

PART I - COMMON OVERVIEW

1. EVALUATION OF THE SOCIAL SITUATION

As early as the second half of 2007, the worldwide economy, following a four-year period of growth at high rates, began to slow its pace on account of imbalances on financial markets and tension generated by the prices of raw materials, though results overall were still positive. The average global slowdown reflected lower growth rates on the part of the developed economies,¹ a trend that worsened during 2008 and exploded in the month of September, at the time of the economic crisis whose epicentre was in the USA, but which was carried by global dynamics to the economies of the European nations, including Italy.

The performance of the Italian GDP reflects the trend of the developed economies, though it maintained a negative growth differential, as compared to the Euro area, on the order of a percentage point during the years 2005-2007. In 2007 the growth rate of the Italian GDP was 1.5%, as compared to 1.8% for the previous year. In light of Italy's slower growth rate, the rise in employment appears higher than the EU average, though this rate also slowed in 2007 (+1%, as compared to +1.7% del 2006). Employment rose primarily in construction (+2.9%) and in the service industries (+1.4%), confirming the trend that had already been observed in earlier years. The increase was generated by a rise in salaried employment (+1.5%), while self-employment dropped compared to the previous year (-0.3%). In line with this scenario, labour productivity continued to grow at a relatively weak rate (+0.3%), pointing to the fact that the increase in employment is the main driving factor behind the growth in the volume of production.

All the above would appear to paint the picture of a model of Italian business development characterised by a higher incident of labour than for European businesses overall, and thus a weakening of the production. It would thus appear that the system is absorbing more employment, but, at the same time, constantly reducing its utilisation,² to the point where, starting from 2005, each individual, employed constitutes, in terms of work performed, less than a standard working unit. The scope of this development would also appear to be limiting salary increases, and there are no small number of signals pointing to a restructuring of parts of the system. On the one hand, there has been a slight increase in the size of the average Italian business, with the figure slowing approaching the European average (between 1999 and 2005 the average size of companies throughout Europe fell from 6.8 to 6.5 employees, while the average size of Italian companies rose from 3.7 to 3.9 employees during the same period).³ At the same time, an increased rate of businesses ceasing their operations – the underlying reason for the statistics examined, according to the recently issued Isfol Report for 2008 - is said to indicate that a process of “creative destruction” is underway within the system, characterised by the expulsion of the less productive enterprises and the reallocation of quotas of production towards the better performing companies, whether already established or newly founded. The current phase of adjustment is also characterised by a marked diversity in the performance levels of companies, seeing that the average annual rates of growth in value added and labour productivity would appear to depend less on the company's sector of activity and its geographical location, than on the size of the company, with the larger enterprises scoring higher levels, as well as ratio of manual labourers to the workforce as a whole in which case the companies with lower ratios show better growth.⁴

In terms of the performance of the labour market, growth in levels of employment in Italy continued during 2007: compared to the previous year, the number of employed individuals rose by 1%, above the 23 million mark, the highest point ever reached. Still, the rates of variation in employment show

¹ Imf, World economic outlook database (April 2008).

² An effect of the reduction in the overall number of hours worked by the employed, a trend which, in turn, results from the combination of a lower incidence of overtime work and an increase in non-standard employment (part-time or for fixed periods).

³ Eurostat Data– Structural Business Statistics.

⁴ For a more in-depth analysis, see: Bank of Italy, “Annual Report. Year 2007”, chapter 10, *La struttura produttiva e le politiche strutturali (The Production Structure and Structural Policies)*.

unmistakable signs of a slowdown, reflected in a near-zero rate of economic growth. Despite the positive employment trend, our country continues to present an employment rate much lower than the average for the countries of the European Union and for the nations of the Euro-Zone, in addition to which Italy still lags far behind the Lisbon objectives: in 2007 the employment rate for individuals between the ages of 15 and 64 was 58.7% for Italy, while the average for the EU was 65.4%, and the countries of the Euro area registered an average of 65.7%. Even limiting the analysis to a set of countries whose economic structures are similar to that of Italy, such as the “Mediterranean” countries (Greece, Portugal and Spain, plus, naturally, Italy), our country shows the lowest employment rate during all the years between 2000 and 2007.

Italy’s employment rate is weighted down significantly by the figure for its southern regions, which stands at 46.5%, while the northeast and northwest zones show rates higher than the European average (at respective levels of 67.6% and 66%), emphasising the persistent (in deed, growing, considering the results for the index in recent years) gap between the two portion of the Italian economy and labour market. This dichotomy is also made by apparent by analyses of other indexes regarding the supply of labour: the weak growth in employment in southern Italy during the period 2000-2007 (+4.7%, as compared to +9.9% in the northwest, +8.9% in the northeast and a full +16.8% in central Italy), tied to the prolonged period of economic stagnation in that part of the country, has doubtless contributed to reducing unemployment, though it is also true that a portion of the unemployed in the south, and one far greater than the national average, has preferred to give up looking for work. In fact, during the period 2000-2007 unemployment in the southern regions decreased by 44%, compared to 29.6% in the northeast, 19.2% in the northwest and 26.4% in central Italy, making for a drop of roughly 8 percentage points in the unemployment rate. Nevertheless, southern Italy showed an unemployment rate of 11% in 2007, almost double the national average (6.1%) and even more distant from the levels registered in other geographic zones (3.8% in the northwest, 3.1% in the northeast and 5.3% in the central regions). The trends described have definitely favoured the emergence of a “discouragement” effect on the supply of labour in southern Italy, and to a greater extent than in other geographic zones: during the period considered, the percentage of those who preferred to classify themselves as inactive grew by 8.1%, making for more than ten million individuals, while the figures for growth of the same category in northwest and northeast Italy were, respectively, barely 0.3% and 1.7%. At the same time, it can be assumed, in light of the estimates periodically released by the ISTAT statistics institute, that a portion of the inactivity in southern Italy is actually work done “off-the-books”.

It follows that the growth in employment is driven by the performance of the central-northern regions, and especially the female component of the workforce: the rate of employment growth has been higher for women, even though there are signs of a sharper slowdown in the trend in female employment than in that for men. The growing female presence on the Italian market does not mean, however, that women have achieved a stronger position: women continue to constitute one of the weakest components of the labour market, as shown by their limited incidence on the total number of individuals employed (women account for only 39.% of all those employed), a situation further reflected by the fact that female employment rates are much lower than those for males. In 2007, while the overall employment rate (calculated for the population aged 15 and older) was 45.9%, the rate for women stood at only 35%. What is more, despite the fact that unemployment dropped drastically between the years 2000 and 2007, with the overall unemployment rate falling to approximately 6%, the figure for female unemployment continued to be relatively high than the level for males, registering 7.9% in 2007, or three points more than the female rate. Young people represent another group highly penalised by the Italian Labour Market. The 15-24 year-old age group accounts for only 6.4% of all those employed, presenting the worst indexes of any other age group: the rate of unemployment is 20.3%, while the rate of employment is 24.7%. A distribution analysis of the different forms of work by age group shows that, in 2007 fixed-term work and occasional employment were forms of labour reserved primarily for the young, whose percentage of salaried workers hired on a permanent basis has actually decreased since 2006: 36% of workers up

to the age of 24, and 13.2% of those aged 25 to 34, are employed for set periods, as compared to much lower percentages among workers of other age groups. And the figures for temporary work are very similar. Workers over 65 also show widespread temporary employment, at a level higher than that observed for all the other age groups.

A detailed examination of internal demand highlights our country's weak rates of growth in terms of both consumption (+1.5% in 2007, compared to increases of 3.2 percentage points in Spain and 2.4 in France during the same year) and investments (only +1.2% in 2007, as compared to an average of 4.3% in the euro area), areas that showed further decline in 2008. The latest economic bulletin of the Bank of Italy (no. 53, July 2008) states that the relatively healthy performance of the GDP registered in the first quarter of 2008 should be attributed in full to the support of foreign demand, while a further weakening of the real incomes of families, caused by increases in the prices of key foodstuffs and fuels, continues to weigh on levels of consumption, at the same time as the investment sector stagnates, under the depressing effect of the negative expectations of professionals in the field.

The resulting scenario is that of a country which continues to suffer from noteworthy structural weaknesses in its production system, tied in particular to the large percentage of the production structure consisting of small and extremely small-size enterprises that still base much of their competitive capacity on cost (despite the signs of a nascent restructuring mentioned earlier) while investing relatively little in innovation. In light of the further pressure placed on the profitability of businesses by such cost policies, as well as the difficult international outlook, it is unlikely that there will be an improvement in the expectations of economic operators either, and thus a revival of investment activity.

In short, the Italian economy risks suffering the negative repercussions of the international situation and falling to levels of almost zero growth, with potential fallout in terms of employment levels as well. Within such a context, it would be best to take counter-cyclical measures in support of internal demand, and especially the consumption component, by increasing the disposable income of families.

The current international trends arrive in the context of a situation which, for some time now, has included the presence – albeit on a stable basis, without increases – of segments of the population in conditions of poverty (cf. annex no. 1). In 2006 Istat counted 2,623,000 families in a state of relative poverty, equal to 11.1% of the resident families, and 7,537,000 individuals, meaning 12.9% of the entire population; in 2005 13.1 % of the population fell beneath the threshold of poverty (11.1% of the families). The Eurostat statistics, on the other hand, which are gathered using a methodology that makes comparison with the national results impossible (the major difference is that they are based on income rather than consumption), indicate that the percentage of the population in the low-income category (“at risk of poverty”, according to the official definition) is stable, at roughly 20% (in 2005, the most recent year for which statistics are available, an increase from 19% to 20% was registered, though consideration must be given to the fact that the figures are rounded off to the nearest percentage unit before being disclosed). The result for 2005 places our country in third to last place in Europe.

The risk of poverty rises rapidly as the size of the family grows, with the result that “large families” register the highest levels of the incidence of poverty in absolute terms. Even though the situation of the older age groups would appear to place us in as less critical condition than other countries (the Italian rate of poverty is two points below the EU-15 average for those aged seventy-five and over), the risk faced by minors is cause for concern. The European Commission's report *Child Poverty and Well-Being in the EU*, published at the start of 2008, identified two variables characteristic of negative child poverty situations in the member countries: the size and make-up of their nuclear family and the capacity of the parents to enter the labour market. In these terms, Italy proves to be

one of the countries with the highest incidence of child poverty. Another source to be kept in consideration is Unicef. In Unicef Report Card no. 7⁵, which analyses child poverty according to six different factors⁶, Italy ranked ninth, based on the average evaluation of the variables examined. But equally important are the noteworthy differences between our country's rankings in terms of the individual factors. Specifically:

- with regard to the overall assessment of material wellbeing, Italy, along with Spain and Portugal, still has a rate of child poverty above 15%. Furthermore, of the world's wealthiest countries, Italy is the one where a switch from calculating the threshold of poverty on a national basis to a ranking in regional terms produces the most complex results. In 2000 the threshold of poverty calculated on a national basis showed Italy to have a rate of child poverty four times greater in its southern regions than in Lombardy, while the thresholds of poverty calculated regionally pointed to almost no differences between the two parts of the country. In other words, a family that lived in Sicily or in Calabria could find itself below the national threshold of poverty, even though its economic situation was no worse than that of the majority of other Sicilians or Calabrians (the rates of relative infant poverty for Sicily and Calabria drop by more than half, from 45 to 19 percent, when the regional average is used instead of the national one);
- Italy finds itself at the bottom of the ranking with regard to the wellbeing of children in terms of schooling (performance in school, continuation of studies and school/work transition);
- Italy is in an intermediate position, but trending downwards, as regards indexes of damaging and risky conduct (bullying, violence);
- on the other hand, our country shows excellent point scores in terms of health, safety and the children's perception of their own wellbeing;
- finally, Italy is the leading country when it comes to relations with the family and with other children of the same age.

2. OVERALL STRATEGIC APPROACH

2.1. The objectives of the strategy

The outlook presented, which reflects typical socio-economic conditions in Italy, must be interpreted in light of the rapid changes brought about in the various factors by the economic crisis that got underway in America in the Fall of 2008. So rapid have the resulting transformations been, that it is extremely difficult to draw up forecasts on the overall situation: an apt example is the attention focussed in the early months of the year on fighting inflation and its repercussions on the living conditions and opportunities of families (for example, the costs of raw materials and the effects of rises on domestic consumption), whereas the greatest risk in recent months would appear to be that of a deflationary spiral that pushes the Italian economy to the verge of a situation of zero growth or negative growth.

The crisis arrived at a moment when Italian economic policies were pursuing the objective of balancing the budget in 2011, in order to meet the objectives already agreed to with the institutions of the European Community. The continuity of the process of reformulating public policies which the Govern has set out to pursue, under the guidelines of the *Economic and Financial Planning Document for 2009-2013*, entails noteworthy initiatives to reduce and reform public spending: in order to achieve the overall goal of less unproductive costs and more freedom and growth, a full-fledged business plan has been drawn up, based on the modernisation and rationalisation of the

⁵ Unicef, *Outlook on Child Poverty: a comparative overview of the wellbeing of children in affluent countries*, Innocenti Report Card no. 7, 2007, UNICEF Innocenti Research Centre, Florence

⁶ material wellbeing, health and safety, wellbeing in the school system, relations with the family and with children of the same age, forms of behaviour at risk and perception and evaluation of one's own wellbeing.

public sector, with public leverage to be concentrated solely in strategic sectors (infrastructures, telecommunications etc.).

At the moment in which the economic crisis made itself felt on the national production structure, this approach proved to be a safe guard against the country risk faced by the other developed western economies as well, making possible the launching (albeit to a limited extent, given the general condition of Italy's public accounts) of initiatives meant to counter the crisis, such as those contained in the so-called anti-crisis packet passed by the Government on 28 November 2008.

Apart from the extraordinary measures taken recently, the annual budget act makes reference to the commitment to ensure social cohesion in the face of the risks tied to the conditions of the global economic and financial sectors: *“An impact which, tied to the global shifting of enormous stocks and flows of wealth, plus the further repercussions of financial speculation, almost always has an erosive, distorting effect in Italy and Europe, to the point of being potentially destructive of our social structures, fuelling suffering in the form of poverty, unemployment among young people and the impoverishment of the middle class, up to and including the growing gap between the northern and southern regions of the country: a divergence that has never been offset by the budget policies implemented over the last ten years”*. In order to attenuate the effect of these distortions and sustain growth, together with stability and cohesion, a number of instruments of support have been identified forthwith, such as a reduction of the impact of the high cost of living and of home mortgages.

No less important for the Government is the path towards full implementation of the provisions of the Constitution regarding fiscal federalism (art. 119), taking the form of a proposed act of delegation designed to govern, in particular, the system for redistributing resources in favour of territories with a lower revenue capacity, as well as the fundamental principles for coordinating public finance and the tax system, through the establishment of arrangements of joint participation of regional and local governments in the tax flows from their territories, with a guarantee of financial impendence.

The implementation of fiscal autonomy shall ensure the correlation between the taxes collected and the benefits tied to the services offered within the territory. Its enactment shall have a noteworthy impact on the planning and coordination between the different levels of government with regard to policies of social inclusion, taking into account what has already been achieved in terms of transferring responsibility from the central government to regional and local governments. The central government must reinforce - potentially through the establishment of adequate instruments of governance (as in the case of the more extensive use, on the national level, of the Open Coordination Method) – its capacity for coordination and orientation, in order to respond to the priority concern of reducing the differentials between the various areas of the country, thus favouring a more uniform approach on the part of the different welfare systems. Starting from 2001, these systems developed in a variety of different ways, creating a drastic lack of uniformity in the offer of services and initiatives to deal with social situations that were equally different, such as rates of poverty and employment, plus the overall efficiency of the territorial offerings.

In light of this overall scenario, our country continues to suffer from certain critical problems affecting the characteristics of its social spending, whose upgrading and rationalisation constitute preconditions for the enactment of the strategy to be presented in the course of this report. The only point needing to be made immediately – and the issue is well known – regards the break-down of social spending, which is clearly unbalanced in favour of pensions, a category heading that accounts for 60 percent of all social spending, not including education. As is no secret, the most significant component of overall spending on social protection in Italy consists of pension benefits, at 66.7

percent. Healthcare accounts for approximately 24 percent, followed by welfare assistance (8.1 percent).

Looking at the different aspects of the pension system, it should be stressed that processes of growth and economic reform, as well as the reinforcement of social equity and cohesion, are closely tied to the development of the pension system, which also has repercussions on the financial sustainability and stability of public accounts. The incidence of pension spending as a percentage of the GDP currently appears higher than the European average. The forecasts for the medium-long term point to growth – albeit more moderate than in the past – roughly up through the year 2030, followed by an inverse trend that will bring the ratio between pension spending and the GDP back to the current level by the year 2050. Keeping the level of pension spending under control thus remains a priority. The initiatives undertaken in recent years have followed this system logic, though without neglecting the need – albeit for the purpose of guaranteeing balanced public financing – to improve the services offered to certain categories of pension holders in situations of difficulty: as a result, the minimum pension levels were raised during 2006-2007, and protection of pensions from inflation was improved. In 2008 the Government introduced a “social card” for an annual amount of 480 euro, specifically geared towards sustaining the buying power of the weaker segments of society.

In terms of systemic initiatives meant to complete and modernise the pension system, notice should be taken of the following policies:

- a) the minimum age for receiving pensions has been raised, albeit more gradually than was called for under the 2004 reform, by three years for woman (up to at least 60 years) and by four years for men (to at least 61 years old for salaried employees and 62 years old for the self-employed;
- b) a measure transferring severance pay to pension funds was enacted during the year 2007 through a mechanism of silence-assent, a development already called for under the pension fund of 2004, and on which significantly increased worker participation in the area of supplementary pensions;
- c) final approval was given to the revision of the coefficients for the transformation of the sum total of contributions to the pension benefit system, in order to adjust pension services to the increase in general life expectancy; the new coefficients shall be put in place in 2010, and subsequent revisions shall occur no longer at ten-year intervals but every three years;
- d) redemption of periods of study for pension purposes has been facilitated, facilitating and reinforcing the possibility of making benefit payments in instalments and deducting them from taxes, thus increasing the appropriateness of the pensions within the logic of the new benefit contribution system as well;
- e) in pursuit of the same objectives, steps have been taken to reinforce consideration of the totality of benefit contributions, meaning that all benefit payments made, even if they come from different pension institutes, are valid;
- f) the disincentives to continue working at an advanced age have been eliminated (meaning what constituted incentives for senior citizens to work “off-the-books”, in irregular jobs), liberalising the possibility of accumulating both pension and working income.

Future initiatives shall thus be geared towards establishing a balance between the adequacy of pensions and the financial sustainability of the system. As part of this approach, measures shall be taken to enlarge the active population, both through the regularisation of “off-the-books” employment and by increasing rates of employment, especially among women and older workers. A further contribution to the available financial resources shall result, as mentioned above, from reducing the benefit payment differential between salaried workers and para-salaried workers.

Once it took office, the Government’s first step was to define the new organisational structure, in part by reducing the number of ministries involved, with the priority objective of favouring the

integration of spheres of public policy strategically related to each other, as well as tools and initiatives, in order to achieve the broadest possible fallout on the processes of overall development. The Ministry of Welfare, focussed on three principle areas of concern – health, labour and social policies – definitely represents a quality initiative taken under the project for this legislature: placing three sectors of such importance to the country’s growth and development, as well as to the achievement of improved conditions of wellbeing for each individual and family, under the same ministry creates a unique occasion for pursuing greater social cohesion, increased growth and increased employment. The underlying idea of the new ministry reflects the approach which the European Union has pointed to for some time now, emphasising the interconnection and the reciprocal reinforcement of growth, employment and social inclusion, as well as the health, wellbeing and economic prosperity of individuals. Promoting health and suitable standards of living, promoting the wellbeing of individuals and families, reduces exposure to the risk of poverty and social exclusion while increasing productivity and overall growth. Vice versa, improvements in the quality of, and opportunity for, employment have positive repercussions on the overall conditions of an individual’s life.

Falling within this reference framework is the challenge launched by the Green Book released before summer: *The Good Life in an Active Society* is a consultation aimed at all citizens, professionals in the field, intermediate bodies and institutions, for the purpose of collecting recommendation and suggestions and working together to build a new welfare system not based merely on assistance, but with a dynamic purpose: in other words, capable of offering the most advanced and lasting solutions, of providing effective responses to the needs of the individual, of families and of communities

The first objective is to stimulate a change in terms of culture and planning, returning the central focus to the individual, together with his or her relational projections, starting from the family. The model of social protection aimed at is one that, without abandoning the principle of universal safeguards, features:

- **direct welfare benefiting all the different aspects of the individual**, in order to favour personalised initiatives performed through a dynamic model of social-medical-assistance activities, resulting in the offer of measures meant for the individual and the family at every stage of life.
- **welfare of opportunities**, based on a virtuous alliance between the public and private sectors, which would offer, in accordance with precise standards of quality and efficiency that remain consistent throughout the national territory, social services and initiatives of assistance;
- **community welfare**, for the capacity to establish a virtuous circuit of families, volunteers, associations and working environments, in addition to sites where relationships are established and services are provided, such as municipal governments, parish churches, pharmacies, family physicians and post offices.
- **welfare that fights poverty**, in order to promote a more active society, supporting the creation of jobs, constructing personalised tools for job orientation and procurement and stressing a pay system that encourages the production of wealth.

A similar welfare system must be established not only through the branches of government, but, even more importantly, by recognising the hierarchical importance of the value of the family, of all the intermediate bodies and of the professional functions that make up the community. It will be able to offer improved prospects, especially for young people and women, currently penalised by a society still unable to move, incapable of making the most of all its human capital.

Labour policies, social policies and healthcare policies all work towards the goal of preparing the way for the major personal decisions of young people while laying the groundwork for a solid, correct future accompanied by adequate policies of prevention (of pathologies) and support (in the event that efforts do not meet with success). Policies providing incentives for personal independence in the decisions made by young people must be matched by networks for the prevention and social sharing of the connected risks.

These are the primary tasks of the new system:

1. to eliminate the dysfunctions, waste and costs of the current model;
2. to accompany individuals throughout the entire lifecycle, by means of the dual approach of opportunity – responsibility;
3. to establish a model of governance that guarantees financial sustainability and assigns to a renewed and capable central government structure tasks of management and orientation, while having local governments and intermediate bodies, based on the principles of subsidiarity, responsibility and differentiation, provide services that satisfy the essential levels of quality;
4. to consolidate a system of universal, selective and personalised social protection – through ongoing activities of benchmarking, meaning the comparison and exchange of best practices, in keeping with the European Community guidelines – able to measure the effectiveness of the policies, in terms of truly equal opportunity, on young people, women and the disabled.

In light of all the above points, the objectives of the overall strategy of social protection and inclusion, based on the planning documents drawn up by the government to resolve the current critical problems of the national system, are as follows:

- the reorganisation and rationalisation of social spending, in all its various components, not for the purpose of dismantling the welfare system, but in order to govern it more effectively, eliminating waste and unfairness while fulfilling the commitment to achieve the objective of protecting the balance of public accounts. Only in this way will it be possible to free up resources for effective investment in the development of a system of active inclusion, starting with young people and women;
- reformulation of the framework of *Welfare to Work* policies. It is work that provides the opportunity to develop personal capabilities, increasing both the country's competitive strength and the volume of resources finding the Social State: the objective, therefore, is to achieve a healthy increase in the rates of regular employment – especially among women, young people and workers over the age of 50 – in this way drawing closer to the targets set at Lisbon. A labour market designed to be actively inclusive, in keeping with the recommendations of the European Community, is definitely the best safeguard for the worker. To do this, action will be taken along the guidelines already laid down under the Labour Market Reform of 2003, as well as the regulations of implementation, taking into account the changes that have occurred, as well as the contents of the agreement reached with the social partners in 2007⁷. Indeed, the provisions call for the exercise of mandates involving social buffers, employment services, apprentice contracts and the reorganisation of incentives;

7. Law no. 247 of 24 December 2007, containing the provisions for implementation of the Protocol signed by the Government and the social partners on 23 July 2007 on the issues of pension treatment, employment and competitiveness, so as to favour equity and sustainable growth, plus additional regulations governing employment and social security;

- attention to the state and performance of the pension system, including its repercussions on the financial sustainability and stability of public accounts. The initiatives are also meant to enlarge the active population, both by regularising “off-the-books” employment and by increasing the employment rates of women and older workers, and to safeguard pension-holders at the lower income levels through the measures contemplated under the Welfare Protocol of 23 July 2007⁸, which, among other things, increased the “basic” pension⁹, in addition to increasing pensions of assistance through social increases, starting from 2008.
- In the specific context of efforts against social exclusion, the central concern is protecting families from the risk of impoverishment: action is taken both through income-support measures (especially under current economic conditions) and, over time, through a lightening of the tax load. The priority placed on the family central also underlies the reinforcement of the network of services, with regard both to the system of protection and care for individuals who are not self-sufficient and as concerns the development of services for infants and young children. Within this context, specific attention is focussed on initiatives to eliminate poverty among minors, a root cause of grave discrimination, so as to prevent educational dispersion and the exploitation of minors.
- Further effort is expended on the problem of extreme poverty: the objective is to ensure effective improvements in living conditions for those in conditions of grave social exclusion or without a proper home.
- The following activities are relevant to every aspect of the overall strategy:
 - a) the development of immigration policies based on legal entry into the country and access to the labour market, with simultaneous reinforcement of initiatives to favour social integration, starting from the home, support for the educational integration of the younger generations and defence of health. Within this context, customised efforts have been undertaken in favour of the Rom and Sinti communities;
 - b) a gender perspective, in order to effectively expand economic and productive opportunities for women within society and institutions: such efforts contribute to growth and development, in addition to providing an index for the rate of democracy. The goal is to counter the existing gender gaps in various spheres of training and labour, as regards both access and permanence;
 - c) a reduction in the gaps between regions, in terms of the noteworthy concentration in southern Italy of poverty and unemployment, as well as the uneven development of social and medical services, plus services for employment. A strategic step in this direction is the effective formulation of the priorities identified in the National Strategic Framework for achieving a more effective allocation of European-Community and national resources.

As part of the overall strategy, emphasis is placed on access to the right to healthcare and on improving the efficiency and the appropriateness of the medical services offered. Maximising the efficiency of the utilisation of resources is a key condition to ensuring that the healthcare system fully carries out its social and economic role.

2.2. Relationship between the National Reform Plan and the strategy of social protection and inclusion

⁸ The protocol signed by the Government and the social partners, together with the contents of the government legislative proposal of 17 October 2007, were implemented under Law 127/2007, plus, in part, Law 247/2007.

⁹ Through payment of an additional sum to pension-holders aged 64 and older and individuals whose income is no greater than 1.5 the minimum level.

Under the final framework of the new European strategy drawn up in Lisbon for growth and employment, policies of social inclusion and protection definitely play a leading role. The National Reform Plan is consistent with the macro and micro-policies, having been formulated, in part, on the basis of the considerations of the EU Commission and Council, which, for that matter, match the policies of the Italian Government as regards both the key causes for low growth and the priorities and recommendations for the policies to be adopted. The National Reform Plan identifies the seven priorities on which the Government intends to focus its efforts, starting with the stability of finances and expansion of the margin of free choice for citizens and businesses; the supply of incentives for research and innovation, the reinforcement of education and the training of human capital; plus the development of employment policies (shared principles of “flexicurity”), a sector in which the innovative thrust provided by the Government in identifying the instruments of implementation constitutes a sharp break with past approaches.

The National Reform plan further pursues the analysis of the leading critical problems, which, in terms of the country’s overall economic growth, are represented by low participation on the labour market of sectors of the population which – in terms of their size and social relevance – are very important, together with a limited level of average productivity. The analysis points to the urgent need to stimulate these elements, so as to bring them in line with the European average, paying particular attention to the low rate of participation of all segments of the population, apart from middle-aged males, a situation mirrored by the continuation of policies not yet in line with European standards.

A focus is thus placed on the crucial role of welfare policies within the overall strategy for growth and development. Specific reference is made to the main innovations introduced – without lowering the level of safeguards for working men and women – in order to free both businesses and employees from bureaucratic and formal procedures, thus favouring employment by reducing indirect costs. In addition, objectives meant to favour greater flexibility in terms of working hours and schedules have been drawn up, starting with the development of the part-time option, in accordance with European standards, and including the reinforcement of services benefiting the individual, so as to increase the possibilities for the professional retooling of women – meaning those who decide to return to active employment after years spent as homemakers – plus a family support policy implemented under a logic of subsidiary roles and the integration of public policies of social security with the private system and the tertiary sector.

2.3 Governance

The new partnership between the different levels of government

Previous National Reports have made a point of reviewing the difficulties, as well as the new challenges, that arose following 2001 – the year of the institutional reform that redistributed prerogatives and responsibilities between the central, regional and local governments, specifically assigning to regional and local governments the activities involved in the planning and implementation of social policies – together with the steps that have gradually been taken to establish new procedures for the organisation and coordination of the different levels of government.

The goal at present is to move from a phase in which informal central-regional-level government roundtables were held, in order to establish closer relations in specific sectors, or for the formulation and enactment of projects, including initiatives of an experimental nature, to a permanent forum for joint efforts, able to establish wide-ranging rules for the involvement and participation of private organisations, of organisations for the defence of rights, of the social partners and of centres of research and analysis, for the purpose of monitoring and evaluating the

actions to be taken on the basis of the National Strategic Report and the Green Book of the Government on welfare policy.

The completion of the federal structure for Italian institutions, together with the definition of fiscal federalism, will require constant and gradual coordination not only of financial considerations, for the purpose of managing the national accounting system, but also of the subsequent institutional processes which – based on these accounting structures – must ensure uniform levels of guarantees for civil and social rights, doing so through local systems of social protection. Making this coordination function all the more necessary is the fact that the federal structure must deal with a formidable process of convergence between territories with varying rates of poverty and different levels of services.

Achievement of the objective of increased coordination of policies is facilitated by the current configuration of the Ministry of Labour, Health and Social Policies, which reflects the move in the direction of integrating and reducing the distance between administrative structures and decision-making processes, in order to draw up programs of planning and guidelines that make it possible to overcome the critical problems and the fragmentation of the initiatives currently in place, as illustrated in this report.

Within this framework, steps must be taken to reinforce an open method of internal coordination, through which – even in sectors where responsibilities and prerogatives are decentralised – joint objectives and national targets can be defined, strategies for financing the activities can be shared and procedures can be established for monitoring and controlling the results achieved, in addition to exchanging best practices. What is needed is the development and consolidation of a line of additional activities, starting from forums outside of the traditional set of conferences between the central, regional and local governments, in order to gradually build up an effective institutional tendency towards open coordination.

To this end, control units can be reactivated (on the subject of employment, for example), involving public and private employment services, as well as the capabilities of the professionals in the various ministerial agencies (Isfol and Italia Lavoro). In the area of healthcare, for instance, the Pact for Health between the Central Government and the Regional Governments could be supported by operating instrument such as a revitalised – in a manner endorsed by all involved – ASSR (National Agency for Regional Healthcare Services).

The participation of social formations

The effectiveness of activities of governance depends not only on institutions and the public sector, but also on the contributions of protagonists in the social sphere, of the degree of participation of entities in the tertiary sector, of the social partners and of organisations for the defence of rights.

For while the chief priority is establishing a modern welfare system capable of providing an all-encompassing response to the different needs of the individual, centred around the capacity to “be a community”, starting from the key manifestations of the family, volunteer and association activities and the working environment, a further priority is identifying a model of governance in which civil society takes a leading role in establishing a process of self-organisation and self-determination based on the community values of freedom, solidarity, social cohesion and respect for life and the common good.

Of no less importance, therefore, are efforts directed at reinforcing the participation of social formations in the formulation of strategies of social protection and inclusion, as well as in activities geared towards the monitoring and evaluation of the impact and effectiveness of the initiatives

undertaken through the updating or founding – in cases where they are not already present – of bodies that ensure active participation on the part of associations of representation and of the private-sector social partners from both the profit and no-profit areas. The most recent innovation in this respect is the establishment of the National Observatory on the Conditions of Individuals with Disabilities, a joint body that makes possible constant contact and dialogue between institutions, on the one hand, and individuals with disabilities, their families and associations.

Finally, the Green Book on the future of the Italian social model makes reference, among the elements of joint governance, to the quality and proper operation of the system of industrial relations (a central issue on the political and labour union agenda for almost a decade). In this field, the Green Book highlights, as an objective for the Government, the formulation of a pact on the rules, with an emphasis on substance over form, so as to identify forums and venues for examining major strategic decisions involving the economy and society, together with tools for governing the social effects of the transformations, new and more adequate rules for participation and collaboration in labour relations and in the various approaches to collective bargaining, plus ways in which to prevent and moderate labour conflicts.

2.4 The process of constructing the Report.

The National Plan for Social Inclusion for the years 2008-2010 was drawn up with the active contribution of the regional and local governments engaged in the promotion and implementation of policies of social inclusion. Meetings with interested associations and social partners were also organised in order to collect their points of view about the National Plan.

The Plan points to the contribution of the regional and municipal governments, based on an active and positive framework of subsidiarity, geared towards coordinating local reports and plans with the structure of the National Plans of Action for Inclusion, with the further objective of offering the existing process a noteworthy added value in the way of shared regional and local indexes and best practices, as well as the evaluation and assurance of the quality of policies.

The construction of the Plan organised around the following phases:

- a. In July 2008, two meetings with the central administrations responsible for drawing up the overall strategic framework, identifying the joint objectives and guaranteeing the overall consistency of the document were organised. Furthermore, a meeting with the representatives of the regional, provincial and municipal governments for the presentation of the report and the objectives took place in July;
- b. 5 August 2008 meeting chaired by the Deputy Secretary of State with the social partners and interested associations;
- c. collection of contributions;
- d. examination of contributions;
- e. drawing up of report draft;
- f. presentation of the draft of the document to the partners involved.

PART II – NATIONAL PLAN FOR SOCIAL INCLUSION

2.1 IMPLEMENTING THE 2006-2008 NATIONAL STRATEGY REPORT AND THE CHALLENGES IDENTIFIED IN THE JOINT 2007 REPORT

2.1.1. POVERTY IN ITALY AND OTHER GENERAL CONTEXT DATA

The quantitative dimensions of poverty

In the last few years the incidence of poverty in Italy, and in Europe, has essentially remained stable, with a significant hard core of households with low levels of consumption and/or income.

Thus, in 2006, Istat (the Italian National Statistics Office) surveyed 2,623,000 households living in relative poverty, equal to 11.1% of resident households and 7,537,000 people, i.e. 12.9% of the entire population; in 2005, 13.1% of the population was living below the poverty line (11.1% of households). According to Istat, a two-member household can be defined as poor when it consumes less than the average per capita consumption, which, in 2007, was €986 per month, 16 € more than in 2006.

This definition, however, differs from the one adopted at EU level, where the at-risk-of-poverty line is set at 60% the individual disposable equivalent median income. The Eurostat figures therefore, which are based on a methodology that cannot be compared with the national one (because it focuses on income rather than consumption), indicates an incidence of low-income population (“at risk of poverty” according to the official definition) stable at about 20% (in 2005, the latest year for which figures are available, there was an increase from 19 to 20%, although account should be taken of the approximation to the percentage unit with which the data is circulated). In 2005, Italy ranked third from last in Europe, followed only by Greece and Latvia, 4 percentage points above the European average (with respect to both EU-15 and EU-25). Considering EU-15, the gap between the Mediterranean countries (including Italy) at one end and the North European countries at the other end is confirmed, with France and Germany below average and the UK above.

Although it might seem surprising that the new EU Member States feature an incidence of poverty similar to those of the EU-15 countries, with some of these new Member States (Czech Republic and Slovenia) even ranking among the best performers, it should however be kept in mind that the notion of relative poverty is based on a national and not an EU threshold, i.e. on the predominant living standards in each country, which, obviously, may differ from one country to the other.

For example, Italy has an incidence of low-income population slightly below that of Romania, but, if we make the Italian threshold corresponding to this incidence equal to 100, the Romanian threshold would be less than 20. This means that most of those in poverty in Italy, if they lived in Romania according to their standard of living, would be classified among the non-poor. These considerations can be extended to include most of the new EU Member States; this, however, does not change the previous observation concerning Italy’s low ranking among the EU-15 countries, together with the other Mediterranean countries.

In 2006, not only the number of poor people, but the poverty gap too, i.e. the percentage difference between the income at the poverty line and the median household income for those in poverty expressed as a proportion of the income at the poverty line, is relatively high, with a coefficient of 24%. This means that half the Italian poor live on an annual disposable income one quarter lower than the poverty line, measured according to the EU standard (and equal to 8,712 euros per year); this is one of the highest poverty gaps and is similar to that of the other Mediterranean countries and of the Baltic States.

Material deprivation

By explicitly acknowledging, in line with the Lisbon Strategy, the multidimensional character of social exclusion and poverty, in their different forms, reference can then be made to the so-called

indicators of “material deprivation”, which are useful for outlining a more detailed profile of the difficulties faced by many households in tackling significant aspects of everyday life.

This data, however, should be considered with great caution, as a set of items relating to very heterogeneous factors, which can hardly suggest an assimilation and identification between “deprivation” and “poverty”, although some figures should nevertheless be highlighted. In 2006, ma alcuni dati vanno rimarcati. In 2006, almost 6% of households declared to have had problems in procuring the necessary amount of food (a percentage that, in the South and the Islands, is about a third higher than the North); 12% was unable to access the necessary healthcare (21.4% in the South and 20.2% in the Islands); 17.8% to have had problems buying clothing (almost 30% in the Islands). Moreover, 34.7% of households finds it “hard” or “very hard” (almost 20%, a percentage that rises to a staggering 46.5% in the South and 48.5% in the Islands); 66.1% (75.4% in the South and 82.5 in the Islands) admitted to being “unable to save any money at all”. Despite the still embryonic and experimental nature of comparative analysis, these figures seem to confirm the gap between Italy and the other major EU-15 countries.

The North-South divide

The gap between the poverty rates in the South and the rest of the country is the most obvious feature of the “Italian model of poverty”. The incidence of poverty, measured according to the nationwide indicator, in the South and the Islands (22%) is double the average figure and almost five times the rates registered in the North (4.7% in Lombardia, 5.0% in Veneto, 3.9% in Emilia Romagna, compared to 23.0% in Basilicata, 27.8% in Calabria, 28.9% in Sicily).

This gap is confirmed by the measurements and comparisons made at European level. If we apply the EU-Silc indicator, setting the national threshold in the area of Milan and in Sicily, the resulting incidence of poverty would be 7.3% in the former case (a figure that is significantly below the European average, for both EU-25 and EU-15) and 46.6% in the latter case: almost seven times higher. The gap would then increase further using a single European poverty line measured according to the average EU-12 income.

Such a considerable divide has no equivalent in the other European countries, not even in those that feature significant geographical “divides”, such as Belgium, Spain or Germany.

Poverty in large households

The larger the household the greater the risk of dropping below the poverty line, the highest incidence of relative poverty being registered among “large households”. In 2006, while the incidence of relative poverty was below the national average for single-member or two-member household units (8.1% and 9.9%, respectively, based on the nationwide indicator), the poverty rate soared to 14.8% among 4-member households and 24.3% (over double the national average figure) among households with 5 or more members, percentages that, in the South, rise further to 26.1% and 37.5%, respectively.

The presence of children is a further risk factor. According to the EU-Silc survey, Italy features a 41% incidence for “two-adult households with three or more dependant minors”, almost double the EU-15 average (which stands at 22%) and very far even from the EU-25 average (24%). In the case of “three or more adult households with dependant minors” the incidence of poverty for Italy is 23%, six percentage points above the EU-15 average, with only Poland (24%) and Ireland (30%) being worse off.

Poverty among children and the elderly

These are two population groups that are either not yet financially self-sufficient, or whose financial situation has changed somewhat for the worse, following retirement, and are therefore particularly exposed to the risk of poverty.

In Italy, based on the national survey methods, there are 1,728,000 minors living in relative poverty, accounting for about 23% of the poor population, well above the overall reference population (18%), with a high predominance of younger children (61.2% is aged 11 or less) and a disproportionate concentration in the South, where 72% of poor Italian children live. Moreover, internationally, Italy finds itself in a particularly critical position, with a 25% incidence of relative poverty in this population group, very far from the EU-15 and EU-25 averages (of 7 and 6%, respectively) and even below the average of the New Member States (by two percentage points). The dominant model is that of the 'male breadwinner': poverty, in fact, is spreading among single-income households, rather than being concentrated among unemployed households (less than 6%).

The situation changes only marginally in the case of the elderly. In Italy there are 1,601,000 poor over 64 year olds, with an incidence (based on the national indicator) of almost 14%, which is higher than among the intermediate age groups, but is improving (by 2-3 percentage points) compared to the rates registered in the previous decade. The country's position is improving also in comparative terms: the Italian poverty rate, in fact, is only two percentage points below the EU-15 average, with regard to over 75 year olds. Despite this better performance, compared to children, due in great measure to the pension system, the risk of falling into poverty nevertheless increases in the presence of certain factors: elderly couples with unemployed children (16.7%); elderly single-parent households (16.8%); households with at least one elderly member (18%).

Poverty and education

The EU's Lisbon Agenda objective of reducing the number of early school leavers to below 10%, seems very hard to achieve, in Italy, just 18 months away from the deadline and the percentage of still standing at 20.9%, with just a one percentage point drop over the last three years. The 900,000 children and youths aged between 16 and 24 (one fifth of the reference population), who drop out of school in Italy, constitute a significantly higher percentage than the European average (EU-15: 14.9%; EU-27: 17.6%).

On top of this, OECD's PISA programme has raised concern also with regard to the quality of education, especially in the South, where it emerges that schools in Italy are not yet capable of becoming significant engines of vertical social mobility, nor decisive factors for contrasting the announced social destiny of children from weaker social groups and emancipation.

Comparing the amount of early school leavers with the number of enrolled students, the statistics show that dropping out of school is more widespread in the regions of the South of Italy, where economic and social malaise is greater. However, there are high early school leaving rates in certain areas of the North of the country too, which has a stronger economic foundation and where an easier labour market, with greater opportunities for unskilled job seekers, represents an interesting attraction for many low-achieving pupils.

The phenomenon of early school leaving becomes even more alarming when we consider **immigrant students**. In the 2007/08 school year, non-Italian pupils accounted for 6.4% of the entire school population, standing at 574,133 children; considering that, alongside the resident foreign population there are also large numbers of irregular immigrants, whose children should be fully entitled to attend schools. The highest concentration of immigrant schoolchildren is in infant and primary schools, where 71.2% and 41.1% of enrolled foreign pupils were actually born in this

country. The percentage of second generation children born in Italy and attending secondary school drops to 17.8% in lower secondary school and 6.8% in higher secondary school.

The lack of regular school attendance by non-Italian resident children is a worrying figure, due to both a scarce knowledge of the Italian language and problems of social integration. On average, 42.5% of foreign children are behind at school and the older they are the harder it becomes to catch up. In all schools and through all grades there is a higher percentage of foreign repeat students than Italians.

Mention should also be made of the figures relating to school attendance by **Roma children**. At present there are 12,342 enrolled Roma children, up by 4.3% compared to the previous school year. This is the result of collaboration between the schools and various social players, fostered by the Protocol of Understanding signed by the Government and the *Opera Nomadi* (the Association of nomad groups living in Italy) (signed in June 2005). Over half the Roma children attend primary school, while only 1.5% attend higher secondary school.

2.1.2 THE ACTION PLANS IMPLEMENTED ON THE BASIS OF THE 2006-2008 NATIONAL STRATEGY REPORT:

Consistently with the Lisbon strategy launched by the European Council in 2000 and in the light of the socio-demographical situation, the Italian Government that took office in mid-2006 set itself the target re-launching the social inclusion policies, with a view to achieving greater social equity.

It should be taken into account that this commitment, formalized in the 2006-2008 National Strategy Report, required coordination with the need – re-iterated by the European Commission – to provide for national debt reduction policies. The financial programming measures adopted in 2007, and following years, entailed economic and fiscal decisions aimed at achieving a zero deficit in 2011 and ensuring the return of the debt to below 100% of the GDP in the same year. The policies for contrasting poverty, therefore, were viewed in a context the key features of which was cutting back public spending and redesigning the fiscal system, with a view to achieving financial stability (confirmed by the following government currently in office) and ensuring a greater degree of social equity, and these objectives have been confirmed in 2008, when the present government took office.

This is the context in which to view the following – pre-eminently fiscal measures – introduced to support the income of households:

- a) Child support allowance: the 2007 Financial Law provided for an initial increase of family allowances, based on income and number of children. This allowance was further increased by the 2008 Financial Law, which introduced a 1,200 euros tax deduction for households with at least four children.
- b) Income support for “incapienti”: income support for ‘incapienti’ (people facing poverty, whose income is so low that they are not required to file a tax return), who, besides being entitled to the 1,200 euros tax deduction mentioned in the preceding paragraph, also benefit from a one-off 150 euros bonus for the household head and each dependant household member, with respect to the 2006 income.
- c) Income support for pensioners: following the signing of the so-called *welfare protocol* (by the Government and the social partners, in July 2007), a fourteenth annual salary was introduced for low-income pensioners. This bonus concerned 3.5 million pensioners aged 64 years and older, with a pension income one and a half times below the minimum pension benefit (654 euros per month in 2007). The protocol also provided for the increase, from 2008, of social pension benefits for over 70 year olds (and over 60 year old total invalids, deaf-mutes and blind persons). Their monthly income was therefore stabilized at 508 euros.

- d) Measures in support of household spending: the 2008 financial law raised the ceiling for exemption from ICI (council tax), on the first house, essentially by eliminating this tax for lower income households. In 2008, with the first measure approved by the new Parliament, aimed at protecting income, the tax was abolished entirely. With regard to tenants, a 300 euros monthly rebate was introduced for persons with a gross annual income (calculated for personal income tax purposes) of up to 15,494 euros, and of 150 euros for taxpayers with a gross annual income of between 15,494 and 30,987 euros. This measure also provided for reimbursement in the case of people on very low incomes (so low as to not require the filing of a tax return). Tenants aged between 20 and 30 years, with an income of below 15,000 euros per year, were entitled to a tax rebate of 1,000 euros per year, while in the case of those with an income of between 15,000 and 30,000 euros per year, the rebate dropped to 5,000 euros.
- e) Tax exemption of overtime work: for the purpose of increasing productivity and employee wages, in the private sector, the same measure relating to household taxes passed in 2008 also introduced, on a trial basis for the period between 1 July 2008 and 31 December 2008, a 10% reduction of personal income tax and regional and municipal surtaxes, within the ceiling of 3,000 euros gross, on overtime work, as well as supplementary and productivity increase work, and other work carried out in connection with organisational innovation and efficiency-enhancement and other elements of competitiveness and profitability, related to the economic performance of the business. The provisions, as already mentioned above, were introduced on a trial basis and apply solely and exclusively to the private sector and to employees with an income that, in 2007, did not exceed 30,000 euros. These provisions take into account the Council Directive 93/104/EC, of 23 November 1993, concerning certain aspects of the organization of working time, which established the 48 hour limit for the working week, including overtime work, and the Directive 2003/88/EC of the European Parliament and of the Council, of 4 November 2003, concerning certain aspects of the organisation of working time, currently in force.
- f) Unemployment allowance: the above mentioned *welfare protocol* also contains measures relating to unemployment allowances (not including the farming sector), with respect to both the duration of the allowance and the amount thereof. As regards the former, the allowance (in respect of workers with full entitlement) is paid out for 8 months (or 12, in the case of over 50 year olds), thus increasing by 2 and 3 months, respectively. The amount of the allowance is increased to 60% of the latest wage received, for the first 6 months, and then drops to 50%, for the next 2 months, and, lastly, 40%, for any remaining months. The unemployment allowance for unemployed subordinate workers or workers with irregular employment (who are registered with the Inps pension schemes, but do not possess minimum contribution requirements), drops to 30% and 35% for the first 4 months, then 40% for the next two months. So-called ‘figurative’ (or virtual) contribution payments is entirely assured (based on the salary previously received) for the entire period in which the allowance is paid out.

To this first list of measures, primarily of a normative nature, we should add those that – although descending from legal provisions – involved various government levels and, in some cases, third-sector and volunteer organizations and the social partners. These are particularly significant measures because they represent the type of action that will most frequently characterize the actions of the Italian national institutions in the forthcoming years, as a result of the country’s transformation into a federal system of government. This is requiring a growing exercise in new and novel forms of *governance*, compared to the more traditional manner of exercising public functions, which find their principal pathway in the agreement between the different tiers of government.

For this reason, the pursuit of the objectives of the 2006-2008 National Strategy Report has occurred through the strengthening of negotiations and the conclusion of pacts and agreements between the tiers of government – the central government and the regional and local governments – which, in the three-year period in question, concluded a broad spectrum of “agreements” aimed at

setting forth, according to a rationale based on a methods of open coordination, shared objectives, uniform guidelines, assessment and monitoring mechanisms, with respect to actions and measures which, even though they fall within the exclusive remit of the regional or local governments, are nevertheless linked – to a lesser or greater extent – to the range of policies aimed at contrasting poverty and social exclusion.

The key measures adopted, and which are currently being implemented, with respect to this line of action are as follows:

- a) Early childhood services: as provided by the 2006-2008 Nap, there is a special focus on the development of care, social and educational services for early childhood (0-2 years). The 2007 financial law launched an organic and long-term programme, providing for the development of an Extraordinary Plan for kindergartens: 340 million euros, of which 250 million for all the regions and 90 million, on an equalization basis, for the 11 regions with a cover rate below the national average. The latter regions are mostly located in the South, except for Veneto, Friuli and Lazio. The central and northern regions contribute to the programme with 30% of costs, equal to a further 53 million euros¹⁰. The financial resources made available will make it possible to meet the demand for integrated social and educational services for early childhood to a national average of 13% (while the current figure is 11.4%, based on ISTAT figures), and no less than 6% within each region. Thus, it will be possible to create over 50,000 new places within the integrated social and educational services system for early childhood, on top of the current 188,000 places.
- b) “Spring” programme: in addition to the sums already earmarked by the extraordinary Plan, implementing the measures laid down in the 2007 financial law, the Government has concluded a new agreement with the regional and local governments based on which 1,362 so-called “Spring sections” have and will be financed over the 2007-2008 and 2008-2009 school years; this is an experimental educational programme involving kindergartens (0-3 years) and infant schools (3- 5 years), targeting children aged between 2 and 3 years, for which central government funds totalling 35 million euros per year have been earmarked.
- c) Family support programme: in the wake of an agreement entered into, in September 2007, by the Ministry for Family Policies and the unified Conference, it was decided to plan and test measures and actions aimed at:
 - cutting utility fees for households with 4 or more children: cutting down the tariffs for electricity and waste collection, as well as projects aimed at curbing the costs incurred for using or accessing other goods or services at the local level;
 - strengthening the social and care services provided by the family advice centres, especially with regard to the social, relational and psychological welfare of households, ensuring the multidisciplinary nature of the actions (educational, legal and health promotion issues), through family-focused intermediation, with a view to providing support to couples, parents and children. The project promotes the creation of ‘listening centres’ for families, especially those with fragile members, also identifying forms for fostering the social integration of immigrants and strengthening the support services for families deciding to look after foster children or looking to adopt;
 - qualifying and building the care skills of family carers, through training, so as to ensure suitable capacities, skills and competencies with respect to the provision of care services to persons who are partially or entirely non-self-sufficient (in the case of foreign workers, the training programmes also provide for Italian classes and the knowledge of principles of civic

¹⁰ To these resources we must add the resources that the southern regions, as part of the National Strategy Framework, are committed to earmarking for the development of the social and educational facilities, with a view to achieving the objectives and targets set out in the NSF. In this framework, the contribution by the Underemployed Areas has been indicated, in 2007, in 211 million euros under an Agreement with the regional governments.

education). For this purpose, the Government earmarked about 100 million euros in 2007 and 2008 and has concluded agreements with 16 regions (Lazio, Liguria, Sardinia, Sicily, Tuscany, Umbria, Veneto, Autonomous Province of Trento, Emilia Romagna, Friuli, Lombardia, Marche, Molise, Piemonte, Puglia, Basilicata). Other regions are still in the trial phase.

- d) Non-self-sufficiency: the measures promoted with respect to non-self-sufficiency are aimed at delivering integrated social and health care services – with uniform quality and quantity characteristics nationwide – to non-self-sufficient persons, whether disabled or elderly, and their families. It is precisely to ensure greater equality of all citizens that a special Non-self-sufficiency Fund has been set up, from which payments will be made to the regional and autonomous provincial governments, for the purpose of providing and caring for non-self-sufficient persons, also by means of tailored care programmes, for setting up a one-stop-shop for care services and improving home care. The Fund entailed an initial investment of 100 million euros, in 2007, increased to 300 million in 2008, up to 400 million in 2009.
- e) Housing support: measures have also been introduced in order to help certain social groups, subject to ‘expired lease’ eviction orders, as follows:
- a. tenants with an annual gross income of below 27,000 euros;
 - b. tenants with over 65 year old family members, family members affected by a terminal illness or with a degree of disability of 66% or more;
 - c. tenants who do not own other suitable residential premises.

In 2007, measures were introduced which, besides blocking eviction orders for 8 months, also provided for urgent measures aimed at increasing the amount of available public housing, to enable people subject to eviction to move from a private to a public arrangement. For this purpose, 550 million euros were earmarked, in 2007, for an extraordinary public housing building programme, which funds will be employed through the housing plan, with respect to which further information may be had in section 2.4. Moreover, the 2008 financial law allocated 205,589,000 euros – apportioned among the regions and autonomous provinces – to the National Fund for housing support, which pays out benefits for assisting people in need to rent a house.

With regard to this issue, it should be highlighted that, during 2007, a fact-finding survey was conducted on the supply of housing for immigrants in southern Italy. The results show that housing for immigrants is in very scarce supply and that there is housing poverty. These are problems that, although similar to those shared by the weaker Italian social groups, are particularly serious among the immigrant population. Generally speaking, finding a house by an immigrant is a lengthy and difficult process, with numerous obstacles and critical factors, which can be summarised as follows:

1- large-scale unbalances characterising the housing market and rentals in particular. There is a limited number of houses affordable by immigrants, and this is undoubtedly the biggest problem;

2- the difficulty to find a house due to stereotypes and prejudices, which fuel a hostile attitude towards immigrants. Their supposed lack of reliability as regards the management of a house and the timely payment of the rent, as well as proper maintenance, are all obstacles that hinder the renting out of properties to members of the immigrant population;

3- the shortage and, in many cases, the lack of public or private services and tools for supporting the housing integration of immigrants.

- f) Measures in support of the immigrant population: Article 1, par. 1267 of Law 296/2006 (a.k.a. the 2007 financial law) provides for the establishment of a “Fund for the social inclusion of the immigrant population”, for which the yearly sum of €50,000,000.00 was earmarked for 2007, 2008 and 2009, the aim of which is to foster, promote and, indeed, encourage the social

inclusion of immigrants and their families. In 2007, no less than 167 projects were financed under the Fund (using up 99.58% of the total financial resources that had been allocated), which projects were implemented by the regional and local governments, private social organizations, business organizations and trade unions and other economic stakeholders. The projects concerned housing, the reception of foreign pupils, the valorization of second-generation immigrants; the protection of immigrant women at risk of social marginalization; the spreading of Italian language and culture among the immigrant population; care for unaccompanied foreign minors; spreading knowledge of the Italian Constitution, laws; and other social inclusion projects.

Moreover, in implementation of the European Parliament Resolution no. 534 of 15.11.2007 (which considers the protection of the rights of Roma people, and their integration, a challenge for the European Union), urgent social inclusion measures were promoted and implemented, in agreement with the local authorities concerned, targeting minors and adults belonging to the Roma communities from Romania. These projects include the school integration of children, housing support, assistance in respect of accessing public services, programmes for training cultural mediators, and job guidance services.

- g) Measures in support of people with disabilities: most recent data¹¹ confirm the positive trend on the employment of people with disabilities, although the number of people integrated in the labour market is limited compared to the Lisbon objectives. On the labour supply side we have 712.424 people with disabilities registered in the employment lists in 2007 (9% more than 2006), and 31.535 training for work contracts (13% more than in 2006). 51 out of 100 contracts were fix term, and part time was 26%. The provisions in the field of “targeted employment” (that facilitates the integration in the labour market of people with disabilities) have been increasingly applied all over Italy. The implementation of above mentioned *welfare protocol* provided in 2007 for the increasing, up to 42 million euros, of the National Fund that provides financial facilities and technical supports as well as counselling for employers of people with disabilities, as well as for the simplification of documentation to be produced. Furthermore, the provisions of art. 14 of Lgs. Decree 276/2003 for the promotion of the inclusion of people with disabilities in the labour market have been reintroduced.

Moreover, we must also highlight the activities for complying with the EU indications set out in the January 2007 Report “Measurement of homelessness at European Union level”, in which reference is made to the instruments that the Member States are required to tackle the severe statistical data shortages that still exist, with respect to the extremely poor and the homeless. In order to comply with this request, and to implement the indications set out in the National Strategy Report, the Ministry for Social Solidarity, with a view to further surveying and investigating this phenomenon in Italy, by improving the collection of statistical data and the knowledge of the needs, causes and progress of these “carriers in poverty”, as well as the services provided to these social groups, decided to launch a quantitative survey in partnership with Istat, Caritas and the Federazione Italiana Organismi Persone Senza Dimora (abbreviated as FIO.Psd), the Italian Federation of Organisations working with Homeless Persons, the Italian member of the European Federation of National Organisations Working with the Homeless (FEANTSA). At the same time, an ethnographical survey was launched in 5 among the largest cities in Italy: Milan, Genoa, Bologna, Rome and Bari, on the daily life of homeless persons, how they survive, their relationship with reality and their spaces, and, above all, with the homeless care services. The aim of this survey is to further investigate the problem, in order to identify any appropriate policies, targeted actions and projects for improving the living conditions of these people. The related research work, outsourced

¹¹ Fourth Report to the Parliament on the implementation of Law n.68, dated 12 march 1999, “Provisions for the right to work of people with disabilities” submitted by the Ministry of Labour, Health and Social Policies in 2008

to several important Italian research centres and universities, was launched in January 2008 and is still under way.

The multiplicity of actions mentioned here highlight the variety and complexity of the commitments undertaken, as a result of the organizational characteristics of the institutions responsible for developing and implementing social welfare and, more specifically, inclusion policies between 2006 and 2008. In this period of time the decision was taken to assign the functions to separate bodies, with respect to both political responsibility and administrative management. This has entailed, (i) the definition of a varied set of measures and actions, and (ii) considerable difficulty in formulating integrated policies featuring an appropriate degree of consistency. In the light of this assessment, and in response to the objectives set out in the definition of the Lisbon Strategy, as described in the introduction, the composition of the new Government was defined, which, in 2008, restored the national welfare competencies under the responsibility of a single political and management role.

2.2 THE STRATEGIC CHALLENGES, PRIORITY OBJECTIVES AND TARGETS

The 2008-2010 National Strategy Report is one of the instruments for tackling the complex project and cultural challenge through which Italy intends to reform its welfare system, focusing on the issue of the centrality of the person, as an individual and with respect to his/her relations with the family first and foremost. An opportunity-based welfare targeting the person as a whole and capable of strengthening his/her self-sufficiency, because of its capacity to step in beforehand, with a tailored and differentiated range of services, encouraging responsible behaviours and lifestyles, which are useful both for oneself and for the other members of the community.

Such a momentous challenge requires a concerted effort by all the strengths of a country, which is why the Italian Government, with its Green Paper launched in the summer of 2008, has decided to establish a new pathway for fostering a broader institutional, social and cultural participation in the definition of the new strategy for placing the person at the centre of the welfare system, and capable of ensuring – through the renewal of the model of governance – the full participation of all the institutional levels and the removal of any major obstacles hindering progress.

The thesis around which the institutional actions will take shape in the next three years is that an active society is more competitive, in that it is characterised by a significant human capital, but it is also fairer and more inclusive, because it is capable of building solid social relationships. It is a community that, based on the vital and primary core of the family, knows how to keep and grow together, investing on the young and the future. This requires the rearrangement of the welfare system without cutting down social spending, which, however, must be managed differently, not just to ensure its financial sustainability, but also to provide for more fairness and efficiency in encouraging births, in pulling down barriers and facilitating mobility, in struggling against discrimination and contrasting poverty.

Extreme poverty

Contrasting extreme poverty is one of the key objectives for building a society grounded on greater opportunity and solidarity. The welfare system, of course, cannot ignore the needs of the more needy citizens, of those who live in abject poverty, below the minimum living conditions. The struggle against poverty requires the promotion of an active society, supporting the creating of jobs, building tailored job guidance and work placement systems, valorising a wage system that encourages the production of wealth. It is this dimension of poverty – absolute poverty – that should be rediscovered and tackled, with a view to ensuring a decent life also for those who live in the worst of conditions.

Homelessness

For the above mentioned reasons, as highlighted in section 2.3, for the first time the national plan for social inclusion also provides for a nationwide programme of consistent measures targeting the collection of information on and providing support to homeless people and, generally speaking, people living in abject poverty. These people represent a target regarding which the Italian Government intends to deploy convergent measures and actions capable of improving the instruments for contrasting this phenomenon.

Centrality of the family

Together with the above mentioned measures, the focus should also be on other persons strongly at risk of social exclusion. Among these are the over 65 year olds on a minimum pension, single-parent families (where the single parent is almost always the mother) and with dependant minors, families with physically or mentally disabled members. The family, therefore, is a priority objective and a target for the Government's welfare policies in the forthcoming years. The measures targeting families will be aimed at protecting from the risk of impoverishment, as a result of the special conditions of the household or of the employment situation of its members (see section 2.1.1, where a statistical overview of these aspects is presented), or of the economic cycles. The key medium-term objective is to reduce taxes, to enable families to improve their income and, in parallel, to implement economic policies aimed at keeping inflation under control, especially with regard to household-related factors, such as food prices, for example, with respect to which the Government is currently engaged in developing and stepping up forms of monitoring for curbing price increases and inflation. Of course, in this framework we must not forget the situation of the Italian national debt and of the sluggish growth forecasted for 2008, however, the confirmation of the goal of zeroing the deficit by 2011 will contribute, in the medium term, to recombining the sources of financing of public policies, from those for paying the debt to those for income policies. Alongside these measures a certain weight will be assigned to those dedicated to encouraging births, both by consolidating the measures in favour of the services for early childhood, which are rather complex and represent one of the strategic objectives of the plan, and by assuming – consistently with the public finances – the identification of economic benefits and allowances for newly born children.

Non-self-sufficiency

The response to the issue of non-self-sufficiency is once again an activity that is fully related to the strategy aimed at safeguarding the living conditions of households. Therefore, reference should be made to the section of the Strategy Report dedicated to long-term care. However, it is useful to highlight how, for this issue too, the current organisation of the Ministry of Labour, Health and Welfare will allow the development of synergies and convergences, with respect to institutional commitments, to integrate at a higher level the health and social care measures need to tackle this kind of needs.

Fiscal federalism

This last observations entails a further strategy objective: the definition of a more appropriate form of inclusion policy governance. This result, today, is a global mission for Italian public policy, engaged in taking on the challenge of completing the federal reorganization of the country's institutions. In recent years, welfare policies have been heavily affected by this institutional transformation, which has witnessed a growth in the centrality and importance of the local social care and inclusion systems, while the national level has struggled to update and adapt its role as an agent for promoting the processes of convergence towards national and uniform targets relating to the protection of citizens' rights. This remains, in fact, a primary objective for a country hampered by dramatic geographical differences in the poverty indices, the services delivered and the systems put into place to contrast and overcome the conditions of social malaise. This need is updated, today, in the light of so-called fiscal federalism, which, by establishing a certain degree of

autonomy, with regard to tax revenues, by the regions and local authorities, restores to the central government its primary role of promoting the activities of permanent discussion, monitoring and assessment, aimed at preventing the differences to increase, and the geographical divide to further broaden, and, on the contrary, to support convergence pathways. As we shall see in section 2.6 below, all this by fostering the stable participation of all the institutional players and partnerships with both the social and the private (for-profit and not-for-profit) stakeholders, which may be involved in the rationale of the social accountability of businesses.

Use of European Funds

Having regard to the cohesion policies, the implementation of the Regional and National Operative Plans, based on the lines of action agreed by all the stakeholders in the 2007-2013 National Strategy Framework. The national document assigns the status of macro-objective to the issues of social inclusion, together with safety and quality of life in the communities.

The policies relating to social inclusion and safety significantly contribute to the objective of the Framework to improve the living conditions and accessibility to services and opportunities for all, at the community level, thus enhancing their attractiveness and competitiveness.

Among the ten priorities on which to focus the planning activities, Priority 4 is dedicated to the promotion of an inclusive and safe society, with a view to permanently improving the background conditions that can directly promote development. Two specific objectives concur in the achievement of the general objective: the first makes reference to the increase of social and worker participation, in terms of quality and fairness, also through greater integration of and accessibility to welfare services; the second sets out the presence of conditions of safety for both citizens and businesses as a prerequisite for the re-qualification of the local/community contexts and their development.

The planning decisions developed by the single regional governments also descend from the different conditions of admissibility for the two objective areas: the European Regional Development Fund (**ERDF**) intervenes in the field of social inclusion in the area of “Convergence”¹² and in Sardinia, in several cases within the framework of integrated projects for promoting urban development. On the contrary, more restrictive conditions apply in the area of “Regional competitiveness and employment”, with respect to co-financed projects.

The rationale of the above mentioned governance also entails the need of integrating the different lines of financing for inclusion policies, at European, national and local level. For example, for the pursuit of the “Service Objectives” established by the National Strategy Framework, each central and local authority involved (the southern regions¹³ and the competent Ministries) prepares a specific Action Plan integrating the actions related to the different available sources of financing. These are objectives aimed at improving the range of services delivered to the public, in respect of essential fields for development, the quality of life and the promotion of equal opportunities for citizens and for attracting investments by businesses: managing water supply and waste collection and disposal, education and care services, in particular services catering for non-self-sufficient persons and services for early childhood, consistently with the Lisbon priorities.

Moreover, as regards the cohesion and inclusion policies for 2007-2013, the principle of non-discrimination and accessibility for disabled persons has been translated into the National Strategy Framework and is included in all the Operative Programmes, both national and regional, and is also reflected, therefore, in the related project-selection criteria, albeit wherever pertinent, according to the specialisation of the various funds involved (the principal actions are included in the Programmes co-financed by the European Social Fund). Moreover, a project in support of the southern regions has also been provided for, with respect to the application of this principle to the management of the relevant Operative Programmes.

¹² Basilicata, Calabria, Campania, Puglia and Sicily.

¹³ The Convergence area, and Abruzzo, Molise and Sardinia.

Equal opportunities and female employment

These objectives also contribute to the fulfilment of the objectives set out in the Lisbon Strategy and relating to female employment – 60% being the target set for 2010 – when Italy stands at 46.3% in 2006. Despite the improvement in 2006, compared to the previous years, in terms of increased rate of female activity and employment, there nevertheless continue to persist the critical nodes that hinder the improvement of the “fundamentals” of the Italian female labour market.

According to this outlook, the position of women and other groups subject to discrimination, in the economy, is a key issue for regional development policies and the NSF, an element of growth and development, and a factor of overall democracy; moreover, the opening up to and integration of new forms of diversity features significant aspects for social cohesion, safety, economic development and, generally speaking, the country’s capacity to successfully tackle globalization and the challenges posed by society.

In particular, with regard to gender equality, the national reference framework within which the Government acts is defined by the guidelines and standards aimed at reorganizing employment as a whole, and female employment in particular, based on criteria and principles set out in the above mentioned *welfare protocol* and the 2008 financial law. The strategy and policy guidelines identified to foster equal opportunities are inspired by the important Community and national strategies and guidelines and, in particular:

- a) the European strategy of Lisbon and the priorities identified by the *Road Map*.
- b) the national priorities outlined in the 2007 and 2008 financial laws and in the *welfare protocol*.
- c) moreover, they are a part of the general strategy for the implementation of directive 2006/54/EC.

These commitments are aimed at supporting policy and guideline-setting processes, for the purpose of combating the various gaps and divides that exist in different sectors of training and employment, with regard to both entering the labour market and keeping one’s job, for the purpose of creating opportunities for participation in development, the recognition of skills and competencies and social mobility for those living a condition of discrimination.

Therefore, the Government intends to carry out, implement and perform actions aimed at increasing, enhancing and improving female participation in the labour market, with a special focus on the identification of specific integration/re-integration procedures and policies for particularly disadvantaged women, with respect to the labour market; with reference to the issue of the quality of female work, the aim is to reduce the level of horizontal segregation, cutting down the concentration of female labour in certain sectors of employment, and the level of vertical segregation as well, removing the obstacles that women usually encounter during their careers. We believe that it is absolutely necessary, at the central and regional level, to promote models of intervention for overcoming certain stereotypes springing from a traditional view of women, in both the public and private contexts, generally targeting the social, economic and family environments, and moreover to spread specific procedures of intervention, with reference to job guidance and training, capable of convincing women to choose educational and vocational training pathways relating to innovatory and high-level work environments, in which they are still under-represented.

In detail, the lines of development of the national strategy, in terms of equal gender-based opportunities in employment, are aimed at:

- a) strengthening active employment policies capable of improving the employability of women, through quality training programmes, with a view to imparting the skills effectively required and needed by the labour market;
- b) enhancing the activities and schemes implemented by the employment services to foster female employment, by promoting a gender-based culture and practise within the (public and private)

employment and job centres, improving the effectiveness of the job demand and supply matching services and the multi-player public/private network system, with a special focus on intercepting women's needs;

- c) implementing support schemes, programmes and actions, as well as measures and other provisions for promoting, fostering and developing female entrepreneurship, in order to offer women the opportunity to build up an entrepreneurial spirit and thus contribute to the development of the country's economy and competitiveness. Another privileged focus of action is the development of networks of female entrepreneurs.

Within the framework of cohesion policies, promoting equal gender opportunities has become an integral part of the various fields of action and related project selection criteria, in respect of both the Convergence and the Regional competitiveness and employment Programmes. To mention just a few examples, besides the above mentioned actions for fostering inclusion and urban development, other actions concern the involvement of female workers in continuous training schemes, access to scientific training and research work, participation in the labour market and contrasting inequality of treatment with respect to careers and salaries, enterprise creation and self-employment, services that can help balance life and work time, a focus on access to services in local public transport.

The labour market and active ageing

As regards the inclusion policies in this field, the Government has launched a set of measures aimed at encouraging job demand by promoting a range of different employment arrangements (reformed by Law 133/2008), suited to the changing needs of the production process, in order to help balance work and family time, especially with regard to women, young people and the elderly. The approach is based on implementing actions aimed at balancing a range of strategic interests, beginning with the relationship between education/training and enterprises, which should promote youth employment and enable young people to gain the necessary skills and qualifications and find a job more easily, also through apprenticeship arrangements, whereby the enterprise itself becomes a training facility.

As regards active ageing, which has become a key issue in the light of the changing population structure, a phenomenon that is also affecting the welfare system, an overall strategy has been put into place aimed at increasing the employability of older workers. Special projects are being launched (at the local level), to meet the needs of both the more senior citizens who desire to remain active at work, and of certain enterprises that require highly skilled and experienced staff, albeit with flexible employment arrangements.

The immigrant population

Based on the principle that mutual understanding is a prerequisite for overcoming diffidence and hostility, the policies aimed at fostering the full employment integration and social inclusion of the immigrant population and of Roma people requires the implementation of three lines of action, for raising awareness about immigration among both society at large and the immigrants themselves, and bridging the divide, by means of campaigns, sports and other events, also involving schools; carrying out further research work and exchanges of experience with other EU Member Countries, to jointly tackle the problem of racial discrimination and to support the victims of this form of discrimination, thus laying the foundations for the inclusion of immigrants in our society.

People with disabilities

The Italian Government activated the delegated bill for the ratification of the UN Convention on the rights of people with disabilities, that also provides for the establishment of a national Observatory for monitoring the condition of people with disabilities, a collective body that will facilitate the constant link between government and people with disabilities and their families and support

organizations. It is a body where the different needs of people with disabilities can be discussed in order to identify proper and joint solutions, a body based on participation that can grant, at the same time, an effective coordination of policies and programmes.

The tasks assigned to the Observatory aim at giving new inputs to the policies in the field of disability and can be summarized as follows:

- a) implementation of the UN Convention on the rights of people with disabilities and drawing up of a detailed report on the measures taken up, as provided by art. 35 of the Convention, in relation with the Inter-ministerial Committee on Human Rights;
- b) set up of a two-year plan of action for the promotion of the rights and integration of people with disabilities, as provided by national and international provisions;
- c) collection of statistical data on the situation of people with disabilities, with reference to the local peculiarities;
- d) setting up the two-year report on the implementation of policies in the field of disabilities, as provided in art. 41, comma 8, of L. 104/1992, also with reference to the new provisions of mentioned delegated bill;
- e) promotion of studies and researches that can contribute to the identification of priority areas of actions and programmes for the promotion of the rights of people with disabilities.

The setting up of a two year plan of action for the promotion of the rights and the integration of people with disabilities, as provided for in national and international legislation, will also help to better define the priorities to be followed: reinforcing the measures for the inclusion in the labour market; simplification and updating of assessment procedures, through the use of the ICF classification, that has been experimented with pilot projects for the protection and the support to people in severe dependent conditions.

2.3 PRIORITY OBJECTIVE 1 : A PLAN FOR TACKLING EXTREME POVERTY AND HOMELESSNESS

This Report is focused on the European Parliament's written declaration 0111/2007 on ending street homelessness, which calls on all the EU and Member State institutions to implement the necessary measures to achieve this goal by 2015. The Government's Green Paper also affirms the need to collect information on and combat poverty and grave marginalisation. In particular, in view of the designation by the European Commission of 2010 as the "European Year against Poverty", the Italian Government intends to adopt an organic plan aimed at combating extreme poverty, as a result of and based on the improvement of the fact-finding actions currently under way and tighter interaction and partnering efforts with all the institutional and private-sector stakeholders.

As regards the fact-finding actions, the Government undertakes to implement – over a three-year period – the objectives of the survey programme, primarily aimed at defining an in-depth framework of homelessness in Italy. This includes promoting the experiences of the local monitoring units that are already operative, and which are financed by both the EU and the local governments, thus strengthening the network and role of local policy-making.

This commitment is aimed, first and foremost, at fostering specific results communication and dissemination programmes. The programme of activities about to be launched enables us to forecast the implementation of these activities in 2010. In particular, the activities are functional to the implementation of an organic plan aimed at contrasting and combating extreme poverty, which the Government intends to launch in 2009, and which will focus on a set of systemic and coordinated actions, including:

- a) the introduction of a special shopping card, which, from the end of 2008, can be applied for by about one million citizens living in conditions of severe deprivation. The qualifications for eligibility have not yet been defined, but this benefit will obviously be based on a system of means testing concerning severely deprived individuals, especially the more elderly members of the population (over 65 year olds) and children (aged below 3 years). This prepaid card will enable the holder to purchase food products or pay utility bills, instead of cash, and will also entitle to discounts, the nature of which will be established as a result of the negotiations between the Government and the major food retail chains and producers. Following the implementation of this measure, from 2009, it will be possible to assess its effectiveness and examine any improvements and developments, especially in connection with the possibility of using the same circuit to foster access to further services linked to nationwide and other local income support schemes (such as, by way of example only, student allowances, non-self-sufficiency benefits, etc.). The project entails the earmarking of 150 million euros for (the last quarter of) 2008, while its full implementation will require about 600 million euros per year, subject to the current parameters for identifying the beneficiaries of the scheme;
- b) a nationwide scheme for enforcing the regulations relating to the registration with the population registry of homeless persons, based on the experience made by several large Italian municipalities, which can be extended through the conclusion of an agreement with the Union of Italian Municipalities (ANCI), aimed at effectively ensuring that homeless people too can enjoy a right, which represents a prerequisite for applying for welfare benefits and achieving inclusion: for example, to ensure the extension to the homeless of the welfare measures targeting poverty, such as the above mentioned "shopping card". This instrument, implemented in agreement with the regional and local governments and followed by an assessment of the trial phase, could become a platform for entitlement to a wider range of services, within a broader programme of social re-integration;
- c) the definition, consistently with the preceding paragraph, and within the framework of the Italian table for open coordination, referred to in section 2.6 of the national and uniform guidelines for contrasting extreme poverty in the larger urban areas. This is a joint strategy,

implemented by the various levels of government and specialised NGOs, with a view to identifying the most appropriate and suitable measures for ensuring the nationwide dissemination of facilities capable of welcoming, assisting and listening to homeless people and helping them achieve a certain degree of autonomy and self-sufficiency. This should also be achieved by optimising the available resources and should determine the introduction of tailored services, alongside the conventional range of care services, to enable these people to become more autonomous, based on the awareness that homeless people have two types of “typical” needs that must be met: “material” needs, related to the lack of primary goods for survival (such as a home, food, work or pension income, health, hygiene, etc.) and the so-called “post-material” needs, which are related to the person’s relational sphere (i.e. relations with the family, the community in which he or she lives, and with society at large);

- d) the establishment of a national round table on social inclusion and a nationwide discussion with the people living in conditions of poverty, based on the model of the European round table organized annually by the country holding the presidency of the European Council.

The above mentioned measures will be analysed and compared with the local experiences and with an assessment of the strategies introduced in other European countries, within the framework of the standing inter-institutional cooperation table, extended to include representatives of the third sector and the social partners, for the purpose of monitoring the ensuing results.

2.4. PRIORITY OBJECTIVE 2: A PLAN FOR SUPPORTING INCOME DEPRIVED HOUSEHOLDS

The measures aimed at supporting income deprived households is a priority issue for the social inclusion strategy. This translates into actions for compensating the principal unbalancing factors that affect the material living conditions of Italian households, as a result of both the economic cycle and other traditional poverty risk factors. The latter are especially obvious in those households that feature peculiar characteristics of deprivation, which the system of services is unable to adequately address (or is unable to do so in certain geographical areas of the country), such as single mothers, large households or households that include one or more disabled or non-self-sufficient person.

With regard to the elements related to the economic cycle, the key issue here is the increasing condition of financial difficulty for households as a result of the rising prices of consumer goods, essentially home and food related. With regard to these two key areas, the Government is engaged in implementing targeted actions aimed at reducing their impact on the financially weaker social groups:

- a) on the one hand, through the “housing plan” provided for in Law 133/2008, which aims at providing a response to the need of ensuring nationwide essential levels of housing, increasing the public housing stock by implementing schemes for the refurbishment of existing houses and integrated urban regeneration projects. These measures must take into account the actual housing needs in the different areas of the country and primarily target low-income households (including single-parent or single-income households), young low-income couples, economically and socially disadvantaged elderly people, students living in rented accommodation, tenants undergoing eviction for expired lease, low-income legal immigrants;
- b) the second group of measures concerns the launching of the so-called “shopping card”, described in section 2.3 above, and the improvement of the network of local services targeting households and, in particular, non-self-sufficient persons, for which reference should be made to the related section on long-term care, and the measures targeting households with children, for which reference should be made to section 2.5.

2.5 PRIORITY OBJECTIVE 3 : A PLAN FOR “CITIZENS GROWING UP”

In tackling the issue of child and youth poverty in Italy, the Convention on the Rights of the Child provides a reference framework: consistently with the Constitution, the rights of the child, regardless of nationality and origin, should always be guaranteed throughout the country.

Poverty, in fact, is the biggest cause of discrimination afflicting children and can create inequality in the exercise of economic and social rights (in particular, with regard to health and social care, education and housing). To ensure equal opportunities for the exercise of the constitutional rights of children, the actions aimed at contrasting child poverty are one of the priorities of the 2008-2010 action plan for children, which provides for the implementation of across-the-board measures, in the fields of income support, balancing living and work times for parents, preventing dropping out of school and contrasting child exploitation.

A priority action concerns one of the key tools for strengthening the pathways in support of children and their families, to be activated and/or re-qualified by means of services that integrate the parent's functions and which deal with any problematic issues relating to the child and his or her family. The implementation of shared, participated and integrated pathways, involving the various public and social-private stakeholders, which should harmonically concur in the construction of a project focusing on the child and on the child's family, and consisting in the pursuit of a work methodology capable of creating and developing efficient and effective services.

The general objectives set by the plan provide for actions aimed at ensuring, enhancing, fostering and promoting cooperation, collaboration and the joint taking on of responsibilities by both the public and private sector stakeholders, players and actors, on the one hand, and unitary and unified policies and services targeting children and teenagers, on the other, with a view to valorising, strengthening and/or creating resources and services for protecting children and, in particular, for ensuring the child's right to grow up in his or her own family. Public institutions, in fact, should not allow a situation of socio-economic deprivation, in itself, to become a reason for taking a child away from his or her family if “capable of providing affection”. When, in extraordinary circumstances and in the pre-eminent interest of the child, he or she must be taken away from his or her family, the foster family should, in any case, be selected based on its capability to ensure the harmonious and complete development of his or her personality. The public institutions are under the obligation to adopt all the necessary measures to ensure that families are in a position to perform their parental role and can commit themselves to providing the necessary protection and care for the child's well-being, in consideration of the rights and duties of the parents, guardians or other persons legally responsible for the child. To ensure targeted actions aimed at preventing malaise in problem households, and providing appropriate care, according to a professional and effective approach, and not a purely bureaucratic outlook, by means of more community-focused services, the objective is to strengthen the available services from three key perspectives:

- a) prevention: by implementing initiatives in support of families and their multiple care and education duties, so that, when they are faced with a problem or difficulty they know that they can rely on competent and coordinated community services;
- b) protection: by contrasting the onset of circumstances of malaise and discomfort, to be tackled according to different procedures aimed at ensuring income support, social integration, security;
- c) emergency: by tackling any cases related to situations of abandonment and violence that require rapid “social first aid” actions.

In support of these activities, the Ministry of Labour, Health and Welfare, in partnership with the regional governments and the National Committee for fostering services, intends to further strengthen the already widespread exchange of experiences and good practices, in respect of child

fostering, to train the staff to give impulse to the development of fostering services nationwide, by raising awareness in society through a nationwide promotional campaign which, besides guaranteeing quality, also entails significant cuts in the costs for social actions, also developing authentic subsidiarity. The expected outcome is the promotion of regional coordination boards ensuring continuity in the exchange of good practices and assisting and supporting the work of the fostering service staff and operatives. It is essential, in fact, to implement a range of initiatives aimed at adequately training and preparing staff to handle situations of interest and willingness by families ready to welcome a foster child. The project, besides the exchange of tried and tested good practices, also provides for a programme of nationwide promotional actions, at regional and local level, organized so that each region can collect suitable and sufficient information on the local reality and launch new actions in this respect. The organisation of workshops too will enable the fostering service staff and operatives to immediately and fully exploit the information and knowledge thus acquired, to better activate and direct their activities, with a view to ensuring the maximum effectiveness and efficiency of their work.

Also with regard to the network of services targeting children and minors in general, these have increased in complexity over the last 20 years, due to the introduction of more flexible programmes in kindergartens and the development of supplementary services (play areas, parent/child facilities and local home-based educational projects), alongside which there are new and different players involved in the development and management of services by a growing number of private social organisations. Unfortunately, however, the geographical distribution of these facilities and services is not at all uniform. At the regional level, in fact, the chances of a 0-2 year old infant being admitted to kindergarten range from a minimum of 5% to a maximum of 29%. This huge gap requires the implementation of significant action plans, as already mentioned in section 2.1.2, for which funds have been earmarked in the 2007-2013 National Strategy Framework and referred to in section 2.2. With these funds the objective of pursuing the suitable availability of services for infants is measured through two specific indicators, with a special focus on the greater quantity and quality of the services, in order to take some of the load off the shoulders of the families and thus foster and support a greater degree of female participation in the labour market. A total of 375 million euros¹⁴ has been made available by the 8 regions of the South of Italy for this purpose, broken down as shown in the following table:

INDICATOR	SIGNIFICANCE	MEASUREMENT	2013 TARGET	ALLOCATED FUNDS
Spreading services for early childhood	Services are few and far between in many areas and there are conditions of geographical inequality	The increased number of local authorities delivering public or supplementary services for infants	increase the percentage by 35%	187.50 Meuros
Weighted assessment of early childhood service users	The service coverage is largely insufficient, compared to the number of infants aged between 0 and 3 years	The increased number of children admitted to infant facilities or for which infant services are provided	increase the percentage by 12%	187.50 Meuros

These represent the minimum standards for bridging the gap with the Centre-North and ensuring equal access to services, consistently with the regulatory targets set out in the applicable legislation or sector plans and the coordination processes at European level. Following are several tables that

¹⁴ A further 375 million Euros will be allocated if the target related to integrated homecare is achieved by all the regions.

summarise, in respect of the indicators relating to infants aged up to 3 years using infant care services, the basic values and the values relating to the latest year for which data was available in July 2008. The indicator trends are highlighted both in terms of their improvement, compared to the base situation, and the progress made in bridging the gap, compared to the 2013 target value.

<u>“Weighted” assessment of early childhood service users</u>					
Percentage of children aged between 0 and 3 years using early childhood services (kindergarten, che hanno usufruito dei servizi per l'infanzia (asilo nido, micronidi, o servizi integrativi e innovativi) of which il 70% in asili nido, sul totale della popolazione in età 0-3 years					
	<i>Basic value (2004)</i>	<i>Current value (2005)</i>	<i>Target 2013</i>	<i>Improve ment</i>	<i>Progress made in bridging the gap (%)</i>
Abruzzo	6.7	7.2	12.0	Yes	9%
Molise	3.2	3.9	12.0	Yes	8%
Campania	1.5	1.9	12.0	Yes	4%
Puglia	4.8	4.9	12.0	Yes	1%
Basilicata	5.1	5.6	12.0	Yes	7%
Calabria	2.0	2.1	12.0	Yes	2%
Sicily	6.0	6.4	12.0	Yes	6%
Sardinia	10.0	9.1	12.0	No	-
<i>South</i>	4.2	4.5		Yes	
<i>Centre-North</i>	15.5	15.0		No	
<i>Italy</i>	11.3	11.1		No	

Source: Istat (survey on social programmes and services by the local authorities)

2.6 PRIORITY OBJECTIVE 4: A PLAN FOR THE INTEGRATION OF IMMIGRANTS AND ROMA AND SINTI PEOPLE

With regard to the immigrant population, the Istat surveys on the number of immigrants in Italy show that, at the beginning of 2008, there were about 3.5 million foreign nationals living in the country (equal to about 6% of the entire resident population), including EU citizens.

The strategy for the next two years will primarily focus – in continuity with the actions already implemented under the Fund for inclusion – on a three-pronged approach: teaching the Italian language, which is necessarily the first step for ensuring full integration; promoting regular employment, because this guarantees rights and protection and is a vehicle for integrating immigrants in the socio-economic context in which they live; and, lastly, housing, based on the belief that it is necessary to ensure decent living conditions, also by combating certain forms of discrimination.

- a. teaching the Italian language, with priority on the children of recently arrived immigrants and programmes involving the parents and families, in respect of the school activities and guidance of foreign pupils, with a view to fostering intercultural dialogue between Italian and foreign students and their respective families.
- b. Regular employment, especially with regard to immigrant women, which is a weak segment of the immigrant population, by creating pathways for the economic and social improvement of migrant women living in conditions of economic deprivation, also through training programmes, job guidance and employment integration and protection against all forms of ethnic and race based discrimination.
- c. Housing, through urban renovation and re-qualification schemes, the refurbishment of abandoned housing, the construction of temporary sheltered accommodation, the consolidation of public-private partnerships aimed at increasing the housing stock, the implementation of

actions aimed at contrasting discrimination and raising awareness in society, as well as spreading information and creating guidance facilities.

Lastly, the special advisory board is being re-established, dealing with the problems of immigrants and their families, which will become a permanent body for dialogue and discussion between the central government and all the other stakeholders, as well as serving as an observatory for monitoring the progress of the integration processes under way in the country.

Roma and Sinti people

There is a special focus on the Roma and Sinti communities in Italy. The Government believes that, in a historical context in which there is a broad-ranging debate under way on security and integration, priority should be assigned to strengthening the inter-institutional dialogue in favour of the inclusion of the Roma people, of a more effective discussion within and between the civil society, all levels of government and the Roma communities themselves, besides raising awareness among society of the related problems and developing programmes for opposing certain stereotypes and prejudices relating to these communities.

With regard to this topic, the National Strategy Framework of structural funds for 2007-2013 includes action plans providing for structural measures in support of the Roma communities, through the ESF and ERDF funds, agreed to with the related management authorities. These activities focus on two elements in particular:

- a) promoting the governance of the policies and instruments for achieving social inclusion and contrasting discrimination against the Roma, Sinti and Travellers communities. This action is aimed at promoting the strengthening of protection strategies, supporting the regional authorities from a regulatory, administrative and management point of view, to identify, design and monitor the regional guidance and support policies for overcoming and removing any obstacles to inclusion at the local level. This action, due to its experimental and innovatory nature, shall require the prior processing of fact-finding analyses, relating to the socio-demographical and socio-economic characteristics of the communities living in the Convergence Objective regions, mapping the local facilities and services targeting these communities, with respect to education, vocational training, employment integration, social and health care services, and identifying the local social inclusion projects implemented by the local authorities and the third sector.
- b) Identifying, analysing and transferring the good practices relating to non-discrimination, according to a benchmarking approach. These activities are aimed at launching a systematic programme aimed at collecting and networking – among all the significant institutional stakeholders, at the European, national and regional level – the practices developed over the years and targeting the removal of any forms of discrimination. The ultimate aim is to contribute to spreading and transferring experiences in this field, increasing and improving the competencies on this specific topic and the discussion between the European regions; in particular, as regards the 2008-2009 period, a special target is the promotion, in Italy, of the DOSTA campaign, which has already been successfully promoted in five East European countries: Albania, Bosnia-Herzegovina, Montenegro, Serbia and the Former Yugoslav Republic of Macedonia. The objective of this programme is to examine the instruments, methods and messages introduced by the campaign, so that they can be translated and adapted to the specific Italian historical and social context, with a special focus on the social inclusion and employment difficulties encountered by Roma people in the Convergence Objective regions.

2.7 RENEWING GOVERNANCE

The implementation of the priority objectives, as well as their identification and formulation, requires an overhaul of the governance of the relevant sector policies. The most significant issue of this overhaul process consists in the search for a more balanced and productive framework of

relationships and partnering with the local governments, to which, following the 2001 constitutional reform, most of the legislative and management powers relating to personal and family services have been devolved.

The choice of a local institutional stakeholder capable of guiding the changeover of the present system of government in Italy to a federal system, however, entails that, also with respect to the powers, duties and responsibilities remaining to the central government – the definition of the basic levels of care related to civil and social rights – it is necessary to provide for a suitable system of relations among all the institutional levels and between these and the private organizations operating in the sectors in question.

This objective is a result of the need to formulate new strategies for intervening on the large-scale geographical differences characterising the Italian situation, as highlighted in section 2.1.1. Therefore, it is necessary to introduce new institutional processes in support of the implementation of the 2008-2010 National Inclusion Plan, within the framework of the changeover to a federal system of government.

The first objective is to ensure a greater coordination of the policies, which is facilitated by the present organization of the Ministry of Labour, Health and Welfare, on the one hand, and by the commitment to improved coordination with the other Government departments and a higher degree of participation of the third sector, the social partners and the organisations for the protection of rights, on the other. The aim is to formulate an open method of internal communication through which to define common objectives and national targets, and to share the action funding strategies, set up monitoring and control processes of the results achieved and exchange good practices, also with respect to topics and matters the responsibility for which has already been devolved. In order to achieve this aim it is necessary to identify supplementary forums of discussion, alongside the traditional negotiating tables of the central and regional governments and local authorities, because the latter have now consolidated and set up an activity aimed at achieving agreements on the allocation of resources or at determining plans of action. Therefore, it is necessary to develop and consolidate a further line of action, based on procedures other than the conventional ‘conference’ system, in order to build up an institutional approach to open coordination.

The objective is to move on (during the period of validity of the 2008-2010 National Inclusion Plan) from a phase of consolidation of informal negotiating tables between the central and the local governments – which in the forthcoming months will be implementing significant actions for exchanging knowledge on the management and organisation policies, strategies and practices, which are emerging in each local ambit – to a permanent table for setting forth broad standards and regulations aimed at the involvement and participation of private-sector organisations, of organisations for the protection of rights, of the social partners and of the analysis and research facilities, for the purpose of monitoring and assessing the actions implemented based on the National Strategy Report and the forthcoming Government White Paper on welfare. A sort of agency (albeit not in the more institutional meaning of this term), which will acquire even more importance following the entry into force of the new measures of fiscal federalism.

The completion of the reorganisation of the Italian institutions along federal lines will, in fact, require the constant and progressive coordination, not just of the financial dynamics, for the purpose of managing the national accounts, but also of the institutional processes further downstream which – as a result of this accounting organisation – shall be required to ensure uniform levels of guaranteeing the civil and social rights, through the local welfare systems. This coordination function shall be all the more necessary, the more the new federal system is required to face a robust process of convergence between areas with different poverty rates and levels of services.

In this framework, the following objectives may be achieved:

- a) identifying shared pathways between the central and regional governments and the local authorities, for defining the nationwide priorities, consistently with the priorities already defined at the regional and Community level. These nationwide priorities shall be formulated in such a manner as to guarantee full autonomy to each geographical institution, in respect of the realisation of the plan;
- b) the coordinated planning of the actions to be carried out, clearly providing for the framework of the financial resources allocated for the achievement of the established objectives;
- c) a suitable support and monitoring system, taking into account the monitoring and information procedures already defined or in the process of being defined;
- d) the effective correlation between the national level of social inclusion and regional and local social planning;
- e) the integration between levels of competency in pursuing social inclusion, with the explicit definition of the role of social policies, such as interventions that also include instruments for the employment integration of disadvantaged persons;
- f) the definition of basic levels of care as the priority objective of the social inclusion policies, with a view to ensuring suitable services to the public, with respect to both quantity and quality, allocating appropriate resources for their implementation.

A significant role is set to be played by the third-sector organisations. A role that cannot be limited to the instrumental activities that they are carrying out, but must also include the consolidation and virtuous finalisation of social resources, which are otherwise scattered and unusable, both social and human resources that can be placed at the service of the communities in which they are formed and develop. In this field, the Ministry of Labour, Health and Welfare has the possibility of contributing not just as a regulator or provider of funds (which task has been to a large extent transferred to the regional and local authorities), but first and foremost as an institutional catalyser, capable of bringing together and establishing a cooperation between various groups, cultures and skills in the world of organisations, government, and businesses, which, to date, have largely remained separate entities, and thus fostering their consolidation at the Community level, without encroaching on their autonomy, which should be one of the key features of not-for-profit organisations.

On the other hand, the need to reconcile the economic and social policies, is also highlighted in the Green Paper on the future of the welfare model, which – in line with the documents produced by the European Commission – provides for the participation, in governance, of the players that constitute and characterise its social capital, namely, the third-sector organisations, whose actions and operations focus on the common good, as social and relational well-being.

The well-being of an area, its competitive edge and capacity to attract resources, depends not only on economic growth, but also on the so-called “intangible” factors of development, namely, a system’s capacity to contribute to improving the quality of life of people, of increasing their knowledge and enabling them to exploit the opportunities offered to them and to facilitate participation in the public, social and community life. In the long term, full accessibility to the services and opportunities created by economic growth results in the persons or not-for-profit organisations, in respect of which the policy decisions are made, becoming the active agents of development and social life, on which the actual capability of an area to generate opportunities and well-being depends.

Therefore, reducing deprivation and promoting social inclusion are to be considered part and parcel of the local economic development processes. Full inclusion, the promotion of rights and the participation of young people, the elderly, minors, the disabled and immigrants are the priorities set out in the two annual Departmental directives, currently in the course of implementation, for the

allocation of the resources made available by the Fund for Social Organisations (approx. 11 million euros) and the Fund for Volunteer Organisation (over 2.3 million euros), for the implementation of projects and actions by the organisations.

In this context, a new player on the social economic stage is the so-called not-for-profit or third sector, which is an entrepreneurial model engaged in implementing active policies as a tool for the job integration of disadvantaged persons (in particular, type B social cooperation).

As regards the support given to the third sector and, in particular, to not-for-profit organisations, it should be highlighted here that, in order to ensure adequate financial and other support, for their engagement, a measure has been introduced, on a trial basis – which has been favourably welcomed by the national community – whereby taxpayers can specify, on filing their tax return, a not-for-profit organisation as the beneficiary of a five-thousandth part of the income tax due by them. These contributions are then distributed in proportion to the preferences received from the taxpayers. In 2006 (the only year for which data is available), over 15 million taxpayers allocated almost 210 million euros to more than 27,000 organisations, 21,000 of which had already been acknowledged as the effective beneficiaries of the allocated sums.

Lastly, a forum capable of extending the traditional forms of participation in the definition and assessment of the welfare policies to players that do not conventionally qualify for a specific mission in the sector, but which, based on a social accountability of enterprises approach, can be involved as partners who contribute with their own resources to strengthening the system as a whole: suffice it to mention the companies that produce or distribute energy, or the food retail network, both of which are sectors involved in the launch and implementation of the so-called “shopping card” detailed in section 2.3; the financiers of social housing programmes; the possibility of promoting and spreading micro-credit and micro-finance schemes, with aim to both create business opportunities for economically deprived social groups or geographical areas. The issue of the social accountability of enterprises involves, first and foremost, information and promotional activities aimed at spreading the relevant culture, with a special focus on small and medium enterprises, which are those that find it the hardest to implement socially accountable practices. At the same time, it shall be necessary to continue the process of building forums for discussion, where the main stakeholders, nationwide, such as enterprises, the social partners, the civil society organisations, consumers, academic and research institutions, can meet and exchange views and information. Moreover, in the context of the full implementation of the principle of subsidiarity, it should be necessary to continue the link between the Community and the international level, through the proactive presence of Italian representatives on the various tables and the comparison, valorisation and dissemination of good practices at the regional and local level, based on a permanent discussion with these realities. Of particular interest, in this respect, is the ongoing work of meditation and specialisation on the preparation of social budgets by government.

PART III - Pension expenditure in Italy

1. General introduction

Since the 1990s, the reform processes aimed at cutting back public expenditure have significantly affected the social security system as well. The demographic dynamics and slowdown in economic growth, plus the constraints imposed by the European monetary unification process, have required the implementation of measures for the long-term stabilization of the financial burden represented by social security systems, which, in previous years, had swelled considerably, with significant repercussions on the public finances, at a time when the national debt and the deficit were rapidly spiralling out of control.

With regard to the demographic trends in particular, the weighty economic and social transformations determined by the fast Post-World War II development and the so-called baby boom produced an increasing impact on the age structure of the Italian population in the last decade of the 20th century – more so than in all the other European countries – with destabilizing effects on the welfare system as a whole, and the social security system in particular, the key benchmark parameters of which have been gradually altered, with an increasingly unbalanced ratio of active workers to pension recipients, i.e. between those whose contributions finance the national insurance system and the beneficiaries of those resources.

The pension reforms implemented in the 1990s, therefore, aimed at achieving two key targets. First of all, to put into place structural remedies for tackling a financially unbalanced situation, which, moreover, was rapidly deteriorating; secondly, to uniform the rules governing an extremely fragmented system, whose development had been shaped by the negotiating power of the different categories of workers, employees and self-employees, in the public and private sectors.

The most important measure designed to achieve these aims was implemented in 1995 (Law 335) and laid down provisions for securing a gradual migration from the *earnings-related system*, i.e. the system whereby pension benefits are computed on the basis of the number of contribution years and the average pay received by the worker before retirement, to a *notional defined contribution scheme*, whereby pension benefits are computed (and awarded) on the basis of contributions paid throughout one's working life, as indexed to nominal GDP, and converted into an annuity on the basis of a factor reflecting life expectancy at the time of retirement.

The effects of the radical changes introduced by Law 335/1995 are reflected in the time profile of the long-term projections of the pension expenditure/GDP ratio. The long-term trend (towards the middle of the century) records a substantial stabilization of this ratio, with a percentage of expenditure that does not grow, despite the significant alterations in the demographics due to population ageing.

In the intervening period, as a result of the phased introduction of the new pension calculation system, the time profile of the pension expenditure/GDP ratio features a "hump". Given the dire state of Italian public finances, due to the country's large national debt, the sustainability of this temporary higher incidence has been attentively analysed by public decision-makers. In order to prevent expenditure from increasing, other important measures were introduced in 1995, equalizing public and private-sector pension schemes, accelerating the minimum age requirement for retiring, and gradually harmonizing the pension schemes of several categories that had previously enjoyed advantages compared to the generality of employees.

All these measures, phased in over the years, have enabled the achievement of significant results in respect of the two above mentioned objectives, namely the future financial sustainability of pension expenditure and a greater degree of equity by reducing inequality.

However, the phasing of the contribution-based system, which at present still has only marginal effects on the overall pension system, but which in about five years time will be used to calculate over half the pension benefits for most workers, raises a further problem concerning the adequacy of pension benefits. The rationale of the contribution-based system, in fact, attaches a great deal of importance to the age of retirement, and draws an accurate picture of the working life and contribution history of the insureds. Due to the proliferation of discontinuous employment patterns and low-wage jobs, and to the persistent difficulties that older workers have in maintaining a steady

job, the search for exhaustive policies and specific measures for adapting pensions has become another priority issue for welfare legislation.

The following chapters tackle in greater detail the various issues outlined in this introduction, beginning with a summary of the results achieved to date with respect to the financial sustainability of the pension system, followed by a description of the measures and actions implemented in the attempt to support the adequacy of pension benefits.

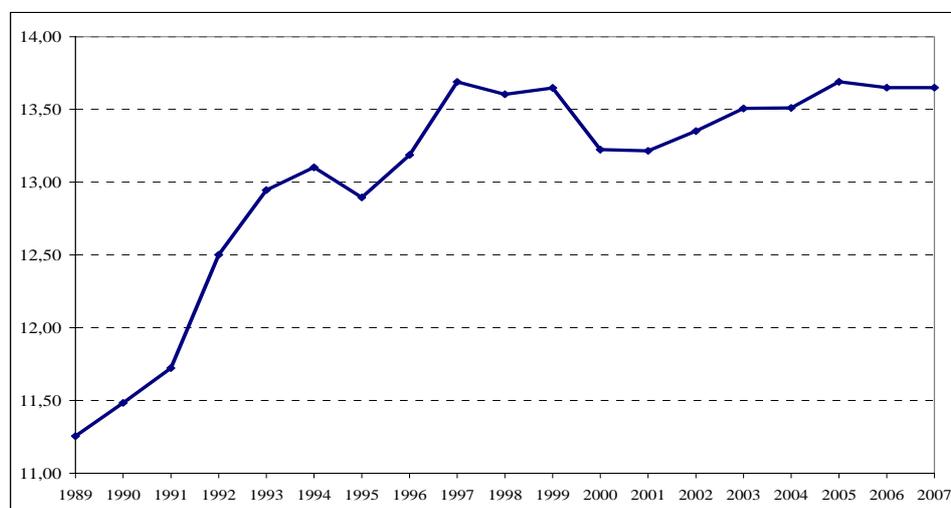
2. Financial balance and sustainability in pension expenditure

2.1 The 1989 – 2007 period

To assess the impact, over the last 20 years, of the reforms of the compulsory national insurance system in Italy, reference can be made to the pension expenditure/GDP ratio. The dynamics of this ratio, which is generally used in the discussions between the European Union countries, depends on the interaction of a number of factors. First and foremost, there is the effect of the variables that concur in determining the amount of expenditure, i.e. the trends in the outstanding stock of pensions and the increase in the average value of newly awarded pensions compared to those that come to an end (the so-called “turnover effect”). To this we must add the real and nominal growth of the GDP, which, moreover, can be partially linked to pension expenditure itself, and the regulatory institutional framework, which has significant effects on expenditure control and which, as stated above, was modified a number of times in the period in question.

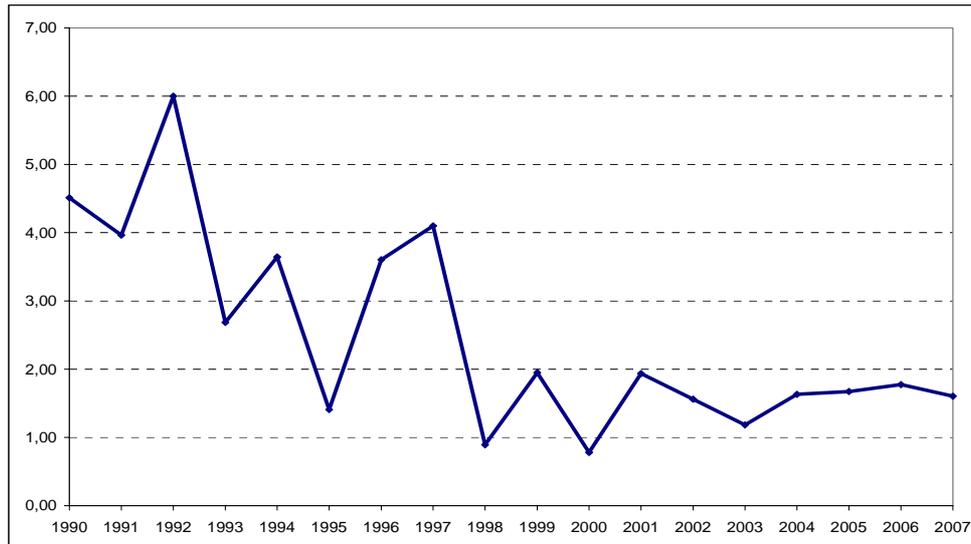
The trend of the pension expenditure/GDP ratio is shown in Figure 1, which highlights some significant changes over the years.

Figure 1: Pension expenditure as a % of the GDP (1989 – 2007)



The weight of pension expenditure, up by almost two and half points in the 1989-1997 period, from 11.2% to about 13.7%, remained practically unvaried from then until 2007. The fluctuations after 2000, which, moreover, never exceed half a percentage point, appear to be more a consequence of the slowdown in economic growth than a resumption in the growth of pension expenditure. This analysis is confirmed by Figure 2, where the profile of the rates of change of total expenditure, minus the price indexing and inclusive of the sums paid out as welfare supplements, seems to drop during the entire first part of the period and then to stabilize at around 1.5-2% in the following years.

Figure 2: Annual rates of change of pension expenditure minus index adjustments (1990 – 2007)



This relative stabilization depends on the differing factors, such as, primarily:

- the new indexing mechanism introduced in 1993, linked to prices alone and in a decreasing measure to the pension increases;
- the gradual increase in the age of retirement in the case of so-called ‘seniority’ pensions (*pensioni di anzianità*);
- the increase of the minimum contribution level (established at 20 years) and of the legal retirement age for entitlement to old-age or retirement pensions (*pensioni di vecchiaia*);
- the restrictive alterations of certain parameters for calculating benefits under the earnings-related system;
- the cutting back of early-retirement pensions previously granted to the employees of struggling businesses;
- the different criteria for awarding disability pensions, introduced in 1984, which have gradually reduced the number of beneficiaries.

The principal changes to the Italian pension system (introduced, as mentioned above, by Law 335/1995 introducing the contribution-based pension system), although they have heavily affected the future of pension expenditure and the financial balance of the system, have nevertheless failed to produce significant effects, to date, with respect to total expenditure. This is due to the phasing in of the reform measures, which excluded workers with 18 years of contributions at the end of 1995. However, inasmuch as the workers who had less than eighteen years of contributions at the time are entitled, from 1996, to a “mixed” pension (i.e. calculated according to the earnings-related system until the entry into force of the reform and according to the contribution-based system thereafter), it can be foreseen that, starting from the middle of the next decade, the retirement flows shall consist almost exclusively of benefits calculated according to the contribution-based system for over half the working life of the individuals concerned.

2.2 Medium-term pension expenditure forecasts.

The trends of pension expenditure in the 2007-2016 decade¹⁵ are shown in Table 1, which features the average annual rates of change broken down into 5-year periods. The figures are given minus the price index adjustments. To allow a comparison with the previous years’ trends, the table also shows the average changes surveyed in 2001-2006.

¹⁵ The forecasts have been made using the RGS model, taking into account the reviewing of the conversion factors.

The forecasts are based on the new regulations. Therefore, they include the effects of the measures introduced under the so-called “welfare protocol” of 23 July 2007, comprising benefit rises, in the case of low benefit levels (Law 127/2007)¹⁶, a review of the conversion factors applied¹⁷, and amendments to the so-called *scalone* (i.e. the ‘stepped increase’ in the minimum age of eligibility for a seniority pension, under Law 247/2007), which overall have mitigated the retirement age increase from 57 to 60, under the previous regulations, as from January 2008¹⁸.

Table 1 – Pension expenditure minus index adjustments
(average annual changes %)

Expenditure minus index adjustments	2001 - 2006	2007 - 2011	2012 - 2016
TOTAL	1,8	1,9	1,7
<i>of which:</i>			
- Private-sector employees	1,6	1,4	1,4
- Public-sector employees	1,7	2,5	2,5
- Self-employees	3,1	2,6	1,7

Based on the figures in the table above, in the next decade overall pension expenditure (minus the index adjustments) is expected to grow at a rate of 1.9%, in the first 5 years, and then by 1.7% in the next five years. This increase appears to be consistent with the rate of change in 2001-2006. In the forecast period, the dynamics of pension expenditure will be affected by the changes to the minimum eligibility requirements for early retirement and, in part, by the retirement of the first generations of workers under the “mixed” pension scheme, whose benefits, as stated previously, will be calculated in part according to the contribution-based system.

The introduction of the measures set out in the protocol will determine a slight increase in the dynamics of pension expenditure which, during the first 5 years, will be about 0.2 percentage points higher than the estimates based on the previous regulations. This difference will be partially absorbed by the lower dynamics in the next 5-year period (1.7% compared to 1.8%).

Assuming a GDP deflator close to the consumer price index, the estimates of the rates of change shown in the table can be interpreted as the real growth rates of the economy needed to stabilize the pension expenditure/GDP ratio. This outcome may, therefore, be achieved provided that, in the next ten years, the real growth of the economy does not drop too heavily below the average annual figure of 2%.

The segment-specific analysis, however, highlights a different dynamics. Pension expenditure for private-sector employees is expected to grow at an average annual rate – minus the index adjustment – of 1.4%. On the contrary, expenditure for public-sector employees features growth rates in excess of over half a percentage point, compared to the overall aggregate, throughout the forecast period. The situation of self-employees is different, with higher growth rates in the first half of the decade and lower in the second. This is due to the fact that, based on the current regulations, the calculation parameters applied to self-employees in the earnings-related system are the same as those applied to employees, despite the fact that the rate of contribution for the former

¹⁶ See paragraph 3.3.2 below.

¹⁷ The reviewed conversion factors are effective from 2010, when the factors – redetermined in accordance with the procedure set out in Law 335/1995 – shall apply.

¹⁸ The provision has altered the eligibility requirements for seniority pensions, replacing the immediate 3-year increase of the retirement age with a combination of age and number of contribution years, to be implemented gradually, as indicated in schedule 1 of the law.

is considerably lower (20% compared to 33%). Following the implementation of the contribution-based system, the pension expenditure dynamics is lower, because this method leads to lower benefits, reduced in proportion to the lower rate, at least for the proportion of benefit calculated with the new method.

2.3 Long-term pension expenditure estimates.

According to the long-term trends of the pension expenditure/GDP ratio¹⁹, the changes in the demographic picture, together with the phasing in of the new contribution-based system, will produce first an upswing followed by a downswing. The increased weight of pension expenditure should peak just before 2040, stabilizing at about 15.3% of the GDP. Subsequently, with the earnings-related system now finally out of the picture and the full implementation of the contribution-based system, there should be a gradual improvement, which at the end of the period would ensure the return of the ratio to its original value.

The trends emerging from the graph of the pension expenditure/GDP ratio (Figure 3) are the result of the combination of demographic and macroeconomic components and of the reforms introduced in recent years. From this perspective there are two aspects, in particular, of the new rules that appear to be of great significance: a) the increase of the minimum eligibility requirements for retirement, consisting of a minimum age of 62 years and 35 years of contribution payments, or 61 years of age and 36 years of contribution payments; b) the adjustment of the conversion factors, based on which the total contributions paid into the pension scheme are transformed into benefits, which will take place every three years, from 2010, according to the changes in life expectancy.

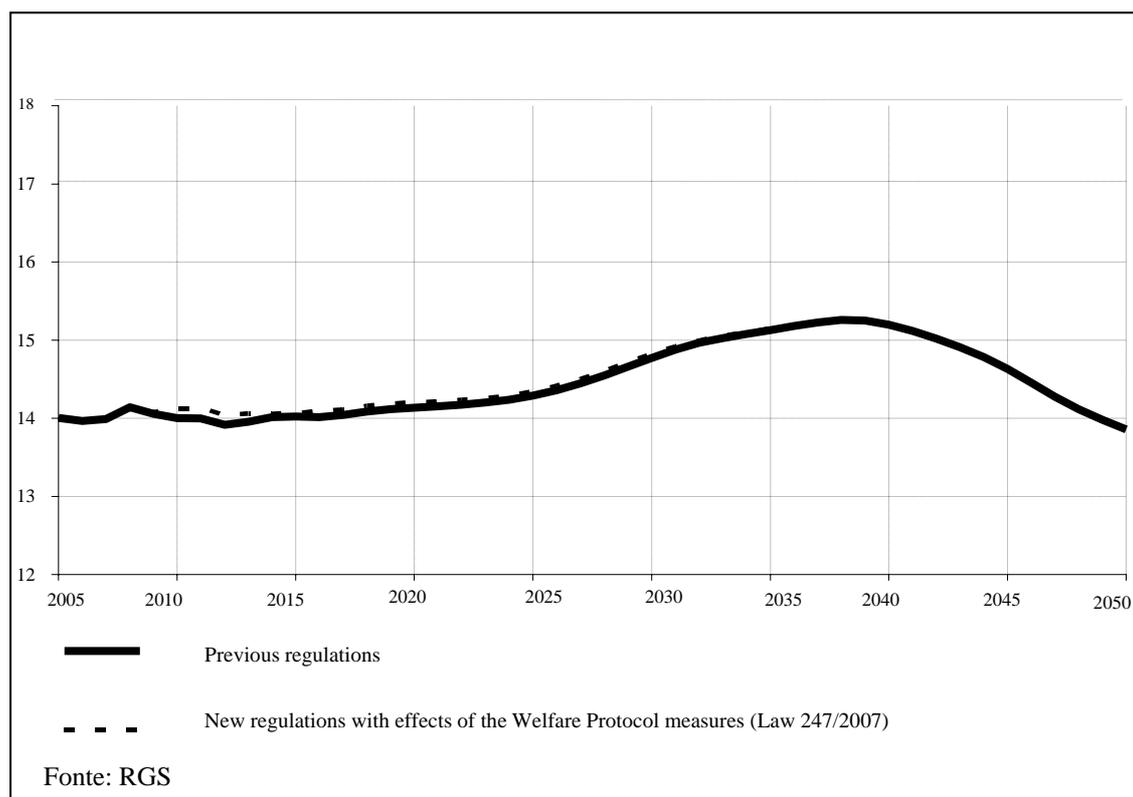
If we analyse the single periods we will see a substantial stability, in the 2007-2016 decade, in the pension expenditure/GDP ratio, as a result of the gradual increase of the minimum early retirement age, which helps keep a cap on the first expansion effects of demographic change. Conversely, the increase in benefits – as a result of pushing back the retirement age – will have financial effects that will temporarily manifest themselves at a later stage.

In the following twenty-two years (2017-2038), the pension expenditure/GDP ratio shows a growing dynamics. This trend is due to the changes in the demographic picture, which speed up after 2025, and to the ensuing reflections on employment. In this phase, in fact, the further increase of pensioners, as a result of the retirement of the ‘baby-boomers’, will be accompanied by a drop in employment, which will negatively affect the GDP growth rates.

The increased number of benefits, partially contrasted by the stricter minimum early-retirement requirements, which are contemplated in the mixed and contribution-based systems as well, also depends on the gradual increase of life expectancy. Besides the demographical factors, the benefit increase rate will lose its containment effect produced by the more restrictive regulations on invalidity pensions, which will return to more ordinary levels, and by the stricter minimum retirement requirements, compared to those applied previously. The reduction in the number of persons in employment in the second half of the forecast period will be determined by the sharp drop in the working-age population, thus outstripping the effect of the increased employment rates.

¹⁹ The figures are taken from the RGS projections (2008) estimated on the basis of the demographical and macroeconomic assumptions underlying the baseline scenario agreed to, at European level, within the EPC-WGA working group.

Figure 3: Pension expenditure as a % of GDP under the current regulations (projection to 2050)



Lastly, the curve peaks at approx. 15.3%, in about 2038, and stabilizes at 13.9% in 2050, after a downswing. The improvement of the ratio in the end part of the forecast period is due, as stated previously, to the migration from the mixed to the contribution-based system, which, below certain age thresholds, will determine a drop in the pension benefits compared to the taxable levels under the earnings-related system. Another significant factor consists in the stabilization of the ratio of number of benefits to number of persons in employment, the dynamics of which tend to zero in about 2044, and then to bend slightly in the following years.

3. Social sustainability

3.1 Replacement rates.

As mentioned several times above, the Italian national insurance system, the two key pillars of which, in the past, were a PAYG arrangement and a lack of actuarial correspondence between the contributions paid into the system and the benefits paid out, has been reformed a number of times and has now abandoned its traditional outlook, under which benefits were closely linked to wages, introducing the principle whereby benefits are linked to the amount of national insurance contributions paid into the scheme.

The migration from an earnings-related to a contribution-based system will determine, *inter alia*, a reduction in benefits, also due to an increase in discontinuous employment and lower age requirements. This will particularly affect the future generations, whose pension benefits will be calculated entirely according to the contribution-based system, with increasingly higher life-expectancy rates. Also as a result of the periodical review of the conversion factors, in the medium and long-term there will be a gradual loss of value of pension benefits, compared to pre-retirement earnings, thus highlighting the issue of the “adequacy” of benefits.

The key objective, which is shared at the European level, is to ensure that the pension system enables pensioners to maintain their previous living standards also after retirement. The replacement rate – calculated as the ratio of the first year of pension income to the last year of employment income – is the measure by which to judge whether a social security systems enables individuals to adequately face the risk of ageing.

Various attempts have been made, within the EU and the OECD, to implement, as far as possible, a common replacement rate calculation method in all the member countries. At national level, the Report by the *Ragioneria Generale dello Stato*²⁰ (Italian National Audit Office), sets out the method for calculating replacement rates, consistently with the methods agreed to in the Indicator Subgroup of the European Social Protection Committee. The same method has been applied in the preparation of the National Strategy Report on Pensions, provided for in connection with the European procedures on the “open coordination method” for pensions.

Accordingly, an analysis of the replacement rates in the compulsory pension system has been carried out, for the entire 2008-2050 forecast period, both before and after contributions and taxes, based on different career and retirement assumptions. Later on, based on the same assumptions, the rates have been calculated taking into account any extra income from complementary pension schemes. The gross replacement rates in the compulsory national insurance system have been calculated taking into account the applicable standards and regulations, with reference to a benchmark defined as a function of certain “discriminant” variables, such as – in the earnings-related system – individual remuneration dynamics (career) and number of years of contribution.

In the contribution-based system, the age at retirement has been added, due to the life-expectancy differentials inherent in the conversion factors²¹, besides the contribution rate used to credit the total contributions. In particular, the assumptions for calculating the gross replacement rates, in the case of the compulsory system, are based on the retirement requirements of 63 years of age and 35 years of contributions.

When calculating the replacement rates, the basic assumption was the demographic and macroeconomic framework of the national scenario, considering the population forecasts by Istat, in the central hypothesis, and a real dynamics of productivity and GDP approximately corresponding to an average annual rate of 1.65% and 1.45, respectively, in the 2008-2050 period.

All other requirements being equal, two different benchmarks have been selected, representing private-sector employees and self-employees, given the different calculation rate used for each category. The dynamics of individual earnings has been considered equal for the years 2008, at the effective rates of variation of productivity per person in employment and, for the entire 2008-2050 forecast period, at the average annual growth of productivity rate per person in employment assumed in the reference scenario. Likewise, with regard to the GDP, an effective dynamics has been assumed for the historical period and, for the following years, the average annual dynamics of the forecast period.

Table 2. Replacement rates – compulsory national insurance scheme

	2005	2010	2020	2030	2040	2050
GROSS						
Private-sector employees – Basic assumption	70.7	69.1	61.9	56.7	52.6	51.2
Self-employees – Basic assumption	69.0	68.7	45.2	35.1	31.9	31.1
NET						
Private-sector employees – 100% final earnings	79.8	78.8	72.0	66.9	63.0	61.6
Self-employees – 100% final earnings	87.5	89.6	63.8	52.6	49.1	48.2

Source: RGS, “Le tendenze di medio-lungo periodo del sistema pensionistico e socio-sanitario”, no. 9, Dec 2007

²⁰ Cf. RGS, “Le tendenze di medio-lungo periodo del sistema pensionistico e socio-sanitario”, Report no. 9, Dec 2007.

²¹ The changes to the conversion factor review procedures under Law 247/2007 have been taken into account.

Consistently with the above mentioned assumptions, table 2 shows the evolution of the replacement rate, in respect of the migration from the earnings-related to the mixed and contribution-based systems. A private-sector employee who, in 2005, received a pension benefit of 70.7% of his or her last earnings, with an equal number of years of contribution will see the benefit reduced to 51.2%, in 2050, primarily as a result of the three-year conversion factor review policy.

In the case of a self-employee, the reduction of the replacement rate is even bigger, dropping from 69% in 2005 to 31.1% in 2050, primarily as a result of the lower calculation rate provided for under the contribution-based system.

For the purpose of assessing the changes to individual income after retirement, the measurements involved in the calculation have been considered after taxes and contributions. The contribution rate applies only to labour income, while individual income tax, being progressive in nature, increases with the taxable income. Therefore, in order to calculate the net replacement rates, the final earnings have been reduced by an amount equal to, (i) the contribution rate payable by the individual, and (ii) the average income tax rate (IRPEF) for the taxable income in question, while, in the case of the pension benefit, the taxable income coincides with the gross monthly benefit.

Moreover, table 2 shows the replacement rates under the compulsory national insurance system, after taxes and contributions, with respect to the case in which the final earnings are 100% the benchmark earnings. In particular, a private-sector employee who, in 2005, received a pension benefit of 79.8% his or her last earnings, with the same number of years of contribution, in 2050, will see this percentage drop to 61.6%.

The replacement rates between employees and self-employees differ considerably if calculated after taxes and contributions, instead of before. This is due to both the different contribution rates applicable to the two groups of workers, which is fully deductible from the taxable income, and the progressive nature of the tax, whose average incidence increases the higher the taxable income. In 2005, for self-employees without a dependent spouse, the net replacement rate, in the case of final earnings of 100% the benchmark earnings, was 87.5% of the last wage, but in 2050 this percentage is set to drop to 48.2%.

In order to ensure higher levels of national insurance cover, the second pillar complementary pension schemes are designed to provide, together with the basic state pension benefits, an adequate income after retirement, enabling pensioners to maintain the lifestyle achieved in the years immediately prior to retirement.

Table 3. Replacement rates – compulsory and complementary pension schemes

	2005	2010	2020	2030	2040	2050
GROSS						
Private-sector employees – Basic assumption	70.7	70.1	66.3	64.4	63.8	63.1
Self-employees – Basic assumption	69.0	69.7	49.5	42.8	43.1	42.9
NET						
Private-sector employees – 100% final earnings	79.8	80.0	77.5	77.1	77.8	77.4
Self-employees – 100% final earnings	87.5	98.6	76.0	69.6	71.6	71.7

Source: RGS, “Le tendenze di medio-lungo periodo del sistema pensionistico e socio-sanitario”, no. 9, Dec 2007

The expected replacement rates with a complementary pension scheme are indicated in table 3. Clearly, membership of a complementary scheme effectively mitigates the reduction of the replacement rates. In 2050, the gross replacement rate for private-sector employees under the compulsory national insurance scheme will rise from 51.2% to 63.1% in the presence of a complementary pension scheme. In the case of self-employees, assuming final earnings equal to 100% the benchmark wage, the gross replacement rate will rise from 31.1%, in the case of a benefit

under the compulsory pension scheme alone, to 42.9% including the effects of a complementary pension scheme.

A similar effect is also produced on the net replacement rates. In 2050, in fact, the rate for private-sector employees will rise to 77.4%, compared to 61.6% under the compulsory insurance scheme alone. In the case of self-employees, the corresponding rate values will be 71.7%, with a complementary pension scheme, and 48.2%, with only the compulsory national insurance scheme.

Figure 4: Gross replacement rates for private-sector employees

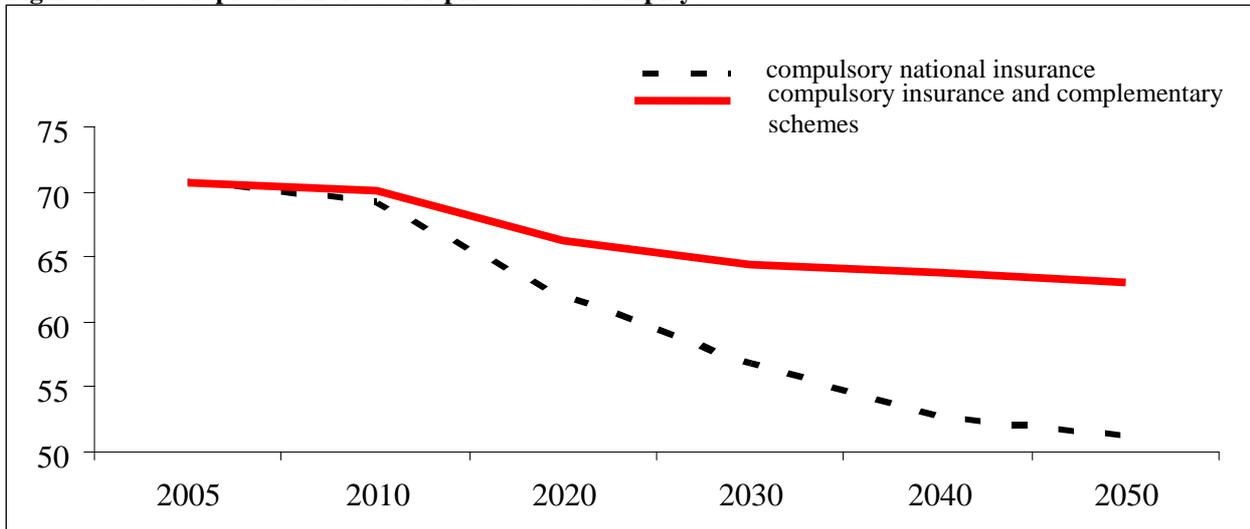


Figure 5: Gross replacement rates for self-employees

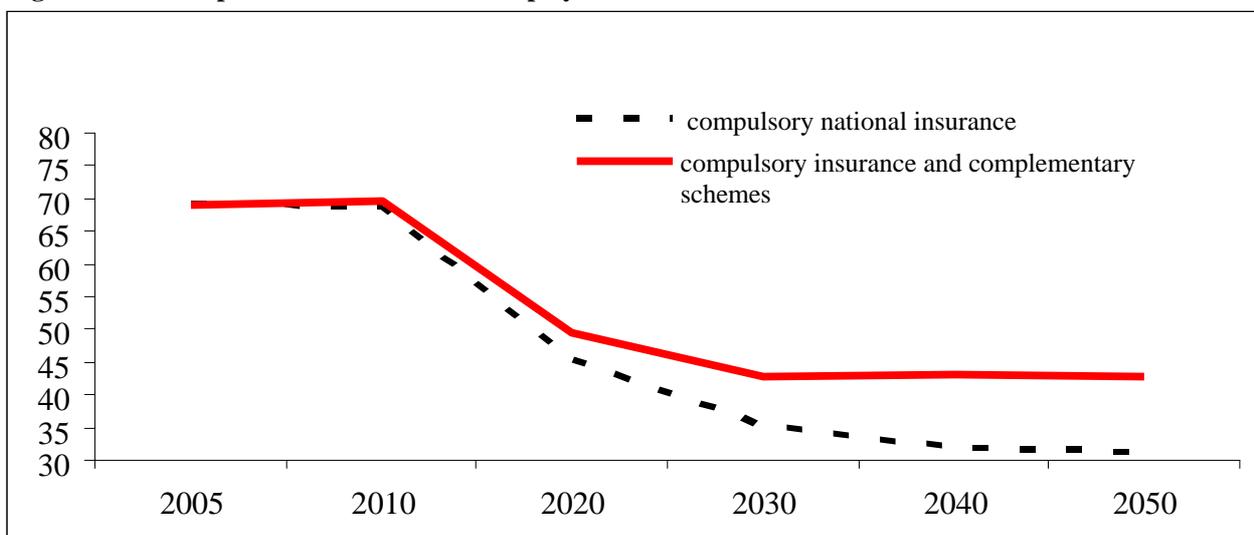


Figure 6: Net replacement rates for private-sector employees

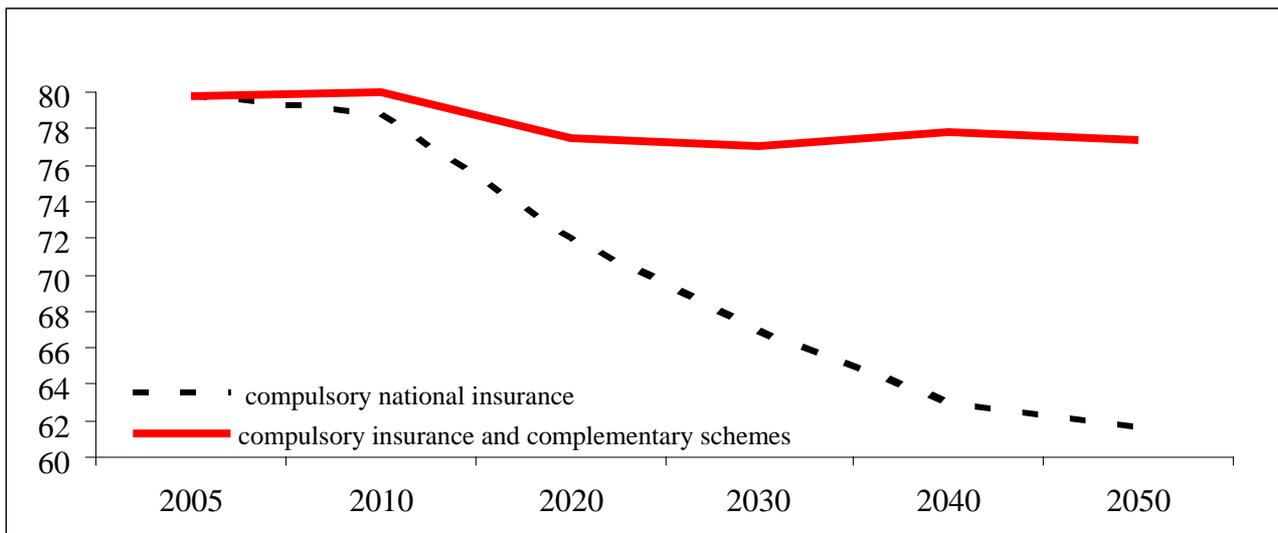
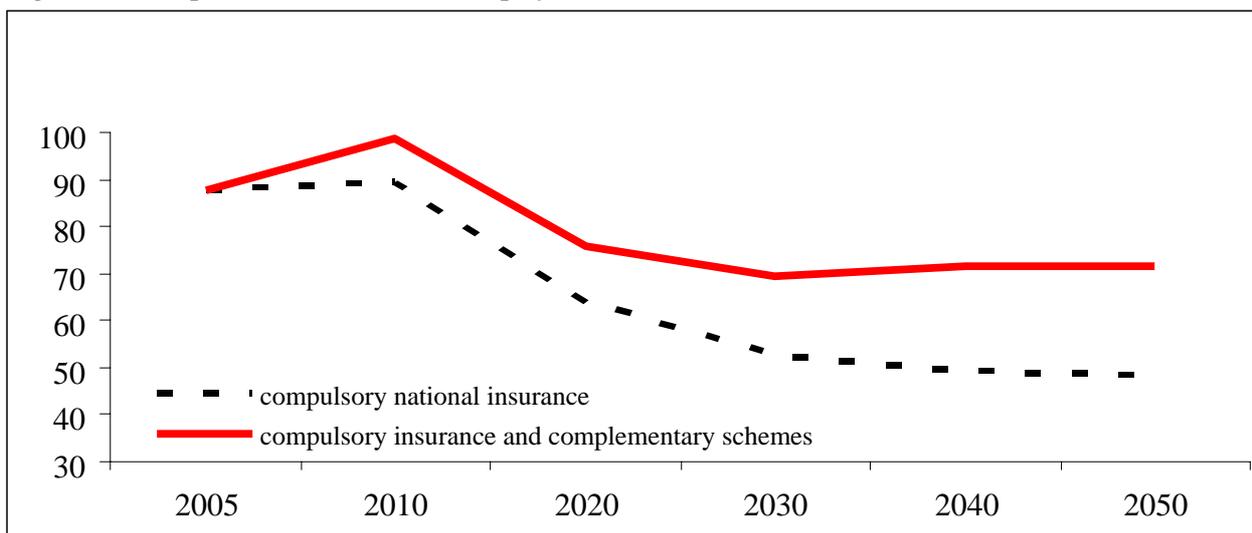


Figure 7: Net replacement rates for self-employees



3.2 Strengthening the second pillar

3.2.1 Defining the structure of complementary pension schemes

From the first half of the 1990s, with the launching of the reform process, an important role has been assigned, in the national pensions strategy, to complementary pension schemes, with a view to achieving adequacy of benefits. As highlighted in the tables relating to the replacement rates, payments under an additional pension scheme, based on rates corresponding to the current possible sources of funding, and made for an entire working life, can, in fact, help to supplement a pension income by a percentage of between 15 and 20 percent of the last earnings.

In 1992, the so-called “Amato Reform”, which overhauled the pension system, also delegated the government to lay down regulations on complementary pension schemes and resulted in the passing of Legislative Decree 124/1993, which, for the first time in this country, set forth exhaustive regulations for launching the second pillar. In the following years, tax incentives were also introduced, besides a whole new range of instruments, such as individual policies. Lastly, the complementary pension sector was further integrated by Legislative Decree 252/2005, which

provided for a considerable broadening of the sources of funding and the introduction of further significant tax incentives.

With reference to the common objectives established at European level, through the open coordination method on pensions, the role of the complementary pension sector within the national pensions strategy should not target the adequacy of benefits alone. The development of complementary pension schemes, in fact, should also be aimed at strengthening the financial sustainability of the overall pension system, by creating a solid structure built on the largest possible number of pillars. This will translate into the diversification of the overall risk, by attempting to exploit the non-complete link existing between the risk factors, which, in a portfolio perspective, distinguish the base pillar from the complementary pension sector.

The financial sustainability of the national insurance pension system can also be strengthened by the decision to found the complementary pension sector on a defined contribution scheme, which means establishing a close link between contributions paid and benefits received, an inherent financial balance, and actuarial rules for calculating fair benefits.

Moreover, the complementary pension system also features a focus on transparency, as a direct result of the choice of a defined contribution scheme, which, as a rule, places the risk of the investment on the members and, therefore, requires that they be adequately informed, in order to make investment risk-aware decisions with respect to their pension plan. A high degree of transparency is required also due to the competitive environment, which has produced a large number and many different types of pension plans.

3.2.2 A new impulse to membership: the automatic transfer of employee severance funds

By implementing a series of targeted measures, in the last few years Italy has set up a modern and efficient complementary pension system, capable of ensuring adequate living conditions for elderly people, providing substantial, financially sustainable and transparent extra benefits. Consistently with these aims, the system envisages the involvement of stakeholders, such as the representatives of both employees and employers, in defining, governing and monitoring the system. A supervisory system has also been gradually implemented and has now become a consistent and effective organization.

Despite this progress, however, and the numerous overhauls and reforms implemented to date, the practical results of which can hardly be deemed satisfactory, membership of complementary schemes among workers has failed to kick off significantly, even after the implementation, in 2007, of new measures, concerning the success of which there were great expectations, relating to the automatic transfer of private-sector employee severance funds (abbreviated as TFR) to the complementary pension schemes.

As set out in previous national strategy reports, the TFR regulations set out in the Civil Code require that employers place a 6.91% share of each employee's wages in a special severance fund. Payments into the fund are subject to 1.5% revaluation, plus 3/4 of the annual inflation rate, and a lump sum is then paid out to the employee when he or she retires. Partial payments can be made before retirement, on the employee's request, subject to certain restrictions, for buying a house for the first time or for extraordinary medical treatments, for example. Traditionally, therefore, the TFR fund has played a sort of social security or welfare role, in connection with periods of unemployment or to cover extraordinary expenses, and has never been considered a national insurance instrument, since payments could be made out to employees regardless of whether they had reached the retirement age.

The above mentioned measure concerning the TFR fund was implemented under Legislative Decree 252/2005, subsequently amended by the next government, which anticipated the launching of the transfer process to 1 January 2007, and provided for the automatic transfer of the future TFR flows to the complementary pension schemes, except in the case of opposition by the employee concerned, which would have to be expressed within six months from the entry into force of the

measure, i.e. no later than 30th June (newly hired employees can decide within six months from hiring).

In the case the employee decides to keep his or her money in the TFR fund, instead of transferring it to a complementary pension scheme, the relevant sums set aside by companies with at least 50 employees are no longer at the disposal of the company itself, but must be paid into a dedicated treasury account at INPS. The aim of this measure is to prevent companies from putting undue pressure on their employees in order to maintain a relatively low-cost source of financing, to the detriment of an important lever for the development of the complementary pension sector. On the contrary, the TFR fund will maintain its previous function as a cheap self-financing source of funds only for companies with less than 50 employees.

3.2.3 An analysis of increased membership resulting from the implemented measures

Based on the data collected by COVIP, in 2007, following the drive triggered by the TFR measures, the membership of complementary pension schemes exceeded 4.5 million, up by 43.4% compared to the previous year. Private-sector employees who are members of complementary pension schemes – this category of workers being the primary target of these measures – reached 3.4 million, up by over 1.2 million. The newly established contractual pension funds – the principal actors in the system – have reached a membership of 2 million, up by 63.1% compared to the previous year.

These are significant results, also considering the unfavourable context characterized by the negative performance of the financial markets, compared to which the (small but secure) interest rates assured by the TFR fund are particularly appealing.

However, compared to the overall potential membership base (out of a total number of about 23 million employees, today, those belonging to the private sector and therefore directly concerned by the reform of the TFR fund are an estimated 12.2 million), the results are still not satisfactory enough. Further cause for concern is given by the in depth analysis of membership, if we break it down by age group, gender, geographical area, average size of the business. Based on all these variables, it emerges that membership of complementary pension schemes is higher among the “stronger” workers, presumably those with more stable jobs, higher wages and, consequently, higher pension benefits.

In particular, at the end of 2007, 25 percent of private-sector employees aged below 35 years had joined a complementary pension scheme, considerably up compared to the previous year (17%), but still well below the age group’s percentage of total employees (39%).

With regard to gender, among private-sector employees the male members of complementary pension schemes account for 70% of membership, compared to 30% of women. The corresponding gender breakdown of the total employees taken into account features a higher percentage of women by 10%.

With regard to geographical area, the private-sector employee membership living in the north of the country account for 63.4% of total membership, while employees living in the north account for 56.8% of employees. Only 15% of all complementary pension scheme members live in the south and the islands, while the number of employees living in the south account for 23.1% of all employees.

Lastly, based on the size of the business, according to the estimates by COVIP, only 12% of employees of businesses with a workforce of less than 50 are members of complementary pension schemes, which percentage rises to 42% in the case of employees of businesses with a workforce of over 50.

Of particular interest are the estimated figures relating to the single schemes, which confirm a clear positive link between the size of the business and the membership rate. Obviously, the size of the business is accompanied, *coeteris paribus*, by a greater effectiveness of corporate communications

and trade union presence, and also, presumably, by a better circulation of information among workers.

Table 4. Complementary pension schemes.

Percentage distribution of private-sector employee membership, by age group and sex.

Age group	2006		2007		Total	
	Total		Total			
	Men	Women	Men	Women		
15-24 years	0.8	0.9	0.8	3.1	3.0	3.0
25-34 years	14.8	20.7	16.5	20.1	26.1	22.0
35-44 years	34.4	39.0	35.8	34.3	37.7	35.4
45-54 years	37.7	33.0	36.3	32.3	27.7	30.8
55-64 years	12.1	6.3	10.4	10.0	5.4	8.5
65 years e	0.2	0.1	0.2	0.2	0.1	0.2
Total	100.0	100.0	100.0	100.0	100.0	100.0
By sex	70.4	29.6	100.0	67.4	32.6	100.0

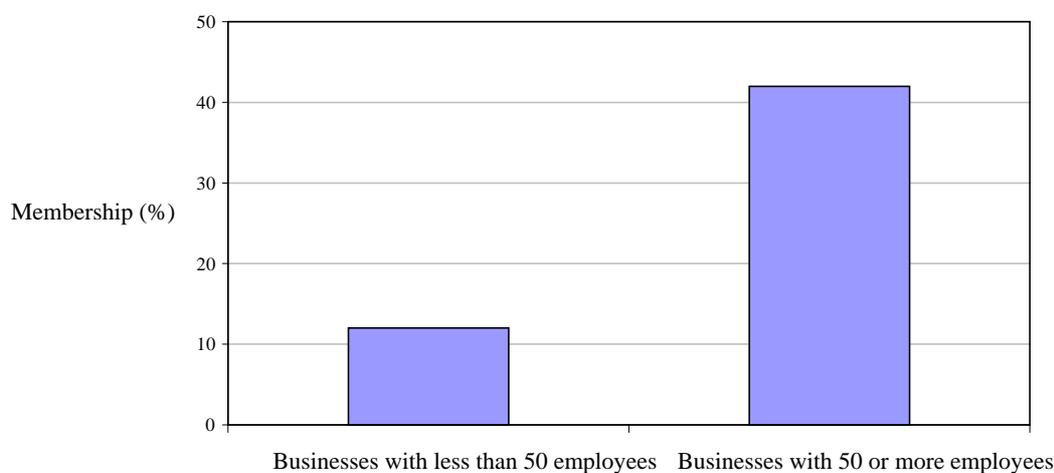
Table 5. Complementary pension schemes.

Percentage distribution by geographical area of private-sector employee membership and total employees.

Geographical area	2007	
	Membership	Total employees
North-West	37.1	33.1
North-East	26.3	23.7
Centre	21.7	20.1
South and Islands	15.0	23.1
Total	100.0	100.0

Figure 8: Contractual pension schemes for private-sector employees. ⁽¹⁾

Membership by business size.



(1) The schemes do not include those authorized during 2007 and the extension of the catchments areas descending from the new collective agreements entered into in the last part of 2007.

In short, based on an analysis of the present situation in the complementary pension sector, it emerges that considerable results have been achieved with respect to the definition of the structure of the system, and its capacity to offer adequate supplementary benefits in a context of financial sustainability and overall operational solidity, of *governance* and supervisory and control systems. On the contrary, further steps forward should be made in respect of the spread of complementary pension schemes, especially among the weaker social groups. This is one of the major objectives to be pursued, with respect to the complementary pension sector, which, as indicated in the Green Paper recently published by the Ministry of Labour (“*Libro Verde sul futuro del modello sociale*”), might be boosted by the measures providing for a greater role by the intermediate social bodies and a more active role of the national insurance schemes at the local level.

3.3 Measures aimed at ensuring the adequacy of pension benefits.

3.3.1 *Low pension support and information to the public*

As seen in the preceding paragraphs, if, on the one hand, the contribution-based system ensures the medium and long-term financial sustainability of the pension system as a whole, it nevertheless leaves open certain questions relating to the adequacy of the pension benefits paid out. To mitigate the risk of receiving an inadequate income after retirement two “adjustments” can be made, alongside the hoped for development of the second pillar. The first concerns the introduction of a system providing for a so-called “minimum pension”, guaranteeing a basic income, on retirement, which can then be topped up by contribution-based benefits. The other adjustment consists in the possibility of accumulating national insurance credits, in different forms, throughout one’s working life. The latter option is the one currently adopted by the Italian system, because, besides being less liable to changes in policy, it also allows the insured to acquire subjective and inalienable rights. To further enable this latter objective, various measures have been implemented allowing workers to recover certain national insurance contributions which might otherwise be disregarded or lost, such as the recognition of ‘deemed contributions’ (i.e. contributions deemed to have been paid, even though they have not), the retroactive payment of contributions, the aggregation of contributions paid into different pension schemes, the possibility of combining pension income and labour income.

Moreover, once the contribution-based system has become fully operative, several of the above mentioned instruments will be superseded by the so-called “pension benefit account”, to which all the contributions paid by an employee will be credited, regardless of both the pension scheme and the length of the employment relationship. This development shall be preceded by another measure, which has already made good progress.

Law 243/2004, in fact, set up the so-called “central social security status record” (*Casellario centrale delle posizioni previdenziali attive*), which is an extensive database aimed at ensuring maximum transparency of information of the public and private pension systems. The purpose of this database²² is generally to collect, store and process data, and other information, relating to the members of compulsory pension schemes, with a view to building a general and nationwide social security status database, shared by all government entities and pension schemes, which will enable the issuing to citizens of a single contribution status record, called the “*Estratto conto integrato*” (Integrated Statement), based on which each worker can then easily calculate the benefit he or she will be receiving on retirement, because it will provide a full picture of the contributions paid throughout his or her entire working life, as either an employee or a self-employee.

The law establishing the database also sets forth that, for the purpose of monitoring the employment status of workers, and checking compliance with their contribution payment obligations, the *Casellario* will also collect and store the following information in dedicated files:

²² For more in depth information: Casellario centrale delle posizioni previdenziali attive – Relazione sulle attività svolte – 1st Report by the Pension Expenditure Assessment Group – July 2008.

- data relating to hirings, changes and terminations of employment;
- information transmitted by the Ministry of the Interior, with respect to the residence permits issued to the citizens of non-EU Member States;
- information relating to any health impairments or invalidating diseases, transmitted by public or private entities, certifying a condition of invalidity or disability, or paying out pension benefits or other allowances for the same purpose.

The *Casellario* will also be responsible for constantly updating and processing the data in its possession, so that it can be made available (in useful information bases) for forecasts and assessments for pension regulation purposes, and for providing the (appropriately aggregated) data to the pension schemes and competent government entities.

3.3.2 Pension benefits

Minimum income guarantee (integrazione al trattamento minimo)

The minimum income guarantee is a support measure paid out by the State – through Inps – to a pensioner, when the benefit calculated on the basis of the contributions actually paid into the system is lower than the “minimum subsistence figure”, which is established, year by year, by law.

For 2008, the minimum individual gross pension benefit is €443.12 for thirteen monthly payments (€5,760.56 per year), while in the case of a married couple it is €17,281.68.

From 1 January 2008, the following recipients are eligible for a minimum income guarantee:

- an unmarried person, or person who is legally and effectively separated, receiving an income, subject to income tax, of no more than €11,521.12 per year (equal to twice the annual minimum Inps benefit);
- a married person, who is not legally and effectively separated, receiving an income of no more than €11,521.12 per year, or a joint income with his or her spouse, of no more than €23,042.24 per year (equal to four times the annual minimum Inps benefit).

To be eligible to apply for a minimum income guarantee, the claimant must not exceed either income ceiling (personal and joint). In intermediate cases the claimant may be eligible for a lower supplement.

The following are not taken into account when calculating an income: income exempt from the payment of personal income tax (IRPEF), such as war pensions, INAIL benefits, etc.; severance pay and any advances paid out of the severance pay fund; any income from the house in which the claimant lives; any arrears subject to separate taxation; the amount of the benefit to be supplemented.

In particular, Law 335/1995 excludes the continued application of the minimum income guarantee in the case of contribution-based pensions. All those who started working after 31 December 1995 will no longer be entitled to a minimum benefit, because all benefits will be based on the contributions actually paid and no supplements will be provided.

Welfare supplements for minimum benefits

Article 1 of Law 544/1988 introduced welfare supplements for minimum benefits received by over 65-year olds with very low incomes.

This measure has been changed over the years and, in particular, by article 38 of Law 448/2001 (2002 Financial Law), which increased this top-up supplement, effective from 1 January 2002, to ensure a total monthly benefit of €516.46 (equal to 1,000,000 lire), payable for thirteen months and subject to annual revaluation. After the revaluation decided in 2007 for the current year, the minimum benefit is now equal to €580.00, and the persons eligible to receive this supplement are: pensioners whose benefits are paid out under the compulsory national insurance scheme, whether employees or self-employees; the recipients of a non-contributory pension; the recipients of welfare benefits (disabled persons, the blind and deaf-mutes); the recipients of pensions paid out under

special pension schemes, such as miners, quarry and peat-bog workers; the recipients of benefits under exclusive pension schemes replacing compulsory national insurance schemes.

To be entitled to the top-up supplement increase, pensioners must be aged 70 or older, which age can be lowered to 65 years, at the rate of one year of age for every five years of contribution. The age limit can be reduced by a year also in the case of contributions paid for between two and a half and five years.

The supplement increase is granted if the pensioner does not exceed certain income thresholds. In particular, for 2008, if the beneficiary is not married, his or her personal income must be less than € 7,540 per year, while if he or she is married, the joint personal income of the spouses must not exceed €12,682.67 per year. The incomes taken into account are not just those provided for, in the case of supplementing minimum benefits, but all incomes (from securities, other welfare benefits, etc.), except for any income from the house in which the pensioner(s) live.

Supplementary allowance for the thirteenth monthly benefit

Article 70 of Law 388/2000 entitles the recipients of one or more benefits, the annual total of which does not exceed the minimum benefit, to a supplement of €154.94, payable in December together with the thirteenth monthly benefit, or, in any case, with the last monthly benefit paid to the beneficiary. To be entitled to the full extra amount, the beneficiary must comply with the following requirements: 1) the overall annual amount of the benefits must not exceed the minimum amount provided for, which, in 2008, is €5,915.50 (if it is between €5,915.50 and €6,070.44 per year, the top-up supplement will be reduced, up to the latter amount); 2) single beneficiaries must receive a taxable income not exceeding one and a half times the minimum annual benefit which, in 2008, is € 8,640.84; 3) beneficiaries with a spouse must have a personal income not exceeding €8,640.84 per year and the joint income of the two spouses must not exceed three times the minimum annual benefit which, in 2008, is €17,281.68.

The incomes to be taken into account are those provided for the minimum benefit.

The fourteenth monthly benefit

Law 127/2007 provides for income support to low pension recipients, who are awarded a tax-free supplementary benefit, once a year, the so-called fourteenth monthly benefit.

Based on the applicable regulations, pensioners aged 64 years or older receiving an income not exceeding 1.5 times the minimum benefit (€8,640.84 per year in 2008) are awarded an extra €420, in 2008, reduced or increased by 20% depending on a number of contribution years below 15 or in excess of 25 (18 and 28 years in the case of self-employees).

When calculating the income, any family and attendance allowances are excluded; the income from the house in which the beneficiary lives; the severance fund and any arrears subject to separate taxation.

In the case of survivors' benefits, the extra sum shall be calculated according to the same contribution criteria, however applying the reversionary reductions. In the case in which the personal income is only slightly higher than the established threshold, the extra amount will be reduced in proportion thereto.

3.3.3 Welfare benefits

The social allowance

The social allowance, introduced under the pension reform (Law 335/1995), was implemented with reference to the new payments made since 1996, and is a non-reversible welfare benefit paid out by INPS to Italian citizens aged 65 years or more, living in the country and without an income, or who are living under very difficult conditions.

In 2008, this monthly allowance was €395.59, payable for thirteen months, whereby the applicable income thresholds for eligibility are €5,142.67 – if the claimant does not have a spouse – and €10,285.34 per year (i.e. double the social allowance) if the claimant is married.

If the claimant has no personal income, and nor does his or her spouse, he or she shall receive the allowance in full. Otherwise, if his or her income, his or her spouse's income, or their joint income exceeds the established threshold, the application will be turned down. If the income(s) is(are) below the above mentioned threshold, as applicable, the allowance is reduced proportionally. In this case, an annual amount equal to the difference between the full annual amount of the current social allowance and the annual income will be paid.

Non-contributory pensions

From 1 January 1996, the social allowance has replaced the non-contributory pension that used to be granted previously, but which is still paid to the eligible individuals who filed an application prior to the end of 1995. For 2008, the non-contributory pension benefit is €326.02 per month, for thirteen months (€4,238.26 per year).

If the recipient of a non-contributory pension is unmarried and has no personal income, he or she shall be entitled to the full amount of the pension. Instead, if his or her personal income exceeds €4,238.26, he or she shall not be entitled to a non-contributory pension, but if his or her income does not exceed this threshold, the benefit is reduced and becomes equal to the difference between the current annual benefit and the personal income of the recipient.

If the recipient of a non-contributory pension is married and the total income of the spouses does not exceed €10,365.50 per year, the benefit is paid in full. If, instead, the joint income of the spouses exceeds €14,603.76 per year, they shall not be entitled to the benefit, while if the total income of the spouses is between the above mentioned thresholds, the benefit is reduced proportionally, and is equal to the difference between the established income threshold and the joint income of the spouses.

If the applicant's personal income exceeds the individual threshold, he or she shall not be entitled to the benefit, even if the total income received by the spouses does not exceed the income threshold established by law for spouses.

3.3.4 Crediting 'deemed' contributions

The crediting of so-called 'deemed' contributions, which is already contemplated by the system, enables workers to receive national insurance contributions paid by the State, for pension entitlement purposes, even for periods when they are out of work and, therefore, cannot pay compulsory contributions.

The peculiarity of 'deemed' contributions is the total lack of disbursement for the worker, which distinguishes this instrument from the retroactive payment of contributions.

'Deemed' contributions are useful both for achieving eligibility for pension benefits and for increasing the amount of the benefit. The periods covered by 'deemed' crediting are: military service, pregnancy and maternity leave; temporary lay-offs (covered by the earnings supplement fund); redundancy and outplacement; leave of absence for public or trade union office; blood donation; political and racial persecution²³; tuberculosis; natural disasters.

This is an effective tool for ensuring the social sustainability of a welfare system, because it allows the achievement of a twofold aim: speeding up compliance with the pension eligibility requirements and increasing the amount of benefit received.

3.3.5 Retroactive payment of contributions

²³ These concern periods of persecution suffered by Italian nationals for anti-fascist political activities or for their racial condition after 1 July 1920.

The retroactive payment of contributions consists of the assessment of periods or services not covered by any contribution payments, so that they may be taken into account for calculating pension benefits or severance payments. All employees may apply for the retroactive payment of contributions; in the case of a deceased employee, the survivor(s) entitled to an indirect benefit may apply. The relevant application may be made by the person concerned and entails the payment of a contribution to cover the period in question. Retroactive payments can be made with respect to the period spent at university for a degree, for no more than 5 years, and for military and related services.

Law 127/2007 (amending and converting Decree Law 81/2007), setting forth urgent provisions of a financial nature, provides for the establishment, effective from 2008, of a fund for financing measures – within the overall limits of 267 million euros in 2008, 234 million in 2009 and 200 million from 2010 – relating to retroactive contribution payments, for pension-related purposes, for the official length of a degree course and for the aggregation of contributions paid into different pension schemes, in particular with respect to persons whose pension will be calculated according to the contribution-based system alone, with a view to improving their future benefits, without prejudice to the principle of harmonization of national insurance systems (under article 2(22) of Law 335/1995), in order to ensure the application of identical parameters to the different schemes.

Law 247/2007, moreover, has amended Legislative Decree 184/1997 (see article 77), implementing the delegated powers under Law 335/1995, relating to the retroactive and voluntary payment and the aggregation of national insurance contributions, for pension purposes, introducing the possibility to make retroactive payments – for periods to which the earnings-related or contribution-based pension calculation systems apply – into the pension scheme of which the individual is a member, either as a lump sum or in 120 interest-free monthly instalments. This provision applies exclusively to applications submitted from 1 January 2008.

Moreover, retroactive payments may also be made by persons who are not members of a compulsory pension scheme and who are not employed.

In this case, the contributions shall be paid into a separate account at INPS, and shall be revalued in accordance with the contribution-based system, as from the date of application. The total contributions paid in this respect will then be transferred – on the request of the person concerned – to the pension scheme of which he or she is or was a member. Any payments made for retroactive purposes shall consist of a contribution, for each year concerned, equal to the minimum annual taxable amount referred to in article 1(3) of Law 233/1990, multiplied by the rate used to calculate compulsory national insurance benefits for employees. The contributions thus paid are fiscally deductible and can also be deducted from the tax payable by the person of whom the payer is a dependent, in the measure of 19% of the contribution amount.

3.3.6 Aggregation

Workers who are not eligible for any benefits paid out by the compulsory national insurance system, and by the substitutive, exclusive and exonerative forms thereof, or by the pension schemes and plans managed by the other entities referred to in Legislative Decree 509/1994 and Legislative Decree 103/1996, may nevertheless apply for the aggregation of the (non-coinciding) contributions paid into the single schemes – if the said contributions, separately considered, do not meet the minimum requirements laid down by the single schemes for entitlement to a benefit – in order to achieve eligibility for any such benefit.

Each pension scheme concerned shall verify whether or not the claimant is entitled to a benefit, under its regulations, and shall determine the measure thereof, in proportion to the number of contribution years paid.

The subject of aggregation had previously been addressed – albeit partially – by Law 388/2000 (2001 Financial Law), which permitted the joining together of certain separate contribution payments, in order to meet the pension eligibility requirements.

The previous provisions, however, provided for a minimum degree of aggregation, for old age and invalidity pensions alone (and not for seniority pensions), and exclusively in the case in which, after having paid contributions into different pension plans, the claimant failed to meet the eligibility requirements for a pension in any single plan.

Legislative Decree 42/2006 allows claimants, (i) aged 65 years or older, with at least 20 years of contributions paid, or with at least 40 years of contributions paid, regardless of their age (useful for entitlement to a seniority pension), to apply for the aggregation of the separate contribution payments.

In order to qualify for aggregation, contributions for at least 6 years must have been paid into each separate schemes; in the case of contributions paid for less than 6 years a payment may be made up to the required amount²⁴.

With regard to the calculation system, the public national insurance schemes pay out the benefit in proportion to the contributions paid, according to the rules of the contribution-based system set out in Law 335/1995. On the contrary, in the case of the pension schemes set up by the professional associations (*casse professionali*), the contributions paid by the members form a single amount subject to an annual capitalization rate of 90% the 5-year average of the net rate of return of the invested capital, with a guaranteed annual minimum of 1.5%.

Awaiting the overhaul of the aggregation arrangements for insurance contributions, based on the absorption of the amounts and not the simple aggregation thereof, Law 247/2007 has introduced, effective from 1 January 2008, several alterations to the above mentioned Legislative Decree 42/2006. In particular, with a view to allowing the aggregation, as far as possible, of the contributions paid into different pension schemes, the minimum number of years of contributions required for qualifying for aggregation has been reduced from six to three years.

3.4 Combining pension and other incomes

The abolition of the regulations forbidding the combining of pension and other labour incomes, whether in an employed or self-employed capacity, definitively began with the introduction of article 72 of Law 388/2000 (2001 Financial Law), which sets out that, effective from 1 January 2001, old age pensions, including those granted before that date, can be combined with labour incomes, regardless of the number of years of contributions paid.

Likewise, direct seniority and invalidity pensions and direct invalidity allowances, in excess of the minimum amount of FPLD, can be combined with labour incomes in the measure of 70%. The amounts withheld, in any case, cannot exceed 30% of the above mentioned incomes.

Moreover, the full cumulability of old age pensions with labour incomes was established, and the partial cumulability (up to 70%) of seniority pensions with labour income produced in a self-employed capacity. Subsequently, the 2003 Financial Law (article 44 of Law 289/2002), extended from 1 January 2003, the total cumulability of the pension benefit with labour income to the recipients of a seniority pension who, on retirement, were at least 58 years old and had paid at least 37 years of contributions.

Pensioners who retired before 1 January 2003 are entitled to full cumulability of seniority pension benefits to other labour income, whether in an employed or self-employed capacity, even in cases in which the benefit is awarded, based on at least 40 years of contributions, or in the case in which the beneficiary has reached the eligible age for an old age pension (i.e. 60 years for women and 65 years for men).

One innovation concerning this matter has been introduced by article 19 of Law 133/2008 (converting Decree Law 112/2008 on “urgent provisions for economic development, simplification,

²⁴ Workers who paid contributions into different pension schemes may apply for the aggregation of the contributions towards a single benefit, calculated based on the sum total of the contributions paid. The aggregation of national insurance contributions may be requested by public and private-sector employees, self-employees and their survivors. INPS applies no charges for aggregation in the case of employees, while in the case of self-employees a charge is levied. All other pension schemes apply a charge for aggregation.

competitiveness, the stabilization of public finances and enhancing tax equality”, which has abolished, effective from 1 January 2009, the restrictions on the cumulation of pension and labour income.

From the above date, pensioners who carry on working, despite receiving a retirement benefit, can cumulate their entire labour income with their pension, without any penalization whatsoever.

Moreover, labour incomes, whether in an employed or self-employed capacity, may be cumulated with a direct pension awarded in accordance with the contribution-based scheme, before 65 years of age for men and 60 years for women, including the pensions accrued under the separately managed schemes for so-called *parasubordinati* workers (i.e. workers who are neither employees nor self-employees), provided that the claimant is eligible under Law 243/2004, and without prejudice to the application of the benefit start-date regulations.

Having regard to pension benefits paid out entirely in accordance with the contribution-based system, the limitations previously in force continue to apply, i.e. only old age pensions awarded after 40 or more years of contributions, and old age pensions paid to recipients aged 65 years or more, in the case of men, and 60 years, in the case of women, may be cumulated with a labour income, whether as an employee or self-employee.

No reference is made to the abolition of the prohibition to cumulate survivors’ and invalidity benefits and invalidity allowances, which, therefore, remain only partially accumulable.

3.5 Active ageing policies

In response to the employment objectives of the Lisbon Strategy, the issue of active ageing policies is a particularly significant one in Italy because, as mentioned previously, population ageing is one of the key characteristics of the country’s demographical framework. A number of studies, in fact, have highlighted that Italy, together with Sweden among the EU Member States, is the country with the highest life expectancy rates, with an average life expectancy (for both men and women) of 80 years. The extension of life expectancy, combined with the drastic drop in birth rates after the baby boom of the 1950s and 60s, are the reasons that have determined a rapid change in the population’s age structure, which has substantially weighed down the ratio of pensioners to workers.

The average extension of life expectancy unquestionably has a positive social impact, although population ageing has a destabilizing effect on the pension system as a whole, because it tends to alter several of the system’s essential benchmarks, such as the ratio of pensioners to workers, i.e. of those who through their taxes and national insurance contributions provide most of the financial resources needed for the pension system to those who then benefit from those resources. In Italy, the related problems are significantly heightened by the fact that, on average, people leave the labour market at a relatively low age (59.9 years), the lowest among the largest European countries, after France.

Due to this situation, and to the prospects of a gradual drop in the working population, a suitable strategy is required, with broad-ranging cultural and organizational policies capable of kick-starting a project for ‘redesigning’ old age, the aim of which should be to achieve active ageing, to ensure well-being and social inclusion also after the age at which people traditionally retire.

With regard to social security legislation, a first step forward in raising the retirement age was made by the Amato Government, which, in 1992, increased the retirement age and the number of years of contributions for eligibility for an old age pension. In 1995 (and then later in 1997), the Dini reform raised the retirement age further, setting it, in 2007, at 57 years of age or, alternatively, with 40 years of contributions. This reform, which provided for the phasing in of an entirely new pension calculation system (the contribution-based system), implicitly created a mechanism for encouraging the extension of working life, due to the establishment of a direct link, in the pension calculation formula, between the beneficiary’s age and the amount of benefit he or she would be entitled to.

In order to further ensure the stability of the social security system, in 2004 the retirement age was increased yet again (under Law 243/2004), according to a process that was subsequently partially amended to soften the impact of its implementation, which was launched in 2008 and according to

which, by 2013, the minimum retirement age will be 61 or 62 years, for employees and self-employees, respectively, based on the contribution requirements for seniority pensions.

In parallel to these measures relating to retirement eligibility requirements, other rules have been introduced aimed at implementing an overall strategy for improving the conditions of employability of elderly persons and for encouraging them to change their habits and customs, first and foremost by enterprises. A first example in this direction is the so-called “Biagi Law”, which introduced the “labour reintegration contract”, also targeting 50 plus workers. More recently, under the law implementing the “welfare protocol”, the Government has been granted delegated powers, to be exercised within the current year, to increase the employment of over-50 year olds by introducing active labour policy measures and cash incentives.

Further steps in raising awareness of the problem of active ageing, in line with the Commission’s recommendations in 2000, are based on measures aimed at supporting older workers by promoting specific active ageing projects and measures. These projects, some of which have already been completed, feature various objectives, which can be summarized as follows: a) hiring workers according to the principle of equal opportunities for older workers; b) training, development and promotion, through policies aimed at ensuring that older workers are not excluded from training programmes and that training opportunities are provided to workers throughout their working life, and that, if necessary, positive actions are implemented to contrast any discriminatory measures implemented in the past. These projects have been developed by enterprises, as well as by social or short-term labour reintegration programmes targeting older workers; c) flexible employment schemes, whereby workers are granted more flexibility, with respect to working hours or the date and type of retirement, d) the redistribution of workloads, i.e. job organization schemes implemented by businesses to tackle declining strength due to ageing.

The projects are widespread nationwide and also feature partnerships with various local authorities; they often include training programmes, on the job training, study clubs, forms of outplacement, also with respect to managerial positions, setting up businesses. The key objective of these projects is to update skills and, therefore, to provide market opportunities for elderly workers, by opening up new pathways – in life and at work – for all persons, whether employed, unemployed or retired, besides aiming at transforming the work experience of older workers into social opportunities.

PART IV – HEALTH AND LONG TERM CARE

4.1 Main challenges, priority objectives and beneficiaries: health care and long term care

INTRODUCTION

Italy is one of the countries in the world with the highest percentage of elderly population and, indeed, the number one in Europe. Moreover, in the forthcoming years the demographic old-age dependency ratio and the old-age index are set to increase further. It has been estimated that in 2030 over 65 year olds will account for 26.5% of the entire population, but the population of over 80 year olds, which already accounts for 5.3% of the Italian population, is the segment that will increase most of all. Age-related diseases have increased by 50% over the last ten years and, according to how they are prevented and treated, they affect the degree and duration of disabilities. Therefore, as a result of the demographical trends, the number of disabled people can also be expected to rise (compared to 2,500,000 today), given the link between old age and disability, affecting one out of three over 80 year olds. The consumption of social and health care resources for over 75 year olds is 11 times higher than for the 25-34 year age group. The increased survival rate, among patients affected by previously high-mortality rate diseases, is not always related to healing, but goes to swell the numbers of “chronic” patients requiring ongoing and complex care for long periods, if not for the rest of their lives. Chronic patients, in fact, already account for 25% of the population and absorb 70% of health expenditure.

The above mentioned trends, combined with the transformation of the population structure, with a drop in the size of the age groups more frequently involved, within households, in looking after the elderly, the increase in the number of single-parent families, and the changed role of women within society tend to further amplify and boost the need for rethinking the present models of health care and developing new instruments for coping with change.

This situation, however, has important repercussions on health expenditure. In Italy, the public health expenditure to GDP ratio stands at 6.8%% (while private health expenditure is 1.5% of the GDP), which is below not only Germany (8.6%), France (7.4%) and Sweden (7.9%), but also the EU average. Although funding for the National Health System (NHS) has increased significantly in recent years (over 27 billion euros, in the last 7 years), health expenditure has grown at an even higher rate, determining considerable deficits every year. Regional differences are large: while there are 13 regions that run big spending deficits, the others manage to provide fair-quality basic levels of care within the allocated funds. This means that the criticalities do not reside in a lack of means, on the contrary, higher spending is, at times, associated with lower-quality services, because the deficits are primarily the result of management decisions that fail to comply with the criteria of effectiveness, efficiency and appropriateness.

In order to tackle the demographical and epidemiological transformations under way, and the serious related problem of financial sustainability, while complying with the roles and duties that constitutional reform has assigned to the different levels of government, new models of governance are being implemented according to which the central government is responsible – within a framework of loyal collaboration and sharing with the regional governments – for providing the financial resources for the NHS, laying down the general health guidelines and strategies, and ensuring that all citizens receive the established levels of care, while it is the duty of the regional and local authorities to plan and implement the health system, in accordance with the principle of subsidiary and by differentiating and adapting services to respond to the new needs, while ensuring the applicable safety and quality standards.

The differentiation, customisation and organisation of care services is based on the forceful reassertion of the centrality of the person. An important change of focus is given by the awareness

that each person, by adopting healthy behaviours and lifestyles, is the primary resource for promoting his or her own health and the health of those near to him/her. Therefore, the NHS is called on to promote health throughout a person's life, by focusing on health-specific factors, and to cut down care requirements and related spending. Smoking and high blood cholesterol, for example, account for 50% of heart attacks; while obesity accounts for another 17%. This can help us understand the importance, for health policies, of investments targeting the general public, to promote prevention, healthy lifestyles, diagnosis and treatment methods, opportunities for care, so that each individual can take on an active role, in partnership with the medical professionals. People are no longer the objects of care, they must become – within their family and social environment – partners to a common project aimed at maintaining and, indeed, enhancing a heritage of health. This new outlook requires the rethinking of the system, taking into account the different relationship between prevention, care and rehabilitation, and the new balance between formal and informal care.

It is also for this reason that the NHS is changing, with a view to building and ensuring a range of services no longer centred on hospitals, but tailored to the needs of the local communities and to be delivered as close as possible to the patient's home or, indeed, based in the patient's home: care services capable of responding in the shortest possible time to the needs of the public and guaranteeing continuity of care, with respect to time and disease management (and, therefore, with respect to the management of chronic conditions above all). The agreement entered into between the central and regional governments, on 23 March 2005, already provided for arrangements aimed at achieving economic and financial balance and assuring certain levels of care; among the formalities that the regional governments should comply with, in order to be eligible for more funds from the central government, is the achievement of a standard of 4.5 beds per 1,000 population, including rehabilitation and post-acute long-term care, with the objective of implementing the transition from inpatient hospital admissions to community day-care and the strengthening of alternative forms of care to hospitalization.

The standard number of hospital beds is set to drop further, in the wake of a specific agreement between the central government, the regional governments and the autonomous provinces of Trento and Bolzano, the conclusion of which, by 31 October 2008, is provided for in Law No. 133 (converting Decree Law No. 112 of 25 June 2008) and is aimed at improving the overall efficiency of the system and driving down the cost dynamics.

A key element of this project is the capacity to build an integrated 'community care framework', based on stakeholders, such as families, volunteer and not-for-profit organisations, employers, by rethinking relations and services, and involving such players as GPs, who can play a fundamental role in encouraging new lifestyles, preventing disease and promoting safer environments. Moreover, steps are being taken to strengthen primary care, to ensure 24/7 community-based care services. A twofold objective is being pursued by promoting the pooling of general practitioners, introducing continuing care staff in the primary care setting, and implementing integration among consultants in local outpatient facilities, namely, (i) to enable a changeover from the previous system of compartmentalised care services to the implementation of shared processes both across all care facilities and between these and their patients, who are recognised a more active decision-making role, with respect to health matters, and (ii) to build a networked approach integrating the institutional and non-institutional stakeholders (Local Health Authorities, hospitals, health care districts, primary care, residential health care, local government, but also families, volunteer organisations, for-profit and not-for-profit organisations).

In a nutshell, the main objectives to be achieved can be summarized as follow :

- integrating health, social care and welfare policies;
- integrating the activities of the institutional (regional, local and health care authorities) and social stakeholders;

- integrating the available health, social care and welfare services;
- creating alliances between the public and private-sector service providers

4.2 Health care

4.2.1 Progresses achieved and policy priorities according to the Common Objectives

Italy identified several years ago the levels of care that should be guaranteed for all citizens, subject to appropriateness, effectiveness, efficiency and economic compatibility. To assert the principle of guaranteed levels of care entails the need to access care services within a suitable timeframe.

Various actions have been undertaken in this country to cut down on **waiting times**.

Based on the Agreement between the central and the regional governments of 28 March 2006, a nationwide plan has been launched for the purpose of cutting down on waiting times for the 2006-2008 period. The plan identifies one hundred priority services and provides that the local health authorities should take the necessary steps to ensure that these services are delivered to the public – by either public or private accredited facilities – within the established time period. Moreover, the regions are under the obligation to prepare a specific Plan for reducing regional waiting lists, such as a single and integrated programming tool. After an assessment of the implementation of this Plan by the regions and autonomous provinces it was found that they had all complied with this requirement.

At the National Agency for Health Services – Age.na.s – a working group for waiting lists has been set up, of which the MLHW is a member, which formulated proposals, not only with respect to monitoring waiting times, but also for developing the necessary solutions and processes for improving the current situation. Surveys are conducted on monitoring waiting times, in agreement with the regions. According to the surveys carried out in the last few years, a special criticality concerns the oncological sector, where the problem of waiting times is felt at all levels (diagnosis, access to surgery, chemotherapy or radiotherapy).

The special “Waiting Times” project for improving information flows, coordinated by the Agency of Regional Health Services, has also developed a methodology for systematically surveying waiting times.

Also with regard to accessibility, some important actions have been taken on the issue of active prevention aimed at extending effective measures through active supply, also the sections of population that finds it difficult to access the health services.

It is important to note that, under the Agreement between the central and regional governments of 23 March 2005, a Nationwide Prevention Plan was launched for 2005-2007 (discussed in the previous Report), for tackling present health risks, within the framework of a uniform, coordinated and effective programme, within the following 4 fields:

- cardiovascular risk
- cancer
- accidents
- vaccinations

The Plan requires the NHS to provide a response to problems that, although they are heavily impacting health, and the related economic and social costs, in the current epidemiological scenario, are nevertheless relatively new, with respect to both policy and strategic planning and implementation, on the one hand, and the availability of scientific evidence as to the effectiveness of the programmes, on the other.

The implementation of the regional plans has been constantly monitored. By the end of December 2006, all the regions had achieved a project progress in excess of 50%, albeit with great differences between both the single regions and the lines of activity. Several figures, such as the extension of cancer screening and the increased screening numbers or the proportion of doctors calculating

individual cardiovascular risk, testify to the Plan's general impact. This information, however, should be integrated with the objective data collected from a number of sources. Assessments relating to 2007 are currently under way.

The Plan coordinates with other institutional measures: the contents of the Plan are developed in synergy with numerous other institutional projects under way, such as the enforcement of Law 138/2004 on screening programmes, the DPCM of 4 May 2006 called "Gaining health", through which the Government adopts the programme for fighting obesity and alcohol and tobacco consumption, and the revision of the Basic Levels of Care in respect of prevention.

In particular, the "**Gaining health: making healthy choices easier**" programme aims at promoting and facilitating healthy choices and lifestyles for the entire population, in an attempt to curb those behaviours responsible not only for premature death and the onset of chronic diseases, but also for a bad quality of life. The programme focuses essentially on four key risk factors: smoking, alcohol abuse, bad nutrition and lack of physical exercise, all of which play an important role in the development of many chronic diseases such as cardiovascular diseases, cancer, respiratory diseases and diabetes.

In Italy, this group of chronic conditions is responsible for 75% of all deaths and conditions of grave disability, with considerable care costs.

Besides projects aimed at informing, educating, supporting and encouraging individual responsibility – so that each citizen can become an active partner in his or her health care – a number of significant intersectoral programmes have been implemented, in partnership with schools, youth organisations, business organisations, trade unions and other social organisations, in a coordinated capacity, in order to also affect the environmental factors and the socio-economic determinants at the root of chronic diseases. This general approach also led to the establishment by the Ministry of Health (under a provision dated 26 April 2007), of a "National Platform on nutrition, physical activity and tobacco addiction", with a view to formulating proposals and implementing projects, consistently with the Gaining Health programme.

Following is also an overview of the legal provisions relating to **foreign citizens and migrants**.

Under D.Lgs. 286/1998 (Consolidated Act on Immigration), irregular immigrants, or those without health care cover (individuals not entitled to membership of the national health service) can only receive emergency care or basic non-programmable care services.

As regards the citizens of the new EU Member States without health insurance, until 31/12/2007, in agreement with the Ministry of the Interior (which accepted only hospital admissions), the application of the STP code (the abbreviation of temporarily resident foreigners) has been extended, which code is generally assigned to illegal immigrants from non-EU Member States, including a large number of Roma people, for emergency and basic care services.

With regard to this matter, the National Health Service spent about 70-80 million euros to provide free health care to uninsured Romanian citizens.

From 2008, with regard to emergency care for these citizens, who are unregistered in their country of origin, the competent local government authorities are advised to keep a separate accounting system, which can then be used in connection with any steps or negotiations undertaken at EU or diplomatic level for recovering the related costs. As a result of this recommendation, several regions (Latium, Sicily, Marche and Piemonte) have created a code – ENI (Unregistered EU Citizen) – which enables destitute citizens of new EU Member States without insurance cover to receive not just emergency care, but also maternity and childcare and preventive treatment.

Moreover, to guarantee health services to unaccompanied minors and to the victims of people trafficking, and to assess the procedures for ensuring at least the same health cover to which the citizens, although uninsured, would be entitled to in their own country, negotiations are under way with the Romanian authorities, in respect of a draft administrative and accounting Agreement, based on the Declaration of Intent signed in Rome, on 18 December 2007, by the Health Ministers of the

two countries, relating to collaboration in the field of health care, which might serve as a template for similar agreements with other countries.

Lastly, in June 2008, the Government sent Parliament a framework legislative decree amending D.Lgs. 30/2007 implementing the European directive 2004/38/EC, which provides, in the case of EU citizens entitled to reside in the country for more than 3 months, the possibility of voluntarily registering with the National Health Service, which is currently allowed only to certain categories of EU citizens.

Decree Law 112/2008, converted into Law 133/2008, has amended paragraph 2 of article 1 of D.Lgs. 286/98, providing for the non-applicability of the above mentioned legislative decree to the citizens of the EU Member States, without prejudice to the regulations governing the enforcement of the European system.

With regard to the improvement of accessibility in the southern Italian regions, where the problem is most severely felt, actions are being taken to intensify technological investments and innovation in the service models, by means of “Health Plans” and specific solutions, such as:

- evolutionary forms of primary care and intermediate local care facilities;
- enhanced integration between health and social care and between hospital and community care;
- promoting the level of computerization of the regional health services, for the purpose of improving access to care and diagnostic services, speeding up service provision (reducing waiting lists), ensuring cost appropriateness and reducing spending (less repetition of exams) and inconvenience for the public (less mobility for diagnostic and therapeutic cycles). With regard to this matter, it must be highlighted that the competent authorities are engaged in setting up inter-regional core facilities and developing long-term cooperation projects and partnerships between core facilities in the South of Italy and the centres of excellence in the Centre-North and abroad, for both knowledge management, with respect to the best practices, and innovation and strengthening of the factors of effectiveness and efficiency in the levels of care of the southern regions, with special reference to the practices relating to prevention, home care, oncological treatment and palliative care, primary care, child medicine, high specialty surgery, etc..

In recent years, various activities have been implemented by the Ministry of Labour, Health and Welfare, for the management of clinical risk in health care, through the adoption of an integrated approach aimed at changing clinical practice and promoting a culture of safety at all levels of the system.

In 2006, a Patient Safety Working Group was set up for the purpose of researching the following fields of priority importance in the analysis of the problems:

- monitoring of adverse events and, in particular, sentinel events;
- developing recommendations and solutions for patient safety;
- developing instruments for the analysis of the adverse events and implementing training and educational policies for health workers;
- patient involvement;
- legal and medico-legal aspects.

In 2007, a Nationwide System for Patient Safety was established, which also serves as a Patient Safety Observatory, operating according to the programmes annually approved by the Ministry. This system has been activated on a trial basis for a period of two years, by the General Directorate for health planning, basic levels of care and ethical principles of the Health Ministry.

In 2008, the IT flow, on an anonymous and volunteer basis, for monitoring sentinel events was

defined; this had already been introduced under a pilot trial scheme in 2005. Moreover, the NHS has set up a dedicated unit for managing clinical risk. Seeing that there are no plans, to date, for the establishment of a national agency for patient safety, a Nationwide Strategic Committee has been set up to manage clinical risk, with a view to identifying the priorities in the production of guidelines, recommendations and technical and scientific documents for health care workers. A National Advisory Body has also been set up to foster the coordination of the nationwide network for patient safety, which brings together the representatives of the local and regional institutions working in this field.

The law of 6 August 2008, concerning NHS funding for the 2009-11 three-year period, provides for the allocation of 102,683 million euros in 2009, 103,945 million euros in 2010, and 106,265 million euros in 2011. The resources actually available in 2009, which are proprietarily allocated based on the resident population of each region, allow the earmarking, on average of about € 1,637 per citizen. The NHS's commitment is to ensure an effective and efficient supply of health assistance to the citizens in the respect of the allocated budget. The significant differences existing at regional level, with regard to fiscal, technical and administrative capacities, have determined differential growth among the regional health services, and the consequent increased risk of unfairness in covering the health care needs of several regions. Measures aimed at tackling the above mentioned criticalities and the guarantee of a universal and global NHS have become health policy priorities. Since the constitutional reform of 2001, a number of pacts have been concluded between the central and regional governments, concerning budgetary constraints and how to ensure good-quality services for citizens nationwide.

The key features of these agreements are:

- the distinction between the responsibilities of the state and those of the regions, with respect to the creation of the NHS debts and health care funding;
- nationwide supplementing of NHS financing. All the pacts provide for the provision of financial aid to the regions to help them cover the debts accumulated over the years;
- the introduction of mechanisms enabling the central government level to allocate further resources. Access by the regions to the supplementary financing is subject to the obligation to submit operational plans for preventing the creation of further debt, or which set out ways of financing the existing debt (for example, by increasing local taxation, introducing patient charges under cost-sharing arrangements and measures for cutting inefficiency), to send complete sets of data to the New National Information System, as promptly as possible, to implement policies for rationalising hospital care and increasing the use of alternative care settings (day surgery, community care services, etc.). Since 2005, a percentage of the funds annually earmarked by the State is withheld, awaiting the outcome of the assessment of the region's compliance with the provisions set forth in the agreement entered into in 2005 (measures for eliminating unnecessary and inappropriate care; compliance with the NSIS flows; introduction of detailed cost survey systems in all the Local Health Authorities; measures for rationalising the hospital system, implementing home and outpatient care for non-self-sufficient patients; introducing the National Prevention Plan, etc).

We must also highlight the important financial impact of its implementation, the Agreement entered into force on 28/02/2008, and concerning structural and technological investments. Besides shared procedures relating to the implementation of the investment programmes, the Agreement also contains a document, produced by the Ministry of Health's Public Investment Assessment and Monitoring Team, established within the framework of the National Investment Assessment System under Law 144/1999. To better support the planning, assessment, implementation and monitoring of the investment programmes significantly impacting the NHS, and the country as a whole, the Team has developed an *ex ante* assessment procedure called MexA, based on the available regional experiences and on the methods and techniques of the Structural Funds.

In this framework of shared governance of the NHS, strengthened, as highlighted above, by the central government's power to allocate extra funds, the analysis of the regional health care services – carried out jointly by the former Ministry of Health, now incorporated in the new Ministry of Labour, Health and Welfare (MLHW) and the Ministry of the Economy and Finances (MEF) – focuses on the two key objectives of the NHS:

1. monitoring the financial management of the regional health services (by monitoring expenditure trends and compliance with the budgetary constraints);
2. monitoring the performance of the regional health services, by monitoring the quality, appropriateness, safety, efficiency and fairness of the NHS.

Every year the State makes a complex assessment: if the outcome is positive, the region can access a 3% portion of the State funds; on the contrary, if the outcome is negative, the Ministry of the Economy withholds the funds, until the region concerned achieves a positive assessment.

If the monitoring of the financial management features a structural deficit (in excess of 7% of the planned expenditure), the region is offered access to a Central Fund, provided that it agrees to adopt a detailed deficit recovery scheme (DRS), agreed to with the central government, laying down a set of measures aimed both at narrowing the structural deficit and providing sufficient cover and/or improving the quality of the basic levels of care (ELC).

The experience made in recent years, in connection with the assessment process, in fact, has shown that the Regions with the worst financial management generally also feature lower-quality services.

The assessment of the achievement of the intermediate targets set out in the DRS, for the subsequent disbursement of the related funds, generally occurs on a *quarterly basis*, according to the documents supplied by the single Regions to the Ministry of Health and the Ministry of the Economy, through the **SIVeAS** system (Sistema nazionale di verifica e controllo sull'assistenza sanitaria – a nationwide system for health care evaluation and assessment), established in 2006 as “an organic liaison system” with respect to the manifold evaluation and assessment activities already carried out by the NHS. The SIVeAS system is not a new body, but a network set up for the purpose of coordinating the activities and operational objectives of all the existing institutions, organisations and lines of activity, which had been made responsible, under the prior legislation, for evaluating and assessing care and promoting good practices, including, besides the government departments directly concerned, the LEA Committee, the National Agency for Health Services (AGENAS), the National Drug Agency (AIFA), the Superior Institute for Health (Iss), the National Statistics Office (ISTAT), and a string of scientific societies, public or private research centres and experts involved in the evaluation of health services.

More specifically, the institutional mission and aim of the SIVeAS system is to make sure that the funds provided by the public purse effectively become services for the citizens, based on criteria of efficiency and appropriateness. According to the interdepartmental decree of 17/6/2006 establishing the system (article 1.2), it is the SIVeAS' task to assess whether:

- a) the funds provided are actually used to provide services for the citizens;
- b) the services are effectively based on criteria of *efficiency and appropriateness*.

The *lines of activity*, identified and agreed to for the continuation of these objectives by the SIVeAS during 2007-2009, can be grouped into *two macroareas*, which are interdependent and communicate:

- A. the area of the *guarantees* for the achievement of the NHS targets;

- B. the area of the *support* to the Regions that have entered into the agreement referred to in article 1.180 of Law 311/2004, including the deficit recovery scheme.

Based on current experience, within the framework of the present arrangements between the central and regional governments, the coordinated management of the basic levels of care and services, the related monitoring of the quality of the funds paid out and of expenditure, and the extraordinary expenditure rationalisation schemes, could effectively be assigned to shared forms of “centralized” piloting, which would also serve the purpose of spreading good practices in a country that features a considerable gap between the best and the worst levels of management, according to benchmarks based on standard spending, and two instruments that obviously need to be integrated, namely, (i) financial control through accounting, and (ii) the possibility of continuously verifying the deviation with respect to the quality objectives. This would enable closer and more shared forms of piloting, such as not to impair our institutional structure.

As regards spending for new technologies, the question is whether they determine a greater or lesser propensity to health expenditure. New technologies, in fact, open up unexpected scenarios with respect to the prediction, prevention and treatment of diseases. The spread of ICT enables the fast circulation of information and increasingly patient-focused care. The new technologies, however, should be introduced carefully, in order not to lead to improper demand and to prevent an unfavourable cost-benefit ratio.

With regard to this aspect, it should be highlighted that the health technology assessment processes, which are being locally implemented, allow the rational and cost-effective programming of equipment distribution, based on appropriate catchments areas, thus avoiding the waste of resources and the generation of new demand.

4.3 Long term care

4.3.1 Progresses and priority policies in relation to the Common Objectives

The new model of positive welfare entails the development of a dynamic model of health, social care and welfare integration, characterized by a range of lifelong services centred on the person and the family, and supporting the more fragile members of society by fostering the promotion and development of individual capabilities and family networks.

Demographical changes and, in particular, population ageing are important challenges for a society seeking to achieve a viable balance and economic compatibility. It ensues that any policy, in order to be effective, requires the development of an integrated and solidarity-based society willing to take on board the needs of the elderly and, indeed, to view ageing as an opportunity rather than a burden.

This means putting into place an all-round and consistent action framework, based on the transformation of the relationship between prevention and care, on the new balance between formal and informal care, and on the problems inherent in the various types of care services provided.

Hence, the need to develop suitable welfare strategies, in particular with respect to healthcare: pursuing the integration of the many local community services is the prerequisite for achieving an overall improvement in the quality of life.

Elderly people – due to their physical and functional disabilities – require more care, which in turn requires increasing economic, organizational and structural commitments. In this scenario, the need to culturally rethink the community approach to elderly patients can be kick-started by identifying several major criticalities:

- ensuring continuity of care between the community level and hospitals;
- properly targeting elderly patients in the various care settings;
- identifying the diseases and conditions that can be treated locally;
- providing geriatric training for the care professionals involved.

This can be achieved by:

- integrating health, social care and welfare policies;
- integrating the activities of the institutional (regional, local and health care authorities) and social stakeholders;
- integrating the available health, social care and welfare services;
- creating alliances between the public and private-sector service providers.

The first step consists in the overall reorganization of the different levels of care.

At the local community level a process has been under way, for several years now, aimed at overhauling and upgrading Primary Care, which has entailed the shifting of the focus from the disability or condition to the person, as part of a policy the ultimate goal of which is to provide all round care as near as possible to home.

The latest Nationwide Collective Agreements signed by General Practitioners (GP) and Primary Care Paediatricians (PCP) are moving in this direction and encouraging the aggregation of health care professionals into forms of partnering aimed at promoting continuity of care, offering integrated services for up to 12 hours per day, exchanging and transferring knowledge and expertise and fostering professional growth. The forms of care for non-self-sufficient chronic patients remain those already provided for in the previous years' agreements:

- *Planned Home Care* (PHC) provided by GPs under schemes agreed to at the local level, targeting significant health needs, with periodical visits to patients with walking impairments;
- *Residential Home Care* (RHC) providing for periodical visits by GPs to residential care homes.
- *Integrated Home Care* (IHC), consisting of schemes aimed at meeting the complex care needs of persons who require social and health care on a continuous basis, with the provision of coordinated (medical, nursing and rehabilitation) healthcare and social care services (personal care, meals on wheels, domestic support) to the person's home, by a range of professionals, at the local level and under the general supervision of the GP. The implementation of these schemes requires the definition of plans tailored to the person's specific needs.

The problem with the above system, however, is that the focus is still on the services provided and not on the needs of the person. Patients receiving PHC services, in fact, have needs of differing complexity that can only be met by implementing individually tailored plans, by a range of professionals, subject, however, to the ultimate responsibility of the GP. To achieve this, a project is under way, at national and regional level, aimed at breaking up the IHC system into uniform care subsystems and programs for terminally ill patients. The project provides for 3 levels of integrated home care, based on the complexity and intensity of the required care, in accordance with an Individual Care Plan (ICP), formulated on the basis of an overall multidimensional assessment and provided through a multidisciplinary and multi-professional team; the "palliative home care services for terminally ill patients" are characterized by an intensive approach to the highly complex needs enshrined in the ICP, and are provided by a team of qualified professionals.

These services, together with:

- *Home care services*, featuring the provision of either individual nursing and/or rehabilitation services of an occasional nature, or treatment cycles that do not require special technical or professional arrangements, nor multidimensional assessments and the consequent formulation of Individual Care Plans;
- “*Home hospitalization*” schemes, according to which the hospital cares for the patient at home, providing the necessary staff, drugs and equipment, in the case of high-intensity needs. This is a form of “highly complex care, with a defined duration, provided at the patient’s home by a team of hospital consultants, according to a global approach and typically hospital procedures and technologies”

cover the field of “home care”, meaning the full range of medical, nursing and rehabilitation services provided to non-self-sufficient and frail persons, suffering from a disease or condition in progress or the effects thereof, with a view to stabilizing the patient’s clinical condition, curbing functional deterioration, and improving the overall quality of daily life, through a care approach by a multi-professional and multidisciplinary team that also includes social care operatives, periodical monitoring and the assessment of results.

The central and regional governments have earmarked the financial resources for developing the Primary Care project, especially with the 2007 Financial Law (10 million euros set aside by article 1(806) of Law 296/2006, and earmarking a part of the resources for the implementation of the 2003-2005 and 2006-2008 National Health Plans, 500 million euros being allocated for 2006 alone).

Another important sector for long-term care is that of **residential home care**.

Since the end of the 1980s (when measures were passed for building residential care homes for the elderly and non-self-sufficient), both public and private residential homes have increased up to the present estimate of 300,000 beds.

However, it is hard to make an accurate estimate due to the different ways in which these facilities are classified by the single regions. The current definition of Residential Care Home (RSA, *Residenza Sanitaria Assistenziale*) has, in fact, taken on considerably different meanings in the various regions.

This is why, at national and regional level, attempts are being made to define the activities of these facilities, allowing a distinction between the various types of residential care facilities, and between these and rehabilitation and long-term hospital care facilities, also with a view to ensuring fair costs, prevent the overlapping of competencies, and inappropriate admissions. Long-term care, or similar functions, in fact, can be provided:

- a) in hospitals (in the low-care areas of multi-speciality hospitals);
- b) in hospitals undergoing reconversion (community or “cottage” hospitals), providing diagnostic services and specialist outpatient units;
- c) in non-hospital facilities qualifying as residential homes.

In the rehabilitation sector too there may be overlapping situations. Intensive rehabilitation services can be provided in both hospital and local community facilities, while extensive rehabilitation and rehabilitation maintenance is provided in local community facilities. This means that at least 30% of intensive rehabilitation services for post-acute patients are provided by either local or hospital facilities, indifferently, but the latter are required to manage a case-mix that is similar to that of the local facilities at higher costs and according to care standards generally proportional to those costs.

Another area of practice developed in recent years is **palliative care**.

The programme (under Law 39/2000) has earmarked resources totalling €206,566,258 to the regions, for building palliative care facilities. To date, **72 palliative care facilities** have been

built, although most of them are located in the north of the country. Other facilities are currently in the pipeline and it is estimated that, in the forthcoming future, there will be a considerable increase in the number of palliative care facilities.

Two measures have been introduced under the law: the first sets out the minimum requirements for qualifying as a palliative care facility; the second provides for the implementation of a care network for terminally ill patients, because palliative care facilities are viewed as only one of the components of the program, their key function being to admit patients for temporary periods of time, during which home care would not be appropriate.

A special measure (Decree No. 43 of 22.02.2007) issued by the Ministry of Health, in partnership with the Ministry of the Economy, has set out the standards of care for terminally ill patients, to provide nationwide uniform quality, structural and quantity standards for both palliative care facilities and the overall care network for terminally ill patients: all the regions will be required to implement the standards by the end of 2008.

Moreover, on 20 March 2008, an agreement was entered into by the central and regional governments and the autonomous provincial government of Trento and Bolzano relating to the formulation of “technical standards for child palliative care”. In Italy, there are, on average, about 11,000 children suffering from incurable and/or terminal diseases or conditions (1/3 are of an oncological nature, 2/3 are non-oncological), in need of child palliative care and treatment by a care network comprising a team of level 3 child palliative care consultants and professionals, community care services, and hospitals closest to where the child lives, capable of providing essential services within the framework of a diagnostic assessment and care process. The principal goal to be achieved, with respect to child care, is to provide home care services, as far as possible, although the care process may also require periods of residential care. The most appropriate care models will be decided on a regional basis.

Further measures include services targeting families caring for a disabled family member, such as the so-called “*social relief beds*”, designed to relieve the stress of the carers by accommodating non-self-sufficient persons in residential care homes on a temporary basis.

Many regions are also setting up *community or “cottage” hospitals* run by GPs in partnership with a team of social and health professionals.

Cottage hospitals are still few and far between (in 2006 there were only 50 such hospitals, primarily concentrated in 8 regions), but they are an unquestionably interesting project because they create a link, previously missing, between the network of home care services, residential facilities for the elderly (residential care homes, sheltered accommodation, nursing homes), and hospitals. This model of community-based social and health care primarily targets the elderly, by setting up facilities managed by family doctors. A key role, in fact, is played by GPs, with the support of teams of social and health care professionals providing care for the frailest members of society, in accordance with a holistic approach to patient needs. This type of facility is growing in importance in regions with excess hospital beds, currently engaged in implementing reconversion projects.

Hospitals are also engaged in implementing projects addressing admission appropriateness and improving discharge procedures, especially with respect to patients suffering from more complex conditions, by identifying the best ways of linking and coordinating hospital and community services (hospital physicians and consultants and GPs), to ensure immediate care within the community for chronic patients and the implementation of joint care arrangements, also by exploiting information technology and further investigating the potential of ICT for integrating the range of available services and providing a seamless transition from one form of care to the other, to the advantage of the person, by easily accessing greater opportunities for well-being and inclusion.

Within this framework of differentiated services a key role is played by **multidimensional assessment (MDA)**, for defining the integrated set of patient needs, including health, social and psychological care, and social security and welfare services, provided by health and social operatives, with a view to formulating the Individual Care Plan based on criteria of effectiveness and appropriateness.

Italy has not yet adopted a single multidimensional assessment tool and, until several years ago, in most of the country, the choices were made by the members of the teams of professionals involved. In the last two years, assessment tools are being increasingly adopted at regional level, which, however, still does not help the development of uniform nationwide systems for the assessment of non-self-sufficiency. While awaiting the development of a system focused on the specific needs of the person, rather than on his or her disability or condition, the International Classification of Functioning, Disability and Health (ICF) adopted by the World Health Organization, could turn out to be a precious tool for accurately identifying the functionalities of the person, pushing the diagnostic criteria for assessing the person's disability into the background.

The integration of health care services in itself, however, is not sufficient to ensure the coverage of complex social and health care needs, which include not just health determinants but – and in some cases primarily – social determinants as well. Two priority goals have been identified in this respect: firstly, the gradual achievement of increasing uniformity among the actions currently implemented by the different regions; and secondly, the enhanced integration of health and social care actions currently provided by different authorities. The setting up of the Ministry of Labour, Health and Welfare, which has merged and taken over the competencies of the three formerly separate government departments, in fact, is a firm commitment by the Government toward the integration and approximation of government entities and decision-making processes, with a view to developing strategy and policy guidelines for moving beyond the criticalities and fragmentation of the current situation.

Compared to the previous report, there is now a greater and more widespread use of integrated planning enabling local government and health authorities to implement common procedures for ensuring all round care for people, by means of the unitary management of services in uniform areas. The tools available to the local authorities for developing and implementing integrated policies are the so-called “Area Plans” and “Community Action Plans”, which encompass local social and health care projects, setting out – consistently with the guidelines set out by the local health and government authorities – the health and social care targets and activities. Moreover, the overall project also provides for the opening of one-stop-shops (OSS) where members of the public, and especially those suffering from medical conditions or health/welfare problems, can easily access non-emergency services. The OSSs should represent a gateway through which citizens (who often suffer from complex problems) can request and promptly obtain all round tailored care, with direct referral to the competent assessment units, and other services responsible for formulating and implementing the individual care plan, thus substantially guaranteeing the principle of “fair and equal access”.

By strengthening local community-based care services, fostering integration with the social services, developing one-stop-shops for care, providing a range of flexible and tailored services integrated in the ICPs, assuring coordination between the different care levels, with the support of ICT, a network of services and (public and private-sector) service providers is being built, offering not just basic health and social care services but a global response to the different needs of the person, based on precise nationwide standards of quality and efficiency.

To support the achievement of this goal, the 2007 Financial Law (Law 296/2006) has set up a National Fund for the Non-self-sufficient, responsible for funding the essential levels of services for people who are unable to perform the basic activities of daily life. The resources allocated to this national fund apportioned among the regions and autonomous provinces, to

cover the costs for social services, in addition to the health services, which are currently covered by the national health fund.

The aim of this measure is to provide a response, in terms of quantity and quality, to the needs of people with limited mobility and their families. Moreover, the establishment of a national fund, linked to the implementation of basic levels of social care, is a clear commitment to the achievement of uniform nationwide levels of care.

For this purpose, on 16 November 2007, the Government introduced and approved a bill with the aim of building a welfare and care system for non-self-sufficient people providing for five areas of action as a launching pad for a set of organic measures. The first step consists in an assessment of the condition of self-sufficiency and the accurate determination of the care needs, based on nationwide uniform criteria, in accordance with the International Classification of Functioning, Disability and Health (ICF) adopted by the World Health Organization. Secondly, the aim is to define the basic levels of services, in relation to the assessed needs, through user-friendly one-stop-shops at community level, where non-self-sufficient persons and their families can find all the information they need about the services they are entitled to receive. The primary aim here is to define a care project for non-self-sufficient people tailored to special needs, based on the person's age and condition of non-self-sufficiency, developed in partnership with the disabled person and his or her family. At the same time, it will be necessary to introduce standards in terms of the quality and quantity of the services, based on the type of care, the level of non-self-sufficiency and the disabled person's household arrangements. The third aspect taken into account in the bill refers to the need of providing for a gradual implementation of the basic levels of care, especially with regard to the availability of resources for the project. This would require a phased approach, initially targeting people with a very serious condition of non-self-sufficiency and a low income. A fourth area of action, referred to in the measures approved in 2007, concerns the introduction of cost-sharing procedures, with respect to the social care services, which are not covered by the national health fund. The target here is to develop a means-testing process, for calculating the income of the disabled person and of his or her household, based on the results of which the authorities would then decide whether to provide the services free of charge or apply a charge. Lastly, the fifth area of action aims at developing a nationwide information system for non-self-sufficient people, to uniformly survey needs and actions at the local level, which would be integrated with the existing nationwide health information system. By successfully and systematically monitoring the actions put into place, it will be possible to achieve more effective public policy planning, also in relation to the evolution of needs and to the different organizational arrangements that have been consolidating themselves at regional level.

The nationwide fund for non-self-sufficient people has been allocated resources totalling 100 million euros in 2007, 300 million in 2008 and 400 million for 2009. These resources, which are apportioned among the regions and autonomous provinces according to the non-self-sufficient population living there, and based on local demographical and socio-economic indicators, are added to those earmarked at regional and local level for projects aimed at supporting disabled people and their families. The resources paid into the national fund are allocated to provide social care services to people assessed as non-self-sufficient, regardless of age, and add on to the specific funds that many regions already set aside for this purpose.

These actions are all part of a broader project aimed at defining the basic social service levels for the non-self-sufficient, alongside the basic levels of healthcare that have already been uniformly defined for the entire country.

The apportionment of these funds to the regions and autonomous provinces is based on the above mentioned specific fields of action, which serve as earmarking guidelines for the local authorities. In particular, the following goals have been set:

- To strengthen the one-stop-shops in order to enhance access, at the community level, to services dedicated to the non-self-sufficient, with a special focus on disseminating information among the public.
- To strengthen the care giving procedures for the non-self-sufficient, by means of a tailored care plan integrating health and social care services. In this field of action, the aim is to foster the use of new technologies, with a view to extending in time, as far as possible, conditions of self-sufficiency.
- To strengthen the integrated care procedures for the non-self-sufficient, enabling them to stay in their homes and continue to live in a family environment.

Alongside the actions to be implemented at local level, the measure allocating the funds to the regions and autonomous provinces also provides for the monitoring of the single actions implemented by the national Fund, for collecting, at the central level, all the information on the services provided to non-self-sufficient patients. The more general objective is to collect a full set of information for each person cared for, specifying the services provided and any benefits paid out, according to the disability. This monitoring activity shall also be aimed at achieving a more effective definition of the essential levels, as a result of an analysis of the patients' needs and of the services available in the different local environments.

In recent years, new means for supporting families caring for non-self-sufficient persons have been introduced, consisting of *benefits* for social and health care, or social care alone, to support patients in their homes or for broader care support (for example, the regional government of Veneto has set up a fund for home care services), besides providing *social and health care vouchers* for purchasing care services from accredited public and private-sector providers.

At national level, the **National fund for family support policies**, set up in 2007 and managed by the Presidency of the Council of Ministers, has earmarked 25 million euros for experimental family support programs, in 2008, targeting the non-self-sufficient. The primary aim of the program is to encourage and support families wishing to keep a non-self-sufficient member at home, in an environment with which they are familiar and in which they can maintain their social and affective relations.

The issues of serious disability and non-self-sufficiency are also included in the *Green Paper* recently presented by the Ministry of Labour, Health and Welfare on the future of welfare in Italy. This is an important strategic document, presented according to a "public consultation" approach, which is aimed at stimulating contributions by members of the public, the central and local governments, and third-sector stakeholders, to provide suggestions in respect of the subject matter tackled by it, through public consultation open to all. At the end of this process, the Government intends to define a new model of welfare, which, based on an integrated system of actions, can uniformly ensure, throughout the country, an efficient response to the problems posed by conditions of social fragility.

In particular, in the case of elderly people most at risk of becoming non-self-sufficient, the *Green Paper* examines innovatory responses to the growing need for care. The ultimate aim is to foster: the integration of health, social care and welfare policies; the integration of the institutional players and of these with the social stakeholders; the operational integration between the different typologies of services; the alliance between public and private-sector service providers.