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**“THE IMPLEMENTATION OF FLEXICURITY AND THE ROLE OF THE
SOCIAL PARTNERS”**

NATIONAL FICHE:

ITALY

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Preface

This national fiche is part of the EU Social Partners’ Study “The implementation of flexicurity and the role of social partners” carried out in the context of the EU Social Dialogue Work Programme 2009-2011, which includes “*Jointly monitoring the implementation of the common principles of Flexicurity, notably in order to evaluate the role and involvement of the social partners in the process and to draw joint lessons*”.

To implement this task in the best possible way and to involve national member organisations actively in the gathering of data and information, the study applies a methodology that consists of multiple levels of analysis using a variety of instruments to be implemented with the help of a team of experts:¹

- The expert team, with the advice of European Social Partners, agreed on a *set of selected statistical indicators* in the field of employment and economic and social development with labour market relevance.
- National social partners were asked to participate in a *questionnaire-based survey* focussing on the relevance of the flexicurity concept within national labour markets, the role of the social partners in policy implementation and their views of the flexicurity concept. To complement the research, the expert team visited a number of countries and carried out interviews with national social partners.²
- Based on the two sources above and a review of available written materials and information, the expert team prepared *29 national “fiches”* on the implementation of the flexicurity principles and the role of social partners in the respective national contexts.
- Results of the questionnaire survey and main findings of the national analyses were discussed at four “*country cluster seminars*” that were organised by the European Social Partners with the help of national sections in Warsaw (November 2010), Lisbon (December 2010), Paris (31st January-1st February 2011) and The Hague (8th February 2011).
- In the light of the overall study results and the comments received by national social partners in the contexts mentioned above, the expert team has prepared a *comparative synthesis report* on “Social Partners and Flexicurity in Contemporary Labour Markets” that was presented and discussed at a *EU-level synthesis seminar* on 31st March and 1st April 2011 in Brussels.

This national fiche aims to present a broad overview on the economic and social context and the state of play with regard to flexibility and security in the labour market and current social security arrangements (sections one and two). Secondly, the report describes the role of the social partners and social dialogue in the implementation of policies and practices that can be considered under the broad umbrella of “flexicurity” (section three), also summarising inputs provided by national social partners to the questionnaire, from interviews carried out and other contributions made in the context of the study. Section three also presents brief descriptions of cases of good practice as has been indicated by the national social partners.

The text was originally prepared as draft report in the autumn of 2010 in order to facilitate the discussion at the cluster seminar on 22nd and 23rd November 2010 in Warsaw. The original dossier has been reviewed and revised to take into account the comments and discussions that took place during the seminar or received afterwards.

However, it should be stressed that this report is presented as an “independent expert report”. It represents the views of the individuals involved in its preparation and does not purport to represent the views, either individually or collectively, of the social partners’ representatives that contributed to it, or those of the European level social partner organisations that were responsible for its commissioning.

¹ Expert team: Eckhard Voss (co-ordinator), Alan Wild, Anna Kwiatkiewicz and Antonio Dornelas.

² The following countries were visited in the context of the project between May and July 2010: Denmark, France, Ireland, Italy, Czech Republic, Poland, Germany, Portugal and the Netherlands.

1 The economic and social context

Economic crisis and recovery

Italy is a modern market economy with GDP balanced between manufacturing, services and agriculture along advanced developed economy lines. In 2009 the most substantial part of GDP was generated by services (73%), followed by industry (25%) and agriculture (2%). The share of the Italian informal economy is high in Western European terms and was estimated at over 20% of GDP in 2007. The sectors of the Italian economy where informal practices are most common are agriculture, construction and personal services. Medium-size manufacturers of high-quality consumer goods, often family-owned, are another feature of the Italian economy. Italy is characterized by substantial regional differences- a significant North-South economic and social gap exists.

Before the onset of the 2008 crisis the Italian government had struggled to reduce public spending and public debt. When the crisis began, Italian public debt already exceeded GDP and was growing. Italian fiscal deficit grew from 1.5% of GDP in 2007 to more than 5% in 2009, primarily as a result of servicing the country's debt.

The crisis hit Italy relatively hard and the economy contracted by 5% in 2009, more than the eurozone average. Italian exports have been seriously affected as demand for goods across manufacturing industry reduced. The demand for services also dropped in the important tourism sector. A sharp reduction in domestic demand resulted in decreasing investment - in 2009 investment expenditure fell by 12% in volume and increasing public spending failed to compensate for the decrease in private investment.

According to the European Commission Spring Economic Forecast 2010 the recent crisis has had a relatively limited impact on the labour market³. In 2009, employment in full-time equivalent terms declined by 2.7%. The impact of the crisis on employment was softened considerably by the introduction of wage supplement schemes (CIG)⁴, which were later extended by the government. The main feature of the Italian labour market adaption to the crisis was consequently a decline in hours worked per employee combined with a relatively low reduction in the workforce. Further job reductions are expected due to the lagged employment effects of the crisis and the unwinding of CIGs programmes. Nonetheless, an expansion of hours worked is projected for 2011, when the effects of the rising export demand are supposed to impact on production volumes.

Perspectives for recovery in Italy are positive, although it most likely will be a long process. Recovery will depend on both private consumption and exports, and GDP growth is forecast to be mild in 2010 and to gain impetus in 2011. Italian trade patterns mean that around one half of Italian exports go to eurozone countries and their demand for imported goods is expected to recover only slowly. A risk factor in achieving a sustainable recovery is the need to improve competitiveness. Challenge in the development of the Italian economy is its limited ability to compete in emerging markets.

ITALY - MAIN ECONOMIC INDICATORS AND OUTLOOK

	2007	2008	2009	2010	2011
GDP (annual percentage change)	1.5	-1.3	-5.0	1.1	1.1
Employment (annual percentage change)	1.0	-0.4	-2.6	-1.4	0.4
Unemployment rate (Eurostat definition)	6.1	6.7	7.8	8.4	8.3
General government balance (as percentage of GDP)	-1.5	-2.7	-5.3	-5.0	-4.3
General government gross debt (as percentage of GDP)	103.6	106.3	116.0	118.9	120.2

Source: European Commission: Autumn 2010 Economic Forecast.

³ European Commission, Spring Economic Forecast 2010, Brussels 2010, p.100.

⁴ Within the framework of this scheme employees stop working, but keep their job, and their income is reduced.

In response to the crisis Italy has introduced measures aimed to support the banking sector and household consumption, especially for low-income households. Important sources of additional financing in 2009 came from the so called “tax amnesty programme” designed to recover illegally untaxed assets held abroad. A series of measures to support the labour market were implemented.

Labour market indicators and trends

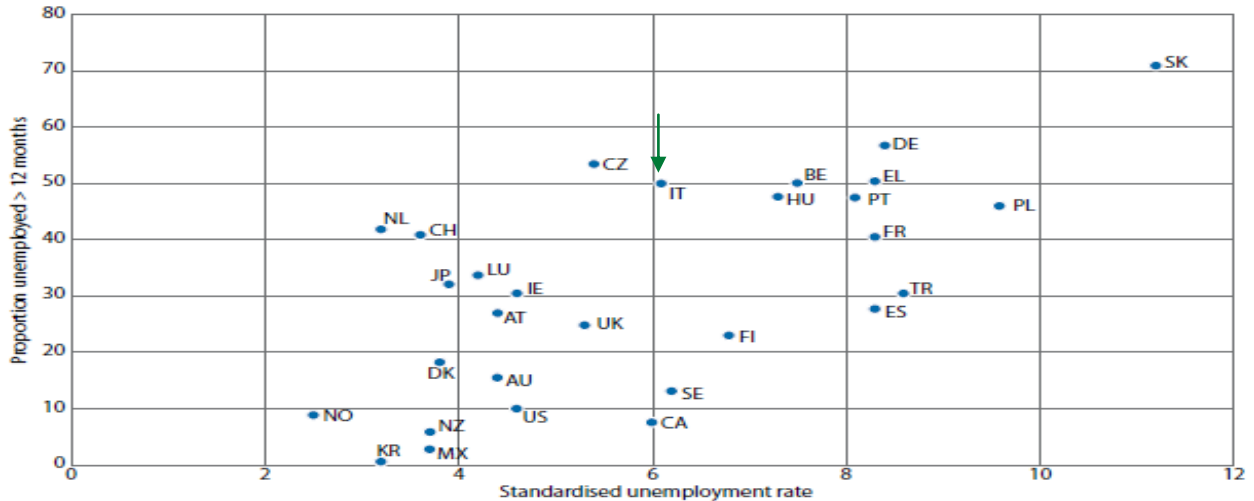
Italy is about to implement major labour market reforms to improve national productivity. The major elements of the reform programme are modernizing social security systems and increasing employment opportunities for young workers, particularly women. The need for reform is further driven by Italy’s low fertility rate and quota-driven immigration policy, which limits the size of the available labour force.

In 2008 employment rate in Italy was almost 58% and Italy has one of the largest employment rate gender gaps in the EU. The employment rate for men was 70.3% in 2008, whilst the rate for women languished at just 47.2%. In overall terms, Italy was more than 10% short of the Lisbon target of 70%. The employment rate of older workers also falls 10% short of the EU27 average. In 2008 the majority of Italian workers was employed in services (68%), followed by industry (28%) and agriculture (4%). Italy has a significant share of self-employment, which at 23.6% exceeds the EU average of 15.7%.

The unemployment rate in Italy is around the average for the EU27. Unemployment increased in 2009, and is expected to remain at the same level in 2010 and 2011. Long-term unemployment in Italy is above the EU27 average and longer-term unemployment for women is even more important. Italy’s rate of youth unemployment is high and exceeded 21% in 2008.

Recently rates of transition from “unemployment to employment” have improved, while moves from “inactivity to employment” have deteriorated.

INCIDENCE OF LONG-TERM UNEMPLOYMENT AND THE UNEMPLOYMENT RATE, 2007



Source: *Employment in Europe Report*, p. 73, based on OECD figures.

An important feature of the Italian labour market is the significant share of GDP generated by the informal economy. This feature is often linked to employment of immigrant workers, mainly in agriculture and in the hospitality sector. The size of shadow economy is close to twice as big as the OECD country average of 13.9% and was estimated at 22.3% in 2007.

ITALY - MAIN LABOUR MARKET INDICATORS 2009 IN COMPARISON TO EU27

	Italy	EU27
Employment rate – % population aged 15 – 64	57.5	64.6
Employment rate older people – % population aged 55-64	35.7	46.0
Self employed - % total population	23.4	15.5
Employment in services - % total employment	68.3	70.4
Employment in industry - % total employment	27.7	24.1
Employment in agriculture - % total employment	3.9	5.6
Unemployment rate - % labour force 15+	7.8	8.9
Youth unemployment rate - % labour force 15-24	25.3	19.6
Long term unemployment rate - % labour force	3.5	3.0
Inequalities of income distribution (2008)	5.1	5.0

Source: Eurostat, *Employment in Europe Report 2010*.

According to the European Commission Annual Progress Assessment 2010 the main challenges the Italian government faces are increasing human capital, exploiting unused labour force reserve (especially in the South) and ensuring that wages and productivity develop in parallel.

Flexicurity in the labour market and labour market policy

In European terms Italy has a high proportion of population with educational attainment below the upper secondary level. In 2007 this applied to 48% of the Italian population and only to 30% of the population in average OECD countries. Only 39% of people had post-secondary non-tertiary level of education and 14% achieved tertiary education qualifications.

According the European Company Survey 2009 Italian employers tend to use high levels of overtime working and its use exceeds the EU average of 68%. Overtime is most often compensated financially and in only 4% of establishments compensation is offered in the form of additional time off. As far as the spread of working hours is concerned, Italy is a country where work outside the Monday to Friday dayshift arrangements is infrequent. Some 11% of establishments use night work; 38% of establishments use Saturday work; and 11% of establishments work on Sunday. Almost a half of establishments use flexible working time arrangements, and this is most often linked to flexible start and finish times.

The dominating form of contract is full-time permanent employment variety. Part-time work was used by 14.3% of Italian workers in 2008 compared with 18.2% for the EU27 average. The incidence of fixed-term contracts is slightly below the EU27 average and self-employment is comparatively high in European terms involving almost a quarter of total workers.

Lifelong learning and continuing vocational training are weak points in the Italian labour market. Between 1993 and 2005 investment in adult training dropped from an already low level by 0.5%. According to the results of CVTS3 the proportion of employees participating in CVT in Italy in 2005 (29%) is close to the EU27 average of 33%, but the effectiveness of CVT initiatives is often questioned. Training programmes tend to be aimed toward more-skilled and better educated workers and regional disparities and inequalities in CVT and lifelong learning can be observed.

Employment protection level in Italy is lower than the EU27 average (1.89% compared to 2.1%) and the protection of regular employment is slightly lower than the protection of temporary employment (1.89% compared to 1.77%). In 2005 Italians were less satisfied with their jobs than the EU27 citizens

on average, and the difference was significant at 9%. There was even a bigger difference between Italy and “best in class” performers like Denmark (93.3%), Austria (89.6%) or Germany (89.3%)⁵.

According to the National Council for Economics and Labour some 800,000 jobs have been saved in the crisis as a result of exceptional long-term benefits programmes (CIG) and occupational mobility schemes. It is suggested that low-skilled workers and workers employed on non standard contracts were those most affected by the crisis. Temporary agency work was also hit hard and this segment of the labour market contracted by 30%.

ITALY - FLEXICURITY INDICATORS IN COMPARISON

	Italy	EU27
Total population having completed at least upper secondary education (population aged 25-64, %), 2009	54.3	72.0
Part-time employment - % total employment, 2009	14.3	18.8
Fixed-term contracts - % total employees, 2009	12.5	13.5
Access to flexitime, % total employees aged 15-64, 2004	32.9	31.3
Percentage of employees (all enterprises) participating in CVT courses , 2005	29.0	33
Lifelong learning participation – percentage of the population aged 25-64 participating in education and training over the four weeks prior to the survey, 2009	6.0	9.3
Job satisfaction – percentage of workers that are either very satisfied or satisfied with working conditions in their main paid job (EWCS 2010)	79.6	84.3
Strictness of employment protection – regular employment, 2008	1.77	2.11*
Strictness of employment protection – temporary employment, 2008	2.54	2.08*
Strictness of employment protection – collective dismissals, 2008	4.88	2.96*
Public expenditure on <i>passive</i> labour market policies (categories 8-9) - % of GDP, 2008	0.81	0.96
Public expenditure on <i>active</i> labour market policies (categories 2-7) - % of GDP, 2008	0.36	0.46
Persons at-risk-of-poverty after social transfers - % of total population, %, 2009	18.4	16.3

Source: Eurostat; Employment in Europe Report 2010; Eurofound (European Working Conditions Survey 2010); OECD.

*OECD average

In Italy the standardized unemployment rate in 2008 was 6.1%. The proportion of those unemployed for longer than 12 months was 49.9%, higher than the EU27 average of 45%.

Conclusion

According to the NRP 2008-2010 Annual Progress assessment of the European Commission Italy needs to address its structural weaknesses in the labour market. Continuing vocational training and lifelong learning systems need to be improved and the public employment services (PES) become more effective and offer more targeted instruments to improve job transitions and worker adaptability. There is an urgent need to combat undeclared work and to ensure closer alignment between wage and productivity growth.

⁵ European Foundation for Living and Working Conditions, *Measuring Job Satisfaction in Surveys – Comparative Analytical Report*, Dublin 2007, p. 5.

2 Flexibility and security in recent labour market and social policy reforms

Introduction and overview

The discussion on flexicurity in Italy is characterised by differing views between employers and workers organisations concerning levels of protection and flexibility. Employers' organisations are convinced that there is more employee protection than flexibility today. Trade unions are strongly opposed to reducing employee protection and claim that recent increases in flexibility have not been accompanied by appropriate developments in workers' security.

Views of social partners on the flexicurity concept vary significantly⁶. Some believe that Italian labour market policy does not embrace the flexicurity concept at all and is characterised by: “*strong protection derived from law and collective bargaining as well as provisions for income security during unemployment*”. According to others flexicurity is: “*a model of welfare that combines the flexibility of the labour market, especially by the employers' side, with the maintenance of high standards of social security and employment rate*”; others believe that in the Italian labour market “*there is more 'FlexInsecurity' than security*”. According to NRP 2008-2010 at the heart of the Italian approach to flexicurity should be vocational training, including methods, timing and content with priority given to workers at risk or those who have difficulties in access to training⁷.

The difference between the notion of flexicurity for private and public employers is also apparent. According to representatives of public employers flexicurity has not been a priority for public employers and they suggest that it has become less important during the crisis.

Lifelong learning and the mobility of workers

The Italian lifelong learning and vocational training systems are highly fragmented, with multiple activities and financing sources as well as insufficient coordination and quality control. Numerous institutions are involved in the process and the system is perceived as ineffective and in need of reform by both trade unions and employers' organisation representatives.

The general development trend is toward more regional and territorial responsibility in vocational training provision. In February 2010 the “Guidelines for training in 2010” agreement was signed by the government, regions and autonomous provinces and the social partners. Its objective is to make vocational training more coherent and effective and commitments are made to improve training content and to promote adult learning, lifelong learning, and give special attention to groups disadvantaged on the labour market (the unemployed, redundant or temporarily suspended workers and young women).

Continuing vocational training is financed from three basic sources: joint interprofessional funds (*Fondi paritetici interprofessionali per la formazione continua*); EU funds (mainly the ESF); and State transfers to the regions. First established in 1996, there are 18 countrywide joint interprofessional funds today which manage the provision of training programmes. It was estimated at the end of June 2008 that some 6,800 training plans had been financed, 40,000 businesses were supported and 850,000 workers trained. During the crisis interprofessional funds were often used to train

⁶ All quoted opinions come from questionnaires filled in by Italian social partners in May 2010 or from interviews conducted in Rome in July 2010.

⁷ National Reform Programme 2008-2010, op.cit., p.8.

employees threatened with unemployment and during suspensions of working time. The funds are managed by the social partners⁸.

Regional responses to secure employment

In the Veneto region the Service Pact and the Individual Action Plan represent two types of “contracts” regulating relationships between workers threatened by unemployment and the accredited institutions entitled to providing vocational training. Workers are the beneficiaries of an individual training endowment.

In the Lombardia region the Endowment for Social Shock Absorbers was established and aims at supporting ongoing employment. It finances activities aimed at updating competencies, requalification and reintegration into the labour market. Persons entitled to endowments are temporarily suspended or dismissed workers. They receive vocational training and working replacement provisions through a network of accredited public and private employment services.

Source: Confindustria and CISL, joint material prepared for 2009 Foundation Seminar Series “Preparing for the future: maintaining employment in times of crisis”.

Recently initiatives have been undertaken to improve the effectiveness of the system. These include: the accreditation of training providers, evaluation of training programme effectiveness, defining standards for professional skills and skills certification, issuing “training passports” to participants and introducing anticipatory training needs analysis. Employers’ organisations believe that the management of joint interprofessional funds still requires further improvement. They suggest that there is inadequate control over training quality, sometimes training content does not match employers’ needs, and access to funds is too bureaucratic: “*they are like public-funds, they belong to everybody and to no one*”. Employers also believe that there is a need for more on-the job training although this opinion tends not to be shared by trade unions. According to the trade unions there are still insufficient methods to assess and recognize skills acquired in informal ways.

Trade unions highlight the problem of the high rate of school drop-outs and inadequate professional experience in the content of vocational education. According to them employability and professional mobility starts with exposure to the “world of work” at a relatively early stage during the education process.

Provisions have been established relating to vocational training for temporary workers. The Biagi Law of 2003 provided for temporary work agencies to contribute to specially create bilateral funds through a contribution of 4% of the payroll, to finance training and retraining of temporary workers and special social security measures. The most notable of these initiatives is Forma.Temp (*Fondo per la formazione dei lavoratori in somministrazione con contratto a tempo determinato*).

Employers suggest that there is more vocational training than lifelong learning, the former still being more of an idea than practice. They also point out that there is a relatively strong attachment to formal education, while non-formal and informal education is not recognized or treated as “second best”.

External/internal flexicurity and contractual arrangements

In Italy the legal history surrounding non standard contracts is long. The first law appeared already in 1955 (Law 25/55), which regulated apprenticeships. Fixed-term contracts were introduced in 1962 (Law 230/62) and contracts of training and employment (*contratti di formazione lavoro, CFL*) in 1984 (Law 863/84). In 1987 CFLs became applicable to all sectors and in 1994 the limit age for working under such a contract was extended to 32 years (Law 451/94). An important development in the liberalization of flexible contracts was the Treu Law (196/97), which amended provisions for fixed-term contracts, introduced temporary contracts and established temporary work agencies (TWAs).

⁸ There are 14 joint interprofessional funds, covering more than 500.000 enterprises and more than 6 million workers. Employers’ contributions amounts to 0,3% of the payroll. For details see Example Four of good practice.

Fixed-term contracts were regulated in 2001 (Law 368/2001) and two years later, in 2003 the Treu regulations were replaced by the Biagi Law (30/03), which eliminated CFLs, reformed apprenticeship and temporary contracts as well as further enlarged the number of atypical contracts.

While trade unions acknowledge the importance of the Biagi Law, they stress that this reform has not been supported by reforms in social security. This has created a large group of what they refer to as “precarious workers”, especially women and youths. They observe that flexible contracts are most often offered to new entrants to the labour market and this determines the course of their future professional career. Additionally, they suggest that flexible contracts are characterized by low wages, low employment protection and fragmented income support. Whilst provisions concerning fixed-term work, agency work and part-time work have been written into collective agreements, trade unions strongly oppose other forms of flexible arrangements like on-call, staff leasing and job sharing. Such contracts are regulated by law and provisions on job sharing transposing the existing law have been written into four national agreements (transport, textile, trade and retail).

In order to control the proportion of fixed-term contracts to regular employment contracts, quotas of fixed-term work have been introduced in eight agreements⁹. Some agreements, as the one in the construction sector, regulate reasons that allow a company to use this kind of contract. The reasons include exceptional situations, seasonal peaks and/or need for specific skills.

Collective agreements also regulate working hours flexibility including provisions on reductions of working week and daily breaks. Working hours flexibility in the form of work-sharing is provided by the job-security agreement of 1984 allowing a reduction of working time together with a reduction of pay during periods of economic slowdown.

Trade unions point to the doubling of the share of self-employment over the last 10 years and suggest that this is often “economically-dependent employment” or “bogus self-employment”. Italian social partners favor reducing the number of available contractual arrangements from today’s 40 varieties to 5-6 basic categories. They believe that “socially responsible flexibility” can be achieved only by equalizing the cost of regular and non standard employment.

Employers suggest that current legal regulation relating to dismissals is long and very costly.

In the public sector flexibility of contractual arrangements is most frequently linked to the use of fixed-term contracts. During the crisis a hiring freeze combined with the use of early retirements reduced the numbers of indefinite duration employment contracts. The public sector is experimenting with telework and offering innovative ways for trying a new job. There is a six month probation period during which employee can return to his/her previous job. If h/she decides to stay in a new position after probation period, h/she can return to the previous position during the next five years.

Active labour market policy

One of the important Italian challenges is modernising and improving the administrative capacity of the PES. In 1997 (decree 469/1997) the public monopoly on matching labour demand and supply was abolished and the responsibility for implementing an active labour market policy (ALMP) was transferred to the regional level through a system of employment centres. An important development was in July 2007 the signing of the tripartite social pact on fair and universal welfare system for all workers, independent of their qualifications, sector of employment, and size of the company and employment contracts.

In February 2010 the Italian Government and Regions emphasised the need to link training provision with unemployment benefit and measures financed from the Redundancy Fund. More effective PES

⁹ The following quotas are applicable: 2% in transport sector, 5% in banking sector, 8% in textile sector, 13% in TLC sector, 15% in trade, retail and wood and 18% in the chemical sector.

were one of the subjects tackled by the special measures introduced during the crisis (Law 2/09). The social partners together with the government are working to link income support to ALMP by introducing work suspension schemes with provisions for training and retraining.

Inter-professional funds agreements to promote ALMP

On 21 November 2009 the Tuscany Region Authorities signed with the social partners and some inter-professional funds a series of agreements, including specific tenders for ALMP implementation. The major objective was to set up funding mechanism for training and skills upgrading for temporary suspended workers as well as offer income support guarantees.

Source: Confindustria and CISL, joint material prepared for 2009 Foundation Seminar Series “Preparing for the future: maintaining employment in times of crisis”.

The role of private employment services has been strengthened recently, and this is strongly supported by employers’ organisations. According to them there is a need for appropriate legislation to support the development of private employment agencies as PES are both ineffective and bureaucratic. Trade unions suggest that an appropriate balance needs to be found between private and public providers of employment services.

During the crisis a number of measures were used including the wage redundancy fund (*cassa integrazioni guadagni*, CIG), the extraordinary fund (*cassa integrazione guadagni straordinaria*), incentives for enterprises that recruited workers made redundant or dismissed and a system of job seeker’s allowance (*indennità di disoccupazione*) for autonomous workers, both in the public and private sector.

Employers’ organizations, trade unions and labour market experts believe that there also remains a great disparity between spending on passive and active labour market policies.

Supportive social security system

Since the 1990s the Italian system of social security has been the subject of debate and reform attempts. The present system is complex, fragmented and offers different protection options depending on many factors (i.e. reason for becoming unemployed, size of the company, sector of the economy, age of the beneficiary, regional labour market situation etc.). Rates of replacement and duration also differ. According to trade unions non standard workers and employees of SMEs, especially from the service sector, are in the worst position. There are four kinds of unemployment benefit:

- Regular unemployment benefit: for all those who have contributed with 52 weeks of social security contribution over the two previous years and are registered with the employment agency; since March 2005 the benefit is also paid to those who have been temporary suspended; the benefit duration is 180 days for regular employees, 65 days for suspended employees and maximum 9 months for workers at the age of 50+; dismissed workers receive 40% of pay in the preceding months and suspended workers receive 50% of pay¹⁰;
- Redeployment (mobility) allowance: paid to the dismissed workers who cannot find a job (*Cassa integrazione guadagni straordinaria*, CIGS) also to employees who are made redundant as a result of downsizing or a closure; duration: 12 months (minimum duration), 24 months (for those aged 40 years and older) and 36 months for those over 50, further extension is possible; during the crisis the benefit has been extended to workers from certain production sectors; in the first year the benefit equals to redundancy allowance and later is decreased to 80% of the allowance, it can be paid as a lump sum for those wanting to set up businesses; if

¹⁰ There are additional provisions for unemployment benefit entitlement for various categories of workers. Examples being the Italian workers who return to Italy, the dismissed construction workers or Italian cross-border commuters working in Switzerland.

an individual on redeployment allowance takes up a part-time job or short assignment, he is still entitled to the benefit suspended for the days actually worked;

- Lay-off benefit: compensation paid by the income supplement fund (*Cassa Integrazione Guadagni, CIG*) and authorised by local committees; it is a benefit addressed to employees from industry, construction and stone-quarrying sectors that can experience fluctuations of demand for their production and where temporary stoppages are natural;
- Extraordinary allowance (*trattamento straordinario*): this benefit is addressed to employees who have lost their job due to restructuring, re-organisation or business crisis, bankruptcy etc.; employees from different sectors and from companies of a different size are entitled, but the general rule for entitlement is that the business employed at least 15 people during 6 years preceding the application for intervention; duration: 18 months for bankruptcy proceedings, 12 months for business crises, 24 months for restructuring, the limit of this intervention is 36 months during the 5 last years, but exemptions are possible; the condition for eligibility is to prepare “rescue programmes”, allowance amounts to 80% of the total pay the worker has lost due to lack of work.

Trade unions are in favor of CIG and CIGS as instruments that assist enterprises facing temporary difficulties and anticipate a resumption of normal operations. Experts believe that the introduction of CIGS in 1991 was an innovative development in the area of social shock absorbers (*ammortizzatori sociali*), however, it further deepened the segmentation between employees on regular employment contracts and “outsiders” on non standard contract terms. In general, the developments of the last two decades have further distanced social security provisions for “outsiders” and “insiders”.

Employers’ organisations believe that it is necessary to extend employee protection towards new forms of work and good examples are regulations concerning temporary agency workers, which include provision for income security and vocational training.

Trade unions point out that Italian law has been protecting employees since 1940s and the Community Law enriches Italian regulations in this regard.

High quality and productive workplaces

Even before the crisis Italy faced a need to improve productivity and competitiveness. Italy’s labour productivity grew by 1.2% per year between 1995 and 2005, a much lower rate than the OECD average and productivity decreased between 2001 and 2004. In recent years Italian producers have been losing competitiveness not only to their Eastern European and Asian competitors, but also to the euro-zone countries¹¹.

Trade union representatives suggest that negotiations of new solutions or developments shall always include the issue of efficiency.

Gender equality

Trade union representatives point out that despite increasing female participation in employment growth, Italy still faces one of the lowest female participation rates in Europe and the situation is particularly acute in the South. According to one trade union it is essential to direct ESF allocations to support gender equality, reformulate local policies to promote greater adaptability of female employment, and, especially in the South, attract inactive women to the labour market.

In Italy there are two bodies responsible for promoting work-life balance in the workplace (created on the basis of Law 125/2001). These are the national equal opportunity committee and technical office (*Collegio Istruttorio*). Equal opportunity committees were established in 1998 on the basis of

¹¹ V. Pulignano, *Italy National Dossier*, report drafted within the framework of the II Joint European Social Partners organisations project “Study on restructuring in the EU15, Brussels, May 2008, pp. 16-17.

collective agreements for the public sector. The annual financial law for 2008 (Law244/2007) introduced tax and financial measures to promote female employment¹².

Despite low participation rates, there is a relatively small gender pay gap in Italy which, in 2008, was the lowest in Europe. This reflects small proportion of unskilled or low-skilled female workers in the total working population.

Financial sustainability

The financial sustainability of the existing system has been questionable even before the crisis. The social security system provides for a relatively long period of support and may potentially produce the counterproductive effect of pushing people out of the labour market into inactivity.

Trade unions call for ESF-co financed income support along with training and retraining programmes. If such a solution were adopted, the challenge would be to coordinate it among different regions. While concentrating on linking income support with active policies, trade unions stress the importance of providing guaranteed minimum income for young workers to prevent them from exclusion.

The idea of joint bilateral funds to support income and job transition managed jointly by the social partners and financed from employers' contributions is controversial. Some trade unions believe that it is a sign of delegating State's responsibility to the social partners and criticise the lack of equal access.

Conclusion: Strengths, weaknesses and challenges

The Italian approach to flexicurity focuses on modernization of the social security system and improvement of the vocational training system. The Green Paper on the social security model published in July 2008 invited social partners to discuss a comprehensive approach to the reform of the social security system, and -at the same time- cut social spending¹³. The debate today revolves around extending social protection to all types of contracts and reducing the gap between protection offered to regular workers and the one offered to workers on non standard contracts.

For trade unions the most important issues are job security and guaranteeing appropriate pay levels. For employers increasing flexibility and productivity are the most important issues. Social partners agree that lifelong learning and vocational training are crucial in improving the employability of Italian workers. They also agree that the effectiveness of PES shall be improved, although they have different opinions on how this should be done.

Reform of the collective bargaining system in 2009 was an important step toward stimulating social dialogue at the company level. The 2008 crisis was an important experience catalyst as it demonstrated the lack of adaptability in the labour market and the deficiencies of existing labour market policies.

It seems that the biggest challenge for implementing flexicurity relates to the level and efficiency of public spending on labour market and social security systems. Some believe that the strong, centralized culture of collective bargaining and the system of employment protection are major obstacles to progress.

¹² Information provided by ARAN.

¹³ EIRO on-line, *Green Paper addresses future of welfare system*, updated 19 January 2009, (<http://www.eurofound.europa.eu/eiro/2008/08/articles/it0808019i.htm>)

3 The role of the social partners

General remarks on the role of social partners

In Italy there are three major trade union confederations: *Confederazione Generale Italiana del Lavoro* (CGIL, General Italian Confederation of Labour), *Confederazione Italiana dei Sindacati Lavoratori* (CISL, Italian Confederation of Workers’ Unions) and *Unione Italiana del Lavoro* (UIL, Italian Union of Labour). The confederations represent different political orientations. CGIL was mostly linked to the parties of the left, CISL is close to the parties of the centre-left and left of the political spectrum and UIL is mainly associated with the non-communist, reformist left. Within these umbrella confederations trade unions are organized along industry lines. Despite political differences, the largest confederations tend to cooperate closely. All three confederations are affiliated at the EU level and are members of ETUC. Trade union density is high estimated at 70%; however, collective bargaining coverage is more modest – approx. 34%.

The most important employer confederation is the *Confederazione Generale dell’ industria italiana* (Confindustria). Most Confindustria companies are SMEs (94% have less than 100 employees) coming from all sectors of the economy. Confindustria plays the role of private employers’ representative in dialogue with trade unions and government. Confindustria is a member of BUSINESSEUROPE. There are also other important employers’ organisations affiliated at the EU level. One of them is the *Confederazione Italiana della Piccola e Media Industria* (Confapi) that represents smaller private companies. The arts and crafts sector has its own association Confartigianato linked to the centre-right and CNA linked to the left. Employers from the commercial and tourism sectors are represented by Confesercenti (linked with the left). CNA, Confapi, Confartigianato and Confesercenti are members of UEAPME. Public employers are represented by ARAN, a CEEP member¹⁴.

Main instruments and levels of influence

Social partners play a central role in the national decision-making process related to economic and social issues. Social concertation has led to important agreements which have been later written into appropriate legal regulations. An example is the 1996 “Pact for Employment”, which was later incorporated into the Treu Law. The role of the social partners changed in 2001, after the government elections, when the “White Paper on the Labour Market” was signed. The 1990s social concertation was perceived as excessive and was replaced by social dialogue. Return of social concertation was possible in 2006, when centre-left coalition returned to power.

Social dialogue in Italy takes place at national, sectoral and company level. Sectoral social dialogue is the most influential in Italy today. Negotiated provisions may be written into collective agreements which can improve legal minimum provisions. The sectoral level social dialogue was decisive in tailoring the unemployment benefit system to sectoral needs.

The social partners have an executive responsibility associated with the joint management of interprofessional training funds and the CIG and CIGS schemes. They are also involved in managing the same provisions for temporary workers.

Sectoral discussion forums exist to discuss issues like competitiveness, productivity, working time and market and employment conditions.

The Italian social partners believe that over the time they have become more influential in lifelong learning and vocational training.

¹⁴ Based on EIRO on-line, *Italy: industrial relations profile*, updated on 17 December 2007 (http://www.eurofound.europa.eu/eiro/country/italy_3.htm)

ITALY - MAIN SOCIAL DIALOGUE INDICATORS

	Italy	EU25
Collective bargaining coverage - % of employees covered by collective agreements, 2006	33.8	63.0
Trade union density, 2007 - % of dependent employees who are trade union members, 2005	70.0	25.0
Employer organization density - % of employees employed by companies that are members of an employer organization, 2006	51.0	n.a

Source: EIRO on-line, Italy: Industrial Relations Profile, 2009.

Recent changes and challenges

Employers’ representatives point out that recently Italian social partners have started to make joint decisions. It is not always easy since there is always some opposition and some political resistance that prevents from having the same opinion. However, in urgent situations social partners manage to reach agreement/-s.

According to trade unions’ assessment “social partners have replaced the government recently”: they have organized themselves in seven working groups (task commissions) and worked out solutions to mitigate crisis. These solutions were presented to the government to be implemented.

As in the case of all European countries, challenge will be ensuring sustainability of the proposed solutions. Streamlining the system of national training provisions and making it more transparent would improve its effectiveness.

Cases of good practice in the field of labour market flexibility and security

The Italian social partners indicated the following good practices relevant for labour market flexibility and security: income support for temporary workers, “flexicurity-friendly” provisions at Pirelli, temporary measures for the unemployed or those threatened with unemployment and a joint training fund.

Example One: Income support for temporary workers

Temporary workers were amongst those hit hardest by the crisis. In May 2009, CGIL-CISL -UIL, Assolavoro (the organisation representing temporary employment agencies) and the Ministry of Labour signed an agreement on experimental measures for income support for temporary workers. Temporary workers who have worked at least 78 days during the previous year are entitled to a payment of 1.300 Euros. The scheme is managed by INPS and is financed 50% by the Ministry of Labour and 50% from *Ente Bilaterale*, a fund managed jointly by the social partners. The arrangement illustrates synergies between public and private financing and the benefits of tripartite cooperation.

Source: UIL questionnaire, May 2009.

Example Two: “Flexicurity –friendly” provisions at Pirelli

Between 1986 and 2001 company-level collective bargaining at Pirelli, the tyre manufacturer, focused on flexibility of working hours and reduction of labour costs through the implementation of lower entry level wages for newly hired staff and more frequent use of temporary agency workers. The collective agreement, signed in 2007, is an innovative and positive example of negotiated flexibility. Among the “flexicurity-friendly” provisions are:

- Modern human resources practices: effective internal communication through forums, workshops, e-learning, team-work as well as knowledge mapping, performance assessment and talent attraction/retention;
- Performance-related pay: 42% of pay is related to volumes, 42% to quality and 16% to attendance;
- A “working time bank” designed to exchange working hours flexibility for salary increases.

Source: CGIL questionnaire, May 2009.

Example Three: Extraordinary measure to support the unemployed

On 19 February 2009, the central Government and Local Authorities (Regions) signed an agreement providing exceptional measures of support for the unemployed workers for the period 2009 - 2010, allocating to this purpose €8.000m (€5.350m from the national budget and €2.650m from regional budgets).

The agreement provides financial means for strengthening the social safety net for unemployed workers and specific active labour market initiatives were proposed to facilitate reintegration into the labour market of the unemployed and those at risk of unemployment. This is currently a temporary measure adopted to address the negative effects of the crisis.

Source: Confindustria and CISL, joint material prepared for 2009 Foundation Seminar Series "Preparing for the future: maintaining employment in times of crisis".

Example Four: FONDIMPRESA – training fund

FONDIMPRESA is a joint interprofessional training fund constituted by Confindustria in cooperation with CGIL, CISL and UIL. It was established in 2001 and is financed from contributions amounting to 0.3% of the workers' salary. It covers approx. 73,000 enterprises and 3,400,000 workers. Its annual budget is approx. 200 million EUR every year. There are two schemes within FONDIMPRESA: *Conto Formazione* and *Conto di Systema*. *Conto Formazione* is an individual account of each enterprise being FONDIMPRESA member and financed from 70% of the total contribution. It aims at ensuring balance between big companies and SMEs as well as enterprises located in the North and in the South. *Conto di Systema* is a collective account that is to support all workers that are members of FONDIMPRESA. It finances training initiatives for them using 26% of the total contribution. Since 2007, thanks to FONDIMPRESA, there were 10.000 training programmes organized worth 570 million EUR from which 980,000 workers benefited. The structure of benefiting enterprises was the following: 84% were small, 13% medium-size and 3% big enterprises. As for the sectors benefiting: 44% of benefiting enterprises were from manufacturing sector, 20% from construction and 20% from services. More than 30% of workers benefitting from initiatives financed by FONDIMPRESA were over 45 years old and approx. 23% were above 34 years old. FONDIMPRESA is managed jointly by social partners.

Source: presentation of dr G. Usai (Confindustria) during cluster seminar in Warsaw, November 2010.

4 Key points arising

From the point of view of the author of this report the following key points are arising in regard to flexicurity in Italy:

- *How can the notions of flexibility and employment security be seen as mutually enriching concepts rather than "trade off" issues?*
- *How can future flexicurity-related developments be financed?*
- *One of the most urgent challenges facing the Italian economy is the need to increase productivity and competitiveness. How can the flexicurity agenda contribute to this?*

Sources and references

Replies to the questionnaire survey, interviews and cluster seminar contributions

Questionnaire replies were received from two trade union confederation (CGIL and UIL) and one employer organisation (ARAN). In addition, CISL provided material prepared for the 2009 seminar “Preparing for the future: maintaining employment in times of crisis” and ARAN provided written answers to the interview questionnaire.

Within the framework of the project interviews with social partner organisations (ARAN, CGIL, CISL, CNA, Confesercenti, Confartigianato, CONFINDUSTRIA and UIL¹⁵) representatives were conducted on 5-8 July 2010 in Rome.

Further resources

1. EIRO on-line, *Green Paper addresses future of welfare system*, updated 19 January 2009, (<http://www.eurofound.europa.eu/eiro/2008/08/articles/it0808019i.htm>)
2. EIRO on-line, *Italy: Industrial relations profile*, updated 17 December 2007, (http://www.eurofound.europa.eu/eiro/country/italy_3.htm)
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2. Eurofound, *Working Poor in Europe 2007*, Dublin 2008.
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11. Giannetti, C., Madia, M., *Flexicurity Pathways in Italy: Learning from Denmark?* Preliminary draft, August 2009.
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¹⁵ In alphabetical order, by name of organization.

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14. Italian Government: Report on the Implementation of the National Action Programme 2008-2010, Rome, October 2009.
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16. OECD, *Education at a Glance 2009*, Paris 2009. V. Pulignano, *Italy National Dossier*, report drafted within the framework of the II Joint European Social Partners organisations project “Study on restructuring in the EU15, Brussels, May 2008, pp. 16-17.