



Italy

Assessment of the 2008–2010 National Reform Programmes for Growth and Jobs from a social inclusion perspective: The extent of synergies between growth and jobs policies and social inclusion policies

A Study of National Policies

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Summary

This assessment report concerns the Italian 2008-2010 National Reform Programme (NRP on the Lisbon Strategy) dated 6 November 2008. The assessment focuses on synergies between growth and job policies and social inclusion policies (“feeding in” and “feeding out” dynamics).

The most positive aspects of these dynamics are related to: the progress made between 2005 and 2008 in several regions (North and Centre of Italy); a clearer correlation between employment services and employment activation; a better integration of employment, gender and social policies related to the combined effect of different measures (e.g. reconciliation of work and family life, job creation, support to SMEs, child and elderly care, social housing), especially at regional and local levels.

Although only partially mentioned in the NRP, attempts to reduce income inequality were made between 2007 and 2008 through reduction in labour-related taxation (mainly in favour of open-ended labour contracts), tax relief and an increase in allowances for low-income persons and households.

The information provided by the NRP confirms that Italy is still far from meeting many of the Lisbon targets. To face challenges already identified by the EU Commission, the NRP contains elements of discontinuity with respect to previous measures, especially in employment policies.

Several weak points can be perceived in the NRP rationale that undermine the inclusion policies for employment and economic growth. This has resulted in an imbalance in the four pillars of the Lisbon Strategy (social, employment, economic and environmental dimensions) and an asymmetrical hierarchy of priorities. With this rationale, the NRP appears to point towards a revision and simplification of the Lisbon priorities in 2010.

The NRP identifies low productivity as the main economic problem in Italy, aggravated by strong regional differences. Reducing rigidities in the labour market and increasing productivity are thus the NRP watchwords for combating poverty and social exclusion. This has been linked to labour policies based on the reduction of bureaucratic and formal burdens to companies and workers and a reduction of the indirect costs of employment. Employment activation is clearly influenced by the Italian recent Green Paper on the future social model. This document pursues an alternative model to conventional social welfare systems: to create a “welfare of opportunities” centred on increasing responsibilities and active behaviour of the person and its relational projections from the family to social communities and networks. A workfare approach is emphasised and the principles of subsidiarity are more directed toward individuals and civil society agencies (e.g. self-organising well-being paths) than for the state (e.g. empowerment of people and social communities through adequate resources).

Unemployment and job precariousness, regional disparities, gender differences, discrimination (e.g. immigrants, homeless and ethnic minorities), material deprivation and poverty are expected to increase also due to the effects of the international financial crisis. Unfortunately, further significant cuts are being introduced in public spending and in resources allocated to local authorities. A reduction in basic services could lessen the general quality of life while measures adopted so far appear insufficient to face the increasing risk of poverty. There is need for a more integrated approach and a more equitable income distribution that: balances universal rights and

measures targeted to the most vulnerable; improves public services; harmonises “shock absorbing” mechanisms; coordinates devolution of responsibilities and resources to improve outreach schemes; adopts a systematic impact assessment on “feeding in” and “feeding out”.

A – Overall assessment of implementation of the 2005 – 2008 NRP during the past year from a social inclusion perspective

Exactly one-year separates the last Implementation Report (October 2007) and the 2008-2010 National Reform Programme (November 2008). In this time, a significant change in the legislature has occurred, the experience of a centre-left government has concluded (May 2006 – May 2008) and a new political perspective under a centre-right government has been initiated (from May 2008 to present). This change is clear in the different approaches that have been taken and are detailed in the economic and financial document (DPEF), prepared annually by the government to explain the political rationale and priorities for acts to be successively enforced (Table 1).

Table 1: Comparison between political rationale and priorities stated by DPEF	
Period May 2006 – May 2008	From May 2008 to date
Economic growth, recovery of public finances and social equity to ensure a sustainable development through a reduction in the national debt, an increase in gross domestic product, fiscal reform and cross-cutting policies to tackle monetary poverty and social hardship (e.g. the most vulnerable people and the Southern regions)	Lower costs, development through a reduction in the burden of bureaucracy and in the overall cost of the state, a more efficient public administration and removal of constraints in the economic system. Reducing the impact of high costs and home mortgage, especially for the more disadvantaged population

Both approaches are of an economic nature, but while the first one follows the principle “more growth is not possible without more social equity and cohesion” (DPEF), the second one follows the principle “more growth, more advantages, resulting in less poverty” (Caritas, 2008). The principles apparently similar, but opportunities to actively participate in the improvement of living conditions are less apparent when hardship is considered a consequence of the economic system and attempts to incorporate social equity in growth are minimised. In 2007, a strengthening of the social dimension can be noted when “feeding in” and “feeding out” correlations (e.g. between employment, economic and anti-poverty policies) were made more evident by the attempts to reduce income inequality. The 2007 and 2008 financial laws (along with other relevant acts) moved towards a combination of fiscal reform (including significant increase in allowances related to family burden and tax relief for low income persons) and reduction in labour-related taxation (e.g. 2% in favour of employees and 3% in favour of enterprises) to enhance permanent employment. Furthermore an attempt was made to introduce a negative income tax for the poorest households (the so-called “*incapienti*” who do not pay taxes due to low income). A rough analysis on the impacts of these measures is included in the independent assessment report on the 2008-2010 NSRSPSI. A beneficial impact on workers with dependant relatives, large households and pensioners was evident, with a small reduction in the GINI index for households and from 36.75% to 36.45% (- 0.3 percentage points) for individuals (Pellegrino S., 2008). (GINI scale from perfect equality (0) to maximum inequality of income (100%)) between 2006 and 2008: from 35.52% to 35.18% (- 0.34 percentage points)). However, results have been less than expected mainly due to the “inflation tax” (so-called fiscal drag effect). Unfortunately, a systematic impact assessment does not exist in Italy to demonstrate good examples of “feeding in” and “feeding out” correlations, as underlined the following pages.

B – Assessment of the 2008 – 2010 NRP from the perspective of social inclusion

The approaches introduced in the previous section influence the contents of the 2008-2010 National Reform Programme (NRP), as well as its presumed links with the 2008-2010 National Strategy Report for Social Protection and Social Inclusion (NSRSPSI).

B.1 Overall assessment

The 2008-2010 NRP takes into account the 2008 EU Council recommendations and “points to watch” (EC, 2008) with attention to strengthening the social dimension and to increasing interrelationships between growth&jobs and social inclusion policies (feeding in and feeding out processes).

Importantly, the current parliamentary debate on the 2009 financial bill reveals the dimension of reduction in public spending (already anticipated by Law No 133/2008 and the updated 2009 – 2013 economic and financial document - DPEF). If approved as it is, the financial bill will cut resources in key policy domains, such as: balanced regional development (-28%); household and social rights (-2%); health (-6%); education (-3%); employment (-4%); immigration (-5%); youth and sport (-14%); housing (-8%); spatial planning (-3%), sustainable development and environmental protection (-16%); energy (-19%); agriculture and fisheries (-21%); competitiveness and enterprise development (-12%); research and innovation (-8.2%); cultural heritage (-19%); public order and safety (-5%) (Il Sole 24 ore 27 October 2008 and 5 November 2008). These cuts have important impacts on stakeholders: regional and local authorities because they contribute to a situation where less local revenue (e.g. the abolition of yearly local property tax for main home) and less resources for service delivery (e.g. a reduction in the national fund for social policies and the financing of the national health service in 2008) are present; trade unions (e.g. negative impacts on low-income households, jobseekers, women, disabled, immigrants and workers, especially those employed in precarious jobs); students and academics (e.g. low opportunities for educational attainment and research); environmentalists (e.g. more risks of degradation of natural resources).

Within this scenario of probable perspectives, the following overview (Tables 2 and 3) summarises key points that are assessed more in depth in the next sections of this report.

Table 2: EU Recommendations and incorporation of social dimension in the new NRP

Italy is recommended to:	Strengthening social dimension	Feeding in / feeding out
Rigorously pursue fiscal consolidation, in particular by curbing growth in current primary expenditure, and fully implement and, where appropriate, complete the pension reform process with a view to improving the long-term sustainability of public finances	A progressive debt reduction is pursued, but without significant cuts in national funds for social and health policies. However, resources for local authorities were significantly reduced and consequently a reduction is expected in social services delivery. The 2007 reform of the pension system tries to balance costs and benefits between old and young generations.	Implicit awareness of interrelationships, demonstrated by lack of clear analysis on impacts and a “business-as-usual” approach
Continue the progress made to enhance competition in product and services markets and vigorously pursue the implementation of announced reforms	Further measures were enforced to increase competition and transparency in several sectors, while simplifying administrative procedures and increasing anti-trust controls. Minor measures were introduced to mitigate the impacts on the poorest (e.g. a so-called “social card”).	Implicit awareness of interrelationships, demonstrated by a generic expectation of positive impact (e.g. reduction in costs for the overall population)
Improve the quality and labour market relevance of education, promote lifelong learning	Significant cuts in public spending interest education systems. These measures, combined with other recent provisions on apprenticeship, training and compulsory education, risk to lessen the role of university and school systems.	Interrelationships taken for granted (implicit awareness) with risk of negative effects on educational supply (e.g. minors) activity rate (e.g. women), households conditions (e.g. income)
Further tackle undeclared work, ensure the efficient operation of employment services within a flexicurity approach	Measures against black market, to favour health and safety at workplaces, to improve the quality of employment services were confirmed, but new measures weaken the attention to job precariousness and labour market segmentation.	Explicit awareness of interrelationships, but more recently biased by an overwhelmingly economic approach (reducing rigidities in the functioning of the labour market and increasing productivity growth)
With a view to reducing regional disparities	Important measures are contained in the 2007-2013 National Strategic Reference Framework (EU Structural Funds), but new decisions reduced national resources and centralised decision making	Explicit awareness of interrelationships, but more recently orientated towards centralisation of resources in favour of large national projects

Points to watch:	Strengthening social dimension	Feeding in / feeding out
Increasing R & D investment and efficiency, where despite welcome policy developments, further efforts are needed to reach the 2010 target and to enhance the efficiency of public spending	Previous measures are confirmed (e.g. tax credits for companies, technology-districts, a national programme for industry (Industry 2015), a national agency to co-ordinate and assess quality of University and Research, science & technology poles especially in the Southern regions, other significant regional initiatives).	Implicit awareness of interrelationships, demonstrated by expectation of positive impact especially on economic growth
Strengthening efforts to meet the greenhouse gas emission reduction targets	Although previous measures (e.g. 2007 and 2008 financial laws) are confirmed, targets were recently discussed with the UE Commission, aiming to reduce commitments to the Kyoto Protocol, while an arguable choice was made in favour of nuclear power	Lack of awareness of interrelationships with poverty issues, implicit awareness of impact on general well-being, prevalent business-oriented approach
Improving the quality of regulation by strengthening and fully implementing the system of impact assessment, notably for SMEs	New measures were recently introduced to modernise public administration, to simplify laws, rules and public institutions while confirming the previous national action plan to evaluate and improve law quality.	Implicit awareness of interrelationships in terms of an expected general reduction in the burden of bureaucracy and in the overall cost of the state
Implementing plans to improve infrastructure especially for its contribution in Southern Regions	Previous plans were confirmed and new measures adopted to foster modernisation in Information and Communications Technologies, the EU master plan (TEN-T), improvement of railways, sea-highways and roadways and partly sustainable mobility. Attention is focused to the South, although an arguable choice was made to re-allocate resources to the bridge on the Messina Strait (cancelled by previous programming).	Implicit awareness of interrelationships (e.g. infrastructures as a precondition for economic growth), demonstrated by conflicts in environmental, social and health impact assessment (e.g. EIA and SEA) for some projects
Continuing to increase childcare and elderly care provision with a view to reconciling work and family life and fostering labour market participation of women	Previous measures to reconcile family and work life were confirmed to favour women employment along with childcare services (e.g. nurseries and first years' education facilities).	Explicit awareness of interrelationships, but more recently biased by an overwhelming economic approach (reducing rigidities in the functioning of the labour market and increasing productivity growth)
Putting in place a consistent active ageing strategy to increase employment of older workers, and with a view to improving pension adequacy	The 2007 reform of the pension system extended gradually the retirement age and increased benefits for low-income elderly people. New measures allowed them to combine pensions and wages.	

The above-mentioned tables summarise the awareness of “feeding in” and “feeding out”. Against this backdrop, it is evident that the recently adopted “social card” (aimed at lessening food, energy and gas costs for the poorest) appears to be a weak instrument compared with emerging problems (e.g. slowdown of the economy, higher oil and commodity prices, and ongoing turbulence in the financial markets). Unfortunately, the NRP does not foresee other significant measures to prevent the probable impacts of these economic problems on people at risk of poverty and social exclusion.

Furthermore, the economic approach tends to demonstrate that links were not significantly strengthened between the NRP and the 2008-2010 NSRSPSI, or that the latter was not able to conceive a clearly convincing social inclusion strategy.

B.2 Feeding out

Feeding out is a process that expresses how growth and employment policies improve social inclusion policies. The NRP analysis of this process is linked to political awareness and the willingness to foster an actual contribution from employment and economic growth policies. However, the NRP did not specifically identify any notable example of “feeding out”, although some show particular potentiality and are described in the following paragraphs.

B.2.1 Employment and feeding out

The assessment of “feeding out” processes takes into account some key components of the employment policies, namely flexicurity, adequate income from work, job creation, small and medium sized enterprises (SMEs), reconciliation of work and family life, active ageing. The NRP formulates mostly generic considerations on their contribution to social policies, probably because the latter are conventionally recognised as by-products of the former. However, an in-depth analysis is necessary regarding the “feeding out” potential of the combined effect of measures regarding job creation, SMEs and reconciliation of work and family life. Examples of learning and good practices are likely to be found in local initiatives, supported by regional schemes that aim at improving integration of employment, gender and social policies.

Flexicurity

Flexicurity policies (EC, 2007) are necessary to promote a more balanced system of rights and responsibilities (for employers, workers, jobseekers and public authorities) in order to tackle segmentation in the labour market where both relatively protected and unprotected workers coexist (“insiders” and “outsiders”). An indicator of this segmentation is represented by number of workers with precarious jobs. In Italy they constitute an important issue given that it concerns nearly 4,5 million workers (around 15% of the overall employment), although it is very difficult to arrive at a clear quantification of the current situation (Mandrone E. and Massarelli N., 2007; Boeri T. and Garibaldi P., 2008). Job precariousness is concentrated in the South, on younger persons (nearly half of young people have fixed-term labour contracts) and women, with recent increases in the adult and ageing segment of the population.

To reduce segmentation in labour markets, an agreement on “Social Security, Labour and Competition for Sustainable Equity and Growth” was signed by the government and the social partners in July 2007 (quoted hereafter as Welfare Protocol, enforced by Law No 247/2007).

The Welfare Protocol included key measures aimed at: reforming the “shock absorbing” system (namely unemployment and socially-related benefits); revising employment incentives along with apprenticeship and atypical labour contracts; improving the quality of employment services; fostering active participation by customised “pacts” between the employment services and job seekers; applying a “welfare to work” approach while providing monetary benefits according to an effective involvement in training and labour insertion plans.

Other rules were introduced against black labour market (Law No 248/2006) and to favour health and safety at workplace (Laws No 123/2007 and 81/2008).

However a discontinuity can be noted between the measures envisaged by the Welfare Protocol and those contained in the new NRP.

These measures (anticipated by Laws No 126/2008 and 133/2008) are inter alia: the extension of fixed-term contracts both in terms of employer needs (e.g. ordinary activities) and time duration (e.g. possibility to extend beyond the 36 months maximum through collective bargaining); the reintroduction of the "job-on-call"; the extension of work and workers categories (for instance, seasonal activities and people aged under 25) to be temporarily employed through vouchers for atypical support jobs; an exclusive responsibility attributed to collective bargaining and joint agencies of social partners (so-called "enti bilaterali") for training related to in-company apprenticeship while excluding regional authorities from competences already attributed in this policy field; the extension of flexible working hours (e.g. restrictions on daily, nightly and weekly rest).

Adequate income from work

There is need, both at national and sub-national levels, to better combine unemployment and socially-related benefits and to modernise collective bargaining, but difficulties arise from delays in the reform of the "shock absorbing" system, from segmentation in labour market (e.g. more than 40 types of labour contracts) and from a structural presence of irregular jobs (e.g. black economy estimated to constitute around 17% of the GDP). These difficulties obviously affect the above-mentioned flexicurity policies, while job creation and self-employment measures do not suffice to compensate for the risk of in-work poverty.

As a general remark, the NRP does not clearly analyse the problem of in-work poverty. Therefore, measures to ensure that employment will lift people out of poverty and social exclusion are not clearly planned.

The NRP identifies two structural problems (rigidities in the functioning of the labour market and a low productivity growth) and the strategy to deal with them. The latter includes: simplification of placement and administrative documents (e.g. a single labour accounting procedure, so-called "libro unico del lavoro"); reduction in taxation for overtime and productivity bonuses for workers of private sectors (on an experimental basis from 1/7/2008 to 31/12/2008); elimination of the limits to combine incomes from pensions and wages. These measures are associated with those already envisioned in the flexibility field of action (reintroduction of job-on-call, extension of fixed-term contracts and so on) and all together are directed at combating black economy and irregular jobs.

However, simplification measures do not directly combat the existence of irregular jobs and are not thoroughly controlled. For instance, it is up to the employer to exhibit proof of a mandatory recruitment communication. Reduction in productivity-related taxation generally favours workers in companies already well positioned to increase their market shares. Furthermore, the merging of pensions and wages could allow a social dumping between older and younger workers.

According to some experts (Boeri T. and Garibaldi P., 2008), two pillars should be created to ensure adequate income from work: a nationally-based single open-ended contract for all workers with minimum universal standards to favour increasing safeguards over time (upon which

collective bargaining should be targeted to sectoral and territorial specificities) and a national minimum wage mechanism.

Job creation

The NRP does not specify job creation measures for vulnerable groups (e.g. jobless households, working poor, single parents, people with disabilities, ethnic minorities). Some measures do, however, concern women and young people. In this manner, the NRP follows a trajectory already developed by previous plans and strengthened by the Welfare Protocol. For instance: three funds (a micro-credit fund to support innovative activities of young people with priority given to women; a credit fund for young self-employed people to foster generational transfer of small businesses and cooperatives in artisan, trade, tourism, agriculture sectors; a credit fund to compensate unemployment periods where young people are engaged in a specific form of temporary work); a fund devoted to degraded urban areas to promote economic renewal and regeneration considering social and cultural inclusion also by creating small and micro-enterprises; a fund to promote youth entrepreneurship in agriculture; reorganisation of all norms concerning women employment; creation and consolidation of women-led enterprises (ex-Law No 215/1992) within a fund for corporate finance; simplified procedures for enterprise creation and management (e.g. one-stop centre at a municipal level) and increasing competition related to services.

Some of these plans and funds are mentioned by the NRP along with specific projects to promote young entrepreneurship in collaborations between schools (e.g. a national network to simulate enterprise creation), training agencies, development agencies (e.g. Chambers of Commerce), trade associations (e.g. in artisan sector) and regional authorities (e.g. the operational programmes to utilise the EU Structural Funds).

Small and medium sized enterprises (SMEs)

The NRP fully acknowledges the role played historically by SMEs in Italy in terms of entrepreneurial fabric (e.g. industrial districts) and employment. The NRP provides measures to enhance their role according to the 2000 European Charter for Small Enterprises. Measures include several related to job creation (e.g. cheaper and faster start-up through one-stop centre, education and training for entrepreneurship). Other measures developed by regional governments concern organisational innovation (e.g. networks), technological capacity and a better access to financial support.

Reconciliation of work and family life

The NRP reaffirms measures adopted previously, such as: the 2007 plan of socio-educational services devoted to children (including nurseries and crèches also in the workplace and households' aggregation) along with the so-called "springtime-classrooms" (for children aged 2-3) through the collaboration between the State, regional and local authorities while improving and opening crèches of the Defence Ministry to all children; regional projects to improve accessibility and innovation of these services also through the 2007-2013 National Strategic Reference Framework (utilisation of the EU Structural Funds).

It is worth noting the existence of other measures, partly quoted in the NRP, inter alia: projects supported by Law No 53/2000 and aimed at re-organising services' time, promoting volunteer "time banks" and new forms of flexible work organisation (including work time, part-time and tele-working); maternity and parental leaves (extended in the case of minors' adoption); priorities given to women employment in the utilisation of the European Union Structural Funds (starting from the ESF) especially to improve vocational guidance and training, as well as labour insertion; basic services for elderly not-sufficient people along with qualification of household assistant workers (for disabled, elderly, children and so on) through certification procedures and vocational courses.

Furthermore, the NRP anticipates that the government will prepare a national plan to improve coordination of actions to increase participation of women in the labour market, including self-employment. Attention is also focused to a family-quotient taxation system to be introduced progressively. However a more cautious approach seems to be necessary by considering the pros and cons of this system (for which family is the taxable entity instead of individuals). If the main advantage consists in taking into account the family composition and the associated costs (e.g. children), a significant disadvantage is that the family-quotient does not distinguish number and gender of breadwinners, thus it does not encourage women's employment (in Italy usually woman have a lower income).

Older workers and active ageing

The recent reform of the pension system (introduced by the Welfare Protocol and enforced by Law No 247/2007) extended gradually the retirement age while increasing pensions for people aged 64 and over with a low income (Law No 127/2007). At a sub-national level, many regions are promoting initiatives for active ageing mainly through the utilisation of the 2007-2013 EU Structural Funds.

Within this context, the NRP describes a recent measure (Law no 133/2008) to revoke the limits to combined incomes from pensions and wages. This measure can be an incentive to extend work life after retirement.

B.2.2 Economic growth, financial sustainability and feeding out

The assessment of "feeding out" processes takes into account several key components of the economic dimension, namely fiscal consolidation, fiscal policies, regional policies, housing policies, access to credits and banking services (over-indebtedness), liberalisation of services and access to the internet.

The NRP does not provide evidence of the contribution of these policies to social inclusion strategies, apart from a general positive impact from the liberalisation of services (compensated by mitigation measures for the poorest). However, the 2007-2013 National Strategic Reference Framework is orientated towards reducing regional disparities, even if a certain discontinuity (or conflicting tendency) is evident between previous and new decisions on the allocation of resources and their management. Public housing policies should be considered as delayed planning actions necessary to face hardship and emergency, which have increased for low-income households. The probable "feeding out" mechanisms between housing policies and social policies would constitute an interesting analysis, especially if the contribution to environmental renovation and better living conditions is considered.

Fiscal consolidation

The NRP follows the 2009-2013 economic and financial document (DPEF) by which the consolidated gross debt should be reduced from the current 104% of GDP to 98% in 2011 with a decreasing trend in the following years. The 2008 financial law and the spending-review system initiated in 2007 introduced a more result-oriented approach. Other measures concern the rationalisation of public spending both at national and sub-national levels while a bill for fiscal federalism was submitted to Parliament debate. Within this scenario, financial resources (already allocated by the financial laws for 2007 and 2008) were not reduced in social and health services (e.g. respectively the national funds for social and health policies), which are largely managed by the regions and local authorities. However, the current parliamentary debate on the 2009 financial bill reveals a tendency to cut also these financial resources.

At the same time, the pension reform (introduced by the Welfare Protocol and enforced by Law No 247/2007) better balanced costs and benefits between generations. According to the DPEF, main items of public spending in terms of GDP percentage points will remain quite stable between 2009 – 2013: around 7% for health, 3% for other social benefits and 14% for pensions. Pension costs are expected to increase from 2025 to 2040 (reaching a peak point above 15%) and to decline in the following years (below 14% in 2050) due to demographic changes.

Fiscal policies

International studies (OECD, 2008; EC, 2008) underline the gap between Italy and the best performing countries in the European Union in terms of income inequality and unbalanced redistribution policies.

Inequality in income distribution: a S80/S20 ratio (proportion between the 20% of population with the highest income and the 20% of population with the lowest income) of 5.5 points (two points more than in Slovenia and Denmark); a GINI coefficient (perfect equality at 0 value and maximum inequality at 1 value) of 0.35 (the twenty-fifth lowest position amongst the 30 OECD countries) that arrives at 0.61 when wealth concentration (i.e. the distribution of household net worth) is taken into account (the richest 10% of Italian households control 42% of total wealth).

Unbalanced government redistribution policies: a low poverty-reducing effect of social transfers except old-age and survivors' benefits (17% compared with 59% in Sweden, 57% in Denmark and 52% in the Netherlands), confirming that the countries with the lowest poverty rates are clearly those who spend most on social benefits and achieve the best distribution of household disposable income when public cash transfers are targeted to the poorest 20% of the population (e.g. a public transfer share of more than 30% in Denmark, Finland and the Netherlands compared with a share of less than 13% in Italy); a higher spending on old-age and survivors' benefits than on other social protection benefits (e.g. disability, family and children, unemployment, housing and social exclusion) (61% of the total outlay, 18 - 23 % more than in the Netherlands, Sweden and Denmark).

According to the DPEF, tax burden (total tax revenues and social contributions) will remain quite stable between 2009-2013 (around 43% of GDP), but the related impact on social inclusion is not analysed and fiscal policies oriented towards income redistribution are not presented.

Significant stakeholders (from trade unions to the Bank of Italy) have requested further fiscal relief to compensate income related impacts of the inflation “tax” (both household and company). The NRP does not present specific measures in this direction. The already commented “social card” (to lessen food, energy and gas costs for the poorest) appears to be a weak instrument compared to, for instance, more structural fiscal reforms aimed at reducing fiscal burden for low income workers and increasing pensions for low income elderly people.

Regional policies

Regional disparities (and especially the Southern question) constitute the main structural problem for cohesion in all policy fields in Italy (economic, social, cultural, employment and environmental) while being at the basis of the current debate on fiscal federalism.

International studies (OECD, 2008; EC, 2008) show that territorial disparities measured in terms of employment dispersion (16% coefficient of variation, seven times greater than for the Netherlands) combine with major gaps between Italy and the best performing countries in the European Union to create significant disparities.

Main gaps are indeed recorded in gender differences (51% of women activity rate, 26 percentage points less than in Sweden) and age differences (20% youth unemployment rate, three times higher than in the Netherlands; 34% employment rate of older workers, two times lower than in Sweden).

The NRP takes into account fiscal federalism as a lever to reduce regional gaps, while confirming the importance of the 2007-2013 National Strategic Reference Framework. This programme allocates the largest share of resources (82% of the overall € 124.7 billion) to the development of the Southern regions. The overall amount of available resources is constituted by the EU Structural Funds (23%), the national co-financing (25%) and the national fund for under-utilised areas (so-called FAS, 52%).

The FAS plays a key role, both in terms of additional resources (€ 64.4 billion) and their allocation to the South (85%). Priorities (including improvement of human resources, innovation and knowledge development, sustainable use of natural resources, quality of life and social inclusion) were decided in 2007 with the involvement of significant stakeholders (NGOs, regional and local authorities, public central and decentralised departments). However, the NRP confirms some important changes introduced more recently: a reduction in the FAS resources (€ 7.7 billion less between 2009 and 2011), the cancellation of previous decisions on the FAS programme, centralisation and rationalisation mechanisms to re-orient the financial recourses towards large national projects.

Housing policies

The NRP describes two main measures in the housing policy field, namely: a special guarantee fund for young couples and single parents with children for the purpose of their first home with priority given to workers with fixed-term contracts; full exemption from local property taxes for the main home.

Other measures to be taken into account are: support to lessen mortgage loan pressures through an agreement between the government and the Italian banking association (ABI); further criteria for a national plan of public housing (e.g. low-income beneficiaries, financial mechanisms, private and public partnerships) along with a simplified dismissal of housing estate owned by public institutions.

Public housing policies, especially devoted to low income households were initiated in 2007 (Law No 9/2007 and other acts) and included: a national plan with recovery and renovation of public housing assets in large urban areas as a priority; new resources to increase the supply of social housing (also through the collection of resources not utilised previously by the State, regional and local authorities); eco-building criteria (e.g. improvement in environmental quality, energy efficiency and reduction of pollutant emissions); a solidarity fund mortgage loan; yearly taxation relief for rented houses (according to the income levels and also aimed at favouring geographical mobility of workers); resources provided by a National Fund for Youth Policies with benefits on housing facilities; partial exemption of local property tax for main home; taxation relief for housing improvement and home renovation (including costs for removing physical barriers in favour of disabled relatives, for energy saving building, equipment and appliances).

Access to credits and banking services and over-indebtedness

Surveys carried out during 2007 and 2008 (e.g. EURISPES, 2008) underlined the loss of purchasing power, low wages, surge in prices (including those of essential goods), reduced savings and increased consumer credit (thus, a higher household indebtedness).

However, the NRP does not specify measures devoted to the most vulnerable categories, apart from some benefits that can be discovered in the public housing plan, National Fund for Youth Policies (launched in 2007) and the associated plan (aimed at providing support on credits to buy goods and services, as well as to finance study periods, vocational training and enterprise creation) along with a credit-fund for people aged 18-40.

Liberalisation of services

Liberalisation of services started decisively in Italy in 2006 (e.g. Laws No 248/2006 and 40/2007) aimed at increasing competition and transparency in several sectors (for instance, bank and insurance services, professions' registers, retail services, taxi services, pharmacies, flight fares, fuel price), while simplifying administrative procedures (favouring inter alia enterprise creation) and increasing anti-trust controls.

The NRP confirms this trajectory while revealing a positive general impact on reducing costs for the overall population (e.g. -1% between 2008 and 2007 in banking services). However, an in-depth analysis on the impact on socially vulnerable categories has yet to be carried out, while several external assessments (e.g. consumer associations and the Bank of Italy) have expressed doubt about the validity of these results.

An important aspect of the Italian scenario is introduction of a "class action" mechanism in the 2008 financial law, to protect interests of consumers (e.g. in energy supply and delivery, regulation of financial markets and public utility services, reorganisation of local public transport services, intellectual professions, postal services).

Furthermore, the 2007 financial law included social funds to allow municipalities to reduce costs of energy supply contracts for the most vulnerable categories (namely, elderly and disable people and those with a low income), while the already commented “social card” was introduced in the late 2008 to lessen food, energy and gas costs for the poorest. There is however the need to better synchronise these measures since the former is managed at a local level and the latter by national agencies with centralised procedures. It is worth remembering that: regional and local authorities (namely municipalities) are the main institutional agencies responsible for social policies and integrated services, as well as some types of income support to the poorest. Some municipalities experimented with the “household card” and “food-card” in 2007 and 2008, trying to integrate these measures within personalised paths for social inclusion.

Access to the Internet

The NRP reaffirms the plan for broadband Internet access and to reduce digital divide throughout the national territory, adding new resources to those allocated during 2007-2009 in collaboration with some regional authorities. Unfortunately, the impact of this plan on those experiencing poverty and social exclusion is not taken into account.

B.3 Feeding in

Feeding in is a process that expresses how social inclusion policies improve growth and jobs policies. The NRP takes into account the 2008-2010 NSRSPSI rationale and some of the main measures adopted so far. Unfortunately, it is very difficult to affirm that a clear strategy was formulated in both documents to ensure that the two policy domains (social inclusion, growth & jobs) are mutually reinforcing. Furthermore, major examples of “feeding in” are not mentioned in the NRP.

The assessment of the “feeding in” process takes into account some key components of the social inclusion policies, namely active inclusion, education, training, lifelong learning, gender equality, anti-discrimination, child and family poverty, social economy.

Active inclusion

The NRP provides a series of measures concerning the three pillars of active inclusion according to the EU strategy (EC, 2006): employment activation, adequate minimum income and access to support services. However, the three pillars appear to be not yet adequately connected and there is a lack of analysis on how this connection could contribute to growth and jobs objectives.

Employment activation is clearly influenced by the workfare approach that characterises the Green Paper on the future social model (MLSPS, 2008). The approach is presented as an alternative model to conventional social welfare systems. The aim is to create “welfare of opportunities” centred on increasing responsibilities and active behaviour of the person and the projection of relationships from the family to social communities and networks. This emphasis, while pursuing the principle of subsidiarity (e.g. more activation of individuals and civil society agencies) tends to lessen the attention on the role of the state and shift risks from institutional to individual capacities (e.g. unemployment, material deprivation and poverty).

Adequate minimum income mechanisms have not been created at a national level, even though experimentation with a similar instrument (RMI, minimum income scheme for social insertion) was carried out between 1999 and 2004 and some Regions enforced minimum income mechanisms before and after the nation-wide experimentation with the RMI, also through programmes related to solidarity income allowances.

Access to support services has evolved in recent years. The improvement of employment services was addressed in the Welfare Protocol (enforced by Law No 247/2007). Socio-educational services devoted to children (e.g. nurseries, crèches, and the so-called “springtime-classrooms” for those aged 2-3) follow the national plan initiated in the 2007 and 2008 financial laws, in collaboration with regional and local authorities. Health services follow the path initiated by the 2006 “new deal for health” between the state, regions and local authorities (enforced by the 2007 and 2008 financial laws). There is obviously a clear correlation between employment services and employment activation, as well as a positive contribution of socio-educational services for children to reconcile work and family requirements. However, an in depth analysis has yet to be performed regarding the contribution that improved services have made to active inclusion, while social services are poorly mentioned and the improvement of education policies is arguable (see below).

Education, training and lifelong learning

Compared to other EU countries (EC, 2008), Italy shows lower educational attainment for both young people and adults with a significant rate of early school-leavers (19%, four times higher than in Poland). The NRP confirms the regional and national courses of action described in the 2007-2013 National Strategic Reference Framework. The main expected results are to reduce: the rate of early school-leavers to 10%; the percentage of 15 year old students with low reading and mathematical literacy to, respectively, 20% and 21% (from the current 35% and 48%) according to the PISA scale (OECD Programme for International Student Assessment).

The NRP fully acknowledges the commitment of Regional authorities to develop important initiatives while fulfilling their institutional role in programming training and educational policies. Similar remarks concern lifelong learning policies where the social partners play an important role to managing joint funds (so-called “fondi paritetici interprofessionali” that currently involve nearly 482,000 companies and 6.2 million workers) and the utilisation of individual training vouchers is increasing (generally redundant workers, workers with “atypical” labour contracts, adults aged over 45 and with a low educational degree).

The NRP describes main measures to modernize the school system between 2009 and 2012. Unfortunately, these measures (enforced by Laws No 133 and 169/2008) may weaken the current educational performances as they include a major reduction in financial resources, teaching and administrative staff (e.g. less hours per week, a single teacher in primary education classrooms, the reduction in number of small educational institutions). Other significant cuts have also been proposed for the university system.

Apprenticeship contracts were extended to PhD studies while changes were introduced in compulsory education. The 2007 financial law extended compulsory education to an upper secondary degree or a professional qualification by 18 years of age and, consequently, increased the minimum age to enter labour market from 15 to 16 years old. New rules (Law No 133/2008) established that compulsory education can be accomplished through vocational training

pathways. The combined effects of these measures may lead to a reduced role played by the university and school systems.

More in general, the contribution of this policy field to the growth and jobs objectives is taken for granted. In fact, a negative "feeding in" example may be observed if educational levels are reduced: a lower availability of high quality human capital (determined by low educational attainment of the current children and young people); higher women unemployment over the next three years (due to a large share of women teachers becoming redundant); lower women activity rate both in short-term and long-term (given that less hours for pupils' education mean more hours spent by children at home and, thus, less time for women to participate the labour market).

Gender equality

The NRP does not analyse in depth the contribution of gender equality policies to growth and jobs objectives even though, as already mentioned (see "reconciliation of work and family life" in the feeding out section of this report), there is a government willingness to prepare a national plan with coordinated actions for equal opportunities between men and women and to increase their participation in the labour market.

Furthermore, continuity of previous measures (e.g. those enforced by Laws No 198/2006, 248/2006, 296/2006 and 244/2007) is not made clear (or taken for granted), for instance: two linked national funds, one for rights and equal opportunities, the other for policies against sexual and gender violence; a plan against violence to women; a new Equal Opportunity Code to support women entrepreneurship and to increase women activity and employment rates; other resources to experiment with gender budget (according to the 2005 Beijing World Summit) in public administration and to improve gender statistics (system managed by ISTAT, the national institute for statistics).

Anti-discrimination

The NRP does not clearly mention anti-discrimination measures, probably because the level of citizens' rights (and attitudes open towards diversities like gender, disability, age and sexual orientation) is considered to be already well embedded in the growth and jobs strategy.

At the same time, the socio-cultural and economic impacts of immigration flows are not taken into account neither as a demographic change nor in terms of the probable consequences in discrimination (especially on grounds of race, ethnic origin, religion and belief).

According to several sources (ISTAT 2008 and 2008a; Caritas/Migrantes 2008), legal immigrants constitute between 6-7% of the resident population and contribute to a yearly increase of population (around +1%). They constitute more than 7% of the total employment and have higher employment rates (between 7-9 percentage points) than Italians and contribute 6-9% of GDP and to nearly 1% of total tax revenues. Immigrant minors (0-17 years) represent 22% of all immigrant population (about 6% higher than their Italian peers).

Several attempts were made in 2006 and 2007 to update the legal framework towards solidarity and multi-cultural cohesion, as well as financial resources (e.g. the 2007 and 2008 financial laws)

for funds and initiatives aimed at supporting a better social inclusion (including prevention of ethnic bad practices like that of women genital mutilation).

Recent acts (e.g. Laws No 125/2008, 133/2008) introduced more limits to immigrants rights, for instance: restriction on minimum social pension allowance (so-called “assegno sociale” for low-income people aged over 65) since immigrants have to live and work legally for ten years in Italy with an income greater than the allowance amount; restricted access to the national plan for public housing and housing allowances (linked to the minimum permanency time of ten years in Italy or five years in the same region); restriction on health services for European citizens not in compliance with existing laws (e.g. without a job and adequate income, generally Roma minority and Romanian people); more severe public safety rules regarding expulsion from Italy and including penalties and prison sentences for employing, providing lodging and favouring illegal immigration; more rigorous control over foreigners for the payment of taxes and social security contributions; and finally, the exclusion from the “social card” aimed at lessening food, energy and gas costs.

Child and family poverty and social exclusion

The NRP takes into consideration social exclusion with attention to child and family poverty. For instance, combined with the 2008-2010 NSRSPSI, the NRP confirms the government commitment to: prepare a national action plan for childhood and adolescence; give continuity to the national fund for not-self-sufficient elderly persons (to be managed by regional and local authorities); improve norms that allow low-income people to face housing hardship; favour employment of disabled; tackle homeless problems. The NRP confirms a series of allowances and fiscal benefits for low-income households (e.g. those introduced by the 2007 and 2008 financial laws), as well as the more recent “social card” (Law No 133/2008) for low-income elderly persons (aged over 65) and poor families with at least a child (aged less than 3 years) to lessen food, energy and gas costs.

The Green Paper on the future social model (MLSPS, 2008) has likely influenced the rationale that embodies these measures. They appear aimed at reducing poverty risks as consequences of low capabilities of individuals to tackle difficult problems, to seize opportunities (e.g. those offered by economic growth and labour markets) and to develop an appropriate social protection based on the family and community networks. This observation is supported by the lack of any effort to analyse the actual contribution of social inclusion to the promotion of growth and jobs. The basic assumption is that more growth automatically reduces poverty while costs for lessening poverty often translate in more public spending and debt.

Social economy

The NRP does not analyse how social economy can support employment for people furthest from the labour market. Only a generic acknowledgment is made on the “third sector” as one of the stakeholders (along with the volunteer sector, the social partners and the different levels of government) to be involved in managing the above-mentioned social inclusion measures.

B.4 Governance

The NRP pursues a better “territorial” governance through the involvement of regional and local authorities in the management of key policies, for instance: education and training, reconciliation of work and family life, socio-educational services devoted to children, social services, business innovation and enterprise creation (especially in the artisan sector), research and development, renewable energies.

The Italian “institutional richness” is taken into account. It is worth remembering that the Constitutional reform (Law No 3/2001) modified responsibility-sharing between government levels. For instance: regional / local authorities have full responsibility on social, employment and health policies and services; a converging legislation between the State and the Regions regards health, education, labour protection and security; policy fields reserved to the State legislation are immigration, the identification of the basic levels of civil and social rights throughout the national territory, general norms on education, social security.

The 2001 Constitutional reform combines: vertical subsidiarity from smaller (e.g. municipalities) to larger dimensions (e.g. Regions and the State); horizontal subsidiarity (e.g. favouring the autonomous initiative of the citizens, both as individuals and in association, to implement activities of a general interest); top-down and bottom-up approaches (integration between policies and actions carried by several levels of decision making); equity between territories and individuals (e.g. fiscal federalism and compensation funds in favour of less favoured geographical areas; access to civil and social rights without any discrimination and limit due to territorial boundaries and their local governments).

The 2007 – 2013 National Strategic Reference Framework (and the associated social cohesion and social inclusion policies) represented, for instance, an advanced experimentation with mechanisms for multilevel governance based on subsidiarity, networking and partnership principles, according to the wider competences assigned by the Constitution to the Regions.

Furthermore, the NRP affirms that a close cooperation between the national and regional governments was useful to prepare the document, even though complete details on the preparation process have not been provided, nor have the coordination mechanisms with the 2008-2010 NSRSPSI been specified.

Unfortunately, institutional conflicts between the Regions and the State are significantly increasing. The Regions contested 31 articles on 85 of Law 133/2008 following the constitutional provisions that require a greater involvement in strategic decisions. Many plans and measures, contained in the NRP, are the object of this conflict. These include: the national fund for under-utilised areas (so-called FAS); housing; apprenticeship; health services; school services; other public local services; broadband internet access; one-stop centre for enterprise support; business innovation (SMEs); infrastructures; energy; environmental quality certification (Il Sole 24 ore 31 October 2008).

Eventually, the NRP reaffirms that the modernisation of social protection systems is based on the rationale of the Green Paper on the future social model (MLSPS, 2008), according to which a climate of trust and “complicity” between capital and labour is recommended to eliminate further obstacles to economic growth, namely rigidity in the functioning of labour market and low productivity rates.

B.4.1 Monitoring and assessment

The NRP affirms that monitoring and assessment followed the Lisbon Methodology Working Group and were useful to identify factors that negatively influenced the Italian performance.

B.4.2 Involvement of stakeholders

The NRP was prepared by CIACE (a single inter-ministry Committee for European Community Affairs) that involves all Ministers responsible for the concerned policies and a single technical committee composed of high-ranking officers from the different ministries. These permanent bodies were instituted in 2005, came into operation in 2006 and are open to the participation of representatives of regional and local authorities. Main procedures regard relationships between the national government and: social partners through CNEL (National Council of the Economy and Employment, an advisory body of constitutional rank to the Parliamentary Chambers and the Government on economic and social issues); regional and local authorities through permanent Conferences between the State, the Regions and sub-regional governments (Laws No 281/1997, 3/2001 and 131/2003); the national Parliament and its working commissions through information (e.g. transmission of relevant documents, semester and annual reporting) while ensuring debate on relevant issues, acts and projects. However, as already mentioned, details on the preparation process of the NRP and on coordination mechanisms with the 2008-2010 NSRSPSI were not provided, while information and debate on both documents did not appear in any newspaper (popular or specialist).

B.4.3 Coordination

The above-mentioned considerations regard also coordination mechanisms.

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