

“WELFARE, ITALIA”

Projected welfare spending for 2021 grows (€632bn, +€56bn compared to 2019), €41.5bn in arrival for welfare from the PNRR (national recovery and resilience plan) by 2026: the new bases for relaunching work and tackling the great demographic transition.

THE 2021 REPORT BY THE “WELFARE, ITALIA” THINK TANK WAS RELEASED TODAY

The Think Tank outlined the five priorities of action for the country:

- ✓ Digitalisation of the welfare services
- ✓ Active management of demographic changes
- ✓ Active policies to support the labour market
- ✓ Reform of the passive policies and welfare support system mechanisms
- ✓ Measures aimed at increasing female employment

Welfare Italia Index 2021: the gap in the ability of the welfare system of the Italian Regions to respond is increasing between North and South

Rome, 23 November 2021

The 2021 edition of the “**Welfare Italia**” Think Tank Report was presented today at the Palazzo Venezia in Rome, and could also be followed through live stream; it was supported by **Unipol Gruppo** with the collaboration of **The European House - Ambrosetti** and a scientific committee comprising Veronica De Romanis, Giuseppe Guzzetti, Walter Ricciardi and Stefano Scarpetta.

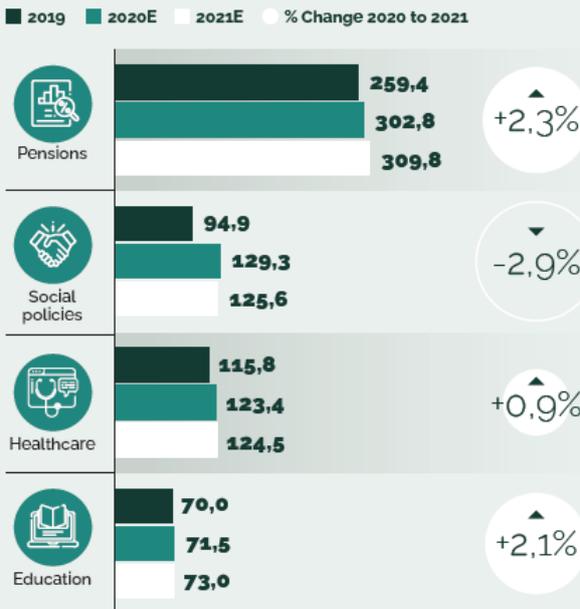
Demographic changes, the ageing of the public, new protection requirements following the pandemic, the transformation of the labour market, the healthcare system between digitalisation and geographic coverage, the resources of the PNRR and the role of the private sector and insurance to modernise the welfare system were just some of the issues debated at the annual Welfare Italia Forum meeting.

For over ten years, “Welfare Italia” has functioned as a place for the analysis, examination and reflection on welfare matters, open to discussion among the main public and private stakeholders in the sector: decision-makers, national and local government representatives, social partners, banks and pension and aid funds and representatives of companies, workers, universities and the voluntary sector.

PUBLIC WELFARE SPENDING IN ITALY

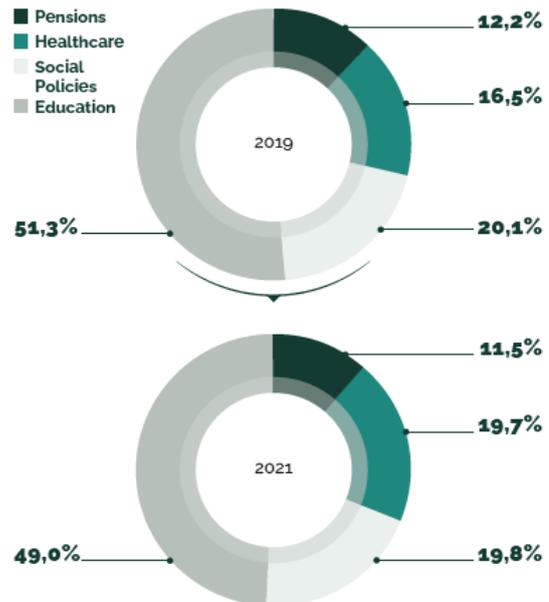
TREND FROM 2019 TO 2021

(billions of Euro and percentage change)



DISTRIBUTION 2019 AND 2021

(percentage change)



The impact of the Covid-19 pandemic on welfare spending

According to “Welfare Italia” estimates, the **COVID-19 crisis led to a widespread increase in all welfare spending**, including the 3 “traditional” pillars (Healthcare, Social Policies, Pensions) and education: **in 2021, it will amount to an estimated total of approximately €632bn**, an increase of about €6bn compared to 2020, a year in which there was an increase of €50bn over 2019.

The crisis did not significantly change the allocation of the spending, confirming the imbalance in the pension component (49%) which however, is **down 2.3 percentage points** compared to the 2019 value, even lower than it was in 2009 (49.7%).

The PNRR resources will give a historic opportunity to relaunch Italy and allow it to gradually adapt its welfare system to a model of precision. Considering the total funds channelled through the Next Generation EU Recovery and Resilience Facility, Italy is its main beneficiary with a total of €191.5bn: “Welfare, Italia” estimates that the **PNRR will allocate no less than €41.5bn to welfare, amounting to 22% of the Plan’s budget**, thanks to various actions ascribed to welfare provided for in Missions 4 (Education and Research), 5 (Inclusion and Cohesion) and 6 (Health).

The 5 priority actions for the Italian welfare system

Work and demographics are the two pillars needed to support the redistribution capacity of the welfare system, but, for Italian welfare, **demographic changes pose a particularly complex challenge** in a country with the highest percentage of over 65s to the total population (23.2%) in Europe, and second in the world after Japan.

ISTAT data presented show a continuous reduction in births for the past 11 years, a *demographic winter* that has continued to attain record lows since the unification of Italy. In 2020, the demographic balance range, which had already been fragile in the pre-covid era, widened further, leading the natural balance between births and deaths to -342,000 units (404,000 born compared to 746,000 who died). Additionally, in view of the negative migratory balance of 41 thousand units, the balance of residents fell by 384,000 individuals in 2020 which basically equates to the disappearance of the number of people living in a city like Florence, therefore **with a net loss of 1,046 people every day**.

“Welfare, Italia” has identified 5 priority actions, supported by specific operational guidelines, that the country will have to tackle to guide the system towards a welfare model of precision:

1. **Achieve an effective digitalisation of the welfare services**

Through the PNRR, Italy will allocate €59bn towards the digital transition (actually equal to the amount of France, Germany and Spain). The proposal is to **create a single digital point of access for welfare services** so that the public can actively consult all their various options in the healthcare, pension, training and social policy areas.

2. **More active management of demographic changes in the country**

With respect to the aging demographic and decline in birth rates, **the rate of pension expenditure to GDP will reach 17.3% by 2040** (+1.0 percentage point compared to the figure of 16.3% in 2018) and other weaknesses will relate to the ability to guarantee adequate assistance to the elderly, and in particular, people who are not self-sufficient (which could amount to 6.3 million people in just 10 years, more than double the current amount).

From this perspective, the position of the “Welfare, Italia” Think Tank takes a three-pronged approach, connected to the:

- **promoting saving**, especially through the introduction of forms of saving using supplementary pensions from birth using the Children’s Saving Accounts model;
- **welfare culture** through awareness-raising and information campaigns
- **capitalising on telemedicine**, teleassistance of the best practices for private services, setting up territorial mixed public/private discussion forums.

3. Mobilise effective active policies to support the labour market

To date, **Italy allocates a good 85% of its spending in labour policies to passive policies** (compared to 73% in France, 69% in Spain and 55% in Germany). Our system is also characterised by shortcomings in the training system and a limited impact of training programmes in companies. All this leads to a **mismatch of skills**, i.e., a higher percentage of workers (38.2%, almost 5 percentage points higher than the average EU figure) who are over-qualified or under-qualified with respect to the actual job they carry out.

“Welfare, Italia” proposes strengthening the **dual training and collaboration between training and companies** through incentive-based mechanisms in addition to the **significant upgrading of Job Centres**, starting from the creation of national databases to overcome the current regional fragmentation, and the integration of private intermediation agencies in the choice of job offers.

4. Reform of the passive policies and welfare support system mechanisms

The COVID-19 crisis caused an increase in the number of **families in absolute poverty, amounting to over 2 million families** (accounting for 7.7%), for a total of over 5.6 million individuals. At the same time, the use of social inclusion instruments such as social welfare payments (“citizens’ income”) and pensions (as at September 2021, the average monthly number of people receiving citizens’ income was 5.4% higher than the number receiving it in September 2020), but there are certain mechanisms that penalise the accuracy of the figure.

The guidelines suggested by the Think Tank therefore recommend taking action to **optimise citizens’ income** (reduction of the 10-year residency requirement in Italy, revision of the equivalence scale, differentiation of the amount of support on the basis of the cost of living) and the **revision of the welfare support system** through implementation of a mechanism that makes use of the passive labour policy instruments dependant on participation in training programmes, refresher courses and re-skilling.

In addition, with the aim of increasing the employment basis, the scope of the welfare support systems could also be extended to **company plans that provide for early pension for workers and the implementation of a generational exchange** (ratio of at least 2:1 between incoming workers, with permanent contracts and under 35s to outgoing workers).

5. Promote measures aimed at increasing female employment

In order to reach equality in the world of work, two directions have to be followed: improve the participation of women in the labour market and promote their financial independence.

With reference to the first direction, our country paints a particularly critical picture. **Italy comes last among the EU 27 + UK countries in terms of the rate of female participation in**

the labour market, with a percentage of 54.7% in 2020: **11.9 percentage points less than the European average** (67.6%).

With regard to the second area of intervention - promoting the financial independence of women - **Italy is actually ahead of the European average with a lower hourly gender pay gap compared to the average EU figure** (5.7% compared to 11.2%).

According to the approach of the “Welfare, Italia” Think Tank, greater female inclusion at work would represent an opportunity for the economic growth of the country: the elimination of the gender pay gap and equating the female employment rate to the male employment rate could actually generate **economic value of €110bn** for Italy, equal to 6.7% of the GDP.

The actions to implement are as follows: the transformation of maternity and paternity leave into gender neutral leave, the adoption of measures to support maternity on a 360° basis (training courses for up-skilling or re-skilling), the introduction of tax breaks for natural persons also to encourage supplementary pensions for women and the adoption of measures aimed at companies, such as certificates, bonuses and/or incentive mechanisms.

The Regional “Welfare Italia Index”

The sharp differences between the country’s regions were emphasised in the “Welfare Italia 2020” report, both with reference to the welfare system of the country, and as regards the impacts of COVID-19 and the related redistribution impacts linked to absolute poverty and unemployment.

The results of the **Welfare Italia Index 2021**¹ - the summarised rating that evaluates both the aspects linked to welfare spending and aspects linked to the results that this spending produces - show, compared to the 2020 data, an **increasing regional polarisation in the welfare system’s ability to respond in the Italian Regions**. The gap between the first and the last Region in the classification increased from 28.2 to 32.7 points, increasing by 4.5 percentage points between 2020 and 2021.

More specifically, the Autonomous Province of Trento (85.0 points) has the highest score, followed by the Autonomous Province of Bolzano (80.4 points) and Emilia-Romagna (76.1 points). Additionally, the last 8 regions are all in Southern Italy and the Islands, and the first of these - i.e., Sardinia (14th with 62.5 points) - was over 22 points behind the Autonomous Province of Trento and about 10 points ahead of Calabria, which came last.

¹ Monitoring instrument developed by Welfare Italia for the first time in 2020 and based on 22 KPI (Key Performance Indicators) that consider social policies, healthcare, pensions and training, and allows for the identification, at regional level, of strong points and weaknesses where intervention is necessary.

The complete ranking of the 2021 Welfare Italia Index:



The following made contributions at the forum: **Gian Carlo Blangiardo** (President, Istat - National Statistics Institute), **Elena Bonetti** (Minister of Equal Opportunities and the Family), **Axel Börsch-Supan** (Director, Munich Center for the Economics of Aging, Max Planck Institute for Social Law and Social Policy, Germany), **Silvio Brusaferrò** (President, Istituto Superiore della Sanità (Higher Institute for Health)), **Riccardo Cesari** (Director, Istituto per la Vigilanza sulle Assicurazioni-IVASS (Institute for the Supervision of Insurance)), **Carlo Cimbri** (Group CEO, Unipol Gruppo), **Valerio De Molli** (Managing Partner and CEO, The European House Ambrosetti), **Veronica De Romanis** (Professor of European Political Economy, Stanford University, Florence and LUISS Guido Carli, Rome), **Ettore Dorrucchi** (Division Head, Fiscal Policies, ECB), **Mariastella Gelmini** (Minister for Regional and Autonomous Region Affairs), **Chiara Goretti** (Coordinator of the Technical Secretary of the PNRR, Presidency of the Council of Ministers), **Giuseppe Guzzetti** (former President, Cariplo Foundation), **Tommaso Nannicini** (President of the Parliamentary Commission for the control of the activities of entities managing the obligatory forms of pensions and social assistance, Senate of the Republic), **Bruno Palier** (Research Director at Sciences Po, Centre for European Studies and Comparative Politics, France), **Gilberto Pichetto Fratin** (Deputy Minister of Economic Development), **Antonio Polito** (Leader writer and Deputy Editor, Corriere della Sera), **Walter Ricciardi** (Director for the Ministry of Health for the Covid-



19 emergency; President of the Mission Board for Cancer, European Commission; Coordinator of the Scientific Committee, Human Technopole), **Stefano Scarpetta** (Director, Department of Employment, Labour and Social Affairs, OECD), **Pierluigi Stefanini** (Chairperson, Unipol Gruppo), **Andrea Urbani** (General Director for Healthcare Planning, Ministry of Health), **Margaret Whoriskey** (Head of Technology Enabled Care and Digital Healthcare Innovation, Scottish Government).

For further information:

Press office Unipol Group

Fernando Vacarini - Tel: +39 051 5077705 - Email: pressoffice@unipol.it

Barabino&Partners

Massimiliano Parboni - Tel: +39 3358304078 - m.parboni@barabino.it

Giovanni Vantaggi – Tel.: 328 8317379 – g.vantaggi@barabino.it

Giovanni Scognamiglio – Tel.: 340 3161942 – g.scognamiglio@barabino.it

Press office The European House - Ambrosetti

Fabiola Gnocchi - Tel. +39 349 7510840 - Email: fabiola.gnocchi@ambrosetti.eu

Unipol Gruppo S.p.A.

Unipol is one of the biggest insurance groups in Europe and the leading company in Italy in the non-life insurance sector, (especially in the MV and health businesses), with total premiums of approximately €12.2bn, of which €7.9bn in non-Life and €4.3bn in life (2020 figures). Unipol adopts an integrated offer strategy and covers the entire range of insurance and financial products, operating primarily through the subsidiary UnipolSai Assicurazioni. The Group is also active in direct MV insurance (Linear Assicurazioni), transport and aviation insurance (Siat), health insurance (UniSalute), supplementary pensions and it also covers the bancassurance channel (Arca Vita, Arca Assicurazioni and Incontra). It also manages significant diversified assets in the debt collection (UnipolReC), real estate, hotel (Gruppo UNA), medical-healthcare and agricultural (Tenute del Cerro) sectors. Unipol Gruppo S.p.A. is listed on the Italian Stock Exchange.

The European House - Ambrosetti

The European House - Ambrosetti is a professional group of about 280 professionals established in 1965. It has grown significantly since then thanks to the contribution of many partners and has numerous operations in Europe and throughout the rest of the world.

The Group has three offices in Italy and several foreign offices in addition to other partnerships all over the world. Its strength lies in its ability to support companies in the integrated management of the four critical aspects in the creation of value: Seeing, Planning, Creating and Enhancing Value.

We have provided Italian companies with consultation services for over 50 years, including about 1,000 customers, producing more than 200 studies and strategic scenarios aimed at Italian and European institutions and companies, and about 120 projects for family-run businesses. About 3,000 national and international experts are also involved in 500 events held every year to assist over 10,000 managers on their growth paths.

The Group has an invaluable asset consisting of very high-level international contacts in the various business sectors, including heads of leading international institutions and individual countries.

In 2021, for the eighth year in a row, The European House - Ambrosetti was ranked as the no. 1 think tank in Italy, and 4th in the European Union in the “Best Private Think Tanks” category, and one of the most highly appreciated independent think tanks in the world out of 11,175 at global level in the most recent edition of the “Global Go To Think Tanks Report” by the University of Pennsylvania. The European House - Ambrosetti was recognised by the Top Employers Institute as one of the 112 Top Employer companies in Italy in 2021. For further information, please visit www.ambrosetti.eu and follow us on twitter.com/Ambrosetti.