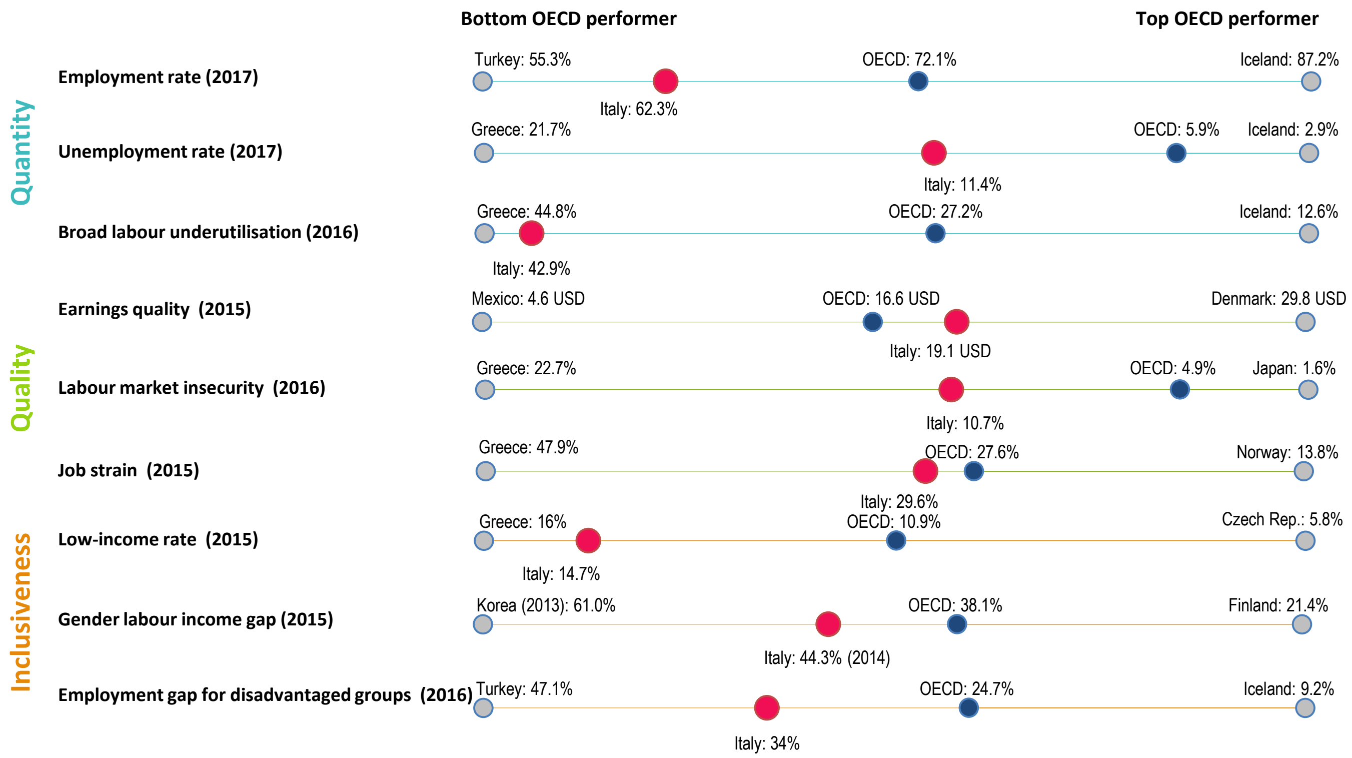
# How does ITALY compare?

The digital revolution, globalisation and demographic changes are transforming labour markets at a time when policy makers are also struggling with slow productivity and wage growth and high levels of income inequality. The new ***OECD Jobs Strategy*** provides a comprehensive framework and policy recommendations to help countries address these challenges. It goes well beyond job quantity and considers job quality and inclusiveness as central policy priorities, while emphasising the importance of resilience and adaptability for good economic and labour market performance in a rapidly changing world of work.

**Dashboard of labour market performance for Italy**




Notes: Employment rate: share of working age population (20-64 years) in employment (%). Broad labour underutilisation: Share of inactive, unemployed or involuntary part-timers (15-64) in population (%), excluding youth (15-29) in education and not in employment (%). Earnings quality: Gross hourly earnings in PPP-adjusted USD adjusted for inequality. Labour market insecurity: Expected monetary loss associated with the risk of becoming unemployed as a share of previous earnings. Job strain: Percentage of workers in jobs with a combination of high job demands and few job resources to meet those demands. Low income rate: Share of working-age persons living with less than 50% of median equivalised household disposable income. Gender labour income gap: Difference between per capita annual earnings of men and women (% of per capita earnings of men). Employment gap for disadvantaged groups: Average difference in the prime-age men's employment rate and the rates for five disadvantaged groups (mothers with children, youth who are not in full-time education or training, workers aged 55-64, non-natives, and persons with disabilities; % of the prime-age men's rate).

## ASSESSING JOB QUANTITY, QUALITY AND LABOUR MARKET INCLUSIVENESS

The new *OECD Jobs Strategy* presents a dashboard of labour market performance that provides a comprehensive overview of the strengths and weaknesses of different national labour markets, going well beyond the standard measures of employment and unemployment rates. These include measures of job quantity (employment, unemployment and broad underemployment), job quality (pay, labour market security, working environment) and labour market inclusiveness (income equality, gender equality, employment access for potentially disadvantaged groups). Some countries score well on most or all indicators, implying that there are no hard trade-offs that prevent countries from performing well in all areas.

- Italy ranks among the weakest of OECD countries on all three indicators of job quantity, reflecting persistently low employment rates, especially among women. The gradual economic recovery after the long crisis has lifted employment rates, but they nonetheless remain well below the OECD average.

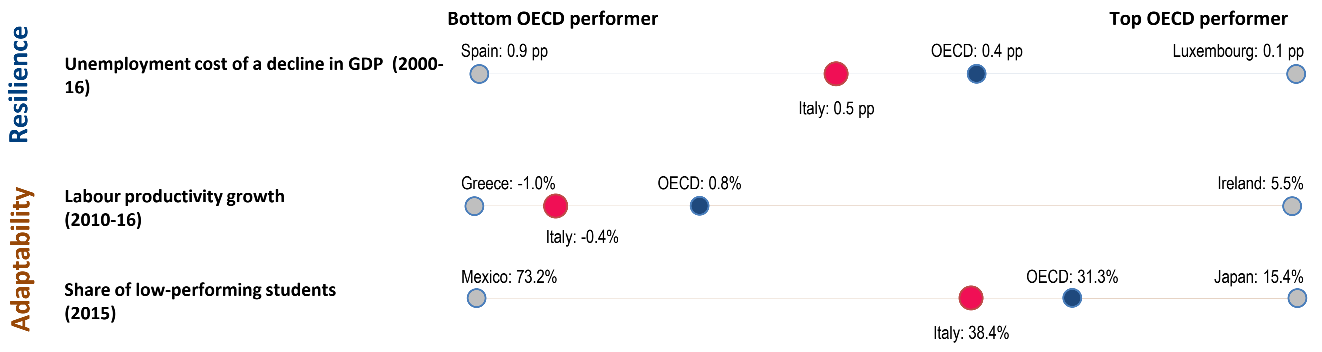
- Italy performs better on earnings quality, with earnings adjusted for inequality above the OECD average. Labour market insecurity is high due to a high risk of unemployment and low unemployment benefits. Recent reforms have however increased considerably the share of workers covered by the unemployment insurance system. Temporary contracts account for most of the new jobs, heightening labour market insecurity. Italy performs close to the OECD average on job strain, with 30% of workers reporting heavy job demands and few resources to meet these demands.
- Labour market inclusiveness is weak. Following the long recession, relative poverty has increased: 15% of working-age people live in poor households, well above the OECD average. A growing share of those in work are at risk of poverty. The gender labour income gap is larger in Italy than in three quarters of OECD countries, and the gap between female and male employment rates is among the widest across the OECD. People with disadvantages have markedly lower employment rates than those with no disadvantages, reflecting low levels of public support in areas such as childcare, integration of immigrants and people with disabilities. The employment gap of disadvantaged groups is the third highest in the OECD.

## FRAMEWORK CONDITIONS FOR RESILIENCE AND ADAPTABILITY

Labour market resilience and adaptability are important to absorb and adjust to economic shocks and make the most of new opportunities. Resilience is crucial to limit the short-term costs of economic downturns. Labour productivity is a key pre-condition for high growth of output, employment and wages and central to long-term growth in living standards. Finally, skills are key to improving workers' productivity and wages and provide an indication of the readiness to respond to future challenges.

- Italy scores below the OECD average in all the key indicators of labour market resilience and adaptability, contributing to underperformance on job quantity, job quality and inclusiveness.
- The deep and prolonged economic downturn led to a larger increase in unemployment in Italy than the average of OECD countries. Unemployment has been declining in past years, but remains well above the OECD average. Recent labour market reforms have strengthened incentives to the creation of stable labour contracts and made some progress on improving active labour market programmes that may enhance the resilience of the labour market to downturns in the future.
- Italy's labour productivity fell over 2010-2016, recording the second worst performance across OECD countries after Greece. This reflects a large fall in private investment over the recession and long-standing barriers to business dynamism. Student skills are below the OECD average, reflecting long-standing problems and underfunding of compulsory education system. The mismatch between workers' skills and job needs is high and requires higher and better targeted resources for training and retraining programmes.

**Framework conditions for Italy**




Notes: Resilience: average increase in unemployment rate over 3 years after a negative shock to GDP of 1% (2000-16); Labour productivity growth: annual average productivity growth (2010-16), measured in per worker terms. Share of low performing students: Share of 15-year-olds not in secondary school or scoring below Level 2 in PISA (%) (2015).