



# National Background Paper Italy



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## National Seminar – Italy Anticipating and Managing Restructuring

National Background Paper - Italy

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### INTRODUCTION

This paper provides an illustration of the main measures devised to anticipate and cope with industrial restructuring in Italy, after a brief overview of recent trends and developments in the domestic employment and economic structure and in restructuring. Some specific cases of anticipating and managing change and industrial restructuring will then be presented, in order to give a more detailed account of concrete experiences. The concluding remarks will provide an overall assessment of the effectiveness of the various measures presented and suggest the transferability potential and the scope for reform.

Detailed analysis and discussion of the issues raised by restructuring appear particularly timely in a phase where the European economies are facing a substantial downturn if both the levels of activity and employment (EUROSTAT 2009), whose consequences on the medium-term growth prospects and the production structure could be significant.

### Executive summary

#### RECENT TRENDS IN CHANGE AND RESTRUCTURING OF THE ITALIAN ECONOMIC SYSTEM

A fundamental feature of the Italian economic system, which has been often stigmatised in recent debates, is its stability. The Italian business sector is characterised by a specialisation in traditional, low tech and relatively low-skill productions activities and products. It shows a rather low level of investment in R&D and innovation. The high fragmentation of its production structure, with micro-firms representing almost 95% of businesses and some 50% of total employment, is also quite stable, with limited signs of increase in the average firm size. If this feature can probably contribute to the flexibility and adaptability of the economic system, it also implies important constraints, especially in terms of investment potential and the ability to cope with the current challenges linked to the internationalisation of markets, the development of new technologies and shift to a knowledge economy. In this context, the historical divide between the Northern and the Southern regions in terms of economic and employment performance has remained substantially unchallenged.

Therefore, from a macro perspective, it is maybe possible to state that restructuring in Italy, in recent years, has been limited. Industrial policies, for instance, have mainly focused on strengthening the existing production structure, with little investment in supporting change and

<sup>1</sup> The authors would like to thank Cristina Tajani for the fundamental contribution to the drafting of the first chapter and for providing information on the case studies.

experimenting new development paths. The main achievement of the latest decade, a substantial increase in employment and a parallel reduction in unemployment to historically low levels, has come at the cost of lower productivity. GDP growth has, in fact, remained constantly below the EU average, while employment boosted in labour intensive and low productivity sectors (above all real estate, renting and business activities, hotels and restaurants, and construction). Moreover, the increase of non-standard employment contracts seem to have contributed to low investment in human capital development by firms.

The recent economic slowdown is having an important impact on the production structure. So far, unemployment growth has been limited, but a number of forecasts point to a substantial rise until 2010. The most evident impact has been on the utilisation of the Wage Guarantee Fund (Cassa Integrazione Guadagni, CIG), the major social shock absorber in Italy which simultaneously provides relief from labour costs to firms and income support measures to workers in case of temporary reduction of the levels of demand or activity or in case of reorganisation and restructuring. Interestingly, until the first quarter of 2009, the bulk of the CIG hike has been linked to firms demands for temporary aid rather to the spread of proper restructuring processes.

## **ANTICIPATING AND MANAGING CHANGE**

Italy has an articulated system of tools to anticipate and manage restructuring which often provides for a high degree of involvement of the social partners. The delimitation of the observation field is not easy, as many social actors are engaged in anticipating restructuring, or economic change in general. Of course, businesses and entrepreneurs are at the fore-front of these efforts, since this is certainly a constitutive task of their economic and social role and represents a crucial component of successful strategies. In this paper, however, we will focus essentially on tools developed by institutional actors (political authorities, public bodies and agencies, associations, and social partners) and aimed to support the transformation of the production structure, with a view to reduce social and collective costs and improve the effectiveness and outcomes of the restructuring process, in terms of enduring economic and employment growth.

In principle, the anticipation of restructuring, in the sense of identifying and accompanying structural shifts in the economic and production system, can be the result of different activities aimed to analyse current and prospective developments in four basic areas: a) sectors – or product and service markets; b) innovation (technologies, organisation, skills); c) the labour market; d) the knowledge system – or the education, training and research sectors. While, to a certain extent, it is possible to imagine (and implement) separate anticipation strategies (for instance, studies on trends in demand and emerging markets, analyses of the industrial potential of new technologies, monitoring of skill gaps on the labour market, studies on the performance of the education system or on research and technological transfers), it is the coordination and the integration of these four paths which support positive outcomes, since in the end they only represent different points of view of the same element: a well-functioning economy, capable of facing new challenges and promote growth.

Indeed, their integration is usually an essential ingredient of strategies aimed to anticipate/to manage restructuring, as, in this case, a number of different priorities emerge: the importance of supporting economically sustainable strategies, limiting unemployment and providing new job opportunities. Therefore, the inclusion of specific efforts to sustain investments in innovations or



the provisions of training and re-training courses are often important components of adjustment strategies.

With a certain degree of simplification, which is probably inevitable, given the scope and the aim of this paper, it is possible to identify the following basic tools to anticipate restructuring, with reference to the four areas listed above:

- a) sectors: business associations often carry out regular analyses to monitor closely changes in their respective industries. Moreover, collective bargaining often provides for the establishment of joint sectoral monitoring bodies which should analyse industry developments, usually in order to anticipate and discuss employment trends. Some public bodies, such as the Chamber of Commerce, can set up monitoring tools of specific local markets.
- b) innovation: here we will limit our attention to the role of industrial policies, both at national and local levels, where the use of bargained interventions (area agreements, territorial pacts, etc.) has been increasing in a recent phase.
- c) the labour market: a number of public agencies at national and local levels are involved in the study and management of labour markets, with the aim to facilitate transitions between education and jobs or between different jobs. ISFOL and Italia Lavoro as well as Unioncamere (the association of the Chambers of Commerce) are important actors at national level, but there are many similar bodies at local level. Moreover, local observatories are often set up with the participation of the social partners and other stakeholders. The role of joint bodies (Enti bilaterali) has also been emphasised by recent legislative interventions on labour market regulation and by collective bargaining, so that there may be growing scope for their action.
- e) the knowledge system: a large number of actors are engaged in this dimension, starting from the regional administrations, which have the main responsibility to define vocational training systems, which involve important dialogue with social partners and other stakeholders. Moreover, the social partners have their own tools to devise and implement vocational training, especially through sectoral training funds. Then, universities are increasingly supporting strategies to develop technological transfers, partnerships with companies, and spin-offs.

The management of restructuring, in Italy, is centred around the system of “social shock absorbers”, in which the Wage Guarantee Fund (Cassa Integrazione Guadagni, CIG) has a fundamental role. This measure is aimed to provide an income support to workers “suspended”, because of temporary or more structural difficulties face by firms. Another important component of this system is the “mobility procedure” and the connected “mobility allowance”, which are activated in case of collective dismissals. While the social shock absorbers are quite effective in providing a rapid relief to companies in difficult situations and preserve worker income, their basic limitation is the partial coverage in term of firms and employees. It is not by chance, in fact, that the recent economic slowdown has led the government to introduce temporary rules which extend the access to the CIG and mobility allowance (as well as to other provisions) to firms and worker usually excluded.

As said, it is interesting to note that, the use of the social shock absorbers, in case of company reorganisation and employment redundancies, is usually linked to other measures, including industrial policies and training initiatives, which are meant to ensure a direct redeployment of redundant workers to new initiatives or the improvement of their employability.

The issue of restructuring, or better of the adaptation of the Italian economy to the new economic and social environment, has been widely discussed in recent years, notably as a consequence of the unsatisfactory achievements in terms of GDP growth. The latter have led a number of observers to voice the risk of a decline of the Italian production system and thereby demand a concerted effort to foster structural adjustments. More recently, the topicality of restructuring has been ensured by the current economic downturn, which has sparked a relevant debate over restructuring and the special measures to be implemented to cope with the impacts on the business sector and employment. This has fed into the long-lasting discussion on the reform of the social-shock absorbers, in order to overcome its present weaknesses, especially in term of limited coverage.

## **THE RESULTS OF RESTRUCTURING: COMPANY EXPERIENCES**

The experiences of managing restructuring usually involve a number of actors and tools. The three selected cases illustrates the different steps of this process, which starts with the involvement of internal stakeholders, at the time of the announcement of the restructuring plan, and then, in different ways, tends to include external stakeholders, essentially local and national political authorities, with a view to cushion the social impact of restructuring through different tools: the social shock absorbers (basically CIG and mobility procedures), employment services and training initiatives, and different industrial policy instruments to attract new investors. While social shock absorbers are a fundamental element of managing restructuring and outplacement and re-qualification initiatives have been a crucial component of the common strategies to address reorganisation processes, the emphasis on re-industrialisation has increased in recent years. The latter could be a more challenging aspect of managing restructuring, both for its costs and for the capacity to produce significant and long-term results in terms of business development and employment creation.

An interesting issue which emerges from the cases is whether ‘internal anticipation’ of restructuring, through an early involvement of the trade unions in analysing the situation and identifying solutions, can reduce the scope or the need for external support or simply provide more time for selecting the most appropriate solution. Participatory industrial relations and commitment to CSR policies by the companies involved, in this sense, may help to address restructuring and reduce its collective costs.

## **THE ASSESSMENT OF MEASURES AIMED TO ANTICIPATE AND MANAGE RESTRUCTURING**

It is difficult to express a clear assessment of the different measures aimed to anticipate change. While there is an established evaluation system for labour market policies, primarily implemented directly by the Ministry of Labour, Health and Social Policies and through a specific ISFOL project, measures to anticipate restructuring, such as observatories and monitoring initiatives on market and skill developments, refer to a large audience of potential beneficiaries and have a more diffused and indirect impact. Certainly, specific elements of the anticipation system are more easily the object of assessment exercises, like in the case of industrial policies. Existing evidence and the internal assessment of the Ministry of Economic Development point to some weaknesses of the current industrial policy framework and, also for

these reasons, a reform was initiated in 2005. The system of knowledge creation – education, vocational training, research – is at the centre of considerable attention in Italy, especially as regards the development and fine tuning of the vocational training system and the links between universities and the business sector. In the former, the emerging model is based on the involvement of the social partners in both the design and implementation of training initiatives. In the latter, the establishment of direct links and partnerships on specific research or education projects is increasingly pursued, following good international practices. Both developments seem to be promising.

The issue of managing restructuring seems to be currently more topical. The system of ‘social shock absorbers’ in Italy has been at the centre of a broad debate for more than a decade and for many years now a comprehensive reform has been on the agenda. The two main issues in this discussion have been, on one side, the crucial role of the Wage Guarantee Fund (and its limited coverage in terms of sectors and firm size), and, on the other, the weakness of unemployment benefits, in terms of coverage, level and duration.

Two other problems with the present ‘social shock absorbers’ are the feeble integration with employment services, which tends to reduce the capacity to effectively support the re-employment of workers made redundant – and adds to the traditional weakness of active labour market policies in Italy, and the piecemeal approach to efforts to ensure re-industrialisation of the abandoned sites by attracting new investors. The latter may increase the costs of restructuring, as no established tools or guidelines exist in this field. The actors (usually the local authorities) have to look for prospective investors, find the resources to attract them, and stipulate protocols and agreements under conditions of urgency and uncertainty, with often a substantial involvement of public subsidies and weak guarantees and enforceability of the new investors’ commitments.

In general, it can be said that the Italian system of ‘social shock absorbers’ seems to meet well the needs of the companies facing difficulties, while it is less effective both to support re-employment of redundant workers and to foster new economic initiatives. As a consequence, in order to improve the anticipation and management of change and restructuring, besides a structural extension of the coverage of existing tools, the reform of the ‘social shock absorbers’ should probably involve a closer integration with employment services, active labour market policies and the continuous vocational training system, on one side, and with industrial policies and the initiatives and instruments aimed to support company competitiveness and research and development, on the other side.

Of course, the issue of the introduction of a universal unemployment benefit scheme remains a crucial element in the wider debate over the reform of the Italian ‘social shock absorbers’ as well as the key questions of the total costs and the funding of these measures and the balance between the different instruments and the different goals to be pursued in the event of restructuring. The recovery of the economic viability of companies facing difficulties, the rapid re-employment of redundant workers in other workplaces, and the promotion of new entrepreneurial initiatives are all part of the answer to industrial change and restructuring. However, they may well require different policy instruments and know-how. For this reason, it is not so easy to find encompassing solutions and it can be even harder to change existing arrangements.

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## CONCLUSIONS

It should be noted, and it also emerged in the discussion during the National Seminar, that the long-known and debated drawbacks of the Italian system of managing and addressing restructuring, which are at the centre of the discussion on the revision of the system of 'social shock absorbers', have been somehow taken up in the wake of the current economic downturn. In a way, the difficult situation that Italian firms are facing as a result of the slowdown of the world economy is forcing political, economic and social actors to re-define their attitudes and, more importantly, their policy towards restructuring. The economic recession is clearly showing what is lacking in the Italian system and the actors are directly experimenting the harsh consequences of these shortfalls.

There are two main lines in the 'new' emerging approach. First, a renovated focus on industrial policies as a means to guide and support the transformation of the domestic economic (and employment) structure, with a new emphasis on competitiveness and (anticipating) change. Second, a clear understanding of the importance of extending and reinforcing the instruments to cope with restructuring to the small and micro firms and to the workers which are at present 'structurally' excluded from their coverage.

The importance of a competitiveness-driven industrial policy, which was anticipated by the latest industrial policy National Strategic Framework (2007-2013), has become evident in the present situation, as the conditions to exit as rapidly and as effectively as possible from the economic downturn, for the Italian economic system as a whole and for individual firms alike, are strictly linked to the capacity to develop new knowledge and competencies. Quite interestingly, this dimension is closely related to the issue of the extension of the coverage of the tools to address restructuring to small and micro firms. In fact, it is mainly this (crucial) part of the Italian economic (and employment) structure which needs more resources to accompany a general upgrading of the competitive potential in order to overcome a substantial lack of internal resources (economic, financial, and managerial resources).

Here, the extension of the system of 'social shock absorbers' to cover also small and micro firms as a special measure to cope with the current economic downturn represents a quite interesting and challenging experience. In fact, more than with the larger companies generally covered by the 'social shock absorbers', this extension requires a close collaboration between different actors and a clearer integration of 'passive' and 'active' policies. This is a result of the joint national and local funding of the different measures, of the requirement of a local tripartite agreement to define the essential framework for the interventions, and of the utilisation of the European structural funds, which implies a strong commitment to 'active' policies. All these elements seem to favour a forward-looking approach and possibly the integration with further measures aimed to support local economic growth and employment creation through 'knowledge-intensive' and 'competitiveness-enhancing' investments in education and training initiatives, territorial business services and research infrastructures.

Such more comprehensive and integrated system of addressing restructuring for small and micro firms, even if implemented temporarily and in an experimental way, may produce some important hind sights for the long-awaited reform of the 'social shock absorbers'. It directly remedies possibly the main drawback of the existing system, that is its limited coverage, but more importantly it provides an even stronger environment for the cooperation between the various actors involved in restructuring and requires a structural integration, as opposed to an incidental convergence, of passive and active tools. Therefore, it will serve as a crucial test for both actors and policies and it may point to important changes to be extended to the overall system of instruments to managing and addressing restructuring in Italy.

## Introduction

A fundamental feature of the Italian economic system, which has been often stigmatised in recent debates, is its stability. The Italian business sector is characterised by a specialisation in traditional, low tech and relatively low-skill productions activities and products. It shows a rather low level of investment in R&D and innovation. The high fragmentation of its production structure, with micro-firms representing almost 95% of businesses and some 50% of total employment, is also quite stable, with limited signs of increase in the average firm size. If this feature can probably contribute to the flexibility and adaptability of the economic system, it also implies important constraints, especially in terms of investment potential and the ability to cope with the current challenges linked to the internationalisation of markets, the development of new technologies and shift to a knowledge economy. In this context, the historical divide between the Northern and the Southern regions in terms of economic and employment performance has remained substantially unchallenged.

Therefore, from a macro perspective, it is maybe possible to state that restructuring in Italy, in recent years, has been limited. Industrial policies, for instance, have mainly focused on strengthening the existing production structure, with little investment in supporting change and experimenting new development paths. The main achievement of the latest decade, a substantial increase in employment and a parallel reduction in unemployment to historically low levels, has come at the cost of lower productivity. GDP growth has, in fact, remained constantly below the EU average, while employment boosted in labour intensive and low productivity sectors (above all real estate, renting and business activities, hotels and restaurants, and construction). Moreover, the increase of non-standard employment contracts seem to have contributed to low investment in human capital development by firms.

The recent economic slowdown is having an important impact on the production structure. So far, unemployment growth has been limited, but a number of forecasts point to a substantial rise until 2010. The most evident impact has been on the utilisation of the Wage Guarantee Fund (Cassa Integrazione Guadagni, CIG), the major social shock absorber in Italy which simultaneously provides relief from labour costs to firms and income support measures to workers in case of temporary reduction of the levels of demand or activity or in case of reorganisation and restructuring. Interestingly, until the first quarter of 2009, the bulk of the CIG hike has been linked to firms demands for temporary aid rather to the spread of proper restructuring processes.

## 1.1 Main economic and employment trends

Before the current economic downturn, Italy experimented a long period of positive developments in labour market indicators, with both the growth of the employment rate and the fall of the unemployment rate. In the decade 1997-2007, Italy witnessed a general improvement in employment indicators, including when the growth of GDP was close to zero (Table 1).

After 2000, the main sources of employment growth in Italy have been, on one side, the integration in the labour market of migrant workers, which has been significantly linked to a regularisation initiative in 2002 which alone allowed some 650,000 migrant workers to move into the regular economy, and, on the other, the increase in female participation and employment. Moreover, it is also important to highlight that, since 2006, there have been signs of growing employment among people aged over 50. Finally, it is worth noting that a substantial share of new employment has been connected with the utilization of temporary contracts. Many observers have in fact linked these results to the labour market reforms which, through the so-called ‘Treu package’ of June 1997 and the more recent ‘Biagi law’ of September 2003, have introduced a number of provisions aimed to make the Italian labour market more flexible, especially by the definition of new forms of temporary and non-standard contracts and thanks to the progressive relaxation of the conditions for their use.

**Table 1. Employment and GDP growth rates**

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Employment	0.30	1.05	1.20	1.70	1.90	1.40	1.50	1.01	0.70	1.50	1.50	0.80
GDP	1.9	1.4	1.9	3.6	1.8	0.3	0.0	1.2	0.1	1.9	1.0	-1,0

Source: Istat, EUROSTAT, Banca d'Italia.

Since the last quarter of 2007, the unemployment rate has been rising and other labour market indicators have started to register the impact of the ongoing global economic crisis. The worst performance has been recorded by regions in the South of Italy, where the unemployment rate reached 12,2% in the last quarter 2008 (Table 2).

**Table 2. Unemployment rate and variation by geographical area since 2006 (quarterly data)**

	Quarter	Total		North		Centre		South	
		Rate	% variation	Rate	% variation	Rate	% variation	Rate	% variation
2006	I	7,2	-0,3	4,0	-0,3	6,2	-0,1	13,1	-0,5
	II	6,9	-0,3	3,8	-0,2	6,1	-0,1	12,5	-0,6
	III	6,6	-0,3	3,8	0,0	5,9	-0,2	11,7	-0,7
	IV	6,4	-0,2	3,6	-0,2	5,8	-0,2	11,6	-0,2
2007	I	6,1	-0,3	3,6	0,0	5,3	-0,4	10,9	-0,7
	II	6,1	0,0	3,4	-0,1	5,1	-0,2	11,1	0,2
	III	6,2	0,2	3,6	0,2	5,3	0,2	11,2	0,2
	IV	6,3	0,1	3,5	-0,1	5,7	0,4	11,4	0,1
2008	I	6,6	0,3	3,8	0,3	5,8	0,2	11,9	0,5
	II	6,8	0,2	4,0	0,2	6,3	0,4	11,9	0,0
	III	6,7	0,0	3,8	-0,1	6,2	-0,1	12,1	0,2
	IV	6,9	0,2	4,1	0,2	6,3	0,1	12,2	0,1

Source: Istat (2008e).

Table 3 shows employment trends by main sectors as reported by the Italian Statistical office, Istat. The data show an upward trend for the services sector since the beginning of the reference period (3.4% growth), which has been slightly eroded in the latest three quarters. Also construction exhibits a significant and almost constant growth since 2006 (3.0%). The employment variations in the other sectors are negative: agriculture exhibits a steady, with the usual seasonal patterns, downward trend which totally amounts to 8.7%; industry in the strict sense instead displays an irregular employment trend over the period, but with an overall negative net balance (-1,5%). Overall, since the first quarter of 2006, employment in Italy has increased by 414 thousand workers, equal to 1.8% of the initial level.

**Table 3. Employment by sector since 2006: thousands and variation (quarterly data – seasonally adjusted)**

	Quarter	Total	% var.	Agriculture	% var.	Industry	% var.	Construction	% var.	Services	% var.
2006	I	22.953	1,28	976	1,88	5.037	-0,40	1.920	0,26	15.021	1,95
	II	22.995	0,18	993	1,74	5.018	-0,38	1.871	-2,55	15.113	0,61
	III	22.949	-0,20	973	-2,01	5.029	0,22	1.881	0,53	15.065	-0,32
	IV	23.036	0,38	973	0,00	5.037	0,16	1.924	2,29	15.102	0,25
2007	I	23.082	0,20	952	-2,16	5.059	0,44	1.932	0,42	15.139	0,25
	II	23.135	0,23	945	-0,74	5.065	0,12	1.948	0,83	15.176	0,24
	III	23.318	0,79	917	-2,96	5.058	-0,14	1.962	0,72	15.382	1,36
	IV	23.310	-0,03	898	-2,07	5.009	-0,97	1.958	-0,20	15.445	0,41
2008	I	23.432	0,52	908	1,11	4.986	-0,46	1.956	-0,10	15.582	0,89
	II	23.431	0,00	886	-2,42	5.014	0,56	1.962	0,31	15.569	-0,08
	III	23.416	-0,06	896	1,13	5.003	-0,22	1.971	0,46	15.545	-0,15
	IV	23.367	-0,21	891	-0,56	4.962	-0,82	1.978	0,36	15.536	-0,06
<b>Total variation</b>		414	1,8	-85	-8,7	-75	-1,5	58	3,0	515	3,4

Source: Istat (2008e).

Job creation in the service sector is particularly important, since it represents a structural shift in the economic structure. It can help to explain the good employment performance attained in Italy even at times of marginal GDP growth, which could be related to the expansion of low-productivity activities such as personal services. Moreover, it provides a significant reference for policies aimed to anticipate and manage restructuring, since more job creation in services and possibly more job destruction in manufacturing, and construction, could be expected in the future.

According to a number of estimations, the impact of the present economic downturn on employment in Italy could be quite significant. The latest OECD projections envisage an increase in the unemployment rate in Italy over the next two years from 6.9% in 2008 to 7.8% in 2009 and 8.0% in 2010, with a net growth of some 300 thousand unemployed people, which would add to the increase by 200 thousand which has already taken place in 2008 compared to 2007. In the same period, employment is expected to decrease by 0.4% in 2009 and then stagnate in 2010, while labour force should continue to grow by 0.7% and 0.2% respectively.

In its economic forecast released in January 2009, the European Commission sketched a somehow more serious scenario with employment decreasing by 1.8% in 2009 and 0.2% in 2010, while unemployment is expected to rise from 6.1% in 2007 to 8.7% in 2010.

In Italy, the Social and Economic Research Institute of the General Confederation of Italian Workers (Confederazione generale italiana del lavoro, Cgil) issued in March 2009 a forecast which indicates the possible loss of some 1 million jobs between 2007 and 2010 (from 1.5 million to 2.5 million), with the unemployment rate reaching up to 10%. At the end of 2008, the Research Centre of the General Confederation of Italian Industry (Confindustria) envisaged a faster recovery from the 2009 downturn, with the unemployment rate at 8.4% in 2009 and 8.0% in 2010, while total employment was expected to decrease in 2009 (-1.4%), but increase again in 2010 (0.8%).

As illustrated by this brief overview, despite some significant variations between individual forecasts, there is a broad convergence to identify particularly difficult economic conditions in 2009, which will pose important challenges to the economic system, in Italy and throughout the world, and will certainly require important adjustments and restructuring. Actually, these trends have already emerged in 2008 and early 2009, which seem to characterise this downturn as the worst in many years in Italy.

## 1.2 Trends in the economic and employment structures

Restructuring, at least partly, has to do with the ongoing adaptation of the economic and employment structures to the changes in the broad economic and social environment and the capacity to shift resources, as rapidly and effectively as possible, from declining to emerging sectors and activities. The extent of the adjustments required depends on the existing economic structure and specialisation and on the availability of the resources needed to drive the transformations, in terms of capital, know-how, skills and innovation potential. In recent years, important challenges for the Italian economic structure have come from a number of external processes which have put under strain the competitive potential of Italian firms: the internationalization of markets have exposed Italian firms in traditional sectors, which continue to represent the backbones of the economic structure, to the harsh competition of emerging economies; the integration of the European markets and the introduction of the single currency have contributed to increase competitive pressures and constrain the use of the devaluation of the exchange rate to boost competitiveness; the progress in information and communication technologies has put a new emphasis on the capacity to cope with innovation in all dimensions, from products and processes to organisation and skills.

As said, in the 1997-2007, the Italian economy has showed lower than average GDP growth and higher than average employment increase, so that productivity indicators have worsened. In particular, the performance of the Italian economy has deteriorated in the early 2000s, when productivity per worker decreased (Table 4). Actually, labour productivity per hour worked, relative to the EU mean, has diminished since 2001 (Figure 1).

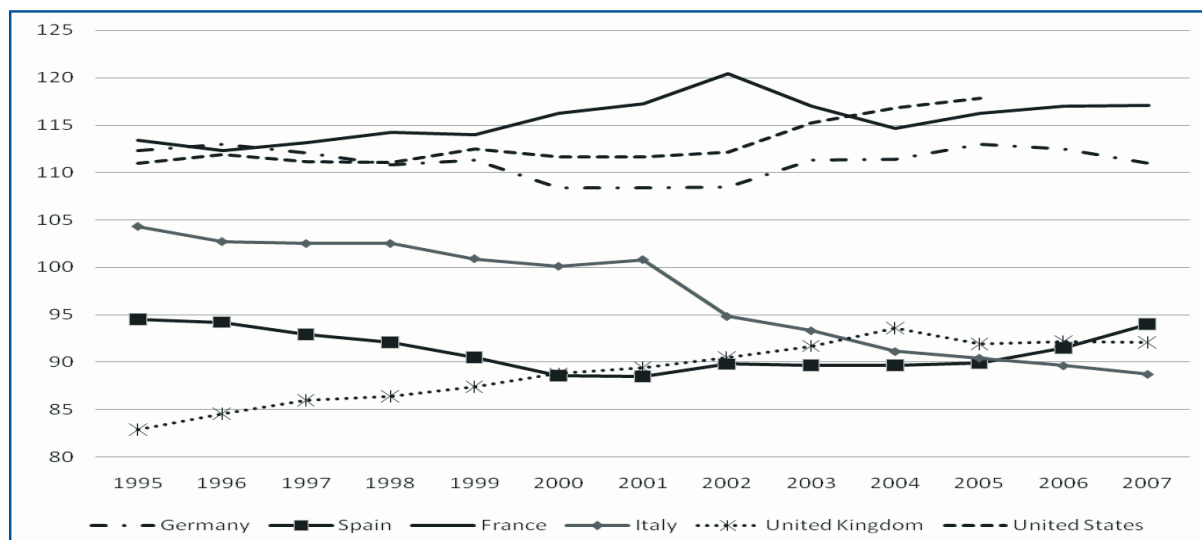


**Table 4. Gross domestic product, employment, export in the EU and selected countries (1997-2007) – Mean annual percentage variations (reference year 2000)**

	1997-2007		1997-2001				2001-2005				2005-2007			
	GDP	Export	GDP	Empl.	Productiv. p/worker	Export	GDP	Empl.	Productiv. p/worker	Export	GDP	Empl.	Productiv. p/worker	Export
Italy	1,4	2,8	2,1	1,5	0,6	4,1	0,6	1,1	-0,4	0,2	1,6	1,6	0,1	5,6
France	2,3	4,3	3,1	2,0	1,1	6,9	1,6	0,3	1,2	1,8	1,9	0,9	1,1	4,3
Germany	1,5	7,8	2,1	1,2	0,9	8,4	0,4	-0,3	0,7	5,9	2,7	1,1	1,5	10,1
United Kingdom	2,8	3,9	3,1	1,1	2,0	4,7	2,5	0,9	1,5	3,9	3,0	0,8	2,2	2,4
Spain	3,8	5,2	4,5	4,3	0,1	7,5	3,2	3,3	-0,1	3,1	3,8	3,4	0,4	5,2
EU27	2,5	5,9	2,9	1,3	1,6	7,0	1,7	0,6	1,1	4,2	3,0	1,6	1,3	6,9
United States	2,9	4,1	3,2	1,4	1,9	2,4	2,7	0,8	1,8	3,8	2,5	1,5	1,0	8,2

Source: Istat (2008a).

**Figure 1. Labour productivity per hour worked - GDP in Purchasing Power Standards (PPS) per hour worked relative to EU-15 (EU-15=100)**



Source: EUROSTAT, <http://epp.eurostat.ec.europa.eu/>, data retrieved on 14 April 2009.

These developments have sparked a debate over the possible decline of the Italian production system. Actually, some basic features of the Italian economic structure can be seen as possible sources of difficulties in adjusting to the new economic environment: the specialisation in traditional sectors; the enduring importance of the manufacturing sector, despite the recent increase in services; the fragmentation of the economic system in a very high number of firms, whereby micro firms (below 10 workers) represent 95% of the total. Moreover, there also seem to be a limited investment in human capital, especially in terms of CVT. Despite the share of firms investing in training has been increasing in recent years, the gap with the other EU Member

States remains wide. In this sense, the prevalence of small and micro firms does not support investment in training, as this is strongly linked to company size.

**Table 5. Firms and workers in manufacturing and services by size – 2005 (number and %)**

Size	Firms	% firms	Workers	% workers
1-9	4,152,011	94.9	7,887,638	46.9
10-49	196,030	4.5	3,481,540	20,7
50-249	21,922	0.5	2,108,917	12.5
250 and more	3,435	0.1	3,337,643	19.8
Total	4,373,398	100.0	16.815,738	100.0

Source: Istat (2008a).

A recent report by the Bank of Italy (Banca d'Italia 2008) identifies a number of weaknesses in the Italian economic system:

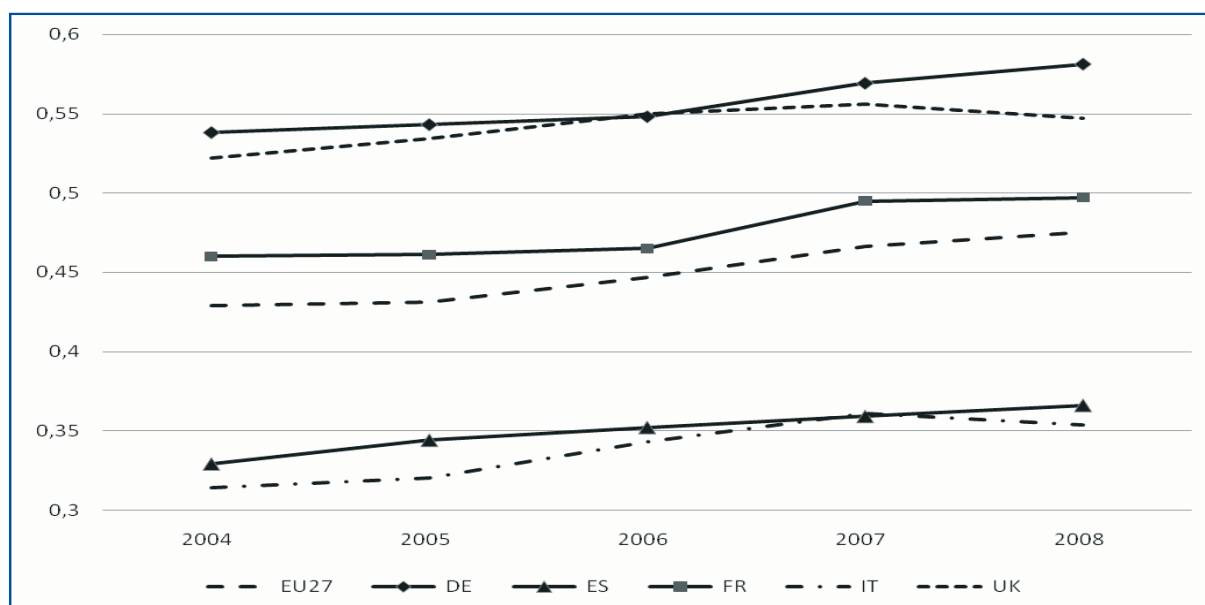
1. Low levels of investment in R&D by firms and low innovation output, as a consequence of a sectoral specialisation biased towards low-tech traditional sectors, the fragmentation of the production structure, the lack of skilled workers, with the exception of some significant experiences and good practices coming from some Regions. Moreover, innovation seems to be concentrated on processes (and less on products) and mainly in the North of Italy. The European Innovation Scoreboard 2008 has recorded a comparatively low performance of the Italian economic system, well below the EU average, and classified Italy among moderate innovators (and slow growers) (PRO INNO Europe 2009);
2. A still limited internationalisation of the business sector, which reduces the possibility of Italian firms to reap the innovation potential linked to the integration in international supply chains and the ability to increase exports through the presence of foreign subsidiaries and production units abroad. Moreover, a direct exposure to competitive pressures on foreign markets often helps firms to improve their productivity as well develop new skills and increase their propensity to undertake organisational change.
3. The ownership structure based on family businesses which, according to the Bank of Italy, may favour conservative strategies and reduce the efforts aimed to strengthen profitability and growth, since these could involve a reduction of control through a dilution of ownership or the delegation of management to non-family executives.

**Table 6. Innovating sites and innovation and R&D expenses by macro-region – 2004**  
(number and percentage)

	Innovating sites (number)	Innovating sites (% Italy)	Innovation Expenses (% Italy)	Innovation Expenses (% regional value added)	R&D Expenses (% Italy)	R&D Expenses (% regional value added)
North-West	24,909	36.8	44.0	4.0	55.1	1.2
North-East	20,714	30.6	26.8	3.6	19.4	0.6
Centre	12,322	18.2	17.6	2.6	14.7	0.5
South	7,232	10.7	8.5	1.9	8.3	0.4
Islands	2,573	3.8	3.1	1.6	2.6	0.3
Total	67,750	100	100	3.2	1000	0.7

Source: Istat (2008a).

**Figure 2. European Innovation Scoreboard 2004-2008 (Summary Innovation Index)**



Note: The Summary Innovation Index (SII) is a composite of 29 indicators going from a lowest possible performance of 0 to a maximum possible performance of 1.

Source: PRO INNO Europe (2009).

In a sense, it seems that the transformation of the economic structure since the mid-1990s has not determined a fundamental shift in the basic features of the Italian production system, thereby confirming both its strengths and weaknesses. If we take 1995 as a significant starting point, as it represents the bottom of an important economic downturn and therefore a possible reference year to assess the restructuring which has originated in that occasion, it is possible to see that the increase in employment has concentrated in services and especially in real estate, renting and business activities, which represent alone almost 50% of job growth, and hotels and restaurants, with more than 15%. In employment terms, the only non-tertiary activity which has

grown over the period has been construction, with a 13% increase which does not fully offset the job loss in primary and secondary sectors. As for GDP growth, the contribution of Real estate, renting and business activities, financial intermediation, and transport, storage and communication is particularly important, together with manufacturing, which despite a limited average annual growth remains relevant because of its importance in the GDP structure. Productivity gains have been confined in certain sectors, while the bulk of employment growth took place in labour intensive and low productivity activities

**Table 7. GDP and employment by sector – 2007 and 1995 (percentage)**

	GDP		Employment		GDP	Emp.
	2007	1995	2007	1995	Variation	Variation
Agriculture, hunting and forestry	2.4	2.6	3.8	6.3	-0.2	-2.5
Fishing	0.1	0.1	0.2	0.2	0.0	-0.1
Mining and quarrying	0.4	0.5	0.2	0.3	-0.1	-0.2
Manufacturing	19.6	21.6	21.0	24.7	-2.0	-3.7
Electricity, gas and water supply	2.1	2.1	0.6	1.0	-0.1	-0.4
Construction	5.4	5.2	8.4	7.7	0.3	0.8
Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods	12.0	13.3	15.2	16.0	-1.3	-0.8
Hotels and restaurants	3.6	3.5	5.0	3.2	0.0	1.7
Transport, storage and communication	8.3	6.4	5.4	5.2	1.9	0.2
Financial intermediation	5.2	4.4	2.9	3.3	0.8	-0.5
Real estate, renting and business activities	20.9	19.3	10.9	4.9	1.6	6.0
Public administration and defence; compulsory social security	6.0	6.3	6.1	8.6	-0.4	-2.5
Education	4.7	5.4	6.9	7.2	-0.7	-0.3
Health and social work	5.7	5.3	6.8	6.0	0.4	0.8
Other community, social, personal service activities	2.7	2.9	5.0	4.1	-0.2	0.9
Activities of households	1.0	0.9	1.5	1.0	0.1	0.5

Source: EUROSTAT, National Accounts by 17 branches and Labour Force Survey

**Table 8. Mean annual GDP and employment change and contribution to total change by sector – 2007 and 1995 (percentage)**

	GDP change (%)	GDP change (% share)	Empl. change (%)	Empl. change (% share)
Agriculture, hunting and forestry	0.6	1.0	-2,5	-11,7
Fishing	-2.0	-0.2	-2,2	-0,4
Mining and quarrying	-0.8	-0.2	-3,5	-0,9
Manufacturing	0.6	8.9	-0,1	-1,8
Electricity, gas and water supply	1.3	1.7	-2,5	-1,8
Construction	2.1	6.9	2,3	13,1
Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods	0.6	4.7	0,9	10,4
Hotels and restaurants	1.6	3.7	6,6	15,7
Transport, storage and communication	4.4	18.3	1,7	6,7
Financial intermediation	3.4	9.5	0,0	-0,1
Real estate, renting and business activities	2.4	29.6	13,2	48,1
Public administration and defence; compulsory social security	1.0	4.0	-1,5	-9,3
Education	0.3	1.1	1,0	5,1
Health and social work	2.3	7.8	2,6	11,5
Other community, social, personal service activities	0.9	1.8	3,5	10,7
Activities of households	2.3	1.4	5,8	4,4
<i>Total</i>	<i>1.5</i>	<i>100.0</i>	<i>1.4</i>	<i>100.0</i>

Source: EUROSTAT, National Accounts by 17 branches and Labour Force Survey

Another important feature of the Italian economic structure is the persistent divide in terms of economic and employment performance between the Northern and the Southern regions. Economic activities continue to be concentrated mainly in the Centre-North, while economic growth and employment creation in the South remains a fundamental unresolved issue for the progress of the whole country. Labour market performance is therefore remarkably lower in Southern regions, especially in terms of female employment rates as well as unemployment rates, particularly for women (around 15% in the majority of Southern regions in 2007 compared to a national average of 7.9%), young people (often over 30% compared to 20.3% in Italy) and long term unemployed (6.0% and above in Campania, Calabria and Sicilia compared to the national level of 2.8%).

**Table 9. Main economic aggregates and resident population by region and macro-regions – 2007 (percentage)**

	Labour units	GDP	Family expenditure	Population
Piemonte	8.0	8.1	8.1	7.4
Valle d'Aosta	0.2	0.3	0.3	0.2
Lombardia	18.4	20.8	18.2	16.1
Bolzano-Bozen	1.0	1.1	1.1	0.8
Trento	0.9	1.0	1.1	0.9
Veneto	9.3	9.4	8.9	8.1
Friuli-Venezia Giulia	2.3	2.3	2.2	2.1
Liguria	2.7	2.8	3.2	2.7
Emilia Romagna	8.7	8.8	8.5	7.1
Toscana	6.7	6.7	7.0	6.2
Umbria	1.5	1.4	1.4	1.5
Marche	2.9	2.6	2.6	2.6
Lazio	9.9	10.9	10.2	9.3
Abruzzo	2.0	1.8	1.9	2.2
Molise	0.5	0.4	0.4	0.5
Campania	7.2	6.3	7.3	9.8
Puglia	5.4	4.6	5.3	6.9
Basilicata	0.9	0.7	0.7	1.0
Calabria	2.6	2.2	2.7	3.4
Sicilia	6.1	5.6	6.6	8.5
Sardegna	2.5	2.2	2.3	2.8
<b>Italy</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
North-West	29.4	32.0	29.7	26.4
North-East	22.2	22.6	21.8	18.9
Centre	21.1	21.6	21.3	19.5
Centre-North	72.7	76.1	72.8	64.9
Mezzogiorno	27.2	23.8	27.2	35.1

Source: Istat (2008b, 2008c) and author own calculations.

**Table 10. Main labour market indicators by gender and macro-region – 1996-2007**  
(percentage)

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>PARTICIPATION RATE 15-64 YEARS</b>												
Men	72.5	72.4	73.0	73.2	73.6	73.7	74.1	74.9	74.5	74.4	74.6	74.4
North-West	73.6	73.2	73.4	73.9	74.3	74.7	75.2	76.6	77.0	77.2	77.6	77.8
North-East	75.8	75.9	76.2	76.6	77.1	77.4	77.5	78.7	77.8	78.0	78.8	79.2
Centre	72.5	72.1	72.3	72.8	73.1	73.2	73.6	75.5	75.6	75.2	76.3	76.0
Mezzogiorno	70.1	70.2	71.2	71.2	71.4	71.2	71.6	71.3	70.3	69.9	69.3	68.4
Women	45.1	45.6	46.7	47.6	48.5	49.5	50.2	50.9	50.6	50.4	50.8	50.7
North-West	51.3	51.4	52.6	53.7	54.7	55.7	56.8	57.5	57.8	58.0	59.0	59.3
North-East	52.5	53.7	54.1	55.1	56.5	57.4	58.2	59.2	59.1	59.4	60.2	60.2
Centre	47.4	47.8	48.5	50.1	51.2	52.5	53.0	54.6	55.1	55.5	56.0	55.8
Mezzogiorno	35.6	36.1	37.7	38.2	38.6	39.5	39.9	40.0	38.7	37.5	37.3	36.6
Men and Women	58.8	59.0	59.8	60.4	61.0	61.6	62.1	62.9	62.5	62.4	62.7	62.5
North-West	62.5	62.4	63.1	63.9	64.6	65.2	66.0	67.1	67.5	67.6	68.3	68.6
North-East	64.3	65.0	65.3	66.0	67.0	67.6	68.0	69.1	68.5	68.8	69.6	69.8
Centre	59.9	59.9	60.4	61.4	62.1	62.8	63.3	64.9	65.2	65.2	66.0	65.8
Mezzogiorno	52.6	52.9	54.3	54.5	54.8	55.2	55.6	55.5	54.3	53.6	53.2	52.4
<b>EMPLOYMENT RATE 15-64 YEARS</b>												
Men	66.2	66.0	66.5	67.0	67.8	68.4	69.1	70.0	69.7	69.7	70.5	70.7
North-West	69.2	68.9	69.4	70.3	71.1	71.8	72.3	74.2	74.4	74.6	75.2	75.4
North-East	73.0	73.2	73.5	74.2	75.0	75.4	75.6	76.8	75.8	75.8	76.8	77.5
Centre	67.6	67.6	67.7	68.3	69.0	69.5	70.4	71.8	71.9	71.4	72.9	73.0
Mezzogiorno	59.5	59.4	59.9	60.0	60.8	61.6	62.5	62.3	61.8	61.9	62.3	62.2
Women	38.1	38.5	39.4	40.5	41.8	43.4	44.4	45.1	45.2	45.3	46.3	46.6
North-West	45.8	46.2	47.2	48.9	50.4	52.3	53.3	54.1	54.3	54.5	56.0	56.4
North-East	47.6	48.7	49.5	50.9	52.9	54.1	55.1	56.1	55.7	56.0	57.0	57.5
Centre	40.6	40.8	41.7	43.4	45.1	46.9	47.9	49.2	50.2	50.8	51.3	51.8
Mezzogiorno	26.5	26.7	27.6	27.8	28.4	29.8	30.8	30.9	30.7	30.1	31.1	31.1
Men and Women	52.1	52.3	52.9	53.7	54.8	55.9	56.7	57.5	57.4	57.5	58.4	58.7
North-West	57.6	57.6	58.4	59.6	60.8	62.1	62.8	64.2	64.4	64.6	65.7	66.0
North-East	60.5	61.1	61.7	62.7	64.2	64.9	65.6	66.6	65.8	66.0	67.0	67.6
Centre	54.0	54.1	54.7	55.8	57.0	58.1	59.1	60.4	60.9	61.0	62.0	62.3
Mezzogiorno	42.8	42.8	43.5	43.7	44.4	45.5	46.4	46.5	46.1	45.8	46.6	46.5
<b>UNEMPLOYMENT RATE</b>												
Men	8.7	8.7	8.8	8.4	7.8	7.1	6.7	6.5	6.4	6.2	5.4	4.9
North-West	6.0	5.8	5.4	5.0	4.4	3.9	3.9	3.2	3.4	3.2	3.0	3.0
North-East	3.5	3.6	3.4	3.0	2.6	2.5	2.4	2.3	2.5	2.8	2.4	2.1
Centre	6.6	6.2	6.3	6.0	5.5	5.0	4.2	4.7	4.9	4.9	4.5	3.9

Mezzogiorno	14.9	15.3	15.7	15.6	14.7	13.3	12.7	12.5	11.9	11.4	9.9	8.9
Women	15.2	15.3	15.4	14.8	13.6	12.2	11.5	11.3	10.5	10.1	8.8	7.9
North-West	10.5	10.2	10.1	8.8	7.7	6.0	6.1	5.9	6.1	6.0	5.1	4.9
North-East	9.2	9.1	8.4	7.6	6.3	5.7	5.2	5.3	5.7	5.6	5.3	4.5
Centre	14.4	14.5	13.9	13.4	11.8	10.5	9.6	9.9	8.7	8.3	8.2	7.2
Mezzogiorno	25.2	25.8	26.7	27.1	26.3	24.3	22.8	22.6	20.5	19.6	16.5	14.9
Men and Women	11.2	11.3	11.3	10.9	10.1	9.1	8.6	8.4	8.0	7.7	6.8	6.1
North-West	7.8	7.6	7.4	6.6	5.8	4.8	4.8	4.4	4.5	4.4	3.9	3.8
North-East	5.8	5.8	5.4	4.9	4.1	3.9	3.6	3.6	3.9	4.0	3.6	3.1
Centre	9.6	9.5	9.3	9.0	8.1	7.3	6.5	6.9	6.5	6.4	6.1	5.3
Mezzogiorno	18.5	18.9	19.6	19.6	18.8	17.3	16.3	16.1	15.0	14.3	12.2	11.0

Source: Istat (2008d)

## 1.3 RESTRUCTURING FRAMEWORK AND TRENDS

The pace of restructuring became more pronounced by the end of 2007, when firms started to suffer the impact of the economic slowdown. The present paragraph illustrates recent trends in the utilisation of the different kinds of measures which help firms and workers to face restructuring. Such measures essentially represent forms of income support (Wage Guarantee Fund, unemployment benefits and extraordinary shock absorbers), and they are used here as a proxy for restructuring.

### 1.3.1 WAGE GUARANTEE FUND

The main instrument which is available in Italy to ease temporary (or seasonal) demand contractions and structural company reorganisations is the Wage Guarantee Fund (Cassa integrazione guadagni, CIG). While temporary demand adjustments are handled through the so-called 'ordinary' Wage Guarantee Fund (Cassa integrazione guadagni ordinaria, CIGO), company reorganisation involves recourse to the so-called 'extraordinary' Wages guarantee Fund (Cassa integrazione guadagni straordinaria, CIGS). The two Funds entail different requirements and procedures, but both involve the implementation of an information and consultation phase with the trade unions and usually lead to collective agreements. It is important to underline that the Wage Guarantee Fund can be used only by firms in specific sectors and fulfilling certain requirements, for instance in terms of size. The Wage Guarantee Fund provides income support for workers, while their employment relationship is 'suspended' (see chapter 2 for details).

The utilisation of the ordinary Wage Guarantee Fund has to be approved by a special committee set up at the National Social Security Institute (Istituto nazionale di previdenza sociale, Inps). As for the extraordinary Wage Guarantee Fund, the procedure is more complicated: first the demand must be presented to a technical committee appointed by the regional administration and then it is passed over to the Ministry of Labour, Health and Social Policies (Ministero del lavoro, della salute e delle politiche sociali) for the final assessment and approval.



Table 11 shows the utilisation of the Wage Guarantee Fund over the latest four years. There has been a significant increase in the hours paid out by the wages Guarantee Fund since the second half of 2007, which has then become more pronounced as the economic slow-down progressed. In 2008, growth has mainly involved the ordinary fund, which does not imply proper restructuring, since it is meant to cushion the effects of temporary demand shortages.

**Table 11. Wage Guarantee Fund: hours and change over previous period – 2005-2008 (number, percentage change)**

	Year	Hours			Change (%)		
		Blue-collar	White-collar	Total	Blue-collar	White-collar	Total
Total	2005	204,671,045	40,229,567	244,900,612	-	-	-
	2006	192,751,439	37,195,823	229,947,262	-5.8	-7.5	-6.1
	2007	151,500,536	27,655,513	179,156,049	-21.4	-25.6	-22.1
	2008	191,548,581	31,612,955	223,161,536	26.4	14.3	24.6
<i>By fund:</i>							
• Ordinary	2005	128,061,982	15,168,809	143,230,791	-	-	-
	2006	88,167,322	8,638,329	96,805,651	-31.2	-43.1	-32.4
	2007	64,962,909	5,662,155	70,625,064	-26.3	-34.5	-27.0
	2008	103,820,957	9,459,688	113,280,645	59.8	67.1	60.4
• Extraordinary	2005	76,609,063	25,060,758	101,669,821	-	-	-
	2006	104,584,117	28,557,494	133,141,611	36.5	14.0	31.0
	2007	86,537,627	21,993,358	108,530,985	-17.3	-23.0	-18.5
	2008	87,727,624	22,153,267	109,880,891	1.4	0.7	1.2
<i>By sector:</i>							
• Manufacturing	2005	162,628,305	38,104,504	200,732,809	-	-	-
	2006	150,553,917	34,707,678	185,261,595	-7.4	-8.9	-7.7
	2007	118,225,908	25,677,922	143,903,830	-21.5	-26.0	-22.3
	2008	153,331,805	28,411,405	181,743,210	29.7	10.6	26.3
• Construction	2005	40,663,893	279,225	40,943,118	-	-	-
	2006	40,513,466	287,395	40,800,861	-0.4	2.9	-0.3
	2007	30,285,977	234,846	30,520,823	-25.2	-18.3	-25.2
	2008	34,114,587	225,242	34,339,829	12.6	-4.1	12.5
• Trade	2005	1,378,847	1,845,838	3,224,685	-	-	-
	2006	1,684,056	2,200,750	3,884,806	22.1	19.2	20.5
	2007	2,988,651	1,742,745	4,731,396	77.5	-20.8	21.8
	2008	4,102,189	2,976,308	7,078,497	37.3	70.8	49.6

Source: Inps, Osservatori statistici, data accessed on 15 April 2009.

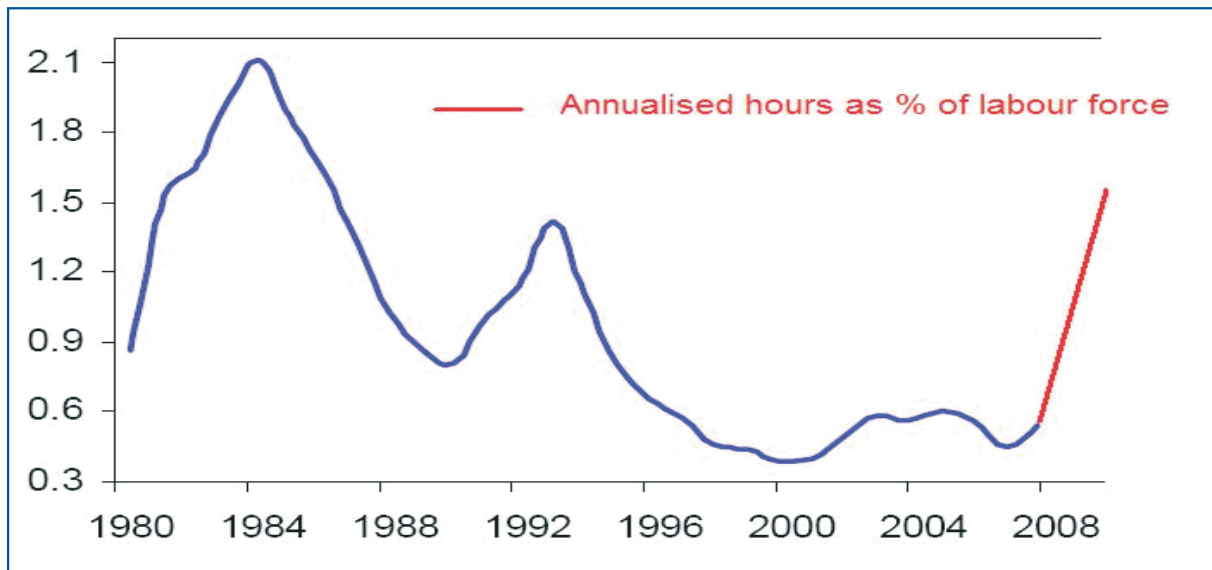
In the early 2009, recourse to the wages Guarantee Fund further increased and surpassed the levels of the 1993 recession (the annualised CIG hours were 1.6% of the labour force in March 2009 compared to 1,4% in 1993 and 2.1% in 1984, the two latest recession peaks in Italy). Indeed, the use of the CIG showed a marked increase in the first quarter of 2009 compared to the same period of 2008 (+184%) and notably in March (+292% over March 2008). In early 2009, also use of the extraordinary fund has shown a tendency to rise, thereby pointing to more company restructuring. However, if the increase in the utilization of the ordinary fund seems exceptional (+925% in the quarter and +589% in March), recourse to extraordinary fund remains comparable to recent (difficult) years, such as 2003 and, with some 40 million hours, it stands at roughly half of the levels reached in the first half of the 1990s (80 million hours in the first quarter of 1993) and considerably below the peaks reached in the 1980s (144 million hours in the first quarter of 1985). Therefore, the high overall utilisation levels are essentially linked to the CIGO, which seems to suggest that firms are more in a ‘wait-and-see’ situation, rather than undergoing substantial restructuring processes. In this way, the present situation seems to be significantly different from the others two recession phases.

**Table 12. Wage Guarantee Fund: hours and change over previous period – 2009  
(number, percentage change)**

	Month	Hours			Change (%)		
		Blue-collar	White-collar	Total	Blue-collar	White-collar	Total
Total	Jan	24,330,608	5,172,390	29,502,998	-	-	-
	Feb	36,154,722	6,380,155	42,534,877	48.6	23.4	44.2
	March	48,399,470	10,372,171	58,771,641	33.9	62.6	38.2
	2009	108,884,800	21,924,716	130,809,516	-	-	-
<i>By fund:</i>							
• Ordinary	Jan	16,779,480	3,072,117	19,851,597	-	-	-
	Feb	26,101,989	3,568,113	29,670,102	55.6	16.1	49.5
	March	35,631,505	5,932,064	41,563,569	36.5	66.3	40.1
	2009	78,512,974	12,572,294	91,085,268	-	-	-
• Extraordinary	Jan	7,551,128	2,100,273	9,651,401	-	-	-
	Feb	10,052,733	2,812,042	12,864,775	33.1	33.9	33.3
	March	12,767,965	4,440,107	17,208,072	27.0	57.9	33.8
	2009	30,371,826	9,352,422	39,724,248	-	-	-
<i>By sector:</i>							
• Manufacturing	Jan	21,637,699	4,955,235	26,592,934	-	-	-
	Feb	31,992,837	6,218,715	38,211,552	47.9	25.5	43.7
	March	42,050,429	10,180,098	52,230,527	31.4	63.7	36.7
	2009	42,050,429	10,180,098	52,230,527	-	-	-
• Construction	Jan	2,465,449	14,934	2,480,383	-	-	-
	Feb	3,756,523	24,174	3,780,697	52.4	61.9	52.4
	March	5,935,003	44,252	5,979,255	58.0	83.1	58.2
	2009	12,156,975	83,360	12,240,335	-	-	-
• Trade	Jan	227,460	202,221	429,681	-	-	-
	Feb	405,362	137,266	542,628	78.2	-32.1	26.3
	March	414,038	147,821	561,859	2.1	7.7	3.5
	2009	1,046,860	487,308	1,534,168	-	-	-

Source: Inps, Osservatori statistici, data accessed on 15 April 2009.

**Figure 3. Annualised monthly CIG hours as percentage of the labour force – 1980-2009 (%)**



Source: Confindustria (2009) and author own calculations.

### 1.3.2 UNEMPLOYMENT BENEFITS AND MOBILITY ALLOWANCES

The unemployment benefits and mobility allowances paid by the Inps to workers who are involuntarily unemployed are another useful indicator to analyse the restructuring trend in Italy.

The demands for unemployment benefits and mobility allowances grew in the first months of 2009 by 45%. According to the Inps data, in the first quarter of 2009 the Institute received some 750.000 requests for unemployment benefits and mobility allowances (compared to 520.000 in the same period of 2008). As for the unemployment benefit, since 2003, the trend was continuously increasing, as the data demonstrate, thereby reflecting two basic elements: on one side, the extension of the coverage of the unemployment benefits to non-standard employment contracts and, on the other side, the more unstable career patterns which have resulted from the diffusion of temporary employment. It should be kept in mind, in fact, that this increase, until very recently, has taken place at times of decreasing unemployment rates. However, the increase of the beneficiaries of the unemployment benefit shows a growing capacity of the Italian welfare to provide support in case of redundancies linked to restructuring.

Conversely, the use the mobility has remained rather stable and slightly decreasing over the same period and before the recent increase. This latter development clearly points to an increase in restructuring processes as the mobility allowance is paid in case of collective dismissals.

**Table 13. Unemployment benefit and mobility allowance (*payments and beneficiaries*)**

	Ordinary unemployment benefit (payments)	Reduced requirements unemployment benefit (payments)	Mobility allowance (beneficiaries at 31 December)
2003	285,980	421,955	107,478
2004	322,349	460,935	105,177
2005	367,192	467,533	114,551
2006	380,454	475,833	100,524
2007	426,270	488,174	94,606

Source: Inps, Osservatori statistici, data accessed on 15 April 2009.

## 1.4 European Restructuring Monitor

The European Restructuring Monitor (ERM) provides useful information on the announcements of restructuring as published in the main national (economic) newspapers. These announcements are recorded in the ERM statistics if they meet a number of requirements: a) affect at least one EU country; b) entail an announced or actual reduction of at least 100 jobs, or involve sites employing more than 250 people and affect at least 10% of workforce; or create at least 100 jobs.

This important instrument is very useful, therefore, to identify basic information on relevant cases of restructuring and on their management, as well as to detect the public attention devoted to restructuring and possibly some general trends in industrial change, if the media coverage remains stable. However, public attention on restructuring probably varies across countries and tends to be cyclical and to increase in times of economic hardship. Moreover, the quantitative thresholds (in terms of employment reduction or creation and of company size) can be demanding for certain EU countries, including Italy, owing to its quite fragmented production system, as outlined above.

**Table 14. ERM: Planned job reductions 2006-2008 (number)**

	2006	2007	2008
	Planned job reductions (number)	Planned job reductions (number)	Planned job reductions (number)
Austria	4,144	4,055	9,432
Belgium	8,545	6,562	9,349
Bulgaria	5,780	270	1,122
Cyprus	-	-	-
Czech Republic	18,527	18,416	24,764
Denmark	4,320	1,187	6,385
Estonia	1,473	2,702	2,135
Finland	13,151	4,710	8,272
France	69,572	63,442	93,723
Germany	123,392	28,539	69,245
Greece	3,384	4,635	9,091
Hungary	43,284	7,750	7,967
Ireland	5,007	8,161	7,989
Italy	12,437	24,862	28,781
Latvia	100	1,295	1,790
Lithuania	5,924	1,869	2,817
Luxembourg	1,445	484	479
Malta	870	683	1,010
Netherlands	11,479	24,383	10,840
Norway	2,488	2,320	4,293
Poland	46,841	22,003	23,036
Portugal	5,389	1,443	2,715
Romania	23,283	9,958	20,370
Slovakia	2,617	6,127	5,710
Slovenia	4,165	1,388	6,143
Spain	25,029	7,217	13,703
Sweden	8,624	13,927	27,138
United Kingdom	108,897	62,648	114,393
<i>Total</i>	<i>560,167</i>	<i>331,036</i>	<i>512,692</i>

Source: ERM, <http://www.eurofound.europa.eu/emcc/erm/>, data accessed on 15 April 2009.

While table 14 shows the planned job reductions in 2006-2008 recorded by ERM as reported in the main national newspapers, table 15 presents data for comparable periods from 2006 to 2009.

**Table 15. ERM: Planned job reductions 2006-2009 – 1 January-15 April (*number*)**

	2006	2007	2008	2009
	Planned job reductions (number)	Planned job reductions (number)	Planned job reductions (number)	Planned job reductions (number)
Austria	1,691	645	1,010	2,118
Belgium	1,595	1,880	282	6,065
Bulgaria	5,100	103	170	-
Cyprus	-	-	-	-
Czech Republic	9,867	9,780	2,125	11,270
Denmark	840	949	1,150	5,129
Estonia	-	1,099	758	1,233
Finland	6,599	2,201	2,295	3,403
France	21,002	25,531	7,182	11,779
Germany	40,613	11,543	25,800	20,610
Greece	194	200	4,370	3,029
Hungary	4,420	3,976	902	5,970
Ireland	1,283	2,533	2,298	8,721
Italy	906	14,104	1,917	12,129
Latvia	100	500	369	-
Lithuania	5,310	138	-	2,647
Luxembourg	1,185	224	309	-
Malta	-	-	-	502
Netherlands	5,166	7,715	7,211	6,821
Norway	644	1,830	940	3,348
Poland	15,029	7,270	3,244	39,650
Portugal	359	673	920	482
Romania	17,145	3,658	3,900	8,501
Slovakia	917	2,070	283	3,462
Slovenia	1,009	1,176	1,645	2,347
Spain	12,076	4,869	2,292	3,005
Sweden	4,197	6,456	1,733	2,066
United Kingdom	49,250	21,428	23,505	62,983
<i>Total</i>	<i>206,497</i>	<i>132551</i>	<i>96,610</i>	<i>227,270</i>

Source: ERM, <http://www.eurofound.europa.eu/emcc/erm/>, data accessed on 15 April 2009.

As far as sectoral data are concerned, they tend to clearly reflect the different share of larger firms across sectors (and possibly the different topicality of certain industries for the media or the public debate). Table 16 illustrates this aspect for the Italian case, where more than 90% all jobs affected since 2003 concern manufacturing, financial services and transport and communications.

**Table 16. ERM: Planned job reductions 2003-2008 (*number*)**

	2003	2004	2005	2006	2007	2008	Total	%
Manufacturing	4,931	5,301	5,971	3,992	6,553	10,141	36,889	37.5
Financial services	7,420		400	8,150	4,860	6,300	27,130	27.6
Transport and communication	154	4,044	296		12,744	9,371	26,609	27.0
Hotels and restaurants	156					650	806	0.8
Real estate, business activities	310	162	800		600	991	2,863	2.9
Construction	2,000						2,000	2.0
Retail	20	406		295	105	1,328	2,154	2.2
<i>Total</i>	<i>14,991</i>	<i>9,913</i>	<i>7,467</i>	<i>12,437</i>	<i>24,862</i>	<i>28,781</i>	<i>98,451</i>	<i>100.0</i>

Source: ERM, <http://www.eurofound.europa.eu/emcc/erm/>, data accessed on 15 April 2009.





## Introduction

Italy has an articulated system of tools to anticipate and manage restructuring which often provides for a high degree of involvement of the social partners. The delimitation of the observation field is not easy, as many social actors are engaged in anticipating restructuring, or economic change in general. Of course, businesses and entrepreneurs are at the fore-front of these efforts, since this is certainly a constitutive task of their economic and social role and represents a crucial component of successful strategies. In this paper, however, we will focus essentially on tools developed by institutional actors (political authorities, public bodies and agencies, associations, and social partners) and aimed to support the transformation of the production structure, with a view to reduce social and collective costs and improve the effectiveness and outcomes of the restructuring process, in terms of enduring economic and employment growth.

In principle, the anticipation of restructuring, in the sense of identifying and accompanying structural shifts in the economic and production system, can be the result of different activities aimed to analyse current and prospective developments in four basic areas: a) sectors – or product and service markets; b) innovation (technologies, organisation, skills); c) the labour market; d) the knowledge system – or the education, training and research sectors. While, to a certain extent, it is possible to imagine (and implement) separate anticipation strategies (for instance, studies on trends in demand and emerging markets, analyses of the industrial potential of new technologies, monitoring of skill gaps on the labour market, studies on the performance of the education system or on research and technological transfers), it is the coordination and the integration of these four paths which support positive outcomes, since in the end they only represent different points of view of the same element: a well-functioning economy, capable of facing new challenges and promote growth.

Indeed, their integration is usually an essential ingredient of strategies aimed to manage restructuring, as, in this case, a number of different priorities emerge: the importance of supporting economically sustainable strategies, limiting unemployment and providing new job opportunities. Therefore, the inclusion of specific efforts to sustain investments in innovations or the provisions of training and re-training courses are often important components of adjustment strategies.

With a certain degree of simplification, which is probably inevitable, given the scope and the aim of this paper, it is possible to identify the following basic tools to anticipate restructuring, with reference to the four areas listed above:

- a) sectors: business associations often carry out regular analyses to monitor closely changes in their respective industries. Moreover, collective bargaining often provides for the establishment of joint sectoral monitoring bodies which should analyse industry developments, usually in order to anticipate and discuss employment trends. Some public bodies, such as the Chamber of Commerce, can set up monitoring tools of specific local markets.
- b) innovation: here we will limit our attention to the role of industrial policies, both at national and local levels, where the use of bargained interventions (area agreements, territorial pacts, etc.) has been increasing in a recent phase.

- c) the labour market: a number of public agencies at national and local levels are involved in the study and management of labour markets, with the aim to facilitate transitions between education and jobs or between different jobs. ISFOL and Italia Lavoro as well as Unioncamere (the association of the Chambers of Commerce) are important actors at national level, but there are many similar bodies at local level. Moreover, local observatories are often set up with the participation of the social partners and other stakeholders. The role of joint bodies (Enti bilaterali) has also been emphasised by recent legislative interventions on labour market regulation and by collective bargaining, so that there may be growing scope for their action.
- e) the knowledge system: a large number of actors are engaged in this dimension, starting from the regional administrations, which have the main responsibility to define vocational training systems, which involve important dialogue with social partners and other stakeholders. Moreover, the social partners have their own tools to devise and implement vocational training, especially through the National intersectoral joint funds for continuous vocational training (Fondi paritetici interprofessionali nazionali per la formazione continua). Then, universities are increasingly supporting strategies to develop technological transfers, partnerships with companies, and spin-offs. ISFOL is a crucial institutional player in the monitoring and analyses of the vocational training system, while Italia Lavoro has also specific projects in this field of action.

The management of restructuring, in Italy, is centred around the system of “social shock absorbers”, in which the Wage Guarantee Fund (Cassa Integrazione Guadagni, CIG) has a fundamental role. This measure is aimed to provide an income support to workers “suspended”, because of temporary or more structural difficulties face by firms. Another important component of this system is the “mobility procedure” and the connected “mobility allowance”, which are activated in case of collective dismissals. While the social shock absorbers are quite effective in providing a rapid relief to companies in difficult situations and preserve worker income, their basic limitation is the partial coverage in term of firms and employees. It is not by chance, in fact, that the recent economic slowdown has led the government to introduce temporary rules which extend the access to the CIG and mobility allowance (as well as to other provisions) to firms and worker usually excluded.

As said, it is interesting to note that, the use of the social shock absorbers, in case of company reorganisation and employment redundancies, is usually linked to other measures, including industrial policies and training initiatives, which are meant to ensure a direct redeployment of redundant workers to new initiatives or the improvement of their employability.

The issue of restructuring, or better of the adaptation of the Italian economy to the new economic and social environment, has been widely discussed in recent years, notably as a consequence of the unsatisfactory achievements in terms of GDP growth. The latter have led a number of observers to voice the risk of a decline of the Italian production system and thereby demand a concerted effort to foster structural adjustments. More recently, the topicality of restructuring has been ensured by the current economic downturn, which has sparked a relevant debate over restructuring and the special measures to be implemented to cope with the impacts on the business sector and employment. This has fed into the long-lasting discussion on the reform of the social-shock absorbers, in order to overcome its present weaknesses, especially in term of limited coverage.

In the following part of this chapter, the main elements of the Italian system of anticipating and managing change will be outlined.

## 2.1 Anticipating restructuring

The policies and initiatives which can be referred to the anticipation of restructuring, in the sense of monitoring and supporting structural shifts in the economic and production system, are quite numerous: they involve many actors at different levels and are highly dispersed on the national territory, as they tend to involve directly economic actors, local authorities and public bodies, and the social partners. Providing a detailed account of such tools is beyond the scope of this presentation. Therefore, only a selection of the most relevant instruments in such broad and dispersed system will be presented here.

### 2.1.1 INNOVATION: INDUSTRIAL POLICIES

The system of industrial policies in Italy is articulated on two basic levels: the national and the regional ones. In recent years, there has been a shift towards ‘horizontal’ objectives, such as the promotion of innovation, R&D and human capital. However, traditionally industrial policy measures have been more focused on strengthening the existing production potential rather than fostering and supporting change in order to be prepared to cope with emerging challenges (Ministero dello Sviluppo Economico 2008). And this approach is still prevalent in the existing system, with the exception of some significant experiences and good practices coming from some Regions. As shown by Table 17, in the 2000-2007 period more than half of incentives have been granted to support the consolidation and the development of the production system, which basically amount to contributions for the acquisition of real estate assets, equipment, consultancy services, patents, etc.

**Table 17. Incentives granted: national and regional incentives by objectives (2000-2007)**

	National		Regional		Total	
	<i>EUR bil.</i>	%	<i>EUR bil.</i>	%	<i>EUR bil.</i>	%
Research, development, and innovation	14,494.3	27.4	3,005.1	16.8	17,499.4	24.7
Internationalisation	3,408.6	6.4	318.6	1.8	3,727.2	5.3
New entrepreneurship	4,975.9	9.4	640.3	3.6	5,616.2	7.9
Strengthening of the production system	26,845.0	50.8	11,944.8	66.9	38,789.8	54.9
Access to credit and financial consolidation	1,561.6	3.0	670.7	3.8	2,232.3	3.2
Environment/Energy	140.6	0.3	576.8	3.2	717.4	1.0
Business services and infrastructures	0.0	0.0	416.1	2.3	416.1	0.6
Sectoral rationalisation/restructuring	938.2	1.8	32.3	0.2	970.5	1.4
Other	500.5	0.9	241.2	1.4	741.8	1.0
<i>Total</i>	<i>52,864.7</i>	<i>100.0</i>	<i>17,846.0</i>	<i>100.0</i>	<i>70,710.7</i>	<i>100.0</i>

Source: Ministero dello Sviluppo Economico (2008)

Moreover, interventions are fragmented in a large number of tools which probably could duplicate both objectives and responsibilities at the central and decentralised level, thereby producing unrequested administrative burden and reducing the overall clarity and effectiveness of the system of incentives. In the 2000-2007 period, the Ministry of Economic Development has recorded more than 800 measure, of which 96 at national level and excluding several smaller interventions at local level. At national level, in 2007 as many as 56 measures were active (Ministero dello Sviluppo Economico 2008).

These weaknesses, then, are associated with a low and decreasing level of expenditure on aid to industry and services, compared to the EU average and other EU countries. In 2006, total aid to industry and services (excluding agriculture, fishing and transport) amounted to 0.26% of GDP (EUR 3.8 billion), compared to 0.42% in EU25 and 0.69% in Germany (EUR 16.0 billion) and 0.41% in France (EUR 7.4 billion) (Ministero dello Sviluppo Economico 2008).

**Table 18. Main indicators on the industrial policy incentive system – 2000-2007**  
(million euro and percentage)

	2000	2001	2002	2003	2004	2005	2006	2007	2000/ 2007
Passed demands (number)	153,279.0	216,240.0	273,729.0	184,928.0	131,003.0	102,567.0	122,262.0	79,444.0	1,263,452.0
<i>Annual Variation (%)</i>		41.1	26.6	-32.4	-29.2	-21.7	19.2	-35.0	
Incentives granted (million euro)	5,443.1	11,333.6	11,845.6	10,431.0	9,165.0	7,571.6	10,927.3	3,993.3	70,710.7
<i>Annual Variation (%)</i>		108.2	4.5	-11.9	-12.1	-17.4	44.3	-63.5	
Incentives paid (million euro)	5,108.2	6,402.0	8,057.1	6,947.0	6,129.6	5,809.0	5,156.4	6,146.6	49,756.1
<i>Annual Variation (%)</i>		25.3	25.9	-13.8	-11.8	-5.2	-11.2	19.2	
Investments (million euro)	19,911.6	40,216.5	39,801.5	36,735.2	29,191.0	23,493.9	33,882.4	11,006.4	234,238.6
<i>Annual Variation (%)</i>		102.0	-1.0	-7.7	-20.5	-19.5	44.2	-67.5	

Source: Ministero dello Sviluppo Economico (2008)

It should be noted that the developments in granting or paying subsidies is greatly dependent on the cycles of programming and does not necessarily reflect, in the short run, a specific strategy or change. For instance, the fall in 2007 is essentially linked to the conclusion of the reference period for particular incentive instruments and the transitory phase to new tools.

**Table 19. Incentives granted in 2000-2007 by region and level (EUR mil.)**

	National (EUR mil.)	regional (EUR mil.)	Total (EUR mil.)	% of total
Piemonte	2,043.70	2,007.80	4,051.50	5.7
Valle d'Aosta	14.5	182.9	197.4	0.3
Lombardia	3,520.50	1,360.60	4,881.10	6.9
Trentino Alto Adige	53.5	1,923.40	1,976.90	2.8
Veneto	1,124.50	1,770.50	2,895.10	4.1
Friuli Venezia Giulia	840.1	501.3	1,341.40	1.9
Liguria	1,111.10	448.9	1,560.00	2.2
Emilia-Romagna	1,363.30	894.7	2,258.00	3.2
Toscana	1,221.10	1,079.10	2,300.10	3.3
Umbria	357.4	301	658.4	0.9
Marche	415.2	427	842.3	1.2
Lazio	1,321.70	524.7	1,846.40	2.6
<i>Centre-North</i>	13,386.60	11,422.10	24,808.70	35.1
Abruzzo	807	549.6	1,356.60	1.9
Molise	371.6	119.6	491.2	0.7
Campania	9,576.50	1,575.90	11,152.40	15.8
Puglia	6,070.10	1,011.40	7,081.50	10.0
Basilicata	1,604.70	143.5	1,748.10	2.5
Calabria	4,668.80	449.8	5,118.60	7.2
Sicilia	7,550.70	1,238.00	8,788.60	12.4
Sardegna	3,058.10	1,336.10	4,394.20	6.2
<i>Mezzogiorno</i>	33,707.40	6,423.90	40,131.20	56.8
<i>National, not classifiable</i>	5,770.70	-	5,770.70	8.2
<i>Italy</i>	52,864.70	17,846.00	70,710.70	100.0

Source: Ministero dello Sviluppo Economico (2008)

A number of empirical analyses on the effectiveness of the existing measures have pointed to the limited results in terms of the contribution to innovation, economic growth and employment creation, as they have mainly induced a substitution and re-scheduling of investments or produced only temporary, and sometime distortional, impacts (Banca d'Italia 2008, pp. 90-91).

In consideration of the limits of the existing industrial policy system, a current stated priority of the Ministry of Economic Development is the revision of the industrial policy system with a view to support the competitiveness and innovation performance of the Italian economic system and accompany the transformation of the production structure. In particular, this should be pursued through the new programme for structural funds in the period 2007-2013 involving both the national and the regional levels. The national Strategic Framework 2007-2013 (Quadro Strategico Nazionale, QSN) has put a special emphasis on two national programmes on "Research and Competitiveness" aimed to 'Convergence regions' and to the whole national territory respectively, which will be defined and implemented jointly by the Ministry of Economic

Development and the Ministry of Education, University and Research, with a view to improve the performance and competitiveness both the research and innovation system and the business and production system. As for the production systems, these programmes intend to favour a competitive shift of the existing production system and the emergence of new specialisations in line with the current international developments and with a special emphasis on human resources, social inclusion, the environment, quality of life and equal opportunities as essential components of the development potential and crucial factors for innovation. The objective is enabling beneficiaries to update their specialisation through the application in the production of process of research, technologies, know-how and skilled human resources (Ministry of Economic development 2008). While the priority in the previous phase was the accumulation of private capital, with a view to strengthen the production system and thereby foster employment and economic growth, the new programmes will target productivity and competitiveness gains (Ministero dello Sviluppo Economico 2008).

### **2.1.2 INNOVATION: POLICIES ON REGIONAL DEVELOPMENT AND RESTRUCTURING**

initiatives and strategies for local-level economic development and social cohesion, essentially through a bargained approach which is devised to involve the national government (which contributes substantially to the funding of such initiatives), local authorities (which provide the essential territorial reference and additional resources), the social partners (which participate to the definition of the specific development policies and of the elements relating to employment creation, including the rules to be applied to new jobs), and prospective investors.

The main instrument designed to deal with corporate crises or industrial restructuring is the ‘assisted area agreement’, introduced by the Article 2 of the law 662/1996. The aim of an ‘assisted area agreement’ is to increase powers of the social actors to intervene in temporary and exceptional cases of industrial crisis. ‘Assisted area agreements’ have been implemented mainly in the Centre-South of Italy, the aim being to enhance integration among economic development, social cohesion, and public investments. Examples are the ‘assisted area agreements’ reached in Molise, in Umbria (Terni-Spoleto), in Lazio (Viterbo-Tarquinia), in Calabria (Gioia Tauro), and in Sicily (Messina). Moreover, ‘assisted area agreements’ have been the main instruments used to intervene in zones undergoing major industrial restructuring: for example, in Sardinia (the areas of Sassari-Alghero, Porto Torres, Sulcis-Iglesiente and of Ottana); in Campania (the areas of Aiola, Avellino, Salerno, and Tornese Stabiese); and in Puglia (the area of Manfredonia).

Another instrument widely used is the ‘programme contract’, which was also introduced by Law 662/1996 and specifically targeted on 1, 2 and 5b objective areas. These programme are regional and multi-regional.

Moreover, in the recent years, there has been significant growth of new forms of negotiated planning in areas hardest hit by economic recession and industrial conversion, in the so-called ‘under-utilised’ areas of the South and the Centre-North, and in industrial districts, where structured territorial systems of ‘social concertation’ and economic planning have been introduced.

One of the main instruments for local development is the ‘territorial employment pacts’ launched in 1998, which integrate initiatives to promote capital investment in a particular area with targeted interventions (generally on infrastructures) in order to remedy structural disadvantages. ‘Territorial employment pacts’ are now widespread in the country, and, according to the Ministry of the Economy and Finance, they have generated ‘good practices’ in both the industrial districts of the Centre and North of Italy and in southern regions with a certain level of industrialisation or which are predominantly rural. In the North and Centre, several pacts have been assessed as achieving a good level of effectiveness: for example, those of Rovigo and Eastern Venice (in the North-East), of Val di Chiana, Grosseto and Livorno (in Tuscany) and the European pact of Sangro-Aventino (in Abruzzo); in the South the pacts of Teramo, of Lecce and the pact of East Naples, all of which have been focused on industrial development, while the pacts of Benevento, of Caltanissetta and that of Simeto-Etna have been signed in less industrially backward areas.

Moreover, in certain Italian regions, provinces and cities, the local authorities and the social partners have developed several employment and development pacts.

### 2.1.3 THE LABOUR MARKET

The Excelsior information system, which is maintained and implemented by Unioncamere and the Ministry of Labour, Health and Social Policies, provides detailed information on labour market developments and the vocational training system since 1997. Through the annual Excelsior survey, which involves some 100,000 firms, it collects detailed information on employment and skill needs in several sectors for the current year and provides projections on prospective developments, thereby producing valuable information for all the actors responsible for and involved in the vocational training system. The latest survey available refers to employment trends in 2008.

Italia Lavoro maintains a number of on-line information tools which are aimed to provide analyses of the main tendencies in the labour market (*Il Monitor*), especially for disadvantaged groups of workers, and a database of good practices both in labour market management and vocational training (*Buone Prassi*). However, both tools have currently not been updated for around one year (the latest addition is of April 2008). ISFOL is responsible for a number of survey and databases which are aimed to monitor labour market developments. An important instrument is the National monitoring system of professional needs (Sistema nazionale di osservazione permanente dei fabbisogni professionali, SIS), based on specific surveys which collect data at sectoral and professional levels. The latest analyses provide information on the 2005-2009 period.

In the field of the labour market performance of recently graduated people, AlmaLaurea, an interuniversity consortium which gathers 52 Italian universities, carries out an annual study of the transition from education to work within 5 years from graduation. In this way it provides interesting information of the matching between the offer of tertiary education in Italy and the demands of professional skills by firms. AlmaLaura also offers services to graduated and firms to directly match labour supply and demand.

## 2.1.4 THE KNOWLEDGE SYSTEM: VOCATIONAL TRAINING

At national level, vocational training schemes are regulated by law 845/1978 and are the exclusive competence of the regional administrations, which define their frame of reference.

As regards vocational counselling – i.e. the service which informs redundant workers and directs them to jobs which match their aspirations and skills, on the one hand, and market demand on the other - this is regulated by legislative decree 181/2000 (amended and supplemented by legislative decree of 11 April 2002), which provides that employment agencies and authorised labour-leasing and intermediation agencies must conduct counselling interviews with job-seekers within three months from the onset of unemployment. Failure to attend the interview not due to 'objective impediment' is sanctioned with removal of the person's unemployed status.

Again at national level, measures to encourage self-entrepreneurship or self-employment are regulated by legislative decree 185/2000, which provides incentives for the creation and development of businesses by young people in economically depressed areas of the country, doing so via various schemes offering opportunities for self-employment, micro-enterprise, or franchising. In recent years, schemes largely financed from the European Social Fund and designed to encourage self-employment and business start-ups have spread throughout the country. These schemes provide integrated training programmes and guidance and information services for workers.

The implementation and regulation of measures for the relocation of workers who lose their jobs, and more generally for the labour-market re-entry of unemployed workers, are the competence of the regional administrations and the local authorities in accordance with legislative decree 469/1997 and reform of Title V of the Italian Constitution (Constitutional law no. 3 of 18 October 2001), which introduced a significant measure of devolution. Each Italian region now has its own specific system of public employment services comprising:

- A series of 'social concertation bodies' consisting of representatives of the local public authorities and the social partners, most notably: (1) the Regional Social Concertation Commission (*Commissione regionale di concertazione*), which designs, proposes and assesses regional training and labour policies; (2) the Regional Institutional Committee (*Comitato istituzionale regionale*) tasked with the integration of provincial employment services, active labour policies and training policies; (3) the Provincial Social Concertation Committees (*Comitati provinciali di concertazione*), which perform functions similar to those of the Regional Institutional Committees at a more circumscribed territorial level.
- A network of employment agencies which operate in catchment areas with no fewer than 100,000 inhabitants and furnish placement, guidance and unemployment certification services, promote the work integration of disadvantaged persons, conduct labour-market analyses at the provincial level, provide consultancy to firms, and assist disabled persons.

Moreover, legislative decree 276/2003 permits other public and private organisations authorised by the state and accredited at regional level – e.g. employment agencies and other operators (universities, municipalities, chambers of commerce, bank foundations) - to undertake staff leasing, intermediation in the hiring of labour, staff selection and recruitment, and support for the outplacement of redundant workers. Legislative decree 469/1997, subsequently amended and supplemented by law 388/2000 (2001 budget law) also allows private organisations (also non-capital companies), solely for client employers (or their representatives as agreed with the trade unions), to facilitate re-employment through the preparation, accompaniment, and flanking of workers beginning new jobs.



In general, in Italy, within the legal framework just described, the access to income support measures and labour-market re-entry schemes may be facilitated and regulated by company, territorial or sectoral agreements.

With regard to the training and retraining programmes, in certain sectors, the organisation and implementation of these courses is devolved to the 'bilateral bodies' set up by the employers' associations and the most representative trade unions. The 'bilateral bodies' perform various functions in regard to regulation of the labour market: for example, matching labour demand and supply; planning training activities; managing funds for training and income support; undertaking actions on workplace health and safety.

Moreover, regarding the continuing vocational training, the National intersectoral joint funds for continuous vocational training (Fondi paritetici interprofessionali nazionali per la formazione continua), promoted by social partners, finance training plans at company, sectoral and territorial level, individual training programs and system activities, such as training needs surveys. The intersectoral funds have been introduced by law 388/2000 (2001 budget law), which established the possibility for employers' organisations and the most representative trade unions at national level to set up funds to manage training contributions made by enterprises. The intersectoral funds can be set up in four areas of the economy: industry, agriculture, the services/tertiary sector and artisanal production.

### ***Debate held during the National Seminar: Key insights***

#### ***Anticipation means to accompany the change.***

Among the key factors of the change: i) demographic structure, ii) technologies, iii) globalization, the Italian system was quite successful on the third component. Many problems on research and application of new technologies.

Pay attention to the youth unemployment it is strategic.

In Italy lack of investment in innovation: an example are the salaries' researchers.

#### ***All the enterprises are affected by the crisis, also who have invested in new products, competitiveness and competencies. How to interpret this phenomenon?***

Fiscal policies, incentives for investing in new products, easier access to the credit, are proper tools for helping the enterprises in increasing competitiveness

Innovation means investing in research: so far the enterprises have covered the biggest part of the costs. For the future, it is strategic to create network between private sector and Universities and research Institutes.

***Weakness of the Anticipation policies in Italy is influenced by the dimension of the firms : small and micro size.***

The prevalence of SMEs' has also affected the investment on human capital and research.

Further consequence: discrimination of women in the labour market (ex. maternity leave is not considered a social responsibility of the community).

The role of the industrial relations : Italy has anticipated some models. The impact of the collective bargaining decreases when the work loses its intrinsic value.

***Offshoring represents an other example of lack of investments in Italy and a limited strategy of development of new products and skills.***

R&D: it is recommended to revise the indicators for reading and interpreting well changes.

Restructuring policies are linked to Industrial policies.

*Local development is the effect of an economic crisis.*

Governance with public authorities and social partners is crucial.

Governance of the Labour market is fundamental!

Decentralization of Governance of LM from National to regional level has created some problems. It is necessary to anticipate new professional skills and competencies, but the Employment Services are not well equipped.

Internationalization and new markets represent a key factor for anticipating change.

Focusing on clusters is a strategic factor for increasing competitiveness.

## 2.2 Managing restructuring

### 2.2.1 THE ITALIAN SYSTEM OF 'SOCIAL SHOCK ABSORBERS'

Among the various measures intended to cushion the harmful effects of certain events on workers (dismissals or lay-offs) in Italy, the system of so-called 'social shock absorbers' (*ammortizzatori sociali*) provides the basic framework for managing and, to some extent, anticipating industrial change and restructuring. These income support tools are then often used in conjunction with several other measures meant to ease reorganisation and reduce the social

impact of restructuring through a number of supporting measures and notably vocational training for re-qualification, counselling and outplacement services, consultancy and practical help in moving into self-employment or to foster entrepreneurship, as well as with initiatives aimed to favour the re-industrialisation of the productive sites involved in restructuring (see below).

The ‘social shock absorbers’ and, partially, the labour market policies which support re-employment of redundant workers are not equally available to all categories of workers. The differences mainly concern the Wage Guarantee Fund (*Cassa Integrazione Guadagni*, CIG) schemes and the unemployment benefits, whose availability and application vary according to the firm’s size and the sector of activity.

The Wage Guarantee Fund is the most important ‘social shock absorber’ in the Italian system, and it is used in cases of work reduction (temporary or partial) or suspension. The CIG ensures continuity of income and employment of temporarily laid-off workers. During the period of recourse to the CIG, companies, trade unions, and, in some cases, national and local authorities, may endeavour to draw up a plan for re-launching production and safeguarding employment levels, even only partially.

The CIG can be applied by two schemes:

- The ordinary Wage Guarantee Fund (CIGO), which is applied in cases of temporary downturns in production due to transitory reasons (i.e. temporary suspension from work and working time reductions due to transitory circumstances for which neither employer nor employees are responsible);
- the extraordinary Wage Guarantee Fund (CIGS), which can be applied in serious situations of surplus workforce and to intervene in the case of corporate restructuring, reorganisation or conversion, as well as in the event of bankruptcy, liquidation or extraordinary administration. A necessary condition for access to the CIGS is that the enterprise must draw up a plan for the re-launching of production and to safeguard employment levels.

Application of both the ordinary and extraordinary CIG is restricted to the employees of firms operating in only certain sectors and of a certain size; in particular:

- Intervention by the CIGO can be requested only by industrial enterprises (for blue-collar and white-collar workers and middle management) and for agricultural and building workers.
- The CIGS is reserved for the employees of industrial enterprises with more than 15 workers, commercial enterprises with more than 50 employees, publishing companies of any size, services firms, crafts firms and cooperatives (in all three cases with more than 15 employees) connected to industrial enterprises which, in their turn, have placed workers on the ordinary Wage Guarantee Fund.

Workers on the Wage Guarantee Fund gain entitlement to an allowance:

- In the case of the CIGO, the allowance (known as ‘integrazione salariale’) is equal to 80% of the worker’s last pay and may be received for a maximum of one year (which may be extended to 25 months). It is paid by the state (via the National Institute of Social Security – Istituto nazionale di previdenza sociale, Inps), but financed out of contributions by employers.
- In the case of the CIGS, the income support again amounts to 80% of the last pay packet. After six months, the benefit may not exceed a ceiling established by law. The duration

varies from 24 months to a maximum of 36 months over five years (which may be extended to 48 months for complex programmes). The intervention is paid by the state (via the Inps).

Moreover, the workers affected by the CIGS scheme must be selected according to specific criteria (in compliance with the principle of direct and indirect non-discrimination) and it is obligatory to rotate suspensions, except for technical/organisational reasons, which the competent authority may reject. The procedure for activation of the CIGS involves a phase of trade union consultation and an administration phase. With regard to the former, an employer intending to place workers on the CIGS holds talks with the company-level unions (or in their absence, those most representative locally) for joint examination of the company's situation. The focus of these talks is (1) the plan which the enterprise intends to implement in order to resume production, (2) the number of workers to be laid off, (3) the duration of their suspension, (4) the criteria for identifying the workers to be suspended, and (5) the plan for rotating workers still employed among the production units affected by lay-offs. As regards the administration phase, the application for intervention by the CIGS (to be sent to the provincial Labour Offices and to the Ministry of Labour) must be accompanied by the company's recovery plan, which cannot be of more than two years' duration (although it may be extended in exceptional cases). This plan is examined and approved by the Ministry of Labour.

For the companies covered by CIGS, another alternative solution to lay-offs is the 'job-security agreement' (Contratto di solidarietà), which is a collective agreement signed by the company management and trade unions aimed to implement a reduction in working hours (daily, weekly or monthly) to avoid the collective dismissal of redundant workers, in case of temporary company difficulties (law 863/84). A 'Job-security agreement' may be applied simultaneously with the CIGS, but it may not involve workers placed on the Wage Guarantee Fund schemes. The duration of this type of agreement is up to 24 months; during this time the state - through the Inps - pays an allowance equal to 60% of the wage lost by the worker because of the reduction in his/her working time. The benefit of this type of agreement for the employer consists in a reduction in the social security contributions to be paid for the workers covered by the agreement. Job-security agreements may cover shop-floor and office workers, as well as members of cooperatives. Job-security agreements can be applied also in firms outside the scope of the CIGS (law 236/93). In this case, the allowance granted to the employee is equal to 25% of the wage lost and an equivalent contribution is paid to the company.

If the crisis persists, the employer may apply the law on collective dismissals, which are regulated by law no. 223 of 1991. The employer may apply the regulations on collective dismissals, providing that the following conditions are met:

- The enterprise has 15 or more employees;
- the enterprise intends to make redundant at least five employees within a period of 120 days; and
- the redundancies are to be made at the 'same production unit' or at 'several production units in the same province'.

The range of application of the legislation on collective dismissals encompasses workers with job classifications as shop-floor, office and managerial staff, while senior executives are excluded. Moreover, in the private sector, besides the firms fulfilling the above requirements, the rules on collective dismissals also apply to the members of production and work cooperatives.

Enterprises with fewer than 16 employees (which are not covered by these regulations) may make 'multiple dismissals for justified objective reasons' - i.e. individual dismissals of several workers (which are regulated by law no. 108 of 1990).

In the case of collective dismissals, termination of the employment relationship is preceded by the so-called 'mobility procedure' (*procedura di mobilità*), the main function of which is to restrict, as far as possible, the effects of collective dismissals on company employment and on the labour market. On conclusion of the 'mobility procedure', if it is still necessary to reduce the workforce, the employer may select the workers to be 'placed in mobility': that is, the employer may now terminate the employment relationship. According to the provisions of law 223/1991, the act of terminating the employment relationship also places the dismissed worker on the 'mobility lists' (*liste di mobilità*), which are special job placement registers compiled to favour labour-market re-entry, also via vocational retraining schemes organised by the local employment agencies.

The 'mobility procedure' requires the employer to send written notification to the unitary workplace union structure (*rappresentanza sindacale unitaria*, RSU), the trade unions belonging to the most representative confederations, and the Provincial Labour Office, with the following information: the reasons for the decision to reduce personnel; the number, job classification level and skill level of the surplus personnel; normal staffing levels; and the timetable for implementation of the reorganisation plan. The notification must also state any measures planned by the enterprise to reduce the social impact of the lay-offs, and the method used to calculate the income support provided by the extraordinary Wage Guarantee Fund. The 'mobility procedure' is divided into the following two phases:

- The first phase may take place, on the trade unions' initiative, within seven days of receiving the notification, and it must last for no more than 45 days from the date when the procedure begins. The sectoral trade unions, if they deem it appropriate, may ask for a 'joint examination' of the enterprise's crisis situation, the aim being to reach agreement with the employer on solutions alternative to the collective dismissal. Experts may assist the trade union representatives during this consultation. Moreover, the obligations of information, consultation and communication must be fulfilled regardless of the fact that the decisions on dismissals have been taken, not directly by the enterprise where the workers concerned are employed, but by the enterprise, which controls it. In this case, an employer who does not comply with these procedural obligations cannot claim that the controlling enterprise has failed to transmit the information on staffing cuts.
- The second phase begins with notification of the outcome of the consultation to the director of the Provincial Labour Office. If the parties do not reach agreement, the director of the Provincial Labour Office must attempt mediation within a maximum time period of 30 days. This is therefore a further attempt - this time by administrative means - to find a solution, which avoids (or at least limit) the redundancies initially foreseen by the employer.

Once the 'mobility procedure' has concluded - and it may not last for more than 75 days - the employer is allowed to identify, through a set of criteria, the workers subject to dismissal. The selection criteria may be stated by the industry-wide agreement; if they are not, they are those set out in art. 5 (section 1) of law 223/1991, which stipulates that the selection of the workers for dismissal must be made in relation to the technical-productive and organisational exigencies of the enterprise, family responsibilities and length of service. The law also restricts the selection mechanism in order to protect the personal situation of certain groups of workers. Specifically, it states that the number of disabled workers among those dismissed may not exceed the

percentages established by the law on compulsory hirings, and that the percentage ratio between female and male labour must be maintained in the jobs affected by dismissals. The law stipulates that the employer must inform the workers concerned in writing. Moreover, the employer must communicate the names and addresses of the redundant workers, as well as their jobs, skill level, job classification level, age, family components, and the criteria for their selection, to both the public authorities (the Regional and Provincial Labour Offices and the Regional Employment Commission) and the sectoral trade unions which had received notification of the start of the ‘mobility procedure’.

Finally, according to law 223/1991, the act of terminating the employment relationship not only performs the function of rescission of the employment contract, but also places the redundant worker on the ‘mobility lists’, as already said above. Workers on the ‘mobility lists’ and with length of service of at least 12 months - of which at least six consisting of actual work (considered as such are also periods off work for holidays or sickness) - are entitled to a ‘mobility allowance’ (art. 7, law no. 223/1991), equal for the first 12 months to the allowance paid by (or due from) the CIGS immediately prior to the dismissal. In subsequent months, the allowance decreases to 80%. The duration of the allowance varies according to the age of the worker and the location of the enterprise. It is paid to all redundant workers for a period of 12 months, which may be extended to 24 for workers aged over 40. Workers aged over 50 receive the allowance for 36 months. In southern Italy - which has greater employment problems and greater difficulty in achieving economic growth - the allowance periods are increased to 24, 36 and 48 months respectively, and for the first 12 months the amount is equal to 100% of the CIGS allowance and 80% thereafter. The allowance may not be paid after the date of eligibility for an old-age pension, nor for a period longer than the worker’s length of service at the enterprise (art. 7, sub-sections 1, 3 and 4 of law 223/1991).

As regards retraining schemes for workers on the ‘mobility lists’, the law allows the regional public authorities to stipulate contracts with temporary work agencies for the provision of retraining courses for redundant workers. Moreover, the employment of workers on the ‘mobility lists’ is facilitated by a variety of benefits (i.e. reduced social security contributions) to those enterprises hiring them even on fixed-term contracts.

As above-mentioned, eligibility for measures, which provide greater protection –e.g. the Wage Guarantee Fund and the ‘mobility allowance’, is restricted to certain categories of workers. But also the eligibility for other ‘social shock absorbers’ depends on fulfilment of certain requirements as regards contributions. In particular, with regard to the unemployment benefit, it is granted to all redundant workers who have paid at least two years of insurance against voluntary unemployment and with at least one year of contributions in the two years prior to unemployment. The benefit amounts to 40% of the pay received in the three months prior to job loss and is paid for 180 days (although the period may be extended to nine months for unemployed persons aged over 50). There is also a special unemployment allowance (eligible for which are persons who have worked at least 78 days in the previous year and who have paid one weekly contribution before the biennium prior to the year of application for the benefit) and special benefits for farm-workers and construction workers. The latter receive income support higher than the ordinary unemployment benefit: in fact, redundant workers in the construction sector who have paid at least 10 monthly contributions or 43 weekly ones receive, for a duration of 90 days (which may be extended to 18 or 27 months), 100% of the CIGS benefit paid for the first 12 months and 80% of the sum paid thereafter.

## 2.2.2 THE SPECIAL MEASURES INTRODUCED TO TACKLE THE CURRENT ECONOMIC SLOW-DOWN

In order to tackle the recent financial and economic crisis, at the end of November 2008, the government approved the legislative decree 185/2008 on 'Urgent measures to support families, work, employment and business, and to restructure the national strategic framework to combat the crisis', which was eventually approved by the law 2/2009.

The law sets up some measures to extend, even if partially and sometimes temporarily, the traditional 'social shock absorbers' to workers in economic activities not covered, as well as to workers employed by firms below 15 employees, project workers, temporary agency workers and apprentices.

The main provisions concern:

- The possibility to benefit of the unemployment allowance (both 'normal' and 'reduced' depending on the eligibility of the individual worker), for a maximum of 90 days, in case of suspension of the employment relationship (that is without being formally unemployed) for workers employed in firms outside of the scope of the Wage Guarantee Fund. Such possibility will also be available for workers on apprenticeships on an experimental basis in the period 2009-2011. The unemployment allowance will be paid only if at least 20% of the amount will be paid by joint bodies introduced by collective bargaining. Such scheme would practically represent, on a smaller scale, something which could be used by firms as a sort of Wage Guarantee Fund, thereby providing a means to reduce labour costs and guarantee an income support to the suspended workers.
- The possibility to grant the use of the Wage Guarantee Fund and of the mobility scheme outside the normal scope of these measures provided the interventions have been defined in specific territorial agreements between the social partners and the local authorities to be achieved by 20 May 2009 and then ratified by the government by 15 June 2009. Part of the financial resources needed to fund these interventions will be provided by the regional administrations (which will basically utilise the ESF resources) and will be aimed both to integrate the income-support benefits and to provide active labour market measures.
- The experimental extension of the Wage Guarantee Fund and of the mobility scheme, until the end of 2009, to workers employed by retail companies with more than 50 employees, tourist agencies and operators with more than 50 employees, and security companies with more than 15 employees.
- The possibility of workers of companies with up to 15 employees who lose their job to demand their inclusion in the 'mobility lists', so that firms which hire them can benefit of the respective economic incentives. However, workers will not benefit of the mobility allowance, which remains available only to workers involved in collective dismissals by larger companies.
- A one-off payment as a form of severance pay for project workers, when they finish they service contract, provided they have a single customer and they meet a number of requirements in term of income and contributions. The payment will be equal to 10% of the income received in the previous year.

### 2.2.3 SPECIAL SECTORAL SYSTEMS: THE CRAFTS AND THE BANKING SECTORS

In some cases, agreements at company, sectoral or territorial level between the social partners - which may sometimes also involve the local authorities - are intended to favour the access to specific forms of support for workers excluded from the 'traditional' system of 'social shock absorbers'.

For instance, the social partners of crafts sector have developed specific welfare institutions, by means of collective bargaining. The recent renewal of the collective agreement for craftworkers – that was reached on 21 November 2008 - have recognised that the 'bilateral bodies' must play a fundamental role in the development of welfare measures. In particular, the new agreement re-establishes the role of the national 'bilateral body' in great detail, adding to the functions already envisaged the promotion of 'bilateral bodies' in regions where they are lacking. More specifically, the social partners have defined the role of the system of 'bilateral bodies' as outlined below:

- 'Social shock absorbers' for the crafts industry will be strengthened in order to improve income support for workers during involuntary periods of unemployment. The signatories of the agreement intend to guarantee all workers an unemployment allowance, which will be higher than the current level and they intend to widen cover to include workers who are less eligible – that is, those on fixed-term employment contracts or apprenticeships, for example.
- A national system will be set up to monitor regional data regarding health and safety in the workplace.
- A national fund will be established to finance supplementary health insurance, sustained by company contributions.

The system of 'bilateral bodies' will be financed by an amount that companies will pay to the Inps, in addition to the obligatory contributions.

In the banking sector, the social partners, by means of collective bargaining, have created a special fund to manage corporate crises and restructuring, and the labour surpluses that may follow (the fund is called Income, employment, requalification and conversion solidarity fund for the support of banking sector personnel - Fondo di solidarietà per il sostegno al reddito, dell'occupazione e della riconversione e riqualificazione professionale del personale del Credito). The fund is managed by the Inps, in concert with the social partners, and is intended to back policies for income and employment support and to counter crises in labour-market categories not eligible for the Italian system of 'social shock absorbers'. These measures are funded by higher contributions established by collective bargaining. The fund divides between an 'ordinary' and 'extraordinary' part. The former - funded by a levy of 0.5% of paybill, one-third of which is paid by workers and two-thirds by employers - is used to support temporary interruptions of the employment relationship or for training. The 'extraordinary' scheme is directly funded by the banks undergoing restructuring and is used for the outplacement of redundant workers. The fund allows workers with no more than five years to complete until reaching pensionable age to receive a benefit worth 70% of their gross wage until they reach the age of retirement. Employees with less length of service, and who are more than five years away from retirement age, are not eligible for the benefit.

Finally, in some sectors, collective agreements have introduced observatories in order to monitor several aspects of work, including sectoral labour markets.



### ***Debate held during the National Seminar: Key insights***

In the past the “contract of area” was the main tool to respond to the crisis, due to a positive convergence in terms of strategic objectives - mainly in South Italy - between Government and social Partners. It is not easy to plan a reindustrialization process in the same sector, sometimes contracts are quite different. Now there is a lack of strategy to face the effects of the crisis. It is fundamental to create right conditions to attract new investors (public and private).

### ***Social impact***

There are still some constraints in linking development policies and employment policies. It is necessary to work on the basis of a multi – actors frame within a joint programme.

The active measures are conceived at territorial level, but there is a need to reflect the EU priority, starting from the ESF. The existing services at local level are more oriented towards the need of the workers: it is strategic to pay attention also to the employers.

### ***Wage Guarantee Fund***

It is necessary to better understanding the aim and the means of the Wage Guarantee Fund (WGF). Distinction between suspension from the job (covered by the SSA distinguishing the WGF ordinary and extraordinary on the basis of the time frame) and lay – off (covered by mobility and unemployment subsidies)..

In the current period and in order to cope with the negative effects of the economic and financial crisis, some changes and supplements were set up and approved with the consensus at national and regional level, namely for i) widening the benefits of the WGF to new vulnerable targets and for ii) simplifying the procedures. Some changes concern also the combination of active and passive measures, but this integration is still weak.

There is a recent regulation laid down by the Ministry of labour that extends the request for WGF from enterprises that are not affected by an internal crisis, but are threatened by the current economic and financial crisis.

### ***Collective bargaining***

This tool is very effective and was used several times in the past when was introduced for the first time the WGF.

The original aim was to coordinate all the efforts necessary for the outplacement of redundant workers. The collective bargaining has been improved this year in order to strengthen the negotiation processes also between the Government and the regional authorities.

The link between the SSA and the active measures has been reinforced, thanks also the opportunity offered by the ESF. In the framework of the application of the SSA the level of “conflict” between social partners and public authorities is very low. It depends on the specific nature of the SSA that requests and pushes towards a proactive co operation among the actors.

***Job- security agreement***

This contract is not fully applied due to the complexity in accessing the benefit.

Very recently the contract has been changed in order to increase the potential use for whom – employers and workers – that intend to reduce the working time. The solidarity contract is to be considered anyway an useful tool for keeping alive the job and the production. The mechanism for the calculation of the benefit is more convenient of the WGF. The limit of 12 months duration of the Solidarity contract was eliminated recently: so now the tool is more flexible.

As the analysis of the results of the referred measures/tools to anticipate and manage restructuring is mainly included in the previous chapter in order to provide an overall framework in addition to the description of each of them, in this chapter the focus is on the results of some measures/tools applied in specific company experiences.

## 3.1 RESULTS OF MEASURES TO ANTICIPATE AND MANAGE CHANGE: COMPANY EXPERIENCES

### INTRODUCTION

In this section, the results of the evaluation of three company practices are illustrated, because of their relevance in terms of the approach to restructuring that they suggest. In particular, the analysis is focused on the description of the impact of the restructuring process on the labour market, of the financial measures that are being put into place and of the methods that are being used to prepare and manage redundancy.

The selection has been made taking into consideration the participation of different actors, the involvement of trade unions and local governments and institutions, as well as the availability of relevant information. Of course, they are not meant to represent exhaustively the different possible approaches to restructuring, neither are they considered to be exemplary of restructuring management. Rather, they can raise a set of important issues and can point to critical aspects of the ways companies, workers and their representatives, together with the political authorities can address the numerous challenges linked to economic transformation.

The experiences of managing restructuring usually involve a number of actors and tools. The three selected cases illustrates the different steps of this process, which starts with the involvement of internal stakeholders, at the time of the announcement of the restructuring plan, and then, in different ways, tends to include external stakeholders, essentially local and national political authorities, with a view to cushion the social impact of restructuring through different tools: the social shock absorbers (basically CIG and mobility procedures), employment services and training initiatives, and different industrial policy instruments to attract new investors. While social shock absorbers are a fundamental element of managing restructuring and outplacement and re-qualification initiatives have been a crucial component of the common strategies to address reorganisation processes, the emphasis on re-industrialisation has increased in recent years. The latter is certainly a more challenging aspect of managing restructuring, both for its costs and for the capacity to produce significant and long-term results in terms of business development and employment creation.

An interesting issue which emerges from the cases is whether ‘internal anticipation’ of restructuring, through an early involvement of the trade unions in analysing the situation and identifying solutions, can reduce the scope or the need for external support or simply provide more time for selecting the most appropriate solution. Participatory industrial relations and commitment to CSR policies by the companies involved, in this sense, may help to address restructuring and reduce its collective costs.

### **3.1.1 ELECTROLUX: THE REORGANISATION OF THE PRODUCTION OF REFRIGERATORS IN ITALY**

#### ***3.1.1.1 Background: the system of industrial relations at Electrolux***

The industrial relations system developed over the years within the Electrolux Group lays down specific information and consultation procedures. These procedures consist of a series of annual meetings where the Group illustrates its financial and productive situation, investments, and employment levels (for which purposes a number of observatories at group and company levels have been created).

In the case of company restructuring, specific discussions are added to the annual meetings. These meetings involve representatives of the trade unions at both company and national levels - more specifically, the national secretariats of the Fim-Cisl, the Fiom-Cgil and the Uilm-Uil, the provincial secretariats of those same trade unions, the national coordination unit of the group's unitary workplace union structures (RSUs), and the RSUs of the specific plants involved in the restructuring process.

If the Group has difficulties in one or more of its business units, the information and consultation procedure - which must take place before the start of the 'mobility procedures' envisaged by law - is preceded by an 'investigation phase'. During this phase, the Group's representatives inform the unions about the economic and productive situations of the plants subject to 'investigation', the problems highlighted by analysis, and the interventions envisaged to deal with them.

#### ***3.1.1.2 The reorganization of the production of refrigerators: the 'investigation phase'***

In February 2008, the group Electrolux announced the start-up of an 'investigation phase' in regard to the company's refrigeration business unit in Italy.

The 'investigation phase' lasted involved more than 20 meetings, during which the critical factors requiring the reorganisation of production and the proposed solution of concentrating refrigerator production at the Susegana plant, with the consequent closure of the Scandicci plant, was discussed jointly and in depth. The numerous meetings held between the parties, the quality of the information and the dialogue developed at the meetings favoured the subsequent agreement on the management of the restructuring process.

The company showed willingness to examine alternative productive uses for the Scandicci plant, which would guarantee the re-employment of large part of the workforce employed there. Consequently, in this specific case, the announcement of the plant's closure was not immediately followed by the information and consultation period envisaged by the law (which can last for 75 days at most), and therefore by the start of the 'mobility procedures', but by a significantly longer period of around four month, when the parties looked for alternatives.

Electrolux presented an in-depth analysis of the problems affecting its refrigeration sector in Italy. In particular, the company conducted detailed analysis of various factors, from the profitability of individual refrigeration products to fixed costs. Electrolux stressed the economic problems due to the division of the company's refrigeration business unit between two plants. To

increase the sector's profitability, competitiveness and economic sustainability it was necessary, according to the company, to concentrate production in one single factory. Moreover, following the recent changes in the market for household appliances and increased global competition, the group had decided to specialise the Susegana plant in the manufacture of refrigeration appliances with high added value, i.e. medium-to-high range products. Therefore, the company management considered the concentration of all its refrigeration sector's activities in Italy at the Susegana plant the best possible solution, with the consequent closure of the Scandicci site, where it employed 430 workers.

With a view to favour the re-industrialisation of the Scandicci production site, Electrolux commissioned a specialised company to find a new utilisation for the plant, so to ensure the largest possible re-employment of the redundant workers. Electrolux defined further selection criteria, regarding, for instance, the financial and technological assets of the company interested in the investment, its orders portfolio, guarantee maintenance of employment levels for at least three years, and, for the re-hired workers, continuation of both the collective agreement for the metalworking sector and previous wage levels. Besides these conditions, Electrolux also undertook to sell the plant on particularly advantageous economic terms.

### ***3.1.1.3 The agreement on the closure of the Scandicci plant***

In October 2008, Electrolux and the main sectoral trade unions – Fiom-Cgil, Fim-Cisl and Uilm-Uil - signed an agreement on the restructuring of the Electrolux's refrigerator sector in Italy, with total redundancies of about 800 workers – the closure of the Scandicci plant and some 320 jobs cut at Susegana. The agreement also provided for the re-industrialisation of the Scandicci production site. Electrolux, after a selection process, sold the site to Energia Futura, a company operating in the renewable energies sector and which will manufacture solar panels at Scandicci. The sale agreement provides for the re-hiring by Energia Futura of 370 workers by the beginning of 2010.

For the 430 people employed at Electrolux's Scandicci plant, the agreement provided for recourse to the 'extraordinary' Wages Guarantee Fund (CIGS) for a total period of up to 24 months. Also the workers hired by Energia Futura are eligible for the CIGS and the 'mobility allowance' (in this way Energia Futura will be able to use the benefits provided by law to companies hiring from the 'mobility lists').

For the workers who will not be hired by Energia Futura, the agreement provides a series of economic incentives to encourage voluntary exits among workers not re-employed by Energia Futura (around 60 people). For these workers, Electrolux made an outplacement service available to help their re-employment in other companies.

The agreement also defined recourse to the CIGS for around 320 people (302 workers and 22 employees), employed at the Susegana plant and declared redundant by Electrolux. In this case, the CIGS concerns corporate reorganisation and will have a 24-month duration (beginning on 5 January 2009). In regard to the selection of workers for the CIGS, the agreement states a series of criteria, among them voluntary choice by the workers and fulfilment of pension requirements during the CIG period (and subsequent 'mobility period'). Economic incentives for voluntary resignation are also envisaged for the Susegana plant. To reduce the number of redundancies, the agreement also provides for the conversion - on a voluntary basis - of full-time contracts into part-time ones (to a maximum of 25 conversions).

The agreement signed by Electrolux and the trade unions was subsequently submitted for workforce approval by means of a referendum. At all the plants - including those at Susegana and Scandicci - the accord was approved.

#### ***3.1.1.4 The outcome of the restructuring process***

The 430 workers, who lost their jobs following Electrolux's decision to close the Scandicci plant, were not re-employed at any other establishment belonging to the group. As said, the closure of the plant in Tuscany was a consequence of the decision to concentrate the Italian production of refrigerators at the Susegana factory. The reorganisation plan envisaged changes in the organisation of work and in the range of refrigerators produced at Susegana: in short, production lines and plant were changed so as to focus on medium-to-high range products. However, these changes did not lead to an increase in employment levels, nor to a transfer of workers from the Tuscan plant to the one located in the province of Pordenone.

According to the agreement reached between Electrolux and Energia Futura, 370 of the 430 workers employed by Electrolux at Scandicci will be re-hired by Energia Futura by March 2010. Moreover, Energia Futura has guaranteed the workers' employment for at least three years - beginning when the last of the 370 workers previously employed by Electrolux will be hired, maintenance of the conditions stipulated by the collective agreement for the metalworking sector, and continuation of previous wage levels. The transfer of the Scandicci production site to Energia Futura will only become effective when the company will have completed the recruitment of all the 370 workers, as envisaged by the agreement. The hiring process of the ex-Electrolux workers will include a training programme managed by the Tuscany regional administration.

The trade unions, besides the agreement on management of the reorganisation of Electrolux's refrigerator business unit, reached a subsequent agreement with Energia Futura. This agreement concerned the harmonisation of the different contractual provisions granted by the previous two distinct company-level agreements for workers re-hired by Energia Futura.

Energia Futura, jointly with the local authorities and with the support of the local employer association affiliated to Confindustria, will also assist the redundant workers who may remain unemployed after the implementation of all the income-support and incentive instruments to re-enter the labour market.

### **3.1.2 CELESTICA: THE DELOCALISATION OF PRODUCTION AND REINDUSTRIALISATION OF THE PRODUCTION SITE**

#### ***3.1.2.1 Background: the hi-tech industrial district of Vimercate and industrial restructuring at Celestica***

In the Vimercate area (in the neighbourhoods of Milan), in the second half of the 1900s, a number of hi-tech companies set up their production plants, including Ibm, Alcatel, ST Microelectronics, Electra, thereby contributing to the development of a hi-tech industrial district at the fore-front of technological advancements in Italy. This area showed a particularly dynamic growth in the 1990s, in connection with the development of the new information and communication technologies, and was formally recognised by the Lombardy regional administration as a hi-tech industrial district in 2001. However, in that period, when the ICT sector entered a phase of instability, the area had to face new challenges and entered a phase of turbulence. This new situation led to widespread company reorganisation, restructuring and relocation, including the eventual closure of an important local employer, Celestica Italia.

Celestica, a multi-national company which was formerly part of Ibm and was sold in mid-1990s, had two production sites in Italy: one in Vimercate (MI) and the other in Santa Palomba (RM). In the early 2000s, in two successive waves, Celestica Italia was involved in a complete restructuring process which first, in 2003, led to the closure of the Santa Palomba site and the relocation of its production to the Czech Republic and later, in 2005, to the off-shoring of all remaining activities to Romania, with the closure of the Vimercate plant, which then employed some 900 workers.

#### ***3.1.2.2 The reindustrialisation of the industrial site***

Following the direct involvement of the provincial administration, the relocation of Celestica produced an effort to foster the localisation of new hi-tech and hi-value production activities in the unexploited production site. The objective was to attract new investors in the area, through the provision of spaces at advantageous rates and by granting public subsidies. This goal was eventually shared by the local administrations and institutions, new private investors and the CEO of Celestica and, through different steps, whose joint efforts eventually led to a comprehensive solution to address the employment and industrial issues raised by the company restructuring and off-shoring. In August 2006, the commitment by three new investors, Bartolini Progetti, Digital Television and Telit Communications, to contribute to take up both the industrial site and the majority of redundant workers was part of protocol which intended to -launch the area as a leading location for hi-tech activities in Italy.

In particular, Bartolini progetti (and namely its subsidiary Bames - Bartolini After Market Electronics Services) undertook to acquire Celestica's plant and great part of its former workers, while the local governments (region, province and municipalities) committed to support the development of the area, through the involvement of the Ministry of economic development and the realisation of appropriate investments, as well as the provision of training initiatives to help the requalification and redeployment of the redundant workers who would not be hired by Bartolini.

More generally, the goals, which were underlined in an agreement in April 2007, were to: a) strengthen the competitiveness of hi-tech SMEs located in the area, b) foster the links between such SMEs and the large multinationals which operate in the Vimercate area so to create a dynamic knowledge-based business environment, c) develop business, training and employment services to support local companies, d) attract further foreign investment through territorial marketing, and e) create a stable and highly-qualified local labour supply to support the competitiveness and productivity of all participant companies.

This process has eventually led to the establishment of a Foundation for the technological development of the area in June 2008. However, the present economic downturn is affecting the area of Vimercate and even the companies involved in the re-industrialisation of the Celestica site. Something which points to the issue of the elements which can support the sustainability in the medium to long term of re-industrialisation initiatives.

### **3.1.3 MOTOROLA: THE CLOSURE OF THE TURIN RESEARCH CENTRE**

In late 2008, the Italian subsidiaries of the Motorola group were involved in the restructuring process announced by the multinational company in October 2008. Motorola declared some 3,000 redundancies worldwide, including a loss of around 400 jobs in Italy, most of them concentrated in the Turin research centre, where almost 350 electronic engineers worked. The Turin site was the largest European research centre of the Motorola group for the multimedia sector. It is interesting to note that, since the research centre activities were formally included in the commerce and trade sector, the full coverage of the system of social shock absorbers was not granted. As it is often the case for high-skilled workers, the Turin research centre was not organised by unions.

The discussion over the possible solutions to face the closure of the Motorola site have involved the local authorities and the territorial trade unions. In January 2009, a first agreement was signed to start a mobility procedure for all the workers involved at the end of the month, who would have then benefited of the mobility allowance. Moreover, the Motorola made available, besides the normal severance and notice payments, for all the employees who would not be re-employed, an individual economic incentive of between 12-20 monthly salaries, according to seniority, age and family burden. However, these same resources were also offered to prospective investors, in case they would acquire the research centres and hired the redundant employees.

Eventually, Reply, a company active in the ICT sector in the Turin area for around a decade which employs some 2,600 workers, agreed to take up the research centre and committed to re-employ the redundant workers, thereby benefiting of the resources set aside by Motorola to provide economic incentives to its employees, as well as of public subsidies, of around EUR 25 million, provided in coordination by the Ministry of economic development and the Piedmont Region with reference to specific research and development projects. Reply will immediately hire 40 employees and will recruit 140 more workers within three months, whereas the remaining 150 researchers will be either re-deployed within Reply, outplaced to other equivalent high-skilled jobs or will receive the individual economic incentives granted by Motorola. All the workers who will not start to work immediately with Reply will be covered by the Wage Guarantee Fund.



## Analysis of the referred measures/tools

It is difficult to express a clear assessment of the different measures aimed to anticipate change. While there is an established evaluation system for labour market policies, primarily implemented directly by the Ministry of Labour, Health and Social Policies and through a specific ISFOL project, measures to anticipate restructuring, such as observatories and monitoring initiatives on market and skill developments, refer to a large audience of potential beneficiaries and have a more diffused and indirect impact. Certainly, specific elements of the anticipation system are more easily the object of assessment exercises, like in the case of industrial policies. Existing evidence and the internal assessment of the Ministry of Economic Development point to some weaknesses of the current industrial policy framework and, also for these reason, a reform was initiated in 2005. The system of knowledge creation – education, vocational training, research – is at the centre of considerable attention in Italy, especially as regards the development and fine tuning of the vocational training system and the links between universities and the business sector. In the former, the emerging model is based on the involvement of the social partners in both the design and implementation of training initiatives. In the latter, the establishment of direct links and partnerships on specific research or education projects is increasingly pursued, following good international practices. Both developments seems to be promising.

The issue of managing restructuring seems to be currently more topical. The system of ‘social shock absorbers’ in Italy has been at the centre of a broad debate for more than a decade and for many years now a comprehensive reform has been on the agenda. The two main issues in this discussion have been, on one side, the crucial role of the Wage Guarantee Fund (and its limited coverage in terms of sectors and firm size), and, on the other, the weakness of unemployment benefits, in terms of coverage, level and duration.

Despite this long and at times animated debate, no structural and comprehensive changes have been introduced. While, of course, some of the reasons of such resiliency may lie in the strength of the vested interest in this particular arrangement, it is also true that the current system presents a series of significant advantages:

- It provides an ‘easy-to-use’ tool to cope with temporary demand fluctuations or other unanticipated and transitory situations, through the ‘ordinary’ Wage Guarantee Fund. The recent sharp increase in the utilisation of the CIGO support scheme clearly shows that it can be very useful in times of economic difficulties, thereby allowing both companies and workers to quickly address rapidly deteriorating economic conditions.
- Beyond short-term adjustments, the ‘special’ Wage Guarantee Fund enables companies to undertake restructuring without immediately cutting jobs, so that employment recovery could be better supported.
- The mobility allowance offers an important income-support measure for redundant workers, whose duration is adapted to the age (and the place of residence, i.e. the local labour markets) of the recipients and provides economic incentives for the new prospective employers, if they hire workers on mobility lists. It can also represent a viable accompaniment to retirement and, in connection with the Wage Guarantee Fund, it can provide quite a long coverage period.

- The activation of these tools requires the implementation of information and consultation procedures with the trade unions and the ways it has to be approved fosters the involvement of the central political authority (which often plays an important mediation and facilitation role) and of the local authorities. This often enables the creation of large (and strong) coalitions which can support and guide the reorganisation process.

Conversely, the weaknesses of the present arrangement have mainly to do with the quite limited coverage of these various tools, in terms of sectors and company size. The lack of a universal unemployment protection is considered a rather problematic aspect of the Italian system. It comes as no surprise, therefore, that the recent interventions to face the current economic downturn basically amount to an extension of the existing measures, with no termination or substitution of specific policy instruments.

Two other problems with the present ‘social shock absorbers’ are the feeble integration with employment services, which tends to reduce the capacity to effectively support the re-employment of workers made redundant – and adds to the traditional weakness of active labour market policies in Italy, and the piecemeal approach to efforts to ensure re-industrialisation of the abandoned sites by attracting new investors. The latter may increase the costs of restructuring, as no established tools or guidelines exist in this field. The actors (usually the local authorities) have to look for prospective investors, find the resources to attract them, and stipulate protocols and agreements under conditions of urgency and uncertainty, with often a substantial involvement of public subsidies and weak guarantees and enforceability of the new investors’ commitments.

In general, it can be said that the Italian system of ‘social shock absorbers’ seems to meet well the needs of the companies facing difficulties, while it is less effective both to support re-employment of redundant workers and to foster new economic initiatives. As a consequence, in order to improve the anticipation and management of change and restructuring, besides a structural extension of the coverage of existing tools, the reform of the ‘social shock absorbers’ should probably involve a closer integration with employment services, active labour market policies and the continuous vocational training system, on one side, and with industrial policies and the initiatives and instruments aimed to support company competitiveness and research and development, on the other side.

Of course, the issue of the introduction of a universal unemployment benefit scheme remains a crucial element in the wider debate over the reform of the Italian ‘social shock absorbers’ as well as the key questions of the total costs and the funding of these measures and the balance between the different instruments and the different goals to be pursued in the event of restructuring. The recovery of the economic viability of companies facing difficulties, the rapid re-employment of redundant workers in other workplaces, and the promotion of new entrepreneurial initiatives are all part of the answer to industrial change and restructuring. However, they may well require different policy instruments and know-how. For this reason, it is not so easy to find encompassing solutions and it can be even harder to change existing arrangements.

In Italy, measures and instruments aimed to cope with restructuring seem to be focused more on managing than anticipating restructuring. The importance of the system of social shock absorbers is certainly the main reason of such a bias. However, a closer analysis of actual cases of restructuring as well as some of the changes which have been introduced and discussed in recent months, as a response to the current economic downturn, indicate a more complex situation, which goes beyond the traditional picture of the prevalence of an essentially 'passive' approach to restructuring in Italy.

As underlined above, restructuring cases often involve the utilisation of different instruments and combine the 'passive' income-support intervention allowed by the social shock absorbers with more 'active' policies aimed to re-train, re-deploy, and out-place redundant workers. And this is done with the active involvement of trade unions, which are important actors in the management of restructuring, thanks to the promotion of collective bargaining implied by the rules and procedures for the activation of the social shock absorbers.

Moreover, in numerous cases, restructuring leads to the activation of local - and sometimes national - authorities, which mobilise financial and institutional resources to support the continuity of the economic and business activity through the support of new investments, the localization of new investors, or the creation of territorial infrastructures and services (including training, job placement and research) to promote the growth and development of SMEs and to strengthen their relationships with large firms.

Of course, this kind of initiatives highly depend on the choices and strategies of local actors, on the resources which are actually available and on the local economic and business structure, which represents the essential reference (and a crucial source of additional human, social and economic resources) for any policies aimed to accompany restructuring and support economic and employment growth. Then, the intervention of local actors tend to be linked to the size of the firm facing restructuring, so that the larger the company the stronger the efforts to ease the social and economic consequences of restructuring.

Indeed, these are the main weaknesses which are usually associated with the Italian system of anticipating and managing restructuring: 1) the focus on 'passive' interventions, so that the combination with 'active' policies is left to the capacity and initiatives of the actors, rather than being structurally embedded in the policy instruments; 2) as a consequence, the piecemeal approach to restructuring, which can produce very different outcomes depending on the level of support that the local actors are able to provide; 3) the exclusion of a large part of the Italian economic structure and employment from the protections granted by the system of social shock absorbers and the further concentration of the 'additional' efforts in larger firms.

However, as it also emerged in the discussion during the National Seminar, these long-known and debated drawbacks of the Italian system of managing and addressing restructuring have been somehow taken up in the wake of the current economic downturn. In a way, the difficult situation that Italian firms are facing as a result of the slowdown of the world economy is forcing political, economic and social actors to re-define their attitudes and, more importantly, their policy towards restructuring. The economic recession is clearly showing what is lacking in the Italian system and the actors are directly experimenting the harsh consequences of these shortfalls.

There are two main lines in the ‘new’ emerging approach. First, a renovated focus on industrial policies as a means to guide and support the transformation of the domestic economic (and employment) structure, with a new emphasis on competitiveness and (anticipating) change. Second, a clear understanding of the importance of extending and reinforcing the instruments to cope with restructuring to the small and micro firms and to the workers which are at present ‘structurally’ excluded from their coverage.

The importance of a competitiveness-driven industrial policy, which was anticipated by the latest industrial policy National Strategic Framework (2007-2013), has become evident in the present situation, as the conditions to exit as rapidly and as effectively as possible from the economic downturn, for the Italian economic system as a whole and for individual firms alike, are strictly linked to the capacity to develop new knowledge and competencies. Quite interestingly, this dimension is closely related to the issue of the extension of the coverage of the tools to address restructuring to small and micro firms. In fact, it is mainly this (crucial) part of the Italian economic (and employment) structure which needs more resources to accompany a general upgrading of the competitive potential in order to overcome a substantial lack of internal resources (economic, financial, and managerial resources).

Here, the extension of the system of social shock absorbers to cover also small and micro firms as a special measure to cope with the current economic downturn represents a quite interesting and challenging experience. In fact, more than with the larger companies generally covered by the social shock absorbers, this extension requires a close collaboration between different actors and a clearer integration of ‘passive’ and ‘active’ policies. This is a result of the joint national and local funding of the different measures, of the requirement of a local tripartite agreement to define the essential framework for the interventions, and of the utilisation of the European structural funds, which implies a strong commitment to ‘active’ policies. All these elements seem to favour a forward-looking approach and possibly the integration with further measures aimed to support local economic growth and employment creation through ‘knowledge-intensive’ and ‘competitiveness-enhancing’ investments in education and training initiatives, territorial business services and research infrastructures.

Such more comprehensive and integrated system of addressing restructuring for small and micro firms, even if implemented temporarily and in an experimental way, may produce some important hind sights for the long-awaited reform of the social shock absorbers. It directly remedies possibly the main drawback of the existing system, that is its limited coverage, but more importantly it provides an even stronger environment for the cooperation between the various actors involved in restructuring and requires a structural integration, as opposed to an incidental convergence, of passive and active tools. Therefore, it will serve as a crucial test for both actors and policies and it may point to important changes to be extended to the overall system of instruments to managing and addressing restructuring in Italy.

### ***The National Seminar: key insights***

The two-day seminar has highlighted the different points of view and interpretations of the various participants about the effectiveness and transferability of the existing tools to anticipate and address restructuring in Italy.

The crucial underlying question which was debated during the seminar was “*is it possible to anticipate restructuring?*” At the end, the answer was: “*it is quite difficult... but possible!*”.

Another important question was: “*how to effectively address restructuring?*”. The answer has emphasized the importance to circulate information in due time among all actors involved: companies, trade unions, employer associations, local and national governments, employment agencies, and so forth. This is essential to gather information on both the economic and employment situation at company-level and on the possible solutions and support provided by the institutional framework and external actors. In Italy, too often, the various actors are involved only when restructuring is already being implemented. It was underlined that an early involvement of all actors, and notably social partners, is fundamental for reducing the economic and social impact of restructuring. There was a shared opinion that such an approach would provide both important collective benefits, in terms of employment levels and capacity to adapt and grow, as well as individual advantages, in terms of job security and employability.

Another important aspect which was discussed and shared is the importance to support the creation of dense networks of SMEs, large companies, local authorities, education and training organisations, and research centres to provide the production system with the essential resources to ensure economic growth. This, it was noted, is particularly relevant in Italy, where the economic structure is largely based on small and micro firms, which often lack the resources to invest in new competences and knowledge and to develop long term strategies. In this respect, continuous training and lifelong learning (for employees and entrepreneurs alike), capacity building, and local business services are key ingredients to foster the growth potential of Italian SMEs.

From the operative point of view, a clear need to better integrate active and passive measures was voiced by participants. In this line, the European Commission representatives have underlined the possible utilisation of temporary ‘passive’ measures to cope with the current crisis, but with a strict link with ‘active’ employment measures (supported by ESF).

Also the need for a comprehensive reform of the social shock absorbers, which could broadly involve some adjustments in the welfare system, was mentioned. The main priority would be the extension of benefits and protection to all categories of workers (with open-ended, fixed-term, temporary, freelance jobs). If the WGF is to remain the centre of the system to address restructuring in Italy, it should be extended to everybody. The employers have stressed the importance to establish a clear link between the contributions paid and the benefits received. This essentially refers to the WGF system, which is funded by the contributions paid by companies. However, the special measures which extend coverage of the WGF to firms other than those structurally covered are not currently funded by contributions, but rather by public and structural funds. This is a situation which would not be bearable in the long term.

Interestingly, it was underlined how the current crisis could create the opportunity to assess the effectiveness of the present tools available to address restructuring and possibly improve the existing measures and find new solutions. Collective bargaining both at national and at company level can represent an important tool to identify and experiment new solutions.

(to be completed)

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