



Italy

## Trends, Recent Developments, “Feeding in” and “Feeding out”

A Study of National Policies

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## Content

<b>First Part: NRP feeding out and feeding in analysis</b> .....	<b>4</b>
<b>Summary</b> .....	<b>4</b>
<b>Feeding out analysis</b> .....	<b>5</b>
Promoting both social cohesion and economic growth .....	8
Ensuring an adequate income from work .....	10
Targeting job creation at vulnerable groups.....	11
Addressing territorial differences and regional gaps .....	12
Addressing the impact on social protection systems .....	12
Addressing the contribution of fiscal policies .....	12
Main conclusive remarks .....	12
<b>Feeding in analysis</b> .....	<b>14</b>
Links with the EU Social Protection and Social Inclusion (SPSI) Process .....	14
Links to the challenges identified in the 2007 Joint Report on SPSI .....	15
Concrete examples of feeding in .....	15
<b>Governance</b> .....	<b>16</b>
Monitoring and assessment of impact of policies .....	16
Involvement of stakeholders .....	17
Coordination and joining up of economic, employment and social policies .....	17
<b>Second Part: Key trends and recent development in poverty and social exclusion</b> .....	<b>18</b>
<b>Changes in poverty situation and trends</b> .....	<b>18</b>
<b>Changes in the demographic and employment context</b> .....	<b>19</b>
<b>Major new trends or challenges</b> .....	<b>21</b>
<b>New legislation and policy development</b> .....	<b>22</b>
Social policies and services.....	22
Education.....	22
Employment: Women .....	23
Young people .....	23
Elderly people.....	24
Minors and their families.....	24
Disabled people.....	25
Immigrants.....	25
<b>Progress in relation to the 2007 JRSPSI Challenges</b> .....	<b>26</b>
<b>Statistics</b> .....	<b>27</b>
<b>Annex: List of recent laws by thematic fields</b> .....	<b>33</b>
<b>References</b> .....	<b>37</b>

## First Part: NRP feeding out and feeding in analysis

### Summary

Generally speaking, Italy is still far from meeting many of the Lisbon targets. This is confirmed in the recent data assembled by Eurostat. However, developments made from 2006 to today show a more coherent approach has been taken by the government, which has led to important changes. These changes are evident in the 2007 national budget law, the economic and financial document for 2008 – 2011, the agreement signed by the government and the social partners in July 2007 (Welfare Protocol) and the 2008 budget bill, presently being debated in Parliament (and therefore open to modification).

Several positive aspects emerge within an overall guiding principle. This overarching principle can be summed up, as more growth is not possible without more social equity and cohesion. Economic policy has taken into account the Commission recommendations and “points to watch”, and is based on three pillars: financial recovery, growth and equity.

Progress has been made regarding: a closer attention on flexicurity and on reducing segmented labour market and precarious work; a guiding framework for gender equality (including reconciliation of work and family life); an increased effort to lessen regional disparity (e.g. the South); clearer legislation criteria and acts to reform unemployment and social benefit, as well as the pension system.

However, while social inclusion has increased in importance in the NRP, a clearer elaboration of expected results is still missing. Furthermore, priority fields and policies appear to be compartmentalised rather than integrated, even though several measures have a transversal nature. For instance, the NRP does not take into consideration how efforts to stimulate the sustainable utilisation of the available resources constitute basic elements for social inclusion policies aimed at improving the quality of life of poor households and vulnerable people (through innovation in degraded urban areas, unsafe housing and so on).

A better understanding of how policies are actually integrated and how political willingness is orientated towards a “sustainable life” for those at risk-of-poverty (e.g. minors, large households, immigrants, disable and elderly people) could have improved the understanding of the “feeding in – feeding out” dynamics. Apart from generic assumptions, the IRNRP does not provide any analysis of the “feeding in / feeding out” process. Nevertheless, the proposed measures have potentials for feeding in (e.g. solidarity and family policies can positively impact on women activity and employment rates while contributing to local development) and feeding out (e.g. tax relief, monetary support to low income families, associated with employment and education policies, can positively impact on lessening poverty risks).

However, the key problems remain those highlighted by the European Commission, specifically the 2006 recommendations on the National Reform Programme and the 2007 challenges on Social Protection and Social Inclusion.

This is demonstrated by the following two chapters aimed at providing an integrated overview of both the feeding out / feeding in process and recent development in poverty and social exclusion, while final Annex combines the information regarding the most recent laws concerning the two chapters.

## Feeding out analysis

The Italian 2007 Implementation Report of the National Reform Programme (IRNRP) takes into account recent acts and documents, in particular: the 2007 national budget law (No 296/2006), the economic and financial document for 2008 – 2011 (DPEF), the 2008 draft budget law with the associated bills, including the enforcement of the agreement on “Social security, Labour and Competition for Sustainable Equity and Growth”, signed by the government and the social partners in July 2007 (quoted hereafter as Welfare Protocol). Meantime, some urgent measures of the 2008 financial bill were anticipated by a law decree (No 159/2007) that is waiting for its final conversion in a permanent act.

The leading principle at the basis of those documents is: more growth is not possible without more social equity and cohesion (DPEF). Looking at this principle, the IRNRP pursues a strategic unity while taking into account the 2006 Commission recommendations and “points to watch”.

Italy is recommended to:	IRNRP main policy responses
<p>Rigorously pursue fiscal consolidation so as to put the debt-to-GDP ratio on a declining path and fully implement the pension reforms with a view to improving the long-term sustainability of public finances</p>	<p>The target for 2011 is a break even in national budget with a progressive debt reduction from the current 105% of GDP (gross domestic product) to 95%. The latest European economic forecasts (EU 2007) estimate that, even though the Italian growth continues, it remains below the average for the Euro area. The general gross debt as a percentage of GDP will decline to 101.2% in 2009, according to estimates by the Italian government.</p> <p>The reform of the pension system (envisaged by the Welfare Protocol) tries to balance costs and benefits between old and young generations with an increase in public spending until 2011 (+0.1 percentage points of GDP) and a progressive decline in the following years (up to zero between 2030-2035).</p>
<p>Pursue the implementation of recently announced reforms aiming at increasing competition in products and service markets</p>	<p>Two main laws (No 248/2006 and 40/2007) were enforced to increase 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.</p> <p>Even though some professional and business categories reacted negatively, consumers (and their associations) generally reacted positively to the recent measures to favour competition.</p> <p>A series of government bills concerning “class action” have been made to protect interests of consumers, energy supply and delivery, regulation of financial markets and public utility services, reorganisation of local public transport services, intellectual professions, postal services.</p>

Italy is recommended to:	IRNRP main policy responses
Reduce regional disparities in employment by tackling undeclared work, increasing childcare provision and ensuring the efficient operation of the employment services throughout the country	Tax relief concerning labour costs was addressed to favour women employment and the South. Measures to reconcile family and work life were strengthened to favour women employment along with childcare services (e.g. nurseries and first years' education facilities). New acts were enforced against not-legal and unsafe employment. The Welfare Protocol, while moving towards a reduction in precarious jobs, aims also at a more coherent system of unemployment benefits and at strengthening the capacity of employment services.
Develop a comprehensive lifelong learning strategy and improve quality and labour market relevance of education	Education facilities were increased and compulsory education was extended, along with coherent criteria for quality of schooling while educational and training standards will be defined according to European parameters by 2010. Life long learning system was improved to deal with early school leaving and adult education.

Points to watch	IRNRP main policy responses
R&D	<p>More effort is addressed to technological innovation and research than in the previous years.</p> <p>A limited increase in the number of University researchers and national funds for scientific and technological research was made. Tax credits for companies, strategic programmes, creation of technology-districts in 18 regions, a national programme for industry (Industry 2015), a national agency to co-ordinate and assess quality of University and Research, public-private partnerships to create science &amp; technology poles especially in the Southern regions, support to SMEs that employ researchers especially in the environmental field, a specific national Operational Programme co-financed by the European Structural Funds 2007 – 2013, other projects on cultural heritage were created.</p>
Healthcare provision, quality and accessibility	Quality criteria were revised to ensure accessibility to health services throughout the national territory and to more efficiently manage the financial resources allocated to the National Health Service, following the 2006 "deal for health" between the State, Regions and local authorities.
Plans to improve infrastructure	New measures and public investments were adopted to foster modernisation in Information and Communications Technologies. Infrastructure' plans were directed to respect criteria of sustainable development than in the previous years. The European Union priority targets (master plan, TEN-T) were confirmed along with a closer attention to the South, railways and sea-highways, sustainable transportation.

Points to watch	IRNRP main policy responses
Sustainable use of resources	Environmental protection and energy policies are more addressed to sustainable development than in the previous years.  Three Funds were created for Sustainable Development, Sustainable Mobility and the implementation of the Kyoto Protocol. A national action plan for green public procurement was elaborated. Energy saving and efficiency, utilisation of renewable sources, bio-fuels were promoted to reduce emissions while increasing competition in the energy production and delivery. The first report on the implementation of the European Strategy for Sustainable Development was elaborated with a close attention on water-soil-waste management, natural areas and biodiversity. Calls for tenders have been issued to promote research and operational projects (e.g. energy saving, heat-solar panels, energy from renewable sources) in small and medium sized enterprises, local authorities, schools and prisons, nature reserves, small islands.
Comprehensive system of impact assessment for proposed regulation	A national action plan was approved to improve law quality and to simplify rules while evaluating their impacts by means of inter-ministries committee and departments, as well as modernising public administration

Resources allocated to the above policy fields are summarised as follows ([Table A](#)) in the IRNRP up to 2008.

NRP priorities	€ Million	%
Free choice for citizens and companies	2,508	3.9
Research and technological innovation	10,545	16.6
Employment, education, training, social inclusion and cohesion	14,915	23.5
Infrastructure	34,633	54.5
Environmental protection	923	1.5
<b>Total</b>	<b>63,524</b>	<b>100%</b>

With respect to the estimates of the past year IRNRP, there is a slight increase in total budget (+2,776 € million) and some changes in allocation priorities, e.g.: +3.3% in free choice for citizens and companies; +0.7% for environmental protection; -2% for infrastructure; -1% for R&D; -1% for employment, education, training, social inclusion and cohesion.

Additional resources ([Table B](#)) come from the European Structural Funds (70%) and the national Fund for Under-utilised Areas, created by law No 289/2002 (30%). A large amount of these resources (nearly 75%) is directed to actions in the South.

NRP priorities	€ Million	%
Free choice for citizens and companies	684	0.7%
Research and technological innovation	2,052	17.6%
Employment, education, training, social inclusion and cohesion	6,930	24.5%
Infrastructure	6,009	56.5%
Environmental protection	4,045	0.7%
Total	19,720	100%

In a longer time perspective (2007 – 2013), the contribution from the National Strategic Reference Framework is estimated to arrive at 123 € billion, 82% of which devoted to the South. The European Structural Funds, a national co-financing and the already mentioned national Fund for Under-utilised Areas constitute this strategic programme. The main priorities are similar to those expressed in the NRP: improvement of human resources; innovation and knowledge development as key levers for social cohesion; sustainable use of natural resources (energy saving and renewable sources included); material and immaterial networks and public goods; services to improve the quality of life, social inclusion and territorial attractiveness; competition.

The “feeding out” process concerns how the economy dimension (e.g. more growth and more jobs) supports social policies. A series of policies addresses labour market segmentation and precariousness, in-work poverty and general poverty risk while improving the life conditions of the most vulnerable groups.

For instance, the IRNRP considers: financial recovery as one of the three pillars of economic policy, together with growth and equity; the reduction of economic regional divide, along with policies for public safety and justice, as a key path for social cohesion.

The following issues are taken into consideration in an attempt to analyse the Italian feeding out dynamics (for further details see Annex 1 to this report).

*Promoting both social cohesion and economic growth*

Human Capital consists of individually possessed knowledge, skills and competencies acquired through learning, experiences, attitudes and values, widely shared within a specific local context and transmitted from generation to generation with respect to the creation of social, cultural, economic and environmental well-being (OECD, 2001).

Economic growth is therefore based on human capital, which in turn depends on economic investment within intertwining policy fields.

For this reason, it is useful to analyse policy fields that are illustrated by the IRNRP and contribute simultaneously to the feeding out and feeding in dynamics, for example:

- Education and lifelong learning
- Gender equality and re-conciliation of work and family life
- Flexicurity and quality jobs
- Health status of the population

### Education and lifelong learning

The IRNRP focuses on recent key measures: compulsory education extended to 16 years of age, a more coherent policy framework for schooling autonomy and co-ordination, immigrant integration, environmental training, professional standards and competence certification, adult education, assessment of education quality, reduction of early school leaving; vocational guidance mechanisms and stages involved nearly 500,000 students.

Good examples are presented on lifelong learning plans managed by (seven) Regions. These plans are based partially on the financial resources devoted to the South within the National Strategic Reference Framework of the European Structural Funds 2007 – 2013. Moreover a government bill was recently presented to the Parliament on lifelong learning.

Technological innovation and research are components that improve and require an open collective learning. To this end the IRNRP specifies that R&D strategy is dedicated new financial resources while looking at achieving the target of 1.36% of GDP in 2015 (less than half the Lisbon target of 3% expected in 2010). R&D were previously considered in the “points to watch” and it is important to note that the current R&D expenditure is 0.84% of GDP.

### Gender equality and re-conciliation of work and family life

Additional benefits related to tax relief for labour costs concern women in the Southern regions and new incentives were provided for female self-employment and enterprise creation.

The government bill (associated to the 2008 draft budget law and aimed at enforcing the Welfare Protocol), includes inter alia the following measures: reorganisation of all norms concerning women employment, self-employment and enterprise creation (namely law No 215/1992); new forms of flexible work organisation (including work time, new norms on part-time, parental leaves, training vouchers) to reconcile family and work life while strengthening the implementation of previous laws (namely law No 53/2000) against gender discrimination (e.g. work, salary and career); the increase in nursery and education services for children and services for elderly not-self-sufficient people, for which financial resources have been already provided by the above-mentioned national fund for household policies; 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; priority is given to women in a micro-credit Fund aimed at supporting innovative activities of young people (see below).

A specific addendum to the IRNRP is devoted to “Women, Innovation and Growth” where the following gender-oriented measures are underlined as they are included in the 2008 financial bill: support to women entrepreneurship; promotion of Corporate Social Responsibility through a specific national Fund; new norms to harmonise pension contribution during maternity and parental leaves; maternity and parental leaves extended in the case of minors’ adoption and fostering; a plan against violence to women; promotion of tele-working and work time reorganisation in public administrations.

### Flexicurity and quality jobs

The IRNRP identifies the Welfare Protocol as a first milestone for flexicurity in Italy, since it deals with social security and labour policies in more integrated way than in previous years.

The Protocol includes key measures of reform focused on: the pension system; unemployment and social benefits ("shock absorbing" system); employment typologies (apprenticeship, fixed-term contracts, part-time contracts, staff leasing contracts etc.); employment services; employment incentives. Moreover a close attention is focused on women and young people.

Active participation is promoted by customised "pacts" between the employment services and job seekers, while "welfare to work" approach is applied in providing monetary benefits according to an effective involvement in training and labour insertion plans.

Moreover new legislative instruments (based on agreements between public authorities and the government) will be enforced to increase security and justice policies and integrated with those for social inclusion, especially in the Southern regions, along with new rules to favour work security and legality in jobs and companies.

### Health status of the population

New resources were allocated to develop and improve the National Health Service, managed by regional and local authorities, along with the updating of basic level of rights (essential services to be provided to all citizens), new parameters for financial stability, efficient planning and management of services' delivery, as well as to implement innovative initiatives throughout the national territory. Moreover a government bill to modernise the National Health Service is expected in coming weeks.

A national fund for not-self-sufficient persons was created and it will be implemented, identifying basic levels of quality for service delivery.

Other measures concern childcare and are examined in the feeding in chapter and in the second part of this assessment report.

### *Ensuring an adequate income from work*

There is a significant gap between the 2005 Italian performances and the 2010 Lisbon targets. The overall employment rate is 57.6% with 45.3% for women and 31.4% for older workers, far short of the Lisbon targets of 70%, 60% and 50% respectively (EC 2006)

The IRNRP cites a series of recent measures on employment policies that are expected to have an impact on possibilities for an individual to leave poverty conditions, especially for specific social groups, namely young people and women.

Innovative measures on the labour market were agreed upon in the Welfare Protocol, regarding inter alia: a reform of the current employment typologies looking at reducing precarious employment and at promoting employment of women, young people and workers over 50 years old; guidelines for efficient employment services and their delivery quality.

Some of these measures were anticipated by a recent law (No 127/2007) and a government bill associated to the 2008 budget bill, in particular: new norms on part-time, the abrogation of the "job-on-call"; new norms and incentives to favour employment of disabled persons, incentives for building industry to foster open-ended labour contracts; criteria to improve capacity of employment services with a close attention to create an efficient network (including public and private services).

Women employment appears to be a priority within the 2008 financial law (see "gender equality"). As far as youth employment is concerned, capacity building within labour market is present through educational and training policies. Some parts of the Welfare Protocol concerning young people were enforced by a law (No 127/2007): a credit fund to facilitate generational transfer of small enterprises and the creation of new businesses in different sectors (e.g. artisan, trade, tourism, agriculture sectors). Other related measures in the Welfare Protocol are included in the recent 2008 draft budget bill and concern inter alia the creation of a micro-credit fund to support innovative activities (with priority given to women).

Meantime the reduction of fixed-term labour contracts and precariousness in labour market is addressed in: a lower labour-related taxation (2% in favour of employees and 3% in favour of enterprises), a closer attention to the South and Centre-North divide as well as to employed women; benefits in public and private sectors to transform fixed-term labour contracts in open-ended contracts, as well as other measures for workers involved in restructuring processes.

Adjustments and the extension of unemployment and socially associated benefits were introduced while waiting for a more systematic reform, including reform directed at persons involved in temporary jobs and "atypical" labour contracts (for instance illness, maternity and parental leave allowances, vocational re-qualification and labour re-insertion initiatives).

Job safety and legal regular employment were fostered mainly through: a national fund to support families of workers seriously injured by industrial accidents; a national fund for the reduction of irregular employment aimed at introducing new mechanisms to fight the black labour market (e.g. indicators, social security contribution, sanctions, investments in research and initiatives on health and security policies and control, a national co-ordination body to develop local action plans).

#### *Targeting job creation at vulnerable groups*

An interesting measure, not mentioned in the IRNRP, is directed at reducing social exclusion in degraded urban areas. This measure, envisaged in the 2008 financial bill, supports the creation of small and micro-enterprises to promote the economic renewal and regeneration with an expected positive impact on social and cultural inclusion.

Job creation for vulnerable groups is not specifically considered in the IRNRP, but it should be remembered that some measures are included in the actions concerning women, young people and disabled persons.

Other more general measures are: the simplification of placement rules for very small companies; pilot projects to foster enterprise creation by young people involving schools and trade associations (e.g. 642 upper secondary education institutes and 20,000 students); creation of a national network to facilitate placement (Borsa Nazionale del Lavoro); training, stages and vouchers for young people; a national fund to create a youth plan; a national fund, local committees (co-ordinated nationally) against irregular work and hidden labour markets.

An additional contribution will be made through a series of laws and bills directed at simplifying procedures for enterprise creation and management (e.g. one-stop centre at a municipal level) and increasing competition related to services.

#### *Addressing territorial differences and regional gaps*

Attention is focused by the IRNRP on development in the South of Italy through, for instance, infrastructure policies, measures to fight against illegal conditions, determination basic conditions for social development and support for entrepreneurial activities and employment. It is worth remembering that tax relief for labour costs has been directed towards the South (higher for women employees), and a large share (82%) of the European Structural Funds and the National Fund for under-utilised areas has been allocated to the Southern regions in the 2007 – 2013 period.

#### *Addressing the impact on social protection systems*

As already mentioned, the Welfare Protocol contains some important measures that reform the unemployment and social benefits (“shock absorbing” system) balancing universal principles and targeted measures as well as the pension system.

Some reforms are present in the law No 127/2007, namely: new rules and criteria to unify unemployment benefits (e.g. subsidies for workers’ redundancy, labour mobility allowance and unemployment insurance); pension measures in favour of young people and the increase in pensions of people aged 64 and over who have a low income.

Others measures of the Welfare Protocol are included in the recent government bill linked to the 2008 draft budget law and they concern: a Fund devoted to young people to compensate for unemployment periods where young people have been engaged in a specific form of temporary works, “job-on-call”, which will be cancelled by this bill; a wide pension reform combining financial stability, intergenerational equity and benefits for fatiguing jobs.

Laws to fight against irregular work, hidden labour markets, black economy and tax evasion introduced new institutional arrangements.

Unfortunately the IRNRP does not mention any instruments for providing a minimum income (MI). Further considerations on this aspect are developed in the second part of this assessment report.

#### *Addressing the contribution of fiscal policies*

The IRNRP underlines the general fiscal reform (introduced by the 2007 financial law) related to the tax relief for family burden and fiscal rates to favour low-income persons. Other fiscal policies that are closely connected with poverty conditions are taken into account in the second part of this assessment report.

#### *Main conclusive remarks*

Comparing the measures envisaged by the IRNRP, the following comment could be formulated for the above-mentioned main issues of the feeding out process.

Main issues of feeding out dynamics	Comments on IRNRP
Addressing territorial differences and regional gaps	Social cohesion is at the basis of all strategies and measures devoted to lessen regional disparities with a cross-sectoral priority assigned to the South.
Ensuring an adequate income from work	It is assumed that employment can facilitate a reduction of poverty conditions. This is reflected in the new measures concerning reduction of labour market segmentation, precarious jobs, and black labour market while promoting job and public safety, legal regular employment and a better justice.
Targeting job creation at vulnerable groups	This issue is not deeply examined but considered as an expected result of measures devoted to some social groups (namely women, young people and disabled persons).

Main issues of feeding out dynamics	Comments on IRNRP
Promoting both social cohesion and economic growth	<p>Interesting examples can be found in this direction. Social cohesion is in fact declared as a leading objective of policies that concern Education and lifelong training, gender equality and re-conciliation of work and family life, flexicurity and quality jobs, health status of the population.</p> <p>Awareness of flexicurity is increasing in labour policies and supported by a renovated positive climate among public authorities and social partners (e.g. the Welfare Protocol).</p> <p>However, the connection with the SPSI Strategies (social protection and social inclusion) is not clearly elaborated and some key issues related to the demographic changes (see second part of this assessment report) are not taken into account, for example active ageing policies.</p> <p>Other important links for improving social cohesion are missing: the foreseeable impacts of measures for a sustainable use of natural resources on public health, quality of jobs and life, future generations.</p>
Addressing the impact on social protection systems	<p>Important progress is expected in this issue, namely through the reform of pensions, unemployment and social benefits. There is a balanced attention on concerns over financial capacity, solidarity and equity principles.</p> <p>However, a more coherent strategy is needed which takes into account how measures can create an adequate system of income support within the provision of an efficient system of basic services. The quality and accessibility of key services are not duly considered, although they constitute a key lever to fight poverty and social exclusion, while minimum income schemes are not mentioned.</p>
Addressing the contribution of fiscal policies	A contribution to lessen poverty risk is envisaged in the recent fiscal reform aimed at promoting more social equity than in previous years. This is a key strategic priority of the current national government. However, the expected impacts of these measures have been evaluated only from an economic point of view.

An overall conclusion regarding active inclusion is that the IRNRP does not provide analysis of the feeding out dynamics. A more defined attention to active inclusion would have made it possible to identify elements for a holistic strategy. The latter should be based on: 1) income support sufficient to avoid social exclusion; 2) links to the labour market; 3) better access to quality services (EC, 2006). It appears evident that more should be done to have these three dimensions as key terms of reference in the elaboration of the NRP.

Key dimensions for active inclusion	Comments on IRNRP
1) Income support sufficient to avoid social exclusion	Clear targets and indicators are still missing to evaluate measures that concern basic rights of a person to have sufficient resources and social assistance.
2) Links to the labour market	Labour legislation is evolving for employment quality along with anti-discrimination acts and expected reforms of tax and benefits systems.
3) Better access to quality services	<p>Financial resources are increasing in some services as well as the definition of basic level of quality.</p> <p>However an overall assessment of accessibility, availability and affordability of these services is still missing and impossible to achieve due to the prevailing sectoral approach.</p> <p>Important services necessary for improving the quality of life within the frame of active inclusion have not been taken into consideration (namely environmental protection and sustainable use of resources).</p>

### Feeding in analysis

As far as the “feeding in” process (how social protection and inclusion policies contribute to the economic growth and more jobs), the following aspects are present in the IRNRP.

#### *Links with the EU Social Protection and Social Inclusion (SPSI) Process*

The IRNRP has limited links with the SPSI process, while confirming the main objectives related to: poverty reduction; fostering social justice; reducing regional disparities; promoting social inclusion of immigrant persons; improving social protection and care for not-self-sufficient persons. Consultation meetings and coordination bodies are key working instruments, which have involved a wide range of stakeholders (regional and local authorities, third sector and volunteers associations, social partners and other NGOs).

The following main initiatives are considered: guidelines for national social auditing, the elaboration of basic levels of service quality concerning care for not-self-sufficient people, as well as child care and education services; the co-decided (between the national and sub-national authorities) attribution of financial resources concerning the Fund for not-self-sufficient people, the plan for child care and education, the Fund for social policies; the fiscal reform to favour low income and large families; a national plan for social housing; financial resources for persons with disabilities; the combined actions (e.g. the European Structural Funds 2007 – 2013 and the national Fund for Under-utilised Areas) devoted to the South and concerning infrastructure, measures against illegal activities and in favour of social development, incentives for entrepreneurial activities and employment with a close attention on women; a national fund for social inclusion of immigrants and its first allocation to the Regions through a series of agreements.

The reform of immigration regulation is also mentioned, being aimed at managing the immigrant flows and improving social conditions and access to basic rights (family unity, housing, health, citizenship, participation in administrative elections, etc.).

*Links to the challenges identified in the 2007 Joint Report on SPSI*

The IRNRP does not provide explicit references to the challenges identified in the 2007 Joint Report on social protection and social inclusion, probably because many of these are similar to the Commission recommendations and the “points to watch” concerning the National Reform Programme.

*Concrete examples of feeding in*

Even though not analysed by the IRNRP with a “feeding in” perspective, an example of this process can be discovered in the project “service targets” (Obiettivi di Servizio) included in the National Strategic Reference Framework 2007 – 2013 and devoted to the South. It is, in fact, assumed by the IRNRP that an increase in the quality of life will have positive economic effects on interest from the part of companies to invest in the concerned local contexts.

Main targets are supported by specific indicators and concern specific policy fields ([Table C](#)).

<i>Policy fields</i>	<i>Priorities and indicators</i>	<i>Current situation</i>	<i>2013 target</i>
Education	Early school and vocational training leaving (people aged 18-24)	26%	10%
	Low performances in reading and mathematics (PISA assessment in % of young aged 15)	35%; 47%	20%; 21%
Child care	Childhood service delivery (% of municipalities in the concerned region)	21%	35%
	Accessibility to childhood services, for instance nurseries (% of the concerned children)	4%	12%
Elderly care	Accessibility to integrated home care services (% of people aged 65 and over)	2%	3.5%
The environment	Urban waste management (kg left in garbage dump; % of separate collection; % of derived compost)	395 kg; 9%; 3%	230 kg; 40%; 20%
	Water management (% of water used over water carried out by aqueducts; % of equivalent inhabitants served by purified water)	63%; 56%	75%; 70%

Positive impacts are expected from policies against child poverty and measures already mentioned and those examined in the second part of this assessment report.

<i>Contribution to lessen child poverty (main measures)</i>	<i>Contribution to growth and jobs</i>
<p>Increased resources devoted to national Funds for: households and gender-oriented policies, social policies (including promotion of childhood and adolescence opportunities and rights), health services, rights and equal opportunities policies, not-self-sufficient persons, disabled persons, youth policies.</p> <p>A plan for socio-educational services dedicated to children (nurseries included) and early childhood services (e.g. "springtime classrooms" for those aged 0-3).</p> <p>Fiscal mechanisms and family allowances devoted to low income and large families.</p> <p>A national plan for social housing.</p> <p>National plans and funds for sustainable development, transportation, energy saving, water-soil-waste management, etc.</p>	<p>Increase in women activity and employment rates</p> <p>Increase in local development initiatives and GDP, especially in the Southern regions</p> <p>Increase in job quality and employment oriented towards clean technologies and eco-efficient use of available resources</p> <p>Capacity building of new generations</p> <p>Restoration and renewal of available resources for life of future generations</p>

Another example concerns social integration of migrants and ethnic minorities.

<i>Contribution to integrate immigrants (main measures)</i>	<i>Contribution to growth and jobs</i>
<p>National Funds for social inclusion and immigration and asylum rights.</p> <p>Reform of the current legal framework to improve accessibility to civil and social rights while fighting illegality, black market and hidden economy.</p> <p>Local and national plans to favour integration of ethnic minorities (e.g. Roma, Sinti and Travellers).</p> <p>Financial resources devoted to integration of foreign minors in schools.</p>	<p>Increase in national labour forces</p> <p>Increase in new human resources to lessen demographic decline and ageing</p> <p>Increase in national development and in contribution to the GDP</p> <p>Increase in regional development, especially in the Northern and Central regions</p>

The above-mentioned examples are incomplete and rather generic. They can be considered as a first attempt to orient the NRP elaboration in order to have more information (including targets and indicators) for its assessment.

## Governance

Governance is characterised by the following processes.

### *Monitoring and assessment of impact of policies*

Attempts have been made but lack integration and an overall guiding system. Several examples of projects and actions which are underway are: reform of the State budget criteria and spending review; a bill to modernise public administration cost reduction and service delivery; financial assessment of the pension reform; a national action plan, inter-ministries committee and departments to improve law effectiveness and to simplify rules while evaluating their impacts (rules' impact assessment); a monitoring system following the Lisbon Methodology Working Group; quantitative targets and indicators to better monitor the impacts of financial resources allocated to the Southern regions; the increased attention on introducing and disseminating the health impact assessment.

*Involvement of stakeholders*

Mainly institutional and traditional stakeholders are involved in decision-making, e.g.: Regional and local authorities (permanent conference), social partners (National Council on Economy and Labour - CNEL). Interesting experiences in the competition policy field have been made, where consumers' association have been involved and in the energy policy where a programming document on renewable sources was elaborated at national level with the contribution of environmental associations, the private sector, the Regions and central public authorities. Other examples are provided in the second part of this assessment report.

*Coordination and joining up of economic, employment and social policies*

The OMC (Open Method of Co-ordination) criteria has become a more structured process compared to previous years: a single inter-ministries body (CIACE, Comitato Interministeriale Affari Comunitari Europei (created by Law No 11/2005) where regional and local authorities were involved and they formulated a series of proposals; general information to the Parliament commissions on the Lisbon strategy evolution, as well as a presentation at the permanent and unified Conference between the State – Regions – Local Authorities (according to the Constitutional reform - Law No 3/2001). The next step will be the NRP presentation both at the Parliament and the State – Regions Conference.

Other examples are the agreements between the national and sub-national governments in national-wide plans (e.g. resources allocated to health services, not-self-sufficient persons, social policies, children care facilities and services, "springtime classrooms" for minors aged 0-3) and specific projects (e.g. the "service targets" project to improve the quality of basic services in the South, a protocol for strategic actions for health, public safety and development in the South). These agreements include solidarity and equalising mechanisms that take into account different local conditions (e.g. more or less capacity in service delivery).

It is worth remembering that the OMC was facilitated by the Constitutional reform of 2001, which 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.

An overall conclusive comment can be made on governance mechanisms.

Governance key issues	Comments on IRNRP
Monitoring and assessment of impact of policies	Monitoring should be improved and there is a need to systemically utilise methods of impact assessment on poverty, health and the environment
Involvement of stakeholders	This a consolidated practice in many regional and local contexts. Improvement has been made at a national level.
Coordination and joining up of economic, employment and social policies	Additional efforts are necessary to increase collaboration and interactive exchange between the three policy fields

## Second Part: Key trends and recent development in poverty and social exclusion

### Changes in poverty situation and trends

Monetary poverty concerns are especially evident in the Southern regions where 65% of the Italian poor households and 69% poor persons are concentrated ([Table 1](#)).

Around 13% inhabitants are poor as a national average, but nearly 25% in the South ([Table 2](#)). The national average of poor households is around 11% but this rate arrives at around 23% in the South ([Table 3](#)) with a more evident incidence in large households (38% couples with 3 or more children compared to nearly 26% at a national level) than single parent households (25% in the South and nearly 14% as a national average).

Poverty risk increases when minors live in large families ([Table 3](#)): nearly 49% households with 3 or more minors in the South compared to nearly 30% at a national level.

Poverty risk is higher in households with an ageing reference person (breadwinner): nearly 14% (national average) and 25% (South) breadwinners aged over 65 compared with nearly 10% (national average) and 20% (South) breadwinners aged under 35 ([Table 4](#)).

These leading characteristics are associated also with low education ([Table 5](#)) and low employment status of families ([Table 6](#)).

As a result, 11 – 12 percentage points differentiate the averages in the South and nationally. This approaches 19 points when minors are concerned.

All the above-mentioned data concern 2006 and were provided by the national institute of statistics (ISTAT 2007). Apart from minor changes in some sub-categories of social groups, the overall characteristics have remained quite stable between 2001 and 2006 ([Tables from 1 to 6](#)).

Trends show little change. However, ISTAT cautions the extrapolation of trends from minor differences between yearly percentages, since they can be affected by sampling error and sample size at the regional dimension as well as the Italian focus on the monetary value of consumption expenditures determined in a yearly household budget survey.

A two-member household is, for instance, assessed as relatively poor when its monthly consumption expenditure is equal or below a standard poverty threshold constituted by 50% of per capita average national consumption expenditure: a threshold moved from € 814.55 in 2001 to € 970.34 in 2006.

Consumption propensity and expenditure are influenced by several factors, including social and cultural behaviours within economic and demographic changes. Moreover, when average economic conditions are worsening, the general consumption propensity can decrease, resulting in a lower value of the expenditure-based poverty line and consequently in relative poverty rates. Thus the paradox is created of having fewer poor households because more households are poor. Vice versa, when average economic conditions improve, the opposite phenomenon may

occur: the relative poverty threshold increases, more poor households can be discovered because a number of them are less poor while revealing an increase in social inequality.

Being biased towards a consumption-oriented statistical methodology, the Italian indicators of "relative poverty" tend to underestimate the level of poverty. The EU indicators on poverty are based on income: risk-of-poverty rate is defined as the share of persons with an equivalent disposable income below 60% of the national median equivalised disposable income.

Major differences emerge in poverty rates if consumption and income based indicators are compared ([Table 7](#)): 19% based on income (EU indicator) rather than 13.1% based on consumption (Italian indicator).

Other discrepancies occur, for example the rate of poor households by age of the breadwinner (see above). Adopting the income-based indicators provided by Banca d'Italia (the Italian national bank) for 2004, some estimates (*Il Sole 24 ore* 16 October 2007) demonstrate that the risk-of-poverty rate is higher (19.5%) for breadwinners aged under 35 than for those aged 65 and over (16.4%). The result is totally opposite to that which results from the consumption-based indicators ([Table 4](#)). In addition, income based estimates show that the poverty risk concerns more (26.9%) young persons (aged under 35) than those aged 65 and over (14.9%).

### Changes in the demographic and employment context

Demographic trends, based on data provided by the national institute of statistics (ISTAT) reveal that between 2002 and 2006:

- a slight yearly increase in population (around +0.5%, + 1%) was due to immigration that widely has overcome emigration flows ([Table 8](#))
- without immigration, the balance between live births and deaths would have been negative, as deaths outnumbered births ([Table 8](#))
- immigrants (legally registered foreigners) increased as a percentage of total resident population (from 2.7% to 5.0%) and immigrant minors (0-17 years) even more over the total same age population (from 3.6% to 5.9%) constituting around 23% of all immigrant population ([Table 9](#)); another enquiry (Caritas and Fondazione Migrantes, 2007) estimates that legally registered immigrants arrive at 6.2% of the total population and contribute to 6.1% of GDP (gross domestic product)
- the population continued to age ([Table 10](#)) recording an increase (+1.3 points of percentage) in the non-working age segment (more people aged 65 and over than children aged 0-14) dependent on the productive portion of population (aged 15-64), notwithstanding the productive portion of population received new human resources from an immigration; these resources are characterised by a decrease in their internal dependency ratios (-2.5 points of percentage in general and nearly -1 point in aged population); people aged 65 and over account in fact for 19.7% of the entire population and only for 2.1% of the immigrant population; children aged 0-14 constitute 19.1% of the immigrant population but this rate decreases to 14.1% when all population is taken into account; 66.2% of the overall population consists of people aged 15-64 but this rate increases to 78.8% when considering immigrants

- differentiation of population in favour of women declined slightly (-0,2%) even though a slight increase (+0.8%) was recorded in women immigrants (Table 11)
- resident population remained more concentrated in the North (45.4% slightly increasing of +0.4%), followed by the South (35.1% with a slight decrease of -0.8%) and the Centre (19.52%, +0.4% increase); this trend concerned also immigration with higher proportions in the North (63.6%, +0.5% increase) and in the Centre (24.76%, +0.1% increase) than in the South (11.6%, -0.6% decline) largely related to job opportunities (Table 11)
- immigration flow confirmed its principal origin from Albania (declining from 14% to 12.8%), Morocco (declining from 13.9% to 11.7%) and Rumania (increasing from 6.1% to 11.6%); these three countries totalled from 34% to 36% of the entire immigrant population

Finally, notwithstanding immigrant flows, a substantially stable population is expected (ISTAT 2006b) from now until 2029 and a progressive decrease till 2050 when 86% will be the dependency ratio of non-working people (65 years and over plus children aged 0-14) and 63% the old-age-dependency ratio (only people aged 65 and over) on the productive age segment (15-64 years).

As a national average, the current (second quarter 2007) activity rate of the productive age segment (population aged 15-64) is 62.5%. The South has about 17 and 14 points less compared to the North and the Centre (Table 12). Regional imbalance increases of nearly 3 points in employment rate, which is 58.9% as a national average and 67% for immigrant workers, confirming the positive contribution of the immigrant component to the labour forces. The unemployment rate, which is 5.7% as a national average, is three times greater in the South compared with the North. It is higher for young people (18.5% aged 15-24 and 7.8% aged 25-34) than adult persons (3.8% aged 35-54, 2.3% aged 55-64 and 0.7% aged 65 and over).

As a national trend, the unemployment rate has decreased (-0.8%) along with the activity rate (-0.5%) in comparison with the previous year (second quarter 2006). The employment rate has remained the same. Without a parallel increase in employment rate, unemployment rate will decrease as fewer persons are searching for a job. This is related to a "discouraged workers" phenomenon (persons of legal employment age who are not actively seeking employment), which has resulted from the negative perceptions of labour opportunities following the expected decline in economic activity. The phenomenon of "discouraged workers" partly explains also the distance in labour statistics that exists between Italy the European Union (25 countries). Comparing data for 2005 (Table 12), the Italian activity and employment rates were lower (nearly 8 and 6 points less than the EU average), while the unemployment rate was also lower (1 point).

Between the second quarters of 2007 and 2006, fixed-term contracts increased (+0.4%), constituting 65% of new employees and 13.4% of all employees with regional differences that affected more the Southern than the other regions (Table 12). Surveys show that 14.7% of persons are in precarious work situations if labour typologies are enlarged to include temporary jobs and persons who lost a precarious job and are seeking another job (Mandrone E. and Massarelli N., 2007). However it is very difficult to arrive at a clear quantification of the current amount of precarious jobs, since individual perceptions are combined with objective work conditions, as well as economic and social dimensions. The impact of job precariousness on employment (ISTAT 2006d) is higher in the South (14.7%) than the North (9.8%) and the Centre

(12.6%). Job precariousness is concentrated on younger age groups (40% aged 15-29 and 30% aged 30-39) but has increased also in persons aged over 40 (30%), the former groups trying to enter labour market and the latter to remain employable.

Women (Table 13) are more involved in fixed-term contracts (53%) than men (47%) with a higher rate over total women employees (16.6%) than that of men (11.1%). Also, more women are employed in part-time jobs (23 points more). Gender differences are evident as women activity and employment rates are lower than those of men (24 points less) while unemployment rate is higher (3 points). Women conditions are worse in the South, where women unemployment rate is twice the national average while activity and employment rates are 14-16 percentage points less. Gender inequality is another key aspect of the distance between the Italian and the European Union averages, in 2005 around 11-12 percentage points lower in activity and employment rates. The effect of "discouraged workers" is also more evident for women since they face more difficulties in reconciling work and home life.

### Major new trends or challenges

The above-mentioned trends focus the attention on both old and new risk factors:

- social and gender equity (between individuals); minors and large households are those social groups with a higher risk of poverty and a high unemployment risk and job precariousness, especially for women and young people; inflation has abruptly increased (+2.1% in October 2007 compared to October 2006) with an increase yearly economic burden (+ € 400) for the average family along with an increased risk of indebtedness; even though immigration is considered necessary to economic activities and multi-cultural integration is generally developing (e.g. in schools), prejudices are favoured by episodic crime attributed to immigrants (e.g. press reports focusing on ethnic minorities such as recently against Roma communities confused with Rumanian immigrants)
- interlocal equity (between territories); even though the population is concentrated in the North and in the Centre, the highest social problems (e.g. poverty, unemployment, job precariousness and gender inequality) are present in the South where criminality (e.g. *mafia*) and hidden economy play a key role in hampering public safety; on the contrary, immigration is higher in the North and Centre where more job opportunities exist but also associated with risks concerning public safety often nourished by unsafe environment and housing
- intertemporal equity (between generations); the overall population is ageing along with a burden on the economically active ages (old-age-dependency ratio) while unemployment rate is higher for young people who are also exposed to higher risks of precarious jobs and poverty (income-based indicators); care of elderly people, not-self-sufficient persons and children is usually provided by adult women in terms of informal solidarity family networks; paradoxically, dependency ratios could be lowered by increasing the activity and employment rates for women, but this increase is hampered by the ageing population; new productive human resources are provided by the rise of immigration flow but, even though they can be expected to constitute 17% of the overall population in 20-30 years' time, they are not sufficiently capable of compensating for a population that decreases and gets older; however Italy will be a new multi-faced and multi-cultural nation while the relationships

between old and new generations cannot be regulated only by reduction in pension expenses but with a fairer access to civil rights and resources

### **New legislation and policy development**

Beginning in 2006, new legislation was created to support policy development with more attention to equity dimensions. The following paragraphs focus the main aspects of innovation regarding policy fields that contribute to the “feeding out” process in favour of social cohesion. They address the trajectories and social categories identified by the independent evaluator in other reports on social inclusion policies.

Other innovative measures analysed in the First Part of this assessment report are not further elaborated in the present document.

#### *Social policies and services*

New resources were allocated to the National Fund for Social Policies (NFSP) to improve co-ordination, planning and delivery of social services. These services are managed by regional and local authorities according to the 2000 national reform (Law N° 328/2000). However, a fundamental instrument is still missing, namely the definition of basic levels of social services. Such a definition is fundamental to ensure fair access to civil rights throughout the national territory.

A share of the NSFP has always been reserved for actions concerning child welfare in large municipalities. However, the NFSP addresses several target groups, children included, according to the regional / local identities and needs while being managed through agreements and collaboration between regional and local authorities given that the main instrument for implementation is constituted by local welfare (or social) plans. Several Regions are experimenting with the integration of social and health policies through local plans to which several financial sources converge.

The experimentation with a minimum income scheme for social insertion (RMI) has been prolonged to June 2007 in the concerned municipalities. This instrument was experimented with in 1998 to 2002 in selected local areas but was concluded with the 2003 financial law. At present time, no other measures have been, while the reintroduction of the RMI is expected to be accompanied by new criteria within a more systemic reform of unemployment benefits and social allowances.

#### *Education*

Pilot initiatives and the increase in quality and quantity of education services are supported for children aged 2-3 and in relation to family needs (the so-called “springtime-classrooms”).

Bonus to acquire schoolbooks was extended to upper secondary education. Adult and immigrant education was strengthened. The acquisition of new technology to support teaching methods was financed. Financial resources were dedicated to the integration of foreign minors in schools and the Minister of Education nominated a specific deputy minister. A plan was established to transform fixed-term contracts in open-ended contracts between 2007 and 2009 (nearly 150,000 teachers and 20,000 technical – administrative staff). At the same time, staff turnover and

redundancy will be managed with a specific attention to increasing the number of remedial teachers for disabled pupils and students. A national agency (in collaboration with Regional and local authorities) was created to ensure more autonomy, co-ordination and cost reduction in school management. Other provisions regarded the increase in education services delivery (e.g. private schools), plans for new schools and school safety.

A coherent policy framework was elaborated to increase the quality of schooling (e.g. 8 cross-sectoral competences: learn to learn, project, communicate, collaborate and participate, act autonomously and responsibly, problem solving, identify connection and relationships, acquire and interpret information).

### *Employment: Women*

Gender equality in the labour market was promoted mainly through: the National Fund for Rights and Equal Opportunities policies (created by Law No 248/2006), aimed at promoting actions against gender discriminations in the workplace, in the home and in society (including the policy arena). The Equal Opportunity Code (enforced by Law No 198/2006) was updated, also to support women entrepreneurship and to increase women activity rate and employment rate. Other measures are present in the National Fund for household policies and initiatives to reconcile family and work life and to re-organise services' time, including volunteer "time banks" (as already envisaged by Law No 53/2000). All these policies show a close attention to women as well as small and medium sized enterprises.

### *Young people*

A National Fund for Youth Policies was created to promote the rights of young people in relation to education and culture, social insertion and employment with benefits inter alia on housing and credits to buy goods and services.

The fund resources will be utilised to implement a National Youth Plan to empower young people, to reduce school drop-out, to support networks and associations among young people, to support creativity and access to cultural domains, while providing credits to finance study periods, vocational training and enterprise creation.

Other monetary and service related support (e.g. house rent support, ICT instruments, vocational guidance and training, sport activities) are provided in agreement with local authorities, as well as the reduction in labour-related taxation and incentives to employ young people, to favour open-ended labour contracts. University education is stimulated along with a national plan to favour the insertion of young people as researchers.

Attention was focused to reducing drug abuse and hardships encountered by young people. To this end a National Fund for Juvenile Communities to involve youth associations and networks and a National Observatory on drug addiction were created. It should be noted that previous efforts to centralise and separate competences (e.g. national department and fund under the Presidency of the Ministers' Council, enforced in 2004), as well as a penal and repressive approaches were modified in favour of a social inclusion approach. In so doing, institutional mechanisms based on the integration of anti-drug issues were reintroduced into the social and health policies and services controlled by regional and local authorities.

*Elderly people*

A government bill on a coherent system of measures for this social group is expected in the coming weeks.

*Minors and their families*

A general instrument, the National Fund for household policies, was created to address the needs of households and children. The fund was created to elaborate and implement a national Family Plan as well as identifying the basic levels of performance in essential services throughout the national territory. This will be probably accompanied by an evaluation of the impact of interrelated policies on households (family impact assessment). The fund will also: create a National Observatory on Households; finance initiatives aimed at reconciling family and work life; reduce service costs for large households (4 children and more); enhance qualification of household assistant workers (for disabled, elderly, children and so on) through certification procedures and vocational courses; elaborate and implement a national Plan aimed at improving advice centres and clinics for households; re-launch and support international adoption of minors through a specific committee; install the Ombudsman for Minors according to the 1993 UN Resolution No 48/134; strengthen role and activities of the National Observatory on Childhood and the National Childhood-Adolescence Documentation and Analysis Centre (created by Law No 451/1997); strengthen role and activities of the National Observatory against Paedophilia and Child Pornography (created by Law No 269/1998).

A government bill on a coherent system of measures for families is expected in the coming weeks.

Education is another relevant measure: apart from the above-mentioned "springtime-classrooms" for children aged 2-3, a plan to improve socio-educational services for children was aimed at reducing regional unbalances both through the increase of these services in the concerned local contexts and through the definition of basic levels of performance throughout the national territory. The improvement of service delivery, proximity, accessibility (e.g. attendance time) and innovation (e.g. procedures and contents) has been addressed. This includes the possibility to create nurseries in the workplace and households' aggregation (e.g. buildings). A new fiscal system was introduced in favour of low income and large families by combining fiscal rates, deductions and family allowances. Family allowances related to the number of children were increased, eliminating the income restrictions that previously determined a reduction in benefits in relation to a marginal increase in wages.

Maternity and illness allowances as well as parental leave were improved and extended to persons employed with "atypical" labour contracts, namely fixed-term contracts.

According to the national institute of statistics (ISTAT, 2006e), relative poverty could be reduced by nearly 140,000 households with the 2007 financial law. A large number of families (16 million) will receive some tax related advantage compared to 4.8 million families that will have to pay more taxes. Nearly 1 million of households with the lowest income level (the poorest) do not pay any tax (the so-called "*incapienti*") and will not receive any benefit. The 2008 financial bill aims at providing a lump sum as a monetary support to very poor persons (the "*incapienti*") to compensate for the tax reduction that they do not receive. A 1% reduction in poverty intensity (the measure of how much the monthly average expense of a poor family is under the consumption-based threshold of "relative" poverty) is expected in 2008 (ISTAT, 2007d) while nearly 18 million

families will receive some advantages related to this measure or others in the new financial bill (e.g. housing rent taxation relief and tax relief for main home property). Other studies estimate a 0.5% reduction in relative poverty, extending the assessment based on consumption to that related to income (ISAE, 2007).

A national public housing plan was promoted since 2006 and a bill associated with the 2008 draft budget law is expected to significantly increase related resources.

A specific fund was introduced to allow municipalities to reduce costs of energy supply contracts for the most vulnerable (including disabled and elderly people).

Other small benefits concern tax deductions for expenses incurred for basic services, e.g. sport activities, housing for university student away from home (non-resident), care of not-self-sufficient persons and nurseries.

### *Disabled people*

The National Fund for employment of disabled persons was allocated additional resources.

Incentives were provided to public retail businesses in order to remove physical barriers that impede accessibility and mobility.

Other measures address the needs of disabled people and are contained in nearly all the above-mentioned policy strands, while receiving a cautious appreciation from the part of leading NGOs.

Moreover a national plan will be elaborated in 2007 with the participation of relevant stakeholders in order to promote new equal opportunity actions for disabled people; to reduce discrimination, to favour access to rights and services, for employment and social inclusion, as well to simplify and strengthen security and social protection, while elaborating new classification of disabilities.

### *Immigrants*

Two national funds were created in favour of immigrants: one for social inclusion aimed at lessening social and housing difficulties, as well as at a better integration of immigrant students through cultural mediators; the second one devoted to immigration and asylum rights.

A government bill was presented to the Parliament (August 2006) to modify the current legal framework (prevalently based on "jus sanguinis"), for instance: children born in Italy from foreign parents will be automatically acknowledged as Italian citizens ("jus soli") if at least one of the parents has established stable residence for 5 years; foreigner parents who have acquired Italian citizenship can request that their children, born abroad, are recognised as Italians without waiting for legal age (18 years).

Another bill was presented by the government in April 2007 to modify the current immigration laws towards a more coherent, open, multi-dimensional approach aimed at solidarity, social inclusion and multi-cultural cohesion.

However, both bills need to be further enforced in Parliament to be effective. Very recently, a law decree (No 181/2007) was enforced regarding security and justice policies against criminal actions and illegal status of immigrant persons while facilitating the expulsion of immigrants.

A national plan dedicated to social inclusion of Roma minors is expected (e.g. education and health services) which has benefited from a close collaboration between government, Roma associations and volunteer organisations, along with strengthening the action of cultural mediators in favour of Roma, Sinti and Travellers.

A national institute was created to reduce poverty related illnesses and to promote health of immigrants, homeless people, nomadic people and those at risk of social exclusion. The tasks are: prevention, care, vocational training and research.

Specific resources were destined to prevent the practice of genital mutilation, which occurs in some immigrant cultures.

### Progress in relation to the 2007 JRSPSI Challenges

Risk factors have been identified which take into consideration the changes and trends in poverty, employment and demographics. Comparing risks factors within the framework of recent legislation and policy development, an assessment of the progress concerning the challenges identified in the 2007 Joint Report on Social Protection and Social Inclusion (SPSI) can be made.

SPSI Challenges	Progress
To reduce regional disparities through improved co-ordination between national and sub-national measures	Attempts made for a better co-ordination in key policy fields, but evident limits are still present, especially in the definition of basic levels of social rights and service delivery throughout the national territory
To increase the level of participation on the labour market, especially for young people, women and older workers, in order to meet future challenges arising from demographic trends, and ensure adequacy of pensions and the long-term sustainability of public finances	Employment policies have yet to significantly improve the activity and employment rates, while the reductions in the unemployment rate appear to be largely due to people (especially women and young) who choose to not enter the labour market. Women and immigrants are key labour resources but are not sufficient to meet the demographic trends and related costs of an aging population. Efforts related to gender issues and immigration policies have become more open towards civil rights and a better citizenship integration.
To ensure a more coherent and comprehensive coverage of the "shock absorbing" system	The system of social protection and unemployment benefits continues to be rather incoherent. The recent (July 2007) agreement between the government and social partners is a milestone to open new perspectives, but has remained as a set of general guidelines.
To improve efficiency and reduce waste through the more rational use of resources, and to improve health and LTC service organisation and coordination whilst reducing geographic differences in provision	Significant progress regarding health service delivery and co-ordination between national and sub-national authorities to lessen regional disparities has been made. Hopefully, the added attention on public health will contribute to increasing awareness of a more sustainable use of the available natural resources, but more efforts are necessary
In long-term care, to focus on community and home services as an alternative to residential and hospital care by moving towards an integrated approach between regional and local levels	New resources have been provided both for health and social policies, making a good start for integration at regional and local level in order to improve service delivery at home and community levels.

Progress has been made also as far as the following aspects are concerned:

Issues	Progress
Gender	Progress concerns a wide range of legislation and plans to improve gender equality in favour of women, but the impact of this renovate policy will be revealed in a medium-long term
Mobilisation and involvement of actors	A social climate was inaugurated to foster collaboration, involvement and participation as key events demonstrate to elaborate national and sub-national plans (for instance, households and families, youth, health, social services) interesting a wide range of social groups (women, young people, elderly, immigrants, disabled). Several stakeholders take part in this process and social patterns are key actors in many policy fields (e.g. the recent agreement on labour, equity and social security)
Mainstreaming	Social inclusion policy is a key aspect in the overarching policy approach aimed at integrating growth with equity. However, more needs to be done to incorporate poverty risk issues (with their multidimensional aspect) in all policy strands: monetary support (e.g. tax and benefits reform) is insufficient while there is need to improve basic services for a better quality of life.
Regional and local interests	Agreements between national, regional and local authorities have been strengthened in all the key policy fields (including social, health, family, education and employment plans and services) and acts (for example, those concerning the resources allocated to funds already mentioned)

## Statistics

Table 1: Poverty concentration	2006	2005	2004	2003	2002	2001
A) Poor households (000) Italy	2,623	2,585	2,674	2,401	2,456	2,663
B) Poor households (000) South	1,713	1,805	1,837	1,564	1,630	1,766
B/A = Concentration rate (%)	65	70	69	65	66	66
C) Poor persons (000) Italy	7,537	7,577	7,588	6,829	7,140	7,828
D) Poor persons (000) South	5,201	5,484	5,494	4,637	4,886	5,432
D/C = Concentration rate (%)	69	72	72	68	68	69
Elaboration on data from: ISTAT 2007, 2006, 2005 and 2003						

Table 2: Poor Persons	2006	2005	2004	2003	2002	2001
A) Persons (%) Italy	12.9	13.1	13.2	12.0	12.4	13.6
B) Persons (%) South	25.2	26.5	26.7	22.6	23.6	26.2
B – A = % Regional difference	12.3	13.4	13.5	10.6	11.2	12.6
Elaboration on data from: ISTAT 2007, 2006, 2005 and 2003						

<b>Table 3: Poor Households</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>
A) Households (%) Italy	11.1	11.1	11.7	10.8	11.0	12.0
B) Households (%) South	22.6	24.0	25.0	21.6	22.4	24.3
B – A = % Regional difference	11.5	12.9	13.3	10.8	11.4	12.3
C) Couples with 3 or more children (%) Italy	25.6	24.5	22.7	21.0	24.4	24.5
D) Couples with 3 or more children (%) South	38.0	35.4	33.1	28.2	31.8	34.1
D – C = % Regional difference	12.4	10.9	10.4	7.2	7.4	9.6
G) Lone parents (%) Italy	13.8	13.4	12.8	11.8	11.5	13.0
H) Lone parents (%) South	25.0	26.4	25.2	22.9	21.4	27.8
H – G = % Regional difference	11.2	13.0	12.4	11.1	9.9	14.8
E) Households with 3 or more minors (%) Italy	30.2	27.8	26.1	21.7	25.9	28.0
F) Households with 3 or more minors (%) South	48.9	42.7	41.0	31.9	32.9	37.0
F – E = % Regional difference	18.7	14.9	14.9	10.2	7.0	9.0
Elaboration on data from: ISTAT 2007, 2006, 2005 and 2003						

<b>Table 4: Poor households by age of the breadwinner</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>
A) Aged 65 and over (%) Italy	13.8	13.8	15.1	14.5	14.9	15.2
B) Aged 65 and over (%) South	25.4	28.4	29.9	27.1	29.3	28.9
B – A = % Regional difference	11.6	14.6	14.8	12.6	14.4	13.7
C) Aged under 35 (%) Italy	9.5	11.1	9.7	8.3	8.0	9.4
D) Aged under 35 (%) South	20.0	24.9	23.5	18.7	18.4	23.0
D – C = % Regional difference	10.5	13.8	13.8	10.4	10.4	13.6
A – C = % Age difference in Italy	4.3	2.7	5.4	6.2	6.9	5.8
B – D = % Age difference in South	5.4	3.5	6.4	8.4	10.9	5.9
Elaboration on data from: ISTAT 2007, 2006, 2005 and 2003						

<b>Table 5: Relative poverty rate associated with educational status of families</b>				
Reference person (breadwinner)	2006 (%)		2002 (%)	
	Italy	South	Italy	South
None or primary education	17.9	31.1	18.7	33.6
Lower secondary education	12.2	25.1	12.5	26.3
Upper secondary education and over	5.0	11.5	4.8	11.0
Source: ISTAT 2007 and 2003				

Reference person (breadwinner)	2006 (%)		2002 (%)	
	Italy	South	Italy	South
Employed	9.3	20.5	9.8	20.8
Self-employed	7.5	16.4	7.5	15.3
Job seeker (unemployed)	28.2	38.2	31.8	42.5
Retired	12.2	23.6	13.4	27.8

Source: ISTAT 2007 and 2003

(A) EU indicators		(B) Italian indicators		Difference (A-B)
Population at-risk-of-poverty rate	19.0%	Persons in condition of relative poverty	13.1%	5.9 percentage points

Source: (A) EUROSTAT 2007 – online statistics; (B) ISTAT 2006

Indicators	2006	2005	2004	2003	2002
Resident Population	59,131,287	58,751,711	58,462,375	57,888,245	57,321,070
A. Immigration	297,640	325,673	444,566	470,491	222,801
B. Emigration	75,230	65,029	64,849	62,970	49,383
C. Net migration balance: A-B	222,410	260,644	379,717	407,521	173,418
D. Natural balance (1): Italians	-52,200	-62,120	-30,053	-73,537	-50,651
E. Natural balance (1): Foreigners	54,318	48,838	45,994	31,132	31,456
F. Natural balance (1): All Residents D+E	2,118	-13,282	15,941	-42,405	-19,195
G. Domestic migration (2)	21,751	7,472	25,900	32,678	64,587
H. Others (3)	133,297	34,502	152,572	169,381	108,518
I. Population yearly increase: C+F+G+H	379,576 (0.6%)	289,336 (0.5%)	574,130 (1%)	567,175 (1%)	327,328 (0.6%)
Immigration over yearly increase: % (A / I)	78%	113%	77%	83%	68%

(1) Natural balance is the difference between the numbers of live births and deaths  
(2) Domestic migration is the difference between the numbers of people registered in and cancelled from resident lists in different municipalities  
(3) Corrections to statistics due to mistakes and mismatch in the registration of domestic migration

Elaboration on data provided by ISTAT 2007a, 2006a, 2005a, 2005b, 2004 and [www.demo.istat.it](http://www.demo.istat.it)

Indicators	2006 (*)	2005 (*)	2004 (*)	2003 (*)	2002 (*)	2001 (**)
Legally registered	2,938,922	2,670,514	2,402,157	1,990,159	1,549,373	1,334,889
% increase over previous year	10.1	11.2	20.7	28.4	16.1	--
% over total resident population	5.0	4.5	4.1	3.4	2.7	2.3
Minors (0-17 years) over total immigrants	22.6%	21.9%	20.9%	20.7%	22.8%	21,3%
% over total resident minors (0-17 years)	n. a.	5.9	5.0	4.2	3.6	n. a.
(*) 31 December; (**) 21 October (census)						
Elaboration on data provided by ISTAT 2007b, 2006c, 2005c and <a href="http://www.demo.istat.it">www.demo.istat.it</a>						

Indicators	2005 (%)	2002 (%)
Total population aged 65 and over / total population	19.7	19.0
Immigrants aged 65 and over / total immigrants	2.1	2.8
Total population aged 15 – 64 / total population	66.2	66.8
Immigrants aged 15-64 / total immigrants	78.8	77.3
Total population aged 0-14 / total population	14.1	14.2
Immigrants aged 0-14 / total immigrants	19.1	19.9
Total population dependency ratio (1)	51.1	49.8
Immigrants dependency ratio (1)	26.8	29.3
Total population old-age-dependency ratio (2)	29.8	28.5
Immigrants old-age-dependency ratio (2)	2.7	3.6
(1) People aged 0-14 plus people aged 65 and over divided by people aged 15-64		
(2) People aged 65 and over divided by people aged 15-64		
Elaboration on data provided by ISTAT <a href="http://www.demo.istat.it">www.demo.istat.it</a> (2005 last year with available data on immigrants)		

Indicators	2006 (%)	2002 (%)
Women portion of total population	51.4	51.6
Women portion of immigrant population	49.9	49.1
Men portion of total population	48.6	48.4
Men portion of immigrant population	50.1	50.9
All population in the North	45.4	45.0
Immigrant population in the North	63.6	63.1
All population in the Centre	19.52	19.16
Immigrant population in the Centre	24.76	24.64
All population in the South	35.1	35.9
Immigrant population in the South	11.6	12.2

Elaboration on data provided by ISTAT [www.demo.istat.it](http://www.demo.istat.it)

Indicators (*)	South (A)	Differences between the South and the North (A)	Differences between the South and the Centre (A)	Difference between Italy and the EU 25 average (B)
Activity rate (1)	52.3	- 16.6	- 14.1	- 7.7
Employment rate (1)	46.7	- 20.0	- 16.5	- 6.2
Unemployment rate (2)	10.6	+ 7.4	+ 5.8	- 1.0
Fixed-term contracts	18.0	+ 7.2	+ 4.2	- 2.2
Part-time employment	11.6	- 3.2	- 3.6	- 5.6

(1) % of population aged 15-64; (2) % of labour force aged 15+

Source: (A) Data regard the second quarter 2007 and are taken from ISTAT 2007c; (B) Data regard 2005 and are taken from EC 2006

<b>Table 13: Employment gender difference (percentage) in Italy</b>			
Indicators (*)	Women situation (A)	Differences between women and men (A)	Difference between Italy and the EU 25 average (B)
Activity rate (1)	50.6	- 23.9	- 12.1
Employment rate (1)	46.8	- 24.3	- 11.0
Unemployment rate (2)	7.4	+ 2.8	+ 0.3
Fixed-term contracts	16.6	+ 5.5	- 0.3
Part-time employment	26.9	+ 22.5	- 6.7
(*) Data concern national average, but women conditions worsen in the South where their activity rate is 36.4% (32.1 percentage points less than men), employment rate 31% (31.7 percentage points less than men) and unemployment rate 14.6% (6.2 percentage points more than men).			
(1) % of population aged 15-64; (2) % of labour force aged 15+			
Source: (A) Data regard the second quarter 2007 and are taken from ISTAT 2007c; (B) Data regard 2005 and are taken from EC 2006			

## Annex: List of recent laws by thematic fields

This list is elaborated following the trajectories and social categories identified by the independent evaluator in reports on social inclusion policies. These are listed to facilitate an easier comparison of legislative development.

### Trajectories

#### *Social services*

The financial instrument that ensures the widespread of local welfare plans is constituted by the National Fund for Social Policies (NFSP, instituted by Law N° 328/2000), for which the Constitutional Court decreed in 2003 and 2004 that all resources attributed to regional authorities must be managed by the latter autonomously according to their decisions on social policy.

The NFSP funds were increased by € 300,000,000 per year between 2006 – 2008 (Law No 248/2006) to compensate for previous reduction. The 2007 financial law (No 296/2006) provided new resources: € 1,635,141,000 in 2007, € 1,645,841,000 in 2008 and € 1,378,914,000 in 2009.

Immediate effects were in 2006 with an allocation of € 1,624,922,940 (Ministerial decree, 25 August 2006) and in 2007 with an allocation of € 1,564,917 (Ministerial decree, 27 July 2007). Regional and local authorities manage directly and autonomously 50% of the overall fund. The other 50% supports initiatives of the national ministry (social solidarity) and of the national institute of social insurance (INPS).

A share (€ 44,466,940) of NSFP has always been directed to 15 relevant municipalities for child welfare according to the law on the promotion of childhood and adolescence opportunities and rights (Law No 285/1997), which created a specific fund for childhood and adolescence. The 2007 financial law reattributed a specific status to the fund for childhood and adolescence although it has converged into the wider National Fund for Social Policies (NFSP).

Unfortunately new resources were not provided to re-launch minimum income scheme for social insertion (RMI).

Recent documents: NFSP between 1998 – 2004 (Il Fondo nazionale per le politiche sociali 1998 – 2004), Ministry of Social Solidarity, 2007; experimentation with minimum income scheme for social insertion (Attuazione della sperimentazione del Reddito Minimo di Inserimento e risultati conseguiti), Ministry of Social Solidarity, 2007; survey on social initiatives and services of municipalities in 2004 (L'indagine censuaria sugli interventi e i servizi sociali dei Comuni – Anno 2004), Ministry of Social Solidarity, 2007.

#### *Health services*

The 2007 financial law (No 296/2006) allocated resources to the National Health Service to compensate for budget reduction introduced by previous financial laws (starting with € 2 billion in 2006): € 96,040,000,000 in 2007; € 99,082,000,000 in 2008; € 102, 285,000,000. The National Health Fund (NHF, instituted by Law N° 833/1978 and managed by the regions) is the financial instrument that ensures health services and a new Fund was instituted by the 2007 financial law to co-finance innovation in the national health plan between 2007 – 2009 with a total allocation of € 65,500,000.

*Education*

The 2007 financial law (No 296/2006) supported the following main measures. Starting from 2007, an overall amount of € 220,000,000 each year was allocated to the extension of compulsory education, springtime-classrooms for children aged 2-3) and bonus to acquire school books, along with other € 100 million to private schools with priority to childhood education. Other € 250 million between 2007 – 2009 were devoted to school building plans (half the amount to make safe the existing buildings) while € 30 million to buy computers and new technology.

Recent documents: White Paper on School (Quaderno Bianco sulla scuola), Ministry of Public Education, September 2007

*Employment*

The 2007 financial law (No 296/2006) supported the following main measures.

Labour-related taxation was reduced of 5 percentage points (2% in favour of employees and 3% in favour of enterprises) to enhance permanent employment. The measure consists in a fiscal deduction of € 5,000 per year for each dependent worker with permanent employment contract in the Centre and Northern regions and € 10,000 in the Southern regions (increased by € 1,800 – 2,000 for employed women). Fiscal deduction includes also social security contribution, industrial accident insurance, costs concerning apprentices, disabled workers and those with a training-labour contract.

A specific fund was created with the allocation of € 5,000,000 each year starting from 2007 to transform fixed-term labour contracts in open-ended contracts in public services.

€ 300,000,000 per year in 2008 and 2009 was dedicated to favour the conversion of temporary jobs (concerning mainly young people) in labour contracts for permanent employment through collective bargaining agreements between companies and trade unions both at a business and local entrepreneurial fabric level (company and territorially agreements).

Moreover € 15,000,000 per year in 2007 and 2008 was allocated to promote vocational re-qualification and labour reinsertion of people with fixed-term labour contracts in restructuring processes.

The National Fund for Rights and Equal Opportunities policies (created by Law No 248/2006 with the allocation of € 3,000,000 in 2006 and 10,000,000 per year starting from 2007) was increased by € 40,000,000 each year in 2007, 2008 and 2009.

€ 10,000,000 in 2007 and 2008 was allocated to a national fund for the reduction of irregular employment.

€ 2,500,000 each year in 2007, 2008 and 2009 was devoted to a new national fund in favour of families with workers seriously injured by industrial accidents.

## Social categories

### *Young people*

Law No 127/2007 enforced some measures, envisioned within the Welfare Protocol: a credit-Fund for people aged 18-40 (€ 10,000,000 in 2007, 2008 and 2009 respectively) to support their enterprise creation in small businesses and cooperatives, in artisan, trade, tourism, agriculture sectors, as well as generational transfer of enterprises; a fund to improve the pension system for young people by connecting different periods of social contribution, which includes also University attendance (€ 267,000,000 in 2008, € 234,000,000 in 2009 and € 200,000,000 each following year).

The 2007 financial law (No 296/2006) supported the following main measures.

A National Fund for Juvenile Communities was created by with the allocation of € 5,000,000 each year between 2006 – 2009.

Additional resources were given (€ 120,000,000 each year in 2007, 2008 and 2009) to the National Fund for Youth Policies, created by Law No 248/2006 and financed with € 3,000,000 in 2006 and € 10,000,000 starting from 2007.

A monetary allowance was given to students who need to rent a house in order to attend University in other cities in the form of 19% fiscal relief of the actual cost to a maximum of € 2,633 per year. Similar tax relief was provided to those aged 5-18 to access sport facilities to a maximum of € 210 per year.

A reduction in costs (up to 40%) was enforced to favour creativity, innovation and intellectual property rights in scientific, industrial and trade fields for people aged under 35, along with tax credits for SMEs in artistic sectors.

### *Elderly people*

Law No 127/2007 enforced a series of measures, envisaged by the Welfare Protocol, to increase pensions for people aged 64 and over who have a low income.

The 2007 financial law (No 296/2006) allocated € 100,000,000 in 2007 and € 200,000,000 per year in 2008 and 2009 to a new National Fund for not-self-sufficient persons.

### *Minors and their families*

The 2007 financial law (No 296/2006) supported the following measures.

Resources were allocated (€ 210,000,000 in 2007 and € 180,000,000 in 2008 and 2009 respectively) to a National Fund for Household Policies (created by Law No 248/2006 with € 3,000,000 in 2006 and € 10,000,000 each year starting from 2007).

A plan for socio-educational services dedicated to children, including also nurseries, was financed with € 100,000,000 each year in 2007, 2008 and 2009.

A fiscal reform in favour of low income and large families. Fiscal rates were differentiated in: 23% for yearly incomes arriving at € 15,000, 27% from € 15,001 to € 28,000, 38% from € 28,001 to € 55,000, 41% from € 55,001 to € 75,000 and 43% from € 75,001 to higher incomes.

This differentiation is accompanied by taxation relief related to the family burden, e.g. from € 14,035 to € 14,755 for a worker's family of four persons (720 € more than before) and € 7,500 to € 8,000 for a worker without dependent persons (500 €).

Family allowances related to the number of children were increased, eliminating the income brackets that previously determined sharp reduction in benefits due to marginal increase in wages.

A public Housing Plan (created by Law No 261/2006) was financed with the allocation of € 30,000,000 in 2008 and 2009.

*Disabled people*

The 2007 financial law (No 296/2006) supported the following main measures.

Additional resources were allocated to the National Fund for employment of disabled persons (created by Law No 68/1999), € 37,000,000 in 2007 and € 42,000,000 starting in 2008.

€ 5,000,000 was allocated to a specific fund in 2007 to remove physical barriers that impede accessibility and mobility in public retail businesses.

*Immigrants*

The 2007 financial law created: a National Fund for Social Inclusion of Immigrants with an allocation of € 50,000,000 per year in 2007, 2008 and 2009; a fund on immigration and asylum rights, to which € 3,000,000 were allocated starting from 2007; a national institute against illness due to poverty with the allocation of € 5,000,000 in 2007 and € 10,000,000 each year in 2008 and 2009. Moreover € 500,000 was allocated to programmes to reduce genital mutilation of women.

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