Istat 90 1926–2016
Istituto Nazionale di Statistica

ANNUAL REPORT 2016
The state of the Nation

Summary

read by Istat President Giorgio Alleva
Friday, 20 May 2016 in Rome, sala della Regina
of Palazzo Montecitorio

Domanda Importazioni Capacità
Crescita Relazioni Generazioni Produttività Partecipazione Lavoro Età
Attività Industria Beni Efficienza Economia Servizi Occupati Tecnologia Istruzione
Popolazione Produzione Donne Manifattura Famiglie Ripresa
Spesa Conoscenza Imprese Contratti Occupazione Giovani Recessione
Consumi Esportazioni Tutele

Italy is changing:
a reading through the generations

Mr. President of the Republic, Mr. President of the Senate of the Republic, Mr. Vice-President of the Chamber of Deputies, Representatives of the Government, Authorities, Ladies and Gentlemen, Good Morning.

Every year Istat submits to the Parliament and Italian citizens a Report reflecting the situation of the country, describing its various realities and indicating risks and opportunities for the future.

The *Annual Report* 2016 addresses this task by looking at the generations of people who make up our society, broadening our gaze from individuals to social players to economic actors. The theme of the generations, in the year 2016 when Istat turns 90, also lends itself well to retrospective comparisons.

This is why, we tell the story of different generations - representing people who today are from 1 to 90 years old - providing a statistical reading of structural characters and changes in our country.

1926-2016: life paths of Italian women and men

Maria (the first most common name for females born in 1926), the eldest character of our story, was born in Italy, which at that time was a poor and backward country. The First World War had ended for eight years, Fascism had been in power for four years. Her parents were probably illiterate (in that year 10 percent of men and 17 percent of women were unable to sign their marriage certificate). Life expectancy at birth was 52.1 years for women (49.3 years for men); within the first year of life, 126 children died every thousand births. Maria made it, although malnutrition was widespread. In addition, economic growth was struggling, firstly due to the fierce deflation following the monetary policy of Quota 90 (launched precisely in 1926) and secondly to the 1929 crash.

Demographically, the process of transition went on and was characterized by a falling death rate and a high – though still decreasing - birth rate despite the regime's policies. The fertility rate was 3.5 children per woman and there were on average more than four members per household. The Fascist policy blocked Italian emigrations abroad: the South was especially penalized, which failed in relieving the demographic pressure and lost a part of the remittances.

Maria was 14 years old when Italy entered the war and, like all people of her generation, her life was marked by the Second World War. On the one hand, the half million deaths thinned out the population, especially the contingent of those born in the tens and twenties. On the other hand, the conflict resulted in a sharp decrease in births between 1940 and 1945. Furthermore, living conditions significantly deteriorated.

However, the end of the conflict also marked a break from the past and a new beginning.

After its liberation, Italy bore all the scars of the war. The men and women of the *reconstruction generation* (born between 1926 and 1945) had to tackle new and formidable tasks. In demographic terms, after the plunge in birth rate during the war, between 1946 and 1948 over a million babies were born every year. However, it was a short-lived peak: births immediately started to drop in the wake of the demographic transition process.

The Italian economy changed rapidly and deeply. The agricultural and rural world modernised and resized itself, at the same time industry and the tertiary sector expanded. Industrial overtaking is officially documented by the 1961 Census data: active workers employed in industry made up 40.4% compared to 29.0% for agriculture (ten years earlier they were respectively 32.1 and 42.2 percent).

The transformation was not painless. In the early fifties, a parliamentary investigation into poverty, based on two statistical surveys conducted in collaboration with Istat (one on household living conditions and one on their budgets), documented that at the date of the 1951 Census about two million households lived in overcrowded accommodations. In the South 20 percent of population lived in 6 people in a single room; drinking water and sanitation lacked in almost two million homes, 16 percent of the total. 220,000 families (nearly 2 percent of the total) lived in shacks, cellars and caves. The survey promoted by the Parliament also showed that 27.2 percent of the household consumption of meat, sugar and wine was little, very little or null.

However, a period of extraordinary development started, embracing the Fifties and early Sixties. Living conditions and hygiene improved rapidly. The effects on mortality rate were soon apparent: in 1952, when Anna - Maria's daughter - was born, life expectancy reached 67.9 years for women and 63.9 for men, thanks mainly to the sharp reduction in the infant mortality rate that, at 63.5 per thousand, was half that of 1926. The average number of household members decreased, as did the fertility rate (2.34 children per woman in 1952).

As regards the territorial profile, changes in the production structure and economic conditions were uneven and mainly affected northwestern cities. This difference in potential caused large domestic migration from the countryside to urban areas and from south to north. Domestic migration reshaped the land and made the social fabric denser. Italians crossed localities' boundaries and started to meet, mingle, get to know each other, not without friction and social tensions.

Between 1955 and 1975 2.5 million people from the South and nearly a million from the Northeast (then relatively underdeveloped) migrated to the industrial triangle of the Northwest; almost half a million migrated from southern to southeastern Italy. The settlement geography of the country changed. Mainly the large industrial cities attracted workers. Between 1951 and 1961 both Milan and Turin experienced a phase of extensive urbanization during which both nearby cities and municipalities grew. Turin was dominated by the car industry, while Milan was referred to as a city-territory in the Sixties: it was the first Italian metropolis.

The modernization process of the country now was fully launched: gender roles changed, as did the very concept of family. The abandonment of the countryside and the urban drift promoted the reorganization of family life, from a patrilocal family (the couple live with the husband's parents) to a neo-local one (the young married couple moves out of their parents' home and sets up their own household).

After the War, women could finally vote. It was one of the first – not only symbolic – milestones in women growing participation in the world of work, production and public life and it was also achieved thanks to an ever higher level of education. Television (the first Italian TV broadcast started in 1954) became an element of cultural blending and linguistic unification, as well as an agent of socialization. These events also helped rebuild the country.

In the wake of industrialization, Italy experienced its economic boom: between 1958 and 1963, GDP grew by an average of almost 7 percent per year; between 1953 and 1961 productivity saw an overall increase of 84 percent, while wages increased by 49 percent. In 1963 full employment was reached (the unemployment rate was below 4 percent), but the gender gaps in employment rates were still large: 31.0 percent women and 79.2 men. Alongside the growth in household consumption, exports played a leading role. The openness to foreign countries was enshrined in 1957 in the Treaty of Rome, which led to the founding of the European Economic Community and marked Italy's rapprochement to large continental economies after autarchic isolation and strife.

The renewed optimism was such that after 1959 the average number of children per woman increased again. It was the baby boom, but it was only an interlude if interpreted in the perspective of long-term demographic changes. But it is true that since the mid-fifties the Country had entered a new phase in which young people were pulling out all the stops. Between 1952 and 1976 the average age of women at first marriage dropped from 27 to 25 years, and their first pregnancy occurred from age 26 to 25. In 1964 there were more than a million births.

The new era of optimism boosted consumption, testifying to both an improvement in the quality of life and economic expansion: since the end of the Fifties, purchases of televisions and fridges grew dramatically and Italy became Europe's number one home appliance manufacturer. However, the most radical change, which had longer-lasting impacts on land use and on Italy's development model, concerned private transport. At first, success came with the Vespa and Lambretta scooters, which are still today symbols of Italy in the Fifties. In 1955 the Fiat 600, Italy's first real popular family car, entered the market (between 1955 and 1970 three million cars were built in Mirafiori factory alone); in 1957, the Fiat 500 was launched. Since then, production volumes grew dramatically: in 1949 Fiat produced 71,000 cars and in 1970 it reached 1.7 million. The number of employees rose from 71,000 in 1946 to 158,000 in 1970. The Fordism production model took hold. It was based on mass production in large factories. The "skilled" workers of the Piedmontese and Lombard tradition were replaced by young workers of the assembly line, which were often immigrants. The workers' struggles were the prelude to the 1968 student movement and culminated in the Hot Autumn (Autunno Caldo in Italian) of 1969. Among other things, thanks to the new means of communication (the first worldwide broadcast was in 1967, presented the Beatles singing *All You Need is Love*), the Italian youth felt part of new lifestyles on a world scale, but also of protests and clashes.

Over those years the main actors were the youth of the *commitment generation*, characterized, in the years to come and to date, by an intense social and political participation. These young people were born between 1946 and 1955, raised by parents who had lived through the years of Fascism and the Second World War. Commitment and confidence in the possibilities of democratic change were the answer given by these young people to the difficulties experienced by their parents. Those generations soon formed their own families, also thanks to the economic development. At the age of 30 for men and 25 for women, three out of four (of) people born in the Forties and Fifties experienced at least one family event (i.e. they left home to live alone or were married or had a child).

The second half of the Seventies was deeply marked by the oil crisis and unemployment. In 1973 the reference price of crude oil quadrupled, from $3 to $12 per barrel. Within a few weeks the effects on the Italian economy were immediate and profound. In 1975, for the first time in the postwar period, GDP decreased: the Country entered the recession.

Simultaneously, inflation exploded: in 1973, the consumer price index (which in the early Seventies was around 5 percent) rose above the threshold of 10 percent. The following year it touched 20 percent despite recession, and remained in double digits until the mid-eighties. The difficult economic situation also had immediate implications on the labor market. The unemployment rate grew year after year, from 7.2 percent in 1977 until it stabilized above 12 percent in the late Eighties. It remained at that level until 1998, when a virtuous cycle began in which employment grew and unemployment declined.

The energy crisis jeopardized the large companies' development model, underpinning the economic boom, which required sustained growth in demand (while inflation eroded the purchasing power), the availability of low-cost raw materials and monetary stability. These conditions simultaneously weakened gravely in the second half of the Seventies.

The second baby-boom generation, born between 1956 and 1965, stepped into the limelight. Cohorts were so numerous that they pulled their weight demographically, socially and economically as they proceeded in their lives and experienced the different stages of life's paths. The Eighties brought people withdrawal from collective movements, the prevalence of individual choices and liberalistic thrusts. Demographic behavior of the youth of the *identity generation* was very different from that of their parents, reinforcing the one-child model. More attentive to their lifestyles, they would reach the threshold of old age in better health than previous generations.

In the Seventies the current demographic profile of Italy began to take shape, with the fertility rate that reached the level of substitution: 2.11 children per woman. In 1976, when Francesca was born - Anna's daughter and Maria's granddaughter - life expectancy at birth was 76.1 years for women and 69.6 years for men. Towards the end of the decade the total fertility rate fell permanently below the threshold of two children per woman, thus bringing Italy into a stage where generations of children were less and less numerous than those of their parents.

These years were also characterized by huge changes in the legal framework: in 1970 the divorce law was passed, while in 1978 the law on voluntary termination of pregnancy and the great health reform, establishing the National Health Service, were passed. In 1975 a new family law was also approved and, among other things, substantial changes were introduced relating to the shift from paternal power over his children to parental responsibility for children of the spouses, equality between spouses (even if the crime of honor would not be repealed from the Italian penal code until 1981), a new matrimonial property regime (separation of property or legal/conventional communion), the revision of legal separation rules.

Civil ceremony for weddings began to be increasingly chosen, rising from 2.4 percent in 1952 to 9.4 in 1976. There was also a considerable increase in legal separations which reached 38.1 per 100,000 inhabitants in 1976. During that period also small family nuclei formed and new types of family came on the scene, such as cohabitating couples and blended families.

The protagonists of these changes were mostly women, increasingly better educated and more present on the labor market. Women participation rate, after its decrease caused by the shrinking agricultural sector, started to grow and rose from 25.1 to 32.9 percent between 1971 and 1981. The extraordinary increase in female education in the Sixties was unprecedented in speed. Change within families was, however, slower: despite the increasing women participation in the labor market, they still shouldered entirely the burden of housework. Moreover, the time required for completion of university studies was one of the main factors to postpone both marriage and childbearing: educational attainment and motherhood appeared to compete with each other and the longer time it took to earn a degree contributed to a delay in the decision to form a family and procreate.

Since the mid-Seventies, and especially after the second oil crisis, the Italian production system was reorganized. Looking for flexibility, production was decentralized and the phases of the production process, until then integrated in large factories, were segmented into separate businesses; moreover, the production system leveraged the lively network of small businesses, used the potential of self-employment and widespread entrepreneurship, specialized in the supply chain of individual and households needs (eating, dressing, living), exploited periodic competitive devaluations of the lira.

This restructuring had a very strong territorial dimension: small businesses were located in specific areas, often of centuries-old tradition, mostly in the Northeast and along the Adriatic coastal strip. Italy's poorest areas became by then the most developed. The center of gravity in the Italian production system shifted, and - among other things - landscape, land and soil use changed radically in large parts of Italy.

Contrary to a reduction of the relative importance of the secondary sector, growth was recorded in the service sector: in 1970 the service sector had a higher value added share than the secondary sector, but not in terms of employment (51 and 43 per cent, respectively); thirty years later, in 2000, those shares bordered on 69 and 65 percent.

While in the Fifties and Sixties young people tended to forge ahead, in the Eighties the postponement of getting a job and a family life became more and more evident. Entering the world of work took place later and later due, among other things, to the ever more prolonged education process. There was an increase in the proportion of individuals within 20 years of age who were studying and had never held down a job: for those born in the Fifties it was 22.5 percent of men and 17.8 of women; for those born in the Seventies, respectively, 27.0 and 32.8 percent.

In November 1989 the Berlin Wall was torn down. In the months and years thereafter the Iron Curtain and the Soviet Union dissolved. Some wrote about the end of history and geography, while others - more realistically - focused on the end of the Cold War and the beginning of globalization. The euphoria ended, at least in the European Union countries, with the profound monetary and economic crisis of 1992-1993.

The social and economic transformations of the Seventies and Eighties triggered profound changes in customs and ways of living, in investment in human capital and participation of the generations, which gradually entered into adult life and the labor market (*identity generation* first and *transition generation* next). These generations were meant to live in a global world, to differentiate themselves clearly from their parents. Not only had they fewer children, but all the stages of family life were postponed. The change was mostly evident in women's life: if 75 percent of women born in the Forties and Fifties had lived a family event before their twenty-fifth birthday, for those born in the Sixties the percentage dropped to 56.5 and for those of the Seventies to 46.6.

The *transition generation* (between 1966 and 1980) was the first among those born in the twentieth century not to have the chance to improve, at least early in their career, their social position compared with that of their parents. In other words, that generation was characterized by a worsening of the opportunities for success in the working world and society at large. But it was not so for everyone. Today in Italy individuals with a “high” family status (i.e. at the age of 14 they lived in homes owned by their parents and had at least one parent with university education and a managerial job), have a 63 percent estimated advantage, in terms of income, compared to individuals with a “low” family status (i.e. whose parents had a lower educational attainment than a high-school diploma, low-skilled jobs and who rented their house).

Two phenomena have strongly characterized demographic change since the mid-Nineties: population ageing and foreign immigration.

Today Italy is, with Japan and Germany, among the oldest countries in the world. The increase in life expectancy is due primarily to improvements in medicine and health-care, but also to the spread of healthier behaviour and habits and of disease prevention measures. However, this involves the rapid growth of specific needs of a specific population who, indeed, lives longer but not always in good health. On 1 January 2015 people who were 100 years old or more amounted to almost 20,000, 84 percent of them were women: 31.4 for every hundred thousand residents. Italy is also one of the countries with the lowest incidence of new generations: the share of people aged 1-24 dropped from 49 to just over 23 percent from 1926 to 2016.

At the end of the Eighties Italy experienced a new phenomenon: immigration from less developed countries than ours. The dismemberment of the Soviet block and the resulting conflicts contributed to accelerating the transformation of Italy from a land of emigration to a land of immigration. The symbol of this historical transition was the arrival, in August 1991, of the ship *Vlora* in the port of Bari, carrying more than 20 thousand Albanians.

Overall, in 2015 foreigners resident in Italy made up more than 5 million; in 1993, two years after the arrival of *Vlora*, there were less than 630,000 of them. Now young people of the second-generation are also numerous. Over the years, the presence of foreigners has changed, taking on different characteristics depending on their citizenship of origin, the reasons for their presence, their age, but also their behaviour and social needs.

The generations that in the last twenty years or so have entered adulthood are those of the *millennium* (born between 1981 and 1995) and *of the networks* (1996 to present). The first one is the generation of the euro and European citizenship, but also the one which is paying, more than any other, the economic and social consequences of the crisis: 39.2 per cent of young people aged 15-34 were employed in 2015; the employment rate in 1993 was 50.2. The most traditional route, in which the end of studies was followed by a permanent job, has been gradually declining following the spread of fixed-term jobs. On their 30th birthday, 69.9 percent of those born in the Fifties had completed their studies and obtained a permanent job. The percentage dropped to 58.6 for those born in the Seventies.

44.6 percent of those born in the Eighties entered the labor market only to perform atypical work: the phenomenon has transversely affected the young with different educational and social backgrounds More and more time was spent on skill building. In 1991, the employment rate of graduates, three years after graduation, amounted to 77.1 percent. The rate dropped to 72.0 percent in 2015, the year when about 12.5 percent of young graduates did not look for work. This percentage was almost twice the figure of 1991 (6.6 percent). The latter data is to be read together with the continuation of training and education: in 2015, in fact, 78.7 percent of those who stated they were not looking for work were engaged in activities such as doctorates, master's degrees, internships or further degree programs, while in 1991 the same figure was 59.7 percent.

The *networks generation*, the one of the youngest, is made up of those who were born and raised in the digital age: this generation is always connected.

In recent years, in fact, the digital revolution has taken place. Over 60 percent of persons aged 6 and over (about 34 million) connected to the Internet in 2015 (compared to 57 % in the previous year); about 40 percent of them accessed it every day. Age is the main discriminating factor in the use of these technologies: over 91 percent of young people between 15 and 24 use the Web. Among families, there remains a strong digital divide due to generational, cultural and social factors; families where there is at least one minor are more connected: 88.3 percent of them have a broadband connection, or use a combination of fixed and mobile technologies.

There also remains a notable imbalance between people living in different regions, as well as between people living in metropolitan and urban areas and those living in rural areas. In particular, 65.2 percent of people living in the Northeast have surfed the web in the last twelve months compared to 53.1 percent in the South.

In some cases the very young with a migratory background are the most advanced part of the *networks generation* with a more technology-oriented behavior. The share of foreign youth using the Internet for more than two hours a day, exchanging emails and watching online movies, in fact, is much higher than that of their Italian peers.

Italy is now firmly a land of immigration, but in recent years emigration has started to grow again. Today's young generations are fully cosmopolitan: they feel part of a society united by lifestyles and cultural movements. They have often had experiences of studying and working abroad and they are rich in skills and meta-skills. This is also why they are willing to emigrate, perhaps temporarily. The peak of emigration throughout the past decade was reached in 2014 (136,000 people were deleted from the civil register, over half of them were from 15 to 39 years old). Many of the young people living in Italy would like to live abroad when they grow old. This desire was expressed both by youth of foreign origin (who therefore has already experienced a move, even only indirectly through their family) and by Italians, respectively 46.5 and 42.6 percent. The considerably high share confirms how differently these generations perceive the idea of moving abroad as compared to those of the past: moreover, the networks generation is a global generation.

In 2016 we find the three women - Maria, Anna and Francesca - whom we have observed over the decades. Maria turns 90, by far surpassing her life expectancy at birth, which was 52 years: of those born in 1926, 24 out of a hundred are still alive. Going on in reconstructing Italian affairs by retracing the “average” stories of three women through the statistics - if we look back at Maria’s life - we can say that she had a fifth-grade education at a time when the proportion of illiterates was very high. She married at 24 and was a housewife for her entire life, devoting herself to her three children. Now she has been a widow for many years and she lives with her daughter. Anna, the daughter who is now 64 years old, has been married for more than 40 and has just retired after many years of work in industry, first as a worker and then, after getting her high school diploma, as a clerk assigned to the evening shift. Anna could not have continued working while taking care of the house, of her second daughter who still lives with her, and of Maria, if she had not been helped, in the last fifteen years, by Oxana, a Ukrainian citizen who used to take charge only of the house, then began to take care of Maria. Since she retired, Anna has being visiting more and more often her little granddaughter, Giulia, Francesca’s daughter born last year. Francesca is the first of Anna’s two daughters. She has just turned forty and is getting a separation from her husband. She works as a researcher with a fixed-term contract. Life expectancy, when Giulia was born, was nearly 85 years.

It goes without saying that these exemplary stories are a narrative device, but they rely on the synthesis that statistics can provide after collecting all information and returning it to the country. The millions of personal stories and ways of life that have succeeded one after another and intertwined in these ninety years cannot be reduced to the story of a few “average” lives. For example, among Maria’s peers are those who belong to the 2.5 percent minority who graduated from college. Among the cohorts of Anna are those who followed an unusual career path for their era and became successful businesswomen: a condition they share with just 0.60 percent of their generation. Finally, also in Francesca’s generation almost half of the women have had two or more children. Official statistics therefore has the tools to represent the diversity and multiplicity of subjects, and the strengths and weaknesses of our economic, social, institutional systems, crucial aspects for properly reading the current reality of the country and assess its prospects.

Our present

Here we are today experiencing - for the first time after a prolonged crisis - an important persistent growth, albeit at a low pace. In fact, in 2015 while the international business cycle decelerated (world GDP decreased from 3.4 percent in 2014 to 3.1 percent in 2015), in Italy GDP marked a positive change (+0.8 percent in volume) after three years of decline. The recovery was also supported by domestic demand and the accumulation of inventories (both amounting to 0.5 percentage points); unlike the previous four years, net foreign demand made a negative contribution (-0.3 percentage points), due to a higher increase in imports than in exports.

Compared to previous episodes of cyclical expansion, recovery in production appears to be characterized by increased fragility, as it is less widespread: observing the developments in the sectors of industrial production, the number of growing sectors is lower than in the past.

Among the components of demand, the most dynamic one was the resident household spending, which grew by 0.9 percent, supported by growth in disposable income in real terms (purchasing power), the first increase since 2007.

Household final consumption expenditure, especially on durable goods, showed resumed growth after a burdensome reduction in the toughest years of the crisis, caused by the postponement of household spending decisions. New car purchases rose by 11.8 per cent in volume terms.

The recovery in consumption has benefited from employment growth, which in 2015 kept increasing at a faster pace than in the previous year (186,000 more employed persons, 0.8 percent), and from a positive trend in real incomes. The basic stability of consumer prices (+0.1 per cent) has allowed a moderate real growth in wages and salaries (+0.5 percent) in real terms.

This improvement is also reflected in the provisional data of the household budget survey. During 2015 a lower number of households adopted spending control strategies concerning the quantity and quality of goods such as food and clothing, a downward trend already observed in 2014.

In 2015 there was a stabilization of the severe material deprivation indicator, which measures the proportion of people living in households who experience situations of hardship. According to 2015 data the share stood at 11.5%, stable compared to 2014. Even the persistence component of the phenomenon remains largely stable: nearly two out of three people suffering deprivation in 2015 were in the same conditions in 2014.

The substantial stability in consumer prices was driven by declining oil prices (Brent Oil was down by 45 percent on an annual average), reflecting expectations of a further slowdown in global demand and a gradual increase in supply by Iran, after the lifting of international sanctions.

In the course of 2015 imports increased more significantly (+ 6.0 percent in volume terms) than exports (+4.3 percent). This trend could only partly be attributed to price competitiveness: when excluding energy products, the prices of imported products increased faster than those of Italian products sold on the domestic market. On the other hand, final imported goods recorded a higher - and more sustained - degree of penetration than intermediate goods, whose demand was activated by the recovery in production. The use of foreign-produced goods while domestic demand was increasing, may have been determined by a reduction of the country's production capacity, following recession.

According to the preliminary estimate released on 13 May, in Italy GDP grew by 0.3 percent in the first quarter of 2016, interrupting the progressive deceleration of 2015 (+0.2 percent in the fourth quarter, from +0.4 in the first). According to Istat estimates of 17 May, GDP in Italy is expected to reach 1.1 percent for 2016.

The recession changed, to a limited extent, the size of companies always active between 2010 and 2013, with a slight net shift toward the lower size classes; between 2008 and 2013, the crisis affected the business death rate, which increased by more than one percentage point, as compared with a substantial holding in their birth rate.

During the crisis, business performance was heterogeneous, with a strong polarization between - even broad - segments of “winning” companies and shrinking parts of the production system: in one company out of two value added increased; in about one fifth the number of workers grew and in less than one sixth both indicators increased. On the contrary, in 43.2 percent of companies both value added and the number of employees immediately dropped.

In a period characterized by extremely weak domestic demand, the growth in business value added was determined by its being present and competitive on foreign markets: exporting companies (about 21 percent of the total) accounted for 82 percent of the value added in manufacturing; the most exposed companies (those exporting over half of their sales) alone accounted for 31.2 percent.

The ability of Italian companies to compete in international markets provides an important stimulus to the growth of the country. However, the relationships across sectors analyzed in the *Report* highlight that, in the period 2011-2014, Italy had a lower ability than Germany in conveying, to the production system, the impulse provided by foreign demand. In Germany cross-sectoral relationships have a greater density than in Italy, particularly relations between manufacturing and business services sectors. Not only the lesser interaction does tend to limit the ability to activate growth in manufacturing as compared with the rest of the economic system, but also to transfer efficiency between sectors. Business service providers, whose turnover in Italy is about 30 percent of the total, are more efficient than manufacturing sectors. In Italy interrelations are mainly commercial relationships where services sectors are the predominant buyers. Since efficiency tends to be transmitted mainly from supplying to buying sectors, it follows that in our country low intense exchange between business service providers and manufacturers can curb an increase in industry efficiency.

The recovery in production was accompanied by continuous and ever growing intensification of labor input in companies, a trend that started at the end of 2014. In the last quarter of the year just ended, the number of hours worked increased by 4.5 per cent on a year-over-year basis (the largest increase since the fourth quarter of 2007), more than two thirds of this rise was due to the increase in jobs (+3 per cent), one-third to the increase in the hours worked per employee. During the same period there was a re-absorption of Cassa Integrazione Guadagni (short time working allowances). For the first time since 2008, there was also an increase in jobs over the same period of the previous year, in manufacturing (+1.2 per cent) and in construction (+2.3 percent), while there was always a lively dynamics of payroll jobs in market services (+4.0 percent) and personal services (+5.0 percent).

The net employment growth of companies with employees, that were active between the fourth quarter of 2014 and the fourth quarter of 2015 can be explained by several factors, including enterprise productivity, the composition of the workforce within the enterprise, the pay structure, the age of the enterprise and the age of the entrepreneur.

Enterprise productivity contributed about 12 percent to the overall dynamics of jobs, with significant differences between the various sections. The composition of the workforce within the enterprise and the pay structure also played their role: other conditions being equal, in companies having a “high ratio of clerk/worker “ (higher than the sector median and the size class) the number of jobs increased to a greater degree; among “high salary” companies (i.e. wages and salaries per employee were above the sector median and size class), larger companies provided the largest contribution to employment growth. The age of the entrepreneur and of the enterprise were significant factors associated with the employment trend in the observed period, especially for smaller companies: in companies led by young entrepreneurs the number of jobs increased much more than in those managed by older entrepreneurs, especially in high-tech manufacturing sectors.

Finally, the recent measures of the labor market reform has a significant impact on companies’ demand for labor. Not always did new contracts of employment correspond to the entry of new units of personnel in the company: they may be the result of a conversion of already existing – mainly atypical – working relationships. The phenomenon of conversion into permanent contracts have involved more than half of companies.

According to our estimates, among the companies growing in employment in 2015, the new permanent contracts are relatively more likely to correspond entirely to new employees for smaller companies. Among them, contracts with increasing protection were more widely used by those smaller companies which in 2014 had not hired anyone; on the contrary, among medium- and large companies the greatest effects are found for those who continue an upward trend of increased employment which already started in 2014. According to the estimates, de-contribution has been used as the main element supporting overall business employment in 2015: in the companies that used de-contribution, employment increased on average by 18 percent more than in those that did not.

On the supply side, in Italy employment grew - as mentioned earlier - by 186,000 units in 2015, with a major increase in permanent employees (102,000 more).

After seven years of continuously increasing trends, in 2015 the number of unemployed people decreased: the unemployment rate dropped to 11.9 percent (-0.8 percentage points from the previous year) and the unemployed to just over 3 million (203,000 less). The rate of non-participation (which includes unemployed and inactive people who were willing to work) also dropped to 22.5 percent (from 22.9 percent in 2014).

In the last year there was a mitigation of the steep decline in the employment of young people that characterized the years of the crisis, particularly affecting the *millennium generation*. The employment rate of young people aged 15-34 stopped to drop in 2015 at 39.2 percent, more than ten points lower than in 2008.

The employment rate grew slightly among people aged 35-49, reaching 71.9 percent (+0.3 points from 2014) and increased more considerably among people aged 50-64, reaching 56.3 percent (+1.5 points compared to 2014 and +9.2 compared to 2008). The growth in number of employed persons aged 50 years and over is correlated to the rising retirement age caused by the reforms of the social security system, the increase in the population of the baby boom generations and the growing level of education.

The comparison between people aged 15-34, who have been employed for no longer than three years and at their first job, and people over 54 years old who have retired in the last three years, revealed how difficult it was to replace seniors by youths on "job by job" basis. In fact, while young people enter mainly market services (319,000 entries in the sectors of commerce, hotels/restaurants and business service providers, compared with 130,000 leavers), in other areas leavers are not replaced by entries (125,000 retired from jobs in the General Government and education against only 37,000 entries).

In the last year the rise in employment concerned all large professional groups, except for workers and artisans (-0.4 percent). The increase mainly concerned skilled jobs as to Italian people and unskilled jobs as to foreigners. Compared to 2008, the reduction in employment among workers and qualified professionals (respectively, over one million fewer workers and 640,000 fewer qualified professionals) was counterpoised to an increase in clerical jobs in trade and services and unskilled work (over 610,000 and about 430,000 more people respectively).

In the course of the crisis, the protective role played by education was confirmed. Employment rate declined less for graduates (from 78.5 percent in 2008 to 76.3 in 2015), than for those who only received their middle school certificate or a diploma. In 2015, three years after graduation, 72.0 percent of graduates were employed, and 53.2 percent found highly qualified employment, with a standard contract lasting over eight months. Moreover, the level of education – as a proxy for socioeconomic status – also affects life expectancy. Educational attainment is highly correlated with other measures of social position, such as employment status and social class. At 80 years of age, the survival rate of male graduates is 69 percent, compared with 56 percent of those who, at the most, have finished middle school. Among women graduates the gap is narrower.

In 2015 young people aged 15-29 who were both unemployed and no longer trained (NEET) amounted to more than 2.3 million, of which three out of four was willing to work. Compared to 2008, the NEET increased by over half a million, but in the last year they decreased by 64,000 units (-2.7 percent). The incidence of NEET on young people aged 15-29 years was 25.7 percent in 2015 (6.4 percentage points above that of 2008 and 0.6 points below 2014). The condition of NEET is more widespread among foreigners (35.4 percent), in the South (35.3 percent) and among women (27.1 per cent), especially mothers (64.9 percent).

The welfare systems of different countries have reacted in different ways to the shock of the crisis. UK and Sweden took measures to curb social spending, while in Denmark, Germany and the Netherlands social spending increased in 2008 and especially in 2009. In Italy social spending continued to grow, driven by the component for pensions, but more slowly than before.

Public health expenditure increased from about 75 billion in 2001 to 111 billion in 2014, i.e. an average annual growth of 5.5 percent in the period 2001-2008 and substantial stability in the period 2009-2014. From 2001 to 2008 hospital expenditure grew at a higher rate than total public health spending (+5.7 percent), and then decreased from 2009 to 2014 by almost 1 percent per year.

Between 2001 and 2008 the number of hospital admissions fell at an average annual rate of about 1 per cent; between 2009 and 2014 it decreased at a rate of about 4 percent. The continuous drop in admissions and, in particular in the so-called component “for acute care”, has not resulted in a proportional reduction in hospital expenditure, thus confirming the system difficulties in coping with the problems of public finance constraints.

The bulk of expenditure on social protection is absorbed by the treatments to protect against old age risks, which in Italy exceed 50 percent. Between 2009 and 2014 the number of pensions decreased from 23.8 to 23.2 million (-637,000), while the number of pensioners passed from 16.8 to 16.3 million between 2008 and 2014 (-520,000). However, the regulatory measures launched ever since the Nineties failed to stop pension expenditure growth, though slowing it down to a considerable degree. In fact, the transition from the performance-based system to the contribution-based pay system did not yet achieve widespread effects and new pensioners in 2014 received higher pensions than in 2003. This is a result of longer and more permanent working careers as well as longer and more regular social security contribution deposits.

During the long recession, the incidence of poverty steadily decreased for people aged 65 and over, while it significantly increased among minors, the persons who paid the highest price for the economic crisis. The data on the risk of poverty before and after social transfers (excluding pensions) are used to evaluate if welfare systems can prevent people from the risk of falling into this condition. According to this interpretation, the social protection system in our country is, among the least effective in Europe: social transfers reduce poverty by 5.3 points compared with a European average of about 9 points.

As in other countries, the Italian transfer system (excluding pensions) is more effective in reducing the risk of poverty among younger segments of the population, though below the European average, and in any case unable to counterbalance the trend of constant impoverishment. The growing vulnerability of minors is linked to their parents’ difficulty in supporting the economic weight of the first stage of the family life cycle, resulting from the gradual deterioration of labor market conditions. The inequalities created by this situation have increased dramatically in the past 30 years. Instability and job insecurity, which mainly affect young people and women, are among the factors that generate the worst distribution inequalities. Human capital, however, is still an important protective factor. However, in our country the income earned is still strongly linked with the socio-economic (family) background, a link that tends to impede social mobility processes.

Conclusions

Italy is finally moving out of a long, deep and unprecedented recession in the history Istat has witnessed throughout these 90 years. Inevitably, therefore, the period which has just passed has impacted many aspects of the economic and social system, in different ways and with various manifestations. This has raised some critical issues relating to the effectiveness of the redistribution system and the stability of production. Some positive elements have appeared, such as increased sustainability of public debt, competitiveness in foreign markets, improved situation for seniors. Finally, certain strategies have confirmed to be important, first and foremost the protective role of human capital for individuals, with positive effects for society as a whole and, more generally investment as the key to recovery, as already pointed out last year.

Istat has consistently documented these changes and continues to make available to the country data, skills and tools for the choices of the various social actors and for the design and evaluation of policies. The debate on whether to introduce the assessment of well-being indicators into the formation of the Financial Statement Law testifies how important our role is in the development of democracy.

I wish to point out that the changes taking place in society and the ever evolving technologies have demanded a profound change in Istat, even in the way it produces information. As announced last year, the Institute's modernization process is continuing in full harmony with the evolution of European statistics. The recognized authoritativeness of official statistics in our country requires the continuous development of skills and full recognition of the crucial contribution of all the staff.

Looking at the future of the country we must carefully consider the role of the pre-distribution interventions. Among these are: measures that can affect the functioning of markets, starting with the labor market; industrial policies; interventions that enable individuals to acquire skills that are paid better on the market (primarily those concerning education, starting from early childhood); finally, health policies. In this context, a key role is played by public decisions on investment and spending, especially in terms of quality: choices that Istat is able to accompany and support, both in their formation stage, and in that of their evaluation.