

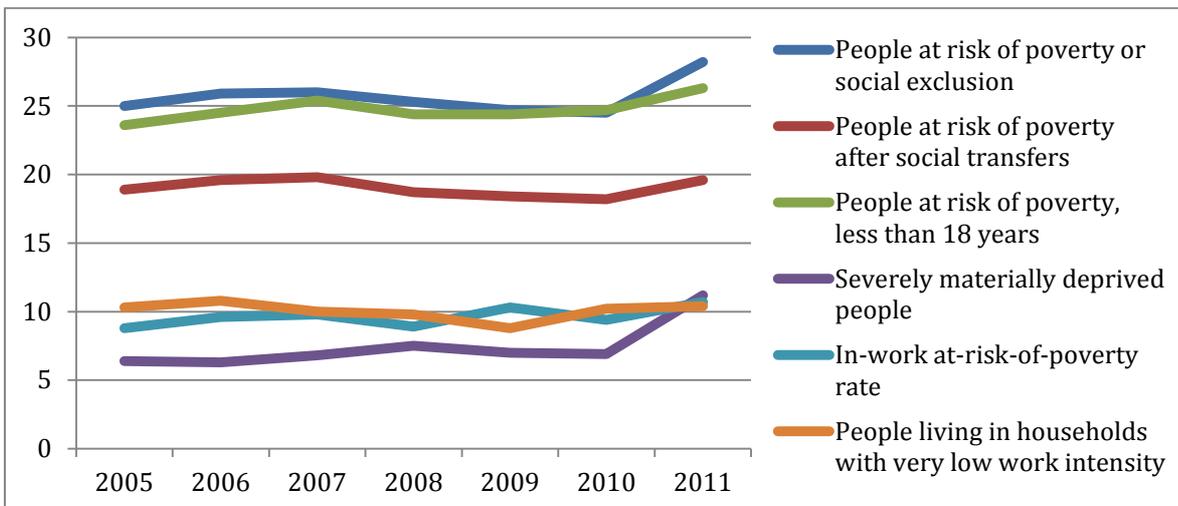
1. POVERTY

1.1. Recent trends

Developments of poverty and social exclusion in Italy based on Eurostat:

- **Almost all poverty indicators were on the rise** during the observed period (2008-2012). At-risk-of-poverty or social exclusion rose from 25.3% in 2008 to almost 30% in 2012, especially driven by an **increase of 3.7 p.p. in rate of severe material deprivation**, which rose from 7.5% in 2008 to 14.5% in 2012.
- In 2011, **children were at highest risk of poverty** (26.3%), followed by the age group of young people aged 18-24 (24.9%). Furthermore, **women continue to be at a higher risk of poverty** (20.8% in 2011) than men (18.3% in 2011).
- The breakdown of the indicator “**people at risk of poverty or social exclusion into NUTS2 regions**” demonstrates the **great differences between geographical regions**: in 2011, the poorest regions remain the **Southern and island regions (Sicily 49%, Campania 48,6%, Basilicata 48,6%)**, while the rates remain the lowest in Northern regions (Autonomous Province of Bolzano 10,5%, Autonomous Province of Trento 16,2%, Val d’Aosta 12,3%, Emilia-Romagna 14,9%).
- While in-work poverty continues to affect more men (12.7% in 2012) than women (9.4% in 2012), a **worrying rise of 3 p.p. in the female in-work at-risk-of-poverty rate** slightly narrowed this gender disparity during the observed period (2008-2012).

Poverty trends in Italy (% of population):



According to recent national data¹, in 2012 more than 9.563 million people were living in **relative poverty, representing 15% of the population**. Among these, more than 4.814 million (**8%**) were **living in absolute poverty**. This is a considerable increase, considering that the previous year the persons living in relative poverty were 8.163 million, while the ones in absolute poverty were 3 millions.

Additional data from the Diocesan Caritas confirm an alarming poverty situation. In its latest report “I Ripartenti”², Caritas highlights the following observations³:

¹ National Institute of Statistics (ISTAT), July 2013. URL: <http://www.istat.it/>

² Caritas Italiana, 2012, *I Ripartenti*. URL:

http://www.caritasitaliana.it/home_page/pubblicazioni/00002900_I_ripartenti_Poverta_croniche_e_inedite_Per_corsi_di_risalita_nella_stagione_della_crisi.html

- The data referring to the **2011-2012 period shows an increase of 25% in the number of people asking for help from Caritas services.**
- A first sharp increase of Caritas users had already been noticed in previous years. More specifically, **between 2008 and 2011, at the outbreak of economic crisis, the number of Caritas users had increased by 54.1%.** During the last two years, the increase of users started to slow down. In many Dioceses, despite a growing demand for help, Caritas services are not able to attend a greater number of users, mostly because opening hours cannot be extended (and the number of Caritas volunteers has been constantly decreasing, as elderly volunteers are not replaced by newer forces). Therefore, although a sharp increase in people lined up in front of Caritas services, the number of beneficiaries per year has only increased slightly, or remains substantially constant.
- Besides the general trends, **some relevant changes in the social profile of Caritas users** can be observed. Analysis of data covering the period 2008-2012 shows a progressive "social normalisation" of poverty: the **economic crisis and austerity measures** are not only reinforcing traditional poverty but they are also leading to the emergence of **new forms of poverty**:
 - Up until a few years ago, Caritas was mainly providing aid to immigrants, but since the beginning of economic crisis the **number of Italian citizens requiring aid has increased sharply.** They represented 31.1% of those helped by Caritas in 2012 and account for 33.4% in 2013.
 - **Traditional families have been particularly affected by the crisis** as their presence in Caritas services is constantly growing. Between 2008 and 2012, married users have increased by 9.3% while the number of single and separated/divorced users has decreased sharply (-20.2% and -41.5% respectively).
 - Furthermore, the number of **"working poor" beneficiaries has been growing during the last 4 years:** in 2008, employed people who attended Caritas services represented 15.8% of the total beneficiaries; 4 years later, they represented 19.5% of the total beneficiaries. On the other hand, unemployed people represented 70.4% of the total users in 2008 and 61.2% in 2012.
 - Moreover, Caritas Centri di Ascolto observed a **decrease in the number of beneficiaries living in severe deprivation and extreme poverty;** i.e., the share of beneficiaries with no fixed abode has decreased from 16.4% in 2008 to 13.6% in 2012.
 - Another aspect to be highlighted is the number of separated/divorced parents in need, that apply for assistance with Caritas. **In 2012, 74.2% of total users had children** (2008: 52.5%) and 12.7% of users were separated or divorced (2008: 14%).

In addition to the above observations, the report "Poveri di diritti"⁴ showed **an increase of 59.6% in young people** asking for Caritas support between 2005 and 2010. In 2012, more than 29% of Caritas beneficiaries were under 35. Caritas monitoring data 2012 further shows that in terms of types of assistance, the **majority of requests by beneficiaries refer to food and clothes** (57.9%).

1.2. Recent policy developments

Since last year the following policy developments have been registered:

In Italy during the crisis several reforms were carried out. In particular in 2011 Monti Government in order to lift the country out of the financial emergency started reforms in many fields that brought Italy out of the critical situation. The most drastic was **the pension system reform** that drastically increased the pension age and completed the reform of the contribution-based calculation system for pensions. This structural reform was particularly severe and had a big impact also because it was done in a difficult period with a very sudden phasing-in and hit also quite low pensions. Another relevant reform was the **labour market reform** aimed at reducing the dichotomy between protected and unprotected, reduce the abuse of precarious contracts, increase active labour

³ Statistical time series about people attending Caritas services are drawn from a sample of 336 Centri di Ascolto, located in 45 Dioceses (11,9% out of the total amount of Caritas CdA)

⁴ Caritas Italiana and Fondazione Zancan, 2011, *Poveri di diritti*. URL: http://www.caritas.it/home_page/pubblicazioni/00002469_Poveri_di_diritti.html

policies and start to reinforce social solidarity cushions for additional groups of precarious workers. Providing an assessment of the impact of this reform is still early even if some consequences that had not been foreseen became evident in a short term. The “**Esodati**” (from *exodus*) are workers that, close to their pensions, decided to leave their job earlier under payment of an amount of money by their companies or that accepted to be put under mobility measures. These persons were not considered and calculated within the reform and now, since retirement age has been risen, they risk remaining unemployed and without a pension for several years.

The passive labour market measure namely the Wage Guarantee Fund, whose use was enlarged already during Berlusconi Government, **together with unemployment benefits has been the main measure preventing many people to slide in poverty during the crisis**, was funded also through the use of the EU Structural Funds. In some Regions this was done reducing resources for training and social insertion of vulnerable groups funded with the SF.

The **cuts in social funds** started with simultaneous Berlusconi Government **reduced the provision of public social services and benefits** in Italy by Municipalities and also the education system was hit by severe cuts started in 2009.

Analysing the impact of **measures to combat poverty reveals that and ineffective** to lift up people from poverty. Besides this, a **Minimum Income scheme** is missing in Italy.

The data on poverty in 2012 show sharp increase in absolute poverty.

The most recent reforms, carried out between April 2012 and April 2013, described in this NRP, were carried out by Monti Government that terminated at the end of April 2013. Therefore, the 2013 NRP was written during the final phase (prorogation) of the Monti Government, which was only allowed to deal with ordinary affairs and issues and with the adoption of urgent economic measures.

The 2013 NRP describes in detail several measures in the social field that are presented below:

The **Decree for the implementation of the new Social Card in 12 big cities** for one year (50 millions euro) was approved. This measure **targets children living in households with unemployed parents**. It is estimated that 13,000 families will benefit from this measure.

Furthermore, the Government presented a **proposal for the revision of the ISEE -Indicator of the Equivalent Economic Situation (assessed on the family unit)** that will be used for accessing social assistance and for measuring the level of contribution of citizens for health services. The aim of the revision is, besides others, making it more representative in case of families that have disabled or non-self-sufficient members, as well as trying to avoid frauds. This reform would also help a better targeting of beneficiaries of services and benefits (most of services and benefits are non means tested in Italy).

Moreover, the Government issued the **Decree for the implementation of a database of people benefitting from social benefits and tax deductions** that will be linked to the social cushions database and other benefits provided by local bodies.

In order to start facing the chronic problem of the lack of a housing policy in Italy, the Government issues some decrees. The crisis worsened the problem of evictions and the problem of young couples that started to pay for mortgages as a consequence of unemployment they were no more able to pay for their debt. This situation brought to the application of the **2009 National Plan for Housing** that introduced tax deductions for house builders that provide access to housing for young couples. Furthermore, **reduced loan rates for young couples** have been introduced. The rules concerning the “**Solidarity Fund for loans for purchasing the first house**” were revised. The fund was issued in order to support people with loans in case of unemployment (suspension of the monthly fee in case of job loss). This measure was very important because it allowed many people not to lose the house and the part of mortgage already paid. The **National Plan for Towns** was approved and will be implemented in 28 towns; its main objective is to carry out the restoration of degraded areas and includes plans to **rent apartments at low cost**.

Also Law L.3/2012 issued by Monti Government, is considered by Caritas a very important for helping people in difficulty. This law in fact provided a support for people unable to pay for their debts allowing **over-indebted person/entrepreneurs to receive help for the debt reduction**.

The Stability Law 2013 allocated 275 million euro to the **National Fund for Non-self-sufficient Persons** which will be used to enable persons with severe disabilities to remain in their houses.

Other tax deductions were introduced in order to support families: tax deductions for dependent children were introduced.

Some new taxes were introduced: taxation on financial transactions (**Tobin tax**) was introduced with the Stability Law 2013; it concerns the transfer of bonds, financial tools and some derivatives besides two new taxes on properties, and financial capital owned abroad.

Assessment of Italy's NRP and policies it refers to:

Concerning structural reforms, the NRP describes what has been done in the previous months and it presents initiatives already approved by the Parliament (see above). Nevertheless, the 2013 NRP reports more clearly on the poverty target, even though the described and implemented measures are still fragmented and ineffective. The measures foreseen in the Convergence Regions are stronger, thanks to Structural Funds. A **negative impact** on poverty has been observed with regards to the **drastic pension reform and the cuts in social funds**.

Furthermore, the tax deduction seems to introduce even more fragmented "benefits" for certain groups of people.

Assessment of Italy's Country Specific Recommendations (CSRs) adopted in 2013:

The following parts of CSRs for Italy are considered as having a positive effect on the reduction of poverty and social inclusion in Italy:

- **CSR 2:** "Adopt structural measures to improve the management of EU funds in the Southern regions with regard to the 2014-2020 programming period"
- **CSR 4:** "...improve the provision of care, especially child- and long-term care, and out of school services"; "Step up efforts to prevent early school leaving. Improve school quality and outcomes..."; "Ensure the effectiveness of social transfers, notably through better targeting of benefits, especially for low-income households with children."
- **CSR 5:** "...pursue the fight against tax evasion, improve tax compliance and take decisive steps against the shadow economy and undeclared work"

1.3. Recommendations

- ➔ Introduce a **universal and selective income measure to combat poverty**. ACLI (Christian Workers Association) together with Caritas Italiana elaborated a **proposal on minimum income called REIS**. They conceived it as a universal measure for people under the absolute poverty threshold calculated on the basis of different costs of life in the different geographical areas. The REIS is a mix of money transfer and service provision. The municipality acts as the coordinator and the third sector is involved in the phases of money provision and personal accompaniment. The beneficiaries between 18 and 59 years will have to seek a job, be immediately available to start a job offered by the employment services and attend training courses. This proposal has been appreciated and approved by other national organisations that started to support the income scheme proposal ("National Pact against poverty").
- ➔ A general **re-planning of the welfare system should focus on families** (as beneficiaries and resource).
- ➔ Introduce **integrated policies for minors and youth** in the educational, social and employment fields in order to reduce inequalities.

- Elaborate **inclusion strategies for migrants and their families**, starting from giving citizenship to migrant children born in Italy.
- Engage in **supporting the economic and social development of the poor and marginalised areas** of the country (Southern areas, sensitive areas, mountain areas).
- The Government, in consultation with organisations of the Third Sector, the Regions and the Parliament should **formulate an extraordinary National Plan to Combat Child Poverty**, inspired by the UN Guiding Principles on extreme poverty and human rights and taking into account the priorities of the Europe 2020 strategy; this has already been proposed by Caritas Italiana and the CRC Coordination NGOs.
- **Continue food aid.** Caritas Italiana is concerned that the reduction or end of the food supply from the European Union may cause a social emergency that could affect more than 4 million poor people that are assisted by 15,000 charities in Italy.

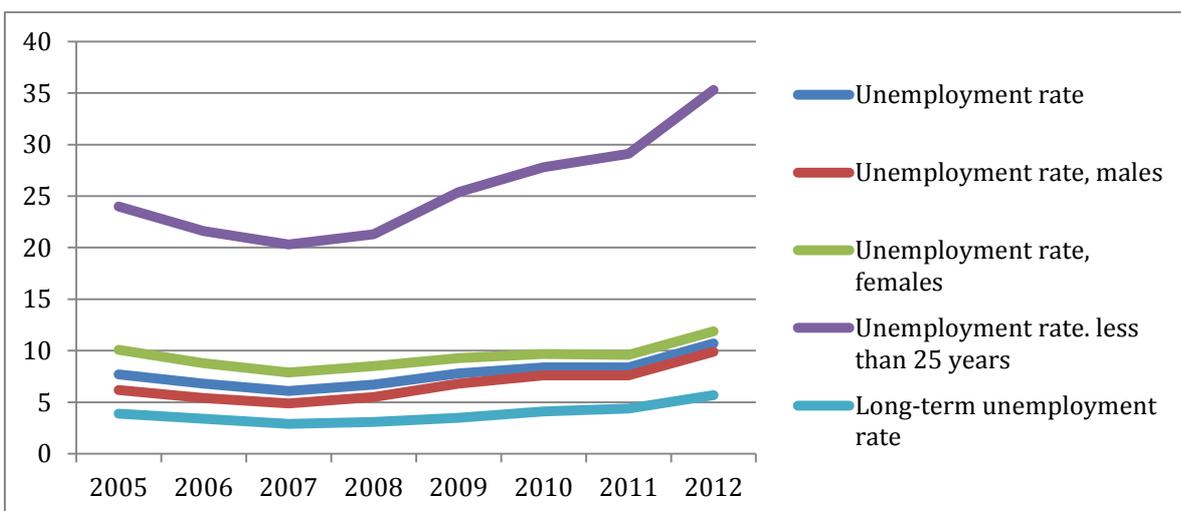
2. EMPLOYMENT

2.1. Recent trends

Developments of the employment situation in Italy:

- Unemployment rose from 6.7% in 2008 to 10.7% in 2012. Youth employment experienced a sharp increase of 14 p.p., making **more than every third person under the age of 25 unemployed** (35.3% in 2012).
- The employment rate dropped by 2 p.p. to 61%. The drop, however, mostly affected male employment (2008: 75.4%, 2012: 71.6%), narrowing the rather large gender gap, as **female employment remained more or less stable at 50.5%**.
- **Long-term unemployment** rose by 2.6 p.p. to 5.7% in 2012. The rate more than **doubled among men** (from 2.4% in 2008 to 5.1% in 2011), nevertheless keeps **affecting a larger share of women** (6.5% in 2011).
- Eurostat unemployment rates by NUTS2 Regions demonstrate the great regional differences in Italy, which also apply to unemployment: **Southern regions continue to be more affected by unemployment** (2012 unemployment rates by NUTS2 Regions: South 16.9%, Islands 17.7%) than Northern ones (North-West 8%, North-East 6.7%, Centre 9.5%).

Employment trends in Italy (% of population):



In addition to the above data, Caritas has made the following observations:

- According to the 2012 data collected by Caritas Italiana, **63.8% if its beneficiaries were unemployed; 38% had severe problems of economic poverty**; 17.7% were homeless; 10.2% had severe housing problems and 6.7% were pensioners.
- The **main problem that brings people to ask for help is poverty** (26% of the cases), followed by **unemployment** (22,9% of the cases).
- Comparing 2012 and 2011 it can be observed that the number of Italian people asking for help increased by 16.7%.

According to recent national statistics⁵, the following observations can be made:

- The **number of unemployed people does not take into account the number of people in CIG** (Wage Guarantee Fund), as they are counted as if they are still employed. According to 2012 data, 1.6 million people benefitted from the CIG measure. These are people that are still employed but benefit from CIG due to the crisis situation of companies.
- Comparing June 2013 to June 2012 data, it appears that the use of CIG is diminishing while **unemployment schemes are on the rise** (unemployment benefits, ASPI, MINI-ASPI – two new measures foreseen by the Labour Market Reform).

Furthermore, it has to be highlighted that a **big issue affecting decreasing income levels are certainly the labour costs, which are very high**. This is a problem both for workers and for employers.

2.2. Recent policy developments

Since last year the following policy developments have been registered:

It is yet too early to comment on the overall effects of the **Labour Market Reform**; however, one year after the reform some **first observations** can be made, even if it cannot be confirmed that the data are directly linked to the reform. In a recent statement, the President of ISFOL (Istituto per lo Sviluppo della Formazione Professionale dei Lavoratori) stated that the Labour Market Reform had an **impact on the typologies of contracts** used to enter in the labour market: there has been a **decrease in intermittent work and in collaboration contracts**, while there has been an **increase in the relative weight of starting contracts through fixed-term contracts**. This fact seems to be connected with the sanction measures for the misuse of some kinds of contracts (those who offer less protection). Furthermore, he stated that the **overall decrease in the fixed-term contracts** appears to be more **related to the crisis** than to the Labour Market Reform.

Another study carried out by ISFOL together with INPS, focused on the “Impact of the Apprenticeship contract on young people employment and on the quality of their work”. The study revealed that, despite a **decrease of 6.9% in young people using apprenticeship contracts between 2010-2011**, while between 2009 and 2011 the number of workers who had an **apprenticeship contract transformed into a permanent contract increased by 12.5%**. Young workers are those paying for the economic crisis: minors under 18 hired with apprenticeship contracts dropped by 36.2% in the period 2009-2011, while it increased among people over 29. Furthermore, an increase of young people in training activities can be observed as the rate rose from 26.3% (2010) to 32.1% (2011). Also resources invested by local bodies to finance apprenticeship activities increased.

In order to reduce the taxes on enterprises and on the cost of labour, the Government permitted the **tax deduction** from the regional tax on production activities (IRAP) **calculated on the basis of relative costs of employees**. The Stability law increased **tax deduction on the salaries of employees with permanent contract** (the amount is higher if the employee is a women or under 35). In view of the alarming youth unemployment rate, the **new EU initiative “Youth Guarantee”** was particularly appreciated.

Assessment of Italy's NRP and policies it refers to:

⁵ National Institute of Statistics (ISTAT), July 2013. URL: <http://www.istat.it/>

The 2013 NRP reports on the **first phase of the implementation of the Labour Reform** (Fornero Reform) that will be fully implemented in 2017. The measures described concern: precarious contracts, new social cushions (ASPI, MINI-ASPI), active employment policies, apprenticeship and training on the job, tax-deduction for employers hiring women in disadvantaged areas, support for enterprises hiring young people under 35 (especially in the South with the Piano Azione Coesione), conciliation between life and work, paternity leave, an economic contribution of 300 euro to be used for childcare instead of maternity leave, Regions, Municipalities and Provinces can activate further support services for families and other interventions under the Piano Nazionale per la Famiglia, support for women start-ups, tax-deduction for hiring workers over 50 that have been unemployed for 12 months, migrants workers do not lose their residence permit after 6 months of unemployment but after 1 year.

Diocesan Caritas underlines that two measures planned by previous Governments were particularly useful to help vulnerable persons:

- **Voucher Lavoro (Job voucher):** Vouchers that can be used by employers to pay workers. These vouchers can be bought in banks, tobacco shops, the National Social Security Institute (INPS) and already include the social contributions. The workers can get the payment at the post office. This kind of payment was issued in 2003 with the initial aim of ruling occasional intermittent works carried out in particular by disadvantaged persons. With following laws the original aim has been extended till the voucher became one of the many typologies of precarious “contract” often used to substitute dependent work. The Fornero Reform tried to reduce the possibility of use and misuse. A worker can receive a maximum of 5,000 euro per year summing up all the vouchers from different employers, 2,000 € per year from a single employer. These vouchers contributed in reducing black work and in some cases to rule some forms of temporary work forms.
- **Doti lavoro (Job endowment):** These are resources coming from the ESF for persons that are unemployed or at risk of losing their job. It allows accessing work insertion and training services in order to enter or re-enter in the labour market. It also allows an economic support in order to favour the participation in re-insertion programmes. (Use of services up to 3,000 euro). In some Regions it has been a positive active labour market measure that an impact for the beneficiaries. In fact analysis of its impact says that this measure brought people to activate themselves and helped them in re-inserting themselves in the Labour Market having a job experience or finding a job.

Assessment of Italy's Country Specific Recommendations (CSRs) adopted in 2013:

The following part of CSR 4 are considered as having a positive effect on the employment situation in Italy:

- **CSR 4:** “Take further action to foster labour market participation, especially of women and young people...”; “Strengthen vocational education and training, ensure more efficient public employment services and improve career and counselling services for tertiary students. Reduce financial disincentives for second earners to work ...(and improve the provision of care, especially child- and long-term care, and out-of-school services”)-This last part is already in the chapter dedicated to poverty.

However, the following observation can be made about possible negative effects:

CSRs that could have a negative impact	Possible negative impact
<ul style="list-style-type: none"> • CSR 4: “Shift the tax burden from labour and capital to consumption, property and the environment in a budgetary neutral manner” (see poverty chapter) 	<ul style="list-style-type: none"> • It would be good reducing the tax burden on labour and capital, but increasing the tax on consumption will have a negative impact on poor people.

2.3. Recommendations

- Implement active labour market policies
- Increase training and work insertion for vulnerable persons
- Comprehensive reform of welfare
- Introduce **integrated policies for minors and youth** in the educational, social and employment fields in order to reduce inequalities.
- Introduce **minimum income REIS** (see poverty recommendations).