

## ITALIAN LABOUR MARKET UNDER CRISIS: A BRIEF OVERVIEW



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**Abstract.** This paper provides an overview of the picture of Italy's labor market and of recent labor market outcomes. Taking stock of the current situation, it argues that addressing Italy's labor market requires a comprehensive view of the labor market. Employment rates in Italy continue to be substantially lower than those in most other European countries. Asymmetries in labor market policies have also exacerbated inequities in the labor market. For example, Italy's social safety net is generous for some worker groups, but virtually nonexistent for (most) others; the extent of employment protection varies substantially across worker groups; and the aggregate wage distribution is too compressed. As a consequence, a rising share of workers faces high employment risk but little income insurance. According to several current studies, in given paper we consider three crucial aspects of Italian labour market: youth unemployment, differences between South and North and foreign employment.

**Keywords:** labour market; employment; unemployment; youth unemployment; irregular work.

**JEL code:** J40.

## Introduction

The main goal of this work is first to share with readers an overview of Italian labour market. Secondly, we would like to focus on particular aspects about Italian employment and unemployment.

According to ISTAT data, in Italy the percentage of occupied people between 15 and 64 years old is around 56%, which is far from the European average. Italian labour market needs 3 million more employed people to be at the same level. Furthermore, there is an important gulf between south and north. In fact, in the south only 41,8% of the potential labour force is employed, instead in the north and in the centre is around 64% and 60% respectively.

One particularly worrisome characteristic of the Italian youth labour market is the high ratio of the unemployment rate of the young to the overall unemployment rate. [1, 89] Today only 39% of people under 35 years old are employed, and 11,5% less than the period pre-crisis. In this way, the role of the education is confirmed as a protective factor for the crisis, the percentage of employed people with university education is around 75,5%, for the people without this education it is around 42%. For graduates, studies confirm that men are more paid than women. Making a focus with a PhD it is much easier to find a job, nine out of ten find a workplace. But 25% of PhD graduates emigrate to other countries, specially to the UK (16%), USA (15,5%), France (14%) and Germany (11%). This is more frequently for who studies and work in scientific areas.

How ISTAT underlines, many firms have decided to use part-time contracts to counter the crisis (this is in line with European data). Looking at the employment contracts, in Italy there are more than 4 million part-time employees, they represent approximately 18,5% of total employment. Nevertheless, the problem is related to the involuntary part-time employees, people that have no other choices, they are one out of two. In the same vein, there is important data about irregular labour contracts. In fact, in Italy one contract out of ten is irregular. More than 50% of people on irregular contracts are between 35 and 64 years old. 30% are in the building industry and in the family services.

In the middle of 2013, there was increased media interest around the issue of «zerohours contracts». The coverage centred on the lack of any guarantee of hours for these contracts and the potential for exploitative practice by employers. [2] The number of people classed as being on a «zero-hours contract» will be those who:

1) are employed (have done at least one hour of paid work in the week before they were interviewed or reported that they were temporarily away from their job);

2) report that their working arrangements include some flexibility and that their hours can vary;

3) recognise that the flexibility of their working arrangements is a result of being on a «zero-hours contract».

These part-time and «zerohours» contracts we classify as precarious employment contracts. Since 2013 International Research Team included scholars from number of different European and Asian countries, among them there is Italy, implement annual «Monitoring changes in labour relations between employees and employers». This monitoring reflects increasing employment precarization in each country under study. It should be noted, that a situation in Italy is one of the worst. [3]

Another topic that we consider relevant about this discussion is foreign employment, seen like an opportunity for Italy and its future. It is worth mentioning that around 58% of foreigners in Italy are in employment. From 2008 to 2014, the employment rate of foreigners decreased by 6,3%, much more rapidly than the rates of Italian-born and naturalized citizens (respectively -3,0% and -3.3%). At the same time the unemployment rate of foreigners almost doubled compared to 2008, reaching 16,1%, 4,4% above the rate for Italian-born citizens. [4] In Italy more than 46% of employed foreigners people work in the same position as in their first job, 29% find better jobs and 23% receive worse jobs. In relation with the last figure, women experience worse working conditions than in their previous jobs when they come to Italy more oftenthemen.

Thus, we consider three crucial aspects of Italian labour market: youth unemployment, differences between South and North and foreign employment.

### **The gulf between North and South Italy**

Italy is made up of two different economies. In the last fourteenth years northern and central Italy grew less than 2%, instead the economy of the south atrophied by 7%. The area call «Mezzogiorno» already before the crisis grew slowly than north. In the period 2008-2013, during the crisis, more than 900,000 Italians became unemployed, 70% were southerners. Employment in the south is lower than in any other country in the European Union at 41% and unemployment last year was 21,7%, compared with 13.6% nationally. [5]

The causes of this dissimilarity are far away. Everything started with the Italian union in 1861. Nitti F. S., politician and finance expert, wrote that with Italian unification a lot of wealth was transferred from south to north. [6] Furthermore, he explained how the construction of important infrastructures were given custody of Norther entrepreneurs. They built new factories in Val

Padana, in the north of Italy, because it was easier for financial and geographical reasons. For many years after the unification, the South and its development were neglected. In 1900, there was the first big migration from south to north that interested more than 5 million of people. During the two World Wars North industrialization increasing and the gulf between the two areas became more pronounced.

Today situation does not change a lot. For example in Sicily, Italian southern island, the conditions of infrastructures are serious. During last summer, we have assisted to the collapse of highway system. However, this is only one example, there are many other problems like corruption, fiscal evasion and organized criminality that they contribute to create very hard conditions to grow up of the economy in this area. According to ISTAT, over the next 50 years the south could lose 4,2 million residents. [6]

### **Youth unemployment**

Generally, youth unemployment rate is much higher than unemployment rate for all ages, even double or more than double. In Italy, it is around 40% under 25 years age, one of worse rate in the European Union. If we consider NEET rate (Not in Employment, Education or Training [6]), value is 45%.

The reasons of this situation are different. A recent publication by Centre for Economic Policy Research (CEPR) suggests at least three causes. [1] First of all, the sort of contracts young people work with and the problem of two different labour market, one with temporary contracts for young people and another one with long-term contracts for old people. Secondly, more young people choose to continue in the higher education instead of working during period of crisis. Third, looking at the past in a best economic period (2001-2010) Italy stood out highest NEET level in EU.

Others causes could be find in the less flexibility of the Italian labour market that privileged old people going to detriment of young people. The probability to find a job for a young in Italy is 3,5%, double of the European average.

For many researchers the reasons of high-level unemployment in Italy is related not only with the economic crisis, but also with structural problems like education and development in digitalization. For example, looking at the education, there is a disconnection between what you study and what you have to do in a firm, too much theory and luck practise. Furthermore, there is a lack in university orientation system when students have to choose what to study in the future. From one side the orientation is poor of information and sometimes could seem confuse and to the other hand only 8% of students consult it, because most of them prefer choose what they like or think to

like. In this way sometimes could happen that there are not enough graduates for jobs offering by firms.

### **Immigration labour**

In Europe there are more than 34 million of foreigners. They represent about 6,7% of total population. The countries with more foreigners are Germany, UK and Italy.

According to a study of Fondazione Leone Moressa, tendency of foreign population in Italy is increasing. Today it represents the 8.2% of total population, it is expected in 2050 that it will be around 19%. This data explains very well the importance of immigration for our countries. Foreigners work especially in services industry (50%), 18% in food services and 17,3% in building industry. «The 2,3 million working foreigners contribute about €123 billion euros in added value to our total national wealth, or 8.8%», the Venice-based foundation said. «In 2014, with employment for Italians falling (down by 23,000), there was an upswing in employed foreign workers (up 111,000). And as the unemployment rate among Italians continued to rise (+0.6%), that of foreigners showed signs of easing (-0.4%)». [8]

Another significant contribution to the Italian economy comes from foreign entrepreneurs. The number of businessmen born abroad and working in Italy stood at more than 632,000 at the end of 2014 - making up 8,3% of the total. «Looking at the progress of the crisis period (2009-2014), it's significant that there was an increase in all regions, which coincided with a dip in the number of Italian businessmen ... Nationally, the number of foreign businessmen in Italy rose by 21,3%, while the cadre of Italian businessmen fell by 6,9%.» Moressa foundation said [8].

### **Conclusion**

Looking at this general overview of the Italian job market, we can conclude that the actual situation is far from the pre-crisis level. Italy needs more investments and a drastic reduction of the cost of labour and taxes for its firms. Today they are too high (46%) and facilitate the migration of our companies to other countries. In our opinion, in order to solve this problem, a European-wide solution is necessary. It is surely a problem that firms simply relocate to other European states in order that they might pay less in tax. Furthermore, this situation continues to stimulate tax evasion and corruption, historically Italian problems.

To be a great economy we think that Italy needs more transparency and honesty. Today honest people have many difficulties enhancing their job position. It should be a priority for the Italian government to prelaunch youth employment, but in order to achieve that, an overhaul of the

Italian education system is fundamental. Courses are in many cases obsolete and they do not help children in their future job.

Another important topic associated with this is investment in research. Today, there is little investment and many brains choose to move to other countries. We strongly believe that research and young people are the key ingredients for exiting the crisis. Otherwise, Italy will continue its slow decline.

As mentioned above the reduction of the gulf between the south and the north should be a challenge for the near future which can be achieved through social policy, strong and incisive action against criminal organizations, and new investment in strategic sectors such as tourism.

To conclude we should mark that near future will be very important for Italy. It will be essential to make structural reforms to give the country the possibility of being competitive in the world. We believe that it will be crucial point to understand what Europe will do in terms of new policies and unification, reducing national power in favour of creating real European unification. This could be the solution of many problems, but it will be hard to achieve.

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