at greatest risk of working conditions in Italy.

4.2 The most critical points and their mutual influence.

If those mentioned above are the basic trends in Italian economy and society, which in themselves highlight some critical aspects (low wages, instability of labour, illegal immigration), the crossing of these trends with the labour market's structural elements of weakness (women, young adults, immigrants, hidden labour), and the overlapping of these critical areas, determine the specific conditions of greater difficulty that have already been identified in Chapter **Error! Reference source not found.**

4.2.1 Wage differentials and in-work at risk of poverty

4.2.1.1 Wage differentials

Wage dispersion in Italy is lower than in other countries (the ratio between the first decile and the last is of 2.5 in Italy, compared to a ratio of between 3.2 and 3.5 in the other major European countries – **Error! Reference source not found.**). The unadjusted gender pay-gap also appears relatively limited for the whole of the economy if compared to the mean European average (§ **Error! Reference source not found.**). However, the composition of employment by schooling level, more favourable for women than for men, must be taken into account. The private sector shows a clearly negative gender correlation: if we consider the individual distribution of *employees' gross yearly earnings* (which include the impact of part-time jobs and fixed-term contracts), we can see that (Table 16) the quota of female presence increases with the decrease of the decile class (in the lowest decile female presence is 63%, male presence 36.3%) For hourly wages the correlation is not as clean cut (**Error! Reference source not found.**).

The company size related aspect of wage differentials is also evident: wages in enterprises with between 1 and 9 workers are half of those of the larger enterprises (Table 12); territorial differentials appear less accentuated, but significant nonetheless: in the south wages are 15% less than in the North-West and 5 points lower than in the other territorial departments. All in all, the low average level of wages is largely determined by the incidence of wage levels in small enterprises, whose quota of employment is definitely higher in Italy than in other European countries.

4.2.1.2 In-work at risk of poverty

The Italian peculiarity is that the highest quota of workers at risk of poverty is in the young adult and intermediate age groups, with a prevalence of male workers compared to female workers (probably due to the lower levels of female employment¹⁰⁹ – see § **Error! Reference source not found.**). In Italy the percentage of workers at risk of poverty is around 9-10% for ages 18-24 and

¹⁰⁸ Caritas estimates place this figure at 3.6-3.7 million.

¹⁰⁹ Anche se questo dato appare, almeno in parte, in contraddizioni con tutti gli altri disponibili sui differenziali negativi di genere.

25-54 and between 2% and 6% for those over 65; in Europe these percentages are reversed; 12-13% for those over 65 and between 7 and 9% for the younger age groups. Italy also shows the strong correlation with schooling levels, present in other countries. On the other hand the Ires survey (§ **Error! Reference source not found.**) had highlighted particularly low wages among young adults (between 750 and 900 €/mth), especially those with unstable jobs: for quasi subordinate workers, especially the younger ones, yearly earnings add up to a few thousand euro at most (§ 3.4.9.3). Immigrants too, especially the illegal or irregular workers, show strongly negative wage differentials and earning well below subsistence levels.

4.2.2 *The issue of female labour.*

As we have seen (§ **Error! Reference source not found.**), in the decade from 1996 to 2006 female employment has increased at a rate almost double that of male employment (an average of 2% a year, compared to 1% for males). The rate of female participation remains fixed in Italy at 51%, about 13 points less than the EU-15 average: a figure which worsens for younger age groups, for whom participation and employment rates are 17-18 percentage points below the European average. In the South this figure drops to 31% and in the last decade has increased only by 5%, compared to a growth of 10% in the North.

All in all, female participation is still influenced by family duties which, in Italy more than in other European countries, appear as an important obstacle to entry and permanence in the labour market. The asymmetrical distribution of the housekeeping work loads, the inadequate supply of children oriented services, and a *welfare* system which does not adequately support family care and assistance, represent critical elements in the reconciling of work and family needs.

The issue of unpaid work offers a gauge for these difficulties: no matter what, between paid and unpaid labour, women living in couples work 1h14' more than men, and 1h36' more if there is a child. However, if we look at the ratio between paid and unpaid work, men dedicate 80% of their time to paid work and women 44% (**Error! Reference source not found.**). This is certainly one of the basic reasons for the difference in career prospects.

We have already seen (§ **Error! Reference source not found.**) how, within precarious work, the female component is higher: between 2000 and 2006 temporary female workers increased by almost 3% compared to the slightly less than 1% of men; and how temporary labour, in its entirety, results double that of males in the central age groups (from 30 to 50 years of age). All together, the quota of women employed in temporary jobs are 15.4% (against 9.4% of males).

In the decade between 1996 and 2006, female part-time employees have grown by more than 71% (compared to the increase of 9% of males), their number went from 20% to 26% of the total of employed women. The increase is concentrated in the age groups where women face the necessity of combining paid jobs with family needs; so much so, that the majority resorts to part-time jobs so as to be able to take care of their children.

Once again the difference of the South stands out: working mothers register only 38% (compared to 63% in the Centre and 72% in the North-East).

The area of inactivity, commonly known as the *grey area*, includes 2.6 million working people (15-64): women are more than 1.7 million of these.

The difference in career prospects is reflected in the individual wage differentials; we have seen the negative correlation between female participation and the increase in income: the female quota drops within the higher income deciles.

The correlation between reconcilability of family needs and career, both with the possibility of access to the labour market, and with the recognition of one's own professional skills, is evidenced even in the surveys based on questionnaires handed out to subordinate workers (§ **Error! Reference source not found.**). ISFOL data, based on the EuroFound Survey, shows that 25% of

those interviewed in Italy consider the possibilities of reconciling family life and work as unsatisfactory, compared to the 18% European average.

The second ISFOL survey shows that wages and career building are the points where female satisfaction is lower than male satisfaction: only 58.5% of female workers say they are satisfied with their salaries (compared to 61.7% of males), and only 53,8% are satisfied of their career possibilities (60% for males). And this, despite the fact that career possibilities are correlated with higher educational levels, which in turn are higher among women workers. Interviewees show increased awareness of gender discrimination: the percentage of those who say they are aware of this type of discrimination rises from 4.5% in 2002 (close to the European averages) to 6.5% in 2006.

4.2.3 Young adults.

All the data examined evidence the difficulties of young adults in both the internal and external labour market. We have already seen (§ **Error! Reference source not found.**) how precarious work mostly concerns young adults, among which fixed-term employees rose from 31% to 40% (**Error! Reference source not found.**), and how among young adults precarious work is connected to low levels of human capital (low schooling and professional training levels) and with family backgrounds where there are no working members, or those who work also hold precarious jobs, or the are employed in unskilled labour. Only 13% has a university degree.

In the last decade, Italy has experienced a significant growth in the rates of employment and activity (see § **Error! Reference source not found.**) – more than other European countries; and a drop in unemployment rates (§ **Error! Reference source not found.**). Within this setting, the tendency to delay entry in the labour market reduced the presence of young adults in the labour market by almost 8 percentage points (about 15 percentage points compared with EU–15). For the same reason, the rate of unemployment among young adults also fell from above 30% in 1996, to about 20% in 2006. The drop in the rate of activity has concerned men and, to a greater extent, women: 5 percentage points for the former, 8 percentage points for the latter.

All in all, compared to the European average, rates of activity and employment for young adults in Italy register a difference of 14-15 points.

We have also seen how young adults earn lower wages (§ **Error! Reference source not found.** e 4.2.1).

At the same time, workers over 45 also show difficulties with regard to finding a new job after having lost one (§ **Error! Reference source not found.**).

4.2.4 The South

As we have seen, the South of Italy is the area in which all the indicators of distress are cumulated and mutually amplified.

This large territorial divide must be taken into account to fully understand the condition of labour in Italy.

We have seen that, notwithstanding an overall context of modest economic growth, in Italy, compared to the other European partners, one of the positive trends of the last decade has been the growth of employment (almost 3 million units in ten years) and a drop in the rate of unemployment (of about 4.5 percentage points) now relatively low in the Euro area, especially among the bigger countries (6% against a 7.2% average at the end of 2007¹¹⁰); this said, the rates of activity and employment remain relatively lower than the European average (59% compared to 66% EU–15, and 63% versus 72% EU–15).

¹¹⁰ EUROSTAT, “Euro-indicators news release”, 13/2008, Jan. 2008.

These averages, however, are the results of a mean between profoundly different situations. In the 2003-2006 period, aggregate GDP in the North and Centre rose 3.7%, while growing only 1.4% in the South. It was the longest and most serious interruption in the process of convergence between the South and the rest of the country in many years. (§ **Error! Reference source not found.**).

If we disaggregate employment data for the major territorial departments, we can see how the rate of activity in the South is 53.2% compared to the 69-70% of the North; the employment rate is 46.6% in the South, compared to 66-67% in the North; the unemployment rate in the South is 12.3%, compared to 3.5-4% in the North (**Error! Reference source not found.**). It is evident from all these indicators that the situation in the North of the Country is comparable to, or better than, that of EU-15.

As we have already seen for other critical difficulties, these become more so in the South:

- the female employment rate for the South is about 31% for 2006, about 15% lower than the domestic average; working mothers register only 38% (compared to 63% in the Centre and 72% in the North-East);
- out of the 2.6 million inactive at a national level, 1.7 million (65%) are in the south;
- the rate of total temporary employment is 14.7% in South, compared with 9.8 in North and 12.6 in Centre;
- the rate of work irregularity is more than double (20.5%) in south compared to North;
- poverty is more widely spread in the South, where the proportion of poor families is nearly five times higher than that recorded elsewhere in the country; in the South, 22.6% of the families appear to be below the poverty line, while these are less than 7% in the Centre-North; also poverty intensity is higher (see § **Error! Reference source not found.**); approximately 75% of the 1.14 million families, whose total income is 20% below the standard poverty line, live in the south;
- Despite the significant improvement of education in the South in the past fifteen years (schooling rate grew nearly 30 percentage points, compared to 20 p. p. in the Centre-North, particularly significant in the higher secondary and tertiary education); according to the PISA survey by the OECD, in 2003, learning levels among youths in the south was on average 10% lower than those among students in the North. It appears that a 4/10 failing grade in the report-card of a student in the North, would correspond to a 7/10 passing grade in the South

4.2.5 Poverty

In the preceding paragraphs we have seen the multiple connections between poverty and different working conditions (in-work poverty, gender discrimination, wage differentials, south, etc.). With regard to the 2.623 million families who lived in relative poverty in 2006, 11.1% of total resident families, it is necessary to stress the main factors correlated to the condition of poverty: above the expected correlation with the presence of unemployed members in the family, there is an evident connection with: the level of schooling of the head of the family, and of the other working family members; with a family composition of five or more members; and with the head of the family being a manual worker.

Although there are no available specific estimates, all in all a connection between poverty, completely black labour (excluding double jobs and simple irregular labour), and illegal immigration, as is evidenced by the MSF survey.

4.2.6 Social protection.

As we have seen, in contrast with other European countries, the most pressing preoccupation for Italians today, is not so much the sustainability of the social security system, and of pensions in

particular (these, after the reforms of 1995, 2003, and the latest one dated 2007, are for the most part guaranteed), as the adequacy of future pensions for today's younger age groups, which run the risk of not being able to guarantee a sufficient and decent way of life. On the whole, at present, the incidence of expenditure for social protection on the GDP is one point below the European average, with a higher share for pensions than for other items, especially for unemployment benefits. Apart from the income of the younger generations' future pensions, the other fundamental issue is that of a broader and more adequate protection from the risk of unemployment. This is a difficulty which, coupled with active labour market policies that are unable to guarantee re-employment, affects the situation of those over 45 who lose their jobs .

4.2.7 *Labour quality in the questionnaire surveys.*

Surveys conducted through questionnaire distribution (see **Error! Reference source not found.**) have the merit of providing the self-evaluation of their own jobs by the workers interviewed. From the interviews the same issues, which appeared crucial from the analysis of the economic indicators considered till now, remain central: a widespread dissatisfaction for the low level of wages, and preoccupation with the instability of labour; the worry about future pensions also pops up.

Other aspects of the quality of labour, which are only partially highlighted by the economic analysis, also come into view with type of survey. The ISFOL analysis, based on data from the *Third European survey on working conditions* conducted by EuroFound, shows, in Italy, greater difficulties concerning work autonomy, labour quality, the degree of hierarchical centralization, and the diffusion of *team work*, than in other European countries. At the same time, the situation appears more satisfactory with respect to possibility of choosing how to perform a task or of being able to vary the working hours. The higher degree of hierarchical centralization, and the lower diffusion of *team work* are probably connected to the large amount of small enterprises in Italy; the same is also true for self-organization of labour.

The second ISFOL survey also highlights the preoccupation with insufficient career opportunities (which represents a decisive factor in labour quality), the high levels of repetitive work, especially among manual labourers, but also among the high qualifications. The 2006 survey shows a worsening of career prospects, of the work rhythms and intensity, of salaries, compared to the 2002 survey.

For both salaries and career prospect, dissatisfaction is higher for women. There is also a net correlation between satisfaction of one's job in its totality (career, salaries) and the level of schooling. On the strongly felt social issue of job injuries, there is a significant correlation with the amount of hours worked. Other surveys also show a lower level of diffusion, in Italy, of experimenting with organizational innovation (based on greater involvement of workers, their professional growth, and permanent training) compared to other European countries. Often between missed career opportunities and scarce mobility, the picture of labour appears motionless: a significant quota of workers hold the same job for all of their working lives.

Despite these critical elements, that confirm the scenario painted by the economic indicators previously examined, all the questionnaire based surveys show a high level of satisfaction with one's job: almost 80% of those interviewed states that they are satisfied enough or very satisfied with their jobs, with working atmosphere and with their relationships with colleagues and superiors (a very similar percentage to that registered in other European countries).

This self-evaluation certainly reflects a proportioning of the reality of one's job to the objective possibilities offered by the general social and economic circumstances. Nonetheless it must be taken into account. Moreover, on the basis of a series of objective indicators, the *Fourth European survey on working conditions*, dated 2005, places Italy amongst the countries with better working conditions.

4.2.7.1 *The levels of schooling*

All along the course of this paper we have seen the correlation between the greater difficulty of working conditions and the lower levels of schooling. In this perspective, along with the data considered on this subject, the gap shown in Italy in the levels of schooling of employment appears significant: 40% of employment in Italy ranks in the lower class of education by comparison an average of 27.7% for EU-15, 26% France, 22% U.K., and 15.6 Germany. Male education levels are worse than female ones. These low levels of schooling can probably be attributed to the predominant demand for low content of knowledge and low schooling profiles by the enterprises, which have influenced the supply and demand of training.

4.3 *The segments most at risk: young adults, women, immigrants, undeclared work, the South.*

The picture which emerges from the above paragraphs allows us to highlight the more critical aspects of the Italian situation.

In a scenario characterized by a widespread dissatisfaction for wage levels, which now occupy the centre of the political agenda, in general, the greater difficulties seem to be:

- entry into the labour market for women and young adults;
- the negative wage differentials that these categories are subject to;
- problems of workers, and families, with lower schooling levels both in entering the labour market, and in their working conditions;
- the general working conditions in the areas where black and hidden labour is more intense (it is not by chance that job related injuries are also concentrated in these areas);
- in the conditions of immigrants, especially illegal ones;
- for those over 45 years of age who have lost their jobs;
- in the poverty or the at poverty risk that clusters in these circumstances.

All these elements are especially amplified in the South of the country, while the Centre-North performances do not diverge significantly from the EuroZone averages and, often, result better.

According to the surveys on the quality of labour, a worsening of the on the job working conditions is evident: an increase in work rhythms; in health hazards and job related injuries; apprehension of manual workers both as to salaries and working conditions (repetitiveness, physical strain, toxicity and hazards); unease as to career prospects; a scarce diffusion of organizational innovation based worker participation and the increase in professional content.

4.4 *The policies*

Policies for the bettering of working conditions are obviously very controversial matters: the solutions proposed by the social parts and by the different political forces are often divergent, if not in opposition.

As is well known, two alternative positions confront each other in the social-economic debate: one fixing its attention on the deregulation of the markets, *especially the labour market*, as the condition to better the allocation of resources and of investments, and which believes that the burden (deemed excessive) of the unions, of collective bargaining and of concerted action curtails development. According to this position, further deregulation of the labour market represents a condition for growth of the economy, of employment, and finally for the bettering of the over-all working conditions. The fundamental ingredients of this recipe are an increase in working flexibility (both for entry and for exit), a loosening of the binding force of collective bargaining, especially at

national level. In the specific Italian context, this viewpoint, of *liberalist* mark, is not as worried about the restraints of public finances and of the balancing of the enormous Italian public debt, and considers a reduction of the taxation level as having first priority.

This position is opposed by that of *social-democratic* stamp, which consider the foremost priorities the safeguarding (albeit through their updating) of the fundamental principles of welfare, the defence of the weakest classes, and which maintains the role of the state to be vital both in guaranteeing that the rules of the market and of competition be truly respected (more, in promoting them where conditions of monopoly or of corporative blocks thwart them), and in making up for *market failures*, where these are most evident: in guaranteeing equal opportunity of citizens (especially the most disadvantaged); in rebalancing territorial differences that the market not only seems unable to bridge, but seems indeed to aggravate; in the safeguard and repair of *public goods*, damaged by an unchecked economic growth (environment, territory, historical and cultural heritages, etc.); in guaranteeing universal access to primary rights for all citizens (health, education, work, housing). According to this approach it is the fulfilling of those *public goods* that represents an opportunity for *sustainable* growth, rather than an impediment.

With all the caveats of the case – for, it is evident that no political or social formation is deterministically referable to either one of the two positions – the government of the centre-right coalition, presided by Silvio Berlusconi, has been, as is natural, inspired by the first position; while the centre-left coalition which, albeit with small margins, won the last elections and is presided by Romano Prodi, is inspired by the second.

The Berlusconi government choice of confronting the Unions in the attempt to abolish, or weaken, the safeguarding of workers from dismissal for unjust cause, of declaring concerted action to be outdated, and, finally the law for the new regulation of the labour market, testify to the prevalence of the first approach (although, an agreement with the two major Italian confederation was reached, called “*Patto per l’Italia*”, which reintroduced some form of concerted action).

The Prodi government has focused its action on three targets: continuing the road of the recovery of the Italian economy (already started under the centre-left government of 1996-2001), through reduction of public deficit and the rebuilding of a primary surplus (to reduce the debt stock), primarily fighting tax evasion but even at the cost of increasing fiscal pressure, trying however to protect at least the lowest incomes; raising the level of competitiveness of the Italian enterprises by reducing the fiscal wedge (between cost of labour and net wages) by five points, a part of which should lighten the fiscal dues on the companies and the other those on the wages; effective action to reduce the instability of labour, to oppose irregular and undeclared labour, and for the prevention of work accidents.

The analysis of the different solutions adopted over the last ten years by governments of both centre left and centre right with regard to contract flexibility can well illustrate how the different approaches of the two coalitions produce different and divergent results. We have seen above (§ 3.4.8.1) the different approaches adopted by the two preceding governments, and the radical innovations of the Biagi Law.

4.4.1 The July 2007 tripartite agreement and the subsequent Law 247/07.

The new tripartite agreement of July 23 2007 (between government and social parts) and the subsequent Law 247 passed at the end of '07, represents a consensus of different viewpoints concerning: the pension system, the labour market, and a series of social protections (nevertheless, it has been criticized not only by components of the centre-right - especially because it modified the previous pension reform - but also by the more leftist components of the government coalition). The agreement, however, was approved by more than 80% of the over 5 million workers who voted in the referendum called by the three major Unions.

Law 247 is a *proxy law* (*legge delega*) which defines the criteria that should inspire the executive decrees of that same law; these must be approved within 2008. Unfortunately the Prodi government crisis, precipitated on January 24th by the unattained vote of confidence in the Senate (one of the two houses of the Italian parliamentary system), and the outcome of the early elections, run the risk of jeopardizing the enactment of this legal bill.

4.4.1.1 The labour market.

With regards to the labour market, Law 247 provides for the reorganization of labour incentives, so as to favour open-ended working relationships (as was already done with the *tax wedge*¹¹¹ cut decided by the government, which was only for open-ended contracts) and female employment; it also provided an incentive – through tax deductions – for so called “long part-time contracts”, seen as a tool to reconcile private needs and working life; as well as for the temporary transformation of working relationships to respond to care-giving needs.

The law also provided for immediate intervention (effective immediately) in three instances: the duration of ordinary unemployment benefits (see § 3.2.3.1) passed from seven to eight months for workers under 50 years old and from ten to twelve months for those over 50; full social security contributions for the entire period of unemployment (which used to be guaranteed only for limited periods); and raised the level of compensation (from 50% to 60% of the last salary for the first six months, 50% for the seventh and eighth month, and 40% for the following months); the reduced requirements unemployment benefits (§ 3.2.3.2) was raised from 30% to 35% for the first 120 days and from 30% to 40% for the following days for a maximum of 180 days.

The law also indicates the criteria of reform of the social security cushions (that should have become effective 12 months after the law was passed): the progressive harmonization of the existing unemployment and mobility benefits (see § 3.2.3) with the creation of a “single scheme aimed at supporting the income, as well as the reinsertion in the labour market, of the unemployed without distinction of work status, sectoral belonging, company size, or type of working contract”; the adjusting of treatment on the basis of the workers’ ages, the more difficult working conditions (the South), and “especially the female working condition”; a progressive extension and integration of earnings ordinary and extraordinary integration fund (Cig; see § 3.2.3); involvement of the enterprises “in the process of the reallocation of workers”; support towards the stabilizing of working relationships, towards employment, especially for females and young adults, and towards the entry in the labour market of the more disadvantaged elements.

An important principle, reintroduced by the new law in alteration of Decree n. 368/2001 (§ 4.4.1), provides that “the subordinate work contract must normally be stipulated as open-ended”: this, together with the above mentioned incentives for steady jobs, returns legislation to the support of this type of labour. The law also introduced important norms against the abuse of fixed-term contracts: now the limit of successive fixed-term contracts is the 36th month of service, even if not continuative; collective bargaining vigilance is extended to the use of these contracts, and the right of precedence for fixed-term contract workers in case of company recruitment is re-established. With regard to part-time jobs, the law affirms the exclusive competence of collective bargaining both for the variation of duration and for the distribution of working hours, as well as providing for the possibility of requesting (temporary) part-time shifts in case of care-giving needs, with the possibility of automatic return to the antecedent conditions, for all workers affected by oncological pathologies, or to assist family relatives (to the third degree) in the same conditions.

The law has also done away with open-ended staff-leasing and jobs-on-call, with some exceptions provided for the tourism and entertainment sectors.

¹¹¹ By *tax wedge* (*cuneo fiscale*) is meant the difference between actual net earning and labour costs (compensation – see OECD Glossary, note 18).

The law also provides for the increase of social security contributions for quasi-subordinate workers (§ 3.4.8.3) from 23.5% to 26.5 % to be fulfilled in the course of the next three years (within 2010); this is a way of making recourse to these contracts more expensive, and to increase social security coverage for these workers; the law also introduces maternity benefits for women with a quasi-subordinate work contracts.

4.4.1.2 *The pension system.*

With regard to the pension system the July 2007 agreement and the subsequent Law provide for:

- 100% re-appreciation of the lower pensions to the rate of inflation (those between three and five times the minimum, i.e. for those between 1300 and 2180 €/mth at the end of 2007) for about 2.8 million pensioners; the increase to 580 €/mth (+ 20 €) for social pensions; the creation of a new monthly payment, which varies according to payment seniority from around 330 € to 500 €, for pensioners over 64 years of age and with a yearly income below 9500 € in 2007 (in 2008 this will concern about 7 million people);
- Starting from 01/01/08, access to “early retirement”, or pre-pensioning, will be possible only according to the fixed dates established by Table 53. Access to early retirement.(according to the previous government’s reform, minimum age for access would have been 60 years old); for the more exhausting jobs (which must be defined by an *ad hoc* commission, but among which are assembly line jobs and night jobs) pre-pensioning can be requested three years before times indicated.

Table 53. Access to early retirement.

DATE	Subordinate employment		Autonomous employment	
	YEARS	QUOTA*	YEARS	QUOTA*
01-jan-08	58		59	
01-jul-09	59	95	60	96
01-jan-11	60	96	61	97
01-jan-13	61	97	62	98

Sum of age seniority and payment seniority which allows early retirement.

- Social security measures for young adults. The social security cushion reform provides for: the total contribution coverage of non-working periods for subordinate workers with discontinuous careers – a measure which guarantees the full utilization (totalization) of all the social security payments made; the possibility of redeeming the years necessary to achieve the university degree at low costs; the increase of contributions for quasi-subordinate workers so as to better their retirement plans; the total of these measures should bring future social security coverage to a level not below 60% of the average earned income.

4.4.2 *The 2008 Financial Act.*

Thanks to the previous two financial acts, aimed at economic recovery and the balancing of public finances, and to the successful fight against tax evasion, the financial act for 2008 (Law 24 Dec. 2007, n. 244) introduced some first measures towards decreasing the tax burden on citizens, and in favour of the weakest elements of the population. Specifically: a reduction of the municipal real-estate taxes (ICI) on the first home up to a maximum of 200 €/year; a deduction from the Irpef tax (Imposta sul reddito delle persone fisiche – Tax on individual earnings) of housing rentals for low income tenants, of up to 300€ for incomes to about 15,500€/year and of 150€ for those with incomes up to 31,000 €/year; a fiscal bonus of 1200 €/year (tax deduction) for families with 4 children; while the amount deductible for mortgages on the first home increases to 10%; a deduction of up to 632 € per child for nursery school expenses; 30 million euro are allocated to the recalculation of family allowances for those families with disabled members and orphans for 2008,

while the fund for those who are not self-sufficient is increased to 100 million for 2008 and 200 million for 2009.

The financial Act makes the tax wedge effective, beginning January 1st 2008, through a reduction of the rate of the Ires tax (Imposta sui Redditi delle Società –Tax on Company Income) which will fall by more than 5 points (from 33% to 27.5%) and of the rate of the IRAP Tax (Imposta sulle Attività Produttive – Tax on Productive activities) which will fall from 4.25% to 3.9%.

4.4.3 Other measures against job instability, irregular labour, and job injuries.

With regard to job instability, the government had taken direct action, before the provisions mentioned above, aimed at:

- Reducing quasi subordinate work, by excluding the possibility of resorting to “*independent project contract workers*”¹¹² in call centres for workers manning the “in bound” service and limiting the use of this type of contract;
- Stabilizing the work relationship of almost 22,000 quasi subordinate workers, by providing incentives for the transformation of their contracts into open-ended ones.

The 2008 Financial Act provided for the stabilization of those fixed-term contract workers who have been employed in the public administration for at least three years, and set limits to the possibility of the public administration resorting to these types of contracts in the future. A sickness indemnity has also been introduced for apprentices, as well as tax deductions for fixed-term labour incomes. The legal working age has been raised from 15 to 16 years old.

As to contrasting irregular work and work-place injuries, enforcement of the specific law passed in August 2006 Law (Law n. 248/06), which provided for new norms and limits to ensure the regularization of those employed, has brought to the closing of about 3000 construction sites which evidenced grave and widespread irregularities in both registering workers, and in their insurance coverage; following the agreements between the social parts and the government, measures to favour the regularization of *black labour* have been provided (Law n. 296/06), moreover, the government has intensified scrutiny by increasing the number of inspectors (more than 800 have been hired), uncovering more than 200.000 previously undeclared workers.

Law n. 123/07 (passed in August 2007), which is a *proxy law* to be translated into operative norms by subsequent delegated decrees, is finalized to the comprehensive reorganizing of normative on job health and safety, and, among other things, provides: protection for special categories of workers, both male and female, of jobs, and of activity sectors which are especially exposed to situations of risk; reformulation and reorganization of administrative and penal sanctions for violation of health and safety norms; the empowering of the *bipartite bodies* (Enti Bilaterali) of the social parts in this matter; national level coordination of activity in matters of job health and safety; the reviewing of the regulations on the health and safety of workers for contract tenders (making these a binding element to participate in contract bids and access facilitations).

4.4.4 The wage question.

At the end of 2007, after the Governor of the *Banca d'Italia*¹¹³ had stressed that the growth rate of salaries was too low in Italy, the wage question had been placed at the centre of the government's political agenda. The three most representative Unions had proposed a common draft package of requests in which they demanded an immediate face to face on the measures necessary to lighten the tax burden on subordinate workers, recover the fiscal drag, contrast the increase of prices which reduces the purchasing power of wages. In January 2008, the report made by the *Banca D'Italia*

¹¹² See §. 3.4.8.1.6

¹¹³ Vedi §. 2.2.1;

“*Bilanci delle famiglie italiane*”, on the budget of Italian families, has again certified that the real earnings of subordinate workers have remained fixed between 2000 and 2006, while those of autonomous workers have risen by almost 14%. The government had declared its availability for concerted action with the social parts, both with respect to the demands set forth by the unions (also because the reduction of the fiscal burden on subordinate workers seemed possible thanks to the good performance of both public finances, and of fiscal revenues), and for the revision of the July 1993 contractual model.

The revision of the July 1993 contractual model had already been raised several times, especially by the entrepreneurs’ organizations, according to whom the central role of the national sectoral contract in the July/93 model rendered it overly rigid, underlining the necessity of moving towards company level bargaining. Dialogue on this issue had, till now, encountered difficulties even within the unions. Recently, however, a more convergent position had been reached among the unions and there was widespread consensus on: the need to pinpoint the tools to link wage performance and productivity more firmly; giving more space to decentralized bargaining; and to make the distribution of productivity profits easier.

The January 24th 2008 government crisis, however, has interrupted this process. The Unions have decided not give up, though, and have embarked on a signed petition campaign to request that both of the contending sides include in their programmes a significant reduction of the tax burden on subordinate work.

5 CONCLUSIONS AND POLICY RECOMMENDATIONS

5.1 The labour question in Italy

The sum of the data considered portrays Italy as one of the most important advanced economies: a democracy with a high standard of worker and union rights, that gives universal, and almost completely free, access to public health and education, and with an articulate and weighty system of industrial relations; at the same time, a specific *labour question* is clearly evident in Italy, that for many aspects does not appear to be in line with the majority of the EU–15 countries.

The main aspects of this critical issue is also evident: low salaries, the diffusion and increase of precarious labour, the burden of irregular work and of the underground economy, the condition of immigrants, especially illegal ones, and the problem of the South. The specifics of female and young adult employment, and the import of the levels of schooling in areas of social unease, are clearly evidenced. From the investigations of the quality of work, Italian enterprises have shown themselves to be tardy in adopting the new forms of organization of labour based on greater worker participation, team work, on-going training, and duty enhancement, as well as higher rates of work.

As we have seen, all these are obviously central issues of the socio-political agenda: the question of the labour market reform and of the social security pensions reform were both cardinal points in the July 2007 agreement. The wage issue was set by the unions to the now resigning government, and the these now intend to launch an awareness campaign through a signed petition, re-proposing it to all the political forces competing in the upcoming April 2008 elections.

Although there seems to be a general consensus, both among the political forces and social parts, to build the conditions which will guarantee wage increases, the proposed solutions are different.

During the talks between the Prodi Government (before it resigned) and the unions, the possibility of using part of the surplus of the fiscal revenues, due to success in fighting tax evasion, to reduce taxes for subordinate workers (through an increase of possible tax deductions and tax cuts) allowing for a significant increase in net earnings. The government crisis has brought this process to a halt.

The Partito Democratico (the major Italian centre-left party) has proposed that, even in this phase of ordinary administration only (up until the elections), a bipartisan agreement be reached with the opposition, to pass these tax reforms, and so allow for the increase in net earning. And it has anyway adopted the issue of wage increases, and the reduction of fiscal pressure to this end, as one of the central political items of its electoral campaign.

Confindustria (the major confederation of Italian entrepreneurs) has declared that while it agrees with the choice of decreasing the tax burden on salaries, these must be connected to productivity, without which the increase in spending power runs the risk boosting inflation, and this at the expense of public finances.

The centre-right coalition, which opposed the government in the last two years, proposes that the tax cuts on wages be concentrated on over-time wages, and on bonuses deriving from company bargaining and connected to company performance (above and beyond what already provided for in the July 2007 agreement).

While it is not in the place of the authors to enter into the merit of the debate, some elements do emerge clearly from the comprehensive analysis and must be pointed out.

Firstly it appears that a distinction must be made between those measures which are urgent, and which can have immediate short-term effects, and problems of structural nature which require medium-term technical and political solutions.

Among the most urgent measures, which can undoubtedly alleviate the issue of the buying power of wages, there can certainly be measures that lighten the fiscal pressure on the wages themselves. But the analysis shows that the growth of real earnings was lower than that of the major European countries both with regard to gross wages and gross earnings, thus, apart from the fiscal burden. This is especially true for real earnings (that is at the net of inflation) because inflation in Italy has been much higher than in the rest of Europe. Indeed, because of competition, nominal growth is conditioned by the European average. We have seen how the Banca d'Italia has highlighted the vast amount of wealth transferred from subordinate workers to autonomous workers, professionals, and entrepreneurs (especially between 2000 and 2004). This transfer can have taken place both through a price policy which has taken advantage of a position of gain, and through a biased use of the tax levy. It is well known that for the regular subordinate employee, whose taxes are deducted at the source, fiscal evasion is practically impossible, while this is concentrated at the level of autonomous work, of the professions, of the enterprises and of hidden subordinate labour.

Many analysts and policy makers have underlined the need for a tighter link between wages and productivity, and there is no doubt that wage performance in the last decade has demonstrated the necessity for a greater distribution of productivity profits. Although it must be said that the growth of productivity profits has been so modest that it would have allowed for very minor allotments (in the first five years of the decade productivity growth has been nil if not negative).

The analysis highlights how the lag of Italian productivity has structural roots that have little to do with wages, labour costs, and labour performance (indeed, we have seen how, among the greater European countries, Italy is the one showing the lowest incidence of labour costs on productivity costs):

- the high amount (compared to other countries) of small enterprises (and of their workers) that lowers the mean of productivity (the so called *size factor*);
- the increase in capital productivity in the previous fifteen years has always been lower than that of labour productivity, save in the last three years;
- the productive specialisation in mature sectors with high manpower needs particularly exposed to competition from cheap labour countries (especially after the end of the Multifibre

Arrangement – it is not by chance that some of the antidumping measures adopted by the EU were proposed by Italy, and that they turned out to be effective);

- the generally lower level of productivity in the South.

The quality of labour surveys, which we have examined, show that between 2002 and 2006 there has been an increase in work rhythms and scarce experimenting with the organizational innovation of human resources. The lower level of human capital endowment in Italian enterprises appears also to be connected with these choices.

It is possible to state that, in Italy, enterprises have tarried along the *low road* of competition, based essentially on cost containment (and hence also of compression of the costs of labour), instead of choosing the *high road* proposed by the Lisbon conference based on a *knowledge-driven economy* and on the high-quality of labour. The signs of improvement of the last two years (2006-2007), seem to show that it is the medium enterprises, that have introduced the most innovations, that are responsible for the recovery of Italian exports. Innovation appears as the key to revitalizing competitiveness in those industrial districts that had once represented an advantage for the Italian industrial system, but which, more recently, had undergone a period of crisis due to entry in the EuroZone, to the enlarging of Europe, and to globalization with the entry in the market of new competitors, especially central European countries, China and India.

These problems of structural nature require medium-term investments both in technological and scientific innovation, in organizational innovation, and in human capital.

From this point of view, the re-discussion of the July 2007 agreement which will take place in the next few months, could be the occasion for a basic blue print to cope with what seem to be the real problems both for the prospective growth of the Italian economy, and for labour conditions.

The crux of labour conditions is, of course, the South, and its disadvantaged state. This is a historical issue in Italian society (the so called *questione meridionale* = southern question), which, currently, with the garbage disposal emergency in Campania, has made world headlines, and which, along with the problem of organized crime, seems to jeopardize the very basic tenets of democracy in those regions of Italy. An issue which seems to resist even the most thorough attempts to solve it, and which, with the termination of the extraordinary intervention tools, and the closing down of public enterprises in South at the end of the 1970's, seems to have further deteriorated: a critical situation which sees the South of Italy as the area of Objective 1 that registers the lowest levels of growth.

This is not the place to propose solutions for a problem of this magnitude (whole libraries have been written on the *questione meridionale*), certainly however, it is clear from our analysis that the political and social forces should reassume centrality in this matter, in the understanding that there are no simple, or ready made, solutions, but that any solution will require some preconditions:

- An alliance of all the economic, political and social forces, against criminality, corruption, illegal dealings, nepotism, to favour the growth of a strong fabric based on the ability to compete autonomously and with adherence to the rules.
- A large quality investment effort – despite decades of public investment the South remains severely lacking in the fundamental infrastructures (transportation, networks, research and innovation centres). The quality of the effort must, however, be stressed because public expenditure does not represent a solution for the South in and of itself, and, often, has represented a problem: to a great extent corruption, nepotism, and criminal networks, all carve up their share of public expenditure.
- An effort to connect the south to the greater extent to the network of international trading, to develop an entrepreneurial class able to measure up to the opportunities offered by the global market.

These measures are all the more urgent in view of the progressive termination of the EU financial aide for the more disadvantaged areas of the country.

Regarding underground labour and the prevention of job related injuries we have seen how the government had, with constructive support from the opposition, adopted measures which had begun to show important results. So too, the July 2007 tripartite agreement had produced a proxy law for labour market reforms which should have become operative with the subsequent delegate decrees. Today these commitments pass to the new parliament, to be elected in April 2008. The government's commitment to the fight against fiscal evasion, which has allowed for a significant reclaiming of taxable base, has demonstrated this to be an important tool for the emergence of the hidden economy; hopefully this continue with the next government.

The possibility of overcoming the gap in female employment and participation in the Italian labour market requires the setting up of specific welfare policies, of family supportive services (from the raising of children to the care of the elderly), and of incentives to female employment, that also require large investments which, given the Italian public finance situation, encounter significant difficulties.

Immigration policies are complex and delicate issues all over Europe. While it is necessary to be able to exert strict control on the migratory fluxes, it is also true that immigrant labour is a requirement both for advanced economies, and the basic needs of our societies. Female immigrants represent a fundamental element in the care for the non self-sufficient elderly and of children, especially for families with working women. Moreover, the pressure of migrant populations from underdeveloped, or war-torn, countries cannot be averted by repressive means alone: whether it be fence-building or repressive laws.

At the same time, it is necessary to respond to the increasing social alarm (present in all European countries, and in Italy especially because of the rapid increase of immigration) for the diffusion of petty crime (but also of organized crime) connected to illegal immigration, to ethnic identity issues (which can sometimes have religious consequences), to the increase of areas of social unease and deterioration. These tensions can provoke xenophobic and racist urges. Without careful control of the migratory fluxes, and without an adequate and well-organized welcoming capacity, the risk is that these drives become uncontrollable, and end up by placing under discussion the very principles on which democracy in Europe has been recast after WWII. It is not by chance that the radical right in Europe exploits these worries and tensions, and fuels nationalistic sentiment.

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7 GLOSSARY

Due to the difficulty of finding exact correspondence between the Italian and English terminology we here supply a short glossary of the principal, and most peculiar, terms used.

Black work, Underground work, irregular work (Lavoro nero, lavoro sommerso, lavoro irregolare) (see page 67)

Cigo, Ordinary Earnings Integration Fund (Cassa Integrazione Guadagni Ordinaria) (see page 17);

Cigs, Extraordinary Earnings Integration Fund (Cassa Integrazione Guadagni Straordinaria) (see page 18);

CNEL, National Council for the Economy and Labour (Consiglio Nazionale dell'Economia e del Lavoro);

Co.co.co, independent contract worker (Lavoratore con un contratto di Collaborazione coordinata e continuativa) (see page 55);

Co.pro, Project independent contract worker (Lavoratore con un contratto di Collaborazione a progetto) (see page 55);

Contingent (interim) work (Lavoro interinale) (see page 50);

Earnings (Retribuzioni di fatto) (see page 19)

Fixed term work, fixed term employment contracts, temporary employment, temporary contract (Lavoro (contratti) a termine, a tempo determinato) (see page 50);

Ici, Municipal real-estate tax (Imposta Comunale Immobili);

Inail, National institute of insurance for job-related injuries (Istituto nazionale per l'assicurazione contro gli infortuni sul lavoro);

Informal activities, economy (Economia informale) (see page 67)

Inps, National Social Security Institute (Istituto nazionale previdenza sociale);

Irap, Productive Activity Tax (Imposta sulle Attività Produttive);

Ires, Economic and Social Research Institute (Istituto di Ricerche Economiche e Sociali)

Ires, Company Income Tax (Imposta sui Redditi delle Società);

Irpef, Personal Income Tax (Imposta sul reddito delle persone fisiche);

ISFOL, Workers professional training developing Institute (Istituto per lo sviluppo della formazione professionale dei lavoratori);

IVS , Total Invalidity, old age and survival pensions (Totale delle pensioni di Invalidità, Vecchiaia e Superstiti);

Job on call (Lavoro intermittente) (see page 51);

Job sharing (Lavoro ripartito) (see page 51)

Mobility Allowance (Indennità di mobilità);

Ordinary Unemployment Benefit (Indennità di disoccupazione ordinaria) (see page 17);

Overtime (Lavoro supplementare);

Part-time work (Lavoro a tempo parziale);

Rsu, Unitary Works Councils (Rappresentanze Sindacali Unitarie) (see page 10);

Quasi-subordinate work (Lavoro parasubordinato, collaborazioni), (see page 52);

Staff leasing , (lavoro somministrato) (see page 50)

Tax wedge (Cuneo fiscale) (see page 82);

Temporary employees (fixed terms and atypical employee contract) (see note **Error! Bookmark not defined.**)

Temporary employment, total sum of temporary employees (fixed terms and atypical employee contract) and quasi-subordinate workers (see page Table 33)

Underground economy (Economia sommersa) (see page 67)

Unemployment Benefits with Reduced Requirements (Indennità di disoccupazione a requisiti ridotti) (see page 17);

Wages, Wage rates (Retribuzioni contrattuali), (see page 19);

White deaths, fatal on the job accidents (morti bianche, infortuni mortali sul lavoro) (see note 103)