National report - Italy

ETUC SociAll Project

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Participating National Trade unions: CGIL, CISL, UIL

Executive Summary

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The purpose of the National Report is to provide trade unions at national level with an update on the implementation of the Recommendation on access to social protection. The role of the report is first to set out the main challenges, in the Italian context, to full access to adequate and effective social protection, and then to elaborate the policy options to meet those challenges.

The results of Italian context analysis revealed the need to put the social balance of the system at the centre of future reforms. Population ageing, the increase in atypical jobs and the gender gaps in employment and wages are perhaps the main challenges that government and trade unions should tackle through this reform process.

To meet the challenges above and all others pointed out in the report, trade unions have proposed a series of reforms, such as the introduction of a minimum pension in the contribution system, the introduction of greater flexibility in access to retirement, a reshaping of labour market regulation and policies and support for an institutional information campaign to make citizens more aware.

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Section 1. The national context

1. Structure of the pension system and current reforms

The Italian Public Pensions system is financed with the pay-as-you-go method, where contributions during the year cover the pension expenditure of the year. For each different type of worker there is a different regulatory scheme, which provides for different contribution rates and different criteria for calculating benefits. Most of these schemes are public, now grouped into a single management body (INPS), but there are some private basic pension systems, linked to self-employed professionals. All of these schemes will be described in detail in this paper.

The flow of contributions is the product of the number of workers in each scheme, the contribution rate, and their average wages. On the other hand, pension payments are the result of pensions promises made in past years.

As noted, the solvency of a pension scheme financed with the pay-as-you-go system is strongly conditioned by the structure of the population of active workers and pensioners. The ageing population of Italy, largely due to the lengthening of life expectancy and partly due to the fall in births, and the decrease in wages and employment are the main causes of the crisis that has affected the Italian pension system based, as mentioned, on the payment of pensions through the contributions collected during the year and no accumulation of assets.

The pensions/GDP ratio has been growing strongly over the years, which is why the contribution rates in all the different pension schemes have been greatly increased over time.
In the early 1990s, the adjustment of the economy was mainly targeted at the labour market: the major overhaul of industrial employment in the 1980s was followed by that of the service sector and in the public administration. The elimination of the sliding scale for wages, the depreciation of the lira and the economic policies adopted led to a significant increase in productivity for the whole economy (GDP per worker) in the presence of a reduction in real wages and employment.
In the following twenty-five years, real wages and productivity remained fairly aligned, albeit with some fluctuations. The slow growth in productivity was the result of the higher elasticity of employment with respect to GDP due to the introduction of measures designed to make the labour market more flexible and to the drop in employment in the industrial sector. In particular, the stagnation of productivity after the 2014 small rebound has recently been accompanied by the stagnation of real wages. This phenomenon is now very clear, but it has been there for the last three decades, albeit to a lesser extent. This has led to a significant reduction in the tax base for contributions compared to the past.
Over the past 30 years, Italy's pension system has been heavily reformed, with a gradual reduction in pension benefits, an increase in contribution rates and a tightening of the requirements for the right to pension.

- In 1992, the first major reform of Italy's pension system was launched: the Amato Reform. It involved:
    - the gradual increase in the retirement age to the age of 65 for men and 60 for women.
    - the gradual increase in contribution years from 15 to 20.

- changes to the automatic equalisation mechanism to the cost of living, linking the revaluation of pensions only to price changes (and not also to wages).
- the extension of the reference period for the calculation of average retirement earnings.
- the gradual harmonisation of public and private sector rules.

The Amato reform was only the beginning of an intensive reform work that, in order to reduce pension spending, focused on raising the retirement age, cutting pensions and increasing contributions.

- The Dini Reform of 1995 was significant for several reasons:
    - It introduced the method of calculating contributions. For new hires from 1 January 1996, it was decided to apply the full contribution formula, for workers with at least 18 years of contributions the method of remuneration was left unchanged, and finally, for workers under 18 years of contributions a mixed system was applied: remuneration system until 1995, contribution system from 1 January 1996 onwards.
    - It led to an increase in personal or contribution requirements for retirement pensions for private and self-employed employees (with the introduction of 4 windows).
    - It introduced the pension insurance requirement for atypical workers in the so-called Separate Management.
    - It changed the personal requirements for the retirement pension.
    - It decided to condition the reversibility pension on the basis of the economic conditions of the claimant.
- In 2004, the Maroni Reform introduced economic incentives for private sector employees to remain in the workforce once age and old-age requirements were met and the minimum requirements for access to the retirement pension were increased.
- In the following years, supplementary pension forms were first regulated in such a way as to find the resources necessary for their financing, in particular with D.L. 252/2005.
- In 2007, under Law 247, the ‘quotas’ to be reached in order to obtain the seniority pension were defined. It was a question of adding, through different combinations, personal and seniority requirements in order to reach the minimum quota for the reference year.
- Subsequently, other mechanisms for tightening contributions were introduced, such as deferred windows of access to benefits.
- In 2011 the Fornero Reform was introduced and is still in force, although it is subject to constant debate and discussion of changes. In order to contain public expenditure, the reform is more stringent than those that preceded it. The highlights of the reform are as follows:
    - from 1 January 2012 the reform imposes the use of the contribution method for all workers.

- the reform abolishes windows[1] for all retirees from 1 January 2012.
- the reform changes, for both men and women, the requirements for access to the retirement pension. In fact, for men the minimum age for access to the pension increases to 66 years from 1/01/2012 and to 67 years in 2019/2020; for women, however, this changes to 62 years in 2012 and 67 in 2019/2020. From 1 January 2019, the age requirement adapts to the increase in life expectancy: the adjustment takes place on a two-year basis.
- the law also introduces the regulation of early pensions.
- the law strengthens the mechanism for adapting to the increase in life expectancy introduced in 2010.
- the reform regulates the mechanism for the automatic equalisation of outstanding pensions.

- The 2017 budget law introduced the APE (the pension advance). This is the possibility of leaving work early, at most 3 years and 7 months before the requirements for retirement pension, aimed at public and private employees and self-employed people who are missing between 6 months and 3 years and 7 months to meet the requirements for retirement pension and with a varying number of contributions depending on the different type of APE. There are three categories of APE, one of which is paid by the public system.
- In 2019, 'quota 100' was introduced, always experimentally, by the 'Conte 1' government. With early-retirement measures from 2019 to 2021, it is possible to retire with at least 62 years of age with a minimum contribution period of 38 years.

Over the years, the Italian trade unions have been repeatedly involved in alternate phases in the country's social security reforms.

After the birth of the 'Conte 2' government, a discussion table was reopened between unions and government, with a meeting in January 2020 with the unions, the Prime Minister and the Minister of Labour to lay the foundations for an overall reform of the social security system. The main themes on the table were two experimental early retirement mechanisms currently in place, the Social APE for the protection of certain categories and the 'quota 100' for early retirement of workers.

Moreover, the discussion started with the government that was interrupted by the Covid-19 crisis, also focused on these topics:

- An equalisation mechanism of pensions to better meets the needs of retirees and the current economic reality.
- The introduction of a flexible retirement system that takes into account working condition (E.g. wear, exposure to risk) and personal circumstances of workers (E.g. disabilities, family contingencies).
- Strengthening the occupational pension system.
- Interventions for the protection of non-autonomous people and LTC mechanisms.

[1] The period of time that passes from the accrual of the last requirement for treatment to its liquidation by the social security institution.

The combination of these measures, strongly supported by the unions, could allow the overall system to be strengthened by introducing flexibility and protecting the adequacy of existing and future pensions.

The recent reform intervention of 2011, which mainly aimed at balancing the budget, also in light of discussions in Europe, has been very significant bearing in mind the moment of severe economic crisis, and has led to numerous problems of adequacy in the pension system.

The age of access to the pension was suddenly raised by about 4 years, and a mechanism for increasing the requirements automatically linked to life expectancy was launched.

For pensions calculated entirely with the contribution system, minimum income thresholds for access to pension have been introduced, so therefore the wealthier workers (those who were able to build up greater pension entitlements) will be able to retire earlier. While the less wealthy, with accumulations providing pensions lower than the minimum thresholds, will retire later: Those who do not reach €700 per month will retire no earlier than the age of 71, and those who do not reach €1,280 per month will not be able to retire at 64 but will have to wait until at least 67 years.

The combination of the measures taken penalised the weaker categories. So, numerous measures have been adopted to limit, as much as possible and within a context of scarce resources, the risks related to unemployment and the early exit from the labour market. Many of these are ***income-support*** measures for subjects who have lost their job and for those who have been affected by the gradual extension of their retirement age. This is a summary of the main safety-net interventions adopted:

- ***Mobility benefits***, provided until 2017, then replaced by Naspi[2].
- ***Naspi,*** a new measure to fight unemployment and promote mobility.
- ***Redundancy Fund,*** ordinary, extraordinary, derogated and in the field of agriculture.
- Benefits under ***Act n. 104\1992***.

In addition to these measures, there are other form of safety-net interventions to promote early retirement. The latest early-retirement measures are designed to derogate from the 2011 Fornero Reform or to make its provisions less stringent:

- ***early retirement*** linked the **social APE** introduced by the 2017 Budget Law, for subjects with at least 30 years of contributions and with another 3 years to reach their statutory retirement age who have been unemployed without Naspi for at least 3 months, have served as *caregivers* for at least 6 months or whose disability reaches 74%; employed workers who have had strenuous jobs for at least 6 months in the last 7 but with 36 years of contributions.
- **Voluntary APE,** introduced with the 2017 Budget Law, is a measure agreed between the employer and the employed workers and applying to workers who have paid at least 20 years of contributions and no earlier than 3 years and 7 months prior to their retirement date. Under this package, workers can receive a bridging loan of 43 months before becoming eligible for their old-age pension; this loan is to be repaid in monthly instalments taken from their future benefits. This measure is not very popular because it leads to a significant reduction in pension benefits.

[2] NASPI (Nuova Assicurazione Sociale Per l'Impiego): The New Social Insurance for Employment is a monthly unemployment benefit.

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- **Women's option**, already introduced in 2004 but repeatedly extended; it allows female workers over 58 years of age (59 for self-employed women) to retire earlier with at least 35 years of contributions; however, since their benefits are calculated with the contribution-based system, it is not a very popular measure.
- **Early retirement** for workers with particularly **strenuous and arduous jobs[3],** as recently updated by Legislative Decree n. 67/2011.

Moreover, the early-retirement measures envisaged under the 2017 Budget Law also include the option for **early workers***;* these subjects must have paid contributions for at least one year related to periods of effective work before the age of 19 and can retire early with 41 years of contributions but with a delay of three months.

Regarding the age of access, the first problem is the excessive rigidity of the system which sets a single rule for different categories of jobs and workers without evaluating their working conditions (e.g. wear, exposure to risks) or personal factors (situations of family frailty, or disability).

As regards the amount of the pension, the main problem is the inadequacy for the weakest and most discontinuous professions (part-time, self-employed), the Italian one being a purely contributory system and not requiring minimum treatment. This penalises these categories doubly, also affecting the amount on the age of access to retirement. This problem is particularly felt by women because of low female employment levels and often lower wages than men. It is feared that with the economic crisis triggered by Covid-19, these critical issues may worsen.

2. Pension Finance

This paragraph presents the main demographic and economic values concerning the Italian pension and economic system, as well as some indicators, which are fundamental for a pay-as-you-go system.

Table 1 – Main indicators on the Italian pension system

YEARS	2016	2017	2018	2019[5]
Amount *(millions)*				
Total cost of benefits[1]	218,504	220,842	225,593	*231,000*
Total contribution revenues[1]	196,522	199,842	204,710	*209,200*
Balance	**21,982**	**21,000**	**20,883**	***21,800***
GDP[4]	1,695,590	1,736,602	1,765,421	*1,777,900*
Total expenditure/GDP ratio	12.89%	12.72%	12.78%	*13,00%*
Numbers				
N° of residents in Italy[2]	60,589,445	60,483,973	60,359,546	*60,160,000*
N° of employed workers[2]	22,757,838	23,022,959	23,215,000	*23,400,000*
N° of pensioners[3]	16,064,508	16,041,852	16,004,503	*16,150,000*

[3] Partially defined with the D.M. n. 66/2003 and D.M. n. 67/2011.

N° of pensions[3]	22,966,016	22,994,698	22,785,711	
Indicators				
N° of workers per pensioner	1.417	1.435	1.451	
N° of pensions per pensioner	1.430	1.433	1.424	
Ratio of inhabitants vs. pensions	2.638	2.630	2.649	
Averages (INPS)				
Average pension amount per year[3]	12,297	12,478	12,874	
Adjusted per-capita amount[3]	17,580	17,887	18,329	

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[1] Study and Research Centre of Itinerari Previdenziali

[2] ISTAT: Workforce data (historical series updated to September 2017 and demo.istat.it)

[3] INPS – Central Registry of Pensioners INPS

[4] ISTAT – SEC 2010 updated to September 2019

[5] Data for 2019 are projections

Some remarks from Table 1:

- The number of pensioners has been diminishing; this result is certainly due to the combined effect of the elimination of the retirement pensions and of the reforms of the last 27 years which are producing positive effects on the system. A small increase is expected in 2019 due to the 'quota 100'.
- The ratio of the number of active workers vs. the number of pensioners has reached 1.451, is growing and is representative of the demographic ageing of the Italian population.
- Number of pensions provided is still high due to the considerable increase in welfare benefits. In reality, the number of pension benefits is decreasing while the number of welfare benefits is increasing.

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It is possible to summarise the different schemes of pension performances in nine categories: funds for private sector employees, funds for public-sector employees, artisans, retailers, CDCM (farmers, tenant farmers and sharecroppers), Professionals (including medical doctors), clergy fund, atypical workers and total supplementary benefits.

- The **funds for private sector employees** include the fund for employed workers in the private sector (FPLD), the fund for executives in the industrial sector (ex INPDAI), some former special funds (transportation, telephony, electricity) which were merged into FPLD with separate accounts and other schemes (Aviation fund, Tax consumption Fund, FF.SS fund and other minor schemes) which are included in the INPS accounts but with a separate accounting system. The aggregate data of the funds for private-sector employees also include those related to the fund for showbusiness workers managed by former ENPALS merged into INPS in 2012, to the fund for postal workers previously managed by former IPOST abolished in 2010 and transferred into INPS and finally to the fund for private sector journalists, managed by INPGI, which is a private law entity. The public pension system of employees, whose reference is the INPS, is financed through a contribution levy related to the remuneration paid.

- The current contribution rate for the pension fund is 33% of the taxable wage, as follows: 23.81% paid by the company and 9.19% by the worker.
- The annual rate, on the salary quota which exceeds the so-called first pension annual pay bracket (47,379 euros for the year 2020), is expected to be higher by one point (34%), charged on the employee, who then pays 10.19%. The additional 1% does not add to the pension but is of a solidarity nature.

- The pension system of **public sector employees**, registered with the former INPDAP, is financed through a contribution levy on pay.
  - The current contribution rate for the public employees' pension fund is 33%, of which 8.80% is charged to the employees of public administration, and 32.65% for employees of local authorities and Asl, of which 8.85% is paid by the employee.
  - The annual pay rate exceeding the so-called pension pay (47,379 euros for the year 2020) is expected to be higher by one point, at the full expense of the employee. The additional 1% does not add to the pension but is of a solidarity nature.
- The **artisans' pension fund** is financed through a contribution levy on the corporate income declared for IRPEF purposes.
  - The contribution rate is set at 24.00% for 2020, with the exception of family members up to the age of 21 who pay 21.99%.
  - The rate is one point higher (25.00%) for the share of corporate income exceeding the so-called pensioner 'roof' of employees, amounting to 43,379 euros for 2020.
  - The minimum income is set on the basis of the minimum wage to be subject to contributions that the current provisions set annually for employees in the sector.
- The **retailers' pension fund** is financed through a contribution levy on the corporate income declared for IRPEF purposes.
  - The contribution rate for 2020 remains at 24.09%, with the exception of family members up to the age of 21 who pay 21.99%.
  - The rate is one point higher (25.09%) for the share of corporate income exceeding the so-called pensioner 'roof' of employees, amounting to 47,379 euros for 2020. In detail, for those registered to manage commercial activities, to the basic contribution rate of 24.00% must be added an additional 0.09%, intended to fund compensation for the definitive termination of business.

    - In addition, a contribution to the established maternity benefits, for the managers of craftsmen and merchants, amounting to 0.62 euros per month.
    - The minimum income is set on the basis of the minimum wage to be subject to contributions that the current provisions set annually for employees in the sector.
- The pension system of **farmers, tenant farmers and sharecroppers** is financed through a contribution levy on agricultural income.
    - The calculation of pension contributions is made by applying a certain percentage of the conventional agricultural income established annually (for 2020 equal to 59.45 euros) and divided into four groups distinct from the number of days/work attributable to each individual active unit.
    - In 2020, the rate to be applied to income is 24%. The exact amount of the contribution due is determined by applying the expected percentage rate to each conventional income group, increasing the result by different amounts for occupational accident and illness insurance and mandatory pregnancy insurance.
- **Fund for atypical workers** - In order to provide a pension benefit also to so-called atypical workers, i.e. subjects who consistently but not exclusively work as self-employed without a professional register and without any social security rights, a *Separate Management* was set up within INPS under Art. 2, paragraph 26 of Act 335/95.

  The pension system of atypical workers is financed through a contribution levy in relation to the compensation received, declared for IRPEF purposes. The contribution rate is set at:
    - 33.00%, for atypical (employees and assimilated figures) and exclusively enrolled in the Separate Management, not insured by other schemes or pensioners.
    - 25.00%, for professionals (self-employed) VAT holders registered with the Separate Management, not insured by other schemes or pensioners.
    - 24.00% for atypical (employees and assimilated figures) and professionals (self-employed) VAT holders already insured by other schemes or pensioners.
    - Atypical and professionals who are not enrolled in another compulsory pension fund or pension holders are also subject to an additional rate of 0.72%, not pension calculation, to finance welfare protections such as sickness, maternity and family allowances.
    - The contribution is allocated on the basis of 2/3 for the client and 1/3 for the employee. In the case of professionals, the burden is all borne by them.
- The **Clergy Fund** is the compulsory scheme for old age, invalidity and survivors' pensions for Catholic priests and other religious persons not belonging to the Catholic Church. This Fund is characterised by a low level of coverage by contribution revenues.
- In addition to INPS which, as already pointed out, integrated all the public pension funds, the Italian first-pillar pension system also features **professional schemes** which are managed privately under Decrees n. 509/94 and n. 103/96, which include all the

mandatory funds for certified professionals. Unlike public funds, these schemes have their own financial and economic resources estimated to amount to over 72 billion euros in 2018, which are used to pay pension benefits to their members but also to deal with population shocks or to retirement peaks. All privatised pension schemes for professionals operate according to the pay-as-you-go system like the compulsory pension system, even though these schemes have their own resources. These funds are financed by two main types of contributions:

- subjective contributions calculated as a percentage of the income for tax purposes, ranging from 10% to 16%, to finance retirement benefits.
- supplementary contributions calculated on the basis of the turnover (and therefore on a higher amount) which vary between 2% and 5%; these are partly used to finance welfare benefits and their operating costs and partly to supplement pension benefits for their members, when this is admissible.

For each of the schemes presented, summary tables of the main economic and numerical values are shown below, also to allow a comparison between them and analyse their dynamics.

Table 2 – Number of contributors, number of pensions, average contributions and average pensions

NUMBER OF CONTRIBUTORS	2016	2017	2018
Private sector employees	13,798,592	14,260,883	14,265,746
Public sector employees	3,305,000	3,272,200	3,337,500
Artisans	1,661,627	1,631,890	1,590,111
Retailers	2,151,220	2,131,900	2,089,700
Farmers, tenant farmers and sharecroppers	446,907	445,300	451,170
Professionals	1,295,712	1,303,853	1,280,604
including medical doctors	362,391	363,670	366,084
Clergy fund	17,900	17,850	17,900
Atypical workers	1,249,000	1,247,000	1,303,000
Total supplementary benefits	322,942	319,274	321,763
NUMBER OF PENSIONS	**2016**	**2017**	**2018**
Private sector employees	9,226,713	9,093,950	8,946,948
Public sector employees	2,890,909	2,875,423	2,917,119
Artisans	1,666,204	1,686,502	1,707,155
Retailers	1,389,790	1,400,886	1,413,582
Farmers, tenant farmers and sharecroppers	1,487,737	1,441,353	1,398,907
Professionals	366,363	381,472	395,132

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including medical doctors	198,384	209,113	218,406
Clergy fund	13,152	12,930	12,640
Atypical workers	386,549	419,431	449,037
Total supplementary benefits	161,999	159,495	160,435
AVERAGE CONTRIBUTIONS (€)	**2016**	**2017**	**2018**
Private sector employees	7,763	7,726	7,969
Public sector employees	11,582	11,700	12,019
Artisans	4,996	5,135	5,060
Retailers	4,929	5,065	4,981
Farmers, tenant farmers and sharecroppers	2,637	2,728	2,798
Professionals	6,102	6,249	6,572
of whom medical doctors	8,067	9,067	7,970
Clergy fund	1,722	1,717	1,697
Atypical workers	5,907	6,031	5,965
Total supplementary benefits	3,562	3,636	3,739
AVERAGE PENSION (€)	**2016**	**2017**	**2018**
Private sector employees	14,464	14,742	15,141
Public sector employees	23,552	24,168	24,458
Artisans	11,609	11,820	12,078
Retailers	10,731	10,938	11,264
Farmers, tenant farmers and sharecroppers	7,938	8,038	8,221
Professionals	11,579	11,524	11,671
including medical doctors	7,140	7,214	7,516
Clergy fund	8,115	8,135	8,212
Atypical workers	2,265	2,396	2,574
Total supplementary benefits	7,297	7,396	7,443

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Table 3 – Contribution revenues, pension expenditure and welfare supplementary benefits *(millions of euros)*

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YEAR	2016	2017	2018
Private sector employees			
contributions	121,193.0	123,792.0	126,622.4
benefits	118,973.9	120,123.9	122,172.2
balance	2,219.1	3,668.1	4,450.2
Public sector employees			
contributions	38,277.2	38,283.4	40,113.6
benefits	67,620.8	68,700.4	70,691.4
balance	-29,343.6	-30,417.0	-30,577.8
Artisans and Retailers			
contributions	19,169.4	19,401.0	18,829.5
benefits	21,429.3	21,396.9	21,876.1
balance	-2,259.9	-1,995.9	-3,046.6
Farmers, tenant farmers and sharecroppers			
contributions	1,248.5	1,272.2	1,307.8
benefits	4,060.9	3,969.2	3,826.1
balance	-2,812.4	-2,697.0	-2,518.3
Professionals			
contributions	7,996.2	8,236.1	8,502.3
benefits	4,301.8	4,475.4	4,696.8
balance	3,694.4	3,760.7	3,805.5
Clergy fund			
contributions	30.8	30.6	30.4
benefits	99.8	96.5	95.4
balance	-69.0	-65.9	-65.0
Atypical workers			
contributions	7,445.4	7,654.2	8,090.4
benefits	806.0	865.8	1,003.8
balance	6,639.4	6,788.4	7,086.6
Total supplementary benefits			
contributions	196,522.4	199,841.7	204,710.4
benefits	218,503.6	220,842.5	225,593.2
balance	-21,981.2	-21,000.8	-20,882.8

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In the category of private sector employees, the number of subjects paying contributions was equal to 14,265,746 in 2018, in line with the trend of the last few years. By contrast, the number of pensions paid slightly decreased to 8,946,948. Finally, as for the pension system in general, the average pension grew (15,141 euros per year in 2018).

The category of private sector together with the one of professional worker showed in recent years a balance between contributions and benefits, pointing to a constant positive balance.

After a halt to turnover in the public sector for several years which led to a reduction in the number of active workers, for some time now there have been cautious changes to this turnover policy, so the number of active workers in this sector has remained almost constant in the last 5 years. As a consequence, revenues too have remained stable, while expenditure has steadily grown; this has produced growing deficits and consequences for the economic and financial results.

INPDAP was abolished on 1/1/2012 and merged into INPS; since then, the data for the public sector have appeared in the INPS consolidated accounts. As a result, the major deficit in these schemes has further deteriorated in the INPS general financial results but without a major impact on the overall performance of the compulsory pension system which had already anticipated this imbalance.

The fund for artisans is losing active workers every year, with a deterioration of its financial and economic situation. This is happening notwithstanding the replacement of older pensions with new calculation rules for pensions with a greater correlation between contributions and benefits and the progressive application of the contribution-based calculation method in the coming years.

The fund for retailers, on the other hand, continues to have positive results thanks to new members operating in the service and tourism sectors. Compared to the previous years, the number of pensioners and of active workers did not change in a significant way with an active worker/pensioner ratio above the average, equal to 1,48 active workers for each pensioner.

In 2018, the fund CDCM (Fund for Farmers, Tenant farmers and Sharecroppers) continued to have a structural imbalance due to a very low active worker/pensioner ratio and in particular to old favourable and still applicable retirement provisions, with very high benefits compared to contributions, even though the contribution rates for members were re-calculated in 2012. Employment continued to decline in 2018 and the ratio of the number of pensions vs. that of active workers paying contributions rose to 3.1 in 2018, doubling in the last 30 years.

The clergy fund is characterised by a situation of structural imbalance, even if with a lower economic and financial impact on the pension system as a whole. It is important to stress that contributions are not correlated to remuneration or income, but they are pre-determined, and the system is neither based on income nor on contributions, but it is a defined-benefit scheme. Moreover, 70% of pensioners in the Clergy Fund have another pension provided by other schemes.

The fund of atypical workers had 1,303,000 members in 2018, 72% of them with temporary jobs and 28% self-employed professionals. These membership figures have been taken from the 2018 INPS accounts and are related to the subjects who, during the year, paid at least one contribution to the scheme.

Over time, the contribution rate for atypical workers increased to reach 34.23% for subjects who are not members of another compulsory pension fund or pension entitlements. For members of other funds or pensions, the rate remained at 24% in both cases with a ceiling for calculation of the contribution. This significant increase in the contribution rates with low benefits is an issue for young workers with term contracts who have to pay higher contributions in comparison to artisans and retailers, also considering that many of them are professionals without an official register who often work exactly like members of professional associations. In this case, the disparity of rates is very high: from an average of 14% for members of privatised schemes to about twice as much for those who are not on an official register. This very abnormal situation both in terms of active workers paying contributions and of pensioners is not found in other funds, and will hopefully be corrected, especially because this scheme is not yet fully integrated into the system.

3. Pension Outcomes from Existing Arrangements

Like most European countries, the Italian pension system essentially provides two channels for retirement: old-age retirement with a minimum contribution requirement of 20 years; early retirement with a lower age of retirement but with more stringent contribution requirements. Moreover, as in the case of civil servants, the employment relationship must be ended.

- Old-age pensions
    - For all workers whose pension is calculated on the income-based method and for those included in the mixed method, the minimum age for old-age retirement, after the Fornero Reform for the 2019-2020 period, is 67 years, equal for men and women both in the private and public sectors and for self-employed. As of January 2021, the age requirement should increase by 2 months for all and in the two-year period 2019-2020, the minimum age requirement for the social allowance is equal to the minimum age requirement for old age retirement.
    - For workers who started working after 1/1/1996, whose pension is fully calculated with the contribution-based method; in addition to a minimum contribution period of 20 years, these subjects can be entitled to an old-age pension if they are eligible for a minimum pension of at least 1.5 times the social allowance, adjusted to the five-year moving average of nominal GDP. This constraint expires when these subjects reach an age that is 4 years longer than the statutory old age retirement (71 years in 2019/2020). These requirements are adjusted over time in line with changes in life expectancy.
- Early retirement - All workers in the income-based, contribution-based and mixed pension system can retire earlier with respect to their statutory old age retirement requirement if they have a minimum contribution period. In 2019/2020, this was 43 years and 3 months for men and 42 years and 3 months for women. The contribution requirement is independent of age and is adjusted over time to changes in life

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expectancy. However, Act n. 26 of January 28, 2019 blocked this requirement from 2019 to 2026 at 42 years and 10 months for men (one year less for women).

- Adjustment of minimum requirements to life expectancy – As of 2013, the minimum age requirement for old-age pensions, as well as the minimum contribution period for early retirement independent of age in all the three schemes, have been adjusted every 3 years according to the variation in life expectancy at 65, certified by ISTAT in the previous three years. Since 2019, the adjustment has been planned every two years instead of three years.
- The adjustment to changes in life expectancy also applies to the minimum age to be entitled to social allowance. As expressly provided for by the current legislation, the adjustment of minimum requirements to changes in life expectancy is an administrative function so as to ensure effective periodic reviews and compliance with the scheduled deadlines. This procedure is fully consistent with that envisaged to update transformation coefficients which takes place every two years starting from 2019, for reasons of consistency.

The contribution calculation method is the heart of the 1995 Dini reform, under which benefits were closely linked to the contributions paid over the entire working life and no longer linked to the latest remuneration, as was the case with the income-based system.

The contribution-based method works roughly like a savings account. With the support of employers, workers set aside 33% of their annual remuneration (self-employed workers 24% of their income) The paid-in capital produces a kind of compound interest at a rate tied to the GDP five-year trend and to inflation. Therefore, the greater the Italian growth rate, the higher the yields to be used in the future. When workers retire, a conversion coefficient increasing with age is applied to the amount of contributions, that is to the adjusted sum of the payments made.

The contribution-based method differs from the income-based one also for another fundamental aspect: a contribution ceiling, i.e. an upper limit beyond which contributions are no longer due and the pension is calculated up to the maximum contribution-based benefits. The ceiling is annually adjusted on the basis of the ISTAT consumer price index.

The original coefficients under Act 335/1995 should have been reviewed and updated following the life expectancy trend (calculated by ISTAT) every 10 years. Therefore, the first revision should have taken place in 2006. But nothing was done until 2010. In fact, as of 01/01/2010, the Prodi- Damian reform introduced new coefficients to be reviewed every three years until 2018 and every two years starting from 2019. Pensions will be proportional to the total contributions paid until retirement.

In order to get higher benefits, workers have to continue their active life for a few more years compared to the past, as required by the current legislation, precisely because life expectancy is longer. The Ministerial Decree of 2018 was the first to present a statistically calculated autonomous coefficient for subjects who retire above 70 years of age, whereas in previous three-year periods, the transformation coefficient for subjects over 70 was that for the maximum age of 70.

The pension system has an indexation mechanism that allows a complete reassessment of pensions for the lower pension levels, and a partial adjustment of the higher pensions. Over the past 20 years, besides this mechanism, further indexation measures were adopted with the aim of encouraging savings, and not always explicitly in support of the pension system. During some periods, pensions did not receive any equalisation, which resulted in a structural and unrecoverable reduction in their value. For this reason, the Supreme Court provided a negative opinion about these measures.

With its Circular n. 44 of 22 March 2019, INPS announced the adjustment system for the 2019-2021 period and the new amount to be paid as of April 2019 for the first three months of 2019. This mechanism is structured as follows:

- 100% inflation for pensions up to 3 times the INPS* minimum benefits.
- 97% of inflation for pensions of between 3 and 4 times the minimum benefits.
- 77% of inflation for pensions between 4 and 5 times the minimum benefits.
- 52% of inflation for pensions between 5 and 6 times the minimum benefits.
- 47% of inflation for pensions between 6 and 8 times the minimum benefits.
- 45% of inflation for pensions between 8 and 9 times the minimum benefits.
- 40% of inflation for pensions above 9 times the minimum benefits.

As happened in the past, also for the three-year period of 2019-2021, the adjustment will be applied on the total amount of the pension and not on the different brackets, as provided for under Act n. 388/2000. Furthermore, the current Budget Law, which maintains the scarcely constitutional approach of 2018, applies the adjustment to the entire amount.

The repeated efforts to reduce the indexation of pensions to inflation levels have seriously damaged pensioners in terms of loss of purchasing power resulting from the growing gap between the pension benefits that would have been provided with a 100% adjustment to inflation and those actually paid according to the indexation system adopted by the various governments.

Several economic support measures have been put in place for people of retirement age:

- The minimum pension, also known as the minimum treatment supplement, is governed by L. 638/1983, which expressly provides for the right of the pensioner to receive sufficient allowance to guarantee a decent life.

  Thus, the ratio of the standard states that, despite the contribution payment, if the pension is below a certain limit, the INPS provides a supplementary pension allowance, with the primary aim of improving the economic condition of the individual pensioner.

  The supplement is due to the generality of INPS pensions, excluding pensions calculated in full under the contribution system (except for the women's option, a pension on which you may be entitled to additional credit).

  For the year 2020, the minimum pension is 515,58 euros for 13 monthly payments.

- The **social allowance** is an economic benefit, provided on demand, provided to citizens in poor economic circumstances and with incomes below the annual thresholds of the law, who are not entitled to the retirement pension. Since 1 January 1996, the social security allowance has replaced the social pension.

For the right to social allowance, the income of the household does not count, the Isee indicators relating to the economic, income and assets of the nucleus, nor are other requirements considered, such as the possession of vehicles. Beneficiaries must receive an income below the thresholds set annually by law.

The amount of the social allowance for 2020 is 459,83 euros for 13 months. The income limit is 5.977,79 euros per year and 11.955,58 euros, if the subject is married.

- The citizenship income is provided both for people of working age and for those over 67 years of age who are below the poverty line and who can apply for the subsidy called **citizenship pension**, according to the provisions of Act n. 26/2019.

  The amount is equal to a maximum of 780 euros per month for subjects who have no income or to a lower amount as income support measure. This allowance can be increased for each additional member of the family and is also granted to households with seriously disabled or non-self-sufficient family members.

  In the case of households already receiving the citizenship income, the (citizenship) pension starts from the month following that in which the youngest member of the household reaches the age of 67. In established cases and according to the number of family members, the amount of the citizenship pension may be higher than supplementary minimum benefits (513.01 euros per month in 2019), than pensions with additional social benefits and with respect to the increase from the measure introduced in 2001 and now amounting to around 660 euros per month.

  These benefits are provided also to people over 67 who have no income or pension. In contrast to the supplementary minimum benefits, the right to the citizenship income is based on the Isee indicator which measures the 'wealth' of households on the basis of numerous capital and income requirements.

Section 2. The Challenges

Trade unions believe that after years of giving priority to budgetary balances, it is necessary to put the social balance of the system at the centre of attention.

Especially in the contribution system, future pensions risk being inadequate, in particular for the most fragile workers (part-time, self-employed, discontinuous careers) who are the most penalised by a pure contribution system. For this reason, the introduction of a minimum guaranteed pension that takes account both of years of contributions paid and periods that must be enhanced, such as unpaid involuntary unemployment, periods of care and training, could be considered.

A common trade union view is that the system is heavily flawed by aggregate data that conflate social security spending with other social spending in the country. For this reason, a revision of accountability in matters of pure social security is needed. Furthermore, trade unions want agreements that allow for the communication of data to the European Institutions to be revisited so as to make better international comparisons.

An important aspect to take into consideration is measures to protect maternity and care work, carried out in Italy mainly by women. These aspects should be considered when assessing contributions also when no work relations are in place. Trade unions believe that to achieve social equilibrium, it is very important to introduce some flexibility criteria in access to pensions, with access possible as of 62 years of age.

It is also important to acknowledge the impact of arduous and burdensome tasks, allowing for different access to pensions according to the different categories of workers and in relation to life expectancy in good health.

The main social challenges in pension provision with respect to the social and economic outlook of Italy are summarised in the following list:

- Population ageing
- Poverty rates
- Access to essential services
- Out-of-pocket expenditure for healthcare and long-term care
- Low salaries
- Unemployment
- Increased share of atypical jobs (high rate of involuntary part-time/zero-hour contracts)
- Bogus self-employment
- Sluggish economic performance
- Low average productivity
- Increasing inequalities
- Gender gaps in employment/wages
- The Covid-19 pandemic

Regarding discontinuity and new bogus self-employed, industrial relations will play an important role in generating new jobs, in ensuring workers have adequate pension coverage and social security rights, and in creating the best working conditions also allowing for active ageing. The creation of legislation more responsive to the reality of the new jobs will also be central to providing adequate social security coverage, as will the support of institutions to guarantee full access to services for all citizens.

Gender discrimination during working life has serious effects on the social security future of women. The role of trade unions is to prevent this discrimination, but at the same time the government should intervene to give incentives and support care-givers and motherhood. Greater equity should be created in the Italian system, filling in the gaps in terms of gender, providing greater flexibility to allow better options for active ageing or early exit, and finally, by providing mechanisms that protect new jobs and workers with severely discontinuous careers.

1. Challenges to Formal coverage

The main gap in formal coverage is directly linked to the wage gap in terms of gender. Furthermore, for the new generations, severely discontinuous careers and working and employment conditions can lead to very low pensions. Formal coverage must also be provided for care-givers even in periods outside the employment relationship. It would be necessary to speed up the implementation of the work-life balance directive which provides for paid leave for fathers and care-givers.

At the moment, Italian legislation offers social security coverage for all workers, but there is less coverage for types of jobs related to new technologies, such as for platform workers. The process of equalisation with 'traditional' work in respect of social protection and social security coverage has started.

With regard to the gender gap, it is closely linked to the wage gap and the discontinuity to which female workers are usually more subject. While for new jobs, the main problem is the absence of reference legislation that equates them to traditional jobs.

However, another aspect that should be taken into account is the condition of professionals, the usually 'genuine' self-employed. As seen above, professionals' funds are managed privately. This has led to lower contribution rates compared to the other categories and to the average rates.

Our public social security system is a contributory pay-as-you-go system, and financial coverage is therefore closely linked to the labour market, since the contributions currently paid finance existing pensions. The current situation of global crisis could have effects in the medium term, and we will have to wait for the end of the crisis to evaluate its impact concretely. Social coverage more generally is borne by the community through taxation. Also in this case the crisis could affect the sustainability of the system in the medium term, but at the moment it is difficult to make projections.

This situation, together with the contributory system used in Italy, could lead to more discontinuous jobs and atypical careers, resulting in an inadequacy of pensions.

2. Challenges to Effective coverage

The main effectiveness issues are related to atypical jobs, for which coverage is often not provided or is not adequate. There is also a problem related to arduous, heavy or risky jobs, for which the current assessment system is too complex and not very effective since it allows access to pensions only for a small percentage of the workers who would be entitled to them. Trade unions have requested and obtained the creation of an institutional committee to evaluate the different levels of arduousness, risk or danger involved in different tasks.

The Italian social security system provides a good level of information to citizens on the contributions paid, although it could be improved. The real problem is the lack of stability of the pension rules which generates misinformation and little clarity. The continuous interventions have stratified the legislation with the result that it is very difficult for the workers to know their rights to retirement. In fact, very specialised advice is usually required.

The main causes of the risk of ineffective coverage of workers can be summarised as follows:

- **Calculation rules:** the current National Defined Contributions (NDC) system does not provide for a guaranteed minimum amount, with negative effects for the weaker categories.
- **Requirements to access old-age or seniority pensions**: the current NDC system provides access to pensions according to multiple channels: early retirement with 42 years and 10 months of contributions for men, 41 years and 10 months for women; 64-years early retirement with 20 years of contributions and provided that the amount of the pension is at least equal to approximately 1,300 euros per month for 13 months; 67-years old-age pension with 20 years of contributions provided that the amount of the

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pension is at least 780 euros per month for 13 months; old-age pension at 71 years of age with 5 years of contributions. These requirements severely penalise workers with lower incomes, those with discontinuous careers and part-time workers, forcing them to stay at work longer. The system that automatically links life expectancy to the requirements for retirement and the pension amount is very punishing.

- **Lack of reconciliation of professional and family life:** the current social security system does not offer any coverage for periods of care work carried out by family members without the employment relationship, except for maternity.
- **Incomplete work careers:** usually in Italy the greater the number of children, the greater the likelihood of a woman interrupting her career.
- **Low wages:** low wages correspond to low-value pensions and this is a problem for atypical, precarious workers and many women.
- **Missing financial capacity to save in (voluntary) pension schemes:** Italian second pillar system is still not sufficiently widespread, and the discontinuity of work combined with low wage levels, especially in young people, discourage adherence to this form of social security savings.

The categories most affected by these issues are:

- Women: problem of wage gap and discontinuity which, under current rules, could lead to delayed access to retirement (71 years old).
- Younger workers: discontinuous jobs and low pension possibilities with effects also on delayed access to pension.
- Bogus self-employment: there is a problem of equal rights with employees to whom they are assimilated by type of service, but they have a lower level of social security coverage. For example, the contribution rate is 27% while for employees it is 33%. This difference in a NDC system generates a disparity in adequacy in the long term.
- Atypical workers: absence of reference legislation with consequent risk of exclusion from social security coverage.
- Precarious workers: this category very often involves the younger generations, workers in vertical or cyclical part time, such as seasonal, agricultural employment, who risk not being able to access a pension before 71 years of age, due to the low value of the pension amount.
- Working poor: to retire with the NDC system the amount of pension is crucial - for low pensions this means retiring no earlier than 71 years of age.
- Migrant workers: for this category, the greatest risks are generated by seasonality and undeclared work.
- Low-skilled workers: usually with low wages, they have the same social security problems as precarious workers, working poor and similar categories.

The major social impacts of ineffective pension provisions can be identified in an ageing working population with a parallel increase in unemployment and youth insecurity, uncertainty

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and low levels of future social security amounts especially for under 45s, for those with discontinuous, part-time careers and for women, and a risk of poverty, social exclusion and poor health.

3. Challenges to Adequacy

There is no formal definition of adequacy in Italy, but there are some income support measures that implicitly delimit a minimum threshold. In particular for pensions at 67 years there is the social allowance, the minimum treatment supplement for those who started working before 1996. Both these measures can be supplemented by additional income support. These additions are tied to the income of the pensioner and from 2019 there is also the citizenship pension which is conditioned by income, wealth, and family situation.

Active ageing is one of the cornerstones of the trade union position. It can be achieved first of all by increasing the flexibility of access to retirement, by providing part-time working mechanisms for older workers, by stimulating and regulating smart working as shown by the current crisis. At the same time, to achieve 'ageing with dignity' it is essential to reform the rules on non-self-sufficiency to give full support to citizens who are in a difficult state in old age.

The major deficiencies in the provision of adequate pensions, for those who are already retired, is the problem of the loss of the purchasing power of pensions. Italian trade unions believe it is necessary to identify equalisation systems that are more pertinent to the real expenses incurred by older citizens. For active workers, certainly the absence of a minimum level of pension in the contribution system as well as the strong discontinuity of working careers are linked to the absence of adequate social security coverage.

The main problems that determine these deficiencies are listed below:

- **Lack of provision of minimum pension**: In the NDC system this is the biggest problem
- **Low rates of return from funded pensions:** the Italian system is very stable as it has shown in previous crises and also in this one, but it suffers from the lack of adhesion of workers due to many factors including discontinuity and low profit levels.
- **Contribution levels:** the Italian compulsory contribution level is the highest in Europe: 33% for employees, to which can be added the voluntary system of occupational pensions which determines about another 9% of contributions. For self-employed workers, the compulsory contribution level ranges from 20% to 27%.
- **Length/continuity of careers:** discontinuity in the absence of social security coverage is one of the most significant issues for the adequacy of pensions.
- **Purchasing power erosion:** the purchasing power of pensions has declined in recent years, also because the equalisation mechanisms were blocked or weakened from 2011 to 2021 following some regulatory measures.

These shortcomings weigh on all Italian workers and pensioners, especially single people with children or elderly to support and single-parent families with retired breadwinners.

The major social impact of these deficiencies is a severe impoverishment of people over 65. In 2018 the average amount of the pension gross of taxation was 12,874 euros per year, less than a thousand euros net per month.

Sustainability of a fair and adequate social protection system is a central issue, but in Italy we already have the highest specific contribution level for pensions, to which we can add on employment schemes or second and third pillar on a voluntary basis. In a country that sees the average age constantly rising, the increase in the impact of social spending for that age group is normal. The way forward is that of a concrete relaunch of employment by guaranteeing active workers adequate wage levels, and the guarantee of accessible and quality social services to support workers with family responsibilities (to avoid interruption of work careers).

4. Other challenges

The Italian second pillar offers workers a real opportunity to enhance their social security future. Current management has ensured excellent returns and excellent stability even in times of crisis, and the system is highly regulated and supervised. The real problem is the low worker adhesion rate. The manifold reasons include misinformation, job insecurity and low wage levels.

For a steady working career, the supplementary pension is estimated to supplement the replacement rate by 20%. Over time the second pillar has evolved and today it is also used as a source of savings by workers to be accessed in difficult situations, such as unemployment, or health problems.

Of course, one of the other challenges will be the response to the Covid-19 crisis. On the one hand, the sustainability of the systems may have to be adapted to the new labour market in the light of the crisis, on the other, measures will have to be taken to deal with any increase in unemployment, especially for those over 60 who could be declared incapacitated for work because of the Covid-19 risk. Moreover, this pandemic, given the economic damage caused, will certainly also affect employment, increasing the rate of unemployment among the younger and less protected categories of stable contracts. Despite the blocking of dismissals, more and more employees with contracts expiring during this period have not had their contracts renewed. In addition, the crisis is leading many companies to bankruptcy, with consequent closures and an increase in unemployment.

The Italian contribution system, when it was born in 1995, provided for a flexibility in the old-age pension, but with subsequent modifications it began to show some anomalies. The Fornero reform introduced constraints in the system, for example the right to an old-age pension linked to the eligibility for a minimum pension of at least 1.5 times the social allowance. This inevitably introduces unfairness for those who work less but with high salaries. In addition, the new reform, combined with the increase in life expectancy, provides for a double effect: a reduction of transformation coefficients, and the increase of the minimum age requirement. The two measures add up to making the overall result even worse. Furthermore, for access to early retirement, the minimum pension cannot be less than 2.8 of the social allowance. Therefore, the worker with a lower pension will reach pension requirements later. According to the trade unions, the best way to solve this situation would be at least to eliminate the adjustment of the minimum age requirement. In this context, to take into account arduous, heavy or risky jobs, introducing differentiated transformation coefficients or providing access to the coefficients with a higher age (increase of the reference age) could be thought of.

As we have said several times, the financing system of the Italian pension is pure pay-as-you-go. Despite the effect of successive reforms, in the last 30 years it has been necessary to increase the contribution rates in all pension schemes in order to balance the system. In particular, the scheme of the employee pension fund (the most important and plentiful) currently provides for a contribution of 33% (23.81% paid by the company and 9.19% by the worker) which is one of the highest in Europe.

A change to the pension system reforms is therefore necessary, to address this last challenge together with all the previous ones and to preserve the future sustainability of the pension system. In fact, without interventions, the greatest risk is that the intergenerational pact will break, thus destroying the cornerstone of the entire system. At the worst, there is a risk of discouraging the payment of contributions, especially by younger generations, who are already pessimistic about their future welfare.

Section 3. Possible reforms

The best way to try to solve the problems of the current system and to face the highlighted challenges, would be a constant dialogue between the parties: political, social, and technical.

Trade unions, as has already happened in past occasions, should be an integral part of the evolutionary process of the pension system and for this reason it is right to underline the main reforms that the trade unions propose in order to meet the challenges:

- **Minimum schemes:** provide for the introduction of a minimum pension in the contribution system which is directly proportional to the employee's seniority and to periods deemed worthy of social security protection (for example, care duty), and inversely proportional to the amount of the base pension; awarding more to those who need it most and to those who have worked for longer, in conditions of low wages or part-time.

- **Occupational pension provision:** unions believe that the system should be maintained on a voluntary basis, but at the same time it is necessary to adequately inform workers through an institutional information campaign. Moreover, reintroducing the tacit approval for the transfer of the severance pay allocation to a pension fund could be considered.

- **Pensionable age and early retirement schemes:** introduce greater flexibility of access to retirement, in particular by providing mechanisms to protect workers who perform arduous tasks, workers with disabilities, care-givers, unemployed workers over 60. Mechanisms to protect and encourage motherhood should also be provided.

- **Regulation of the labour market and active labour market policies:** reducing the gender gap is a universal goal. If left unchecked, it has serious negative effects on the future social security of female workers. Then there are contractual mechanisms that further support and encourage membership of pension funds. The problem of the gender gap is not only a pension prerogative, as highlighted before, it is closely linked to the wage gap and to discontinuity. For this reason, it must be tackled earlier, during women’s active phase of work, with contractual mechanisms of protection.

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- **Introduction of the coefficients for cohorts of retirees:** in order not to penalise those who remain at work beyond the achievement of the first requirement, it could be envisaged that the coefficients for the year in which the pension requirement is reached will remain valid until effective retirement, for workers born in same year (cohort).

The need to give more flexibility to the system, as proposed by trade unions, is now supported by the majority of both political and academic players, as well as the need to provide a minimum level of interventions. For this reason, in January the technical working tables between the government and the unions began evaluating system reform interventions.

About the main fiscal sustainability drivers necessary to support the proposals, there is no doubt that in the solidarity logic of the system it will be necessary to support certain measures with general taxation. Surely one cannot imagine further raising the contribution levels for workers, which are already high in Italy. But the first necessary step is to clarify the country's pension and social security accounts by precisely outlining income and expenses, because now the data provided are aggregated and do not allow a clear separation.

As stated in the previous paragraphs, the current system is quite complex and full of ad-hoc peculiarities for numerous specific situations. So, one of the objectives for a potential reform to implement the suggestions of the trade unions should be to aim for the uniformity of the system. Uniformity and simplification of the rules would make the pension system more understandable for citizens. Currently, although this is a topic that involves them personally, Italians are somewhat distant and unaware of what concerns their welfare system. Therefore, even with the inclusion of protection mechanisms for specific categories, the general system should be usable and understandable for the entire population.

Section 4. Recommendations and guidelines

The need to reform the social security system as proposed by trade unions is now supported by the majority of both political and academic players.

Achieving an agreed method of accounting for social security expenditure is fundamental for a correct assessment of systems in Europe. First of all, it is necessary to correctly identify what is old-age pension and what is not.

Moreover, it is necessary to propose systems that do not assess the impact only in relation to countries' GDP, but identify an instrument, a coefficient, that also measures the demographic impact, the effective coverage and the adequacy.

Introducing greater flexibility of access to retirement has become a necessity also to manage the crisis situations generated by the pandemic, in particular, by providing mechanisms to protect workers who perform arduous tasks, workers with disabilities, care-givers, and unemployed workers over 60. Pensions mechanisms to protect and encourage motherhood should also be provided.

To achieve ageing with dignity it is essential to reform the rules on non-self-sufficiency and on long-term care to give full support to citizens in difficult circumstances in old age.

For active workers and atypical workers, the absence of a minimum level of pension in the contribution system as well as the strong discontinuity of working careers leads to the absence

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of adequate social security coverage. Providing a minimum scheme is a priority for the adequacy of our system.

It is also necessary to review the mechanism for adjusting the legal retirement age. We need to overcome the current automatism and reform the criteria in order not to penalise those who remain at work beyond the achievement of the first requirement.

The major deficiencies in the provision of adequate pensions, for those who are already retired, is the problem of the loss of the purchasing power of pensions. For Italian trade unions it is necessary to identify equalisation systems that are more pertinent to the real expenses incurred by older citizens.

The way forward is for a concrete relaunch of employment to guarantee active workers adequate wage levels as well as accessible and quality social services to support workers with family responsibilities (to avoid interruption of work careers).

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