

## Labour, pandemic crisis, and PNRR: preliminary issues

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### Abstract

The intent of this work is bring to attention, as useful elements for a debate, the possibility of reasoning on the implementations that will come to the country-system from the resources of the PNRR.

From a historical, albeit brief, and legislative analysis of active labor policies in Italy, one can try to understand how to stimulate Italian economic growth. To do this, one must examine the structural elements that contribute to making our country fragile in comparison with other European countries, fragility associated with the horizontal and vertical segregation that characterizes the world of work. This is a phenomenon that has worsened further during the pandemic crisis. Hence, employment discontinuity, non-standard contractual forms, differences in male and female employment rates, as well as that set of social, cultural, and psychological barriers all become elements that decline the concept of horizontal and vertical segregation mentioned earlier.

This is where the PNRR comes into play, whose intentions include promoting a process of transformation in tune with the great changes in the socio-economic scenario.

**Keywords:** active employment policies, Covid-19, PNRR<sup>†</sup>

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## **1. Active labor policies in Italy**

Over the last three decades, the evolution of labor policies in our country has developed along three lines. In the first place, passive labor policies, based on income support measures in favor of persons who see their employment relationship suspended or the involuntarily unemployed, have taken a back seat to active labor policies, which introduce a heterogeneous set of measures and programs in favor of a more efficient functioning of the labor market. Secondly, if in the past interventions were aimed at particular categories of vulnerable persons, at present there is a preference for individual and personalized actions, which put the individual, with his or her needs and characteristics, at the center of attention. Finally, the governance of labor policies has undergone a process of decentralization, with the redefinition of competencies and the attribution of broader tasks to local and territorial authorities. The development of active labor policies in the last twenty years has been made possible thanks to a series of legislative measures. With the *Treu Law* (Law 196/97), the first in chronological order, the implementation of active labor policies, up to that moment monopolized by the Central Government, was decentralized to a territorial level (Regions and Provinces) based on the principle that an effective management of the labor market must be implemented on the analysis of the needs of professionalism and employment required by the territory. The *Biagi Reform* (Law 30/03 and Legislative Decree 276/03) took further steps forward in terms of decentralization and liberalization of active labor policies, with the introduction of measures aimed at regulating the organization of the market and intermediation between labor supply and demand. The *Fornero Law* (Law 92/2012), with a view to continuity and strengthening of previous measures, has acted on the coordination of active and passive labor policies. In addition, this law made explicit, for the first time, the essential levels of services guaranteed by the Employment Centers. Finally, with the *Jobs Act* (Law 183/14) the National Agency for Active Employment Policies was established, which assumes the role of coordination and implementation of active employment policies at the national level. The PNRR fits into this context and becomes the main spokesperson for the process of change in the dynamics of the labor market through the reorganization of active labor policies and the strengthening of Employment Centers to give a timely response to the needs of the Italian production system, deeply affected by the pandemic crisis.

The direct objectives of active labor policies are diverse and range from employment incentives to the improvement of employability, from the removal of obstacles to accessing work to the activation of measures that increase the possibility of finding one's first job and/or re-entering the labor market, from training and education paths to raise and update skills to interventions that favor the work-family balance.

Let us now analyze Italian policies related to these aspects. A first element to consider concerns the decentralization of the decision-making process and, consequently, the strategy to be followed at territorial level. The success of active labor policies in our country depends on the characteristics of regional labor markets. In fact, their results indicate that in Southern Italy, social and economic context variables are the main determinants of employment, while in the North it is policy interventions that significantly explain employment performance. Public managers, therefore, must consider the characteristics of the territories, thus avoiding the risk of favoring labor

market participation only in certain regions, further increasing the gaps between North and South.

It must be said that the mechanism of territorial decentralization associated with active interventions in local labor markets is not a recent issue. Even before the *Treu Law* was passed in 1997, a study suggested that decentralized decision-making processes at the regional level were the most efficient. However, too high a level of decentralization in the political sphere could have counterproductive effects on the objectives of the welfare system. In this sense, an appropriate balance between organic decentralization and institutional decentralization could represent an interesting solution for combining the need for flexibility in the implementation of active policies with the reduction of differentials at the regional level.

Another aspect to be considered concerns the introduction of flexible types of work. In the 80s and 90s, an intense debate arose about labor market rigidity as a potential cause of the high and persistent European unemployment rates. This widespread conviction led to the launch of intense processes of labor market deregulation. With reference to our country, the flexibilisation of the labour market has led to the introduction of various atypical forms of contract, lacking the regulatory and social protections reserved for full-time and permanent employment relationships, and recourse to non-standard employment relationships has had serious repercussions in terms of precariousness, instability and increased inequality, not only on the young workforce entering the labor market for the first time, but also on workers belonging to older age groups, especially women and individuals with a low level of education, who have seen a significant increase in the rate of transition from one job to another, constantly entering and exiting the labor market.

The spread of flexible work contracts, especially among young people and women, together with an Italian welfare system that assigns a high degree of protection to standard forms of contract, has caused a clear segmentation of the labor market between insiders and outsiders, between workers employed on a permanent basis and those in "atypical" jobs. Moreover, this process took place in a labor market already characterized by a strong territorial, gender and generational segmentation. In the Italian context, more than ever it is necessary that appropriate social guarantees be extended to atypical contract types. Otherwise, the most fragile subjects and categories of people run the risk of being trapped within precarious work and unemployment and having to suffer social exclusion phenomena. Considering the two aspects together, decentralization and flexibilization, some interesting reflections can be suggested. It seems evident how important the territorial dimension is in active employment policies. A short-sighted strategy that imposes the introduction of measures and interventions in a rigid and undifferentiated manner would be ineffective in terms of ensuring the proper functioning of the labor market. A correct implementation of active labor policies must consider a wide range of factors such as institutional traditions, legislative systems (at national and regional level); decentralized collective bargaining as well as pacts, alliances, understandings, and informal networks among local economic actors. In this way, it is possible to gain an overall picture of the organization of the labor market and

its underlying mechanisms to identify the strategies and instruments best suited to guarantee satisfactory levels of employment, social inclusion, and economic growth.

Social inclusion should not be a utopian goal, impossible to achieve. In this sense, policies to support female employment and reduce gender inequality can make a very important contribution. The expansion of quality family-oriented care services and the presence of a developed public service sector help stimulate women's participation in the workforce, making them independent and strengthening their role within the family and society at large. However, once women become economically active, maternity leave and increased demand for women's work in the service sector restrict their employment opportunities, resulting in both horizontal and vertical segregation. Therefore, to promote not only women's participation in the labor market but also equal opportunities in accessing "male" jobs, the quantity of measures and interventions are certainly an important tool for promoting women's employment, but the quality of labor policies that are capable of reducing gender gaps is also important.

Finally, another important issue concerns the management and use of the flow of information currently available, which represents an essential component in the system for monitoring the performance of the labour market, not only for the construction of digital infrastructures capable of collecting information at regional and national level, but also for producing and sharing specific information, at territorial and sectoral level, on the conditions of labour supply and demand, on the new skills required and on the characteristics and prospects of workers. Without an efficient information system that allows policy makers to know (and anticipate) the effects connected with the implementation of labor policies, it is not possible to activate corrective and control actions on them. Recently, profiling has assumed a key role in active labor policies because it makes it possible to distinguish between different levels of risk associated with individuals. The construction of a system of national profiling requires the use of appropriate tools for a correct evaluation of individuals and programs, otherwise the most fragile categories could remain excluded, with the risk of aggravating their position of disadvantage. Similarly, the good functioning of active labor policies depends on the availability of a system capable of mapping and anticipating the skills required by the labor market. It has been shown that active employment policies do not produce the desired effects without adequate coordination with training and employment needs at the local level.

## **2. The Italian labor market in times of pandemic**

The Italian economy and society are facing an unprecedented crisis. The pandemic due to Covid-19 has triggered a strong shock on all economic sectors, from the production of goods to that of services, which has spread quickly to the labor market. Moreover, at the national level, the impact of the crisis on the Italian labor market was much more intense than in other European countries (Fana et al. 2020). Confirming this, labor market data in 2020 highlight the effects of the pandemic crisis, revealing the presence of several structural weaknesses in comparison with the main European Union (EU) countries. As can be seen from Table 1, employment, and activity rates, especially for women and young people, are decidedly lower than the European average. In Italy,

therefore, there is a strong segmentation of the labor market that operates at different levels:

- the gender segmentation stands at more than 18 percentage points, with an employment rate of 67.2% for men aged between 15 and 64 compared with an employment rate of 49% for women in the same age bracket;
- generational segmentation, reflecting the slow and difficult process of young people entering the labor market. The employment rate of young people between the ages of 15 and 24 is much higher in the EU-27 (31.8%) than the Italian average (16.8%);
- the territorial segmentation bears witness to the profound gap between North and South. Compared with an employment rate of 66.6% in Northern Italy, that of Southern Italy stops at 44.3%, reaching a difference of over 20 percentage points. If we consider the individual regions, the differences appear even more marked; between the employment rate of Trentino-Alto Adige (69.6%) and that of Campania (40.9%) the gap increases to almost 30 percentage points.

Table 1 - Main labor market indicators in 2020 - Italy and EU-27

	Italia			UE-27		
	M	F	T	M	F	T
Tasso di occupazione						
15-24	20,5	12,8	16,8	34,0	28,9	31,8
25-54	80,1	59,1	69,6	85,3	74,4	79,9
55-64	64,5	44,6	54,2	66,3	53,6	59,8
Tasso di occupazione (15-64 anni)	67,2	49,0	58,1	72,8	62,7	67,8
Tasso di disoccupazione	8,4	10,2	9,2	6,8	7,4	7,1
Tasso di attività (15-64 anni)	73,5	54,7	64,1	78,3	67,7	73,0
Incidenza dei contratti di lavoro flessibili						
Occupati <i>part time</i> in % del totale occupati	8,0	32,1	18,2	7,8	28,1	17,2
Occupati tempo determinato in % totale occupati	11,2	13,0	11,9	10,5	12,3	11,3
Lavoratori autonomi in % del totale occupati	24,3	14,6	20,2	16,7	9,5	13,3

Source: ISTAT, Labour force survey; Eurostat, Labour force survey.

The health emergency from Covid-19 has profoundly modified the modalities of the provision of work services, with an intense recourse to remote work, before 2020 little used, which has greater connotations of flexibility. In this way, a new segmentation has been introduced within the Italian labor market between those who can work from home and those who, due to the nature of the work performance, are unable to move away from the workplace. According to ISTAT data, remote work, which accounted for less than 5% of total employment in 2019, grew strongly in the second quarter of 2020 to involve 19.4% of the employed, for a total of more than 4 million workers. It seems clear that appropriate adjustments and modernization processes of the work organization will be necessary to cope with the radical changes introduced by digitalization and social distancing.

A further characteristic of the Italian model is the more intense use of flexible contractual forms as an alternative to the full-time, open-ended employment contract. In fact, both the incidence of part-time workers and fixed-term workers on the total number of employees are higher than the values recorded by the EU-27. It should be noted that there is a large gap between part-time work for women (32.1%) and men (8%). The percentage of self-employed workers in Italy (20.2%) is also higher than the European average (13.3%), with a greater spread among the male population (Table 1).

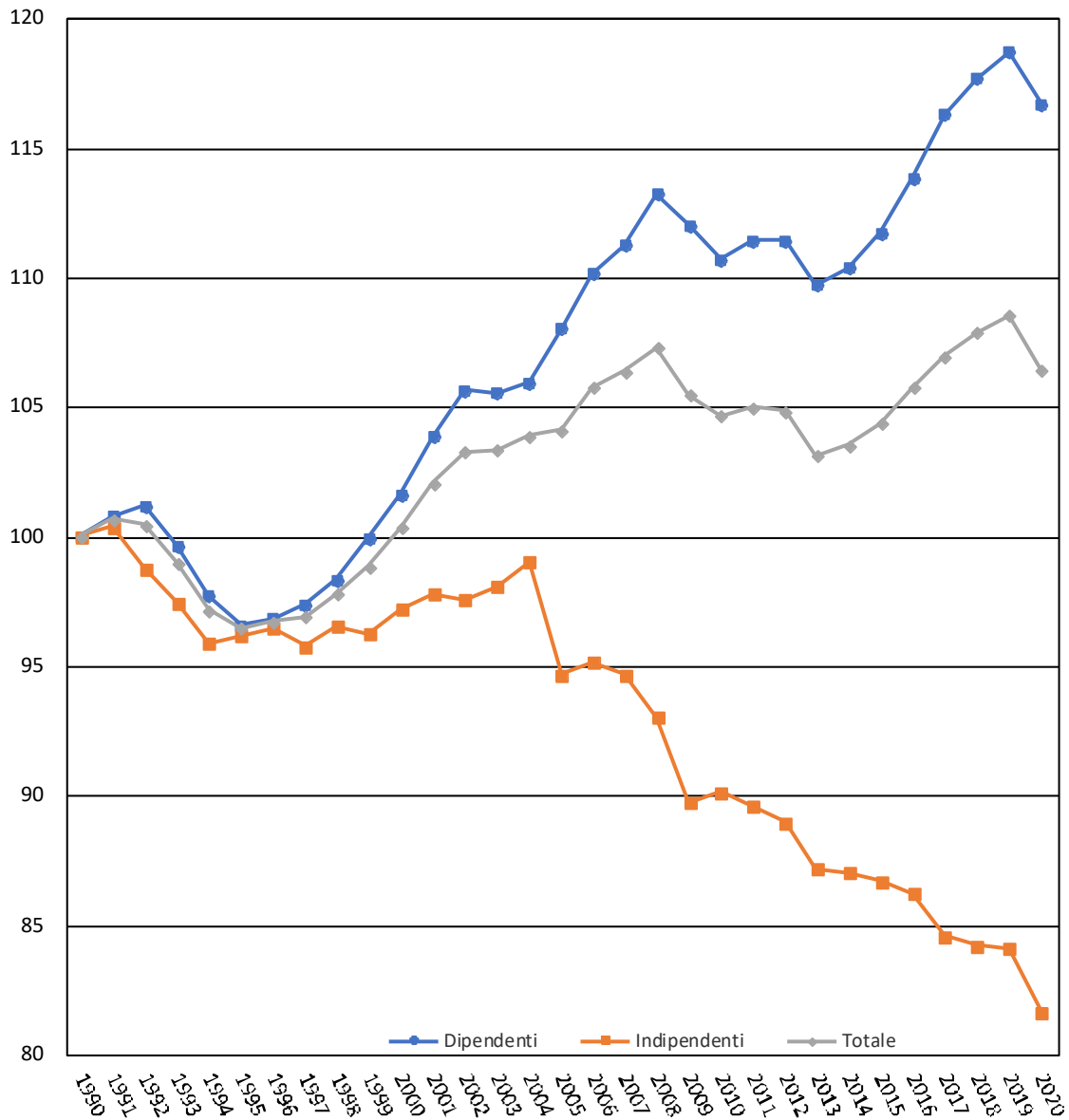


Figure 1 - Evolution of employment in Italy from 1990 to 2020 (Index 1990 = 100). Source: ISTAT, Labour force survey

After the sovereign debt crisis, which affected all European countries and Italy in particular (Jones 2012), employment dynamics in our country showed a positive trend. This upward trend has especially affected salaried employment, while self-employment has experienced a downward trend since the financial crisis of 2007 (Figure 1). The pandemic crisis has provoked a significant slowdown in employment in 2020, partly cushioned by the employment support measures adopted by the Italian government, with the introduction of important social shock absorbers, and by the less stringent constraints on the public budget.

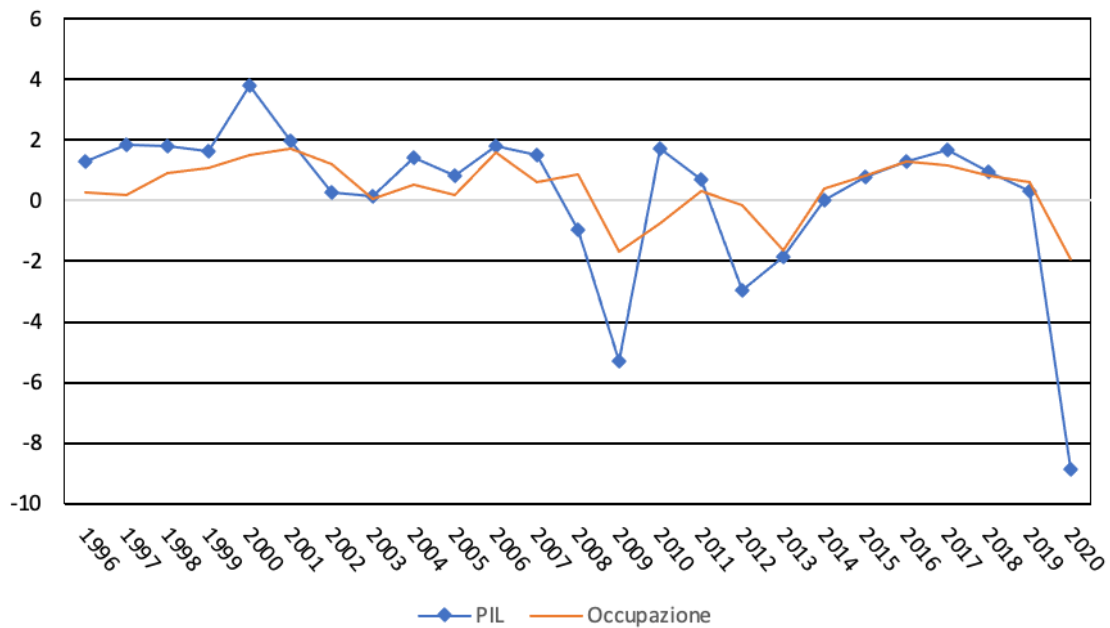


Figure 2 - PIL and employment growth rate in Italy (1996-2020). Source: Istat, Annual National Accounts.

### 3. Conclusion

The Covid-19 pandemic has generated an unprecedented social and economic crisis with strong repercussions on Gross Domestic Product (GDP) trends. In line with other European countries, Italy's GDP contracted sharply in 2020, far exceeding that of employment (Figure 2). The employment support measures adopted by the Italian government have undoubtedly mitigated the negative impact of the crisis on employment levels but have also led to a downturn in labor productivity. This has led to a situation in which the effects of the crisis have been passed on in terms of hours worked, which have fallen sharply, rather than in terms of employment levels. In contrast, Table 2 shows the negative trend in hours worked, especially for independent employment positions. In 2020, 678 thousand job positions and 11 billion hours worked were lost, compared to 2019. In the second quarter of 2021, there was a recovery of the

two indicators, although the growth of working positions was smaller than that of hours worked.

Table 2 - Hours worked and job positions by position in the occupation. 2nd quarter 2020-2021 and annual 2019-2020

Occupati	Annuale*		Variazione		II trimestre*		Variazione	
	2019	2020	2019-2020		2020	2021	2020-2021	
			Assoluta	%			Assoluta	%
<b>Posizioni lavorative (migl.)</b>								
Totale	29.053	28.375	-678	-2,3	28.084	28.622	538	1,9
Dipendenti	20.501	20.081	-420	-2,0	19.821	20.397	576	2,9
Indipendenti	8.551	8.294	-258	-3,0	8.263	8.225	-37	-0,5
<b>Ore lavorate (mln)</b>								
Totale	43.730	38.933	-4.796	-11,0	8.622	10.415	1.793	20,8
Dipendenti	30.845	27.811	-3.034	-9,8	6.273	7.453	1.181	18,8
Indipendenti	12.884	11.121	-1.763	-13,7	2.350	2.962	612	26,1
<b>Ore lavorate pro capite<sup>1</sup></b>								
Totale	1.505	1.372	-133	-8,8	307	364	57	18,5
Dipendenti	1.505	1.385	-120	-7,9	316	365	49	15,5
Indipendenti	1.507	1.341	-166	-11,0	284	360	76	26,6

Source: Annual and quarterly national accounts

\* Annual data are raw; quarterly data are seasonally adjusted.

<sup>1</sup> The value of hours per capita was obtained by putting jobs in the denominator.

In 2020, the negative trend of employee positions is independent was not very divergent (-2% and -3% respectively). Conversely, total hours worked (-9.8% for salaried positions and -13.7% for the self-employed) and per capita hours worked (-7.9% for salaried positions and -11% for the self-employed) presented much wider differentials. In the recovery phase in the second quarter of 2021, despite a partial restoration to pre-Covid levels of total and per capita hours, self-employed positions still posted the minus sign. Dependent positions showed a recovery, especially in terms of total hours worked.

In conclusion, regarding the reorganization of active labor policies and the promotion of employment, the hope is that in the phase of concrete implementation, the actions and interventions do not deviate from the line traced by the PNRR so as not to waste a unique opportunity to relaunch the economic recovery of our country as a whole avoiding leaving regional pockets behind.



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