EMPLOYMENT PLAN 2014

ITALY

CONTENTS

1. Employment and labour market outlook

After nine consecutive quarters of economic contraction begun in the second half of 2011, the Italian economy briefly returned to grow at the end of 2013, but seems to have now reentered a period of negative growth, albeit not severe. In 2013, GDP fell by 1.9 per cent as domestic demand continued to provide a negative contribution to growth reflecting the reduced access to credit by Italian companies and the weak labor market, which have depressed both consumption and investment. Between 2007 and 2013 employment declined both in terms of *quantity* and *intensity*. It fell by around 1.0 million units corresponding to an overall decline of 4.2 percentage points, while per capita working hours declined on average by 2 hours. An estimated 500 thousands jobs were retained thanks to the extension of short time working schemes to previously uncovered sectors and business, which, however, requested a remarkable effort in terms of national budget and drained a considerable amount of resources away from active labour market policies. Young people were particularly hit: youth unemployment rose to 40.0 % in 2013 (compared to a national average of 12.2 %) with an increasing share of NEETs in 15-29 population. On the other hand, 2011 pension reform contributed to an increasing participation to the labour market, especially among older workers and women.

The outlook for the Italian economy is based on a gradual recovery of world trade and a strengthening of growth in advanced and emerging economies. Recent economic indicators foreshadow more weakness for the rest of 2014 followed in 2015 by a recovery of the expansionary phase of the cycle. Based on available information, in 2014 GDP is expected to fall moderately, with a yearly growth rate estimated at -0.3 percent. Growth is expected to recover and reach 0.6 percent in 2015 to then reach gradually a rate of around 1.2 percent on average over the period 2016-2018. The recovery in employment will begin in 2015 and is expected to strengthen in 2016, although at a growth rate below GDP's. The unemployment rate will begin to fall more rapidly only by 2018, when it is expected to fall to 11.2 percent. Productivity growth, combined with the continuation of wage moderation will support a slowdown in unit labor costs.

Against this negative employment scenario, the Government has put job creation at the heart of its agenda. In early October the Senate approved an enabling law delegating the Ministry of Labour to implement a comprehensive package of labour market interventions (the "*Jobs Act*") that will reshape labour market, both in term of its institutions and in terms of regulation. The Jobs Act, in line with the Italian Constitutional framework, is currently under the examination of the Chamber of Deputies. Within 90 days from its final approval, Ministry of Labour will issue implementing legislation thus to making all provisions fully operational.

Table 1: Economic and labour market conditions, 2008 (LHS) and 2013 (RHS)								
	GDP growth		GDP per capita (USD terms)		Employment Growth		Employment to population ratio (15-64)	
Country	-1.1	-1.8	$33,372	$33,922	0.3	-2.0	58.7	55.6
G20 Median	1.4	1.9	$25,339	$26,243	1.1	0.9	57.7	57.1
	Unemployment rate		Incidence of long-term unemployment (% LTU on total unemployment)		Youth unemployment rate		Youth unemployment to population ratio	
Country	6.7	12.2	44.4	56.9	21.3	40.0	6.6	10.9
G20 Median	6.3	6.1	24.1	31.0	n/a	n/a	6.9	7.8
	Working age (15 to 64 years) participation rate		Female participation rate		Informal employment rate		Collective bargaining coverage	
Country	63.0	63.5	51.6	53.6	n/a	n/a.	n/a	n/a
G20 Median	70.4	71.2	50.0	51.8	n/a	42.2	n/a	28.8
	Minimum wage (% of median wage)		Gini coefficient		School completion rate *(Early school leavers)*		Literacy rate	
Country	n/a	n/a	0.310	0.319*	19.7	17.0	99	99
G20 Median	34.9	34.9	0.341	0.376			n/a	n/a

*2012

Table 2: Labour market forecasts for 2014			
Employment growth	Unemployment rate	Participation rate	GDP growth
-0.9	12.6	n/a	-0.3

2. Employment challenges for Italy

Despite the structural labour reforms implemented in the last years, the economic crisis has hit harder young people, whose unemployment rates are four times higher than the national average and NEETs rates have notably increased. Female participation to the labor market is increasing, especially among older workers, however female activity rates are still low compared to EU and OECD average. The coverage of social safety net has grown in recent years, but structural interventions are needed to reduce the burden on public finances and at the same time extending protection to some categories of workers. The Government is determined to review the current allocation of expenditure in passive and active policies, so as to devote more resources to the latter. In this context the priority is to strengthen and improve the effectiveness of active policies, including those aiming to upskilling the workforce thus to reduce skill mismatch in the labor market. Finally, despite the recent years have been characterized by strong wage moderation, measures are needed to boost labour productivity, in order to ensure better alignment of the dynamics of productivity to that of wages.

CHALLENGE: BOOSTING LABOUR FORCE PARTICIPATION

Fostering participation of women and youngsters to the labour market is key to boost growth, enhance competitiveness and combat social exclusion. According to 2012 Bank of Italy estimates, for example, increasing female employment rates to 60% would result in a 7 percentage points growth of Italian GDP, with remarkable effects on fiscal and pension expenditure balance. Despite recently increasing, female employment rate in Italy (55.6 % among working age population in 2013) is one of the lowest among developed economies. On the other hand, youth transitions into the labour market are hampered by a persistent segmentation and by a skill mismatch between employers' needs and workers skills endowment. Efforts to incentive job creation have already been undertaken in recent years along three main directions: *i)* reviewing and strengthening incentives for employers hiring young women and older workers as to cut labour cost; *ii)* supporting entrepreneurship, including in social service sector; and *iii)* increasing entry and exit flexibility. With regard to women participation to the labour market, measures have been implemented to support work-life balance, in particular by allocating funds to extend childcare services coverage and facilitating access to childcare facilities for low income working mothers.

CHALLENGE: ADDRESSING YOUTH UNEMPLOYMENT

Economic crisis hit harder young people, resulting in a sharp increase of youth unemployment rate and NEET rate due to discouragement effect. Spells of unemployment and inactivity may contribute to skills deterioration, with the result of lower productivity and discontinued working careers. Effective labour market policies are key in ensuring a smooth school-to-work transition, supporting young people during unemployment spells and enhancing employability through upskilling. Considerable efforts have been made to fight youth unemployment in recent years. Fiscal incentives have been provided for employers hiring young people on a temporary or permanent basis, apprenticeship has been strengthened and post-secondary technical education system developed. Quality apprenticeship is key in facilitating school-to-work transition, develop workers' skills and enhance firms' performance. The Italian regulation provides for consistent three-year social contribution reliefs for employers young on apprenticeship basis, which were further extended in 2012.

With the aim of boosting youth employment a decree has been issued by the Italian Government – and passed by the Parliament in April 2014 – that modifies the legislation of two major contracts involving younger workers: fixed-term contracts and apprenticeship. This latest Act in particular abolishes the justification clause previously requested for stipulating a fixed-term contract longer than 12 months. Moreover it allows employers to extend fixed-term contract duration for five times up to the limit of 36 months provided by European Regulation.

Uncertainty about vocational training regulation – which is demanded to Regions – was one of the main causes to the feeble growth of apprenticeship in Italy in the last years. In order to overcome such difficulties, regulation has been simplified concerning the employers' duty to define the vocational contents of the employment relationships and employers are now obliged to recur to publicly provided general vocational training (up to a limit of 120 hours per year) only if Regions transmits them a list of public training provider within 45 days from stipulating an apprenticeship contract. Moreover, constraints on the number of apprenticeships employers can hire have been relaxed.

CHALLENGE: IMPROVE EFFECTIVENESS OF ACTIVE LABOUR MARKET POLICIES

In the recent years, an increasing unbalance in labour market expenditure towards passive policies was registered, essentially because of the sharp increase in unemployment and of the extension of subsidized short working time schemes. In 2012, spending on active policies amounted to slightly less than 0.35% of GDP, against a rising 1.6% of GDP devoted to income support policies. In addition, expenditures in active labour market measures are mostly devoted to employment incentives too vast in scope and scale at the expense of training programmes and entrepreneurship support. If incentives are not well targeted and designed, deadweight loss effects may severely reduce the effectiveness of interventions, therefore efforts are needed to streamline the current provisions as to maximize their potential in creating quality employment. Improving the effectiveness and increasing penetration rate of PES is needed, and further efforts are needed to create a minimum national standard for essential services. Better coordination between the passive and active labor market policies is required as to improve quality and effectiveness of labour market interventions. The Jobs Act deeply redesigns both passive and active policy system in Italy, with the aim of rationalizing the expenditure and address resources towards effective activation and employment creation measures.

3. Current policy settings and new commitments

The Italian Government's key economic objectives are: (1) buttressing the recovery that has begun but remains fragile and jobless; and (2) raising Italy's potential growth rate which was modest pre-crisis and was further hit by the financial crisis, while (3) continuing to comply with European budgetary framework and maintain Italy's long-run fiscal sustainability. To this end the government is putting in place an array of new policy measures directed at improving fostering economic growth at a pace conducive to a tangible reduction in unemployment. A key part of the measures rotates around cuts to administrative and other costs for running businesses, reforming the labor market to better align demand and supply of labor as well as investment in both physical and human capital.

Legislation has been adopted on May 2014 to promote fixed-term contracts and simplify administrative procedures and legal basis of apprenticeship.

On the 1st of May 2014 the national Youth Guarantee Program has been officially launched. The Central and Regional Governments have agreed to a single national scheme with a global financial endowment of 1.513 bn euros. The EU initiative targets young people aged between 15 and 24, but the Italian Government decided to extend the upper age limit to 29 years. Under the YG scheme, incentives for employment/apprenticeship contracts, community service, vocational training are provided. Support measures for self-employment and self-entrepreneurship are also foreseen.

The Jobs Act is intended to making labour market more dynamic, thus facilitating job creation, through: i) redesigning safety nets as to increase the efficiency and effectiveness of income-support measures; ii) reviewing employment incentives, strengthening active labour market policies and ensure a better coordination with passive policies; iii) simplifying recruitment practices as to reduce administrative burden on employers; iv) reviewing existing type of contracts including introducing an open end contract with increasing-with tenure protection; v) facilitating work-life balance thus promoting female employment.

Measures have been introduced in 2014 to reduce tax wedge on labour targeting both employers (through a 10% reduction of the Regional Tax on Productive Activities (IRAP) ordinary contribution rates for all activity sectors and an extension of deductions on firms revenues) and workers, through the concession of a tax credit (up to monthly € 80) for workers whose income does not exceed yearly € 26,000.

In the Draft Stability Law for 2015 a further cut on labour cost is foreseen. In particular, the entire amount of costs associated with permanent workers will be deducted from calculation basis of IRAP, and social contributions for newly stipulated open end contracts will be significantly lowered for the next three years up to a maximum of monthly € 550. Moreover, an income support of monthly 80 € for new mothers is devised up to the third year of life of children.

BROAD ECONOMIC SETTINGS

As a member of the Euro Area and the European Union, Italy's monetary, fiscal and macro prudential policies are in line with those implied by the Area's policy framework and embedded in the EU system of budgetary rules as well as in the mandate and operating procedures of the European Central Bank. These policies are all geared to long-run stable growth, with Euro Area monetary policy still providing considerable stimulus to growth by virtue of historically low interest rates and direct liquidity injections through the ECB's Long-Term Refinancing Operations.

Macroeconomic policy

Italy has taken unprecedented fiscal measures to face the crisis. While the exit from the EU Excessive Deficit Procedure is one of the most visible accomplishments in this regard, the overall reform effort is bringing Italy back onto a stable growth path. Italy continues to run sound fiscal policies and has the second highest primary surplus in the EU. Largely as a result of its frontloaded and ambitious fiscal consolidation, Italy's output gap has been sizeably negative during 2012 and 2013 and should remain so in 2014, despite recent signs of recovery. The magnitude and persistence of economic slack post-crisis constitutes an exceptional circumstance for two reasons. First, it generates a very real risk that the weakness of economic activity becomes a permanent phenomenon. Second it makes frontloaded contractionary fiscal policy less effective if not counterproductive.

In light of such considerations, through the 2015 Stability Law, the Government has put particular weight on measures to make consolidation growth- and employment-friendly, mainly via a sizeable cut of the tax burden on labor to boost business competitiveness and raise disposable income. Stronger growth is not only key for a successful fiscal adjustment that needs to be sustained over time, but it is also a necessary precondition to reap the full benefits of supply side policies. However, while this fiscal strategy is consistent with the European budgetary rules, the room of maneuver to stimulate aggregate demand through fiscal means under those rules is small. Against this background, the main discretionary tool to achieve the Government's objectives is a rich and ambitious program of structural reforms designed in the context of a multi-year strategy pursuing clear and monitorable reform targets. This program, combined with a growth- and employment-friendly fiscal consolidation, is expected to have important consequences for the dynamics of short and medium-term economic activity.

Regulation, finance, incentives, investment and entrepreneurialism

Given the small room of maneuver to stimulate aggregate demand through temporary graduating European budgetary rules, the Government's main discretionary tool to achieve its key objectives is a rich and ambitious program of structural reforms designed in the context of a multi-year strategy pursuing clear and monitorable reform targets. The key reform measures, aim on one hand at enhancing economic and political stability, and on the other hand at improving the economic climate by facilitating business activities and employment opportunities through a reduction of the private sector's administrative and tax burden. In addition to these objectives, and by virtue of the fact that it will hold the presidency of the European Union for the second semester of this year, Italy will work with the European partners and institutions to put growth and jobs at the center of the European agenda.

The Government reforms are expected to have important consequences for the dynamics of short and medium-term economic activity. In Italy, GDP has slowed significantly in the aftermath of the global financial crisis and has struggled to gain momentum during the recovery, contributing – together with other countries – to generate a phenomenon of multi-speed recovery in Europe. The reform agenda and the reforms already approved by Parliament but pending implementation are expected to steer the economy durably into higher growth equilibrium by removing economic bottlenecks, fostering incentives to work and produce as well as raising businesses and household expectations with respect not just to the current recovery but to Italy's economic potential more generally.

LABOUR MARKETS AND SOCIAL PROTECTION

Labour market regulation

As a result of the crisis, the employment rate in Italy dropped from 58.7 percent to 55.6 percent between 2007 and 2013. Among young people however (15-34 age group) it plummeted from 50.8 percent to 40.2 percent. Symmetrically, the overall unemployment rate doubled from 6.1 percent to 12.2 percent in the same period, bringing the total number of people without a job from 1.5 million to 3.1 million. Among the young, the unemployment rate almost doubled nearing 40 percent in 2013 (from 21.3 percent by end 2007), raising beyond that on latest data. This dramatic situation needs to be reversed rapidly, to foster the creation of new jobs, to give everyone a better chance of employment and to improve the welfare measures for people who have lost their job and are actively seeking work.

Italy's employment policy responses are centered onto two pillars: giving workers more opportunities and streamlining red tape for businesses. Government action focuses thus on measures aimed at immediately facilitating the hiring of employees and reducing the administrative burden on businesses; and a series of action plans, to be implemented in the forthcoming months, to reorganize and strengthen the welfare benefit schemes, improve active labor policies, streamline the process for concluding and managing employment relationships, review and simplify the array of existing employment contracts, better integrate work and family life. The Government is also enhancing the effort for safer workplaces, continuing the action began since 1994, through legislation, projects and administrative initiatives.

In April 2014, Government implemented measures aimed at:

1) **Streamlining fixed-term employment contracts**, simplifying the rules governing the settling of disputes between employees and employers. Fixed-term contracts are, today, the most widespread form of employment contract entered into when hiring new employees. Such legislation has been passed by Parliament in May 2014, following the adoption of a Decree Law by the Government.
2) **Simplification of the apprenticeship contract** which has also been made more attractive for employers. This is the form of contract primarily targeted at young people (it provides for periods of on-the-job training, also in partnership with schools), but it is not used much in practice due to its limitations and complexity. Such legislation has been passed by Parliament in May 2014, following the adoption of a Decree Law by the Government.
3) **Simplification of employment contracts and duties**. This includes, for example the streamlining of the procedure to obtain a certificate of compliance with social security obligations by employers (DURC).

Immediately following the Parliament ratification of Jobs Act several actions are to be implemented in these fields:

a) **Universal coverage**. Jobs Act aims at overhauling, rationalizing and/or extending the coverage of social welfare benefit schemes to all workers, in the case of both temporary layoffs and involuntary unemployment. Today the differences between the various types of workers and businesses are too deep. The Government aims to reduce the amount of contributions paid by all enterprises and increase them for enterprises requesting the payment of benefits under the welfare schemes.
b) **Actions to improve the effectiveness of active labor policies** by rationalizing the employment incentive schemes, strengthening the partnership between public services and private agencies. To better coordinate the active policy projects the Government wishes to establish a National Employment Agency, jointly with the regional Governments, also involving the social partners.
c) **Simpler employment relations**. The Government intends to make it easier to set up and manage employment relationships, cutting the associated red tape by half and making online transactions the norm.
d) **Rationalization of the number and typology of job contracts.** By drafting of an organic Regulation of types of contract, which also includes introducing an open end contract with increasing-with tenure protection, the Government shall reduce the number and the scope of existing employment contracts, in order to more closely adapt the labour market to the present economic and employment situation.

Current OSH initiatives include Improve Safety and Health Standards. In particular the main efforts are focused on the prevention of work related diseases, muscular-skeletal disorders, emerging risks - e.g. due to new technologies which leads to new products and processes, as nanomaterials and nanotechnologies. Activities also include compliance Assistance to Employers and impact inspections program (increased inspections targeting poor compliance).

Social protection

The Italian Government intends to overhaul, rationalize and extend coverage of social welfare benefit schemes to all workers, in the case of both temporary layoffs and involuntary unemployment. The current safety net is fragmented, and remarkable differences exist depending on worker' type of contract and employer' characteristics.

The goal is to reduce the social contributions paid by employers and employees, while introducing fees for companies accessing to short working time schemes and/or other instruments facilitating labour hoarding.

Interventions will target both short time working schemes and unemployment benefit scheme thus to strengthen and streamline the whole system of income-support measures and shock absorbers. As for short time working scheme, Government intends to:

a) revise the bases for granting and using Wage Supplement Fund, excluding the cases of business closure, introducing duration limits and promoting other forms of working time reduction such as solidarity agreements
b) simplify administrative procedures, including through introducing automatic payment mechanisms;

c) reducing social security contributions and ensure balance between actual coverage and expenditures and contributions paid by workers and employers;

d) consider increasing costs for employers using welfare schemes.

As for unemployment benefit scheme (ASpI), Jobs Act devises:

a) extending coverage to project work replacing existing income support measures;

b) reshaping long and short term unemployment benefit (ASpI and mini ASpI), relating duration to workers' seniority;

c) considering introducing a mean tested income support measure for low-income workers conditioned to involvement in active labour market policy measures.

Active labour market programs

The overarching goal of Italy's labour market reforms in recent years is to increase the job-creation potential of economic growth, improve young jobseekers' employability and fight against inactivity and social exclusion, notably in the South. Starting from law n. 92/2012, policy interventions in this field followed 5 key strategic lines:

- To improve the functioning of the labour market and strengthen active employment policies;
- To speed up job creation, both temporary and open-ended, especially for the young and the unemployed of all ages;
- To upgrade the protection granted to all kinds of workers and companies;
- To foster social inclusion and clamp down on absolute poverty;
- To frontload implementation of the Youth Guarantee programme so as to provide new employment and training opportunities for young people, thus cutting down inactivity and unemployment.

In particular, law n. 92/2012 introduced some important changes on the "mission" of Public Employment Services (PES) and on the activation of benefit recipients:

- A minimum guaranteed level was defined concerning the "essential" services to be provided by PES to unemployment benefit recipients;
- the rules concerning the granting and control of the unemployment "status" were simplified and amended;
- the conditionality between receipt of income support and activation was strengthened and made more binding;
- a new mandate was given to the Government to reform employment services.

Jobs Act provides for:

- the overhaul of incentives for hiring as well as incentives to start new businesses;
- the establishment of a new National Agency for Employment in charge of the management of PES, active labour market policies and unemployment insurance. The social partners will be involved in setting guidelines and priorities for action for the new Agency, which will centralize a range of competencies so far dispersed among a number of local and national Government bodies;
- stronger monitoring and evaluation of policies and services;
- stronger links and synergies between public and private employment services providers, with new criteria for the authorization and accreditation of private operators and the setting of a "minimum floor" of services to be provided by PES throughout the country;
- strengthening bilateral Funds and their effectiveness in providing welfare services;

- strengthening the link between passive and active labour market policies, introducing performance management system for public and private services based on unemployed characteristics;
- empowering IT systems to improve the management of the labour market and the monitoring of the services provided, as well as to simplify procedures and thus reduce the administrative burden on individuals and companies.

Policy measures targeting labour market disadvantage

In 2013, almost €1.2 billion were allocated to finance a social contribution cut for newly hired young people, women and workers over the age of 50 until June 2015. In the same law (Decree 76/2013) incentives for hiring the unemployed of any age were foreseen alongside provision to increase resources for hiring disabled.

To combat the problem of youth unemployment, the Government launched the **National Plan for the implementation of the Youth Guarantee** on the basis of the EU Council Recommendation on the establishment of a guarantee for young people. Interventions targets young NEET (not in employment, nor in education, nor in training) aged between 15 and 29 years, corresponding to an estimated potential target of 1,722,000 individuals.

The main goal of the scheme is to activate young NEET, enhance their employability and provide them with a good quality offer in terms of education, vocational training, apprenticeship or employment. A set of nine standard active policy measures have been defined at national level, whose administration has been largely devolved to Local Authorities according to Italian institutional asset:

1. registration, take up and orientation;
2. training;
3. guidance to work: aimed to design and activate the measures of employment, supporting the young during start-up and first work experiences and training
4. apprenticeship;
5. extra-curricular internship, also through geographical mobility, aimed at enhancing employability of young people and at facilitating school to work transition through on-the-job training. The internship through national and transnational geographical mobility is intended to promote training and professional experience outside of their territory;
6. community service aimed at providing young people up to 28 years knowledge on the areas of national and regional community service (assistance to persons, civil protection, environment, cultural heritage, education and cultural promotion) and soft skills (teamwork, group dynamics, problem solving, brainstorming;
7. support for self-employment and to self-entrepreneurship for young people up to 29 years including training for the business plan, personalized assistance for the drafting of a business plan, support access to credit, support services for the establishment of an enterprise, support for start-ups;
8. transnational and territorial job mobility aimed at promoting professional mobility within the national territory or in EU countries (the focus is on the role of the competent services, including via the EURES network);
9. employment incentives for taking ups on open and fixed term basis.

To avoid “creaming” and “parking” effect, a detailed profiling methodology has been developed, to assess the effective employability of young NEET. Reward and unit cost of interventions are set according to the profiling scores of individuals.

A key objective of Italian Government **is to increase female employment**, while pursuing effective gender equality in all aspects of employment. To this end, measures are under examination, which intends to facilitate reconciling work and family life, by extending maternity allowances to all working women and improving access and the affordability of childcare. Evidences in fact show that 33% of woman interrupts or end their working careers and 33 % of inactive women do not seek for a job because they have to take care of children, elderly dependent household members.

In particular the Jobs Act sets out the following guiding principles and criteria:

- introduce a universal maternity benefit;
- ensure that working mothers in quasi-dependent employment qualify for the benefit even if their employers failed to pay social security contributions;
- introduce a tax credit, as an incentive for female employment, for female workers, including self-employed women, with young children and whose overall earnings fall below a given threshold, and harmonize tax credits for the dependent spouse;
- provide incentives for collective agreements aimed at promoting flexible working hours and the use of productivity bonuses to help women balance their roles as workers, parents and dependent caregivers;
- encourage the provision of integrated child-care services by companies operating in personal care services, including through the promotion of their optimal use by workers and community residents;
- achieving work-life balance for parents. In particular, to allow women to avoid having to make a choice between motherhood and a career.

An income support of monthly 80 € for new mothers up to the third year of life of children is devised in the Draft Stability Law 2015, targeting all household with a maximum income of yearly € 90,000.

SKILLS DEVELOPMENT

School education

Making school-to-work transitions smooth is key to promote youth employment and fight unemployment. In order to support youngsters leaving formal education several measures have been adopted aiming at promoting vocational guidance during the final year of lower secondary school and throughout all upper secondary school and incentivizing partnership between Universities and businesses aimed at fostering traineeships and work experiences for students and graduates.

To further facilitate the entry of young people in the labour market, a permanent committee was set up in February 2014 to act as a liaison between the Ministry for Education, University and Research and the Ministry of Labour and Social Policies, with the task of developing programs to improve skills of the general population, outlining basic policies to enhance employability and more effectively combating unemployment. This initiative represents a first step in implementing the recommendations made by a commission of experts set up on 20 November 2013, following publication of the OECD Survey results on the International Assessment of Adult Competencies (PIAAC), which ranked Italy significantly below partner countries in terms of adult literacy and math skills.

Apprenticeships, vocational training and higher education

With Decree 14.09.2011, n. 167, apprenticeship has been designed in the Italian legal system as the primary tool for promoting the work of young people in order to create an inclusive and dynamic labour market. The regulatory framework regards apprenticeship as the main port of entry to the labour market, acting as a bridge between school and labour market, and to address training run primarily by employers. The national standard is designed in such a way in order to guarantee the right of apprentices to receive an adequate training and to certify the acquisition of competencies. Simplify and encourage the use of apprenticeships, discourage the misuse of other types of contract, massive communication campaign, specific programs for the dissemination of apprenticeship in the craft sector: these are the most important actions that accompany the reform. The added value of the Reform, as well as the rationalization of legislation into a single text, is the enhancement of the skills acquired through education, for a better integration in the labour market.

Within the Italian action Plan for the Youth Guarantee, actions towards a further promotion of apprenticeship have been strengthened mainly through:

- introducing a financial support devoted to enterprises for hiring young apprentices;
- strengthening the dual training, by encouraging the exchange of best practices and promoting traineeships and apprenticeship opportunities for students enrolled in the final year attendance of lower secondary schools; designing and implementing a National Repository of occupational standards and apprentices profiles, which will allow to put in relation the national reference profiles of vocational qualifications and diplomas (VET courses) and professional standards agreed and defined by the social actors within the national job contracts for what concerns apprentices' qualifications, training pathways and certification of competencies.

As part of the Youth Guarantee National Implementation Plan, guidance programs will be developed, aiming at reducing early dropout and improving the quality of choices made by students about their working life or University attendance. Technical education will be strengthened. The Government intends to further promote Post Secondary Higher Technical Institutions, which showed effective in creating specialized workers and meeting employers' demand for technical and technological skills. The strategy to reduce skill mismatch and boost labour productivity reside on granting tax credit for companies hiring researchers (€600 million funds have been already allocated) and investing in R&D.

4. Monitoring of commitments

This section reports on the implementation of Italy's commitments made under recent G20 presidencies, including the Los Cabos Jobs and Growth Plan and the Saint Petersburg Action Plan. It highlights the major measures Italy has taken to address its commitments.

Strengthening active labour market programs to create jobs

Law 92/2012 introduced some important changes on the role of Public Employment Services and on the activation of unemployment benefit recipients: i) a minimum standard level at national level was defined concerning the "essential" services to be provided by PES; ii) procedures and regulation to grant unemployment benefit were simplified; iii) conditions to maintain income support allowances were made more stricter. On 1st May 2014 the Italian Youth Guarantee Plan was launched to address youth unemployment and inactivity. In the context of such initiatives, efforts were made to define a set of standardized active policy measures, to be provided after an intensive tutoring and a detailed profiling of PES clients. Regions, Social Partners, relevant institutions at national and local were involved to ensure effectiveness of measures and maximize the impact of the programme.

Reducing the tax wedge

In the 2014 Stability Law, the Government has reduced the tax wedge through: i) Increasing PIT (IRPEF) deductions for taxpayers with a gross income ranging from €8,174 to €28,000; taxpayers with a gross income ranging from €8,000 to €8,174 will not pay any PIT (extension of no tax area); ii) allowing firms to claim IRAP (regional production tax) deductions up to €15,000 yearly for each new permanent new hiring (this incentive is in addition to other IRAP exemptions already in force); iii) reducing firms' social security contributions (SSCs) paid to INAIL for work accidents and illness with savings amounting to €3.3bn over 2014-2016; iv) higher IRES (corporate tax) deduction of notional equity remuneration (ACE - Allowance for Equity scheme): the deduction increased from 3 per cent in 2013 to 4 per cent in 2014, 4.5 per cent in 2015 and 4.75 per cent in 2016. v) 20 per cent IRES tax deduction for firms (to become 30 per cent in 2014) and for IMU (property tax) paid on production sites.

Law 99/2013 allocated € 1.2 billion to fund a social contribution relief for employers hiring young, women and workers over the age of 50.

Increasing wage flexibility, such as decentralized wage setting

With the agreement of May 2013, Social Partners have fixed new and transparent representation criteria (average of the number of TU members and of vote percentage in elections in productive units), in order to certify each trade-union. Agreements signed by the majority of trade-unions and approved by the majority of workers will be applied to all workers.

The Pact signed in November 2012 by Social Partners to increase productivity and competitiveness in Italy sets out a number of new principles governing industrial relations and the wage-bargaining process. National collective bargaining agreements will continue to ensure a minimum reference wage common to all workers that is consistent with specific economic sector trends, but without any form of automatic indexation. In the "Guidelines to increase productivity and competitiveness in Italy" Social Partners have also agreed to delegate to second-level bargaining some specific issues - which were previously regulated by law or by National Collective Bargaining – that may contribute to increase labour productivity and companies performance. In order to fully enact the provision of the productivity pact the Government drafted an adoptive decree on January 2013, which provided for a reduced income tax rate of 10 per cent on the productivity related wage components - up to a maximum of € 2,500 - subjected to a yearly income threshold of € 40,000 (annual gross wage). For 2014, the maximum wage amount subjected to flat tax has been raised to € 3,000 €.

Tax and benefit reforms to enhance productivity and improve incentives to work

In April a decree was approved (66/2014) implementing a reduction of around yearly € 640 of personal income tax for employees earning up to € 1,500 monthly.

Enhancing education, training and skills development.

A comprehensive package of measures was adopted on 9 September 2013 by Ministers' Cabinet, approved by Parliament on November 7th, aiming at: strengthening vocational guidance, preventing early school leaving, strengthening educational offer, promoting apprenticeships and traineeships, increasing staff and enhancing teachers' professional development. € 6.6 million were allocated to strengthen vocational guidance for lower and upper secondary students. € 15 million were devoted to prevent early school leaving through developing complementary individual plans to strengthen basic skills and prolonging schooling time. Measure targets in particular at-risk-of-dispersion areas and migrant students. Further € 15 million were allocated to cover mobility costs of disabled and low income worthy students of lower and upper secondary education to allow them attaining higher level of education. Scholarships Funds for tertiary students were increased by € 100 million on a permanent basis from 2014 onwards. 85 thousands new engagements (69 thousands teachers - 27 thousands of them for disabled students - and 16 thousands service auxiliaries) are foreseen for the period 2014-2016. € 20 million were allocated to enhance teachers' professional development, particularly in the field of digital competencies, vocational guidance and traineeship support, and dispersion prevention. High Technical Institute (ITS, post-secondary education schools) and Universities are allowed to stipulate agreements with companies to offer apprenticeships contracts in a dual training system perspective.

Promoting quality apprenticeships to boost youth employment

Apprenticeship reform of 2011 (Decree 14.09.2011, n. 167) provides a general framework for apprenticeship in Italy, introducing three different types of apprenticeship contract: i) training apprenticeships for diploma or professional qualification, which is designed for young people aged between 15 and 25; ii) professional apprenticeships, which is designed for young people aged 18 to 29 who require a form of professional training; iii) advanced training and research apprenticeships, designed for youngsters who require high levels of professional training in the field of research, doctorates and to enter professional associations. In 2012 a substantial reduction in social contribution paid by employers was devised, which adds to the salary cut envisaged in the initial phase of the employment relationship. Apprenticeship growth was however hindered by some institutional constraints – namely, the fragmented regulation at regional level especially of the vocational content of the contract. Several provisions were therefore ratified by "State-Regions Conference" aimed at creating a national standard both concerning legal and procedural aspects and concerning qualification standards. Law 78/2014 simplified procedures concerning vocational plan drafting and access to public training.