

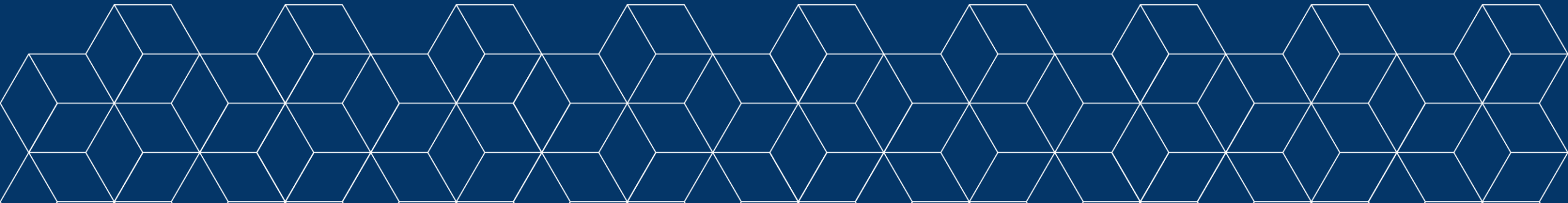
MASSIMILIANO DEIDDA, FRANCESCO MANENTE,
MANUEL MAROCCO MASSIMO RESCE

A FISTFUL OF EUROS, THE WAGE ISSUE IN ITALY

SEVENTH INTERNATIONAL ASTRIL CONFERENCE

CRISIS, STRUCTURAL CHANGES AND PUBLIC POLICIES: THE LABOUR MARKET AT A CROSSROADS

Rome - Italy, January 25, 2024



TOPICS

**MACRO-ECONOMIC TRENDS
AND WAGE ISSUE**

**LABOUR MARKET
INSTITUTIONS**

**BARGAINING IN THE INAPP-
RIL SURVEY**

**MONITORING ON TAX REBATE
ON PERFORMANCE-RELATED PAY**

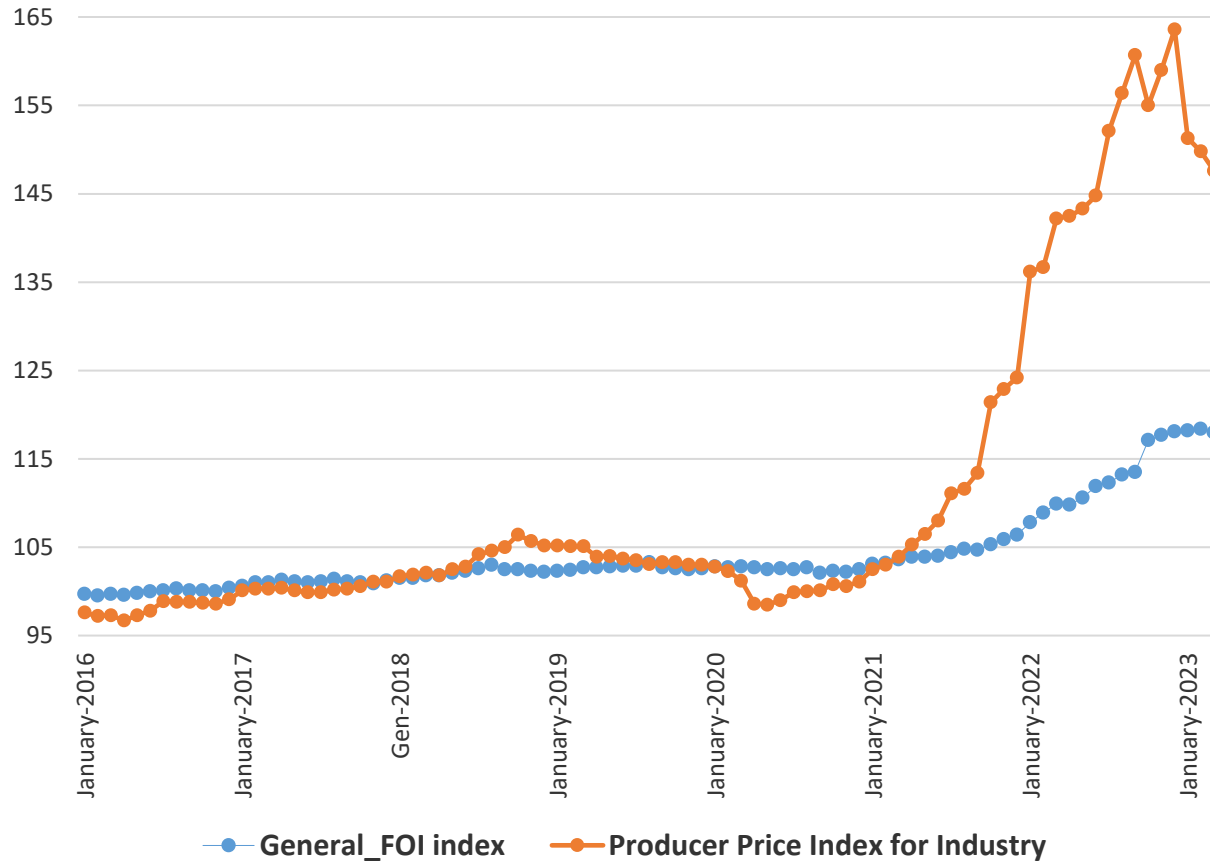
PRP IN THE TAX RETURN

FINAL REMARKS

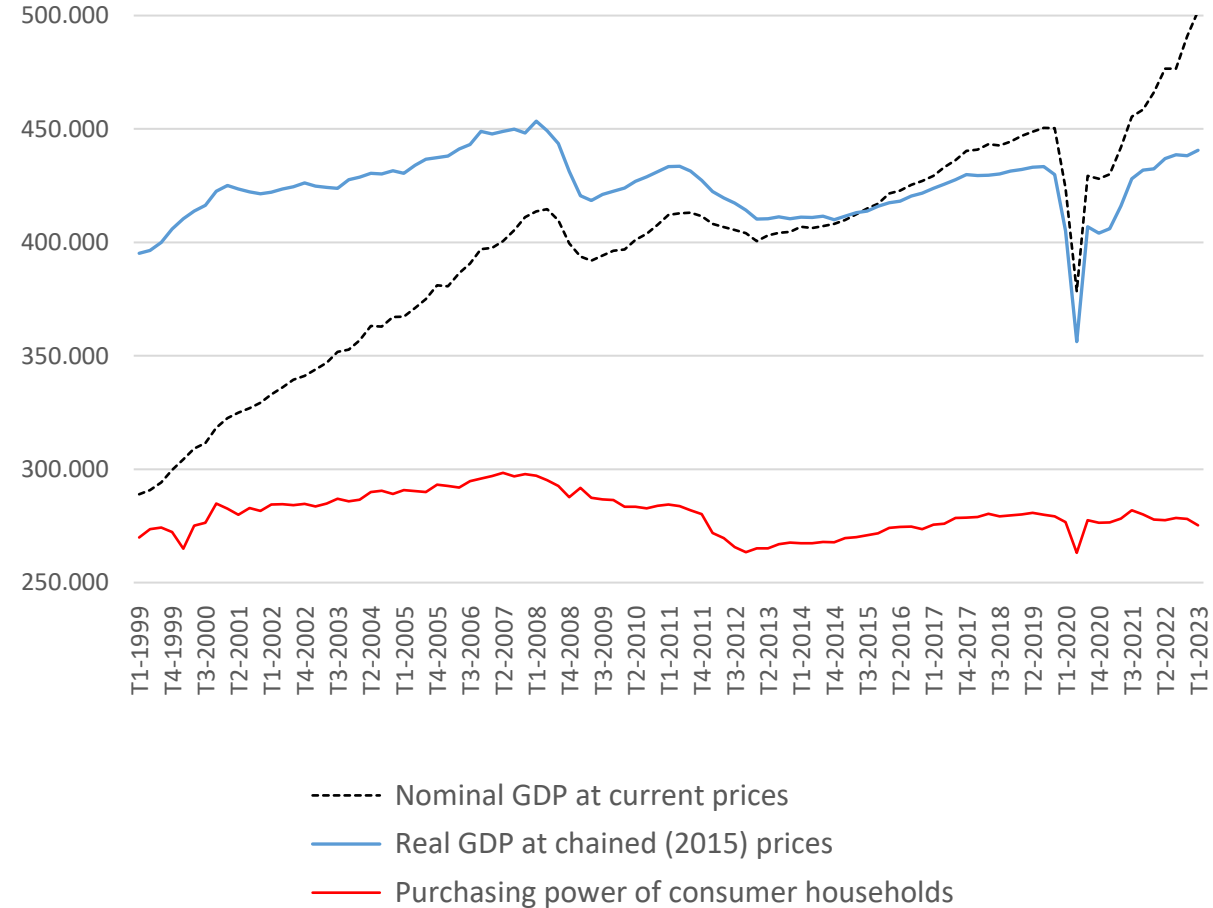


MACRO-ECONOMIC TRENDS

Index of producer prices for the industry compared to the Consumer Price Index for working-class and white-collar households (2015=100) monthly data

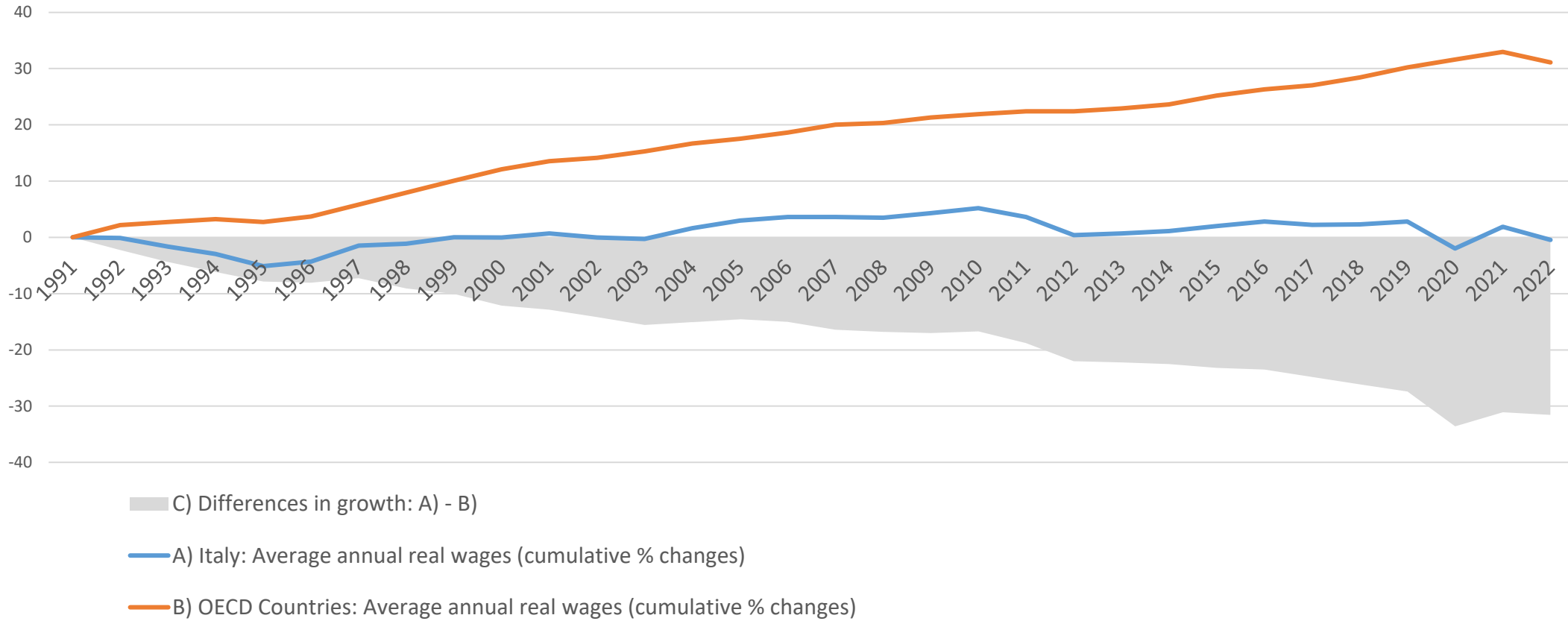


Nominal GDP at current prices, Real GDP at chained (2015) prices, Purchasing power of consumer households (thousands of euros), T1 1999-T1 2023



WAGE ISSUE

Trends in average annual real wages, cumulative % changes (1991-2022)



Positioning of Italy in real wages international ranking

Time	1992	Rank
Netherlands	59.189	1
Switzerland	56.949	2
Luxembourg	56.753	3
Belgium	54.719	4
Austria	53.759	5
United States	53.435	6
Denmark	49.053	7
Germany	47.966	8
Italy	45.298	9
Iceland	44.994	10
Australia	43.174	11
Canada	43.046	12
Spain	42.880	13
OECD countries	40.615	14
Japan	40.434	15
France	40.082	16
Finland	38.713	17
United Kingdom	37.721	18
New Zealand	34.407	19
Ireland	31.285	20
Sweden	30.992	21
Norway	30.844	22
Korea	26.214	23
Mexico	17.241	24

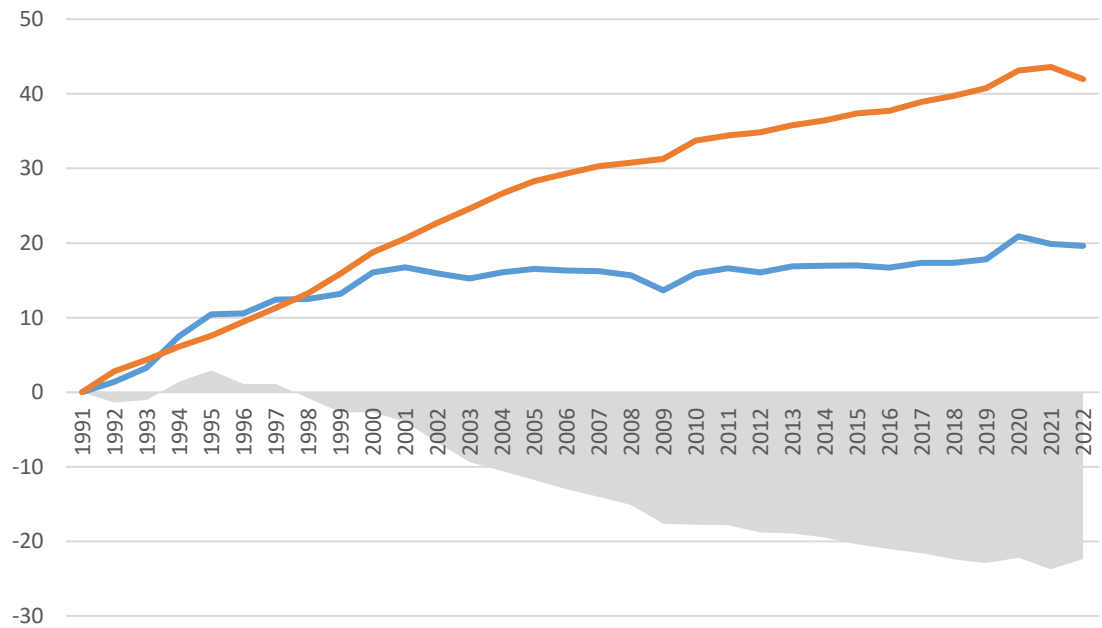
Time	2002	Rank
Luxembourg	65.947	1
Switzerland	65.448	2
Belgium	62.693	3
United States	62.097	4
Netherlands	61.143	5
Austria	58.229	6
Iceland	58.197	7
Denmark	53.520	8
Germany	52.023	9
Australia	49.141	10
United Kingdom	47.505	11
Canada	45.962	12
OECD countries	45.810	13
Italy	45.290	14
France	45.156	15
Finland	43.532	16
Spain	43.018	17
Japan	40.178	18
Ireland	39.799	19
Norway	38.855	20
Sweden	38.587	21
New Zealand	37.830	22
Israel	36.923	23
Slovenia	34.648	24
Korea	34.507	25
Greece	33.599	26
Portugal	31.086	27
Poland	25.032	28
Czech Republic	22.382	29
Hungary	20.301	30
Lithuania	19.274	31
Mexico	18.241	32
Slovak Republic	17.226	33
Estonia	15.622	34
Latvia	13.420	35

Time	2012	Rank
Luxembourg	70.741	1
Switzerland	69.383	2
United States	67.928	3
Netherlands	66.198	4
Belgium	64.461	5
Austria	62.515	6
Denmark	61.121	7
Australia	57.752	8
Iceland	56.277	9
Germany	54.699	10
Canada	53.717	11
Ireland	51.578	12
United Kingdom	51.070	13
Norway	50.542	14
France	50.159	15
Finland	49.965	16
OECD countries	48.919	17
Sweden	46.993	18
New Zealand	45.402	19
Italy	45.379	20
Spain	44.427	21
Slovenia	41.437	22
Japan	40.963	23
Korea	39.660	24
Israel	35.792	25
Greece	31.272	26
Portugal	29.496	27
Lithuania	29.401	28
Czech Republic	28.934	29
Poland	27.972	30
Estonia	24.256	31
Hungary	23.506	32
Latvia	22.240	33
Slovak Republic	22.161	34
Mexico	17.457	35

Time	2022	Rank
Iceland	79.473	1
Luxembourg	78.310	2
United States	77.463	3
Switzerland	72.993	4
Belgium	64.848	5
Denmark	64.127	6
Austria	63.802	7
Netherlands	63.225	8
Australia	59.408	9
Canada	59.050	10
Germany	58.940	11
United Kingdom	53.985	12
Norway	53.756	13
OECD countries	53.407	14
France	52.764	15
Ireland	52.243	16
Finland	51.836	17
New Zealand	50.722	18
Sweden	50.407	19
Korea	48.922	20
Slovenia	47.204	21
Italy	44.893	22
Israel	44.156	23
Lithuania	43.875	24
Spain	42.859	25
Japan	41.509	26
Poland	36.897	27
Estonia	34.705	28
Latvia	34.136	29
Czech Republic	33.476	30
Portugal	31.922	31
Hungary	28.475	32
Slovak Republic	26.263	33
Greece	25.979	34
Mexico	16.685	35

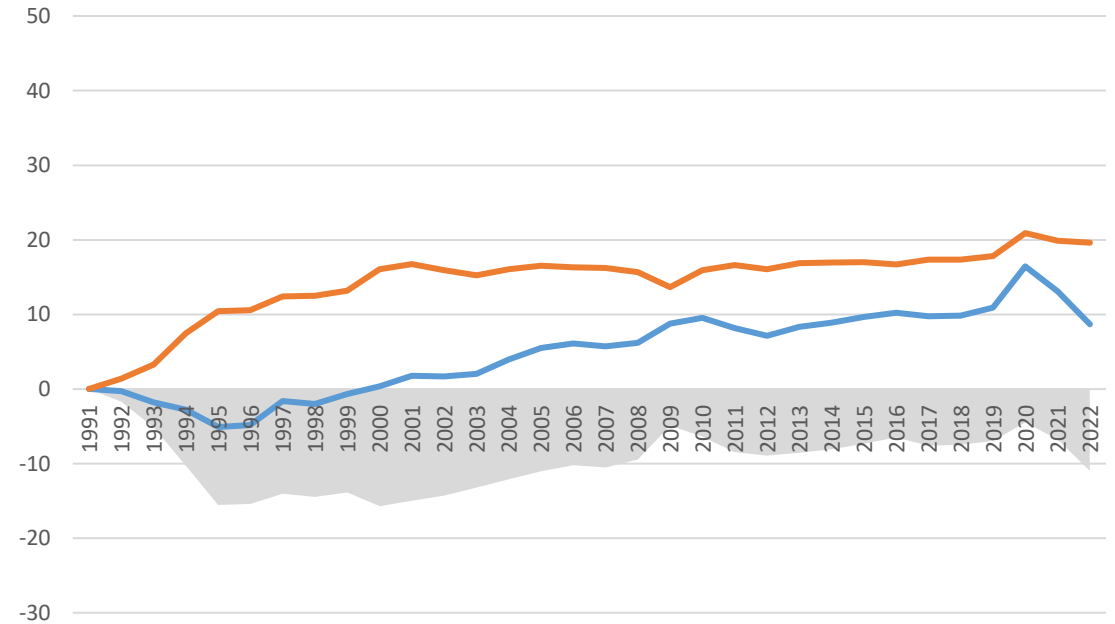


Trends in labour productivity in G7 countries
Cumulative % changes (1991-2021)



- C) Differences in growth: A) - B)
- A) Italy: GDP per hour worked (cumulative changes, %)
- B) G7: GDP per hour worked (cumulative changes, %)

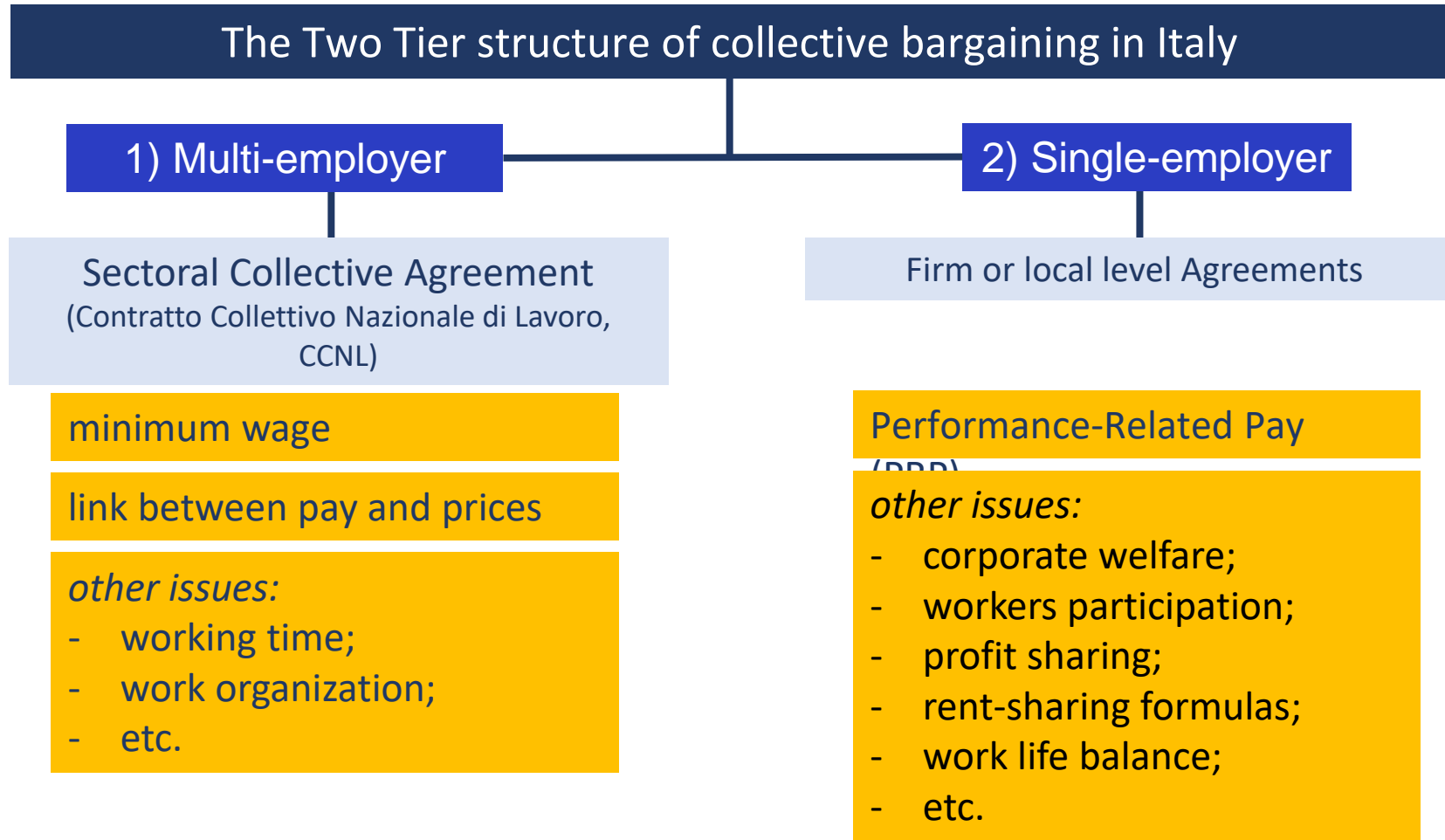
Trends in labour productivity and average real wages in Italy
Cumulative % changes (1991-2021)



- C) Differences in growth: A) - B)
- A) Italy: Real wages per hour worked
- B) Italy: GDP per hour worked



LABOUR MARKET INSTITUTIONS



In Italy the so called «Protocollo Ciampi» of 23 July 1993, a tripartite agreement, expressly opened to «**decentralized bargaining**».

Goal: Stimulate productivity growth at firm level and tight the link between wages and productivity

Different instruments can be used at the firm level such as corporate welfare, profit sharing, rent-sharing formulas, PRP, etc.

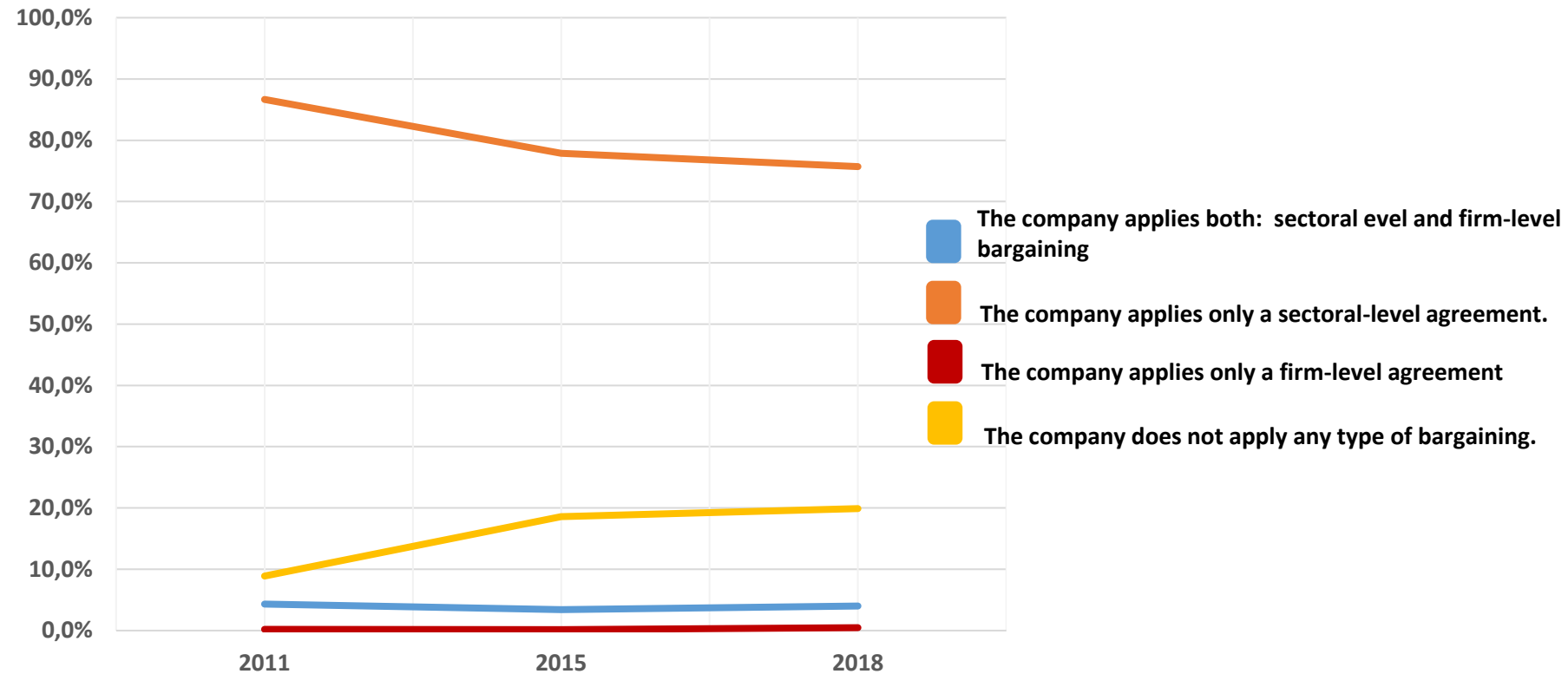
Starting from 2009, a series of autonomous cross-sectoral agreements regulated the relations between the different collective bargaining levels, progressively widening the competences of the single-employer level; at the same time, also there were hard legislative interventions on the hierarchy of collective bargaining levels (Treu, 2018) and soft policies providing economic incentives for firm-level bargaining .

Productivity

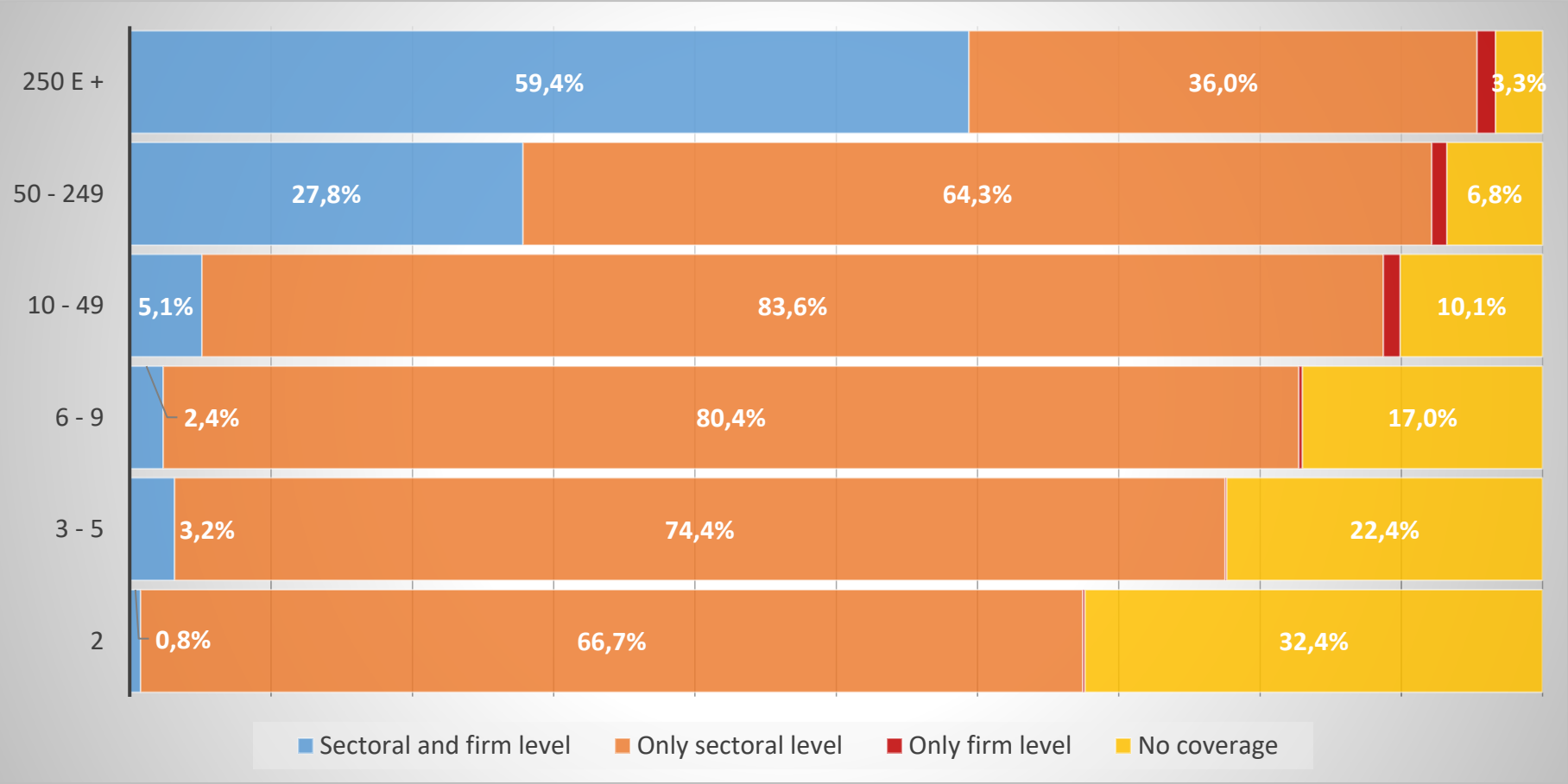


INAPP-RIL SURVEY

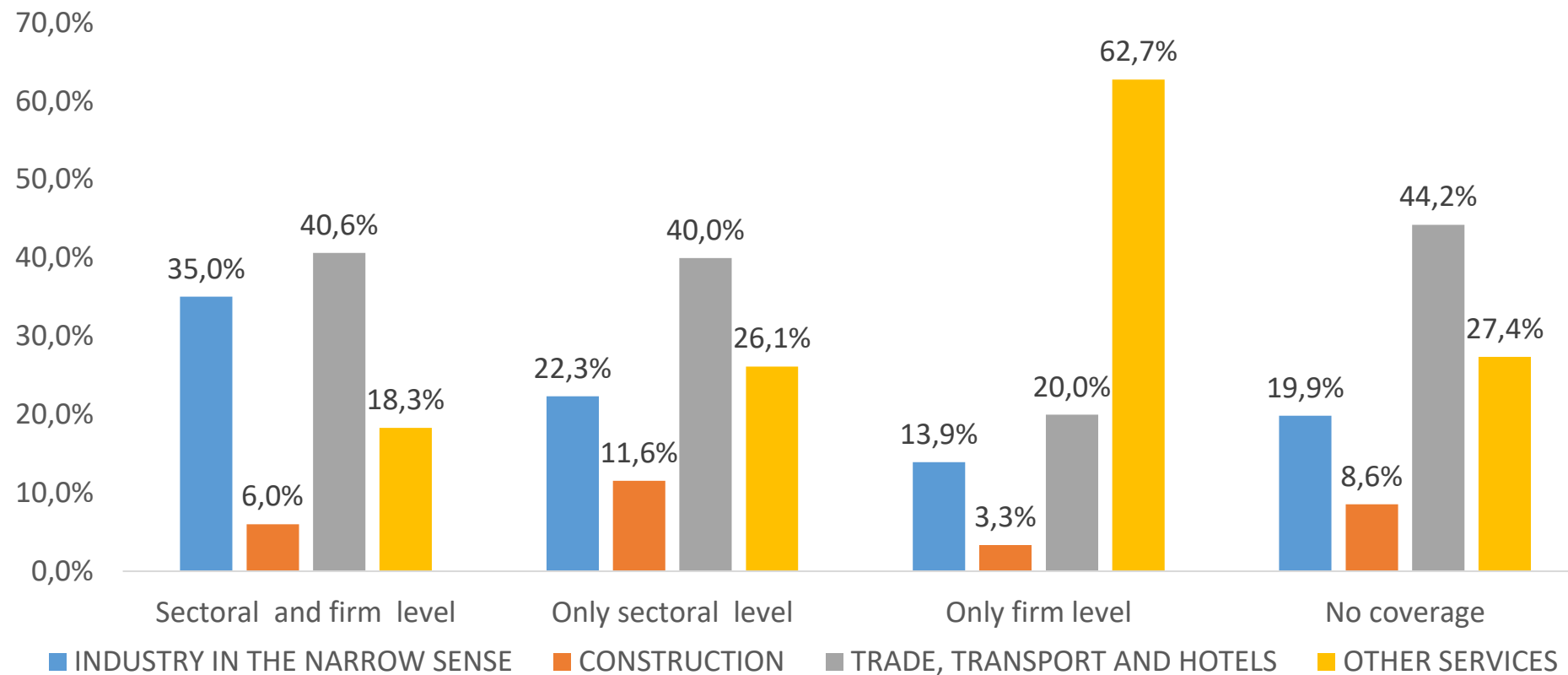
Share of companies stating to apply a bargaining (2011-2018)



Distribution of companies by type of bargaining and employee class (2018)

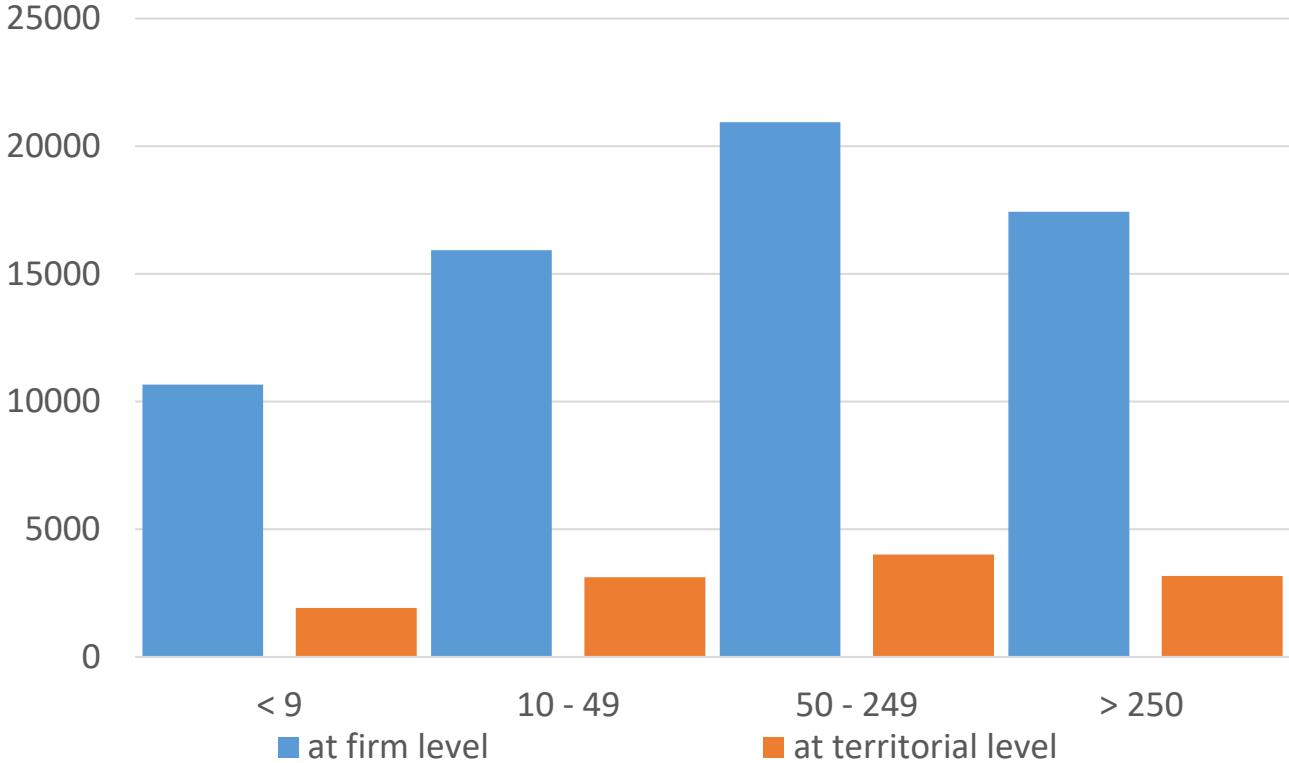


Sectoral distribution of companies based on the type of bargaining (2018)





Distribution of contracts by contract type and company size (2016-2022)



MONITORING ON TAX REBATE ON PRP

2016

Starting from 2016 important changes compared to the past.

PRP 5 goals				
productivity	profitability	quality	efficiency	innovation
Additional tools				
corporate welfare		worker participation		profit sharing

Taxation period	Tax benefit ceiling	Income ceiling
2016	2,000/2,500* €	2015 income not exceeding 50,000 €
2017-2018	3,000/4,000* €	2016 income not exceeding 80,000 €

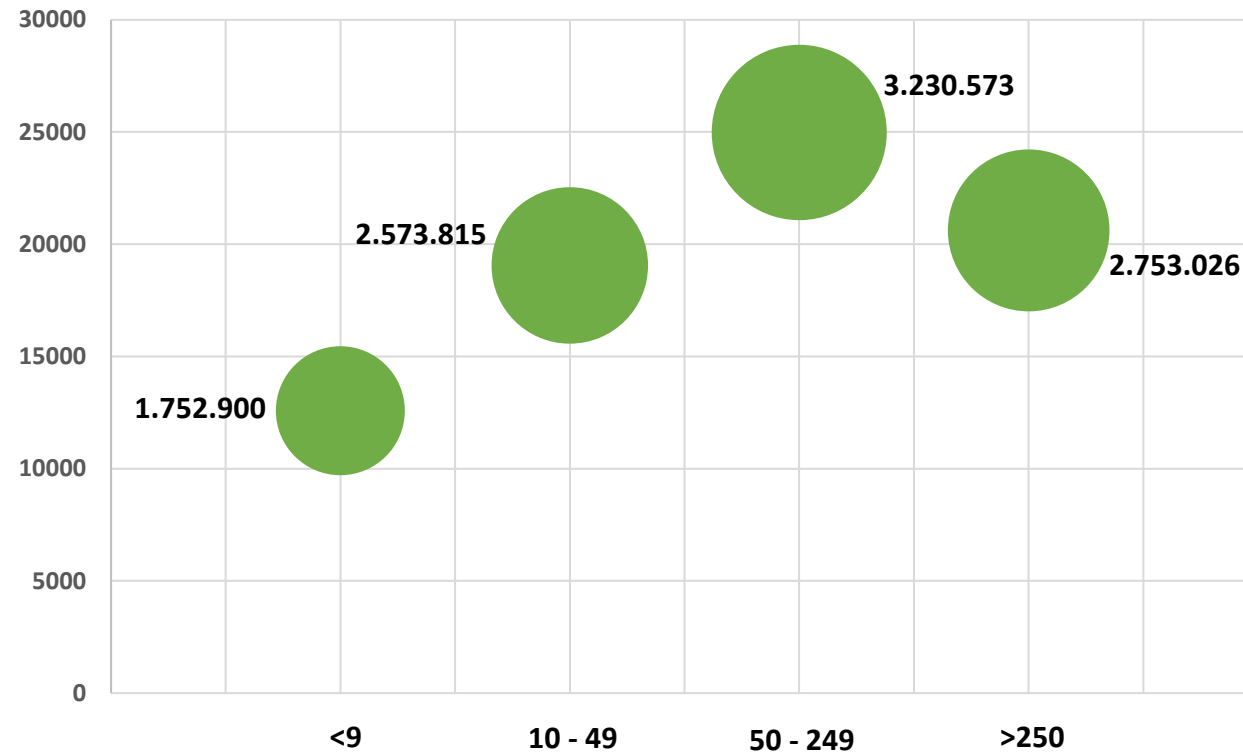
**Workers participation at the enterprise level*

Tax bonus= substitute Irpef rate:
10% from 2016 to 2022
5% from 2023

Monitoring was also envisaged through a special instrument for collecting summary data: the Ministry of Labour and Social Policies Repository, whose data were processed by INAPP



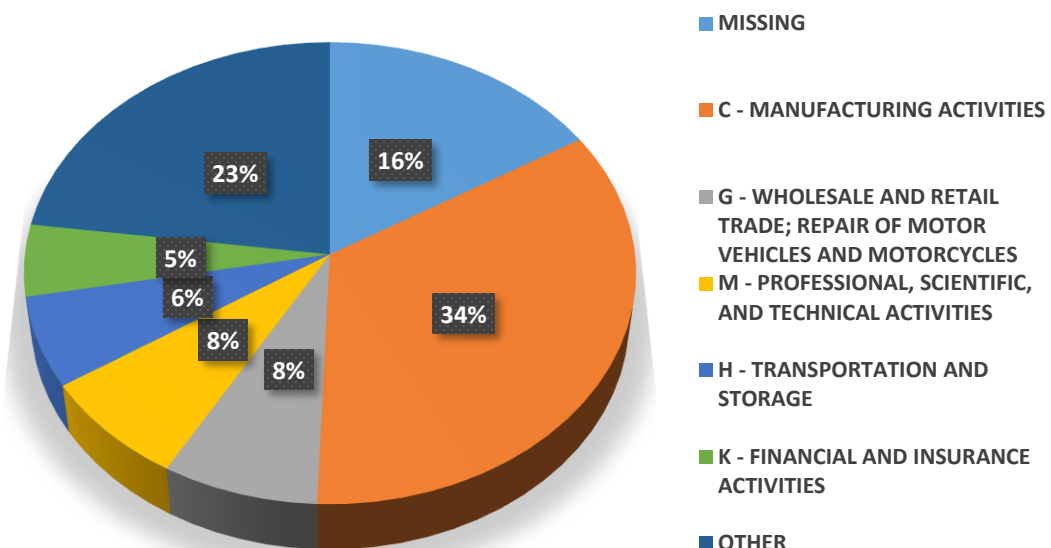
Distribution of contracts by number of instances, beneficiaries, and company size (2016-2022)



First risk:
polarization by firm's size

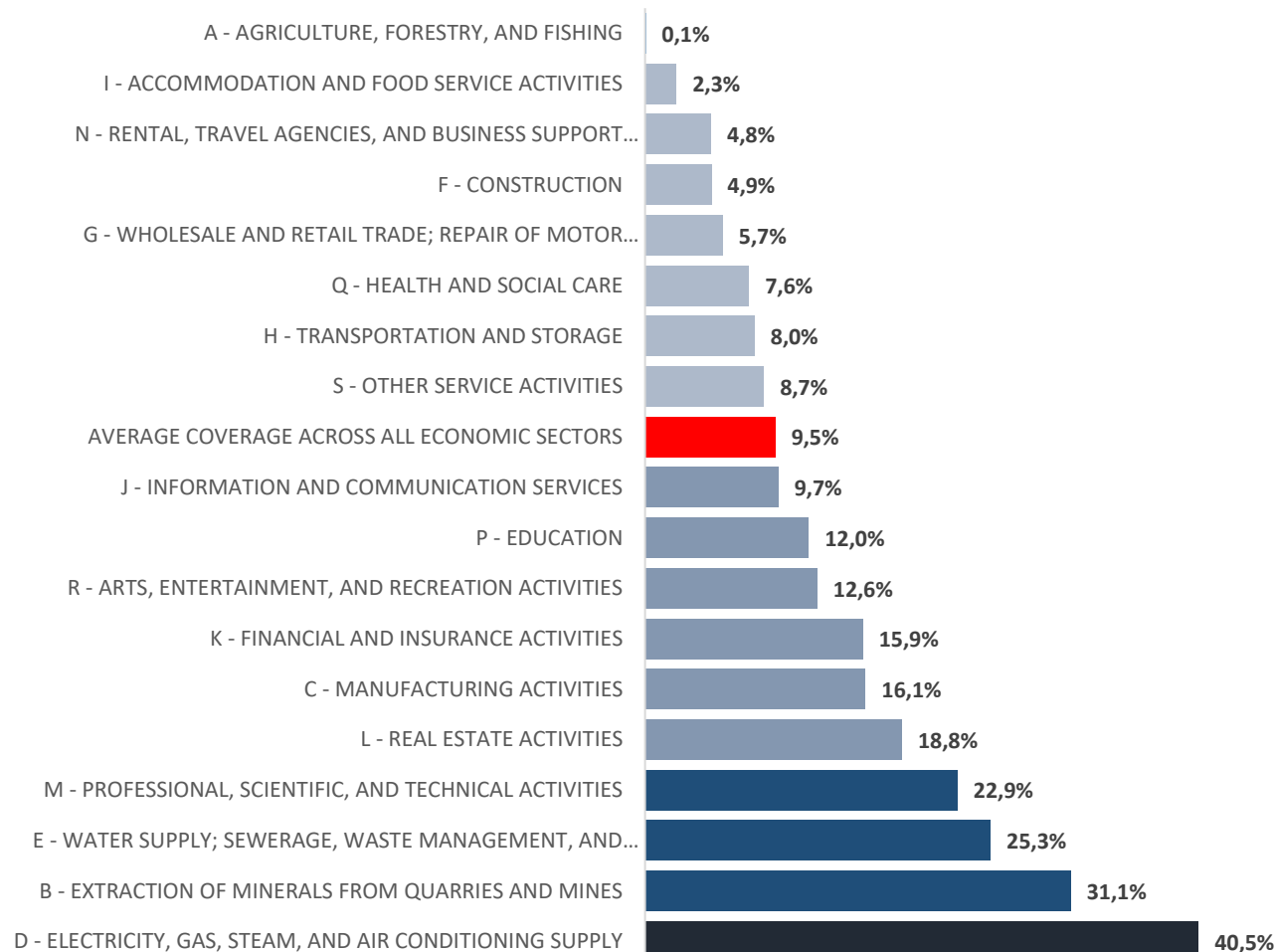


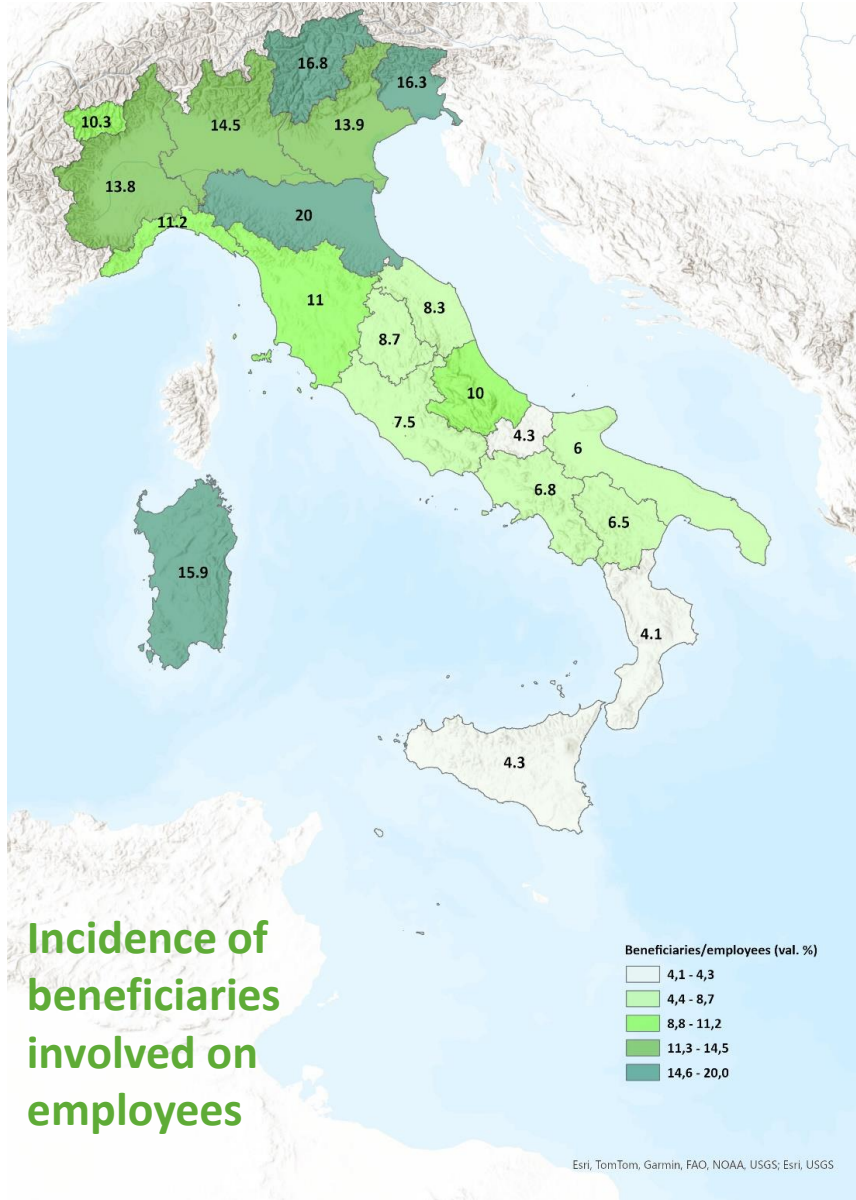
Distribution by beneficiaries and economic sector (2016-2022)



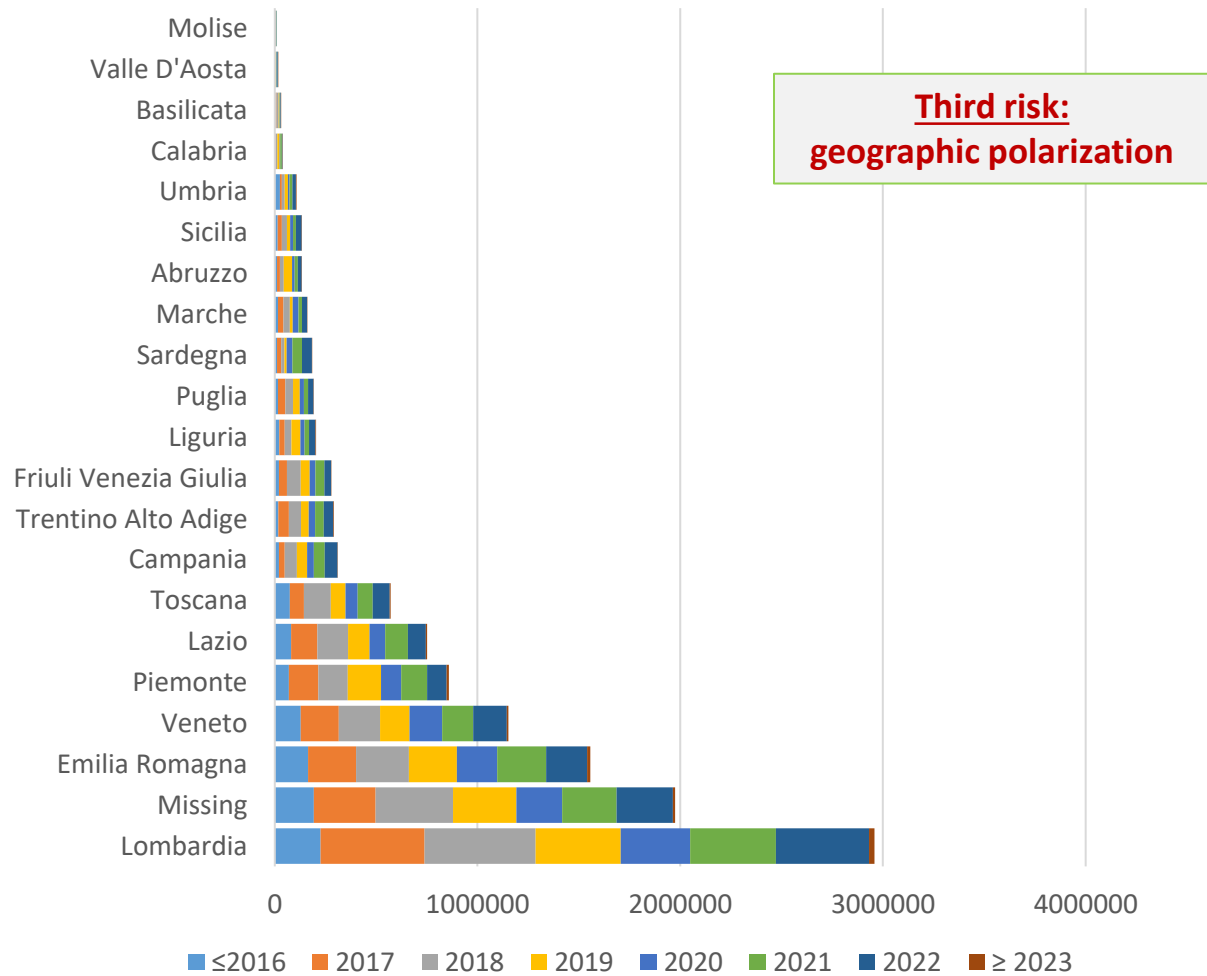
**Second risk:
polarization by economic sector**

Extent of coverage of second-level bargaining by sector in terms of beneficiaries (2016-2022)



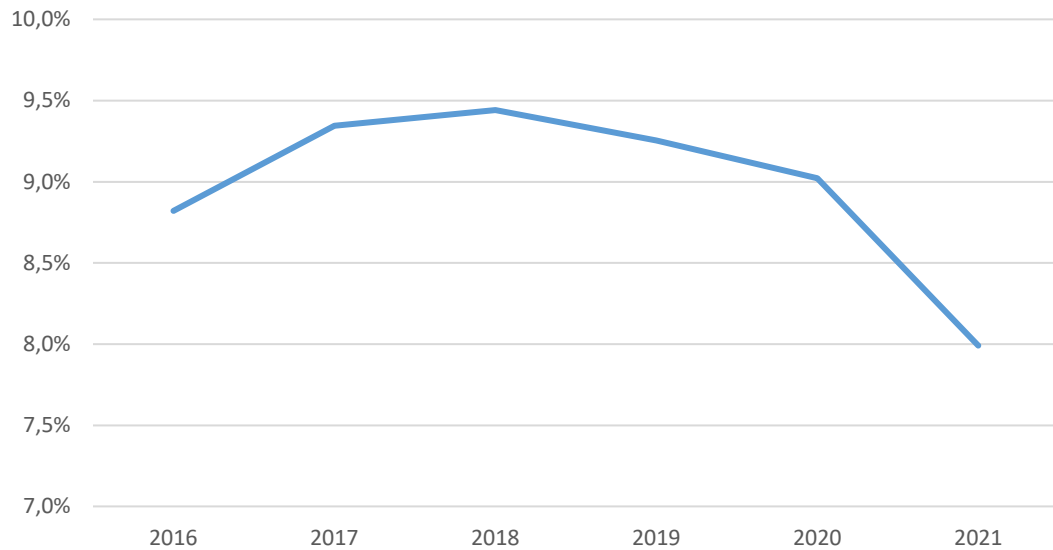


Beneficiaries by region and by reference year (2016-2022)

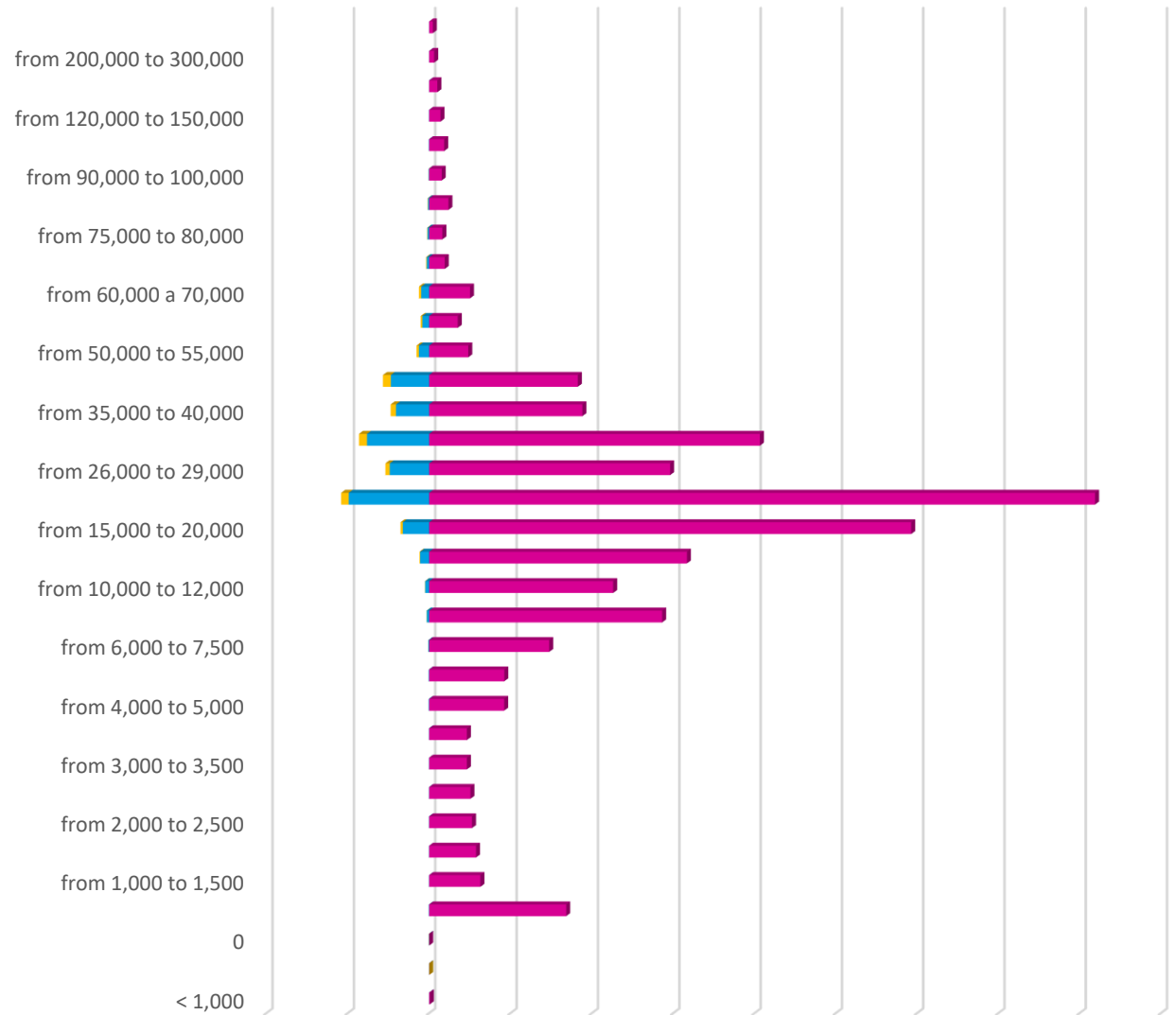


PRP IN THE TAX RETURN

Taxpayers with PRP/ Total Taxpayers (%)



Income brackets in euros



Taxpayers v.a

■ Employment income ■ Performance-related Pay ■ Benefits



FINAL REMARKS

The changing global economic landscape, due to the impact of COVID-19 and the Ukrainian war on prices and interest rates, has put a **focus on wages and purchasing power**.

In Italy, the steady path of wages, over the last decades, raises fears of an increase in income **inequality and poverty** if the purchasing power of the lowest wages is not maintained.

The European Commission adopted the **Directive on adequate minimum wages** on 19 October 2022. In all Member States, the Directive aims at promoting collective bargaining on wages and improving the enforcement and monitoring of the minimum wage protection established in each country.

The **Italian paradox** is that despite there being very high bargaining coverage, wages remain low.

Indeed, in addition to the problem of low paid, there is also a **low general growth** in wages even at the top of the distribution. Low wage growth, in this case, is linked to **low productivity growth**.

The causes of low labour productivity are many but **labour market institutions** also have their importance.

In particular, in Italy, decentralized bargaining, which should guarantee the link between productivity and wages, **has never taken off**.

Second level bargaining for PRPs covers **only 9% of employees**.

In recent years, several governments have provided tax breaks to support second-level bargaining. But this is a pro-cyclical measure that **risks increasing polarization by company size, by sector and by region**.

As regards the preservation of **purchasing power**, most contracts provide for an adjustment mechanism via the **IPCA-NEI index**. In addition to being applied differently in contracts, this index has been criticized for its ability to intercept price increases resulting from energy consumption. However, **the biggest problem remains the non-renewal of contracts**.

Seizing the stimulus of the European directive, a path that today seems necessary is the **qualification and strengthening of industrial relations**.



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