

## ITALY

### Priorities supported by indicators

#### **Reduce regulatory barriers to competition (2007, 2009, 2011)**

**Recommendations:** Reduce barriers to competition in network industries and professional, retail trade and local services.

**Actions taken:** The December 2011 decree introduced measures to liberalise retail trade e.g. lifting restrictions on shop opening hours and easing various entry barriers, including for large retailers. Such measures could, however, be partly overruled by regional authorities' territorial policy. The decree also gave the competition authority the power to challenge regulations in the courts. The government introduced significant measures to liberalise the liberal professions and transport services in early 2012.

#### **Improve access to and graduation from tertiary education (2007, 2009, 2011)**

**Recommendations:** Link teachers' careers to performance, gradually introduce tuition fees and income-contingent repayment loans, decentralise the financing and management of universities.

**Actions taken:** A 2011 law separated university administrative management from teaching and research and reinforced evaluation mechanisms.

#### **Improve the efficiency of the tax structure (2007, 2009, 2011)**

**Recommendations:** Reduce the tax wedge on labour. Shift more taxation to consumption and property.

**Actions taken:** The 2011 emergency budget raised VAT and introduced an allowance for new corporate equity in company taxation. Labour taxation was reduced for young people and women by making the payroll tax deductible against the regional income tax. A new, higher, local property tax will be introduced in 2012.

### Other key priorities

#### **Reduce public ownership (2009, 2011)**

**Recommendations:** Reduce state ownership, especially in TV media, transport, energy and local services.

**Actions taken:** Plans to privatise water services were overturned by referendum in 2011. The new government plans to pursue privatisation.

#### **Reduce labour market dualism (2011)**

**Recommendations:** Relax job protection on standard contracts.

**Actions taken:** No significant action taken but the new government is considering a comprehensive labour market reform aimed at relaxing job protection on standard contracts. Such reform is expected to be introduced along with a major welfare reform aimed at improving the safety net for the unemployed.

#### **Decentralise wage bargaining (2007, 2009)**

**Recommendations:** Promote greater wage differentiation by decentralising wage bargaining.

**Actions taken:** The social partners signed (2009) an agreement to promote private sector wage differentiation. The 2011 emergency budget allowed local bargaining to undercut national wage agreements, provided a representative union in the firm accepts to opt out of the collective agreement and signs the new agreement with the employer.

#### **Strengthen incentives for innovation (2009)**

**Recommendations:** Increase R&D tax incentives and improve business-academic research links.

**Actions taken:** The 2011-13 Budget introduced a tax credit for firms commissioning research activities to universities or public research centres.

#### **Reform corporate governance (2007)**

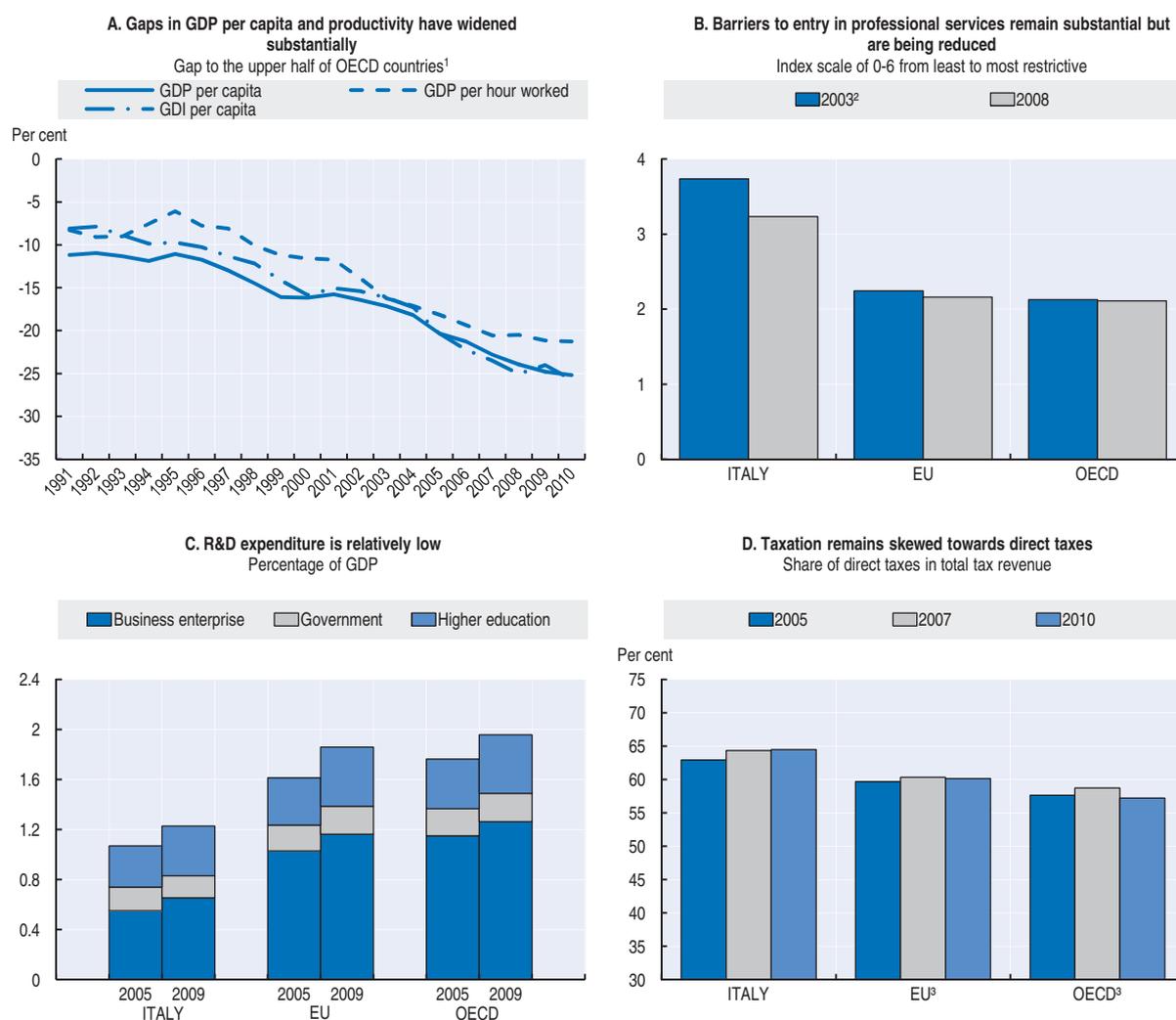
**Recommendations:** Reform bankruptcy legislation and enhance corporate governance and transparency of financial instruments.

**Actions taken:** In 2010, disincentives for creditors to lend and obstacles to the participation of shareholders in general meetings were reduced. The December 2011 decree prohibited cross-membership of directors and senior officers on the boards of competing financial institutions.

## ITALY

- Italian GDP per capita stagnated over the past decade, significantly widening the gap relative to the upper half of OECD countries.
- Among the key priority areas, some progress has been made in reforming tertiary education, decentralising wage bargaining and strengthening corporate governance. But little has been achieved in reducing public ownership and regulatory barriers to competition, as well as on relaxing job protection on standard employment contracts. A decree in December 2011 tackles some of these issues and further action has been taken in early 2012.
- In other areas, the expanded short-time working compensation scheme (Cassa Integrazione Guadagni), which is still in place, contributed to social protection and moderated job losses during the crisis.

## Performance and policy indicators



1. Percentage gap with respect to the simple average of the highest 17 OECD countries in terms of GDP per capita, GDP per hour worked and GDI per capita (in constant 2005 PPPs).
2. Average of European countries in the OECD. EU and OECD averages exclude Chile, Estonia, Israel and Slovenia.
3. Data refer to 2009 for Australia, the Netherlands and Poland.

Source: Chart A: OECD, *National Accounts and Economic Outlook No. 90 Databases*; Chart B: OECD, *Product Market Regulation Database*; Chart C: OECD, *Main Science and Technology Indicators Database*; Chart D: OECD, *Tax Database*.

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