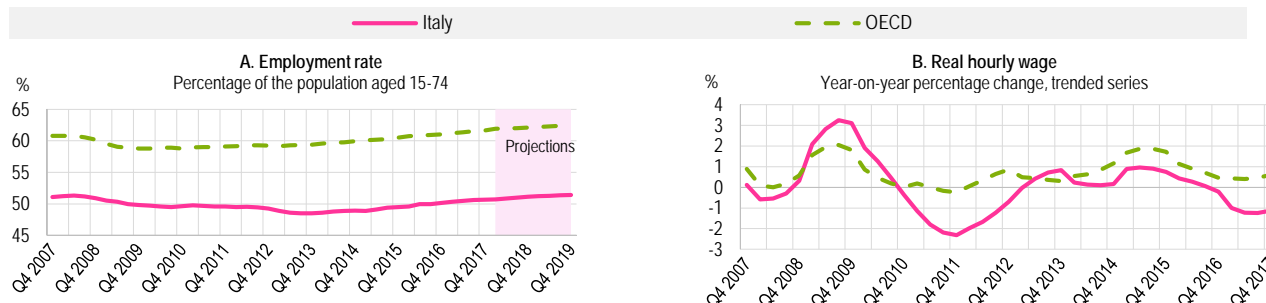


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Labour market developments in Italy



Note: OECD weighted average (based on 29 OECD countries in Panel B, not including Chile, Iceland, Korea, Mexico, New Zealand and Turkey).
Source: OECD calculations based on OECD Economic Outlook Database (No. 103), June 2018, and quarterly national accounts.

RECENT LABOUR MARKET TRENDS AND PROSPECTS

Across the OECD countries, labour market conditions continue to improve and in the first quarter of 2018, the average employment rate was about 2 percentage points above its pre-crisis peak. OECD employment and unemployment rates are also projected to keep improving in 2018 and 2019. However, at 0.6% in the fourth quarter of 2017, the year-on-year growth rate of real hourly wages remained disappointingly low, almost one percentage point lower than before the crisis for similar levels of unemployment.

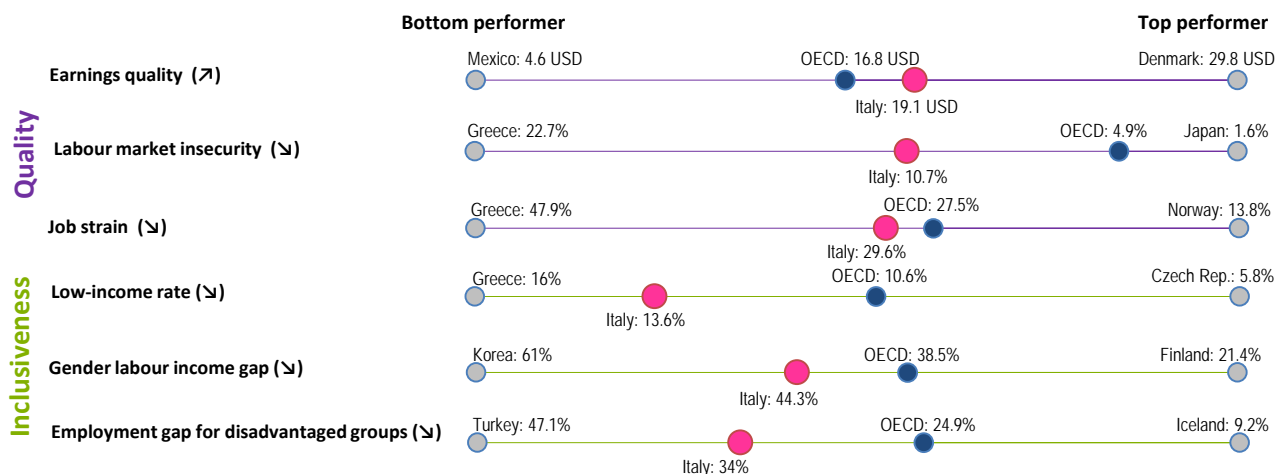
- The labour market situation in Italy has improved over the past years but at a slower pace than in other OECD countries. Employment in Italy, as a share of the population aged 15-74 years, has increased by more than 2.3 percentage points since the crisis trough in 2013 and, at 50.9%, it is almost back to its pre-crisis level (51%). OECD projections suggest that these trends will continue in the next two years
- Similarly, the unemployment rate in Italy has been decreasing but at 11.2% in April 2018 it remains the third highest among OECD countries and 4.6 percentage points above its 2008 level.
- Real wage growth has been negative since 2016. Real wages fell by 1.1% between the fourth quarters of 2016 and 2017 while on average real wages increased by 0.6% in the OECD over the same period. Stagnant productivity growth as well as a significant share of workers in low-paid, involuntary part-time jobs is one of the key factors behind the adverse wage developments in Italy.

DEVELOPMENTS IN JOB QUALITY AND LABOUR MARKET INCLUSIVENESS

Job quality and inclusiveness indicators show a mixed picture for the OECD countries. Improvement has occurred over the past decade, with a reduction in the gender gap in labour income, the employment gap for disadvantaged groups, and the incidence of job strain – excessive job demands combined with insufficient resources. However, labour market insecurity is not yet back to pre-crisis levels and poverty has grown amongst the working-age population.

- The Italian labour market performs below the OECD average in all key indicators of job quality and inclusiveness, except earnings quality in which Italy is above the average (see the chart on the next page).
- Unsurprisingly, given the poor performance in terms of unemployment and the significant incidence of short-term contracts, the degree of labour market security of Italian workers is the fourth lowest in the OECD, after Greece, Spain and Turkey.
- Poverty has increased: 13.6% of working-age persons live in households with less than 50% of the median income, up from 10.7% in 2006.
- The employment gap for disadvantaged groups, such as mothers with children, youth, older workers, non-natives, and persons with partial disabilities, is the fourth highest among OECD countries but it has slightly decreased over the last decade. The gender labour income gap is also above the OECD average.

Job quality and labour market inclusiveness: key indicators for Italy in 2016-2017



Note: An upward ↗ (downward ↘) pointing arrow for an indicator means that higher (lower) values reflect better performance. *Earnings quality*: Gross hourly earnings in USD adjusted for inequality by giving more weight to the lower end of the earnings distribution. *Labour market insecurity*: Expected percentage net income loss upon job loss computed taking into account the probability of becoming unemployed and the expected duration of unemployment. *Job strain*: Percentage of workers in jobs with a combination of high job demands and few job resources to meet those demands. *Low income rate*: Share of working-age persons living with less than 50% of median equivalised household disposable income. *Gender labour income gap*: Difference between per capita annual earnings of men and women (% of per capita earnings of men). *Employment gap for disadvantaged groups*: Average difference in the prime-age men's employment rate and the rates for five disadvantaged groups (mothers with children, youth who are not in full-time education or training, workers aged 55-64, non-natives, and persons with disabilities; % of the prime-age men's rate).

Source and definitions: OECD calculations using data for 2017 or latest year available from various sources. See [OECD Employment Outlook 2018](#), Ch. 1

EARLY PROVISION OF EMPLOYMENT SERVICES AFTER JOB LOSS CAN SPEED UP RE-EMPLOYMENT

Every year, between 1% and 7% of the workforce of OECD countries faces job loss due to economic reasons. Displaced workers find new jobs much more rapidly in some countries than in others, suggesting a key role for well-targeted policy. In particular, early employment support intervention during the notice period before the layoff occurs can greatly reduce the length of the unemployment spell.

- The creation of the National Agency for Active Policies (ANPAL) has been a very important step but Italy needs to keep investing in activation policies.
- The main priority is to ensure a close co-ordination with regions. Allocating well-trained staff to Public Employment Services (PES) and developing an appropriate skill profiling tool is also key to manage effectively the large numbers of jobseekers.
- Moreover, an early-intervention strategy to foster rapid re-employment needs to be put in place. Displaced workers need to register with PES as soon as they are notified of contract termination so that they can be the immediate focus of outreach initiatives. However, the

implementation of such a strategy may prove difficult without improving access to unemployment benefits, while making eligibility conditional on early registration and active job search by job losers.

UNEMPLOYMENT BENEFITS REACH ONLY A MINORITY OF JOBSEEKERS

Unemployment benefits are one of the principal instruments for linking jobless people to employment support programmes. But in most countries, fewer than one in three jobseekers receive unemployment benefits. Policy initiatives during the early stages of the global financial crisis made benefits more accessible and extended coverage. But, overall, coverage has frequently continued the downward trend seen before the crisis.

- In 2016 less than one in ten unemployed was receiving unemployment benefits in Italy, one the lowest coverage rate in the European Union as a result of high long-term unemployment and low maximum potential duration of benefits.
- The coverage rate is expected to increase following the reforms to the system of unemployment benefits entered in force in 2015.

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