OECD THEMATIC FOLLOW-UP REVIEW OF POLICIES TO IMPROVE LABOUR MARKET PROSPECTS FOR OLDER WORKERS

ITALY *(situation early 2012)*

In 2011, the employment rate for the population aged 50-64 in Italy was 5.9 percentage points ***higher than in 2005*** *and 11.6 percentage points* ***below the OECD average****. Further statistical information about the labour market situation for older workers in Italy is presented in the scoreboard in Table 1.*

A major multi-country OECD review of employment policies to address ageing took place during 2003-05 and was summarised in the OECD synthesis report *Live Longer, Work Longer*, published in 2006. That report put forward an agenda for reform, consisting of three broad areas where policy action was seen as necessary to encourage work at an older age:

- strengthening financial incentives to carry on working
- tackling employment barriers on the side of employers
- improving the employability of older workers

One of the main purposes of this follow-up review is to take stock of the progress OECD countries have made in implementing this reform agenda. In the third quarter of 2011, a questionnaire was sent to all member countries, seeking information on the measures and reforms carried out since 2006. For each of the 21 countries[1] that had participated in the original review, the questionnaire was adapted to refer to the OECD's specific policy recommendations in each corresponding country report.

The main actions taken in Italy since 2004 are described in this Note. A summary assessment of the extent to which Italy has followed the OECD's recommendations in the report *Ageing and Employment Policies: Italy* is given in Table 2.

[1] Australia, Austria, Belgium, Canada, Czech Republic, Denmark, Finland, France, Germany, Ireland, Italy, Japan, Korea, Luxembourg, Netherlands, Norway, Spain, Sweden, Switzerland, United Kingdom, United States. For further information, see *www.oecd.org/els/employment/olderworkers*.

A. STRENGTHENING FINANCIAL INCENTIVES TO CARRY ON WORKING

A.1. OECD recommendations to Italy in 2004 – action taken

Enhance incentives to remain in work longer

Combining pension and work

Since 2008 it is possible for people who are retired and who have reached the minimum limit of contributions they have made to social security (at that time, the limit was 40 years) to combine their pension income with income from autonomous or dependent work.

New structural reform measures of the pension system

The December 2011 laws incorporating urgent measures to foster growth, equity and consolidation of the national debt included pension reform that entered into force as of 1 January 2012. These structural reform measures are consistent with ongoing policies for the increasing containment and the stabilisation of pension expenditure in relation to GDP. They were approved in view of two urgent priorities. First, it was important to accelerate the full enforcement of reforms introduced previously to increase the retirement age and adjust both retirement qualifications and the system for calculating benefits in line with changes in life expectancy. The second priority was to pursue long-term sustainability, observing the following principles:

- *Equity and cohesion*, both between and within generations, always with an eye to safeguarding the most vulnerable groups in the population. This would be achieved by extending the contribution-based calculation system to all insured workers, and replacing the seniority pension with the early retirement pension; entitlement to the latter would be subject to more restrictive conditions, with exemptions still granted to workers performing arduous jobs.

- *Flexibility* in the retirement age qualifying conditions (described below), together with penalties for retiring early.

- *Simplification, transparency and efficiency* in the operational costs of the different pension fund management systems, to be obtained through the harmonisation of various pension schemes as well as through merging some of the social security institutions.

Eliminate incentives to retire early

The measures introduced in January 2012 providing for greater flexibility in the retirement age qualifying conditions, along with incentives aimed at prolonging the working life as well as penalties in case of early retirement:

- The retirement qualifying age was increased, but also made flexible: effective 1 January 2012, the retirement age is established at between 66 and 70 years of age for men. As regards women, as of the same date the minimum retirement age has been fixed at 62 years and will gradually be increased until it is finally set at 66 by 2018.
- As mentioned above, the seniority pension quota system based on a combination of age and seniority is discontinued and the seniority pension itself has been replaced by the earlier retirement pension entitlement, for which the qualifying conditions are more demanding (42 years + one month of contributions for men and 41 years + one month of contributions for women); penalties for those who quit the labour market earlier than 62 years of age have also been introduced.

- Besides the age conditions mentioned above, the newly applied pension calculation system will vary according to life expectancy; a three-month increase has been factored in from 1 January 2013.

Ensure that unemployment, disability and other welfare benefits are not used as alternative pathways to early retirement

Combat fraud

The social security institute for the private sector (INPS) regularly undertakes action to combat welfare benefit fraud.

Activate mobility allowance for older workers

Since 2009, employers who hire older workers who have paid in 35 years or more of social security contributions) and receive a mobility allowance (an unemployment insurance benefit called *indennità di mobilità*) benefit from a reduction in their social security contribution per worker hired under this allowance until their retirement. This measure, previously due to be in effect for only one year until the end of 2010 has been prolonged for 2011 and through 2012. Now, it is specifically addressed to unemployed workers who: are aged over 50; have paid in 35 years of social security contributions; are receiving mobility allowance; and are willing to work at a lower classification pay (20% less than their most recent job. In addition, fired workers (especially older workers) who receive mobility allowance can be hired through an apprenticeship contract that allows their reinsertion into the labour market and training in new abilities and skills. Employers receive half of the mobility allowance per older (over 50) worker for 24 months.

B. TACKLING EMPLOYMENT BARRIERS ON THE SIDE OF EMPLOYERS

B.1. OECD recommendations to Italy in 2004 – action taken

Identify best practices among firms in Italy that promote employment opportunities for older workers

A 2010 initiative of the Ministry for Labour and Social Policies – implemented in co-operation with the PES *Italia Lavoro* at the local level and the social partners (*FederManager and ManagerItalia*) – has targeted the occupational reintegration of 1 000 unemployed older managers. Public funds/grants (“hiring bonuses”) have been made available to companies intending to hire managers aged 50 and over.

B.2. OECD recommendations to Italy in 2004 – no action taken

Implement fully the European Directive on Age Discrimination following consultation with the social partners

The European Directive on discrimination, including on the grounds of age, [should be implemented fully. The social partners should be consulted regarding the implementation of the legislation in order to ensure its effectiveness and minimise any additional costs to employers.

Improve working conditions

Working conditions must be adapted to the needs of older workers in order to enhance their retention prospects and their ability to adapt in turn to change. Firms should facilitate job rotation to better accommodate these workers; for example, they could be exempted from working night shifts.

Review wage practices based on age or length of service

The social partners should take into account the adverse effects on the employment of older workers of current scales linking wages to age or length of service; in the future greater weight should be given to the skills and productivity of individual workers. Establishing a more flexible and decentralised wage bargaining system should serve to facilitate this process.

Review employment protection legislation

The current rules of employment protection for workers on regular contracts are overly strict while leaving workers on non-regular forms of employment inadequately protected. The result is that older workers on regular contracts tend to be reluctant to move to other jobs, thereby affecting their employability. New forms of employment are not sufficiently attractive to experienced and older workers. There is thus a need to improve protection of new forms of employment, while easing some of the rules governing regular contracts.

C. IMPROVING THE EMPLOYABILITY OF OLDER WORKERS

C.1. OECD recommendations to Italy in 2004 – action taken

Encourage upgrading of education levels and participation in lifelong learning, and develop systems to recognise, certify and validate experience

These measures are not specifically designed for older workers, but they certainly have an impact on them:

- Guidelines for Training were set up in 2010 to revitalise vocational training, through an agreement signed by the government, regions and social partners.

- A 2011 timetable of work on professional standards, standards of accreditation and certification of skills and training standards was put in place in order to make these Guidelines effective: interested parties (government, regions and social partners) have committed to a shared work programme on issues concerning older workers. The EQF (European Qualification Framework) is to serve as methodological reference in defining these standards.

Strengthen and expand training opportunities for mid-career and older workers

The Programme of Measures for Income and Skills Support for Workers Affected by the Economic Crisis was established through an agreement between government, regions and autonomous provinces in February 2009. The measures enable joint operations and the allocation and transfer of funds in support of social safety nets in derogation of existing measures relating to productive sectors, companies and individuals not considered in the law. The programme for the period 2009-10 has been funded in particular by resources of the European Social Fund (ESF) Regional Operational Programme, totalling EUR 8 billion. The programme has been extended to 2012. Access to the passive measures (income support) has been made more strongly subject to the declaration of immediate availability for work or professional retraining courses, closely linking the provision of that support to policy measures.

The targeted workers are:

a) Workers, at risk of expulsion from the production processes but still in contact with employment. The paths provided for them primarily comprise rehabilitation/upgrading of skills consistent with the evolving requirements of the profession and the company/business profile.

b) Redundant workers who have been expelled from the production processes. The measures here are aimed at relocating the worker, through actions to improve/upgrade their skills. The active policy measures are based on different practices of learning not exclusively related to the course as traditionally taught. This scheme is tailored to individual workers' needs. Various interventions aim at enhancing skills through: guidance and support at work; training course "packages" that are short, modular, well blended, and usable in succession; professional training in companies; retraining in agreement with enterprises; and consulting and mentoring in – and incubation support for – self-employment.

The programme includes adult education and training, in particular through:

a) job training arrangements for early re-employability of laid-off workers who receive short-time working scheme benefits;

b) use of Inter-professional Funds resources to finance the training of workers subject to redundancy procedures;

c) identification of information points and guidance to workers of all ages with a view to their reintegration into the labour market;

d) on-the-job training programmes or training programmes organised by training centres that ensure the reproduction of actual production contexts (business trainer);

e) use of workers as mentors in vocational training activities such as apprenticeship; and

f) specific "replacement contracts" for laid-off workers aged 50 and over.

There is since 2010 a joint Multi-Sectoral Funds for Continuing Training (*Fondimpresa)* that provides rewards for funded programmes that benefit a share of over 20% of workers over 45.

Review the role of the Public Employment Service (PES)

In 2005 the Italian government, in particular the Ministry of Labour and Social Policies, launched the P.A.R.I. Programme (Action Programme for Re-employment of Disadvantaged Workers), with older workers among the beneficiaries. This programme sees to it that the PES is provided with funding, in order to improve actions and measures for reintegrating the unemployed, above all those persons over 50. These measures and actions consist in providing enterprises with incentives for hiring older workers. Efforts at improving the employability of older workers exist at local level, but they are financed by ESF. The local administration of Trento, for example, has organised in co-operation with private enterprises training courses designed for unemployed workers/employed workers over 50.

C.2. OECD recommendations to Italy in 2004 – no action taken

Reform the unemployment benefit system and provide adequate funding

A move towards a "modern" system of unemployment protection is urgently needed. It is crucial to implement a "mutual obligations" approach between reinvigorated PES and the unemployed, involving adequate benefits and re-employment services. Beneficiaries, in turn, should be looking actively for a job or risk facing a sanction. Resources freed up by the gradual phase-out of early retirement could serve to fund this move.

Introduce in-work benefits for unemployed or inactive people who accept a job

This could be done by allowing unemployed workers who accept a job to keep their benefits for a certain period. Alternatively, beneficiaries who accept a low-paid job could receive an income supplement, while older workers with a low wage who postpone retirement might be granted deferred benefits in terms of better pension entitlements.

Ensure that measures are properly targeted and evaluated

Measures intended to benefit older workers as a whole may be not targeted closely enough at the groups who need them most, and may risk producing stereotypes and stigma. Regular evaluation of the programmes can help improve targeting. More generally, it can help identify the measures that work best and for whom.

Table 1. **Older workers scoreboard, 2001, 2005 and 2011**

	Italy			OECD[h]		
	2001	**2005**	**2011**	**2001**	**2005**	**2011**
Employment						
-- Employment rate, 50-64 (% of the age group)	40.2	43.7	49.6	55.6	58.4	61.2
of which 50-54	61.2	66.9	70.7	71.8	73.7	76.1
55-59	37.8	43.1	55.3	55.9	59.9	64.8
60-64	18.6	18.0	20.9	32.5	35.6	40.0
-- Employment rate, 55-64 (% of the age group)	28.0	31.4	37.9	44.9	49.0	52.9
-- Employment rate, 65-69 (% of the age group)	6.5	7.0	7.5	15.2	16.5	18.5
Job quality						
-- Incidence of part-time work, 55-64 (% of total employment)	13.3	17.3	18.8	17.2	17.2	18.7
-- Incidence of temporary work, 55-64 (% employees)	6.2	6.5	6.1	9.0	9.1	9.1
-- Full-time[a] earnings, 55-59 relative to 25-29 (ratio)	-	-	-	1.32	1.33	1.34
Dynamics						
-- Retention rate[b], after 60 (% of employees *t-5*)	35.4	33.8	33.1	37.8	40.4	42.2
-- Hiring rate[c], 55-64 (% of employees *t-1*)	5.0	4.5	4.3	7.8	9.2	8.5
-- Effective labour force exit age[d] (years) Men	60.2	60.8	60.8	63.1	63.3	63.9
Women	59.6	61.0	59.2	61.1	62.0	62.8
Unemployment						
-- Unemployment rate, 55-64 (% of the labour force)	4.3	3.5	3.9	4.6	4.8	5.8
-- Incidence of long-term[e] unemployment, 55+ (% of total unemployment)	59.6	57.3	55.3	46.8	47.7	45.9
Employability						
-- Share of 55-64 with tertiary education[f] (% of the age group)	5.5	8.0	10.7	15.9	19.9	22.9
-- Participation in training[g], 55-64						
Absolute (% of all employed in the age group)	1.7	3.3	4.0	6.6	8.2	9.4
Relative to employed persons aged 25-54 (ratio)	0.39	0.56	0.71	0.44	0.52	0.57

-- unavailable.

a) Mean gross hourly earnings.

b) All employees currently aged 60-64 with tenure of five years or more as a percentage of all employees aged 55-59 5-years previously, 2000, 2005 and 2010.

c) Percentage of employees aged 55-64 with a job tenure of less than one year, 2000, 2005 and 2010.

d) 2001, 2005 and 2011. Effective exit age over the five-year periods 1996-2001, 2000-2005 and 2006-2011. The effective exit age (also called the effective age of retirement) is calculated as a weighted average of the exit ages of each five-year age cohort, starting with the cohort aged 40-44 at the first date, using absolute changes in the labour force participation rate of each cohort as weights.

e) Unemployed for more than one year.

f) 2000, 2005, 2010.

g) Job-related training during the last month.

h) Unweigted averages for 34 OECD countries.

Source : OECD estimations from national labour force surveys and OECD Education database.

www.oecd.org/els/employment/olderworkers

Table 2. **Ageing and employment policies: Italy** *(situation early 2012)*

OECD's recommendations in 2004	**Action taken**
A. Strengthening financial incentives to carry on working	
Enhance incentives to remain in work longer	+
Eliminate incentives to retire early	+
Ensure that unemployment, disability and other welfare benefits are not used as alternative pathways to early retirement	+
B. Tackling employment barriers on the side of employers	
Implement fully the European Directive on Age Discrimination following consultation with the social partners	/
Improve working conditions	/
Identify best practices among firms in Italy that promote employment opportunities for older workers	/
Review wage practices based on age or length of service	/
Review employment protection legislation	/
C. Improving the employability of older workers	
Encourage upgrading of education levels and participation in lifelong learning	+
Develop systems to recognise, certify and validate experience	+
Strengthen and expand training opportunities for mid-career and older workers	+
Reform the unemployment benefit system and provide adequate funding	/
Review the role of the PES	+
Introduce in-work benefits for unemployed or inactive people who accept a job	/
Ensure that measures are properly targeted and evaluated	/

Notes

/ = no (relevant) action taken; + = some action taken, but could have negative impact and requires further assessment; ++ = substantial action has been taken.

Source: OECD (2004), *Ageing and Employment Policies: Italy* and answers to the follow-up questionnaire from Italy.