

IZA COVID-19 Crisis Response Monitoring:

Italy

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1. *The current overall impact of COVID-19 on the labor market in terms of employment, unemployment, sectors, firms:*

In March 2020, Italy's industrial production fell almost 30% and the GDP contracted 4.7% as a consequence of the lockdown measures. However, the effects of the lockdown on employment levels have not yet manifested; the cushion provided by social safety nets has limited the short-term effects of COVID-19 on the labor market. At the end of March 2020, the National Institute of Statistics (ISTAT) registered a decrease in the unemployment rate relative to March 2019, i.e. -11,1%, while the employment rate only decreased by 0.1%.¹

Italy has adopted sectoral lockdown measures to contain the spread of COVID-19: the government decided to shut down non-essential businesses, involving almost 8 million employed people. Workers employed in financial, banking and insurance sectors, as well as in public administration and professional services could continue their activity from home. On the contrary, workers employed in manufacturing, construction, tourism and retail suffered the most (Barbieri et al. 2020)². In April 2020, the Italian Social Security Administration (INPS) registered an increase in the requests for unemployment benefits (i.e. Cassa Integrazione Guadagni) of about 2953% with respect to April 2019.

It is still uncertain if these workers and firms will be able to resume their activities in the coming weeks. According to the estimates of the Ministry of the Economy (MEF), the employment is expected to fall by 2 percentage point and the unemployment to increase by 1.6 percentage points, from 10 to 11.6%, by the end of 2020 (DEF, 2020)³.

¹ <https://www.istat.it/it/files//2020/04/Occupati-e-disoccupati-marzo-2020.pdf>

² <https://voxeu.org/article/covid-19-workers-exposure-risk-and-lockdown>

³ <http://www.mef.gov.it/en/inevidenza/2020-Economic-and-Financial-Documents-DEF-approved-recovering-after-the-emergency-00001/>

2. *The general orientation and targeting of the measures adopted to tackle the labor market impact of COVID-19 (as listed in the OECD inventory):*

On May 14th, the Italian government approved the third and most ambitious intervention, the *Decreto Rilancio* (Relaunch Decree), to revive the Italian economy. This 55-billion-euro plan aims at helping businesses with non-repayable grants and tax breaks; a sizable amount, about 16 billion euros, has been allocated to strengthen and broaden tools for income support, such as *Cassa Integrazione Guadagni* (unemployment benefits), and allowances for self-employed.

This decree followed two previous interventions, the *Cura Italia* (Save Italy) and the *Decreto Liquidità* (Liquidity Decree). The first one was an immediate response to the COVID-19 outbreak, which aimed at (i) strengthen the health care service, (ii) support businesses and families by pumping liquidity and suspending tax payments, (iii) and preserve employment levels by extending temporary unemployment benefits to all firms and by suspending layoffs for the coming 2 months. The *Decreto Liquidità* instead mainly focuses on firms; the measures involved state guarantees for 200 billion in favor of banks, ultimately enabling them to grant loans to firms of all sizes. The guarantees cover between 70% and 90% of the loan amounts, depending on firms' characteristics.

The first two interventions suffered from delays and difficulties in their implementation, mainly because of the excessive bureaucracy in the application procedures for accessing benefits and loans. The Relaunch Decree should simplify administrative procedures by cutting down bureaucracy.

3. *Regarding policies providing immediate liquidity to small firms and freelancers:*

The *Cura Italia* intervention introduced social safety nets for self-employed and seasonal workers, two categories that generally do not have access to such benefits. These workers were expected to receive a 600-euro allowance for the month of March. The allowance was then extended for the months of April and May and raised to 1000 euros for seasonal workers employed in tourism. The implementation of this measure was quite successful, although some delays in the payments were registered. The Social Security Administration (INPS) received 4.8 million requests for the allowance, 83% of them were accepted and processed.⁴ The payments for the month of March were issued between April 14 and April 23, while the payment for the month of April will be delivered by the end of May.

Additionally, the government compensated shop owners by granting them tax credits to cover 60 percent of their March rent payment. The self-employed with mortgages can further ask to have their payments suspended for up to 18 months, conditional on their revenues falling by more than third.

Following the *Liquidity* decrees, small and medium firms (PMI) have access the Central Guarantee Fund. This Fund allows PMIs to take new loans with a maximum duration of six years (lately extended to 10 year); these loans will be 100% guaranteed by the Italian

⁴ https://www.inps.it/docallegatiNP/Mig/Allegati/Audizione_19_maggio_2020_Senato_PT.pdf

government for a maximum amount of 25.000 euros; further, the capital will not have to be repaid until 18 months after the loan has been disbursed. There are not yet official numbers on the take up rate by Italian firms; according to a recent study (Boitani et al, 2020)⁵, the number of firms granted a loan was about 300,000 out of a potential pool of 2 million firms. Among the reasons for this low figure, there is an excessive bureaucracy in the loan application.

4. *Regarding dependent workers:*

The Cura Italia decree limited the negative effects of the COVID-19 outbreak on employment mainly by suspending the layoffs for two months. At the end of March 2020, the National Institute of Statistics (ISTAT) registered a decrease in the employment rate by about 0.1% with respect to March 2019.⁶ However, this suspension, which has been further extended in the Relaunch plan, will not prevent firms from dismissing workers in the future. Further, the measures promoted by the Italian government did not stop the effects of the pandemic on the demand for labor: a recent study shows that in March 2020 the net job creation was about 60% lower than the one registered in the previous year (Anastasia et al. 2020)⁷. At the same time, the share of inactive in the labor market increased by 2.3% and the unemployment rate decreased by 11.1% thus suggesting an increase in the number of unemployed individuals who stopped looking for a job during the lockdown.

To sustain income, the Italian government extended Cassa Integrazione Guadagni (CIG), i.e. unemployment benefits, to all firms independently of the sector of activity and size. The CIG is a tool that allows workers to temporarily receive unemployment benefits, which generally accounts for 80% of the monthly salary, while still keeping their job. Once firms restart their activities, employees can go back to work as usual. In April and May 2020, the total number of requests for unemployment benefits almost exceeded the whole number of requests received in 2009, one of the worst years in terms of employment outcomes. As of May 21th, the Social Security Administration (INPS) received more than 1.1 million requests for Cassa Integrazione Guadagni (CIG), 869,000 were authorized but only 510,000 were actually processed and paid. These delays are due to the long and complex procedure to grant workers the unemployment benefit and to the increase in the number of applications following the lockdown.⁸ The Relaunch Decree should ease and shorten the procedure for unemployment benefits.

⁵ <https://www.lavoce.info/archives/66692/garanzie-bancarie-lemergenza-deve-cambiare-le-regole/>

⁶ <https://www.istat.it/it/files//2020/04/Occupati-e-disoccupati-marzo-2020.pdf>

⁷ <https://www.lavoce.info/archives/65325/mercato-del-lavoro-gia-contagiato-dal-covid-19/>

⁸ <https://www.inps.it/nuovoportaleinps/default.aspx?itemdir=53641>

5. To what extent are *working conditions and work organization within firms* changing at the moment, in particular in sectors where there is an increased or normal workload? How do working time / mobile working rules or care arrangements respond to that in practice?

As of mid-April 2020, six weeks after the beginning of the Italian lockdown, the share of workers who (temporarily or permanently) stopped working was estimated to be around 34% (Galasso, 2020).⁹ Among different occupations, blue collar workers were the most affected by the lockdown: 50% of them had to stop working. As expected, the lockdown affected occupations and jobs that could not be done remotely; when considering white collars, only 18% could not work as a result of the lockdown, this is because a high share of these workers (about 66%) could continue doing their job from home. Similarly, about 50% of service sector employees could continue working from home and only 28% of them had to stop working.

Italy has one of the most advanced legal framework for smart working (Ichino 2020), however this practice is not widespread especially among small and medium firms.¹⁰ According to a study by Corso (2020)¹¹, only 12% of small and medium firms in Italy have smart working initiatives, however this number is on the rise. Although the restrictions imposed by the lockdown cannot be seen as “real” smart working, but rather forced “teleworking”, the Covid-19 emergency highlighted the potential of smart working and companies that had already introduced models of smart working found themselves at an advantage. This pushed companies, universities and public administration to considering the adoption of new technologies that allow employees to work from home.

Universities were the first institutions to react by setting lectures, seminars, exam and graduation sessions online. By the end of February most of Italian universities already adapted to the COVID shock and were able to restart their activities. A good response and adaptation also came from schools all over Italy. The public administration workers were able to perform their task from home, such as employees of the Social Security Administration who have managed and processed the huge amount of applications for unemployment benefits (Garibaldi, 2020).¹²

According to a recent survey (Boeri and Caiumi, 2020), 70% of managers interviewed adopted technologies to allow employees to work remotely. However, only 51% of the firms think that this type of smart working would be beneficial in the future once the COVID-emergency will be over.¹³

⁹ The data come from a survey (REPEAT) interviewing about 1,000 individuals representative of the Italian population. More information on REPEAT - REpresentations, PEreceptions and ATtitudes on the Covid-19- can be found here <http://www.sciencespo.fr/cevipof/attitudesoncovid19/> <https://www.lavoce.info/archives/66253/primo-maggio-il-lavoro-in-tempi-di-lockdown/>

¹⁰ <https://www.lavoce.info/archives/63816/se-lepidemia-mette-le-ali-allo-smart-working/>

¹¹ <https://www.som.polimi.it/en/smart-working-during-the-time-of-the-coronavirus/>

¹² <https://www.lavoce.info/archives/64787/il-mercato-del-lavoro-si-scopre-smart/>

¹³ Although this response varies by type of activity, i.e. 61% among firms in banking and finance, while 32% among firms in tourism. Source: <https://www.lavoce.info/archives/64486/lavori-che-possiamo-continuare-a-svolgere/>

6. How do you assess the situation of *new labor market entrants* this year, in particular with school or university graduates? Are there policy innovations and initiatives to cope with this particular situation regarding hiring, provision of apprenticeships etc.?

Graduating in a recession has negative and long-run effects on the wages and employment prospects of workers (Oreopolus et al 2012)¹⁴.

The share of inactive increased by 2.3% relative to March 2019. This is because individuals stopped looking for a job, including new labor market entrants. Further, the demand for labor has shrunk since the beginning of the lockdown as shown by Anastasia et al. (2020).

As young workers have the lowest fatality rate and the lowest risk of needing healthcare, they should be employed to revive the economy (Anelli et al. 2020).¹⁵ However, the employment prospects of new labor market entrants are particularly bleak; so far, no measures to facilitate the job search have been introduced by the Italian Government. Moreover, the National Agency for Active Labour Market Policies (ANPAL) has not been responsive.

7. Do you see *further remarkable developments* and issues, maybe unexpected policy innovations, changes in employment, new trends? Can you already identify (*changes in*) *medium-term or long-term trends on the labor market* that are due to the crisis (e.g. *accelerated structural change*)? How will the general functioning of the labor market in your country be affected in the long run?

During the lockdown, firms, universities, and the public administration adopted smart-working practices for their employees to carry on their activities. These practices are likely to continue if their impact on workers' productivity is not negative; this clearly depends on whether workers adapt to the new technologies and on the type of jobs performed, e.g. the frequency of interactions with other people. According to (Boeri et al. 2020), jobs that can be carried out remotely are only a small fraction of all jobs, i.e. 24%.¹⁶ This share however could be lower if some essential sectors, such as schools and childcare, do not resume their activities.

A key challenge for policy makers then becomes to get people back to work without putting their health at risk. The question is then to mitigate the work-security tradeoff by identifying sectors of the economy that have the lowest levels of exposure to the virus, physical proximity and demographic characteristics of their workforce (Barbieri et al. 2020).¹⁷ Still, the proportion of safe jobs in Italy remains below 50%.

If a large share of the workforce could not go back to work, firms may increase investments in automation or reorganize production lines in order to continue their activities. While robots are generally perceived by workers as a threat for their jobs, they may help preserving labor by allowing firm to expand their production (Boeri et al. 2020).

¹⁴ <https://www.nber.org/digest/nov06/w12159.html>

¹⁵ <https://voxeu.org/article/transition-steps-stop-covid-19-without-killing-world-economy>

¹⁶ <https://voxeu.org/article/mitigating-work-security-trade>

¹⁷ <https://voxeu.org/article/covid-19-workers-exposure-risk-and-lockdown>

8. Can the *current policy stance* (reduced economic activity, combined with public income support) be sustained, and for how long? What do you see as necessary and *useful next steps*, in particular to revive economic activity (soon)? How do you see the *current and future fiscal viability* of the crisis relief measures?

The Italian Government extended social safety nets to support workers and their families. These measures only postponed the effects of COVID-19 on the Italian labor market but as soon as these will be over employment levels will be severely hit; it is essential that the Italian government will be ready and prepared when it happens. As suggested by Lucifora (2020), the Italian government should invest in ALMP that should trace and treat newly unemployed workers.¹⁸ In particular these intervention should sustain the workers who is going to lose a job and facilitate his/her job search process by (i) identifying and (ii) developing skills and qualifications needed by the firms in the labor market.

¹⁸ <https://www.lavoce.info/archives/66863/disoccupazione-un-contagio-annunciato/>