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Active Ageing and the Labour Market

Country report in Italy

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Introduction

As shown by the WP1, from a comparative point of view Italy combines two negative aspects in the matter of active ageing: a rapidly ageing population and a slowly growing participation of the elderly in active life. Considering the economically advanced countries, only Japan would seem to age more rapidly, but its rate of employment of the older work force (55-64 years) is already over 60%, with a participation level that is by far higher than the European average.

The remarks addressed by the Council of Europe to Italy based on the 2002 Action Plan for Employment contain this statement “to increase the still low employment rates, Italy could make better use of the labor supply of older people and women”. There is little objection to be raised as to objectivity of the remark and the timeliness of the invitation, even though there is an implicit recognition that Italy, in addition to facing a problem, has also a margin of maneuver to cope with the labor shortage phenomena that other countries either lack or have to a lower extent.

In Italy, the themes of active ageing and social inclusion of older people have been obscured for a long time by other priorities.

In the 1980s, but also afterwards, even though with different characteristics, the Italian industrial tissue has been affected by considerable reorganization processes. Further to these reorganizations, many workers in their fifties have been expelled by the large factories. Those who had had an early access to employment and were eligible for a seniority pension have retired directly, while *ad hoc* schemes have been conceived and applied to the rest of these workers to back up the agreements that had been reached after exhausting negotiations with the workers' trade unions. In this framework, the redundancy fund has carried out an important role, contributing in a few cases to overcome the time of crisis and, when this proved unfeasible, to make the workers' outflow less traumatic. In most cases, however, the situation was handled by remaining mostly within the context of the passive policies and the early retirements.

The structural labor demand shortage and, as a result, the difficult placement in employment of youths, particularly in Southern Italy, has represented the other compulsory anchorage of the labor policies. From the first half of the Eighties onwards, the goal of promoting employment has been pursued with alternate results. With a view to furthering the labor demand, an effort was made to ensure an increased flexibility of the regulations for the placement in employment, an increased endowment of public services (vocational training to a much greater extent than vocational guidance and employment services) and, above all, a broader range of economic incentives (contribution cuts and tax credits for newly hired workers).

Later on, starting from the middle of the Nineties, the issue of ageing found greater space in the debates. The turning point was the alarm with respect to the public accounts. It takes but a short step to move from public accounts to pension spending and from the latter to the ageing of the population, this being the outcome of a low birthrate and an increased life expectancy.

While dealing with the active ageing of the population, this report provides a detailed map of the “employment of older workers” in Italy and of the system of advantages between employment and pension that regulates this special segment of the labor market. The analysis allows perceiving an image of the “employment of older workers” as a peculiarly male and self-employment activity and, in any event, an activity involving as a rule some of the highest levels of professional qualifications and, quite naturally, of work careers, with a majority of full-time jobs and higher pay levels. This could contribute to explaining the relatively scarcer participation of older workers to training and retraining courses with respect to acquired or acquirable skills.

If the scarce participation of the older people in the labor market is affected by processes and mechanisms that were in operation from the 1980s up to the first half of the 1990s (early retirements and baby-pensions), the most recent evaluations define a more complex picture of the factors that weigh upon the decision between work and retirement. In any event, much keeps on depending on corporate sizes. The likelihood of an early separation from the labor market differs with respect to large and medium-small enterprises, where the retirement decision (which does not mean inactivity) is quite often more an induced than a voluntary choice. What is certain is that regulations affect it to a considerable extent.

The recent raise of the actual retirement age, which aligns Italy to the European average, is showing that the previously implemented pension reforms are beginning to affect the system of the advantages. While the decline of the pension yields (not yet rebalanced by the take-off of the supplementary social security) and the more severe requirements in terms of age and contributions to have access to a pension postpone the more general question of the adequacy of the pensions, they pose the problem of how we might succeed in convincing today’s would-be pensioner (the older worker) to refrain from leaving the (official) labor market.

As the system of incentives that turns out from the discipline of the combined income from pension and employment and the special contributory and tax regime for those who decide to keep on working has failed to have the anticipated effects, it runs the risk of becoming on the one hand contradictory and on the other too onerous, giving rise to a different set of barriers and opportunities between enterprises and workers.

1 Employment and Labor Market in Italy

It is nearly a decade since the Italian labor market has been reporting positive results. Between 1995 - the turning point in the short-medium term trend - and 2003, the number of the employed has grown a little over two million and, with a 10.1% increase, moved from 20 to 22 millions of which nearly 14 million men (62%) and 8 million women (38%). A more recent phenomenon is the positive reversal of trend of unemployment that, dropping from 11.8% in 1998 to 8.7% in 2003, is still a little over 2 million units, a threshold that was gotten over in the first half the 1980s.

Table 1: Employment and unemployment in Italy

Year	The employed	Employment rate	The unemployed	Unemployment rate
1995	20,026	50.6	2,637	11.6
1998	20,435	51.7	2,744	11.8
2003	22,054	56.0	2,098	8.7

Source: ISTAT, RTFL 2004

According to the 2003 NAP, the positive results have continued even though the rate of growth of the country has come to a standstill in the last two years. In fact, this trend would seem to confirm the hypothesis whereby the labor market improvement has been brought about for the most part by political factors and in particular:

- the wage moderation resulting from the agreements between government and social partners in 1992 and 1993 (concertation policy);
- the amplification of the marginal demand induced by the measures ensuring a greater flexibility of the labor market further to the implementation of the so-called "Treu package" in 1997;
- the retirement age increase resulting from the pension reforms of the 1990s, and in particular the 1995 Dini reform.

The reversal of trend reported in this period acquires definite relevance with respect to the occupational targets laid down at a European level for 2010 both in general terms (an average 70% employment rate), and in specific terms (a 60% female employment rate and, above all, a 50% employment rate for the labor force in the 55-64 age group). From this perspective, even with a view to gaining an insight into the question and identifying the future development prospects and criticalnesses of employability, it is necessary for these results to be thoroughly reviewed even in the light of the specificities of the Italian labor market.

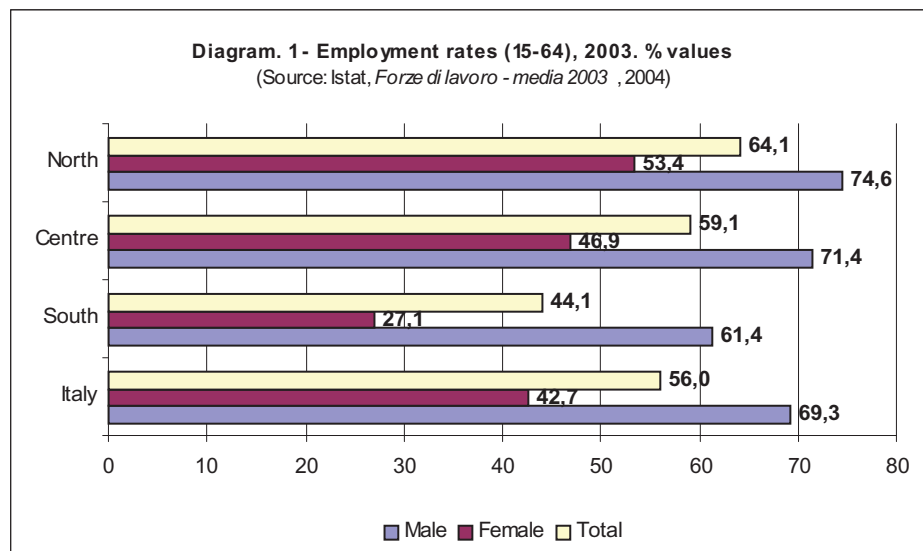
1.1 Overview of the labour market

The Italian labour market has developed over the years along the lines of a marked geographical dualism between the Centre-North and the South and employment policies focused primarily on the adult male breadwinner.

The former has distant historical roots that can be traced back to the unification of the country. In the post-war period the problem was somewhat alleviated by heavy (internal and external) migration, and by the adoption of extraordinary measures to boost development. Throughout the 70s, however, the gap started widening again, becoming especially visible in the growing mass unemployment in the South, especially among young people and women.

Moreover, the employment policy followed until the end of the 80s produced two effects: on the one hand, it kept female labour market participation rather low, although it had begun to grow since the mid-70s in the wake of the feminist movements; on the other hand, it produced a clear-cut demarcation line between protected and non-protected workers, i.e. between a core of employees of the large Fordist-type industry and a peripheral area of traditional and third-sector activities (agriculture, building construction, trade, etc.).

Many things have changed in the last 10-15 years, but the structural characteristics of the labour market are still clearly visible, as shown in the following diagram.



Considering these figures in the light of the Lisbon targets on jobs - if they can still be deemed valid and realistic, that is - it could be said that the main problem is the growth of employment in the South, and of female employment in particular. In the South, in fact, slightly over 1 woman in every 4 of working age is employed, which is a far cry from the specific target set for 2010, which, on the contrary, appears much more realistic for the North of the country. Even

male employment rates differ greatly between the Centre-North and the South, although this gap appears to be much smaller.

Although lagging far behind the aforementioned targets, the growth of female employment is nevertheless largely responsible for the dynamism of the labour market.

Table 2: Employment rates by gender (1970-2003)

	1972	1985	1992	1993	1995	2003
	<i>old series</i>			<i>new series</i>		
Male	52,9	50,9	50,1	68,2	65,9	69,3
Female	18,9	23,3	25,6	35,8	35,4	42,7

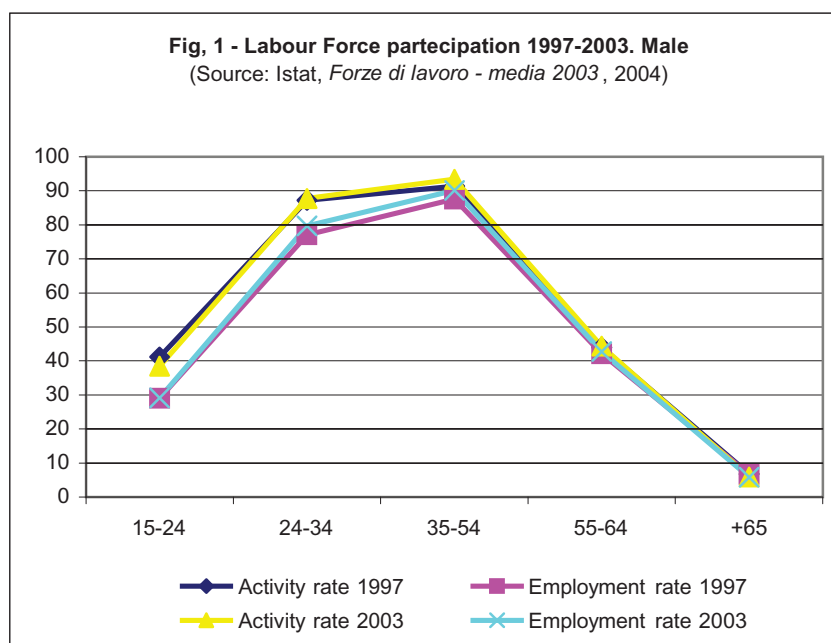
Source: Ministry of the Economy, figure processed by ourselves (in "Quaderno strutturale dell'economia italiana", November 2003)

When reading these figures account must be taken of the fact that, until 1992, the employment rates were calculated on the basis of the "actual population", which explains the steep rise after 1993, when they began to be calculated in respect of the "working population" (aged 15-64 years), in order to ensure the consistency of the labour force survey figures with the criteria employed at EU level by Eurostat. In any case, the growth trend of female employment has risen considerably in the last 30 years: while the male employment rate clearly declined between 1972 and 1992, and has risen by just over 1 percentage point in the last 10 years, female employment increased by 7 percentage points in both the periods¹.

Alongside the general trend, employment rates and, generally speaking, the activity rates of men and women also differ in respect of the age group (Figs. 1 and 2).

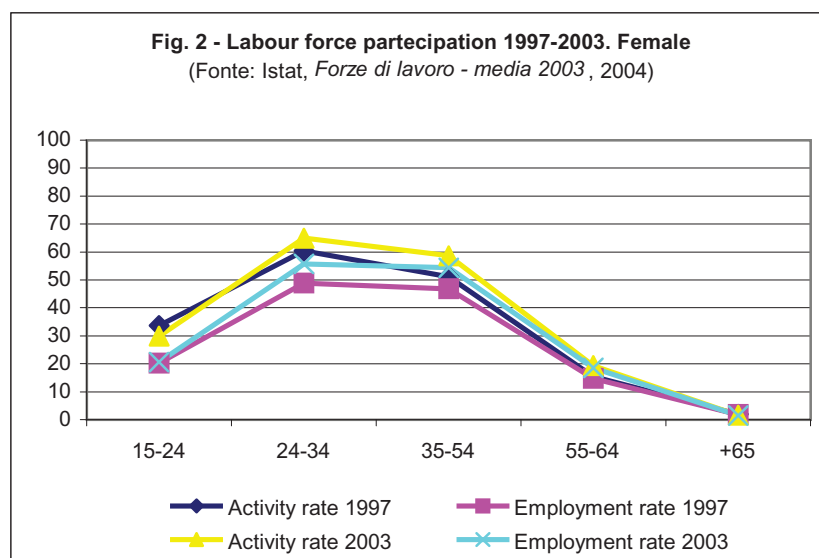
¹ Up to 2020 the differences between male and female participation rates will be decreasing, even if there will be still some differences.

Figure 1: Labour force participation 1997-2003, male



Source: Istat, *Forze di lavoro – media 2003, 2004*

Figure 2: Labour force participation 1997-2003, female



Source: Istat, *Forze di lavoro – media 2003, 2004*

Clearly, apart from the greater translation of the curves in the case of women, which seems to confirm the increasing labour market participation of this population group, the curve trends differ in connection with the 24-34 age group: instead the male participation rate tends to increase up to the next age

group, in the case of women it drops – probably due to the decision to have a baby – although there is a certain degree of rebalancing in 2003, especially as regards the employment rate. The trends relating to the older age groups are much more similar and the differences between activity and employment rates tend to disappear for both sexes.

The employment rate for the 55-64 age group (30,3%) is also significantly below the target set out at Lisbon (50% by 2010); here too it is the female component (18.5% compared to 42.8%) that weighs heavily on the negative end result.

A last figure relating to the structural characteristics of the labour forces is the one relating to educational qualifications. As a rule, employment rates tend to grow the higher the education: e.g. in the 35-64 age group the figure rises from 32.4%, in the case of people with primary education, to 78.5% of secondary-school leaving certificate holders and 85.7% of university graduates (2003).

Besides the structural point of view, important changes have occurred politically too. Since the mid-90s, in fact, various legislative measures have been passed aimed at regulating so-called 'atypical' employment, which developed enormously in the wake of growing layoffs by the manufacturing industry, introducing a system of employment flexibility.

It can easily be inferred from the following figure that the growth of female employment is a consequence primarily of the spread of these new types of jobs.

Figure 3: Atypical labour: employment rate by gender



Source: Istat, *Annuario statistico italiano*, 2003

In concluding this overview of the Italian labour market, mention must also be made of undeclared employment, seemed very used by the elders. The most

recent figures relating to 2000, which must be taken with a grain of salt, estimate that undeclared and/or irregular labour concerns 15% of the work units (Istat, 2002). This means almost 3.5 million people, 40% of which are residents in the South and, generally speaking, women. Clearly, undeclared employment could close the gap with the targets set out by the Lisbon Council, thus totally altering the effects of our observations.

1.2 The system governing the labor market in Italy: reforms under way and organizations responsible for them

The system governing the labor market in Italy provided for the setting up, at a central level, of bodies having a basically managerial, planning and control function, namely: the Central Employment Commission, the Directorate General for Employment and the Directorate General for the Monitoring Unit. (see Table 1).

Table 3: National institution governing the labor market in Italy

Ministry of Labor and Social Policies	The labor market in Italy is regulated by the Government of the country through the operations of a specific Ministry, previously called the "Ministry of Labor and Social Security" (as it had competence on both matters). Eventually, the current Berlusconi Government has extended its scope by including all the welfare interventions and measures and has changed its name.
Central Employment Commission	It has been set up as a technical advisory body backing up the Ministry of Labor and has been entrusted with national planning and policy-making functions with respect to such matters as the increase in the employment levels and the implementation of labor mobility schemes.
Directorate General for Employment	It has been entrusted with the fundamental tasks of promoting the match between labor demand and supply, creating proper employment regulations, and seeing to a rational vocational mobility increase in the various sectors of the economic activity and in the various geographic areas of the country.
Directorate General for the Labor Market Monitoring Unit	It has been entrusted with the task of monitoring the evolutionary tendencies of employment in the various sectors of the economic activity and the various geographic areas of the country, detecting flows and ascertaining quantitative and qualitative needs, seeing to the evaluation of employment forecasts, dynamics and trends of the school and university population. Besides, this body was supposed to coordinate the investigations and statistics made at the various territorial levels having recourse of its functional links with the regional labor market monitoring units, and to act as technical secretariat of the Central Employment Commission.

As early as 1987, prior to the progressive transfer of competences from the central Government to the Regions that was to begin in 1997 (and is still under way), Law no. 56 - concerning "Regulations governing the organization of the labor market" – had been issued based on the consideration that no labor policy intervention could prove effective without a cooperative effort of State and

Regions; therefore, it definitely called for a national direction and a local action. The major innovations introduced by this law related to the creation of (what were at that time) new instruments for managing the labor market: the national labor market Monitoring Unit and the Employment Agency.

At the regional level, the main task of the local governments was to see to the territorial coordination of initiatives and interventions through: the Regional Employment Commissions, the Employment Agencies, the Labor Market Monitoring Unit, the Vocational Guidance Centers and the Vocational Training Institutes (see Table 2).

Table 4: Regional institution governing the labor market.

Regional Employment Commission	It was the body entrusted with the planning, management and control of the active labor policies. It was to work in keeping with the policy guidelines defined by the Minister of Labor and according to the directives issued by the Central Employment Commission. Within the context of its planning and management functions, the Commission was to see to the regional implementation of the policy guidelines of the Central Employment Commission, expressing opinions and formulating proposals. It was supposed to express opinions on the vocational training programs worked out by the Region and, besides, it was entitled to propose to the regional administration the realization of vocational qualification and re-training courses for workers registered with the ordinary employment and the mobility lists. It was entrusted with a variety of functions, including the authority to decide on the recourse to and, if need by, the extension of the recourse to the Wages Guarantee Fund, to carry out inquiries into the compliance of enterprises with the principles of equal opportunity between men and women, availing itself of the services of the labor inspectorate and of the national committee for equal opportunities.
Employment Agency	The Agency was to plan the active labor policy measures and to coordinate the Labor Market Monitoring Units, the Vocational Guidance Centers and the Vocational Training Institutes.
Labor Market Monitoring Unit	It was entrusted with the task of surveying and working out the manpower data relative to employed and unemployed workers and those looking for a job, labor flows and demographic trends.
Vocational Guidance Centers	They provided information about the real employment opportunities and allowed the persons who referred to the Institute to get to know their real aptitudes and vocational skills.
Provincial Employment Commission	It, appointed by the director of the regional labor and maximum employment office, was entrusted with the task of appealing against provisions adopted by the district employment section. The law being considered had entrusted the Provincial Employment Commission with typically operational and implementation functions in the matter of placement in employment, as it was considered the body most suited to ensure a prompt service to users. Special relevance was attached to its competence to issue permits for the placement in employment and to collect data and information to be later on processed at a regional and a central level.

Besides, the law acknowledged the need for the workers affected by physical or mental handicaps to be considered the privileged addressees of the active labor policies. Hence, the *Regional Employment Commission* was entitled to work out specific programs for placement in employment of these workers, and their implementation presupposed the voluntary involvement of the enterprises in the programs arranged by the Commission.

As for the control over the Placement activities, the *Regional Employment Commission* was to rebalance the labor supply and demand through a division of the work opportunities with respect to special productive settlements among the workers registered in districts other than the area where the working activity was carried out. In order to facilitate the match between labor supply and demand, the Commission was entitled, upon the proposal of the district Commission, to lay down different arrangements for the registration in the employment lists and different intervals and arrangements for the declaration confirming the state of unemployment. This authority had recourse to the technical-planning contribution of the *Employment Agency*.

Finally, the bodies set up at a local level were entrusted with more incisive and operations-oriented functions with respect to the territory falling within their jurisdiction. The District Commissions for employment managed the placement activities and the implementation of the vocational mobility programs, seeing also to the survey of the trends and needs of the labor market at a local level. In any event, they had neither operating functions with respect to the hiring requests nor, from a technical point of view, any decision-making power with respect to legitimacy control and review.

The institutional framework outlined by Law no. 56 of 1987 featured a number of bodies that, by referring to the Minister of Labor and Social Security Ministry, concentrated in the hands of the central administrative authorities the entire subject of the active labor policies. This law has been a first and important step towards an integrated approach to the state and regional measures allowing the setting up of an efficient public system addressing the labor market.

In particular provides for the setting up in every region of an Employment Agency acting as the technical planning body entitled to carry out, in a coordinated effort with the national and regional labor monitoring units and the vocational guidance and training services, any activity that might prove useful to:

- further the match between labor demand and supply;
- promote initiatives aimed at increasing the employment levels;
- support the placement in employment of the weaker persons in the labor market;

- submit active labor policy proposals and programs to the regional employment commission and to the competent regional bodies, even with a view to harmonizing the interventions in the matter of both the State and the Region.

In the subsequent years, all the Italian Regions have begun (or have completed) the process of setting up ministerial Employment Agencies. In any event, according to the ministerial interpretation, the regional Agency has been turned into a mere technical-planning body that was not supposed to engage in any front line operation within the labor market or to offer useful services to workers and entrepreneurs. (The table below points to the laws that have provided for the setting up of the Employment Agency in each individual Region)

Table 5: Regional laws establishing the employment agencies and their names

Region	Regional/Province law	Name of the Labor Agency
Autonomous Bolzano Province	P.L. no. 19 of 06/20/1980	Labor Market Office
Autonomous Trent Province	P.L. no. 19 of 06/16/1983	Trent Labor Agency
Friuli Venezia-Giulia	R.L. no. 32 of 08/07/1985	Regional Employment Agency
Sardinia	R.L. no. 33 of 10/24/1988	Regional Labor Agency of the Sardinia Region
Valle d'Aosta	R.L. no. 13 of 02/17/1989	Labor Agency
Sicily	R.L. no. 36 of 09/21/1990	Regional Employment Agency of Sicily
Emilia Romagna	R.L. no. 25 of 07/27/1998	Emilia Romagna Labor Agency
Tuscany	R.L. no. 52 of 08/06/1998	Tuscany Labor Corporation
Lazio	R.L. no. 38 of 08/07/1998	Lazio Labor Agency
Campania	R.L. no. 14 of 08/13/1998	Campania Labor Agency
Liguria	R.L. no. 27 of 08/20/1998	Liguria Labor Agency
Basilicata	R.L. no. 29 of 09/08/1998	Basilicata Labor Corporation
Abruzzo	R.L. no. 76 of 09/16/1998	Abruzzo Labor
Umbria	R.L. no. 41 of 12/02/1998	Umbria Regional Employment Agency
Veneto	R.L. no. 31 of 12/16/1998	Veneto Regional Labor Corporation
Marche	R.L. no. 38 of 11/09/1998	Marche Regional Labor Agency (ARMAL)
Piedmont	R.L. no. 41 of 12/14/1998	Piedmont Labor Agency
Apulia	R.L. no. 19 of 05/05/1999	Regional Labor Agency of the Apulia Region
Molise	R.L. no. 27 of 08/03/1999	Molise Regional Labor Agency
Calabria	R.L. no. 5 of 02/19/2001	Calabria Labor Concern

In any event, at a national level, the role of the Agencies has thoroughly changed further to the issue of Legislative Decree no. 469 of December 23, 1997. In fact, this decree provided for the assignment to the territorial autonomies of the most relevant functions pertaining to the management and control of the labor market. In particular, this legislative decree clearly defined the centrality of the regional institutions in the management and control of the labor market, since it has left to the State only those functions pertaining to the supervision of flows, the settlement of disputes having national relevance and the coordination with the supranational and international organizations (third paragraph of article 1).

Besides, all matters related to temporary or structural labor surpluses, to procedures involving the payment of wage subsidies and to the declaration of the personnel mobility still fell within the competence of the Ministry of Labor and Social Security, even though Article 3 laid down that the said procedures were to be carried out within the Regions that were also entitled to express their opinion stating the reasons for it. Article 2 conferred on the Regions the functions and tasks relative to the placement in employment and in the matter of active labor policies. Article 4 defined the criteria for the organization of the regional system governing the labor market. In particular, it highlighted both the role of the Province, in its capacity of manager of the employment services organized into "*Employment Centers*", which was entrusted with the task of managing and providing the services connected with the labor policies, and the creation of organizations governing the labor market at a regional level.

Therefore, the Italian labor market reform process is moving in line with the preventive strategies in favor of employment that have already been defined at a European-wide level by the Luxembourg Summit and adopted in the 1999 National Action Plan that allocated the resources of the Social Fund, particularly in respect of the arrangement and development of the Employment Services. If Ministry of Welfare defines at a national level the national policy guidelines (also in line with the requests of the European Commission) and implements a few reform measures (for instance, in the matter of employment or social security), the Regional Governments - in addition to having to see to the organization of the services, implemented in a cooperative effort with the Province, from the point of view of their operations – are entitled to promote interventions, measures, services, etc., supporting employment and the placement in employment of all their resident citizens.

We would like to conclude this part of the report by outlining in Table 4 the major transformations that have taken place in Italy - further to the process of administrative decentralization to the Regions, particularly with respect to the management of the labor market – with respect to the instruments promoting employment and the placement in employment. Furthermore, Table 5 provides a concise outline of the Bodies and Institutions that, for a variety of reasons, have a regulatory responsibility for the Italian labor market.

Table 6: The evolution of the strategies and instruments to promote employment in Italy further to its administrative decentralization: major aspects

1994	1998
Management of the labor market	
<ul style="list-style-type: none"> - Public monopoly of the forms of intermediation between enterprise and labor; - Centralized competence of the Ministry of Labor in the matter of labor policies 	<ul style="list-style-type: none"> - Interim work - Regionalization and partial privatization of the employment services - Delegation of the active labor policies to the Regions
Instruments to promote employment	
<ul style="list-style-type: none"> - Regional vocational training system - Apprenticeship and combined training and work contracts - Vocational placement schemes - Socially useful jobs - Positive actions for equal opportunities - Promotion of youth entrepreneurship - Incentives for the creation of enterprises and cooperatives - Employment support measures - Internships 	<ul style="list-style-type: none"> - Reform of the training system by crediting the providers, and through the integration between the training and education systems, the certification of the vocational skills, and the school education organizational and teaching autonomy - Extension of the apprenticeship schemes to all the sectors, extending their duration and increasing the apprentices' age - Incentives supporting a geographical mobility connected with vocational placement schemes - Socially useful jobs and jobs in the public interest. - Support to the new entrepreneurship - Contribution relieves and tax concessions; incentives to small and medium enterprises; rearrangement of working hours; surfacing of undeclared employment - Labor grants; traineeship schemes for vocational guidance and training.
Employment system	
<ul style="list-style-type: none"> - Introduction of the recruitment by name - Possibility for the smallest enterprises to hire personnel directly - Establishment of district sections for employment - Establishment of employment agencies in every Region 	<ul style="list-style-type: none"> - Transfer of the employment services from the State to the Regions and to the local governments.

Table 7: The institutions responsible for regulating the labor market in Italy.

Authority - Institution	Tasks
Ministry of Welfare	It is the government body responsible for labor policies, social security, and social policies. It is headed by a Minister, who, for the administrative part, is backed up by a Secretary General. The competences of the Ministry fall within a number of Directorates General (D.G.). The Ministry works at a territorial level through peripheral administrations in regional and provincial directorates.
ISFOL	The Institute for the Advance of the Workers' Vocational Training is a public corporation that works in cooperation with the Ministry of Welfare, a variety of State Administrations and the Regions for the advance of vocational training.
INPS	The National Institute of Social Security is the most important public social security authority owing to the forms of protection it provides and the number of workers it protects. It has an autonomous management and, within the context of its collegiate bodies, there is a pre-eminence of workers' representatives. It is subject to the supervision of the Ministry of Welfare and the Economy.
Region	Within the context of the State system, the Region carries out technical assistance and monitoring functions with respect to the active labor policies. It has legal status with patrimonial and accounting autonomy, and is entrusted with the task of contributing to the attainment of the integration of the employment services in compliance with the tasks entrusted to the various structures and ensures the connection with the labor information system (SIL).
Employment Agencies	Set up in 1987 (subsequently amended), the regional Employment Agencies are technical/planning services that work in a field of mixed institutional competences (State and Regions in particular), in order to promote the match between labor demand and supply for the initial placement in employment and for workers under a mobility scheme, the creation of new jobs, the employment of the weaker groups.
Province	Through the Employment Centers (CPIs), the sub-regional local government is the center of operations for the placement in employment of workers.
SIL	Introduced in 1997, the Labor Information Service comprises the organizational structures, the hardware, software, and network resources relating to the functions and tasks in the matter of active labor policies.

1.2.1 *Interventions and national and local employment support measures*

In an attempt to provide a comprehensive description of the interventions and the services set up in Italy to regulate the labor market, one needs to refer to a rather broad range of labor policies that, in any event, fit within a system that has been defined in 1987 (remaining substantially unchanged).

In line with the directions of European Union, the Italian Governments have endeavored to keep the relationship between economic growth and human

capital as firm as possible in their management of the labor market, promoting over time both passive and active (labor) policies and employment services.

In short, dealing with the *passive labor policies*, meaning those that are merely to ensure an income to those who are unemployed, reference should be made to: the (ordinary and extraordinary) Wages Guarantee Fund (CIG)², the registration in the mobility list³, the socially useful jobs⁴, and the jobs in the public interest.

The *active labor policies* (Cf., Table 6) comprise first of all the measures that are to step up and/or support the enterprises' labor demand: territorial pacts, area contracts, wages realignment or "emersion" contracts, and tax incentives to small and medium enterprises that hire personnel. These measures provide tax and/or contribution cuts, or economic incentives to the enterprises that hire personnel or, in the event of realignment contracts, that regularize existing working positions.⁵ The work-training contracts⁶ and the apprenticeship schemes may be considered quite similar to the measures referred to above, and they should basically aim at furthering the placement in employment of

² The CIG represents a public income-supporting measure for the employees of medium and large enterprises of the industrial and services sectors hit by an unfavorable economic trend of the market or by crises or reorganization processes, but does not entail a discontinuance of the employment relationship. The CIG allows the companies to avoid the recourse to layoffs in the event of a temporary manpower surplus, causing the cost of labor or, more properly, of the benefit to weigh on the National Institute of Social Security (INPS). Therefore, its institutional task is to permit a temporary work suspension without lay-offs. The workers receive 80 per cent of their wages, remaining from a formal viewpoint in the employ of the enterprises.

³ The institute of mobility involves workers in dependent employment whose employment relationship has ended once there is no longer any possibility of extending the Wages Guarantee Fund. It has an "active" approach since it entails the registration of the workers involved in a special employment list and the activation of procedures, which should allow the transfer of the unemployed from the job they have lost to a new one.

⁴ The socially useful jobs are a measure addressing workers covered by the Wages Guarantee Fund, workers registered in the mobility lists, part-time workers or workers with a fixed-term contract of employment, as well as job seekers who have been registered for at least two years in the employment lists. Such a measure entails the payment of an allowance in return for the participation in a socially useful project. An analogous measure is represented by the jobs in the public interest that are available to persons looking for a job falling within the 21 to 32 age group who have been registered for at least thirty months in the employment lists. A fundamental normative reference for the socially useful jobs is represented by Law no. 608/1996.

⁵ On the other hand, the area contracts also provide that the workers hired by the beneficiary enterprises receive a lower pay with respect to the regulations and to the provisions of the collective labor agreements of the various sectors of the economy.

⁶ The work/training contracts address youths from 16 to 32 years of age and provide in favor of the businesses for both contribution facilities and the inclusion of the worker in a job classification that is lower than the actual one.

youths through a paid “on the job” training experience. Another typology of active employment policies comprises measures that are to promote the autonomous entrepreneurship of persons looking for a job: the promotion of youth entrepreneurship, the promotion of female entrepreneurship, the honor loan. A final group of active labor policies relates to measures that do not promote directly the placement in employment but, indeed, increase the employability of persons looking for a job through the enhancement of the vocational skills of the unemployed: vocational training, labor grants, trainings and guidance traineeships (often called “internships”).

The innovations introduced with a view to allowing enterprises to have a greater flexibility in their use of manpower, meaning the recourse to interim work and to part-time or fixed-term contracts of employment, would seem to fall within those categories of measures that aim for the most part at extending and/or supporting the enterprises’ demand for labor, even though they are more properly included in the macro area of the *policies addressing the flexibility of labor*.

Table 8: Active labor policy measures and interventions in Italy

ACTIVE LABOR POLICY MEASURES AND GUIDELINES	EXAMPLES
Cognitive screening programs and other actions reinforcing the links between the training systems and the labor market	Projects supporting the match between demand and supply, integrated vocational guidance and assistance services.
Hiring incentives to enterprises	<ul style="list-style-type: none"> - Apprenticeship, - Work-training contracts, - Territorial pacts: they entail agreements between public institutions and private persons, or trade representatives, leading to the coordinated implementation of measures promoting local development in depressed areas, - Area contracts: they entail agreements between the social partners that, with the public support, supply useful tools to promote entrepreneurial initiatives and employment in areas affected by serious occupational crises, - Wage realignment or "emersion" contracts, - Tax facilities for small and medium enterprises that hire personnel, - Interim jobs, - Part-time or fixed-term contracts of employment,
Internship and traineeship	- Traineeship for vocational guidance, job motivation and re-socialization: they are an unpaid opportunity allowing youths who have finished their schooling to get to know the labor world.
Support services for job-seekers and for the placement/re-placement in employment	<ul style="list-style-type: none"> - Training courses backed up by various vocational guidance measures; - Vocational placement schemes (PIP): they allow gaining a training and work experience in an enterprise or a professional office.
Incentives and support to the start-up of new productive activities	<ul style="list-style-type: none"> - Promotion of youth entrepreneurship, - Promotion of female entrepreneurship, - Honor loan.
Working activities within the context of socially useful projects and projects in the public interest	- Socially useful jobs (LSU) and jobs in the public interest (LPU).
Incentives to territorial mobility	- Employment assistance.
Instruments supporting the labor supply	<ul style="list-style-type: none"> - Labor-grants, start-up of interim work; - experimental training courses (FIS).
Technical assistance and support to enterprises	- Focused local projects, local services supporting the match between supply and demand.
Support to plans/programs for a reallocation/distribution of labor	- Contracts of expansive solidarity.

Source: ISFOL – ESF valuation structure, *L'integrazione tra formazione e le altre politiche del lavoro nel fondo sociale europeo*, Typed paper, Rome, May 1999.

The *employment services* currently include the former Employment offices under the control of the Ministry of Welfare, and the School and Vocational Guidance Centers under the control of the Regions, as well as the Youth Information Counters set up by various local administrations and the *Employment Agencies*.

Although included within the labor policy guidelines that are to promote employment, the interventions and the measures referred to above become all the more effective if they are planned and implemented based on the concrete situation of the local, regional and sub-regional labor market. Given the utmost diversity of the territorial situations, this is the reason why Italy does not have just a single and abstract model of intervention of the Employment Agencies. It would seem that general objects of these Agencies also include the occupational promotion and protection of all the weak and discriminated groups in the labor market. As regards the latter, the elderly workers carry definite weight, even if the political priority of the Agencies requires them to have a direct relationship with the private and public productive system that is to qualify in an effective manner also all the other interventions, if they are to prove effective with respect to social emergencies.

This would seem to be the same action line followed also by the recent Law no. 30 of February 14, 2003, the so-called "*Biagi Law*", which redefines a few contractual typologies with a view to promoting an active society and a greater labor quality where there are greater employment opportunities. In short, the Law referred to above aims at creating the conditions for increasing the number of workers in regular employment, so that:

- it allows the setting up and dissemination of private businesses that will be entitled to render all the services connected with the mediation between the labor demand and supply;
- it promotes the connection among all the bodies and businesses engaged in the labor market through the setting up of a powerful information system;
- it rearranges the training-related contracts by replacing existing contractual schemes (apprenticeship, traineeship, training on the job) in a process that combines working activities with vocational training and re-training activities (the new "placement contract");
- it regularizes forms of undeclared employment and gives greater stability to precarious employment relationships through new contractual schemes (well-regulated supply of labor, part-time, intermittent work, job sharing, project-based work);

- it furthers the cooperation between the workers' and the entrepreneurs' representations through the free creation of organizations managed by the latter according to a cooperative-participatory model of industrial relations.

Waiting for the modernization process promoted by recent legislative provisions, in the current regulatory system it seems advisable to get to a thorough qualification throughout the country of the role of the Employment Agencies in order to contribute through these services to the implementation of workers' retraining processes.

2 The Participation of the Elderly in the Labor Market

In the period going from the 1980s to the beginning of the new millennium, the Italian population over 50 increased from a little over 16 million to nearly 21 million persons, while its share of the employed remained at about 4.5 million. This means that, while the share of the employed over 50 out of the total of the population was 28% at the beginning of the Eighties, in 2001 it was merely 21.5%.

Italy holds the record of the greatest drop in the employment rates of the elderly in the last ten years, although this is the result of employment rates that are extremely differentiated by gender and age group. In fact, while 67% of those who are 50 year old are employed, the employed who are 64 are only 14.6%.

During the 1990s, the decline in the employment rate has affected in particular the 54-64 age group – from 32% in 1990 to 27.5% in 1999. A slightly reversal of trend was only reported at the turn of the century, with an increase from 27.7% in 2000 to 30.3% in 2003, this being a little over 2 million persons in absolute values. Indeed, in the last three years, the elderly have contributed to a considerable extent to the increase in employment. While total employment increased by 1.5% per year from 2000 to 2003, the 52-64 age group reported a 4 percent increase in employment (CERP and the R. Revelli LABORatorio, 2003).

Table 9: Employment rate in the 55 to 64 age group and percentage change in the 1997-2002 period

	2001 (2002)		1997-2002 change			
	Male	Female	Total	Male	Female	Total
Italy	40.4 (41.3)	16.2 (17.3)	28.0 (28.9)	-0.8	2.5	0.9
EU15	48.9 (50.1)	29.1 (30.5)	38.8 (40.1)	2.9	4.4	3.7
Deviations	-8.5 (-8.8)	-12.9 (-13.2)	-10.8 (-11.2)			

Source: Istat, RTFL 2004; Eurostat, Employment in Europe 2003

With a 28.9% average figure reported in 2002, the Italian employment rate for the 55-64 age group is one of the EU15 lowest. Notwithstanding the slight increase reported in recent years, the rate remains over 10 percentage points below the Community average (EU15), a figure that is definitely far away not only from the European target of 50% by 2010, but also from the domestic target of 40% by 2005, as laid down in the 2002 NAP.

Italy is also the country where the activity rate of men dropped the most and that of women grow the least. In 2002, the activity rate calculated for the 55-64 age group was 8.6 percentage points lower than the European average and, once again, what determined the difference was the low activity rate of women (on average, 13 percentage points lower than the EU15 average), while the differential reported for men is much lower (-4.1 percentage points).

Within this context, during the last decade the trend by gender has been pointing to a slight reversal. While the employed men are on the decrease starting from 53 years of age, the employed women are on the increase in every age group and particularly in the 50 to 60 group, since – as previously pointed out - the last twenty years have witnessed a considerable increase particularly in the supply of the female work forces (about 2 million units).

From a territorial point of view, the employment rate of the elderly in Southern Italy (30.8%) is higher than the rate reported in other areas of the country (26.2% in the Center-North)⁷. This gap is affected by the different sectoral structure of employment (weight of the agricultural employment) in this area of the Country, but also by the will to strengthen the contribution continuity for social security purposes after a delayed access to the regular labor market and a discontinuous working career.

The activities that prevail among the older workers are self-employment and employment in the public administration, and the more the reference age

⁷ Cf., WP1. The situation changes if one refers to the female component. In the latter case, the highest employment rates are reported in the North-East and the Center.

increases, the stronger this tendency gets. In the 60 to 74 age group, 63.1% of the working elderly are in self-employment and 38.7% in dependent employment. The professional activities (lawyer, registered accountant, etc) cover over one fourth of the total (25.7%), as it is not by chance that the employment rates are positively correlated to educational qualifications: the higher the educational qualification, the greater the likelihood for a person over 60 to be working (cf., Attachment). The number of older workers engaged in the retail trade (21%) and the agricultural sector (14.6%) is just as sizable. Considering the workers in dependent employment, the number of public employees is just slightly lower than that of professionals (25.2%), while the incidence of the workers employed in the private sector is lower (13.5%).

2.1 Part-time and atypical contracts of employment

Part-time in Italy is not quite as widespread as in the other European countries both in general (8.9% of the employed with respect to a European average of 17.6%), and in particular among the elderly (7,1% of the active elderly with respect to a European average of 19,1%), as well as in respect of women (14.1% as against a European average of 37.9%). Furthermore, it should be borne in mind that, with respect to both men and women, part-time work prevails in agriculture, while in the other European countries it involves mostly women employed in the services sector.

Tabel 10: Part-time employed by age group and sex in Italy and in the EU. Year 2001*

Countries	Age groups				% inv. part-time
	15-24 years	25-49 years	50-64 years	15-64 years	
	MALES				
Italy	6.2	3.3	3.8	3.6	43.0
France	11.4	3.8	5.6	4.9	36.2
Germany	9.0	3.8	5.5	4.7	15.6
Netherlands	54.3	11.0	19.4	19.3	3.9
Uk	25.0	3.4	10.1	7.9	17.2
Spain	8.1	2.0	1.8	2.6	21.5
EU of 15	16.2	3.7	6.5	5.7	20.0
	FEMALES				
Italy	15.9	18.8	14.1	17.7	30.4
France	32.2	29.7	31.4	30.3	22.7
Germany	17.6	40.7	45.9	39.0	11.2
Netherlands	70.6	69.6	78.6	71.3	2.0
Uk	42.7	41.5	51.1	43.9	6.8
Spain	20.7	16.3	18.6	17.2	21.1
EU of 15	30.7	32.6	37.9	33.5	13.4
	TOTAL				
Italy	10.3	9.3	7.1	8.9	33.7
France	20.4	15.5	17.2	16.3	25.0
Germany	13.1	20.3	22.3	19.9	11.8
Netherlands	62.2	36.8	41.6	41.9	2.5
Uk	33.3	20.5	28.3	24.1	8.8
Spain	13.1	7.5	6.8	8.0	21.2
EU of 15	22.8	16.2	19.1	17.6	14.7

*Source: ISTAT, Survey on work forces; Eurostat, Labour force survey
Incidence of part-time employed out of total employed in the corresponding age group and incidence of involuntary part-time out of total part-time employed.

The share of the elderly in fixed-term employment is particularly low among both males and females with respect to the other age groups, this being an aspect that is also present in the other European countries (0.9% for males and females, against a European average of 1.1 and 1.2%, respectively).

Tabel 11: Employees for set periods by age group and sex in Italy and the EU. Year of 2001*

Countries	Age groups				% inv. in set-period jobs
	15-24 years	25-49 years	50-64 years	15-64 years	
	MALES				
Italy	1.9	5.3	0.9	8.2	53.0
France	5.3	7.4	0.9	13.6	...
Germany	6.6	4.7	0.9	12.2	17.6
Uk	2.0	2.6	1.1	5.7	39.0
Spain	8.6	19.0	2.4	30.0	75.9
EU of 15	4.8	6.4	1.1	12.3	44.6
	FEMALES				
Italy	2.4	8.2	0.9	11.4	50.5
France	5.0	10.0	1.3	16.3	...
Germany	6.4	5.3	0.9	12.6	21.6
Uk	2.0	4.0	1.4	7.4	28.1
Spain	9.4	22.7	1.9	34.1	73.2
EU of 15	4.9	8.3	1.2	14.4	41.1
	TOTAL				
Italy	2.1	6.5	0.9	9.5	51.7
France	5.2	8.6	1.1	14.8	...
Germany	6.5	5.0	0.9	12.4	19.6
Uk	2.0	3.3	1.2	6.5	32.7
Spain	8.9	20.4	2.2	31.5	74.8
EU of 15	4.9	7.2	1.2	13.3	42.8

Source: ISTAT, Survey on labour forces; Eurostat, Labour force survey

* Incidence of set-period employees out of total employees in the corresponding age group and incidence of involuntary set-period out of all set-period employees.

Among the so-called "atypical jobs", in-depth information is available about freelance jobs, the so-called "coordinated and continuing cooperation schemes" ("co.co.co." contracts). Data relative to the year 2000, outline a picture where the position of the elderly workers is not at all weak, not only from a numerical point of view (21.1% of the total is in the 50 to 64 year group, and 6% is over 65), but also and particularly from a qualitative point of view. Nearly 35 % of those over 50 are in the highest income brackets, and the average number of

days of actual contractual work increases as age increases, reaching a peak for workers who are over 65.

2.2 Working hours

Given the aforementioned characteristics, the work of the elderly in Italy is characterized for the most part by full-time work. Even when considering women in dependent employment (Table ...), it may be noted that the share engaged in full-time work does not decrease as age increases. The share of full-time workers is at its lowest in the 36-40 age group and then it tends to increase. In older age groups (56-60 and 61-65), a mere 15.0% and 7.9%, respectively, have working hours that differ from those of full-time work.

Table 12: Women in full-time employment

Age group	%
16-20	85.2
21-25	83.6
26-30	81.6
31-35	79.1
36-40	76.5
41-45	82.8
46-50	85.7
51-55	87.6
56-60	85.0
61-65	92.1

Source: ISTAT RTFL, April 2001, processing of elementary data.

The greater frequency of full-time work in the older age groups of the labor force means that the number of the weekly hours of work tends to remain on rather substantial levels, among the highest in Europe. In Italy, the trend of this index tends to differ more by gender than by age (Table 12). As it may be noted, the variation is quite limited for men, although the more extensive variation relative to women seems more limited from a comparative point of view (Table 13). Indeed, while many countries where the rate of female employment is higher than in Italy (17.2 hours in the Netherlands, 22.9 in Germany, 23.5 in the United Kingdom) are witnessing a considerable decrease in the standard weekly hours of work, Italy is witnessing a slight increase in the weekly working hours.

Table 13: Standard working hours of employees by gender and age group

Age group	M	F
16-20	39.2	36.6
21-25	39.6	36.7
26-30	40.0	35.6
31-35	39.8	34.0
36-40	39.4	32.6
41-45	38.9	32.9
46-50	38.7	32.7
51-55	38.7	32.9
56-60	38.2	32.4
61-65	38.5	33.3
Total	39.2	33.9

Source: ISTAT RTFL, April 2001, processing of elementary data.

Table 14: Standard weekly hours by gender and age group

	M			F		
	45-54	55-59	60-64	45-54	55-59	60-64
The Netherlands	37.6	36.5	31.3	24.2	23.4	17.2
UK	44.8	43.0	39.6	31.9	29.2	23.5
Germany	40.1	39.8	37.9	30.6	29.9	22.9
France	38.9	37.8	36.9	33.6	31.5	28.3
Italy	38.7	38.6	38.2	32.8	32.0	33.1
Spain	40.7	40.5	40.4	35.2	34.4	33.2

Source: EUROSTAT Labor Force Survey 2000, Jolivet (2003, p. 129).

2.3 Wage levels

Be that as it may, being flexibility equal, the elderly succeed in getting to higher wage levels than youths. However, it is questionable whether what prevents an increased employment of the elderly is a level of wages that is too high with respect to their productivity.

Table 15: Coordinated and continuous contributors by income category, sex, nationality, age group and geographic distribution. Year of 2000 (percentage breakdown)

PROFILE	Income categories in Euro						Total
	up to 3 thousa nd	From 3 to 6 thousand	From 6 to 12 thousand	From 12 to 18 thousand	From 18 to 30 thousand	More than 30 thousand	
VARIABLES	3	6	12	18	30	30	
	SEX						
Males	15.2	9.6	15.1	12.6	17.0	30.6	100.0
Females	22.3	15.6	20.9	13.8	13.6	13.8	100.0
	NATIONALITY						
Italians	17.5	11.4	16.9	13.0	16.0	25.3	100.0
Europeans	17.5	14.1	18.8	13.8	14.1	21.8	100.0
Non-Europeans	16.7	12.9	19.5	13.8	14.3	22.8	100.0
	AGE GROUPS						
Up to 24 years old	41.0	19.9	20.9	8.9	6.2	3.2	100.0
25-29 years old	28.7	19.3	23.8	13.1	9.3	5.8	100.0
30-49 years old	17.9	12.4	18.4	14.1	16.5	20.7	100.0
50-64 years old	13.7	8.4	13.7	11.9	16.9	35.4	100.0
65 years old and older	15.1	9.1	14.1	11.3	15.9	34.5	100.0
	REGISTERED RESIDENCE						
Northwest	13.8	10.2	15.7	12.7	16.7	30.8	100.0
Northeast	16.8	10.0	15.3	12.5	16.7	28.7	100.0
Centre	18.1	12.8	19.2	14.3	16.1	19.5	100.0
Southern Italy	28.3	15.9	20.1	12.4	11.5	11.8	100.0
Total	17.5	11.5	17.0	13.0	15.9	25.2	100.0

Source: ISTAT processing of data from the Tax Revenue Agency

Indeed, the leavening of wages with age may not be explained exclusively by an increase in productivity in relation to experience, as it is connected with personnel strategies that aim at preserving the human capital developed within the enterprise. The role of seniority has also been supported in bargaining processes owing to the objective character of the measurement and to the impact it has in decreasing the intergenerational competition on the job. It is a

known fact that seniority has an important role in the collective bargaining in many countries.

From the 1980s onwards, there has been an increase in the wage differential that was to reward skills and human capital that were consolidating as age increased. An analysis of the monthly wages and average pays for the 50-64 age group with respect to the 30-49 age group shows, in the period from 1985 to 1996, a growing trend for the workers approaching their retirement (the standard deviation increases by 51.5% in 12 years). The real average pay, throughout the whole period, increases by 19.2% due, in particular, to the effect of the growth of the richer percentile of elderly workers. It ensues that “the gap between elderly workers and younger workers (39-49) has clearly widened in the Eighties and Nineties: the ratio of the average pay of these two groups of workers has increased for the over 50 by 11 percentage points. The elderly women report a lower growth than men in the higher income brackets and a relevant growth in the poorer percentile, keeping a more or less constant wage differential with the category of the younger workers (cf., Contini 2002, p. ...).

2.4 Mobility and unemployment

Our inquiry into the major characteristics of elderly employment in Italy points to a small-sized sector of the labor market having nonetheless a greater occupational stability. Starting from 1955, within a general framework where the labor market mobility has been on the increase, the mobility of the over 55 - measured on the basis of the gross turnover rate (sum of the gross entry rate and the gross exit rate) - has ranged around 38%, keeping above the figure reported for the 35-54 age group but below that of the 15-24 and 25-34 age groups.

Table 16: Employed workers and indicators of job mobility - April 2001 - April 2002 (absolute values, in thousands, and percentages)

	Longitudinal empl. pop.	Gross turnover rate	Gross entry rate	Gross exit rate	Rate of entry from other condition (a)			Rate of exit to other condition (a)		
	start	(b)	(c)	(d)	tot.	unemp.	nfl	tot.	unemp.	nfl
Northwest	6130	34.2	17.2	17.0	4.9	1.5	3.4	4.7	1.1	3.7
Northeast	4466	41.5	20.8	20.8	5.9	1.7	4.2	5.9	1.2	4.7
Center	4219	34.1	17.4	16.7	4.9	1.8	3.1	4.3	0.8	3.4
Southern Italy	5931	45.7	23.3	22.4	8.9	3.3	5.6	7.9	2.5	5.4
15-24 years old	1615	90.9	52.4	38.4	26.6	6.9	19.7	12.5	4.2	8.4
25-34 years old	5752	45.5	23.9	21.6	7.1	3.4	3.8	4.9	2.1	2.7
35-54 years old	11310	28.7	14.0	14.7	2.8	1.0	0.8	3.5	0.9	2.5
55 years and older	2068	37.4	14.1	23.2	6.7	1.0	5.9	15.9	0.4	15.4
Males	12991	33.3	16.8	16.5	5.2	1.9	3.2	4.9	1.3	3.6
15-24 years old	952	87.2	51.2	35.7	27.2	6.8	20.3	11.4	3.9	7.5
25-34 years old	3424	38.1	20.2	18.0	5.8	3.0	2.7	3.6	1.9	1.7
35-54 years old	7114	23.6	11.4	12.2	1.8	0.9	0.9	2.6	0.9	1.8
55 years and older	1501	33.6	12.5	21.2	5.6	1.0	4.6	14.3	0.4	13.9
Females	7754	48.7	24.7	24.0	8.1	2.5	5.6	7.3	1.7	5.6
15-24 years old	664	96.1	53.8	42.3	25.7	6.9	18.8	14.1	4.5	9.6

25-34 years old	2328	56.3	29.3	27.0	9.2	3.8	5.3	6.8	2.5	4.3
35-54 years old	4195	37.2	18.4	18.8	4.5	1.3	3.2	4.9	1.1	3.8
55 years and older	567	47.2	18.5	28.7	9.7	0.4	9.3	20.0	0.5	19.5
University	2608	36.7	18.8	17.9	4.1	1.8	2.4	3.2	0.6	2.6
Secondary school	8373	36.5	19.1	17.4	6.2	2.3	3.9	4.5	1.5	3.1
Middle school	7354	40.1	20.3	19.8	6.6	2.0	.5	6.0	1.7	4.3
Elementary school	2410	47.2	21.3	25.8	7.8	2.2	.6	2.3	1.8	0.6
Self employed	5805	28.8	10.7	18.1	...	...	...	7.4	1.1	6.3
Permanent employee	13528	24.5	10.2	14.2	...	...	...	4.0	1.1	3.0
Set-term employee	1412	128.8	56.4	72.4	...	...	...	16.0	6.7	9.2
0-6 months	1510	90.4	39.2	51.2	...	...	...	12.0	5.2	6.8
7-12 months	864	66.4	28.3	38.0	...	...	...	9.7	4.3	5.4
13-24 months	1574	49.2	21.6	27.6	...	...	...	5.9	2.0	3.9
more than 24 months	15486	22.5	9.3	13.2	...	...	...	3.9	0.8	3.1
Total	20745	39.0	19.7	19.3	6.3	2.1	4.1	5.8	1.5	4.3

(a) In this case, the term "unemployment" indicates "individuals searching for employment"

(b) The gross turnover rate is the sum of the gross entry rate and the gross exit rate

(c) The gross entry rate is the ratio between associations and the pool of employed workers at the start of the period

(d) The gross exit rate is the ratio between separations and the pool of employed workers at the start of the period.

Source: ISTAT, Survey on work forces

In the same period, the long-term unemployment rate increased quite fast, but remained in any event the lowest among the various age groups. It ensues that the long-term unemployment is not typical of the elderly.

According to data of the CERP and the Revelli LABORatorio (2003), the unemployment rates of the elderly are lower than those reported in the other European countries (it is 3.7% for men against a European average of 5.7%, and 4.6% for women, against a European average of 6.3%), even though they have increased more than in the other European countries, with the exception of Sweden, in the period going from 1990 to 2000.

3 Continuing Vocational Training and Age

In light of the goal of increasing the rate of employment among the elderly, it could prove worthwhile to examine the training received by the members of that age group. The fact is that permanence on the labour market, plus the skills needed for employment call for increased training activities on the part of all involved, and for elderly workers in particular.

The situation in Italy is especially difficult, and should be addressed with adequate policies coordinated on various levels (tax incentives, compensation structures), supplemented by contractual policies regarding the scheduling and organisation of work.

The pages that follow examine participation in vocational training (with a focus on continuing training) in Italy. Generally speaking, little of the research available on continuous vocational training also offers information on the variable of age, given that, unfortunately, the two most important European research efforts, the Continuing Vocational Training Survey 1 of 1993 and the Continuing Vocational Training Survey 2 of 1998, do not contain information on age. To be more precise, the questionnaire did request information on the age of the participants, but neither the published data nor the elementary data made available provided information on age. It should be kept in mind that the unit of measurement used in the research was the company, making it less likely that indications on individuals would result.

3.1 Participation in training and age in 2001 in Italy

In order to examine in detail the figures for participation in training (courses) by age group, use was made of the micro-data of the RTFL for April 2001.

The average participation in training consisting of courses was equal to 2.4% for the entire population between the ages of 16 and 64. It is very important to

distinguish between employed individuals (both salaried and freelance), the unemployed and the inactive.

The percentage for salaried employees is 3.6, while the figure for freelance workers is 2.2. In both groups participation decreases as age rises. In the case of salaried employees, the figure goes from 4.3 in the 16-25 year-old age group to 2.1 for the 56-65 age group; the figures for the same age groups of freelance workers fall from 3.6 to .8. In the case of the unemployed, the decrease is from 2.4 to .30 (the tables are shown in appendix 2).

In addition to age group, level of education has a significant impact. In the case of salaried employees with university degrees, the average is 7.2%, with the figure varying only slightly between age groups; from 7.9% in the 26-35 year-old age group to 5% among 56-65 year-olds. Looking at secondary-school graduates, the figures for the same age groups vary from 5.5 to 3.3, while the numbers for those with only a middle-school or elementary-school diploma are 2.7 to .7 (when the absolute values are less than 1000 weighted units, the margins of error become extremely high. It is worthwhile noting that the responses on training are not published by ISTAT, with the figures presented herein being based on the processing of elementary data).

Table 17: Course participation of salaried employees by age groups and main variables available

		Education			Geo. area			Sex	
Age group	Average	Univer.	Second.	Middle or Elem.	North	Centre	South	M	F
16-25	4.3	5.5	2.7	5.6	2.6	2.2	3.6	5.1	
26-35	3.8	7.9	4.3	1.6	4.5	3.3	2.5	3.3	4.3
36-45	3.8	7.7	5.1	1.4	4.7	3.8	2.3	3.1	5.0
46-55	3.2	6.3	4.7	1.2	4.1	3.3	1.8	2.4	4.5
56-65	2.1	5.0	3.3	.7	3.3	2.5	.9	1.9	2.5
Media	3.6	7.2	4.8	1.5	4.6	3.3	2.1	3.0	4.6
Position					Sector				
	Manager	Exec.	Clerk	Labourer	Indus.	Serv.			
16-25			6.4	2.8	2.8	5.6			
26-35	4.3	9.8	5.2	1.7	2.4	4.7			
36-45	7.0	8.2	5.3	1.2	2.2	4.8			
46-55	5.0	5.8	4.6	.9	1.1	4.3			
56-65	4.1	4.0	3.1	.4	1.1	2.6			
Average	5.3	7.4	5.1	1.5	2.1	4.6			

Source: Processing of elementary ISTAT data (RTFL April 2001)

There are significant territorial differences: in the north participation is 4.6, in the centre 3.3, and in the south 2.1. The variations are due to the simultaneous effect of differences in economic structure, levels of education and features of employment. At 4.6, the participation of women in training is significantly greater than the figure of 3 for men. To a large extent the difference is traceable to the sector of employment, given that participation in the services sector is more than double that in industry (4.6 compared to 2.1). It is interesting to note that, in the case of women, participation in training declines at a slower rate as age increases; this characteristic is also found in the services sector. In industry, the level of participation is not only lower, but the decrease starts as early as the second age group (26-35).

Professional position also has a major impact, based on the levels of education and the sector make-ups that underlie the different positions. In the case of managers and executives, the levels of participation are relatively high and decline less rapidly. Worthy of note is the difference between labourers and clerical workers in the central age group of 26-35 year-olds, 1.7% compared to 5.2%.

Age also has an impact on the average length of the courses. Courses that last for more than a year are mainly chosen by the younger age groups. Shorter courses, on the other hand, are preferred by the older groups.

For employed individuals, the primary goal of a course is the updating of professional skills (approximately 414,974 individuals, with the highest percentage found in the 36-45 year-old age group). The number, in absolute terms, who pursue cultural growth through continuing vocational training is very low (approximately 62,000), with the percentage declining rapidly as the age group advances.

Tab. 18 - Purpose of the course the salaried employees (percentages)

	Updating professional skills	Cultural growth
16-25	2.5	0.7
26-35	2.6	0.6
36-45	3.1	0.3
46-55	2.5	0.2
56-65	1.7	0.2
Average	2.7	0.4
Ass. Val.	414974	61743

Source: Processing of elementary ISTAT data (RTFL April 2001)

As regards the training procedures, roughly half of the courses are held in classrooms, while only 30 percent are offered at the place of work. Approximately 7.8 take place either in the classroom or at the place of work. Classroom courses are more frequent among the younger age groups, reaching 64 percent. Remote courses play a marginal role in all the age groups, accounting for only 1.3%. This factor is especially negative.

Given that the question regarded courses, it is normal that the majority are held in classrooms. Unfortunately, there are no questions on the informal aspects of training that occur primarily at the place of work.

Finally, the questionnaire also asks a question on academic courses attended. As is only natural, almost all of these courses were attended by the youngest age groups. The 16-25 year-old age group took 70 percent of the university courses and 94 percent of courses for secondary-school diplomas. Among salaried employees there were approximately 200,000 individuals who took secondary-school or university courses (approximately 1.3 percent of the population of reference), with the vast majority attending university courses (166,000). Among the freelance employed, the percentage was 1.2 (approximately 66,000 out of 5.7 million). Given that the percentage of the working population with only the obligatory years of schooling is fairly high, it would be worthwhile promoting, at least among the younger age groups, achievement of a secondary-school diploma through an effort similar to the initiatives which, in the 1970's, through the 150 hours program, brought to middle school a large number of workers who had only attended elementary school, or not even that. Naturally, the necessary adjustments will have to be made in both the programs and the teaching methods.

Table 19: Participation in courses of employed individuals 15-64 years old by sex in 2002

Countries	F	M	T
UK	30.0	21.0	25.2
FIN	25.4	20.0	22.8
NL	19.6	19.4	19.5
DK	20.2	16.7	18.4
S	18.9	13.7	16.4
EU-15	11.4	8.2	9.6
IRL	11.4	7.9	9.6
L	8.6	9.9	9.4
A	8.7	7.2	7.9
B	7.8	7.2	7.5
D	5.7	5.3	5.5
E	5.5	3.5	4.3
I	5.0	3.1	3.9
P	3.3	1.9	2.6
F	2.9	1.9	2.4
EL	1.2	0.8	1.0

Source: Eurostat LFS 2002

The latest RTFL figures available on the European level regard 2002 and refer to employed individuals (salaried and freelance) in the 15-64 year-old age group (Tab. 6).

This latest research further confirms Italy's scarce participation in training courses (3.9%), ranking ahead of only Portugal and Greece. France's figure of 2.4% is not suitable for comparison, because it refers to attendance during a given day and not for a period of 4 weeks, as in the other countries. Despite the efforts made in the field in terms of legislation and the available instruments, much still remains to be done, and the results in Italy, in terms of participation, are still not visible.

4 The Choice between Work and Retirement

The greater stability of the elderly labor market, and the prevalence in its context of self-employed persons that often keep on carrying on their activities even after being entitled to retirement, affects in a negative manner the ratio of the number of pensioners to the number of active workers. In Italy, in the face of 21,500,000 active persons registered with the various social security

managements, there are 16,500,000 pensioners. Should we consider that 22,192,000 pensions are currently being paid – in fact, there are pensioners who are entitled to more than one pension – the ratio drops even below 1. A comparison with the other countries in Europe highlights that Italy is definitely in the lead. On the other hand, if, instead of considering the active persons, we only take into account the employed, we get to a ratio of 1.3 to 1, a figure that may not fail to worry us.

From an orthodox viewpoint, the reasons of the scarce participation in the labor market should be looked for in a distorted structure of incentives: the labor cost of the elderly is too high with respect to the labor cost of youths, and the pension benefits are too generous with respect to wages. If the former is driving towards the expulsion of the elderly from the labor market, the latter act as compensation for the lost income, making it convenient to move from work to retirement. From this standpoint, the situation would seem to present a dual advantage, for both the enterprise and the worker.

At present, the actual mean age of retirement tends to increase, but this is due more to the stricter requirements to retire laid down in the social security reforms of the 1990s (age and contribution requirements), than to the economic advantage resulting from public incentives. Everything is postponed until the end of the pension reform, but this is likely to embitter the relationship between worker and employer, as the former is urged to remain to avoid being penalized while the latter keeps on egging the worker on to retire⁸.

4.1 A few remarks about the long-term processes

The scarce participation in the labor market of the older population groups is not a result of the ageing of the population, but the fruit of macro and micro structural changes having a socio-economic nature that affect both the labor demand and the labor supply. For instance, it should not be neglected that Italy, like other countries in the Mediterranean area, was late in reaching the maturity of its capitalistic-industrial modernization process with respect to the countries of Northern Europe.

It is only at about the middle of the 20th century that the latter began to produce its greatest de-ruralization effects, cutting down to a considerable extent the elderly population engaged for the most part in agricultural work. Besides, considering the employment rates by occupational status, it should neither be

⁸ In the short run, the discriminating factors are one's household income and the (primary, secondary) relevance of the income being considered, the awareness of the opportunities afforded by the labor market, one's skills (that translate into bargaining power with respect to the enterprise where one works and/or the labor market, the availability of care services).

neglected that less than twenty years ago over seventy per cent of the employed were blue-collar workers who entered the labor market at the end of their first or second school cycle, meaning when they were between 10 and 14 years of age. Even considering the difficult and lengthy processes leading to a steady and protected employment, this means that most of the population got to 50-55 years of age with a contributory seniority of forty years and, given their prevailingly wearying and routine-type jobs, as well as the generous pension systems in force until the middle of the Nineties, they were - and somehow are still – entitled to an early retirement from the active life.

However, only a limited part of the workers (and in a few restricted areas of the country) had availed themselves of such an option prior to the surfacing of macro social needs and conditions whereby it was convenient for the enterprises to have recourse to early retirements. From a macro social point of view, starting from the Seventies and the Eighties, the increase in youth unemployment and, in particular, in the long-term youth unemployment brought about the need to make room for those youths looking for their first job that found it hard to enter the labor market and the “system of guarantees”. From a micro point of view, the enterprises that had experienced the progressive stresses of the Fordist crises and the global change have furthered the early retirement of older workers with a view to coping with times of business crisis and/or reorganization as well as to cutting down the growing costs of labor by doing away with the more costly share of their labor force, given the progressive levels of wages and roles.

Owing to the reasons referred to above, until now the exodus of the older groups of workers has been favored rather than being hindered from both the public (at least until the first half of the 1990's) and the private point of view (and, in the latter case, it does not seem to have ceased so far). A reversal of this policy approach only began further to the 1992 Amato reform and the 1995 Dini reform of the pension schemes, which laid greater emphasis on the reduction of the risks of inactivity of the population over 55 by countering the advantages of the seniority pensions and the early retirements, seeing to the partial abolition of the prohibition to draw income from both work and pension, and allowing the possibility of a progressive retirement through part-time work, etc. These new regulations and trends of the pension policies are slowly affecting the employment dynamics of elderly workers, even on account of the fact that the entrepreneurial interests and policies are still addressing the recourse to early retirements, particularly in respect of the highly qualified groups with high pay levels, while with respect to the workers belonging to the lower groups, engaged in routine clerical work and toilsome and wearying blue-collar work – there are little incentives for them to keep on working after having reached the required years of contribution or the pensionable age.

4.2 Firms size and exit' factors

The report on the working and retirement decisions of the elderly in Italy, which was drawn up by the team headed by Contini on behalf of the Ministry of Labor and Social Policies, warns that, at the side of the occupational careers that move quite “painlessly” from work to pension, there are in Italy much more fretful work histories characterized by quite a number of passages among various spells in dependent employment, and among spells of employment and self-employment, mobility lists, wages guarantee fund and inactivity, redundancy fund and inactivity – whether voluntary or not (Contini 2002).

“Italy features a mobility that is in line with, if not higher than, its major European partners, and that is not too different from what may be observed in countries where the labor market institutions are much more deregulated than in our country (Contini 2002, p. 72). A 30% separation rate and a 31% association rate mean that, between the second half of the 1980s and the middle of the 1990s, two workers out of three have been involved in either the inception or the cessation of a relationship of employment.

The gwt calculated for the workers over 54 is very stable with time and, in the period between 1993 and 1996, was reported at about 50%. Therefore, it may be inferred that, as far as mobility is concerned, the older workers on the Italian labor market have been affected to a lower extent than the younger workers by the economic context. The analysis of both the territorial and the enterprise-size data shows lower gwt rates for the North-West and for the medium-large enterprises, where relationships of employment are as a rule more protected and steady. This outcome, however, is not confirmed in the case of small and medium enterprises (SMEs): “As the size of the enterprise decreases, the position of the U curve that describes the turnover in relation to age not only gets little by little higher, but the curve takes on a flatter course, pointing to lower differences between older workers – protected to a greater extent in large enterprises – and younger workers”.

An in-depth review of the analysis of the separations by enterprise size, while reaffirming the relevance acquired by this variable in the labor market of the older workers, on the other hand shows that, in case of SMEs, the separations are more frequently caused by the enterprise mortality than by the voluntary flight of workers. Only 25% of all cases of separation are finalized by an easy re-entry within a short time period. Another considerable share of workers meets with long-term difficulties in this re-entry, while 50% of them end up with a (voluntary? or forced?) retirement.

A further in-depth review of the analysis, which was to inquire into the voluntariness of the outflow of the older workers on the labor demand side, endeavored to ascertain the employment prospects of an older worker if his/her

enterprise experienced a period of crisis or was in a sectoral or geographic contexts experiencing a crisis. Taking into consideration the INPS data and the longitudinal panel for two periods in the Nineties (cf., the longitudinal panel of workers and enterprises 1985-1996 by Filippi et al., 2002), before and after the 1995 pension reform, an effort was made to analyze the separations and the re-entry prospects of workers over 50 by the state of health of the enterprises, differentiating the enterprises that were “closing down”, from those that were “cutting down to a considerable extent”, “cutting down slightly”, “maintaining stable levels”, “increasing slightly”, and “increasing to a considerable extent” their personnel.

With reference to workers of over 50 years of age in the employ of enterprises experiencing times of crises (or negative dynamics of the local economic situation), the likelihood of a separation is more than double for a (male) worker employed by a firm that cuts to a considerable extent its personnel with respect to a similar worker in the employ of an enterprise characterized by a stable level of employment. This figure becomes three times as high for women working in enterprises that cut to a considerable extent their personnel. Besides, being the other characteristics equal, an unfavorable local context increases the likelihood of abandoning employment for good, even though with more limited effects with respect to the case of enterprises facing critical situations.

With reference to the employed that are over 50 and approach the retirement age, a temporary discharge from their job may often mean an unavoidable separation from the labor market. It will be hard for these workers to have a chance to decide on their own whether and when to retire. Furthermore, if they fail to meet the pension requirements, they will be bound to experience non-working periods before having access to their pension. This may have considerable implications even with respect to the policies designed to increase the rates of employment of the older workers, as they clash with the policies implemented by the enterprises that need to cope with aspects and periods of crisis.

According to Contini, “to evaluate, however indirectly, the actual consequences of an “induced” separation with respect to one deliberately chosen by a worker permits to get to a few policy decisions, given that for all those for whom retirement is not a free choice, as it is the result of a decision taken by the enterprise, any measure targeting the worker in order to increase employment will have no effect.” (Contini 2002, p. ...). Indeed, the latter cases would call for policy measures addressing the demand side and aiming at countering the early expulsion of the elderly in employment with various incentives and measures supporting a reorganizations of the enterprises and/or facilitating, within the shortest possible time, the re-entry into employment of those who entered the tunnel of the separation courses owing to processes of crisis and reorganization of the enterprises.

4.3 The actual retirement age⁹

The actual retirement age in Italy was 59,4 years in 2001, this figure being substantially in line with the average European datum (Table 20). After a one point decline reported in the 1994-1997 three-year period, the actual mean retirement age increased by two points over the next four years (from 1997 to 2001). In any event, it should be noted that the difference is nearly inexistent for women.

Table 20: Actual mean retirement age

	Male	Female	Total
Italy	59,6	59,2	59,4
EU 15	60,5	59,1	59,9
Deviations	-0,9	0,1	-0,5

Source: Istat

The analysis carried out by the CERP and the Marco Revelli LABORatorio (2003) points to a considerable influence of the administrative constraints on pension-related decisions. Initially, the reforms of the 1990s¹⁰ have brought about a period of considerable variability when quite a few workers have deemed it more convenient to have access to the pension, taking advantage of the “opportunity windows” that opened during the reform process. The recent two-year increase in the actual retirement age would seem to point to the fact that we got through this initial phase and that the stricter requirements set forth in the reform are beginning to become operational. This is the direction taken also by the reform project of the present government, currently submitted to Parliament for approval, which provides for a considerable increase in the age and contribution requirements to have access to the pension system starting from 2008.

According to the reform that has just been passed by the Senate (AS 2058), starting from 2008 and until December 31, 2013, in order to retire workers will need a 35 year contribution seniority provided they meet the age requirements

⁹ In Italy, unlike other countries, the difference between the legal and the actual retirement age is null for women and close to 2.5 years for men (2001).

¹⁰ The combined provisions of the so-called “Amato” reform (Law no. 503/1992), “Dini” reform (Law no. 335/1995) and “Prodi” reform (Law no. 449/1997) have led to a reformulation of the pension calculation, providing for the passage to the contributory system and redefining the age requirements to have access to both the old-age pension (65 years for men and 60 years for women with 20 years of contributions, while in 1994 the corresponding values were 61 and 56, respectively, with 16 years of contributions) and the seniority pension (35 years of contributions, starting from 57 years of age).

(cf., Table 21) or 40 years of contributions regardless of age¹¹.

Table 21: Age requirements for retirement

	Workers in dependent employment	Self-employed workers**
2008	60	61
2009	60	61
2010	61	62
2011	61	62
2012	61	62
2013	61	62

* Starting from 2014, the age requirements are going to be increased by one year until they get to the level laid down to have access to the old age pension.

** Registered with INPS

In the face of a tendential growth of the actual retirement age, special relevance is attached - with respect to the potential growth of the employment rate of older people - to data relating to an Italian peculiarity: the payment of the seniority pensions (meaning those to which workers have access regardless of age, based on their contribution-related career). In 2003, the seniority pensions for workers in both dependent employment and self-employment have been 2,588,000, amounting to a yearly average of € 14,104 as against an average amount of € 9,127 for the pensions paid out based on age. Fifty-eight per cent of the latter (equal to 1.5 million) have been paid to person under 54 years of age.

In the forthcoming future, the social security reasons should acquire greater relevance further to the shift to the contribution-based system. Since the pension will be calculated on the basis of the actual contributions, greater attention is going to be paid to the actual working density over one's active life, even at the cost of accepting lower paid jobs in order to avoid a contribution-related hole.

¹¹ The adoption of a further amendment of the North League confirms, on a trial basis and up to December 31, 2015, the possibility for women to have access to the seniority pension when they are at least 57 years old (58 if self-employed), provided that they choose the settlement of the pension benefits according to the provisions governing the contribution-based system.

5 The Policies for Active Age

In the face of a tendencial growth of the actual retirement age, special relevance is attached - with respect to the potential growth of the employment rate of the elderly - to data relating to an Italian peculiarity: the payment of the seniority pensions (meaning those to which workers have access regardless of age, based on their contribution-related career). In 2003, the seniority pensions for workers in both dependent employment and self-employment have been 2,588,000, amounting to a yearly average of € 14,104 as against an average amount of € 9,127 for the pensions paid out based on age. Fifty-eight per cent of the latter (equal to 1.5 million) have been paid to person under 54 years of age.

The latter datum is an extremely good example of the difficulties being met by Italy in seeing to a more rapid increase in the rate of employment of the elderly. Were the said 58% (or were they to appear) still active in the labor market rather than being (or appearing to be) retired, the employment rate in the 55-64 age group would exceed 50% and we would witness a fully different situation than we currently do. However, this is not our case and, indeed, the possibility that our country might comply with the programmatic targets laid down at both a European and a national level would seem to be moving farther and farther away.

In the face of this structural bottleneck, the strategy for active ageing is neither clear nor settled with respect to both the labor and the social security policies, with special reference to the system of incentives to ensure an active ageing.

5.1 The labor market

One of the initial provisions laid down by the right-of center government was to regulate fixed-term contracts of employment¹². With the enforcement of the new provisions, the recourse to fixed-term contracts no longer has an exceptional nature, while the introduction of unconditioned¹³ elements of flexibility are likely to promote a regular labor demand and its cyclical adjustment. The new

¹² Legislative Decree no. 368 of September 6, 2001 implementing the Community Directive 1999/70/EC concerning the European-wide framework agreement on fixed-term work concluded by ETUC, UNICE and CEEP, which repealed Law no. 230 of 1962 and Article 23 of Law no. 56 of 1987.

¹³ Inter alia, it should be recalled that, for the implementation of special regulations, the fixed-term workers are accounted for in the corporate staffing level only in case of employment relationships lasting more than nine months.

regulations should curb the improper and onerous¹⁴ (for the government bodies) use of the provisions promoting employment, with special regard to apprenticeship and, to a lower extent, the vocational placement scheme (see further on), reducing the “pathological” recourse to quasi-subordinate work, although the latter depends on the equalization of the accessory labor cost burdens (applied rates, social security as well as other contributions due, and the system for distributing such charges between employer and employee). The new regulations concerning fixed-term contracts of employment could also have the effect of reducing the interest and advantage of the enterprises in having recourse to the more costly labor-only subcontracting (former interim jobs).

The government has implemented the reform project included in the White Paper on the labor market (2001) and referred to in the Pact for Italy (2002). It is still too soon to succeed in evaluating the impact of the new regulations, but it is unquestionable that Law no. 30/2003 and its subsequent decree of implementation feature a number of interesting aspects, notwithstanding a few critical aspects that are also present.

Insofar as it concerns the system of economic incentives promoting employment, while waiting for a thorough review, a few significant innovations have already been introduced. The new vocational placement scheme is a special contract, lasting from six to eighteen months, which has replaced the old work/training contract. This scheme provides also for incentives that vary depending on the typology of both the enterprise and the territory, and that may be used also when hiring workers over 50 who have lost their job. On the other hand, the 2003 Finance Act has already introduced modifications to the tax credits provided for newly hired additional personnel, seeing to an increase of 50 Euro per month¹⁵ (from 100 to 150 Euro) for the open-ended hiring of workers over 45 who have been unemployed for the last twenty-four months.

Even the regulations concerning part-time work have been modified in order to allow a greater flexibility in its use by enterprises. A pivotal element, in respect of which the pension reform bill provides for a specific delegated law, is represented by the mixed pension/part-time work scheme that is expected to promote a soft separation from the labor market.

A minor though definitely interesting measure provides for the introduction of a special mechanism to certify one’s working activity with a view to promoting a surfacing of the undeclared work that originates from households and recovering a considerable area of tax and contribution-related evasion. Thanks

¹⁴ In relation to the anticipated contribution cuts.

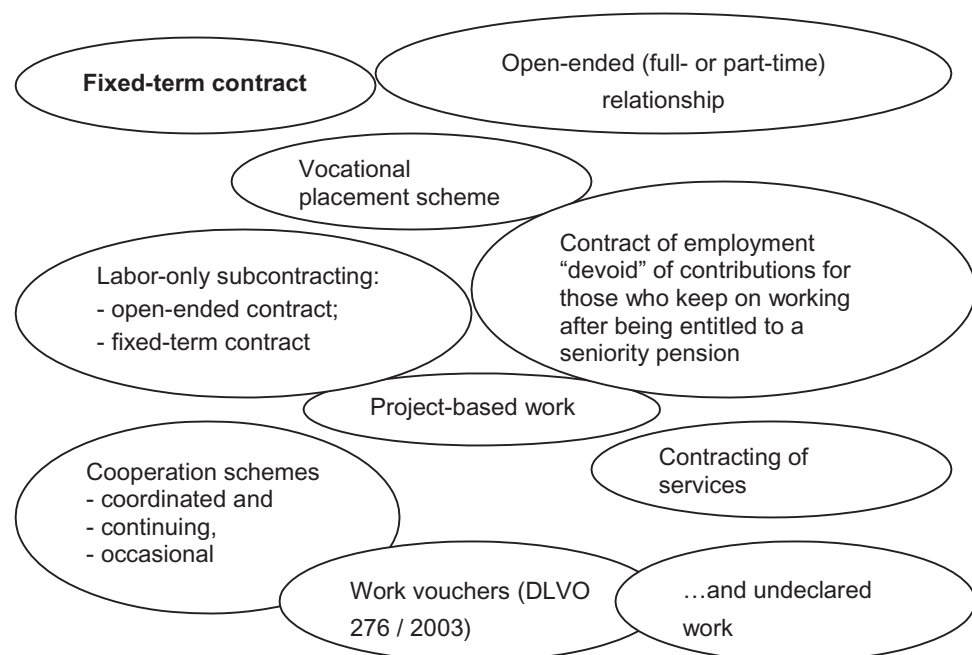
¹⁵ The incentive has an additional component for the hiring of labor in the areas of Southern Italy.

to the work vouchers, the worker has the certainty of what is owing to him/her for the work rendered in respect of both the direct and the indirect pay, within a context of fulfillments that are simple for both the worker and the employer. With the introduction of the “contribution-related” system to calculate their pension, workers should pay greater attention to the density of their work history, even with reference to the marginal activities they have carried out.

There are no changes with respect to the economic relieves to social enterprises and, more in general, to the world of the third sector. The social cooperatives remain an important context for the integration of those who are at a disadvantage and, in the last few years, have also reported a constant occupational growth.

Considering the various contract typologies available for hiring purposes, we find a broad range of schemes that are often associated with economic incentives. In any event, the combined effect of the regulations and the existing incentives on the recruitment strategy and the outplacement policies does not seem to change the system of the advantages for the benefit of older workers. Indeed, in most cases, they would seem to be caught off balance by their relative condition (cost of labor) and by the presence of other incentives. The key passage remains the creation of conditions both within and outside the enterprise for their profitable use while doing away with obstacles, disincentive (deterrents), reconsidering the non-proactive regulations, as well as increasing the labor demand well in excess of its current limits.

Diagram 2: The use of older workers by enterprises



5.1.1 *Regional policies*

The interventions on the regional front would seem to target increasingly more the adult component, even though the system of axes and measures of the ESF programming does not assign adequate space to active ageing. A reprogramming of the resources should allow promoting to a greater extent those measures that tend to attain equality between men and women, in particular the expansion of the offering of care services, also in relation to the fact that the gender differential of the activity and employment rates with respect to the other countries is mostly attributable to the behavior of the women over 45.

A few regions have laid down incentive-based provisions for the placement of older workers in proximity and social solidarity services. With reference to good practices, it seems worthwhile mentioning the Project for the socially useful jobs targeting the unemployed laid off by the enterprises in the autonomous Province of Trent, the Action Plan for the elderly (2002) of the Emilia Romagna Region, as well as the Action Plan of the Liguria Region for the IT training and the volunteer service of the elderly.

5.1.2 *Continuous training and permanent education*

The Italian training system is prevalently founded on an initial training, whether in school or outside the school. During the last ten years, greater attention has been paid to older workers, and this has resulted in a review of the approach to training and of the very setup of the measures that are to meet the requirements of diversified users¹⁶.

During the past legislature, the Ministry of Education has set up the Territorial Centers for Permanent Education (CTEPs) with a view to increasing the adult training offer. The activity of the CTEPs is carried in a partnership with private social organizations and has led to the offering of courses to take the compulsory school leaving certificate, language training courses for foreign workers, and courses to get a vocational qualification or a diploma. In 2002, 387,000 workers have taken advantage of these courses, 52,000 of which by attending evening courses.

As regards continuous training, it seems worthwhile to report the take-off of the inter-vocational funds for continuous education provided for by Law no. 196/97,

¹⁶ A recent study by the Agnelli Foundation (2002) points to the lower relative probability for a person who is over 45, whether employed or unemployed, of taking advantage of training opportunities.

while the fund for the temporary workers' training is by now fully operational. Always in respect of the training programs addressing workers in employment, it seems worthwhile to refer to the new course taken by the regional measures that are to intercept the quasi-subordinate workers and offer a support to individual training projects (Law no. 236/1993 and regional provisions).

Continuous training and permanent education should allow the enterprises as well as the individuals to pay greater heed to the preservation of skills and to reduce the risks that such skills might become obsolete, even though the growing instability of the new relationships of employment does not seem to promote training investments.

5.1.3 *Employment services*

Efficient employment services are required for a proper operation of the labor market as well as to increase the job opportunities of both youths and grown-ups. The system of the public employment services is fording the reform. There are criticalnesses, delays, and also territorial asymmetries. The services address prevalently youths, while older persons are a residual component. The Regions appear to be strongly committed in their effort to modernize the services, but they are likely to meet with funding difficulties at the end of the current planning period (2006). Indeed, while the Regions have seen to the greatest innovations, they are the ones that are more likely to meet with difficulties unless the decrease in Community resources is offset by national resources.

5.2 **The system of incentives**

5.2.1 *The regulations on the combined income from pension and employment*

The regulations in the matter of the combined income from pension and employment (laying down when it is allowed and when it is not allowed, as well as restrictions and penalizations) and how they are complied with are factors that affect to a considerable extent the level of activity of elderly workers. The regulations have undergone a number of changes over the last 50 years. The course changes have been brought about by temporarily prevailing approaches and have also been affected by the situation of the labor market¹⁷.

¹⁷ This explains the reason of the variability over time of the prohibitions and of the extent of the pension deductions.

It has already been pointed out that, for at least a decade¹⁸, the high youth unemployment, as well as the fact that the welfare accounts were not a clear political priority, ended up by furthering the personnel turnover within the enterprises. As regards the “surplus” workers, an effort was made to prevent that they might officially enter into competition with youths on the labor market. On the one hand, there was an attempt to de-legitimize the “youthful” older labor force (pensioners or persons having taken an early retirement opportunity), on the other, no heed was given to the fact that, just a few really left the labor market, while a sizable number of those who remained ended up having access to the hidden economy. Later on, the priorities have changed¹⁹.

Besides being conditioned by the economic cycle, the matter of the combined income is governed by a comprehensive set of regulations that need to take into account both the specificity/purposes of the pensions and the amount and nature of the income from employment (self-employed worker vs. worker in dependent employment). In fact, a pension is both an income that must be related to the contributions paid (deferred wages) and, in a few cases, disbursements that are to ensure a minimum income. As of late, the presence of bottlenecks in a few territorial areas as well as the need to increase the tax yield by combating the hidden economy have gained ground and have resulted in more permissive regulations. While the program of the government majority is moving in this direction, the liberalization of the combined income discipline is likely to jeopardize the efforts to keep individuals working for a longer time, although this is one of the key objects in a country characterized by an extremely low employment rate of the older workers.

Hence, the combined income discipline differs in relation to the type of pension (invalidity, old age, seniority, survivors) and to the type of combined income (from employment/self-employment).

Combined income from an invalidity pension and employment. The pension is cut down by 25% if the income from employment is four times higher than the minimum pension (€ 20,910.24) and by 50% if it is five times higher (€ 26,137.80). If, further to these reductions, the pension amount is still higher than the INPS minimum (€ 402.12 in 2003), it may be subject to a second cut. This depends on the number of contributions on the basis of which it has been calculated. With at least 40 years of contributions, no additional amounts are withheld since, in this case, the pension may be combined in full with the income from employment or self-employment, as provided for the old-age and

¹⁸ Reference is roughly made to the period going from the second half the 1980s to the middle of the 1990s.

¹⁹ Even the Constitutional Court pronounced itself on a number of occasions on the basic principles of the combined income regulations.

seniority pensions. The second check-off, the amount of which depends on whether the income is from employment or self-employment, applies with less than 40 years of contributions. In the former case, it amounts to 50% of the share exceeding the INPS minimum, in the latter it amounts to 30% and, in any event, it may not exceed 30% of the earned income.

Combined income from an old age pension and employment. Starting from January 1, 2001²⁰, the receivers of an old age pension paid out according to the wages-based system may combine the full amount of their pension with the income from either employment or self-employment. When the pension is paid out according to the contributory method²¹, meaning the system as laid down in Law no. 335 of 1995, different regulations apply. If the worker retires before he/she is 63 years old, the latter loses the full pension if he/she is in dependent employment but keeps the minimum pension (€ 412.18) in addition to the 50% share exceeding the minimum in case of self-employment. If the worker retires after he/she is 63 years old, the latter keeps the minimum pension in addition to the 50% share exceeding the minimum whether in employment or self-employment.

Combined income from early retirement benefits and employment. The old age pension benefits paid out in case of early retirement to employees of enterprises that stipulated solidarity contracts may be combined with the income from dependent employment for the time of anticipation and within the limit of the wages lost as a result of the reduction of the working hours. After that period, the general system provided for old age pensions applies.

²⁰ Earlier on, there was quite a different and comprehensive set up of regulations concerning the combined income. The prohibition did not apply to old age pension receivers: a) hired with a fixed-term contract lasting less than 50 days in the calendar year; b) receivers of income from dependent employment or self-employment, provided that its amount was lower than the INPS minimum benefits; c) individuals engaged in such activities as justice of the peace and honorary judge or in functions connected with the exercise of elective offices and within the context of programs for the re-placement in employment of older workers promoted by local governments and other public bodies; d) individuals employed as agricultural workers, providers of household or family-care services, and agents in the EC employ.

²¹ This calculation method affects workers hired starting from January 1, 1996, as well as workers with a contribution-related seniority of less than 18 years as at December 31, 1995, for the periods starting from January 1, 1996 and the so-called "optants" (meaning those who, having a contribution seniority of either more or less than eighteen years as at December 31, 1995, decide in favor of the contributory system).

Combined income from seniority pensions and employment. The 2003 Finance Act lays down that, starting from January 1, 2003, the receivers of seniority pensions who, at the time of their retirement, are at least 58 years old and have 37 years of contributions may combine in full their pension with the income from employment or self-employment. The pensioners who have retired prior to January 1, 2003, are entitled to combine in full their seniority pension with the income from self-employment or employment also in the following cases: a) if the pension is paid out on the basis of a contributory seniority of at least 40 years (the calculation of the 40 years of contributions takes into account all the compulsory, redemption, voluntary, and figurative contributions that have been paid, even after the starting date of the pension, provided that such amounts are used in the settlement of pension supplements); b) if the pension receiver meets the age requirement for the old age pension (60 years for women and 65 for men). With the exclusions of pensions with a contributory seniority of at least 40 years and those that, at the time of retirement, are obtained with a contributory seniority of at least 37 years and an age of at least 58 years, there is with respect to all the other pensions running from December 31, 2002: the full prohibition to combine their income with the income from dependent employment²²; a partial prohibition to combine their income with the income from self-employment to the extent of 30% of the share exceeding the minimum benefits, within a 30% income limit.

Law no. 289 of 2002 (second and fourth paragraphs of article 44) lays down that those who had already retired with a seniority pension on December 1, 2002, are entitled to combine the income from their pension and the income from employment provided that they pay a fixed quota (even divided into installments) calculated on the basis of the difference between the gross pension amount collected in the month preceding the start-up of the activity and the minimum pension benefits (€ 412.18). Thirty per cent of the resulting amount is multiplied by the difference between 95 (58 + 37 years of age) and the sum of the age and contribution requirements met by the worker at the time of his/her retirement, and finally increased by 20%. The amount due may not be lower than 20% of the pension amount nor three times higher.

The combined income regulations are quite complex and would seem to call for an intervention enhancing their fairness and clearness and streamlining them. The implementation of the delegation included in the reform bill being debated in Parliament is likely to improve them, notwithstanding the difficulty of pursuing at the same time a plurality of potentially conflicting goals.

²² The prohibition to combine the seniority pension with the income from employment does not apply in those cases when the elderly: a) renders his/her activity within the context of a program for the re-placement in employment of old workers promoted by local governments or other public administrations; b) renders his/her activity as a justice of the peace.

5.2.2 *The special tax and contributory system*

The incentives to keep on working are a key passage of the delegated pension bill worked out by this government, but also one of the most controversial ones. As a matter of fact, the government had initially purposed to attain a variety of goals: to obtain a little benevolence from the Debt Commission²³, convincing it that Italy intends to keep on seeing to its financial recovery, to create the presuppositions for a structural reduction of the cost of labor (de-contribution), to cash in not only to relieve the situation of the public accounts, but also to extend its margins of maneuver, and to implement a part of the strategy for the privatization of the social security system provided for in the coalition program.

The 2001 Finance Act (article 75 of Law no. 388/2000), launched by the previous center-to-left cabinet, laid down that all those who, being entitled to a seniority pension, postponed their retirement by at least two years should no longer pay the contribution owing from them (equal to 8.89% of their taxable gross wages). At the same time, the employers who hired them – in fact, they had to enter into a new contract of employment lasting at least two years - saved the 23.81% share of the contribution owing from them. The critical aspects of this incentive were their lack of any automatism (the new relationship of employment was conditioned by the assent of the employer), the freezing of the pension amount (no revaluation was provided for), and the fact that the division of the incentive between worker and enterprise failed to attract the former. Indeed, the results are patently obvious: just a little over 800 retirements were postponed over a two-year period.

The incentives set forth in the reform project of the current cabinet are considerably higher, attributing to the worker the entire tax-free social security contribution (32.7%). The income increase reported by the worker also on account of the de-taxation of wage increases is quite high since, with reference to a gross yearly income of 25,000 euro, it may exceed the net wages by 45%. Then, isn't everything running smoothly? There are still a few perplexities:

- the incentive will end up to the advantage of would-be pensioners that already enjoy a system that is relatively privileged with respect to the system of the future pensioners (those who will be subject to the contribution-based system that, in theory, is less favorable);
- the incentive gives rise to a difference in the treatment of workers who carry out the same job within the same enterprise, between workers 2004-2007 and post 2008;

²³ During a phase when even other major countries (France and Germany) are not too well off.

- the incentive will end up being particularly to the advantage of those who, no matter what, had decided to continue their work activity and, in this case, it will be a badly targeted resource. The incentive could interest those who have no market (but, in this case, it is harder because the employer's assent is needed and this is unlikely to be given). Even the Government seems aware of the probably limited impact of this provision, given that the technical report accompanying the law estimates a net yearly saving for the coffers of the State amounting to 80 million euro in the 2005 - 2007 three-year period;
- for the time being, the incentive applies only to workers in the private sector given that it is extremely hard to prove the profitability for public finances should it be applied also to State employees;
- the incentive will not be neutral from a territorial point of view, given that most of the seniority pensions concentrate in three areas (Lombardy, Veneto, Emilia Romagna).

In general, it seems worthwhile mentioning that, as far as profitability is concerned, much depends on the workers' bargaining power. If a worker is entitled to combine the income from employment and pension, it is always profitable for the latter to retire and seek another job, either with the same employer or a different one²⁴, unless the worker's market value is low, and in that case it could be worthwhile for the worker to go on working. The problem is that the employer must give its assent, and is unlikely to do so if: 1) the enterprise is interested in doing away with that job or in replacing the older worker with a less expensive youth that, rightly or wrongly, is considered more productive; 2) the full 32.7% contributory discount to which the worker is entitled makes the current picture worse. It has not worked in the past, why should it work now with no savings for the enterprises?²⁵

²⁴ A pension plus an income from a "co.co.co." contract – as previously pointed out, this is quite a widespread phenomenon among older persons - are more advantageous than an income from employment, however supported and de-taxed it may be.

²⁵ Indeed, it turns out that the enterprises are also penalized by the setting aside of the regulation whereby no contributions were to be paid for newly hired workers: this regulation was in conflict with the object of increasing the rate of employment the elderly, as it furthered even more the outflow of older workers from the enterprises.

6 Conclusions: Barriers and Opportunities

A multiplicity of factors may contribute to the access to and the re-placement in employment of persons who are no longer young. The pre-requirement is a steady and long-lasting economic growth. The development of income creates employment and offers margins for solidarity; high employment rates make the balance of the social security system easier. One needs to get accustomed to the idea of a third sector that is a large basin of employment and re-employment for older people. In fact, it is hardly possible for the firms' demand for modernization and personnel turnover to cease. According to a Censis survey presented in April 2004 and based on a sample of 1500 persons over 60, 16.5% of the elderly respondents would be interested in carrying out a socially useful activity such as supervisory tasks for the benefit of children, care of green areas, assistance. The outcome of a European survey carried out in 1997 (International Social Survey, 1997) had highlighted a lower propensity of Italy's older people to carry out unpaid activities. The figures were significantly lower than those relative to the other OECD countries with respect to both those who had already retired and those who were in the 50-64 age group. Hence, the picture is changing.

The workers' characteristics, their skills, and their need to work and earn a certain type of income for themselves and others are what are bound to determine the workers' behaviors. These aspirations will have to match the labor demand that is going to evaluate its advantages. The enterprises might prefer to replace their older workers with more educated and flexible and less expensive young workers. The presence of incentives to hire youths may lay emphasis on the turnover advantage even going through a productive decentralization. The facilities provided for the new youth entrepreneurship are likely to back up reorganizations and relocations of enterprises²⁶. The wage differentials, the incentives to hire new entrants²⁷, the instruments that support outflows, and the natural slipway represented by the seniority retirement have made up a lethal combination for the over 50. This is the reason why such a strong pressure is being put on long protection networks. It is extremely hard for a worker who has been laid off at this age to find a new job that is similar to the one he/she has lost. Unless willing to leave the labor market, more often than

²⁶ Over the last ten years, the establishment of new enterprises has not been matched by a proportional increase in employment. This is likely to point to a partially instrumental use of these incentives.

²⁷ Perhaps, the incentives were meaningful when youths were a plentiful resource and most of them were looking for a job. This no longer applies in quite a few areas (as the enterprises from Veneto who are looking for apprentices know all too well!) and it is hard to understand what they are for, given also that the Italian labor cost – in terms of level and dynamics - is even too much under control and could turn into a consumption-related problem.

not this worker will have to be content with lower conditions and, in a few cases, will end up swelling the ranks of the off-the-books workers.

What needs to be solved is the conflict between policies that tend to further the turnover through the lower cost and the greater flexibility of young labor and policies that tend to increase the rate of employment of older workers with or without the support of incentives that are to extend the duration of their working activity. Provided that a worker is eligible for retirement, everything depends on the worker's bargaining power: if the latter is weak and the enterprise is willing, the worker will endeavor to keep his/her job; if the latter is strong, the worker will be willing to retire and keep on working (under a different contract of employment).

Box 1

Problems in implementing an active ageing policy

The behaviors of the actors (enterprises, workers)

- the labor turnover requirements of firms are justified by cost reasons and flexibility-related needs (standard contracts vs. light, subordinate and quasi-subordinate contracts). Older people and women can turn into a key resource in territorial areas characterized by widespread labor shortage phenomena;
- a share that is not at all negligible of the work carried out by the older pensioners is off-the-books;
- the workers' attitude is changing, owing to the changed life styles and the increased schooling, in relation to the greater income needs and the characteristics of the labor demand (crisis affecting one's business loyalty, growing shift of the economy towards the services sector).

The public policies

- older people and active ageing are a recent priority for our country. Most employment-oriented measures focus on the condition of youths. The same applies to both public and private employment services (labor-only subcontracting, outplacement companies, etc);
- the seniority pensions together with other provisions (combined income regulations) tend to decrease the employment rates. The incentives to postpone retirement are not fully convincing;
- the pension reform is not yet under normal operating conditions, but the calculation of the pension with the contributory system (the amount will be linked to the actual amount of the contributions paid during one's working career), the modification of the requirements to be eligible for a pension, the adjustment of the transformation coefficients expected in 2005, and the failure to adjust the benefits to the wage dynamics will end up by forcing most individuals to work for a longer time;
- the insufficient development of the so-called third sector (social economy, volunteer services) and the connected job opportunities for the elderly.

If one fails to have a comprehensive view, if nothing is done to do away with questionable incentives notwithstanding the changes that have affected the

labor market, if funds are appropriated for the extension of the social relief benefits without a clear plan in mind, one runs the risk of squandering money with no significant results and of confirming iniquities. What is needed is a thorough review and reconsideration of all the protections (when and on what conditions, in which cases the figurative contribution is provided for), the abolition of unjustified privileges and the sanction of opportunistic behaviors, the cancellation, in case of need, of a few incentive schemes.

What is needed is a different attitude on the part of the enterprises that, nowadays, show an excessive propensity to expel older workers. The enterprises' reasoning, however, is based on advantages. It is up to the government in the first place, as well as to the concertation with the social partners, to find equitable and sustainable solutions. On their part, the enterprises should be willing to reconsider their organization in order to enhance their older component. Within this context, an important role is being played by the anticipation policies and, in particular, the space attributed to the investments in training, but also to the incentives to training handled in an individual manner. The wages-related policies are another important element²⁸.

We have already seen how the matching may be positively or negatively affected by provisions in the matter of combined income, by a variety of different public incentives (to placement in employment, to keep on working, etc.), but also by disincentives (pension schemes in force, economic and contractual incentives for hiring youths).

The regulations governing the labor market play a fundamental role and they need to be proactive. We must have at our disposal an information network made up by public and private centers that might further the match between labor demand and supply and that might focus more on the older component²⁹. We need to review the system of the incentives for employment, since the instruments that facilitate the soft outflow of older workers (early retirements, social relief benefits acting as a bridge, seniority pensions), combined with the system of the incentives for youth employment may take irreparably off balance the component that, at the same time, is the weakest and the most expensive. There is the possibility that the retention of older workers (the critical age may change from one to the other business branch) is not in line with those business strategies that aim at reducing costs and attaining a greater flexibility in the

²⁸ Careers and wage policies should be reconsidered to avoid that they might represent a trap for old workers.

²⁹ Something is however moving. Italia Lavoro, a public joint-stock company engaged in labor policy projects, is handling in a cooperative effort with a few regions an experimental program designed to re-place in employment 900 unemployed in the 40-52 age group (Progetto Quadri). The job opportunities for the employment/re-placement in employment of older people and pensioners are linked to a greater development of the third sector.

employment of personnel through special contracts (fixed-term and project-based contracts, recourse to outsourcing arrangements). Even the social security and welfare profiles are important to affect the decisions of individuals³⁰, and they certainly include the regulations concerning the combined income from employment and pension.

The reorganization of the social relief benefits that had been promised at the beginning of the legislature seems to mark time and, besides, it will have to cope with the question of the protection of the quasi-subordinate workers. This is a constantly growing group of workers that, in addition to lacking any income guarantee when a reduction of the assignments is reported, has no significant prospects of retiring in view of the social security scheme that applies to them.

People should retire later and work longer. This is not happening today, but it is obviously going to happen in consequence of the reforms that have already been implemented. The problem is represented by the transition, during which there are four priorities. The first one is to keep the level and the dynamics of the pension spending under control. The GDP/spending indicator depends on the trend of various social security aggregates and on the employment level. Hence, raising the rate of employment of older people becomes a key factor that is going to be affected by the rate of economic growth that we will succeed in attaining. The second priority is the construction of a work environment that is not unfriendly to the older component (organization of labor, wages policies). Besides, appropriate and recurrent training measures targeting those who are no longer young are likely to play an important role. We need to enhance the employment opportunities within the third sector with reference to both the individual corporate contexts and the territorial areas where labor market bottlenecks are reported. The third priority is a thorough review of the advantages of the actors and the consistency of the regulation systems, with special regard to the combined income regulations and the employment incentives that are likely to take the older people off balance. The final priority is represented by the third sector. The development of this sector may lead to a greater social cohesion but also to job opportunities that are all but negligible for the older workers.

We would like to insist on the issue of the increase in income and employment. Should they fail to increase, the welfare system becomes unsustainable and the progressive reduction of (or the failure to adjust) the protections may only promote the creation of older generations made up of poor working people. We do not believe that this would be a good solution.

³⁰ Even though the application of the contributory system, as soon as it will become operational, the modification of the requirements to be eligible for a pension, the adjustment of the transformation coefficients expected in 2005, and the failure to adjust the benefits to the wage dynamics will end up by forcing most individuals to work for a longer time.

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