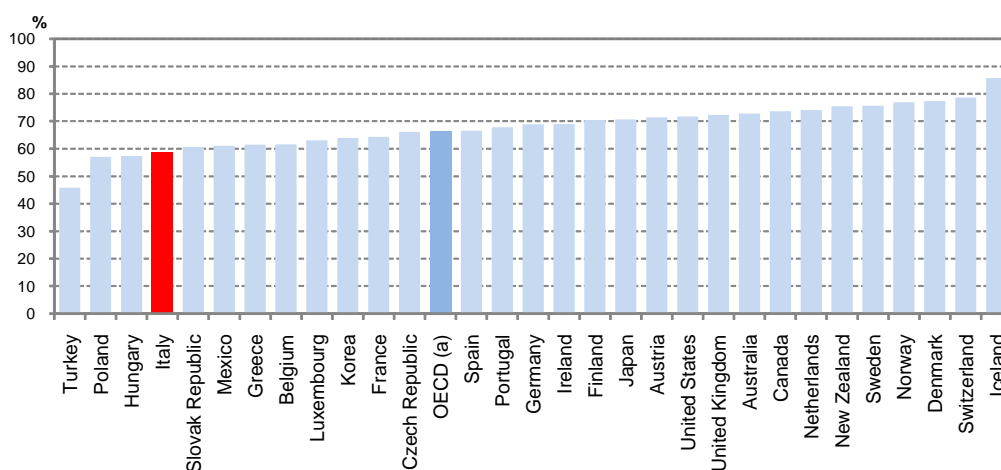


Employment Outlook 2008 -- How does ITALY compare?

Unemployment is at its lowest level since 1981. The *OECD Employment Outlook 2008* shows that the Italian standardised unemployment rate continued to fall in 2007, reaching 6.1% at the end of the year. The relative position of Italy in the OECD has improved considerably since 1998 (when the unemployment rate was 11.4%). The unemployment rate in Italy is now about 1 percentage point below the EU-15 average and only half a percentage point above the OECD average. But there are now downside risks for the economy with potential negative effects on the labour market.

The employment rate, or the proportion of people of working age who are employed, however, continues to be one of the lowest in the OECD. Less than 59% of people of working age have a job, compared with over 70% in the best performing OECD countries (see Figure 1). In addition, total employment grew by one mere percentage point in 2007, half a percentage point less than the OECD area as a whole and, more importantly, less than the average of the ten previous years. Employment growth is also projected to slow down further over the next two years.

Figure 1. **Proportion of people of working age who are employed**
Employment as a percent of population aged 15-64, 2007



a) Weighted average of OECD countries.

Source: OECD Employment Outlook 2008.

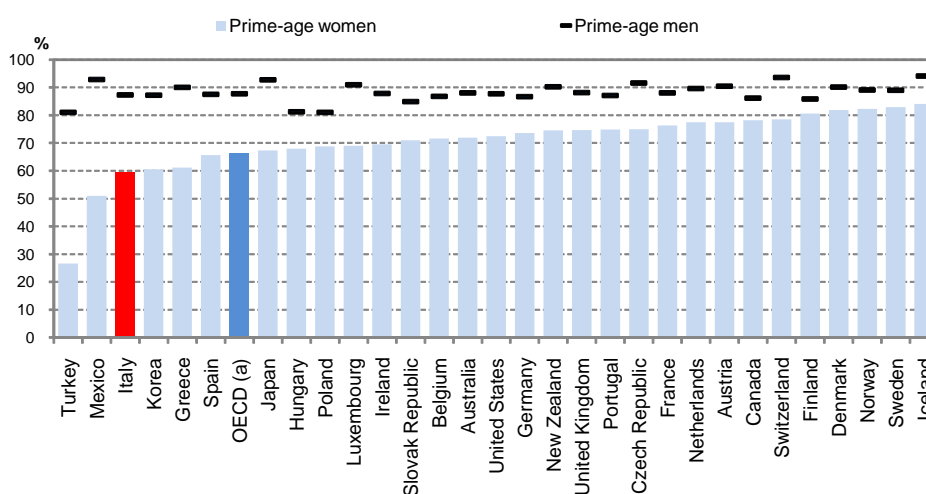
Youth unemployment also remains an issue. The unemployment rate among youth aged 15 to 24 years remains very high at 20.3% – although it declined by almost 10 percentage points over the past decade. The OECD report shows that only Greece and Poland do worse than Italy in this respect. Young Italians spend on average three years to find their first job after leaving initial education, more than one year above EU average. And they need about one extra year to find a permanent job.

Work-related mental health problems are on the rise. The *OECD Employment Outlook* shows that, in Italy, work-related mental health problems, such as stress, sleeping problems and anxiety, have risen by 3.2 percentage points since the mid-1990s, due to deteriorating working conditions. In particular, work-intensity rose by 28 percentage points, the greatest increase in the EU. And the share of employees declaring to be completely dissatisfied of their job is also increasing faster than in most other countries.

Female employment rates are particularly low among women. Only 46% of Italian women have a job and the employment rate is also very low among prime-age women – at 59.6% Italy is the worst OECD

performer after Mexico and Turkey (Figure 2). This is first and foremost the result of extremely low labour force participation. And insufficient policy action concerning affordable childcare and fiscal incentives to work for both members of the couple is among the factors to be blamed for it. But poor labour force participation is not the whole story – the OECD report highlights. Women have also significantly smaller chances to find a good well-paid job. In Italy, 15% of employed prime-age women had a temporary job in 2005, against only 9% for prime-age men. In addition, the hourly wage of prime-age women with a full-time job is about 18% lower than that of full-time prime-age men, with this difference soaring to 22% in the case of employees with tertiary education. The analysis contained in the *OECD Employment Outlook* suggests that persistent labour market discrimination is one key factor behind these disparities.

Figure 2. **The gender employment gap varies widely across OECD countries**
Employment as a percent of population, women and men aged 25-54, 2007



a) Weighted average of OECD countries.

Source: OECD Employment Outlook 2008.

More effective policy action is needed to fight discrimination. The OECD report estimates that further liberalisation of product markets can increase the Italian female employment rates by at least 1.5 percentage points, since stronger competition, by putting pressure on profits, will discourage managers from discriminating simply on the basis of prejudices. Moreover, Italy would benefit from improving its anti-discrimination legislation, which the report shows being far from OECD best practices. For example, the current legislation grants no special protection against retaliation of employers to plaintiffs or witnesses, which strongly discourages victims to take action. Moreover, fines and victims' compensations are low in comparison to other countries and fines have never been applied so far, thereby having no deterring power. In the case of discrimination against ethnic minorities, the OECD report notes that the distance from best practices is even greater, insofar as insufficient institutional support to prove a discrimination claim is provided to plaintiffs. True, the Ufficio Nazionale Antidiscriminazioni Razziali (UNAR) helps plaintiffs gathering elements of proof, but has no authority to compel employers to provide the required information, which weakens its effectiveness in providing this service to plaintiffs.

OECD Employment Outlook 2008 is available to journalists on the **password protected** web site or on request from the **Media Relations Division**. For further comment on Italy, journalists are invited to contact Stefano Scarpetta (tel: +33 1 45 24 19 88 or e-mail: stefano.scarpetta@oecd.org) or Andrea Bassanini (tel: +33 1 45 24 90 32 or e-mail: andrea.bassanini@oecd.org) from the OECD Employment Analysis and Policy Division.