



Italian Employment: the Pension Effect

An analysis carried out by ADAPT reveals that 51% of those hired between 2013 and 2017 are over 50

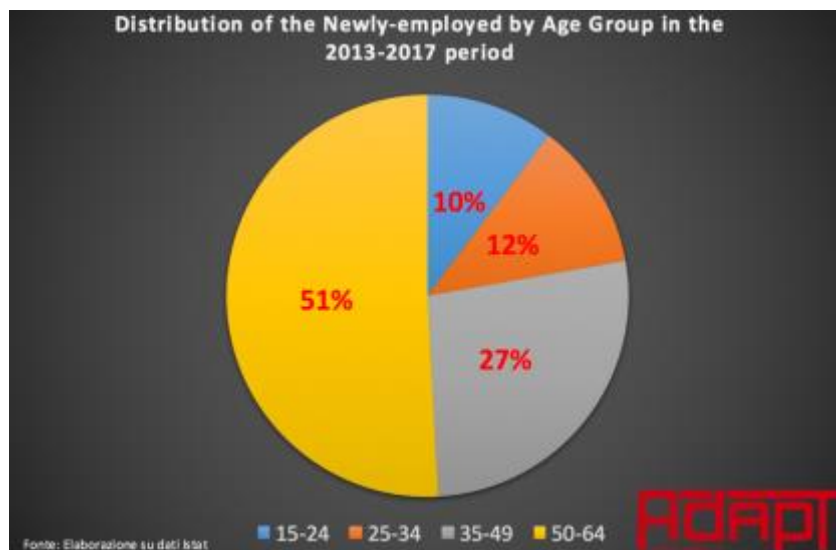
by Francesco Seghezzi

Generally speaking, the employment statistics relative to July 2017 are reassuring: the share of inactive people has decreased, leading to an increase in the number of those in employment and of those looking for a job. Yet a number of long-standing issues remain.

First, an increase has been reported in the share of those on fixed-term contracts (+11.7% in 2017). This is not a negative factor in itself - as this trend is illustrative of the current changes in labour markets – but it might raise concerns if one considers the stalemate situation characterising Italy’s system of active labour market policies and the significant investments made on employer contributions that were intended to ensure stable employment.

Age also plays a role, particularly in relation to the group of 50-year-olds, within whom two opposite trends can be found: an increase in both the number of those in employment and of those who are unemployed. In order to understand the reasons for this paradox, ADAPT has examined the data of the last four years without considering age, that is without factoring in variations in employment rates by age group.

The analysis reveals that between 2013 and 2017, the number of 50-year-olds who found employment increased by 513,000 – that is 51% of the total number of employed people. They were followed by those in the 35 to 49 year old age group, who reported an increase of 272,000. The 15 to 24 year old age group (+104,000) and the 25 to 34 year old age group (+120,000) brought up the rear as far as the number of people in employment was concerned. Distribution of the Newly-employed by Age Group in the 2013-2017 period



As seen, **the increase in the number of people at work particularly concerns people aged 50 years or older, an aspect which is surprising if one considers that the data provided by the Italian Institute of Statistic (ISTAT) reported an increase in the share of unemployed among those in this age group of 15.4%**. One possible explanation for this paradox is that, by raising the retirement age, Fornero Law has produced an increase in the number of those in employment. However, and concurrently, workers aged 50 and older who lost their jobs found it more difficult to enter the labour market.

If this interpretation is taken, the trend reported in July appears clearer. The number of people in employment increases because of the raise in the retirement age, which compels them to stay in work longer. At the same time, the share of unemployed also increases because those who lose their job (especially when unemployment benefits come to an end) struggle to find new employment. This also explains why the variations in employment rates among young people (or between females and males) are not relevant.

In considering this state of affairs, the lively debate on retirement schemes which is currently taking place in Italy is a bit off topic, in that pensions are the only tool that is helping to increase the employment rates of over-50s and to make it possible to keep up with the employment figures for this age group in other European countries.

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