



CORTE DEI CONTI

# Italy's Labour Market: Main Trends and Challenges

*Workforce 2030 – Parallel Audit  
Kick-off Meeting*

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## Agenda

- ❑ Background Information and Figures on the Italian Labour Market
- ❑ Relevant Trends in the Labour Market
- ❑ Government Plan and Strategy on the Labour Market
- ❑ The Role of the Italian SAI (Corte dei Conti)
- ❑ What We Expect from the Parallel Audit

## Background Information and Figures on the Italian Labour Market

Currently, the Italian labour market still shows stable improvements, exceeding the employment levels registered before the financial crisis and progressively reducing the supply of unutilised labour.

According to the 2018 statistics:

- Employment rose on average in the year (+0.8 per cent);
- The unemployment rate fell on average in the year (to 10.6 per cent, from 11.2 per cent in 2017), but it still shows a wide gap with the pre-crisis level (6.7 per cent);
- Actual earnings returned to growth after two years of virtual stagnation, driven by contract renewals that occurred between the end of 2017 and the start of 2018. In the second half of the year, with the deterioration in cyclical conditions, the share of employees with expired, unrenewed contracts began to rise again, causing slower growth in contractual earnings that has continued into the current year.

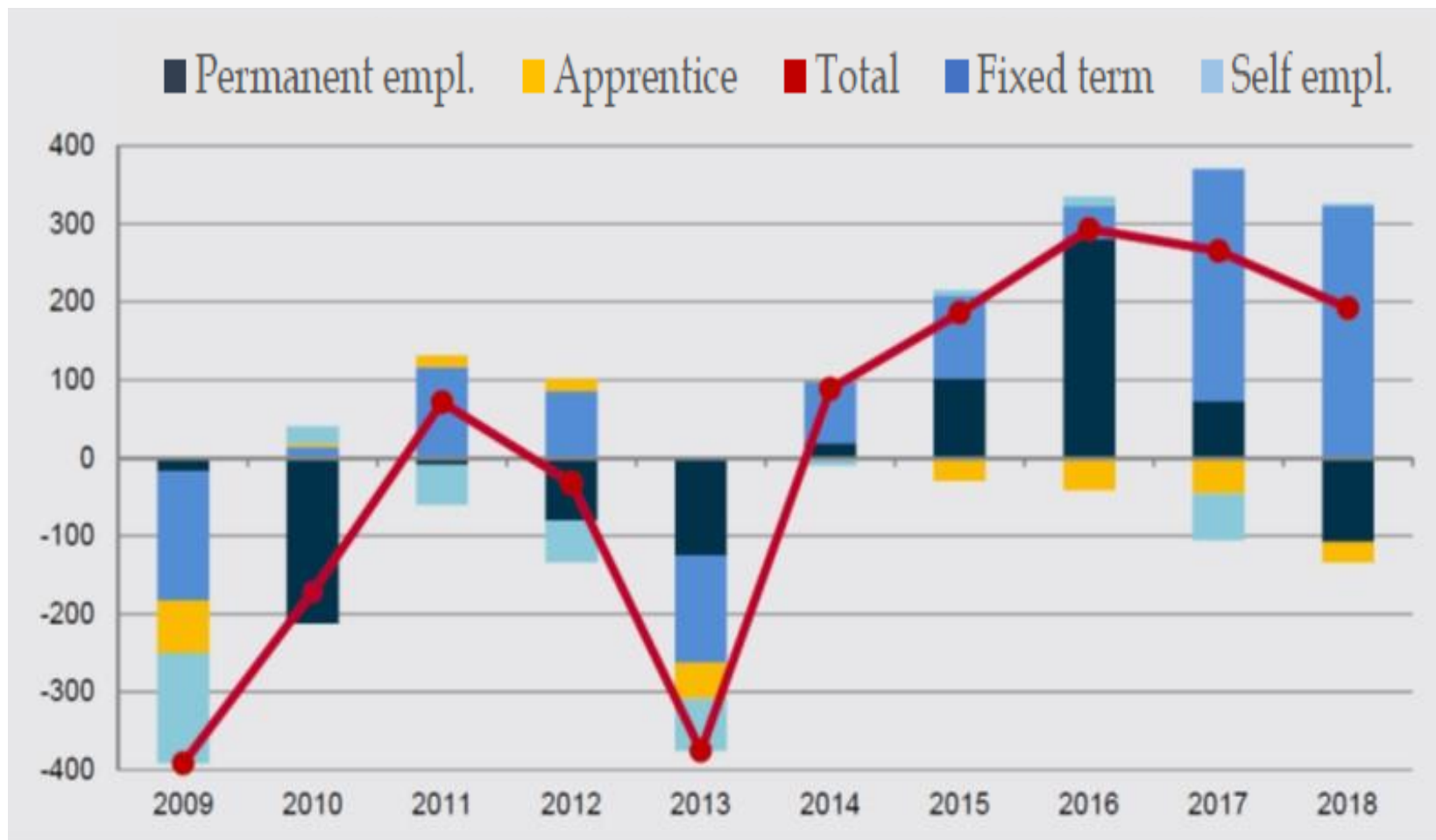
## Relevant Trends in the Labour Market

The Italian labour market still struggles with its structural problems, if compared with other European countries.

- Unemployment rate is still higher than in the euro area (in December 2018, the unemployment rate in the euro area stood at 7.9 per cent, its lowest level since October 2008, see Commission Winter Forecast 2019), especially in the South (18.4 per cent) and among young people aged 15-24 (32.2 per cent, with a peak of 48.4 per cent in the South);
- A delay in the use of new technologies by the firms, namely broadband networks, which could further improve labour productivity;
- Together with these weaknesses, the Italian labour market has experienced, in the past ten years, the following trends that need to be promptly addressed:

## Changes in the Composition of the Employment Structure

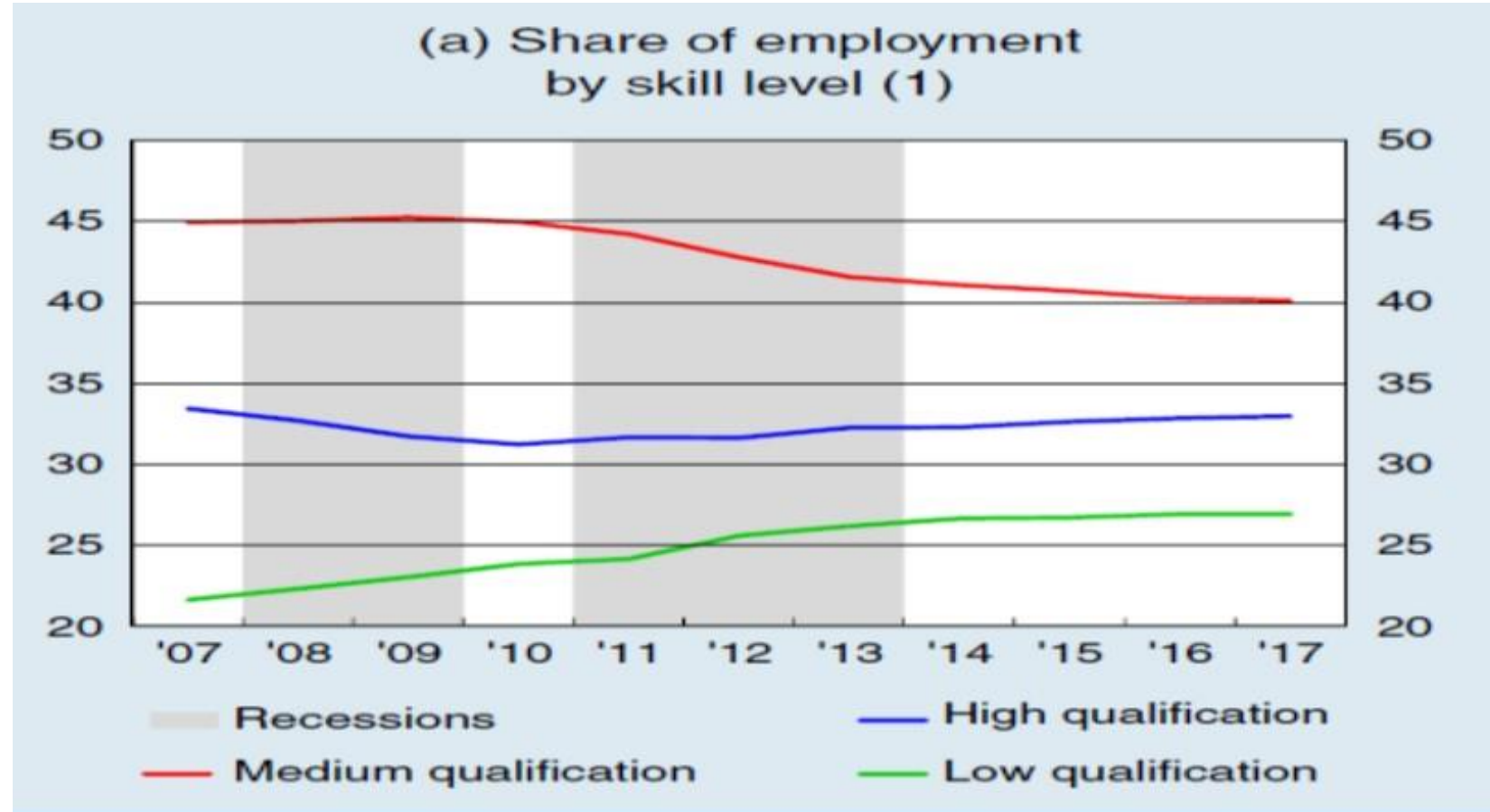
- A rise in payroll employees and a decrease in the number of self-employed workers;
- Change in the composition toward a higher weight of the fixed-term component;



Source: ISTAT, Annual report 2018

## The so called Polarization effect

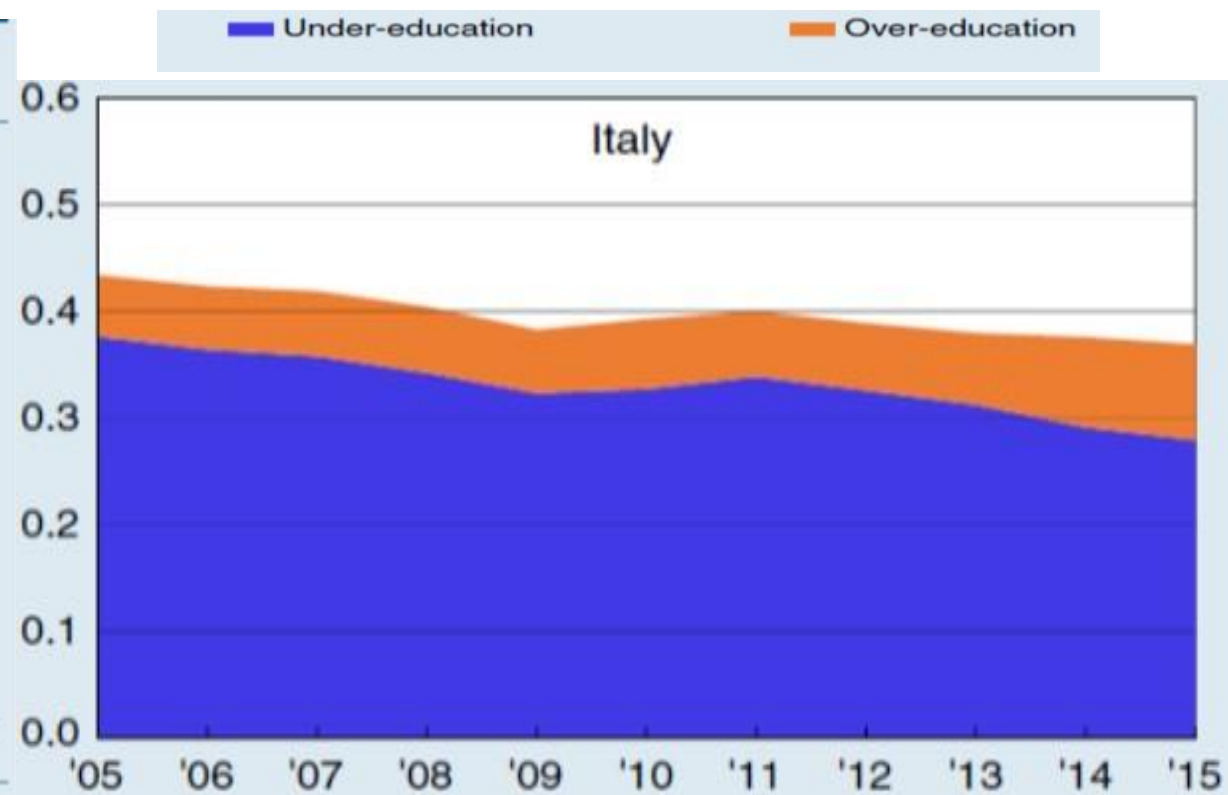
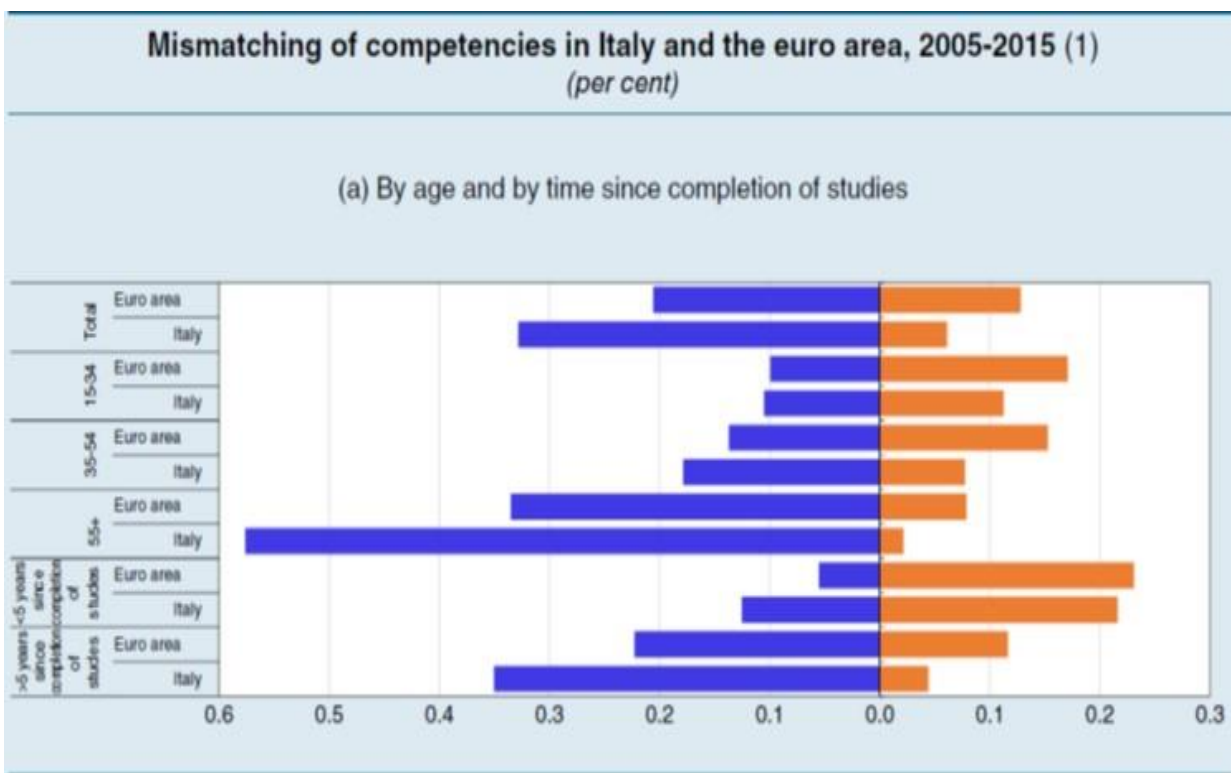
- Ranking jobs by qualification, the share of medium qualification jobs decreased by 9.3 per cent, while the shares of low-qualified and high-qualified jobs rose by 4.6 and 4.8 per cent (OECD, OECD Employment Outlook 2017, 2017).



Source: Bank of Italy, Annual report 2017

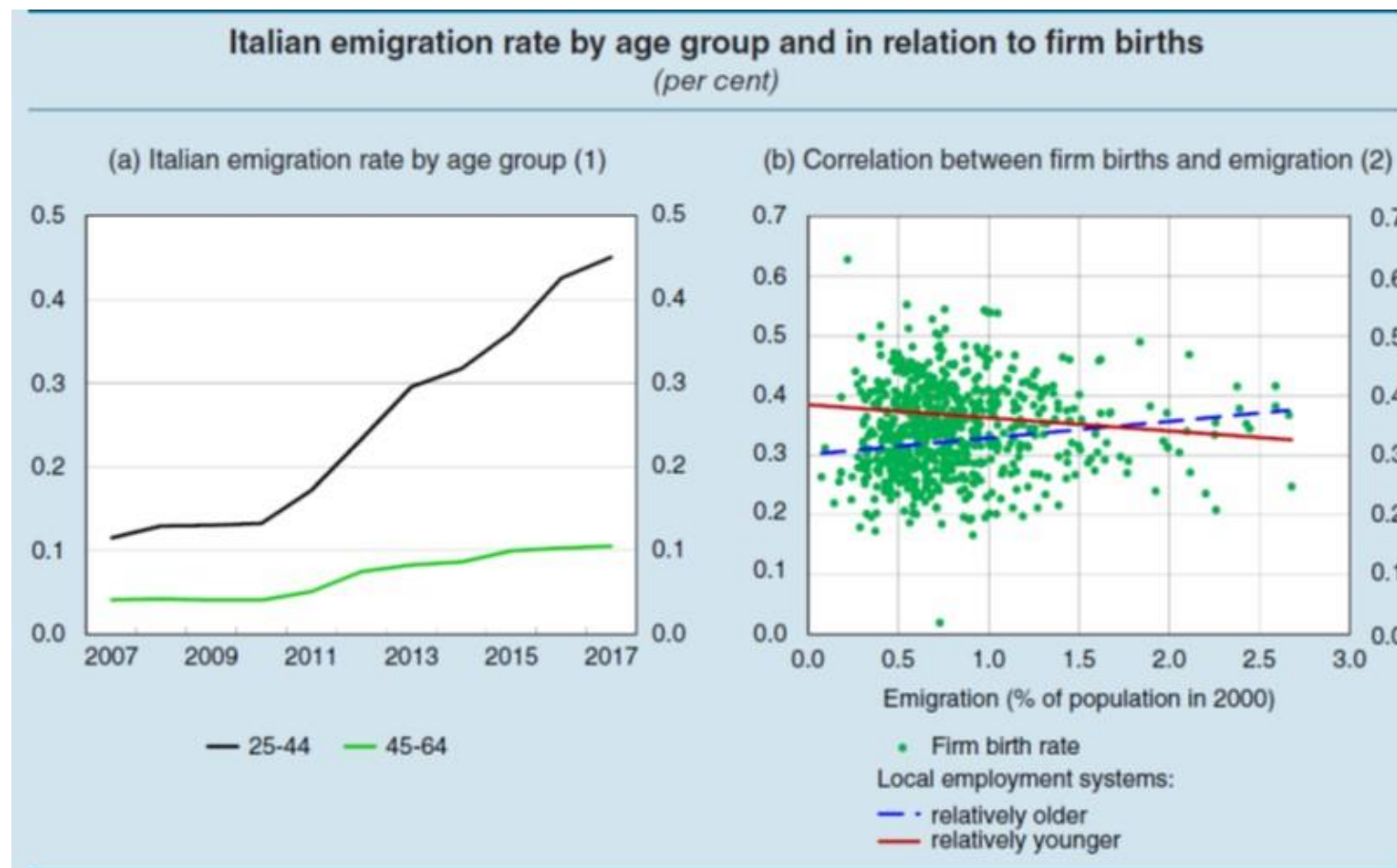
## Mismatch between Labour Demand and Educational Level:

- On average in the period 2005-2015, the level of education of 40.0 per cent of Italian workers differed significantly from the level required for their job:
- The mismatch is caused above all by under-education but also over-education situations are critical.



## The Risk of a Brain Drain Effect

- 2007-2018, a continuous increase in the number of Italian citizens that emigrated abroad; over the past ten years the net migration balance was negative by about 492.000 people;
- Negative impact of emigration on the creation of new firms, especially for those with partners or managers below the age of 45.



Source: *Bank of Italy, Annual report 2018*



## Government Plan and Strategy on the Labour Market

No specific comprehensive planning document has been drafted by the Government defining the strategy towards the labour market, however the main objectives of the policies and measures to be adopted in this field can be derived from the National Reform Program. The most relevant targets set in the Government agenda are: improve social inclusion, fight job insecurity, and incentivize employment of young people and women's employment, through:

- Introduction through Law 26/2019 of the new minimum income scheme (Reddito di Cittadinanza), intended as a measure to combat poverty and at the same time as an active labour market policy to boost employment;
- Introduction of social security relief for persons under age 35 and new restrictions on temporary contracts under the 'Dignity Decree';
- Introduction of a minimum wage, still under discussion.

## The Role of the Italian SAI (Corte dei conti):

- ✓ What has been done so far:
  - The level of implementation of the measures taken to start the “Youth Guarantee Programme”. The programme is based on incentives for the young people classified as NEET;
  - The implementation of smart working (namely teleworking) in the central Public Administrations.
- ✓ What is the plan for the future:
  - Due to the relevance of the new measure concerning the minimum income scheme (2019 Budget Law 7.1 bn; 2.7 mln persons will benefit from the new income; positive expected impact on the GDP +0.2 per cent in the short term and 0.5 per cent in the long term), a specific performance audit could be planned on the level of implementation of the restructuring procedure of the public employment services offices, the adequacy of the relative equipment, in terms of human and technological capital.

## What We Expect from the Parallel Audit

- ✓ Opportunity to share approaches and methodologies in conducting future performance audits;
- ✓ Identify other critical issues affecting the labour market that could become the object of performance audits in the future planning activities;
- ✓ Benefit from the results stemming from the audits carried out by the participating SAIs, by identifying best practices in the public policies towards the labour market, that could be channelled in our recommendations to the interested institutions.



*Thank you for your attention*  
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