ESPN Thematic Report on retirement regimes for workers in arduous or hazardous jobs

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Contents

Summary / Highlights

Since 1993, legislation has recognized workers in arduous or hazardous jobs (WAHJ) as those performing particularly strenuous manual jobs, and a list of concerned categories was drafted in 2007.

The issue of such jobs has gained salience in Italy since the early 1990s, following the first reforms aimed at prolonging working life by both closing/narrowing the traditional early-exit pathways from the labour market and tightening the general eligibility conditions for retirement, in particular under three pensions reforms adopted in 2009, 2010 and 2011 (see Jessoula and Pavolini 2012; European Commission 2015).

Within this general context, the special rules for WAHJ – adopted in 1993, 1999, 2007 and finally in 2011 – reveal the relatively ‘narrow’ approach followed by Italian policymakers, centred on measures aimed at favouring labour market exit for these special workers (see Section 2 for details).

The special pension rules applying to WAHJ – now included in Legislative Decree 67/2011 – exclusively relate to eligibility conditions for retirement, allowing WAHJ to retire prior to reaching the standard pensionable age provided they match certain combined demographic (age) and contributory requirements (so called ‘quota’ system, see Section 2).

There is no evidence, however, of a proper policy mix or innovative programmes concerning end-of-career options for WAHJ, which might include preventive measures such as ergonomic adjustment of workplaces, counselling for career change, rehabilitation programmes and retraining measures. This goes hand-in-hand with the traditional underdevelopment of lifelong learning programmes in Italy. An innovative measure called *staffetta generazionale* – which, however, did not specifically apply to WAHJ – was aimed at allowing older workers to shift from full- to part-time work in combination with the hiring of younger workers: but this proved to be a limited success because of its cost for firms.

Despite the relative broad coverage of the special rules for WAHJ – reportedly around 900,000 WAHJ are potentially covered under Legislative Decree 67/2011 – the stringent eligibility criteria have two main implications: i) limited public expenditure – estimated at around EUR 26.8 million in 2015; ii) a limited number of beneficiaries, due to the high number of rejected applications. Both expenditure and the number of beneficiaries are expected to increase in 2018 when new eligibility conditions will be phased in (see Section 2): estimates report roughly 4,000 beneficiaries (stock) and a total expenditure around EUR 115.5 million in 2023.

Importantly, the special rules for WAHJ do not affect the calculation of pension benefits or accrual rates. Nevertheless, lower ages of retirement compared with other workers are likely to translate into substantially lower – and potentially inadequate – pension levels for younger WAHJ fully subject to the notional defined-contribution (NDC) system in the first pension pillar.

Also, special rules for WAHJ apply to first-pillar schemes only, whereas in supplementary funded pillars the general eligibility conditions for retirement apply. However, some provisions allowing long-term unemployed people to claim early supplementary pensions may prove to be particularly relevant for WAHJ – and recent pension reform proposals concerning supplementary pillars could further facilitate early retirement of WAHJ in cases of unemployment.

A more encompassing and holistic approach should nevertheless be developed in order to effectively cope with the WAHJ issue. A more effective integration between the general framework aimed at prolonging working lives and the special rules for WAHJ – one that includes tailored, preventive, rehabilitation, training and counselling programmes – is in fact key for the latter group of workers.

1 Overall description of the policy mix targeted at workers in arduous or hazardous jobs

In the past, several schemes were used to provide early exit routes out of the labour market, thus playing a major role in protecting WAHJ, albeit without being specifically targeted at them:

i) an early-retirement scheme (*pre-pensionamento*), introduced in 1981, was then massively exploited throughout the decade;

ii) pre-existing rules for seniority pensions (*pensioni di anzianità*) allowed workers to retire independently of age, subject to a minimum contributory period of 35 years;

iii) special wage-compensation funds for working-time reduction (CIGO and CIGS) were also used to compensate redundant older workers before they met the minimum age/contributory conditions for retirement (Carabelli, 1995);

iv) CIGO and CIGS were often used in combination with the mobility allowance, which could be extended for up to ten years through ad hoc ministerial decrees – so-called *mobilità lunga* (long-lasting mobility allowance); and

v) disability pensions (contributory and non-contributory) provided a further pathway to early retirement.

In the last three decades, however, changes both in these schemes and in the eligibility conditions for retirement – the latter mainly due to three important reforms adopted in 2009, 2010 and 2011 – have increased the salience of the issue of WAHJ in the Italian pension debate (Fontana et al. 2014).

The eligibility conditions for contributory disability pensions were first tightened in 1984, and the early-retirement scheme was phased out in 1991, leading to a significant reduction in the average annual stock of such retirees from about 165,000 in 2000 to only 38,000 in 2008.

The effect of these steps may initially have been offset by people exploiting the schemes that provided alternative exit routes from the labour market, CIGO and CIGS primarily. Nevertheless, trends in the usage of such schemes seem to confirm the reversal of early exit strategies between the mid-1990s and the post-2008 economic crisis. The increase in the usage of CIGS and the mobility allowance has actually been much more modest (on average, 1,200 people per year) compared with the sharp reduction in the stock of early retirees (on average, down 16,000 per year during 2000-2008).

As for pensions, eligibility conditions have been severely tightened in the last two decades. In fact, the 2011 Fornero-Monti reform both abolished seniority pensions and introduced a new ‘early retirement pension’ (*pensione anticipata*), which allows to retire with the following, much more stringent, conditions than before: (older) workers partly subject to the NDC system may retire, irrespective of age, provided a contribution period of 42 years/10 months (men) or 41 years/10 months (women) in 2016; ii) workers fully subject to the NDC system may retire at 63 years/7 months in 2016, provided 20 years of paid contributions. In the latter case, however, early retirement is not allowed if the expected pension amount is below EUR 1250/month. Demographic requirements for eligibility for old-age pensions have also been significantly increased: in 2016, the pensionable age is set at 66 years 7 months for both (male and female) employees in the public sector and for male workers in the private sector (employees, self-employed people and so-called *parasubordinati*), while it is slightly lower (65 years 7 months) for female employees in the private sector[1].

[1] For workers fully included in the NDC system a further condition applies: retirement before 70 years 3 months is actually allowed only in cases where the pension equals at least 1.5 times the ‘old-age social

Eligibility conditions for old-age and early-retirement pensions are automatically adjusted in line with changes in life expectancy in Italy.

The changes outlined above reveal a general trend towards later retirement in Italy. Since the mid-1990s, the average effective age of retirement for both men and women has actually increased and converged in Italy, respectively from 59.6 (1995) and 57 years (1994) to 61.4 and 61.1 years in 2014 (OECD data). Inactivity rates among older people declined steadily during the 2000s and even more substantially after 2009.

The situation of WAHJ has therefore to be assessed within the above scenario. It can be said, in summary, that the issue of WAHJ has been dealt with almost exclusively through special retirement rules concerning eligibility conditions. In fact, as argued by Brugiavini et al. (2008), Fontana et al. (2014) and Leombruni et al. (2014), the subsequent legislation adopted in 1993, 1999, 2007 and finally in 2011 (Legislative Decree 67/2011) testifies to the relatively 'narrow' approach followed by Italian policymakers, centred on measures aimed at favouring labour market exit for these special workers within a general context characterized by increasingly tight eligibility conditions for retirement with the aim of prolonging working life.

There is no evidence, however, of a proper policy mix or innovative measures concerning end-of-career options for WAHJ, which might include preventive measures such as ergonomic adjustment of workplaces, counselling for career change, rehabilitation programmes and retraining measures.

Although participation by older workers (55-64 years) in lifelong learning programmes has traditionally been very low in Italy – 2.5% compared with an EU-27 average of 4.5% – the only significant attempt aimed at broadening end-of-career opportunities was made with Decree 807/2012, which launched a pilot scheme called *staffetta generazionale.* This scheme, which did not exclusively apply to WAHJ, allowed workers above 50 years of age to shift from full-time to part-time employment in cases where the employer hired at least one younger worker (18-25 years, 18-29 if graduated) on an open-ended, full-time or part-time contract, or even an apprenticeship contract. *Staffetta generazionale* was funded with roughly EUR 40 million from the state budget, and was implemented at regional level based on agreements between the regional government and the social partners (Ministero del Lavoro 2013). According to available information, however, the success of the pilot scheme was extremely limited since it was, in the end, too expensive for firms.

2 Pension rules for workers in arduous or hazardous jobs

Special pension rules applied to WAHJ are currently included in Legislative Decree 67/2011, which represents the (to date) final stage of a lengthy and complex process of reform that started with L. 183/1993, which was then revised by the Ministerial Decree 208/99 and finally by Law 247/07.

Two main elements of the special rules for WAHJ in Italy relate to: i) the definition of WAHJ and the scope of regulations; ii) eligibility conditions.

Definition of WAHJ and scope of the regulations

Since L. 183/1993, legislation has identified WAHJ as those performing particularly strenuous manual jobs. Accordingly, Law 247/07 provided a list of categories of dependent workers and self-employed people considered to be WAHJ:

- individuals working in tunnels, caves, mines, caissons with compressed air;
- deep-sea divers;
- workers exposed to high temperatures; processing of hollow glass;

allowance' mentioned above – about EUR 650 per month, the so called 'pension value threshold'. See European Commission (2015) for more details.

- work carried out in confined space; asbestos removal work;
- 'line workers' (employees who work on an assembly line characterized by measurement of working time, sequences of locations, and repetitive tasks);
- drivers of heavy vehicles used for public transport services, with a minimum of nine seats including the driver's seat;
- 'night workers' (special retirement conditions apply, see below) i.e. shift workers who work overnight for at least six hours, including the period between 12 a.m. and 5 a.m., for either i) a minimum of 78 days per year for those who met the requirements between 1 July 2008 and 30 June 2009 or ii) not less than 64 days for those who met the requirements after 1 July 2009; and employees who work for at least three hours between 12 a.m. and 5 a.m. during the entire working year.

Eligibility conditions

While there are no special schemes for WAHJ, they are subject to special rules that exclusively allow early retirement as outlined below (see also Table 1).

Two main sets of eligibility conditions are in place: a) the first set identifies individuals eligible for the special rules based on the period spent as WAHJ; b) the second specifies the special eligibility conditions for early retirement.

a) In order to be eligible for early retirement according to Table 1 below, prior to 31 December 2017 WAHJ must have worked as dependent employees in relevant jobs for at least seven out of the last ten years before applying for retirement, including the last year before applying for retirement.

Starting from 1 January 2018, WAHJ will be eligible for early retirement only in cases where they have spent at least one-half of their career in the strenuous jobs listed above.

b) WAHJ are allowed to retire prior to reaching the standard pensionable age in accordance with the criteria included in table 2 of Law 247/07[2] (see Table 1 below), which prescribe a combination of demographic (age) and contributory requirements ('quota' system). In 2016, dependent WAHJ may thus retire at 61 years 7 months – i.e. five years before than the standard pensionable age – provided that the sum of age and years of contributions equals 97 years 6 months. Requirements are tighter for self-employed WAHJ: they can retire at 62 years 7 months provided that the sum of age and years of contributions equals 98 years 6 months.

Importantly, both age and quota requirements are automatically linked to changes in life expectancy (Table 1) following the general rules applied to all categories of workers[3].

[2] The requirements (so-called 'quota system') included in table 2 of Law 247/07 originally allowed all workers to retire prior to reaching the standard pensionable age. They now apply to WAHJ only, while non-WAHJ are subject to the much stricter eligibility conditions introduced by the 2009, 2010 and 2011 reforms (for an overview of these reforms, see Jessoula and Pavolini 2012, European Commission 2015).

[3] Adjustment occurs every three years until 2019, and every two years after 2019.

Table 1. Eligibility conditions for retirement, WAHJ

Years	Minimum age	Quota: age + contribution
2012	60	96
2013-2015	61+3 months	97+3 months
2016-2018	61+7 months	97+6 months
2019-2020	61+10 months*	97+10 months*
2021-2022	62+2 months*	98+2 months*

* Estimated value

Source: Authors' elaboration, various sources.

In addition, there is a waiting period between the fulfilment of age/contributions requirements and the effective date of retirement. This period is 12 months for employees and 18 months for the self-employed, thus further tightening eligibility conditions. Strikingly, such a waiting period has remained in place for WAHJ only, after the Fornero-Monti reform (Law 214/2011) abolished it for workers subject to the general rules.

It is also worth mentioning that the new criteria set out in Table 1 (introduced under Law 247/07 and subsequent Law 214/11, the latter implemented through Legislative Decree 67/11) apply universally, that is regardless of the number of years spent in relevant jobs, or gender.

The only exception to the general rules for WAHJ relates to 'night workers', whose conditions for retirement depend on the number of the night-work days per year. Those working overnight for 64-71 days per year are eligible for early retirement at 63 years 7 months provided that the sum of age and years of contributions equals 99 years 6 months (self-employed: 64 years 7 months and 100 years 6 months respectively). The conditions are slightly less strict for employees working overnight for 72-77 days per year: they can retire at 62 years 7 months provided the sum of age and years of contributions equals 98 years 6 months (self-employed: 63 years 7 months and 99 years 6 months respectively). The general rules for WAHJ reported in Table 1 above apply to night workers i) employed for six hours for at least 78 days, or ii) employed for at least three hours during the entire working year (see also INPS 2015).

There are no special rules for WAHJ regarding benefit calculation and/or accrual of pension rights.

The special eligibility conditions for retirement outlined above apply to first-pillar schemes only. In defined-contribution supplementary pension schemes (second and third pillars: see Jessoula and Pavolini, 2012), WAHJ are subject to the general age/contribution requirements for retirement. The only difference is a reduced minimum contributory period of five years compared with 20 years in the first pillar.

However, in supplementary pillars some rules applicable to all workers allow early retirement. Individuals who have been unemployed for at least for years may actually claim early supplementary pensions five years before reaching the age/contributory conditions in place under the first pillar. Furthermore, insured workers who have either been unemployed for between one and four years, or are on the special wage-compensation schemes (CIGO and CIGS), or are even beneficiaries of mobility allowance, may withdraw up to 50% of accumulated contributions in a lump-sum according to Legislative Decree 252/05. It has to be noted, however, that only 7.2 million workers are enrolled under supplementary pillars out of a total employed population of around 22.5 million (COVIP 2016).

3 Retirement patterns and retirement income of workers in arduous or hazardous jobs

Information and data concerning WAHJ are extremely limited in the case of Italy, both in official documents and the relevant literature. This Section therefore aims at briefly presenting the appropriate information regarding the approximate number of WAHJ covered by special rules; estimated beneficiaries per year and related expenditure; access to retirement; and benefit calculation.

As for coverage, the European Social Insurance Platform reports a rough estimate of around 900,000 WAHJ (related to 2011, according to trade union documentation) potentially covered by the special rules included in Legislative Decree 67/2011.

Despite this broad coverage, the relatively stringent criteria for retirement in place for WAHJ – especially until 2018 (see eligibility conditions in Section 2) – limit both the number of beneficiaries and related public expenditure. Legislative Decree 67/2011 actually provided that the special retirement rules for WAHJ would be fully covered by the state budget, and the estimated costs were relatively modest: EUR 312 million in 2011, EUR 350 million in 2012 and EUR 383 million in 2013.

After the first years of implementation of the new rules introduced in 2011, the latest annual report by the National Insurance Institution (INPS, 2015) also provides estimated future costs of the special rules for WAHJ. As outlined in Table 2 below, these costs appear to be limited, increasing from around EUR 24.6 million in 2015 to EUR 101.1 million in 2019 and EUR 115.4 million at the end of the period considered in 2023. This limited expenditure, in spite of relatively broad coverage, must be attributed to the stringent eligibility conditions outlined above, which have so far led to a high number of rejected applications.

Table 2. Estimated beneficiaries and annual cost (EUR million) of special rules for WAHJ in accordance with Legislative Decree 67/2011

	Private sector			Public sector			TOTAL		
	Benefic. stock	Benefic. new (year)	Cost	Benefic. stock	Benefic. new (year)	Cost	Benefic. stock	Benefic. new (year)	Cost
2015	465	189	17.3	285	101	7.3	750	290	24.6
2016	811	503	16.6	480	247	10.2	1,291	750	26.8
2017	1,363	739	30.6	642	205	15.3	2,005	944	45.9
2018	2,358	1,368	53.6	788	291	19.8	3,146	1,659	73.4
2019	3,090	1,369	78.2	841	291	22.9	3,931	1,660	101.1
2020	2,842	812	87.0	788	163	22.9	3,630	975	109.9
2021	2,845	1,369	83.0	809	291	23.2	3,654	1,660	106.2
2022	2,811	1,053	82.5	737	218	22.6	3,548	1,271	105.1
2023	3,084	1,368	92.1	830	287	23.3	3,914	1,655	115.4

Source: INPS (2015, page 267).

In this respect, Fontana et al. (2014) argue that the requirement to have been a WAHJ in the year just before retirement is likely to exclude a number of potential beneficiaries of the special rules. The phase-in of the new eligibility criteria in 2018, however, making WAHJ eligible for special retirement rules in cases where they have spent at least one-half of their career in relevant jobs (see list in Section 2) is expected to (moderately) increase both beneficiaries and costs (Table 2). On the other hand, it should provide better protection to WAHJ.

Concerning access to retirement under supplementary pension pillars, the so-called ‘competition Bill’ – Bill n. 2085 (Senate) already approved by the Chamber of Deputies on October 7, 2015 (Bill n. 3012) – would facilitate, when finally approved, early withdrawal from the labour market for older (not only WAHJ) workers i) who have been unemployed for more than two years (currently four years), and ii) whose age is a maximum of ten years lower than the standard pensionable age.

A final point concerns pension levels for WAHJ retiring under the special rules outlined above. As mentioned, these special rules simply allow early retirement: they do not affect calculation formulas or accrual rates. Nevertheless, it is important to mention that lower ages of retirement affect public pension replacement rates, and two different groups of workers must be distinguished in this respect. In practice, early retirement significantly diminishes pension levels in the NDC system – which is applied to new entrants to the labour market after 1995. For these workers, retiring five years prior to reaching the pensionable age roughly implies a 20% reduction in pension benefits, and the replacement rate should be slightly above 50% in case of retirement at 61 years 7 months (see Table 1 above). By contrast, older workers, who are still partly subject to the old earnings-related system, are likely to be better protected in case of early retirement, since a contributory period of about 36 years guarantees a replacement rate slightly below 70%.

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