Speech made by the President of the Council of Ministers,
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ITALY – OECD International Conference on Structural Reforms in Italy

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Mr Secretary-General of the OECD,
Mr Deputy Secretary-General
[Mr President of the CNEL (National Council for Economics and Labour)],
Ministers,
Ambassadors,
Ladies and Gentlemen,

It gives me great pleasure to be able to open this Conference on Structural Reforms in Italy, jointly organised by the Italian government and the Organisation for Economic Co-operation and Development.

Ten months ago, in this same conference room, the government held a press conference to present the "Save Italy" decree. It was necessary to take that action, only 17 days after the government had taken office and at the moment when the crisis was at its most acute, in order to safeguard public finances and reverse a drift that was leading our country ever closer to a precipice, at the foot of which lay sovereign debt default, inability to meet state expenses, the loss of economic sovereignty and ceding responsibility for economic policy to supranational institutions such as the IMF, the ECB and the European Commission.

Those first steps, combining rigour with measures for growth, were followed by other structural reforms with the Cresci-Italia (Grow Italy") and Semplifica-Italia ("Simplify Italy") reforms. These provided for liberalisation and for the efficiency of public action, the reform of the labour market with a view to growth, the first "Development Decree" for enterprises, infrastructure and competitiveness, the enabling law on taxation, and the reprogramming of structural funds for the Action Plan on Cohesion.

The dramatic situation that provided the background to our actions over the final months of last year now seems further away. Indeed, the actions taken during those months have enabled Italy to take itself off the list of countries that were a source of problems for the stability of the euro area and contribute, along with others, to the formulation of policies that would contribute to a progressive stabilisation of the crisis and a reorientation of the activities of the European Union towards a greater focus on growth.

As we travelled along this stretch of the road, we were determined to make short-term choices with a view to long-term objectives. The essence of the structural reforms lies in this: exchanging short-term costs for long-term benefits. It has been a bet on Italy, on its capacity to react, to change direction and build a future with more growth, more fairness, and more stability. As always with a change of course, at a certain point one becomes aware of the need to stop and check if we have gone far enough, if we are heading in the right direction, and how much longer it will take to reach the goal we have set ourselves.

Thanks to the OECD and objectives of the Conference

This is why today I am particularly happy to have a moment of shared reflection on the state of the structural reforms in Italy and on priorities for the future. Together with Secretary-General Gurría, we saw this occasion as the culmination of a long and rich collaboration between Italy and the OECD, a collaboration that has been deepened and enriched over recent months.

The OECD has a recognised capacity to monitor and analyse developments in the economies of its Member States and a vocation to support reformers. It places at their disposal the wealth of its experiences and best practices, suggestions for new lines of action, and policy strategies that make it possible for reforms to overcome obstacles and not just remain as good intentions on paper. The OECD offers a key contribution: it lends credibility to reforms, from a public perspective so that they do not seem to result from the top-down judgement of some professors who temporarily find themselves in government, and for international partners, who need impartial evaluation.

The OECD's view is also an antidote against complacency, the natural tendency of governments to be self-satisfied and relax their grip after a first wave of reforms. The OECD was alongside Italy during the stage when the reforms were conceived and formulated over these past months - as you can see from the report many recommendations made by the OECD match the reforms that were adopted - and it is therefore natural that it remains alongside us today, while programmes that are already underway are being implemented and completed.

For this reason, we do not meet today in the spirit of celebration or to give a mark to the reforms. It is a moment for comparing facts objectively, from a non-political perspective. I would like to thank all the participants in the Panels and the representatives of the Bank of Italy and the CNEL who have agreed to be involved in this work.

The courage of the reforms and the sacrifices required. New data from the Economic and Financial Document (DEF)

The report the OECD is presenting today is original and balanced. It offers a clear snapshot of a country that is changing, that has already, in part, changed, and that over a few months has introduced reforms that are "courageous, ambitious and wide ranging" - to quote the report. The snapshot, however, also lays bare limitations and aspects of the reforms that are incomplete.

The report's subtitle, 'Reviving Growth and Productivity', is an effective summary of what the document is about. The report shows that the first step towards growth is maintaining a discipline in public finances that ensures healthy finances. This is the first and fundamental pre-requisite for growth. We have done this by accepting that we must pay a price in the short term, a price that is proving to be very high. The data we published last week in the DEF update note shows the severity of the recession we are experiencing, the tragedy of unemployment and the slow rate at which we will return to growth during the first months of next year. 2013 will be a year of growth, even if the engine of our economy restarts slowly, held back by the weight of the past.

This is the inevitable path of a system that has had to undergo drastic treatment, after having ignored the problems for years. It can recover only gradually, at a speed that also depends on the greater or lesser extent to which the European situation stabilises.

For this reason also, we have confirmed the strategic objective of achieving a balanced budget in structural terms in 2013. This is not only a guarantee of the sustainability of our public finances and the start of a progressive reduction of the stock of public debt. In meeting this undertaking our country will maintain a credibility that enables it to make an active contribution to drawing up European Policies that are more closely aligned with our interests and our long-term vision of the Europe we want. Within the European processes weight is now also given to a country's ability to manage its own economy in an ordered way that meets its commitments.

The benefits expected from the reforms

The sacrifices we are facing together with the political forces supporting the government, sacrifices that our citizens have endured with responsibility and awareness, are only justified if they are going to bear fruit. From this point of view the OECD report offers a number of reasons to be satisfied. It shows that the course of economic policy adopted by the government has followed an approach that the OECD considers to be the correct one. The actions taken in these months could produce an increase of 4 percentage points of GDP in the next ten years. This is a fundamental objective to pursue because while at this point we are succeeding in dispelling doubts about the sustainability of the public debt and the quality of the public finances, the challenge is shifting this to the field of growth.

The theme of productivity and the cost of labour.

The report also throws light on a key aspect for understanding why our economy has continued to decline over the past decade, despite a modest growth in wages: the dynamic of productivity and labour costs. The report shows that while during the decade preceding the crisis relative labour productivity generally improved in our competitor countries in the euro area, in Italy it remained flat. This trend was generalised and affected all sectors. Despite stagnation in real wages, Italy has continued to lose competitiveness in comparison with its partners. The distance between us and Germany, France, or Spain has grown progressively. Not only that. While at the beginning of the crisis the other Mediterranean economies and Ireland started a radical adjustment of their unitary labour costs to increase productivity and export capacity, in Italy this correction did not take place.

The implication is clear: if we want to get out of the crisis it is not enough to look at the competitiveness of the national economic system. We also have to look at the competitiveness of businesses and at increasing productivity. I share the OECD's alarm and for this reason we have initiated a dialogue over the last few weeks with both sides of industry to encourage them to put this topic at the centre of their contract renewal negotiations and make full use of the opportunities offered by existing agreements on company-level bargaining. The government, and specifically the minister, Corrado Passera, is monitoring this dialogue and is ready to examine how to work with the results that will emerge from the dialogue between employer and worker representatives. I am asking them to take care to examine this matter courageously and without prejudices.

Increasing our business productivity, and increase Italy's capacity to project itself in growth markets beyond Europe are the two levers that can help us get out of the crisis more quickly. It was precisely these issues that were at the centre of the meeting between the government and the Fiat group two days ago.

The government is engaged on this front too, not in giving financial aid, but by creating an environment that makes it possible to safeguard the industrial presence of Fiat in Italy and take full advantage of its heritage and research expertise in innovation, which will also benefit the entire supply chain of the Italian automotive industry.

More to be done: implementation and completion of the reforms

This observation takes us to the other theme that will be central to today's discussion, that of "more to be done". Many things are contained within this expression. Firstly, there is the question of the conditions required for the extra 4% growth to be achieved in practice. The report underlines the importance of the administrative implementation of the reforms. Many acts of secondary or administrative regulation need to be adopted over the next few months so that some of the main reforms become effective on the ground. This is an aspect that has traditionally been ignored in Italy, where great attention is paid at the time when legislation is passed, and less when it is followed up.

As a government we have tried to change attitudes in this field too. A committee, composed of Ministers Piero Giarda, Filippo Patroni Griffi and Undersecretary Antonio Catricalà, has been formed to monitor progress in the implementation of the provisions in various sectors. We are determined to perform our task thoroughly and pass on to the next government not an unfinished score but a completed work.

"More to be done" also, however, alludes to the part of the reforms that has yet to be achieved. In order for the country to emerge from the crisis stronger and freed from the weaknesses that have weighed it down in the past, much remains to be done. The report presents a series of concrete recommendations and practical suggestions for improving the reforms that will be discussed in the various panels. But it also offers an interpretation of what is wrong with the Italian economy that makes no allowances and should lead to a reflection that goes beyond the immediate future.

Underlying weaknesses of the Italian economy: corruption, power structure, social mobility. The need for continuing commitment to structural reforms.

Liberalisation, the labour market and innovation are not the only points on which the OECD report invites us to reflect. The gist of the report is that the work of reforming is a never ending process. Behind the weakness of public finances, behind the delay in updating key policies such as those of the labour market or liberalisation, the insufficient attention paid to education and innovation, Italy's weak growth stems from profound obstacles and factors that must be tackled by a new wave of reforms.

One very interesting observation is that if liberalisation has brought Italy to a level of market openness similar or greater than the average for OECD countries, the obstacles perceived by businesses are still significant. This is often due to the tangle of regional and local regulations that create an unwieldy and complicated environment for entrepreneurs.

Another important aspect is the emphasis placed by the OECD on the importance of transparency and integrity in the public sector, where the level of perceived corruption in our country appears to be significantly higher than the OECD average. In response to this the government will make every effort to ensure that the anticorruption bill is passed by parliament.

I would like to end by returning to another horizontal theme that the OECD report usefully raises. Among OECD countries, Italy is one of those characterised by the greatest social immobility. There is a very high probability that children will stay in the same earnings category as their parents or even do the same job. This is also reflected in levels of educational attainment and access to higher education. It is a snapshot of an immobile country, where the factors that determine success or failure in achieving one's goals are often family relations or belonging rather than individual merit. The report underlines how this is not only a factor of injustice and a lack of social cohesion, but also has a role to play in terms of a system's efficiency and capacity for growth.

In the action of this government we have always tried to keep in mind the needs of young people and outsiders, through the liberalisation measures, through support for start ups and breaking down of entry barriers to the professions, or for example in the prohibition of overlapping directors on company boards, and through surveillance and control in insurance and finance credit institutions. A different attitude towards merit and social mobility are part of the change of mentality that I believe is needed in our country.

I therefore believe that the report presents us with many areas for reflection that will feed the comparison of ideas and proposals over future months. I also believe that it is important that these topics should be at the centre of the comparison between the various policy proposals because the main reason why our partners are worried today is connected precisely with the future of the Italian reforms and the continuity of the action that has been undertaken.

I would like to thank Secretary-General Gurría and the OECD for the ideas, proposals and stimuli they have made available to us and I hope that all the participants in the Conference will have a good debate.