

### OECD Employment Outlook 2014

The 2014 edition of the OECD Employment Outlook reviews recent labour market trends and short-term prospects in OECD and key emerging economies. It zooms in on how the crisis has affected earnings, provides country comparisons of job quality, examines the causes and consequences of non-regular employment, and estimates the impact of qualifications and skills on labour market outcomes.

For further information: [www.oecd.org/employment/outlook](http://www.oecd.org/employment/outlook)

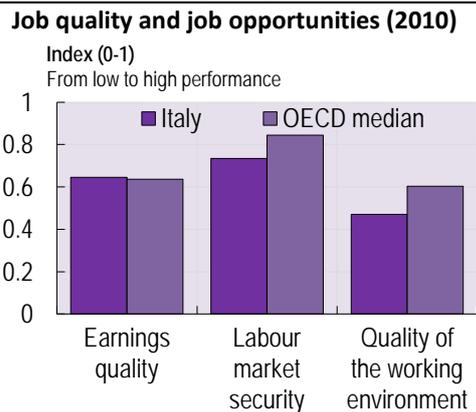
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#### Italy's anaemic growth implies that unemployment is expected to remain high until end of 2015

According to the OECD's May 2014 projections, Italy's growth rate will remain sluggish in 2014 to pick up only a little in 2015. As a result, the unemployment rate has increased further to reach 12.6% in July 2014—2.4 percentage points above the EU average – and only 55.5% of the working-age population was in employment. Given the short-term growth projections, the unemployment rate is not expected to decrease significantly until the end of 2015.

unemployment combined with a welfare system that has a low coverage of unemployed people and does not provide generous income support to those who are entitled by OECD standards. Moreover, Italy also performs poorly in terms of the quality of the working environment. Relatively many workers report difficult and stressful working conditions, where high work pressure and difficult tasks are combined with insufficient resources and support in the workplace to accomplish job duties.

#### Italy is lagging behind also in terms of job quality



Source: OECD Employment Outlook, 2014.

Not only is a large fraction of Italians jobless, but also those in employment tend to have jobs of worse quality than in a number of other OECD countries (see figure). In particular Italian jobs appear to be characterised by lower security because of a high risk of

#### Youth bear the brunt of the sluggishness of the labour market

Joblessness and labour market insecurity is concentrated among youth everywhere in OECD countries. Almost one in four active persons aged 24 years or less is now unemployed in the OECD. But the rise of youth unemployment was even faster in Italy where youth unemployment more than doubled since the fourth quarter of 2007 to reach 43.4% in the second quarter of 2014. More worrisome, this trend is accompanied by an increase in inactive youth who are not in education. As a consequence, the rate of youth Not in Employment or in Education and Training (NEET) increased by 6.1 percentage points to reach 22.4% at the end of 2013 (see figure on the next page). This contrasts with the experience of most other OECD countries, where either youth responded to poor employment prospects by investing more in education (as reflected in a stable NEET rate, on average) or the NEET rate has gone down faster than the aggregate rate of

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joblessness (such as in Germany). For Italian NEET youth, there is a growing risk of long-term scarring effects – that is of suffering a permanent reduction in their employability and earnings capacity.

**Effective action in the area of activation is key**

The effectiveness of active labour market policies will be crucial to put jobseekers in general and the youth in particular back to work. Significant progress in this area has been accomplished by the development of new forms of apprenticeships and the efforts to put in place the European Union’s *Youth Guarantee*. However, its implementation and results in terms of placement into jobs or education must be carefully monitored to avoid that additional available resources are not properly used by service providers.

**Recent and envisaged reforms of labour contracts may reduce dualism**

As a result of the 2012 Fornero reform Italy has made some progress in reducing over-reliance on atypical contracts. But firms still tend to hire young, inexperienced workers only if they can employ them with a temporary contract. In

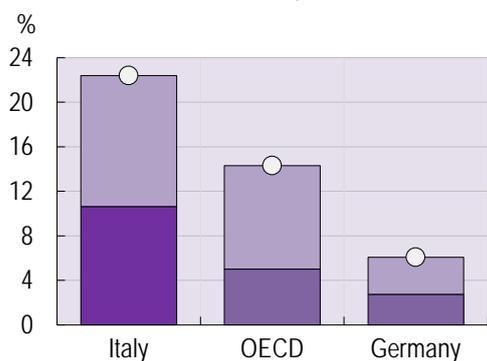
fact, about 70% of new hires are on temporary contracts, one of the highest rates in the OECD. While responding to the need of putting quickly workers back into jobs, the recent liberalisation of fixed-term contracts implemented by the government may also contribute to the risk of raising again the dualism of the Italian labour market. It is therefore important to proceed swiftly with the definition and implementation of the *Jobs Act* so as to reducing dismissal costs for permanent contracts and, most importantly, reducing the uncertainty on the time and potential costs of dismissals for economic reasons. An option under consideration is to substitute – except in cases of discrimination – the right to reinstatement with monetary compensation, progressively increasing with job tenure. However, as done in Ireland and the United Kingdom, these new rules should be enforced in the same way for terminations of both permanent and temporary contracts, including at the end date. Finally, greater efforts should be made to protect better workers against unemployment, by moving towards a universal unemployment benefit insurance systems (Assicurazione Sociale per l’Impiego, ASPI) as indicated in the 2012 labour reforms and strengthened in the Jobs Act.

**NEET rates among youth**

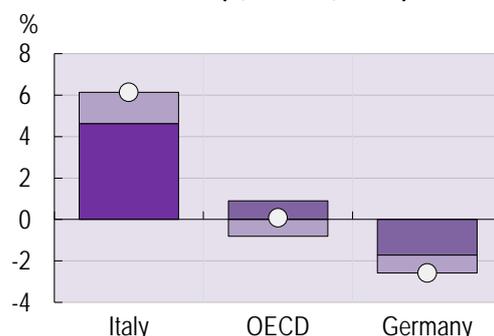
Percentage of population aged 15-24, Q4 2007-Q4 2013

■ Young inactive and not in education or training      ■ Young unemployed and not in education or training  
○ NEET rate

**A. NEET rate in Q4 2013**



**B. Percentage-points change in NEET rate since the onset of the crisis (Q4 2007-Q4 2013)**



Note: OECD is the weighted average of 31 countries (excluding Chile, Israel and Korea).

Source: OECD calculations based on quarterly national labour force surveys.

**OECD Employment Outlook 2014** is available to journalists on the **password-protected** website or on request from the Media Relations Division. For further comment on Italy, journalists are invited to contact Stefano Scarpetta (+33 1 45 24 19 88; [stefano.scarpetta@oecd.org](mailto:stefano.scarpetta@oecd.org)) or Andrea Bassanini (+33 1 45 24 90 32; [andrea.bassanini@oecd.org](mailto:andrea.bassanini@oecd.org)) from the OECD Employment Analysis and Policy Division.