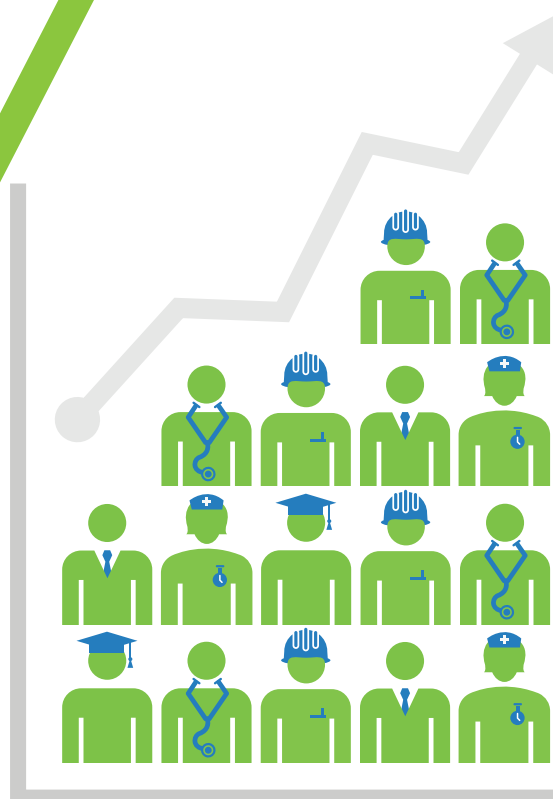


OECD Skills Strategy Diagnostic Report Executive Summary

Italy
2017



Building the right skills can help countries improve economic prosperity and social cohesion



By contributing to social outcomes such as health, civil and social engagement.

By supporting improvement in productivity and growth.

By supporting high levels of employment in good quality jobs.



How is this achieved?

By strengthening skills systems

Designing and implementing an evidence-based national skills strategy.

Funding skills through public and private sources and designing effective incentives for employers and individuals.

Providing good information for the public, businesses and policy makers.



OECD SKILLS STRATEGY DIAGNOSTIC REPORT ITALY 2017

EXECUTIVE SUMMARY

Italy needs to take prompt action to bolster growth and improve people's skills across the country

Skills demands are increasing and changing rapidly everywhere, as advanced economies adapt to globalisation, technological change and ageing. Yet Italy is struggling more than other advanced economies to make the transition towards a thriving and dynamic skills-based society. In the post-war period, Italy enjoyed high growth rates and converged significantly towards the richest economies by exploiting its decentralised production base and highly specialised manufacturing districts that built upon and nurtured technical and vocational skills. Over the past fifteen years, however, Italy's economic performance has been sluggish. Despite some improvements in employment rates, productivity has stagnated due, in part, to relatively low levels of skills, weak demand for high skills and limited use of existing skills.

In recognition of the need for action, the Government of Italy has launched an ambitious package of reforms. These reforms are part of a long-term, comprehensive strategy that also involves the development and implementation of skills policies that respond effectively to Italy's unique national and regional conditions and challenges. However, stakeholders have indicated the need to make more progress on reform implementation and to take further steps to respond to these challenges. During the broad consultation process conducted in 2016 and 2017 as part of Italy's National Skills Strategy country project – which engaged more than 200 representatives of business, labour, the education sector, research institutes, and government – stakeholders sent a clear message about the importance of making skills policies a priority for the whole country as well as about the need to fully implement current reforms.

Making progress will require that Italy boost both its supply of, and demand for, skills

Italy's poor skills performance has contributed to its past economic stagnation – improving that performance will be critical to foster inclusive and sustainable growth across the country. The OECD Survey of Adult Skills (PIAAC) provides evidence that Italian workers have low average levels of cognitive skills and are less likely to use certain cognitive skills that are important drivers of workers' and firms' performance. These deficiencies are found even among university graduates. Important reforms, aimed at improving the quality of schooling, over the last decade will take time to translate into higher workforce qualifications. Still, there is great heterogeneity, with the top Italian workers performing on par with the most skilled workers of the other G7 countries in a number of skills areas. Moreover, Italian workers display comparatively high “Readiness to Learn” and good “Problem Solving skills”, which suggests that more co-ordinated and targeted education and workforce training policies could help Italy to develop and make more intensive use of higher levels of skills on the job.

But higher levels of skills will only contribute to stronger and more sustainable growth and prosperity if firms take action to make full and effective use of the skills that are available to them. Italy is currently trapped in a low-skill equilibrium – a situation in which the low supply of skills is accompanied by low demand from firms. While many, relatively large, companies compete in the global markets successfully, many others have low-skilled managers and workers with relatively low levels of productivity. The low levels of skills of managers and workers are coupled with low investment in productivity-enhancing work practices and in technologies requiring workers to use high-skills. These in turn reduce incentives and capacity to effectively invest in skills and productivity-enhancing work practices and technologies. This dynamic is partly explained by the way work is designed and organised, and the way firms are managed. In Italy, family-owned business account for more than 85% of all firms and about 70% of employment. But managers of family-owned businesses often lack the skills needed to adopt and manage new, complex technologies. Furthermore, pay scales in Italy are often related more to seniority than to individual performance of the worker, thereby reducing incentives for workers to use their skills more fully and intensively at work.

Italy must improve the alignment between skills demand and supply

Skill mismatch is pervasive in Italy. Around 6% of workers in Italy are under-skilled while 21% are underqualified. Surprisingly, despite the low average levels of skills proficiency, skills surpluses are also present, reflecting the low demand for skills in Italy. Over-skilled (11.7%) and over-qualified (18%) workers represent a substantial part of the Italian workforce. In addition, around 35% of workers are working in fields that are unrelated to their studies. Bringing skills supply and demand into better balance requires more responsive educational institutions and training providers, more effective labour market policies, better use of skills assessment and anticipation information as well as greater efforts on the part of the private sector to collaborate with these institutions.

Italy has launched a number of ambitious reforms to boost growth – but some implementation challenges lie ahead

Recognising these challenges and the importance of seizing the opportunities of a digital and globally interconnected world, recent governments have introduced a number of ambitious policy reforms of its labour market (2014 Jobs Act), education system (2015 Good School Act) and innovation system (2015 National Plan for Digital Schools and Industry 4.0 National Plan 2017-2020). These reforms go in the right direction and have the potential to generate the policy complementarities the country needs to break through the current low-productivity, low-skill equilibrium and create productive and rewarding jobs across the country. Stakeholders in OECD Skills Strategy workshops called for renewed efforts to move forward in the implementation of these reforms.

The Good School Act contains several measures aimed at improving skills outcomes, enhancing school management practices, recognising the important role of teachers, and smoothing students' transition from school to work. The reform introduces the National Plan for digital schools: a plan to strengthen digital competences among teachers and students and a modern learning environment through expanding access to the Internet and digital platforms. Measures with the allocation of EUR 1.1 billion of resources are in the process of being implemented, for infrastructure interventions, learning spaces, technological equipment, administrative digitisation and connectivity, digital skills and staff professional development. Another important component of the reform, the *Alternanza Scuola Lavoro* (ASL), introduces a set of measures making traineeships compulsory in the last three years of upper secondary education, as well as a prerequisite for student admission to secondary school leaving examinations. These measures strengthen incentives for education providers and the world of work to co-operate, but their effective implementation requires reinforcing trust and dialogue between these actors. Consequently, more support to school managers and their staff may be needed to effectively absorb the changes brought about by the ASL and to establish meaningful partnerships with firms or to find alternative ways to deliver ASL (*i.e.* simulated enterprises). For example, it may be difficult to fully implement ASL in regions where there are comparatively fewer firms able to provide high quality work experiences, without providing specific training to school management staff and flexible pathways for students (*i.e.* work-based learning stages or placements abroad).

The Jobs Act is a milestone of recent reforms. Among the key objectives of the Jobs Act is to tackle labour market duality by introducing a single contract with increasing employment protection with job tenure (*contratto a tutele crescenti*). Moreover, it makes firing costs less uncertain by restricting the grounds for reinstatement in cases of dismissal for economic reasons and specifying the amount of compensation due in case of unfair dismissal. Another important element of the Jobs Act is the creation of the National Agency for Active Labour Market Policies (*Agenzia Nazionale per le Politiche Attive*, ANPAL), the first-ever national agency for the provision of active labour market policies. ANPAL has been fully operational as of December 2016, and it is expected to provide guidance to the regions and contribute to homogenise standards and practices across the territory. Lastly, the Jobs Act introduced an important shift from passive towards active measures, by on the one hand strengthening the welfare system (e.g. unemployment benefits) and on the other hand making passive benefits conditional on activation measures. In addition, by limiting the scope and duration of wage supplement schemes for industrial crises (*Cassa Integrazione Guadagni*), the Jobs Act intends to limit skills waste and promote a quick

reallocation of workers in the labour market. These are positive steps forward that bring Italy closer to practices already implemented in many OECD countries.

The rejection of the constitutional reform proposed through a national Referendum in December 2016 has, however, modified the initial plan for ANPAL to centralise the responsibility for the delivery of ALMP in Italy. As it stands now, ALMP remain a shared competence between ANPAL and the regional governments. Some co-ordination issues may therefore emerge in the future. Moreover, it remains to be seen how ANPAL will effectively link and co-ordinate passive measures (which are currently under the responsibility of *Istituto nazionale della previdenza sociale*, INPS) with active ones (which are currently under the responsibility of regions).

Industry 4.0 is another important reform to improve the skills system and, in particular, the demand for skills in Italy. This policy aims to encourage and facilitate the transition to digital technologies among Italian firms so that they can keep pace with their partners and competitors. To help firms, especially SMEs, familiarise themselves with – and take advantage of – the new opportunities provided by digital technology, Industry 4.0 will set up a network of technological hubs including Digital Innovation Hubs, Digital Enterprise Points, and Competence Centres. These entities will be able to engage a broad range of actors including large private players, universities, research centres, SMEs and start-ups to promote the increased adoption of technologies all over the country, and in key industrial sectors. The main challenges faced by these technological hubs will be to actually attract firms in partnerships and effectively promote all the opportunities and incentives provided by Industry 4.0.

Additional policy action is needed across a wide range of areas to leverage these reforms to boost skills acquisition and investment in new technology, stimulate productivity growth and improve the allocation of labour and resources. A comprehensive skills strategy that engages all of society to develop a shared vision for Italy's future could serve as the foundation for building commitment on the part of all actors in society to take the steps that are necessary to ensure that Italy finds its way back on the path to inclusive growth. Many of the policy actions required in Italy are laid out in this OECD Skills Strategy Diagnostic Report as well as in the OECD Economic Survey: Italy (2017) and Getting Skills Right: Italy Policy Review (2017).

Italy's National Skills Strategy country project – a collaborative effort of the OECD and the Government of Italy with the support of the European Commission – is an important first step towards developing this comprehensive skills strategy. That the Government of Italy has chosen to undertake this project and that stakeholders in Italy have shared so freely and frankly their perspectives on Italy's challenges is a clear demonstration of their shared commitment to ensuring that the hard won reforms of recent years are effectively implemented. All agree that strategic and co-ordinated approach to skills policies is needed to improve outcomes.

A strategic and co-ordinated approach to skills policies is needed to improve outcomes

The OECD Skills Strategy proposes a strategic framework for tackling Italy's low-skills equilibrium based on four pillars: developing relevant skills; activating skills supply; using skills effectively; and strengthening the skills system.

Applying this framework, the OECD has identified 10 main skills challenges for Italy, drawing from workshops with the Italian Inter-ministerial team, stakeholders, experts and government representatives, and through data analysis. In this report, the skills performance of Italy is assessed not only against that of other OECD countries, but also against its own aspirations to leverage skills investments to adapt and thrive in an a world characterised by increasing economic competition and technological and social change. The 10 challenges are described under each of the main pillars of the OECD Skills Strategy and are framed as outcome statements.

10 SKILLS CHALLENGES FOR ITALY

Developing relevant skills

1. Equipping young people across the country with skills for further education and life
2. Increasing access to tertiary education while improving quality and relevance of skills
3. Boosting the skills of low-skilled adults

Enabling conditions for an effective skills system

8. Strengthening multilevel governance and partnerships to improve skills outcomes
9. Promoting skills assessment and anticipation to reduce skills mismatch
10. Investing to improve skills outcomes

Activating the supply of skills

4. Boosting hiring and skills supply overall
5. Encouraging the participation of women, youth and other under-represented groups in the labour market

Using skills effectively

6. Making better use of skills in the workplace
7. Leveraging skills to promote innovation

Pillar 1: Developing relevant skills

Challenge 1 - Equipping young people across the country with skills for further education and life

Italy has made good progress in improving the quality of schooling in recent years, with mean scores in the Programme for International Student Assessment (PISA) rising overall in reading, math and science. While math scores are now in line with the OECD average, Italy still lags behind peers in other OECD countries in reading and science. Continued effort is needed to improve these results because foundation skills (such as reading and math) are the building blocks for future learning, and, as such, influence the scope for acquiring more advanced skills including technical, professional and digital skills throughout life. Also of concern is the significant variation in student performance across the country, with Southern regions consistently lagging behind the others. For example, while students in the Autonomous Province of Bolzano do as well as top performing nations like Korea, students in Campania compare with their counterparts in Chile or Bulgaria. The performance gap in PISA between students in the Autonomous Province of Bolzano and Campania is equivalent to more than one year of schooling. Wide regional variation calls for co-ordinated, and yet differentiated, skills policy interventions across the country.

Italy has taken important steps to address these challenges. The 2015 Good School Act gives more autonomy to schools and introduces merit-based bonuses for teachers while strengthening the accountability of school principals and making teachers' professional development compulsory, structural and permanent. In order to achieve this goal, funding for professional development at national, school and individual level has been increased. Through the National Plan for digital schools, the Good School Act also establishes a plan to improve the digital skills of both students and teachers by creating a more modern learning environment with improved access to the internet and digital innovations. Measures totalling EUR 1.1 billion are in the process of being implemented, for infrastructure interventions, learning spaces, technological equipment, administrative digitisation and connectivity, digital skills and staff professional development. Another key element of the reform is the *Alternanza Scuola Lavoro* which makes participation in work-based learning mandatory for all upper secondary education streams (general, technical and vocational). The effective implementation of ASL is important to improve the links between schools and the labour market, better orient students in their education paths and reduce drop-out rates.

In addition, Italy has introduced compulsory work-based learning programmes in the regional system of upper secondary-level vocational educational training, called *Istruzione e Formazione Professionale* (IeFP), to reduce student drop-out rates and to offer students opportunities to acquire professional skills that are required in the labour market. Recent revisions to the regulations governing apprenticeship contracts, including the possibility to obtain a formal certification of skills acquired during the apprenticeship, also have the potential to strengthen the linkages between firms and students. The impact of these new efforts will need to be carefully monitored as support measures for firms and education providers to adopt apprentices in Italy have traditionally been weak.

Full implementation of all these policies and reforms will require sustained efforts, leadership and greater engagement of teachers, principals, families, employers and other stakeholders. In particular, enhancing trust and dialogue between educators and employers will support the implementation of the ASL. More training and support for the interpretation of labour market information should be provided to principals and to ASL school management staff to help them to better understand the needs of their local labour market, establish more effective partnerships with firms, and fully integrate ASL in school curricula. Similarly, employers need stronger incentives to participate in the ASL and need to be more involved in the identification of ASL training priorities.

Stakeholder perspectives

- Italian schools are considered inclusive and are perceived as being of good quality, but stakeholders highlighted the need to improve foundation skills – such as numeracy and literacy skills – as well as transversal, technical, and digital skills of young generations. Experts and practitioners repeatedly pointed out that in Italy many young people lack good numeracy skills, as well as a solid knowledge of English.
- A majority of stakeholders, including those representing business, recognised that the recent Good School Act is a move in the right direction, but challenges remain with its full implementation.
- There was agreement that the efforts to generalise work-based learning are positive and should be carried through by tackling remaining obstacles to the co-operation between schools and firms, especially SMEs, in all regions.
- Most stakeholders also considered it important to strengthen teachers' professional development and to introduce different career possibilities and rewards.

Recommended areas for action:

- Improve teaching quality across the country and bridge the performance gap across regions by establishing teaching standards and creating systems for evaluating teachers' performance against these standards. Underperforming schools may need additional help to attract and retain experienced teachers who can meet good performance standards. This could be achieved, for example, by awarding monetary bonuses or career promotions to teachers in underperforming schools that meet performance standards.
- Improve access to early childhood education and care in regions where there are limited spaces available, such as in the South of the country.
- Improve the quality and relevance of vocational education by providing training courses to existing teachers to ensure that they continue to have current knowledge about industry practices and technologies.
- Support the implementation of the ASL by providing training to school principals and teachers on the current skill needs in the labour market and how to effectively engage and develop relationships with employers.

- Increase incentives for firms to provide traineeships under the ASL reform and provide greater opportunities for integrating the views of employers both in the design of the content of work-based learning activities and in the assessment of the skills acquired by students during their traineeships.

Challenge 2 - Increasing access to tertiary education while improving quality and relevance of skills

Italy has relatively few tertiary educated workers and the inflow of new graduates to the labour market is relatively small. The share of 25-34 year-old Italians with university-level higher education is just 20% as compared with the OECD average of 30% for the same age group. Also, due to demographic trends, the absolute number of students enrolled at university has fallen by 8% between 2000 and 2015. Recently, however, the trend has turned to positive with a 4.9% increase in enrolment in 2016 relative to the previous year. Yet, adult graduates in Italy have among the lowest average literacy and numeracy scores compared with tertiary graduates in other countries (26th out of 29 OECD countries, in both dimensions). Finally, the labour market relevance of higher education also needs to be improved: employment rates of tertiary graduates are low *vis-à-vis* the OECD average while at the same time many firms cannot find the highly skilled people they need to fill job vacancies. These results raise questions about the quality and relevance of the skills developed in tertiary education. Among the problems, qualifications in Italy are not robust signals of workers' skills. This makes skill-matching difficult as employers have only weak information to sort candidates into jobs and skill requirements. Evidence shows, however, that graduates from universities that provide better professional and technical skills move quickly to high-quality and well-paid jobs and that strengthening the provision of professional and technical skills in universities leads to better labour market outcomes.

Tertiary education has been the object of several national reforms over the last decade. Some of these reforms have introduced important innovations, such as moving to the 3 year Bachelor plus 2 year Master degree structure of university programmes, the evaluation of university research, and more recently, tertiary professional education. In addition, Italy's new tertiary professional education institutes (*Istituti Tecnici Superiori* – ITS), although still producing small numbers of graduates, represent a good example of innovation, with very positive results in terms of graduates' employability, especially in dynamic business districts. Moreover, as of 2018, new university-track tertiary professional education pathways (*Lauree Professionalizzanti*) will be available to students alongside the ITS offer. The higher training and research apprenticeship, recently reformed under the 2014 Jobs Act, also represents an opportunity to increase access to tertiary level education while strongly connecting universities and non-academic higher education institutions with the labour market. To meet these challenges, the Ministry of Education, University and Research has recently begun to increase the funds allocated to universities and is currently working to improve career guidance and to strengthen the relevance of tertiary education. In addition, the recent increase in spending on scholarships (the Stability Pact 2017) is an effort that goes in the right direction to improve access to tertiary education in the country.

Stakeholder perspectives

- Stakeholders had different, sometimes contradictory, views regarding the skills of tertiary graduates. Many – especially among those representing business – underscored the need for more graduates with strong professional skills, and felt that Italian graduates lack some of the skills needed to function well at work, such as knowledge of a foreign language (especially English), computer literacy, and the understanding of the basic requirements of a business environment.
- In particular, four major issues emerged among stakeholders.
 - First, there was consensus around the need for greater investment in tertiary education. Stakeholders recognised that while funding levels have improved recently, compared to the period between 2008 and 2013, Italy's tertiary education is still underfunded compared with other OECD countries.
 - Second, stakeholders welcomed the current effort to develop and scale-up professional tertiary education in Italy. In particular, most stakeholders consider ITS as a good innovation and suggest that this model be expanded. Other stakeholders, especially those representing universities, were of the view that professional tertiary education should be developed and delivered by universities, not least in order to guarantee greater coverage throughout the country.
 - Third, stakeholders highlighted that Italian firms tend to pay tertiary graduates low salaries and this may dampen the attractiveness of pursuing tertiary education among youth.
 - Fourth, it was generally agreed that universities should be better connected with business. Barriers to strengthening these linkages exist on both sides. Most Italian firms are small enterprises that struggle to deal with universities. Conversely, many universities have not developed the capacity and the flexibility needed to deal with small businesses.

Recommended areas for action:

- Improve access to tertiary education across the country, especially for students from low socio-economic backgrounds by, for example, expanding access to scholarships under the Stability Pact.
- Strengthen the quality and relevance of skills acquired in tertiary education, while at the same time improving the financial sustainability of the tertiary education system, especially in the south of the country. This could involve creating incentives to improve the quality of teaching and research in tertiary education by improving evaluation and linking funding to such outcomes as well as to completion rates, years taken to finish a degree and employability. Performance evaluation systems should recognise that institutions in some disadvantaged regions may face specific challenges.
- Scale up the size while also expanding and improving the quality of professional tertiary education institutions (ITS) by encouraging institutions to provide

training in areas that match the economic specialisation of the territory and by improving collaboration with firms to ensure work-based training opportunities are well aligned with courses of study.

- Improve pathways from ITS to university by such means as an improved credit transfer system to ensure that graduates have further opportunities for education and professional development.

Challenge 3 - Boosting the skills of low skilled adults

In Italy, over 13 million adults have low basic skills. Low-skilled adults in Italy are more likely to be older individuals and immigrants, and are concentrated in smaller firms and less economically advanced regions and sectors. While approximately 39% of 25-65 year olds have low levels of literacy and/or numeracy proficiency, only about 14% of low-skilled adults in Italy participate in adult learning, a share lower in only two other OECD PIAAC countries. Millions of these adults will be of working age for decades to come and will struggle to adapt to changes in the economy and society. The majority of low-skilled adults reported that they neither participated nor wanted to participate in education or training, which may suggest that employers' demand for, and use of, adults' skills may be too weak in certain Italian regions and sectors to motivate low-skilled adults to further develop their skills. Among low-skilled adults who report wanting to participate in adult learning, the most commonly cited barrier was a lack of time due to work and family responsibilities.

The recent re-organisation of adult education in Italy has sought to make delivery more flexible, recognise prior learning, and better tailor services to individuals' needs. The main forms of adult education available are second chance education, continuous vocational training (CVT), and training provided through active labour market programmes (ALMPs) for unemployed adults. The government recently took action to increase the provision of adult education and training by setting up education institutions known as the Provincial Centres for Adult Education (CPIA) under the responsibility of the Ministry of Education, University and Research. The Jobs Act has introduced important measures to increase access to active labour market policies (ALMPs) generally and training in particular, while unemployment benefits are now conditional on participation in activation measures designed by the recently-created National Agency for Active Labour Market Policies, ANPAL. Although ANPAL is currently organising its strategy in the institutional context that has emerged following the referendum of December 2016, this new co-ordinating agency has the potential to foster more effective and comprehensive active policies throughout the country. Inter-professional funds also finance training and educational activities at the sector and regional level that firms, either alone or in association, may decide to put in place for their employees.

Stakeholder perspectives

- Stakeholders expressed concerns about the large number of adults with low levels of skills, but also pointed at the need to recognise and certify skills acquired non-formally and informally on the job and in life.
- They acknowledged the different policy tools put in place by the government over the past years to improve the situation, including sectoral training funds, adult education programmes and the current efforts to put in place tailored employment services such as coaching and profiling – drawing upon the positive experience of the Youth Guarantee. In particular, they recognised the potential of the Jobs Act reform to improve this situation by providing tailored services, including profiling and guidance.
- Stakeholders identified poor governance as an issue impinging upon adult learning. Many noted that governance arrangements providing responsibility for key training, certification, and active labour market policies to regional governments have contributed to the fragmentation of training and skills certification systems. More specifically, many stakeholders have noted that issues concerning co-ordination across sectoral ministries, regional governments, and policies such as inter-professional funds represent a barrier to improving the targeting of training services to low skilled adults and leads to duplication of efforts. They also noted that there is a lack of public-private sector co-operation in the area of adult learning.
- Lastly, stakeholders mentioned the need to use training to improve the capabilities of managers and entrepreneurs in small firms.

Recommended areas for action:

- Make the education system more responsive to the needs of low-skilled adults by increasing the flexibility of pathways (e.g. through the increased offer of part-time and distance learning programmes) and improving access to childcare.
- Use available funds for training for the development of skills that are truly demanded in the labour market (such as skills that prepare workers to adapt to rapid technological change and globalisation).
- Address the large bias in the provision of training opportunities against low-skilled adults by subsidising training specifically targeting such category.
- Further improve co-ordination and information sharing between ministries and different levels of government on adults' learning needs and participation in education and training to help ensure that low-skilled adults have access to integrated and tailored learning programmes.

Pillar 2: Activating skills supply

Challenge 4 - Removing supply and demand side barriers to the activation of skills in the labour market

Italy not only needs to step up efforts to develop the skills of its population, but also to activate these skills in the labour market. Despite recent improvements in labour market performance, employment rates remain among the lowest in the OECD area. Inactivity and unemployment rates are among the highest in the OECD, and still too many people end up becoming long-term unemployed. Large heterogeneity exists in the country among different socio-demographic groups – with women, young people (see Chapter 5), and those living in Southern regions facing the greatest challenges in entering and remaining engaged in the labour market.

In recent years, the Italian government has put in place a comprehensive reform package, including the 2014 Jobs Act, which aims to tackle longstanding employment challenges and improve labour market performance. The Budget Law also introduced in 2015 a temporary social security rebate for firms hiring permanent workers. Taken together, these reforms have contributed to boost job creation, ease unemployment, and tackle labour market duality. Indeed, around 850 000 jobs were created since the adoption of these reforms, while the number of new permanent contracts increased and a number of temporary, atypical, and apprenticeship contracts were transformed into permanent ones. Moreover, by creating new permanent contracts, these reforms provide incentives to invest in on-the-job training and workers' skills. The Jobs Act also established ANPAL, which has been operational since December 2016. Lastly, the Jobs Act introduced an important shift from passive towards active measures, by strengthening the welfare system (e.g. unemployment benefits) and making passive benefits conditional on activation measures. This comprehensive policy package is showing its fruits and improvements are already visible. However, the impact of the reforms should be assessed over the longer-term, and some implementation challenges remain.

Stakeholder perspectives

- According to stakeholders public employment services (PES) are not working well and are fragmented across the national territory. Most Italians find a job through informal channels. Although some national databases with job vacancy information available for the whole country exist, as for instance ClicLavoro, they are not functioning well. Stakeholders also consider that PES staff is often underqualified, and that training is difficult considered that many are older workers and close to retirement age. Stakeholders, including regional representatives, have mentioned the need to improve co-operation between public and private employment agencies.
- Stakeholders discussed extensively about active labour market policies (ALMPs). They mentioned that the design of active labour market policies (ALMP) is rarely based on information on local skills needs. The lack of sophisticated skills profiling tool is a potential challenge for the effectiveness of ALMPs. Finally, stakeholders lament the lack of systematic monitoring and evaluation of the impact of ALMPs on participants. This lack of monitoring is due to a number of issues, including the existence of multiple programmes, fragmented and unconnected information systems, as well as cultural barriers.
- Stakeholders considered skills certification and recognition as key issues. Over the past years, a fragmented certification framework has significantly contributed to limited labour mobility across the Italian territory. Stakeholders considered as a problem impinging on skills activation the fact that a solid system for Recognition of Prior Learning (RPL) at the national level has not been developed yet.
- There was broad consensus about the fact that non-wage costs (and particularly employers' social security contributions) are high and likely represent an obstacle to skills activation.
- Stakeholders do not share the same narrative about the Jobs Act. Entrepreneurs tend to praise the Jobs Act, while on the other hand trade unions and subnational representatives, are less positive. There are some dimensions of the reform, however, in which there is consensus. For example, stakeholders recognise that by creating new permanent contracts, the reform provides incentives to invest in on-the-job training and workers' skills. Surprisingly, there is limited awareness about the reform among many stakeholders. For example, some were not aware of the recent developments in the unemployment benefit system.

Recommended areas for action:

- Continue efforts to create a clearer and more transparent certification system and establish a national system of recognition of non-formal and informal skills acquired on the job or in life.
- Improve supportive policies such as accommodating housing policies and relocation subsidies, greater work flexibility and family support to promote regional mobility. The diffusion of job-vacancies through formal channels – for example by setting up a national information system on vacancies – should be enhanced, considered that vacancies are too often “invisible” from the public domain.
- Strengthen the collaboration between ANPAL and local actors in the delivery of labour market programmes, drawing from the successful experience of the Youth Guarantee. Ensuring that ANPAL has the powers to set national standards, and monitor compliance, will also be crucial.
- Scale up the resources for PES and active labour market programmes, as the number of public employment service staff per jobseeker and investments in ALMPs are low. In the context of limited resources, alternative policy options could be adopted, such as outsourcing certain services to private employment services; and/or strengthen skill profiling tools which can help to use resources more efficiently.
- Design ALMPs in consultation with firms, education or social institutions, and based on information on local skills needs. It will also be crucial to carefully and regularly monitor the effectiveness of ALMPs through rigorous impact evaluation analysis, so as to regularly adapt their design and channel resources to the most effective interventions. Co-ordinate ALMP with Industria 4.0 and other economic development initiatives, so as to ensure that demand- and supply policies are well co-ordinated at the local and regional level.
- Stimulate job creation by permanently lowering employers’ social security contributions. Shifting the tax burden towards more skills-friendly taxes – environmental, consumption, and/or property taxes – and/or enhancing tax collection, may be one option worth considering for reducing disincentives for hiring while at the same time keeping the government balance sheet unchanged.

Challenge 5 - Encouraging more participation of women and youth in the labour market

Among OECD countries, Italy has the fourth lowest share of women who are employed. Worryingly, many women are not even looking for jobs such that Italy has the third highest inactivity rate among OECD countries. Part of the explanation comes from the fact that women are often perceived as the main “family carers”. Indeed, they take on the highest burden of unpaid domestic work, they lack access to affordable childcare facilities and flexible work that would help them combine work and family responsibilities, and live in a system that favours mothers – rather than fathers – taking child-related leave. This is only part of the story, though. Fertility rates in Italy are among the lowest in the OECD, the age of first birth for a woman is quite late, and

there are many childless women. This suggests that other factors may lie behind the poor labour market participation of women. For instance, women often choose degrees that are not highly demanded in the labour market, making it difficult for them to find a job after graduation. Moreover, the tax system provides second-earners (often women) with weak financial incentives to work.

Youth, for their part, struggle to make the transition from education to the world of work. They rarely have access to effective career orientation services to guide them through the vast array of possible education and career pathways. A number of them take too long to finish their studies. In many cases, before the introduction of mandatory traineeships for all upper secondary students (ASL), many students left education without having gained any previous work experience or a sufficient range of skills needed on the job (e.g. cognitive and/or soft skills). The implementation of the *Alternanza Scuola Lavoro* has to be carefully monitored and, if anything, reinforced by strengthening the linkages between employers and education providers. Employment services and support exist, but many disadvantaged youth may not be aware of the opportunities available to them.

Italy is currently undertaking several reforms to facilitate better integration of women and youth in the labour market. Concerning women, the government is stepping up efforts to increase the availability of childcare facilities and to help families meet the cost of childcare. The government has also introduced tax exemptions for firms hiring disadvantaged women. Another welcome step is the recent effort to tackle longstanding discrimination practices in the workplace (e.g. *dimissioni in bianco*) by establishing online procedures for voluntary resignations.

Regarding youth, one of the main policies implemented in Italy to tackle the NEET challenge is the EU Youth Guarantee, which targets youth (aged 15-29) within four months after leaving school or being laid off, and offers them a range of activities that facilitate school to work transition. The Youth Guarantee implementation proved successful in integrating NEETs into the labour market by providing them with employment services and training. Scaling up this initiative and extending it to other disadvantaged categories may help to tackle their low participation in the labour market and reduce long-term unemployment. Measures to boost the demand for youth in the labour market are currently being implemented as well. For instance, capped exemptions to employers' social security contributions are granted to firms hiring certain youth. Finally, the implementation of *Alternanza Scuola Lavoro* is a step towards bringing the skills taught in schools in closer alignment with the needs of the labour market, exposing youth to workplaces, and having a "career guidance" function for students. But while these policies go in the right direction, much remains to be done and complementary policy interventions may be required to fill existing gaps in the policy package.

Stakeholder perspectives

- According to stakeholders, one key issue of concern in Italy is the structure – and use – of the child-related paid leave system, which is strongly skewed towards women taking leave. Long spells out of employment during maternity leave may result in skills depreciation and a gradual detachment of women from firms’ ongoing activities.
- While the recent extension of paternity leave from 1 to 2 days is a step in the right direction, fathers’ entitlements to paternity leave remain too short.
- Lack of access to affordable childcare may be challenging for parents willing to combine work and family life. Working time flexibility in Italy also plays a limited role in helping parents to reconcile their work and care commitments.
- Firms are often not aware of the gender imbalances within their staff. Therefore, they are not able to identify sectors/positions where there is an underrepresentation of women and adjust recruitment practices accordingly.
- A reason for youth’s poor labour market outcomes is that there is a large disconnection between the education system and the world of work. For instance, schools and universities often fail to teach soft skills (e.g. team-working, punctuality, and flexibility), which are very much demanded by firms. Another key challenge for youth’s poor labour outcomes is the excessive duration of university studies, which delays entry to the labour market. Moreover, few youth combine work and study, hence very few leave the education system having gained some previous work experience.
- Youth have limited access to career orientation which could guide them through the vast array of possible education and career pathways. While progress is needed, one good step is the implementation of *Alternanza Scuola Lavoro* which could – indirectly – have a very important “career guidance” function for students.
- Many young NEETs are not aware of the opportunities offered by the Youth Guarantee, or through other ALMPs, and private employment agencies. Regional differences persist in the delivery of the Youth Guarantee, and information on the quality and quantity of offers provided at the local level is often lacking.

Recommended areas for action:

- Encourage fathers to take more child-related leave. Possible measures include increasing the length of paternity leave.
- Encourage the use of flexible work arrangements at the workplace to help parents balance work and family life. Strengthen both financial and non-financial incentives to firms to provide flexible work options to their employees.
- Secure availability of, and access to, affordable early childhood education and care as well as affordable long-term care for elderly relatives. Continue developing

additional facilities so as to release families – and particularly women – from the burden of care.

- Adjust the tax system on second-earners to enhance spouses' financial incentives to work. This would ensure that both parents have broadly similar financial incentives to work.
- Raise awareness of gender stereotypes, and promote a cultural shift whereby men and women are provided equal employment opportunities and share unpaid domestic work more equally.
- Provide better and more systematic career guidance services for youth at all levels of education. This would reduce the role played by family background on youth's education and career choices. It would also ensure that students take informed decisions which are aligned with their interests, preferences, merit, and real labour market needs.
- Ensure that skills taught in the education system are aligned with skills demanded in the labour market. Design a comprehensive policy intervention to boost the demand for high skilled workers so as to fully exploit the existing skill supply and to generate incentives to increase it further.
- Provide pathways to combine work and study at all levels of education – not only at upper-secondary (as is being done with the *Alternanza Scuola Lavoro*) – but also at post-secondary and tertiary levels.
- Scale up the implementation of the Youth Guarantee. In particular, special attention should be paid to engage firms more systematically in the process, reach out to NEETs more proactively, align the quality of offers across regions, and allocate more (financial and human) resources to ensure an adequate service delivery.

Pillar 3: Making effective use of skills

Challenge 6 - Making better use of skills in the workplace

While much should be done on the supply side, higher levels of skills will only bring about growth and prosperity if firms demand and make effective use of these skills. Italy is the only G7 country with a higher share of tertiary educated workers in routine occupations (tasks that can be accomplished following a set of specific and well-defined rules) than in non-routine ones (tasks that entail performing more complicated activities, such as creative problem solving and decision making). This is a reflection of the low demand for higher levels of skills in Italy, which may be connected to the large share of family-owned businesses in the Italian productive sector. Low levels of participation in training and low adoption rates of High-Performance Workplace Practices (HPWP) are problems found across firms of all sizes in Italy that limit the capacity of firms to innovate and grow. In most jobs wage progression is determined mainly by seniority rather than by each worker's performance on the job or productivity. This may be a disincentive for workers to fully use their skills and to upskill.

The government has recently introduced a set of ambitious structural measures aimed at igniting a radical shift of the Italian economy towards the generation and use of new and high value-added technologies. This set of reforms, known as the Industry 4.0 National Plan (*Industria 4.0*), can play a pivotal role in boosting sluggish Italian skill demand by helping (especially) smaller firms to become more innovative, move closer to the world technology frontier and to become more active on international markets. The incentive structure put in place by Industry 4.0 relies on a combination of broad and strategic measures coupled with more targeted interventions. Strategic measures are centred on research and development (R&D) and innovative investment, and are coupled with investment in the skills of the workforce (especially high-skills and digital-related skills). The interaction with the national business community, including SMEs, is facilitated and promoted through the establishment of specific entities such as Digital Innovation Hubs, Digital Enterprise Points, and Competence Centres. The successful implementation of Industry 4.0 will depend on the capacity of these technological hubs to engage firms as well as the capacity to generate complementarities with other public and private investment programmes that support skills.

Stakeholder perspectives

- Stakeholders often mentioned the low-skills equilibrium as a key over-arching challenge for Italy. They saw the need for a holistic national strategy to promote skills made of targeted policy actions aimed to boost both demand and supply.
- According to many stakeholders, Italian firms invest very little in the upskilling of their workforce and there are few opportunities for low-skilled workers – those who need upskilling the most – to benefit from formal and on-the job training. Also, most firms lack formal systems to reward training undertaken by their employees.
- Stakeholders agree that managerial skills are low in many Italian firms. The productive sector is home to an army of family-owned small businesses which often do not demand, or use, skills effectively.
- Limited use of training and of human capital-enhancing practices is not a problem only in small businesses, but also in large firms: Italy ranks very low in terms of share of jobs with High-Performance Workplace Practices (HPWP) across all firm sizes. In this context, the Government's Industry 4.0 initiative is generally considered as a good opportunity to boost firms' demand for skills.

Recommended areas for action:

- Encourage companies to invest in high-quality training targeted to the development of labour market relevant skills. Similarly, reward workers who participate in education and training. This could entail, for example, collecting and distributing information on good practices for developing and using the skills of workers.
- Improve the entrepreneurial and managerial skills and capabilities of Italian employers, especially those in family-owned enterprises and in SMEs. This could take the form of increased incentives for the adoption of High-Performance

Workplace Practices (HPWP) such as job-rotation, training, mentoring and task discretion.

- Foster a better match between the supply and demand for skills by establishing a digital information hub connecting Italian firms demanding skills for the digital era with the universities, research centres and schools that create the supply of workers endowed with these skills.
- Strengthen the dissemination of information about Industry 4.0 technologies and related initiatives to all firms, especially smaller ones, to further enhance its take-up.
- Encourage the use of wage incentives and bonuses and link them to workers' productivity so that these have incentives to develop their skills further and to apply them in jobs that make full use of available skills.

Challenge 7 - Leveraging skills to promote innovation

Productivity has been sluggish in Italy for many years. This is related in part to Italy's low levels of investment in innovation and low innovative output. A number of structural features are likely to constrain the country's ability to leverage on the skills of its workforce to innovate and perform. Among them: the low level of spending in R&D (only 1.2% of Italy's GDP, which is half the OECD average); the low endowment of organisational and managerial capabilities; the high proportion of small and/or old firms; and the low proportion of both SMEs and large firms collaborating with higher education or research institutions.

Italy has recently put in place a set of policy initiatives to promote innovation and facilitate the transition to digital technologies, including the country's new approaches to industrial policy (Industry 4.0), its support to innovative start-ups (the Startup Act), and its efforts to attract FDI and link firms to the international market (Italtrade). Industry 4.0 recognises the large heterogeneity of firms in the country and provides incentives and guidance to all firms, including SMEs and micro firms, to adopt digital technologies. New firms are those most likely to generate the most radical innovations and successfully bring them to market, while also creating spillover effects for others. Targeted public support may help those firms that managed to weather the crisis and raise their productivity to now focus on the need to acquire new skills and knowledge assets.

Stakeholder perspectives

- Stakeholders highlighted the need to promote innovation through skills. The country is less innovative than it used to be.
- Stakeholders mentioned the need to generate more linkages between firms and research institutions, including universities. The presence of many SMEs as well as the lack of flexibility on the side of universities are considered as the problems that need to be addressed to improve the capacity of research and business to co-operate more effectively.
- Representatives from the government discussed the need to create synergies by improving the alignment and coherence of different policy investments. Innovation policy should capitalise on Italy's traditional know how as well as the many centres of excellences active in the national framework.
- The recent policy initiatives, and in particular Industry 4.0, were considered as a good opportunity to fill the technological gap the country has accumulated over the past decades *vis-à-vis* international competitors and partners.

Recommended areas for action:

Italy needs to promote synergies and policy complementarities to spur investment in R&D and, in particular, in research-related human capital and skills:

- Provide firms and other relevant stakeholders with more accessible information about existing policy supports.
- Target R&D tax credits (including the patent box) at innovative SMEs and start-ups. Investing more in R&D and, in particular, in research-related human capital and skills would be important for Italy to get out of the low skills equilibrium in which the country has been trapped for some years.
- Strengthen linkages between small- and medium-sized firms and higher education to promote innovation, for instance, by promoting traineeship programmes for graduates (*apprendistato di terzo livello*), which are currently underutilised.
- Create a system to facilitate shared hiring to make highly skilled workers accessible for SMEs operating in a same territory and/or in the same supply-chain.
- Improve the organisational capabilities of firms by investing in improving the skills of managers, including of owners and managers of family firms. There is a need for entrepreneurship and managerial skills to become more widespread, as they support the diffusion and absorption of new technologies and can help firms adapt to the challenges of production in a digitalising and international environment.

Pillar 4: Strengthening skills systems

Challenge 8 - Strengthening multilevel governance and partnerships to improve skills outcomes

Complex governance systems are common across OECD countries, and co-ordinating skills policies among different sectors and across levels of government represents a challenge for all of them, including Italy. In Italy, longstanding obstacles to the effective implementation of public policy include: weak co-ordination mechanisms between the centre and subnational levels of government, the instability of legal and regulatory frameworks which creates uncertainty, and limited use of consultation with key stakeholders.

Italy's efforts to ensure full implementation of the recent reforms involving subnational governments, business, and social partners are steps in the right direction to promote complementarities among policy domains. Progress has been made in strengthening the capacity of the public administration to interact with citizens and business thanks to the 2015 "Delegation to the Government for Public Administrations' Reorganisation Law" (known as the Madia Law). This law also reorganised the central administration, introduced measures to facilitate co-ordination among public entities and strengthened the Prime Minister's Office's function to co-ordinate and evaluate public policies. Efforts to ensure open policy-making are also supported by Open Government Initiative, which promotes a digital agenda to: better engage citizens in policy making; simplify bureaucracy; and increase transparency.

Stakeholder perspectives

- Stakeholders identified weak governance arrangements as one of the main challenges negatively affecting Italy's capacity to develop and implement a national skills strategy. In particular, skills policies and programmes are perceived as complex and ever-changing, making it hard for stakeholders, and in particular business, to interact effectively with public authorities. Accordingly, lack of co-ordination and co-operation within the public sector and between public authorities and the private sector were identified as key issues.
- Many stakeholders identified regional labour market institutions and qualifications frameworks as a barrier to labour mobility and the optimal use of existing talent. For instance, some innovations such as "territorial networks", now co-ordinated by the national employment agency (ANPAL), are seen as positive and should be fully implemented. In the same vein, stakeholders praised the integration between passive and active labour market policies under ANPAL. There is widespread expectation that the presence of ANPAL will favour the co-ordination of skills policies, and also facilitate policy monitoring and evaluation.
- As a possible solution for the (multi)governance challenge affecting skills policies in Italy, stakeholders identified the creation of a national co-ordination framework (*a cabina di regia*, in Italian) operating across sectoral policies and tiers of governments.

Recommended areas for action:

- Continue improving the current efforts to adopt a whole-of government approach to developing and effectively using skills to maximise emerging policy complementarities by requiring enhanced co-ordination and information sharing across ministries and with subnational levels of governments and with relevant stakeholders.
- Boost the public administration's capacity to implement skills policies by increasing training for public servants, exchanging data and information across public authorities.
- Improve public sector engagement with key stakeholders by making a greater effort to encourage them to participate in established policy forums, as well as by undertaking targeted focus groups. In particular, ensure that the needs of disadvantaged groups and regions are well represented in the policy development process.
- Strengthen transparency and accountability by clarifying responsibilities across public authorities and requiring public reporting of results.

Challenge 9 - Promoting skills assessment and anticipation to reduce skills mismatches

A great diversity of different skills assessment and anticipation (SAA) exercises exists in Italy, reflecting the different objectives and needs of the actors involved. However, despite the wealth of information on skill needs produced, some gaps persist. In particular, the development of domestic long-term skills needs forecasts, measurement of soft skills in the population, and the use of big data, could be strengthened. The level of granularity of certain information could be deepened in the future, and the statistical soundness of some SAA exercises improved. Moreover, despite the vast array of SAA information produced, the providers of SAA information still do not exploit all different dissemination channels available (e.g. social and public media) and could do more to engage their audiences more effectively. Crucially, Italy could make better use of available SAA information. Indeed, the use of SAA information is ad-hoc rather than systematic, partly reflecting the fact that regional and local authorities, as well as education and employment programmes providers, have a great deal of autonomy on policy/programme delivery. Career guidance – based on solid SAA information – is limited and provided in a scattered way.

Italy is taking several steps to improve its SAA information systems. For instance, efforts are currently being undertaken to link different SAA exercises with one another. One notable example is the establishment of the *Information System on Occupations* which centralises data from different sources and create co-ordination and structural links between the different SAA exercises scattered across the country. Good efforts have been recently undertaken to harmonise different existing definitions of skills. One example is the recent establishment of the *Atlante del Lavoro e delle Qualificazioni*, developed by ISFOL (now INAPP), which describes job contents (e.g. tasks) related to occupations, with the aim to harmonise the language used by the world of work with that used by the Regional VET pathways, ITS and Apprenticeship across the territory.

Stakeholder perspectives

- Different users of SAA information end up having very different understandings of what the current and future skills needs of the labour market will be, suggesting that greater efforts are needed to produce and disseminate clear, concise, integrated, and user-friendly information.
- Not enough is done to make use of big data to assess the pulse of the labour market in real time.
- Despite recent improvements, information on the level of soft skills in the population remains also scattered.
- The level of granularity of information could be deepened in some cases.
- Information on job vacancies is dispersed across multiple regional databases and there is no national information system that brings them all together.
- ALMPs are designed by regions, often without consultation with firms, education or social institutions, and with little consideration of available SAA information negatively affecting the possibility to implement evidence-based policy making.
- Good quality career guidance and counselling services – informed by up-to-date SAA information – are virtually inexistent or are provided in a scattered way.

Recommended areas for action:

- Fill existing gaps in SAA information. Areas for improvement include: (i) expand existing skills forecasts to cover a longer-term time span (over 5 years), which could be used to inform more forward-looking planning (e.g. in education and VET policy); (ii) enhance skills assessment in real time, by using other less traditional data sources, such as big data; (iii) better assess the level of soft skills in the population; (iv) deepen the level of granularity of certain SAA information; (v) improve the statistical soundness of some existing SAA exercises to produce more robust results.
- Strengthen dissemination practices. For example, it will be important for the developers of SAA information to engage their audiences more proactively by combining different dissemination channels, and using additional ones such as public and social media.
- Continue involving other actors – regions, ministries – in the Information System of Occupations. This is important to allow additional SAA information sources to be linked to one another and adopt a common language across all existing SAA exercises.
- Use SAA exercises more systematically to inform education, employment, and migration policy. This will ensure that policies are designed in a way to respond to current and future skills needs.
- Strengthen the provision of career guidance for lower- and upper-secondary students and jobseekers based on SAA information. This will help students – especially those coming from disadvantaged socio-economic background – to make decisions based on their skills, merit, preferences and real labour market

needs; and it will help jobseekers have access to reliable information on job vacancies and upskilling opportunities.

Challenge 10 - Investing to improve skills outcomes

Italy's invests comparatively little in skills development especially on tertiary education and adult learning. While spending per-student on primary and secondary education in Italy is similar to the OECD average, spending at the tertiary level ranks Italy only 21st among 31 countries. The private sector in Italy funds training at the firm level in a number of ways, most notably through inter-professional funds (*Fondi Inter-professionali*). They fund training plans at the sectoral and regional level that firms, either alone or in association, may decide to create for their employees. Still, private investment in skills is also low by international standards. Italy benefits from a significant allocation of funds from the European Commission Structural Funds, but struggles to spend them effectively. Low and ineffective investment in education and training – along with other factors – may have negative implications for both access to, and quality of, skills development opportunities, with long lasting negative effects on productivity and well-being. Several factors are making additional spending on education and training complicated, including the challenging budgetary situation and the large imbalance between current public expenditure and investment. These challenges underscore the importance of improving the efficiency with which revenues are raised in Italy.

Despite Italy's challenging economic circumstances, some measures have been taken to strengthen skills financing. Italy's education spending has risen in recent years as a share of GDP. Several other positive steps have been taken including a targeted fund to finance grants for students in need, defined according to their family income. Performance-related funding for universities has been rising as a share of total funding and the National Reform Programme confirmed the government's intention to continue this increase. The 2017 Stability Pact provides additional funding for scholarships to promote access to tertiary education. In addition, the 2017 Budget law introduced several measures to increase the quality of the research system, such as additional funding for the best departments and the best researchers, and increased annual endowment for ANVUR (the National Agency for Evaluation of the University and Research System). The 2014 Jobs Act has reformed the delivery of ALMPs, which may increase the amount of funding for these supports at regional level. Through the Industry 4.0 programme, Italy has allocated a total EUR 13 billion in tax credits between 2017 and 2020 to firms adopting digital technologies, which should positively affect the demand for high-skills.

Stakeholder perspectives

- Representatives from subnational governments and from business strongly advocated for an increase of public investment in skills accompanied by reducing taxes on labour.
- Nonetheless there is widespread understanding that there is only limited fiscal room for such increases and, therefore, it would be important to strengthen policy complementarities to improve the efficiency and the effectiveness of public investment in skills while also raising private investment in skills.
- Stakeholders flagged that the limited fiscal room hinders Italy's capacity to implement recent reforms, but recognised that the recent increases in public expenditure on education, including tertiary education go in the right direction.
- Finally, stakeholders praised the investment in new technology undertaken in the framework of the national policy Industry 4.0.

Recommended areas for action:

- Increase public investment in skills, including on education, well-targeted active labour market programmes and innovation.
- Increase private investment in skills through a combination of incentives for employer investment in skills. Policies providing incentives to private investment such as Industry 4.0 go in the right direction and should be empowered by creating complementarities with other policies and investment programmes. Tax credits for individuals should be made refundable so that they can be accessed by those in low-paying jobs before they become unemployed or leave the labour market. More training should be provided at the sectoral level to alleviate poaching concerns between firms. Other options pursued across the EU have included payback clauses, social security contribution reductions, train-or-pay schemes, and expanded corporate tax deductions for training.
- Improve the efficient use of resources by strengthening existing efforts to: (a) determine how the costs of university degrees should be shared by the beneficiaries (fees) versus the rest of society; (b) refine the funding formula that take into account quality as much as quantity (number of students); (c) define thresholds for the creation/closure of new university departments that take into account both the number of students and outputs; (d) improve selection procedures for lecturers and promotion mechanisms in such a way that merits become more relevant than seniority; and (e) improve Governance systems.
- Rigorously monitor and evaluate skills investment to ensure good value for money, particularly with respect to inter-professional funds.

Moving from diagnosis to action

This report presents a diagnosis of Italy's skills challenges and provides a solid basis for identifying possible areas for action to improve skills outcomes. The report can be used in many ways, including as a basis for raising public awareness, fostering broader public dialogue while encouraging social partners, national and regional governments to work together to address these challenges.

The next step for Italy will be to determine which skills challenges should be tackled as a priority and to develop concrete plans for action, building on the active engagement of all relevant ministries, regional authorities and stakeholders. The OECD stands ready to help in this endeavour.

Why a skills strategy? Better skills, better jobs, better lives

Skills have become the key drivers of individual well-being and economic success in the 21st century. Without proper investment in skills, people languish on the margins of society, adopting new technology is difficult, and countries can face difficulties to compete in increasingly knowledge-based economies. The more that countries strive to achieve the highest levels of innovation and competitiveness in their economies, the more they must focus on generating the right skills mix, making sure that these skills are fully activated and adapted during working lives, and maximising their use in workplaces.

The OECD Skills Strategy provides countries with a framework to analyse their strengths and weaknesses as a basis for taking concrete actions relating to three pillars:

1. *developing relevant skills* from childhood to adulthood;
2. *activating the supply of skills* in the labour market; and
3. *putting skills to effective use* in the economy and society.



In addition, the OECD Skills Strategy examines how well countries facilitate policy collaboration and coherence across these three pillars. Strengthening the skills system overall helps countries build the right skills and turn them into better jobs and better lives.

Objective of this country project: Building an Effective Skills Strategy for Italy

The main objective of this project between the OECD and the Government of Italy on Building an Effective Skills Strategy for Italy was to provide a strategic assessment of Italy's performance in developing, activating and using skills. This diagnostic report achieves that goal by bringing together insights from a wide range of stakeholders in Italy with the best available internationally comparative evidence on the country's skills outcomes. In particular, stakeholder perspectives were recorded at the workshops by moderators and note-takers – mostly members of the Italian National Project Team which worked in parallel with the OECD Secretariat at this report – that produced very detailed summary notes which are reflected in the OECD Diagnostic Report.

Applying the OECD Skills Strategy in practice: Building a whole-of-government team and engaging stakeholders

The OECD Skills Strategy is designed to be applied in practice. It has proved to be remarkably effective as a clear and useful framework for supporting countries seeking to build bridges across relevant policy areas and engaging all interested parties: national, local and regional government, employers, employees, and learners.

Maximising a country's skills potential requires a co-ordinated effort across ministries. A whole-of-government approach to skills means recognising and integrating the diverse perspectives and policy initiatives of ministries responsible for education and training, labour, economy, tax, local economic development, research and innovation. Each national skills strategy project starts with the country's decision to establish an inter-ministerial National Project Team by appointing representatives from key ministries and designating a National Project Co-ordinator. Much of the project work is designed to foster greater interaction and exchange among relevant ministries in order to forge a common understanding of the skills challenges at stake as a basis for co-ordinated action.

Engaging stakeholders in strengthening the skills system is critical to success. Effective skills policy design and implementation requires a broad and shared understanding of the need to enhance skills, the current strengths and challenges facing a country's skills system, and priorities for action. This entails looking beyond government to build strong partnerships with all actors involved, such as employers, trade unions, training institutions, students and other stakeholders. Each national skills strategy project is designed to ensure stakeholder engagement and ownership, and to build a shared commitment for concrete action. This is achieved through a series of highly interactive workshops consisting of structured small group discussions among participants speaking in their native language to facilitate interactions. In each workshop, members of the National Project Team serve as group moderators, and the OECD team as the lead facilitator.

Ensuring political commitment to building a whole-of-government approach to skills and engaging stakeholders is essential. Policy makers play a key role in establishing clear expectations and accountability for shared results when tackling skills challenges across ministries and with stakeholders. Each national skills strategy project devotes considerable attention to ensuring that ministers, undersecretaries and senior civil servants are regularly briefed and play a visible leadership role in co-ordination meetings and stakeholder workshops.

Applying the OECD Skills Strategy in practice: Building a whole-of-government team and engaging stakeholders (continued)

Fostering a whole-of-government approach to skills in Italy: In Italy, the National Project Team includes representatives from the Ministry of Education, University and Research; the Ministry of Labour and Social Policies; the Ministry of Economy and Finance; the Ministry of Economic Development and the Presidency of the Council of Ministers. The National Project Team was responsible for setting the strategic direction for the project, liaising with the OECD team, co-designing stakeholder workshops and ensuring that the diagnostic phase covered all relevant aspects of the national skills system. The Ministry of Economy and Finance ensured project co-ordination throughout.

Stakeholders play an active role in Italy's skills system: Thanks to the strong impetus provided by the National Project Team, stakeholders have played a central role in identifying the main skills challenges facing Italy set out in this report. In total, more than 200 people, including representatives of business, labour, the education sector, research institutes, and government, took part in the three workshops held in Rome and Milan. They helped identify the main skills challenges facing the country at the scoping workshop (Rome, 21 July 2016), the underlying factors causing them during the diagnostic workshop (Milan, 28 September 2016), and reviewed national good practices at the skills challenges workshop (Rome, 20 March 2017). The workshops were designed to encourage all stakeholders to express their diverse views and generate useful qualitative evidence and insights on the main skills challenges facing Italy.

While many of these skills challenges are long standing and well known to all participants, they acknowledged that this exercise also generated new insights and understanding as to how different stakeholders perceived or formulated challenges. Through their active participation in these events, stakeholder input has helped to shape this diagnostic report

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Better skills policies help build economic resilience, boost employment and reinforce social cohesion. The OECD Skills Strategy provides countries with a framework to analyse their skills strengths and challenges. Each OECD Skills Strategy diagnostic report reflects a set of skills challenges identified by broad stakeholder engagement and OECD comparative evidence while offering concrete examples of how other countries have tackled similar skills challenges.

These reports tackle questions such as: How can countries maximise their skills potential? How can they improve their performance in developing relevant skills, activating skills supply and using skills effectively? What is the benefit of a whole-of-government approach to skills? How can governments build stronger partnerships with employers, trade unions, teachers and students to deliver better skills outcomes? OECD Skills Strategy diagnostic reports provide new insights into these questions and help identify the core components of successful skills strategies.

This report is part of the OECD's ongoing work on building effective national and local skills strategies.

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- www.pisa.oecd.org for the Programme for International Student Assessment (PISA) data
- www.oecd.org/skills for OECD work on skills, including country reports on Norway, Austria, Korea, Portugal, Spain, Peru, Mexico, the Netherlands and Slovenia.

Further reading

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