Italy

Italy's GDP is recovering slowly and output per capita remains about 70% of the upper half of OECD countries. Rising activity has increased employment but most of the new jobs are temporary. Labour force participation has converged towards OECD average, but this is slowing the decline in unemployment. Still, unemployment remains high especially among younger workers. Private investment is expanding solidly, supported by tax incentives and reviving bank lending.

Income inequality and poverty rates rose sharply during the recession and remain high. The rise in poverty especially affected families with children, and in some regions material deprivation rates are very high. Greenhouse gas emissions are below the OECD average, but population exposure to air pollution is high.

Over the past two years, reform progress has been significant. Poor households now have access to a guaranteed minimum income, conditional on using public employment and other social services that however need to be strengthened. Education reforms has linked school curricula with workplace experience. Social security contributions for young workers have been cut. The whistle-blower reform is a further step to strengthen anti-corruption activities.

Low infrastructure quality, the regulatory burden, tax and public administration inefficiencies detract from the investment climate. The new procurement code is well thought out but its novelty and the lack of implementing regulation have delayed its full implementation, hindering public investment. Building effective vocational and education training and adult skill programmes would help reduce the high share of young not in employment or education and better match workers' skills with the evolving workplace.

Growth performance, inequality and environment indicators: Italy

A. Growth

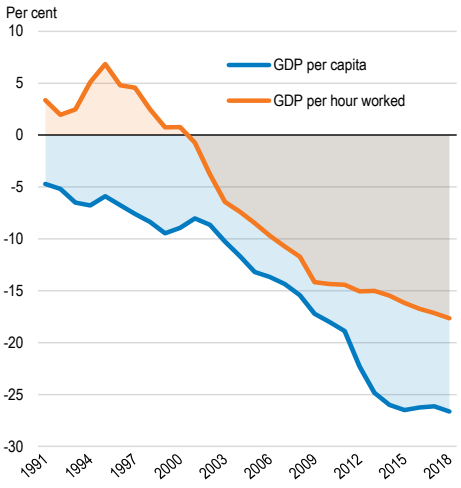
Average annual growth rates (%)		2002-08	2012-18
GDP per capita		0.2	0.4
Labour utilisation		0.6	0.4
of which:	Labour force participation rate	0.0	0.6
	Employment rate[1]	0.3	0.0
	Employment coefficient[2]	0.4	-0.1
Labour productivity		-0.2	0.1
of which:	Capital deepening	0.3	-0.3
	Total factor productivity	-0.5	0.4
Dependency ratio		-0.2	-0.1

B. Inequality and environment

	Level	Annual variation (percentage points)
	2016	2013-16
Gini coefficient[3]	32.8 (31.7)*	0.1 (0)*
Share of national disposable income held by the poorest 20%	6.6 (7.6)*	0 (0)*
	2016	Average of levels 2010-16
GHG emissions per capita[4] (tonnes of CO_2 equivalent)	6.6 (10.9)*	7.1 (11.3)*
GHG emissions per unit of GDP[4] (kg of CO_2 equivalent per USD)	0.2 (0.3)*	0.2 (0.3)*
Share in global GHG emissions[4] (%)	0.9	1.0

** OECD simple average (weighted average for emissions data)*

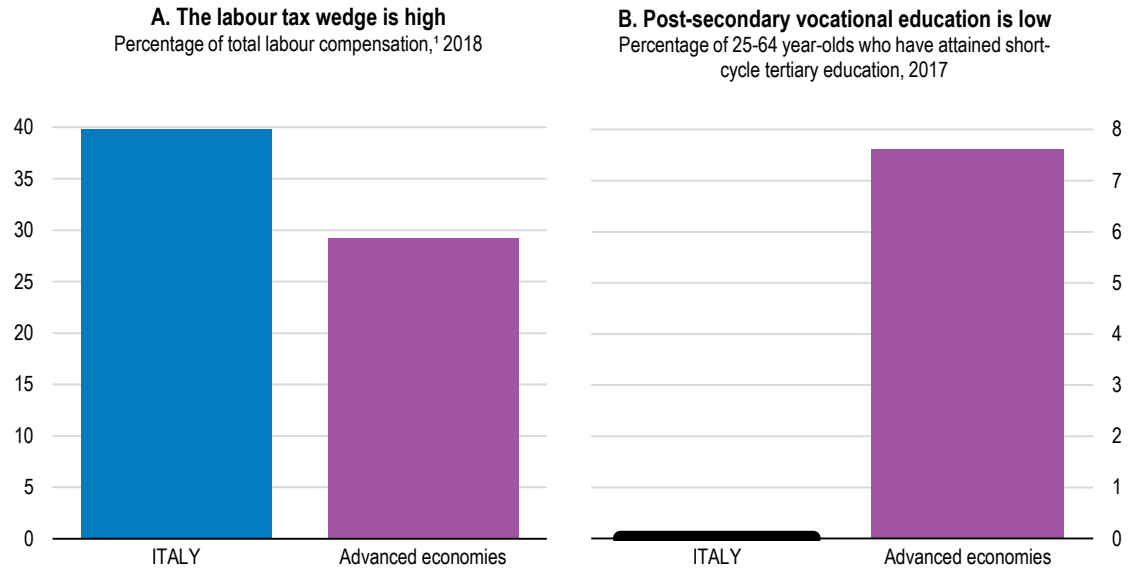
C. Gaps in GDP per capita and productivity have been widening
Gap to the upper half of OECD countries[5]



Source: Panel A: OECD, Economic Outlook Database; Panel B: OECD, Income Distribution and National Accounts Databases; United Nations Framework Convention on Climate Change (UNFCCC) Database and International Energy Agency (IEA), Energy Database; Panel C: OECD, National Accounts and Productivity Databases.

StatLink https://doi.org/10.1787/888933955066

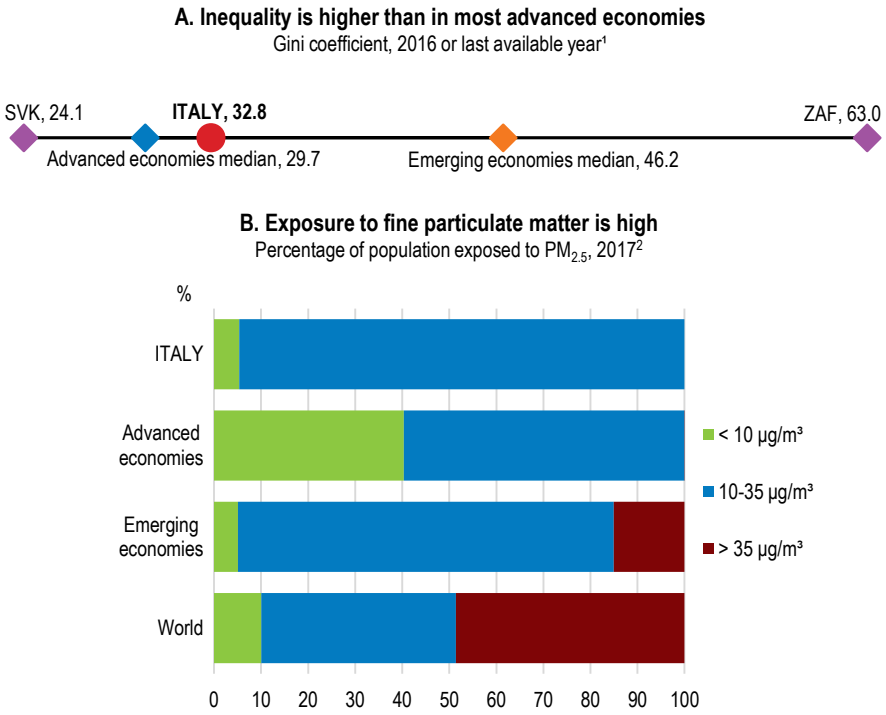
Policy indicators: Italy



Source: Panel A: OECD, Taxing Wages Database; Panel B: OECD, Education at a Glance Database.

StatLink https://doi.org/10.1787/888933955940

Beyond GDP per capita: Italy



Source: Panel A: OECD, Income Distribution Database, World Bank, World Development Indicators Database and China National Bureau of Statistics; Panel B: OECD, Environment Database.

Note: For the explanation of the sets of indicators above, please go to the metadata annex at the end of this chapter.

StatLink https://doi.org/10.1787/888933956814

Italy: *Going for Growth 2019* priorities

Improve the efficiency of the public administration and bolster the rule of law. Public administration inefficiency and regulatory burdens weigh on doing business, well-being and fairness in the society.

- **Actions taken:** The wide-ranging public administration reform has been implemented whereas the rationalisation of local utilities is still ongoing. In 2018, the government allocated funds to establish a new agency to ensure the correct implementation of public administration reforms and combat absenteeism. A government agency (INAPP) has been tasked with the systematic evaluation of labour and education policies. Legislation protecting whistle-blowers has been introduced and implemented in 2017. The penal code was reformed in 2017, including lengthening the statute of limitations. An enabling law to reform insolvency procedures was approved in 2017.
- **Recommendations:** Continue the rationalisation of local utilities and open up local public services to competition as planned. Use regulatory impact assessment more extensively and strengthen stakeholder engagement for improving regulation. Reform the bankruptcy legislation following the principles set in the 2017 enabling law. Continue to extend the use of digital tools in the public administration; establish a system to systematically identify and spread best practices across the public administration.

Improve the efficiency and equity of the tax structure. The labour tax wedge is high and the tax code is over-complicated, weakening work incentives and abetting informality and tax evasion.

- **Actions taken:** In 2017, the additional tax receipts due to fighting tax evasion amounted to EUR 1 billion compared with 2016 (EUR 7 billion compared with 2013). The e-invoicing system for business transactions is ready and will enter into force in early 2019. In 2018, the government introduced different incentives to encourage hiring, especially of young workers in southern regions, which will enter into force in 2019. The process of updated land-registry values is still ongoing.
- **Recommendations:** Continue to fight against tax evasion through higher investment in IT systems and better human resource management in tax collection agencies as well as lowering the threshold for cash payments. Consolidate all hiring incentives into a permanent cut in social security contributions for the first 3 years to all new permanent contracts. Expedite the updating of land-registry values and re-establish taxation on primary residence with exemptions for low-income households.

[*] **Strengthen apprenticeships, vocational education, training courses and lifelong learning.** A large share of young people is neither in education nor in employment and many workers lack the skills sought by employers. The lifelong learning system is fragmented and underdeveloped.

- **Recommendations:** Increase the education content of apprenticeships and set and enforce quality standards. Scale up, as planned, the post-secondary vocational education and training system with the involvement of businesses based on the example of the Instituti Tecnici Superiori (ITS). Ensure the new vocational university degrees complement rather than overlap with ITS. Develop a national framework on lifelong learning to help local authorities in lagging regions to align courses and practices with best practices.

[*] New policy priorities identified in *Going for Growth 2019* (with respect to *Going for Growth 2017*). No action can be reported for new priorities.

Promote higher and better quality public investment and improve infrastructure management. Public investment remains low, infrastructure management is opaque and projects are often of poor quality, holding back growth and well-being.

- **Actions taken:** The anti-corruption agency (ANAC) has been gradually issuing the necessary implementing regulations of the new Public Procurement code and offering local authorities extensive support on public tenders. In 2018, the economic and investment plans of all road concessions have been declassified and made public. The 2019 budget plans to establish a central public investment unit to enhance capacity at central and local levels in infrastructure management and project selection.
- **Recommendations:** Support ANAC in its activities relating to the implementation of the new Public Procurement Code and ensure it has the resources and capacity to perform its wide-ranging tasks. Consider simplifying the most complex aspects of the new Public Procurement Code without weakening measures to prevent corruption. Grant the management of all road concessions to the Transport Regulatory Authority. Use cost-benefit analyses more extensively in project design and selection and make their results public.

Enhance employment services and activation policies. Spending on activation policies is low and their effectiveness varies greatly across regions.

- **Actions taken:** The new agency (ANPAL) for coordinating active labour market policies across regions has been operational since 2017. The minimum levels of services related to job-search and training programmes have been set in 2017. A pilot programme testing the training voucher system for those receiving unemployment benefits begun in 2017 and is ongoing. The inclusive income scheme (REI) conditional on participation in activation programmes was rolled out nationally in 2018 but will be replaced with a new and more generous guaranteed minimum income scheme (Citizen's Income). In 2018, EUR 1 billion per year were allocated for 2019 and 2020 to revamp public employment services.
- **Recommendations:** Enhance job-search and training programmes and enforce minimum levels of services in the whole country. Ensure ANPAL has the resource and capacity to effectively coordinate such programmes across regions and identify best practice. Strengthen public employment services by increasing staff-to-job seeker ratios and specialisation of counsellors. Establish a system to spread best practices in lagging regions.