

LERA 62 ANNUAL MEETING – ATLANTA JANUARY 2, 2010

**RECOVERING FROM THE CRISIS
THE ITALIAN CASE
IN THE EU CONTEXT**

Prof. Michele Tiraboschi

Full Professor of Labour Law and Industrial Relations

Dr. Silvia Spattini

Senior Researcher of Labour Relations

University of Modena & Reggio Emilia (Italy)

EU: 27 WAYS OF TACKLING THE EMPLOYMENT CHALLENGE

- *Work placement programme* (Ireland)
- *Short-time working allowance programme* (Germany)
- *State Funds for local investment* (Spain, Latvia)
- *Occupational transition contract* (France)
- *Job retention package* (Hungary, Slovakia)
- *Innovative labour market measures* (the Netherlands, Portugal, Sweden)
- *Temporary cuts in labour costs* (Romania)
- *Future Jobs Funds* (United Kingdom)

EU: SEVERAL ANSWERS, TWO MAIN MODELS

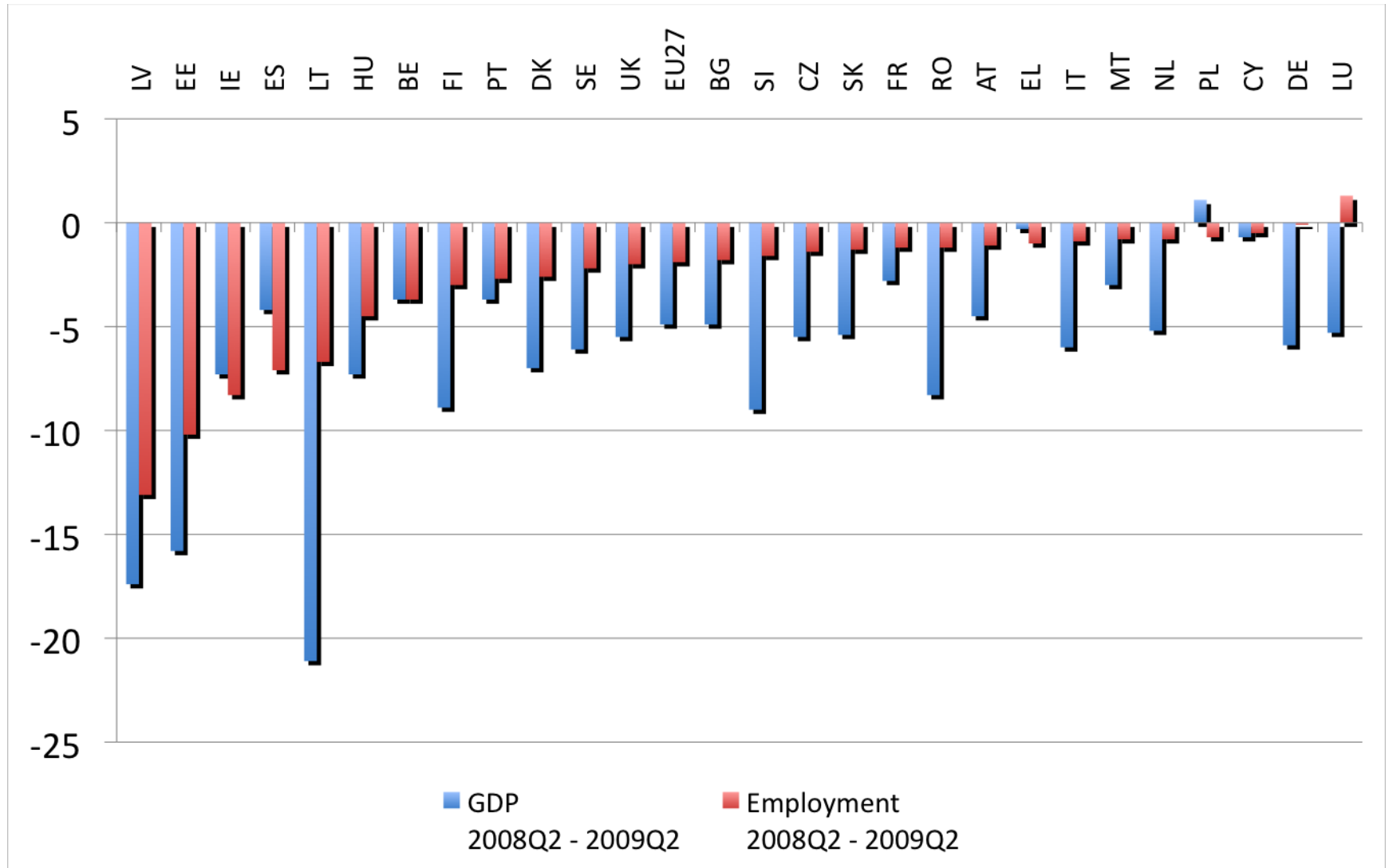
- **Traditional Welfare systems** (Southern Europe):
 - 1) strict dismissal protection legislation
 - 2) social security payment in substitution of full pay in case of short time work and lay-off
- **Flexicurity systems** (Northern Europe):
 - 1) non-restrictive dismissal protection legislation
 - 2) generous unemployment benefits rather than social security payments in case of short time work or lay-off

AT THE BEGINNING OF THE CRISIS ...

Southern Europe and Italy in particular: strong political and trade unions' pressure to move from the traditional welfare system to the flexicurity model of Northern Europe

NO STRUCTURAL REFORMS, BUT ...

Trend of real GDP and Employment (2008Q2 – 2009Q2)



Trend of real GDP and Employment (2008Q2 – 2009Q2)

Member State	GDP 2008Q2 - 2009Q2	Employment 2008Q2 - 2009Q2	Member State	GDP 2008Q2 - 2009Q2	Employment 2008Q2 - 2009Q2
EU27	-4.9	-1.9	LT	-21.1	-6.7
BE	-3.7	-3.7	LU	-5.3	1.3
BG	-4.9	-1.8	HU	-7.3	-4.5
CZ	-5.5	-1.4	MT	-3.0	-0.8
DK	-7.0	-2.6	NL	-5.2	-0.8
DE	-5.9	-0.1	AT	-4.5	-1.1
EE	-15.8	-10.2	PL	1.1	-0.7
IE	-7.3	-8.3	PT	-3.7	-2.7
EL	-0.3	-1.0	RO	-8.3	-1.2
ES	-4.2	-7.1	SI	-9.0	-1.6
FR	-2.8	-1.2	SK	-5.4	-1.3
IT	-6.0	-0.9	FI	-8.9	-3.0
CY	-0.7	-0.5	SE	-6.1	-2.2
LV	-17.4	-13.1	UK	-5.5	-2.0

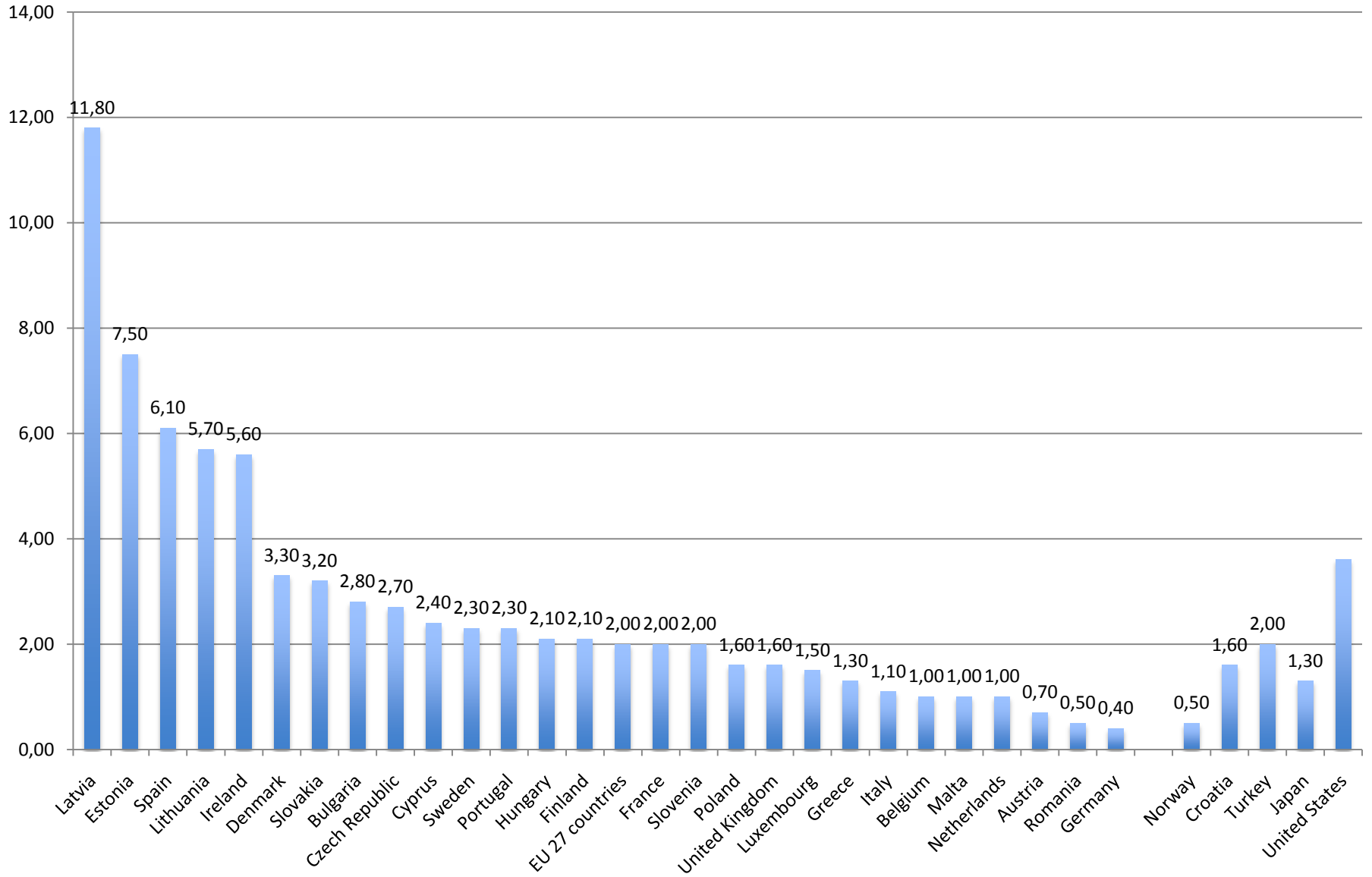
Source: Eurostat

THE ITALIAN CASE

- Reduction in employment not corresponding to the contraction of production
- Limited job losses compared to the fall in GDP
- Reasons:
 - Employment levels react to economic changes with a certain time-lag
 - Reduction of hours worked instead of dismissal: safety net provisions based on public financial support measures (compensation) for income loss in case of short-time work and temporary lay-off
 - (probably) Underground economy

Growth of unemployment rate 2008/10 – 2009/10

The Italian case in a comparative perspective



WAGE GUARANTEE FUND

- Wage guarantee fund (WGF) (*cassa integrazione guadagni*): public fund aiming at protecting workers' income in case of total or partial suspension of work (payment in substitution of the wage for the suspended employees)
- Funding: social security contributions paid both by the employers and the employees
- Field of application: 1) Ordinary WGF: industry sector; 2) Extraordinary WGF:
 - Industrial enterprises with more than 15 employees
 - commercial enterprises with more than 50 employees

- Cases of application:
 - Ordinary WGF: suspension of productive activity due to unexpected and unavoidable circumstances or due to temporary market situations (lack of orders)
 - Extraordinary WGF: suspension of productive activity resulting from the restructuring, reorganisation or conversion of the activity, severe financial difficulties for the undertaking, bankruptcy or liquidation
- Amount:
 - 80% of the previous wage in substitution of the full pay
- Duration:
 - Ordinary WGF: up to 13 weeks
 - Extraordinary WGF: up to 24 months

ANTI CRISIS LEGISLATION

- Problem: the wage guarantee fund system is not universal (categories of workers excluded)
- Anti-crisis legislation approved (1) derogations of the existing law funded by taxes:
 - Aim: extend the coverage of compensation towards a universal coverage
- Anti-crisis legislation approved 2) a new system of unemployment allowance for suspension funded by taxes and private bilateral bodies

PARTIAL UNEMPLOYMENT BENEFIT

- New income support measure in case of short time or lay-off funded by taxes and private funding
- Aim: extend the coverage of social protection provisions
- Field of application: 1) enterprises not covered by the wage guarantee fund; 2) all categories of employees suspended from work within these enterprises
- Cases of application: economic or employment crisis reasons
- innovatory aspect of the measure:
 - co-funding by bilateral bodies
- Amount: 60% of the previous wage from the National Institute of Social Insurance + 20% of the benefit from the bilateral body
- Duration: 90 days

WELFARE TO WORK

- while applying for income support measures: the recipient has to sign up a 'declaration of immediate availability for the labor market or for a vocational retraining program'
- Aim: 1) Making the recipient responsible; 2) Activation of the benefit recipient
- Sanctions are foreseen in case the recipients: 1) do not actively search for work; 2) do not accept suitable job offers; 3) do not participate in training programs
- Sanction: loss of the income support measure