



**2000-2010, THE DECADE THAT LED TO THE  
EMPLOYMENT DECLINE IN EUROPE**

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COMPARING EVIDENCE AND POLICIES**

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***2000-2010, the decade that led to the employment decline in Europe***

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## **2000-2010 the decade that led to the employment decline in Europe**

*Benefits deriving from the introduction of flexibility into the labour market have not been equally distributed between demand and labour supply. Labour flexibility introduced new margins of efficiency, but GDP does not grow. The Italian firms have failed in the face of change in the international economic scenario. In the presence of inefficiencies in the labour market, companies have gained advantageous positions. Flexibility and wage moderation have made it possible to contain the losses of competitiveness and to increase the number of employees, but who has paid the price? We can not allow that the system settles on a frontier of the production with a sub-optimal allocation of resources and positions of rent, or that the segmentation in the labour market is structured and social disadvantage increases. Some people are more affected than others by labour market segmentation, such as women, youth and elderly workers, more dramatically in the south of the country: we must support them with policies that will ensure effective security in transitions from one job to another, and from work to non-work ("on the market").*

### **1 The institutional changes**

In 2000, when the Lisbon Strategy to make Europe "the most competitive and dynamic knowledge-based economy" was launched, in Italy the political, institutional, social and economic background was ready for a new challenge. Since the abolition of the "sliding scale" in 1985 and the indexation of wages to the "expected rate of inflation" calculated by the Government -as previewed by the Agreements of '93.<sup>1</sup>- the wage-inflation spiral and the inflation-unemployment trade-off had been overcome in Italy.

Following the financial manoeuvre made by the Amato's government in 1992 (90 thousand billion lire), Italy rejoined the European Exchange Rate Mechanism (ERM) with fluctuation bands widened to + / -15% and has embarked on a virtuous path, under the second phase of the Economic and Monetary Union (EMU), to contain the public debt and budget deficits. The "Treu package"<sup>2</sup> has already been adopted. With it, the public placement monopoly was abolished and most forms of non-standard contracts, different from full-time permanent contracts, which are still used, were regulated. Even in Italy, the contractual flexibility, modelled since the end of the 80s by OECD<sup>3</sup> and transferred in the Community policies in the mid-90s, is adopted as a solution to combat structural unemployment (rising from 7 to 11%, in those years, on average in the current EU15), and to enhance productivity and employment, toward the challenge of globalization.

The objective of a high level of employment had already been set in the Treaty of Rome of 1947. With the Delors White Paper on "Growth, Competitiveness and Employment"<sup>4</sup> this last became a "matter of common interest." (1993). After the Treaty signature in Amsterdam in 1997, for the first time, an entire chapter has been devoted to employment and policy coordination. The Employment Committee was created and the rule of majority voting was introduced to adopt the decisions of the Council. Within six months of that year, the devices of the Treaty were implemented immediately with the approval, by the Council of Ministers, of the European Employment Strategy, EES, based on four pillars -employability, entrepreneurship, adaptability and equal opportunities- which represents a common ground for the Member States and Community institutions for the identification of targets on which to engage through the "Open Method of Coordination" (OMC).

Finally, within the "Lisbon Strategy" policy coordination takes the final form and function for identification and definition of: objectives to be achieved (adopted by the Council); measuring instruments (statistics, indicators, guidelines); benchmark target of policies in order to allow comparison of the results achieved by the Member States (monitored by the Commission).

The European Employment Strategy (EES, 1997), through the "open method of coordination", urges the European Union (EU) and the Member States (MS) to define a set of employment policies. It establishes the procedure for programming and verification, based on the

<sup>1</sup> Protocollo 23 luglio 1993 tra governo e parti sociali - Politica dei redditi e dell'occupazione, assetti contrattuali, politiche del lavoro e sostegno al sistema produttivo. Agreement of 23 JULY 1993, This tripartite agreement outlines a thoroughgoing reform of the Italian industrial relations system, based on four main objectives: incomes policy; a restructuring of bargaining procedures; modification of forms of workplace union representation; and policies on employment and measures to support the production system.  
<http://www.eurofound.europa.eu/emire/ITALY/AGREEMENTOF23JULY1993-IT.htm>

<sup>2</sup> The so-called "Treu Law" was introduced on June, 24 1997 (law 196/97).

<sup>3</sup> OECD (1994), The Oecd Jobs Study, Facts, Analysis, Strategies (1994), Organisation for Economic Co-operation and Development, Paris. <http://www.Oecd.org/dataOecd/42/51/1941679.pdf>

<sup>4</sup> White Paper, Com (93) 700, [http://europa.eu/documentation/official-docs/white-papers/pdf/growth\\_wp\\_com\\_93\\_700\\_parts\\_a\\_b.pdf](http://europa.eu/documentation/official-docs/white-papers/pdf/growth_wp_com_93_700_parts_a_b.pdf)

"Integrated Guidelines for Growth and Employment"<sup>5</sup> submitted by the European Council of Ministers, followed by National Action Plan (NAPs; later, National Reform Programme-NRP), developed by each Member State. The Council and the European Commission draw up the results achieved and the "Joint Employment Report", together with specific Council Recommendations to the Member States, if any.

With the Lisbon Strategy in 2000, the objectives to be achieved by 2010 are set out in objective parameters as defined by the Lisbon European Council (2000) and by additions adopted by the Stockholm European Council (2001), in particular:

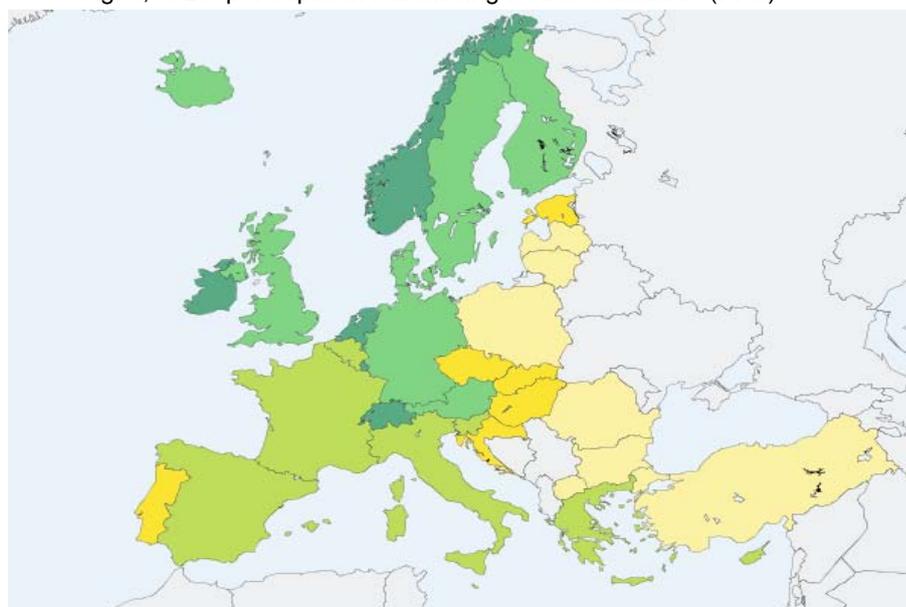
- employment rate, 70%;
- employment rate for women, 60%;
- employment rate for over-55, 50%

## 2 The EES Paradigm

What was already experienced in Europe since 1993 with the "Maastricht parameters" for monetary and fiscal policies, has been applied since 2000 to employment policies through the "Lisbon objectives ". The Lisbon targets apply to all Member States and should have been achieved by 2010. The main instrument of policy direction to implement the Lisbon Strategy is the "Employment Guidelines", while the instrument for the assessment of progress made by Member States in achieving the objectives set is the list of monitoring indicators endorsed by the Employment Committee (EM.CO.). The list represents a set of comprehensive measurements of the results of employment policies in Europe, though, Eurostat still does not guarantee the availability of data, time series and / or coverage for the entire European Union. EES commitments, originally signed by 15 Member States, are later extended to new Member States following the enlargement process.

The EU-27 includes today a narrower currency area of 17 Member States in which the circulation of the euro is accepted. Advanced economies coexist along with emerging economies (Hungary, Czech Republic, Slovenia, Slovakia, together with Malta and Cyprus) and developing countries, such as Bulgaria and Romania which, among others, still need special plans investment in infrastructure, and institutional reform in order to undertake a path that would bring their populations in line with the conditions of well-being of other Europeans.

Fig. 1, GDP per capita in Purchasing Power Standards (PPS)



30.9-61.9 ■ 61.9-80.4 ■ 80.4-115.2 ■ 115.2 - 123.5 ■ 123.5-276.4 ■ N/A  
 (EU-27 = 100); Legend ( Series: 2008 ). Exceptions: MK, RO (2007); Source: Eurostat

<sup>5</sup> Commission of the European Communities (2009), Employment Guidelines 2009. Indicators for monitoring and analysis in the NRPs 2009, Report endorsed by EMCO on 24 June 2009.

The governance of the main economic policies spread over three distinct levels – the monetary policy entrusted by the Treaty, to the jurisdiction of the European Central Bank (ECB), but the public finances firmly bound in the Member States' sovereignty, and the active and passive labour market policies largely under the responsibility of regional and local administration- is not consistent. It represents a comparative competitiveness disadvantage for the Eurozone, and Italy on the inside, towards the other Member States and third countries.

The EU -pending a proposal for a federal government- bears the stress imposed by the coordination of economic policies, which shall meet at the same time, the needs of all and each Member States and the rules of the common market. In the Eurozone, in particular, given the presence of imbalances between countries with a surplus balance of payments (Germany) and deficit countries (Greece, Italy), a solution to the problem of a closer coordination of economic policies does not seem put off and it is at the heart of the reform process of the "European semester". "The sovereign debt crisis is a real test of the solidity of European institutions and of the political will in Europe to do whatever is needed to ensure the achievement of economic and monetary integration. (...) In the end, the ultimate objective of EMU, and the measure of its success, is its ability to promote growth and economic and social welfare." (Draghi, 2011).

Italy, one of the six original Member States, is a protagonist at all stages in the construction of the European Union as we know it today. The last decade has been a long period of reforms in our country, crossing at least four economic cycles and two programs of the Structural Funds (2001-2006 and 2007-2013). The Italian labour market has experienced a season of new laws aimed at increasing its flexibility, as shown in the program of the "Libro bianco sul lavoro"<sup>6</sup> and devices of the so-called "Biagi Law" (Law 30 of 2003). The new labour law is part of the EES framework, aimed at the development of employment for youth and women, through the creation of an active society, also in southern Italy, supports the need for a "Testo unico sul lavoro", which shall simplify and clarify the overall operating structure of matter, and a new "Statuto dei lavori" which shall implement a suitable reshaping of employment protection.

The reforms in higher education, adopted in the same years, are related to the construction of a knowledge-based economy which are also connected with the reforms of the labour market. Nevertheless, investment in scientific and technological innovation remains insufficient both in public and private sectors. Italian public administration still registers the lack of significant progress in effectiveness of its action. The latter has been subjected to a subsequent action of reform, even of a constitutional nature, along the two major directions of rationalization and reconciliation of the level of collection of revenue from the voters taxpayers with the spending decisions, through a process of reform towards federalism aiming at reducing the powers of the Central Administration in favour of regional and local authorities.

The reform process has involved all Member States in the European Union. These were years of intense reform in the labour markets. Since 1984, in Spain there has been a wide spread diffusion of fixed-term employment contracts. In Germany new rules and institutions were introduced with the *Hartz laws*. In Italy, the so-called "Pacchetto Treu" and "Legge Biagi" led to the end of public placement monopoly, to the diffusion of different forms of regulation of non-standard employment contracts and to greater integration between training and work.

The flexibility introduced in Europe in over a decade of reforms has mainly responded to the request of employers to overcome the rigidities in the labour market caused by the stratification in the time of the Employment Protection Legislation (EPL) and the achievements reached by the Unions.

In particular, it refers to greater flexibility in the contractual arrangements at the time of appointment (flexible input), at contract end (flexibility in output), also known as greater freedom to hire and fire, or with the term "external flexibility" and, most recently, the use of labour-input in space and time, in and out of normal working place and hours (intensive and functional flexibility, both internal and external).

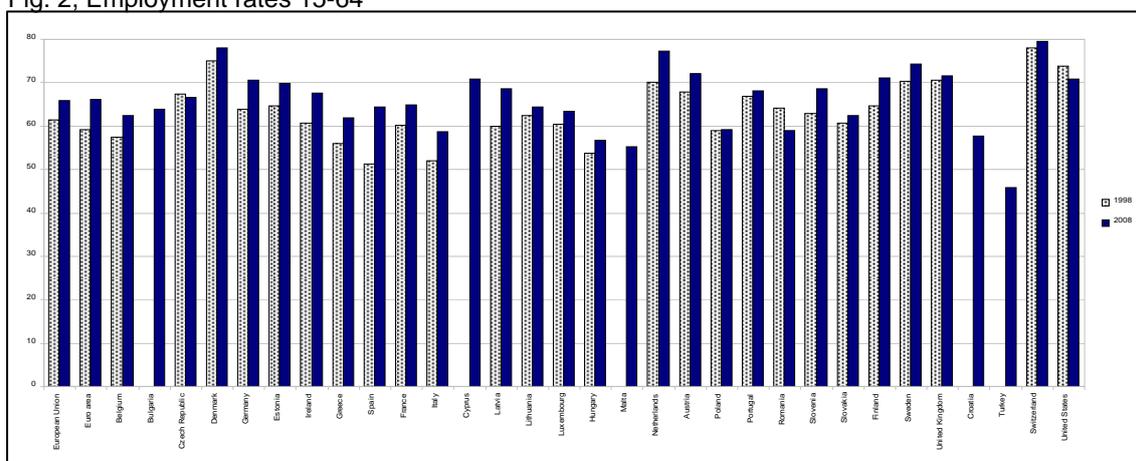
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Ministero del Lavoro e delle politiche sociali, LIBRO BIANCO SUL MERCATO DEL LAVORO IN ITALIA, PROPOSTE PER UNA SOCIETÀ ATTIVA E PER UN LAVORO DI QUALITÀ; [http://www.comitatoleggebiagi.it/web/documenti/libro\\_bianco.PDF](http://www.comitatoleggebiagi.it/web/documenti/libro_bianco.PDF) With a focus on the objectives of the European Employment Strategy, the so called "Biagi reform", was first outlined by Marco Biagi in the White Paper on the Labour Market in October 2001 and enacted by means of Legislative Decree No. 276/2003 and subsequent decrees, aiming to raise employment levels in Italy by introducing more flexibility in the labour market.

The EES model of intervention in the labour market has long been considered to be consistent with the objective of the enlargement of the employment base, theoretically founded and supported politically by the benefits - at the same productivity - in terms of output growth, inclusion and higher tax revenues and social contributions to be allocated to the system of social safety nets, given the presence of demographic constraints due to an aging population and the reduction in birth rates in Europe.

When the Lisbon Strategy was adopted, in 2000, only four of the 15 Member States recorded employment rates above the threshold of 70% (Denmark, Sweden, Netherlands and United Kingdom). Meanwhile, in Italy, Spain and Greece, where the share of employed people among the working age population was then below 60%, the effort required was particularly onerous. Only six Member States in the women's employment rates were higher than the target set for 2010, while in Italy, Spain and Greece the share of employment between the ages of 15 and 64 years did not exceed 42% of the total.

Fig. 2, Employment rates 15-64



Source: Eurostat data processed by Isfol, 2009.

The low rate of output growth in the decade, below the expected average of 3%, is the main cause for non-achievement of employment targets. Between 2000 and 2009, in fact, the EU-15 GDP grew at an average of 1.4%, lower than the U.S. economy growth with rates around 2% per year. Within the Union there was also a wide gap in growth rates, with figures particularly high in Ireland (4.1%), Greece (3.7%) and Spain (2.9%) and definitely low in Italy (0,6%) and Germany (0.9%).

In late 2008, after four years of continuous growth and sustained output, eight countries were close to the Lisbon target of an employment rate of 70%, and sixteen Member States meeting the target of 60 % of employed women in the age group 15-64 years: our country was not among them.

### 3 Employment in Italy and Europe

In Italy, on the whole, employment has grown progressively since 1996, reaching a historic high in 2008 of 23.4 million employees, with an employment rate of 58.7%. The increase in the female employment rate, which in 2008 reached the unprecedented level of above 47.2%, is considered one of the key determinants of long-term growth of total employment in Italy. However, it remains the lowest in the EU-27 countries (excluding Malta), although nearly all Member States are still characterized by a strong gender inequalities.

In the EU 27 Member States the difference in employment rates in 2008 amounted on average to 13.7 percentage points. "That gap is less than five percentage points only in highly inclusive economies such as Finland (4.1) and Sweden (4.9), while reaching the highest values in the Mediterranean economies: Greece (26.3), Italy (23, 1) and Spain (18.6)". (Isfol, 2009)

Of the three priorities, growth, competitiveness and employment at the base of the intervention model of EES to achieve the employment targets, there has been a lack of a consistent growth rate. In Italy, however, despite the low growth rates recorded in the period, employment has

grown at a rapid pace. Since 2009, under the influence of the economic crisis, the average number of employees in Italy has lowered down to 23.025 million and the employment rate to 57.5%.

The level and quality of labour demand in our country compared to other advanced manufacturing systems, both inside and outside the European Union, is affected by the division of the production structure to firm size. In 2008, considering a total of just over 4.5 million enterprises in industry and services which employ about 17.9 million people, companies with fewer than 10 employees represent 95 percent of the total (4.3 million ) and employ 46 percent of people employed in the sector. Almost 21 percent of the employees (nearly 3.8 million) work in small enterprises (10 to 49 employees) and 12.5 percent (2.2 million) in those of medium size (50 to 249 employees). Only 3,735 companies (0.08 percent) employ 250 workers and over, absorbing, however, 20 percent of total employment (about 3.6 million people).

The employment grows, in the decade, in the construction sector (among those most affected by the crisis), in the financial sector and in services to businesses and individuals. The other areas were characterized by low growth and high volatility. The worst employment data was recorded in industry -excluding construction- and agriculture. The service sector is the one that registered the largest increase in employment rates.

Looking at the relationship between growth, productivity and dynamics in the Italian labour market, the main assumption is that product specialization in traditional sectors and the use of a production function of labour-intensive type may have altered the work entered in the input production process. The greater use of flexible contractual arrangements, new and old, in the labour market together with wage moderation, following the agreements of '93, help to explain the tightness of the system up until the crisis exploded: Italian companies might have exploited margins of adjustment, for the same product and process, offered by the containment of labour costs and the numerical flexibility (rather than functional; i.e. in the duration and terms of employment, in fine-tuning with the introduction of reforms in the labour market).

**Tab. 1 - Total factor productivity: distribution.**

		2000	2001	2002	2003	2004	2005	2006	2007	2008
Growth of capital input (in per cent)	France	1	0.9	0.7	0.6	0.5	0.6	0.6	0.7	0.7
	Germany	0.9	0.7	0.4	0.3	0.3	0.3	0.4	0.6	0.6
	Italy	1	1	0.9	0.7	0.7	0.6	0.7	0.7	0.5
	Spain	1.4	1.4	1.2	1.3	1.2	1.3	1.4	1.5	1.3
Growth of labour input (in per cent)	France	0.2	0.7	-1.6	-0.1	1.6	0.2	-0.3	2.2	0.7
	Germany	0.4	-0.4	-1.1	-1	0.4	-0.5	0.2	1.3	1
	Italy	0.9	0.8	0.8	0.9	0.3	0.1	1.3	1	-0.1
	Spain	3.9	2.3	1.6	1.7	2	2.1	2.4	1.4	0
Growth of Multi-factor productivity (in per cent)	France	2.7	0.2	1.9	0.6	0.3	1.1	1.9	-0.5	-1.1
	Germany	1.9	0.9	0.6	0.5	0.5	0.9	2.5	0.6	-0.3
	Italy	1.8	0.1	-1.2	-1.6	0.5	-0.1	0.1	-0.2	-1.8
	Spain	-0.3	0	-0.2	0.1	0	0.2	0.1	0.6	-0.5
Growth of Total-factor productivity (in per cent)	France	1.1	1.7	-0.9	0.5	2.1	0.8	0.3	2.9	1.3
	Germany	1.3	0.3	-0.6	-0.7	0.7	-0.2	0.6	1.9	1.5
	Italy	1.9	1.7	1.7	1.6	1	0.8	2	1.7	0.5
	Spain	5.3	3.6	2.9	3	3.2	3.4	3.8	2.9	1.4

Source: OECD data processed by Isfol.

The crisis has challenged the model of the Italian production system. Social safety nets have contained the loss of jobs, the economic and social costs were distributed on the national system, but the continuing productivity gap calls for new industrial policies and higher administrative efficiency, while short-term effects suggest measures to strengthen the labour adjustment.

We must understand in time, whether and how the search for a new equilibrium in product and factor markets after the crisis will lead, through increases in factor productivity and a virtuous

cycle of economic growth, to creating more and better jobs, and if that can compensate for the loss of jobs in the labour market as a result of the adjustment in the production system.

At the same time, it should be avoided that the economy settles on a frontier of production involving a sub-optimal allocation of resources and that the crisis strengthens the segmentation of the labour market, therefore leading to an increase in structural unemployment and extending the area of social disadvantage.

In 2009, the average unemployment rate in Italy, 7.8%, although below the EU average (8.9%) and the Eurozone (9.4%) and, of course, far from the peak recorded by the phenomenon in Spain (18.0%), highlights elements of concern, mainly in relation to the dualism of the country's territorial and to specific segments of the labour force. Compared to the national average, in fact, in 2009 the unemployment rate in the South was 12.5%, the unemployment rate for women in the South was 15.3%, but the unemployment rate among young women between 15 and 24 years reached 40.9% against the corresponding national average of 28.7%. The level of the labour market inclusiveness has an impact primarily on vulnerable groups and less protected markets, and consequently on participation levels and employment of women.

Looking at the overall levels of employment within the EES, the path aiming at achieving the Lisbon goals seems to enter into contradiction with the model near the deadline established for 2010, and it seems logical to attribute the cause to the exogenous shock represented by the financial and economic crisis.

The recession across the European economies has further worsened the framework of employment in Europe and made it clear that 2010 arrived without the goals of the Lisbon Strategy being achieved. But, looking at the full spectrum of EES indicators, selected by the Panel on behalf of the Em.Co., it clearly indicates the strong segmentation that has been structured in the European labour market, such as to undermine the foundations of the new construction in terms of allocative efficiency also, in part, resulting from the introduction of the new flexibility rules.

If unexpected low growth rates recorded in the period have represented a limit of the *European employment paradigm*, the model of intervention in the labour market, developed over ten years of programming of the Structural Funds and, in particular, within the European Social Fund (ESF), can be called complete today.

The integrated model of intervention has been developed through several rounds of ESF programming and various Community Initiatives that have occurred. It ranks the labour policies in active and passive, it is based on the "four pillars", it is addressed to all segments of the labour supply, in a bottom-up approach, and through a system of decentralized governance, but as resulting from actions of the system at the national level. Similarly, even the referring models to address policies aimed at improving employment of women, young, long-term unemployed, immigrants, and those addressed to social inclusion of people over55, can be said today acquired, although they remain tied to their funding needs.

Despite progress both in models of intervention and in the definition of the needs of target groups, the objectives were not achieved. Youth unemployment is still a major concern in many European Member States. In 2008, against an overall unemployment rate of 6.1% in the EU-27, the level of youth unemployment was up to 15.5 percentage points. The increased levels of female participation in the labour market are still the focus of EU policy, where in some countries, including Italy, these are particularly low, notwithstanding before the worsening economic situation in the Union was registered a substantial increase in levels of female activity.

Between 2000 and 2008, nine Member States have joined the six which already in 2000 complied with the Lisbon target for female employment rate, so that, at least in terms of overall European average, the level of 60 % seemed virtually reached. Even for the employment rates of mature workers figures show a considerable heterogeneity in Europe. The highest levels of this indicator are reported in Sweden (70.1%), with a deviation from the EU-27 average of just under 25 percentage points, although, in general, a large group of countries shows the employment rates for the population in the age group between 55 and 64 years between 50% and 60%. At the other extreme, there are a number of countries where the level of the indicator does not exceed 40% (Slovakia, France, Belgium, Italy, Luxembourg, Slovenia, Poland, Hungary and Malta). The EU-27 countries average, gives an account of employed workers over-55 which is around 57% of the employment rate of the adult population. The ratio by more than eight tenths of a point in Sweden,

and remains above the threshold of 0.6 in 13 of the 27 EU countries. In contrast, countries where the value is less than half the rate of the employment reference are: Slovakia, Austria, Italy, France, Malta, Belgium, Luxembourg, Hungary, Poland and Slovenia.

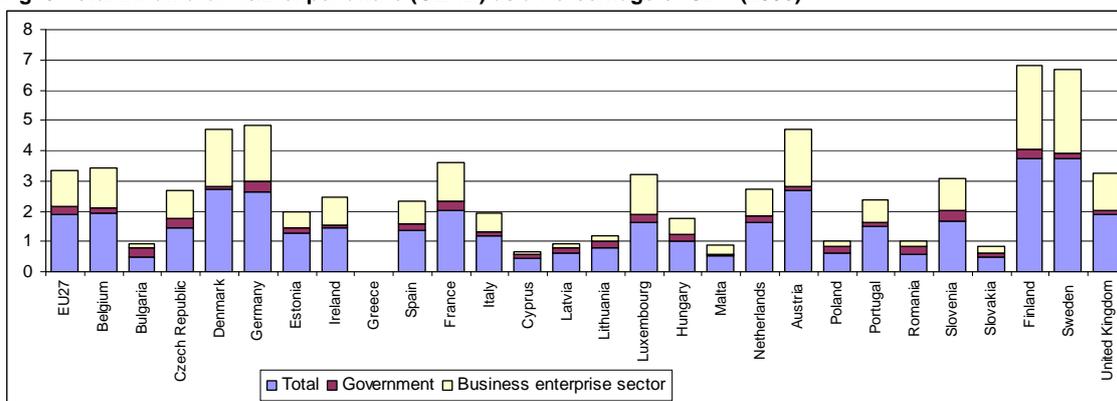
**4 The role of education in labour market performance**

The link between growth and employment in the knowledge-based economy, highly depends on the level and quality of policies and investments in education, research and innovation. To educate and enhance human capital, both the individuals and the community, support monetary costs: they invest in education. The European Council, already in the spring of 2005, recognized the importance of *human capital* not only in terms of private benefits, but of welfare for the community, emphasizing the role of investment in human capital for economic growth, the increase of employment, social cohesion and competitiveness of countries.

Investment in education can be evaluated in terms of access and maintaining employment, job quality and profitability. The results, both in terms of probability of employment and wage differentials, show the existence of a problem in Italy which explains our country being in one of the last positions in a hypothetical ranking of all the European countries. The share of people aged 25-64 to reach a secondary education diploma in Italy is about 18 percentage points below the average EU-25 (54.3% in Italy and 71.2% in the EU-25). The gap is still significant for the population with university degrees (14.5% in Italy, 25.7% average EU-25) and further extends for the range 25-34 years (20.2% in Italy; 32.9% average EU-25), with the situation worsening in recent years. Surveys of OECD-PISA 2006 (reading, mathematics, science) cite a lack of quality education in terms of knowledge and skills, education and *know-how*, and a very negative profile of the effectiveness of the teaching in the Italian school system.

The outcomes in the labour market confirm that in Italy the university degree is less than in other countries a guarantee of reduced risk of unemployment: the unemployment rate among those with tertiary education is 5.1% and that of people who have achieved the diploma is 5.6%, while in the average EU-25 these values amount to 4.5% and 7.3%. In Italy, the employment rate of people with university degree is 79.2% while that of persons who have obtained a diploma is 73.1%, and in the average EU-25, respectively, these values amount to 84.4% and 74.0%. Moreover, the highly skilled jobs in Italy are 19% of the total, compared to an EU-25 average of 25%, and of these, only 54% are held by people with tertiary education (in the EU-25 on average the share is 69.5%). The competitive advantage of holding a degree in Italy is not very significant even comparing the pay gap between school and university graduates, which in Italy is 55%, 67% in Germany and in the United States 77%. A finding that, in a context of limited capacity and level of public spending on higher education, if we consider as an approximation of the quality of higher education, says the disincentive for individuals to invest in education, and the growing number of those who leave their studies to enter the world of work, (Gualtieri, 2011).

**Fig. 3 Total intramural R&D expenditure (GERD) as a Percentage of GDP (2008)**



Source: Eurostat data processed by Isfol, 2009.

As suggested in the literature, empirical evidence confirms the paradox in the Italian labour market where, to a relative scarcity of high levels of education corresponds low yields, it follows that "in our country's human capital is a scarce commodity with little value". Among the reasons: firstly, the small size of the Italian manufacturing unit that has resources inconsistent with the level of investment required for innovation activities, research and development, and second, the poor quality and credibility of the school system, with weak ties with the working world. This situation generates a vicious cycle. Low returns discourage public investment in education and people to expand their knowledge and skills, this impacts the Italian economy by reducing the ability of innovation which, in this phase of history, is considered the main engine for economic growth. As a consequence, the need for coordinated actions on both the education system and training, pointing to the quality and value of human capital, both on the production system, through industrial and trade policies, and investment in research and innovation.

### *5 Women's participation in the labour market*

Within the *European employment paradigm*, greater competitiveness and development are considered also as a guarantee for the achievement of greater social cohesion. In particular, the development of female employment, in terms of access and permanence of women in the labour market, plays a key role in reducing economic and social disparities. From the '50s to now, the female participation in the labour market has been strongly influenced by higher levels of education in all European countries and women's activity rates have been steadily growing. Although the structure of the labour force is still mainly dominated by males, and although a reduction, albeit slight, in the male activity rate, resulting in substantially raising of the educational levels and reforming of the pension system. These dual processes have over time led to a progressive reduction in the difference between male and female activity rates. This is further enhanced by the development of the services sector that has encouraged the participation of younger women cohorts to enter the labor force.

The different components of women's participation in the labour market, if referred to different *welfare models*<sup>7</sup>, allow a more accurate comparison at the European level of the indicators proposed by the European Commission for the monitoring of the Employment Guidelines, in particular: employment rate for 15-64 year olds, unemployment rate 15-64 years and activity rate 15-64 years. It should also be taken into account the employment rates of people with university degrees (ISCED 5-6) and the incidence of different qualifications (ISCED levels 0-2, 3-4 and 5.6)<sup>8</sup> on employment.

The *Universalistic schemes* express a very positive picture of the relationship between women and employment, with high rates of activity, employment, and low rates of women seeking employment. In these countries it is very clear the relationship between female employment and family-friendly policies. Denmark and Sweden, the Member States where there is a higher number of children under three years covered by the "formal" system of childcare for 30 hours or more during the week, show the highest levels of expenditure both for Policy for the family and children, and for active employment policies, towards the minimum values registered in the countries belonging to the group of *Family Centered Breadwinner Regimes*. The Italian convergence path in the levels of indicators of women in the labour market (partially, at least) does not seem to go in the right direction over the period under consideration: the differences from the other groups in Europe are still very large.

The weight of qualifications as a determinant of the structure of employment is almost constant in the comparison between the different welfare systems in Europe. Among the main findings, there is a greater share of employed with an average level of qualification (ISCED 3-4), followed by employed graduates and ultimately the percentage of women with lower educational qualifications (levels 0-2). In relation to this constant, the relative values of the percentages vary,

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<sup>7</sup> See, Samek and Semenza classification of welfare regimes: Universalistic welfare regime; Liberal welfare regimes; Breadwinner State-centered regimes; Breadwinner family-centered regimes; Eastern European countries in transition; in Bergamante (2011).

<sup>8</sup> Following the new definitions, the secondary school of I° is the one that was once known as "scuola media" and that is equivalent to the international classification ISCED level 2, also the secondary school of II° is the school that takes values ISCED 3 e 4. The university, also known as tertiary education, in ISCED has the values 5 and 6.

particularly comparing the employed women with medium and high qualifications. The *Universalistic* and *Liberal* regimes are those where the difference is less between employed women who are highly qualified and those who are average qualified. There is an opposite relation within the group of Eastern European countries.

The group of *Breadwinner Family-Centered Regimes*, to which Italy belongs, differs significantly from the values expressed by the other sets and shows a different structure in the incidence of different qualifications. Women in possession of a degree represent the lowest number while the majority of employed women are in possession of a diploma, while the majority of women employed is in possession of an average qualification. In Italy, between 2006 and 2009, employed women with low levels of qualification decreased less than in other welfare regimes, intermediate levels are stable, while the number of female graduates grew, although slightly. In the *Breadwinner Family-Centered Regimes*, a structure of labour demand related, as in Italy, to the fragmentation of the production system, with micro enterprises and often family-run, or to a production still tied to the agricultural economy, as in the case Portugal, is crucial for explaining the high presence of women with low educational qualifications. On the contrary, in the *Breadwinner State-Centered Regimes*, a greater dissemination of big business, which expresses a very specialized labour demand, increases the employability of women with degrees at the average level. The *Breadwinner State-Centered Regimes* are those who seem to have maintained the best attributes and employment levels during the crisis on the basis of a strong and generous system of safeguards in the labour market, with a focus on active employment policies, (Bergamante, 2011).

At the top, the problem remains whether, in the formulation of EES, the goal of equal opportunities between men and women at work, reflects the real intention of pursuing gender equality in the labour market as a goal in itself, or is instead conceived as a necessary tool to achieve the overall employment objective that the EU has set out to achieve by 2010. In the first 10 years of the EES, gender equity has assumed a central role at first in the Equal Opportunities, then together with the introduction of the concept of “mainstreaming” and finally, when raising the rate of employment of women became crucial to the overall growth and employment. The loss of centrality has somehow compromised the achievement of the female employment targets, with results not entirely satisfactory from the qualitative point of view, whose evidence have been provided by the crisis. Although female employment has been, at least until 2007, the main driving force of constant increase in employment in the European Union, the impact on the reduction of gender inequality was not significant: indicators relating to salaries, segregation into the labour market and the presence of women in decision-making positions have not improved (COM, 2008, 635 final). As highlighted in the Commission Annual report on Equality between women and men: “*In other words, it would appear that the substantial efforts made in connection with the European Strategy for Growth and Jobs with a view to creating more and better jobs for women have proved more successful in terms of quantity than quality.*” (COM (2008) 10 final).

Member States, since 2002, have been urged by the Barcelona European Council to remove the barriers to female participation in employment by providing, by 2010, childcare for at least 90% of children aged between 3 years and school age and at least 33% of children under the age of 3 years. The positive relationship among reconciliation policies, investment in childcare and demographic renewal, it is now explicitly recognized at Community level, both by institutions and in the scientific literature.

Countries that have effective policies to enable women and men to find a balance among work responsibilities and family responsibilities have fertility rates and female employment levels higher than the others. In particular, according to the literature on childcare, governments should invest in services for children because they affect positively the employment rate for women, the fertility rate and make an important contribution in social and cognitive development of children.

In Europe, overall, the picture is divided into excellence and unfavourable environments. A favourable environment is undoubtedly the one of the countries of Northern Europe: Denmark, Sweden, Netherlands and Finland, where the event of maternity, thanks to the wide coverage afforded by formal services, allows women to remain in the labour market, or if they leave, allowing them to re-enter in subsequent years. In contrast there are the countries of Eastern Europe and Austria, Greece, Cyprus, Malta and Portugal, which have the highest levels of childcare by parents, or other services, and a lack of services in formal assistance, where maternity often coincides with

inactivity. Finally, there are countries like Italy, France, Germany, Spain, which in recent years have improved the supply of formal childcare services, but have not yet reached the level needed to support women in care responsibilities. These are the countries with the greater spread of other forms of assistance and where the exclusive care by parents prevails.

It would be also important to know the characteristics of demand for childcare. Currently there are no surveys which can provide the size of demand for childcare services closely related to the opinion about “the age at which children can benefit from educational services”. If the opinion prevails to postpone the entry into educational facilities after the completion of the first year of age, in those Member States it should be set up in the legal systems the right to parental leave, to stay home with their children, supported by a minimum level of appropriate compensation. In the absence of this, the parent would be inclined to abandon their work, otherwise using, of necessity and not by choice, the support services for young children.

The principles of equality and non-discrimination among men and women represent some among the constituent elements of the “Charter of fundamental rights of the European Union” dated December 2000 (2000/C 364/01). Equality in the labour market, equal economic independence and equal pay are some of the main areas of intervention based on the principle of equality between women and men. Occupational segregation means an unequal gender distribution of individuals among different occupations. According to a theory of division of labour, by which, would be the biological difference, or the presence of sex discrimination, however minor, in the labour market, to make it more convenient for women to carry out domestic activities and for men to offer themselves in the labour market. This creates a gender specialization of economic activity that is fuelled by the phenomenon of occupational segregation. The *Horizontal segregation* may be defined as the trend towards greater concentration of female employment in service industries compared to industrial sectors and agriculture. The *Vertical segregation* is to be considered, however, the outcome of a combination of several factors: discriminatory hiring and promotion of personnel within organizations, imbalanced distribution of duties of care within the family, lack of support services to child care. The predominant career model, in fact, is most associated in terms of face time. In other words, the hours that are spent physically in the workplace.

The level of gender segregation in a country is definitely related to the collective choices of the country itself: split into those aimed at supporting the role of women as home makers and those who encourage their engagement in paid work. The “market model” assumes to be left to the choices of individuals and families the opportunity to design the gender roles. Meanwhile “the traditional model” implies, however, that women are primarily responsible for reproductive work and secondly for paid work, with the role of men as the main breadwinner. In countries with a dual earner family model, there is a lower job segregation and women show greater determination and competitiveness in search of paid work. In these countries the highest rates of fertility are also recorded. Italy shows a lower level of segregation than the rest of Europe, mostly due to lower female participation in the labour market: women entering the labour market are actually those with higher potential productivity than inactive women. The self-selection process makes the average wage in employment of women higher than it would be in the presence of women employed with lower skills and lower wages, leading to a compression of the wage differentials in Italy.

The Employment Guidelines stressed the importance for Member States to take “resolute action to increase female participation and reduce gender gaps in employment, unemployment and pay” (Guideline 18). The Communication of the EC Commission “Strategy for Equality Between Women and Men 2010-2015” noted among the reasons for the gender pay gap, the gap between the levels of education acquired by women and the outcome of professional and occupational segregation of women in the workplace. The pay gap also reflects inequalities in the different levels of participation between men and women in family responsibilities and the difficulties in the work-life balance.

Italy is characterized not only by low rates of female employment, but for the growing division between those more or less educated among women in the labour market. Similar conditions are found in the Netherlands, where there is a big gap in participation among women with high and low levels of education. In Italy, “women graduates fail to grasp in full the fruits of their investment in human capital and data on the transition from training to work show that these difficulties arise from the very beginning of their career”. Occupational segregation is a major factor in

wage discrimination between men and women. Women's jobs tend to pay less than those held predominantly by men and the fields where women are most represented, such as retail, are also those in which the non-standard contracts prevail. Therefore showing that the occupational segregation is associated with lower wages for employed women. The principle of equal pay for equal work between men and women is enshrined in the Treaty of Rome since 1957, and is the object, since 1975, of a specific directive that prohibits all forms of gender discrimination for equal work or work of equal value.

Gender pay gap and occupational segregation are closely linked. Despite the pay gap can be linked to the determinants of the occupational structure (higher share of women in part-time, the prevalence of women in sectors with lower wages, lower incidence of women in top management roles), the statistical correlation explains only one sixth of the wage gap. The "unexplained part" of the employment profile should be interpreted as "residual amount" that includes both the part due to discrimination and that due to unobserved characteristics. Looking at the gender pay gap in relation to the level of education, is shown as the gap increases in proportion to the level of education: women graduates receive annual salaries equal to 63.5% and hourly earnings which correspond to 66.4% than their male counterparts. Over 55 have an average wage equal to 65.4% of men. For the higher professional levels the larger pay gap is explained by gender differences.

The gender pay gap is thus the result of various factors that focus on the work organization, and production patterns, which are rooted in prejudice, and the inadequate statement of the principle of fairness in the social distribution of the total cost of motherhood. It is sufficient to compare the average employment rate in Europe between women with children under the age of 12 and men in similar circumstances to find that the gap is almost double. The gender roles continue to strongly influence individual choices in many aspects of individual life choices regarding education, work and family and, consequently, have huge economic and social consequences. Hence the collective interest to safeguard the principles of equality between the sexes. In order to achieve the goals set out in the 2020 European Strategy for sustainable and inclusive growth, the European Commission itself shows us how essential a greater female participation is to allow the development of the employment rate of the population between 20 and 64 years from the current 69 % to 75%.

### ***6 Elderly people and labour market policies***

The goal of full employment of labour input is well grounded theoretically and politically in the case of elderly workers, where demographic factors have posed a threat to the containment path of budget deficits and projections of the stock of public debt, especially within the Eurozone. The European policy agenda in the last decade has been concerned by the effect that the increase in life expectancy - not accompanied by an equal increase in participation in the labour market of the population aged 55 to 64 years- is taking a toll on pensions and welfare benefits and their sustainability. Public health expenditure will rise because of increased cases of acute and chronic diseases, where the risk of illness increases with age. This means that an increase in life expectancy means increased demand for social and health care services.

Until the nineties, there was widespread use of policies for youth employment through incentives, tax benefits and relieves, to reduce the cost of youth work based on the argument, then fairly shared, that there should be a crowding-out effect in the labour market of elderly people vs young people. A tendency to favour early retirement, which occurred mainly in countries with greater employment problems. The theme of the Active aging has become reality, although not until the late nineties, though well before it was easy to identify the employment outcome resulting from the gradual increase of the elderly population and the parallel decline in births. It was then given a change of course in the pattern of early retirement schemes, restricting or abolishing the ability to use it, and gradually raising the retirement age. The principle was then formally stated in the Lisbon Strategy of 2000 -with the addition by the Stockholm European Council, decided the following year- that these objectives be achieved by 2010: reaching a rate of employment of workers aged 55 to 64 years of at least 50%. In Italy the initiatives to secure the financial sustainability of the pension system put an end to the early-retirement schemes and fielded the lengthening of retirement through pension reforms. Through a series of gradual reforms, which have occurred in 1992, 1995, 1997 and 2004, the Italian pension system has gone from a so-called pay system, under which all workers

were entitled to salary at the time of retirement regardless of the contributions paid, towards a “contribution system”, which is correlated with the salary payments made during the entire working career, capitalized and multiplied by coefficients set for the retirement age of the recipient of the pension. Simultaneously, the minimum age for retirement has been set at 65 years for men and 60 for women, and conditioned to the payment of at least 20 years of contributions. Also following the ruling of the European Court which condemned Italy for the discrimination between men and women on the retirement age. A debate has been opened that has led to further reform (2010), for raising the retirement age for women working in the public service up to 65 years from 2012. One limitation of these measures, however, is the fact that the constraints and incentives are offered only on the workforce side, while are lacking with respect to corporate social responsibility.

Among the Active Labour Market Policies (ALMPs), in Italy, are considered the Law 30/2003 and the implementing decree 276/2003 which place workers over 50 with no job or who are losing among disadvantaged workers. Other legislative measures deal with the *Insertion contract* for the unemployed over 50 and *job-on-call* for those who have more than 45 years and have been "expelled from the production cycle, or are registered in the mobility and employment register". The reforms aimed at extending working lives have not found sufficient feedback from the side of the business practices, especially in light of the lack of the reform of social safety nets.

In regional planning the theme of workers over 45 is of certain marginality. In Isfol “Monitoring of Employment Services, 2008” less emphasis on workers over 50 was registered by the *provincial governments*, which implement projects and initiatives towards this target in only 59.8% of cases. The operating frequency is higher in the North-West (95.7%) and the Centre (81%), while the lowest values are those reported in the South (30.4%), (Parente, 2011).

The boost to raise the employment rate of workers with full professional maturity and seniority, which is contained in "Europe 2020", starts again from the observation that only 46% of EU workers between 55 and 64 are active, while in Japan and in the U.S., the share amounts to 62%, and that the number of sixty increases twice as fast than it did before 2007, impacting heavily on the welfare systems. The need to ensure and maintain open access to the labour market to cope with an aging population, while exploring the suitability and sustainability of pension systems, is confirmed in "Europe 2020".

### ***7 Poverty trap and labour market policies***

The issue of redistribution of resources under budgetary constraints, predetermined by the Stability and Growth Pact, is the feature that has influenced and been featured, across all political, community and national fronts, in the last 15 years. The warning is also in relation to policies aimed at the broader category of people at risk of social exclusion, most recently, in the "European Platform against poverty and social exclusion", which refers, both to the Community and national level, to assess adequacy and sustainability of pension systems and the definition and implementation of programs to promote social innovation for the most vulnerable targets. Social inclusion remains central to the Community priorities in Europe 2020, which takes poverty as a key indicator of social exclusion and sets the target to lift at least 20 million citizens out of poverty, which must be reduced, within 2020 at least by 25% compared to the actual size.

Social exclusion comes from a variety of factors, including the lack of qualification, disability, unemployment, old age, immigration, and is therefore a complex phenomenon and much broader than the traditional definition of poverty. Given the complexity and multidimensionality of the phenomenon is not easy to determine objectively what information should be used to measure social exclusion, nor is there an agreed methodology for estimating. In the face of these difficulties, the trend is also at the Community level, to focus on poverty, which is often one of the most obvious symptoms of social exclusion.

Poverty, in all its forms, meanings and manifestations, is also a difficult phenomenon to frame and, despite the lively debate on the matter, has not yet come to a common definition. Poverty has been defined as deprivation in terms of economic resources, namely as the fall of a monetary indicator below a benchmark: the Poverty line. An initial conceptualization led to the distinction between absolute and relative poverty. In the first formulation, the poor are those who have no means to meet the needs considered primary (nutrition, housing, clothing) in the second, those who

have less than the average standard of the community. The concept of poverty defined in terms strictly of monetary deprivation has focused on two measures in particular: one based on income level and the other on that of consumer spending. The analysis only of the monetary type is open to criticism, since poverty is not linked solely to the financial capacity. This helps to ensure that occupational segregation is associated with lower wages for employed women. The multidimensional approach extends the number of dimensions, defining and measuring poverty on a variety of variables: income or consumption expenditures are considered some of the dimensions, which include indicators of quality of life, allowing a more appropriate explanation for causes of poverty.

Thinking about poverty in absolute terms or relative ones; choose to measure it in the space of income or consumption; relating to the state of health or education, making reference to a variety of indicators required, either specific or summarizing them into a synthetic indicator, using different weighting criteria; looking at the individual rather than the family; choosing a poverty line rather than another: are the key issues on which we debate today when analyzing the phenomenon of poverty (Gualtieri, 2011). In 2000, the Lisbon European Council recognized this as a strategic goal to be achieved by 2010 the need for "greater social cohesion", by requiring Member States to take steps to "make a decisive impact on the eradication of poverty by 2010". The Laeken European Council (2001) led to the establishment of a set of indicators that insist on several basic aspects of social exclusion such as monetary poverty, inequality of income, participation in the labour market, the investment in human capital and health. Basically some of the indicators measure individual risk factors that can cause social exclusion, but provide little information on the characteristics of social exclusion itself.

Within the Community relative monetary deprivation is identified by an indicator called "poverty risk": individuals at risk of poverty are those with family incomes equivalent to a standard lower than the median of the community. It refers to a threshold, set at 60% of the median total equivalent income available at the household level, to define at risk of poverty for all individuals whose families have incomes below this limit. The concept of monetary poverty adopted by the European Union is based on a measure that is called "at risk of poverty rate". This measure is calculated at a national base and, therefore, allows comparison of the condition of poverty among individuals belonging to the same country. The indicator "at risk of poverty rate" measures the percentage of individuals who have an income so low they are most likely to be poor or at a high risk of becoming so. Since the threshold is calculated at a national level, due to large variance in income levels, the differences observed among Member States are significant, even when using the "purchasing power parity" (PPP), which takes into account differences in price levels in different countries.

Under the assumptions, in Luxembourg, in 2008, there is a higher threshold of poverty risk in Europe (in PPP), with a median equivalent net income amounted to 16,088 PPP. At the opposite extreme, in Romania and Bulgaria the "risk of poverty" thresholds are lower because the levels of household income equivalent are the lowest (about 1,800 PPP in Romania and in Bulgaria about 2,800 PPP). Italy in 2008 shows "a risk of poverty" thresholds that is around Euro 9.400 and is equal to 9.100 in PPP terms. In 2008, in the European Union (27 countries) 5.3% of the population has a disposable income that is equivalent to less than 40% of the median, one in ten people has an income that is less than half the median, and almost one in four (24.2%) has an income of less than 70% of the median. Considering the threshold of 60% of median equivalent disposable income, 16.5% of the population of the EU-27 is "at risk of poverty". The levels observed in Italy are higher than those for the average of countries' EU-27. With the threshold at 60%, therefore 18.7% of the Italian population is at risk of poverty: The figure places Italy in the group on par with the UK and just one percentage point less than in Greece and Spain.

Certain categories of people such as youth, women or those with low levels of education, are more vulnerable than others to be at risk of poverty. In Europe, Hungary and Poland are the only two countries where women are less likely to be at risk of poverty than men. Within the EU-27 women have an incidence of poverty risk by 17.4%; in 2008, the value is reduced by almost two percentage points for men. In Italy the difference, to the disadvantage of the female population is slightly more pronounced at around 3%. Children who are under the age of 16 years and elderly people (aged 65 or more) generally are at higher "risk of poverty" than the general population. In the European Union in 2008, 20% of children under 16 years are "at risk of poverty"; this percentage drops to one

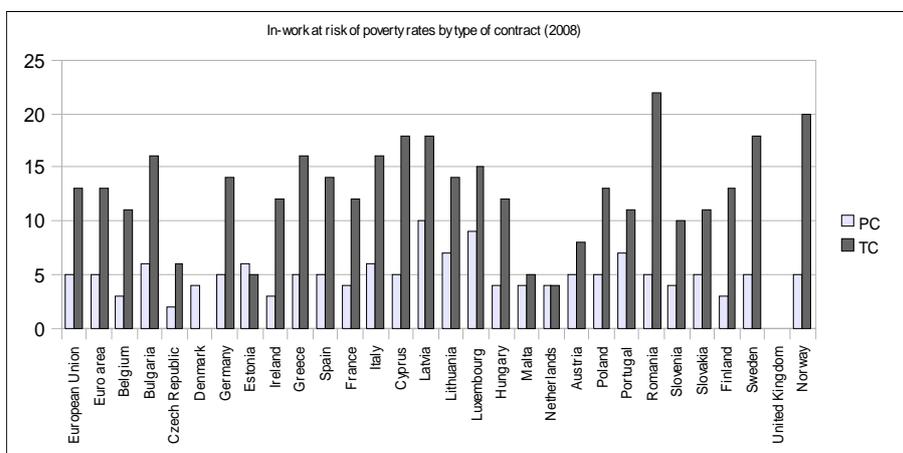
percentage points to 19% for the elderly people. Italy has a risk of poverty for children under the age of 16 years, as a proportion, higher than the average EU-27, while presenting an incidence ratio for elderly people similar to the EU average (in Italy the risk of poverty for the 0-15 year olds is 24.6%, while that of people over 64 years is 20.1%).

The education level of individuals plays an important role in determining the risk of poverty. In the average of the EU-27 people who have achieved at best a secondary school certificate of 1<sup>st</sup> degree are three times higher at risk of poverty than people with university degrees. The differences in the incidence of poverty risk by educational level varies considerably within each Member State: the countries with the lowest differentials are those that have the lower total incidence of risk of poverty. Most of the New Member States have very strong differences in the incidences with respect to the qualifications which means that people with university degrees have a significantly reduced risk of poverty than the general population and especially compared to those who have low educational qualifications. In 2008, in Italy the incidence of risk of poverty for people with university degrees was 6.6%, i.e. less than a third of the value calculated on the total population. Individuals with low investment in education rather have an indicator value equal to 23%.

In order to measure the effectiveness of public policies implemented by Member States to combat the phenomenon of poverty a comparison can be made between the incidences of people at risk of poverty before and after the public transfers. In particular, we can compare the figures for each country before social transfers (including pension expenditure and social spending aimed at combating poverty), before those aimed at combating poverty, and after total social transfers. Looking only at social spending aimed at reducing poverty in 2008, a very disappointing picture emerges for Italy. In our country, in fact, social spending aimed at combating poverty leads to a reduction in the risk of poverty by only 4.7 percentage points (from 23.4% before the state transfers to 18.7 after the transfers). The differential presented by Italy is one of the lowest among the EU countries (the differential of the average EU-27 is 8.6 percentage points) and among the "old" Member States, only Greece and Spain show worse results. If we look instead to the difference in the incidences before the total public transfers (including pensions) and the incidence of risk of poverty after these transfers we see that our country spends for pensions a considerable share of total expenditure, in line with other Member States: in Italy, in 2008, the incidence of risk of poverty before any social transfers amounted to 42.9% and it is observed that pensions reduce the incidence by 19.5 percentage points, while the incidence in the EU.27 of risk of poverty before state transfers related to government spending is 42.2%, with a differential of 17.1% if we do not consider the amount of pensions. This is probably connected to an inefficient allocation of resources in favour of policies aimed at reducing poverty and social exclusion. Despite an overall social spending in line with that of other European partners, mainly focused on pension expenditure and on the health system, Italy shows an investment on specific measures to combat poverty and social exclusion clearly insufficient.

By focusing on the labour market, the incidence of poverty risk varies considerably with differences significant if individuals have a job, are unemployed or inactive. The labour market failures, as high rates of unemployment or long-term unemployment, such as discouragement and non-standard employment increase the probability of being at risk of poverty. If we analyze only the population of working age, i.e. individuals aged between 15 and 64 years, in 2008, on average for the EU-27 countries the incidence of poverty risk was 14.7%. In general, for all EU countries the unemployed have a probability of at least twice the total population to be at risk of poverty, this probability increases drastically if the comparison is made with employed people. In Italy the share of those seeking employment and are below a threshold of 60% of median family equivalent income is, in 2008, 42.1%, about 26 percentage points more in relation to the incidence measured for the entire population aged 15-64 (16.5%) and 33 percentage points more than the employed population (9%). Another group of people most at risk of poverty consists of those who declare that they are inactive (among these are also included individuals discouraged). Again the incidences are very high but smaller than those recorded for people seeking employment. In this context, Italy has values higher than the European average with respect to the sole component of the inactive population, excluding those retired from work; in 2008, the incidence of those with an equivalent family income below the Poverty line is 28%.



Fig. 4 – *In-work at risk of poverty rates - Permanent vs. Temporary contract*

Source: Eurostat data processed by Isfol, 2009.

In addition, people who work are not necessarily escaping from poverty: among employed persons, there are actually "in work-at-risk-of poverty". The risk of poverty for those who work is considerably smaller than within the rest of the population. The presence of workers at risk of poverty is related, on the one hand, with the characteristics of the occupation itself and the presence of labour market failures, such as unstable employment, involuntary part-time work, low wages; on the other hand, by the composition of the family of which the worker is part (i.e. large families with only one occupied). In 2008, 8.4% of workers aged 15-64 in the EU-27 is at risk of poverty (compared with an overall incidence over the population of 14.7%). In Italy the share of those employed who are below the threshold of poverty risk is slightly higher and stands above 9% in 2008. In the EU-27 as a whole and in almost all Member States, *non-standard* work increases the risk of poverty.

This is probably a consequence of features inherent to the *non-standard* work, such as discontinuity or the reduction in working-time, which reduces the economic security guaranteed by *standard* work. Looking to part-time work as a mode of precarious work, what has been assumed is confirmed. In the countries of EU-27 on average the incidence of poverty risk for the part-timers in 2008 was 12.3% while that of full-time workers was 7.4%. The figure is of particular importance especially in relation to the fact that 19% of the employed population in 2009 had a part-time contract and that 25% of these were involuntary part-timers. In our country the link between part-time work and the risk of poverty is evident. In 2009 in Italy part-time workers were 14.3% and almost half of these (45.6%) involuntarily. Among Italian part-timers, in 2008, the incidence of poverty amounted to 13.4% compared to 8, 4% of full-time workers. Our country furthermore is characterized by an increase in recent years in both the share of part-time work but also in the share of involuntary part-time work (in 2004 the incidence of part-time work was 12.7% and the share of part-time workers who had voluntarily chosen the part time contract were 38.9%).

Another contractual arrangement that can be placed among the non-standard jobs is temporary work. In 2009, on average in the EU-27 countries nearly one employed in eight had a temporary contract. The incidence of temporary work has a strong variation among the Member States, ranging in 2009 from 1% in Romania to 26.5% in Poland. For Italy, this impact totalled, also in 2009, 12.5%. Even for employees with a temporary contract, as for the part-timers, there is a higher incidence of poverty risk compared to those who have a permanent contract: on average in the EU-27 countries, temporary workers, in fact, are at risk of monetary poverty of 13.4%; this value is reduced by 8.4 percentage points for workers with permanent contracts, amounting to 5% in 2008. In all countries considered, the incidence of poverty risk for 'temporary' employees is always higher than for "permanent" workers: in Italy, in 2008 the percentages amounted at 15.8%, respectively, and 5.6 %.

In this paper we have come to the conclusion that definitions and measures of social exclusion based on poverty allow to assert that poverty generates inactivity, unemployment and situations of "bad-jobs" and, at the same time, low investment in education and job insecurity, create situations of monetary deprivation.

#### ***8 Crisis, Institutions and Labour Market Performance: the Recovery Plans***

The results of the long process that has led so far to drawing a set of objectives for the active inclusion in Europe now seem very weak. Not only due to the impact that the economic crisis has generated on employment, but also because the approval itself of the Lisbon Treaty has underlined, even with greater emphasis, the problem of governance of policies, related to the implementation of the principle of vertical subsidiarity, and has re-launched the theme of the effectiveness of the OMC. The impact of these policies, in fact, now depends to a large extent on exogenous factors, the structure and powers of the institutions involved in the planning and the management of policies. This is especially true in the field of social policy, where there is more resistance to cede national sovereignty and because of the area of internal political competition it is perceived by the Governments of the States almost as revenge of ground lost in monetary sovereignty.

The principles mentioned in the integrated European strategy, which aims to promote both flexibility and security in the labour market are considered the most advanced theoretical models of intervention to ensure the transition of medium to long term of the whole system towards a new European frontier of productive efficiency compared to forms of intervention "buffer", more traditional, based on the Employment Protection Legislation (EPL). It takes consistent choices of public finance, which provides sufficient funds to support transition costs for individuals and for the market as a whole, to overcome the crisis and support the shift to a new level of equilibrium in markets for goods and services, and labour. Public and private institutions can contribute to enhance the value of human capital in the labour market, thus supporting workers in job searches and guaranteeing economic support, suitable study-work transition, job mobility and help during unemployment periods. Among income support measures, the so-called "passive policies" play a vital role in tackling short-term problems for enterprises, workers and the entire domestic demand. In the medium and long term, close links between active and passive policies can be of great help to increasing job opportunities for workers.

After the 2008 financial markets turmoil, the first concern of the plan elaborated by the European Commission and the Member States between November 2008 and March 2009 dealt with job protection and "networkless" people. The plan contained urgent measures to recover from the crisis, thus enhancing the role of workers in the labour market. European guidelines recommended to invest in human capital, whose importance had been considered vital for the medium and long term for enterprises, individuals and families.

The "European Economic Recovery Plan" Communication was presented by the European Commission on the 26th November 2008. The Communication invited the Member States to support investments on innovation and key sectors like alternative sources of energy and clean technologies. The Communication also recommended that all Member States should rely on a list of strategic areas to reorganize at the European level. Member States were also urged to facilitate labour market transitions and to help the most vulnerable working categories affected by labour shedding to be reintegrated on the market.

The overall strategy was intended to respond rapidly to the needs of people who were at risk of losing their jobs because of the ongoing economic crisis. Moreover, the strategy seemed to be consistent with the principles of "flexicurity".

Although, the re-called "flexicurity" principles were to be implemented through consistent initiatives and were to be duly supported from the financial point of view, in the medium term, governance actions were intended to help economic development, protect and empower human capital in the labour market both on the demand and the supply side. The core principles of the European "flexicurity" strategy had to prove to be more adequate than traditional "buffer" and protective measures to help medium and long term transition of the market towards more effective production schemes.

In Italy, urgent counter-cyclical actions were undertaken by the Government within the multifaceted framework of governance and welfare system. Italian Central Government has exclusive competence in social security, including unemployment benefits and social integration measures for workers in case of significant fall in production. Regional administrations have exclusive competence in social care. State and Regions share the competence in the field of health, job protection, job security, additional and supplementary social security. Provinces are involved in the management of active job policies and Job Centres, which have been dramatically transformed over the last few years. Today, they play a strategic role with specific regard to job integration policies and job quality control. Other initiatives aimed at sustaining occupation and production (such as personal care services) fall within the scope of actions of Municipalities. All those initiatives are vital to increase participation rates in the labour market. Consistently with the principles stated in the Constitution of Republic of Italy, it follows that health care, pension system, social assistance, active and passive policies are multifaceted issues and involve a high number of different stakeholders.

During the crisis, the Italian Government has been particularly concerned with the protection of existing jobs, though much attention has been drawn on the problems caused by the increasingly segmented labour market. This can rely on well-structured social buffers, though contract discrimination remains high. The Government enacted three urgent decrees to tackle the economic crisis. These measures have required an investment of 25 million Euros between 2009 and 2011. Budget measures have been accompanied by interventions aimed at stabilizing the financial system and supporting credit system. The first decree was enacted in November 2008. It dealt with tax relief for enterprises, benefits for low-income families and more effective social buffers for the years 2009-2010. In addition, more funds were made available for investments in public infrastructures (including the railways systems); procedures for projects falling within the scope of the *National Strategic Plan* were also made easier.

In February 2009, the second decree established an incentive package to back the automotive sector through measures for the purchasing of a new car. The third decree was enacted in July 2010 and introduced deductions for the purchase of machinery (up to 50% of the total expense); in addition, the decree also enhanced the effectiveness of social buffers for the years 2009-2012.

The anti-crisis decree contained measures to protect workers, enterprises and families. In particular, the decree extended the scope of application of social buffer mechanisms to short-term contracts, temporary work contracts, apprenticeships and other fields not previously covered. The search for financial resources, notwithstanding insurance criteria, was based on taxation, on the contribution of Bilateral Organisations and on ESF resources made available by the Regions by their own budget.

Although obstacles to adapt "flexicurity" principles to the Italian welfare system, within rapidly changing of laws, nevertheless, between November 2008 and March 2009 the Ministry of Labour, Health and Social Policies started cooperating with Isfol (state institution for research), Inps (Italian National Social Security Institute) and Italia Lavoro S.p.A. (an Italian state agency) to support action plans and negotiations with the autonomous Provinces, the Regions and the European Commission. As a result, a dedicated task-force was created within the Ministry. The "*Unità per la tutela dell'occupazione*" (*Task-force for labour protection*), the so-called "Crisis task-force", is made up of the managers of the *Direzione Generale della Formazione e degli Ammortizzatori sociali* (General Directorate for Education and Social Buffers) and of the *Direzione della Tutela delle condizioni di lavoro* (General Directorate for the Protection of Labour Conditions) and the Managers of INPS, Isfol and Italia Lavoro S.p.A..

The *Crisis task-force* has provided technical support to tackle the employment crisis. The scope of action of the task-force covered the main functions of the Under-Secretary of State. The *task-force* has provided prompt, efficient and reliable support to central and local administrations, Regions and social partners with the aim of implementing quickly all measures set out in the *Recovery decree* and reaching an agreement between the State and the administrations. Indeed, the topics discussed covered the following issues: distribution and management of financial flows, management of information concerning the beneficiaries of the initiatives and the content of measures to support income and to protect the *human capital* on the labour market.

The economic contribution of the Regions and autonomous Provinces were funded by already allocated ESF financial resources. Although budget forecasts had been already approved and ESF financial resources could not be used to support passive policies, formal barriers have been removed. Indeed, all measures approved aimed at protecting the human capital through education or active policies governed by the Regions and complemented by income support benefits.

On a more technical side, Inps accepted to collect the declarations of immediately available jobseekers, to create a database and to send to the Regions the list (in electronic format) of the beneficiaries of social benefits. In addition, resources have been invested to keep the highest number of workers in the labour market, to ensure income support measures, to protect, stabilize and update the skills of people who have lost their jobs and to allow a fast re-integration into the market. To this end, territorial units, public administrations and private services have been cooperating to create bottom-up services involving other parts such as workers, enterprises, social partners, INPS and local administrations.

The shock that hit the global economy between 2007 and 2009, with a decrease of global GDP (-0.6%) which had never been experienced after the second world war and a contraction in world trade higher than 20%, has hit the economy of the European Union in the midst of a new phase, marked by the entry of a new treaty and by the expiration of the deadline set by the Lisbon strategy for attaining the EU employment targets. After two years since the stock market crash of September 15 2008, the world is standing on the verge of a new phase in the long running saga of the global financial crisis, mainly due at this stage to the huge amount of sovereignty debt collected to fund the *Recovery plans*. The locomotives of Asia, India and China, are back to pre-crisis growth track. But, the economic and financial crisis facing the European Union the problem of the robustness of its institutions, highlights the need for further progress in the integration of economic, employment and social inclusion, and sustainability in the absence of a commitment to the creation of a *European social field*, so it was as credible as that for *European Economic and Monetary Union*.

The 2010 deadline arrived, but the crisis had wiped out much of the progress laboriously achieved towards the targets set in Lisbon in 2000. The measures taken by Member States to tackle the crisis, together with the contraction in output, led the ratio of government debt to GDP in Europe to the highest levels historically known. Growing doubts about the consistency between monetary, fiscal and labour, policies, community and national objectives, and between those at short and medium-long term, have led to a new deep of global economy.

The challenge of the new strategy "Europe 2020" is, again, fighting structural unemployment. The constraint of the Strategy is the level that the debt has reached in the Member States during the crisis in Europe. The future of a smart, sustainable and inclusive growth is to cope with the rescue of the sovereign debt.

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