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Unemployment and Pensions Protection in Europe: the Changing Role of Social Partners

Italy



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Table of contents

Executive Summary	4
1. Introduction	7
2. The Italian Welfare State	8
2.1 A general overview	8
2.2 A focus on pensions and labour market policies.....	10
3. Industrial relations in Italy	16
4. Occupational welfare in Italy: a general overview	25
5. Italian Occupational Welfare in the field of Pensions and Unemployment	31
5.1 Pensions	31
5.1.1 Origin.....	31
5.1.2 Relevance.....	35
5.1.3 Differences in access and benefits	37
5.1.4 Evolution and debate.....	43
5.2 Occupational Welfare in the unemployment protection field.....	48
5.2.1 Origin.....	48
5.2.2 Institutional traits.....	50
5.2.3 Importance.....	51
5.2.4 Differences in access and benefits	52
5.2.5 Evolution and debate.....	52
6. Analytical Insights	54
6.1 Social, Fiscal and Occupational Welfare	54
6.2 Occupational Welfare and Industrial relations.....	58
6.3 The Governance of Occupational Welfare schemes	60
Annex 1 - Interview with key stakeholders	64
References	65

Executive Summary

Introduction

Occupational Welfare (OW) schemes in Italy have experienced an increase in coverage and level of protection since the 1990s. Yet, despite this upward trend, these schemes still cover a minority of workers, usually play a supplementary role to statutory schemes and provide marginal protection against social and labour market risks. Occupational pensions are the most significant type of OW both in terms of expenditure and strength, followed by schemes related to health care provisions and education and training. Unemployment protection and prevention is very fragmented and data are scarce. In recent decades, policymakers have tried to reconfigure the interplay of statutory schemes (both unemployment benefit and short-time working schemes) and occupational protection through bilateral bodies (*enti bilaterali*) (AA.VV. 2003). The latter are of growing importance in addressing the gaps in statutory unemployment protection. The present report is based on the review of the most relevant research, official documents produced by the relevant Parliamentary committees and social partners, statistical and administrative data, interviews with key stakeholders, and the analysis of collective agreements.

Context information

The growing trend over the last two decades has taken place in a context of changing welfare and industrial relations institutions. The Italian welfare state model is a typical example of the Southern European model: a mix of universalistic and Bismarckian schemes combined with a fragmented system with clientelistic features and a family-based approach. From the early 1990s, the overall reform trajectory has been marked by a mix of hidden and explicit retrenchment. This trajectory has reflected: (1) the privatisation and marketization of provisions and (2) the decentralization of policy making and administration from the state to the regional and local levels. Reforms have ultimately led to worrying outcomes such as cutbacks, the emergence of new social inequalities and regional polarization. The system of industrial relations is characterised by a high level of voluntarism and an absence of legislation in the private sector. Elements of stability, e.g. union density and coverage of collective agreements, single-channel works councils, co-exist with increased challenges to the social dialogue institutions. In the aftermath of the Great Recession and under the tight Fiscal Compact agenda, social concertation has reached its lowest point. In parallel, there have been attempts to decentralise collective bargaining.

Key findings

Supplementary pensions are the most important pillar of OW in Italy in terms of expenditure and assets. They were introduced in 1993, when Law No. 124 set up the transition to a multi-pillar

system. Since 2005, participation in occupational and individual pension funds is based on auto-enrolment. Yet, in comparative terms, the take-up rate is still limited. In 2014, the share of the workforce enrolled in occupational pension funds was 14%, as against 24% of workers enrolled in supplementary pension funds. This limited success is a result both of structural features of the Italian economy, namely the large presence of small and medium-sized enterprises; uneven support from the side of trade unions, and the limited advantages (e.g. low tax benefits, strict regulation, etc.) of the schemes for both employers and workers. Although they are still underdeveloped, occupational funds have grown in importance in the last few decades. This trend has reinforced the fragmentation (dualisation) of differences in pension rights already existing in the first pillar. This fragmentation exists between: public and private sector workers, the self-employed and employees, large and small enterprises, the Northern and Southern parts of the country, and typical and atypical work.

As for unemployment protection and prevention, bilateral funds (regulated by collective agreements and managed by employer and employee representatives) play a growing role. Bilateral funds (e.g. solidarity funds) are a peculiarity of Italian OW. They provide protection against various risks (e.g. health insurance, vocational and educational training, etc.) but are of particular importance as a substitute for statutory short-time working schemes in those sectors where the latter do not exist. The recent reform of unemployment protection is based on an interplay between statutory short-time working schemes (in some sectors) and occupational funds (in some others, e.g. where small and medium enterprises are particularly widespread).

Throughout the crisis, there have been mixed trends in occupational schemes. Occupational pensions have experienced a halt in growth, while individual pension schemes have further increased their coverage. In the area of unemployment, bilateral funds have played a key role, but their coverage is still very patchy.

Conclusion and Outlook

Overall, OW in Italy is a traditionally underdeveloped but growing phenomenon. Coverage has increased since the 1990s, and although OW incidence in terms of spending is still rather low in comparison to social protection expenditure, it will definitely increase in the coming years. In many respects, OW is still a young set of institutions. Most individuals enrolled in supplementary pension funds are still on the labour market, and the 'solidarity' funds have been only recently designed as an important pillar of income protection for specific types of workers and economic sectors.

Italian OW faces three main challenges. First, greater coordination in policy-making between welfare state policies and occupational welfare is necessary to ensure the efficacy of the system and promote an even development of OW across sectors, types of workers and regions. The

chaotic growth of recent years has been marked by increased fragmentation of social and labour rights, the limited effect of tax benefits (the latter having a non-negligible impact on the public budget), and the risk of the more intense growth of individual market-based protection.

Second, industrial relations and collective bargaining at national level have played a pivotal role in the development of OW in Italy. Trade unions and employers share similar views on the reasons for expanding occupational welfare – namely to reach a trade-off between wage-moderation and the supply of welfare services – although the most left-oriented trade unions remain rather critical of OW's role in fragmenting and dualising workers' rights. But tensions between the social actors, as well as their weakness, together with the peculiar traits of the Italian political economy, have contributed to the limited spread of occupational schemes.

Third, the governance of OW is one of the most problematic issues in determining the correct functioning of the system. No authority is in charge of monitoring or regulating OW at a general level, the only partial exception being the COVIP with regard to pension funds. Moreover, fragmentation and the high number of organisations and institutions lead to a significant risk that resources will be spread too thinly, and that provision will be inefficient; problems which ultimately need to be tackled through mergers in order to foster economies of scale.

Further reading and contact details

Pavolini E.; Ascoli U.; Mirabile M.L. (eds.) (2013) *Tempi moderni. Il welfare nelle aziende in Italia*, Bologna, Il Mulino.

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1. Introduction

The present report aims at describing and interpreting how occupational welfare schemes are changing in Italy and what has been and still is the role of various actors, focusing primarily on social partners and the State.

The report consists of six sections. The next two sections focus respectively on the main characteristics of the Italian welfare state and its industrial relations system. The fourth offers a broad overview of occupational welfare in general in Italy, whereas the fifth focuses on supplementary pensions and occupational welfare schemes protecting employees from the risk of unemployment. The sixth section takes a more cross-cutting view on occupational welfare in Italy and analyses the relationship between occupational, social and fiscal welfare, the role of social partners in occupational welfare and the governance of occupational welfare schemes.

The methodology and the data collection strategy followed in drafting the report was broad-based:

- the report is based on a review of the most relevant research, reports and essays published on the matter since 2005 in Italy;
- when available, statistical and administrative data were taken into consideration;
- the report has also analysed the documents produced by different Parliamentary committees on pension and labour market reforms; the working of these committees is particularly important because they produce reports on hearings with different relevant actors, including social partners; it is possible to understand the official position of the different social partners through the analysis of these reports;
- the study has also taken into consideration all other major documents produced by social partners in relation to occupation welfare, especially in the field of pensions and unemployment protection;
- an analysis of collective agreements was also carried out, looking in particular at the collective agreements in the retail and automotive (mechanic) sectors;
- interviews with key stakeholders were also carried out (see annex 1).

2. The Italian Welfare State

2.1 A general overview

During the 'golden age' of the European welfare state after the Second World War, social policies in Italy grew strongly in terms of expenditure, generosity and coverage. As documented in Flora and Heidenheimer (1981), during the 1970s the Italian situation was close to the average of the other Western European countries. Until the recent austerity years the level of public (and private mandatory) expenditure, expressed in PPP per capita, was similar to that of the other countries of the present project, especially the Western European countries (Table 1). Into the 1990s the expenditure level remained the same. The central part of the 2000s witnessed a first differentiation between Italy and the other Western European countries: Italian expenditure grew at constant prices but at a slower pace. The first years of the crisis and austerity saw a widening of the differences in the per capita expenditure level (8,328 dollars per capita at PPP in Italy versus 8,863 for the average of the eight Western European countries). However, if we consider the importance of this type of social expenditure in terms of GDP, the picture partially changes: Italy constantly spent more than the average of all the nine countries.

Table 1: Total public and mandatory private social expenditure over time (Per head, at constant prices (2005) and constant PPPs (2005), in US dollars): Italy in a comparative perspective (years 1990-2011)

	1990	2000	2007	2011
<i>Per head, at constant prices (2005) and constant PPPs (2005), in US dollars</i>				
Italy	5,774	7,207	8,044	8,328
Average 8 countries (w/t Poland)	5,781	7,148	8,210	8,863
Average 9 countries	5,277	6,625	7,640	8,286
<i>As a percentage of GDP</i>				
Italy	10.5	12.2	12.8	14.5
Average 8 countries (w/t Poland)	7.4	8.1	8.3	9.3
Average 9 countries	7.1	8.2	8.4	9.3

Source: own elaboration on SOCX OECD online database.

Looking at the institutional design of social policies in Italy, the literature described the 'traditional' (until the 1990s) Italian welfare state model as characterized by four main specificities: a mixed paradigm between universalistic and Bismarckian principles; a particularistic/clientelistic nature; a dual and fragmented model of functioning; and a family-based approach (Ascoli and Pavolini 2015).

Looking at trends and changes since the 1990s, the Italian welfare state has been strongly affected by reforms, but the main trajectory of these reforms has been *retrenchment*. Retrenchment has resulted from cuts in traditional policy fields, matched only to a limited extent by new ('social investment') policies (Morel *et al.* 2012). Mainly recalibrating changes have taken place in unemployment coverage and pensions (see section 2.2).

More specifically in terms of changes in the institutional design of social policies, two overall trends are apparent: the first, privatization of provision, and marketization; the second, decentralization of policy making and administration.

Marketization and privatization seem to go hand in hand. One example is the shift to a multi-pillar system in the Italian pensions system. In all the other sectors, there has been formal recognition of the role of private providers and competition mechanisms.

Decentralization is the other main trend. Labour policies (regions and counties), health care (regions), education (school authorities), higher education (universities), social assistance and social care (regions and cities) have been progressively transferred from the central state to the regional and local level.

These institutional changes have also had an impact on the quality of provision and coverage of social rights. Reforms have been beneficial from the point of view of public expenditure, which in some cases has diminished, especially in relation to future forecasts (pensions). This is often due also to improved efficiency in the use of public funding (for example in health care). Another important effect of the reforms has been the increased homogenization of benefits among different worker categories. Traditionally in the pension system, as well as in passive labour policies, the level of benefit fragmentation has been extremely high (public-sector workers vs. those in the private sector, self-employed workers vs. employees, etc.) with important differences in generosity levels. The reforms have been able to reduce these gaps and unemployment policies seem recently to have been strengthened (see subsection 2.2).

However, in all policies, there have been significant problematic outcomes, which can be synthesized around a series of concepts: risk individualization, privatization of expenditure, and return of tasks to the family; new (and old) social inequalities; and regional polarization.

A feature common to all policies is the individualization of risk coverage and the sometimes 'hidden' privatization of expenditure. The former element is present in the pension reforms, which are based on strictly actuarial mechanisms. The latter is apparent in health care and education, where the State has greatly limited expenditure growth and indirectly asked households to take on its role.

Together with the privatization of expenditure, and connected to it, the reforms have not been able to cover enough new (and, sometimes, old) social risks (Taylor Gooby 2004). The provision of child and elderly care services has remained lower than in many other central and northern European countries. Active labour-market policies are weak in relative terms. Overall, the result in terms of fighting inequalities through the welfare state is limited.

Given these trends, it is difficult not to interpret the overall trajectory of the Italian welfare state as a mix of hidden and explicit retrenchment. There have been cuts in pensions, more flexibility in the labour market, cuts or comparatively low growth rates of per-capita expenditure in health care, education and higher education. These measures have been matched only by some improvements to favour higher distributive recalibration in the pensions and unemployment systems and very limited attempts to foster functional recalibration among different sectors, given the scant investment in care and active labour-market policies, as well as social assistance, and the central role that pensions expenditure has retained.

In conclusion, the attempts made to reform the Italian welfare state in recent decades have been able to recalibrate the overall system to only a limited extent. At least in relation to pensions, reforms have prevented even worse scenarios of skyrocketing expenditure, and some redistribution of unemployment protection has taken place.

However there are a series of worrisome facts concerning the role that the welfare state will be able to play in the future. Overall, reforms and policy decisions have been concentrated more on (explicit and hidden) cuts and less on modernization of the entire system. Moreover, dualization is assuming an increasingly ominous aspect with the growth in the number of outsiders (especially among young people and women) and losers in a country with one of the highest income inequality levels in Western Europe.

2.2 A focus on pensions and labour market policies

Table 2 provides a general overview of the importance of pensions and labour market policies in the Italian welfare state in a comparative perspective. In terms of spending Italy remains a 'Pension State' and this feature has become even stronger since the turn of the century: around 50% of public and compulsory private social expenditure (gross of taxes) goes to old age pensions. The situation is completely different in the other European countries, where only around one third of gross total expenditure goes to cover this type of social risk.

At the same time Italian labour market policies, both active and passive, receive less attention than in other countries: in spite of the relatively lower employment rate in Italy than in the other countries, only 2.8% of public and mandatory private social expenditure goes to unemployment schemes (a percentage well below the average for the nine countries). A similar distance between Italy and other countries is typical also for active labour market policies.

Pensions

Two broad reforms in the 1990s (1992-1993 and 1995) radically changed the previously highly fragmented system by transforming the functioning of public pensions. Both reforms had two goals, each of them related to functional and distributive recalibration: (i) to reduce pension spending, given the particularly high level of expenditure and the financial crisis that hit Italy in those years; (ii) to reduce inequalities among beneficiaries (mostly due to the characteristics of the earnings-related formula and to the heterogeneous rules that often favoured the self-employed and workers belonging to the most advantaged categories). Furthermore, the 1995 reform - introducing strictly actuarial rules in the benefit computation formula - also aimed at incentivizing workers to postpone retirement.

The government also promoted the shift of the pensions system towards a multi-pillar regime, paving the way for so-called 'supplementary pensions' (for more information on the 'second pillar' see sections 5 and 6).

Table 2: Old age and labour market public and mandatory private expenditure as a percentage of total public and mandatory private social expenditure over time: Italy in a comparative perspective (percentage) (years 1990-2011)

	<i>Branch</i>	<i>1990</i>	<i>2000</i>	<i>2007</i>	<i>2011</i>
Italy	Old age	45.9	49.8	49.0	50.0
	Active labour market programmes	0.9	2.4	1.9	1.4
	Unemployment	2.6	1.6	1.5	2.8
Average 9 EU countries	Old age	31.6	34.6	34.9	35.4
	Active labour market programmes	3.2	3.5	3.0	2.9
	Unemployment	6.1	5.4	4.7	5.2
Average 8 EU countries (w/t Poland)	Old age	32.1	33.7	33.6	34.2
	Active labour market programmes	3.5	3.8	3.0	3.0
	Unemployment	6.9	5.5	5.1	5.7

Source: own elaboration on SOCX OECD online database.

In order to improve equity, public and private-sector employees were obliged to contribute to the scheme in equal measure, while contributions by self-employed workers were increased. Pension coverage was also extended to workers on flexible contracts.

If the 1990s were a time of paradigmatic change, the 2000s prior to the crisis were characterized by parametric changes. The 2004 reform law introduced more cutbacks (supposed to be implemented in 2008) to old-age and seniority pensions, an increase in the statutory retirement age for old-age benefits (65 for men and 60 for women), a 'solidarity contribution' of 4% deducted from very high-level pension benefits, and an increase in the contributions paid by workers on atypical contracts.

Moreover, the legislation sought to support the development of supplementary schemes. A legislative decree of 2005 allowed for the transfer of severance pay (TFR) into supplementary pension funds through automatic auto-enrolment.

After the end of the Berlusconi government and before the crisis, a centre-left government, headed by Prodi, was in office, and it too intervened in the pensions system. The Reform of 2007 represented a partial deviation from the previous reform path, also from an international comparative perspective: for the first time since the 1990s, it aimed to increase pension spending for the period 2008-2017 by about 30 billion euros. The main change introduced by this reform was replacement of the increase in the statutory retirement age decided by the previous government in 2004 (from 57 to 60 years of age from 2008, with 35 years of seniority) by a much more gradual increase that reduced the expected savings (-10 billion euros between 2008-2017).

Since the onset of the crisis in 2008, two different sub-phases can be identified: the first from 2008 to 2010, the second from 2011 onwards.

In the first sub-phase, only limited, though important, reforms were passed. In 2009 the government decided to revise pensions legislation in order to equalise the retirement age for men and women in the public sector at 65 years old, after a transition period of 9 years. Moreover, an automatic increase in the retirement age (for social assistance, old-age and seniority pensions), in line with the progressive increase in life expectancy, was introduced: this measure was supposed to become effective in 2015.

The pension reform law, enacted at the end of 2011 in the middle of the financial market turmoil, was comprehensive. It accelerated the shift to a 'pay-as-you-go system' with a contributions-related method applying to employees. It also reduced the access to seniority pensions, which were practically eliminated. A drastic move towards a single retirement age for men and women (66 years and 7 months by 2018), for employees in both the public and private sectors, and for

self-employed workers, was introduced. To bring pension spending under control for 2012-2013, pensions of more than €1,400 were not indexed. Finally, the contribution rates for the self-employed were raised.

The reforms introduced in recent decades should not have a dramatic effect on replacement ratios in the coming decades. In recent years, and in contrast with previous debates about potentially inadequate old age protection, a report for the National Social Insurance Institute (INPS) (Patriarca 2011) and the calculations by the Ministry of Economy and Finance (MEF-RGS 2013) show that public pillar pensions are expected to remain at a high level in the next decades (quite a lot higher than in many other EU-28 countries) because of expected higher retirement ages. The Net Replacement Rate for a worker retiring at 66 years/2 months in 2040, after a full career of 38 years as a dependent worker, is expected to be around 71% (62% gross) – around 80% net (70% gross) for retirement at 69 years/2 months with 39 years/2 months of paid contributions (MEF-RGS, 2013).

In addition, if the same worker has subscribed to a supplementary pension plan (occupational or individual), she might receive an additional 28% (net) replacement rate from the second/third pillar pension, thus totalling a net replacement rate of around 107% (Patriarca 2011).

However, the main issue concerns how many individuals will have long and continuous working careers and will be able to work until the high retirement ages established by the reform. Indeed, as underlined by Jessoula (2015): 'these figures must nonetheless be qualified by taking into account both the structure of the Italian labor market – characterized by a relevant share of "non standard" employment (temporary and part-time) – and its weak performance, with below EU average employment rates in all age brackets and for both sexes' (p. 48). There is a serious risk of a deepening of the differences between pensioners with a history of stable working careers and those who have been trapped in unstable careers for a good part of their working life.

Labour market and unemployment policies

In the international literature, Italian labour market policy has often been considered a 'sub protective unemployment welfare regime' characterized by a low degree of coverage, limited generosity of benefits and a lack of investment in active labour market policies (ALMP). This was certainly true until the mid-1990s, when Italy had a model centred on the protection of full-time and open ended labour by male breadwinners who worked in medium and large-sized firms.

The model was based on three main pillars (Vesan and Pavolini 2016). The first pillar was the highly fragmented unemployment compensation system. The Italian unemployment compensation system until the 1990s was characterized by a strong institutional dualism, i.e. the existence of clear disparities in the treatment of different groups of workers. In particular, unlike other

European countries, in Italy this system was based on single-tier unemployment insurance (*indennità ordinaria di disoccupazione* - UI), and on several other benefits for specific categories of workers (in the industrial, agriculture and construction sectors). By contrast, there was neither a universal unemployment assistance scheme, nor a social assistance programme offering a guarantee of minimum income at the national level (see for a comparative perspective Clasen and Clegg 2011). Among different schemes, the *Cassa integrazione Guadagni* benefits (CIG) have played a crucial role in the Italian unemployment compensation system. CIG schemes are *short working time* schemes formally aimed at supplementing the salary of workers in case of temporary lay-offs caused by accidental or cyclical factors or structural crisis and industrial restructuring. These schemes have been frequently used as a functional substitute for UI benefits (which offered only a very weak protection), rather than as complementary instruments. CIG benefits offered a relatively high level of protection with a replacement rate of 80% of the previous wage (until a maximum threshold). In a case of collective dismissal and usually after having exhausted CIG schemes, employees in medium and big firms could also qualify for the so-called 'mobility allowance' (*indennità di mobilità*), an unemployment benefit introduced in 1991. Once again the protection provided by the mobility allowance, which was reserved for only some categories of workers, was higher than the ordinary UI both in terms of duration and amount of the benefit. CIG benefits and mobility allowances were accessible only to some economic sectors and often to firms with more than 15 employees (more than 50 employees in the service sector).

The second pillar was the strict regulation of labour relationships. Until the mid-1990s, Italy had a high level of employment protection legislation (EPL) both for regular contracts (in particular for collective dismissals) and temporary contracts.

The third pillar of the Italian model was the state monopoly of job placement services and the rigid procedure which obliged employers to hire the unemployed from a compulsory list managed by local public employment centres. More in general, active labour market policies (ALMP) had a residual role and spending on them was limited compared to other European countries.

Since the mid-1990s and until the beginning of the economic crisis in 2008, this peculiar labour market policy model had undergone several important changes which followed two main trajectories.

From the second half of the 1990s onwards, a 'reorientation' of intervention in labour market policies came about with the adoption of the principle of conditionality in granting unemployment benefits, inspired by a 'workfare' logic, and with an attempt to shift from passive to active labour policies. Furthermore, broader contract flexibility on labour-market entry was introduced, allowing the use of new types of employment based on fixed-term contracts. Overall, the welfare system

maintained its institutional structure with some significant innovations resulting in increased generosity of unemployment insurance.

With the outbreak of the recent economic crisis the Italian labour market policy has entered a new phase of reforms which is still ongoing. The first step taken by the government was not to intervene structurally in the unemployment benefit system. In contrast, the strategy pursued by the Berlusconi government in the first years of the crisis was to open up CIG schemes and mobility allowances also to those categories of workers who were not traditionally covered, and to extend their duration (Sacchi and Vesan 2015). A major change took place in 2012 with the adoption of a sweeping reform (Law 92/2012) passed by the Monti government. The most important aspect of Law 92/2012 was the revision of the legislation which limited the reinstatement of workers in cases of illegitimate dismissal only to some specific circumstances, while introducing monetary compensation as the general rule for dismissal found to be unlawful by the judge. Law 92/2012 also introduced important changes in the domain of unemployment compensation. A new 'social insurance for employment' (*Assegno sociale per l'impiego* - ASPI) was created, and became the most important unemployment benefit scheme, since the mobility allowance was abolished. ASPI was more generous than the previous UI benefit (although less generous than the mobility allowance). In contrast, the CIG schemes were kept unchanged, although the reform established bilateral solidarity funds in economic sectors not already covered by CIG (see subsection 5.2).

The last crucial stage of the labour market policies reform undertaken since the beginning of the economic crisis began at the end of 2014, when the Parliament adopted the so-called 'Jobs Act'. The Jobs Act introduced a new open-ended contract (*contratto a tutele crescenti*) which has further liberalized the dismissal of workers with open-ended contracts. Another important new feature pertains to the reform of the unemployment benefits system. For the first time the strict eligibility criteria for UI have been reviewed and a considerably larger group of beneficiaries can access the new system (called NASPI) with better coverage in terms of duration for the majority of the potential beneficiaries ⁽¹⁾.

A further important change is the introduction of a social assistance allowance for the unemployed (*assegno sociale per la disoccupazione* – ASDI), but only for poor workers who have exhausted NASPI ⁽²⁾. Due to budgetary restrictions, this new scheme has been introduced on an experimental basis and is not a rights-based benefit, since it will be provided only within the limits of the available budget set by the government (400 million euro distributed between 2015 and 2016).

-
1. In order to get the new ASPI (NASPI), the jobseeker must have paid three months of contributions in the last four years and worked for at least 30 days in the last year before the beginning of the event of employment. The level of the NASPI has been set at 75% of the previous salary up to 1,195 euros (for 2015), and 25% for the share exceeding that amount up to a maximum ceiling, while its duration depends on the duration of past contribution.
 2. This scheme is means-tested and gives access to a sum equal to 2/3 of the last NASPI benefit for a duration of six months.

Finally, the Jobs Act also foresees the reform of the CIG schemes, with the aim of reducing the duration of these benefits, revising the rules on their financing and avoiding their use as substitutes for unemployment benefits.

3. Industrial relations in Italy

The Italian system of industrial relations involves, historically, a peculiarly high level of voluntarism and absence of legislation, at least in the private sector. Apart from in the public sector, there is no law regulating social partner representativeness, collective bargaining, minimum wage, strikes and board level employee participation. In the private sector, industrial relations were fully regulated by tripartite social pacts and inter-confederation agreements (Table 3).

Table 3: Indicators of the Italian industrial relations system

	2000	2007	2013
Union density	34.8%	34%	37.3%
Employers' density	62.0%	58.0%	56.0%
Collective bargaining coverage	80.0%	80.0%	80.0%
Dominant bargaining level	Bargaining predominantly takes place at the sector or industry level, with a decentralised collective agreements at company or territorial level		
Type of representation at the enterprise level	Single-channel works councils, union-based representation, elected by union members or established by union, based on law or national agreement		
Main trade union organisation	The General Italian Confederation of Labour (CGIL, <i>Confederazione Generale Italiana del Lavoro</i>); the Italian Confederation of Workers' Unions (CISL, <i>Confederazione Italiana dei Sindacati Lavoratori</i>), and the Italian Union of Labour (UIL, <i>Unione Italiana del Lavoro</i>). They represent different political orientations and union cultures. The smaller unions include UGL, originally close to the post-Fascists.		
Main employers' organisation	Confindustria (employers' representation is very fragmented)		
Further information	No statutory minimum wage, no extension mechanisms of collective agreements; workplace representation is at 24%		

Source: FDV elaborations on different sources; Visser (2013).

The Italian system is based on the principle of trade union freedom and pluralism. Trade unions are traditionally organised into a limited number of umbrella confederations (historically, the three largest are CGIL, CISL, UIL), encompassing a dozen sectoral federations, merged according, to some extent, to their outcomes and cultural affinities. Similar, but not quite the same, is the organizational model of the employers' associations, where – unlike the unions – the scope, size and status of the affiliated members matter. There is in fact a first big divide according to the nature of the relevant goods and services (industrial manufacturing, trade and private services, agriculture, construction, banks); then by size (large, medium and small), and legal status (private and public, craft, cooperatives). The outcome is a considerable fragmentation of employers' associations, reflected in a large number of industry-wide national agreements; over 700 according to the last available figures.

Considering the scope of our research, we can add that the automotive branch is covered by the employers' association Federmeccanica, which is affiliated to the umbrella Confederation Confindustria (FIAT/FCA has not been part of this since 2010). Retail employers belong to different associations, according to their size (Confcommercio if large, Confesercenti if medium-small), with cooperatives represented by their own associations, historically differentiated by their political approach (Lega Cooperative on the left; Confcooperative at the centre)

Trade unions and workplace representation

Since the late 1940s, there have been three major union peak organisations: the General Italian Confederation of Labour (CGIL, *Confederazione Generale Italiana del Lavoro*); the Italian Confederation of Workers' Unions (CISL, *Confederazione Italiana dei Sindacati Lavoratori*), and the Italian Union of Labour (UIL, *Unione Italiana del Lavoro*). They represent different political orientations and union cultures. The smaller unions include UGL, originally close to the post-Fascists; a plethora of professional unions, strong only in banking, some public services and transport; and radical left-wing groups, significant only in individual branches or plants. They have differing identities, ideology and purposes.

The CGIL has always been linked to the left parties (with a statutory organised dialectic between the communist majority and socialist minority). The CISL, originally close to the Christian Democrats, has included members sympathising with parties from the whole political spectrum. The third confederation, UIL, was mainly associated with the non-communist, social democrat left. Formally, trade unions and political parties are fully independent one from the other. Since the end of the 1960s, all union statutes forbid their officials, at different levels, to assume roles of responsibility within political parties and elective assemblies. Following the eclipse of the historical

parties and the partial absorption of the old PCI and DC into Renzi's Democratic Party, trade unions now find themselves, in practical terms, without a reliable partner in the political fray.

In 2014 CGIL had over 5.5 million members, CISL 4.5 million, and UIL nearly 2.2 million. Aside from the union membership of active workers, the three largest confederations have more than 11 million members, a figure that – in absolute numbers – pushes Italy to first place in Europe ⁽³⁾. The explanation for this lies in the high percentage of retirees in the total number of union members ⁽⁴⁾.

As in the rest of Western societies, union density has declined in Italy too, especially when compared to the highest level of membership, 48%, in 1980. However, the downward trend has been slower and more contained than elsewhere and in the last year is pretty stable at around 33-35% (Visser 2013), which is today one of the highest in the world, only falling behind the rates in those Nordic countries that enforce the Ghent system.

The rate of employer association density is on average 48%, ranging between 58% in manufacturing branches (automotive included) and 38% in the service branches (retail and trade included) (CNEL-ISTAT 2015).

The massive changes underway in production have inevitably affected the trade unions' sectoral map, with annual turnovers of approximately 20% of members. After the original dominance of the industrial federations, followed by that of the public sector, it is now the turn of the private tertiary sector. Presently, the largest single federation in CGIL is FILCAMS, the trade union representing workers operating in the trade, tourism and cleaning branches. This union alone recorded, in the period between 2008 and 2014, growth of 28%. The contribution of immigrants is very significant, with an average rate of around 10%, increasing to 18% among all workers; 23% if only the private sector is considered. The metal sector federation (FIOM), with its combative leader, aims to lead a 'social coalition' against neoliberal policies, open to other movements, without excluding some form of political organization, not much appreciated by the rest of the Confederation.

At the workplace level there is generally a single channel of worker representation. Unitary Union Councils (*RSU*) can be elected by all workers, whether unionised or not, in every production unit with more than 15 workers. Besides, where an *RSU* has not been established, it is possible to

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3. Membership headcount is provided by the trade unions themselves. Figures are more accurate and reliable among public sector workers and pensioners, thanks to the role of public authorities in the implementation of official data (see below).
 4. The percentage of retirees rose from 20% in 1981 to 50% in 2001, before going down to 47% in the last few years, with an impact on overall union membership that was greater than anywhere else in Europe.

organise Workplace Union Councils (RSA), nominated by the unions. Taking RSUs and RSAs together, recent surveys estimate that around 24% of workplaces are covered by some form of union representation, with significant differences related to the company size (CNEL-ISTAT 2015). Health and safety representation is regulated by the law, and not by framework agreements. This operates in all workplaces or at regional level, so as to cover small firms and work units.

Trade unions are involved in several tripartite and bilateral bodies and funds, aimed at the management of voluntary occupational welfare systems, as in the case of integrative pensions and health insurance, vocational training, and temporary unemployment benefits (see section 5). Such bilateral entities have mostly been established in sectors where it is hard for unions to gain a foothold (construction, craft, trade, tourism, agency work). It is estimated that there are hundreds of these, mostly operating at a territorial level.

Collective bargaining

Collective bargaining, in the private sector, is not governed by the law but by peak level collective agreements. Contracts are not legally binding and their contents are only formally enforceable by the signatories and their affiliates. There is no mechanism for *erga omnes* extension of the collective agreements.

The system is structured around a stratification of tripartite and bilateral agreements. Since the cornerstone tripartite Protocol of 23 July 1993, Italian collective bargaining has been based on a two-tier system, with on the one hand industry-level collective labour agreements, and on the other hand decentralised collective agreements at company or territorial level, where companies are too small (agriculture, construction, trade and retail, tourism, craft industries). Collective bargaining coverage is one of the highest in Europe, and is estimated at around 80-85%.

National industry-level bargaining is the core of the system, which can be considered centrally coordinated. The two levels are in fact organized hierarchically, according to principles of coordination and specialisation. The national agreement establishes a basic set of rights and standards, including minimum wages, for the industry workforce at large. The minimum wage is not fixed by law but through national sectoral collective agreements. Given the constitutional principles relating to pay that is 'sufficient', 'proportionate' and 'decent' (art. 36), the minimum wages established in the industry-wide agreement must be applied to all workers within the industry. Estimations suggest that the Kaitz index (the ratio between minimum and median wage) shows some of the highest figures in the EU: roughly 80% ⁽⁵⁾.

5. Nevertheless, there's a relatively large number of employees not covered by any collectively agreed minimum wage, mostly due to the high level of (bogus) self-employed and irregular workers.

The second level of collective bargaining is not compulsory and depends on the presence of works councils (RSU) and on the quality of industrial relations. Since the national agreements fix the minimum pay levels, taking into account purchasing power, the most typical issue for decentralized negotiations is the performance-related wage. This amounts, on average, to around 18% of total wages. In times of crisis, concession-bargaining dominated; rights *at work* were exchanged for the right *to work*, with a special focus on the use of short-time schemes and wage redundancy funds for temporary suspensions or reduction of working time and wages. When not regulated by law, this is a matter for bilateral funds (see below).

Data about second level-coverage are pretty uncertain and debated. In the view of the Banca d'Italia, decentralised bargaining covers roughly 55% of the workforce and 20% of enterprises, mostly unionised (26%), with over 20 employees. In companies without worker representatives, the number of companies with an integrative agreement drops to a mere 2.8%. The company size and the presence of a works council are the two key conditions, and it is easy to understand why – in a country dominated by SMEs – company level bargaining is so limited.

Since the onset of the crisis, the EU institutions have called for a far-reaching reform of Italian collective bargaining, pushing for a substantial decentralization of the system. To implement the ECB 'secret' letter of the 5th of August 1911, the Berlusconi government enacted a law which, for the first time, entered a field traditionally managed by the social partners and dialogue. Article 8 of Act No. 148, allows 'specific agreements' at 'proximity level' (company or territory) to derogate from the central agreements, but also from the law, on many issues (new technologies, work organization, short-term contracts, working time, hiring and firing). The impact of this norm, until now, seems to have been quite limited. It is estimated that derogating company-level agreements, according to art. 8, account for between 6 and 12% of the gathered samples.

In response to the legal interventionism of art. 8, CGIL, CISL and UIL with Confindustria in 2011-2014 opted once again for the collective autonomy path, co-signing three framework agreements (so-called 'trattato sindacale'), fixing new rules on measuring representation and the effect of collective agreements. A certain degree of decentralization is assumed, though within the framework of the national industry-wide agreements (matters; procedure; effects), which maintain their primacy over the system.

These agreements do not cover the main and only national automotive producer – FCA (ex FIAT) – which left Confindustria's sectoral employers' association (Federmeccanica), and therefore is free from higher level binding agreements. Unlike the trade and tertiary sector, the next largest employers' association (Confcommercio) has subscribed to a very similar text, as have the cooperative and services sectors.

Social dialogue

From the early 1990s, for almost a decade, social pacts were signed yearly on practically all major social issues, from income policies to collective bargaining procedures, from workplace representation to pensions and labour market reforms. Tripartite social dialogue was widespread also at territorial level, through so-called negotiated planning and territorial pacts. After long being known for their confrontational attitude, Italian industrial relations were now regarded as an example of the 'revival of neo-corporatism' (Crouch 1998). Social concertation in Italy has never taken on the institutional traits of what scholars defined as 'neo-corporatism', but over the years has developed in a similar way and had similar outcomes (Carrieri 2008).

The political orientation of the governments in office determined the general climate of consensus around social dialogue to a substantial extent: consensual during the first technical executives (1992-1993) and with the centre-left governments (1996-2001: 2006-2008); low and controversial with the centre-right in charge (1994; 2001-2005; 2008-2011); almost absent with the current centre-left government (2014-2016). The last social pact was signed in 2007 in the area of welfare.

The level of consensus remained very low in the last years of austerity, under the tight Fiscal compact agenda: for the first time in decades, all the most recent main welfare state reforms concerning pensions, collective bargaining and labour market aspects have been drafted without any real prior agreement with the unions.

The countries worst hit by the sovereign debt crises – namely in southern Europe – have been the targets and scenes of unprecedented interventionism in the sphere of labour and industrial relations issues. This is what occurred in Italy when in August 2011 the government received a very detailed 'secret' letter from the ECB, calling upon it to implement a series of structural reforms and painful measures. These included – among others – deferment of the retirement age, relaxing rules on individual dismissals, the decentralisation of collective bargaining, and the freezing of collective bargaining in the public sector.

Current issues

Union representativeness has become a thorny issue as relations between the principal confederations have worsened over the years, following the enforcement of key agreements regardless of whether there was a majority to back them. This occurred repeatedly with the tripartite agreement on the labour market (2001) and on the bargaining system (2009), in some industry-wide collective agreements, such as those referring to the tertiary (-trade) (2008) and

metal(-automotive) sectors (2011); affecting more than five million employees all together. In these cases, the most representative body - CGIL and its federations - were cut out of the deal (6).

At company level, the most controversial agreements, also as they concerned the country's largest private employer, were those signed at FIAT plants in 2009 and 2010. FIAT left the national employers' association and signed an unprecedented first-level agreement apart from the national metal agreement, offering an example of a radically disorganized decentralization and an exit strategy from the two-tier system. The combative FIOM-CGIL, expelled from all the corporate plants, launched a broad campaign, appealing to public opinion and addressing the courts as to anti-union discrimination. Courts at different levels repeatedly upheld FIOM's arguments. Despite its exclusion from workplace level representation, regulated by peak level agreements no longer binding at corporate level, FIOM-CGIL obtained much support in the recent elections for health and safety representatives, and was the most voted-for list.

At last, aware of the risks of chaos, social partners gradually re-established co-operative relations, signing new framework agreements concerning collective bargaining and workplace representation. By June 2011, Confindustria and all trade union Confederations (CGIL included this time) signed the first of three agreements (2011-2014) on representation and bargaining: in addition to defining stricter rules on negotiating parties and procedures, they confirm the substantial primacy of industry-wide arrangements, while admitting a limited possibility to apply less favourable conditions in terms of performance, working hours and labour organisation.

Trade union organizations now need to be above a 5% consensus threshold to be allowed to take part in national collective bargaining. National industry-wide agreements are considered binding if signed by unions representing 50+1 percent of the relevant workforce.

Nevertheless, the system still remains quite confused and uncertain. The protocol signed on January 2009 expired in 2014, while the new set-up that the confederations had agreed on for the 2011-2014 period is not fully in place yet. Between 2008 and 2015, the overall number of industry-wide agreements had risen from 396 to a striking 706, out of which less than 300 were endorsed by the large confederations (CISL 2015). Such abnormal proliferation, in spite of the repeated intention to reduce and rationalize these agreements, is mostly due to the increase in the number

6. Unreliable membership data can create problems during industry-level or inter-confederate negotiations, especially when discussions are underway to establish who can take part in the bargaining and what majority to apply when a deliberation must be passed. This is quite a sensitive issue: in the voting for adoption of a collective bargaining agreement, CISL would prefer to involve only its own members, while CGIL wishes to open consultations to all the workers concerned. The compromise between the two positions has been to seek a median average between the number of members and votes obtained in the elections at the workplace level, both gathered and certified by third party public authorities. This decision was passed by law in the public sector and is now going to be applicable also to part of the private sector, following framework agreements.

of employers' associations and, in some minor cases, of trade unions. Just in the trade and service sectors, the number of national agreements has doubled, while the largest employers' confederation (Confcommercio) split after some of the large commercial wholesaler corporations left it to create a new body (Federdistribuzione), for this specific branch only. The issue of representativeness is not something that exclusively affects the relations between the three historical union confederations. It also concerns the role to be granted to independent unions as well as to employers' associations.

A new round of national collective bargaining started in 2015; by June 2016 this bargaining will involve more than six million workers. After a six-year freeze – condemned last year by the Constitutional Court – bargaining is once again underway for the renewal of the nationwide contract for the three million public workers. The scenario is in many ways unprecedented: inflation fell to 0.4% (October 2015), and it is not clear which rules are applicable.

Some conclusions

In the last five years the Italian system of industrial relations has been through a prolonged phase of transition which does not seem to have reached an end (Carrieri and Treu 2013). Collective bargaining has repeatedly been the subject of reforms, undermined both from the top, by European interventionism, and from the bottom, as in the case of Fiat, offering employers a regressive exit strategy from a model that we could otherwise define as 'organized decentralization'.

Nevertheless, union power resources are still pretty strong and stable in terms of associative and organizational capacities; membership is high and so is collective bargaining coverage.

Thus, compared to other countries, the difficulties of Italian trade unionism may be more *qualitative* than *quantitative* (Leonardi and Sanna 2015). The main problems are the following:

- the gap between the level of the general recognition and power resources of the unions (membership and mobilization capacity) and the overall outcomes in terms of salaries, employment, worker participation, universal social protection, life-long learning, life/work balance. Indicators show that the situation of Italian employees is in the bottom half of European ratings;
- the unprecedented marginalization of social partners and dialogue due to the recent European and state interventionism in the main social issues, collective bargaining included, jointly with a gradual decrease of the role of the state in social expenditure and economic/industrial policy;
- the crisis of traditional voluntarism in the field of industrial relations, with subsequent legal uncertainty and conflicts;
- some strategic divides among unions concerning the role and strategies of unions in the new century: business unionism in the case of CISL and UIL, mostly based on servicing (bilateralism) and decentralized bargaining on the one side, and the more rank-and-file unionism, based on multi-employer collective bargaining primacy, pursued by CGIL.

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 Meanwhile, representing and enlarging legal protection to young, atypical and migrant workers is considered a priority, both in terms of specific campaigns and mobilisation, but also – as in the case of CGIL programme – in terms of more *inclusive collective bargaining* in relation to their needs and conditions. A campaign for a new *Workers' Statute*, an ambitious charter of 95 articles, has just been launched by CGIL, with the aim of extending universal welfare benefits and protections beyond the traditional standard wage earner.

4. Occupational welfare in Italy: a general overview

Traditionally Italy has been considered, in comparative terms, a country with a limited incidence of occupational welfare schemes (Greve 2007). The data provided by the SOCX OECD database seem to confirm this interpretation (Table 4). In particular, the share of voluntary private social expenditure in terms of total social expenditure in 2011 in Italy was equal to 2.7%, whereas on average this percentage was equal to 8% in the nine EU countries examined in the project (9% if considering only Western Europe).

The gap is particularly significant for old age occupational welfare expenditure: the figure in 2011 in Italy was around 2% of total old age expenditure, whereas in Western Europe it was around 16%.

There is less of a gap for health care: the figures for Italy remained relatively low (1.2%), but the average for the EU countries covered by the project was higher 'only' by around four percentage points.

However it should be kept in mind that, in comparison with many other countries which began earlier, the second pillar in pensions and health care started to be developed in Italy only in the late 1990s and therefore, especially for pensions, a certain number of years are needed before an effect can be visible in terms of expenditure.

Moreover, while the cross-sectional analysis for 2011 shows Italy lagging behind, a view of the changes over time illustrates that, although Italy increased the relative share of its occupational welfare, the distance with the situation in the other countries also increased (apart from in the field of health care).

Table 4: Incidence of voluntary private social expenditure on total social expenditure (years 1990-2011)

Branch	Country	1990	2000	2007	2011
Total	Italy	2.3%	2.3%	2.6%	2.7%
	Total EU-9*	7.0%	8.6%	8.0%	7.9%
	Total EU-8	7.9%	9.7%	9.0%	8.9%
Old age	Italy	1.0%	1.8%	1.9%	2.0%
	Total EU-9*	12.1%	14.3%	14.1%	14.4%
	Total EU-8	13.6%	16.1%	15.9%	16.2%
Health	Italy	0.8%	1.2%	1.3%	1.2%
	Total EU-9*	5.0%	5.4%	5.2%	4.9%
	Total EU-8	5.6%	6.0%	5.7%	5.4%

* Data for Poland available since 2002.

Source: own elaboration from SOCX OECD online database.

Table 5 provides more information on this point. In Italy and on average for the countries of the project, the 1990s and the 2000s saw an increase in public and private spending in all social policy areas considered in the table (total expenditure, old age pensions and health care). The only exception is health care in Italy since the onset of the economic crisis. A 'dual retreat' type of phenomenon (Greve 2007) took place between 2007 and 2011: no yearly variation in public spending and a cut in voluntary private spending.

Apart from health care, the overall picture that emerges from the table is a 'growth in tandem' (*ibidem*) of public and private expenditure at least until the austerity years. In particular, there was strong growth in voluntary private old age pensions expenditure in Italy, partly as a consequence of the traditionally low level of this type of provision in this field.

The economic crisis and the austerity plans have hit social expenditure in Italy more than averagely hard compared to the other countries: the pace of growth since 2007 decreased drastically compared to the trends prior to 2007. However, private voluntary social expenditure grew at a faster pace than public spending (apart from in the case of health care).

Table 5: Average annual change of public, mandatory private and voluntary private social expenditure over time: Italy in a comparative perspective (years 1990-2011)

		Average annual change of voluntary private social expenditure			Average annual change of public and mandatory private social expenditure		
Branch	Country	1990-2011	1990-2007	2007-2011	1990-2011	1990-2007	2007-2011
Total	Italy	3.2%	3.2%	2.0%	2.1%	2.3%	0.9%
	Total EU-9*	2.9%	3.0%	1.6%	2.7%	2.6%	2.1%
	Total EU-8	3.8%	4.1%	1.6%	2.5%	2.5%	2.0%
Old age	Italy	10.6%	10.9%	3.4%	2.7%	2.9%	1.3%
	Total EU-9*	5.5%	5.4%	3.1%	3.4%	3.3%	2.6%
	Total EU-8	5.5%	5.4%	3.1%	3.1%	3.0%	2.5%
Health	Italy	5.3%	6.8%	-0.6%	1.6%	2.0%	0.0%
	Total EU-9*	0.7%	0.6%	0.9%	3.7%	3.7%	2.1%
	Total EU-8	1.3%	1.3%	0.9%	3.6%	3.7%	2.0%

* Data for Poland available since 2002.

Source: own elaboration from SOCX OECD online database.

The data discussed so far provide a general comparative overview of the Italian case, but are not sufficient to show more specific facets of the Italian occupational welfare schemes. Until recent years, apart from in relation to occupational pensions, the issue of occupational welfare was scarcely addressed in the scientific literature and political debate (Pavolini, Ascoli and Mirabile 2013). Data analysing the phenomenon, moreover, have mainly been produced in the last few years.

The Italian National Institute of Statistics (ISTAT 2012) analysed the availability of occupational welfare benefits and schemes for workers. Apart from occupational pensions, the two most common types of occupational welfare interventions by far are those related to health care provision and education and training: about 26% of workers said that these two types of interventions were offered in their company. Child care services and specifically kindergartens were the least frequently provided. Mid-way between these in terms of frequency was the possibility of having regular flexible working hours for personal reasons (24% of workers).

A more specific survey on the incidence of occupational welfare programmes provided more information on what happens in large enterprises (with 500 workers or more): in Italy a substantial share of large enterprises have introduced some form of welfare provision (95.2%), primarily pension and health-care funds (very common across firms) and a set of other social provisions (usually less common) (Pavolini *et al.* 2013).

Even if we exclude supplementary pensions, occupational welfare is present in over 80% of Italian large enterprises. About 37% of large companies offer at least four different types of welfare provision and another 43% between two and three. In the research mentioned, these welfare provisions have been classified in four groups:

- *Very high-coverage programmes*, essentially the supplementary pension funds, which are present in about 88% of firms;
- *High-coverage programmes*, concerning supplementary health funds, offered by 60% of the cases;
- *Medium-coverage programmes*, this is the case of scholarships and extra-statutory parental leaves, provided by about 1 out of 4 companies;
- *Low-coverage programmes*, in the field of Long-Term Care.

More specifically, the reforms of the last two decades in health care, albeit less pronounced and explicit than those in the pension sector, have begun to promote a multi-pillar logic. The 'health care funds' were recognized by the Italian legislation as forms of voluntary mutual aid, established by the law No. 229/1999 (the law concerning the reform of the Italian health care system). Many of these funds were created thanks to sector-level collective bargaining agreements. These funds are booming, more than in the field of pensions, partly because workers can often also take out coverage for their relatives. The phenomenon has become even stronger in recent years because, in almost every major contract renewal at sector-level since 2007, a sector-level fund has been introduced (Pavolini *et al.* 2013). While the estimates of Mastrobuono (1999) for the year 1998 indicated the presence of 657 thousand subscribers and 1.4 million participants (this last category includes, in addition to members, members' relatives), the most recent data produced by the Ministry of Health (2015), which has created a register for health care funds, show how fast the phenomenon has developed: at the end of 2013 there were 290 funds with around 6.9 million participants (4.7 million employees, 0.5 million self-employed, 1.6 million workers' relatives). Around one worker in four was covered in 2013 and, altogether, 12% of the Italian population. The coverage rate is not very high but the speed of change was so (from 1.4 million in 1999 to almost 7 in 2013). Fund expenditure in 2013 was equal to 2.1 billion euros (equal to around 2% of public expenditure).

The fast increasing role of health care funds has generated a lively debate in the last few years ⁽⁷⁾. If we look at the social partners, there are mainly three positions. A positive one is expressed by the main employers' association (Confindustria), which defends the NHS, but at the same time it is in favour of a broader role for health care funds in order to introduce more market mechanisms

7. The information reported here was collected through interviews with key stakeholders among the social partners, and through an analysis of short-hand reports of the hearings of social partners at the parliamentary commissions of the Italian Chamber of Deputies.

into the NHS, to foster a better use of private resources, channelled through funds instead of simple out-of-pocket money, and to foster private health care provision (cf. Camera dei Deputati 2013a). In part a similar positive position, especially in relation to the issue of fostering better use of private resources, channelled through funds instead of simple out-of-pocket money, has been expressed by CISL, one of the two most representative trade unions in Italy. However this TU is also worried by the potential negative effect on the NHS, if health care funds were to start to replace the NHS instead of being an addition to it (cf. Camera dei Deputati 2013b). The third position is that of the CGIL: this trade union is very worried by the fact that in the last few years health care funds have already *de facto* started to play a substitutive role to the NHS. This TU calls for a more limited role for health care funds, restricted to those types of provision not (entirely) covered by the NHS (cf. Camera dei Deputati 2013a). However, in general terms, it is also important to notice the fact that a common concern among the social partners regards a potential risk of financial unsuitability of health care funds in a context of persistent retrenchment of the NHS. Indeed, due to continuous cuts in public health care services and increasing co-payment, a potential risk for health care funds is that of having to manage demand which is structurally greater than the resources available [Int. No. 6] and Camera dei Deputati (2013c).

The issue of reconciliation of work and family life occurs in many OW programmes and initiatives and is tackled in various ways: child care (and, increasingly also elderly care), working-time policies, part-time work, maternity and paternal leave, telework, etc.

A significant proportion of OW programmes involve sector-level bargaining by national and bilateral bodies. However, many other measures are taken at local, decentralized bargaining level or through independent enterprise initiatives. Often, too, the national and enterprise level are mixed: on the one hand, there are companies or groups which have created their own pension and health care funds, along with the sector-level ones, on the other there are other enterprises that, at the level of decentralized bargaining, have improved, only for their employees, the terms of contribution to national sector funds (e.g. have taken on themselves the employees' share of the contribution).

The increasing prevalence of OW programmes over time is the result of a double process.

On one hand, there has been the consolidation of OW traditions that have their roots in the past, sometimes even the far distant past. Significant traditions and experiences can be traced back to the 19th and early 20th century in Italian industrial history, as well as the years after WWII. In this latter period Italy witnessed some very 'enlightened' initiatives, such as the well-known 'Olivetti' welfare model (Ciuffetti 2012).

On the other hand, many other OW programmes have been introduced recently: the different surveys on occupational welfare provision show that almost half of the provision offered by enterprises was introduced in the second part of the last decade.

In comparison to the past, the more recent OW programmes tend to focus more often on care/reconciling family and working life (elderly care and child care) and health care. Older programmes were more often related to scholarships and supplementary pensions.

Pavolini *et al.* (2013), as well as other recent studies on specific geographical areas, show that enterprises are often interested in new OW programmes firstly in order to propose a trade-off between wage moderation and an increasing supply of welfare services. Given the difficulties in terms of productivity of many Italian firms, in particular of those facing the hardest international competition, wage moderation seems to be one of the possible ways to recover competitiveness. The supply of welfare provision offers two fiscal and labour-cost related advantages: or any net salary increase, the firm has to add indirect salary costs, whereas this is less the case with the provision of OW benefits; second, welfare benefits are often sustained through fiscal incentives (as in the case of health funds).

The other main motivations are connected to an attempt to improve the relationship between enterprise and workers, strengthening their reciprocal collaboration and rewarding the loyalty of workers.

In many economic sectors and enterprises, trade unions have also been active in OW promotion. Their aims have been usually to offer broader welfare coverage to their workers (and families) and to improve their image among employees thanks to their active role in promoting this type of benefits.

While OW programmes have offered new welfare coverage to a relatively large share of the employed, at the same time there are clear signs of an increasing gap (and inequality) between those who work (with open-ended contracts), benefitting also from OW provision, and the unemployed or those with temporary contracts. At the same time, the spread of OW programmes has differed greatly among workers belonging to different economic sectors and with different levels of qualification. For example in the banking sector OW provision has become very common and relatively generous, whereas, on the opposite side, the textile-clothing-footwear sector has few OW programmes, and these are not particularly generous.

5. Italian Occupational Welfare in the field of Pensions and Unemployment

5.1 Pensions

5.1.1 Origin

Supplementary pensions are the most important pillar of OW in Italy in terms of expenditure and strength. They were introduced in 1993, when law No. 124 essentially set up the transition to a multi-pillar system. Until 1993, supplementary pensions were scarcely present in Italy: pension funds at that time were mostly related to specific economic branches (banking and insurance) or to single companies and public firms (Jessoula 2009). Although the reform was passed in 1993, only since 1999 have the new funds started to be activated.

Before the 1993 reform in Italy there were: i) a generous public system; ii) strong fragmentation in the first public pillar and huge differences between categories. As illustrated previously, since the beginning of the 1990s a radical transformation took place in the public pillar. The growth of a second and third pillar was seen by Italian policy makers as a tool to compensate retrenchment interventions in the public pension system (Natali and Stamati 2013).

Institutional traits

➤ *Regulation and Administration*

Following the 1993 reform and subsequent revisions, the supplementary pillars are organized through four different types of pension institutions, of which only the first two can be defined to a certain extent as being part of the occupational (second) pillar:

- closed (collective occupational) funds (*fondi chiusi*, CPFs);
- open funds (*fondi aperti*, OPFs);
- pre-existing pension funds (*fondi pensione pre-esistenti*, PPFs);
- personal pension plans (*piani pensionistici individuali*, PIPs).

Closed funds are set up by collective bargaining between employer and trade unions and are not for profit institutions. They can be created at several levels: company or group of companies, industrial or economic sectors (job category), geographical areas; the self-employed associations can also organize a closed pension. The regulatory framework does not allow CPFs to manage assets, thus they have to conclude contracts with financial institutions such as banks, insurance companies, investment firms or asset management companies.

Open funds are promoted and managed by banks, insurance and investment companies. They can offer both personal and occupational (i.e. based on a collective enrolment) plans. OPFs are, then, hybrid institutions, comprising both second and third pillar elements depending on their mode of affiliation (that is, individual vs collective).

Pre-existing pension funds are those funds created before the 1993 reform and that have remained after the reform. As will be illustrated below, they are, in absolute terms, the most numerous, although they account for nowadays only around 10% of the total numbers enrolled in the second and third pillar.

Personal pension plans offer an integrative approach linked to life insurance contracts, although benefits have to be paid according to the same rules as those applied to pension funds. They are the main third pillar and they receive the same tax treatment and incentives as pension funds. As the name indicates, enrolment in these plans is individual, allowing the enrolled person to stop payment of premiums, and maybe re-start again, without being penalised.

The presence of these different types of supplementary pension schemes shows that in Italy the real difference between occupational and personal schemes (i.e. second and third pillar) does not depend often on the type of pension fund (closed, open or pre-existing), but on affiliation modes (collective or individual).

Funding, State fiscal incentives and taxation

Supplementary pillars have been introduced on a voluntary basis and provide Defined Contribution (DC) pensions only, mainly relying on tax incentives and especially on the voluntary transfer of the TFR to pension funds.

Supplementary pillars are funded through various sources, depending on the scheme and the characteristics of the enrolled person (e.g. employee or self-employed). For the self-employed the funding comes only from their own contributions. For employees the funding can come from: contributions from the employee; contributions from the employer; input of the mandatory severance payment (named *Indennità di Buonscisa* and *Trattamento di Fine Rapporto-TFR*) into a supplementary pension.

Collective agreements at the sectoral or enterprise level determine the minimum contribution paid both by employees and employers. The TFR is a mandatory severance payment paid to both public

and private employees when the job relationship ends (for firing, dismissal, retirement) ⁽⁸⁾. Since the 1993 reform employees have the possibility to transfer the contributions paid for TFR to funded schemes. To further foster the development of supplementary pillars through the voluntary devolution of the TFR, a later reform in 2005 (phased in in 2007), introduced the “auto enrolment” formula for the transfer of the latter to supplementary funds: i.e. if a worker does not explicitly disagree in a six months period, her TFR flows (not the stock already accumulated by firms) are transferred from firms to pension funds. However, only the choice to devolve it to a fund is irreversible, given that, even after the six months, workers can always decide to move TFR flows to a private pension scheme ⁽⁹⁾.

Since the 2005 reform, the TFR can be transferred to any kind of fund (closed, open and PIP, i.e. even in cases of individual participation to funds). However, if the worker does not declare to which fund it should be paid, the TFR is automatically transferred to the closed fund of his occupational category ⁽¹⁰⁾.

In order to foster the spread of supplementary pension schemes the share of the TFR that goes to a pension fund is not taxed; the contribution made by the employee is deductible from her income and the contribution made by the employer determines the maximum deductible amount. There is a deductibility threshold of 5,164.57 Euro.

Financial investments and risk of insolvency coverage

The Italian law limits the possibility of investing in financial tools that offer guaranteed capital and a return. Funds do not have to invest in order to protect the capital, offering a positive return, although low (through State bonds or other types of bonds).

-
8. The TFR is financed through a deferred part of the wage: every year 6.91% of the gross wage is retained by firms and a fixed return (1.5% plus 3/4 of the inflation rate) is guaranteed on this amount, which is paid as a lump sum when the job relationship is terminated. Note that employees with at least 8 years of seniority in the same firm may receive 70% of the accumulated TFR for buying a house or for medical expenses. Hence, due to the different phases in which it can be paid, the average length of the TFR accumulation does not exceed 10 years. Due to its features, the TFR cannot be considered as a mere sort of mandatory occupational plan because it is intended to solve liquidity constraints in some phases of life, rather than to correct individual myopia by an annuity stream during old age (Cozzolino *et al.* 2006).
 9. Given that for public sector employees no supplementary pension scheme is largely effective, at the moment the TFR reform does not apply to this category of workers.
 10. However it should be remembered that *if* the worker decides not to devolve the TFR to a pension fund, the TFR remains in the enterprise (and it can be used temporarily by the enterprise as a source of self-funding) if the company has less than 50 employees. If the company has at least 50 employees the TFR goes to a specific fund in the National Security Institute INPS. Given the difficulties faced by small enterprises in acquiring finance (through banks, etc.), the possibility of using their own workers' TFR is essential: therefore they tend to encourage their workers to leave their TFR inside the enterprise instead of opting for a pension fund.

At the same time risks of insolvency or bankruptcy are not covered unless a guarantee fund has been created: the law regulating funds does not oblige supplementary pension funds to guarantee either the interest or the capital. The regulation of these aspects is delegated to internal regulation systems for pension funds and can change from one fund to the other.

In order to assess the performances of private schemes it is crucial to compare the returns from pension funds since 1999 (when DC funds began in Italy) with the rate guaranteed by firms on TFR (which is, as said, a sort of private defined benefit scheme, apart from a less than complete coverage in relation to the inflation rate).

The annual average returns of closed and open funds are, as expected, much more volatile than the return on TFR. Returns earned by open funds, in particular, are very variable since a higher share of contributions is invested in shares (see Figure 4). Apart from annual returns, the convenience of alternative investments has to be assessed by computing cumulative returns over longer time spans. Comparing potential returns earned up to December 2014 by ten representative individuals earning the average rate of return, the only difference being their year of entry into a private pension scheme (i.e. between 1999 and 2008) only a slight gap emerges between TFR and an investment in an average closed fund (own calculation on COVIP data).

Finally, it has to be stressed that, apart from financial market performances, net returns on pension fund investments depend on the level of administrative costs. The literature points out that occupational plans usually have much lower costs than personal ones. In fact, where membership of funds depends on belonging to a specific firm or category, the competition among funds to attract members is lower and this significantly reduces marketing expenses and, then, administrative costs compared to a situation where workers are completely free to choose in which plans to enrol and where, therefore, these strongly compete to attract enrolments.

This fact is confirmed by observing the administrative costs of Italian pension funds (Table 4) ⁽¹¹⁾. Because of their not for profit nature, the economies of scale deriving from the greater size of the managed assets and their lower marketing costs, closed funds' administrative costs are significantly lower than those of open funds and PIPs (the most expensive plans), although funds' performances vary greatly. However, for all kinds of funds, the ISC decreases as the duration of membership of the fund lengthens.

Further, from an equity perspective, it has to be remarked that administrative costs are usually regressive because fixed costs and alteration costs (e.g. when starting to pay contributions after unemployment) are relatively greater for disadvantaged persons than for the well-off. At the same

11. In the table, costs for advance redemption and for receiving annuities are not considered. Besides, Italian policy makers have not yet devoted much attention to the rules concerning the annuity phase.

time, richer individuals are usually much better-informed than poorer people and are, therefore, less vulnerable to the risk of missing pension investment choices.

Apart from the returns on and costs of different types of pension funds, it is also important to understand where they invest. The data show a limited investment in Italy (34.9% of the whole asset stock was invested in Italy), mostly concentrated in State bonds, whereas there were only marginal investments in bonds and shares from Italian enterprises (see COVIP parliamentary hearing: Camera dei Deputati 2015 and COVIP 2015). As will be shown in more detail in the next pages, this can be explained by several factors (e.g. the funds' governance, the structure of the Italian financial and economic system, etc.).

5.1.2 Relevance

According to the most recent data (COVIP 2015; see Table 6), at the end of 2014, 38 closed pension funds and 56 open pension funds were operating in Italy. Nevertheless, the take-up rate in occupational supplementary schemes is still limited: slightly fewer than 3 million individuals were members of closed and open pension funds (respectively about 1,950,000 and 1,055,000). In relation to the third pillar, personal plans based on life insurance contracts (PIPs) seem more appealing, given that currently 2.9 million individuals have subscribed to a plan.

As for the number of funds, there were almost 500 funds in 2014, with indicatively around 90 of them being occupational ones. However a restricted number of these (11 in general and 6 among the closed and open funds), with at least 100,000 members each, had 44% of the total number of members. This concentration is particularly striking for new PIPs and, to a lesser extent, for occupational pension funds.

Table 6: Main characteristics of Italian pension funds (year 2014)

<i>Type of fund</i>	<i>Members</i>	<i>Number of funds</i>	<i>Number of funds with at least 100,000 members</i>	<i>Concentration of enrolled persons in funds with at least 100,000 members ^(a)</i>
Closed funds	1,944,276	38	4	44.4%
Open funds	1,055,716	56	2	26.8%
Pre-existent PFs	650,133	323	0	0%
New PIPs ⁽¹⁾	2,445,984	78	5	70.4%
Old PIPs ⁽²⁾	467,255	-	0	0%
Total	6,539,936	496	11	43.9%

(a) Those enrolled in funds with at least 100,000 members as a percentage of the total number of enrolled persons.

(1) PIPs created after the 2005 reform (Decree No. 252).

(2) PIPs created before the 2005 reform (Decree No. 252) and not meeting the reform criteria.

Source: own elaboration from COVIP (2015).

The total number of individuals enrolled in supplementary schemes, including pre-existing funds, thus amounts to 6.5 million, out of slightly less than 23 million employed. In comparative terms the take-up rate is relatively limited, although not insignificant. In 2014, around a quarter of the workforce was enrolled in pension funds (25.6%) (Table 7). However, also in 2014, around 24% of the enrolled did not pay regular contributions to the fund. Therefore the coverage rate of PFs is actually around 20% if we only consider those who have regularly paid.

Moreover, if we concentrate only on occupational pension funds, the coverage rate was in 2014 around 14%.

Table 7: Main characteristics of Italian pension funds: coverage rates

% of workforce enrolled in occupational pension funds (open and closed funds)	13.8%
% of workforce enrolled in PFs	25.6%
% of individuals enrolled in PFs who have not paid regular contributions (out of the total number of enrolled)	24.1%
% of workforce enrolled in PFs - only those who have regularly paid contributions	19.5%
% of employees in the private sector enrolled in PFs (as a % of private sector employees)	33.6% ^(a) (27.2%) ^(b)
% of employees in the public sector enrolled in PFs (as a % of public sector employees)	5.2% ^(a) (5.1%) ^(b)
% of self-employed enrolled in PFs (as a % of self-employed)	33.5% ^(a) (20.6%) ^(b)
% of employed enrolled in PFs (as a % of employed)	29.4% ^(a) (22.3%) ^(b)
<i>% of enrolled in PFs by age</i>	
Below 35 years (as a % of the total workforce below 35 years)	16%
35-44 (as a % of the total workforce aged 35-44)	24%
45-64 years (as a % of the total workforce aged 45-64)	31%
<i>% of enrolled in PFs by gender (as a % of the total workforce by gender)</i>	
Male	27.2%
Female	23.5%
<i>% of enrolled in PFs by geographical area (as a % of the total workforce in each geographical area)</i>	
Northern Italy	30%
Central Italy	25%
Southern Italy	18%

(a) Rate calculated with reference to the total number of enrolled persons.

(b) Rate calculated with reference only to the number of enrolled who pay regular premiums.

Source: own elaboration from COVIP (2015).

5.1.3 Differences in access and benefits

As Natali and Stamati argue (2013), the spread of occupational pension funds in Italy has replicated and even reinforced the differences, already existing in the public pillar, in terms of coverage and quality of protection, between sectors and types of enterprises (public vs. private, small vs. big). Extension of the second pillar in the pension field, therefore, has brought about a greater fragmentation of protection against risks related to old age. The (narrow) space for solidarity and social security rights and obligations tends to be defined at the enterprise or sector level. The broad lines of fragmentation and dualization promoted by the funds run along five lines: between public and private sector workers; between the self-employed and employees; between large and small enterprises; between different geographical areas of the country (North and South); between typical and atypical work. These differences are largely related to the different conditions (more or less advantageous) of access to funds for workers, conditions that are mostly determined by the different strength (in terms of productivity, unionization, etc.) of the various economic sectors.

In particular (Table 7), the take-up rate between private employees and the self-employed is practically the same (33.6%- 33.5%) but is only 5.2% among public employees due to the later starting-point of supplementary schemes in the public sector and other constraints (see Jessoula, 2011). It is important to notice however, that, excluding from the computations those individuals not having paid contributions in 2014, the enrolment rate decreases respectively to 27.2%, 22.3% and 5.1%: with the economic crisis, the self-employed have not paid contributions more often than employees. Before the reform concerning the devolution of TFR (phased in in 2007) the take-up rate among private employees was much lower (around 15%); however so far the enrolment rate target set by policy makers (40% among private employees) is still far from reached.

Several reasons may explain why the enrolment rate increase has been much lower than expected:

- TFR and pension funds are not perfect substitutes in terms of returns, risks and liquidity (Cozzolino *et al.* 2006);
- financial market performances have been very volatile in recent years;
- the choice in favour of pension funds is irreversible, whereas at any moment the worker can choose to devolve TFR to funds, making it sensible to postpone the choice between the two alternative investments, especially during the crisis;
- the peculiarity of the Italian economy, based on a large share of micro-small and medium size firms with low unionization rates, which does not constitute a fertile ground for the expansion of voluntary funded pensions (Jessoula 2011);

- Trade Unions, or at least some of them (see section 6.2), have not been particularly supportive of a large expansion of occupational pensions for several reasons (one being the fact that the Italian public pension system remained, at least until 2010, generous compared to many other Continental and Northern European ones).

However, the weak development of the private pillars, and their modest role in increasing future pensioners' prospects, are connected to a lack of confidence in supplementary schemes rather than to a low contribution rate to these schemes by participants (the sum of the TFR, employer and employee contribution amounts to about 10% of his/her wage, due to the 6.91 TFR contribution rate plus, on average in the main closed funds, a 1.5% contribution rate paid by both the employer and the employee).

In particular - probably both due to binding liquidity constraints and high discount rates of future pension benefits – the enrolment rate is very low among the young generations: only 16% of the total workforce aged less than 35 years is enrolled in a fund, whereas this percentage practically doubles among those aged 45-64.

There are also gender differences: 27.2% of the total male workforce are members of a fund, whereas this incidence is lower among women (23.5%).

Even wider are the differences in the take-up rates in various Italian geographical areas. The traditionally most industrialized and wealthiest area of the country, the North, has take-up rates, of the total workforce, of around 30%, whereas in the poorer and less economically developed South the percentage is around 18%.

An analysis of the 38 closed funds' take up-rates in 2014 can provide also a clearer view of the level of segmentation and fragmentation in terms of access, varying significantly depending on the sector and firm size (Table 8). Take-up rates are particularly low in agriculture, in typical "Made in Italy" manufacturing branches (textile, food products, furniture, etc.), construction ⁽¹²⁾, retail and many other (labour-intensive) services: these are sectors where often there is a wide fragmentation in the productive system with a prevalence of small and medium size firms.

Rates are high in funds for chemical and pharmaceutical workers (76%), metal workers (around 54%), plastic workers (49%), machinery and automotive workers (41%) – manufacturing

12. However in 2015 an important collective agreement has been signed in the construction sector: both employers' and workers' representatives have agreed to introduce an auto enrolment system through an employers' contribution for all those employees without a supplementary pension. Given the fact that there are in this sector around 500,000 workers and the take-up rate was less than 10% in 2014, this new collective agreement should increase substantially the overall coverage rate of supplementary funds.

branches often with larger firms (more than 250 employees). Also the energy and water supply sector, as well as the transport sector, often have very high take-up rates, connected to the presence of large size companies, often previously public and then (partially) privatized since the 1990s.

The interviews with key informants and the analysis of stenographic reports of the hearings of social partners at the parliamentary commissions of the Italian Chamber of Deputies (Camera dei Deputati 2014a) help to better understand the reasons behind the varying importance of supplementary funds in different sectors and types of enterprises. If the level of skills required by employees explains part of the difference, the characteristics of SMEs also play an important role: transferring the TFR to supplementary funds is particularly problematic for small and medium size enterprises, given the fact that this type of firm has difficulties in accessing financing through the banking system and tends to use the TFR as a source of funding.

Furthermore, as the interviews with the enterprises' representatives made clear, the transfer of the TFR to pension funds is not particularly well accepted and well regarded by SMEs, given their opinion on pension funds' investment strategies: 'SMEs do not issue stocks or bonds. If a SME is lucky, the TFR given to a pension fund will be used to invest in bonds and stocks of a larger company, collaborating with the same SME. If it is unlucky, the TFR will be used by the funds to invest in a company that is a competitor or, even worse, in a competitor abroad. So, somebody should explain how it is possible to convince a SME entrepreneur to encourage her workers to join a pension fund' [Int. No. 2].

In addition, according to the enterprises' representatives, due to the last pension reforms (in particular the one in 2011), which increased strongly the retirement age, the priority for SMEs, like craft firms, is not the development of supplementary pension funds, but to introduce a flexible retirement age in order to stimulate the turn-over of the workforce [Int. No. 2].

Moreover in the sectors where SMEs are predominant, employees tend to be in a less secure economic situation (on average lower wages and more likelihood of losing the job) and they tend to use the TFR as an (improper) tool to deal with unexpected expenses and unemployment risks. The different role played by trade unions in these sectors – given also the different size of firms – can also partly explain the differences in the enrolment rates: TUs are less present in SMEs.

In the public sector, the low prevalence of supplementary funds is partially related to the belated creation of funds and the fact that the fiscal benefits introduced in the 2007 reform do not apply to the public sector.

Table 8: Coverage of VOW (% of total employees) Closed funds by sector, specific branch and coverage rate: a comparison over time (2000-2014)

Sector	Fund	Specific branch	2000	2014
A - Agriculture, forestry and fishing	FILCOOP	Cooperative workers in agriculture, forestry and fishing (A)	n.p.	6.1
	AGRIFONDO	Crop and animal production, hunting and related service activities (A1)	n.p.	2.6
C- Manufacturing	FONCHIM	Manufacture of chemical products (C20) and pharmaceutical products (C21)	57.4	76.0
	CONCRETO	Manufacture of other non-metallic mineral products - cement and construction material (C23)	32.3	67.4
	QUADRI E CAPI FIAT	Manufacture of motor vehicles (C29) - only white collar workers and managers of the group FIAT	91.6	64.7
	FONCER	Manufacture of other non-metallic mineral products - ceramic (C23)	74.0	54.4
	GOMMAPLASTICA	Manufacture of rubber and plastic products (C22)	16.4	49.5
	COMETA	Manufacture of machinery (C28), motor vehicles (C29) and other transport equipment (C29)	33.5	40.9
	ALIFOND	Manufacture of food products (C10) and beverages (C11)	10.1	19.3
	BYBLOS	Manufacture of paper and paper products (C17)	4.0	16.4
	PREVIMODA	Manufacture of textiles (C13), wearing apparel (C14) and leather and related products (C15)	5.8	14.5
	ARCO	Manufacture of wood and of products of wood (C16), and furniture (C31)	6.6	13.4
	FONDAPI	Workers of SMEs in different branches	2.9	7.2
SOLIDARIETA' VENETO	Workers of SMEs and large enterprises in the region Veneto	3.2	5.4	
D - Electricity, gas, steam and air conditioning supply; E - Water supply	FOPEN	Energy (companies of the industrial group ENEL)	74.9	95.5
	FONDENERGIA	Energy (mostly companies of the industrial group ENI)	65.0	80.2
	PEGASO	Water, electricity and natural gas supply (E)	65.0	60.8
	PREVIAMBIENTE	Environmental activities (E)	32.8	19.6

F – Construction	PREVEDI	Construction (F)	n.p.	8.2
Wholesale and retail trade (G) and Accommodation and food service activities (I)	PREVICOOPER	Workers in cooperatives in retail (G)	3.2	42.4
	FONTE	Employees in retail (G) and accommodation and food service activities (I)	0.3	7.8
H - Transporting and storage	FONDAEREO	Air transport (H51) - pilots and workers on airplanes	n.p.	83.0
	FONDOPOSTE	Postal and courier activities (H53) - employees of the group Poste	n.p.	66.2
	ASTRI	Land transport (H49) - highways branch	n.p.	56.9
	PRIAMO	Land transport (H49) - railways branch	0.0	44.5
	EUROFER	Land transport (H49) - railways branch - group State Railways	0.0	41.2
	PREVAER	Air transport (H51) - workers in the airports	n.p.	36.1
	PREVILOG	Transporting and storage (H) - Logistics workers	n.p.	8.5
Public Administration (O), Education (P), Human health and social work activities (Q)	LABORFONDS	Public Administration of the Region Trentino Alto Adige (O)	24.9	46.7
	FOPADIVA	Public Administration of the Region Valle d'Aosta (O)	1.5	24.5
	ESPERO	Public employees of the education sector (P)	n.p.	8.3
	PERSEO SIRIO	Public Administration (O) and Human health and social work activities (Q)	n.p.	1.1
	FONDOSANITA'	Self-employed in human health activities (Q)	6.6	0.6
Information and communication (J)	TELEMACO	Telecommunications (J61) - mostly the Telecom group	32.8	40.0
	MEDIAFOND	Programming and broadcasting activities (J60) - mostly the Mediaset group	0.0	31.5
Other sectors	FONTEMP	Atypical workers	n.p.	0.8
	FUTURA	Self employed quantity surveyors	n.p.	0.4
	COOPERLAVORO	Workers in cooperatives	33.5	19.6

n.p.: not present in the year.

Source: own elaboration from COVIP (2001 and 2015).

Looking more closely at the two economic sectors analysed in the present project (the automotive and the retail sector), Table 8 shows that the automotive branch is part of a broader sector, the mechanical engineering sector, where there are different collective agreements and supplementary funds: four of them relate to different types of enterprise; the fifth one is only for FIAT white collar workers and managers. In the mechanical sector there are four collective agreements: one for the large size enterprises; one for the SMEs; one for the craft/artisans; and the last one for the

cooperatives working in the sector. Along these four collective agreements there are several supplementary 'closed' pension funds:

- COMETA is the Pension fund for employees working in large mechanical enterprises, including those in the automotive sector; it is the most important supplementary pension fund in Italy;
- FONDAPI is the Pension fund for SMEs, including those in the mechanics sector;
- QUADRI E CAPI FIAT is the fund just for FIAT white collar workers;
- PREVINDAI and PREVINDAPI are the two funds for managers, respectively in large enterprises and SMEs; these two funds were already existent previous to the reform.

FON.TE and PREVICOOOPER are the two main supplementary funds in the retail sector, the former for employees in general, not just in retail trade but in the tertiary sector, and the latter for workers in cooperatives. Since 2011 FON.TE also includes ARTIFOND, the artisan sector fund. ARTIFOND was not able to reach the minimum number of members (around 12 thousand in a sector with around 1 million workers).

Table 9: Contribution rates for different pension funds in mechanical engineering and retail

<i>Pension Fund</i>	<i>Economic Sector</i>	<i>Type of fund</i>	<i>Worker's contributory rate (min-max)</i>	<i>Firm's contributory rate (min-max)</i>	<i>TFR old employees (already employed before 1993)</i>	<i>TFR new employees</i>	<i>Total contribution from old employees</i>	<i>Total contribution from new employees</i>
COMETA	Mechanics	Closed Fund	1.20 - 1.50	1.20 - 1.50	2.76 - 6.91	6.91	5.16 - 9.91	9.31 - 9.91
FONDAPI	Mechanics (SMEs)	Closed Fund	1.20 - 1.60	1.20 - 1.60	2.76 - 6.91	6.91	5.16 - 10.11	9.31 - 10.11
Quadri FIAT	Mechanics (white collars in FIAT)	Closed Fund	2.00	2.00	3.46 - 6.91	6.91	7.46 - 10.91	10.91
PREVINDAI	Mechanics (managers)	Already existent	4.00	4.00	0.21/0.28 - 6.91	6.91	8.21/8.28 - 14.91	14.91
PREVINDAPI	Mechanics (managers)	Already existent	3.00 - 4.00	3.00 - 4.00	0.21/0.28 - 6.91	6.91	6.21/8.21/8.28 - 14.91	12.91 - 14.91
FON.TE	Retail sector	Closed Fund	0.55	1.05 - 1.55	3.46 - 6.91	6.91	5.06 - 9.01	8.51 - 9.01
PREVICOOOPER	Retail Sector	Closed Fund	0.55	1.55	3.46 - 6.91	6.91	5.56 - 9.01	9.01

Source: own elaboration based on the funds' information.

The table shows the contribution rates of the main pension funds in the two sectors taken into consideration in the present project: mechanical engineering/automotive; retail commerce. There is a clear differentiation between blue collars vs. managers. The managers' funds are Quadri Fiat, Previndai e Previndapi and have contributory rates which are more generous in comparison with

those for the other (blue collar) funds. If we compare the rate between mechanics and retail commerce, rates are lower for the latter.

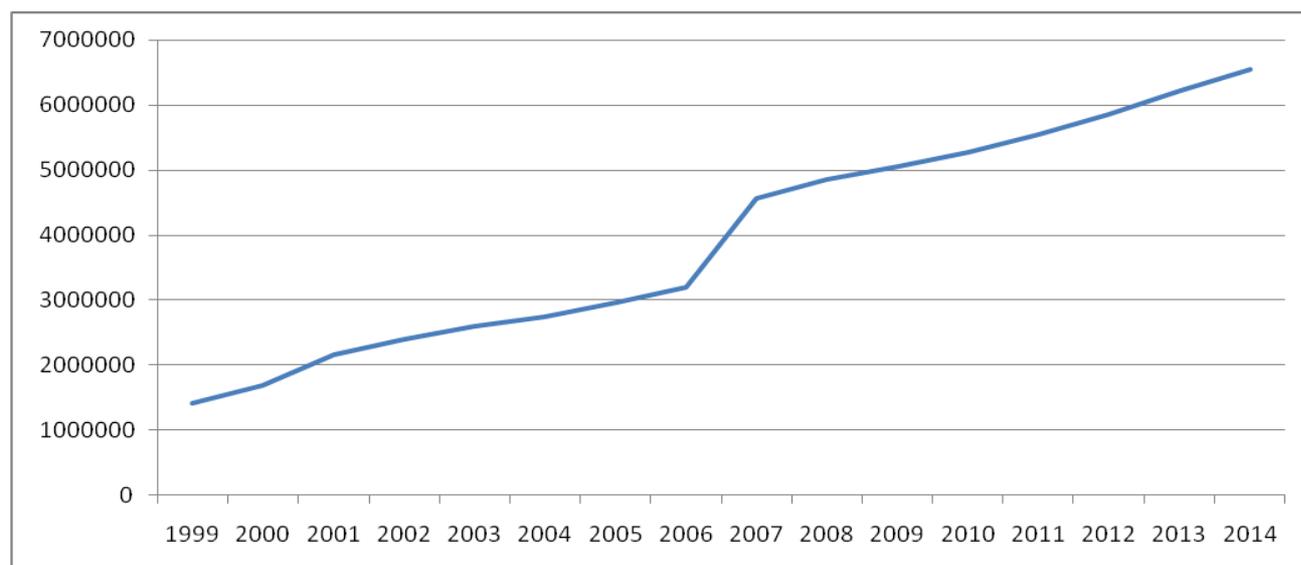
5.1.4 Evolution and debate

A basic facet of Italian policy regulation of supplementary and occupational pension schemes is the significant (undeclared) change that has taken place since the mid-2000s in the approach and role assigned to the second (and third) pillar. As highlighted by Jessoula (2011), while the reform introduced a fully-fledged multi-pillar pension system for workers who will retire roughly after 2030, in fact the various pillars have not at all been integrated and pension policymaking has actually been 'duplicated': at least since the mid-2000s, public pension reforms have been designed independently from changes in supplementary funded pillars – and vice versa – this possibly leading to inconsistent developments.

In this respect the 2011 pension reform can be understood in terms of 'duplication': it increased the pension age and at the same time made it, indirectly, less convenient for workers with stable careers to invest in pension funds: by the time they retire, their pension will be high enough (in terms of the replacement ratio). At the same time those workers with more unstable careers and who would profit the most from a supplementary pension will not often have enough resources to invest in pension funds.

This 'duplication' (and relatively inconsistent developments) can also help to explain why the take-up rates are not particularly high. Since the launch in 1999 of DC supplementary pension schemes there has been an overall steady growth of enrolments. The 2005 reform, which came into effect as of 2007, was the only moment when the growth of supplementary pensions sped up with a strong increase in enrolments (+43.2% between these two years) (Figure 1).

Figure 1: Total number of those enrolled in supplementary pensions in Italy over time (second and third pillar) (years 1999-2014)



Source: COVIP (2015).

The main innovation introduced with the 2005 reform was the transfer of severance pay (TFR) (roughly 7% of gross wage) into supplementary pension funds through automatic auto-enrolment: only in the case of explicit disagreement does the TFR not go to a supplementary pension scheme. Since 2007 to 2014, an almost constant percentage of the TFR has been transferred to supplementary pension schemes: around 20% (COVIP 2015).

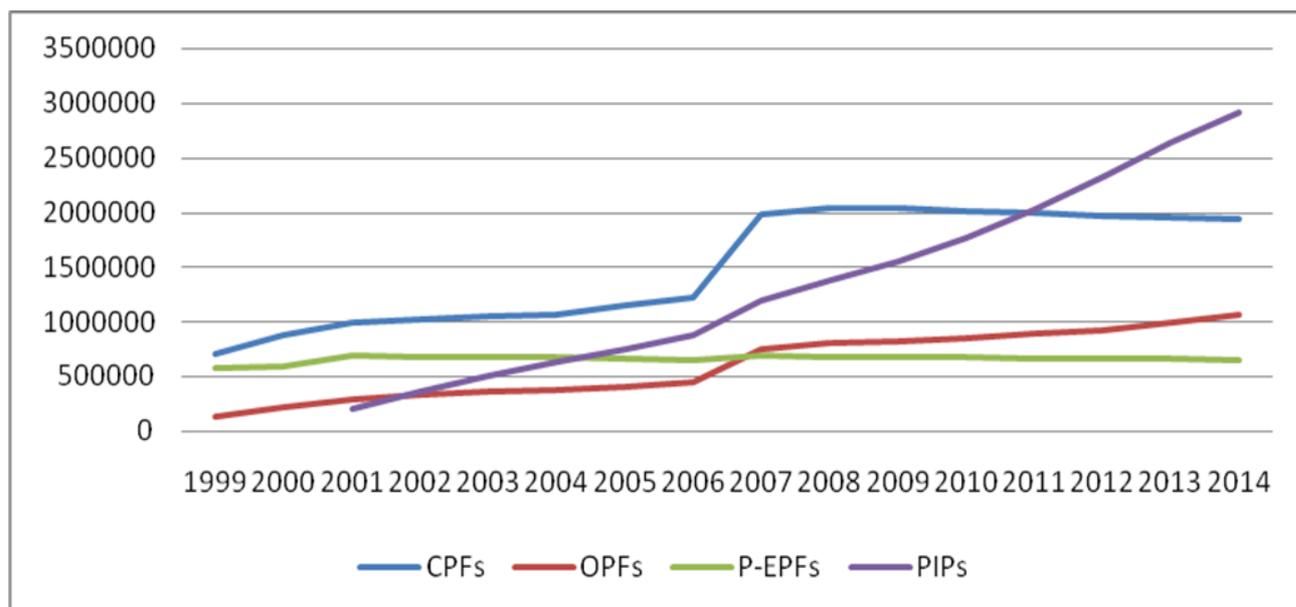
A further innovation in the regulation of the relationship between supplementary pensions and the severance pay scheme was introduced with Law 190 in 2014 (the 'Financial Stability' Law for 2015). Since the introduction of the law, private sector employees can ask to receive TFR payments directly as part of their salary. This means that supplementary pensions have to compete with another different alternative for the use of severance pay economic resources, which could reduce the number of workers interested in enrolment. However the data so far (Autumn 2015) show that very few workers have opted for receiving TFR payments in their salary, and there has been no effect on supplementary pensions.

Moreover, the expansion process between 1999 and 2014 followed different paths depending on the type of fund (Figure 2). While pre-existing PFs followed a bell curve trajectory, all other types of funds increased. Closed funds grew rapidly between 2006 and 2007 (+63.1%), but since then the enrolment growth rate in closed funds has been slightly negative (-2.2% between 2007 and 2014). Open funds kept on growing during the whole 15 years timespan (also in this case there was strong growth between 2006 and 2007, equal to +69.6%). Personal plans based on life insurance contracts (PIPs) seem increasingly appealing, given that their strong growth rate has not slowed down even after 2007: the total number enrolled in 2011 in the third pillar through PIPs

outdid enrolment in the closed (second pillar) funds and since then the gap between these two types of funds has kept on widening.

In terms of coverage rate, occupational pension funds covered around 4% of workers in 1999 and they reached around 14% after fifteen years in 2014.

Figure 2: Total number of those enrolled in supplementary pensions in Italy over time by type of supplementary pension type (years 1999-2014)



Source: COVIP (2015).

It is interesting to take a look at what has happened over time in specific closed funds, in order to assess how different economic sectors and funds have developed over time in terms of membership and coverage rate. The funds reported on in Table 7 are practically the same as those in Table 8: the table reports coverage rates in 2000 and 2014. There are three types of funds:

- those that have strongly increased coverage (in the chemical and pharmaceutical industries, in construction materials, in plastic manufacturing, in energy, in cooperatives working in the retail system);
- those that have only partially increased coverage (manufacturing - machinery and automotive, the food industry, paper manufacturing, textile, wood products manufacturing, telecommunication);
- those that have lost coverage (workers in cooperatives, white collars in FIAT, manufacturing of non-metallic minerals, public utilities supply, environmental activities).

There seems not to be a pattern (related to the sector, etc.) explaining different trends.

Looking at the distribution of the funds, it is clear that a process of de-fragmentation and concentration in the second and third pillar has been taking place, especially among pre-existing funds (from 618 in 1999 to 323 in 2014) and open funds (from 88 in 1999 to 56 in 2014). In the case of closed funds their numerical evolution over time followed a bell curve (from 33 in 1999 to 42 in 2007 to 38 in 2014). Overall there were 739 funds in 1999 and 496 in 2014.

Moreover the process of defragmentation continued during 2014 in particular in the closed funds sector: there was the merger between two public sector funds and another two funds were closed, given the fact that they did not reach the minimum enrolment rate (Table 10).

Table 10: Main characteristics of Italian pension funds: an evolution over time in the number of funds

	Number of funds				
	1999	2007	2014	Var. 99-14	Var. 07-14
Closed funds	33	42	38	15.2%	-9.5%
Open funds	88	81	56	-36.4%	-30.9%
Pre-existent PFs	618	433	323	-47.7%	-25.4%
New PIPs ⁽¹⁾	-	72	78	-	+8.3%
Old PIPs ⁽²⁾	-	-	-	-	-
Total	739	629	496	-32.9%	-21.1%

(1) PIPs created after the 2005 reform (Decree No. 252).

(2) PIPs created before the 2005 reform (Decree No. 252) and not meeting the reform criteria.

Source: own elaboration from COVIP (2015).

Apart from these legal changes and those concerning enrolments in different types of funds, the last COVIP report (2015) underlines another (worrying for the second pillar) change: there has been in recent years a strong increase in the number of members unable to pay their contributions to the supplementary schemes due to the economic crisis. As already underlined before, 24% of total numbers enrolled did not pay in their contributions in 2014: 1.6 million members (170,000 more than in the previous year), mostly enrolled in open funds and PIPs, very often self-employed.

The President of COVIP, Francesco Massicci, underlined also the necessity of a stronger impulse to supplementary pensions (COVIP 2015). Moreover he has fostered a debate on the possibility of integrating and creating synergies between supplementary pension and integrative health care funds, also suggesting the creation of a single supervisory authority for both sectors.

An updated view of the debate on supplementary pensions in Italy has been obtained in the present project through specific interviews with key stakeholders and the analysis of stenographic

reports of the hearings of social partners at the parliamentary commissions. To a large extent, the social partners share a common view on supplementary pensions: they think supplementary pensions are strategically important given the changes in the labour market and in the first pillar [Int. No. 1, 3, 5, 6, 7]. Among the TUs, the CISL, especially, sees supplementary pensions as an important element of a new 'welfare mix', in terms of subsidiarity [Int. No. 1] and (Camera dei Deputati 2014a).

All main actors, including the social partners, share the view that supplementary funds should play a role not only in covering risks, but also in fostering Italian economic development: 'apart from integrating the first pillar – their primary function – supplementary pensions could contribute to economic development and growth by investing in Italian enterprises' (Camera dei Deputati 2014b). However, as already underlined before, so far only limited resources from supplementary funds have been invested in Italy, and less than 3% of the amount invested in stocks and shares is directed to Italian firms. The debate among social partners and in the Parliament is how to improve the level of investment in enterprises and socio-economic infrastructures. The main issue is related to the introduction of institutional mechanisms that can allow funds to invest in the real economy but to maintain, on average, low investment-risk (in order to safeguard pension fund members) [Int. No. 1, 2; 3, 5].). Combining investments in the real economy and low risk investments requires the presence of a third party, the State, in order to provide incentives for investments as well as safeguards. Until 2015, State regulation was very limited in this regard: only in May 2015 was a Legislative Decree passed that encourages funds to invest in the real economy through fiscal incentives.

Social partners tend to have different views in relation to the role, and capacity to attract members, of the second and third pension pillars. First, the higher growth capacity of (third pillar) personal pension plans in comparison to closed (occupational) funds is explained differently by the main employers' association Confindustria and the TUs. The former stresses the better capacity of banks and insurance companies to promote personal pension plans. The latter argue that such a strategy has only managed to shift workers from the second pillar to the third, and has not been able to increase substantially the overall number of workers covered. Second, both TUs and the main enterprises' association, Confindustria, are strongly against the proposal, discussed in Autumn 2015 in Parliament, to allow the "portability" of the employers' contribution to second pillar funds: the proposal introduces the right for the worker to shift from a second pillar to a third pillar scheme, carrying with her all the contributions made by her employer. But, as mentioned by one of the interviewees: "portability has to be applied to supplementary funds which are homogeneous: the second pillar is fundamentally different in comparison with the third pillar, because the first is not for-profit" [Int. No. 6]. After these strong criticisms from the social partners, the Parliament has rejected the "portability" of the employers' contribution.

5.2 Occupational Welfare in the unemployment protection field

5.2.1 Origin

As already previously underlined, one historical weakness of the Italian social security system is the unemployment insurance arrangements. A somewhat incoherent, highly fragmented system has developed over time, where the types and levels of protection depend on a whole set of criteria: nature of the employment contract, size of the company, sector of the economy, age of the beneficiary.

Given the flaws in the social security system for the unemployed, collective bargaining has functioned as a 'stop-gap'. 'Bilateralism' is one of the original forms of collectively agreed welfare provisions, which has made up for some of the shortcomings in the arrangements for income protection in the event of temporary job losses. Bilateralism plays a highly significant role in this context, since it helps to manage what could be defined as a 'mixed' system.

In order to understand the role of occupational welfare in this field, it is important to look at Figure 1, given the complexity of the Italian unemployment system. The Italian system centres around two mechanisms: unemployment benefits and short working time schemes for temporary lay-off. Unemployment benefits have traditionally been relatively low in terms of coverage and generosity: many sectors and types of enterprises were excluded (see section 2.2). Since the recent reforms during the austerity years, the coverage of these schemes has been extended and most workers are covered. However, one of the main pillars of Italian passive labour market policies is still the Short working time schemes for temporary lay-off and in particular the Wage Redundancy Fund (the so-called *Cassa Integrazione Guadagni*, CIG). Occupational welfare through collective agreements has started, in recent decades and, especially, years, to play a significant role in relation to these types of schemes. The CIG traditionally covers only certain sectors (manufacturing) and employees in large enterprises. Occupational welfare, through bilateral 'solidarity' funds, plays a central role for employees in many other sectors and types of enterprises (especially the small ones).

Starting in 1996, the law promoted the establishment of funds to finance experiments with 'income and employment support measures' in sectors and companies not eligible for the system of social cushioning measures (Act. 662). The banking sector, the postal services and transport (Alitalia included) were the sectors to benefit most from that provision.

Yet at the end of the 1990s, regional joint 'income support' funds were set up by craft/artisan firms. Major innovations were made at the start of 2009 with the enactment of Law No. 2/2009. Most particularly, the craft industry model was extended to all other sectors not having access to

the short working time schemes for temporary lay-off (CIG): benefits for ordinary unemployment started to be recognised even in cases where the employment relationship is suspended (but not terminated) owing to a 'company crisis'. The number of days payable was raised from 65 to 90. The benefit was awarded subject to a 20% contribution from the Bilateral Fund: this presumably reflects a desire to avoid uninhibited recourse to unemployment benefit by employers. These relate, for example, to the list of sectors in which joint bodies either are not, or are not yet, permitted to disburse allowances of this kind. Receipt of public allowances, in the form of unemployment benefit, became partly contingent on a top-up from a private-law institution, namely the Bilateral Fund.

In the last two reforms of the labour market (the Fornero Act n° 92, in 2012, and the Jobs act, in 2015), the bilateral 'solidarity funds' have become pillars of the social cushioning mechanisms which apply in cases of temporary crisis and restructuring. Following the existing system for banking and transport, these reforms establish that:

- 1) bilateral 'solidarity funds' must be introduced in all the sectors and branches excluded by legislation from the wage redundancy funds, with the purpose of supporting employee income in the event of temporary suspension due to a crisis and labour cuts;
 - a. these funds have to be created through sector or multi-sector agreements, are self-financed and are established within the National Institute for the Social Protection (INPS);
 - b. the funds cover companies with over 15 employees (since 2016, the threshold has been lowered to 5 employees);
- 2) 'Alternative' funds are allowed in those branches where they are already established, as in the craft sectors.
- 3) In order to foster negotiation between social partners and to meet the required agreements, a deadline was given. By then, all companies without an agreement would have been obliged to finance an inter-sectoral 'residual' fund, financed and managed with criteria established by administrative directives. Since the response of sectoral social partners remained quite ineffective, in 2014, all the sectors and companies began to pay into the 'residual fund'.

Scheme 1: Unemployment and temporary lay-off coverage: the role of bilateral funds

	Main Schemes	Beneficiaries
<i>Covered by the law:</i>		
1. Unemployment benefits	NASPI; ASDI	Becoming universal since the recent reforms
2. Short working time schemes for temporary lay-off	Wage Redundancy Fund (CIG)	Manufacturing; Large Size Companies
<i>Outside the statutory coverage and covered by collective agreements (and law):</i>		
3. Short working time schemes for temporary lay-off through collective agreements and the Ministerial Decree	'Compulsory' Bilateral Solidarity Funds	Employees in banks, insurance, transport and postal services
4. Short working time schemes for temporary lay-off through collective agreements only	'Alternative' Bilateral Solidarity Funds 'Residual'	Employees in craft/artisan, commerce, tourism and the rest of the tertiary sector

Source: authors' own elaboration.

5.2.2 Institutional traits

➤ Regulation and Administration

One of the pillars of Italian voluntary occupational welfare (VOW) – on issues such as pensions, health, vocational training and temporary lay-off – is the so-called 'Bilateralism'. This can be described as a set of sub-systems within the broader national system of industrial relations (besides collective bargaining, worker participation, social concertation): a further domain in which worker representation can play a strategic role and express its voice. The bilateral bodies and funds are jointly self-regulated and self-financed, mostly governed by private law, though often supported and encouraged robustly by the law. They are originally autonomous and contractual, but legislation supports them quite strongly, fixing rules and checks concerning financing and management. The aim of the bilateral bodies is to recast welfare state schemes: they support/replace industrial relations especially where the union presence is weaker. Bilateral bodies operate in various sectors and levels.

In order to guarantee a higher level of accountability and transparency in the funds' governance, some protocols and codes of conduct have been signed by the social partners in sectors such as the construction and tertiary sectors. A 2009 Agreement introduced a national joint Commission that has the task of monitoring the aims, performance and governance of the bilateral agencies.

➤ *Funding, State fiscal incentives and taxation*

Social partners can agree on the level of contributions to finance their own fund. Unlike the CIG, which is entirely financed by employers, the Bilateral Solidarity Funds are financed 2/3 by enterprises and 1/3 by workers. According to the most recent legislation, the contribution cannot be below 0.45% in firms with less than 15 employees, and 0.65% over this threshold. Previously, the Pension reform of 2011 was applicable only to enterprises with at least 15 workers and the rates could be equal to 0.20% (minimum) for the Funds already operating and 0.50% for the Residual Fund. No fiscal incentives apply.

➤ *Access and benefits*

Contrary to what happens with the more traditional short working time schemes, the right to benefits is conditional on the existence of financial resources accumulated by the fund: Funds cannot run into deficit.

5.2.3 Importance

Nowadays these funds are quite highly developed in branches with a very high rate of SMEs, seasonal or fragmented work, where employment has been traditionally unstable and the trade unions weak at the workplace level (construction, craft, agriculture, retailing, tourism, temporary agency work). Unions and employers have also established bipartite joint bodies and funds (*enti e fondi bilateral*), either at National and territorial level, an original form of collectively agreed welfare provision.

The construction and craft/artisan sectors are sectors where bilateral agencies are more widespread and more long-standing. In the case of construction, the 'bilateral funds' (*Casse Edili*) system dates back to the years between the two world wars.

In the service sector as well, there are many bilateral funds, including in the retail sector. Coverage in the service sector started with the national sectoral agreements of the mid-1990s, 2004 and 2008. Due to the wide fragmentation of branches and employers' associations, the number of bilateral funds, in the whole tertiary sector, is pretty high: in 2014 there were 236 funds, 42 national and 194 at the local level.

In the different manufacturing sectors bilateral funds have been less widespread. This is because, at least in the larger-size companies (with at least 15 workers), the system of shock absorbers covers a good part of workers' needs. However, small enterprises in manufacturing are covered through the craft bilateral funds.

In the metal and automotive sector there are four different national agreements: large enterprises; SMEs, craft and cooperatives. For SMEs the last national agreement, signed in July 2013 by all main TUs, introduced a Bilateral Fund for Mechanics.

5.2.4 Differences in access and benefits

Despite their ambition to reach 'universal' coverage partly through the new tools concerning temporary suspension of employment, the bilateral funds do not achieve the same degree and scope of protection as the statutory wage funds. As already underlined, unlike the latter, bilateral funds require the workers to contribute to the financing of the measures. Furthermore, the duration and the replacement rate is lower than in the companies covered by the stronger legal protection.

Unemployment support depends on whether sufficient resources happen to have accumulated within the funds, whereas their level should reflect the amount of the companies' contribution, decided during negotiations among social partners. Such contributions, to offer an example, are very low in the case of the craft sectors. It is hard to imagine, in the event of a widespread crisis, that provision will be adequate in terms of coverage and generosity.

Last but not least, if the solidarity funds leave workers in very small enterprises with less than 5 employees without coverage from 2016 on, the law will have partially failed to meet its promises and expectations. The main weak point of the current unemployment system in Italy has traditionally been the unfair dualism and polarization between the strong sectors, covered by the law on wage redundancy funds, and the SMEs, excluded from such protection.

5.2.5 Evolution and debate

There are pressures everywhere to use bilateralism and occupational welfare as an affordable (exit) strategy at a time of sovereign debt crisis and resulting retrenchment of social expenditure. Employers have more power over workers' conditions within the employment relationship. Workers receive more guarantees in terms of unemployment benefits, employability and services increasingly cut by spending reviews and social expenditure cuts. Unions would retain their influence, recognition and financial resources.

'Servicing' through bilateral OW can be a key resource to recruit members for TUs (as the Nordic case demonstrates with the Ghent system). Nevertheless, the role and importance of OW is an issue which creates disputes among the trade unions.

Inside the trade union movement some argue that a new strategy based on OW, bilateralism and servicing can help to address the crisis of contemporary unionism and the decline of union density, enlarging the sphere of collective bargaining, beyond traditional negotiations on wages and working hours and conditions (cf. CISL 2015).

Others stress the risks for unions if OW and bilateralism should become the new core business of future unionism, changing the nature of unionism (less and less active in the field of employment relationship and working conditions and more and more deployed in the field of external labour market and finance management): the process could end up with the transformation of unions into mere bureaucratic organizations.

Among the social partners, the CGIL is the TU most critical of bilateral funds. One of the main issues, in the view of this TU, is the fragmentation of rights and the lack of universalism. Already in 2013 the National Secretary of the CGIL proposed to all sectors, except for the craft/artisan, not to establish separate 'solidarity funds' (CGIL 2013) but to merge everything into the 'residual fund' in order to 'avoid fragmentation and to push toward universalism' (ibidem, p. 2). In the Parliament hearings on the recent labour market reform in April 2014, the CGIL underlined that: 'Law 92/2012 has not solved the problem of the lack of homogeneity and universalism in relation to shock absorbers and unemployment benefits schemes... the introduction of bilateral 'solidarity funds' has made the whole system structurally diverse' (Senato della Repubblica 2014a; p. 2).

The main employers' association has also expressed criticism of the 2012 reform, arguing that the differentiation of the financing quotas for the "solidarity" funds creates problems in terms of homogeneity (Confindustria 2015).

Among the TUs, the CISL seems more in favour of the recent reforms, arguing that given the economic situation and the traditional institutional configuration of passive labour market policies schemes, the introduction of bilateral solidarity funds is a step towards greater coverage of employees. The CISL, however, calls for a change in the funding mechanism of these funds: instead of financing only through enterprises and workers, public funding is also needed (Senato della Repubblica 2014b).

However the (near) future probable scenario for Solidarity Bilateral Funds is one where there will be less public intervention (ensured until 2015 through 'special' Wage Redundancy Funds (*CIG in deroga*)). Given this probable future situation, it will be even more important to understand if today's rates will be able to ensure the funds' sustainability and the provision of benefits [Int. No. 1, 2, 4].

6. Analytical Insights

6.1 Social, Fiscal and Occupational Welfare

Overall three concepts can help define occupational welfare in Italy in relation to the functioning of the welfare state and fiscal issues: a traditionally underdeveloped but growing phenomenon; a partial 'duplication' of policy making for social and occupational welfare and an only partially planned expansion; a system reinforcing dualization.

Occupational welfare as a traditionally underdeveloped but growing phenomenon

As previous sections show, occupational welfare, over time, has increased its coverage of specific risks (old age, temporary suspension from work, health, child care, etc.). Although it was rare until the 1990s, since the end of the 1990s (first with pension funds, then with health care funds and other types of enterprise benefits, more recently with 'solidarity funds') its role has become more central in the functioning of the welfare system. Pension funds covered around 1.5 million workers in 1999 and 15 years later they reached around 6.5 million (around 25% of the labour force and one third of the employees in the private sector): although the incidence of supplementary pensions is nowadays low in relation to overall old age social protection expenditure, most individuals with a supplementary pension are still in the labour market, given the fact that the implementation of the reforms came into place only in recent years. Something similar is true for health care funds, which grew strongly in the same years and have reached a similar number of individuals as pension funds. The development of "solidarity" funds is even more interesting. These have been defined by recent legislation as an important pillar of income protection for specific types of workers and economic sectors.

Partially lack of coordination in policy-making between occupational and welfare state policies: an only partially planned expansion

The spread of occupational welfare and the legislation related to it has not always fitted well into the more general reforms and policymaking related to the welfare state. In relation to pensions, for instance, Jessoula (2011) argues convincingly that policy-making has been 'duplicated', especially since the mid-2000s, with public pension reforms being increasingly designed independently from changes in supplementary funded pillars and vice versa. As stated in section 5.1, the recent pension reform of 2011 or the 2014 choice to allow private sector employees to receive TFR directly as part of their salary (instead of using it for supplementary pensions) are good examples of how transformations in social welfare are encouraged without a clear idea of their impact on occupational welfare schemes. At the same time, the increase of the taxation rate on pension funds' returns in 2015 has been highly criticized by social partners as a mechanism that

will weaken the development of pension funds (through the reduction of fiscal benefits which are considered crucial in order to support the development of pension funds) [Int. No. 1, 3, 5, 6]. Something similar has taken place for health care funds: the initial legislation in the 1990s stated that they were additional to NHS provision, but they have often acted as a replacement without a clear framework defining which types of provision should be (or should not be) provided by funds.

Moreover, the idea of a loose coupling of occupational welfare with welfare state policies in Italy can be further expanded by defining some of its recent developments as an 'only partially planned phenomenon'. In particular the legislation on occupational welfare is still not clear and blurred, especially with regard to fiscal incentives, although some improvements have been brought in by the recent 'Financial Stability Law 2016' (see section 6.2). In Italy there is neither a clear legal definition nor a unitary normative framework on occupational welfare. The whole phenomenon has been treated in a piecemeal and not-systematic way by the legislator. Different norms, with partially different rationales behind them, apply to pension and health care funds and there are heterogeneous rules in relation to 'non-monetary retribution' by firms (fringe benefits, company goods and services for workers and their families) (see Scheme 2 for the main fiscal benefits' regulation in relation to OW).

Scheme 2: Main fiscal benefits in relation to occupational welfare

<i>Tool</i>	<i>Type of provision</i>	<i>Characteristics</i>	<i>Estimated public expenditure in terms of a diminution of fiscal revenues (millions of euros), 2009</i>
Deductibility of contributions to pension funds (art. 10, TUIR)	Pension funds	Up to 5,164.57 euros for each worker	456.2
Taxation of pension funds' returns (art. 17, Law 252/2005)	Pension funds	A lower taxation rate (11% until 2014; 20% starting from 2015)	144.0
Taxation of the funds' income benefits	Pension funds	A lower flat rate (11%), reduced by 0.30% per year for each year of membership in the pension fund starting from the 16 th year and with a maximum rate of 9%	***
Deductibility of contributions to health care funds (art. 10, TUIR)	Health care funds	Up to 3,615.2 euros for each worker	18.1
Provision of food by the employer (art. 51, TUIR)	Fringe benefits	Not considered employee's income if lower than 5.30 euros per day	593.0

Firm's contributions to nurseries, kindergarten and other education-related expenditure by employees (including scholarships) (art. 51, TUIR)	Fringe benefits	Not considered employee's income	n.a.
Other types of welfare benefit provision (art. 51, TUIR)	Fringe benefits	Not considered employee's income if lower than 258.34 euros per year	n.a.
Expenditure for "socially useful" goals (art. 100, TUIR)	Fringe benefits	Fiscal deductibility for firms up to 0.5% of all the firm's voluntary expenditure	n.a.

n.a.: not available.

Source: Legislation; Vieri Ceriani (2011) for the data on estimated public expenditure.

In particular, whereas there is specific legislation on supplementary pension funds, health care funds and 'solidarity funds', other 'non-monetary retribution' by firms is not covered by a clear fiscal legislative framework. The legislation on income taxation (TUIR) has two articles (No. 51 and No. 100), which regulate welfare provision by firms as an alternative to wage increases. However this legislation dates back to 1986 (well before occupational welfare started to spread in Italy) and it leaves uncertainties in relation to what can be considered taxable employee income and what can be tax-deductible. Moreover this legislation defined until the end of 2015 these types of occupational welfare benefits as a "voluntary" decision of the employer, excluding the possibility of introducing them after a collective bargaining process.

A system reinforcing dualization

The data presented in the report show clearly that occupational welfare is not spreading evenly across different sectors and among different types of workers (apart from sections 4 and 5, see also Pavolini *et al.* 2013 and QFMB 2015). Supplementary pensions and health care funds are more widespread among large enterprises than SMEs, in high productivity (export-oriented) economic sectors than low productivity ones, in the private more than in the public sector, in the richer Centre-Northern Italian regions than in the poorer Southern ones.

In this respect the fiscal regulation of occupational welfare reinforces dualization effects. In particular in relation to pensions, the tax regime for all private schemes (closed and open funds and new PIPs) is a sort of hybrid ETT: contributions are exempted until a threshold of 5,165 Euros each year (without any limit in relation to the incidence on income, whereas there was a mechanism of proportionality until 2005 - maximum 12% of the total income). Investment returns are taxed by a 20% proportional rate (11% until 2014); benefits are taxed by a proportional rate between 9% and 15%, depending on seniority in the fund (the tax rate is reduced yearly by 0.3 percentage points for every enrolment year after the 15th, till a minimum rate of 9% is reached),

exempting the share on which the tax on investment returns has already been paid (see Scheme 2). However these fiscal rules seem very controversial, especially for reasons of unfairness. Apart from the costs to the public budget of such tax expenditure through deductibility and lower fiscal returns (the amount is around 0.5 billion euros - see Scheme 2), and, even more in the future, through the lower taxation of income benefits from the pension funds, deep inconsistency emerges between a public scheme which taxes benefits progressively and a private one which taxes benefit less and in a proportional way. Moreover, these fiscal rules are highly regressive, because the proportional rate applies to a system whose membership probability increases with income. As the data in Table 10 show, the deductibility of pension fund contributions has a regressive impact, which tends to benefit workers with higher incomes.

Table 11: Distribution of the deductibility of pension fund contributions - distribution by total income of the beneficiary

	Beneficiaries (%) (a)	Total deductible amount (%) (b)	Ratio b/a
<i>Total income of the beneficiary.</i>			
Up to 10,000 euros	5.9	3.8	0.64
from 10,000 to 15,000	7.6	5.1	0.67
from 15,000 to 26,000	31.6	23.0	0.73
from 26,000 to 55,000	34.8	36.2	1.04
from 55,000 to 75,000	7.5	10.5	1.40
from 75,000 to 120,000	8.0	12.9	1.61
above 120,000 euros	4.6	8.5	1.85
Total	100.0	100.0	

Source: own elaboration based on Vieri Ceriani (2011).

It is interesting to underline that the regressive impact of these measures was an issue neither touched upon in interviews by the key informants nor discussed in the Parliamentary hearings (including those involving trade union representatives). On the contrary, when the issue of fiscal occupational welfare arose in the discussion, it was only in terms of introducing higher incentives [Int. No. 1, 3, 5, 6] or at least to change the system of supplementary pension taxation from an ETT system to a system, like in the other European countries, based on EET (i.e. exempt contribution, exempt fund growth and taxable benefits) [Int. No. 5].

6.2 Occupational Welfare and Industrial relations

Welfare provision negotiation as an increasingly important part of collective bargaining for TUs and firms

A large part of the spread of occupational welfare schemes in Italy covering different types of social risk has taken place through collective bargaining at the national level, also through the setting up of bilateral funds, administered according to forms of self-management and -financing. In recent years, most industry-wide agreements foresee the setting up of organisms and/or bilateral funds to play an increasingly key role in sustaining income in case of suspension from work and health services. The role of such organisms and funds is more consolidated in relation to the provision of supplementary pensions, having been institutionalised in practically all sectors.

Bilateral agencies and funds have been a way to expand the social partners' autonomy in bargaining and to foster self-management.

Practically all economic sectors now have some form of bilateral funds and agencies. Their role in terms of ensuring coverage has been particularly significant in the case of income support for employees temporarily suspended from work (through 'solidarity funds'), as well as in the case of continuous educational training and education. In 2015, there are around 430 bilateral funds in Italy. The advantage of this spread of bilateral funds is that it improves welfare coverage through the industrial relations system. However, at the same time it involves risks related to the small size of many funds (and their fragmentation) and to the funds' economic sustainability. These worries hold particularly in relation to health care funds and 'Solidarity' funds, where there are no specific supervisory authorities that can foster mergers. The fragmentation of bilateral funds seems also connected to the difficulties of the employers' associations [Int. No. 1, 3]: while there are relatively few TUs, the number of employers' associations is often higher, especially in specific sectors: 'when there are in the same economic sector 5-6 employers' representatives, often there are many collective agreements and bilateral funds and agencies. The results are higher management costs and lower efficiency, due to the limited dimensions of each fund or agency' [CGIL's roundtable on TUs and bilateralism].

Incomplete and awkward legislation for the promotion of occupational welfare provision through collective bargaining

The role of trade unions and employers in occupational welfare in Italy is partially influenced not only by the different actors' aims and interests but also by unclear legislation. As mentioned in sub-section 6.1, the Italian tax system is unclear in how it deals with the relationship between

occupational welfare and collective bargaining. Pension funds, as well as health care funds, benefit from fiscal incentives if determined through collective bargaining. At the same time, for other types of occupational welfare provision (for example those referring to education, training, social and health assistance), firms can benefit from total fiscal deductibility if the measures are provided unilaterally to each employee by the company, whereas fiscal advantages are not available when such welfare measures are introduced by collective agreements. Article 51 of the legislation on income taxation (TUIC) states that such welfare measures must be provided by the employer on a 'voluntary' basis and not by collective agreement. The result is, as documented by QFMB (2015), that 'in some cases, the social partners at company level work together to design appropriate occupational welfare measures and the schemes are then provided unilaterally by the management, and not included in the collective agreement, in order to be sure to benefit from total tax deductibility. Such an ambiguous tax system discourages the use of collective bargaining as a way to develop occupational welfare' (p. 57).

However changes seem in sight. The 'Stability Law' for 2016 (the main annual Law in Italy defining State expenditures and revenues), discussed in Autumn 2015 by the Italian Parliament, introduces in its first draft 500 million euros in order to foster decentralized collective bargaining in relation to productivity and welfare provision issues (Mallone 2015).

In winter 2015 important legislative changes took place. The 'Financial Stability Law for 2016' has simplified the legislation on occupational welfare and introduced more fiscal incentives for occupational welfare through collective bargaining (Maino and Mallone 2015). In particular the Law expands the situations and the types of welfare benefits which can receive fiscal incentives if they are introduced through agreements between enterprises and trade unions, and reduces taxation on productivity premiums when these premiums are given as welfare benefits and not salary.

Motivations and interest of the social partners

Among the many motivations enterprises seem to have in fostering occupational welfare provision, two seem most important. The first is the trade-off between wage moderation and an increasing supply of welfare services. The reason is relatively easily to understand: given the difficulties in terms of productivity of many Italian industries, in particular of those exposed to the toughest international competition, wage moderation seems to be one possible way to recover competitiveness. Enterprises can allow or propose interventions (partly) as an alternative to wage increases. Amongst them, the supply of welfare provisions often offers two advantages: first, total costs sustained by enterprises are minor if enterprises offer welfare provisions instead of salary increases (for any net salary increase, the firm has to add indirect salary costs); second, welfare benefits are often sustained through fiscal incentives (as in the case of health funds). A good example of this tendency is the recent willingness by the Italian government, through the Stability

Law for 2016, to foster decentralized collective bargaining and productivity also through social partner negotiation on welfare provision.

Apart from these motivations, that are linked to productivity and the containment of labour costs, the other main motivations are connected to the attempt to improve the relationship between enterprises and workers, strengthening their reciprocal collaboration and supporting the loyalty of workers. Paternalism of employers and firms, however, seems to be a weak explanation of the diffusion of occupational welfare programmes (McKinsey & Company 2015)

Similar considerations can be made also concerning the trade unions' motivations. Overall TUs take a positive view of occupational welfare provision when it is the result of collective agreements and works through bilateral agencies and funds as a way to strengthen worker protection and the TUs' role as managers and controllers of welfare provision. However among the TUs the position of the CGIL (the most left-wing TU) is more critical and cautious about the potential negative impacts of the spread of occupational welfare in terms of dualization and fragmentation of workers' rights: "what we have been doing in these recent years is creating again a stronger distinction between first and second class workers, those who have access to a collective agreement and also to occupational welfare benefits and those who have neither the former nor the latter" [Int. No. 3]. CGIL is more worried also by the risks of bureaucratization of the TU movement, especially in the fields of 'solidarity' funds and health care funds, whereas there is an overall positive evaluation of occupational pension funds.

The fact that the TUs have partially different views on how important occupational welfare should be within the whole welfare system can also explain why its development has been slower and weaker than in many other countries.

6.3 The Governance of Occupational Welfare schemes

The model of governance of occupational welfare funds seems one of the most important and potentially problematic issues in relation to the whole functioning of occupational welfare in Italy. In particular, there are not always enough regulatory safeguards to guarantee correct governance.

There are three types of problems: the differing levels of regulation and supervision of occupational welfare schemes depending on the type of risk covered; the level of fragmentation of occupational welfare managing funds; the trade-off between professionalism and representation in the funds' decision-making process.

The differing levels of regulation and supervision of occupational welfare schemes depending on the type of risk covered

Italy has no authority monitoring and regulating occupational welfare nor any strong mechanisms ensuring the accountability of the decisions taken by the occupational funds. The only partial exception is the regulation of pension funds, although with several problems (see below): the COVIP is the authority in charge of the funds' surveillance. The legislation on health care funds and bilateral bodies (such as those managing "solidarity funds") does not require the institution of a surveillance authority nor clear accountability mechanisms to inform members and subscribers (workers, their families and the enterprises) how the bestowed resources are invested and spent. The main accountability mechanisms are internal ones: the boards of these funds should check and ensure that funds are correctly and efficiently spent and invested. Given the fact that the resources managed by funds amount to billions of euros, there is a need for more effective regulation and supervision, as emerges very clearly both from the discussions in the Parliamentary hearings and the interviews with key informants both from TUs and employer representatives. For example, as already stated, the President of COVIP, Francesco Massicci, urged a debate on the possibility of integrating and creating synergies between supplementary pension and integrative health care funds, also suggesting the creation of a single surveillance authority for both sectors.

As one of the TU representatives interviewed underlined: 'contrary to what happens with pension funds, what is really missing in health care and solidarity funds is a public Agency – just like COVIP for pension funds – able not only to monitor but also to provide information on what is going on in the sector. Every year COVIP produces a report on pension funds that provides valuable information on how things are changing. There is nothing similar for health care and solidarity funds' [Int. No. 1].

Fragmentation and difficulties of governance

There are around 290 health care funds, 500 pension funds (94 of which are "closed" or "open") and 430 bilateral funds (often offering workers' income maintenance). This is a very high number of organizations and institutions, which differ widely in terms of number of members, conditions of membership, resources available and capacity to invest. There is a significant risk of dispersion of resources and inefficient provision, as already underlined. The very high number of national collective agreements, around 400, explains this level of fragmentation.

The way forward would seem to be the promotion of mergers among funds in order to foster economies of scale. Again TUs and employers' associations at the general national level (the confederation level) are in favour of such a merging process, but there is sometimes resistance from some of the smaller funds, which wish to maintain their autonomy. COVIP has been

particularly active in the last years in fostering mergers between pension funds, and some results are visible: there was a strong reduction in the number of funds between 1999 and 2014 (this reduction has been especially strong, for 'open' and 'closed' funds, since the onset of the economic crisis) (see Table 10 in section 5.1).

The trade-off between professionalism and representation

While pension funds are the only ones with a more structured and regulated governance and surveillance model, even in this occupational welfare sector there are several problems (Natali and Stamati 2013). Comparative analyses of the type of regulation of pension funds in Italy found Italian regulation to be inadequate when compared with other countries. There is a clear trade-off between the professionalism required to manage large amounts of resources in complex financial markets and the aim of keeping the strategic decisions in the hands of the representatives of workers and employers. The literature shows that there can be serious doubts about the capacity of the funds' Boards of Directors (BoD) to monitor and to supervise the actions and choices of the financial actors in charge of asset allocation. Although a reform in 2007 (Law No.° 79) introduced stricter eligibility rules for BoD members in relation to their professional knowledge and skills, still many funds have only some members with these characteristics.

The interviews with TU representatives have confirmed the importance of having BoD members strictly connected to the social partners ('I think that it's not desirable to have a BoD exclusively constituted by technical members which are not related to the founders of the occupational fund, i.e. the social partners') [Int. No. 1], but also with specific competences and skills: 'what we try to do is also to provide continuous support and training to our BoD members' [Int. No. 3]. This latter aspect has been confirmed also by the interview with the representative of employers, according to which the compliance of the BoD members with the eligibility criteria stated by the national law, it is not automatically a guarantee of a member well endowed with technical skills about how to manage and invest the financial resources collected by the occupational funds [Int. n°7].

Moreover the problem of having adequate skills seems to affect especially the smaller funds. In the Parliamentary hearings, several actors underlined the problem of how to have both representation from social partners and specialist and professional competences. In one of these hearings the Bank of Italy representatives clearly stated: 'investment in private companies' bonds and stocks seems to be limited not because of the legislation, but due to the lack of specific skills among the funds' BoDs. In order to broaden the type of investments made by funds, more sophisticated evaluation tools are needed: although hired professionals can make this sort of evaluation, it is necessary to have members of the BoD able to judge and to supervise these professionals. The acquisition of such skills by BoD members can be hindered by the limited size of many funds, which does not allow either for economies of scale or for the adoption of adequate

organizational set-ups (in particular the creation of an internal finance department)' (Camera dei Deputati 2014c: 5).

The Bank of Italy's position, as well as the data on investment presented in section 5.1, suggest that, in Italy, there is no risk of financial institutions taking over by stealth the policymaking of pension funds, as there may be in other countries. Instead, funds are very conservative in their investment decisions: few stock options, many (Italian) State bonds.

In sum, many actors are calling for new, more specific legislation and regulation. Among the TUs there is an increasing demand, not only for new public regulation, but also for autonomous reforms of these funds (especially the bilateral funds) in order to improve transparency of governance through the adoption of new rules and ethical codes. At the same time, the concerns expressed by the Bank of Italy regarding the governance of occupational pension funds, are contested by TUs because occupational pension funds have performed well over time, have relatively lower administrative costs and have been able to overcome two important financial crises (2008; 2011) without negative impacts for their members [Int. No.95].

Annex 1 - Interview with key stakeholders

<i>Nr.</i>	<i>Sector</i>	<i>Interviewed</i>	<i>Organization</i>	<i>Note</i>
1	Metal/Automotive	Anna Trovò	CISL (<i>Confederazione Italiana dei Sindacati Lavoratori</i>)	Interview about supplementary pensions and bilateral solidarity funds
2	Metal/Automotive	Stefano Di Niola	CNA (<i>Confederazione Nazionale dell'Artigianato e della Piccola e Media Impresa</i>) is an employers' organization representing craft company firms	Interview about supplementary pensions and bilateral solidarity funds
3	Retail	Michele Carpinetti	FILCAM (<i>Federazione Italiana Lavoratori Commercio, Turismo e Servizi</i>), is the federation within CGIL representing workers in the trade, tourism and cleaning branches	Interview about supplementary pensions and bilateral solidarity funds
4	Metal/Automotive	Claudio Sala	CGIL (<i>Confederazione Generale Italiana del Lavoro</i>)	Interview about bilateral solidarity funds
5	Metal/Automotive	Salvatore Casabona	CGIL (<i>Confederazione Generale Italiana del Lavoro</i>)	Interview about supplementary pensions
6	Retail	Pierangelo Raineri	FISASCAT (<i>federazione italiana sindacati addetti servizi commerciali affini turismo</i>) is the federation within CISL representing workers in the service sector	Interview about supplementary pensions and bilateral solidarity funds
7	Metal/Automotive	Valeria Innocenti	Assolombarda Confindustria Milano, Monza and Brianza, is the main regional branch within the employers confederation of the Italian industry, i.e. Confindustria	Interview about supplementary pensions

Note: In the country report we have also considered the transcription of the audio recording of the CGIL's round table on "TU and bilateralism", held in Naples on 9th September 2015, in which the general secretaries of CGIL's metal and trade federations also took part.

Federmeccanica (the Italian Federation of Metalworking Industries), Confcommercio (the trade employers mainly for large firms) and Confesercenti (the trade employers mainly for medium-small firms) declined our request for an in-depth interview. In these cases, for the country report, we have outlined the positions of these organizations on the basis of an analysis of the major documents produced, regarding occupational welfare (found through online research) and considering also the stenographic reports of the hearings of these organizations at the parliamentary commissions of the Italian Chamber of Deputies.

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