7. Italy: How could industrial relations help a return to economic and social convergence?

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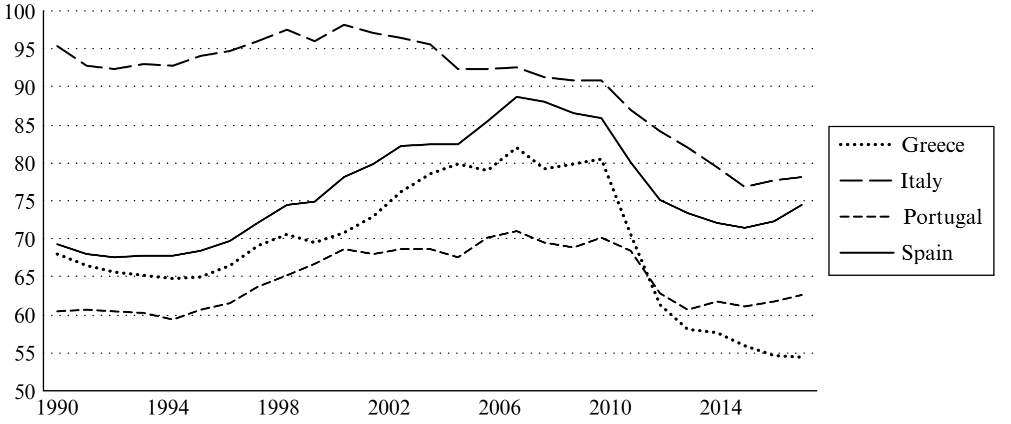
1. INTRODUCTION: ITALY'S PATH TO CONVERGENCE WITHIN THE EUROPEAN UNION

Convergence is a tricky concept. It can be achieved through either catching up or levelling down. Beta-convergence, synonymous with catching up, means that lower-income countries have a higher growth rate than high-income countries. Conversely, sigma-convergence signifies convergence to a common level. A decrease in variance can derive from various situations; for instance, richer countries adjusting downwards and poorer countries adjusting upwards or not adjusting at all. In the latter case, the process of convergence is consistent with a worsening of conditions overall.

According to the Bertelsmann Stiftung and Jacques Delors Institut report (2017), rapid convergence following the Single Market Act 1986 was reversed from the start of the monetary union, when a slow and steady process of divergence set in among the first 11 countries that adopted the euro. This divergence, observed the report, is

> not really surprising in view of the fact that the euro area was a heterogeneous economic space from the very beginning. Structural differences, such as labour and product market structures, social security and welfare policies, and the banking and financial systems persisted. They reflect a history of different political choices and economic strategies. (Bertelsmann Stiftung and Jacques Delors Institut 2017, p. 13)

This assessment of the construction of the European Economic and Monetary Union (EMU) is now fairly well established. The EMU's institutional architecture was based on the assumption that countries that met the so-called 'Maastricht criteria' for accession were all on a level playing field. The criteria referred to financial rather than real indicators, with no consideration for its members' different levels of development. It was believed that monetary union would increase symmetry, thereby encouraging convergence of the member countries'[1] economies and that any problems encountered could and would be addressed in time (neo-functionalism). As a result, the EMU institutions left the currency disembedded from the fiscal, social and political institutions required to make a currency union viable. The institutional incompleteness underlying the economic design is at the heart of the growing divide between core and periphery countries in Europe and lies behind the European leaders' (political) inability to prevent the international financial crisis from developing into a full-blown sovereign and economic crisis (Celi et al. 2018).



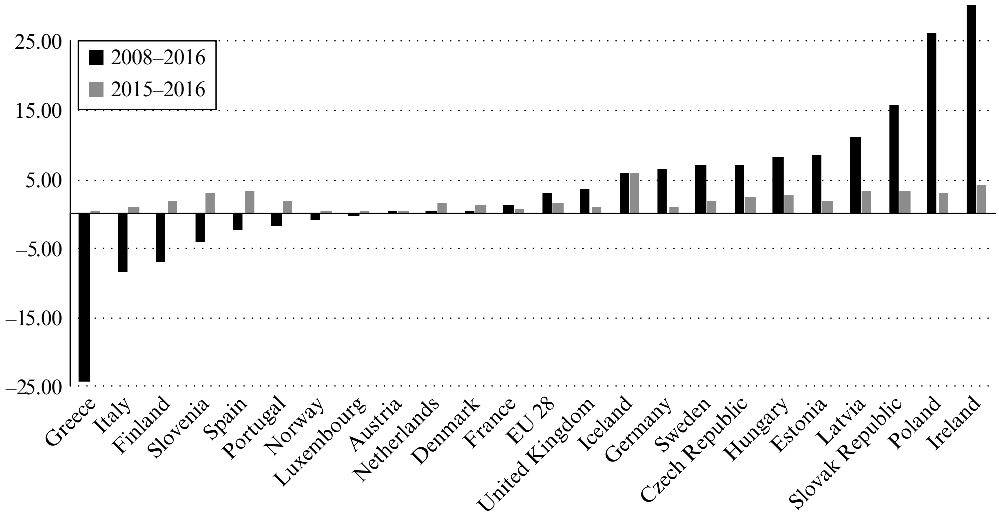
Note: German per capita GDP = 100.

Source: Authors' elaboration on OECD data.

Figure 7.1 GDP per capita relative to Germany: Italy and selected countries, 1990–2016

Taking a longer-term perspective, we can see that the convergence process – in the economic structures, if not in per capita income – between southern and northern European member countries stalled much earlier. From the 1970s, the breakdown of the favourable conditions of the Bretton Woods era yielded stunted growth and increasing real divergence. The apparently high convergence of the first years of the EMU was the result of the low growth rate of the German economy and the (unsustainable) high growth rate in the periphery (Spain's per capita income rose from 69 per cent of German per capita income in 1990 to 89 per cent in 2006, falling back to 71 per cent in 2014). Since the crisis, the real forces of divergence have operated at full strength: Italy's real per capita income was 98 per cent of German per capita income in 2000 but only 78 per cent in 2016 (Figures 7.1 and 7.2). Although resuming growth since 2014, by 2016 Italy had not yet reached the pre-crisis level of gross domestic product (GDP).

The disappointing macroeconomic performance of the Italian economy cannot but affect all socio-economic indicators. Moreover, the difficult economic environment and neoliberal drift have put to the test the resilience of industrial relations and social dialogue, and have undermined social cohesion. Thus, the story told in this chapter is not one of successful convergence, although there are some glimmers of light on the horizon. In the following sections, we look at Italy's social and economic indicators and their evolution in response to three main challenges: the poor macroeconomic performance before and during the years of crisis, the demographic challenge and the problems posed by structural change. These challenges question the traditional set-up of industrial relations and social policy and test the outdated arrangements of social protection and the welfare state. Recognising these challenges and the importance of seizing the opportunities of a digital world, recent governments have introduced a number of ambitious policy reforms (OECD 2017a). Although the social partners have different, sometimes conflicting views regarding these reforms, there are promising signs that the time has come for a fruitful



Source: ETUI (2017).

Figure 7.2 Change in real GDP, Italy and selected countries, 2008–16

dialogue between the various stakeholders calling for renewed efforts to implement the reforms needed to meet the old and new challenges.

2. INDUSTRIAL RELATIONS FACING THREE CHALLENGES TO CONVERGENCE

In recent decades industrial relations in Italy have had to respond to three interwoven challenges, which have tested the adequacy of traditional labour and social policies: the long macroeconomic stagnation and deep economic crisis, the ageing of the Italian population and the effects of accelerating technological change on the economic structure and the labour market.

2.1 Slow Growth Aggravated by the Crisis and Structural Reforms

In the difficult years of the crisis, and during the long stagnation that preceded it, industrial relations and social dialogue in Italy had to respond to various challenges: the jobless growth of the 1980s and the stagnation of the 1990s, the latter connected with the effort to meet the Maastricht criteria for accession to the EMU; ever more difficult economic and employment conditions; the hostile stances taken by some governments and the often difficult relations between the main trade unions; the urgency imposed by the financial and economic crisis and the structural changes produced by the new 'great transformation' (following Polanyi's first 'Great Transformation'; Polanyi 1944). After the turbulent years of social conflict that characterised Italian industrial relations in the 1970s and 1980s, the country experienced a 'neo-corporatist revival' (Crouch

1998), marked by a series of social pacts. In 1993, the Tripartite Protocol established the framework rules for collective bargaining, workplace representation and labour policies. Reforms of pensions, labour flexibility and welfare were implemented in cooperation with the main social partners.

This model came under pressure with Italy's participation in the EMU. With devaluation no longer available, monetary policy lost and fiscal policy severely constrained, the government no longer supported social dialogue. Following the attempt on the part of centre-right governments to break the unions' front, industrial relations became more fractured and adversarial; flexibility and welfare reforms were no longer negotiated, but enforced, often in the name of the European Union (EU).

During those decades, the Italian economy went through a deep process of restructuring that was reflected in the changing composition of trade union membership. Over time, there has been a huge reshuffling, with an increasing proportion of pensioners – from 20 per cent in 1981 to 50 per cent in 2001 – and a decline in manufacturing members (Carrieri and Feltrin 2016). Although declining, at 34 per cent union density in Italy is still one of the highest in the world (Simonazzi and Fiorani 2018a) and manifests a remarkable associative vitality and presence in Italian society. The weakest social groups in this respect are the under-30s, in which atypical workers are more concentrated: this age group is the least unionised (15 per cent), with a gap of 30 percentage points with regard to workers aged 45–60 years (Leonardi 2017).

The Italian case raises the issue of the relationship between industrial relations and economic growth. It is maintained that negotiated flexibility and regulated labour markets can play a crucial role in ensuring growth while balancing flexibility and security (Anxo 2018). In Italy, the long phase of cooperative behaviour on the part of the trade unions did not prevent increasing divergence in macroeconomic performance vis-à-vis the centre of the euro zone. The trade unions cooperated to speed up the process of restructuring and help recovery: wage moderation in the 1980s, reform of wage indexation in 1993, negotiated flexibility in 1997 and further flexibility in 2003. It came to be widely accepted that flexibility was required to respond to the changing realities of the world of work and that it alone could guarantee well-functioning labour markets.

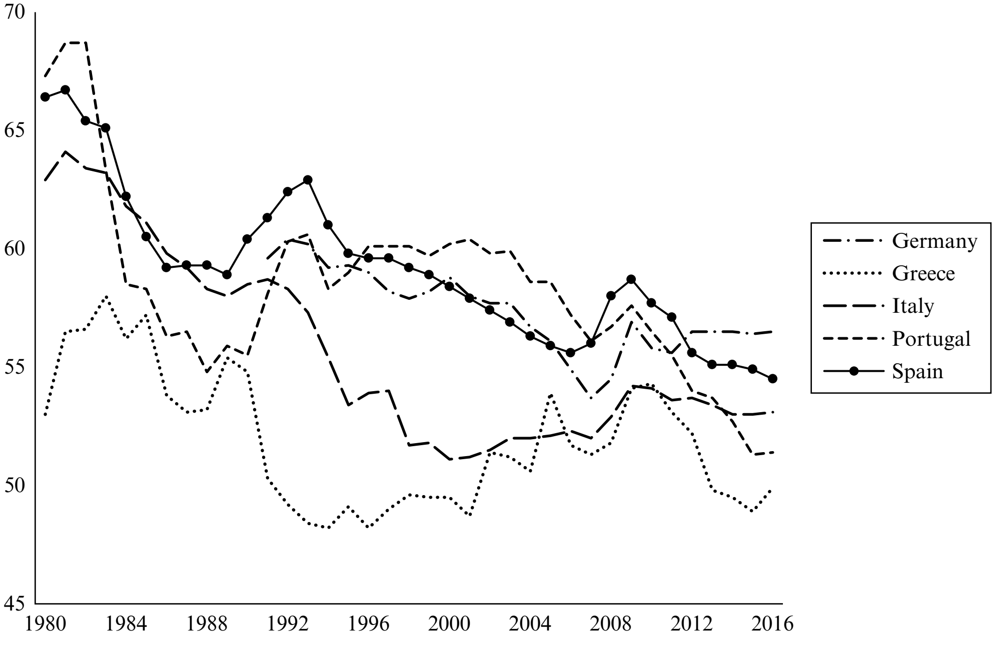
However, firms took advantage of the truce, opting for the 'low road' of cheap labour instead of the 'high road' of investment in human capital and innovation. Greater wage and labour flexibility freed firms of the need to compete through innovation: productivity and competitiveness consequently suffered (Table 7.1). Thus, despite being comparatively powerful (in terms of membership, bargaining coverage, mobilisation capacity and finances) the trade unions obtained very modest results in terms of working conditions (wages, employment, welfare and inequalities), as shown by the wage share (Figure 7.3). In Italy, as in nearly all Organisation for Economic Co-operation and Development (OECD) countries, the labour share has declined during the past three decades. Low-entry wages, dating back to the start of deregulation, are one of the main factors explaining the decline in real earnings (Checchi and Leonardi 2015). From 1986 to 2002 the ratio between the net monthly wage of male young workers (aged 15–30) and the corresponding wage of male adult workers (aged 45–65) declined from 80 to 70 per cent, and from 86 to 77 per cent for women. Moreover, there is a persistent wage penalty, of the order of 11 per cent, associated with working under a temporary contract, which affects workers in the two bottom quintiles, while workers in the top quintile are less penalised.

Table 7.1 Labour productivity, Italy and selected countries, 1971–2017 (average annual growth rates, percentage)*

	USA	Japan	Germany**	France	Italy
1971–80	1.5	4.3	3.8	3.9	4.1
1981–90	1.6	4.1	2.3	2.9	1.8
1991–2004	2.1	2.1	2.0	1.7	1.1
2005–15	1.1	0.8	0.9	0.6	0.1
2016–17	0.1	0.4***	1.2	0.8	–0.2

Notes:
* Real GDP per hour worked.
** West Germany through 1990.
*** Growth rate in 2016.

Source: OECD, EC's Directorate General for Economic and Financial Affairs annual macro-economic database (AMECO), Wermuth (2018).



Source: Authors' elaboration on ILO data.

Figure 7.3 Wage share, Italy and selected countries, 1980–2016 (percentage GDP)

Contrary to the common assumption postulating a positive relationship between flexibility and employment creation, deregulation resulted in an increasingly polarised labour market, with no enduring effects on employment and growth (Simonazzi et al. 2009; Simonazzi 2015). The decline of the labour share went hand in hand with greater inequality in the distribution of market income. Bloise et al. (2018) use the administrative dataset of the Istituto Nazionale della Previdenza Sociale (INPS) (LoSal) to analyse the trend of earnings distribution of employees (excluding bogus self-employment) between 1990 and 2014. They find that the Gini index of gross earnings increased by 9.6 points in industry and 7.9 points in services (0.335 and 0. 438, respectively, in 2014), with only a minor part of the inequality accounted for by differences in education. Between 1992 and 2014, the share of working poor – defined as workers receiving annual earnings below 60 per cent of the median – increased from 26.3 to 31.4 per cent. Earnings below 40 per cent of the median also increased, from 17.9 to 22.1 per cent. Stagnant wages and increased polarisation in earnings depressed consumption, thwarting growth, while inadequate redistributive policies accounted for an increase in inequality in net disposable income and a rise in households in poverty or at risk of deprivation.

The trade unions were slow in taking up the cause of the groups falling behind. They eventually came to share the decline in popularity which is part of a wider crisis affecting the full range of representative institutions: social movements, political parties, parliamentary institutions and the EU. However, eventually the crisis seems to have opened a new phase in industrial relations, with social dialogue resuming on issues of relevance. One important instance is provided by *enti bilaterali* (bilateral bodies). They are private bodies constituted by the trade unions and employers in a given professional category for the implementation of collective agreements. They have different purposes: mutualisation of pay obligations for workers who often change employers (for example, in construction); vocational training; work safety; and welfare benefits. For a number of years, the law has been promoting the role of bilateral bodies, recognising tasks related to the labour market, vocational training, occupational welfare and assistance in the negotiation of contracts. The main trade unions still disagree on important issues, such as the role of decentralised bargaining, occupational welfare and trade union involvement in active and passive labour policies. However, they are aware of the need to fight social dumping by minor, non-representative employees' and employers' organisations and take up the challenge of precarious workers, who no longer feel represented by the political parties. This growing awareness was one of the main reasons underlying the trade union/ Confindustria agreement that was signed on 9 March 2018. This agreement is important in two respects. First, it made official the resumption of social dialogue between the three main trade unions and Confindustria, the employers' representative, which was reached without the need for state intervention. Second, it provides a general framework for discussion of the main issues related to bargaining and welfare: representation, continuous vocational training, occupational welfare and other policies needed to tackle innovation and technical change.

2.2 Demography Challenging Traditional Policies of Industrial Relations

Italy is ageing rapidly: it has the highest proportion of elderly persons aged 65 years and above (23 per cent of total population, second only to Japan, with 27 per cent in 2017)[2] and people over 80 years of age. Two drivers – fertility and longevity – interact in determining the current process of population ageing and the sharp reduction in the youngest component of the population. Advances in medicine and improvements in quality of life account for the significant increase in life expectancy and in the number of years in good health. Conversely, economic, social and cultural factors account for Italy's total fertility rate, which is the lowest in the EU at 1.34 in 2016 (1.27 considering only native women) and is well below the replacement rate (2.1), that is, the rate that would guarantee population balance. Women's aspiration to work coupled with a socio-economic environment still inimical to work–life balance compels them to postpone maternity: women's average age at the birth of the first child is now 30.7. This late age diminishes the probability of having more than one child and increases the probability of having no children at all. The share of childless women is comparatively very high: 24 per cent for Italian women born in 1965, compared with 10 per cent for their corresponding French cohort.

In 2016, Italy had the highest old age dependency ratio (34.3 compared with the EU28 average of 29.3) and it is expected to increase further in line with the EU trend. A high dependency rate raises concerns over the labour supply and the long-term sustainability of welfare (pensions, health and long-term care). However, the data on the dependency rate underestimate the severity of the problem Italy faces. When we relate the number of pensioners not to the number of persons of working age, but to the number of persons in employment, the gap vis-à-vis the rest of Europe widens further. Concerns over economic and financial sustainability have prodded the pension reforms of recent decades, which have linked pensions to contributions paid and have postponed the retirement age.

However, policies acting on the supply side are not the solution. Italy has the highest ratio of people aged 60–64 to those aged 15–19 in the EU, which offers an indication of the 'potential' job opportunities opening up for young cohorts owing to the exit from the labour market of those approaching retirement. In 2009 the index for Italy was 119.9, compared with 89.9 in the EU27 (in 2007); that is, people close to retirement were 20 per cent more numerous than young people potentially entering the labour market, thus suggesting a relative scarcity of younger replacements. However, this theoretical scarcity does not translate into easier labour-market entry for younger cohorts or into better career prospects. On the contrary, youth unemployment is unbearably high, and the economic and working conditions of younger workers have deteriorated (Simonazzi and Deriu 2013). When the high youth unemployment rate and the extremely low female activity rate are taken into account, concerns over labour shortages seem premature and the extension of old people's working lives is of little help. At present, the size of the job crisis dwarfs the severity of the threat represented by the dependency ratio. If a high employment rate is the only way to secure long-term sustainability for any economic system, and especially so for any welfare system, the current situation is characterised by a disturbing inability to secure full employment.

Measures to boost the demand for young workers have been at the heart of social partners' preoccupations and discussions. One reason for poor labour market outcomes among young people is that there is a major disconnection between the education system and the world of work (OECD 2017a). Important steps have been taken to address this challenge, sometimes with the support, other times under criticism, of the trade unions. These range from greater autonomy for schools (the Good School Act 2015) to the implementation of Alternanza Scuola Lavoro, which makes traineeships compulsory in the final three years of upper secondary education. This measure aims at 'bringing the skills taught in schools in closer alignment with the needs of the labour market, exposing youth to workplaces, and having a "career guidance" function for students' (OECD 2017a, p. 33).

There are two more problems worth mentioning, connected with the age imbalance and the shortage of jobs for young people, which the social partners are struggling to address. The first concerns the obsolescence of skills, a particularly pressing problem in the current context of automation and digitalisation. In Italy, over 13 million adults have low basic skills; they are more likely to be older individuals and much less likely to have participated in formal or non-formal education. The second relates to the 'desertification' of the south of Italy: massive youth migration is depriving the southern regions of their young, most qualified workers, making the problem of underdevelopment more and more difficult. While the first problem has been addressed with the organisation of training programmes financed through the Inter-professional Funds agreed among the social partners, the second problem is much more difficult to cope with, because its solution calls for a shared agenda for the south that the government and the social partners have only just begun to draft.

2.3 Technological Innovation, Digitalisation and the Platform Economy

According to the OECD (2017a), fears about massive technological unemployment are exaggerated. There is no evidence of technological unemployment to date; after the crisis, employment rates have risen in most advanced countries. For Italy, however, the situation does not seem so positive: income and productivity growth have been stagnant for decades, the employment rate is one of the lowest in the EU, youth unemployment is stubbornly high, non-standard work, involuntary part-time and temporary employment are continuously rising, and the labour market is polarising. In its analysis of occupations at the disaggregated level of tasks over the period 2011–16, INAPP (2017) found a positive relationship between employment growth and the share of non-routine tasks, and an inverse relationship with manual routine tasks. Italy is not investing enough in new technologies, has one of the lowest shares of research and development (R&D) to GDP in the EU and is just starting to implement policies to tackle the 'Industry 4.0' revolution. With the Industry 4.0 National Plan (Industria 4.0) the government introduced 'a set of ambitious structural measures aimed at igniting a radical shift of the Italian economy towards the generation and use of new and high value-added technologies' (OECD 2017a, p. 35).

The emerging techno-economic system is expected to lead to a reorganisation of a wide variety of markets and work arrangements, fragmenting work into tasks performed by contractors and creating entirely new categories of work. If ungoverned, this new technological paradigm is likely to generate even more fragmented work schedules, increasing levels of part-time work and allowing firms to evade the rules intended to protect customers, communities, workers and markets.

Automation and the platform economy[3] are not yet well developed in Italy. However, falling within an already deeply segmented and precarious environment, they could broaden the area afflicted by precariousness even further. With the expansion of digital knowledge in production, differences in workers' capability and productivity have widened enormously, even for the lowest tasks, entailing greater inequalities in pay, opportunities and precariousness. A large number of people will need to shift occupational categories and learn new skills in the years ahead. Mid-career retraining will become ever more important as the skill mix needed for a successful career changes. The system of protection needs to be overhauled to cope with the rapid obsolescence of skills; since job-specific skills are no longer a guarantee of security, lifelong learning and training must be focused on the (ever-changing) new work and job opportunities.

There is increasing awareness among the social partners of the urgency of tackling the challenges posed by technical change and bridging Italy's policy gap. Technology is not neutral: as argued by Maurizio Landini, Secretary General of La Federazione Impiegati Operai Metallurgici (FIOM, the Italian Federation of Metalworkers), its direction and features must be directed and governed. Hence the important task for industrial relations of agreeing on how to shape the new organisation of labour. This may require an initiative on the scale of the Marshall Plan (Manyika et al. 2017), involving sustained investment, new training models, programmes to ease worker transitions, income support, and collaboration between the public and private sectors.

3. CONVERGENCE AND DIVERGENCE IN THE LABOUR MARKET: THE CHANGING LANDSCAPE OF DISADVANTAGED GROUPS

Between 2008 and 2013, total employment fell by 4 per cent (from 23.2 million in spring 2008 to 22.2 million in spring 2014). Since then, a slow recovery brought employment back to the pre-crisis level, but in December 2017, hours worked were still 1.3 billion short. Also the unemployment rate did not fall proportionally (11.1 per cent). As is usual in recoveries, there was an increase in the participation rate, which was especially strong for women and workers over 50 years of age. Despite the recent, finally positive results, Italy still has the lowest employment rate (49.3 per cent for women and 67 per cent for men) and the highest inactivity rate in the EU. In this section, we focus on the consequences of the interaction of the challenges described in the previous section as regards three groups representing the weakest segments of the labour market: young people, women and migrants.

3.1 Young No More? How Can Industrial Relations Serve Them Better?

The vicissitudes of the younger generation date back to well before the crisis and have been described many times: low-paid, low-quality jobs, precariousness and radical uncertainty risk becoming a lifelong feature, while their fragmented careers expose them to the risk of poverty in old age. Owing to the length of the deregulation process, these features extend far beyond the youngest cohorts. Simonazzi and Barbieri (2016) argued that, owing to the combined effects of reduced growth, welfare state retrenchment and structural reforms that have characterised the Italian economy since the 1980s, Italians born in the 1960s have not equally shared the economic position and affluence of earlier cohorts. This cohort was the first to experience a reversal of its economic conditions with respect to older cohorts; the following cohorts, which entered the labour market at the height of the reform process, have fared even worse. They used to be the 'insiders', with high employment rate and job security. Now in their forties, they are threatened by industrial restructuring and firm closures. They are the only age bracket recording absolute employment losses in the recovery (ISTAT 2018). If people in this group lose their job, they are at risk of long-term unemployment because retraining can be costly and they are excluded from the options granted to younger and older generations.

The Jobs Act (Law 183/2014) abolished workers' reinstatement rights in the case of dismissal (except for discriminatory reasons), replacing it with monetary compensation. It introduced a new standard open-ended contract for new hires ('graded security contract'), which reduces the level and uncertainty of firing costs for all new permanent contracts in firms with 15 employees or more. The Jobs Act was complemented by a measure, passed in the 2015 Budget Law, which provided a sizable temporary rebate of non-wage labour costs (up to €8060 per year for three years) for new permanent hiring of workers who had not held an open-ended position in the previous semester. These incentives were not targeted at specific groups of workers, nor were they contingent upon firm-level net job creation; that is, firms could use the subsidy to convert a temporary contract into a permanent one.

Assessment of the success of the new law is still controversial. The latest data indicate that the flexibility provided for the first three years of the graded security contract has not reduced the incidence of fixed-term contracts, especially among young people. When the effect of the reduced social security contributions petered out, precarious contracts for young people took over again (Fiorani and Simonazzi 2018). In 2017, graded security contracts totalled 23.2 per cent of all contracts; they stood at 42 per cent in 2015, when fiscal incentives for new hiring were in full bloom. It seems that the Italian economy cannot ensure a fair share of jobs of reasonable quality unassisted by incentives and subsidies.

The dearth of regular jobs and widespread unemployment and underemployment favoured the expansion of irregular work, endemic in the economy, especially in the south of Italy. According to INPS (2017) estimates, between 2012 and 2015 irregular employment increased by 6.3 per cent, reaching 3.3 million workers. The black economy is a serious source of social dumping and unfair competition for the regular part of the economy and implies a huge loss of revenue for the state. The Ministry of Economics and Finance (Ministero dell'Economia e delle Finanze 2017) estimates at 50 per cent the labour cost advantage that can be obtained in the black economy (€8.1 and €16, respectively), and €107.7 billion the amount of tax evasion. The share of irregular workers is especially high in agriculture and services (23.4 and 22.7 per cent, respectively, compared with an average of 13.5 per cent for the whole economy), and is endemic in domestic employment. Household impoverishment and the increasing unmet demand for care (both long-term care and childcare), in a context of inadequate public services, explain why six out of ten domestic workers are irregular (Simonazzi 2009).

3.2 The Gender Gap: Women's Position Enhanced by Collective Bargaining

Italy has the lowest rate of female employment in the EU. The evolution of the crisis affected female employment unevenly. During a first phase, men suffered higher job losses and income reductions than did women. With the implementation of 'austerity' measures (after 2010), a second phase of the crisis set in: public-sector downsizing and social spending cuts had a higher impact on women's employment and incomes. There is also evidence that the worsening of men's employment conditions pushed women to enter the labour force (the 'added worker effect') to support family income (Ghignoni and Verashchagina 2013). The female employment rate continued to rise during the recovery, but the share of involuntary part-time employment has also been increasing: more than half – 61.6 per cent in 2015 – of the part-time work among women is involuntary, which is around three times the OECD average of 22.2 per cent. This suggests that part-time work, rather than being a means of reconciling work and family obligations, reflects labour market conditions (OECD 2017a, p. 140). The OECD report also notes that in a non-negligible number of cases part-time work takes place during weekends, afternoons or evenings, which may hinder (rather than facilitate) work–life balance. Indeed, according to Eurostat data,[4] Italy has among the highest shares of employed women working on Sundays or Saturdays. Trade unions struggle to negotiate reasonable pay and working conditions in the retail, food and hospitality sectors, which are heavily feminised.

The unadjusted gender pay gap is relatively small compared with other EU countries (6.1 and 16.7 per cent, respectively, in 2015), but it increased over the period of the crisis (2008–13). Several factors help to explain the pay gap in Italy, including distribution over industries (female workers in Italy tend to cluster in industries that offer comparatively low pay for the same level of qualifications) and over-representation in part-time and temporary employment, which pay lower wages (Boll et al. 2016). Conversely, the egalitarian effect of collective bargaining can help to restrain the gender pay gap. The remaining unexplained gender pay gap accounted for 10.7 per cent.

The unadjusted pay gap hides a much higher effective gap. It is estimated that, when adjusting for the low female participation rate and a higher participation rate for more educated women, the pay gap would reach 25 per cent (Piazzalunga 2016). More educated women, earning higher wages, are more likely to enter the labour market in greater numbers compared with their male counterparts. Finally, while the gender pay gap is based on hourly wages, we observe a much higher income gap resulting from the combined effect of differences in pay and fewer hours worked. Lower employment rates and fewer hours worked[5] (INPS 2017) take their toll in take-home income: women are overrepresented in (often involuntary) part-time jobs and they take family leave. Inequalities in employment – lack of opportunities, and number and quality of jobs – more fragmented careers and pay gaps give rise to greater poverty in old age.

3.3 Migrants: A Rising Topic Addressed Both by Trade Unions and Employers[6]

European international migration has evolved considerably since the oil crises of the 1970s, when the countries of central and northern Europe first sought to erect barriers to protect native workers against the negative repercussions of the economic downturn. Since then, migrants have entered Europe through new portals: the northern coastlines of the Mediterranean and the mountainous eastern border regions. Geographical proximity initially appeared to be a decisive factor in immigration flows. Entry as a visitor was not only relatively cheap (from North Africa and the eastern Mediterranean) but also easy. Southern European countries were traditionally open because they were heavily dependent on tourism, but unprepared to receive large numbers of immigrants because they were historically countries of emigration. Early migration into southern Europe was transient in character because the migrants intended to cross these countries and move further north to find employment. But some stopped and found work in the informal economy, so that foreign workers rapidly became an important feature of labour markets in southern Europe.

In the 1980s, southern Europe changed from being a region of emigration to a region of immigration. The governments were unprepared to cope with this new development. The general attitude was one of alarm at what appeared to be an unstoppable flood of poor people escaping poverty to survive, and competing for jobs with local workers. By the mid-1990s, controls on land and sea frontiers had been intensified in all southern European countries, but the results were very poor everywhere. It took a long time for the realisation to dawn that, although the overall unemployment rate was high, there was demand for migrant workers at the lowest levels of the occupational structure, and occupational–sectoral segregation along ethnic lines substantially lessened direct competition with national workers. Nearly all immigrants work in low-quality jobs in agriculture, construction, manufacturing, household and personal services, and commerce (as street vendors), with most of these activities falling below the acceptance level of native workers. Where competition exists, it concerns marginal segments of the national labour force: young, school dropouts and women with low educational attainment. At the same time, indirect competition cannot be ruled out for specific sectors and, in particular, for personal services, where the hiring of immigrants might hinder the growth of alternative markets or public suppliers (Bettio et al. 2006).

The pull and push factors behind migration flows have changed over time in both sending and receiving countries. The 1990s were years of mass migration into all southern European countries, fuelled by the collapse of communist regimes in central and eastern Europe. Wars and destruction in the Middle East brought new flows of people crossing the Mediterranean, who joined those from Africa who were fleeing miserable economic conditions or seeking family reunion. Within a very short period, Italy saw the share of foreign resident population in the total resident population soaring from almost nil in the 1980s, to 2.7 per cent in 2003 and to 8.3 per cent in 2016 (Ministero del Lavoro e delle politiche Sociali 2017). While the permeability of borders certainly played a role, and continues to do so, three common pull factors accounted for the similarity of inflows and the integration paths of migrants across the four Mediterranean countries: a large underground economy, *ex post* regularisations in lieu of *ex ante* planning of flows, and demand for work in some sectors, specifically care. Since the vast majority of immigrants into southern Europe find their first job in the underground economy, it clearly works in favour of irregular or unauthorised migrants. However, a large informal market, which was well established before the immigration waves, attracted unauthorised migrants, rather than being fuelled by their inflows. This relationship may have changed recently with the swelling of flows and the sealing of most intra-EU borders, which trapped migrants in the country of first arrival (now mostly Italy and Greece).

A sterner stance towards migration within the EU countries and media alarmism have altered the opinion of part of the native population. The growing concern is not fostered by fear of competition for jobs, since the labour market for migrant workers is still segregated, nor for welfare services, since the migrant population is much more concentrated in the working-age bracket[7] and provides a much needed supplement to the scant public supply of care services. Overall, popular sentiment is still sympathetic towards refugees and migrants, although some political parties play on the characteristics of the immigrant population – Italy's migration comes almost exclusively from developing countries outside the EU – to stir up fears and hysteria.

Migrant workers are among the most vulnerable groups in the labour market:

compared with the native population, they have higher unemployment rates and much lower wages. Migrant workers suffer from a high-wage penalty: their wage is, on average, 35 per cent lower than the wage earned by a native (Coppola et al. 2013), with a higher penalty for women (42 per cent for women and 29 per cent for men).[8] The penalty seems to decrease with years of residence, possibly reflecting a better command of the language or progress in integration (it is 39 per cent for a period of residence of fewer than five years, and 30 per cent for residence over ten years) but their pay advancement is slower than that of natives. According to estimates by the Ministero del Lavoro e delle politiche Sociali (2017) – which do not consider the underground economy, where pay is even lower – close to 40 per cent of migrant workers earn less than €800 per month (compared with only 14.1 per cent of native workers), and only 2.7 per cent earn more than €2000 per month. Over-education is common: 8.4 per cent of non-EU manual unskilled workers have an educational equivalent to a university degree (1.3 per cent among the native population).[9] Family or ethnic networks are the main channel for finding a job (for more than 60 per cent of migrant workers; 26.9 per cent for natives), and they are more geographically mobile, because they have fewer family ties. In the crisis, unemployment rates soared for migrant men. Conversely, migrant women, mostly employed in care services, experienced greater job stability. Thus, as in the case of the native population, the gender gap in unemployment shrank thanks to downward convergence.

All things considered, migrants' integration is still poor: Fullin and Reyneri (2011) describe their condition as one of social exclusion and discrimination. Although a little late, trade unions' attitude regarding immigration has been generally positive and productive, acting at both the macro and micro levels, in defence of migrants as individuals and as workers. At the macro level, they have supported policies aimed at draining the underground economy, for instance, by favouring regularisation, supporting laws combating the underground economy, fighting laws or policies limiting the social rights of migrants (universal access to health, education and social services, irrespective of legal status), and they have taken action to support their social and political integration, with positive effects on social cohesion. They also run local structures to support migrants on various issues, such as assistance in renewing residence permits, mediation with local authorities, help with family reunion and running language courses, often in cooperation with non-governmental organisations (NGOs).

In their defence of immigrants as workers, the trade unions have been active along two axes. In the workplace, they have supported the integration of representatives of immigrant origin, fixing specific quotas in works councils; at the bargaining level, in addition to guaranteeing equal pay through collective agreements, they have negotiated the inclusion of clauses of interest to foreign workers, such as attention to food requirements, prayer spaces, and leave connected with residence permits. They have intensified their endeavours to guarantee minimum rights and representation for immigrant workers in agricultural areas, where they are always on the edge of brutal exploitation. It should be noted, however, that in their action to guarantee better pay and working conditions in a context of widespread irregular work, the trade unions are walking on thin ice and run the risk that their policies will backfire. In the case of domestic care workers, for instance, they succeeded in striking a very favourable contract, perhaps too favourable, because many families, which are the main employers, could not afford the contractual pay and working time (festivities and rest, holidays and social contributions). The result was an increase in irregular work.

4. FURTHER OPPORTUNITIES FOR THE SOCIAL PARTNERS TO CONTRIBUTE ON WELFARE ISSUES

The Italian social protection system is in the 'Mediterranean' category of welfare regimes. The system does not provide a universal safety net. The rules governing the labour market and the structure of society have changed considerably in recent decades, but social policies have been slow to respond to the new needs and cover the new risks, doing little to assuage households' difficulties and anxiety. The system of social protection (employment protection and income maintenance) is still largely based on temporary instruments, which cover only those already employed, with a relatively long career behind them (Boeri 2017), leaving the weaker segments of the labour force to rely on their families for protection. Active labour market policies, training and lifelong learning, utterly disregarded and underfinanced, have often been ineffectual in providing workers with skills in demand. However, there is an increasing awareness among the social partners of the need to change and strengthen the system of protection and to provide a legislative framework to regulate new forms of work organisation. In the following, we briefly analyse two issues: reconciliation and labour policies in response to the technological challenge. We leave to a case study the issue of occupational welfare, promoted by the government and supported by firms, but on which the three main trade unions still have different views.

4.1 Reconciliation of Work and Family Life

Italy has quite advanced legislation on maternity leave. It has been progressively integrated with policies – parental leave and paternal leave – aimed at increasing the involvement of fathers. Maternity leave is compulsory, its length is 20 weeks, of which at least four come before the birth, and is paid at 80 per cent of earnings,[10] with no ceiling for salaried workers. It has recently been extended to self-employed and temporary workers. Paradoxically, not being inserted in a comprehensive policy of work–life reconciliation, its 'generosity' risks backfiring because long periods out of work during maternity leave may result in skills depreciation and a gradual detachment of women from the labour market. Childcare – indeed, care in general – is overwhelmingly entrusted to the mother. Among the EU27 countries, Italy has the highest gender gap in unpaid working hours for domestic chores: 5.2 compared with an EU average of 1.7 hours per day (CNEL 2017), irrespective of employment. Even for those in employment, maternity has a cost: a high share of women leave the labour market after childbirth, and for those remaining there is a 10 per cent loss in pay even 24 months after maternity leave. The loss is higher for women having their first child before 30 and for those on a fixed-term contract (INPS 2017). Finally, firms are reluctant to offer jobs to women, who end up being discriminated against.

Under pressure from women's movements and thanks to the trade unions' increasing commitment, recent legislation has tried to reduce the employment cost of maternity by increasing the involvement of the father, although results have been meagre. Parental leave is an individual, non-transferable entitlement that can be taken at any time until a child is 12 years old. In 2011 it was extended (Decreto Salva Italia), albeit with a shorter length, to self-employed and other autonomous workers, provided that they had paid at least three months' social contributions. Each parent is entitled to six months, with a maximum of ten months per family, to be extended to 11 months if the father takes at least three months of leave. The parents receive a cash benefit amounting to 30 per cent of earnings if the child is under 6 years old; it is not paid otherwise. They are also granted pension credits.

Finally, Law 92/ 2012 (the Riforma Fornero) provided for a compulsory paternity leave of one day, increased to two days in 2016, with a benefit amounting to 100 per cent of pay. Fathers can take two additional days if the mother agrees to transfer these days from her compulsory maternity leave allocation.

In the view of many stakeholders, the incentives provided by the law to promote take-up by fathers are not sufficient to reduce the care gap. Most beneficiaries of parental leave are women; although slowly increasing, men's take-up rate is still less than 20 per cent of the total. Social security data show that the typical beneficiary is 36 years old, resides in the north, has an open-ended contract, works full-time, mainly in the manufacturing sector, and has medium-low qualifications (INPS 2017, p. 72). Men's scant participation in parental leave is a hot issue in industrial relations: fathers benefiting from the leave are employed in large firms and have a taxable income much higher (approximately €10 000 higher) than the median. Small and medium-sized firms face greater difficulties in replacing workers on leave, even for short periods; conversely, larger firms can implement occupational welfare schemes (see the case study in section 5), taking advantage of fiscal incentives (INPS 2017, p. 89).

The same law of 2012 introduced a voucher for employed mothers to pay for a babysitter or day care. The bonus (Bonus Infanzia) must be requested in the 11 months following the end of compulsory maternity leave, for a maximum of six months to replace as many months of parental leave. In 2016, it was refinanced for the two-year period 2017–18, with an annual budget doubled from €20 million to €40 million, and it was extended to the self-employed. The intention of the bonus is to encourage a faster return to work after the child's birth by providing a subsidy for expenses related to childcare. Assessments of its effectiveness are still provisional, however it seems to affect both employment – with a lower rate of exit of the mothers who use it – and the wage penalty, which tends to decline drastically after a few months from return to work.

To conclude, the significance of policy measures in favour of work–life balance is still very limited. Despite trade unions' strong commitment in support of reconciliation policies, care and welfare are still largely a 'family' business, and mostly a woman's business. As a consequence, Italian women still face great difficulties, first in entering employment, then in balancing family responsibilities with paid work (Simonazzi and Villa 2010). It is in this scenario that migration, and specifically female migrant carers, enter the picture. They not only supplement the extremely scarce public care services, but they make paid care affordable for medium–high income households and female employment possible (Simonazzi 2009). Barone and Mocetti (2011) found a positive correlation between female migration and female employment. However, it affects the amount of time worked by employed women, while it has no effect on participation. Moreover, it affects workers with medium–high skills, who have a higher opportunity cost for their time. The authors also found that this type of immigration is a substitute for social and welfare services: the estimated effect is higher in those areas with lower social and family policies. By crowding out public care, this may imply a further, perverse effect on income distribution.

4.2 Industrial Relations for the Age of Digitalisation

4.2.1 Active labour market policies

Active labour market policies have been at the heart of the debate on labour market reforms and have been the subject of negotiation between the social partners and the government. Since the crisis, labour market reforms have been accompanied by structural reforms in the areas of taxation, pensions and welfare. Economic and financial urgency prevailed over the objective of coming to an agreement with the social partners on the content of these reforms, while budget constraints left little room for compensatory, active or passive labour market policies and social spending. Deregulation of the labour market has been accompanied by partial reform of the so-called 'shock absorber' systems,[11] but truly universal unemployment benefit and income support schemes are still in the making. Active labour market policies (ALMPs) have played only a secondary role. Traditionally, Italy has prioritised hiring incentives, which are easy to implement, although subject to significant deadweight losses. Consequently, most ALMPs consisted of introducing and/or modifying the eligibility requirements for employment subsidies, according to what were deemed the categories of workers most in need of employment opportunities at that time. Budget constraints aggravated the notorious inefficiency of the Public Employment Services (PES) in reallocating labour towards scarce job opportunities.

The traditional passive and ALMPs are proving ever less appropriate for dealing with the rapid obsolescence of skills caused by the emerging techno-economic system and the new welfare policies that are needed to catch up and address the different risks entailed by the changing organisation of work. Intermediation between labour demand and supply has gone through several reforms, following various institutional and political vicissitudes (Simonazzi and Fiorani 2018a). In 2015, the legislative decree implementing the Jobs Act created the National Agency for Active Labour Policies (Agenzia Nazionale per le Politiche Attive del Lavoro, ANPAL). Its initial activities include experimenting with the re-employment agreement (*contratto di ricollocamento*) for workers unemployed for more than four months and receiving unemployment benefit (NASPI).

According to the social partners, the comprehensive reform package put in place by the government with the aim of tackling unemployment and improving labour market performance is not working well. To be effective, the agencies in charge of activation need specific skills and capabilities in the analysis of competences, an efficient national information system, standardisation of the basic rules guiding the provision of active and passive labour policies and sound coordination with firms and agencies in charge of professional training. Insufficient financial and human resources prevent the PES from functioning efficiently,[12] resulting in long waiting times, fragmented information spread over different agencies and limited capacity to offer solutions. Moreover, there are problems of continuity and coordination of the various levels of intervention. The rejection of the constitutional reform proposed through a national referendum in December 2016 has modified the initial plan for ANPAL to centralise responsibility for the delivery of ALMP. The newly created agency will coexist with the reinstated regional agencies: lacking clear functions, the PES risks being left in disarray while the unemployed risk running adrift in a multiplicity of agencies, training courses and red tape.

The most difficult challenge, which is at the core of the social partners' efforts, is how to ensure that the new skills provided by the professional training centres match firms' demand for skills. Scaling and reimagining job retraining and work-force skills development, enabling individuals to learn marketable new skills throughout their lifetime and providing the support needed to move to new jobs will be a critical challenge for social protection systems. Firms can take a lead in some areas, providing on-the-job training to help workers upgrade their skills, most notably through inter-professional funds, which were created to finance training programmes agreed among the social partners. Beyond retraining, income support and other forms of transition assistance – unemployment insurance, public assistance in finding work and portable benefits that follow workers between jobs – will be necessary to help displaced workers. As we argued in section 2.2, the problem of the quality of qualifications is especially severe in the school-to-work transition. In addition to supporting ongoing efforts to improve public education, policymakers are increasing their efforts to sustain cooperation with industry, trade unions, educational institutions and working agencies to ensure that skills learned in school fit the needs of employers.

4.2.2 Decentralised bargaining

The speed of technical change calls for a skilled and committed workforce. In this context, variable pay schemes are becoming increasingly popular. The recent literature emphasises the positive link between participation and workers' empowerment and their positive contribution in responding to the technological challenge. Indeed, the Bank of Italy survey found a positive correlation between employees' involvement, the share of pay not determined by the national contract and innovation (D'Amuri and Giorgiantonio 2015). A cooperative climate between management and labour and supplementary firm-level bargaining are credited with encouraging the dissemination of information and responsibility, with positive effects in terms of productivity and innovation. Consequently, there is strong pressure to foster decentralisation of industrial relations.

Reform of the wage-setting system –specifically the insufficient development of second-level bargaining – is a European Commission country-specific recommendation in the field of wages and collective bargaining (2016–17), on the grounds that its insufficient development hampers innovative solutions at firm level (ETUI 2017, p. 38). Employers regard linking rewards to individual and business performance as an effective way of motivating employees to mobilise their efforts more determinedly in the interest of the business, and as a powerful tool to attract and retain employees, especially top performers. Trade unions, too, view reward schemes positively, although they express concern that particular types of schemes or the way they are implemented might lead to inequalities or discrimination.

The government has heavily incentivised the use of reward schemes through favourable tax treatment. Since 1997 various financial laws have introduced and regularly extended substantial incentives, in the form of reduction of social security contributions linked to productivity bonuses. Leoni (2018) estimates the total cost to the state as €6000 billion over the period 2008–17. He concludes that, given the financial resources lavished by the state, assessment of their effectiveness has been widely inadequate, 'leaving policymakers . . . without appropriate indications on the causal links between contracts and outcomes' (Leoni 2018, p. 131).[13] Moreover, despite huge subsidisation, between 2010 and 2016 the share of firms implementing firm-level bargaining remained very low (about 20 per cent), covering 50 per cent of employees, mostly in large exporting firms in the centre-north (D'Amuri and Nizzi 2017). Similarly, variable pay still represents a relatively small percentage of total wage levels, estimated at around 5 per cent of an employee's gross annual earnings. Predominance of small firms, subordination to the national collective agreement and the low rate of productivity growth are among the reasons usually cited for this low coverage. While multi-level bargaining within a coordinated system may be compatible with moderate wage disparities, the risks entailed by disordered fragmentation of decentralised bargaining should not be underrated, as it increases the risk of dualism between successful and unsuccessful firms, north and south, and insiders and outsiders in the labour market, with consequences for policies, intermediate bodies and forms of representation.

5. CASE STUDY 1: PRIVATE OCCUPATIONAL WELFARE TO FILL THE GAP. WHAT IS THE ROLE OF THE SOCIAL PARTNERS AND WHAT ARE THE EFFECTS ON CONVERGENCE?

Occupational welfare is part of secondary welfare, defined as a mix of social provisions and investments funded by non-public resources, provided by a wide range of economic and social actors, typically (but not exclusively) connected in networks with local anchoring, even though open to cross-local collaborations (Maino and Ferrera 2014). In recent decades, it has gained increasing importance across Europe, through both bilateral initiatives (i.e. bilateral bodies) and unilateral actions by employers. Occupational welfare consists of market-driven social benefits provided by private employers and by the state in its role as employer (Sinfield 1999; Goodin and Rein 2001). Since the 2008 crisis, increasing macroeconomic constraints have led to the diffusion of organised forms of private financing to meet the growth and diversification of social needs (job insecurity, work–life balance, ageing and long-term care, poverty and social exclusion, and lifelong learning) (Lodigiani 2013). In a context of permanent austerity, primary and secondary welfare are no longer seen as two separate entities: firms are supposed to mobilise fresh resources, additional to the public resources, to respond to social needs. However, as argued below, the increasing subsidisation of the services financed by firms (mainly through tax relief) makes additionality doubtful. The specific division of labour between public and private welfare varies with country-specific legacies and institutional configurations. Various elements – the nature of the provisions, the policies to be covered by companies and social partners, the features of the private insurance and mutual institutions that develop and deliver public services – define a broad spectrum of interactions among very diverse actors. The possibility of offering vouchers for the purchase of the most varied services (including vouchers for gasoline) has in practice widened the field of action of occupational welfare to the entire range of services falling within secondary welfare. Table 7.2 lists the policy areas that Maino and Ferrera (2014) deem more suitable for the emergence of and experimentation with secondary welfare initiatives. They are grouped in broad clusters linked to typical life-cycle risks and needs, and they cover a wide spectrum. Table 7.3 reports the clusters of services covered in a sample of engineering firms: traditional

Table 7.2 Policy areas more hospitable to secondary welfare initiatives, Italy

Education and training	*Housing*
Early childhood education and care (ECEC)	Homelessness prevention measures
Measures to prevent early school leaving	Social housing
School grants	New financial instruments (for example, reverse mortgage plans)
School–work programmes	
Lifelong learning	
Employment	*Health*
Youth guarantee schemes	Preventive health care
Job search assistance	Long-term care
Job training	Care services at home
Activation policies/returning to the labour market	Institutional care
Occupational/private unemployment or income insurance	Support for family members
	Occupational/private health insurance
Reconciling work and private life	*Social economy*
Accessible and family-friendly workplaces	Financial support for social innovation and social economy
Supplementary leave schemes and benefits	Corporate social responsibility initiatives
	Microfinance
	Social investment bonds
Workplace adaptation	*Inclusion*
Up-skilling	Activating and enabling services and support
Company-based schemes	Adequate income support
	Inclusive labour market measures
	Working poor/in-work poverty and long-term unemployment
	Inclusion of marginalised populations: Roma, migrants and ethnic minorities

Source: Maino and Ferrera (2014).

services, such as reconciliation, job training, canteen and food stamps, are covered by most of the firms.

5.1 The Role of Industrial Relations in Shaping Occupational Welfare

Two points emerge from the (still scant) comparative research. First, a country's industrial relations and institutional background are crucial for understanding the characteristics of its occupational welfare. Comparing Sweden and the United Kingdom, for instance, Mapelli (2017) finds that in Sweden, where the social partners are strong and collective bargaining is centralised, private welfare is more widespread and homogeneous, and achieves a near universal coverage of occupational schemes. Conversely, in the United Kingdom, workplace schemes have been implemented in large numbers, but have only recently taken a social policy role. Owing to the strong fragmentation of industrial

Table 7.3 Services covered by occupational welfare in a sample of engineering enterprises, Italy

Services	% of firms offering the service
Reconciliation	59
Health insurance	57
Canteen and food stamps	44
Lifelong learning	36
Education	34
Transport	26
Family-friendly provisions	24
Recreational services	22
Pensions	20
Insurance	5

Source: Tiraboschi (2018).

relations, and in order to ensure the quality of occupational welfare, legislation had to step in to foster more homogeneous and equitable provision. Second, as demonstrated by the German case – where the distribution of occupational welfare was not dissimilar to that of the United Kingdom before implementation of statutory corrections (Seeleib-Kaiser et al. 2011) – occupational welfare may result in dualism, with a crowd of outsiders enduring inadequate benefits. Despite an overall coverage well above 50 per cent, the lack of strong, centralised industrial relations and legislation prevents an orderly (re) calibration, resulting in cross-sectoral, cross-industry and cross-regional differences, and marked disparities between small and big firms. Thus, the increasing quantity of occupational welfare is not matched by its quality.

In Italy, the main reference for secondary welfare is Law 328/2000, which envisaged and promoted the active participation and shared responsibility of private, especially non-profit, actors in the provision of social services. However, the outsourcing of public services and the growth in the number of accredited private providers financed by public programmes have generally remained embedded in a regulatory framework in which the state continues to be the higher-level actor in the system (Lodigiani 2013). In recent years, occupational welfare has enjoyed a renaissance thanks to favourable legislation that broadened the range of tax-exempt welfare services provided by employers and promoted by bilaterally agreed solutions (Mapelli 2017). The Stability Law 2016 (Law 208/2015 Art. 1, 184–90) embraced bilateralism in the agreements delivering the services, while the Stability Law 2017 provided tax relief for the performance premium (up to a limit) if the employee opts for payment in kind.

The acceleration of the move towards private welfare is aimed at filling the gap left by a declining welfare state. The idea that occupational welfare can help to overcome the difficulties of the Italian social protection system is achieving consensus; these schemes have contributed to shape social dialogue between trade unions and firms and to redesign the welfare public–private mix. However, whether occupational welfare promotes the correction of, or instead reinforces, the three typical distortions of the Italian welfare model (territorial, functional and distributive) is still controversial. According to Mapelli

(2017), the current state of occupational welfare in the Italian welfare mix could be described as an example of delayed recalibration, that is, a shift between different social programmes, targeted classes and actors involved in welfare provision; if in the field of pensions the inequalities in terms of occupational welfare are widely mitigated by strong public provision, in the field of reconciliation the country lags far behind, and territorial disparities remain worrisome.

5.2 Filling the Gap Left by Declining Welfare

Two views confront each other. One view conceives of occupational welfare as a shared and collective responsibility capable of producing social value and encouraging a diverse interpretation of welfare. It can fill the gaps left by public schemes and support financial sustainability (Johnston et al. 2011; European Commission 2012; Pavolini et al. 2016). Conversely, the second view argues that, by enhancing the privatisation of welfare, occupational welfare could lead to the erosion of citizenship rights and an increase in social inequalities. In particular, being inherently related to employment status, it could exacerbate labour market inequalities, thus leading to dualisation (Seeleib-Kaiser et al. 2011); differing across geographical areas it could worsen the north–south divide. Moreover, empirical studies have found a strong relationship between the expansion of occupational welfare and the retrenchment of public policies: far from supplementing public welfare, in a context of decreasing public expenditure the expansion of secondary welfare could offer the pretext for its further retrenchment. Were this to be the case, welfare privatisation could reinforce the occupational and generational cleavage, leaving out the unemployed, the inactive and those employed on precarious contracts. Agostini and Ascoli (2014) conclude that occupational welfare can promote a functional recalibration, but its achievements are more limited when we consider the territorial and distributional recalibrations.

A final consideration is related to the subsidisation of occupational welfare and its consequences for income distribution. In the public debate, it is common to consider tax relief for corporate welfare a win–win solution, a measure that brings benefits with no costs. However, taking the case of health care, Granaglia (2017) stresses how tax relief for corporate health care gives rise to two sets of inequality. First, while the entire community contributes to financing corporate welfare measures, only the workers –possibly only those who are better-off – will access the (better?) private health care services. Second, if the policy of tax relief for corporate health care implies a loss of revenue for the National Health Service, it could affect the quantity and quality of public health care services and induce the exit of richer households towards private health care plans. Similarly, from a gender perspective, Gaiaschi and Mallone (2017) analysed the work–life balance policies implemented in 148 company-level agreements signed between 2004 and 2014. They concluded that, although the implementation of private welfare tried to underpin gender equality, it brought little change in the general cultural attitude on this issue. Thus, as we argued in section 3.1, occupational welfare policies were far from achieving the dual earner–dual carer model and guaranteeing equality of opportunity between men and women.

6. CONCLUSIONS

In this chapter we have described the role played by the industrial relations system in responding to the main challenges faced by the Italian economy and society in recent decades. The social partners have tried, with mixed results, to ensure higher employment and fair working conditions in an unfavourable macroeconomic environment and with sometimes unfriendly governments. Steps have been taken towards common policies to tackle the old and new challenges opened up by the crisis and by technological innovation, such as bilateral agreements for the joint management of vocational training, occupational welfare and private pensions.

To assess how the country has fared in the achievement of social rights, we have resorted to social convergence indicators regarding age, gender, skills and ethnicity. We began by saying that convergence is a tricky concept. We should have said that it is complex; it cannot be assessed by looking at each individual indicator. Convergence in one dimension can cause divergence in another, with possible adverse feedback. We have indicated several examples of these interactions at the macro and micro levels. For instance, at the macro level, we argued that targeting only financial sustainability – public deficit, government debt and inflation – has caused divergence in real variables. Losses in real income, employment and productive capacity in turn have made social convergence much more difficult, besides backfiring on financial convergence itself. Likewise, by delaying the retirement age in a context of stagnant incomes and employment, pension reforms made the youth employment problem worse. Convergence of the OECD indicators of employment protection legislation meant increasing divergence in job security, labour market segmentation and polarisation. In turn, social protection, impaired by austerity policies, has struggled to cope with the increasing precariousness caused by legislation meant to increase labour market flexibility. Social partners' negotiations of new forms of agreement – covering, for instance, decentralised bargaining, occupational welfare and vocational training – need to be framed with care to avoid the risk of increasing inequality.

The interaction between policies meant to achieve economic and social convergence and the possibility of trade-offs between various objectives make clear the need for a combined economic and social programme. We have argued that this may require an initiative on the scale of the Marshall Plan, involving sustained investment, new training models, programmes to ease worker transitions, income support, collaboration between the public and private sectors, and policies to boost skills acquisition, stimulate productivity growth and foster cohesion and convergence.

Social dialogue can help in making the choices, smooth out the divergences and develop a fruitful dialogue for designing a more cohesive society, and we have seen some glimmers of light on the horizon: there is a clear demonstration of the social partners' commitment to promote complementarities among policy domains. We stress, however, that the possibility of achieving social convergence is conditioned on the willingness of the whole European economy – and in particular the euro zone – to turn to more cohesive policies.

CASE STUDY 2: ITALY AND SLOVENIA – TWO PATHS TO LABOUR MARKET FLEXIBILITY AND SOCIAL DIALOGUE

Branko Bembič and Annamaria Simonazzi

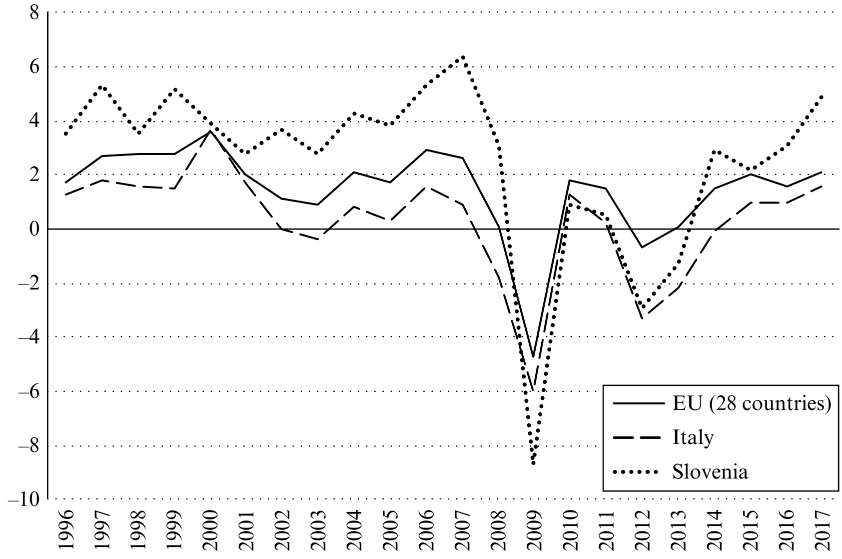
1. INTRODUCTION

Italy and Slovenia both have a relatively high share of non-standard (and mostly precarious) employment. During the crisis, under pressure from financial markets and the European Commission's 'informal' conditionality, both countries implemented labour market reforms, aimed, among other things, at reducing labour market segmentation. In previous decades, Italy and Slovenia had adopted different approaches to labour market deregulation, partly reflecting the priorities of their trade unions. In Italy, the trade unions prioritised protection of jobs, while in Slovenia they were more willing to flexibilise permanent employment in exchange for stronger regulation and more security for non-standard workers. This case study looks at the results of the two approaches since the early 2000s, with a special focus on the reforms implemented in the crisis. We argue that, even under strong conditionality, social partners' involvement in reforms can yield better outcomes in terms of labour market desegmentation than unilaterally imposed reforms, especially if the trade unions prioritise fighting employment precarisation.

2. MACROECONOMIC ENVIRONMENT

Italy's slow growth dates back well before its entry into the EMU. The country did not share the growth experienced by other peripheral member countries in the early part of the twenty-first century's first decade, but was severely battered by the financial and economic crisis. Gross domestic product, industrial production and employment have not yet attained pre-crisis levels. Per capita income relative to the EU average (and Germany) fell precipitously, and the number of households at risk of poverty increased. While the current account has returned to surplus, thanks mostly to the fall in imports, the reduction of public debt is prevented by the slow rate of growth. Fiscal consolidation remains one of the most serious challenges to recovery.

Once the recession connected with the transition had been overcome, from the second half of the 1990s until 2004, Slovenia experienced stable growth, driven by exports and largely financed by domestic funds. This period also saw some social convergence as regards institution-building and the corresponding performance indicators (see Chapter 10 in this volume). After entering the EU and Exchange Rate Mechanism (ERM) II in 2004, growth accelerated and unemployment fell to historically low levels, below 5 per cent, as the country experienced an investment boom based on foreign loans to domestic banks. Steady convergence in GDP per capita with the EU28 turned into divergence as the country experienced a double-dip recession that lasted from 2008 until 2013 (Figure 7.4) and GDP per capita in purchasing power standard (PPS) fell from 90 to 82 per cent of the EU average. Social convergence stalled after 2004 and took some heavy blows after 2008 (see Chapter 10 in this volume). Growth resumed during 2014–16 and accelerated



Source: Eurostat.

Figure 7.4 Rates of GDP growth, Italy, Slovenia and EU28, 1996–2017

in 2017. Recovery was export driven with domestic consumption lagging behind. Only by 2017 did GDP reach pre-crisis levels, but employment was still slightly lower.

3. LABOUR MARKET REFORMS IN ITALY AND SLOVENIA

From the 1990s, labour policies in Italy came to be increasingly based on the idea that flexibility was required to respond to the changing realities of the world of work. However, contrary to the common assumption postulating a positive relationship between flexibility and employment creation, deregulation resulted in an increasingly polarised labour market, with no enduring effects on employment. With deregulation, the number of types of contracts mushroomed: in 2003 the Italian National Institute of Statistics (ISTAT) counted 22 different typologies of contracts, which could be organised in terms of 48 kinds of labour relations. Tronti and Ceccato (2003) estimate that, in 2001, workers on atypical contracts made up 15.4 per cent of total employment (3.8 million of 24.5 million). The limited protection guaranteed to quasi-subordinate work – continuous and coordinated contractual relationships (*contratti di collaborazione coordinata e continuativa*), which included those based on one or more specific projects (*contratti di collaborazione a progetto*) – led to abuses and exploitation of these contracts, which very often disguised proper employment relationships. In the political debate these types of job contracts were denounced as the worst kind of precarious employment.

In Slovenia, during the transformational depression and high unemployment in 1990s, labour market policies were aimed at securing social peace by reducing excess

Table 7.4 EPL evolution for standard and fixed-term contracts of employment for Slovenia and Italy, 2000–2013

	Around 2000	After 2003	After 2008	After 2013
Permanent individual SLO	4	2.7	3	1.99
Temporary SLO	1.3	2.0	2.5	2.13*
Permanent individual ITA	2.76	2.76	2.76	2.68
Temporary ITA	3.25	2.0	2.0	2.0

Note: * The EPL index for Slovenia fails to take into account the two measures used for re-regulation of fixed-term employment contracts in 2013, namely, the introduction of severance pay and higher unemployment contributions.

Source: Laporšek and Dolenc (2011) and OECD.

Table 7.5 Index of protection for open-ended contracts (EPRC) and ratio of temporary contracts (EPT) over EPRC, selected countries, 2013–14

	Italy	Slovenia	France	Germany	Spain	Portugal	Greece
EPRC	2.55	1.99	2.60	2.53	1.95	3.01	2.07
EPT	2.71	2.13	3.75	1.75	3.17	2.33	2.92
EPR/EPT	0.94	0.94	0.69	1.44	0.61	1.29	0.71

Source: OECD (2017b).

labour supply through a combination of unemployment protection and early retirement schemes. However, the tighter the labour market became, the more were social and labour market policies orientated towards flexibility and activation through conditionality. Policy-makers advocated flexibilisation of the allegedly 'rigid' Slovene labour market as a way to stimulate employment creation. However, in contrast to the Italian case, flexibilisation proceeded mainly by lowering the employment protection offered by the standard (open-ended, full-time) employment contract (Table 7.4): between 2000 and 2013 the index of protection for permanent workers fell from 4 to 1.99, while the index for temporary workers increased from 1.3 to 2.1. In 2013, Slovenia had one of the lowest indexes of protection for regular employment (Table 7.5 and Appendix Table 7A.1).[14] Conversely, in Italy the protection of temporary employment fell drastically following the Biagi Law (2003), which relaxed the rules for the use of standard temporary contracts and introduced a wide set of new (atypical) temporary contracts (Pinelli et al. 2017). However, since the crisis, regular employment has also been gradually eroded: the OECD index of employment protection legislation (EPL) (OECD 2017b) for individual dismissals, which had been constant up to the crisis, fell from 2.60 in 2008 to 2.55 in 2013 (with reference to the new index, see footnote 1) and does not compare unfavourably with an index of 2.53 for Germany and 2.6 for France (Table 7.5). Thanks to a policy approach of levelling-down equalisation, in 2013 the index no longer indicated the existence of dualism in the Italian labour market. Following the Jobs Act, Italy's employment protection legislation become even less restrictive than in France and Germany, according to OECD indicators. Indeed, while the Jobs Act reduced firing obstacles for permanent workers, it also relaxed the conditions for the use of temporary and apprenticeship contracts,[15] only partially counterbalanced by the substantial reduction of scope for the use of atypical contracts (see Appendix Table 7A.2). Pinelli et al. (2017) updated the EPL indexes, following the OECD methodology, to take account of the changes introduced by the Jobs Act. According to their estimates, after the Jobs Act the index of protection of permanent workers against (individual) dismissal (Employment Protection – Regular Contract, EPRC) fell to 2.3, while the index of protection for temporary forms of employment fell to 1.8. Paradoxically, by reducing the protection of both, the new law – which was intended to reduce the dualism between 'insiders' and 'outsiders' – ended up worsening the relative situation of temporary workers.

4. TRADE UNIONS AND LABOUR MARKET REGULATION IN ITALY AND SLOVENIA

4.1 Trade Union Approach to Labour Market Reforms since 1990s

We can distinguish three phases of labour market legislation in Italy. In the early 1990s, agreements were aimed mainly at achieving wage flexibility. In this first period, these reforms were implemented with the participation of the social partners. Two inter-confederal tripartite agreements, signed in 1992 and 1993 in a context of emergency conditions in the Italian economy, abolished the *scala mobile* (this mechanism of wage indexation had already been drastically reformed in 1984) to break the wage–price spiral and also reformed the bargaining system by setting two levels of bargaining: the national level was to be devoted to preserving the purchasing power of wages, and the firm-level to distributing productivity gains (Simonazzi 2015). The neo-corporatist approach began to ebb well before the crisis. From 1997 to 2003, legislation was aimed at increasing flexibility in the labour market through the liberalisation of a wide range of atypical contracts. With the crisis, and with the EU governing bodies turning from moral suasion to conditionality, labour legislation veered from negotiated to unilateral.

In Italy, throughout these decades, the trade unions were accused of prioritising protection of insiders over equality among workers. Labour market reforms created contractual flexibility at the margins by deregulating the use of non-standard contracts, while leaving employment protection legislation for standard (open-ended, full-time) workers mostly untouched (Picot and Tassinari 2017). This led to disaffection from trade unions among the younger segments of the workforce, particularly penalised by temporary, precarious contracts. The under-30s age group is the least unionised (15 per cent), with a gap of 30 percentage points with regard to workers aged 45–60.

With dualism worsening, the debate on the increasing inequalities in the labour market intensified. Various arguments, ranging from insider–outsider to inter-generational conflict, converged in attributing the precariousness of 'outsiders' to the protection of 'insiders' and contributed to orienting policies towards reducing the protection of insiders that, it was argued, unfairly discriminated against outsiders.

After the abolition of self-managed socialism, the employers' right to lay off workers for economic reasons was established in Slovenia. Nevertheless, protection against dismissal for standard employment was relatively strong during the 1990s, while fixed-term employment was more liberal as there were no limitations on the number or duration of successive contracts. Temporary agency work was introduced in 1998 and at the outset was very lightly regulated (Vodopivec 2004). Since 2000 the trade unions have often accepted increased flexibility of standard employment in exchange for reregulation of non-standard employment. They have consistently rejected attempts at introducing new flexible forms of employment, such as German-style mini-jobs, which they brought down at the referendum in 2011 (although later on, vouchers were allowed in very restricted forms). Arguing that the government was promoting precariousness, the trade unions also protested against the policy of subsidising transitions from unemployment to self-employment during the crisis, but with little success.

The provision for converting successive fixed-term contracts into permanent contracts was agreed in the 1996 social pact, but was only realised as part of the extensively negotiated 2002 Employment Act when the government desperately needed the trade unions' signature on incomes policies for fulfilling the Maastricht criteria. The trade unions settled for a lower level of protection of standard employment, while regulation of fixed-term contracts and temporary agency work was tightened. Although some minor modifications were adopted in 2007, the most important was the 2013 reform (see below).

In summary, while Italian trade unions were often accused of defending regular workers at the cost of flexibilisation at the margins of the labour market, since the 2000s their Slovene counterparts have, as a rule, fought for tighter regulation of non-standard employment forms.

4.2 Recent Labour Market Reforms in Italy and Slovenia

Since 2011, labour policies in Italy have sought to reduce dualism in the labour market by cutting the dismissal costs of open-ended contracts, while seeking both to regulate and to promote non-standard forms of employment. The Jobs Act (2014), which the government enacted without coordination with the trade unions, finally abolished workers' reinstatement rights in case of dismissal (except for discriminatory reasons), replacing it with monetary compensation, and introduced a new standard open-ended contract for new hires (graded security contract), which reduces the level and uncertainty of firing costs for all new permanent contracts in firms with at least 15 employees. The Jobs Act was complemented by another measure, passed in the 2015 Budget Law, which changed the costs of new hiring on standard contracts as it provided a sizeable temporary rebate of non-wage labour costs (up to €8060 per year for three years) for new permanent hiring of workers who had not held previously an open-ended position. These incentives were not targeted at specific groups of workers, nor were they contingent upon firm-level net job creation; that is, firms could use the subsidy to convert a temporary contract into a permanent contract. There were also some measures that restricted the use of non-standard forms of employment. Thus, the Jobs Act limited fixed-term contracts to 20 per cent of a company's employees and restricted their total duration to 36 months. The objective of restricting the most excessive non-standard forms was also pursued by repealing the dependent self-employment contracts based on projects and classifying these forms of quasi-subordinate contracts as proper employment relationships if certain conditions were fulfilled. However, the Jobs Act promoted non-standard employment arrangements by abolishing the requirement to state the reason for fixed-term employment and by increasing the number of successive extensions. Similarly, the reform increased the maximum amount of income that could be received in vouchers (an Italian version of German mini-jobs) (Simonazzi and Fiorani 2018b). The trade unions' fierce opposition to vouchers led to their subsequent abolition.

The 2013 labour market reform in Slovenia – albeit adopted under strong pressure from the European Commission and the financial markets (see Chapter 10 in this volume) – was extensively negotiated in the tripartite Economic and Social Council (ESC). Standard employment contracts were flexibilised (period of notice was shortened, dismissal procedures were relaxed and severance pay was reduced). The argument was that flexibilisation of standard employment (demanded by employers and the government and supported by the European Commission) would lower the costs of hiring for standard employment. The trade unions, however, conditioned their consent with measures for tighter regulation of non-standard employment and improvement of the job security of precarious workers. Thus, for fixed-term contracts of employment, the unemployment insurance contribution was increased to five times the normal amount, which was aimed at increasing the cost of this employment arrangement. The same objective was pursued by introducing severance pay for fixed-term employment that, in addition, improved the income security of workers in this employment arrangement. The objective of improving various aspects of the job security of precarious workers was also pursued by a complete formal equalisation of temporary agency workers with workers directly employed by the company. Finally, direct restrictions on the use of non-standard employment were imposed: successive fixed-term contracts were limited to two years for a given job (the limitation also applies to temporary agency workers) and quota restrictions for temporary agency workers on fixed-term contracts with the agency (maximum 25 per cent), but not for temporary agency workers on permanent contracts, were enacted. Stronger dismissal regulations for fixed-term temporary agency workers were imposed, while the same dismissal procedures now apply for open-ended temporary agency workers as for standard employment. The status of 'economically dependant' (solo self-employed with 80 per cent of income received from the same client) was introduced for the self-employed. Furthermore, since 2017 the labour inspectorate has been authorised to demand that 'clients' offer a permanent contract of employment to a bogus self-employed person if the elements of an employment relationship are present. Similar to Italy, young people in Slovenia are particularly exposed to temporary employment (see Figures 7.5 and 7.6). Many of them work in extremely flexible student work, a kind of mini-job accessible only to students, which expanded considerably in the 2000s. In 2015, the social partners and the student organisation agreed to tighten regulation of student work, integrating it into systems of social security and instituting a minimum hourly rate. Reregulation of student work was supported by those segments of the employers that favour more long-term employment relations (manufacturing in the export sector), while the trade unions welcomed it as a measure against further precarisation of work.

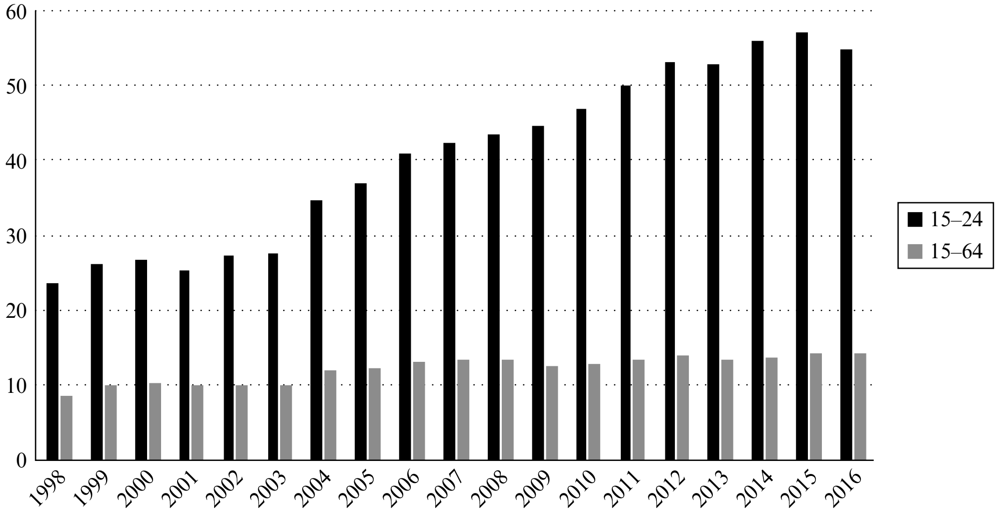
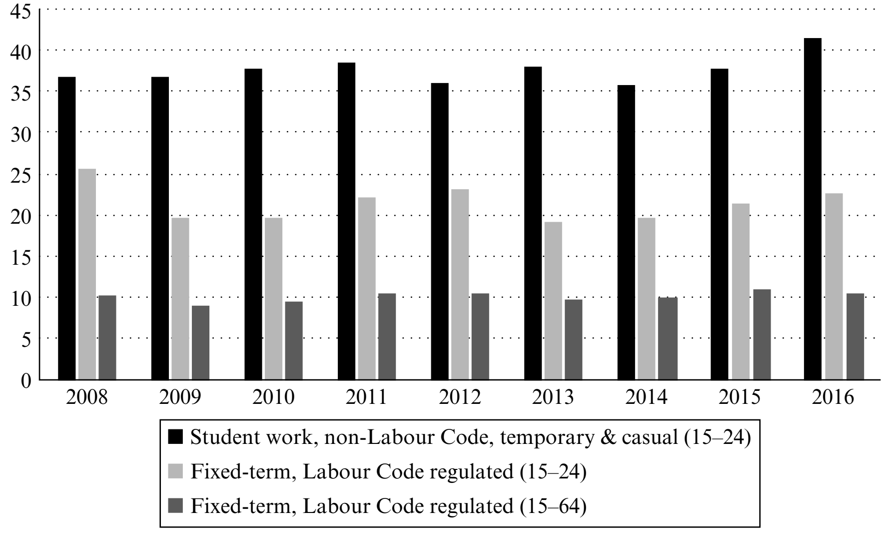


Figure 7.5 Share of temporary employment in total employment, by age group, Italy, 1998–2015



Source: Statistical Office of the Republic of Slovenia (SURS), Labour Force Survey (LFS) data, calculated by authors.

Figure 7.6 Slovenia: shares of main forms of temporary employees in total employment for the 15–24 and 15–64 age groups, 2008–16

4.3 Extension of Protections in Recent Labour Market Reforms in Italy and Slovenia

In Italy, labour market reforms were not effectively countered by compensatory, active or passive labour policies, or social spending. The increase in atypical contracts was only partially countered by a gradual increase in the coverage of unemployment benefits. Partly owing to the extraordinary measures adopted in the crisis, in various steps ending with the Jobs Act, the coverage rate has increased. Decree No. 22 replaced the previous system of unemployment benefits, strengthening the link between benefits and the amount of paid social security contributions. With the mobility allowance coming to an end in December 2016, Nuova Assicurazione Sociale per l'Impiego (NASpI, the new form of unemployment insurance) is the only unemployment benefit. The decree also streamlined the provisions governing the Wages Guarantee Fund (CIG), provided for an experimental unemployment benefit for dependent self-employed workers (DIS-COLL) and an experimental means-tested income support targeted at workers who are no longer entitled to NASpI, have children, or are close to retirement age (Assegno Sociale di Disoccupazione, ASDI) (75 per cent of the last NASpI payment for a maximum of six months). According to INPS (2017, p. 61), the coverage rate of open-ended employees who meet the criteria was, in 2016, 98.5 per cent (93.7 per cent for workers up to 34 years) and 87.6 per cent for workers on a temporary contract. However, according to the trade unions, the new system of unemployment benefits is not truly universal. In particular, it fails to adequately cover quasi-subordinate workers – indeed, the number of self-employed workers receiving unemployment benefit (DIS-COLL) has been very low. Seasonal workers risk having the duration of the benefit halved as a result of the substitution of the age criteria with contribution criteria. Finally, it leaves the problems of the long-term unemployed – who risk falling into poverty – unanswered.

In Slovenia, in 2011 the replacement rate of unemployment benefits for the first three months of unemployment was increased from 70 to 80 per cent of previous wages, but in 2012 the austerity package (Zakon za uravnoteženje javnih finance – Fiscal Balance Act, ZUJF) reduced the replacement ratio after one year from 60 to 50 per cent. The 2011 law (Zakon o urejanju trga dela – Labour Market Regulation Act, ZUTD) eased the conditions for accessing unemployment benefits for those on short-term contracts (mostly fixed term) from 12 months of insurance in the previous 18 months to nine months of insurance in the previous 24 months. The labour market reform in 2013 further relaxed the conditions for access for young people (below 30 years of age) to six months of insurance in the past 12 months (Kajzer 2013). The ALMPs are currently more orientated to the young, which has already achieved some results (UMAR 2016, p. 56).

4.4 A Brief Comparison of Recent Labour Reforms in Italy and Slovenia

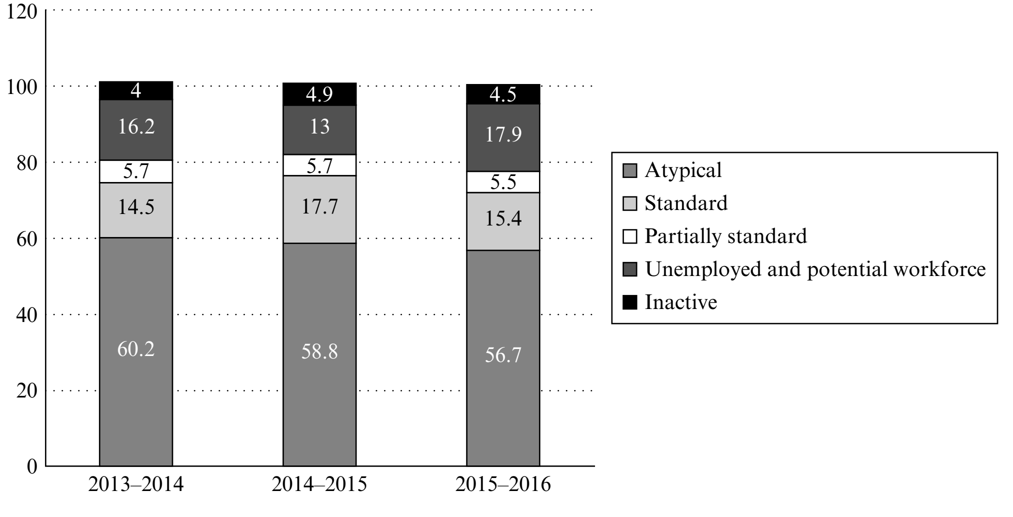
Recent labour market reforms in both countries (Appendix Table 7A.3) were adopted under strong, though informal, conditionality. Both reforms entail measures for the rearrangement of relative costs, that is, lowering the costs of standard employment and/or increasing the costs of non-standard employment; measures for improving the security of precarious workers; and measures that restrict the use of non-standard forms of employment. Besides these similarities, however, we also find two major differences between the two approaches. First, while reforms in Italy were adopted more or less unilaterally, in

Slovenia they were extensively negotiated by the social partners. This was probably the reason behind the second difference, that is, that the Slovene reforms seem to pursue the aim of desegmentation more consistently, as they did not stimulate non-standard work, and not only decreased the costs of standard employment but also increased the cost of non-standard arrangements. As indicated by their (successful) demands for the abolition of vouchers in 2017, the inclusion of the Italian trade unions in the reform process would probably ensure more consistent restrictions on non-standard employment. Their involvement could also contribute measures for increasing employers' costs when implementing non-standard arrangements.

5. A SHORT DESCRIPTION OF OUTCOMES

Assessment of the success of the new labour market legislation in Italy is still controversial. The latest data indicate that the flexibility provided for the first three years of the graded security contract has not reduced the incidence of fixed-term contracts, especially among young people. Nor did it succeed in increasing the transition from more precarious to more secure forms of contract, as shown in Figure 7.7. When the incentives provided to favour new hiring on a permanent basis (by reducing social security contributions) petered out, precarious contracts for young people took over again (Beraldi and Lagrosa 2017). The same generally holds for the other groups; according to INPS data, the number of new permanent contracts exceeded the 2014 level only in 2015 and then fell below again in 2016. Similarly, data from the Italian Ministry of Labour show that only in 2015 was net hiring on permanent contracts positive (Pinelli et al. 2017).

The most significant result of the succeeding Italian labour market reforms appears



Source: ISTAT (2017, p. 153).

Figure 7.7 Transitions from different employment status, Italy, 2013–16

Table 7.6 Share of employment by typology of contract, 2016 and rate of change, 2008–16, Italy

Typology	2016	Rate of change 2008–16
Standard	73.3	–6.3
Employee full-time	53.4	–5.9
Self-employed full-time	19.9	–7.1
Partially standard	14.7	30.8
Open-ended contract, part-time	12.0	35.9
Self-employed, part-time	2.7	12.2
Atypical	12.0	–0.3
Employee temporary	10.7	6.1
Freelance (*collaboratori*)	1.3	–32.6
Total	100.0	–1.4

Note: The classification is based on the type of contract, for example, an involuntary part-time worker on an open-ended contract will be classified as 'partially standard'.

Source: ISTAT (2017b).

to be a strong decreasing trend in non-standard forms of employment, such as freelancers (*collaboratori*) and solo self-employed after 2015 (Table 7.6). Nevertheless, even in this area some workers simply changed their status from abolished forms of contracts to those still in place, for example, professionals (*libero professionista*), whose number soared during 2015–17 (Pinelli et al. 2017).

The evolution of various shares of non-standard forms of employment in Slovenia has not always corresponded neatly to changes in regulation but is influenced largely by the rates of growth of GDP and total employment. For example, although the regulation of fixed-term contracts was tightened in 2002, the tax treatment for employers of student work became less favourable and concession fees were increased during 2003–08, the economic boom starting in 2004 saw a huge expansion of both forms of employment. Conversely, although the admissible reasons for fixed-term employment were increased in 2008, there was a sharp decrease in this form between 2007 and 2009, when temporary workers were the first to be laid off.

Nevertheless, there were some interesting outcomes in the period after 2013. First, in contrast to the post-2004 expansion, the share of standard employment expanded during the post-2013 recovery, according to SURS LFS data. Secondly, labour market transitions from temporary to permanent employment increased after 2013 (Eurostat). More precisely, the most consistent results were obtained with regard to (monthly) transitions from fixed-term to permanent contracts with the same employer, which is probably the result of the new provision that a particular post (instead of worker) can be filled by a fixed-term contract for a maximum of two years (Table 7.7). Hence, in comparison with 2012 (the base year) the probability of transition from a fixed-term to a permanent contract with the same employer increased by 59.2 per cent in 2013, 62.8 per cent in 2014 and 83.7 per cent in 2015. The results are less clear-cut in cases where only the effect of the changes in the relative costs of fixed-term and permanent contracts come into play. Thus, compared with

Table 7.7 Share of employment by type of contract, 2016 and rate of change 2008–16, Slovenia

Type	2016 (%)	Rate of change (%) 2008–16
Permanent contract, LC* (standard)	71.04	–8.06
Fixed-term contract, LC	10.28	–5.05
Part-time contract, LC (fixed-term and permanent)	4.88	+50.00
TAW, LC (fixed-term and permanent)	1.90	ND
Student work, non-LC	3.35	–26.19
Self-employment, non-LC (total)	11.83	+9.09
of which self-employed without employees	8.16	+1.35

Note: * LC = Labour Code regulated.

Source: SURS, LFS except for TAW: SURS, register data. Not all forms are covered and some categories overlap.

2012, the relative probability of transitions from a fixed-term to a permanent contract with another employer was lower by 7.3 per cent in 2013 and by 9.6 per cent 2014, although it was higher by some 33.6 per cent in 2015 (Vodopivec et al. 2017, table A4). Similarly, the relative probability of transition from unemployment to a permanent contract increased under the new law (2013–15) in comparison with 2012, but it was nevertheless lower than in the pre-reform years of 2010 and 2011. The consistency of results for transitions with the same employer suggests that the limitation of the successive contracts for the same job (instead of worker) has made an impact. However, inconsistent and weaker results for transitions from unemployment to permanent employment and from fixed-term to permanent contracts with another employer indicate that the impact of a mere rearrangement of relative costs of fixed-term and permanent contracts is less effective.[16] The results of the reform seem especially favourable for young workers, who experienced an increase in the probability of conversion from fixed-term to permanent employment by 71.9 per cent in 2013, 85.3 per cent in 2014 and 118.3 per cent in 2015 with the same employer (Vodopivec et al. 2017, table A5). A third encouraging result of the reform was that, owing to the imposition of the quota restriction on fixed-term temporary agency workers (workers on a permanent contract are exempt), the share of permanent temporary agency workers increased considerably from a mere 5 per cent in 2011 to slightly below 45 per cent in 2016 (Vodopivec et al. 2017, fig. 4). However, the retention rate of permanent temporary agency workers decreased sharply. Currently, the survival in employment of temporary agency workers on permanent contracts after the reform is longer than on the fixed-term contracts that predominated before 2013 (Vodopivec et al. 2017, fig. A4).

6. FINDINGS AND CONCLUSIONS

The results show that in neither of the two countries did the extent of non-standard work change drastically after the reforms, although both aimed at reducing labour market segmentation. In both countries young people are highly exposed to precarious work.

Measures that extended the protection of precarious workers were adopted in both countries (unemployment benefits were rearranged in both countries and severance pay for fixed-term employment and the total equalisation principle for temporary agency workers were introduced in Slovenia). To facilitate the transition from fixed-term to permanent contracts, relative costs of standard and non-standard employment were rearranged. However, in Italy the main measures targeted the costs of permanent employment (subsidised transition to permanent contracts by a temporary rebate of non-wage labour costs for new permanent hiring, abolition of reinstatement rights, and a graded security contract). Conversely, the Slovene reforms reduced the costs of permanent contracts (shorter period of notice, reduced severance pay and simplified dismissal procedures), and increased the costs of fixed-term employment and student work (higher unemployment contributions for fixed-term and lower contributions for permanent contracts, severance pay for fixed-term contracts, pension contributions and health insurance paid for student work and minimum hourly rate for student work). Finally, the Italian reforms were contradictory: some measures tried to limit excessive use of non-standard forms (abrogation of quasi-subordinate contracts, quota restrictions on fixed-term contracts and limits to the duration of fixed-term contracts), while others relaxed the use of other atypical employment (increase of income that can be received on vouchers, increase in the number of successive fixed-term agreements and abolition of the requirement for stating the reason for a fixed-term contract). Conversely, in Slovenia the trade unions managed to achieve several restrictions on non-standard work that regulated non-standard employment much more consistently and tightly (stipulation imposing a time limit on the duration of fixed-term contracts for a given job, and no ordinary dismissals and quota restrictions for fixed-term temporary agency workers).

Regarding the outcomes, some encouraging desegmentation effects of the 2013 reform were observed in Slovenia. The share of standard employment did not decrease drastically (as it did in the last expansion in the 2004–08 period), employment security of temporary agency workers improved moderately and transitions from fixed-term to permanent contracts increased, especially for young people, which is probably also an effect of active labour market policies.[17] In Italy, however, the effects appear rather short-lived. Comparison of the results indicates that the most effective measures for fighting segmentation might be the restriction of employers' room to manoeuvre on the use of flexible contracts, which were present in Slovenia but rather inconsistent in Italy. Nevertheless, even in Italy the repeal of certain forms of self-employment seems to indicate greater awareness of the social and economic costs connected with the worst forms of precariousness and of the short-run effects of relying on measures affecting labour costs. The case of Slovenia indicates that measures restricting the use of precarious forms seem the most effective, while the results of the rearrangement of relative costs appear rather uncertain. Thus, in contrast to traditional prescriptions for rearranging the relative costs of different forms of employment, labour market regulation – that is, restrictions on the most precarious forms of work – appears most fruitful for achieving beneficial results in terms of labour market desegmentation.

More generally, the comparatively favourable outcome of the Slovene 2013 reform (and regulation of student work) in terms of social convergence in the area of non-standard work can to a large extent be attributed to trade union involvement. Faced with little hope of defending the established social standards of regular employment under heavy pressure from external actors, which strengthened the position of government and employers, Slovene trade unions seized the opportunity to make the most of the regulation of precarious forms of employment. Unlike the Slovene 2013 labour market reform, in which the law strictly followed the agreement made in the tripartite ESC, the Italian government bypassed the social partners in the case of both the Fornero Reform and the Jobs Act. Only recently have the social partners resumed negotiations involving the three main trade union confederations – newly reunited – and the government.

NOTES

1. Neoclassical growth models predict real convergence in time and space. The hypothesis of full or unconditional convergence states that poorer countries will automatically catch up with richer countries. A more guarded hypothesis postulates conditional (and not full) convergence: countries do not converge to one steady-state level, but to different ones based on key parameters. Finally, 'club convergence' occurs if a group of countries with similar underlying economic parameters converges towards a common steady-state level, whereas other countries never manage to catch up. The euro is said to be an instance of such club convergence.
2. World Bank, https://data.worldbank.org/indicator/SP.POP.65UP.TO.ZS (accessed 30 July 2018).
3. There are various terms (for example, gig economy and share economy) to denote 'that portion of the economy composed of digital platforms enabling users to share, lend, rent or purchase goods and services. In comparison with traditional marketplaces, platforms reduce transaction costs and thus enable micro-transactions' (Kilhoffer et al. 2017, p. 16).
4. https://ec.europa.eu/eurostat/web/labour-market/quality-of-employment (accessed 30 July 2018).
5. In countries such as Germany, Austria and the Netherlands, where the two indexes also differ, a very high share of part-time (80 per cent in Germany, 50 per cent in Austria and the Netherlands, 33 per cent in Italy) is compensated by women's high participation rate (INPS 2017).
6. The first part of this section draws on Bettio et al. (2006).
7. In 2016, the share of the migrant population over 65 years of age was 3.3 per cent, compared with 23.7 per cent for the native population; conversely, the share of population up to 15 years of age was 18.9 and 13.3 per cent, respectively.
8. The Ministero del Lavoro e delle politiche Sociali (2017, p. 49) reports slightly lower differentials: a gap of 25.2 per cent for non-EU workers and 19.9 per cent for EU foreign workers, and 28.1 per cent for non-EU female migrant workers.
9. Conversely, among 'Managers, intellectual and technical professions', 60.6 per cent of migrants and 48.8 per cent of natives have a university degree.
10. The maternity benefit is paid by INPS. In some Contratto Collettivo Nazionale di Lavoro (CCNL), firms have agreed to integrate the remaining 20 per cent.
11. The Jobs Act further revised the unemployment insurance system, setting new conditions for the renamed unemployment benefit (NASPI), a new provision (ASDI) to cover unemployed workers in distressed economic conditions who had finished the period (up to 18 months) of normal unemployment benefit and a special benefit covering atypical workers (DIS-COLL). Moreover, from 2017, NASPI has also replaced the redundancy pay scheme for workers subject to collective dismissal by medium or large firms restructuring or closing (*mobilità*).
12. At present, PES staff number a mere 7000, with a total budget of €700 million, and can provide only 350 000 hours of services. By comparison, in Germany there are more than 100 000 PES employees, with a budget of approximately €9 billion.
13. Leoni (2018) argues that various distortions mar the empirical studies seeking to assess the overall effectiveness of these subsidies, while evaluation of the relative effectiveness of the various incentives is totally absent.
14. The OECD changed the indexes in 2008, adding some indicators for their estimation. Thus, in Table 7.4 we used the index calculated with the old indicators in order to avoid breaks in the series. For the country comparison in Table 7.5 we used the more recent index. That explains the different values in the two tables.
15. Decree law no. 34 of 20 March 2014 (Decreto Poletti).
16. It has to be noted, however, that the authors of the quoted study (Vodopivec et al. 2017) came to a

different conclusion regarding the effectiveness of limitations on successive contracts for the same job. Nonetheless, their rich presentation of empirical results allows us to draw our own conclusions.
17. A caveat is in order here, however. Although at first sight the approach of the Slovene trade unions might look moderately effective in fighting precarisation, the effects of successive waves of flexibilisation of the standard contract should not be dismissed too easily. While non-standard employees may in a large majority of cases be considered precarious, there is no reason to treat permanent workers as 'privileged insiders'. For example, although mostly employed on standard contracts, unskilled workers in traditional services – such as security guards, retail workers, cleaning staff and restaurant workers – hardly constitute a privileged segment. Substantial decreases in the protection of standard employment adversely affect the security and increase the precariousness of these workers. While without trade union involvement there would be probably fewer provisions for improving the security of the precarious workers and for restricting non-standard forms, overall the 2013 reform in Slovenia was scarcely an example of positive upward convergence.

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APPENDIX 7A.1 CASE STUDY 2 TABLES

Table 7A.1 OECD indicators on employment protection legislation, Italy, Slovenia and selected EU countries, 2013 and 2014

		Protection of permanent workers against individual and collective dismissals	Protection of permanent workers against (individual) dismissal	Specific requirements for collective dismissal	Regulation of temporary forms of employment
Italy	2013	2.89	2.55	3.75	2.71
Slovenia	2014	2.39	1.99	3.38	2.13
France	2013	2.82	2.60	3.38	3.75
Germany	2013	2.84	2.53	3.63	1.75
Greece	2013	2.41	2.07	3.25	2.92
Portugal	2013	2.69	3.01	1.88	2.33
Spain	2013	2.36	1.95	3.38	3.17
Sweden	2013	2.52	2.52	2.50	1.17
United Kingdom	2014	1.59	1.18	2.63	0.54

Note: Scale from 0 (least restrictions) to 6 (most restrictions), last year available.

Source: OECD/IAB Employment Protection Database, 2013 update. For more information and full methodology (including weights), see www.oecd.org/employment/protection and http://data.iadb.org/ (accessed 27 March 2018).

Table 7A.2 Labour market reforms: main changes and objectives/drivers, Italy and Slovenia

Italy		Slovenia	
1992–93 Trilateral agreement (*concertazione*)	Wage flexibility Abolition of the wage indexation scheme and introduction of two levels of bargaining	1991 Labour Relations Act (Labour Code)	Layoffs for economic reasons are allowed Standard employment well protected Fixed-term contract of employment more liberal
1997 Pacchetto Treu (Law 196/1997).	Increase employment by increasing flexibility Legalised temporary work agencies, regulated collaboration contracts and liberalised apprenticeships and fixed-term contracts	1998 Employment and Insurance against Unemployment Act	Temporary agency work allowed and very lightly regulated
2003 Biagi Law	Increase employment by reducing labour market rigidities Liberalisation of atypical contracts. Facilitated the use of staff leasing contracts, part-time work and non-standard forms of employment relationships and reformed the apprenticeship contract Increased labour market segmentation	2003 Labour Relations Act (Labour Code)	Lower protection for standard workers Tighter regulation of temporary agency work Regulation of fixed-term contracts of employment (prohibition of chaining of contracts)
		2010 minimum wage increase	Minimum wage increased by 23 per cent At the new level minimum wage at some 52 per cent of monthly average earnings
2011 Legge Fornero (D.L. 6 December 2011, n. 201)	Pension reform: improve the (short-run) sustainability of the pension system	2011 Rejection of mini-jobs and of pension reform	Campaign against introduction of German-style mini-jobs led by the trade

Table 7A.2 (continued)

Italy		Slovenia	
	Increase in retirement age (rigidly fixed) and shift to a full contributory basis		unions. Mini-jobs rejected at the referendum Pension reform rejected at the referendum demanded by the trade unions. The main objection was that there were no provisions for the early retirement of those that started working before the age of 18
2012 Fornero labour reform	Reduce dualism by decreasing protection of open-ended contracts and regulating use of atypical contracts Making firing easier by diluting Art. 18 of the Workers' Charter Increase in social contributions for precarious contracts and more restrictive regulation on their use Partial extension of coverage of unemployment benefits	2012 New pension reform	Included are provisions for early retirement of those that started working before the age of 18
		2013 Labour market reform	Standard employment contract flexibilised. Disincentives and restrictions placed on the use of non-standard employment. Security of non-standard workers improved. Unemployed benefits made more accessible
Jobs Act, Law 183/2014	Reduce dualism and facilitate hiring on permanent contracts		

Table 7A.2 (continued)

Italy		Slovenia	
	Regulation governing dismissals (abolished workers' reinstatement rights in case of dismissal, except for discriminatory reasons, replacing it with monetary compensation); simplification of contracts and labour law procedures, reformed unemployment benefits and active and passive labour market policies		
2015 Budget Law	Encourages creation of new permanent jobs Provides a sizable temporary rebate of non-wage labour costs (up to €8060 per year for three years) to new permanent hiring of workers	2015 reregulation of student work	Minimum hourly wage for student work established Integration of student work in the system of social security

Table 7A.3 Main measures of the recent labour market reforms in Italy and Slovenia

Measures adopted	Italy	Slovenia
Extended protection	Wage Guarantee Funds: extended in 2004 and increased in 2009: Cassa Integrazione Guadagni in Deroga – IGD) to cover workers in small firms (<15 employees) or workers who have exhausted ordinary benefits. The provisions governing this institution are unified and regulated by the Jobs Act Unemployment benefits: ASPI (*Fornero* 2012) extended the coverage of unemployment benefits and Mini-ASPI (*Fornero*) to cover workers who did not meet the requirements for ASPI – both reformed by the Jobs Act Mobility allowance, a special benefit covering workers in case of collective dismissal, abrogated (*Fornero* 2012), effective January 2017 A new unemployment benefit, NASpI – replaces and unifies ASPI and Mini-ASPI (Jobs Act) ASDI – benefit for long-term unemployed, no longer eligible to NASpI (unemployment assistance (Jobs Act)	Improved accessibility of the unemployment benefits for short-term contracts and the young (2013) Severance pay on fixed-term contracts (2013) Integration of student work into pension and health insurance (2015) Complete formal equalisation of temporary agency workers (TAWs) with directly employed by the user company (2013)
Relative 'costs' of standard and non-standard employment	Subsidised transition to permanent contracts by a temporary rebate of non-wage labour costs for new permanent hiring (temporary measure) Abolition of reinstatement rights (Jobs Act) Graded security contract (Jobs Act)	• Shorter period of notice (2013) • Reduced severance pay (2013) • Simplified dismissal procedures (2013) • Unemployment contributions increased for fixed-term and lowered for permanent contracts (2013) • Severance pay for fixed-term contracts (2013) • Pension contributions and health insurance paid on student work (2015) • Minimum hourly rate for student work (2015)

Table 7A.3 (continued)

Measures adopted	Italy	Slovenia
Restrictions on non-standard work	• Abrogation of quasi-subordinate contracts and their transformation into a proper employment relationship (if involuntary) • Quota restriction on fixed-term employment (20% of company's work force) • Maximum duration of fixed-term contract (cumulative) 36 months	• A given job (and not worker) can be occupied by a fixed-term employee for max. 2 years (includes TAW) (2013) • Quota restriction of TAW on fixed-term contracts (25% of user firm's workforce) (2013) • Tighter provisions for dismissing fixed-term TAWs (2013) • Rejection of mini-jobs in a referendum (2011)
Promoting non-standard work	• Increase in maximum income that can be received on vouchers (akin to German mini-jobs) from 5000 to 7000 euros (Jobs Act), abrogated subsequently • Maximum number of successive fixed-term agreements extended to five times (Jobs Act) • No need to state the reason for a fixed-term contract (Jobs Act)	• Dismissal of permanent TAWs same as with a standard contract of employment (2013) • Casual work of retirees from 2013 (restricted in terms of income, maximum number of hours for both employer and retiree, minimum hourly rate applies, social contributions paid) • Vouchers for personal supplementary work from 2015 (restricted in terms of admissible employers, activities and income, social contributions paid)