



INPS BETWEEN EMERGENCY AND RECOVERY
Annual Report 2020
EXECUTIVE SUMMARY

The first chapter is an anomaly compared to the traditional annual Reports of the Institute, as it aims to survey the dynamics of the labour market in the emergency phase in which we are still immersed.

However, the size of public intervention in contrasting the negative effects on income and employment, of which INPS has been indicated as the main agency, required a timely report to broaden the overall perception of the drama of the situation.

The chapter opens with the account of the action taken by various government Decrees (Cura Italia, Rilancio e Agosto), centered on the protection of existing employment relations envisaging the prohibition of dismissal. At the same time, unprecedented funding was used for benefits in the event of partial or total layoff of employees.

Additional measures to support the labour market were aimed at self-employed workers and at the weakest categories of employees who could not be supported with wage integration measures, providing for "one-off" allowances.

The chapter analyses the labor market before the epidemic crisis, showing how the latter has phased out a gradually positive cycle (which is discussed in more detail in the second chapter). In the early part of 2019, the number of people in employment returned to 2008 levels, coupled with an increase in the labour market participation rate. This trend quickly reversed during 2020: in the first half of 2020 employment recorded a decline of over 500 thousand employees (of which over 400 thousand employees and about 100 thousand self-employed – source ISTAT) while the trend figures for employment relationships (source INPS) show a reduction of 818 thousand contracts.

This dynamic has faced an explosion of the hours of payroll subsidies (Cassa Integrazione): until August 2020 the hours authorized with specific cause Covid-19 were 2.8 billion, of which 1.4 billion from ordinary redundancy funds, 887 million from sectoral solidarity fund allowances and 548 million for redundancy fund in exception.

Translating hours into full-time equivalent workers, at the peak of April we can estimate 5.5 million missing workers, which fall to 2.4 million in June. Although the blocked sectors (including catering and tourism) are those with the largest use of the redundancy funds, there is evidence of its use even by unblocked sectors and/or sectors where aggregated sectoral performance indicators are positive during the emergency phase.

With regard to the use of unemployment benefit (Naspi), despite the repeated extensions of the deadline in the various Decrees, there has been an increase in applications. In the first half of 2020, just over 864,000 applications were submitted, marking a growth of 12% compared to the similar value of 2019. But these flows are clearly affected by the blocking of redundancies and the lack of recruitment. On the other hand, the self-employed made a total of 8.2 million payments totalling 5.2 billion euro to 4.13 million beneficiaries.

Finally, at the beginning of September, almost 600 thousand applications for Emergency Income (Reddito di Emergenza) were received, of which 285,234 were accepted, with an average acceptance rate of 48.7%. A large part of these beneficiaries are households that had already submitted the application for Citizen Income (Reddito di cittadinanza), but had seen the application rejected for income reasons. The last interventions analyzed are parental leave (320 thousand applicants), babysitting bonuses (1.3 million applicants) and the amnesty for irregular workers (sanatoria per gli irregolari - 208 thousand applications received).

The chapter concludes with an analysis of the distributive impact of this set of interventions. The measures considered have carried out an important compensatory action, reducing the loss of net income by 55% at the aggregate level compared to the scenario of no intervention.

The same measures have also ensured that about 302,000 people would end at risk of poverty due to the economic effects of Covid-19.

The chapter is accompanied by further in-depth materials, which are published in the online appendix.

The first in-depth analysis focuses on the containment measure of the Covid-19 pandemic inherent in the closure of some economic activities defined with respect to specific codes of the 2007 ATECO sector classification, as per DPCM (Prime Minister's Decree) of 22 March 2020 and subsequently by the DPCM of 26 April.

Using the data base of individual wage reports (hereinafter referred to as the UniEmens archive), it can be seen that workers in blocked sectors are characterized by a greater incidence of fragile segments in the labor market, such as women, temporary workers, part-time workers, young people, foreigners, workers employed in small businesses. It is also shown that keeping the essential sectors open has led to about 47,000 additional Covid-19 infected people (a third of those recorded between March 22 and May 4) and an increase over the benchmark of 13,000 deaths (13%).

The second in-depth analysis focuses on the issue of mortality in 2020 compared to previous years, from which there is a significant positive change in the number of deaths in the period March-April compared to the reference average of previous years, especially in the North of the country, which follows a negative change from May, which partially makes up for the gap on previous years.

The third in-depth analysis focuses on the sickness certifications received by INPS by employees of the private and public sectors in the period February-June 2020, which recorded significant variations compared to the previous year, due to both the effects of the epidemic coronavirus that began in Italy at the end of February, but also the changed working conditions for most of the workers, who were given the opportunity to do their work from home during the lock down period (smart-working).

The second chapter traces the evolution of the Italian labor market in 2019 through the evidence of the administrative archives managed by the Institute. Since the total number of INPS insured people is equal to approximately 95% of regular employees, it is an excellent picture of the total regular employment in Italy.

Also in 2019 the total number of INPS insured people grew marginally (+ 0.3%), reaching almost 25.5 million individuals. This growth is mainly attributable to non-EU workers registered in the Northern regions. The average number of paid weeks is positively correlated with age: it is modest for the nineteen-twenties (15-20 weeks), it grows rapidly up to the age of 35, when it is placed on average around 45 weeks, reaching the maximum value around 50 years old. The composition also changes, with a reduction in self-employed employment and an above-average growth of public employees (+ 2.8%).

The administrative archives make it possible to analyze the transitions between different States by following the workers longitudinally. Obviously the most volatile component is that of temporary workers, of which a significant fraction is done by foreign workers. Newly insured persons in 2019 amounted to 1.87 million, equal to 7.3% of the total insured, as well as those who left (insured in 2018 but not in 2019) are 1.79 million subjects.

If we go to analyze the income and wages, which corresponds to the social security tax, there is a value of 594 billion euro in 2019 compared to 588 in 2018, with an increase of +1%. This increase, net of the share attributable to the change in labor input (the worked weeks, which grew by +0.7%), is broadly similar to inflation (+0.4%, CPI index) and therefore would indicate a substantial stagnation, at constant values of income and earnings per unit of labor.

The administrative data therefore suggest a slight increase in employment (pulled from non-standard job positions) accompanied by stationary real wages. From the point of view of employers, the demand for employees has increased by 1.2%, mainly attributable to the private sector, located in the Central-Northern regions. Even in this case, however, there are signs of fragmentation of work performance, since part-time contracts grew by 2.2% in 2019 against 0.9% for full-time positions. From a contractual point of view, the demand for open-ended work increased in 2019 (+ 1.7%), while the demand for temporary work (-2.8%) and for fixed-term employment contracts declined (-6.2%). The other three types of contracts exhibit consistent growth trends: + 18.2% for the seasonal, + 14.5% for the apprenticeship, + 11.3% for the intermittent.

Observing the distribution of salaries in the context of employees, the situation remains substantially unchanged compared to the previous five years. Considering the annual salary, the ratio P99 / P50 - the ratio between the 99th percentile and the median - is equal to 4.5 in 2019, while the ratio between the median and the tenth percentile (P50 / P10) is equal to 6.3.

The Report then dedicates a section to self-employment, as described by the Institute's archives, which mainly cover artisans and retailers. Both components have been in decline for years, more significantly in the second component and referring mainly to family collaborators.

Finally, the trend of the unemployed is the mirror image of that of insurance positions. If we distinguish the beneficiaries of NASpI according to their employment contract prior to entry into unemployment, those coming from permanent employment relationships - therefore the dismissed - decreased from almost 950,000 in 2015 to just over 800,000 in 2019 while those coming from expiring temporary contracts are on the rise, having gone from 1.273 million in 2015 to 1.630 million in 2019. Those coming from domestic work increased until 2017 and subsequently stabilized (225,000 in 2019).

The third chapter deals with measures to tackle poverty and social exclusion. It is opened by a section that illustrates the main problems related to the measurement of poverty: definition of the poverty line, which can be absolute (linked to local consumption standards) or relative (with reference to the income distribution of the reference community); equivalence scales for correcting households with different number of members; diffusion and/or intensity.

The chapter proceeds with an analysis of the introduction of Citizenship Income, which takes into account both applicants and beneficiaries. First, the regulatory framework is reviewed, with particular attention to the different access thresholds related to ISEE (the indicator for household economic status), which includes income and assets (both financial and real estate), as well as permanence in the Country. The analysis of the data of the applications considers beyond 2 million household applicants, out of which 1,153,926 had their applications accepted and 889,584 were instead rejected, out of date, revoked, suspended, or cancelled, with a acceptance rate of 56.5%. Not surprisingly since the thresholds are identical across the country, the Southern regions account for more than half of the applicant households, with over 1.3 million applications, and a higher acceptance rate by more than 10% compared to the Northern regions.

The distribution of the household applicants by number of members sees more than a third composed by mono-component families, more than a fifth by families with two members and the remaining part by families with more members.

Investigating the causes of rejection of applications, it emerges that the threshold requirement for family income has been particularly crucial in determining the non-acceptance of applications: a significant proportion of unapproved applications exceeds the threshold by up to EUR 1000. If we focus on the work histories of the members of the different applicant families, it emerges that the work history of the beneficiaries is significantly poorer than the non beneficiaries

one (10 percentage points lower). Then, by analysing the income history of the applicant households through the different ISEE statements presented in the past, there is evidence of the capacity of the measure to exercise the role of safety net for households experiencing income/wealth reductions, although the variations in the family composition or residence in the year preceding the introduction of the DRC seem more uncertain.

Resorting to a micro-simulated tax-benefit model, the effects of the introduction of the Citizenship Income were analyzed both on the overall inequality (reduction of the Gini index by -0.7%) and on the poverty rate (reduction of the poverty rate from 14.9% to 14.2% and reduction relative deprivation from 39.2% to 33.4%). This is linked to the differences between the audiences of citizen income beneficiaries (identical across the country and multidimensional thresholds) and the poor defined by statistical agencies (single absolute threshold on territorially differentiated income).

The second topic dealt within the chapter is that of the minimum hourly wage, that is, a minimum contractual wage to be guaranteed for each hour worked, which would be integrated into the current collective bargaining system.

The discussion begins with a reference to the academic debate on the subject, in particular on any behavioral reactions in the context of counterfactual evaluation; from this review it emerges that the unemployment effects are minimal and can be neglected as a first approximation.

An updated analysis follows with the data of the institute concerning the incidence of workers with wages below possible thresholds proposed in the debate (8.0, 8.5 and 9.0 euro per hour), and on the relevance of different definitions on which components of the minimum wage must include (gross salary, additional months, severance pay, etc.). In the most restrictive sense (excluding 13 months and TFR) for private employees for a threshold of € 9 there is an incidence of 26.2%, which drops to 20.1% for a threshold of € 8.50 and 13.8% for € 8. For caregiver workers the expected incidences are decidedly higher: without additional components, it goes from 90.2% for the € 9 threshold to 75.3% for € 8.

Finally, we propose a quantification of the public finance impacts (on the side of tax and contribution revenues together with expenses or benefits) that the introduction of a minimum wage in the Italian context could generate. The effects on inequality and poverty are in the direction of a reduction, even if the extent of the impact is minimal.

The chapter closes with the presentation of an activity recently undertaken by the Institute, "Inps per tutti", which confirms the interest and commitment that the Institute intends to implement in the years to come on the issues of poverty, and in particular, how it is possible to bring everyone closer to the enjoyment of their economic rights, including those who live in conditions of marginalization and extreme social disadvantage (like the homeless).

The fourth chapter deals extensively with retirement benefits. It opens with the history of the numerous legislative interventions that have characterized the Italian system over the last 30 years, starting with the Amato Reform in 1992, highlighting at the same time the impossibility of postponing interventions aimed at ensuring financial sustainability in the long term and the absence of an overall design, which characterizes the interventions to an inevitable categorization.

There are then statistics in historical series of the number of retirees (16,035,165 as of 31/12/2019) and of the average monthly amounts paid (€ 1563, as an average between € 1864 for men and € 1336 for women). Furthermore, given the salary nature of the majority of pensions currently paid, the average amount is significantly differentiated by geographical area (€ 1711 in the Center-North and € 1410 in the South).

More than a third of retirees fall into the age group between 70 and 79, and another third of retirees are over eighty, with a clear predominance of women. Almost 34% of retirees have retirement income of less than € 1,000 per month, over 21% receive monthly retirement income between € 1,000 and € 1,500; the remaining 45% have pension income over € 1,500 per month (with 8% exceeding € 3,000).

In historical terms since 1992, the Institute on average has paid annually about 60% of old-age and old-age/early retirement pensions, 32% of survivors' pensions and the remaining 8% of disability pensions. The average age at which retirement pensions took place began in 1992 was 55.2 years for men and 52.4 years for women, while in 2019 the same ages were almost realigned (62.7 and 62.3 respectively). Conversely, the average age at the beginning of the old age pension was in 1992 59.8 years for men and 57.3 years for women, while in 2019 the ages align to 67.3 years.

The chapter then focuses on existing channels for anticipating social security benefits without waiting for the requirement of seniority (42 years (41 years if women) and 10 months of contributions) or old age (67 years of age with at least 20 years of contributions). As regards facilities for workers in particular situations of bad health or work (hard work) and/or optional personal choices for workers (women's options, quota 100), their incidence varied depending on the year, but reached 40% of retirement/anticipated pensions in 2019. This section closes with an in-depth study on Quota 100: As of December 31, 2019, the Institute had received about 229 thousand applications for pension quota 100, of which about 75 thousand related to the public sector and 154 thousand to the private sector. Of the applications received, 66% were accepted, 23% were still being processed and 11% were rejected.

The chapter ends with two interesting insights. In the first, life expectancy is analyzed on the basis of the socio-economic condition of pensioners. For the cohort of those born in the decade 1930-1939, those belonging to the richest income quintile experience an average advantage in terms of life expectancy at 50 years compared to those belonging to the poorest quintile of about 3 years.

For the most recent cohort of those born in the period 1950-1957, this advantage extends to about 4.5 years. In terms of prevailing qualifications, the gap in life expectancy at 50 years between workers and managers remains essentially unchanged, while the one between blue-collar and white-collar workers widens from 2.2 for those born between 1930 and 1939 to 2,9 years for those born between 1950 and 1957. In the second study, through a microsimulation model, it is simulated the transition from a regulatory framework, where the retirement age is fixed and equal for all to one in which the possibility of anticipated retirement, both in reference to the individual and in reference to the long-term cash effects of social security institutions.

The fifth chapter deals with family support measures provided by the Institute. Our country has long been characterized by low fertility rates (1.4 children per woman), despite the contemporary low rate of female employment. The general decline in fertility is also recognizable through the temporal dynamics of the maternity benefits paid by the Institute (2.7 million in the 2012-19 period), although in parallel the number of granted paternity leave (mandatory and optional) has grown significantly (equal to 697,406 in the period 2013-18). A similar trend can also be seen when looking at the ratio of parental leave paid to working fathers and working mothers, which shows a tendency to rebalance the commitment to care for the family.

From the descriptive analyzes carried out, it is not possible to understand how much this change modifies fertility decisions, although a first partial analysis of the determinants of maternity benefits shows that the provision of these benefits is closely linked to the type of work done by working mothers. This in turn suggests that the maternity decisions of Italian workers are strongly linked to the type of employment contract they have been offered. A specific study also quantifies the long-term loss in women's annual wages resulting from the birth of a child, which is equal to 53%, of which 6% due to the reduction of the weekly wage, 11.5 % due to part-time work and 35.1% due to fewer paid weeks.

The existence of a positive correlation between parental leave paid to fathers in the period 2012-2018 and female labour supply seems to suggest that the legislative changes of incentives in the fruition by fathers during the period may have been successful. Job insecurity is associated with a reduction in fertility, as found in a preliminary analysis on the impacts of the "Jobs Act" which is reported in a specific study. The results show that before the reform women (aged 16 to 46) employed in larger companies were about 1 percentage point more likely to have children than women employed in small companies (under 15 employees); instead, after the approval of the "Jobs Act", the difference was substantially nullified, simultaneously with a generalized decline in fertility for both categories.

Leaving the theme of benefits managed directly by INPS and moving to a wider discussion on welfare and the family, the chapter deals with tax deductions associated to household composition. The report briefly describes the theoretical functioning, quantifying the deductions and distinguishing between theoretical ones from those actually used: this is actually a problem for the deprived, who do not reach a tax capacity which is sufficient to take advantage of deductions. In the light of the political debate on the introduction of a new benefit that unifies some welfare benefits currently obtained by Italian household, a possible proposal for a "single allowance" is imagined, and its impact is estimated through a micro-simulation model. The proposed advantage is based on the overcoming of IRPEF - family income tax -deductions and household allowances (assegni familiari) to introduce a universal support, parameterized to an equivalent income (among many possible), financed or not by a levy similar to the current CUAF contribution.

In the specific hypothesis of adoption of a "single allowance", in view of the abolition (absorption) of household deductions (approximately 11 billion euro) and the ANF (approximately 6 billion euro per year), the new allowance would cost in terms of net government finance balance approximately 3,7 billion more, which would also be the largest aggregate benefit for households.

The sixth and final chapter illustrates the most innovative activities developed over the last two years within the Institute.

In continuity with the initial chapter dedicated to the COVID emergency, this chapter also opens with the description of the impressive number of services provided by INPS in the most intense months of the emergency phase: over 6 million workers benefiting from payroll subsidies and over 4 million of self-employed workers who received the bonus dedicated to them (originally 600 euros). To these one must add 600,000 applicants for Emergency Income and over 830,000 applicants for the babysitter Bonus. Overall, emergency benefits reached 12.5 million people for whom 18.7 million practices were processed, placing INPS at the center of public policies to support income in the emergency phase. By mid-September, the total expenditure for Covid-19 services provided by the Institute amounted to 19.7 billion euros, of which 13.3 from the State budget and 6.4 from the budget of the Institute.

The need to cope with this unforeseen mass of additional services required the adoption of automated procedures for the association (and verification) of data on beneficiaries with those of current account holders, limiting the movements of the same during the phase of lockdown.

This effort for the advantage of citizens, workers and companies has necessarily brought to the attention of the Institute the issue of strengthening the supervisory, prevention and sanctioning strategies for unlawful conduct. Monitoring body develops its activity through internal congruity checks on contribution reports or deriving from the comparison with other data held by the Institute, especially those relating to the benefits granted. This allows to focus inspection activity where there are situations of inconsistency between economic indicators, whether it is companies

or individual performance. This has prompted the involved Directorates seeking the collaboration of other public agencies operating with similar purposes, in order to enrich the statistical framework associated with each operator.

Anti-fraud works in parallel to verify the overall consistency of the information associated with the requests for benefits. Also in this case we work to create a system that, by analyzing in a predictive key all the information flows held by the Institute (personal data, contributions and payment), identifies in advance those anomalous events that may be the symptom of a fraud against the Institute or another public administration. At the same time, the aim is introducing information activities that allow the realignment to legality by inducing virtuous behaviors and using nudging and alternative tools to inspection-sanctioning.

The emergency activity has clearly added to, and in many ways superimposed on the ordinary one, which has not stopped. The need to monitor the activity carried out, in order to allocate resources more efficiently and to distribute economic incentives more precisely, has led the Institute to adopt an Organizational Performance Measurement and Evaluation System, which has been updated several times in recent years. This system aims to keep under observation the different dimensions of organizational performance, from productivity (measured through the flow of practices provided) to expenditure control (through standard head office cost indicators), from internal support processes (with indicators of organizational well-being and equal opportunities) to the degree of satisfaction of end users (customer care experience).

However, the experience of monitoring productivity for products has shown the limitations of the current internal organization focused on the provision of practices. The new organizational project (reassessment) on which the Institute's digital innovation plan is modeled, focuses on the role of the final user, in his/her various requests with which it approaches the Institute in the various stages of its working and retirement life. This allows a reanalysis of user needs according to the degree of complexity of the requested services, which translates into a reorganization project according to three levels: a basic core of standard services with maximum capillarity and a strong vocation towards assistance/care, and basic information, favoring physical and telephone branches; a second level of centralized activities, generally aimed at categories of permanent workers or internal users, with preference for remote assistance or consulting by appointment; and finally, a flow monitoring area is aimed exclusively at professional stakeholders and maintains constant dialogue with them through dedicated telematic channels.

As regards the new user services, two new initiatives are illustrated in the chapter. From February 2020, the pre-filled official Socio-economic Declaration (DSU) was made available via online access on the Institute's portal. Although it does not replace the ISEE already in use to citizens in an ordinary mode not precompiled, it is an innovative tool that complements the existing.

It is characterized by the coexistence of a multitude of self-declared data by the citizen with other data provided by the Revenue Agency and by INPS. Beyond the greater timeliness in issuing (a few hours instead of a few days) and the facilitation in finding various data useful for calculating the ISEE, the main advantage is to reduce the cases of undue access to subsidized social benefits, since the registrant (or declarant) cannot omit the data that are "pre-filled", drawing them directly from the archives of the Revenue Agency in which they are contained.

On the other hand, the Institute has made available since 2015 and has repeatedly improved a pension simulator ("My future pension") which indicates an estimate of the pension amount corresponding to the various dates of access to benefits. Through the service, the user first accesses his/her contributory account statement, and then displays a very simple table with the access dates and the corresponding amount: early retirement pension, old age pension and possibly "quota 100".

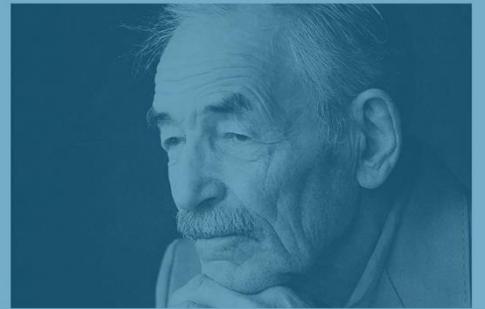
The introduction of the contributory pension scheme in the provision of pension benefits provides for the criterion of the proportionality of allowances with respects to payments made during the career: one of the immediate consequences was the increase in individual liability. For this reason, Law 335/1995 itself laid down an obligation to inform all stakeholders, to whom an updated account statement had to be sent annually, the progression of the contribution amount and the information related to his/her position. The impact on user behavior was studied and verified by analyzing the behavior of a sample of users who carried out two simulations one year apart, finding positive effects on the hours worked.

The Institute is also a provider of welfare benefits for the children of public employees, thanks to the contribution they pay from their salaries. These are therefore services of a mutualistic nature that do not weigh on general taxation, but which allow to support the training, even at an advanced level, of a large segment of the population. In addition to scholarships for attending foreign language courses in Italy (6100 scholarships awarded in 2020) and abroad (1170 scholarships, also in 2020), the Institute supports the attendance of courses at tertiary level, both of a university nature and of a professional nature (5515 contributions paid in 2020). Last but not least, higher education is supported, with grants for attending master's courses (in collaboration with the SNA-National School of Administration) and doctorate (in agreement with the best Universities that offer agreements). The Institute itself represents a particularly selective job opportunity, as evidenced by the data relating to the latest recruitments, where only one candidate out of twenty was eventually hired, even though half of the winners residing in the southern regions had to move to the northern regions where there were major staff shortages.

The chapter also contains a summary of the Gender Budgeting that the Institute has adopted since 2017. The balance sheet items have been reclassified alternatively as "gender neutral", "intended to remove gender inequalities" and "sensitive to gender", in line with the criteria adopted by the State General Accounting in order to draft the gender budget of the Central Administrations. Starting from the reconciliation policies (although enjoyed by a small number of employees, given

the aging of the same), the chapter takes into consideration the use of training initiatives by gender and the pay dynamics, which record an average pay gap to the detriment of female employees amounting to € 3,000 in the 2015-18 period. The differentiated use of part-time opportunities is only partially responsible for this outcome, which is associated with a disadvantage in career prospects.

Finally, the chapter illustrates a further activity that the policy maker has attributed to INPS, which is certifying Trade Union representation, both from the side of workers and from that of Companies. Given the increasing number of contracts of contracts registered in the CNEL (National Council of Economy and Labor) archive the problem of defining and measuring which are the most representative bodies necessarily arises: at the end of 2019 they were almost 900, while only 354 national contracts of the private sector are registered on UniEmens- the mandatory report that the private sector employer must send every month to INPS. Suffice it to recall that within the CCNL linked to Confindustria, the contracts registered and for which the associative data is received are 57, while the Trade Union organizations that are contracting or adhering to the law requirement are 173.



INPS

