

ANNUAL REPORT 2017

The state of the Nation

Summary

read by Istat President Giorgio Alleva
Wednesday, 17 May 2017 in Rome, sala della Regina
of Palazzo Montecitorio



Age
Culture
Workers
Population
Blue-collar
Growth
Low-income
Italians
Cities
Young
Unemployed
Women
Clerks' Households
Services
Employed
Persons
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Silver Pensioners
Low-income
Foreigners
Expenditure
Ruling Class
Retired
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Education Level
Traditional Households
Lonely Old Ladies
Leisure Time
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Italy today: a reading through the social groups

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 2017 addresses this task by looking at the social structure through the characteristics of groups who make up our society. Each social group has a plurality of dimensions and is described and analysed from many points of view. Poor social mobility has often been indicated as one of the underlying elements of the country's growth difficulties (not only in economic, but also in democratic terms), but social differences and heterogeneity of behaviours represent a great wealth and development potential.

Nine social groups to describe the Italian society

Nine households and their components, therefore, to describe the social groups composing the Italian society.

We can imagine them as tenants of a large house, as in a French novel of about forty years ago, *'Life a User's Manual'* by Georges Perec. More realistically, we can imagine them as residents of the same city neighbourhood considering that, as also documented in this Report, many of them are becoming a lively mix of old residents, young households, immigrants; condominiums, detached houses and once craft or industrial areas are being transformed into apartments and lofts.

Nine different households to sum up, at least in part, the social differences that characterise the over 25 million households residing in Italy. These nine groups have not been identified arbitrarily, but through a statistical approach allowing to take into account multiple aspects, to preserve heterogeneity, to represent homogeneous household income levels corresponding to specific combinations of other factors: among others, education level, citizenship, professional position, number of household members and area of residence.

The analysis of these groups through the set of tools and skills of the Italian National Institute of Statistics has allowed to focus some innovative elements and find confirmation of many other aspects already present in the common feeling, that the *Report* documents, measures and analyses both conceptually and quantitatively.

The progressive fragmentation of the social fabric has in time led to the attenuation of the concept of 'class', whatever its definition or theoretical field of reference. This would have been of limited interest, however, if it had not affected the sense of belonging and social identity. On the other hand, the perspectives of individual and generational mobility, especially if supported by public action, aimed at a more open and less unequal society, freed from the mechanisms of inheritance of wealth and social status.

This is not the place to analyse this crisis: many observers include demographic transitions among the deep causes why patterns of development and welfare that spread after the end of World War II became unsustainable. At the beginning of May, in Rome, Professor Stiglitz, Nobel Prize winner for Economics, pointed to the change of game rules in the economy and economic policies in the 1980s. What is now certain is that the 2008 recession, with its profound impact on the country's economic structure, represented a hard freeze for the 'liquid society'. In the absence of social mobility, fragmentation has crystallised, and inequalities have increased.

From an analytical point of view, this fragmentation cannot be properly described by any ex-ante taxonomy. It is true that the utility of classifications lies in a simplification of reality, but, in this case, they are likely not to take proper account of the many dimensions of social identity. Therefore, as already mentioned, this *Report* follows a different process, based on elements that give robustness to the analysis. The first strong point is the great wealth of statistical information on households and individuals, and the possibility to integrate them into a coherent framework. The second is the use of statistical methodologies and techniques to reduce complexity while maintaining a high ability to represent the variability of phenomena and heterogeneity of subjects. The third is the attention to the comparison with the social classes as defined in the scientific literature, especially concerning the Italian case, to qualify the results of the classification exercise here proposed.

The methodology used is characterised by the adoption of a statistical procedure according to which class membership of households is not defined ex-ante, based exclusively on the role of the reference person within the production process or its job position. The nature of this method has led to replacing the term "social classes" with the term "social groups".

The multidimensional approach adopted to draw up this *Annual Report* has allowed taking into account, with different roles in the formation of groups, aspects of economic (income, occupational status), cultural (education) and social nature (citizenship, household size, type of residence). Considering elements of different nature and origin in defining the different social groups allows a more articulate and broad representation of social reality.

On the other hand, subdividing families in social groups by a statistical method does not replace, but rather enriches the analysis potential of division in classes based on a hermeneutic and heuristic approach; this is partly due to the fact that work position of all family members is taken into account and, in particular, that of the *main breadwinner*.

The classification method adopted is of a hierarchical type. In the progressive partition of households, the characteristics considered are in succession the 'branches' and 'leaves' of the 'classification tree', whose 'trunk' represents the set of Italian households and their members. The key variable of the adopted model is income. But since different households have different economic needs, the equivalent income is preferred, a measure that takes into account the different household size and composition by age.

The first variable to define the first two 'branches', and therefore, to divide households into two large groups is the occupational status of the "chief breadwinner" (also referred to as 'reference person'). On the one hand, there are households (just over ten million, almost 40 percent of the total) where the reference person is inactive or unemployed or has a low-wage work (atypical worker, i.e. fixed-term employee or collaborator, blue-collar worker or assimilated). On the other hand, there are households (over 15,5 million, the remaining 60 percent) where the reference person works in any position, except for those mentioned above: as an employee, self-employed worker, officer, manager, entrepreneur or freelancer. If he is inactive, he is retired from work.

The occupational status emerges as the most important variable to define social identity, as the literature on class theory suggests. And yet, it includes not only the occupied job position or the role in the production process but also the participation in the labour market. Moreover, the division is not – as one might expect – between those who are fully involved in work and those excluded because inactive or unemployed. The fact that the reference person is employed is not enough to produce a relatively high household income if the employment is in low-skilled (and low-paid) positions and if the job is provided by atypical contractual forms. Conversely, when the *main breadwinner* is retired from work, probably with a high seniority and a fully or predominantly final-salary pension scheme, the income level of his household is comparable with that of households whose reference persons are in a high professional group, or at least in a white-collar position.

This first subdivision clearly shows two partially new elements if compared to the traditional analysis of social classes: the traditional approach based on employment and occupation of the reference person is unable to adequately represent the situation of those households – 45 percent of the total – whose reference person is out of the labour market; social identity is always defined in terms of employment, but in more complex and fragmented ways than in the past, due both to the plurality of contractual forms and a variety of professions that escape a rigidly structured classification.

Citizenship of the household members intervenes only once to discriminate groups, but decisively; in the second passage, it divides households where at

least one member is a foreigner from other households where the reference person is inactive, unemployed, atypical, blue-collar workers or assimilated.

Low-income households with foreigners are those where there is at least one non-Italian citizen. They are nearly 2 million (7.1 percent) for a total of 4.7 million individuals (7.8 percent). As a result of the discriminating power of the 'citizenship' variable, about three-quarters of households with at least one foreign component fall into this group, that has an income disadvantage of 40 percent, and is, therefore, the 'poorest' among those identified. It is the youngest group, the average age of the reference person being 42.5 years. Although they have on average 2.6 members, they are often composed of single members (35.7 percent of cases) or couples without children (34.4 percent). Although the employed are predominantly in unskilled positions, half of the reference persons hold an upper secondary school diploma and one in ten has a university degree. The disadvantage in income terms is rather evident, but other analyses (such as regional analyses within metropolitan cities) do not reveal particularly intense segregation processes. This group has a strong presence in the Centre and North areas, where labour market conditions are more favourable.

The number of family members is another strongly discriminating variable, although its association with income is less significant than other variables such as professional status, education, age and gender. In particular, it discriminates between situations in which a modest household size (up to three components) can partially offset negative characteristics in terms of professional position (inactive, unemployed, atypical, blue-collar or similar) or education (up to lower secondary school), and those in which a large household size accentuates the effects of low income. In the latter case, two distinct groups can be identified: *low-income Italian households* and the *traditional provincial households*. Overall, they are less than 3 million households, but nearly 12 million people.

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In particular, **low-income Italian households** are numerically inferior to *low-income households with foreigners* (roughly 2 million, 7.5 percent), but – as they are large households, averaging 4.3 components, and couples with children in more than nine cases out of ten – they include over 8 million people (13.6 percent). They reside most frequently in the South and Islands. The reference person is 45.5 years old, and has a low level of education: over half of them have at most a lower secondary school diploma, and only 3.5 percent have a university degree. This group is not only characterised by low income (about 30 percent less than the national average of equivalent income) but also by a rather uneven distribution: it has the second highest value of the Gini index (0.290) and one in three people is at risk of poverty. Over 60 percent of the reference persons of these households have permanent contracts as blue-collar or manual worker.

Traditional provincial households represent the smallest group in terms of both households and individuals (almost 850,000 households and 3.6 million people, 3.3 and 6.0 percent of the total, respectively). As for the previous group, the number of components is high (4.3 on average) due to the widespread presence of couples with children (88.6 percent of cases); in 8.2 percent of cases, these households are composed of multiple nuclei. The reference person is on average

53.5 years old and has at most a lower secondary school diploma. The combination of low qualifications and a high number of components affects the economic well-being negatively. This group is strongly characterised by gender (the reference person is a man in nine out of ten cases, repeating the traditional model of the *male breadwinner*) and regional disparities (they are relatively more present in the South and Islands and municipalities with up to 50,000 inhabitants). Nearly half of the people in this group are traders or artisans, and just under 30 percent of them are retired from work.

The education level of the household reference person is strictly correlated with income (the third variable in decreasing order of importance after citizenship and professional position) and discriminates households into two super-groups: those where the *main breadwinner* works in high- or medium-paid category and those where he is retired from work. The former includes 6.7 million households in which the reference person has at most a lower secondary school diploma.

Besides the *traditional provincial households* – the smallest group so far analysed – this group is mostly composed of **retired blue-collars' households**. It is the largest group regarding households (6 million, 22.7 percent) but not regarding people (10.5 million, 17.3 percent). The reference person is on average 72 years old and has at most a lower secondary school diploma. They are small-size households (on average less than two components): in 76.8 percent of cases, they are single-person households or couples without children (*empty nests*). The group is prevalingly (over 80 percent of cases) composed of households whose main breadwinner is a pensioner. Here, too, the average equivalent income is close to the national value, and the concentration within the group is minimal (Gini index is lower than in all other groups).

The latter super-group discriminated by education level consists of 8.8 million households whose reference person has at least an upper secondary school diploma. The professional situation further divides this group into clerks and self-employed workers. The group of **clerks' households**, the closest to the average income, is the largest regarding population (over 12.2 million, one out of five), and but not regarding households (nearly 4.6 million, 17,8 percent). With an average of 2.7 persons per household, half of them are couples with children. The reference person is on average 46 years old and always has at least an upper secondary school diploma; one out of four also has a University degree. From a professional point of view, the group is strongly characterised: it consists of almost all clerks (89.0 percent) and nearly half of the self-employed. The reference person is a woman in four cases out of ten: much more often than in other social groups. The good living conditions of people living in clerks' households do not depend only on their place on the income scale, but also on their non-monetary situation: only 3.5 percent of individuals of this group live in serious material deprivation, less than a third compared to the national average.

Education title, in turn, divides the other households belonging to this group determined by the professional situation into further subgroups: those whose reference person has an upper secondary school diploma (*silver pensioners*), and those whose reference person has at least a University degree (*the ruling class*).

Households belonging to the group called **silver pensioners** are 2.4 million (9.3 percent of total households) and include more than 5 million people (8.6 percent). It is a high-income group, where two-thirds of *main breadwinners* are retired from work; if they are still working, they are managers or businessmen or freelance practitioners in much the same proportion. The reference person is on average 64.6 years old, and – as is the case of the clerks' households – always has an upper secondary school diploma. Couples without children, representing one-third of this group, are of a slightly smaller size than clerks' households (2.2 components on average), as children might have left home (*empty nests*), given the age of the reference person.

The group called **ruling class** includes just under 2 million households (7.2 percent), for a total of 4.6 million people (7.5 percent). They have the highest equivalent income, with a nearly 70 percent advantage over the average. The *main breadwinner* – who is on average 56.2 years old – always has a university degree: one out of four holds a postgraduate degree, the remaining three-quarters have a University degree. Four out of ten are couples with cohabiting children, composed on average of 2.5 members. About the employment situation of the reference person, 40.9 percent are executives or managers (nearly ten times more than the national average), 29.1 percent are entrepreneurs or freelancers (seven times more than average), and 30.0 percent retired from work.

The house tenure status, which however does not intervene to discriminate between groups of households, allows describing some situations better. As known, in our country, it is common to reside in owned houses. This condition is not frequent only among three groups (*low-income households with foreigners, young blue-collars, lonely elderly and young unemployed*), while low-income Italian households are aligned with the national average.

Young blue-collars include just under 3 million households (11.3 percent of those resident in Italy), accounting for 6.2 million people (10.2 percent of the population). The main breadwinner is on average 45 years old, and in 90 percent of cases has a lower or higher secondary school diploma. Households count on average 2.1 components; 35.6 percent are couples without children. Three reference people out of four have a permanent contract as blue-collar or manual worker. The group stands out among the others for a higher internal homogeneity: the distribution of income is almost symmetrical and its inequality, measured by the Gini index (0.246), is very limited. The risk of poverty is rather low (14.9 percent), and lower than the national average.

They mostly live in rented houses, just like low-income households with foreigners (who, however, sometimes live in free of charge dwellings), but for different reasons: foreigners, because they have recently settled in our country, blue-collars because they are often at the beginning of their lifecycle and are hired on contracts which are discriminated against in the real estate market and are denied access to mortgages. Finally, when the average age is higher – as in the *retired workers' households* (above described) and those of the *lonely old ladies and young unemployed* – it is fairly common to live in houses owned in usufruct, often resulting from the sale of the bare ownership of the house.

The group of the *lonely old ladies and young unemployed* include 3.5 million households (13.8 percent) and 5.4 million people (8.9 percent). In 60 percent of cases, these are lonely people, as evidenced by the very small average number of components (1.5 per household). Besides households whose reference person is inactive (almost 90 percent of cases), this group also counts a minority of households whose reference person is unemployed. The reference person is on average 65.6 years old and has a low education level (over 40 percent has a primary school certificate, and less than 30 percent a lower secondary school one). High internal heterogeneity accompanies low income: the Gini concentration index, which measures disparities in distribution, is the highest among all (0.324). Although it is not one of the lowest groups in the income rankings, 39.0 percent of its members are vulnerable to the risk of poverty.

In conclusion, with regard to distance from the average, two of the nine groups can be defined as medium-income (*young blue-collar*s and *retired workers' households*), four are low-income (*low-income households with foreigners*, *low-income Italian households*, *traditional provincial households*, *lonely old ladies and young unemployed*) and three are wealthier (*households of clerks*, *silver pensioners* and *ruling class*).

In addition to assessing demographic, education and work aspects, the social groups identified have allowed capturing the variability of a number of phenomena affecting Italian households. The Report gives ample testimony of their spending behaviours, poverty, living conditions and lifestyles, such as cultural consumption, political and social participation and leisure time, as well as elements of the dynamics observed in recent years.

It is interesting to compare the results of this classification process with the taxonomies proposed in the past by Paolo Sylos Labini and Antonio Schizzerotto. Compared with the latter, the middle class is particularly well represented in the group subdivision; 83.5 percent falls within the *clerks' households*. The petty bourgeoisie is distributed among several social groups, especially among the *traditional provincial households*, those of *clerks* and those of *retired blue-collar workers*. Finally, the *ruling class* – that, moreover, holds the means of production and decision-making power – is defined, above all, based on titles of study: class privilege is now tightly linked to education, seen as a power tool for decision-making and social innovation. Loss of sense of belonging is strongly felt among the small bourgeoisie and the working class. The latter, in particular, has lost its unique connotation, and nearly half its members have merged in the group of *young blue-collar*s and the rest in the two groups of *low-income households, Italian or with foreigners*.

The classification process shows two configurations. In addition to the professional situation, always important, and the presence of a foreigner in the household, often penalizing, in low-income groups the most important role is played by the household size (not only large households are disadvantaged, but also four-member ones, that were the norm until a few years ago,) and the fact that the reference person has a job (which instead represents an advantage). In high-income groups, it is always the title of study which makes the difference.

Education also refers to a form of hereditary social belonging: as already highlighted in last year's *Report*, incomes of households and individuals of a generation (including work-related income) are positively correlated with those of the previous generation. Individual income, therefore, is not only the result of the individual's talent, commitment and ambition but also of the opportunities regarding personal assets and human and social capital offered by the family of origin.

The house tenure status, too, might be considered an approximation of household wealth – which Istat's surveys do not detect directly – and its intergenerational transmission.

All these differences, added to those relating to the equivalent income, result in inequalities.

A first useful information for reading income inequalities is derived from the breakdown of variability into two components: one attributable to the variability of incomes perceived by individuals *within* the groups and one generated by the variability of income averages *between* the groups. In other words, if all social groups had the same average income, then all inequality would be within the groups. If, however, all individuals *within* the groups had the same equivalent household income, then overall inequality would be all *between* the groups. In our case, it should be recalled that groups are characterised by homogeneous household income and specific combinations of other factors such as education, citizenship, professional position, number of household members and region of residence. Within each group, anyway, there is a certain variability in the distribution of incomes between single individuals.

About income inequality among groups, it is useful to compare the share of the resident population belonging to each single group with the relative income share. If the two values were always equal, then all the groups would have the same average income, and there would be no inequality between the groups.

Social groups that are at the extremes of the income distribution have the greatest advantages and disadvantages. On the one hand, for *low-income households, Italian or with foreigners*, the income share is lower than the population share (-3.7 and -3.1 percentage points, respectively). On the other hand, the highest distribution advantage is recorded by the *ruling class* group (+ 5.3 percentage points) followed by *silver pensioners* (+2.9) and *clerks' households* (+2.4 points percentages).

Compared with 2008, the initial year of the great recession, while for *low-income Italian households* the distribution disadvantage remained almost unchanged, for *low-income households with foreigners* it increased by 1.5 percentage points: during the crisis, these households paid a higher price than others. Retired workers' households, however, could partially reduce the disadvantage (+0.7 percentage points), thanks to the income protection offered by pension transfers.

As far as inequality of individual incomes within each group is concerned, only the *lonely old ladies and young unemployed households* present high values; con-

versely, *clerks' and blue-collar workers' households* show the lowest index of internal inequality among all social groups.

Overall, in 2015 about 80 percent of total inequality occurred within social groups; the remaining 20 percent can be accounted for by the differences between the groups. This finding points out that people belonging to households with similar characteristics (professional status and education title of the reference person, tenure status, and so on) can generate heterogeneous incomes, and vice versa, that similar income can be achieved by people and households with different characteristics and life paths.

The interaction between income generation, its composition, the redistributive action of public authorities and the household of belonging determine the individual's position within the overall income distribution. By dividing the resident population by fifths of income, about 80 percent of *low-income households with foreigners* are ranked in the bottom two-fifths of the distribution (i.e. 40 percent of the lowest income group). The share falls to 55-60 percent in *low-income Italian households*, in *traditional provincial households*, in the *lonely old ladies and young unemployed households*. *Retired workers'* and *young blue-collar households* are the most heterogeneous, given that individuals who belong to them are distributed in all fifths of income. Nearly 80 percent of individuals belonging to the ruling class group is placed in the upper two-fifths (i.e. in 40 percent of households with higher incomes) while they represent between 55 and 65 percent of the *silver pensioners* and the *retired workers' households*.

Even in this case, the comparison with 2008 confirms that *households with foreigners* have been hit by the recession, and have taken a big step backwards to the fifth lowest income. Even *traditional provincial households* are experiencing a worsening of their economic conditions, falling from the upper fifths of the distribution to the second and third. The *ruling class* took a remarkable step back, but always within the upper fifth: the share of people belonging to this group decreased by eight percentage points. On the contrary, the *lonely old ladies and the young unemployed households* are moving to the top fifths: the share of those falling in the bottom two-fifths, indeed, is decreasing due to the increase in the share of incomes earned by other household members.

The *clerks' household* group was less affected by the effects of the crisis: at the distribution level, their presence in the bottom two-fifths reduced and significantly increased in the upper fifth. For all other social groups, distributions remain virtually unchanged.

The economic and social situation in 2016

The ageing of the population is the demographic aspect that distinguishes our country in the international context. The birth rate continues to decline: the minimum number of births observed in 2015 was exceeded in 2016 by the new record in the history of unified Italy (474,000). Professor Massimo Livi Bacci reminded us a few days ago

that we have to go back to the middle of the sixteenth century to find such a small number of births, when, in fact, Italy had a population equal to one fifth of the present. 608,000 deaths were recorded, a high value but in line with the rising trend due to the ageing of the population. The natural balance recorded a negative value (-134,000) in 2016, the second largest drop ever since 2015. The foreign migrant balance remains at a level similar to that of the previous year, though with a higher number of inflows and outflows. A negative natural trend leads to a decline in population. In 2015 the resident population dropped by 130,000 units and by 86,000 in 2016. As estimated on the 1st of January 2017, the resident population decreased to 60.6 million.

Despite the slight slowing in the international economic cycle (IMF estimated the world Gdp to grow by 3.1 percent from +3.4 in the previous year), Italy has consolidated the recovery process started in 2015, with Gdp growing by 0.9 percent in volume. As in 2015, this growth was driven by domestic demand, which contributed by 1.4 percentage points, offsetting the negative effects of stocks and net foreign demand (-0.5 and -0.1 points, respectively).

Compared to previous expansion cycles, the growing process in the current recovery phase is weaker: the main economic indicators show high volatility and the industry's overall positive trend has now been associated with a heterogeneous progression of the various services sectors.

In 2016, final domestic consumption, one of the components of domestic demand, continued to grow (+1.2 percent from +1.0 in 2015) supported by the increase in disposable income in real terms. The latter benefited from the growth of nominal incomes and price stability (the variation of consumer prices in 2016 was substantially zero). The consumer households' savings rate (8.6 percent), up by two-tenths of a point compared to 2015, remained at levels significantly lower than the 2000-2009 average.

Consumption growth, moreover, benefited from the increase in employment.

The recovery, due to insufficient economic growth, is not able to positively affect the whole population. In 2016, the indicator of severe material deprivation, which measures the share of people in households who claim to experience at least four out of a set of nine symptoms of discomfort, rose again to 11.9 percent (from 11.5 percent in 2015), with higher peaks among households where the reference person is seeking employment or has a part-time job. The condition of single-parent households, especially with minor children, and of those residing in the South and Islands is especially critical.

As well as consumptions, gross fixed capital formation continues in 2016 the recovery started in the previous year (+2.9 percent, against +1.8 in 2015). The positive trend was driven by investments in means of transport (+27.3 percent) and, to a lesser extent, in machinery and equipment (+ 3.9 percent). After eight years of contraction, investments in construction also grew (+1.1 per cent).

The substantial stability in consumer prices in the 2016 average (-0.1 percent) confirmed that phase of inflation stasis started three years ago (+0.2 percent in

2014 and +0.1 in 2015), influenced by the prolonged decline in fuel prices (-5.5 percent). The core inflation (net of energy products and unprocessed food), on the contrary, has followed a positive trend (+0.5 percent) as a result of the slight rise in prices of durable goods (+ 0.9 percent), non-durable goods (+0.7 percent) and total services (+0.6 percent). From late 2016 to early 2017, the consumer price trend marked a steep rise.

The positive dynamics of domestic demand throughout 2016 resulted in a higher rise in imports of goods and services in volume (+2.9 percent) than in exports (+2.4 percent). Trade in value has followed an opposite trend, with an increase in exports and a decrease in imports (+1.1 and -1.4 percent, respectively). These dynamics were influenced by the improvement in the terms of trade due to the persistent drop in import prices (-3.5 percent), and in turn driven by the fall in international prices of energy commodities. As a result, the trade surplus rose to 51.6 billion Euro, and the ratio of Italian to world exports slightly increased.

Positive trends in foreign trade continued in the early months of 2017 (+3.7 percent for exports and +5.6 percent for imports in the December-February quarter compared to the previous one). In March, there were signs of expansion in trade flows from and to non-Eu countries, which maintained very high quarterly growth rates (exports +4.7% and imports +6.7% on a quarterly basis). China and Russia were the most dynamic destination markets.

The competitiveness of Italian enterprises on international markets seems to have been strengthened by the selection process operating in the years of the crisis: the manufacturing sector recovered thanks to the financially stronger enterprises and those more exposed in international markets. In the 2014-2016 period, exports increased especially among firms with greater economic and financial sustainability; This type of enterprise is also associated with greater geographical diversification of export.

In the same period, production units always present in foreign markets markedly shifted towards more complex forms of internationalisation, with increases in the average number of products sold and reference markets. The ability to evolve forms of participation in international trade is also linked to the ability to seize the best opportunities of demand: in almost all *upgrade* cases, an increase (or substantial invariance) can be observed of the export share allocated to higher growth areas.

The slow recovery of the Italian economy, however, is due to the prolonged stagnation of productivity over the course of the 2000s, when (between 2000 and 2014) the total factor productivity fell by 6.2 percent and Gdp per capita by 7.1 percent. Total factor productivity in enterprises is driven by two elements: technical efficiency, which indicates the ability of the production units to generate added value given their endowment of production factors, and technological change, that is, the evolution of production technology. In the years of the second recession, total factor productivity was mostly supported by the exogenous change in production technology rather than by endogenous factors attributable to business strategies; furthermore, the improvement of technical efficiency was

mainly determined by the selection process which led to the exit from the market of less efficient companies.

In an international context characterised, as per Imf's estimates, by the acceleration of product and world trade through improved prospects in advanced countries, Italy's sentiment indicators seem to suggest a continuation of the growth phase at moderate rates. The Consumer Confidence Index rose again in March, thanks to improved expectations of the economic situation, and stabilised in April. In the same month, the composite business confidence climate index showed a significant increase, reaching the highest level since October 2007. Improvements concern all sectors, including constructions.

The international context appears favourable also regarding employment. Over the past three years, employment started growing again in Europe. In 2016, the average of EU countries was over the 2008 levels, both for the number of employed persons and for the employment rate (+1.4 million and +0.9 percentage points, respectively). In Italy, employment grew for the second consecutive year, at a more intense pace than in the previous one. The employment rate reached 57.2 percent (+0.9 percentage points), far from the EU average (66.6 percent), largely because of the gap in female employment rates (13.3 percentage points).

While Italy continues to distance itself from the European average for a lower female participation in the labour market, in 2016 employment increased especially among women: +1.5 percent as against 1.1 percent for men. The employment rate reached 48.1 percent among women and 66.5 percent among men. Among women graduates, this rate reached 73.3 percent, and the gender gap is noticeably smaller. The number of women employed and the employment rate for 15-64-year-old women both exceeded pre-crisis rates (255,000 units and 0.8 percentage points).

The employment rate is increasing for all age groups, including the 15-34 year-olds (+0.7 points in 2015) who were heavily affected by the crisis. However, the increase in the number of employed persons is still unbalanced in favour of people aged 50 and over, because of population growth in this age group, and especially due to the changes in the pension system that have extended the time to spend at work.

The employment rate is growing especially among higher educated people and, to a greater extent, among graduates (1.3 percentage points more than 2015). Education is as usual a protective factor in the labour market: in 2016, 77.6 percent of University graduates, 63.8 of higher school graduates and 43.0 of those with at most a lower secondary school diploma were in employment.

In regional terms, the recovery in employment levels affected all geographical areas. The *Mezzogiorno* record the highest relative increase in employment (+1.7 percent compared to +1.4 in the North and +0.5 in the Centre), although the gap in employment rates remains high: over 60 percent of the employed live in the Centre and North and just 43.4 percent in the *Mezzogiorno*.

In Italy, as in Europe, employment growth affected all different forms of work. In 2016, part-time work continued to grow more than full-time work (+2.6 and +1.0 percent, respectively), but for the first time since the beginning of the crisis, involuntary part-time work registered a decline. The growth rate of permanent and temporary employment is similar: +1.9 and +1.8 percent, respectively. Self-employment declined (-0.5 percent), mainly due to the fall in the number of collaborators (down by 42 thousand units, or 12.0 percent). Temporary work growth slowed down: as over the last year, the increase in this form of work concerned almost exclusively those who had contracts with a duration of less than 12 months (+66,000 units), and in absolute terms, especially young people aged 15-34 (about one out of four was a fixed-term employee). Longitudinal data on young people are rather worrying: compared to a year earlier, the share of those who continued in employment after one year's time was decreasing as well as transition to standard work (from 17.7 percent in the 2014-2015 period to 15.4 percent in 2015-2016).

Over 95 percent of the growth is concentrated in the services sector where employment levels exceeded by more than half a million those of 2008. The number of employed persons in the industrial sector (excluding constructions) started growing again, while the employment decline in construction was accentuated.

After the sharp contraction in the previous year, in 2016, the number of unemployed decreased by 0.7 percent. The simultaneous increase in employment and the sharp drop in inactivity (-410 thousand people, -2.9 percent) indicated increased participation in the labour market, with the activity rate of the 15-64 year-olds rising from 64.0 percent in 2015 to 64.9 percent in 2016. The unemployment rate fell from 11.9 percent in 2015 to the current 11.7 percent. Overall, job-seekers fell to about 3 million (21 thousand less than a year earlier). If the potential labour force – i.e. people who would like to work but did not seek employment – were added to the unemployed, people interested in working would amount to just under 6.4 million.

In 2016, young people aged 15-29 who are Not in Education, Employment or Training (Neet) continued to decline, reaching 2.2 million. Among them, those who would like to work prevail: 960 thousand were looking for employment (the potential labour force amounted to 688 thousand persons, while the inactive, who are neither seeking nor available to work were 566 thousand). Neets continued to be widespread in the southern regions and among young people still living in the family of origin (three-quarters), as well as among women.

Conclusions

The social groups identified by our analyses have a structural nature and tend to perpetuate over time. They do not return the image of a liquid, molecular, circular society, as it has been variously defined. They contradict the widespread subjective feeling of the lack of social identity. They do not represent a temporary aggregation of convergent interests, but have boundaries well defined by a wide range

of dimensions: income and wealth, consumption and spending behaviour, use of leisure time, political and social participation, cultural practice and consumption, education, asymmetry of roles and gender equality, places of residence on a regional scale and within city neighborhoods. Deep, rooted, coherent elements mostly of a cultural nature give identity and stability to these social groups. Only a high and widespread social mobility within the education and labour system could change their characteristics.

The wealth of analyses produced so far is important for two reasons. Firstly, it reminds that statistics is useful to synthesise millions of daily behaviours and individual decisions and that a collective portrait is no less true than a close-up. Secondly, it points out that when this heterogeneity in society is not seen as a means for change and development, but rather as a means to defend acquired positions, it strongly hampers the growth of individual and collective well-being.

Even without suggesting specific interventions, our analyses help identify the critical areas where needs are unmet, and mobility and transformation flows stagnate. For example, as already reported last year, our system has difficulty using transfers to meet the needs of most disadvantaged groups. Conversely, the effect of social contributions and taxes affects the social groups who are more present in the labour market. The overall redistributive effect of the tax and transfer system is minimal especially for *low-income households with foreigners*, the most disadvantaged social group regarding earnings. During the recession years, between 2008 and 2015, individuals in this group, who already perceived an income share below their weight in terms of population, saw their situation deteriorate further.

Correcting the redistributive mechanisms is important, but not decisive. To give breath to the future of millions of individuals and new impetus to the economy, to “generate and manage” as suggested by Giuseppe De Rita, it is necessary to work upstream. As already pointed out last year, the link between individuals’ current position (as emerges from the position and the characteristics of social groups) and the socio-economic context of the household of origin is particularly strong in our country. These relations – along with other intergenerational transmission mechanisms (involving not only economic wealth but also human and relational capital) – tend to create rent and hinder processes of social mobility.

Government action has many opportunities to remove barriers to equal opportunities, starting from education and training of human capital, primary means of social promotion, even beyond compulsory education. A major contribution in this field can also come from the active labour-market policies. Many inequalities, indeed, as already said, occur in the labour market – especially at the expense of young people, at the initial stages of their life cycle – and result in economic difficulties and the vulnerability of minors.

Investing in human capital formation and, more generally, in innovation (technological, economic and social) and modernisation of institutions is an obligatory step in developing the society and the economic system throughout the country. But this statement is not enough if it is not preceded and supported by an

investment in knowledge: processes going on in present society are complex and strongly interrelated. Governing them, supporting virtuous processes and counteracting negative ones, requires knowing how to use the information generated by these processes. It is the challenge of data that Istat is ready to take up. The permanent census project will start next year. Istat is therefore committed to producing granular, interconnected and longitudinal statistical information to support decision-making and to be made available to every citizen, enterprise and institution.

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