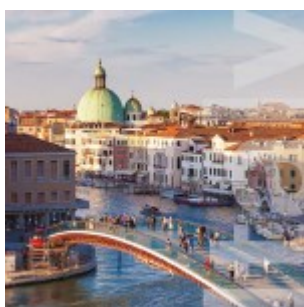


Moving from game plan to victory: how Italy can score faster, fairer growth into the long term

Category: Italy

written by oecdecoscope | September 6, 2021



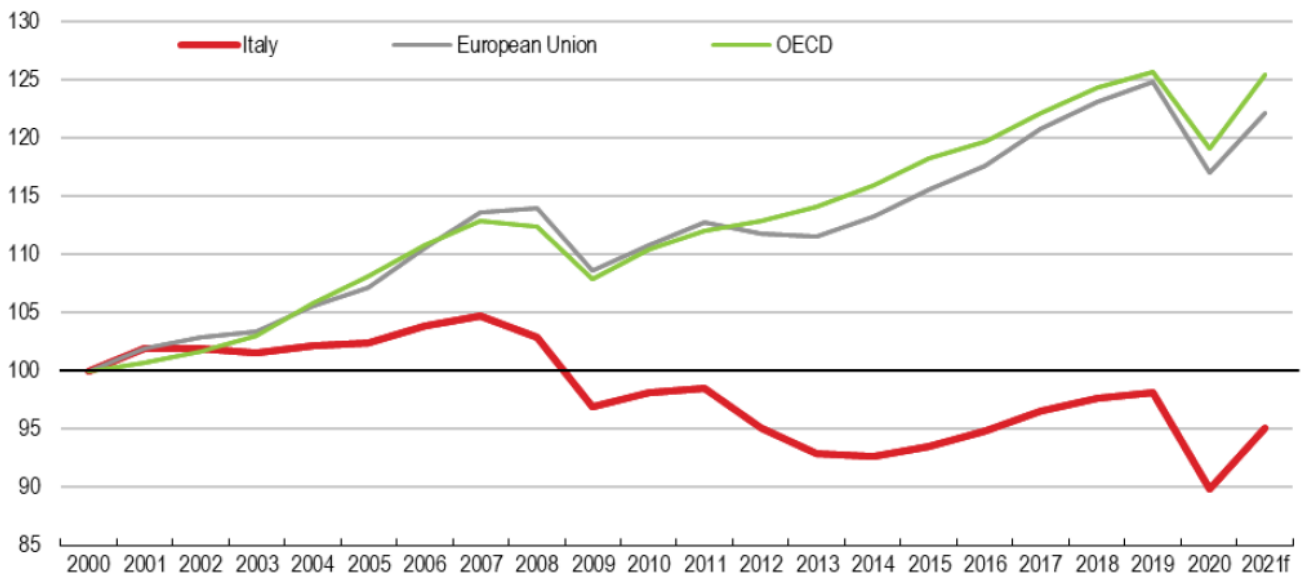
By Catherine MacLeod and Tim Bulman, OECD Economics Department

The crisis hit Italy early and hard. After a deep contraction, the economy is forecast to rebound by almost 6% this year, and then grow at 4.1% in 2022. The recovery has been underpinned by a successful vaccination campaign and efforts to preserve companies and provide much needed income support to households. Growth will reach 2019 levels by the first half of 2022.

Getting back to pre-crisis performance is not enough: We project that at the end of this year, GDP per capita will be more than 3% lower than a decade earlier, and 5% than in 2000 – in contrast, it will have risen by almost 12% and 25% across the average of OECD countries (Figure 1).

Figure 1. Per capita income has stagnated, falling behind peers

Real GDP per capita, index 2000 = 100



Note: 2021 projections based on E0109 for OECD and European Union; provisional projection for Italy.

Source: OECD (2021), National Accounts (database).

The government has outlined an appropriately ambitious National Recovery and Resilience Plan that prioritises reforms for critical constraints in Italy. It rightly seeks to improve the responsiveness of the civil justice system, improve the competitiveness of network industries such as energy and rail, and strengthen the public sector's effectiveness. These have been combined with EUR 235 billion in spending (13% of 2021 GDP), including investments in greener energy, transport, digital and social infrastructure. Clear milestones, new accountability mechanisms and innovations to support faster investment spending should assist with delivering the Plan.

Implementing the plan will raise growth and stabilise Italy's public debt-to-GDP ratio.

The OECD's 2021 Economic Survey of Italy presents three steps for Italy to strengthen the impact of the National Recovery Plan and to leave behind the COVID crisis.

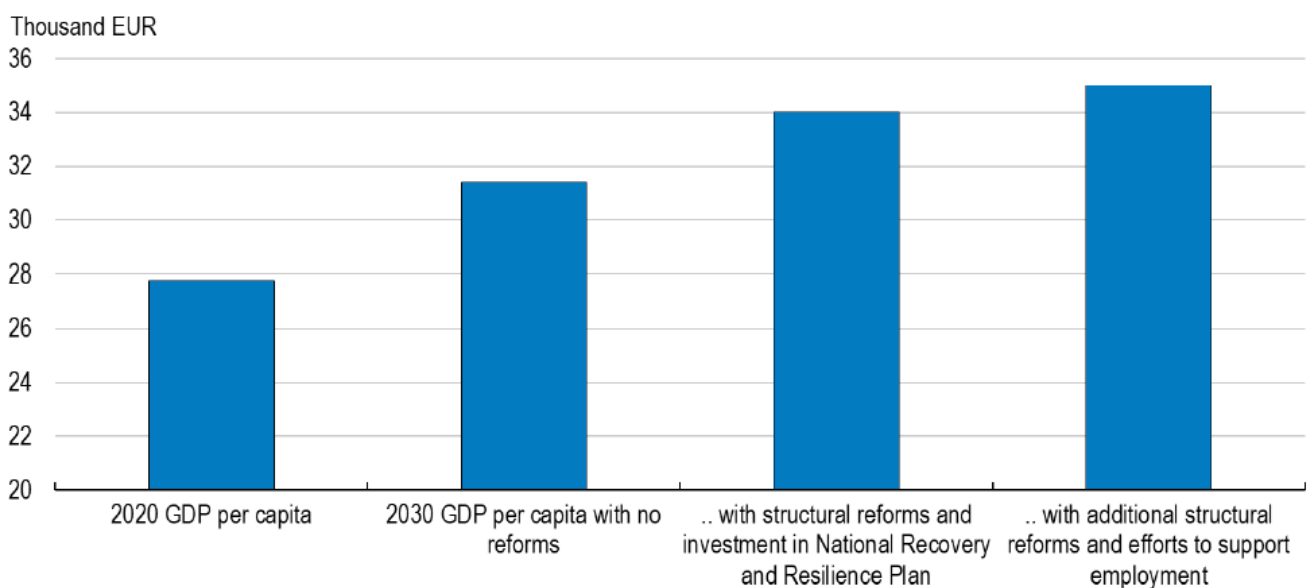
First, policy should remain supportive and increasingly targeted until the recovery is well underway.

Second, to fully reap the benefits of the plan, the efforts underway to strengthen the effectiveness of the public sector can be bolstered. This is the focus of the special chapter of

the Economic Survey.

Third, Italy's reform and investment programme needs to be sustained beyond the ambitions of the National Recovery and Resilience Plan to achieve stronger growth and gains in living standards (Figure 2). This should be combined with a medium term credible fiscal plan, to be implemented only once the economy is fully recovered, to place Italy's public debt burden on a sustained downward path.

Figure 2. Reforms can help raise GDP per capita

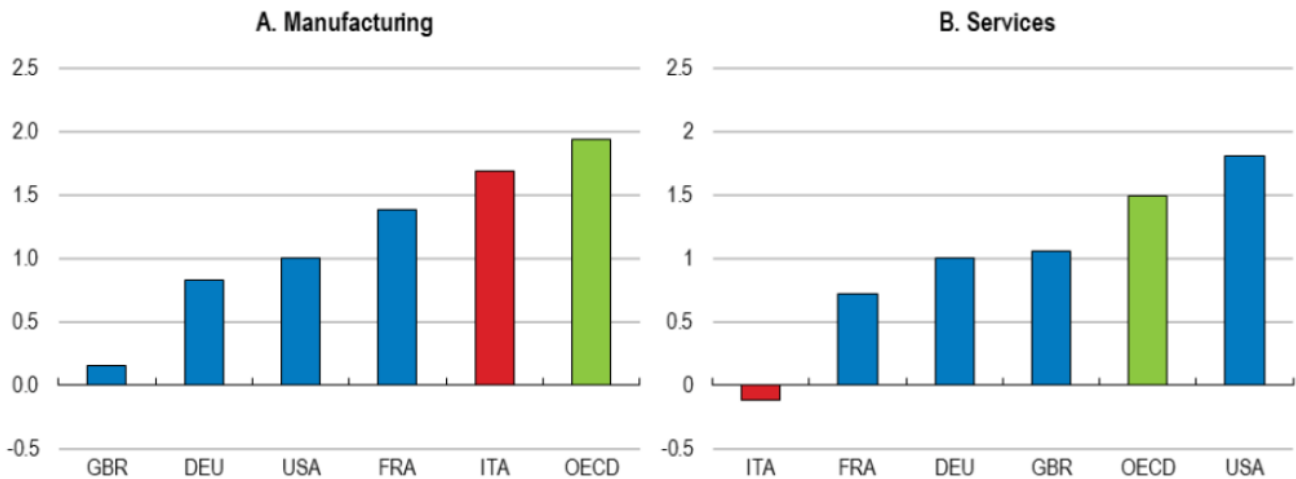


Source: OECD projections, assumes no impact from inflation. Allocating more public spending to areas that best support growth, such as investment and education, can reverse the current bias in spending against the young. Comprehensive tax reform which permanently lowers the tax burden on labour and which reduces high marginal effective tax rates on second earners will encourage higher workforce participation and address gender inequalities. Reviewing Italy's massive stock of regulations and streamlining how they are enforced can help improve dynamism and productivity, especially in the services sector which has lagged the productivity gains achieved by Italy's manufacturers (Figure 3) (OECD, 2020).

Figure 3. Productivity in manufacturing has risen, but

services sector productivity lags

Gross value added per person employed in constant prices, average annual growth rates 2012-2019



Note: Each panel contains unweighted OECD average of available countries. Due to data unavailability, the OECD averages do not include Colombia, Mexico or Turkey.

Source: Calculations based on data from OECD Productivity database.

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OECD (2021), *OECD Economic Surveys: Italy 2021*, OECD Publishing, Paris, <https://doi.org/10.1787/07d8b9cd-en>.

OECD (2020), "Italy: Business Dynamics", *Insights on Productivity and Business Dynamics*, OECD, Paris, <https://www.oecd.org/sti/ind/oecd-business-dynamics-insights-italy.pdf>

Nine questions and answers on

the 2019 Economic Survey of Italy

Category: Italy,Uncategorized

written by oecdecoscope | September 6, 2021

By Laurence Boone, Mauro Pisu and Tim Bulman, OECD Economics Department

disponibile anche in Italiano

1. Italy has been implementing the OECD's recommendations for years, yet the economy has been weak. Should not Italy change approach?

Italy

has implemented some of the recommendations of past OECD Surveys and these have been bearing fruit. For example:

- Past

Surveys have recommended reducing social security contributions to raise employment. Such a cut was implemented on a temporary basis from 2015 and employment rose by about 3 percentage points. Employment growth started slowing when the reductions in social security contributions gradually expired.

- Past

Surveys have recommended strengthening innovation policies and incentives for innovative investment. The Industry 4.0 programme has introduced fiscal incentives for investments in digital technologies,

which have increased rapidly since then.

- Past

Surveys have recommended improving public procurement and fighting vigorously corruption. Public procurement procedures have been restructured and harmonised across the country by reducing the number of contracting authorities, resulting in large cost savings; the anticorruption authority (ANAC) has taken on an important role in preventing corruption and is now a model for other countries.

There

are many areas where Italy has not taken action following OECD

recommendations. For instance, past Surveys have recommended to:

- Accelerate

and streamline bankruptcy procedures and make it easier to restructure insolvent firms. The new insolvency code has still to be approved by parliament.

- Increase

R&D spending. The R&D spending is still one of the lowest across OECD countries (even after accounting for the effects of the Industry 4.0 plan).

- Increase

available places in childcare facilities. They are low and one of the reasons why so few women work in a number of regions.

- Increase

public investment, which has kept declining.

- Increase

spending on and restructure public employment services. This process is just starting.

- Strengthen the apprenticeships system by introducing minimum training quality standards. Apprenticeships are widespread in Italy but their educational content remains limited.

2. What is the OECD's view of the Reddito di Cittadinanza?

The Survey welcomes the large increase in resources to reduce poverty through the Reddito di Cittadinanza. The measure is consistent with previous OECD recommendations and will help to direct a larger share of social transfers to people in poverty.

However, the Reddito di Cittadinanza could be improved and contribute more to boosting employment. Its current level of benefit is high by international standards and higher than the wages of many jobs, especially in poorer regions. This will discourage beneficiaries from working in the formal sector.*

To address this problem, the Survey suggests lowering the Reddito di Cittadinanza by 30-40%, tapering off the benefit as beneficiaries start working and their labour income grows, and introducing an in-work benefit system for low-wage workers to raise their take-home pay.

Overall the changes the OECD proposes for the Reddito di Cittadinanza, along with other changes to the personal income tax and social benefits, will cost about EUR 2.7 billion more than what the government already budgeted for the Reddito di

Cittadinanza. The OECD is then recommending the Italian government to spend more on measures to lower poverty and increase employment than what the government has planned on doing.

The Survey also welcomes the increase in spending on public employment services planned for 2019-20 as they will be vital to ensure those receiving the Reddito di Cittadinanza engage in job search and training programmes. However, the OECD warns that other countries' experiences show that improving employment services takes time. The OECD recommends developing a multi-year implementation plan based on enhancing skills of employment service staff, and additional investment in IT and profiling tools is needed.

3. What is wrong with encouraging early retirement to free up job opportunities for young people?

The new temporary early retirement scheme ("quota 100") introduced with the 2019 budget will encourage people to retire earlier but its cost is high compared to its benefits. The scheme will increase pension spending by EUR 20 billion in 2021 and by EUR 40 billion by 2025. Italy's pension spending as a share of GDP is already one of the highest among OECD countries, hampering the capacity of Italy to expand public investment, including in education.

There is no evidence that early retirement schemes free up jobs for other workers. They would exacerbate Italy's existing problem of an ageing population by accelerating the shrinking of the working age population. People with tougher physical

jobs should nevertheless be shielded from an increase in the retirement age.

4. How can a minimum wage help provide quality jobs and good working conditions?

Italy has many specific minimum wages tied to collective bargaining agreements. A general minimum wage would protect the low skilled in sectors where workers have little bargaining power and would reduce the risk of in-work poverty, which has continued to rise in Italy even during the recovery.

The minimum wage would need to be set at a rate that does not price low-skilled workers out of the labour market and would need to reflect differences in productivity between regions.

Moreover, it should be set and reviewed by a transparent process and based on objective considerations about labour market conditions. To protect low-wage workers and make work pay more, the Survey recommends introducing in-work benefits for low-wage workers.

5. What does the Survey recommend on migration?

The potential contribution of immigrants to Italy's economy and society is huge. To ensure the support and understanding of native-born Italians, well-managed and evidence-based migration policies and debates are essential. It is also important to ensure that immigrants can access training, so as that Italy benefits from the skills,

entrepreneurship
and dynamism they bring.

Emigration from Italy has increased markedly since the start of the crisis, especially among young people. This is threatening sustained growth and living standards for the whole population. Policies to improve job prospects and salaries will increase Italy's appeal as a place to live and work. It will also contribute to the arrival of qualified immigrants from Europe and other parts of the world.

6. How can Italy become less vulnerable to higher interest rates?

Designing
and following a credible fiscal policy would enhance fiscal credibility and
lower further refinancing risks.

By implementing reforms and increasing the primary surplus Italy's public debt would fall steadily. This would lower interest payments and free up resources to finance much needed investment, and fight poverty and social exclusion.

7. How vulnerable are Italy's banks?

The
banking sector is in much better health than in 2017 when the
previous OECD
survey was published:

- The
stock of non-performing loans on banks' balance sheets
has declined drastically
and continues to do so.
- Government
interventions in the banking system have been effective
and have cost far less

than those in other countries.

But

more needs to be done to ensure banks can continue to support business, especially small firms:

- The reduction in non-performing loans has been slower for small and medium-sized banks.
- The reform of cooperative and mutual banks has progressed but it is yet to be fully implemented.
- Keeping government bond yields low will safeguard the banks' stability and capacity to provide credit.

8. What are the OECD's economic forecasts for Italy?

Italy's

gradual recovery stalled in late 2018. The Survey projects GDP to fall by 0.2%

in 2019, before growing by 0.5% in 2020. This largely reflects the sharp

slowdown that took place in 2018 when Italy's economy contracted by 0.6% in the

third quarter and 0.4% in the fourth. The OECD projects the economy to recover

growth by the second quarter 2019.

The slowdown has been broad-based, involving lower growth of exports, private consumption and investment caused by the slowdown in main

trading partners (particularly Germany) and policy uncertainty. On top of the

cyclical headwinds, Italy continues to suffer from low potential output growth

which is estimated to be between 0-0.5% per year. This also explains why

Italy's projected growth rate is lower than elsewhere. While

other countries
sneeze, Italy gets a cold.

The downward revision in projected GDP growth raises the projected public deficit from 2.1% of GDP in 2018 to 2.5% in 2019. The difference in growth forecasts explains most of the difference between the deficit projections presented in the Survey and the government's projections of 2% of GDP in 2019.

9. How was the OECD Economic Survey of Italy prepared?

Italy
is a founding member OECD, which for more than 50 years has worked closely with successive Italian governments to provide policy advice and share good practices.

The
Economic Surveys are biannual publications that review countries' economic trends and performance and provide policy recommendations to raise growth and social welfare. All OECD member countries and some non-member countries undergo this review exercise.

All OECD Economic Surveys are prepared by the OECD Economics Department in collaboration with the other, more specialised, OECD Directorates. They are reviewed by representatives of OECD member states governments, gathered in Economic and Development Review Committee (EDRC), including the country under review. The EDRC is at the core of the OECD's peer review mechanism giving representatives of all 36 OECD member governments and the European Commission the opportunity to exchange views on economic policies and best practices. The

Economics Department revises the draft survey based on comments received by the EDRC. The EDRC delegates then approve the final version for publication, ensuring a broad-based consensus.

This process allows a fruitful exchange of views and sharing of experiences among governments, to improve each other's policies. The next Economic Survey of Italy is scheduled for 2021.

* The Survey does not fully take into account all the implementation rules of the Reddito di Cittadinanza as they have been defined only recently (Law 26/2019). Some of the implementation rules encourage the employment of beneficiaries of the Reddito di Cittadinanza, such as the subsidy to firms hiring workers from the rolls of the public employment services, others discourage it, such as setting a minimum (Reddito di Cittadinanza for a single person plus 10%) salary for job offers beneficiaries can rightfully refuse.

Further reading:

OECD (2019), OECD Economic Surveys: Italy 2019, OECD Publishing, Paris.

Nove domande e risposte sul Rapporto Economico sull'Italia 2019 dell'OCSE

Category: Italy

written by oecdecoscope | September 6, 2021

By Laurence Boone, Mauro Pisu and Tim Bulman, OECD Economics

Department

Also available in English

1. L'Italia ha attuato le raccomandazioni dell'OCSE per anni, ma l'economia rimane debole. L'Italia, non dovrebbe cambiare approccio?

L'Italia ha implementato alcune delle raccomandazioni dei passati Rapporti dell'OCSE sull'Italia e queste hanno prodotto risultati. Per esempio:

- Precedenti Rapporti hanno raccomandato di ridurre i contributi previdenziali per aumentare l'occupazione. Tale riduzione è stata attuata su base temporanea dal 2015 e l'occupazione è aumentata di circa 3 punti percentuali. La crescita dell'occupazione ha iniziato a rallentare quando le riduzioni dei contributi previdenziali sono stati gradualmente eliminati.
- Precedenti Rapporti hanno raccomandato di rafforzare le politiche di innovazione e gli incentivi per gli investimenti innovativi. Il programma Industria 4.0 ha introdotto incentivi fiscali per gli investimenti in tecnologie digitali, che da allora sono aumentati rapidamente.
- Precedenti Rapporti hanno raccomandato di migliorare gli appalti pubblici e combattere vigorosamente la corruzione. Le procedure di aggiudicazione degli appalti pubblici sono state ristrutturate e armonizzate in tutto il paese riducendo il numero delle stazioni appaltanti, con conseguenti notevoli risparmi; l'autorità anticorruzione (ANAC) ha assunto un ruolo di primo piano nella prevenzione della corruzione ed è ora un modello per altri paesi.

Ci sono molte aree in cui in Italia non ha seguito le raccomandazioni dell'OCSE. Ad esempio, i Rapporti precedenti hanno raccomandato di:

- Accelerare e snellire le procedure fallimentari e facilitare la ristrutturazione delle imprese insolventi. Il nuovo codice di insolvenza deve ancora essere approvato dal parlamento.
- Aumentare la spesa in R&S. La spesa per R&S è ancora tra le più basse nei paesi OCSE (anche dopo aver tenuto conto degli effetti del piano Industria 4.0).
- Aumentare i posti disponibili nelle strutture per l'infanzia. L'Italia ha un numero esiguo di posti in asili nido e questo è uno dei motivi per cui così poche donne lavorano in molte regioni.
- Aumentare gli investimenti pubblici, che hanno continuato a diminuire.
- Aumentare la spesa per i centri per l'impiego e ristrutturarli. Questo processo è appena cominciato.
- Rafforzare il sistema di apprendistato introducendo standard minimi di qualità della formazione. Gli apprendistati sono molto diffusi in Italia ma il loro contenuto educativo rimane limitato.

2. Qual è l'opinione dell'OCSE sul Reddito di Cittadinanza?

Il Rapporto sull'Italia accoglie con favore il forte aumento delle risorse per ridurre la povertà attraverso il Reddito di Cittadinanza. La misura è coerente con le precedenti raccomandazioni dell'OCSE e aiuterà a dirigere una quota maggiore di trasferimenti sociali verso le persone in

condizioni di povertà.

Tuttavia, il Reddito di Cittadinanza potrebbe essere migliorato e contribuire maggiormente all'aumento dell'occupazione. Il suo livello attuale è elevato se comparato a simili programmi in altri paesi ed è superiore ai salari di molti posti di lavoro, specialmente nelle regioni più povere. Ciò scoraggerà i beneficiari dal lavorare nel settore formale dell'economia.*

Per affrontare questo problema, il Rapporto suggerisce di ridurre l'ammontare del Reddito di Cittadinanza del 30-40%, di ridurre gradualmente l'ammontare del trasferimento quando i beneficiari iniziano a lavorare e il loro reddito da lavoro cresce, d'introdurre un sistema di sussidi per i lavoratori a basso reddito in modo da incrementare il loro salario netto.

Complessivamente, i cambiamenti proposti dall'OCSE per il Reddito di Cittadinanza, insieme ad altre modifiche riguardanti l'imposta sul reddito delle persone fisiche e le prestazioni sociali, costeranno circa 2,7 miliardi di euro in più rispetto a quanto già previsto dal governo per il Reddito di Cittadinanza. L'OCSE sta quindi raccomandando al governo italiano di spendere di più in misure per ridurre la povertà e aumentare l'occupazione rispetto a ciò che il governo ha pianificato di fare.

Il Rapporto accoglie inoltre con favore l'aumento della spesa per i centri per l'impiego prevista per il 2019-20. I centri per l'impiego sono di vitale importanza per garantire che coloro che ricevono il Reddito di Cittadinanza si impegnino in programmi di ricerca di lavoro e di formazione. Tuttavia, l'OCSE avverte, basandosi sull'esperienze in altri, che il miglioramento dei centri per l'impiego richiede tempo. L'OCSE raccomanda di sviluppare un piano pluriennale di attuazione basato sul rafforzamento delle competenze del personale dei centri per l'impiego e ulteriori investimenti in IT e strumenti di profilazione.

3. Cosa c'è di sbagliato nell'incoraggiare il prepensionamento per liberare posti di lavoro per i giovani?

Il nuovo regime di prepensionamento temporaneo ("quota 100") introdotto con la legge di bilancio 2019

incoraggerà molti lavoratori a prendere la pensione anticipata, ma il suo costo

è elevato rispetto ai suoi benefici. Il nuovo regime aumenterà la spesa

pensionistica di 20 miliardi di EUR nel 2021 e di 40 miliardi di EUR entro il

2025. La spesa pensionistica italiana in percentuale del PIL è già una delle

più alta tra i paesi dell'OCSE. Questo ostacola la capacità dell'Italia di

espandere gli investimenti pubblici, compresa l'educazione.

Non vi è alcuna prova che gli schemi di prepensionamento liberino posti di lavoro per lavoratori più giovani. Tali schemi aggravano il problema già esistente in Italia dovuto all'invecchiamento della popolazione in quanto accelerano la contrazione della popolazione in età lavorativa. Le persone con lavori usuranti dovrebbero tuttavia essere protetti da un aumento dell'età pensionabile.

4. In che modo un salario minimo può creare posti di lavoro di qualità e buone condizioni di lavoro?

L'Italia ha molti salari minimi

specifici legati agli accordi collettivi di contrattazione. Un salario minimo

generale proteggerebbe i lavoratori meno qualificati in settori nei quali i

lavoratori hanno scarso potere contrattuale e ridurrebbe il rischio di povertà lavorativa, che ha continuato a crescere in Italia durante la ripresa.

Il salario minimo dovrebbe essere fissato ad un livello tale da non scoraggiare l'assunzione di lavoratori scarsamente qualificati; inoltre dovrebbe riflettere le differenze di produttività tra le regioni.

Inoltre, il livello del salario minimo dovrebbe essere deciso e rivisto mediante un processo trasparente e basato su considerazioni obiettive riguardanti il mercato del lavoro. Per proteggere i lavoratori a basso reddito e rendere il lavoro più remunerativo, il Rapporto OCSE consiglia di introdurre sussidi ai lavoratori a basso salario.

5. Che cosa consiglia il Rapporto sui flussi migratori?

Il potenziale contributo degli immigrati all'economia e alla società italiana è enorme. Per garantire il sostegno e l'accordo degli Italiani, sono essenziali politiche e dibattiti sui temi migratori ben gestiti e basati su evidenze empiriche. È anche importante garantire che gli immigrati possano accedere a corsi di formazione, in modo che l'Italia tragga beneficio dalle capacità, dall'imprenditoria e dal dinamismo che gli immigrati apportano.

L'emigrazione dall'Italia è aumentata notevolmente dall'inizio della crisi, specialmente tra i giovani. Ciò è una minaccia per la sostenibilità della crescita e lo standard di vita

dell'intera popolazione. Politiche mirate a migliorare le prospettive di lavoro e i salari aumenteranno l'attrattività dell'Italia come luogo dove vivere e lavorare. Ciò contribuirà anche all'arrivo di immigrati qualificati dall'Europa e da altre parti del mondo.

6. Come può l'Italia diventare meno vulnerabile all'aumento dei tassi d'interesse?

Progettare e seguire una politica fiscale credibile migliorerebbe la credibilità fiscale e abbasserebbe ulteriormente i rischi di rifinanziamento del debito pubblico.

Attuando riforme strutturali e aumentando l'avanzo primario, il debito pubblico dell'Italia si avvierebbe su una traiettoria discendente. Ciò diminuirebbe il pagamento di interessi sul debito pubblico e libererebbe risorse per finanziare investimenti, che sono tanto necessari, e combattere la povertà e l'esclusione sociale.

7. Quanto sono vulnerabili le banche italiane?

Il settore bancario gode di una salute molto migliore rispetto al 2017 quando è stato pubblicato il precedente Rapporto OCSE sull'Italia:

- Lo stock di crediti in sofferenza sui bilanci bancari è diminuito drasticamente e continua a ridursi.
- Gli interventi del governo nel sistema bancario sono stati efficaci e sono costati molto meno che in altri paesi.

Ma c'è ancora molto da fare per garantire che le banche possano continuare a sostenere le imprese, in particolare le piccole imprese:

- La riduzione delle sofferenze è stata più lenta per le banche di piccole e medie dimensioni.
- La riforma delle banche popolari e cooperative è progredita, ma deve ancora essere pienamente attuata.
- Mantenere bassi i rendimenti dei titoli di Stato salverà la stabilità delle banche e la loro capacità di fornire credito.

8. Quali sono le previsioni economiche dell'OCSE per l'Italia?

La ripresa graduale dell'Italia si è arrestata alla fine del 2018. Il Rapporto prevede una riduzione del PIL dello 0,2% nel 2019, prima di crescere dello 0,5% nel 2020. Ciò riflette in gran parte il forte rallentamento verificatosi nel 2018 quando l'economia italiana si è contratta dello 0,6% nel terzo trimestre e lo 0,4% nel quarto. L'OCSE prevede che l'economia ricomincerà a crescere entro il secondo trimestre del 2019.

Il rallentamento dell'economia ha riguardato le principali componenti della domanda, comportando una minore crescita delle esportazioni, dei consumi privati e degli investimenti a causa del rallentamento dei principali partner commerciali (in particolare la

Germania) e dell'incertezza riguardante le politiche economiche. Oltre all'andamento ciclico sfavorevole, l'Italia continua a soffrire di una bassa crescita potenziale, stimata tra lo 0 e lo 0,5% all'anno. Questo spiega anche perché il tasso di crescita previsto per l'Italia sia inferiore rispetto quello di molti altri paesi. Mentre gli altri "paesi starnutiscono, l'Italia prende la febbre".

La revisione al ribasso della crescita prevista per PIL aumenterà il disavanzo pubblico pronosticato dal 2,1% del PIL nel 2018 al 2,5% nel 2019. La differenza nelle previsioni di crescita spiega la maggior parte del divario tra le proiezioni del disavanzo presentate nel Rapporto sull'Italia e quelle del governo (2% del PIL nel 2019).

9. Come è stato preparato il Rapporto OCSE sull'Italia?

L'Italia è membro fondatore dell'OCSE, che da oltre 50 anni lavora a stretto contatto con i governi italiani per fornire suggerimenti e raccomandazioni di politica economica e sociale e condividere buone prassi.

I Rapporti OCSE sono pubblicazioni biennali che esaminano le tendenze e le performances economiche dei vari paesi e forniscono raccomandazioni di "policy" in vari ambiti al fine di aumentare la crescita e il benessere sociale. Tutti i paesi membri dell'OCSE e alcuni paesi non membri sono soggetti a questo esercizio di monitoraggio.

Tutte i Rapporti OCSE sui paesi sono preparati dal Dipartimento di Economia dell'OCSE in collaborazione con le altre direzioni più specializzate. I Rapporti sono esaminati dai rappresentanti dei governi degli Stati membri dell'OCSE, riuniti nel Economic Development Review Committee (EDRC), compreso il paese in esame. L'EDRC è al centro del meccanismo di "peer review" dell'OCSE, il quale offre ai rappresentanti di tutti i 36 governi membri dell'OCSE e alla Commissione europea l'opportunità di scambiare opinioni su politiche economiche e le migliori prassi da applicare in vari contesti. Il Dipartimento di Economia rivede la bozza del Rapporto sulla base dei commenti ricevuti dall'EDRC. I delegati dell'EDRC approvano quindi la versione finale per la pubblicazione, garantendo un ampio consenso.

Questo processo consente un proficuo scambio di opinioni e la condivisione di esperienze tra governi, per migliorare le rispettive politiche economiche e sociali. Il prossimo Rapporto sull'Italia è previsto per il 2021.

* Il Rapporto non tiene pienamente conto di tutte le regole di attuazione del Reddito di Cittadinanza in quanto sono state definite solo di recente (Legge 26/2019). Alcune delle norme di attuazione incoraggiano l'assunzione dei percettori del Reddito di Cittadinanza, come il sussidio alle imprese che assumono lavoratori utilizzando i centri per l'impiego, altri lo scoraggiano, come la possibilità di rifiutare legittimamente offerte di lavoro con un salario inferiore al Reddito di Cittadinanza (per un singola persona) maggiorato del 10%.

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Reviving Italy's Growth

Category: Italy

written by oecdecoscope | September 6, 2021

by Mauro Pisu and Tim Bulman, Italy Desk, OECD Economics Department

In Curno, 50 km north east of Milan, is the headquarters of Brembo, the Italian company supplying brakes for Teslas and Ferraris as well as for mass market cars and motorcycles. Founded in 1961, its 255 employees generate over USD 3 billion of revenue from production facilities across 15 countries.

1500 km away,

in Sicily's south-east, Gaetana Jacono runs the Valle dell'Acate winery. She is bringing to six generations of wine making tradition new production technologies and distribution approaches that are developing exports to large new markets.

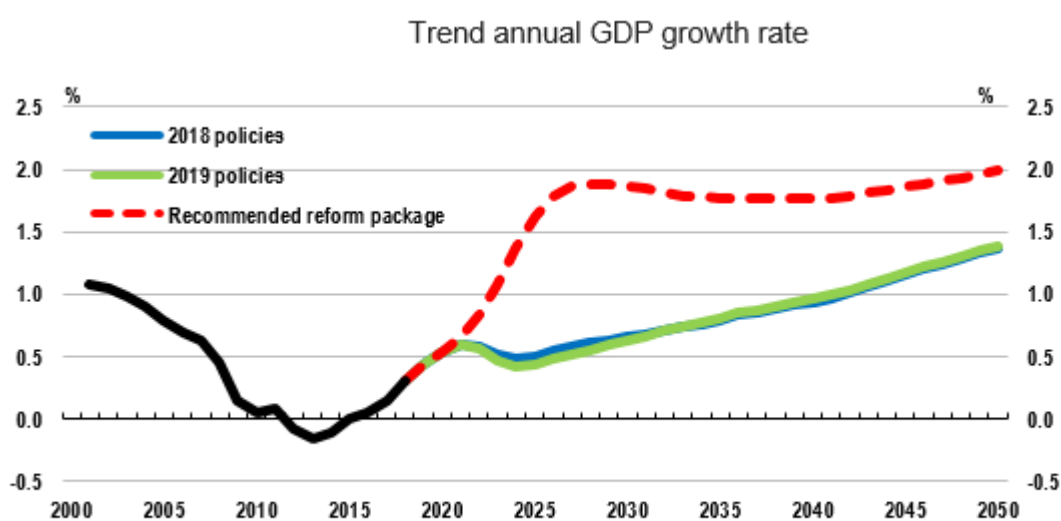
Enterprises like Brembo and Valle dell'Acate have helped Italy in recent years gradually recover from its extended recession. These are mostly medium sized enterprises that are highly productive and have grown activity and created jobs through investment and exports, supported by government policies such as the Industry 4.0 programme or labour market and education reforms.

But Italy's recovery stalled in late 2018, before Italy could reverse the deep losses in incomes and well-being

suffered during the extended recession. Overall, income per capita today is near its level in 2000, and economy-wide productivity has been stagnant. This lack of progress has seen poverty rates rise, especially among the young and families. The OECD's latest projections are for GDP to contract by 0.2% in 2019 and to expand by 0.5% in 2020.

What will it take to restart and extend Italy's recovery?

A clear multi-year reform programme to boost employment and productivity, while reducing steadily public debt, would lift average annual growth rates and improve inclusiveness. This is among the key policy insights of the OECD's 2019 Economic Survey of Italy, launched on 1 April 2019 by the OECD Secretary General and Italy's Minister of Finance. Compared current policies, this reform programme would raise growth rates by about 1.5 percentage points by 2030, expand employment and reduce inequalities.



Source: OECD (2019), *Economic Survey of Italy*, OECD Publishing, Paris

Increasing productivity growth is key. Boosting productivity will require enhancing competition in markets that are still

protected, such as professional services and local public services; raising innovation and business dynamics, including through strengthening targeted incentives connected to the Industry 4.0 plan; removing incentives for SMEs to stay small and obstacles hampering their growth; and completing the reform of insolvency regime.

Among the reforms proposed in the *Survey*, those concerning the efficiency of public administration and justice system would have the largest impact on GDP growth by strengthening the rule of law, thus supporting investment and productivity growth. The expansion of active labour market programmes and reducing social security contributions would also generate large benefits by boosting employment and social inclusion.

Reducing the public debt ratio by steadily raising the primary budget surplus to above 2% is essential to address the risk to the broader economy of the high public debt ratio. Lower interest rates have reduced interest payments on the public debt to a record low of 3.5% of GDP in 2018, which is however near what Italy spends on education.

Italy can raise the primary budget surplus by incorporating in the annual budget through and effective spending reviews that help rationalise current spending by reducing waste and reallocating resources towards more effective programmes. Closing the early retirement scheme introduced in 2019 would free resources to boost employment and opportunities for young

people in addition to improving inter-generational equity. Implementing this programme would help Italy's successful enterprises develop and new enterprises to follow their path, generating opportunities for Italians across the country. A future blog will discuss how this reform programme can address the large disparities between the regions such as those around Brembo's headquarters and those around Valle dell'Acate.

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Italy's justice system has quite a long road ahead but already scores better – The Italian View

Category: Italian view, Italy, The Italian View, Uncategorized
written by oecdecoscope | September 6, 2021

by the Italian Ministry of Economy and Finance – Pier Carlo Padoan, Italy's Minister of Finance, was OECD Deputy Secretary-General and Chief Economist from 2009-2014).

Italy's justice system is gaining greater efficiency, thus gradually closing its paradoxical gap. On the one hand, the clearance rate (measured as the ratio of the number of resolved cases to the number of incoming cases) is 120% and Italy ranks second in the European Union after Slovakia. On the other hand, Italy ranks last for the average length of civil or commercial proceedings, because of the huge backlog that weighs on courts and slows down the wheels of justice.

Disposition time decreased by 13% in two years, but it still is as high as 527 days compared with a European average of 248 days. In 60% of Italian courts 1 out of 5 cases has been pending for more than 3 years, thus exceeding the “reasonable time” envisaged in the Pinto law of 2001. As priority will be given to recent cases, disposition time in courts that have a bigger backlog will lengthen. The longer a legal case remains unsettled, the longer the court will take to reach final disposition. The total backlog of civil cases has decreased by 4% from 2015 to 2016 and by a significant 34% from 2009. Nonetheless, the total civil and commercial litigious cases backlog was still as high as 4,400 cases pending (1st instance/ per 100,000 inhabitants) in 2005, 2.6 times higher than the EU average. Court performance varies geographically. Sicilian courts have a backlog of cases 50% of which have been pending for more than three years and less than 10 or 15% of which have been pending for more than three years.

With €4.8 bn of public expenditure, Italy is still the third biggest spender in the EU after Germany (€9.6 bn) and the UK (€6.6 bn). Despite the crisis, total expenditure increased by 4.2% a year from 2006 to 2016. Better performances are not just a matter of increasing staff levels. Evidence published by the CSM (Consiglio Superiore della Magistratura – the High Council of the Judiciary) shows no correlation between staff shortages and poor performance, at least in conditions of relative and temporary lack of resources. With 1,75 million new legal cases per year, litigation rates in Italy are now in line with the EU average.

Efficiency gains have been achieved thanks to the far-reaching reorganization of the Italian judicial system and the adoption of new best practices in case management. First, e-filing has continued since its introduction in 2014. E-filing of notices increased by 6.7% over 2016, increasing savings by 10% and speeding up the issuing of digital payment orders by over 50% in some districts. E- filing by lawyers and professionals

increased by 12% last year (after a first +88% in 2014/15), increasing the average e-files stock by 50% over the last three years.

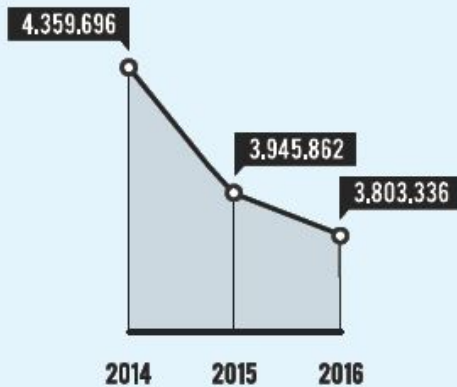
Alternative dispute resolutions (ADR) contributes to unburdening courts in terms of dispute settlements. ADR includes referral to arbitration, negotiation assisted by a legal counsel (outof- court settlement procedure) and civil mediation. On average around 186,000 civil mediation processes have been initiated each year since 2014. The last two years have seen an increase in filings, followed by more than 30% increase in the number of judgments pending. This has slowed down resolution time from 83 days in 2013 to 115 days in 2015, which remains considerably shorter than that of in-courts settlements; however, a further increase, would affect the effectiveness of the process. The most evident reduction has been observed in commercial litigation, whose disposition time decreased from 40 to 29 months. Figures show that the older and more complex cases are now being settled, thereby contributing to rendering the justice system fairer. Specialization also helps in better managing the workflow. Since their introduction in 22 provinces in 2012, business courts have performed well. They deal exclusively with cases involving industrial property, company law, public contracts and services and European Union public work contracts. The number of resolved cases increased from an initial 404 to over 5,600 at the end of 2016. The increase in registrations raised resolution time: in 2016 the percentage of disputes which took less than a year to be resolved fell to 57% from 74% in 2014. Predictable outcomes and the number of confirmed rulings remain high, which reflect the quality of pronouncements and the effectiveness of judges and prosecutors' specialization. In Milan verdicts are confirmed in 70-80% of cases.

Alternative dispute resolution is accompanied by measures to discourage initiation of proceedings when unneeded (i.e. no more free appeal proceedings before Justices of the Peace

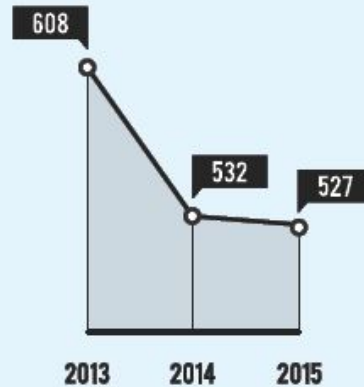
after administrative sanctions have been imposed) and the introduction of a formula to determine attorney fees (together with the possibility of requesting quotes). These rules contributed to decrease the demand for judicial services (civil and commercial cases), from 4 to 2.5 (1st instance/ per 100 inhabitants) between 2010 and 2015. However, the drop may also be ascribed to the economic crisis (a low GDP means fewer filings).

There is a positive correlation between economic growth and a healthy, efficient, fair judicial system. This is an even more important aspect especially during an upswing such as the one Italy is now experiencing. Lengthy proceedings and high enforcement create a climate of uncertainty and skepticism which affects the business environment and keeps investors away from opportunities. Given the same infrastructure and initial business conditions, evidence has shown that differences in the efficiency of judicial systems at provincial level can determine a difference in turnover of €31 K – or 8% of turnover – for an average Italian medium-sized company. A few years ago ECB President Mario Draghi stated that the cost of Italy's slow judicial system accounts for over 1% of GDP. Gains in efficiency remain a top priority for the Government, which keeps working on reforms to speed up digitalisation and increase the overall effectiveness of the justice system.

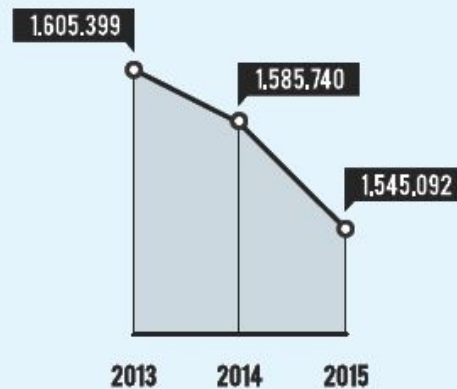
PENDING CASES
SOURCE: MINISTRY OF JUSTICE



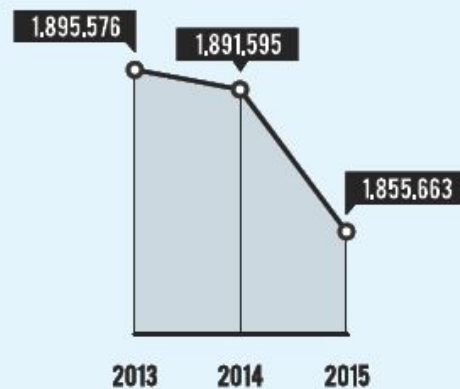
DISPOSITION TIME - CIVIL AND COMMERCIAL CASES
SOURCE: EUROPEAN JUSTICE SCOREBOARD 2017



INCOMING CIVIL AND COMMERCIAL CASES
SOURCE: EUROPEAN JUSTICE SCOREBOARD 2017



RESOLVED CIVIL AND COMMERCIAL CASES
SOURCE: EUROPEAN JUSTICE SCOREBOARD 2017

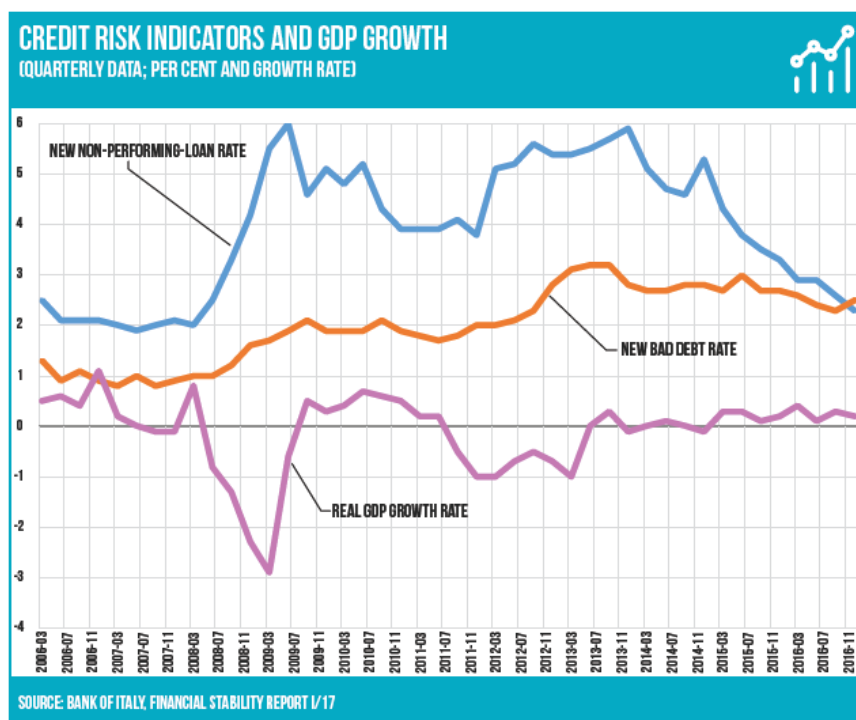


The Italian banking system at a turning point – The Italian View

Category: Italy, The Italian View, Uncategorized
written by oecdecoscope | September 6, 2021

by the Italian Ministry of Economy and Finance, Pier Carlo Padoan, Italy's Minister of finance, was OECD Deputy Secretary-General and Chief Economist from 2009-2014).

The Italian banking system has long since been waiting for a comprehensive reform addressing structural inefficiencies and structural rigidities. As of 2014, the Government has defined a comprehensive reform plan while also tackling the crisis affecting several banks.



To begin with this latter topic, three interventions involved seven banks that were experiencing major strains. The first intervention required the resolution of four small and mediumsized regional banks that led to the formation of “bridge banks” in charge of continuing operations, thus rescuing 12 billion euros in savings for about 1 million customers.

The resolution procedures ended in April 2017 with the sale of three “bridge banks” to a larger bank (UBI). BPER acquired the fourth in June 2017. Buyers were selected through a fair, open and transparent procedure. This resolution did not imply any State aid, thus requiring a major effort by the banking

sector. The private sector provided 4.7 billion euros to avoid bankruptcy and its social and entrepreneurial consequences, preserving the issue of loans to over 200,000 small and medium-sized businesses, small retailers and craftsmen.

More recently, the Government intervention was addressed to the liquidation of Banca Popolare di Vicenza and Veneto Banca. After the ECB recognized the two banks as “failing or likely to fail”, the Single Resolution Board stated – under the EU Banking Recovery and Resolution Directive – that the crisis had to be dealt with according to national insolvency rules, since a resolution was not applicable. Consequently, the Italian Government started a liquidation procedure assisted by public resources combined with the sale of some assets and liabilities of the two banks to Intesa Sanpaolo. The Government, after having shared the burden of the intervention with shareholders and junior bondholders, committed around 4.8 billion euros in cash and around 12 billion euros in guarantees for that purpose. As in previous cases, the procedure preserved the flow of credit to clients of the insolvent banks (families, businesses, craftsmen), and limited the impact on the social and business environments of one of the best performing regions in the Country.

Eventually, the precautionary recapitalization of Monte dei Paschi di Siena was approved at the beginning of July by the European Commission, as part of the restructuring plan 2017-2021, including the disposal of 28.6 billion euros of gross bad loans. The recapitalization was needed to put the bank in conditions to successfully face the adverse scenario of the stress tests that the ECB ran in 2016. The precautionary recapitalization includes 3.9 billion euros of direct capital injection and up to 1.5 billion euros of compensation in favor of retail subordinated bondholders, meeting certain conditions, whose bonds are mandatorily converted into equity.

By facing each case with a suitable solution, according to the specific nature and magnitude, both European and Italian rules

could be implemented offering the best possible solutions. Improvements in the banking industry are a different matter altogether, they require a deeper and more thorough approach, to be pursued through structural reforms designed to reduce inefficiencies and address the issue of non-performing loans (NPLs).

The reform of large cooperative banks (the so-called "Popolari"), introduced as early as January 2015, aims at consolidating and bolstering the Italian banking system. Banks included in the cluster were forced to transform into joint stock companies, and as a result, two of them merged, creating the third largest group in Italy. The reform of smaller cooperative banks promotes consolidation in the industry, as well as the adoption of more efficient business models reducing the exposure to market risks. Finally, the self-reform of banking foundations is meant to put greater emphasis on the community-based initiatives of the foundations in place of interfering with the management of participated banks.

Alongside such structural reforms of the banking sector, the Government has adopted measures to encourage the creation of a market for non-performing loans, which helps to reduce the burden of those assets and restore an adequate flow of lending to the real economy.

These provisions include the institution of a guarantee on the Securitization of Bad Loans (GACS), which is a State guarantee on ABS' senior tranches granted upon request by the banks. Changes to Italian insolvency rules and to foreclosures procedures also may help in creating a market for NPLs, as they improve the efficiency of insolvency proceedings and streamline the enforcements of creditors' rights. The legislation now includes a series of measures to reduce lead-time for foreclosures such as: competition in pre-bankruptcy agreements with creditors; acceleration of sale transactions to ensure higher NPLs value; new rules for debt restructuring; easier access to credit for troubled companies; amendment of

the regulations governing the deductibility of credit losses; and agreements secured by real estate assets, where parties may agree that transfer of the assets will become effective upon default by the borrower.

Even after facing a long recession, the Italian banking sector has proven to be sound and resilient. The stock of NPLs is shrinking at an increasing pace, while the origination rate of new exposure is approaching pre-crisis level. Those comprehensive interventions on specific banks and on the industry as a whole reduced and in some cases excluded major sources of risk. Overall, after years of adjustments, the Italian banking industry is returning to positive, effective and promising levels of performance.

Further reading:

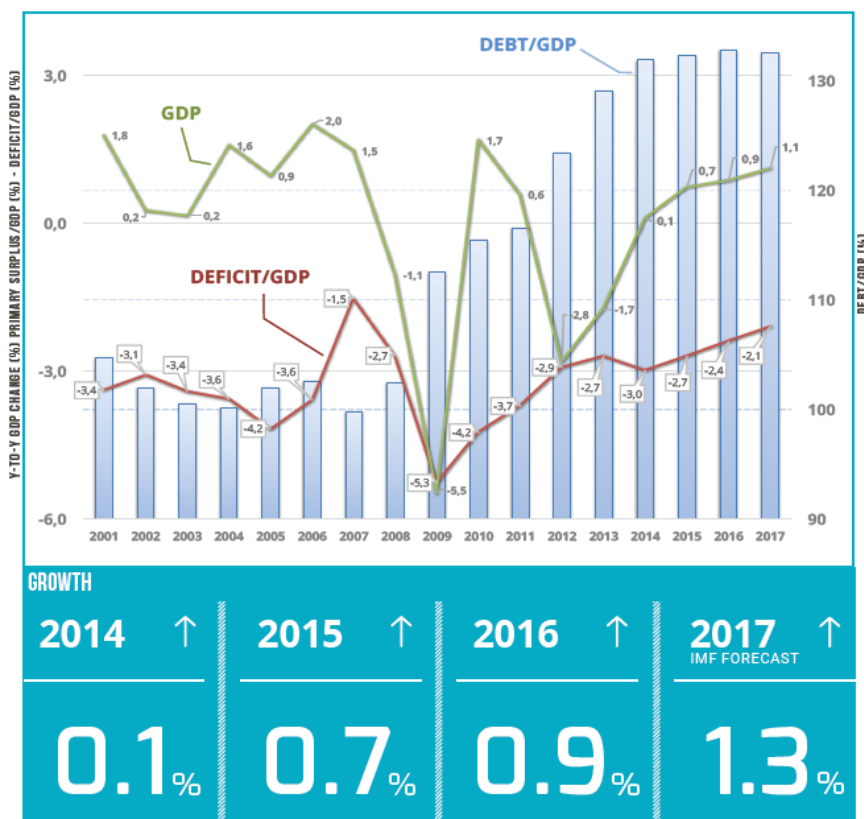
The Narrow Path | Issue #2 | August 2017 | www.mef.gov.it | Italian Ministry of Economy and Finance

The Narrow Path – The Italian View

Category: Italian view, Italy, The Italian View, Uncategorized
written by oecdecoscope | September 6, 2021

by the Italian Ministry of Economy and Finance, Pier Carlo Padoan, Italy's Minister of Finance, was OECD Deputy Secretary-General and Chief Economist from 2007-2014.

Growth in Italy is taking place more slowly than in other Eurozone countries. Public debate about this fact offers several explanations but rarely juxtaposes long-period trends with recent policies.



It is common knowledge that – among other things – low productivity is one of the main causes of the poor performance of the Italian economy. Red tape, the relatively limited openness to competitiveness of some professional services, the tax burden, the limited size of SMEs, and the need to improve

secondary education and the efficiency of the judicial system are – among other factors – affecting our ability to grow the economy.

All such structural obstacles to stronger growth are targets of the ambitious reform program that has been under way since 2014. In the view of national authorities, structural reforms are re-shaping the economic potential of the country, while the combination of expansionary monetary policy undertaken by the ECB and appropriate fiscal policies adopted by the Government is allowing for conditions that enable the reform process. Let's focus on what "appropriate" means for fiscal policy in Italy at the present time.

The Government believes that a fiscal adjustment is definitely needed for a country with a debt as high as Italy's. However, the decision about the pace of the adjustment is crucial as it may potentially affect the prospects of the economy, including the private sector. While a slow pace of adjustment might not be effective for the purposes of debt reduction, an adjustment that is too fast may prove to be detrimental to the economy, and therefore to the debt-to-GDP ratio.

The situation in which the Italian authorities must move can be described as a “narrow path”: on one side, high debt looms (implying exposure to external financial shocks) while on the other side an infant recovery needs to be nurtured in order to rid ourselves definitively of the double-dip recession. This picture may help in understanding the Government’s search for a balance among such divergent needs. The search has apparently been successful in the latest four budgets. Since 2014 the Italian Government has managed to reduce the deficit-to-GDP ratio – and to stabilise the debt-to-GDP ratio by that means. At the same time, the composition of both revenue and spending has been re-arranged to improve the business environment and to support internal demand.

In order to appreciate the results of the “narrow path” policy mix, we must look at the trends for debt, deficit and GDP over a lengthy period of time. Between the years 2000 and 2013, the Italian economy alternated 4 years of recession, 4 years of positive but low growth (below 1 percent), 5 years of higher growth (between 1 and 2 percent). Nothing exciting at all. After the double-dip, growth turned positive again in 2014 (a small improvement of 0.1%), then it slowly increased in the following years (+0.7% in 2015 and +0.9% in 2016). For 2017, both the IMF and the Bank of Italy forecast better growth of 1.3%. Once again, a performance that nobody will consider at all satisfactory, but certainly it’s a reversal of previous uncertain trends.

Now when we look at the trend of the deficit we can see that such growth is not the result of an expanding budget. On the contrary, it is based on a sound primary surplus and a constantly contracting deficit (which is decreasing from 3.0% of GDP in 2014 to the expected 2.1% in 2017 – and even lower according to latest forecasts). Which will allow the debt-to-GDP ratio to stabilise notwithstanding very low inflation.

The comparison with other major economies in Europe since 2009 shows that Spain, France and the UK associate growth rates

higher than Italy with a negative primary balance, whereas Italian governments have managed to keep the primary balance in positive territory since 1993 (with the single exception of the year of the deepest crisis, 2009). The other large country together with Italy that manages to combine positive primary balance and growth is Germany.

The road to recovering a higher growth potential is still long, but some of the reforms are beginning to bite. To mention some examples, the labour market is now more dynamic, thanks to the Jobs Act introduced early in 2015; cooperation between taxpayers and the tax administration is improving, as the principles of cooperative compliance and preventive assessment of tax planning are becoming common behaviour; the Italian customs rank #1 in the "Trading Across Borders" study (a component of the World Bank's Doing Business project) due to extensive digitalisation.

The fiscal stance adopted for the last four budgets has contributed to alleviating the upfront costs associated with the introduction of reforms, and therefore to create favourable conditions for reforms to be accepted by all stakeholders. Currently, public investment in strategic infrastructure is rising, the tax burden on both families and business has been cut, and selective tax breaks have stimulated private investment in innovation.

At the same time, the stock of nonperforming loans is now declining. The NPLs have been a consequence of the crisis, but also contributed to its worsening, as they have limited the flow of lending from banks to the economy. The increase in lending to the real economy, along with new financial instruments introduced by the Government in recent years (for instance mini-bonds and individual savings plans focusing on SMEs) will sustain the recovery, which will reinforce the soundness of public finances.

The outlook is for an increase in the real growth rate

combined with higher inflation, a continuing primary surplus and modest implicit debt (thanks to past pension reforms), all leading to a decline in public debt.

Further reading:

The Narrow Path | Issue #1 | July 2017 | www.mef.gov.it | Italian Ministry of Economy and Finance

Italy's reforms are paying off but challenges remain | ecoscope – February 2017

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Italy's reforms are paying off but challenges remain

Category: Italy, Structural reform, Uncategorized

written by oecdecoscope | September 6, 2021

By Mauro Pisu, Head of Italy Desk, Country Studies Branch, OECD Economics Department

Italy is recovering after a deep and long recession. Structural reforms, accommodative monetary and fiscal conditions, and low commodity prices have spearheaded the ongoing economic recovery. The Jobs Act and social security contributions' exemptions jolted the labour market, leading to rising employment and higher consumer spending. Additional reforms in different areas, such as the school system, public administration, budget making process, banking system have been passed and implemented or are in the course of implementation. Greater focus has also been put on past reforms, with a sharp reduction in the backlog of decrees

needed to implement them. The rejection of the constitutional reform by referendum in December 2016 has heightened political uncertainty but as discussed in the recently released OECD Economic Survey of Italy, the structural reform process must continue if Italy is to build a more inclusive and prosperous society.

Despite the recent macroeconomic progress, the pace of the ongoing recovery remains modest (Figure 1). Productivity continues to decline and investment growth is weak. Public-administration inefficiencies, slow judicial processes, poorly designed regulation and weak competition still make it difficult to do business in Italy. Labour and capital resources are trapped in low-productivity firms, which hold down wages and well-being. Innovative start-ups and SMEs continue to suffer from difficult access to finance, especially through the corporate bond and equity markets. The Italian banking system features low profits and a large stock of non-performing loans, discouraging lending and investment.

Figure 1. GDP and employment growth are recovering



Source: OECD Economic Outlook Database.]

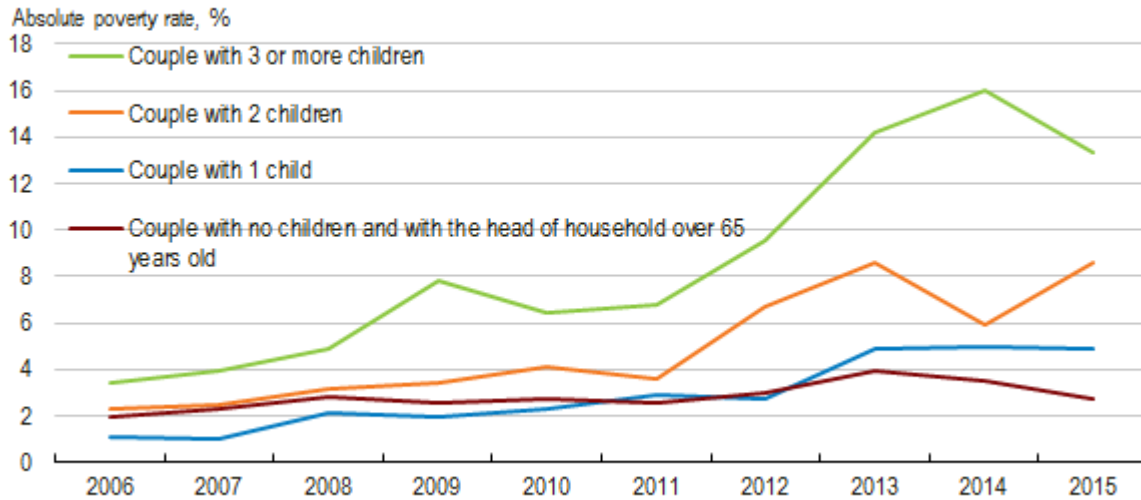
Boosting investment is key to strengthening the recovery and increasing labour productivity. Raising investment will hinge on enhancing business dynamism, improving insolvency procedures, strengthening the innovation system and targeting

innovation incentives towards innovative SMEs and start-ups. Restructuring the banking sector to improve governance and raise efficiency, and inducing banks to dispose of their bad debts, is key to restarting lending to firms.

The long crisis has eroded social inclusion, requiring renewed efforts to raise employment, reduce poverty, especially among youths and children, and improve skills. Strengthening further job creation, by lowering social security contributions, is crucial to increasing the employment rate, which, despite recent improvements is still one of the lowest among OECD countries. Further progress on combating tax evasion, introducing a real estate tax based on updated cadastral value and cutting the numerous tax expenditures devoid of any economic and social rationale could offset the revenue lost by reducing social security contributions.

The crisis has also lead to sharp increase in poverty, especially among the young and children, which the weak economic recovery has not yet enabled to reverse (Figure 2). For instance, the absolute poverty rate of families with 1 or 2 children rose from 1.1 and 2.3% in 2006 to 4.9 and 8.6% in 2015. Over the same period, the absolute poverty rate among old people remained broadly stable. Ample empirical evidence has shown the large negative effects poverty experienced at young age has on school results as well as adult income and health status. It is of the utmost importance to implement the recently launched National Plan against Poverty, whose main aim is to establish a new nation-wide antipoverty programme (Reddito di Inclusione, REI). The allocated funds are still limited but are an improvement compared with the currently available resources. The government should ensure that the new programme is sufficiently funded to substantially reduce poverty among young children.

Figure 2. Poverty of family with children has increased markedly



Source: ISTAT.

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OECD (2017), *OECD Economic Surveys: Italy 2017*, OECD Publishing, Paris.