

Ageing and Labour Market for Older Workers in Italy

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Introduction

For over twenty years demographic research has revealed that the more economically developed countries are witnessing a new demographic phase, known as second demographic transition. Among the principal implications of this is the change in the age structure of the population with a growth in numbers among the older age groups. The increase in average life expectancy and particularly the lengthening of the period of life in good health and in complete autonomy, have profound implications for social organization. Among these, research has revealed a redefinition of social times and of the roles linked to age. Picking up on Peter Laslett's well known thesis¹, from the lengthening of the average life in good health emerges a 'new life map' in which, limiting ourselves to the older ages, new life times are revealed which fall between the ending of productive roles (in the labour market) and the reproductive ones (in the family and domestic sphere) of middle age and the final loss of personal autonomy.

We are dealing with new social times, in which one observed the contemporaneous destabilizing of end of career paths and the redefinition of transition mechanisms towards retirement with wide margins of uncertainty on roles, identities and processes of social recognition. In the third age complex social innovation processes are experienced, which revolve around the redefinition of the mechanisms which govern the transition from work to retirement, from active life to retired life. The widest and most discussed debate on this subject, however has been about the economic consequences of demographic transition, focusing attention on the mid to long term sustainability of the welfare system.

In this regard we speak of an unnoticed revolution underlying the demographic transition, maintaining that "any alteration to the structure by population age is bound to reflect on the system of rules that determines the possibility of acting, exchanging, participating in political life, protecting one's own interest and relationships within the family (...). Demographic ageing has introduced a deep 'asymmetry' between age distribution and the symbolic and regulatory framework which till then had governed the relationships of exchange and solidarity between age groups"², thus necessitating a general reorganization of welfare mechanisms, and in particular a reform of the welfare system.

In the case of Italy, since the early 90s there has been a long and articulated process of reform of the public welfare system³ in line with European Union guidelines. The main objectives of this reform have been to delay the time of retirement, both by raising the minimum criteria for obtaining the pension and by reducing institutional early retirement

¹ Laslett, P. (1989): *A Fresh Map of Life*, Weidenfeld and Nicolson, London.

² Sgritta, G. B. (1993): "Il mutamento demografico, rivoluzione inavvertita", *Il Mulino*, n. 345 (1), pp. 15-34.

³ Reference is made to the public welfare system reforms contained in 1 legislative decree 503/92 (Amato Reform), l. 335/95 (Dini Reform), l. 449/97 (Prodi Reform) and l. 234/2004 (Berlusconi Reform).

options⁴. Pension reforms, most sensitive to the macroeconomic sustainability of public welfare, have adopted a reductionist approach to the subject of work and the employment of those advanced in years. In the labour market, indeed, there has not been a corresponding lengthening of working careers. In fact for some occupational groups most exposed to functional ageing and no longer safeguarded by welfare type protection new risks have emerged of social exclusion linked to involuntary early exit from the labour market no longer guaranteed by welfare type protection. When it comes to extending participation in the labour market in advanced years, generally speaking companies, the industrial relations system, the public bodies working in the active employment policies area, have often been unprepared for managing the ageing of the work force or dealing with the phenomenon of early exits from jobs.

To help face the challenges connected to demographic transition, particularly in governing a complex process of social innovation of welfare institutions and of labour market regulating, led by the European Union, an active ageing strategy has been adopted. This is based on a global approach to the ageing question, centered on the key notion of “activation”⁵. Starting from the Council of Lisbon of 2000 and subsequently the creation of the renewed Lisbon Strategy of 2005, the notion of activation has been one of the directional pillars of the European Union’s economic and social policy. It directs governments towards policies to stimulate global increases in employment rates, with specific objectives for older workers.

Active ageing, aimed at making the elderly active in the labour market, has developed an adaptive institutional approach with the objective of guaranteeing the health, independence and social productivity of individuals for as long as possible, retaining that active ageing could supply an important means of seeing to it that demography doesn’t become an obstacle to sustainable development, of preventing radical changes to social protection systems and of avoiding any generational conflict and preserving the European social model.

Within the active ageing strategy, moreover, there is a more coherent convergence between welfare system reforms and activation policies for people advanced in years. This is particularly the case when it comes to the development of the so-called “fourth pillar”⁶, i.e. the incentive for those advanced in years to work, in some cases having recourse to forms of part time work or non standard models of remuneration.

In the public and scientific debate however, the analysis of the costs of ageing have dominated, while it has been only recently that new interpretations have been developing that view the third age as a new productive phase of life in the areas of economy or of

⁴Italy has followed a welfare reform model similar to that adopted by most continental European countries based on joint penalty and incentive action. On one hand the minimum conditions for taking retirement have been tightened, and on the other, with the introduction of the contribution system pension income for those who leave the labour market early has been reduced. Less use has been made of gradual retirement schemes using a mix of part time work and pension (Mirabile et al., 2006).

⁵ Barbier, J. C. (2005), *Attivazione*, *La Rivista delle Politiche Sociali*, vol. 2, n. 1, pp. 257-290.

⁶ Reday-Mulvey, G. (2007), *Lavorare oltre i 60 anni: aspetti fondamentali e raccomandazioni*, *Quaderni Europei sul Nuovo Welfare*.

socially useful activities. There is a place in this area of thought for the view of the healthy elderly person as a social resource and no longer as a cost.

The Italian Labour Market

In the last years Italian economic picture is not looking particularly positive for the labor Market.

The economic growth registered a weakening generalized in all the EU, among the main countries Italy is the one that registered the worst performance. So the labor market suffered partially the situation of stagnation of the economic growth and of the lower productivity. A first look at the employment indicators for Italy shows neatly the existence of more than one labour market and of deep gender inequalities. Sharper differences can be found by comparing the North and the South of Italy as Table 1 shows by using 2007 Istat⁷ Labour Force data⁸. On the whole men's employment rate in Italy is 70.7% while women's 46.6% with an average gender gap at the disadvantage of women by 24%. The employment rates range for males from 62% in the South of Italy to 76.3% in the North with a higher degree of variation for women whose employment rates range from 31% in the South of Italy to 56.8% in the North. The lower employment rates for women in the South of Italy mirrors the much lower availability of childcare services⁹ and this is consistent with the positive effect between mothers labour supply and childcare provision.

Table 1 – Employment rates 15-64 years old by gender and regions. 2007.

	Male	Female	Gender Gap
North	76,30%	56,80%	19,50%
Centre	73,00%	51,80%	21,20%
South	62,20%	31,10%	31,10%
Italy	70,70%	46,60%	24,10%

Source: Our elaborations from Istat (2008)

The gender differences and regional variability are also reflected in unemployment rates (Table 2). Unemployment is more likely to occur for the youngest, living in the South of Italy and for females. By looking at unemployment rates by gender and age one can see that women's unemployment is still significantly higher with respect to men's unemployment rates not only in the youngest age group. This can be related to higher

⁷ Italian National Institute of Statistics

⁸ Istat, 2008

⁹ Addabbo, T., Caiumi, A. and Maccagnan, A. (2010) „Allocation of Time in Italian Couples: Exploring the Role of Institutional Factors and the Effect on Household's Well Being“, paper presented at the IATUR 32nd International Conference on Time Use, Paris, Sciences Po, 7-10 July 2010.

difficulties for women in re-entering the labour market in Italy after interruptions related to childbirths.

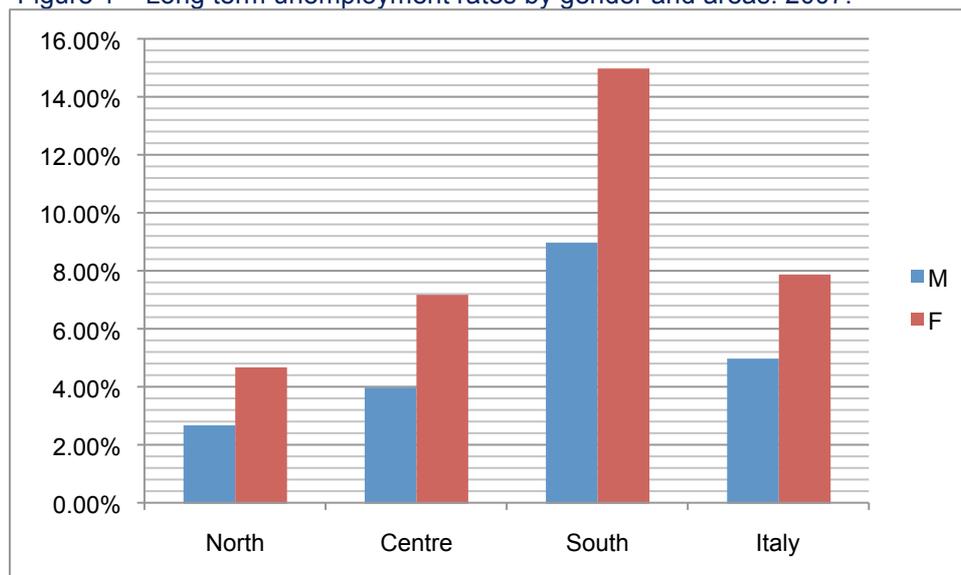
Table 2 – Unemployment rate by age, gender and areas. 2007

Age	North		Centre		South	
	M	F	M	F	M	F
15-24	10,5	14,3	15,3	21,4	28,9	38,3
25-34	3,1	5,7	5,4	9,2	12,7	20,9
35-44	1,7	3,9	2,6	6,4	6,2	12,8
45-54	1,6	3,1	1,8	4,2	4,1	6,3
55-64	1,6	1,5	2,8	2	3,6	3
15-64	2,7	4,7	4	7,2	9	15

Source: Our elaborations from data Istat (2008)

The experience of unemployment in Italy is more likely to be of long term duration than in other countries: in 2008 almost 45% of men and almost 50% of women unemployed in Italy were long-term unemployed compared to 25.4% of men and 26% of women in the OECD countries (OECD, 2009). As shown in Figure 1 it is more likely to be in long term duration unemployment in the South and for women.

Figure 1 – Long term unemployment rates by gender and areas. 2007.



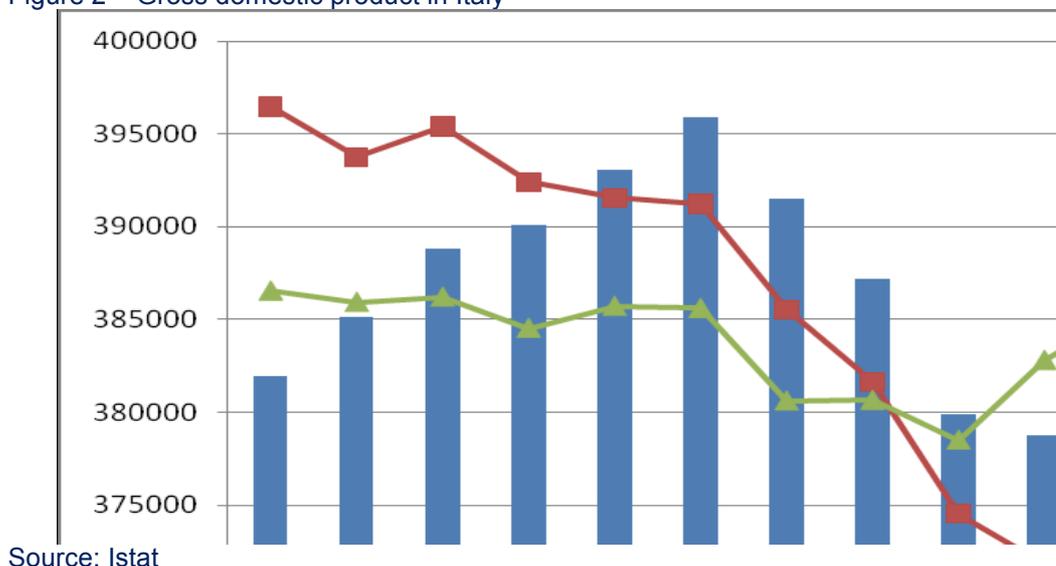
Source: Our elaborations from data Istat (2008)

Turning to the safety net system a first characteristic is its inequality. This is due to the different conditions of eligibility (connected to previous employment condition and changing with the employment status and job contract prior to unemployment), and to the different degree of coverage and duration¹⁰. Notwithstanding the recent extension in the access to redundancy system and ameliorative policies enacted during the crisis there is still a wide group of workers who are exposed to the risk of not being covered by unemployment benefits in case of job loss.

The Effects of the Crisis on the Italian Labour Market

As shown in Fig. 2, Italy officially entered into technical recession in the last quarter 2008, as the level of GDP (Gross Domestic Product) shrank for the second consecutive quarter (-1.1 in both the third and fourth quarter 2008). The downturn got worse in the subsequent quarter: -1.9 percent in the first quarter 2009. It represents the worst decline since World War II¹¹. According to the data made available by Istat¹², the GDP components most affected by the crisis in the first quarter 2009 have been exports (-21.9 percent over the first quarter 2008 and -12.4 percent over the last quarter 2008) and gross investments in

Figure 2 – Gross domestic product in Italy



¹⁰ Anastasia, B., M. Mancini, U. Trivellato (2009), Il sostegno al reddito dei disoccupati: note sullo stato dell'arte. Tra riformismo strisciante, inerzie dell'impianto categoriale e incerti orizzonti di flexicurity, ISAE, Working paper - No. 112, April 2009.

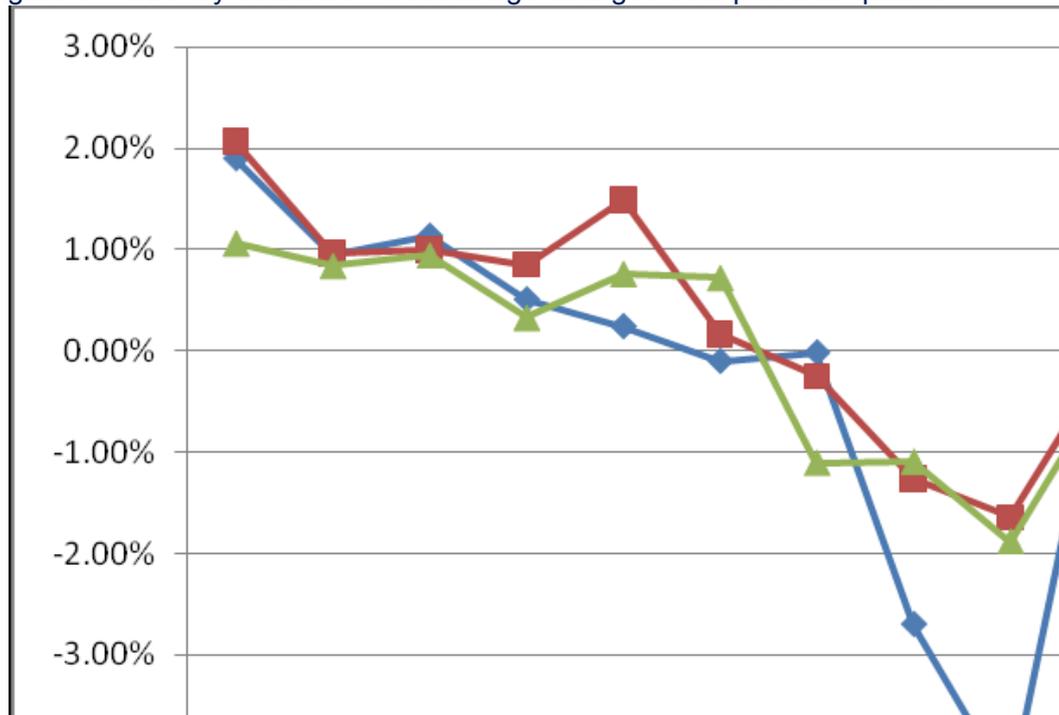
Bank of Italy (2009a) Relazione annuale 2008, Roma, Banca d'Italia.

¹¹ Bank of Italy (2009b), Bollettino Statistico No. 57, July 2009, available at www.bancaditalia.it

¹² This data is available on http://www.istat.it/salastampa/comunicati/in_calendario/contitri/20101210_00/

industrial goods (respectively -10.8 and -5.2 percent). Consumption decreased by respectively 0.6 and 0.4 percent.

Figure 3 – GDP by countries – Percentage changes over previous quarter



Source: Eurostat

Fig. 3 compares the dynamics of economic development of Italy with respect to the EU 27¹³ and the Euro Area average¹⁴. The Euro Area entered into recession in the same quarter as Italy (having faced a decrease in GDP of 0.3 percent in the third quarter 2008 and of 1.3 percent in the fourth quarter 2008), while in the EU 27 the GDP decreased by 0.1 and by 0.02 percent respectively in the second and third quarter 2008, and the situation deteriorated in the two subsequent quarters (-2.7 and - 4.3 percent respectively). In the second quarter 2009 Italy faced the fourth consecutive decrease in domestic product (-0.3 percent over the first quarter 2009), and its change has been negative again

¹³ The euro area includes Austria, Belgium, Cyprus, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Malta, the Netherlands, Portugal, Slovakia, Slovenia and Spain. The EU27 includes Austria, Belgium, Bulgaria, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and the United Kingdom.

¹⁴ Data source for EU27 and the Euro Area: <http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/themes>

in the last quarter 2009 (-0.3 percent). Instead, in the Euro Area and in the EU the GDP has started increasing constantly since respectively the third and the second quarter 2009.

Figure 4 - Annual changes of the Italian calendar adjusted Industrial Production Index by main industrial groupings.

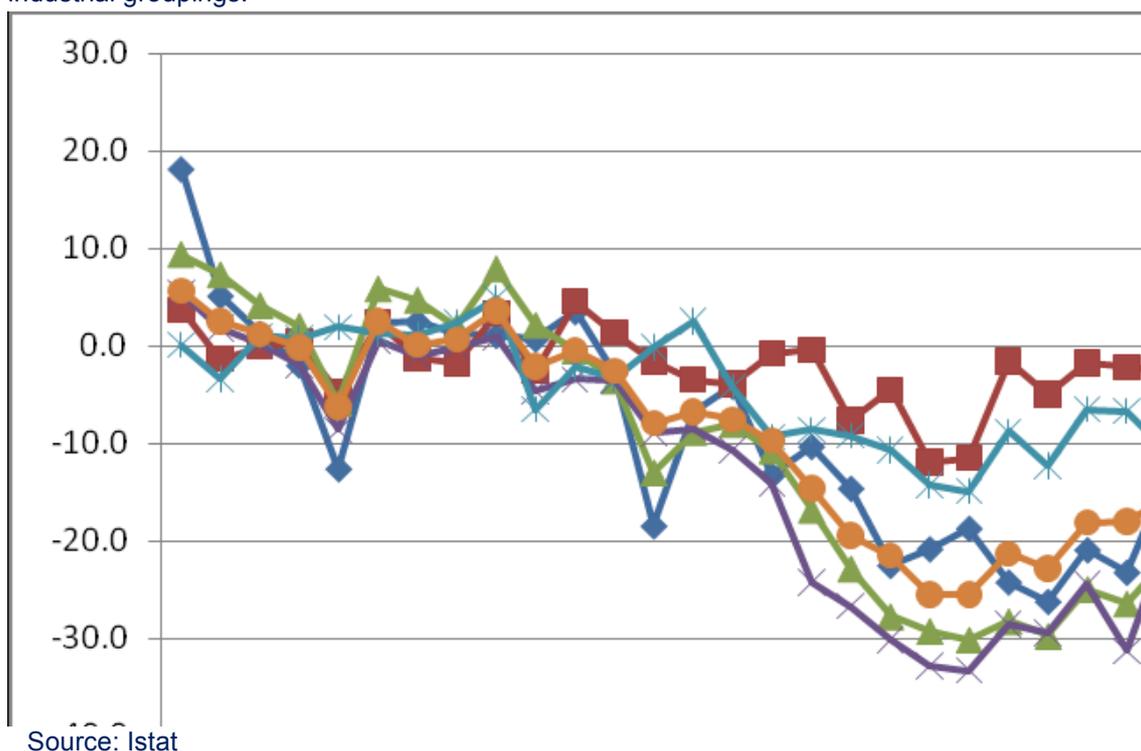
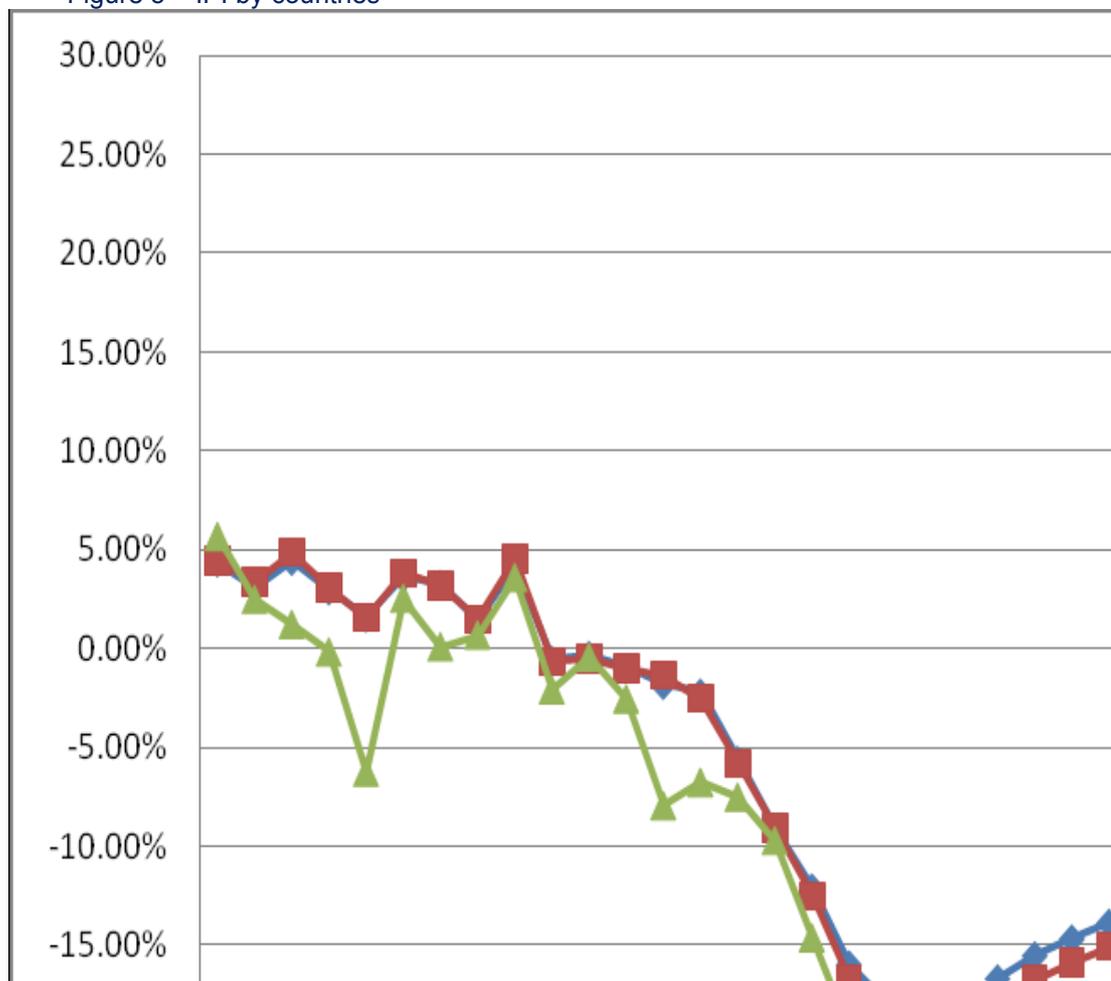


Fig. 4 shows the annual changes of the Italian calendar adjusted Industrial Production Index by main industrial groupings¹⁵. The IPI captures the activity of the industrial sector, one of the most volatile components of the economy. The overall industrial sector started shrinking in spring 2008 and the situation deteriorated until January 2010. In particular, in April 2009 the IPI fell by 25.5 percent respect to April 2008. Analyzing the rate of change of the IPI by main industrial groupings, as it is commonly done, we find that capital, intermediate and durable goods production were the most affected by the economic downturn. In particular, in April 2009 durable goods production decreased by 18.7 percent over the same month of 2008, capital goods production by 30.1 percent and intermediate goods production by 33.3 percent. Non durable goods and energy production, instead, fell, in the same month by 11.5 and 14.9 percent. In a comparison over time and across countries, the Italian economy appears always weaker than the European economy (both

¹⁵ According to the data available by Istat on [www. http://dati.istat.it/](http://dati.istat.it/)

than the Euro Area and the EU 27). The average decrease of the IPI in Europe started later than in Italy and less sharply (Fig. 5).

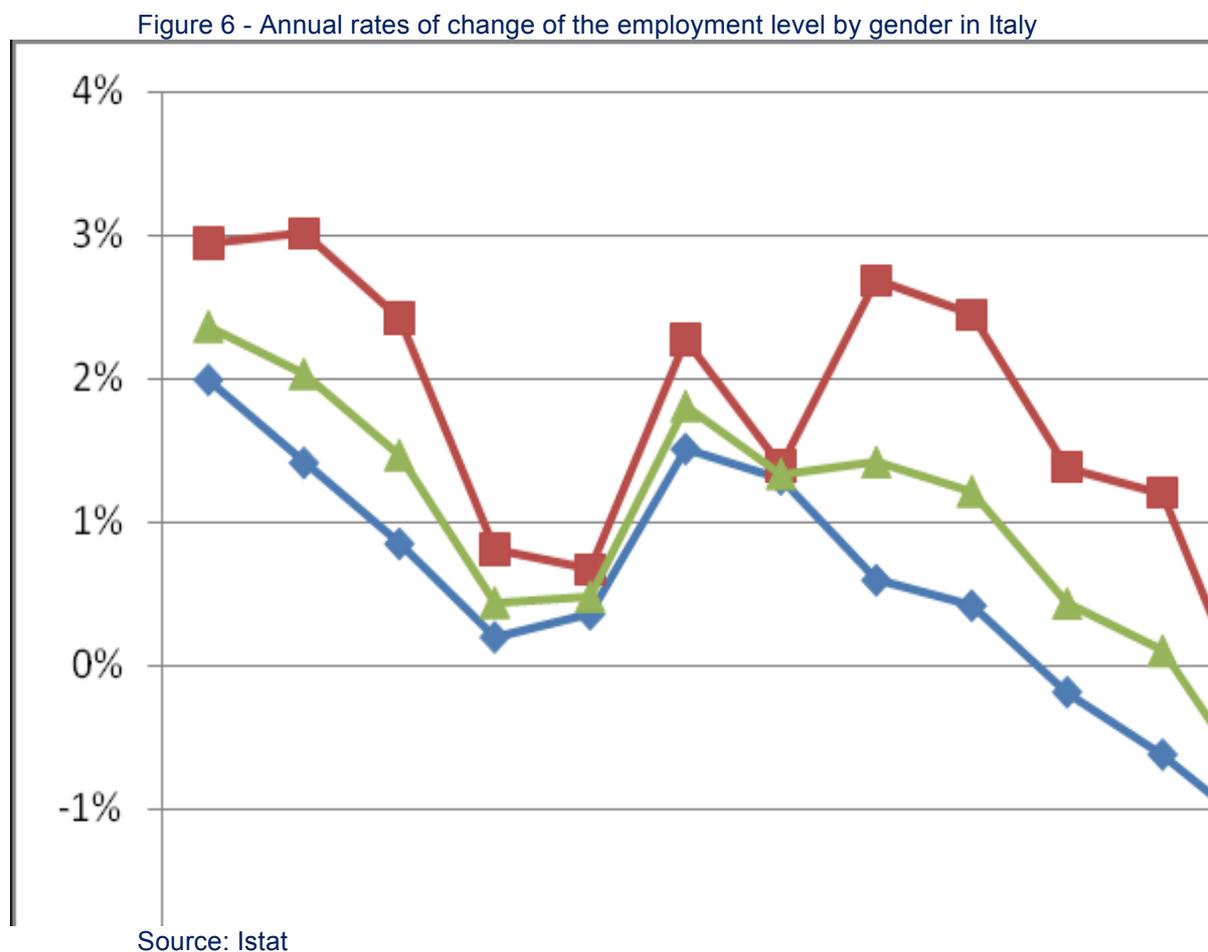
Figure 5 – IPI by countries



Source: Eurostat

In April 2009, according to Eurostat data, when the Italian IPI fell by 25.5 percent, the industrial production fell by 21.3 percent in the Euro Area and by 19.5 in the EU27. In addition, in both the Euro Area and the EU 27, the IPI has started increasing since January 2010, it was February 2010 for Italy.

The declining growing rates of 2008 affected also the Italian and European labour market. The European Labour Force Survey, that for Italy is run by the Istat, represents the most important source of information about the European labor market. Data are collected on a rotating sample of households on a continuous quarterly basis¹⁶.



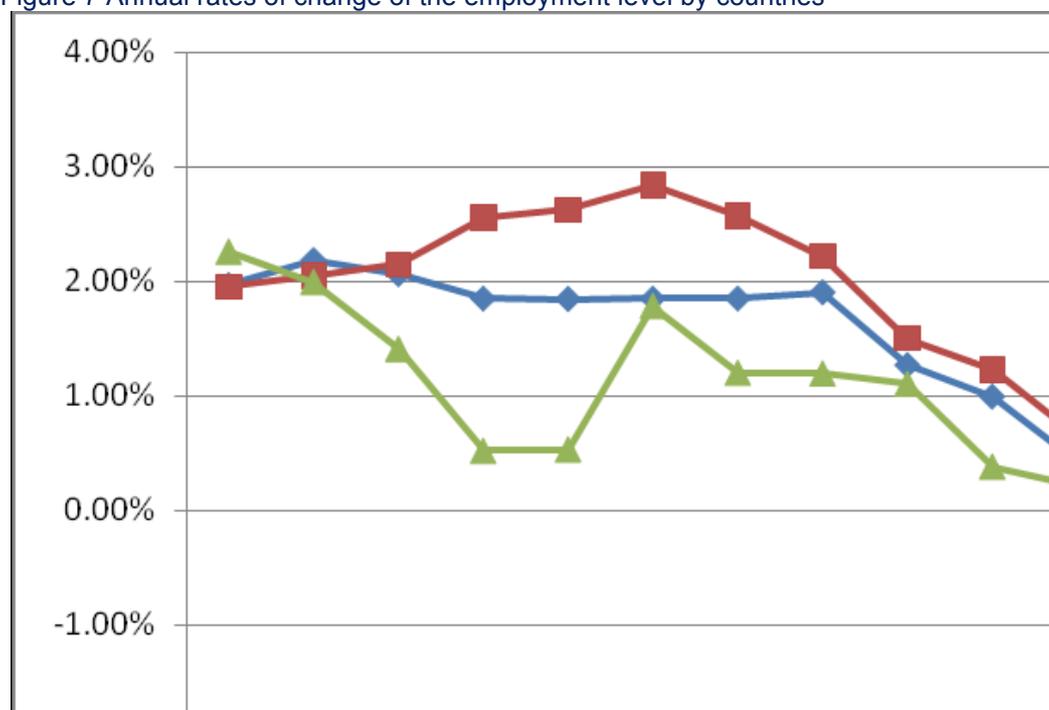
Using this data, we can see (from fig. 6 and 7) that year 2008 has been characterized for both Italy and Europe by the continuous slowdown of the employment growth that has not stopped yet. At the beginning men have been more affected by the crisis than women¹⁷: their employment level started decreasing in the last quarter 2008 in both the Euro Area and EU27 (-0.13 and -0.14 percent over the last quarter 2007). Female employment started decreasing in the first quarter 2009 in the EU27, and only in the first quarter 2010 in the Euro Area. In Italy the situation started deteriorating earlier: the employment level

¹⁶ More information on the EU LFS can be found on <http://epp.eurostat.ec.europa.eu/portal/page/portal/eurostat/home/>

¹⁷ For the sake of shortness, data broken down by gender are not shown for the EU 27 and the Euro Area, but they can be found on <http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/themes>

started decreasing in the third quarter 2008 for men (-0.2 percent), and in the first quarter 2009 for women (-0.4 percent). Examining the trends in occupation by main sectors of economic activity (not shown here), we find that the service sector, that is traditionally a female dominated sector in Italy, has been the less affected by the crisis (-0.8 annual percent change in employment in the first and in the second quarter 2009). On the other side, the male-dominated industry sector was more hardly hit: the employment level decreased by 4 percent in second quarter 2009, by 6.1 in the third quarter 2009. It is still negative in the third quarter 2010: -3.2 percent.

Figure 7 Annual rates of change of the employment level by countries



Source: Eurostat

However the weight of the manufacturing sector on the decrease in employment in 2009 (54.2%) has been lower than in the EU average (71.7%) according to Istat. Women's contribution to the decrease of employment has been more relevant in Italy than on average in European countries leading to an increase in the gap in women's employment rates: in the fourth 2009 quarter this gap is more than 12 percentage points¹⁸.

Amongst the unemployed there has been a sensible increase of the formerly employed and of the youngest and self-employed, collaborators and temporary workers. The average youth unemployment rate in Italy reached 25.4% in 2009¹⁹. According to Istat

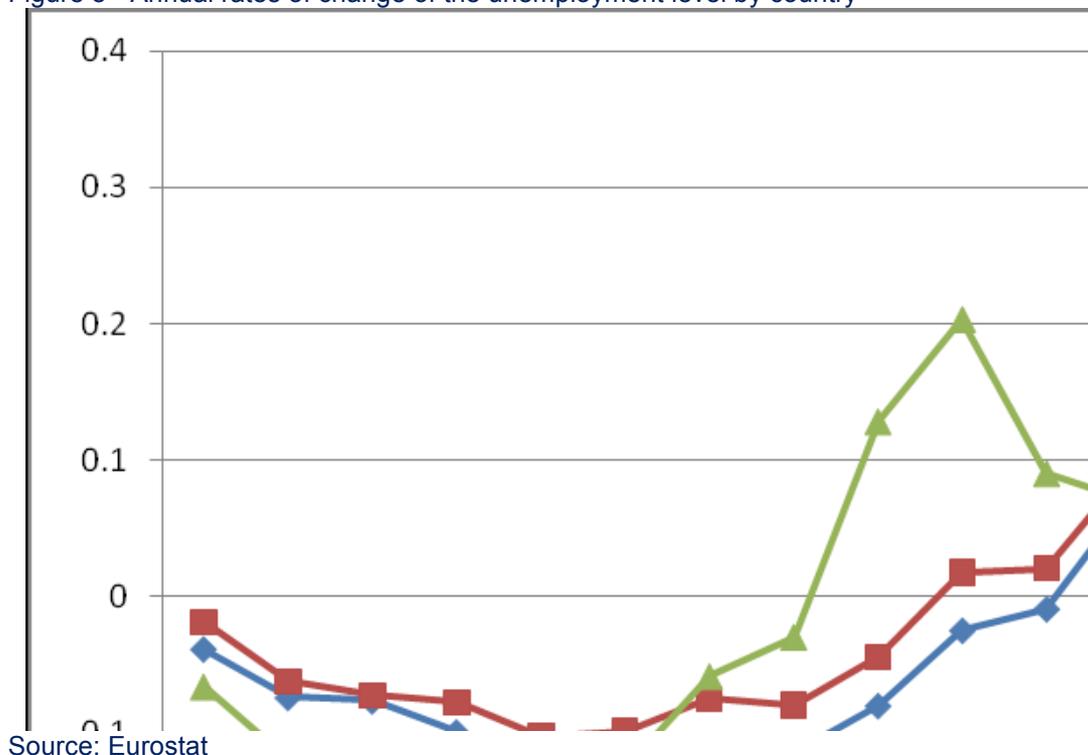
¹⁸ Istat, 2010

¹⁹ Istat, 2010

Labour force survey data if at the beginning of 2009 temporary workers and self-employed were the groups of workers more hit by job loss, at the end the very bulk of the workforce (standard and permanent) have been interested by the decrease in employment while involuntary part-time increased. The sensible decrease in nonstandard employment lead to a decrease in its share on total employment not due to a stabilization of these workers but rather to their exit from employment.

Labour demand reduced since the third 2008 quarter in all regions and especially in the North of Italy. Distinguishing by regional area (data not shown), we find that employment levels rates of change of the North and of the Centre, although decreasing, remained positive until the first quarter of 2009 (when they fell respectively by 0.4 and 0.9 percent). The South, that is characterized by serious and deep-seated social and economic problems, was instead more hardly hit by the crises: employment started decreasing over year in the third quarter 2008 (-1 percent), and the situation is still deteriorating: it decreased by 2.1 percent in the third quarter 2010, this is against a 0.7 percent decreasing the North and a 0.1 percent decrease in the Centre. The increase in unemployment rate has been in part reduced by the parallel increase in workers having access to wage supplementation fund and of the inactive. The latter have been especially increased in the South of Italy where the discouragement from participation has been particularly relevant.

Figure 8 - Annual rates of change of the unemployment level by country



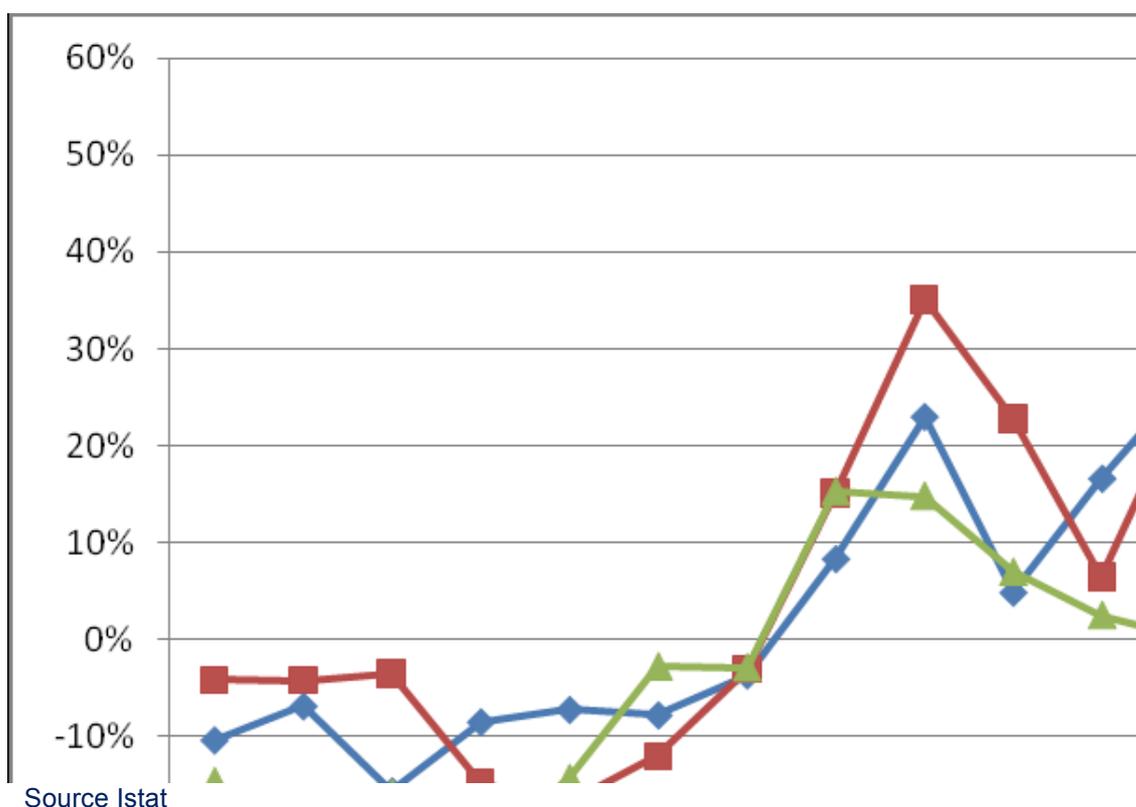
On the other side, the unemployment level decreased in Italy until the end of 2007. Then it rose by 12.8 percent in the first quarter 2008 respect to the first quarter 2007 (+199,000 units), by 20.3 percent in the second quarter (+287,000 units) and has not stopped increasing yet (+14 percent over one year in the second quarter 2010). In the Euro Area unemployment started increasing in the second quarter 2008 (+1.8 percent), while in the EU 27 it was still decreasing in the third quarter 2008 (-0.9 percent).

Unlike Europe, the Italian unemployment growth, although increasing, started slowing down in the second half of 2008. This is due to a very high level of hidden-unemployment in the South of Italy: in this area, although the sharp decrease in employment and because of discouragement, many people have stopped looking for a job²⁰, and the change in unemployment levels was even negative in the second quarter 2009 (-3.3 percent). Moreover the increase in unemployment has been mitigated by the increase in the number of workers having access to the wage supplementation fund who are not computed within the unemployed.

On the other side, unemployment reached a very high level in particularly in the North of Italy, where, in the first quarter 2010, it was 27.5 percent higher than in the first quarter 2009 (see Fig. 9). The discouraged worker effect of the South of Italy is the main reason why the unemployment level has been increasing in Italy less than in Europe.

Figure 9 - Annual rates of change of the unemployment level by area

²⁰ Istat, 2009



Following, last Istat data: Istat estimates that 23.1 million persons were employed in the II quarter 2011. Employment rate was stable to 57.3%. Unemployed decrease to 1.9 million people (-146 thousands). Unemployed rate was 7.8%. Inactivity rate increases to 37.9%²¹.

Population by employment status and geographical area; employment by economic activities (a). II quarter 2011 (absolute values in thousands and changes in thousands and percentages)

Geographical area and economic activity	RAW DATA			SEASONALLY ADJUSTED DATA				
	Absolute values	Changes on previous year		Absolute values	Changes on previous quarter		Changes on previous year	
		Absolute	Percentage		Absolute	Percentage	Absolute	Percentage
LABOUR FORCE								
Italy	25,041	-59	-0.2	24,949	-7	0.00	-78	-0.3
North	12,583	-38	-0.3	12,562	-34	-0.3	-53	-0.4
Centre	5,23	-28	-0.5	5,216	6	0.01	-26	-0.5
South and Islands	7,228	7	0.01	7,172	21	0.03	1	0.00
EMPLOYMENT								
Italy	23,094	87	0.04	22,961	27	0.01	69	0.03

²¹ Istat, Employment and unemployment rates 30th September 2011

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North	11,927	53	0.04	11,886	-6	0.00	34	0.03
Centre	4,885	2	0.00	4,851	14	0.03	7	0.02
South and Islands	6,282	32	0.05	6,224	18	0.03	28	0.05
Agriculture	838	-40	-4.6	842	-26	-3.0	-46	-5.2
Manufacturing, fuel and power products	4,659	50	1.01	4,655	-9	-0.2	32	0.07
Building and construction	1,919	-56	-2.8	1,908	0.00	1.01	-52	-2.7
Services	15,678	133	0.09	15,557	42	0.03	135	0.09
UNEMPLOYMENT								
Italy	1,947	-146	-7.0	1,988	-33	-1.6	-148	-6.9
North	656	-91	-12.2	676	-28	-3.9	-86	-11.3
Centre	345	-30	-7.9	365	-8	-2.1	-34	-8.5
South and Islands	946	-25	-2.6	948	2	0.02	-28	-2.8
UNEMPLOYMENT RATE								
Italy	7.08	-0.6		8.00	-0.1		-0.6	
North	5.02	-0.7		5.04	-0.2		-0.7	
Centre	6.06	-0.5		7.00	-0.2		-0.6	
South	13.01	-0.4		13.02	0.00		-0.4	

(a) Economic activity is referred to Nace 2007.

Employment by professional status, economic activity and geographical area. II quarter 2011

(absolute values in thousands and changes in thousands and percentages)

Geographical area	Absolute values			Changes on previous year					
	Employees	Not Employees	Total	Absolute			Percentage		
				Employees	Not Employees	Total	Employees	Not Employees	Total
TOTAL									
Italy	17,214	5,88	23,094	130	-43	87	0.08	-0.7	0.04
North	9,026	2,901	11,927	108	-54	53	1.02	-1.8	0.04
Centre	3,62	1,264	4,885	24	-22	2	0.07	-1.7	0.00
South and Islands	4,567	1,715	6,282	-1	33	32	0.00	1.09	0.05
AGRICULTURE									
Italy	392	447	838	-20	-20	-40	-5.0	-4.2	-4.6
North	82	220	301	-17	-25	-42	-16.9	-10.3	12.2
Centre	45	73	118	-14	2	-11	-23.2	3.05	-8.6

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South and Islands	265	154	419	10	3	13	3.08	2.00	3.01
INDUSTRY									
Italy	5,234	1,343	6,578	33	-39	-6	0.06	-2.8	-0.1
North	3,238	730	3,967	69	-24	45	2.02	-3.2	1.01
Centre	941	291	1,232	-12	-17	-30	-1.3	-5.6	-2.4
South and Islands	1,055	323	1,378	-23	3	-21	-2.2	0.09	-1.5
MANUFACTURING, FUEL AND POWER PRODUCTS									
Italy	4,037	622	4,659	52	-2	50	1.03	-0.2	1.01
North	2,691	350	3,041	63	-13	50	2.04	-3.5	1.07
Centre	678	130	808	-4	1	-3	-0.6	0.09	-0.3
South and Islands	668	142	810	-8	10	2	-1.2	7.06	0.03
BUILDING AND CONSTRUCTION									
Italy	1,197	721	1,919	-19	-37	-56	-1.5	-4.9	-2.8
North	547	380	927	6	-11	-6	1.00	-2.9	-0.6
Centre	264	161	424	-9	-19	-27	-3.2	-10.4	-6.0
South and Islands	387	181	568	-16	-7	-23	-3.9	-3.9	-3.9
SERVICE									
Italy	11,588	4,09	15,678	118	15	133	1.00	0.04	0.09
North	5,707	1,952	7,658	55	-5	50	1.00	-0.3	0.07
Centre	2,635	900	3,535	50	-7	43	1.09	-0.7	1.02
South and Islands	3,246	1,238	4,484	13	27	39	0.04	2.02	0.09

Labour market indicators by sex and geographical area.

Geographical area	Percentage values			Absolute changes on previous year		
	Total	Males	Females	Total	Males	Females
ACTIVITY RATE 15-64 YEARS						
Italy	2,58	3,04	2,13	-0.4	-0.6	-0.1
North	2,84	3,21	2,50	-0.5	-0.9	-0.2
Centre	2,75	3,13	2,34	-0.6	-0.6	-0.7
South and Islands	2,13	2,71	1,51	0,00	-0.4	0,00
EMPLOYMENT RATE 15-64 YEARS						
Italy	2,38	2,80	1,92	0,00	-0.1	0,00
North	2,71	3,05	2,34	0,00	-0.1	0,00
Centre	2,55	2,96	2,17	-0.2	0,00	-0.5

South and Islands	1,84	2,42	1,29	0,00	-0.2	0,00
UNEMPLOYMENT RATE 15 YEARS OR MORE						
Italy	0,30	0,26	0,38	-0.6	-0.6	-0.5
North	0,21	0,17	0,25	-0.7	-0.9	-0.5
Centre	0,25	0,21	0,33	-0.5	-0.8	-0.2
South and Islands	0,54	0,46	0,63	-0.4	-0.2	-0.7
UNEMPLOYMENT RATE 15-24 YEARS						
Italy	1,13	0,96	1,34	-0.6	-3.6	0,13
North	0,79	0,67	0,92	-1.0	-2.9	0,05
Centre	1,04	0,75	1,42	-0.9	-7.0	0,30
South and Islands	1,63	1,50	1,83	-0.1	-2.7	0,13
INACTIVITY RATE 15-64 YEARS						
Italy	1,55	1,13	2,00	0,00	0,00	0,00
North	1,29	0,92	1,63	0,00	0,01	0,00
Centre	1,38	1,00	1,79	0,00	0,00	0,00
South and Islands	2,01	1,42	2,63	0,00	0,00	-0.3

Ageing and Employment for Workers over 50s in Italy

Demographic ageing in Italy has come about faster and more intensely than in other European countries. In the last twenty years between 1988 and 2008, the percentage incidence of people of 50 years and over has risen from 32% to 39% of the total population, a growth that especially concerned the over 65s. Comparing the Italian data with those of the EuroArea-15²², we find that in Italy the incidence of over 50s was greater at the beginning of the period in question, (32% compared to 30.8%) and then increased faster than in the other countries over the following twenty years (+21% compared to +18%). If initially this phenomenon was attributed to a large extent to the reduction in the birth rate, most recent trends demonstrate that it is instead, the increase in average life expectancy that determines the growth in the proportion of the older age groups relative to the total population²³. In the coming decades this phenomenon will be even more noticeable, as official Istat demographic projections reveal. From these it emerges that the

²² The EuroArea 15 includes the following countries: Belgium, Denmark, Ireland, Greece, Spain, France, Italy, Cyprus, Luxemburg, Malta, The Netherlands, Austria, Portugal, Germany, Sweden, Finland.

²³ Baldi, S. e Cagiano de Azevedo, R. (2005), La popolazione italiana, il Mulino, Bologna.

percentage incidence of people aged 50 and over will account for half the population in 2050²⁴.

With regard to these demographic trends, despite an inversion over recent years, the main labour market indicators reveal, a low level of employment among the older age groups. Looking at the available statistical information, from the Eurostat data²⁵ it can be seen that in 2007 the employment rate in Italy in the 55-64 age group was 33.8%, a much lower rate than the European average whether one considers the EuroArea-15 (46.5%, or that of the enlarged European Union of 27 (44.7%). These data represent a critical situation, especially when account is also taken of the fact that the European Commission at the Stockholm European Council of 2001, had set the objective of achieving an employment rate for the 55-64 age group of 50% or over by 2010. Looking back and comparing the employment rate in 2007, with that recorded ten years earlier in 1997 however, a growth from 28% to 33.8% is revealed, an increase greater than that recorded for the entire population aged 15 and over (which rose from 41.7% to 45.9%). At the same time, however, the employment rate for those over 65 years went down slightly, from 3.8% to 3.2%.

Going back to the 2007 data (Istat, 2009), in the 55-64 age group the non-active population represented fully 65% of the total (i.e. 4.6 million out of a 55-65 year old population of 7.1 million). Among the inactive the most important groups were firstly the one made up of individuals already retired, 47%, then the group of those who declared they "had no interest in work" accounting for 27%; 9% had health problems, and finally, the discouraged workers, (5%) i.e. those, who convinced they wouldn't find work, had given up actively looking for a job. An analysis of the rate of unemployment shows it is very low, (2.4% but if one only adds the discouraged workers to those looking for work, the unemployment rate rises to 10.3%. To sum up, there are few employed people among the 55-64 year olds in Italy compared to the European average. This is due to the early exit from the labour market, firstly for early retirement²⁶, secondly because of the great difficulty in finding work once over the 50 year threshold (if not before), and finally, to a lesser extent, because of people's lack of motivation in relation to work.

This brief statistical picture shows that in Italy the phenomenon of early exit from the labour market persists, and particularly so for the number of people of advanced years who join the no-active population. This is due to inertia on the part of the Italian economic and social system, when it comes to adopting an integrated approach to active ageing policies. While welfare reforms have aimed at delaying retirement, in the labour market there has been little in the way of developed support for the employment of the elderly. The social protection system and the negotiation practices of the unions, moreover, continue to deal with the passive defense of workers removed from employment early, despite the fact that this strategy is applicable to an increasingly small number of older workers from the great industrial corporations.

²⁴ Università di Salerno elaboration on Eurostat data.

²⁵ Università di Salerno elaboration on Eurostat data.

²⁶ In many cases these are people who started their contributory career early and who have benefited from seniority pensions.

Actually, looking at the last decade, with regard to active employment policies at national level, workers over 50 years of age who are out of work or about to lose it are considered 'disadvantaged workers' and therefore can take advantage of the insertion contract²⁷, besides being protected against discriminatory practices²⁸. When it comes to the decentralization of employment policies and employment services, the framework is much more developed. However we know that at a regional level the subject of older workers generally has little specific place in planning documents, but rather can be found among measures concerning a wider public in the area of education and equal opportunities.

Concerning cover against the risk of unemployment, instead, until the mid 1990s, besides early retirement there was a whole range of institutional safeguarded pathways out of the labour market, created by means of the use of social safety valves and company incentives, usually aimed at the employees of large industrial corporations. In quantitative terms Istat records that in the second half of 2006, around 9% of retired workers had taken advantage of an incentive to take early retirement²⁹. These strategies were made easy by a corporate industrial relations model, and by the preparedness of the public player to use economic resources and National Insurance contributions to support early exit from the labour market, guaranteeing a certain level of income, agreed with the unions.

In the current phase, however, there is a crisis in these negotiation practices. There are at least three reasons for this: (a) the first linked to demographic trends: a slow down in turnover due to the dwindling number of young members of the work force entering the labour market; (b) the second concerns welfare restructuring: the reduction in institutional early pathways out of the labour market and the favouring of activation tools, rather than passive measures for guaranteeing income; (c) the third is linked to the evolution of occupation composition: the increase in older workers dismissed from small and medium companies where traditional forms of social protection covering the slide towards retirement are not applied.

²⁷ A provision of Legislative Decree 276 of 10 September 2003 enacted on the basis of regulation EC nr. 2204/2002.

²⁸ This refers in particular to the rules in Legislative Decree 216, 9 July 2003, implementing directive nr. 2000/78/CE.

²⁹ Istat, 2007 b.

Italy's Pension System, History and Reform

Facing a demographic challenge substantially greater than the European average, Italy has undergone a series of reforms that are projected to very gradually replace its traditional defined benefit public pension program with a notional defined contribution program. This is projected to become fiscally sustainable by 2050. Debate continues, however, about the need for additional reforms, as additional funding or further reductions in benefits are needed to keep the program solvent during the transition.

System Before 1992

The Italian pension system consists of three pillars: 1) Mandatory old age insurance (MOA), which also provides survivors insurance and disability benefits³⁰. 2) Supplementary pension systems, including closed-end funds formed by employers and/or employees, and collective pension funds, which are mostly funded and voluntary.² 3) Private insurance annuities or individual accounts. Supplementary pensions and private insurance substitute for the MOA in only a few cases. They are generally not mandated and they are funded.

Prior to 1992, funding for MOA was from a payroll tax of 26.4% (1/3 paid by employees, 2/3 by employers). However, the state made up any shortfall between revenue and outlays; in 1992, government estimates indicated that payroll taxes would have to rise to between 35% and 42% in order to fully fund the system³¹.

MOA was available to men aged 60 and over and women aged 55 and over who had contributed to the pension system for at least 15 years. However, an early retirement option allowed private sector workers to claim benefits at any age after 35 years of contributions. Public sector workers could claim benefits after 20 years of tax contributions for men and 15 years for women. The pension benefit was based on final salary (the average of the last five years of real earnings for private sector workers and final salary for public sector workers) and years of service. Years of service, up to a maximum of 40, were multiplied by a factor of 2 percent and applied to the final salary. Thus the maximum benefit replaced 80% of earnings. Benefits were indexed to nominal wage growth. Perhaps most importantly, no actuarial penalty was assessed on early retirees.

In addition to the public pension program, Italian workers receive a severance from the *Trattamento Fine Rapporto* (TFR), which for workers in the private sector is equal to the cumulative total of 7.41 percent of earnings in each year. This is paid by employers and

³⁰ There is also a seniority pension that is not available to workers entering the workforce after 1996. Workers still eligible for the seniority pension can receive it at age 57 with 35 years of contributions or at any age with 38 years of contributions, rising to 40 years by 2008. The seniority pension is calculated as a progressive percent (.9% to 2%) of earnings multiplied times the number of years of earnings, up to a maximum of 40.

³¹ Brugiavini, Agar and Vincenzo Galasso, "The Social Security Reform Process in Italy: Where Do We Stand?" (paper prepared for the Research Workshop organized by the Michigan Retirement Research Center MRRC on International Social Insurance Reform, Ann Arbor, Michigan, July 2003).

retained in a fund that the employers manage directly. It is paid out as a lump sum at retirement, and in the meantime serves as a source of capital for the employer. For this reason, employees have an incentive to retire early, since they are not earning a very high rate of interest while the money remains in the fund – about 1 percentage point below current bond market interest rates³².

Italy also provides retirees a means-tested minimum pension (a maximum of about 6,300 euro per year for a single person in 2002) for people who contributed to MOA, with a supplement available for those aged 70 years or more. For Italians ineligible for the minimum pension, a social assistance program ensures that people receive minimum support of about 4,725 euro a year, which is also supplemented for those aged 70 years or more.

New Context

The Italian government has enacted several reforms of its public program since 1980, most notably in 1992 and 1995. Together, these reforms both reduced the cost of the program and increased contribution rates. Most significantly, while the funding of the system is still PAYG, the calculation of benefits is now “contribution based,” through notional defined contribution (NDC) accounts.

Italy's most recent pension reforms were undertaken at a time of serious budgetary problems. In order to enter the European Monetary Union, countries were required under the Maastricht Treaty of 1992 to comply with the following convergence criteria: 1) Fiscal deficits generally below 3% of GDP; 2) A public debt ratio not to exceed 60%³³;

3) An inflation rate not more than 1.5 percentage points above the three best performing member states; and 4) Long term interest rates not more than 2 percentage points above that of the three best performing member states in terms of price stability³⁴. At the beginning of the 1990s the ratio of deficit to GDP in Italy was 11.7 % and the public debt to GDP ratio was 97.1%.

The first significant reform measures are known as the 1992 Amato reforms, for the name of the then Prime Minister. One goal of the reforms was to lay a foundation for an equitable, straightforward pension system, rather than making painful spending cuts that would not be accepted by segments of the population. To this end, many of the changes were phased in over ten years. Specifically, the reforms increased the state retirement age from 55 to 60 years for women and from 60 to 65 years for men, increased the number of years of contributions for eligibility to 20, changed from nominal wage to price indexation of

³² The TFR minimum rate of return is currently about 3.1% (1.5% plus 75% of the inflation rate, currently about 2.1%). This compares with corporate bond rates of about 4%.

³³ A country with a higher debt-to-GDP ratio can nevertheless adopt the euro if its debt levels are falling steadily.

³⁴ A fifth criteria concerns exchange rate stability. The exchange rate should have stayed within pre-defined fluctuation margins for two years. These margins are set by the European exchange rate mechanism, an optional system for member states which want to link their currency to the euro.

benefits, and for younger workers, increased the number of years of contributions used to calculate retirement benefits from the last 5 years to workers entire working life. Early retirement eligibility requirements of private and public sector employees were also brought more into balance, by raising the number of contribution years required of public sector employees from 20 to 35. According to Italian researchers, these measures decreased public pension liabilities by at least 25 percent on a projected net present value basis. However, because they were phased in over time, and especially because there was still no actuarial adjustment for early retirement, they did not produce needed savings in the public pension budget.

The second set of reforms, known as the 1995 Dini reforms, were an attempt to change the basic rules for granting benefits to future retirees, while at the same time injecting actuarial balance into the early retirement benefits. They also increased required contributions to the program to a total of 32.7 percent of covered wages (8.89 percent from employees and 23.81 percent from employers.)³⁵. Specifically, the reforms mandated the creation of a notional defined contribution program similar to Sweden's. Under this program each employee has a notional public pension account credited with one-third of the amount of gross wages each year. The balance in the account earns interest at a rate equal to a 5 year moving average of growth in the country's GDP. A worker may decide to retire as early as age 57 as long as his account is large enough to provide a minimum benefit of 1.2 times the social assistance benefit³⁶. The increase in benefits for additional years of work during this period is designed to be actuarially level. The benefit is calculated based on the balance of the account, age at retirement, and a factor that will be adjusted periodically based on changes in life expectancies at various ages. The benefits after retirement, which were linked to the legislated level of the minimum wage before 1992, are now linked partly to changes in prices. After the calculation of initial benefits, the portion of benefits below a specified level equal to three times the minimum pension (about two-thirds of average earnings) are increased based on the increase in prices. A portion of benefits above that level increases by 90 percent of the rate of price inflation. Benefits exceeding five times the minimum pension are increased by 75 percent of the rate of price inflation.

Key features of the 1992 Amato reform (see Table 1), including retirement ages and reference period for calculating the initial benefit, were phased in over a 10-year period.

Table 1: Changes in Key Features of Italian Pensions During the 1990s

	Pre-Reform	1992 Reform	1995 Reform
Normal retirement age	60 (men)	65 (men)	Any age, starting at 57 (men and women)
	55 (women)	60 (women)	

³⁵ In part, however, this resulted from the re-labeling of several contributions under a single social security tax. Some employers, including those in economically distressed areas, are entitled to pay a lower contribution rate.

³⁶ To be eligible at age 57 a retiree must have contributed for 35 years.

Pensionable earnings	Average of last 5 years real earnings	Career average earnings	Career contributions (capitalized at an annual rate using a five-year moving average of past GDP growth rates)
Pension benefit	2% *(pensionable earnings)*(years of tax payments ≤ 40)	2% *(pensionable earnings)*(years of tax payments ≤ 40)	Proportional to accrued value of career contributions; proportionality factor increases with age up to age 65 ^a
Years of contributions needed for eligibility	15	20	35
Total payroll tax (employee and employer)	24.5% gross earnings	27.1 % gross earnings	32.7% gross earnings

Source: Brugiavini e Peracchi

Italy's transition in 1995 to a NDC public pension system won't be complete until people who began working in 1996 or later have retired. Thus, those who contributed to the system since before 1992 could receive some of their benefits based on three different sets of rules (pre-1992, 1992-1995 and post-1995). The Organization for Economic Cooperation and Development projects that, once it is fully implemented, this program will replace an average of about 89 percent of net wages for most workers who retire at age 65³⁷. The rate varies little by income level. In contrast, the Italian pension program in place before the 1995 reform provided benefits that replaced a higher portion of earnings for people with low earnings than for people with high earnings. The less generous indexation of benefits under the new system, however, means that the purchasing power of benefits will fall during the course of retirement for most retirees.

The Italian public pension program is expected to become financially solvent by 2050. Currently, however, general tax revenue is needed to cover shortfalls in the pension system's financing. Program expenditures are projected to rise from 14.4 percent of GDP in 2005 to 15.9 percent in 2040 before dropping to 14.7 percent in 2050. Some researchers have concluded that the reforms have had deleterious effects on the economy. The high level of contributions increases employment costs compared with other nations, which may retard economic growth. In addition, uncertainties created by the drawn out time table for implementing reforms encouraged some workers to retire early. In response to the 1992 reforms, Italians near retirement age retired as soon as they were eligible in order to avoid the new provisions. The continued availability of severance pay

³⁷ Organisation for Economic Co-operation and Development (OECD), *Pensions at a Glance: Public Policies Across OECD Countries*. Paris: 2005. Currently the normal retirement age for women who entered the workforce before 1996 is age 60. For those who began contributing to the program in 1996 or later the normal age is 65, but benefits are payable as early as age 57.

packages, which in effect earn low rates of interest during employment, also encouraged early retirement.

The 2004 Pension Reform Act³⁸ gradually phases in restrictions that should reduce early retirements. Beginning in 2008 the minimum retirement age is 60 years provided that the worker has contributed to the program for at least 35 years. In 2010 the age increased to 61 and in 2014 it increases to 62³⁹. However, a worker with 40 years of contributions may still retire at any age. With 20 years of contributions men may retire at 65 and women who began contributing before 1996 may retire at age 60⁴⁰. Until 2014 women with at least 35 years of contributions may retire at age 57 as long as they accept additional reductions in benefits.

In November of 2005, the Italian Parliament voted to allow workers to redirect contributions from TFRs into private and occupational pension funds. The new law didn't take effect until 2008 in order to allow companies more time to adapt to the new rules. So it is too early to make judgments. It is also expected to strengthen the second pillar of the pension system in general.

Given the expected shortfalls in the program's finances over the next few decades, Italians continue to discuss the need for additional reform. Options under consideration include further increases in women's retirement age up to men's age (65 years), raising the minimum retirement age, increasing contribution rates, and increasing penalties for early retirement. Recent reforms have also focused on new incentives for private voluntary savings programs, such as the TFR legislation cited above.

As mentioned above, it is easy to understand the importance of adopting active aging policy to promote the use of older workers in the labour market.

³⁸ L. 243/2004.

³⁹ During each of these periods the minimum retirement ages for the self-employed is one year later.

⁴⁰ At the time of writing the Prime Minister Berlusconi is considering new changing for retirement age.

National areas of intervention

In Italy security and employment policies of 70's and 80's have facilitated the decline of older workers participation at working processes, anticipating retirement of 5/10 years.

Such trend, aiming at supporting reorganization processes and at allowing enterprises to introduce turn-over among young-older workers, thus reducing labour costs, has determined a specific culture of early retirement as well as a substantial decrease in activities of older workers. Moreover, there has been a loss in terms of skills and competencies within the professional system and an increasing trend in security costs, non compatible with the financial equilibrium of the system itself.

To contrast this trend, since 2003 in Italy have been developed policies devoted to increase employment among over 45 years old workers and different initiatives related to age management.

Among most effective actions we mention legislative intervention for employment over 50s⁴¹ (Including of over 50s among disadvantage workers category, benefiting of incentives at normative and economic level; promotion of equality of treatment of people according to religion, handicap, sexual orientation and age) and the program for income support for workers of 50 years. We also told about the intervention on security and retirement system.

Now we are interested in actions for adaptability of older workers' skills to new needs of labour market.

Policies for the training

The policies for the professional training are based on a wide system and consolidated financial tools and management established by the ESF and by the law for the professional training of 1993, but also by the Inter-professional Funds⁴². For what concerns the law of 1993, the financial traditional channel for the professional training, in 2003 there was a turning point in the strategy of the law. The resources distribution to the Regions has been created by a measure on the general criteria for the promotion of the Training plans individual, company and territorial, that move in the direction of one "specialization" of the existent financial tools.

⁴¹ Reform in market of labour and employment; Legislative Decree 216 7/9/2003 referred at EU Directive europea n. 2000/78/Ce; L. 127 del 24 march 2006 "Urgent disposition for the reinsertion of over 50s workers, extension of solidarity contracts and financial disposition"

⁴² L. 236/93 and l. 388/00.

This system ensures the involvement of the beneficiaries of the actions of the professional training that are less accessible by the new Inter-professional Funds.

This allows to give the 70% of the assigned resources to the Regions for dedicated interventions:

- for the employees of private companies with less than 15 employees;
- for the employees of any private company that have part-time contracts, determined time or coordinated and continuous collaboration, that are part of contract typologies with reduced hours, modulated or flexible and in some projects;
- for the employees of any private company placed in integration earning fund ordinary and extraordinary, or above 45 years of age or holding only the elementary school license or obligatory education.

In regards to the Individual Professional Training, the experimentation is started in 2000 and is based on two organizational devices: the **catalogs** and the **vouchers**⁴³

The analyses made till now show the coming up of some needs relative to:

- the activation of measurements to help the weaker employees;
- professional needs in the reference territorial area and characterized by the logistics conditions and the flexibility to the characteristics and the needs of the users.

The experience of the this kind of training is coming up as an opportunity that has great importance for the development of the politics of *lifelong learning*. There are new company behaviors that promote the access of the employees to the training, avoiding the organizational complications and the economical costs connected with the activation of company training. Among the training typologies coming up there is a particular regard to the company vouchers, the individual economic incentives to finance training activities chosen by the beneficiaries.

Territorial policies

Among the tools for the promotion of the employment for the elders, the so called territorial pacts have an essential role, they are local agreements between the social parties and the public administration, with the aim to increase the employment rates, allowing the entrance and/or the re-introduction of the disadvantaged subjects in the labor market.

This territorial strategy is based on the assignment to the Regions and local governments of the legislative power on the matter of “employment preservation and security, professions, complementary and integrative welfare” and a legislative power exclusively on the education and professional learning matter.

⁴³ Born under law 236/93

Regions Initiatives

Law 276/2003⁴⁴ allows the Regions to be engaged on different levels, especially for what concerns the realization of the formative booklet, the certification of the competences system and the credits certification.

The New Contracts by the Biagi Law

The Law for the labor market reform wants to update the juridical tools for the labor market, creating new types of contract:

- **Intermittent employment:** gives the availability of the employee, even for long term employment, to carry out “performances that can be discontinuous or intermittent” (job on call) on request by the employer and with a “congruous” monthly allowance, in the down times;
- **Job sharing;**
- **Work by project:** for those who do a “prevalently independent job and without a subordination bond” and for this there are major preservations;
- **Occasional and accessory work:** this is an irregular working activity carried out by subjects at risk of social exclusion and not yet in the labor market or close to the exit.

The new is that the contract is stipulated, it should happen not among the employer and the employee, but with the purchase of vouchers or equivalent ticket through authorized agencies for a certain amount of performances, the correspondent salary is paid to the employee after the performance. The reform creates numerous interventions that, directly or indirectly, promote the permanence or the re-integration in the labor market for the people over 50s:

1. the institution of the “*social agencies for the employment*” or of a “*personal service*” that, on the base of a proper convention with the public subject, are given incentives if they “take charge of” the disadvantaged employees so that they can be rapidly recollocated in the labor market;
2. the intermittent work can be experimented among the “employees over 45 years of age that have been out of the productive cycle or that are part of the mobility and unemployment lists”;
3. the contract of introduction that allows, among the categories of the accepted people, the “employees over 50s that do not have employment” and generally the once that want to take again a working activity and that did not work for at least two years;

⁴⁴ known as the Biagi Law.

4. the work by project;
5. the accessory work.

Future Strategies

Changing the Italian pension system did not solve the problem and even makes it worse. The risk is to have a large segment of the population that does not work, fails to return to the labor market and does not have sufficient income to maintain the standard of living which is used.

From research experience and literature on the subject⁴⁵ and given the current regulatory framework it is possible to draw some action lines for determining a many faceted strategy for activating older workers dismissed too early from the labour market:

- the typology of the workers targeted by activation policies based on basic education, on the level of professionalism and on orientation towards work;
- the orientation of the labour market considering companies' selective strategies;
- the policy options of the public player, taking account of the organization of employment services and of already existing activation measures or ones that could be obtained through their re-orientation.

Bridge to Employment

Policies for activating elderly workers in the labour market include people of 50 years and over in the 'disadvantaged category'. This is hardly an appropriate definition for dealing with the subject of employment in old age, since recorded age, if not accompanied by other dimensions of social stratification, is only of generic significance. Therefore among oldest members of the labour market, we should distinguish a group with less to offer and who are still more disadvantaged in the labour market. This group is made up of those with little schooling and with professional qualifications for which there is little market demand (obsolescence), or who are seriously exposed to competition with others seeking work (replacement between peripheral numbers in the labour field). It is also useful to distinguish between white and blue collar workers.

The relationship between age and productivity in relation to psychophysical abilities is more important to manual workers when it comes to the subject of obsolescence of competences, but is common to both labourers and clerical workers when it comes to product processing innovations and organizational models.

It is also necessary to distinguish between people who, have had a stable working career over their life cycle, but have had limited professional training and have now experienced a significant obsolescence of their competences, and another type of worker who having had fragmented and unstable working paths, find themselves in a situation of professional de-

⁴⁵ Accorinti, M. e Gagliardi, F. (2007), *Attivare gli anziani*, Guerini, Milano.

qualification, resulting in progressive occupational marginalization with the advance of age, until the point that there is no alternative but exit from the labour market.

This type of worker can be included in the number of disadvantaged elderly workers for whom there is a very limited market demand, because of the operation of selective mechanisms and replacement processes within companies. The barrier to participation on the part of this type of elderly worker in the labour market is based, firstly, on company cost containment strategies. Businesses in this scenario are rarely prepared to invest in professional updating and they seek to offer work to components who guarantee lower labour costs. Secondly, the “barrier” is strengthened by the presence of a system of prejudices linked to age which promotes the notion that with the advance of age there is a reduction in productivity and less adaptability to business needs on the part of the elderly worker. For blue-collar workers this prejudice is linked to the lower rate of unionization among elderly workers, while for white collar ones it can be attributed to bureaucratic structuring that is more rigid than more slimmed down organization models. In the case of elderly workers, with unstable employment careers behind them, companies bewail the low level of employment discipline. In the active ageing perspective the public player with this kind of situation should meet two needs: delaying the final exit from the labour market, at least until the minimum requirements for retirement are met, while safeguarding the worker from the risks of social exclusion resulting from loss of employment and earning capacity.

From this point of view the public player must take on a ‘defensive’ perspective. It is well known that the Italian welfare system lacks both a universal minimum income guarantee, and a non-categorical protection plan against unemployment. Existing tools, principally the insertion contract and the easier hiring of older mobile workers guarantees a reduction in labour costs, partly restoring the balance between the economic advantages of the company and hiring. **The problem of professional reconversion and re-motivation (important to the success of training activities directed at professional reconversion) is more complicated.**

Being involuntarily unemployed at career end, above all for current elderly workers, represents an unexpected event contrary to their personal expectations regarding career end. For these workers the main concern, indeed, is how to benefit from the pension both in terms of defense against employment uncertainties and the more restrictive redefinition of pension income, and of arrival at the retirement ‘biographical threshold’, a necessary stage of the working career, to which most aspire and towards which one’s efforts in the economic field have had to be channelled for one’s whole life⁴⁶.

In order to re-motivate and train workers to seek new employment the public player, at a local level where there are employment centres, has to be committed to creating personalized pathways directed at projects for transition to retirement through bridge jobs, i.e. forms of employment lasting long enough for the attainment of the requisites for retirement. We are talking here about actions that provide a complete governance of the relations between workers’ representatives and public institutions, based on the use of

⁴⁶ Sennett, R. (1999), *L'uomo flessibile*, Feltrinelli, Milano.

outplacement procedures⁴⁷ (individual or collective). Only after having identified, through a process of territorial collective bargaining, the employment opportunities for a person over 50 years of age, is it possible to set in motion a directed training and motivational programme with the involvement and participation of the worker himself.

Self-Employment

Various strategies should be adopted with regard to elderly workers dismissed from employment, but who have a professionalism that is sellable on the labour market. This is a numerically restricted group of 'strong' workers, strong either because they are less at risk of early dismissal from employment, or because they have the superior schooling and professionalism requisites less commonly found among the current ranks of elderly workers. Included among these are technicians with a basic professional training, but with a store of technical-operational competences acquired through work experience and, therefore, either difficult to find on the market, or difficult to train within producing organizations. To these can be added the employed professionals who have attained a high level of human capital in terms of work experience and high level of social capital in their own work sector and who can easily adapt to new professional tasks. There are niche market spots for this kind of worker. Often there is a labour demand from companies engaged in the same industry in which the worker has previously worked and which are interested in acquiring experience accumulated in the field in similar activity or one functionally linked to it. There is moreover, a readiness on the part of businesses and workers to agree on mutually favourable employment terms (often risking sliding into the black economy). The main difficulty one finds in these cases is the 'matching' of demand for and offer of work, either due to a problem of information asymmetry, or a problem of trust which, together bind matching to personal relationships. These are basic themes on which employment services, through the system of employment centres and employment information services could work more efficiently. In the event of large numbers of older workers the role of the public player, in relation to active ageing, is not only that of promoting employment up to the point of attaining the minimum prerequisites for the pension, but also, more ambitiously, that of creating incentives for prolonging working activity well beyond retirement, including through the promotion of forms of employment other than work as an employee. From a promotional perspective employment services could take more action to inform older workers about the mechanisms for moving to self-employment (particularly as professional consultants) or, if conditions are right, to running one's own business, despite the lack of ad hoc tools for people of advanced years. Through agreements with worker's representatives it could prove appropriate, in some businesses, to plan for spin offs among more professionalized groups of employees, different from the weaker pathways characterized by so-called "second generation self

⁴⁷ In this regard see, in particular the territorial SPINN of Italia Lavoro experimentation (Mirabile et al., 2006) and the monitoring experiences from Isfol (2002).

employment” and substantially independent of the mother-business. There might also be a place for strong entrepreneurial pathways which are more generally open to the market.

With regard to the first type of pathway one can refer to a recent analysis on those registered with Gestione Separate INPS⁴⁸ from which it appears that in 2007 workers over 50 years of age represented 27% of VAT registered professionals who do not have a professional portfolio and a specific category pension system (49 thousand people), 38% of typical “para-subordinate” workers (187 thousand people) and 17% of atypical ‘para-subordinate workers (17 thousand people)⁴⁹. In these cases the public player can aim at a promotional strategy for self-employment on the part of the more elderly with the objective of delaying retirement and

prolonging their stay in the labour market. For those who fit this typology the motivation to continue in their own professional activity, already satisfying in its content, is to be found in the freedom from the coercive elements of being an employee and in the possibility of independently organizing one’s time for life and for work, according to one’s own preferences.

The Second Career

Not all mature workers can be made active in the labour market since they have lost interest in the professional activity that they had carried out and have no immediate need to work, because they are protected by the welfare system, or because they have accumulated sufficient resources to allow them to leave the labour market early. In many cases they are people who have developed an alternative vocation, sometimes professional, but for the most part social, political or simply personal. The common feature of this type of person is that they have acquired resources and multiple identities during the central phase of their life cycles, both within and outside the market; alternative resources of a professional or identifying character to be used for a simple biographical reorientation in the ‘third age’.

From studies on the subject so-called “second careers”⁵⁰ can be observed i.e. the start of a different professional activity, carried out as a business activity after the end of the working cycle as an employee that has lasted through the central life phase. Second careers are distinguished from freelance work carried out by individuals in advanced age, by the fact that they involve more of an identity rather than professional re-invention, and the instrumental component of work is replaced by one of self expression and fulfillment. In these cases the role of active ageing policies can relate back to those included in promotional strategies.

⁴⁸ Di Nicola, P., Mingo, I., Bassetti, Z. e Sabato, M. (2008), *Stabilmente precari? Rapporto 2008 sui lavoratori parasubordinati iscritti alle Gestioni Sperate INPS*, Sapienza Università di Roma.

⁴⁹ Included among the “typical” are administrators, mayors, company 13 auditors, committee members, who though belonging to the para-subordinate group carry out a typically professional or managerial activity. All the others are ‘atypical’.

⁵⁰ Gaullier, X. (1988), *La deuxième carrière. Ages, emplois, retraites*, Seuil, Paris.

Room for deeper innovative strategies emerges when one concentrates on second careers taking place outside the market. Indeed, taking the 'substance' view of work, as opposed to that of employment for work we must understand the totality of activities that individuals carry out in relation to their needs, independently of whether or not there is a corresponding income⁵¹. In this sense the concept of work goes beyond the confines of a market exchange mediated by money, but also considers non paid activities, carried out within reciprocal relationships, such as, for example, activities carried out within the family or as a volunteer.

With this approach, we can analytically identify three distinct spheres of activity⁵²:

1. that of market based work,
2. that of non market based, but socially important work,
3. that of personal, non economically based, activities.

With a view to active ageing the sphere of non market based, but socially important activities is of special importance, particularly care work carried out within the family and voluntary work performed in the non-profit sector. What holds the attention of scholars and policy makers, however, is the question of social acknowledgement of this type of activity carried out outside the market, whether as part of a broader active ageing strategy or under a pluriactive society perspective in which everyone freely combines their personal time with market work and non market activities. To this end, however, there is a need for a process of formal recognition of activities based on social and civil commitment, as suggested some years ago in the European Union with the "right to social withdrawal" mechanism for the acknowledgement and financing of activities carried out outside the market⁵³.

Adoption of this perspective overturns the negative stereotypes affecting the elderly and reduces the view of ageing as a threat to society. The appropriately activated old person, so long as he remains healthy and independent, is transformed into a resource for the community, particularly for the building of a more solid municipal welfare system. In the family circle, in particular, the elderly are not always in need of care. In fact a sizeable number of them actively contribute to the informal family support of their children, in a complex system of intergenerational solidarity. For example, the elderly are busy as grandparents taking care of their grandchildren and the home, with positive effects in terms of reconciling their free time with their work as parents, particularly in the case of working women. In 2005 52.3% of children were entrusted mainly to grandparents when their mother was at work; moreover, in 25% of cases women who were working received help with their domestic work from grandparents⁵⁴. In the Third sector to the contribution made by the elderly is increasingly important. In particular the participation of mature

⁵¹ Mingione, E. e Pugliese, E. (2002), *Il lavoro*, Carocci, Roma.

⁵² Paci, M. (2005), *Nuovi lavori, nuovo welfare*, il Mulino, Bologna

⁵³ Supiot, A. (a cura di) (2003): *Il futuro del lavoro*, Carocci, Roma.

⁵⁴ Istat Report, 2007a

individuals in volunteer work is constantly growing, both because of demographic reasons and because of a cultural climate that favours civil commitment. From available data released by Istat it appears that between 1995 and 2003 the number of volunteers in Italy grew significantly, from 482 thousand to 826 thousand. It is particularly the case that the incidence of volunteers among those over 54 years of age increased from 30.4% in 1995 to 36.8% in 2003 (equal to 303,951 individuals). It also appears that the number of volunteers in retirement increases. In 2003 these represented 29.5% of the total, more than 11.3 percentage points higher than that recorded in 1995. These examples show how it is possible to set up virtuous activation pathways for the elderly which guarantee them social inclusion (offering new sources for identity, roles and collective recognition) and which increase resources of solidarity within local communities, with positive effects even at the economic competitiveness level.

Conclusion

As shown the Italian model for governing the transition from employment to retirement is undergoing a progressive shift towards a situation in which the strong tendency to passive protection against the risk of unemployment of elderly workers is not accompanied by the policy of activation in the labour market. The consequence of this process is an employment rate among the over 50s that is among the lowest in Europe, and exposure to the risk of social exclusion for growing numbers of mature people who lose their jobs and reach retirement by means of ever less linear pathways.

From the analysis carried out, possible lines of definition for a complex active ageing strategy have emerged, its major objective being the prolonging of presence in the labour market. It has been shown that there is a need for a differentiation between the policy tools relating to the various personal and professional characteristics of older workers that cannot be reduced to recorded age alone.

In short the analysis suggests the active ageing strategy should be subdivided into three lines, which, based on the Push, Pull and Jump models⁵⁵, could respond to the three different bands of early exit from the labour market:

- the first, of a defensive type with regard to the Push processes, aimed at the oldest workers who have suffered the loss of employment and do not have the professional prerequisites required by the market;
- the second, of a promotional nature, to contest the Pull effects, directed at the older workers with professional skills which are sellable on the market, whether they have been dismissed from employment or have voluntarily left the labour market;
- the third, accompanying the Jump processes, adopts a comprehensive active ageing perspective, and is directed at those in advanced years who have alternative orientations to those used in the labour market.

In the three strategies mentioned it is essential that employment centres work well both in supplying employment services and in building a system of governance of the local labour market in partnership with public institutions, unions and businesses.

The analysis carried out shows, moreover, that current active ageing policies proceed according to an adaptive logic since they work on a generation of workers with kinds of careers and personal expectations formed in an economic and social protection system now largely dismantled. For the current ranks of adults, but most of all for the next generation of young people even more exposed to employment flexibility over the entire course of their life cycle active ageing will have to include, among its main objectives, social innovation for age management in every phase of one's biographical and

⁵⁵ Jensen, P. (2006), *Invertire la tendenza da un'uscita anticipata a un'uscita ritardata dal mercato del lavoro: i fattori push, pull e jump nel contesto danese*, Quaderni Europei sul Nuovo Welfare.

professional journey. It will also require a rethinking on how to organize working and non working time over the course of a life including when it comes to the increase in average life expectancy.

The world of production will have to create a new age culture in line with demographic dynamics, in rebalancing the needs for efficiency between the economic system and social protection while guaranteeing the widest possible margin of freedom and personal independence as age increases.

The Italian case is particularly problematic because of the inertia of the business system in adopting ageing management systems consistent with the collective objectives of lengthening average active life. There are, for example few developed practices for planning careers, for protecting health and for professional up-dating. Active employment policies, despite interesting experimental projects at local level, are still far from incorporating active ageing principles as guidelines for supporting the development of lifelong working pathways. The weakness, particularly in relation to continuous education⁵⁶ acts as a brake on the development of an innovative approach to active ageing, if one considers that education, including continuous education, must not be limited to just keeping up to date with each person's specialization (even if it is as well that one thoroughly does so), but it must allow and facilitate change of direction, in the course of life, with activities consonant with every age group. This last aspect appears to represent the most complex challenge, but also the one that is most in line with the transformations of the contemporary socio-economic system. It opens up the debate on active ageing to more general questions of social innovation such as, for example, social recognition of non market based work, in which, in a very individualized way — as second career experiences show — personal needs for self fulfillment are reconciled with collective needs for production.

⁵⁶ Isfol (2002), *Prolungamento della vita attiva e politiche del lavoro*, Franco Angeli, Milano. Isfol (2008), *Rapporto Isfol 2008*, Roma.

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