

ITALY

GDP per capita and productivity have continued to decline relative to the upper half of OECD countries. Moves to improve the efficiency of public administration through results-oriented management and simplification of legislation have continued though significant impacts cannot yet be seen. Further reforms are needed in the areas below.

Priorities supported by indicators

Reduce regulatory and administrative barriers to competition

Productivity growth is still hampered by restrictions on competition through excessive regulation, notably in professional services. Inefficiencies in public administration also add to costs in the private sector.

Actions taken: Some backward action occurred in 2009 through less-than-full implementation of 2006 legislation on professional services.

Recommendations: Fully implement and extend the 2006 “Bersani” decree, removing anti-competitive regulations and structuring public interest regulations to minimise anti-competitive effects and limit barriers to entry. Pursue the stalled programme of promoting one-stop shops, and more fully streamline administrative processes.

Improve the efficiency of secondary and tertiary education

Educational outcomes, measured by international student test (PISA) scores, are poor considering the level of expenditure. The number of university graduates remains relatively low, especially with research degrees.

Actions taken: Policies announced in 2009 aim to improve cost-efficiency but action so far concentrated on broader funding cuts.

Recommendations: Put resources into evaluation so as to provide reliable feedback to schools and universities. Ensure that Vocational Educational Training (VET) programmes put sufficient emphasis on general skills. Ensure that recruitment systems employ suitably qualified teachers and researchers. Increase university autonomy to set tuition fees, supporting students through income-contingent-repayment loans and means-tested grants.

Improve the efficiency of the tax structure

A high tax wedge on labour and a relatively high corporate tax rate (with many exemptions) distort incentives to the supply of labour and capital. Low tax compliance damages revenues for any given statutory rates.

Actions taken: Reductions in 2009 in income taxes on overtime or productivity pay seem to have done little to reduce the overall tax wedge on labour. A partial amnesty in 2009 and 2010 for funds held abroad raised one-off revenue but gave ambiguous incentives for tax compliance.

Recommendations: Reduce marginal rates on labour and capital and shift the weight of taxation towards property and consumption. Compliance could be improved by simplification of tax law and elimination of many tax expenditures, as well as by better enforcement.

Other key priorities

Reduce public ownership

High public ownership in some sectors reduces competition. Consumer interests are not always the priority in competition policy. TV media remain dominated by state companies and one private company.

Actions taken: Alitalia was privatised in 2008-09, no action taken since.

Recommendations: Privatisise more aggressively, reasserting the priority of consumer interests. Ask the Competition Authority to assess the degree of competition in TV media.

Reduce labour market dualism

Strong labour market segmentation exists between the public sector, private sector workers on permanent contracts, those on temporary contracts, and the informal sector.

Actions taken: No action taken.

Recommendations: Relax job protection on standard contracts to increase incentives to hire permanent rather than temporary workers. Allow some regional variation of public sector wages in line with variations in the cost of living.

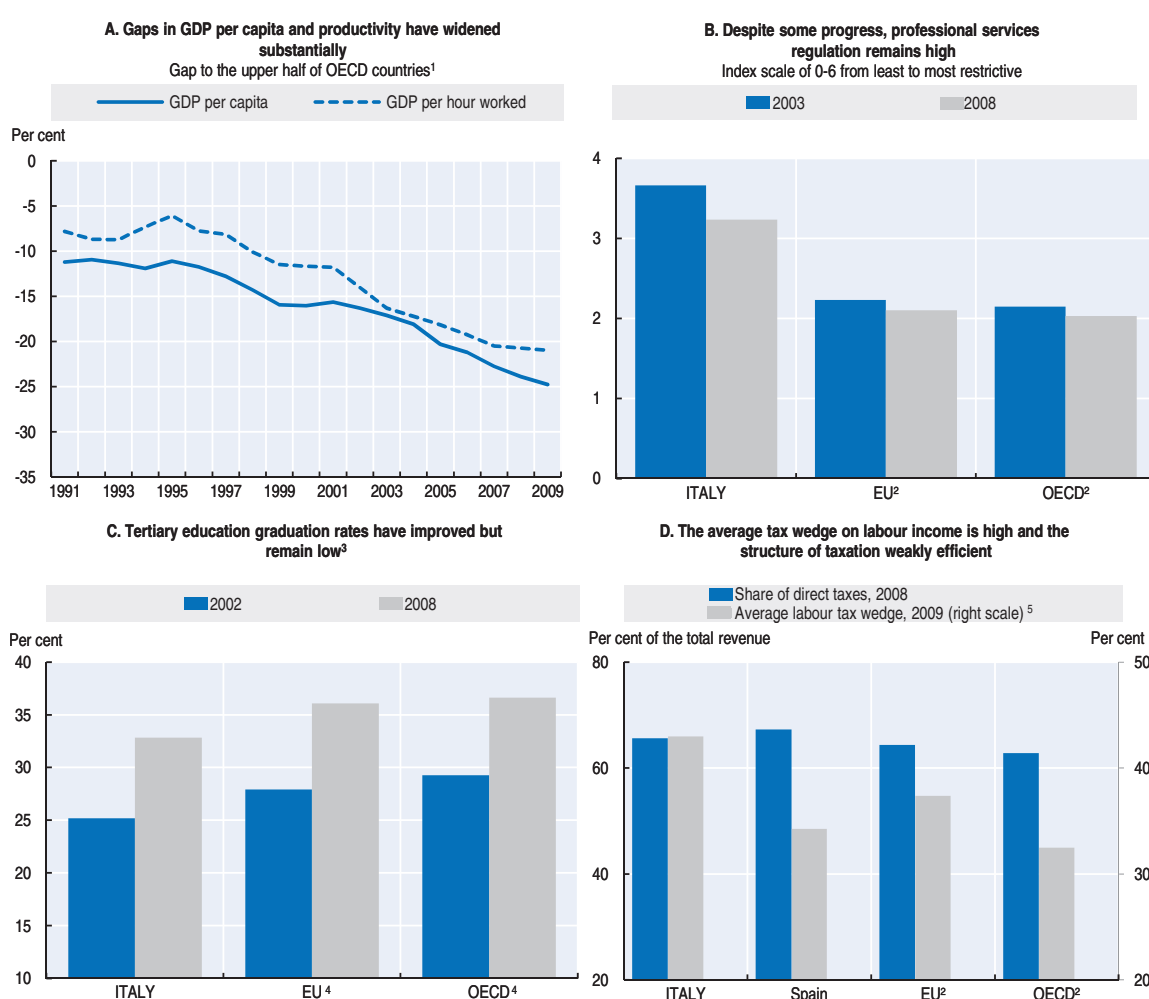
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Structural indicators

Average annual trend growth rates, per cent

	1999-2009	1999-2004	2004-09
GDP per capita	0.5	1.2	-0.2
Labour utilisation	0.2	0.6	-0.3
of which: Employment rate	0.4	0.9	0.0
Average hours	-0.3	-0.3	-0.3
Labour productivity	0.3	0.6	0.1
of which: Capital intensity	0.7	0.9	0.6
Multifactor productivity	-0.4	-0.3	-0.5

Source: Estimates based on OECD (2010), OECD Economic Outlook No. 88: Statistics and Projections Database.



1. Percentage gap with respect to the simple average of the highest 17 OECD countries in terms of GDP per capita and GDP per hour worked (in constant 2005 PPPs).
2. Average of European countries in the OECD. EU and OECD averages exclude Chile, Estonia, Israel and Slovenia.
3. First-time graduation rates for single year of age at tertiary-type A level.
4. Average of European countries in the OECD. EU and OECD averages exclude Belgium, Chile, Estonia, France and Korea.
5. Single person with low earnings and no child (low earnings refer to two-thirds of average earnings). Percentage of total labour compensation.

Source: Chart A: OECD, National Accounts and OECD Economic Outlook No. 88 Databases; Chart B: OECD, Product Market Regulation Database; Chart C: OECD (2010), Education at a Glance; Chart D: OECD, Taxing Wages and Tax Databases.

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