

# LUISS



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Chair of Demography, Society And Policy In Europe

## **Consequences of the demographic decline in Italy and possible solutions**

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## Introduction

Beginning in the 19th century, the human population surpassed 1 billion for the first time in its more than 10.000-year history. Towards the end of 2022, according to UN estimates, the human population has reached and exceeded 8 billion inhabitants. According to these estimates, we could reach our peak population in the mid-2080s with approximately 10.4 billion people. From there on, the population is thought to gradually begin to decline. However, this phenomenon will not be uniform across nations: some will continue to grow, while others will decline, some of which well ahead of the UN deadline. among these countries is Italy, which, according to Istat data, reached its peak in 2014, exceeding 60,300,000 inhabitants, and has now dropped very close to 59 million, with a downward trend. This decrease has significant socioeconomic effects, for better or worse, and the primary objective of this thesis is to analyze and comprehend these effects, as well as what can be done to prevent them from having an excessively negative impact on Italy.

Therefore, the first chapter of this thesis will provide a brief description of the primary demographic analysis tools, namely the theory of the demographic transition, the population pyramid, the total fertility rate, and the dependency rate. Next, the current, alarming, demographic picture of Italy will be presented, also in comparison to other European nations using the aforementioned tools.

In the second chapter, we will examine what is arguably the most significant factor influencing the reproductive decisions of Italians: welfare. The Nordic, Continental, and Anglo-Saxon welfare models, as well as their strengths and weaknesses, will be described first, followed by a much more in-depth description of the Italian Mediterranean system. At this point, we will explore the evolution of the Italian welfare in order to comprehend the origin of its structural inequalities and their effect on the country's demographic picture. Finally, potential solutions to the problem will be proposed, and the optimal one will lie in the conversion of the current welfare model to one that is more continental in nature.

In the third chapter, instead, we will present some of the other most significant social problems facing our nation, particularly in the field of female employment and assistance for working mothers, as well as the solutions that should be implemented to address them. Lastly, a small case study will be presented regarding the Autonomous Province of Bolzano, the only area in Italy that has not experienced a population decline as severe as the rest of the country, how it managed to do so, and what Italy could learn from it.

# Chapter 1: Demographic structure of Italy

## 1.1 Some basic concepts

Humanity has gone through unprecedented progress in the last couple of centuries.

Just 100 years ago, Europe and much of the rest of the world were still reeling from the devastation of WWI: the Russian Empire had become the Soviet Union, Fascism had risen to power in Italy, and the Weimer Republic was facing the worst inflation crisis in history. While we are far from at peace, we can still claim to live in more favorable times.

Some of the many consequences of these more favorable times include increased life expectancy and the dramatic demographic boom that most Western and Far Eastern countries experienced in the second half of the twentieth century, and that many other countries (particularly in Sub-Saharan Africa) are still experiencing. Take into account that it took the entire history of modern humans (more than 10.000 years) to reach the 1-billion population mark in the early 19th century, but it only took 100 years to reach the 2-billion population mark in 1928, and slightly less than 100 years later, in 2022, the human race gave birth to its 8-billionth baby. *Figure 1* graphically depicts this phenomenally fast process.

For centuries, the idea of constant population growth was assumed: it was natural for a country's population to grow decade after decade, unless a calamity (such as a war or natural disaster) hampered that process.

However, an increasing number of people are realizing that this is not the case. Not only is this not true, but in some countries, the opposite is occurring: more people die each year than are born, resulting in a decrease in total population.

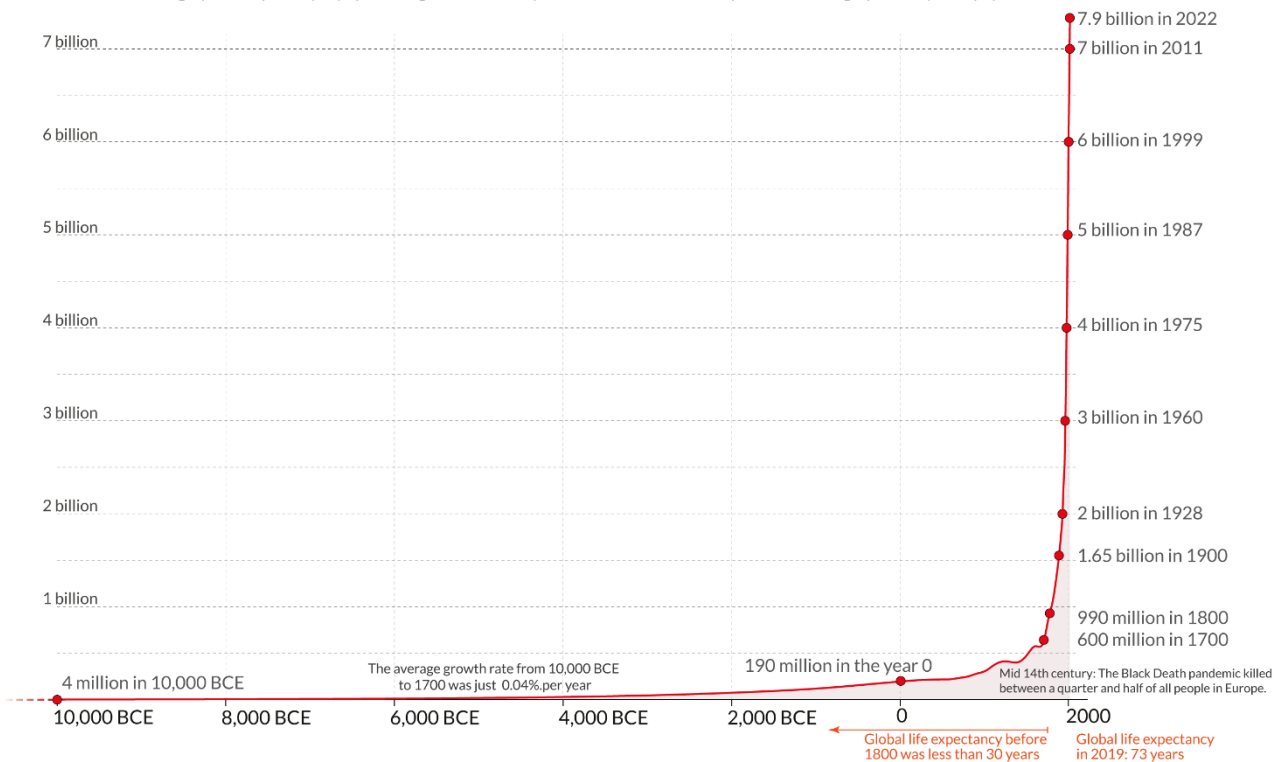
In 2020, the UN predicted that the number of people over 65, by 2050, will eventually reach 1.5 billion person, and its share of the global population will increase from 9.3% to 16%.<sup>1</sup>

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<sup>1</sup> United Nations, Department of Economic and Social Affairs, Population division. "World Population Ageing 2020".

# The size of the world population over the last 12,000 years

Demographers expect rapid population growth to end by the end of the 21st century. The UN demographers expect a population of about 11 billion in 2100.



Based on estimates by the History Database of the Global Environment (HYDE) and the United Nations. On [OurWorldinData.org](http://OurWorldinData.org) you can download the annual data. This is a visualization from [OurWorldinData.org](http://OurWorldinData.org). Licensed under CC-BY-SA by the author Max Roser.

Figure 1 Human population increased extremely rapidly in the last couple hundreds of years

Italy, unfortunately, is one of these nations; moreover, it is one of those who will suffer the brunt of its population's aging the most. The country's population peaked in 2014 at 60.8 million people, and it has been steadily declining since then, with a current population of slightly more than 59 million people<sup>2</sup>. Furthermore, the proportion of people under 15 is only 13%, while the proportion of people aged 65 and up is 23.2%<sup>3</sup>.

One does not need to be an expert to recognize that these are not encouraging figures, but before delving into the complicated subject of demography, we must first understand some of its fundamental concepts and terminology.

First, the theory of the demographic transition will be addressed, as well as how it can aid in the analysis of demographic phenomena that countries encounter during the industrialization process. Following that, we will provide a brief explanation of the meaning and role of the total fertility rate, as well as its global evolution. Lastly, we will give a definition of what the dependency ratios are and

<sup>2</sup> La demografia dell'Europa, VISUALIZZAZIONI STATISTICHE – EDIZIONE 2021. Available at: [www.istat.it](http://www.istat.it).

<sup>3</sup> *Ibidem*

what is their use. Finally, we will use these tools to assess the current state of the Italian demographic situation.

### 1.1.1 The demographic transition

The demographic transition theory can help us explain the process of population aging. The ever-changing variation in birth and death rates prompted the development of this theory, which attempts to explain what happens when nations become industrialized.

The demographic transition is divided into 5 stages<sup>4</sup>:

- Stage 1: during the pre-industrial era, birth rates were high, but because the death rates were also high, no or very small population growth occurred. For thousands of years, societies all over the world remained in stage 1.
- Stage 2: thanks to advancement in medicine, the population's health gradually improves, and death rates begin to fall. Still, fertility remains high, leading to a booming population.
- Stage 3: The birth rate begins to fall, and the population growth rate follows suit. This happens because when child mortality decreases and the economy changes, parents choose to have fewer children. Furthermore, in this stage women tend to have a higher labor participation rate, making the idea of giving birth to a large number of children less appealing.
- Stage 4: Here, rapid population growth comes to an end as birth rates fall to mortality rates level. The population tends to remain more or less stable.
- Stage 5: It is still unknown what will be the population behavior in this stage, whether it will start to decrease or slightly increase again.

Currently, developed nations are going through the last stage, while developing nations are going through one of the previous.

*Figure 2* depicts the aforementioned stages graphically. The population pyramid, a visual representation of the population structure at each stage, is another useful tool shown here. During stage 1, the pyramid's base is very broad, but it quickly narrows due to both high birth and death rates. The process of population stabilization at each stage causes the pyramid to resemble a box

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<sup>4</sup> Max Roser, Hannah Ritchie, Esteban Ortiz-Ospina and Lucas Rod s-Guirao (2013) - "World Population Growth". Available at: [www.ourworldindata.org](http://www.ourworldindata.org).

by stage 4. Stage 5 is still largely unknown, so the pyramid could expand further at the base or begin to shrink.

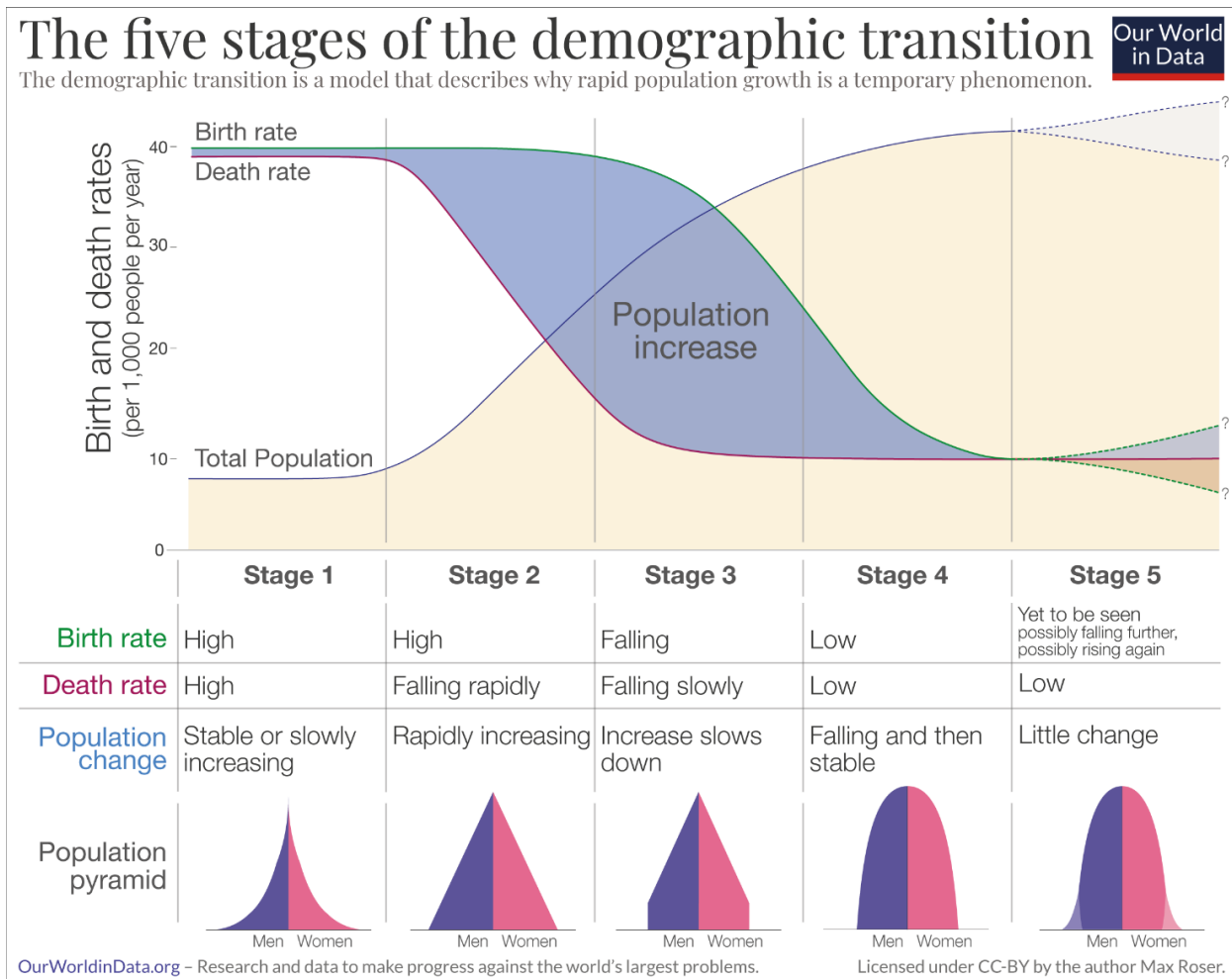


Figure 2 The five stages of the demographic transition

### 1.1.2 Total fertility rate (TFR) and dependency ratios

The total fertility rate (TFR for short) is one of the most important indicators that help us understand the dynamics of a given population. The TFR gives us “a figure for the average number of children that would be born per woman if all women lived to the end of their childbearing years and bore children according to a given fertility rate at each age”<sup>5</sup>. Therefore, the TFR does not tell us the mean number of children that are born from each woman in a given year, but rather an indication about how many children a woman would have if at each age during her childbearing years

<sup>5</sup> CIA World Factbook 2012, *References-definitions and notes*, 2012, available at: [www.cia.gov](http://www.cia.gov)

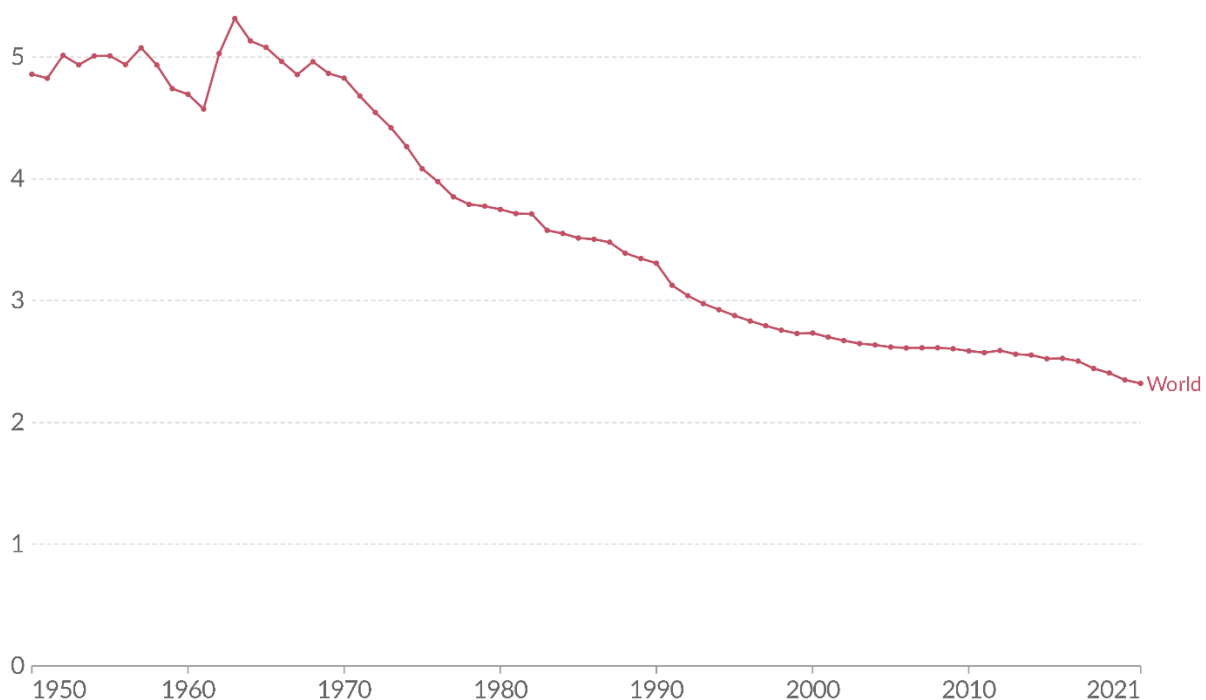
(conventionally from 15 to 49) she experienced the current age-specific fertility rates (ASFRs), which in turn is defined as “the number of births to females in a particular age category in a particular year compared to the number of females in that age category”<sup>6</sup>.

A TFR of 2.1 is referred to as the "replacement rate," because population growth begins at this value, assuming constant death rates. The term "sub-replacement rate" refers to any value less than it.

Figure 3 depicts the evolution of the global fertility rate from 1950 to the present, demonstrating that it peaked in the early 1960s and is now on a downward trend.

### Fertility rate: children per woman

Our World  
in Data



Source: United Nations - Population Division (2022)

OurWorldInData.org/fertility-rate • CC BY

Note: The total fertility rate is the number of children that would be born to a woman if she were to live to the end of her child-bearing years and give birth to children at the current age-specific fertility rates.

Figure 3 The evolution of global TFR from 1950 to today

Another useful indicator that can help us understand the evolution of certain demographic trends is the cohort fertility rate, which tell us about “the total number of children women from a specific birth year give birth to throughout their lives”<sup>7</sup>. However, since this indicator can only be computed when a certain cohort has passed its child-bearing years, we can only safely use cohorts up until 1972, and all of the subsequent years are only a matter of speculation.

<sup>6</sup> Definition from Statistics Canada, available at: [www23.statcan.gc.ca](http://www23.statcan.gc.ca)

<sup>7</sup> *Lifetime fertility on the rise*, Data sheet for press release, 2013, Max Planck Institute for demographic research



The indicator that best represents the ageing process is the Old dependency ratio. This is equal to the ratio between people over-65 (that is, when they are usually retired) and the working age population, and then multiplied by 100.

The young dependency ratio is measured in the same way, but this time it is people under-15 that are considered in the equation.

These ratios are extremely useful to assess the percentage of people belonging to one of the two groups relative to the working age population. As it is easy to deduce, the higher the values, the more the people in those groups.

The total dependency ratio, in turn, is used to determine the weight of the two onto the working population age. This is useful because we can determine how many people are relying on the work of those aged 15-65 (hence the term “dependency”).

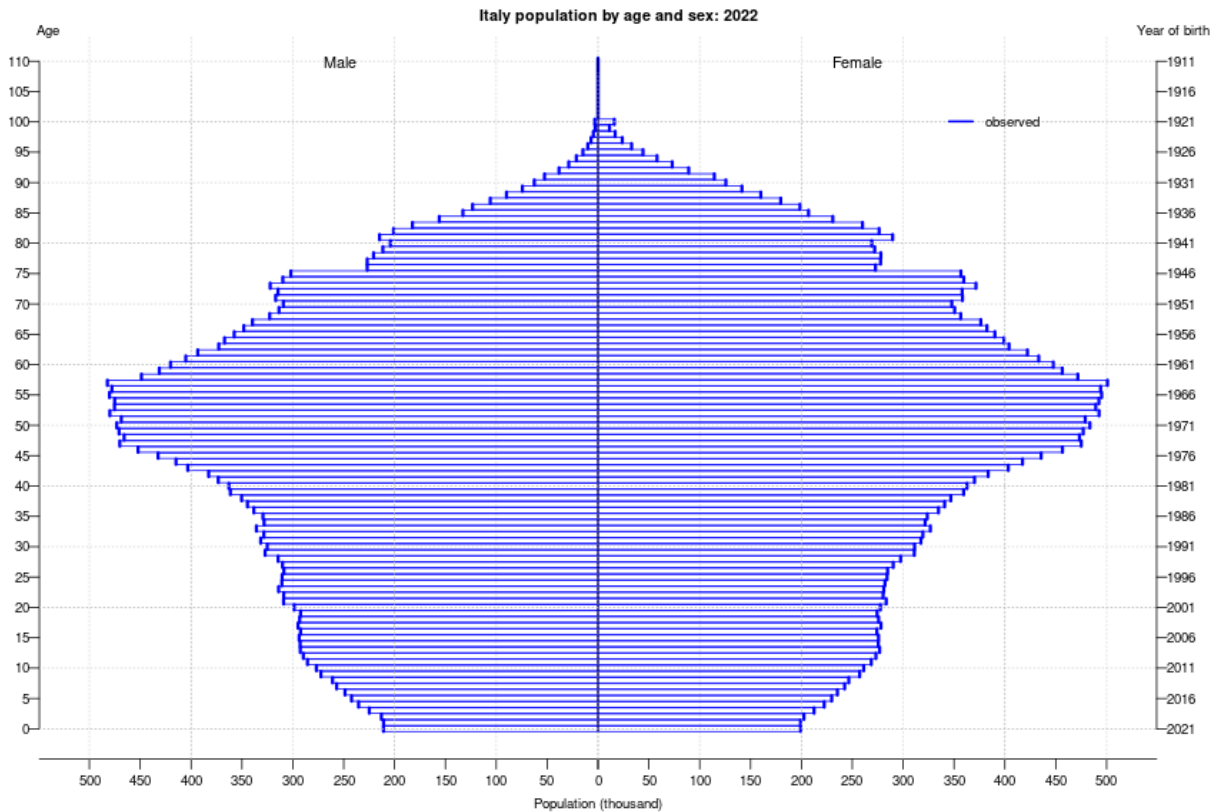
## 1.2 A comparison between Italy and the rest of Europe

In this section, we will look at the differences between Italy and the rest of Europe and North America<sup>8</sup> in terms of the demographic indicators we discussed earlier.

The first interesting datum to note is the age pyramid of Italy (*Figure 4*), which provides us with a snapshot of our country's current demographic situation.

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<sup>8</sup> The data used hereby are from the United Nations Department of Economic and Social Affairs, which does not differentiate between Europe and North America in its categorization.



© 2022 United Nations, DESA, Population Division. Licensed under Creative Commons license CC BY 3.0 IGO.  
 United Nations, DESA, Population Division. *World Population Prospects 2022*. <http://population.un.org/wpp/>

Figure 4 Italian population pyramid

First and foremost, the pyramid is diamond shaped, which means that the base of the pyramid, formed by the under-20s, is significantly narrower than the top, formed by the over-65s.

We can also see that the larger "slice" is roughly made up of the 45-60 age range. Then, the population decreases dramatically in the 45-35 age range, followed by much less intense decline in the 35-20 age range, before remaining more or less stable in the 20-10 age range (but with a downward trend), below which it decreases dramatically again.

As a result, we can identify a few demographic events characterized by varying intensities of each cohort's growth/decrease dynamics. This can be explained by the analysis of the TFR, which we will discuss later.

The population pyramid of Europe and North America (*Figure 5*), on the other hand, is much more box-shaped than ours. Even though we can see a tendency toward restriction at the base here as well, it is still much more contained manner than in Italy.

Furthermore, the population remains almost stable in the 60-30 range (the male population even increases slightly), followed by a small sudden reduction in the 30-20 range, followed again by an overall population stability, with only the under-5s showing a downward trend.

The Italian population pyramid is obviously included within this one, thus contributing to the overall demographic dynamic in Europe and North America, but it is still interesting to note how stark the difference between the two is.

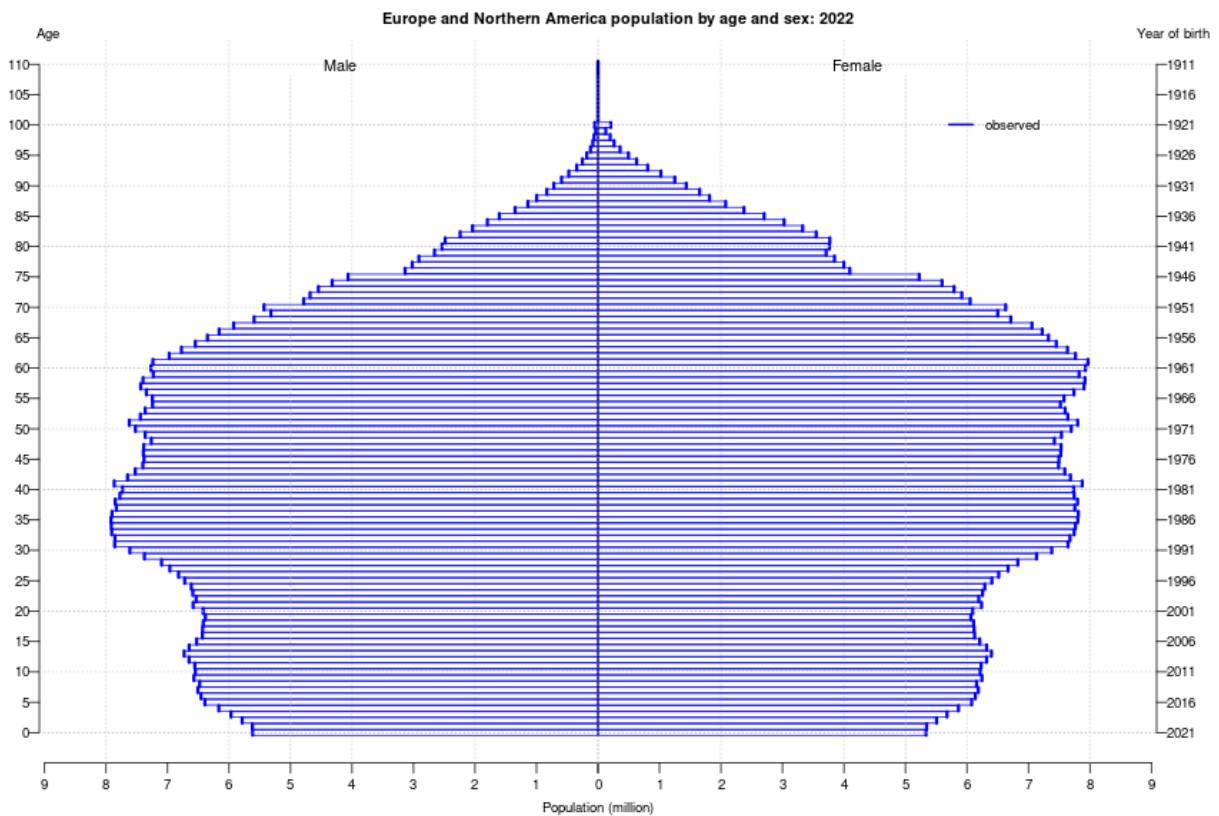


Figure 5 Europe and North America population pyramid

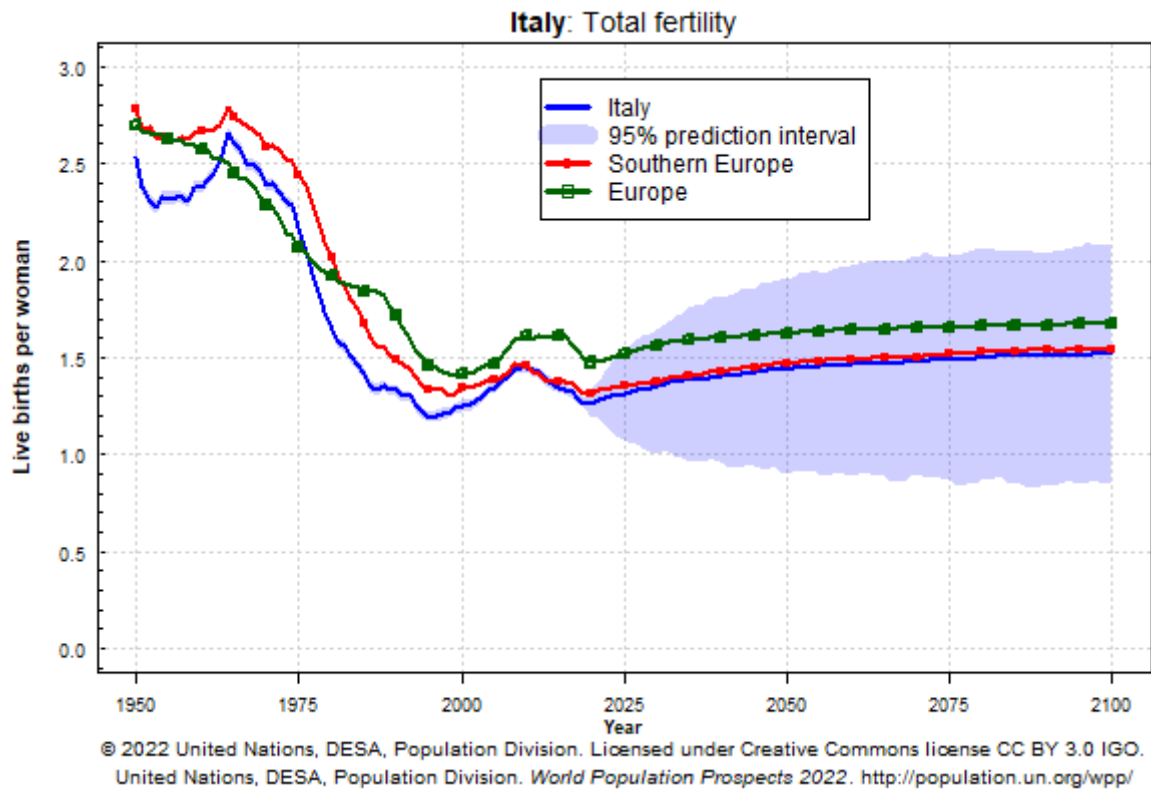
After this brief examination of the population pyramids, we now turn our attention to the Italian Total Fertility Rate.

According to Istat, the TFR in 2021 was 1.25<sup>9</sup>, the same as in 2001, still far from the historic low of 1.19 reached in 1995<sup>10</sup>, but still extremely low, so much so that it entered the infamous range known as "lowest low TFR," that is, when the TFR falls below 1.3.

<sup>9</sup> NATALITÀ E FECONDITÀ - ANNO 2021, December 19, 2021, Istat. Available at: [www.istat.it](http://www.istat.it).

<sup>10</sup> REPORT NATALITÀ E FECONDITÀ DELLA POPOLAZIONE RESIDENTE, p. 3 November 28, 2018, Istat. Available at: [www.istat.it](http://www.istat.it).

As the graph shows in *Figure 6*, after a small decline in the early 1950s, the TFR rose dramatically throughout the rest of the decade and the 1960s, reaching its peak in 1964 at 2.52<sup>11</sup>, before falling again throughout the following decades, finally reaching a historic low in 1995. The TFR rose once more between 1995 and 2010, nearly reaching 1.5 around 2010, before falling to its current level.



*Figure 6 Italy's TFR evolution and future scenarios*

These TFR fluctuations explain the previously mentioned evolution of the structure of the Italian population pyramid. The high fertility rate of the 1950s and 1960s explains why the over-50 population is so large. The drastic reduction of the TFR, then, is reflected in the reduction of cohorts after the 1970s to reach current levels.

When compared to the evolution of the of Europe's TFR, the trend that appears before us is worrisome: the latter has never fallen below 1.5 (except for a brief period in the late 90s and early 2000s). Furthermore, the Italian TFR has even been consistently lower than the Southern European average throughout the years.

The future also does not look promising either. According to UN predictions, the Italian TFR will rise slightly each year until it reaches a plateau of around 1.5 around 2050. In the worst-case scenario,

<sup>11</sup> Fertility rate: children per woman, 1950 to 2022, available at: [www.ourworldindata.org](http://www.ourworldindata.org).

it could fall even further and stabilize below 1.0, whereas in the best-case scenario, it could rise to exceed the 2.0 threshold again in the second half of this century, before stabilizing above that value.

Both scenarios are obviously improbable as they are the extremes of the spectrum, but it is always important to bear in mind that one of these two possibilities, however remote, might happen, for the best or worst. This, in turn, has an impact on Italy's population growth.

As shown in *Figure 7*, according to the latest UN predictions, the population will likely fall steeply, reaching around 37 million by the end of the century, and it will likely continue to decline. Again, we are presented with two extreme case scenarios: one in which the population collapses so far that it reaches around 27 million people (with no signs of it stopping), and one in which it stabilizes at around 47 million.

This means that even if both best-case scenarios were implemented, they would not be enough to lift Italy out of its current “demographic winter” unless they were accompanied by immediate strong and radical pro-natalist policies.

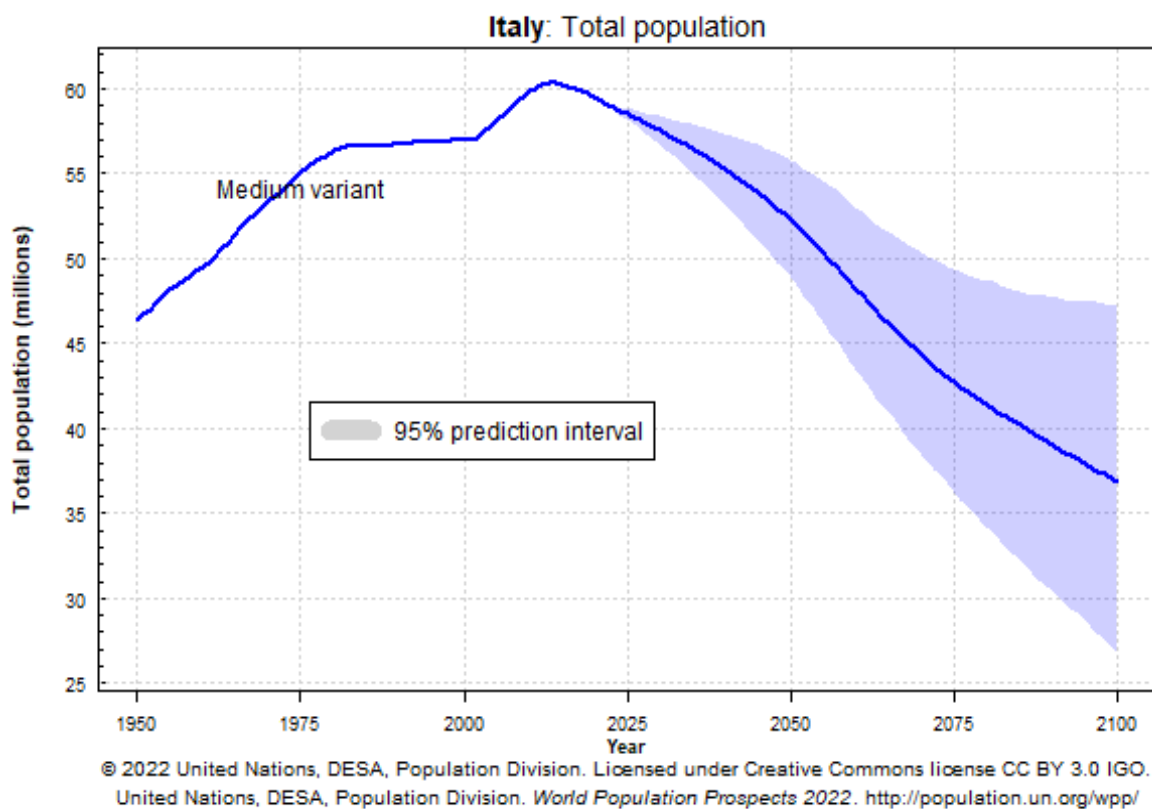


Figure 7 Evolution of Italian population and future projections

### 1.3 Some further demographic data about Italy

As previously mentioned, Italy characterized by low birthrates and a rising life expectancy: by the end of the 1970s, the average number of children per woman in Italy had already fallen below 2.0, with new generations having fewer children and having them later than the older ones, resulting in an ever-aging population. *Figure 8* help us visualize the temporal evolution of the declining number

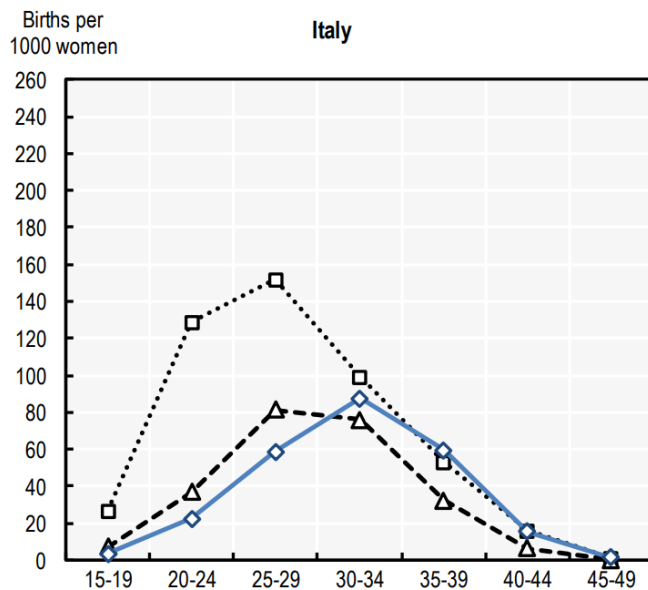


Figure 8 Italy Age-fertility profiles, 1970 (dotted line), 1995 (dashed line) and 2020 (solid line). Source and credits: [oe.cd/fdb](http://oe.cd/fdb)

of births from the 70s until now. Curiously, the number of births per 1000 women over 30 actually decreased between the 1970s and 1995, only to surge again in 2020: this is likely due to a combination of a decline in the number of fertile women in that specific age-range in 1995 first, and then a progressive delay in having their first child in those years later in the decades.

If current trends continue, which is almost certain, we can anticipate such a large number of elderly individuals that they could threaten social security and public health care spending, among other areas. From the turn of the century to 2013, massive influxes of immigrants from Eastern Europe and Africa pushed the resident population to 60,345,917 on January 1, 2014<sup>12</sup>, delaying the beginning of the natural decrease of the population, but the trend has since been reversed by the growing birth-death gap and lower migratory flows. Nevertheless, this trend has primarily occurred in Northern Italy, where the foreign population is larger and more historically rooted in family ties. In 2020, foreign women had 1,89 children, down from 2,21 in 2011, while ethnic Italian women had 1,17 children, down from 1.32 in 2011<sup>13</sup>. On January 1, 2022, the population is projected to fall to less than 59.000.000 inhabitants<sup>14</sup>, a loss of over 1,300,000 people over eight years that was also exacerbated by the recent COVID-19 pandemic.

<sup>12</sup> "Popolazione Residente Ricostruita - Anni 2002-2019." Istat, <http://dati.istat.it>.

<sup>13</sup> "Rapporto Annuale 2022 - La Situazione Del Paese". Istat, p. 148, 8 July 2022, available at: [www.istat.it](http://www.istat.it).

<sup>14</sup> "Popolazione residente al 1° gennaio" Istat, <http://dati.istat.it>

As shown in *Figure 9*, in 2020 the average maternal age in Italy was above 32<sup>15</sup>, two years older than in 2000. Over the course of the years, it increased more than the average age at first birth, which rose to 31.4 years<sup>16</sup>. Compared to 2001, the fertility rates of women over 30 are increasing while those of younger women are decreasing, indicating a postponement of motherhood that appears to be intensifying in 2021<sup>17</sup>. The increase in births to mothers 30 or older partially offsets the overall decline, but delaying births too much often results in not having children at all.

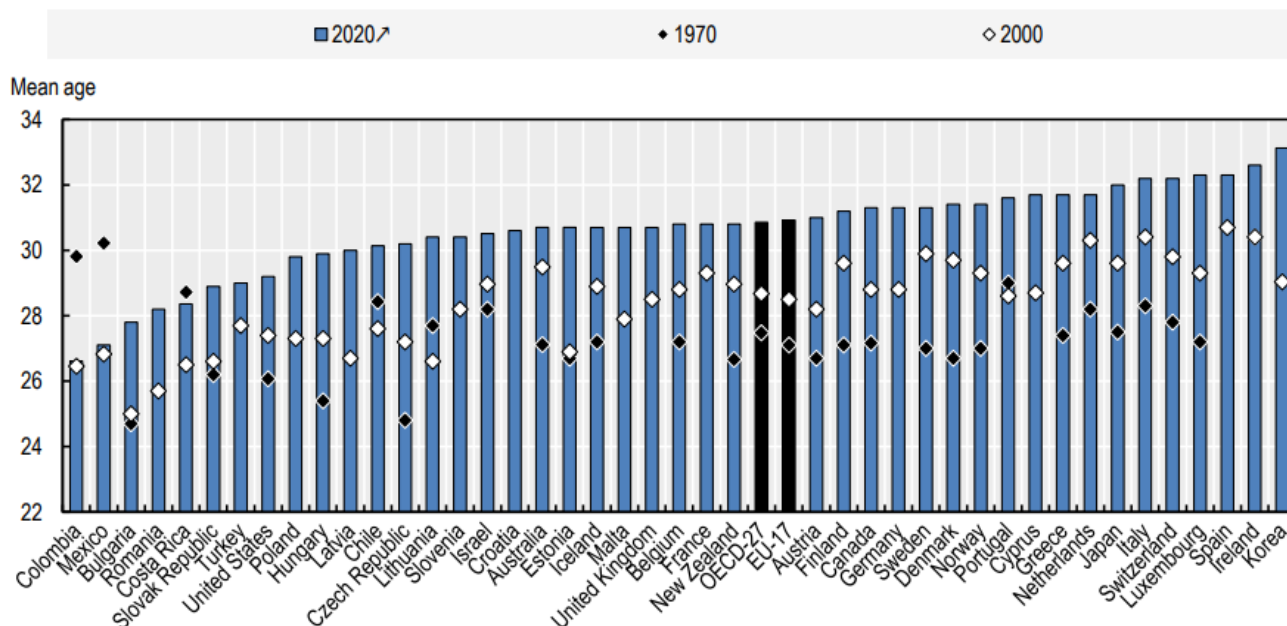


Figure 9 Mean age of women at birth, 1970, 2000 and 2020. Source and credits: [oe.cd/fdb](https://www.oecd.org/fdb).

The Italian Institute of Statistics (Istat) identified the increasing number of children born outside of marriage in its most recent report on the current state of the country (*Figure 10*). In comparison to 2001, when they comprised around 10% of all newborns, nearly 160.000 infants born last year, or around 40% of the total, fell in this category<sup>18</sup>. Therefore, we can draw two conclusions: first, that the role of marriage in determining the reproductive choices of new Italian parents is diminishing, and second, that Southern Italy, despite following the same trend as the rest of Italy, is more conservative in this regard. At the same time, Central Italy had the most significant increase, going from second lowest to first.

<sup>15</sup> "Age of Mothers at Childbirth and Age-Specific Fertility." OECD Social Policy Division - Directorate of Employment, Labour and Social Affairs, June 2022. available at: <https://www.oecd.org/els/family/database.htm>.

<sup>16</sup> "Mean Age of Women at Birth of First Child - Data Portal - United Nations Economic Commission for Europe." UNECE, [w3.unece.org](https://www.unece.org).

<sup>17</sup> *Ibidem*

<sup>18</sup> "Rapporto Annuale 2022 - La Situazione Del Paese". Istat, p. 148, 8 July 2022, available at: [www.istat.it](https://www.istat.it).

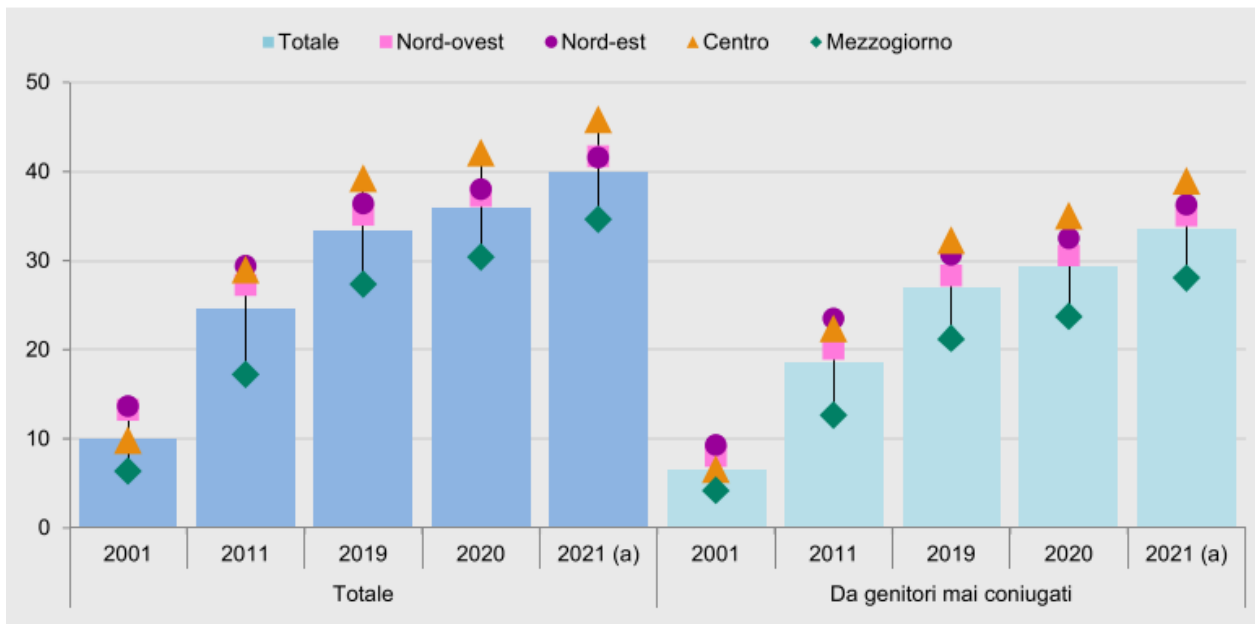


Figure 10 Born out of wedlock (left) and to parents who were never married (right) by repartition. Various years (percentage values). The legend above the graph reads (from left to right): Total, North-west, North East, Central Italy, Southern Italy. NB The figures for 2021 are provisional. Source and credits: Istat

As stated previously, the average age of mothers in Italy is gradually increasing over time. However, according to Istat, this value for non-married mothers in 2021 is slightly lower than that of married mothers, being up to 5 percentage points higher in some instances. In 2001, the same pattern was observed in 2001. On the other hand, the age of non-married mothers has decreased up to as much as 10 percentage points in the 20y-24y range, and up more than 5 percentage points in the 30y-34y range, compared to 2001 (Figure 11).

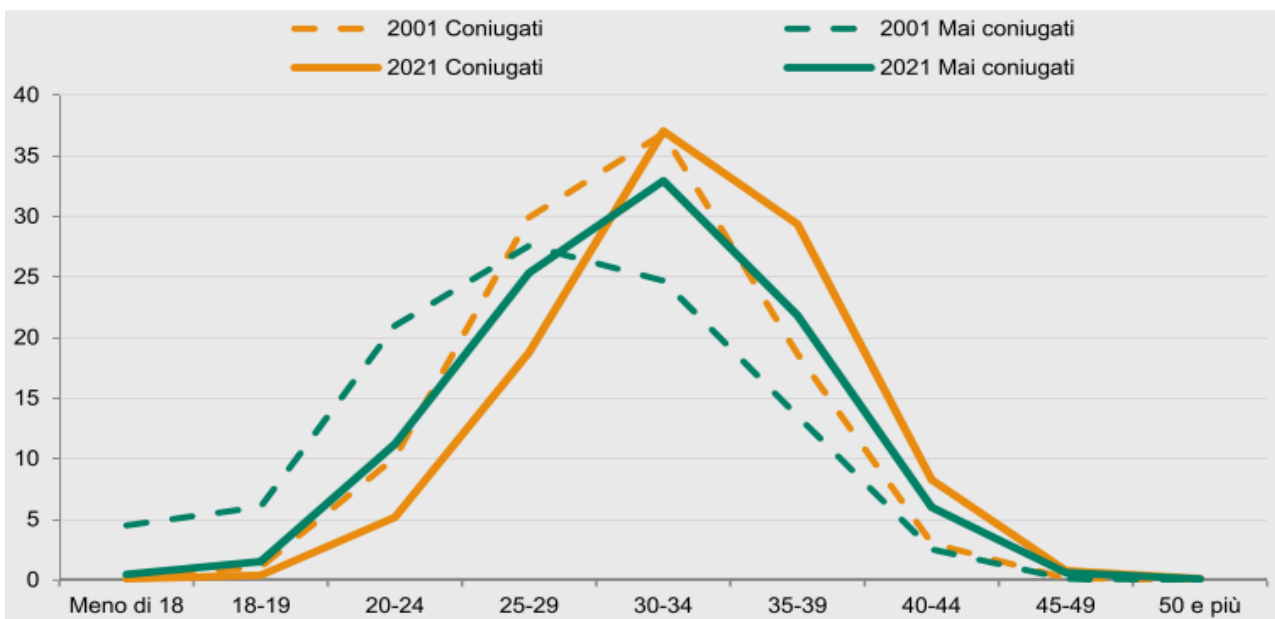
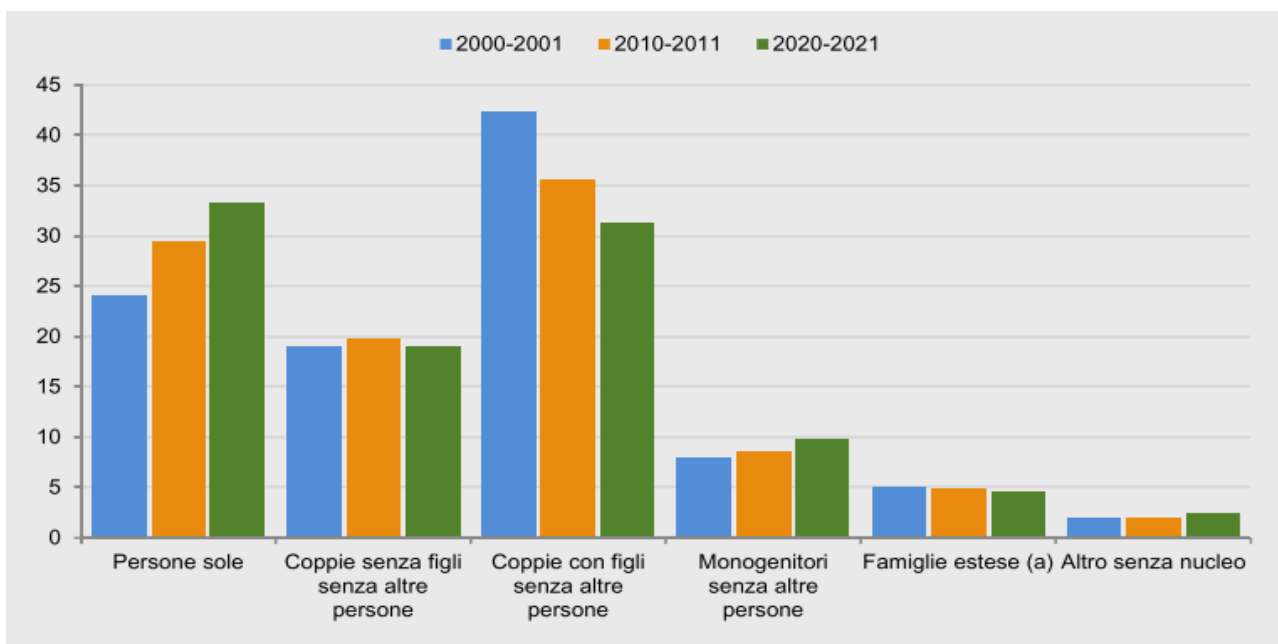


Figure 11 Children born to married parents and never married parents by age class of the mother. Years 2001 and 2021 (percentage values). Yellow lines refers to married parents, and green to never married parents. Source and credits: Istat



A second phenomenon that has been identified over time is the dramatic change that has taken place in the structural makeup of families in our country. Taking into account that a family can be made up of just one person, it has been observed that the number of families has actually increased in recent years, despite the overall decrease in population. This the result of an increase in the number of people who are living alone, as shown in *Figure 12*, who increased by almost 10 percentage points over the course of the last two decades, while couples with children decreased by more than 10% percentage points during the same time period.

Furthermore, childless families have become the predominant type of household, reaching just over 50% (compared to 45% in 2000-2001). On the other hand, extended families (families with two or more nuclei and families with a nucleus and other people), couples with children without other people, and "other without nucleus" remained essentially unchanged. The increase in the number of single parents is further evidence that the traditional family model in our country is in crisis<sup>19</sup>.



*Figure 12 Families by typology. Averages 2000-2001, 2010-2011, 2020-2021 (per 100 households). Under the bars, from left to right: singles, childless couples without other people, couples with children without other people, single parents without other people, extended families, other without nucleus. Source and credits: Istat*

<sup>19</sup> "Rapporto Annuale 2022 - La Situazione Del Paese". Istat, p. 158, 8 July 2022, available at: [www.istat.it](http://www.istat.it).

## 1.4 Some consequences of population decline

Now that we have a better understanding of the main tools for analyzing demographic change in Italy, let us attempt to comprehend some of the potential consequences of population decline.

Normally, one would think that the best way to measure said consequences is to look at a country's GDP, believing that its decline signals a decline in a country's wealth as well, but they would be wrong. That's because GDP, albeit far from futile, only "*measures the monetary value of final goods and services—that is, those that are bought by the final user—produced in a country in a given period of time*" and "*is not a measure of the overall standard of living or well-being of a country*"<sup>20</sup>. GDP per capita is, instead, one of many tools that can help us better measure these standards of living<sup>21</sup>. It is defined as "*a financial metric that breaks down a country's economic output per person and is calculated by dividing the GDP of a nation by its population*"<sup>22</sup> i.e., how much of the country's GDP is hypothetically "owned" by its citizens.

As previously stated, GDP is the byproduct of all transactions carried out in a country during a given time period. As a result, it stands to reason that the more workers there are, the higher the GDP, and this is usually true, though some considerations must be made. High population growth, for example, in low-income countries may slow development in the short term because most of the wealth accumulated by parents must be spent on their numerous offspring, leaving little to no space for savings<sup>23</sup>. This is not to say that these countries cannot aspire to the same levels of well-being as high-income countries; on the contrary! In the long run, when these countries' workforces are fully employed, they can expect to reap a demographic dividend i.e., "*accelerated economic growth that may result from a decline in a country's birth and death rates and the subsequent change in the age structure of the population*"<sup>24</sup> – if the necessary policies are put in place to ensure that said development occurs in a timely manner.

Similarly, one might believe that a decreasing population growth (or worse, a negative growth) is a scenario to avoid because it would result in a decrease in GDP and per capita GDP, and this is

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<sup>20</sup> Callen, Tim. "Gross Domestic Product: An Economy's All." *International Monetary Fund*, 2022, Available at: [www.imf.org](http://www.imf.org).

<sup>21</sup> "Grossly Distorted Picture." *The Economist*, The Economist Group, 13 Mar. 2008. Available at: [www.economist.com](http://www.economist.com).

<sup>22</sup> Fernando, Jason, et al. "Gross Domestic Product - GDP." *Investopedia*, Dotdash Meredith, 29 Sept. 2022, [www.investopedia.com](http://www.investopedia.com).

<sup>23</sup> Peterson, E. W. F. (2017). The Role of Population in Economic Growth. *SAGE Open*, 7(4). <https://doi.org/10.1177/2158244017736094>.

<sup>24</sup> "Fact Sheet: Attaining the Demographic Dividend." *PRB*, Population Reference Bureau, 26 Nov. 2012. Available at : [www.prb.org](http://www.prb.org).

partially correct. In fact, even if the country's GDP does fall as a result of the reduced workforce, it is not certain that the per capita GDP will suffer the same fate. This is due to the fact that, in this complex equation, we must also consider the role of scientific and technological progress, which can help us compensate for the shrinking workforce, if done properly. We could therefore assume that “[i]f a country’s per-capita GDP is growing with a stable population level [...] it could be the result of technological progressions that are producing more with the same population level”.<sup>25</sup>

For example, in the early 2000s, Japan had higher annual GDP per capita growth than the United States, despite the latter having higher annual GDP growth<sup>26</sup>. Furthermore, the working-age population in Japan fell by 4.2 percentage points between 2000 and 2010 (from 67.9% to 63.9% of the total population)<sup>27</sup>, while the working-age population in the United States increased by one percentage point (from 66% to 67%)<sup>28</sup>. This means that Japan managed to increase its standards of living far better than the US did, despite a drop in the working-age population. This could be attributed to the aforementioned technological advances that might have occurred in Japan during this time, which allowed the country to produce more output with fewer resources.

We can conclude from all of this that population decline is not necessarily an event to be avoided at all costs. The socio-economic system of a country affected by this phenomenon will primarily be determined by the evolution of the relationship between per capita GDP growth and population decline: if the latter is less than the former, we can expect a general improvement in the people’s standard of living; conversely, if the population drop is greater than the GDP per capita growth, there will be dire consequences.

One of the many consequences that a country in this scenario may face is an increase in dependency ratios, specifically the old age dependency ratio, which would have a considerable impact on the economy as well as the long-term viability of the welfare system.

This is exactly the purpose of the National Transfers Account (NTA), an international collaborative project: “to measure, analyze and interpret the relation between macro-economic conditions and

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<sup>25</sup> Fernando, Jason, et al. “Gross Domestic Product - GDP.” *Investopedia*, Dotdash Meredith, 29 Sept. 2022, [www.investopedia.com](http://www.investopedia.com).

<sup>26</sup> “Grossly Distorted Picture.” *The Economist*, The Economist Group, 13 Mar. 2008. Available at: [www.economist.com](http://www.economist.com).

<sup>27</sup> “JAPAN STATISTICAL YEARBOOK 2016 - Chapter 2 Population and Households.”, *Statistics Bureau of Japan*, 2016, [www.stat.go.jp/english/data/nenkan/1431-02.htm](http://www.stat.go.jp/english/data/nenkan/1431-02.htm).

<sup>28</sup> “Population Ages 15-64 (% of Total Population) - United States.”, *The World Bank*, 2022, <https://data.worldbank.org/indicator/SP.POP.1564.TO.ZS?locations=US>.

age structure over the world"<sup>29</sup>. The premise upon which the entire NTA project is conceived is that people of working age produce more than they consume due to their higher productivity, whereas children and the elderly experience extended periods of economic dependence due to their lower productivity; the formers are referred to as the surplus age, while the latter as the deficit age. This complex process of dependence, consumption, and production is known as the "life cycle deficit" (LCD) because it begins with each individual's birth and continues until their death. In more technical terms, the life cycle deficit is the difference between consumption (C) and income (Y)<sup>30</sup>, which is positive during the dependent years and negative during the working years due to the aforementioned causes.

This procedure is depicted in greater detail in *Figure 13*<sup>31</sup>, what has been stated so far is self-evident: consumption varies with age, but the only time it is less than income is during the working years, also known as the surplus age, and the deficit ages are supported by intergenerational transfers taken from the surplus age and directed to them. It is because of these economic flows, which are mediated by both private and public actors, that the LCD is sustainable<sup>32</sup>.

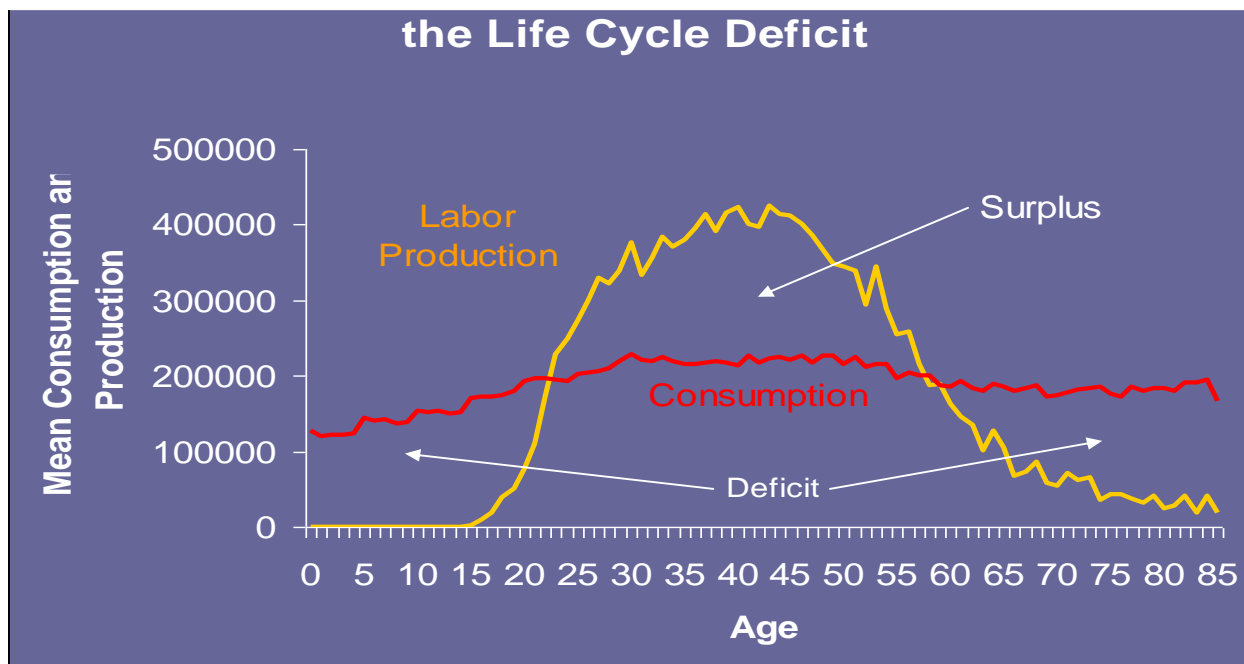


Figure 13 The life cycle deficit. NB this graph actually refers to the LCD of Taiwan, but this process is similar in most country.

Figure 14, instead, is the graphic representation of the Italian LCD in 2008. A significant portion of the gradual increase in consumption (C) that occurs during adolescence is driven by the cost of

<sup>29</sup> Zannella, Marina, and Graziella Caselli. *Economic Life Cycle Deficit and Intergenerational Transfers in Italy: An Analysis Using National Transfer Accounts Methodology*, p.1, European Population Conference 2012.

<sup>30</sup> Definition available at: <https://ntaccounts.org>

<sup>31</sup> *Ibidem*

<sup>32</sup> Zannella, Marina, and Graziella Caselli. *Economic Life Cycle Deficit and Intergenerational Transfers in Italy: An Analysis Using National Transfer Accounts Methodology*. p.1 European Population Conference 2012.

education; in the meantime, labor income (YL) remains zero until the age of 16, which is the age at which one can start working. Beginning around age 20, income surges, and it surpasses the level of consumption at around 27. The surplus age phase lasts approximately 30 years and then, starting from age 60, people typically retire, resulting in a steady decline in labor income until it eventually reaches zero. As a result of old age, at this stage consumption is heavily supported by health expenditures<sup>33</sup>.

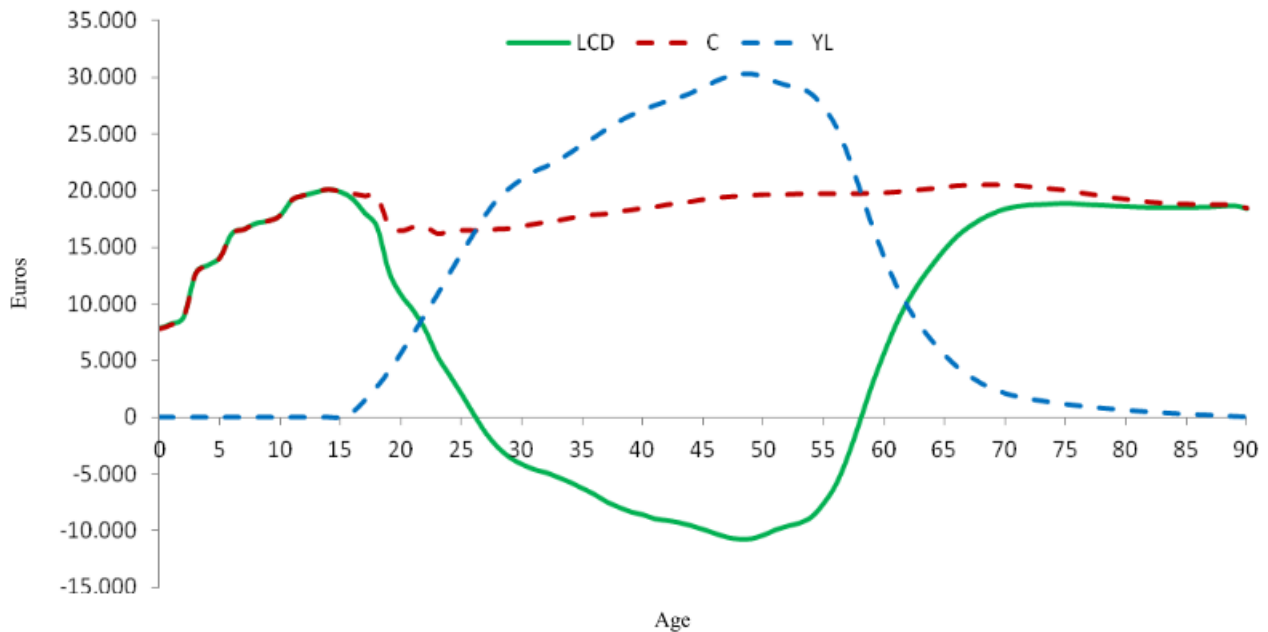


Figure 14 Life cycle deficit of Italy in 2008. Source and credits: Zannella and Caselli (2012)

Consequently, it is evident that the main issue relate to the demographic transition occurring in our country is primarily of economic nature. Without enough people to compensate for the deficit, there is a significant risk that the pension system will not be able to be financed, which, as we shall see, is far from being ungenerous.

<sup>33</sup> Zannella, Marina, and Caselli, Graziella. *Economic Life Cycle Deficit and Intergenerational Transfers in Italy: An Analysis Using National Transfer Accounts Methodology*, p.4, European Population Conference 2012

## Chapter 2: The welfare system

Now that we have a sufficiently comprehensive overview of the demographic phenomenon that Italy is experiencing and some of its potential consequences, let's analyze what is arguably the most crucial factor in attempting to comprehend why certain political decisions have been made: how Italy positions itself in relation to its European partners, what its strengths and weaknesses are, and what can be done to improve it. Let's talk about welfare.

Welfare is definitely not one of the most exciting topics to discuss, but it can reveal us a lot about a country: its history, its social traditions, and the way its citizens view their society. If we want to have a serious discussion about the solutions Italy can implement to improve its demographic balance, then we must examine it.

Before comparing and analyzing the characteristics of the various welfare systems in Europe, it is necessary to provide a concise but exhaustive definition of it. According to the Encyclopedia Britannica, welfare, also called social welfare, is *"any of a variety of governmental programs designed to protect citizens from the economic risks and insecurities of life"*<sup>34</sup>. Children, the elderly, the ill, and women are some of the groups that are the most often included in these programs.

Although it may appear to be a relatively modern concept, welfare has existed since antiquity – albeit on a scale and in a scope quite different from today. For example, the *Cura Annonae* (literally "care of Annonae"), the ancient Roman system for importing and redistributing grain for the city, included a grain subsidy for needy citizens. This subsidy was actually provided not out of genuine compassion for the needy, but rather to avoid social conflicts, so much so that its neglect would have been *"the utter ruin of the state"*, according to Emperor Tiberius<sup>35</sup>.

Another example, although stemming primarily from religious values rather than a social conflict-avoidance strategy, is the zakat (a form of almsgiving and one of the Five Pillars of Islam), which became compulsory during the Rashidun Caliphate and was used as a form of social security tax<sup>36</sup>.

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<sup>34</sup> "social welfare program." Encyclopedia Britannica, December 15, 2022. Available at: [www.britannica.com](http://www.britannica.com)

<sup>35</sup> Rickman, G. E. *"The Grain Trade under the Roman Empire."* Memoirs of the American Academy in Rome, vol. 36, University of Michigan Press, 1980, pp. 261-275, doi:10.2307/4238709

<sup>36</sup> Benthall, Jonathan, and Jérôme Bellion-Jourdan. *The Charitable Crescent: Politics of Aid in the Muslim World.* London; New York, I.B. Tauris; New York, 2009, p.17.

Consequently, it is evident that, for whatever reason, certain forms of protection for the most vulnerable have always existed. However, it will not be until the nineteenth century that a welfare system resembling the one we know today will emerge, thanks to Reichskanzler Otto von Bismarck.

In fact, Germany was the first country to introduce an insurance system for industrial workers and then, over the course of decades, to expand it to cover the entire population. Since then, each European nation has developed its own welfare system. Even though these models are different from one another, they can be categorized into "families" based on the characteristics they share with one another.

## 2.1 Welfare systems in Europe

Most scholars agree that four major welfare models exist in Europe<sup>37</sup>:

- The Nordic, or Social Democratic model
- The Continental, or Christian Democratic model
- The Anglo-Saxon, or Liberal model
- The Mediterranean, or Southern European model

A fifth model, the Eastern European or Post-Socialist, has been identified by some, even though that it lacks distinguishing characteristics and is primarily a collection of post-Soviet countries' welfare systems transitioning toward one of the previously mentioned models. Due to the unique nature and history of welfare in Eastern European nations, this fifth model will not be discussed.

The first three will be analyzed very briefly, while the fourth, which also involves Italy, will receive further exposure.

### 2.1.1 The Nordic model

The first of the 4 models that we are going to analyze is the Nordic, or Social-Democratic model. Both of its names immediately give us clues about the characteristics of this model: the fact that it is limited to the Nordic countries (Denmark, Finland, Iceland, Norway, and Sweden) as well as that the philosophical foundations on which it was built are of a social democratic nature.

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<sup>37</sup> Hajighasemi, Ali. *European Welfare States and Globalization Strategies in an Era of Economic Restructuring*. Edward Elgar Publishing, 2019.

The fundamental principles of the Nordic model are: state-provided care for all of its citizens equally, full employment, and shield people from the negative effects of the market<sup>38</sup>. In order to accomplish this, the governments of the Nordic nations have adopted notably comprehensive social policies. As these policies are primarily financed by taxes, it is no coincidence that these countries' tax rates are among the highest in the world. Consequently, tax revenues as a percentage of GDP is among the highest in the world as well, especially taxes on incomes and individuals.

The following table compares the tax-to-GDP ratios and taxes on incomes and individuals (as percentage of total tax-to-GDP ratio) of the Nordic countries and a few other European nations<sup>39</sup>.

| Country | Tax-to-GDP ratio | Taxes on income and individuals |
|---------|------------------|---------------------------------|
| Denmark | 46.9%            | 54.2%                           |
| Germany | 39.5%            | 27.0%                           |
| Finland | 43.0%            | 30.0%                           |
| France  | 45.1%            | 21.0%                           |
| Iceland | 35.1%            | 43.1%                           |
| Italy   | 43.3%            | 26.8%                           |
| Norway  | 42.2%            | 29.4%                           |
| Spain   | 38.4%            | 28.7%                           |
| Sweden  | 42.6%            | 28.8%                           |

We observe that, with the exception of Iceland, the tax-to-GDP ratio is always greater than 42% and that, despite the existence of non-Nordic countries with comparable values (notably Italy and France), the weight of taxation on individuals and on the personal income ratio is always greater than in other nations,

even if only marginally in some instances - notably Sweden and Norway, when compared to Spain.

The Nordic population is generally in favor of this level of taxation, as the proceeds are reinvested in highly efficient social policies and public services. Citizens have a high level of confidence in their institutions due to the efficiency of the public sector. As depicted in the *Figure 15*, the Nordic countries' public sector scores higher than the majority of OECD countries when its citizens were asked to express an opinion of it. With nearly 85% of Norwegians expressing confidence in their national government, Norway ranks first, followed closely by Finland. Sweden and Denmark have similar rates, between 65% and 70%. Iceland concludes the rankings with a confidence level of less than 65%, the only outlier on an otherwise relatively homogenous list.

<sup>38</sup> *Ibidem*

<sup>39</sup> Data source: Revenue Statistics 2022 The impact of COVID-19 on OECD tax revenues, OECD, 2022. Own elaboration



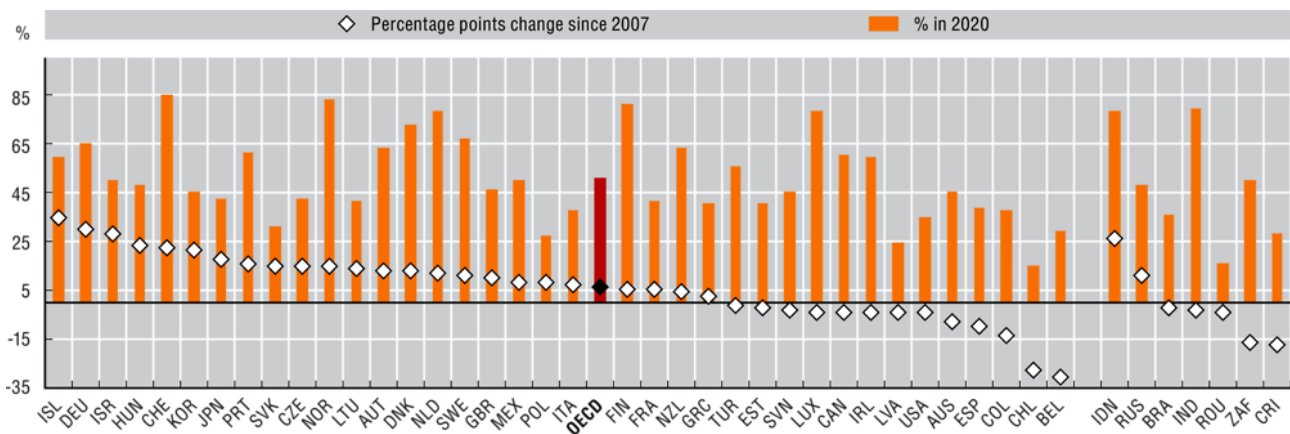


Figure 15 Confidence in national government in 2020 and its change since 2007. Source: Government at a Glance 2021, OECD

Alongside this, the proportion of Nordic citizens employed in the public sector is also among the highest in the world. In fact, all five countries ranked in the top five of the most recent OECD report, "Government at a Glance 2021" (Figure 16). In each of the five nations, between slightly less than 25% (Finland) and slightly more than 30% (Norway) of the population is employed in general government.

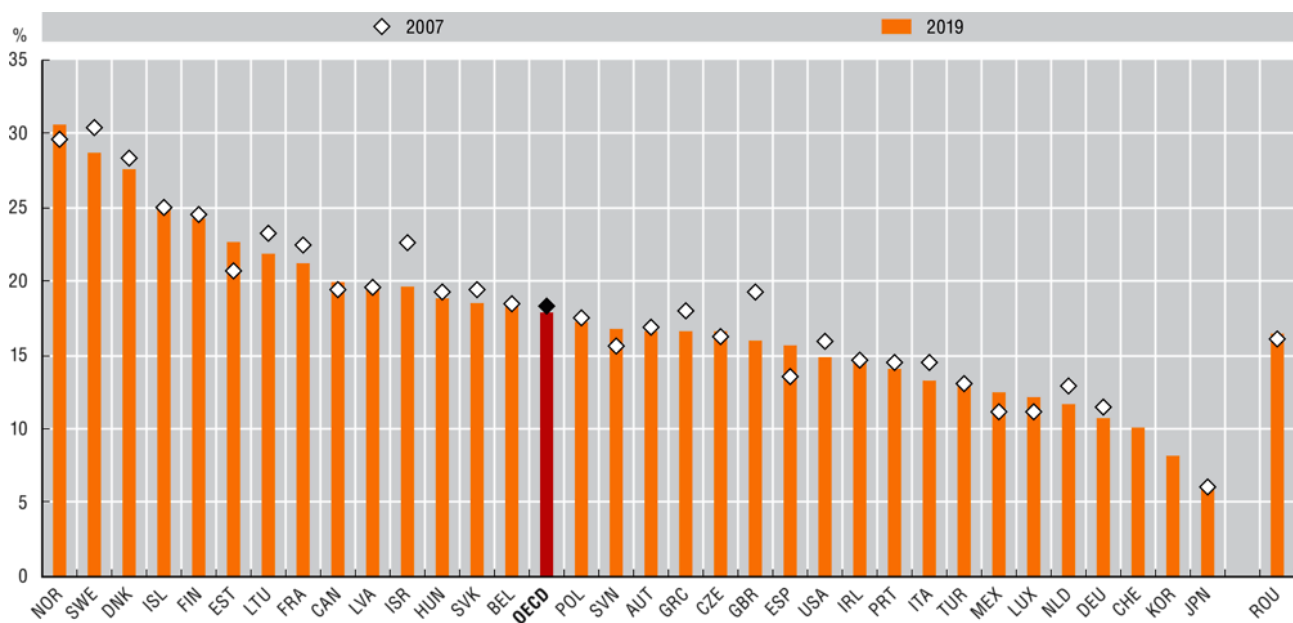


Figure 16 Employment in general government as a percentage of total employment, 2007 and 2019. Source: Government at a Glance 2021, OECD

The extensive use of collective bargaining as a method for determining wages, without the need for state intervention in labor relations, is an additional significant aspect of the Nordic model, as provided by the following table<sup>40</sup>.

<sup>40</sup> Data sources: Trade Union dataset, OECD Stat, and Statistics on union membership, ILOSTAT. Own elaboration

| Country | % of workers in a trade union |
|---------|-------------------------------|
| Denmark | 67.0                          |
| Germany | 16.3                          |
| Finland | 58.8                          |
| France  | 8.9                           |
| Iceland | 92.2                          |
| Italy   | 32.5                          |
| Norway  | 50.4                          |
| Spain   | 12.4                          |
| Sweden  | 65.2                          |

Here, the differences between the various states are even more pronounced than in the preceding example. First, Iceland is at the top of the list with an astounding 92.2% of unionized workers, or nearly the entire working population. Denmark follows with a very large gap at 67.7%, and then Sweden at 65.2% and Finland at 58.8%, and stopping at Norway's 50.4%. According to some scholars, the reasons why "only" half of the Norwegian active population is unionized lies in the absence of the so-called Ghent system in Norway, unlike in the other Nordic countries. Named after the Belgian city of the same name, the Ghent system is defined as "a system of relief from unemployment involving government subsidies to unemployment funds run by trade unions"<sup>41</sup>. The fact that trade unions oversee these subsidies makes the idea of joining them more appealing to workers, which explains why the percentage is so high in Nordic countries. Furthermore, despite having the lowest value relative to its peers, Norway is still in a better position than other European nations. As stated at the beginning, one of the objectives of the Nordic Model is the employment of the entire working population, both men and women. Due to this gender-inclusive policy, female employment in these nations is among the highest in the world. In spite of this, this has had no detrimental impact on the TFR of Nordic women, giving them the opportunity to focus on both their careers and families. These nations have historically scored significantly higher than most European nations, although none of them is currently above the 2.1 anymore. (Figure 17)

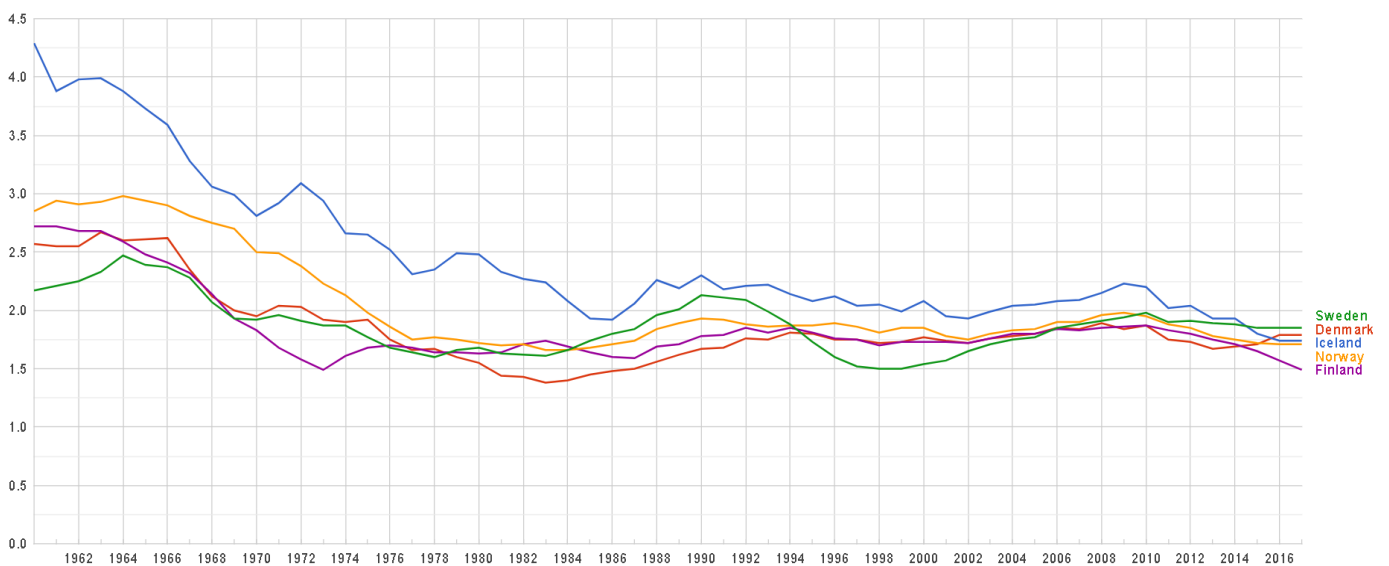


Figure 17 TFR evolution in Nordic Countries. Source: Graphic elaboration of Google Public Data Explorer on World Bank data

<sup>41</sup> Heery, Edmund, et al., A Dictionary of Human Resource Management, Oxford University Press, 2008

## 2.1.2 The Continental model

The Continental model, which is also known as the conservative or corporatist welfare system, is the dominant model in Central Europe: countries such as Germany, France, Belgium, and the Netherlands are among those who adopted a variety of it<sup>42</sup>. This system was first created in late nineteenth century Germany, and it is credited as the first modern welfare system. Despite the changes over the decades, it still holds its main feature, namely combining a free-market capitalist economic system alongside social policies and enough regulation to establish both fair competition within the market and a welfare state.

This system's foundations were shaped by two major events: Marxism and Nazism, in that order. The former was the primary reason why the system was created in the first place: by the end of the nineteenth century, Germany had become one of the world's leading industrial powers, and its factory workers, dissatisfied with their working conditions and lack of benefits, increasingly adhered to Marxist ideals. To counter the threat posed by it, Chancellor Otto von Bismarck devised a program that could give workers greater security<sup>43</sup>. This program initially consisted of an insurance against occupational injuries<sup>44</sup>, and then, in less than a decade, expanded to include health and sickness insurances<sup>45</sup>, and finally, care for the elderly<sup>46</sup>. It is important to note that, in addition to the system's relatively broad coverage, its costs were borne by employers, as is the case with the majority of contemporary welfare systems. In contrast, Nazism demonstrated, to the eyes of the German people, that a state-run economy and corporatism are not only impractical, but also extremely dangerous to society as a whole.

The need to avoid social conflicts stemming from the working class, combined with the state's reluctance to massively intervene in the economy, led to the creation of the current system, in which

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<sup>42</sup> Hajighasemi, Ali. *European Welfare States and Globalization Strategies in an Era of Economic Restructuring*. Edward Elgar Publishing, 2019

<sup>43</sup> Hollyday, Frederic B M. *Bismarck*. Englewood Cliffs, N.J., Prentice-Hall, 1970.

<sup>44</sup> Tennstedt, Florian, et al. II. *Abteilung: Von Der Kaiserlichen Sozialbotschaft Bis Zu Den Februarerlassen Wilhelms II. (1881-1890) Band 2, 1. Teil: Von Der Zweiten Unfallversicherungsvorlage Bis Zum Unfallversicherungsgesetz Vom 6. Juli 1884*. Kobra.uni-Kassel.de, Akademie der Wissenschaften und der Literatur | Mainz, 1995.

<sup>45</sup> "Geschichte Der Gesetzlichen Krankenversicherung." 29 Sept. 2022. Available (in German) at: [www.bundesgesundheitsministerium.de](http://www.bundesgesundheitsministerium.de)

<sup>46</sup> Haerendel, Ulrike, and Margit Peterle. II. *Abteilung: Von Der Kaiserlichen Sozialbotschaft Bis Zu Den Februarerlassen Wilhelms II. (1881-1890) Band 6: Die Gesetzliche Invaliditäts- Und Altersversicherung Und Die Alternativen Auf Gewerkschaftlicher Und Betrieblicher Grundlage*. Kobra.uni-Kassel.de, Akademie der Wissenschaften und der Literatur, Mainz, 2004.

the government is tasked with establishing a healthy market that fosters competition, and a legal framework that protects its workers from market failures<sup>47</sup>.

A further characteristic of the continental model is the role of trade unions. While these may not be as strong as their Nordic counterparts, and there are not as many enrollees either, their role in wage determination is nonetheless impactful. More than half of workers in Germany, for instance, are covered by collective bargaining, and bargaining can frequently take place at the company level as well as the sector level without the need of government intervention<sup>48</sup>, unlike in some other countries (such as Italy).

This ability of the government to guarantee a functioning market, as well as numerous worker rights, is one of the reasons why Germans have a relatively high level of trust in institutions (*Figure 15*, above). The decision to bet so heavily on market potential also explains why Germany's public sector employs so few people, the second fewest in Europe and the fourth fewest in the OECD (*Figure 16*, above).

Historically, the countries that have adopted this welfare model have suffered from a significantly lower female employment rate than male employment rate, but the situation has significantly improved over the past two decades. In 1992, France, (West) Germany, Belgium, and the Netherlands had female employment rates of 61%, 57%, 40%, and 53%, respectively<sup>49</sup>. In 2020, France and Belgium surpassed the 70% threshold, while Germany and the Netherlands surpassed the 80% threshold<sup>50</sup>. *Figure 18* gives a visual representation of women employment rate from 1992 to 2017.

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<sup>47</sup> The CDU and the "Social Market Economy": Düsseldorf Guidelines for Economic Policy, Agricultural Policy, Social Policy, and Housing, July 15, 1949

<sup>48</sup> Jäger, Simon, Shakked Noy, and Benjamin Schoefer. 2022. "The German Model of Industrial Relations: Balancing Flexibility and Collective Action." *Journal of Economic Perspectives*, 36 (4): 53-80.

<sup>49</sup> Data for Germany, France, and the Netherlands are from: Vlasblom, Jan Dirk, and Joop J. Schippers. "Increases in Female Labour Force Participation in Europe: Similarities and Differences." *European Journal of Population / Revue Européenne de Démographie*, vol. 20, no. 4, 2004, p. 377, JSTOR. Data for Belgium are from World Bank data

<sup>50</sup> "Women in the Labour Market by Birth Country.", Eurostat, March 8, 2022.

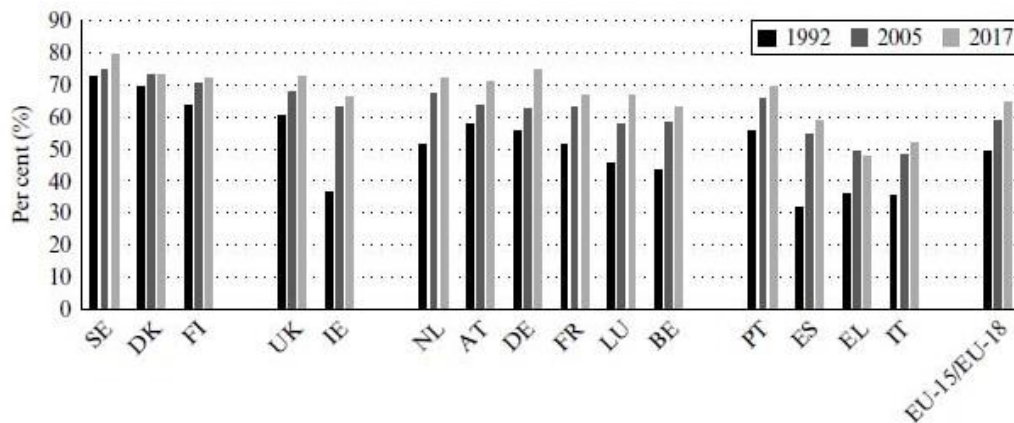


Figure 18 Employed women in EU countries according to the various welfare clusters, 1992–2017. Source: Ali Hajighasemi, 2019

As depicted in Figure 17, the countries that have adopted a continental welfare system have achieved female employment rate values very similar to those of the Nordic nations.

Regarding fertility rates, none of these nations have a TFR of at least 2.1 anymore (Figure 19). In Belgium, the Netherlands, and France, however, it has always been greater than 1.5<sup>51</sup> (except for 1983 in the Netherlands), with France scoring an ever more impressive result by never falling below 1.75 (with the exception of 1992-1996), and actually surpassing the 2.0 threshold between 2006 and 2014<sup>52</sup>. Even Germany, which has suffered from sub-replacement fertility rate since 1970, at times even placing in the lowest-low category, has been able to gradually increase its TFR, which has nearly reached 1.60 and has been above 1.5 since 2015<sup>53</sup>.

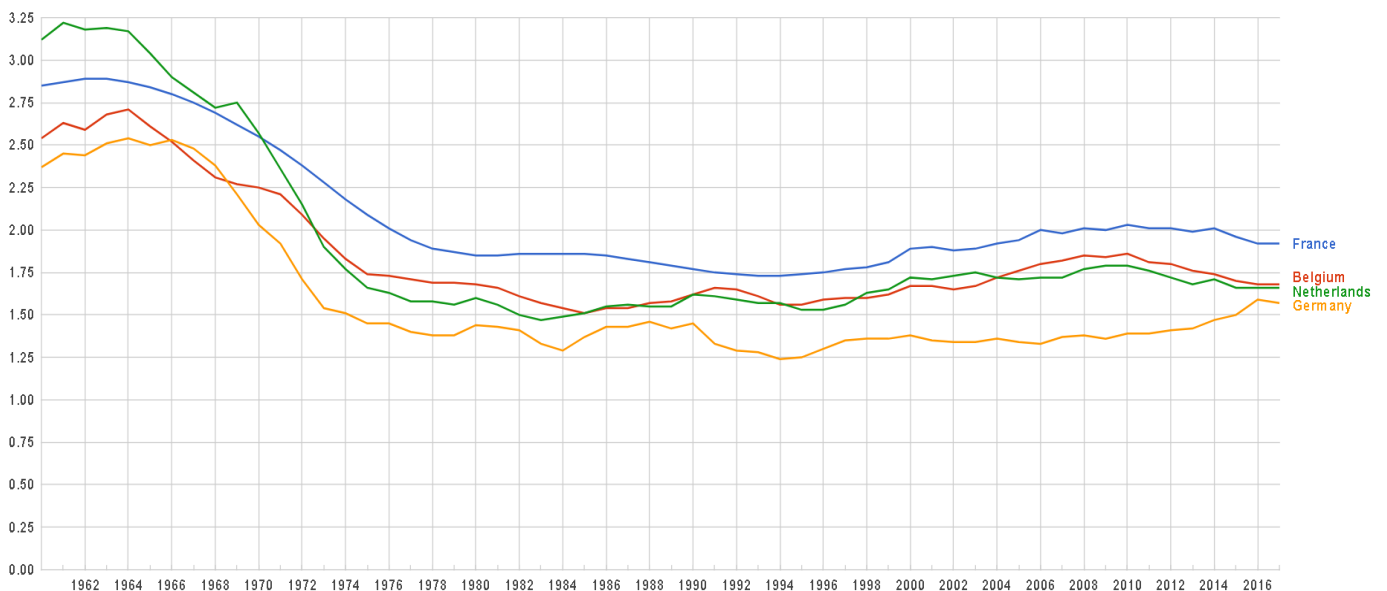


Figure 19 TFR evolution in Belgium, France, Germany, and the Netherlands. Source: Graphic elaboration of Google Public Data Explorer on World Bank data.

<sup>51</sup> "Fertility rate: children per woman", Our World in Data

<sup>52</sup> *Ibidem*

<sup>53</sup> "Total period fertility rates" Destatis

### 2.1.3 The Anglo-Saxon model

The Anglo-Saxon, or Liberal model is currently only employed in the United Kingdom, and Ireland, and only the latter is an EU member, making this model the least popular.

This model's core concept is that the state gives each citizen the responsibility to provide for himself as best he can within the market, which is regarded as the most efficient method for allocating resources within society. The state's role in the market is therefore limited to ensuring the market's proper functioning, without intervening directly. This is not to say there is no welfare system in these two nations, but its scope and capacity are diminished. This is because, according to Anglo-Saxon tradition, poverty benefits should only be given to those who have absolutely no other means of financial support in society. In addition to being guaranteed for only a limited period of time, these benefits are also means-tested, meaning that they are guaranteed only to those who meet certain, often stringent, conditions, such as a demonstrated active job search and inability to support themselves otherwise.

Not surprisingly, British and Irish trade unions are the "weakest" on the continent, also because, starting from the 1980's the government progressively pushed for the tertiarization of the economy, given the tertiary sector's higher profitability. Also because of this, another characteristic of this model is that wages are typically determined by the employer and employee, rather than collective bargaining.

However, it must be taken into account that both Ireland and the United Kingdom have only recently adopted this type of system. Until the late 1970s, the British economy resembled the German economy, if not the Scandinavian economy in some respects. This is because, following the Second World War, the United Kingdom engaged in a mass nationalization program (known in the country as post-war consensus<sup>54</sup>), nationalizing things like railways, schools, industries, and healthcare. Margaret Thatcher became Prime Minister in 1979, a position she will hold until 1990, thus dominating the British political scene in the 1980s. This was in response to the severe political and economic crisis that swept across Europe in the 1970s, affecting the UK in particular.

During her tenure as Prime Minister, she developed a new ideology based on the reversal of the British post-war consensus, ushering in an era of heavy tax cuts, privatization of nearly all British

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<sup>54</sup> Kavanagh, Dennis, *"The Postwar Consensus"*, Twentieth Century British History, Volume 3, Issue 2, 1992, Pages 175–190

state industries and services (the National Health Service was the only major exception, due to its popularity<sup>55</sup>), reduced government spending, and a free, deregulated market<sup>56</sup>. Simultaneously, its governments centralized a substantial portion of the remaining power, in accordance with traditional liberal-conservative values of a combination of a free market and a strong state<sup>57</sup>. The unions' power was also significantly diminished.

After its implementation, the British economy grew at an unprecedented rate during the 1980s and 1990s, and it remains one of the leading European and global economies to this day. Towards the end of the 1980s, Ireland adopted similar economic policies in response to its neighbor's phenomenal economic success.

However, the system has been criticized for its excessive social cost. The public, especially the miners, resisted Thatcher's reforms vehemently from the moment they were initially implemented. Despite the fact that they were later reabsorbed into the labor market as a result of massive deregulation that made it easier for employers to hire and fire employees, the number of unemployed people more than doubled during her first five years as prime minister as a result of her anti-inflationary monetarist policies and did not return to pre-1979 levels until the early 2000s.<sup>58</sup> Furthermore, in 1997, the rate of childhood poverty in the United Kingdom was nearly 30 percent<sup>59</sup>, the highest in Europe, and the Gini coefficient (a statistical measure of income inequality, the higher the value, the worse the inequality) rose dramatically from 0.25 in 1979 to 0.34 in 1990.

However, the Anglo-Saxon system has been lauded for its capacity to absorb as many men as women, resulting in some of the highest female employment rates, due in part to the low-wage jobs in which they are most frequently employed. As a result of the possibility of earning a (albeit moderately low) income, many women have decided to have children regardless. In the United Kingdom, for instance, fertility rates never fell below 1.6, and in Ireland, where it was above 2.1 until 1990, it has never fallen below 1.8. (*Figure 20*)

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<sup>55</sup> Campbell, John. *Margaret Thatcher*. London, Vintage Digital, 2011.

<sup>56</sup> Lawson, Nigel. *The View from No. 11: Memoirs of a Tory Radical*, Bantam, 1992.

<sup>57</sup> Gamble, Andrew. *The Free Economy and the Strong State*. London Macmillan Education UK, 1988, p. 38.

<sup>58</sup> Syed, Amina. *Changes in the Economy since the 1970s*, Office for National Statistics. 2019, available at: [www.ons.gov.uk](http://www.ons.gov.uk).

<sup>59</sup> Nelson, Emily, and Jeanne Whalen. "With U.S. Methods, Britain Posts Gains in Fighting Poverty." *Wall Street Journal*, 23 Dec. 2006.

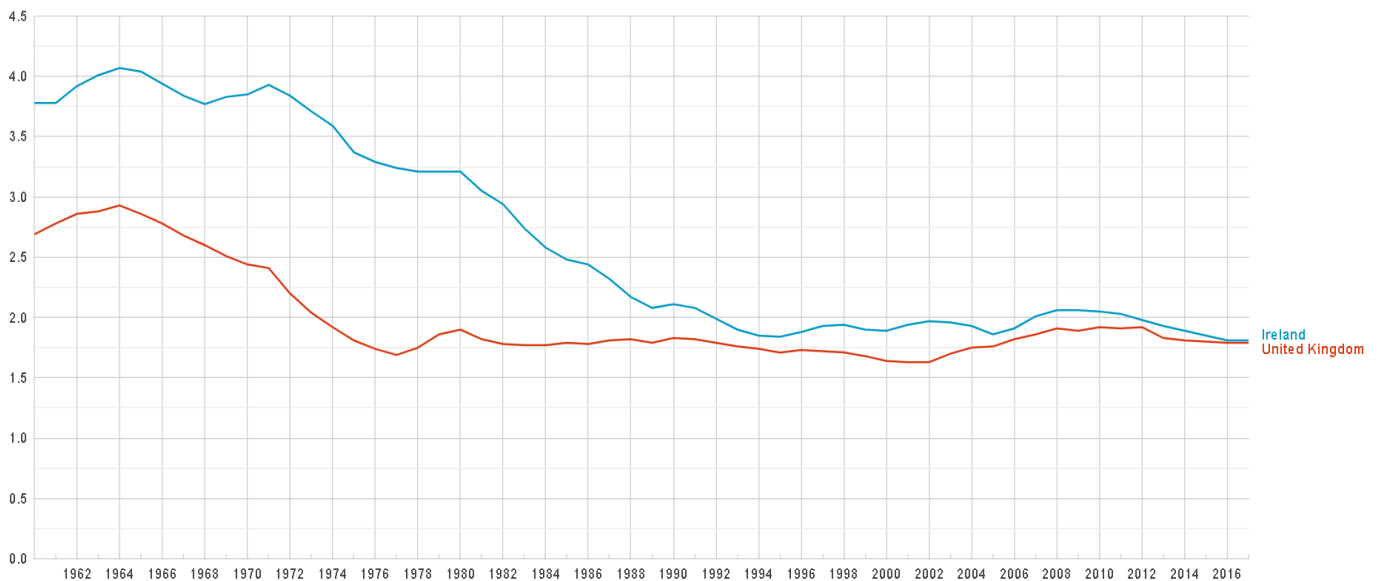


Figure 20 TFR evolution in the United Kingdom, and Ireland. Source: Graphic elaboration of Google Public Data Explorer on World Bank data

Clearly, cultural factors play a role in explaining this finding. First, the prevalence of teenage pregnancy (births to women under 20) was historically high in these nations until about 2010. In the United Kingdom, for instance, the proportion of births to women under 20 reached a record high of 50.6 per 1,000 women in 1971, after which it steadily declined but remained extremely high until 2012, when it finally fell below 20, and then again in 2021, when it eventually fell below 10<sup>60</sup>. In Ireland, instead, the value dropped below 10 in 2013 and came close to 5 in 2020<sup>61</sup>.

The social conservatism of the Tories, which frequently refers to the nuclear family and its associated values as moral standards of British society, can also help to explain such TFR in the UK. This emphasis on family values has been reiterated on multiple occasions, including during John Major's premiership in the 1990s as part of his "Back to Basics Initiative"<sup>62</sup> and most recently by David Cameron<sup>63</sup>.

<sup>60</sup> Office for National Statistics. Births in England and Wales - Office for National Statistics. 9 Aug. 2022, [www.ons.gov.uk](http://www.ons.gov.uk).

<sup>61</sup> "Information Summary about Teenage Pregnancy in Ireland 2000 -2020.", Sexual Health & Crisis Pregnancy Programme, Jan. 2022. Available at: [www.hse.ie](http://www.hse.ie).

<sup>62</sup> "Mr. Major's Speech to 1993 Conservative Party Conference - 8 October 1993". Sir John Major KG CH. Available at: [www.johnmajorarchive.org.uk](http://www.johnmajorarchive.org.uk)

<sup>63</sup> 'The role of social enterprises and community groups', Cameron Leadership Website, 18 July 2005, available at: [www.web.archive.org](http://www.web.archive.org)



### 2.1.3 The Mediterranean model

In the 1980s, it became apparent that the Mediterranean or Southern model had too many distinctions from the Continental model, with which it had previously been grouped, and that it was its own category. Greece, Italy, Spain, and Portugal comprise this model of social welfare.

This model's defining characteristic is that traditional societal structures, such as the family, are accountable for social and individual well-being<sup>64</sup>. Due to the cultural belief that the family is the primary source of societal support, the welfare systems in these countries are underdeveloped (in terms of services offered and their quality) in comparison to those in other Western European nations. In addition, these systems are characterized by a combination of inefficiency and inequality in benefit distribution. Moreover, the allocation of resources to social policies in these nations is heavily skewed toward pensions, which account for a substantial portion of public expenditures.

Because Italy is the primary focus of this thesis, we will examine the Italian welfare system's origins and development to determine why it is the way it is and what can be done to improve it.

In addition to the aforementioned characteristics of the Mediterranean model, Italy is distinguished by the stark disparity in welfare between so-called "insiders" and "outsiders." In fact, the Italian welfare system is extremely means-tested, but it heavily favors those who have already established themselves in the Italian economy.

In their extensive research, Ferrara et al. (2012) identify three major groups of people in Italy in the eyes of the welfare system: the granted, the semi-granted, and the non-granted. The first group consists primarily of those employed in the public sector and the largest Italian industries, the second of the majority of workers, including employees of small and medium-sized enterprises (SMEs), self-employed individuals, and so-called "atypical" workers, and the third of those employed in the informal economy and those seeking their first job.

The table below<sup>65</sup>, coming from the same research, compares the benefits received from Italian welfare by these three groups, excluding health<sup>66</sup>. On the horizontal axis is the functional distortion,

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<sup>64</sup> Hajighasemi, Ali. *European Welfare States and Globalization Strategies in an Era of Economic Restructuring*. Edward Elgar Publishing, 2019

<sup>65</sup> Adapted and translated from Ferrera, M, Fargion, V. e Jessoula, M., *Alle radici del welfare all'italiana: origini e futuro di un modello sociale squilibrato*, in *Collana storica della Banca d'Italia. Saggi e ricerche.*, p.10 Marsilio, Venezia, 2012

<sup>66</sup> Since the establishment of the National Health Service in 1978, the right to health is provided by the State to all citizens. Consequently, health-related risks are excluded from the evaluation of social protection policies.

that is, the over-protection given to the risks related with "old age and survivors" at the expense of the risks and needs associated with other phases of the life cycle (such as poverty, children, housing, vocational training etc.). The vertical axis represents the distributive distortion.

The "+" and "-" signs provide a visual indication of the presence and magnitude of various social protections. The higher the number of "+" signs, the greater the level of security in that area.

|                         |              | Functional distortion |             |
|-------------------------|--------------|-----------------------|-------------|
|                         |              | Old age and survivors | Other risks |
| Distributive distortion | Granted      | ++++                  | +++         |
|                         | Semi-granted | ++                    | +           |
|                         | Non-granted  | +                     | -           |

As can be seen, the guaranteed group receives more security with regards of pension benefits from the Italian welfare system than the other two groups, with the semi-granted only receiving (mostly) minimum pension, and the non-granted a severely means-tested social allowance. Furthermore, the guaranteed receive far more insurance benefits in the field of "other risks" than the semi-guaranteed, who receive them in small amounts, and, most importantly, the non-guaranteed, who receive none. Basically, the Italian welfare system hyper-protects those who already find themselves in a much more advantageous starting position than the others, leaving the burden of social protection for the latter to their respective families, NGOs, or other charitable associations, strongly rooted in our country.

Thus, the primary objective of this welfare model is to ensure the employment of those who are already in the workforce and to prevent their dismissal whenever possible. However, this objective is not met uniformly for all active citizens since a minority of workers enjoy greater rights and protections than the rest. This is what some scholars define as "double distortion".

Ferrara et al. identifies a dual cause that can explain why these distortions exist. The first is purely political nature, had its beginnings in Fascist Italy, with the establishment of, among other things, severance pay (*indennità di buonuscita*) for state employees after 20 years of service, and the first Wage Compensation fund (*Cassa Integrazione Guadagni*), which guaranteed a large percentage of

wages to some laid-off workers for a specified period of time<sup>67</sup>. The former, widely used by the fascist regime to remove unwelcome officials, became the first root of the infamous *baby pensions*, while the latter, although born as an emergency post-war measure, became institutionalized in 1947.

The transition from monarchy to republic had no positive effect on the pre-existing paradigm. In fact, the new political class's interest was to ensure work and stability for the broadest possible audience, as well as a decent level of income for the elderly. Furthermore, many workers were allowed to retire at the age of 45 in the hope of creating new employment opportunities, particularly in Southern Italy, where the situation was particularly dire even before the outbreak of war. Although this part of the country was considerably underdeveloped compared to Northern Italy, we should not assume that the latter was without problems. In fact, despite being the most industrialized region of the country and the most closely linked to the continent's economy, it lagged behind many major European industrialized nations. As a result, the other Western European countries were able to begin the reconstruction process with an average employment rate in industry of around 40%, while Italy's share remained stable at 25%. This meant that, while other countries were able to develop a more modern employment support system beginning in the 1950s and 1960s, Italy was still forced to implement policies that encouraged industrial employment<sup>68</sup>.

To further complicate matters, the new political class was extremely polarized, primarily consisting of two blocs: one pitting pro-establishment parties against anti-establishment parties, and another pitting right-wing parties against left-wing parties. This dual alignment resulted in a political landscape characterized by a strong centrifugal force of the various components, which meant that the various political actors were especially reluctant to collaborate with one another, preferring to care for their own electorate rather than attempting to expand it, even if it meant abandoning some of the more radical policies. This was especially true for anti-establishment parties, notably the Italian Communist Party, which had the second largest voter bases in the history of the First Republic. Christian Democracy was the party that assumed responsibility for occupying the center of the political spectrum and acting as the "glue" that held together the various political realities.

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<sup>67</sup> Ferrera, M, Fargion, V. e Jessoula, M., *Alle radici del welfare all'italiana: origini e futuro di un modello sociale squilibrato*, in *Collana storica della Banca d'Italia. Saggi e ricerche.*, p.324 Marsilio, Venezia, 2012

<sup>68</sup> *Ibidem*, p.325

The issue of pensions was a particularly competitive one between the various political parties; as Ferrera puts it “[g]iven the mechanics of competition, the expansion of the pension system took a path of strong categorical segmentation and equally strong fiscal irresponsibility”<sup>69</sup>.

The second cause identified by Ferrera et al. to explain the dual distortion of the Italian welfare system is more purely cultural in nature. As they explain “[...] the social policy culture of the 1950s was imbued with familism, toxic masculinity and «retirement-ism». The social doctrine of the Church [...] emphasized the role of the family and the need for its vigorous safeguarding in the face of the threats of modernization. [...]. The other (safeguard, n/t) was the encouragement of purely domestic engagement by women, especially mothers”<sup>70</sup>.

This particularly traditional and conservative view of gender roles was widely shared by most members of the political class, regardless of political party affiliation, who thus developed social policies aimed in this direction. It is somewhat ironic that one of the few points of convergence between various political forces emerged in this field.

As a result, it is clear how a series of unfortunate events led to the development of the double distortion within our welfare system. However, some political actors tried to fix the incoming inefficiency of the system. As early as 1963, the CNEL (National Council of Economics and Labor) proposed a significant and radical social security reform that, if implemented, would have brought enormous innovations to Italy, such as the universal principle of social benefit provision and the establishment of universal pension insurance, effectively bringing our country closer to levels comparable to those of other Continental countries<sup>71</sup>. Unfortunately, the project did not succeed because of the inability of political parties to find an agreement.

The situation will worsen further in the 1970s and 1980s. For example, the DPR 1092, which dealt with retirement benefits for civil and military employees, institutionalized what became known as “baby pensions” in 1973. They were named so because the requirements for taking advantage of them were extremely low: 14 years, 6 months, and 1 day of contributions for married women with children, 20 years for state employees, and 25 years for local government employees<sup>72</sup>. These pensions were in effect until 1992, during the D’Amato administration. It is estimated that baby

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<sup>69</sup> *Ibidem*, p. 328 (translated from Italian)

<sup>70</sup> *Ibidem*, p. 326 (translated from Italian)

<sup>71</sup> Coppini Mario Alberto, *Riforma della previdenza sociale*, 3 October 1963, available at: [www.cnel.it](http://www.cnel.it)

<sup>72</sup> DECRETO DEL PRESIDENTE DELLA REPUBBLICA 29 dicembre 1973, n. 1092, “Approvazione del testo unico delle norme sul trattamento di quiescenza dei dipendenti civili e militari dello Stato”, art. 42

pensions cost the Italian government more than 160 billion euros annually, with over 530,000 beneficiaries, of which more than 78% are former civil servants, and fairly equally split between men (43.5%) and women (56.5%)<sup>73</sup>. Even in contemporary public discussions about social security, the issue of baby pensions frequently resurfaces as an example of wasteful spending by the central government and blatant favoritism for certain categories of workers, particularly those employed by the state.

In 1979, the European Monetary System (EMS) was established, in which the member countries undertook to adjust their nominal and real exchange rates, so as to create a vast area of monetary stability and lay the foundations for creating a future monetary union. The EMS will cease to exist in 1999, with the creation of the European Monetary Union (EMU). One of the steps that led to the creation of the EMU was the signing of the Maastricht Treaty in 1992, which committed the signatory states, among other things, to consolidate their public finances on the basis of stringent quantitative parameters.

Sadly, 1992 could be regarded as a sort of *annus horribilis* for Italy. In fact, in February of that year, a few days after the signing of the Maastricht Treaty, and thus the obligation to implement the aforementioned fiscal rules, the socialist Mario Chiesa was arrested for having received a substantial bribe; it will be the first event of what will become known in the local press as *Tangentopoli*<sup>74</sup> (Bribesville), a series of innumerable bribe scandals which will ultimately lead to the disintegration of the political system in place in the country at the time, which is now known as the "First Republic." Following this, in April, there will be general elections, which will be marked by immense political confusion, not only because of the bribery scandal that affected the entire Italian political class, but also because of the absence of historical parties such as the PCI, which was dissolved the year before and partially reconstituted in the PDS, and the rise of the Northern League on the national scene. On May 23, the Sicilian Mafia will commit the massacre of Capaci, in which the judge Giovanni Falcone, a symbol of the fight against Sicilian organized crime during those years, will be killed. After only two months, his friend and colleague Paolo Borsellino will also be killed in another attack, initiating what has become known as the massacre phase of the mafia's strategy, all in an effort to create a climate of tension within the country that could have led to a State-Mafia negotiation.

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<sup>73</sup> PENSIONI – Rapporto di Confartigianato. Le baby pensioni costano allo Stato 163,5 miliardi, 27 October 2011. Available (in Italian) at: [www.confartigianato.it](http://www.confartigianato.it).

<sup>74</sup> "L'arresto Da Cui Cominciò Mani Pulite." Il Post, 17 February 2022. Published online (in Italian) at: [www.ilpost.it](http://www.ilpost.it).

All of this occurred against the backdrop of an economic crisis that had been affecting the member countries of the EMS since 1990, and which will culminate on 16 September 1992 with the so-called Black Wednesday, when speculation against the Italian lira and the British pound will become so intense that the two countries will be forced to temporarily withdraw from the Exchange Rate Mechanism (ERM)<sup>75</sup>. Taking into account that Italy will hold not one, but two more general elections, one in 1994 and the other in 1996, it is easy to see why the political and socioeconomic climate in the early 1990s was not particularly optimistic.

Despite this series of terrible events, which would discourage any policymaker from introducing particularly radical policies, three pension reforms were launched by three successive governments, D'Amato (1992), Dini (1995), and Prodi (1997)<sup>76</sup>, not only to recover credibility in the eyes of the European partners - aware of the peculiar Italian situation - but also and most importantly to prevent a further deterioration of public finances. These reforms were part of a new mentality of the political class of the time, which was attempting to reconfigure the extreme imbalances of Italian social spending, which was primarily absorbed by retirees until then, and redirect it to other social areas. In 1998, for instance, a minimum income for insertion, a mobility allowance, an allowance for the third child, and the maternity assistance allowance were implemented. During the 2000s, there will be additional social security reforms. Many of these reforms will target pensions, while others will aim to assist families. Concerning unemployment, however, the reforms will be limited to an increase in the mobility allowance.

Consequently, it appears that the "external constraint" of Europe, with a mutually agreed-upon deadline (1998) to achieve certain milestones, has been a major impetus for the development of social policies in Italy, helping to transform it into a more continental model, to avoid the risk of "remaining outside of Europe".

Ferrera et al. propose two distinct answers regarding the question around the actual effectiveness of the external constraint imposed by Europe, depending on the benchmark employed. The first comparison, between Italy's pension expenditure in relation to GDP today and what it might have been without the reforms implemented over the past three decades, is unquestionably positive, as they prove in *Figure 21*. The findings are astounding to say the least; had none of these reforms

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<sup>75</sup> Sevilla, Christina R. *Explaining the September 1992 ERM Crisis: The Maastricht Bargain and Domestic Politics in Germany, France, and Britain*. 2006, available at: <http://aei.pitt.edu>.

<sup>76</sup> Commissione di Vigilanza sui Fondi Pensione (COVIP), *L'evoluzione del sistema pensionistico in Italia*, available (in Italian) at: [www.covip.it](http://www.covip.it)

been implemented, Italy would have spent a staggering 23% of its GDP on pensions starting from the second half of the 2030s, which is absolutely unsustainable.

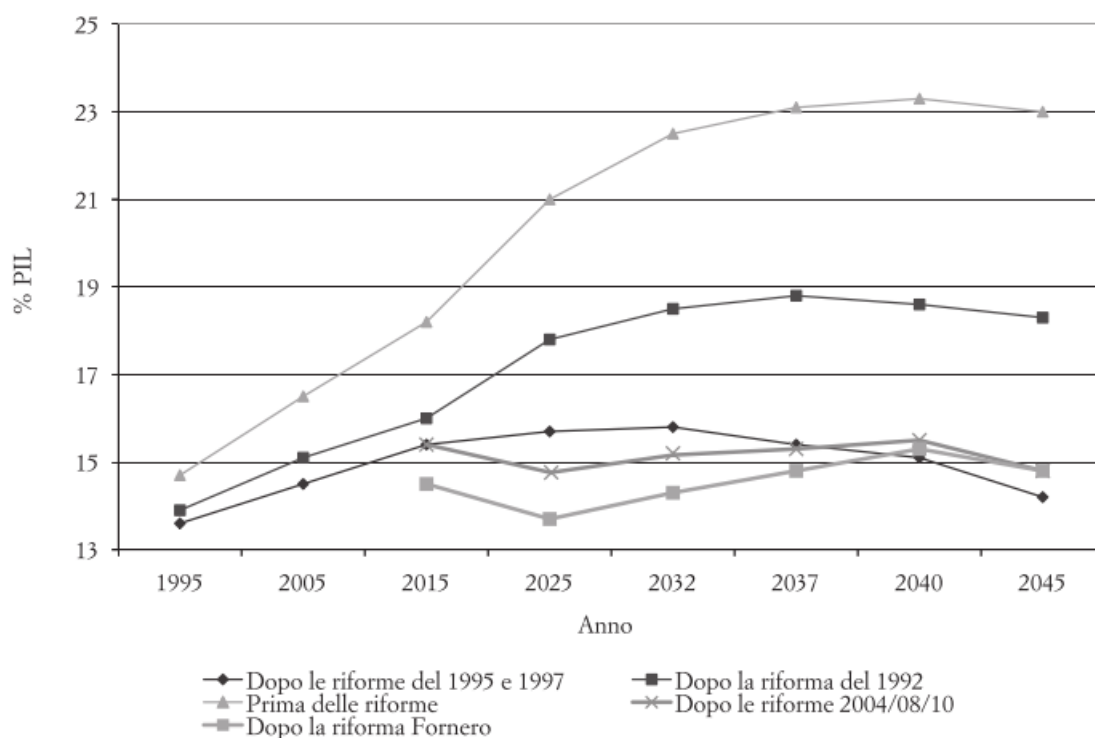


Figure 21 Projections of pension expenditure in relation to GDP, before and after the reforms. The symbol under the graph reads (from top to bottom, left to right): after the 1995 and 1997 reforms, before the reforms, after the Fornero's reform, after the 1992 reform, after the 2004/08/10 reforms. Source and credits: Ferrera et al. (2012) based on the General report on the economic situation of the country (various years), Ministry of Economy and Finance.

The second answer, however, which uses Europe (more specifically, EU 15) as its benchmark Italy is still too far behind its partners, despite the numerous undeniable improvements, as they show in the following table, showing social expenditure by function (% total social expenditure)<sup>77</sup>.

|                       | 1995  |       | 2000  |       | 2005  |       | 2009  |       |
|-----------------------|-------|-------|-------|-------|-------|-------|-------|-------|
|                       | EU 15 | Italy | EU 15 | Italy | EU 15 | Italy | EU 15 | Italy |
| Family/minors         | 7,6   | 3,1   | 7,9   | 3,7   | 7,6   | 4,2   | 7,7   | 4,7   |
| Unemployment          | 7,9   | 2,9   | 5,8   | 1,6   | 5,9   | 1,9   | 5,9   | 2,7   |
| Old-age and survivors | 42,4  | 61,0  | 44,5  | 60,8  | 43,7  | 58,3  | 42,8  | 57,3  |

Therefore, despite the fact that we have made many steps forward on pension expenditure, which

<sup>77</sup> Adapted and translated from Ferrera, M, Fargion, V. e Jessoula, M., *Alle radici del welfare all'italiana: origini e futuro di un modello sociale squilibrato*, in *Collana storica della Banca d'Italia. Saggi e ricerche.*, p.341 Marsilio, Venezia, 2012



is still today a battleground between the various contemporary political forces, there is still much work to be done with regard to the other components social expenditure.

Figure 22 shows that in 2020, Italy spent 25.2% of its GDP on social protection, placing it among the countries that spent the most in the EU in this area, trailing only Finland and France. This could take pride in the fact that, in light of what has been stated previously, Italy spends such a large percentage of its GDP (the third highest in Europe) on social protection. Sadly, however, nearly 60% of these expenditures are allocated to pensions, placing us second in the Union, behind only Greece - another country with a Mediterranean-style welfare state. If we then combine this figure with the expenditures for survivors, which account for 2.8% of the total, the highest value in Europe, we arrive at a staggering 17.9% of the GDP spent on these two items alone, which accounts for more than 70% of the total social protection expenditures in our country. The remaining 7.3% of expenditure are allocated to housing, illness and disability, unemployment, and other expenses.

Total general government expenditure on social protection, 2020, % of GDP

|             | Social protection | Sickness and disability | Old age | Survivors | Family and children | Unemployment | Housing | Social exclusion n.e.c. | R&D Social protection | Social protection n.e.c. |
|-------------|-------------------|-------------------------|---------|-----------|---------------------|--------------|---------|-------------------------|-----------------------|--------------------------|
| EU*         | 22.0              | 3.0                     | 11.3    | 1.6       | 2.0                 | 2.2          | 0.3     | 1.1                     | 0.0                   | 0.3                      |
| euro area*  | 22.7              | 3.1                     | 11.6    | 1.8       | 1.9                 | 2.5          | 0.4     | 1.1                     | 0.0                   | 0.3                      |
| Belgium     | 22.7              | 3.8                     | 10.2    | 1.7       | 2.4                 | 3.1          | 0.2     | 1.2                     | 0.0                   | 0.2                      |
| Bulgaria    | 13.1              | 0.6                     | 9.5     | 0.1       | 1.9                 | 0.6          | 0.1     | 0.1                     | 0.0                   | 0.3                      |
| Czechia     | 14.4              | 2.7                     | 8.2     | 0.6       | 1.9                 | 0.2          | 0.2     | 0.4                     | 0.0                   | 0.2                      |
| Denmark     | 22.4              | 4.6                     | 8.5     | 0.0       | 4.4                 | 2.1          | 0.7     | 1.6                     | 0.0                   | 0.5                      |
| Germany*    | 21.8              | 3.4                     | 10.3    | 2.0       | 2.2                 | 2.2          | 0.3     | 0.7                     | 0.0                   | 0.8                      |
| Estonia     | 15.0              | 2.4                     | 8.2     | 0.1       | 2.9                 | 1.1          | 0.0     | 0.2                     | 0.0                   | 0.2                      |
| Ireland     | 10.2              | 1.3                     | 3.9     | 0.5       | 1.2                 | 2.1          | 0.9     | 0.1                     | 0.0                   | 0.2                      |
| Greece      | 22.5              | 1.7                     | 15.7    | 2.3       | 1.0                 | 0.9          | 0.2     | 0.6                     | 0.0                   | 0.0                      |
| Spain*      | 22.1              | 3.1                     | 10.9    | 2.6       | 1.0                 | 3.8          | 0.0     | 0.5                     | 0.0                   | 0.1                      |
| France*     | 27.3              | 3.3                     | 14.1    | 1.6       | 2.4                 | 3.3          | 0.9     | 1.5                     | 0.0                   | 0.2                      |
| Croatia     | 15.7              | 1.9                     | 9.4     | 1.4       | 2.2                 | 0.5          | 0.1     | 0.1                     | 0.0                   | 0.2                      |
| Italy*      | 25.2              | 2.0                     | 15.1    | 2.8       | 1.1                 | 2.5          | 0.0     | 1.5                     | 0.0                   | 0.1                      |
| Cyprus      | 13.6              | 0.5                     | 6.6     | 1.5       | 3.0                 | 0.7          | 0.0     | 1.3                     | 0.0                   | 0.1                      |
| Latvia      | 13.5              | 2.9                     | 7.7     | 0.2       | 1.3                 | 0.6          | 0.1     | 0.4                     | 0.0                   | 0.4                      |
| Lithuania   | 16.3              | 4.7                     | 6.7     | 0.3       | 2.1                 | 1.7          | 0.1     | 0.4                     | 0.0                   | 0.2                      |
| Luxembourg  | 20.6              | 3.7                     | 10.0    | 0.0       | 3.7                 | 2.1          | 0.1     | 0.9                     | 0.0                   | 0.2                      |
| Hungary     | 13.6              | 2.3                     | 6.5     | 0.8       | 2.4                 | 0.4          | 0.1     | 0.9                     | 0.0                   | 0.2                      |
| Malta       | 12.0              | 1.0                     | 7.2     | 1.3       | 1.0                 | 0.2          | 0.2     | 0.4                     | 0.0                   | 0.7                      |
| Netherlands | 17.4              | 4.3                     | 6.7     | 0.1       | 2.1                 | 0.9          | 0.5     | 2.8                     | 0.0                   | 0.0                      |
| Austria     | 22.9              | 1.9                     | 13.9    | 1.4       | 2.4                 | 1.9          | 0.1     | 1.1                     | 0.0                   | 0.2                      |
| Poland      | 18.2              | 2.3                     | 10.1    | 1.6       | 3.3                 | 0.3          | 0.0     | 0.3                     | 0.0                   | 0.1                      |
| Portugal*   | 18.8              | 1.5                     | 12.5    | 1.9       | 1.3                 | 0.6          | 0.2     | 0.4                     | 0.0                   | 0.4                      |
| Romania     | 13.8              | 1.2                     | 9.9     | 0.1       | 1.6                 | 0.1          | 0.0     | 0.4                     | 0.0                   | 0.5                      |
| Slovenia    | 18.7              | 2.4                     | 11.0    | 1.4       | 2.0                 | 0.6          | 0.0     | 1.1                     | 0.0                   | 0.2                      |
| Slovakia    | 16.3              | 3.9                     | 8.4     | 0.8       | 1.2                 | 0.4          | 0.0     | 0.2                     | 0.0                   | 1.3                      |
| Finland     | 25.7              | 3.2                     | 14.5    | 0.7       | 3.1                 | 2.3          | 0.7     | 1.0                     | 0.0                   | 0.3                      |
| Sweden      | 19.8              | 3.7                     | 10.8    | 0.2       | 2.5                 | 1.3          | 0.3     | 0.9                     | 0.0                   | 0.0                      |
| Iceland     | 13.8              | 3.5                     | 3.4     | 0.0       | 2.6                 | 2.8          | 0.4     | 0.7                     | 0.0                   | 0.5                      |
| Norway      | 22.3              | 7.7                     | 8.0     | 0.2       | 3.7                 | 1.2          | 0.1     | 0.9                     | 0.1                   | 0.5                      |
| Switzerland | 16.0              | 3.1                     | 7.6     | 0.3       | 0.6                 | 2.8          | 0.0     | 1.6                     | 0.0                   | 0.0                      |

Source: Eurostat (gov\_10a\_exp)

\* provisional



Even today, unfortunately, the tools devoted to social protection are limited and not all-encompassing, in part because the logic underlying the assignment of these tools is not universalist, and therefore not intended and guaranteed for all citizens, but rather for specific categories of social classes, resulting in great means-testing in some cases. In recent years, however, tools have been developed that have succeeded in expanding the number of interested workers.

Regarding labor law protection, the State possesses two primary instruments: the Wage Compensation fund (CIG) and the New Social Insurance for Employment (NASpl), both managed by the National Institute for Social Security (Inps). The first is an invention and application that is almost entirely Italian. There are three types: the ordinary, the extra-ordinary, and in derogation. The primary objective of this social shock absorber is to guarantee the payment of a portion of the salaries of companies affected by any of those events that do not lead to work-activity termination. Additionally, there are solidarity funds designated for specific categories of workers. The possibility of receiving funding for training programs for the aforementioned employees is an intriguing aspect of these funds<sup>78</sup>.

The NASpl, on the other hand, is a 2015-introduced monthly unemployment allowance that replaced all previous similar instruments. Although it is not universal and is therefore not intended for all workers, its coverage is extremely extensive, excluding only permanent employees of public administrations, fixed-term agricultural workers, non-EU seasonal workers with a residence permit, and workers who have met the requirements for old-age or early retirement<sup>79</sup>.

As for the social expenditure for families, instead, the single universal allowance (AUU) was introduced on 1 March 2022. As the name suggests, this provision is primarily universal: it is therefore intended for all families, and its disbursement is without regard to income – although the amount of the allowance is linked to income in an inversely proportional manner, so that as income increases, the value of the allowance decreases – and is aimed at families with children up to the age of 21. The second implication of the name is that the AUU is the only instrument of this type for families, replacing six similar measures plus deductions for family loads<sup>80</sup>.

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<sup>78</sup> Unemployment, suspension from work and workers' protection, Inps, available at: [www.inps.it](http://www.inps.it)

<sup>79</sup> NASpl: monthly unemployment allowance, Inps, available at: [www.inps.it](http://www.inps.it)

<sup>80</sup> Dipartimento per le politiche della famiglia, Presidenza del Consiglio dei ministri, Assegno unico e universale per i figli a carico, available (in Italian) at: [www.famiglia.governo.it](http://www.famiglia.governo.it).

## 2.2 Now what?

In recent decades, beginning with the signing of the Maastricht Treaty, Italy, or more precisely its political class, has felt increasing pressure from its EU partners to meet specific economic parameters. Due to this pressure, the political class has, over the years and legislatures, attempted to correct the distortions in many areas of public spending, like its social spending policies.

One of the ways to respect the aforementioned parameters was to privatize, beginning in the 1990s, the vast number of companies held by the Institute for Industrial Reconstruction (IRI), a state holding that acted as the state's economic arm. This was done to comply with the emerging Community rules on state aid, which Italy would have totally violated if it had not continued with the privatizations.

Since, as stated previously, the primary objective of the Italian government for a very long time (and to a large extent even today) was to prevent unemployment, IRI was tasked with acquiring, over the years, all companies whose failure could have led to social unrest without necessarily following an entrepreneurial logic<sup>81</sup>. As early as the mid-1980s, under the leadership of Roman Prodi, IRI began a first timid period of privatization, to then formally start during the 1990s when, in order to comply with the community laws on state aid<sup>82</sup>, the various branches of IRI were gradually sold, leaving the state with only a few companies. Even if it meant a 10% reduction in the public debt, the so-called "privatization season" was criticized by the Court of Auditors, which in 2010 determined, among other things, that they occurred in an environment of little transparency, inadequate monitoring, and questionable gains in terms of service quality.<sup>83</sup>

Moreover, Italy has embarked on one of the most advanced liberalization paths for its market compared to other EU nations<sup>84</sup>. In addition, Italy's primary fiscal balance as a percentage of GDP has been positive from 1995 to the present, with the exception of 2009 and 2020 (due to economic crises in both cases), and it has been the most virtuous country in terms of fiscal consolidation from 1992 to the present. (*Figure 23*)

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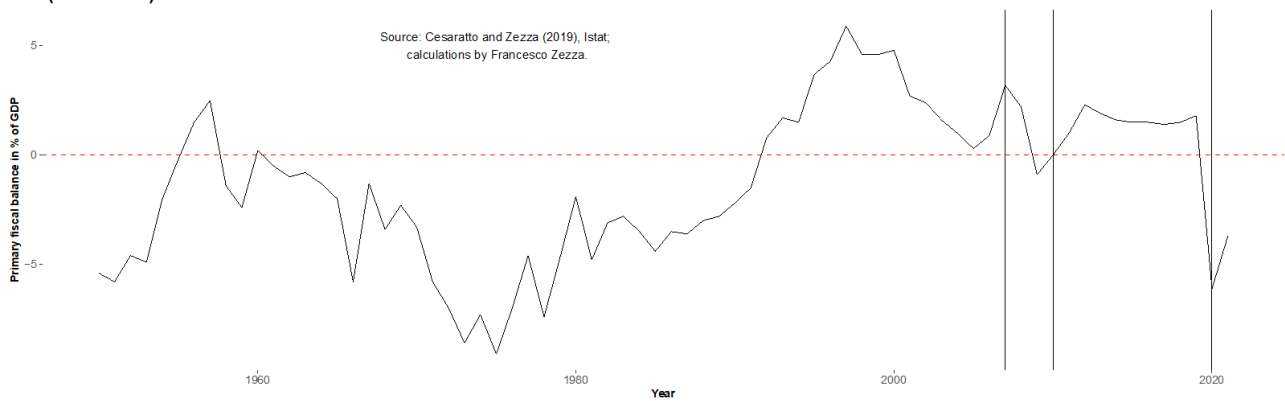
<sup>81</sup> Mazzillo, Luigi. *OBIETTIVI E RISULTATI DELLE OPERAZIONI DI PRIVATIZZAZIONE DI PARTECIPAZIONI PUBBLICHE*. Corte dei conti, Sezione centrale di controllo sulla gestione delle amministrazioni dello Stato, Collegio di controllo sulle entrate, p.13, 10 Feb. 2010. Available (in Italian) at: [www.corteconti.it](http://www.corteconti.it)

<sup>82</sup> *Ibidem*, p.18

<sup>83</sup> *Ibidem*, p.7

<sup>84</sup> Heimberger, Philipp, and Nikolaus Krowall. *Seven "Surprising" Facts about the Italian Economy*. 25 June 2020, available at: [www.socialeurope.eu](http://www.socialeurope.eu).

**Primary fiscal balance in Italy  
(i.e. excluding interest payments, in % of GDP)  
(1950–2021)**



**Fiscal consolidation (1992–2009)**



Figure 23. Source: Philipp Heimberger, *MITI DA SFATARE SULL'ECONOMIA ITALIANA*, Il Mulino, October 24, 2022

To make its labor market even more flexible, the Renzi government passed the so-called Jobs Act in 2014, which introduced a new contract type that significantly restricts workers' rights.

However, this massive liberalization has created a problem: as a result of the increased availability of (relatively) cheap labor, firms are more likely to produce with a high labor intensity, thereby investing less in R&D of more productive technologies, which is a mistake, given that productivity is closely linked to wage and labor income growth. Therefore, Italy's structural reforms have had the unintended consequence of weakening its production system and reducing productivity growth, rather than the opposite.<sup>85 86</sup>

Consequently, the decline in competitiveness has resulted in a decline in public revenue, which has led to cuts in spending, including social spending. Clearly, this development model "à la Anglo-Saxon" has not been as successful as hoped, so the question arises: what should be done?

<sup>85</sup> Fana, Marta, et al. "Did Italy Need More Labour Flexibility?" *Intereconomics*, vol. 51, no. 2, Mar. 2016, pp. 79–86.

<sup>86</sup> Baccaro, Lucio, and Massimo D'Antoni. "Has the "External Constraint" Contributed to Italy's Stagnation? A Critical Event Analysis", Max Planck Institute for the Study of Societies, 2020.

Obviously, the problems of the Italian economy and the solutions that could be implemented to solve it have been addressed by far more experienced luminaries than I, in greater detail, and with a more holistic approach than that which is presented here. In addition, the purpose of this piece of work is not to attempt to accomplish this arduous task, but rather to offer an alternative perspective to the discourse surrounding the subject.

So, let's take one last look at the global situation in Italy. The country began with a Mediterranean welfare system, which relies heavily on the ability of families, rather than the state, to provide for the well-being of its members. Due to the strongly male-dominated culture of the country, women were (and are, even today) frequently forced to choose between family and work, as the two were (and are) frequently incompatible. This welfare system has also been imbued with retirement-ism as a result of its centrifugal political system (i.e., highly compromise-adverse), and that was more focused into trying to satisfy the need of their electorate, finding in (rising) pensions both a political battlefield and a convergence point of opinions and interests. Moreover, the Italian welfare has always been more concerned with keeping its workers employed than, for instance, retraining them in the event of their dismissal. This has resulted in Italian social spending being among the highest in the EU in relation to its GDP, but also being heavily skewed toward pensions. This combination of functional and distributive distortion is also called "double distortion".

Since the 1990s, when the Maastricht treaty was signed, the country, under pressure from its EU partners, has embarked on a process of modernizing its welfare system and making its public finances more sustainable: this is known as the "external constraint." This has led, on the one hand, to a realignment of the Italian welfare system, at least partially, to the Continental one, to a liberalization of its market among the most advanced in the entire European Union (especially following the past economic crises), and to greater labor market flexibility, in full Liberal style.

However, these reforms have not produced the desired results; on the contrary, they have hindered the country's potential for growth, with serious repercussions for its social policies as well, although it must be said that the country has been on a path of greater universalization and general improvement of its social security instruments for the last years.

Therefore, Italy finds itself in a rather peculiar convergence situation, to say the least. It is a country with an undeniably Mediterranean welfare system that has been gradually "Continentalizing" for a number of years. It also spends more on social protection than many Scandinavian nations (albeit in a distorted way) and has a highly liberal market based on the Anglo-Saxon model.

In recent years, and still today, it appears that various governments have consistently adopted a liberal stance, i.e., in order to alleviate the social cost burden on the state, the private sector should be empowered in those areas that are currently exclusively or predominantly under state authority. By empowering the private sector to do so, the government will ensure a higher quality of service and increase competition, thereby boosting the country's economic output. Transforming the Italian economy into something resembling the British economy.

This is not necessarily wrong. If many public services (such as health, education, and transportation) are transferred, at least partially, to private actors, consumers will demand greater efficiency and service quality; otherwise, they will look elsewhere for the same service. If done correctly, this could relieve the state of the burden of many social costs, allowing it to save enough money to hopefully invest in new social policies that are even more comprehensive than those we currently have.

However, it is also possible to take an alternate route. Specifically, a path that could function as a sort of compromise between the current systems in force in Germany and France. Why these two countries in particular? Because the first is very similar to Italy in terms of economic structure, whereas the second invests significantly more in and better social policies than Italy. In fact, Germany's economy resembles Italy's to a significant degree; both countries have strong industrial sectors, with more than a third of the EU's industrial output coming from these two countries alone – although Germany's share is considerably larger than Italy's<sup>87</sup>. Why is this significant? Because Italy could implement major labor market reform to ensure greater income equality.

In recent years, the labor market has been substantially liberalized, albeit to a lesser extent than in Anglo-Saxon countries, and could be further modified to resemble the current German system. This nation's welfare and labor market system is based on the employer-employee relationship, and while its original intent was to minimize social tensions and to avoid the Marxist threat, its efficacy has been demonstrated over time. These social security measures are heavily means-tested<sup>88</sup>, as is the case in the Italian system, thereby simplifying the attainment of this objective in comparison to a purely universalist reconversion, as is the case in the Scandinavian countries, which would be much more difficult to attain from the current state.

As for the similarity with France, the reason is simple: just as in Italy, an interventionist-type economic policy was historically adopted by the state during a period known as *dirigisme*, which

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<sup>87</sup> Industrial production statistics, Eurostat, August 2022

<sup>88</sup> Social insurance, Bundesagentur für Arbeit, available at: [www.arbeitsagentur.de](http://www.arbeitsagentur.de)

was characterized by a greater state presence in the economy than in other countries such as Germany, but significantly less than in the Scandinavian countries. Therefore, the country's major industries were asked to adhere to certain political goals, although this was not mandatory: it was more *indicative* planning than *actual* planning. In addition, France spends significantly more than Italy on social policies. Just consult the "Know Your Rights" section of the website of the Directorate-General for Employment, Social Affairs, and Inclusion (DG-EMPL) and compare our country to France to see that social benefits there are not only more numerous but also more generous.

The fact that France's economy has grown, unlike Italy's, could be used to dispute this claim. Even if it is true that both the Italian economy (GDP) and the wealth of its citizens (GDP per capita) have shrunk since 2008, when the Great Recession began, it cannot be said that France did much better, as the country has not yet surpassed its pre-crisis levels and is, therefore, in a state of relative stagnation (*Figure 24*). In spite of this, the French government has decided to increase social spending in areas other than pensions (*Figure 22*, above).

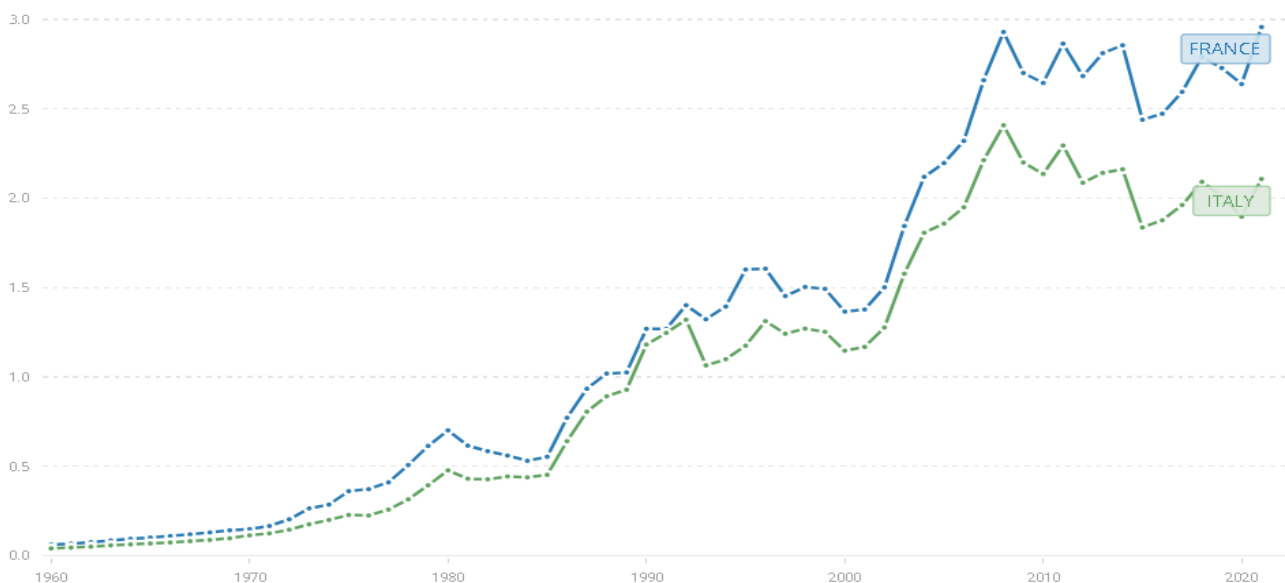


Figure 24 GDP (current US\$) - France, Italy. Source: data.worldbank.org

The question can be summed up as follows: if Italy truly wishes to combat its demographic winter, it must adopt drastic measures and reforms. One of these reforms must address the entirety of the Italian welfare system: what is currently in effect in our country could function in a world and a society that existed prior to the 1970s, when women were largely absent from the workforce and relegated to dealing only domestic matters. However, today's world is vastly different from that of almost fifty years ago, and our country can no longer afford (quite literally) the luxury of not modernizing one of the most important tools for the well-being of its citizens.

## Chapter 3: What can it be done?

This chapter analyzes the main solutions that our nation can implement to mitigate the direst consequences of the demographic decline and, in the best-case scenario, to reverse the trend.

Before proceeding, however, a very important consideration must be made. As stated at the conclusion of the first chapter, population decline is not necessarily a phenomenon that must be avoided at all costs; it depends entirely on the economic scenario. In fact, if the per capita GDP will grow faster than the rate of decline of the total population, we will be in a country with fewer people, but that would have greater economic resources; conversely, if the per capita GDP does not grow quickly enough, we will find ourselves in a country with fewer people, but with less economic resources too. Therefore, the most important factor to consider is the evolution of the economy.

Keeping this in mind, we can conclude that the solutions we intend to analyze must necessarily fit within a larger framework that encompasses the entire economy. Indeed, it would be ineffective and counterproductive to propose a mere list of potential solutions that are disconnected from each other and the reality they are intended to address.

The other factor to consider is that the majority of these solutions will involve women. Not only because they are the ones carrying the pregnancies, thus being only natural that they are the focus of our analysis, but also because, as we have seen previously and will see shortly, our country still lacks a comprehensive set of assistance tools for mothers and/or those who wish to become so. Then, we will gradually expand our research to include the role of fathers in what can (and must) be a revolution, not only from the perspective of family policies, but also culturally, in how we perceive the male parental figure and the duties we expect it to perform.

Finally, we will examine one region of Italy that has managed to avoid a birth rate decline as severe as the rest of the country.

The most important realization we will reach is that, ultimately, these solutions can do very little on their own; therefore, they should be implemented collectively. More specifically, they should be viewed as a single, large solution that, despite being differentiable into its individual components, cannot in any way disregard a holistic approach.

### 3.1 Women employment

Therefore, we will begin by examining the employment of women as the first significant issue.

According to ISTAT, female employment in our country is 49.4% in 2021, a decrease from the historical peak of 50.2% in 2019, but a rebound from the pandemic-induced decrease to 48.8% in 2020.

Even though the value of female employment has steadily increased over the years in all Union countries, Italy's figure is the most discouraging: we are in fact the lowest-ranked country in Europe.

Some progress has been made: compared to 1992 (*Figure 18* above), female employment has increased from less than 40% to nearly 50%. However, when compared to other EU nations, it is clear that the efforts towards this objective have been insufficient. (*Figure 25*)

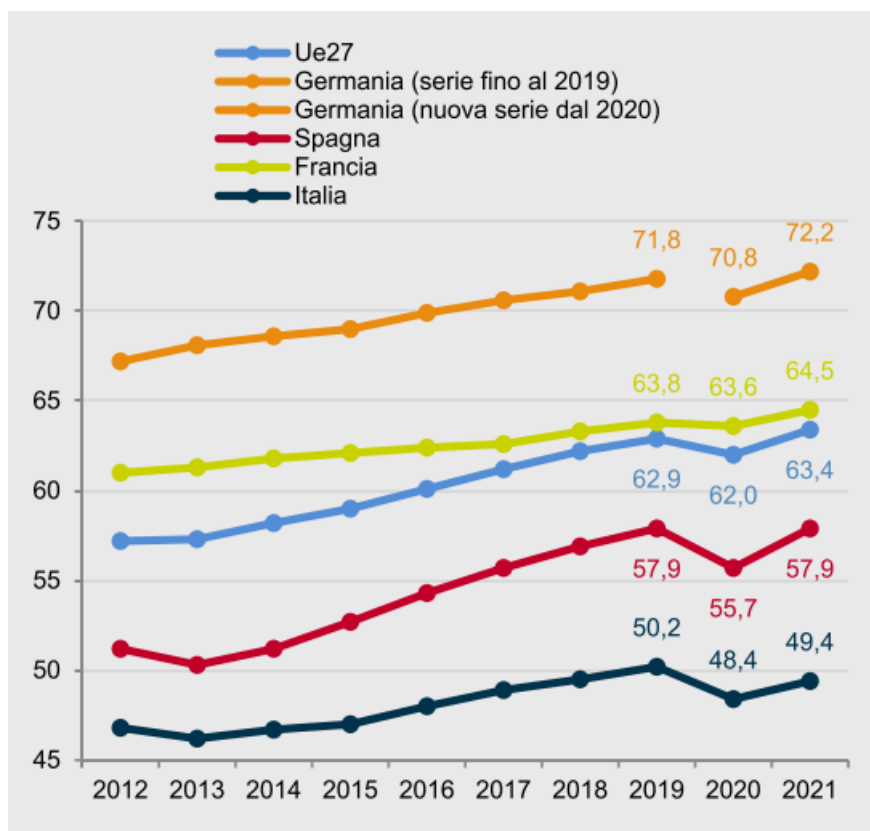


Figure 25 Employment rates aged 15-64 by gender in Italy and in the main EU27 countries. Years 2012-2021 (percentage values). The countries listed are (from top to bottom): EU27, Germany (old and new series), Spain, France, and Italy. Source: Istat (2022)

Italy is the only large EU country with a female employment rate below 50%, as depicted in the graph. In addition, we are the only major nation that has not, even if by a relatively small margin,



surpassed the pre-pandemic women employment levels. Spain's extraordinary progress is also noteworthy, as its employment rate increased by nearly 8 percentage points during the past decade.

As stated previously, the combination of the social doctrine of the Catholic Church and the strongly male-dominated culture of the time limited the social role of women in our country to housework for a very long time<sup>89</sup>. Even today, despite the progress made by feminists since the 1970s, working mothers are frequently viewed negatively by society.

One possible question is whether and how female employment affects the fertility rate. One could reasonably believe that the higher the employment rate, the lower the fertility rate. There is in fact an inversely proportional relationship between the two variables<sup>90</sup>, but we must not make the mistake of concluding that women's access to the workforce should be restricted in order to ensure a greater number of births. Aside from the fact that it would be, to put it mildly, an incredibly bigoted measure, we must also consider the data at our disposal. In fact, if this statement were true, Italy, given its historically low female employment rate, would have a significantly higher birth rate than other nations, but this is not the case. In 2021, there were just over 400 thousand live births in the Italy<sup>91</sup>, compared to just under 800 thousand in Germany<sup>92</sup>, nearly double.

Even if it is true that female employment and fertility are negatively correlated, we must also note that this relationship has been reversed in OECD countries since the end of the 1980s<sup>93</sup>. Attempting to increase the female employment rate has to become a priority if the fertility rate is to increase.

Let's now take a look at the sectors in which women are most employed.

As shown in Figure 25, the sector that employs the most women is primarily the public sector, which includes public administration, health, and education, with a 30.1% share. The sector of commerce, transportation, lodging, and air subtraction follows with 23,8 percent, followed by a significant distance by industry *strictu sensu*, commercial activities, and artistic or sporting activities, all of which account for just over 12 percent. The remaining 8.8% of the female labor force is comprised of the remaining industries.

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<sup>89</sup> Ferrera, M, Fargion, V. e Jessoula, M., *Alle radici del welfare all'italiana: origini e futuro di un modello sociale squilibrato*, in *Collana storica della Banca d'Italia. Saggi e ricerche.*, p.324 Marsilio, Venezia, 2012

<sup>90</sup> Bloom, David E., et al. "Fertility, Female Labor Force Participation, and the Demographic Dividend." *Journal of Economic Growth*, vol. 14, no. 2, 5 May 2009, pp. 79–101.

<sup>91</sup> Report Natalità 2021, ISTAT, available (in Italian) at: [www.istat.it](http://www.istat.it)

<sup>92</sup> Births - German Federal Statistical Office, 15 July. 2022, available at: [www.destatis.de](http://www.destatis.de)

<sup>93</sup> Ahn, Namkee, and Pedro Mira. "A Note on the Changing Relationship between Fertility and Female Employment Rates in Developed Countries." *Journal of Population Economics*, vol. 15, no. 4, 1 Nov. 2002, pp. 667–682.

It is also interesting to note that, with the exception of Spain, the value of female employment in the public sector is much higher in other countries and EU27 aggregate data than in Italy. In France, this represents nearly 45 percent of all employed women. However, we should not be surprised by this number. The public sector is by nature the most stable of all employment sectors, given that the government guarantees wage security and employment stability. These two factors, certainty and stability, are among those that have the greatest impact on the total fertility rate, as few couples are willing to have children in times of economic uncertainty and job insecurity.

As we will see later, this is not the only factor that influences couples' decisions to procreate or not, but it is by far one of the most significant.

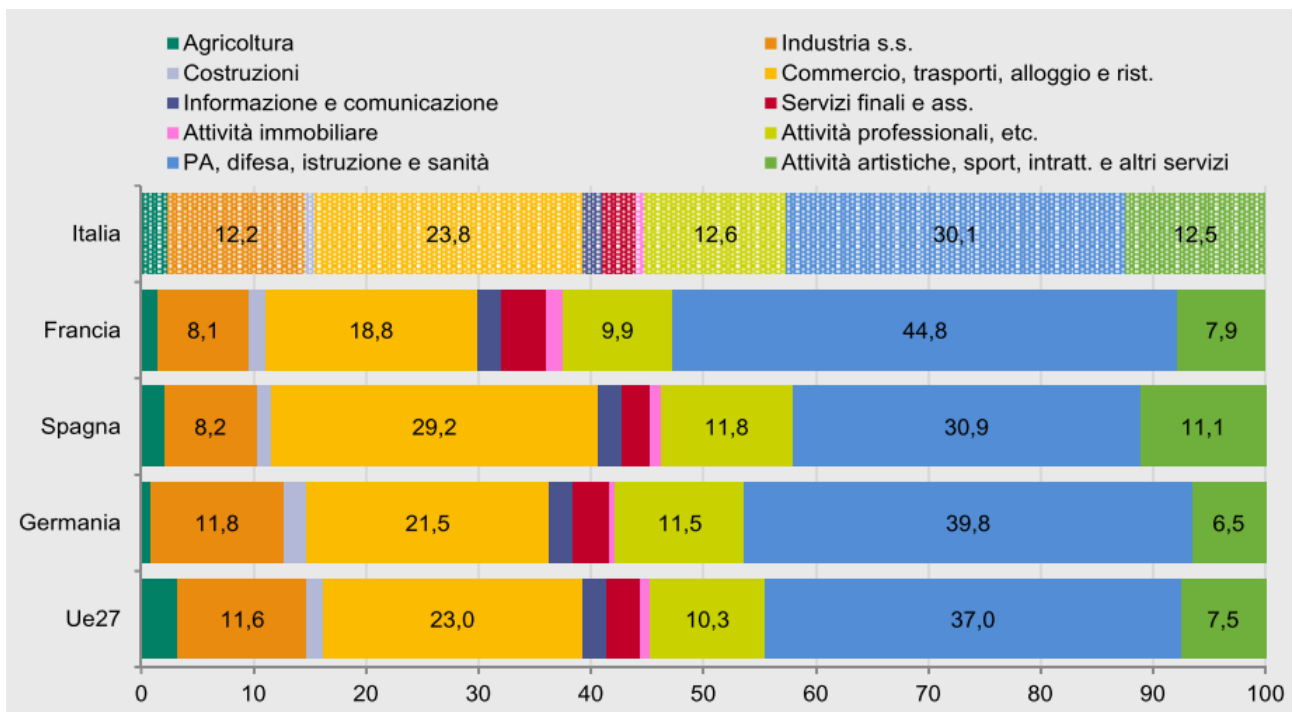


Figure 26 Female employment by sector of economic activity in Italy and in the main EU27 countries. Year 2019 (percentage values). The colors say (from top to bottom, left to right): agriculture, construction, information and communication, real estate, public administration-defense-education-health, industrial work, commerce-transportation-accommodation, assistance, professional activities etc., artistic activities-sport-show biz- and others. Source: Istat (2022)

Let's take a look at the current state of the public sector in Italy, and we can see how its state of concern, to put it mildly, could become an additional asset in the effort to increase female employment.

Figure 27 reveals that Italy ranks last in the EU in terms of the proportion of people employed in the Public Administration (PA). In addition, the percentage change from 2007 to the present has been negative, indicating that the already small number of workers has decreased.

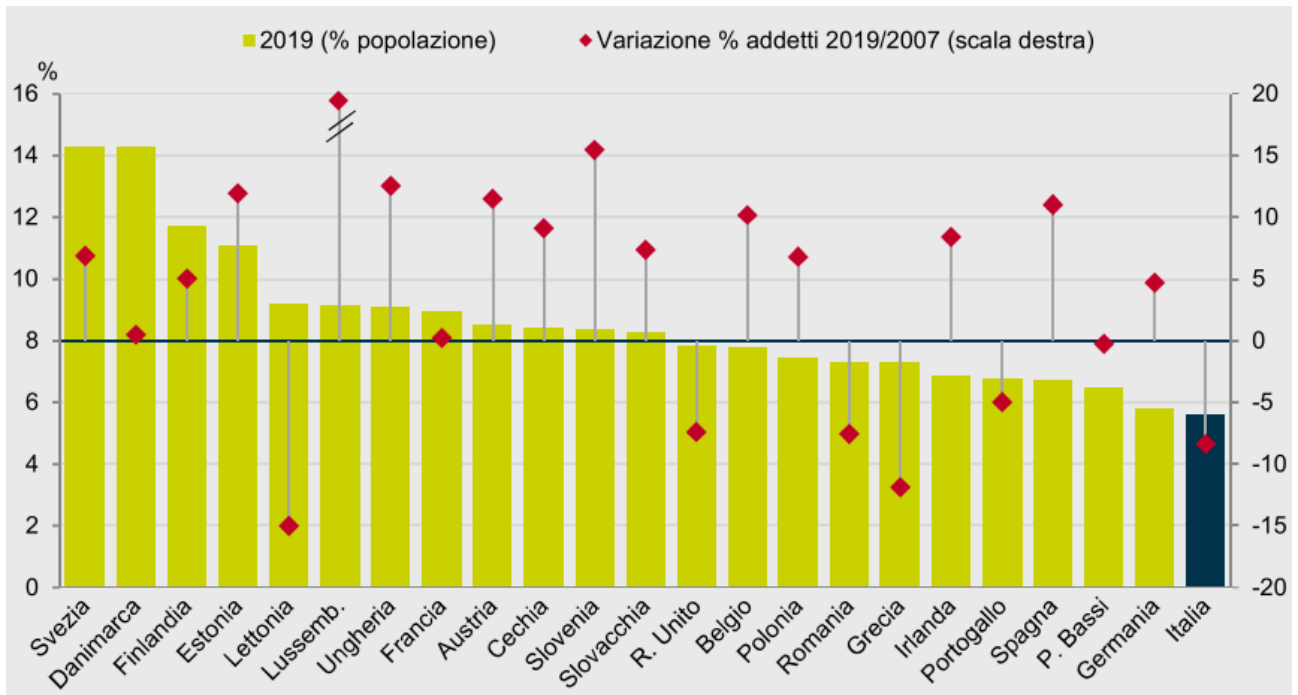


Figure 27 Personnel of public administrations in European countries: per cent of residents and change in number compared to 2007. Year 2019 (values and percentage changes). The symbols read: 2019(% of population), % variation of workers 2019/2007 (right scale). Source: Istat (2022)

Moreover, our PA'S demographic composition is the worst in the Union. In fact, *Figure 28* reveals that nearly half of our PA employees are over the age of 55 and therefore nearing retirement, whereas less than 5% are between the ages of 18 and 34.

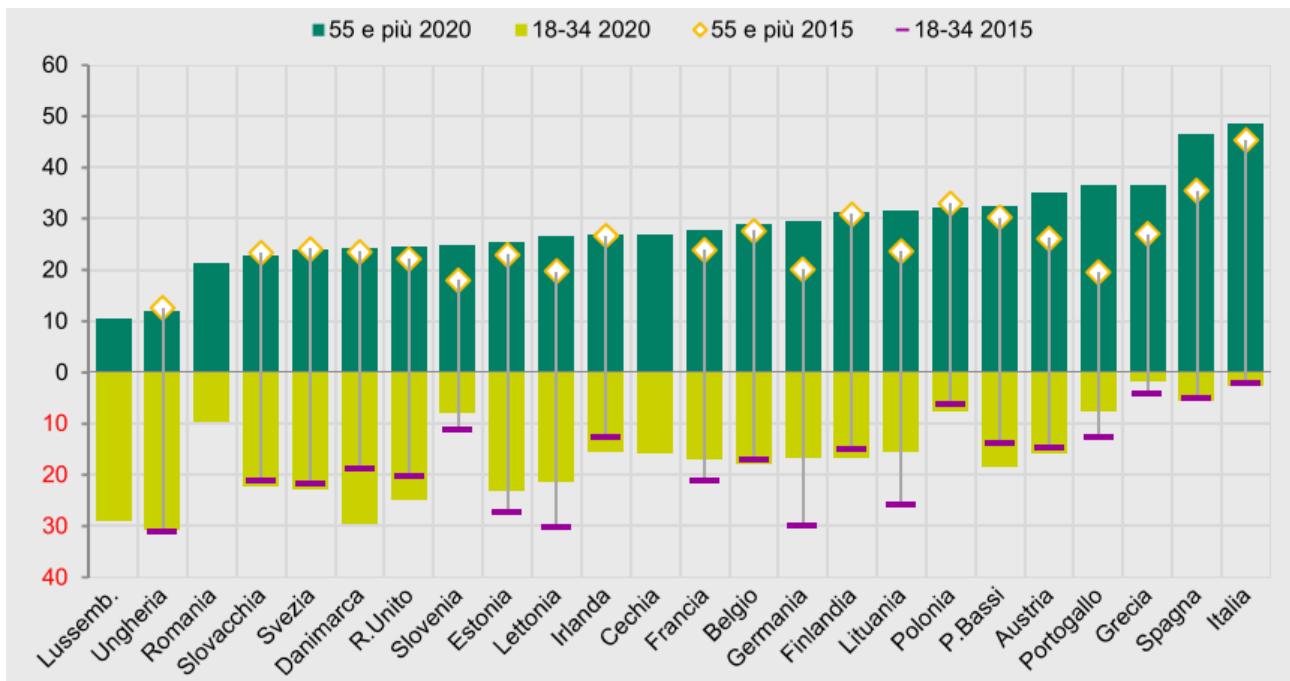


Figure 28 Personnel of public administrations in European countries by age group: proportion aged at least 55 and under 35. Years 2015 and 2020 (percentage values). The signs reads: 55 and over (2020), 18-34 (2020), 55 and over (2015), 18-34 (2015). Source: Istat (2022)

This means that not only is our public administration small, but that it will become even smaller in the near future: if we assume that all these people retire at 65 - the age at which they are eligible for early retirement - we will lose half of the public administration workforce in 10 years. This would result in a further decline in the quality of services provided by the PA, as only half of the current staff would be able to handle the increased workload. The low number of employees can be traced back to the early 2000s, when employee turnover (i.e., the percentage of employees that should be hired to replace those who retire) was limited by law on multiple occasions,<sup>94</sup>. The intent of these laws was to limit excessive public spending, but they had the unintended consequence of preventing the generational renewal of the PA, with severe consequences for its performance quality.

Despite the fact that the situation may appear dramatic, and in some ways it is, we must view it as an opportunity. Of course, we cannot suggest only hiring only women to replace future retirees, but we could strive for a gender balance in hiring in order to increase the female employment rate. Moreover, Istat data (Figure 29) indicate that female public sector workers have a significantly greater likelihood than workers in other sectors of having flexible work hours, allowing them to better balance work and family responsibilities.

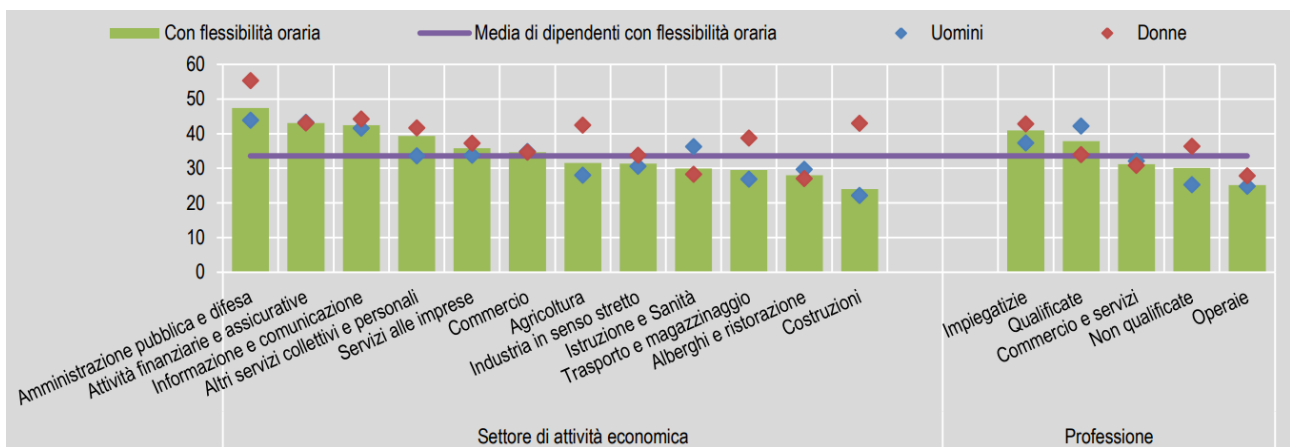


Figure 29 Employees aged 18-64 with responsibilities of care and hours flexibility by sector of economic activity, profession and gender. Year 2018, percentage incidences. The symbols on top read (from left to right): With work flexibility, Average of workers with work flexibility, Men, Women. Source: Istat (2019)

Clearly, as we will see in the following section, increasing the employment rate is insufficient to offset the decline in the TFR. The presence of those structures that allow mothers to not have to choose between family and work is one of the most indispensable tools for achieving this goal. Simply put, the availability of kindergartens.

<sup>94</sup> I limiti alle assunzioni nella P.A., Camera dei deputati, available (in Italian) at: [leg16.camera.it](http://leg16.camera.it)

## 3.2 Kindergartens

As highlighted by EU Directive 2019/1158, one of the primary responsibilities of social and welfare policies is to enable people to have an adequate work-life balance during the years when they become parents and raise their children<sup>95</sup>. Therefore, it is essential that citizens have access to adequate services that can guarantee so.

Moreover, numerous studies have demonstrated that the presence of childcare facilities influences fertility positively.<sup>96 97</sup> Kindergartens play therefore a crucial role in attempting to combat the effects of our country's demographic winter.

Due to this awareness of the need to provide these services to its citizens, the European Council met in Barcelona in 2002 and outlined two goals for early childhood services to be achieved by 2010<sup>98</sup>. First, to ensure that at least 33 percent of children under the age of three have access to nursery schools, and second, to ensure that at least 90 percent of children between the ages of three and five have access to nursery schools. These objectives were revised in February 2021, bringing the first to 45% by 2030 and the second to 96%.

Our nation has implemented the European directives, and Article 4 of Legislative Decree 65/2017 confirms the state's intention to achieve the Barcelona goals<sup>99</sup>. In the same legislative decree, the legislator also expressed a desire to pursue the aforementioned objective in terms of territorial balance, stating that the offer for early childhood should have been developed in all regions so as not to favor certain regions over others.

If we examine the data, we can see that the second objective, children aged 3-5, has been largely met. In fact, *Figure 30* shows that over 94% of Italian children have access to a nursery school, placing us above the EU average and in seventh place.

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<sup>95</sup> European Parliament, and European Commission. *Directive (EU) 2019/1158 of the European Parliament and of the Council of 20 June 2019 on Work-Life Balance for Parents and Carers and Repealing Council Directive 2010/18/EU*. 1 Aug. 2019.

<sup>96</sup> Kravdal Ø, Rindfuss RR. Changing relationships between education and fertility: A study of women and men born 1940 to 1964. *American Sociological Review*. 2008; 73:854–873.

<sup>97</sup> Rosen M. Fertility and public policies-evidence from Norway and Finland. *Demographic Research*. 2004;10(6):143–170.

<sup>98</sup> Presidency conclusions. Barcelona European Council 15 and 16 March 2022

<sup>99</sup> “*The State promotes (...) the progressive consolidation, expansion, as well as the accessibility of educational services for children, also through their territorial rebalancing, with the tendential objective of reaching at least 33 percent coverage of the population under the age of three years of age nationwide*”. Translated from Italian

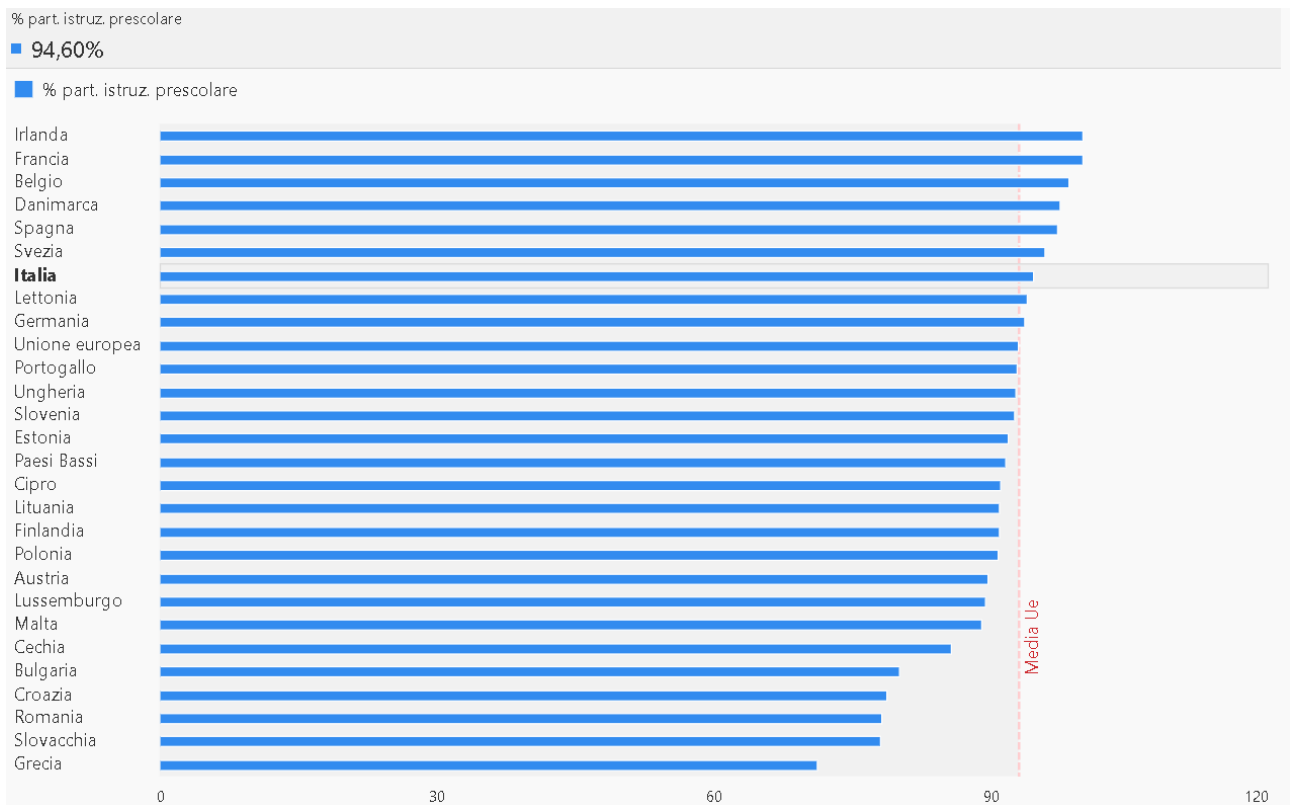


Figure 30 Percentage of children aged 3 to 5 attending nursery school. Source: graphic elaboration of Openopolis based on Istat data

Regarding children of pre-school age, the situation is unfortunately less favorable. In fact, according to Istat, in the 2020-2021 scholastic year only 27.2% of children under-3 had access to a kindergarten.

If we break this number down by region, we can see that the level of nursery school coverage they provide varies significantly. According to Istat, data Umbria has the highest rate of coverage (44%), followed by Emilia Romagna (40.7%), Valle d'Aosta (40.6%), Tuscany (37.6%), and the Autonomous Province of Trento (37.9%). Lazio and Friuli-Venezia Giulia have surpassed the 33% threshold since 2019 (35.3% and 34.8%, respectively), while Campania and Calabria remain below the 12% threshold<sup>100</sup>.

When comparing provincial capitals to non-capital municipalities, there is a significant difference in the provision of early childhood services here too: the formers have an average coverage of 34.3% - but with large differences: those in Umbria at 47.0% and those in Sicily at 11.6% - while the latter are around 23.9%<sup>101</sup>.

<sup>100</sup> Report asili nido 2020-2021, Istat, p.3. Available (in Italian) at: [www.istat.it](http://www.istat.it)

<sup>101</sup> *Ibidem*

In addition, slightly more than half of children attended private kindergartens. Here, too, the distinction between the regions is especially pronounced. For example, as *Figure 31* shows, 12 Italian regions surpass the 50% threshold of public kindergarten, with almost 75% of kindergartens in the Autonomous Province of Trento being public, while the same percentage holds true for Calabria although reversed, i.e., they are private. Therefore, not only is the coverage of nursery schools frequently insufficient relative to European objectives, but the public sector (in this case, regional administrations) has frequently failed to provide even half of the total supply.

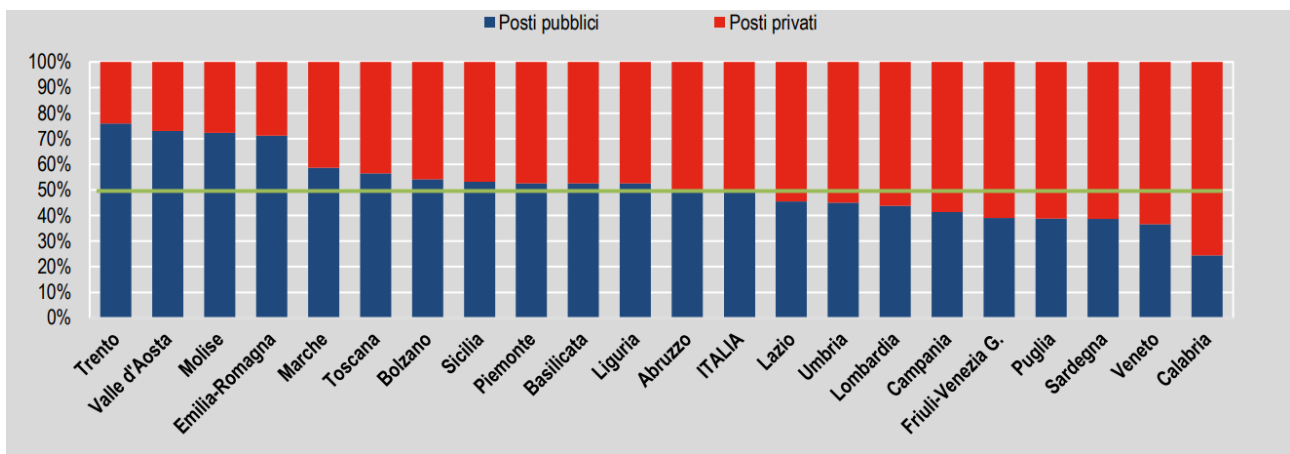


Figure 31 Places available in educational services different by entity. Educational year 2020-2021 (%). Source: Istat (2022)

As stated at the beginning of this section, the presence or absence of early childhood facilities is crucial in determining whether or not mothers will continue to work. In fact, if these structures do not exist or if there are not enough of them to meet the demand, mothers would be forced to leave the workforce for a few years before they could send their child to nursery school. The alternative is to ask for one's parents (the child's grandparents) help in caring for the child so as not to have to give up one's career. Unfortunately, this option is not available to everyone.

The problem with leaving one's job for three years is that it is often very difficult for mothers to re-enter the workforce after this period has passed. A report by Save the Children Italy, based on Istat data, found that in 2018, the employment rate of women between the ages of 25 and 54 with children under the age of 14 was consistently below 60%. Only women without children had a higher employment rate than the national average, with 72.1% of childless women employed. The value for men, on the other hand, was always close to 90%, except for those without children, whose rate dropped to 83.6%, but was still significantly higher than the rate for women.<sup>102</sup>

<sup>102</sup> The acrobats – Maternity in Italy 2020, Save the Children Italia, p.19. 2020

Additionally, this figure is worse in Southern Italy than in Northern Italy or Central Italy. In fact, less than 36% of women with at least one child find employment in this region of Italy, compared to 65.1% in Central Italy and 69.4% in the North. Even among childless women, the employment rate in the South is significantly lower, at 59.1%, compared to 76.3% in the Center and 79.7% in the North.<sup>103</sup>

Obviously, an employee's level of education plays a significant role in an employer's decision to hire or not to hire a candidate. It is therefore logical to assume that the lower a person's education level, the fewer employment opportunities they will have, and this is certainly the case: if we broke down the unemployment rate by education level, we would find that our theory holds true.

However, when this data is broken down further between men and women and then by the presence or absence of children, it becomes clear that employers prefer to hire men over women regardless of their level of education. In fact, the lower a woman's level of education, the less likely she is to be hired compared to men, who have an employment rate greater than 80% regardless of their level of education or the presence or absence of children; the only exception are childless men with only a middle school diploma, who still score higher than most women. (Figure 32)

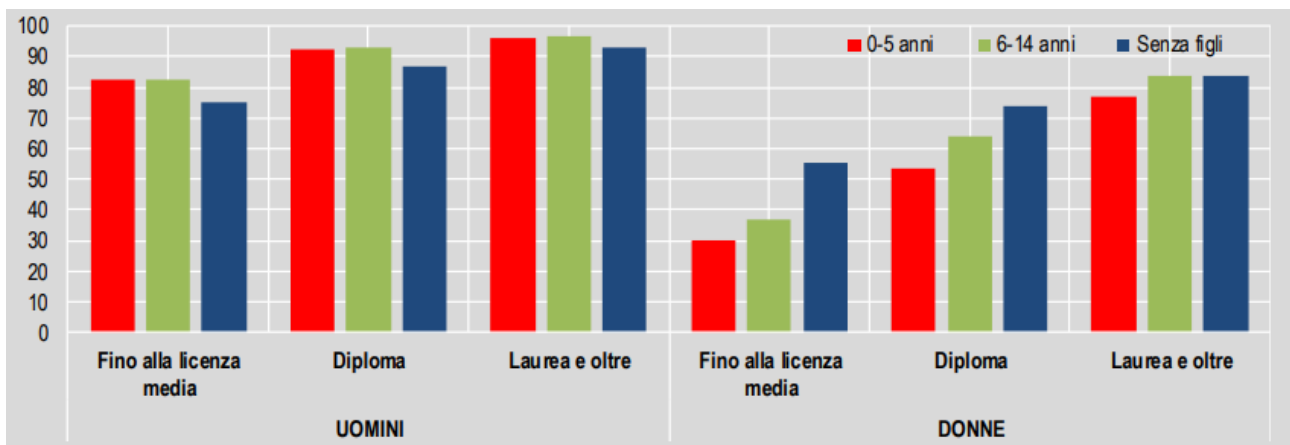


Figure 32 Employment rate of people aged 25–54 with children aged 0–14 and without children by gender, educational qualification and age of the youngest child. Year 2018, percentage values. Red bars are for parents with children aged 0–5, greens for those aged 6–14, blue for childless people. Men are on the left, women on the right. The first three bars in each group are for those who graduated middle school at most, the second three bars for those who graduate high school, and the last three for those who graduate university. Source: Istat (2019)

This figure serves as a reminder of what was stated at the beginning: the various solutions are inextricably intertwined due to their mutually significant implications. In this instance, one cannot speak of increasing the number of women in the workforce without offering them assistance in

<sup>103</sup> *Ibidem*, p.20



balancing work and personal life, just as one cannot increase the number of kindergartens in an area without simultaneously addressing the issue of female employment.

In the same way that we cannot separate the provision of daycare from women's employment, we cannot separate the time that mothers devote to their children to the time devoted by fathers. So, let's discuss what the latter can do to ease the burden on their partners.

### 3.3 The role of fathers

Up until now, we have focused our analysis on what could be done to make life easier for mothers who do not wish to give up their careers to devote themselves to their families. Nonetheless, it is obvious that in a heterosexual parental couple there are also fathers, and that their role is crucial to reach a comprehensive solution to the issue of low fertility. As we shall see, social policies do not empower the father's role in the family as much as they do the mother's. In fact, due to antiquated notions, the non-economic support that fathers can provide within the couple is frequently deemed superfluous or at the very least negligible.

Paternity leave is the simplest way to gauge the social and/or institutional perception of the father's role in childrearing. Similarly to maternity leave, this provides a period of time during which fathers can temporarily leave their jobs to care for their child. Sadly, the duration of these leaves is frequently much shorter than that granted to mothers, although it increased considerably over the past decades among many countries. (Figure 33)

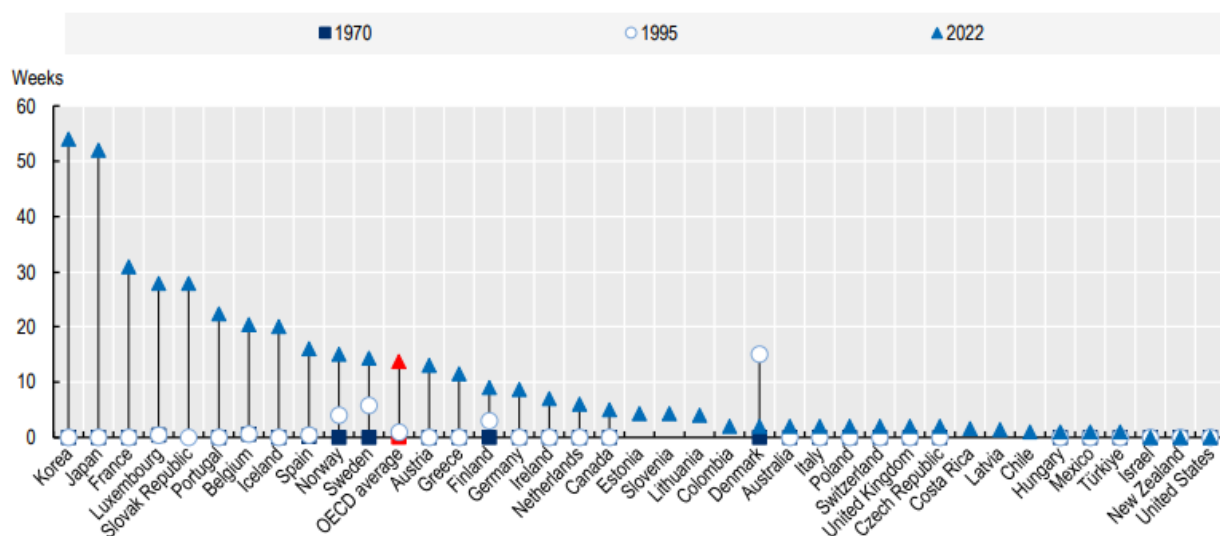


Figure 33 Length of paid paternity leave and paid parental and home care leave reserved for fathers, 1970, 1995 and 2022 (In weeks). Source: OECD Family Database

Among OECD nations, only three provide more than 30 weeks of paternity leave, while 25 provide less than 10. However, significant progress has been made over the years, with Japan and South Korea extending paternity leave in a particularly drastically compared to 1995. Moreover, it must be noted that these two nations are among those with the worst demographic situation in the world, and they are attempting to implement this type of policy precisely because they recognize the potential value of paternity leave in attempting to challenge their demographic trends.

Comparing paternity leave to maternity leave reveals that the latter is vastly superior to the former, indicating a pervasive social expectation that mothers are the primary child bearers. (Figure 34)

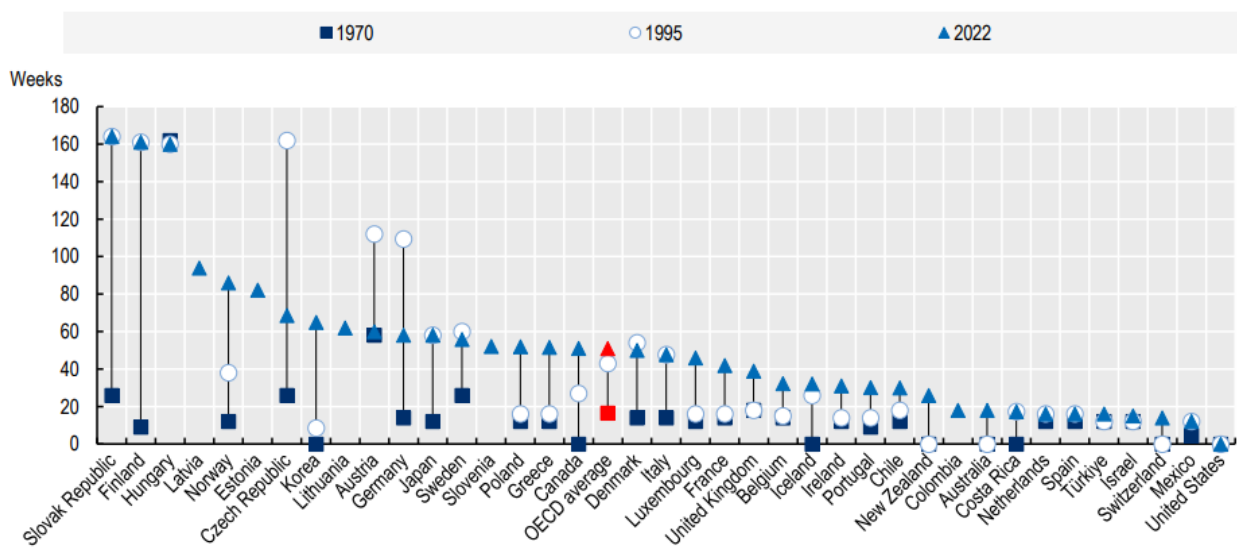


Figure 34 Length of paid maternity, parental and home care leave available to mothers, 1970, 1995, and 2022 (In weeks). Source: OECD Family Database

In particular, twenty countries offer maternity leaves of more than forty weeks, while only two countries offer paternity leaves of more than thirty weeks.

Parental leave is the third type of leave. The rationale behind it is that to ensure a fair division of parenting responsibilities for newborns, this leave can be taken by both parents, even if not simultaneously, and is frequently combined with the leave of one parent (depending on the legislation of the country). Thus, a father could, for instance, take advantage of additional weeks to care for his child alongside his wife, who already enjoys an extended period of leave.

Sadly, despite the good intentions of this tool, mothers are consistently more likely than fathers to take advantage of it, thereby defeating one of its purposes. (Figure 35)

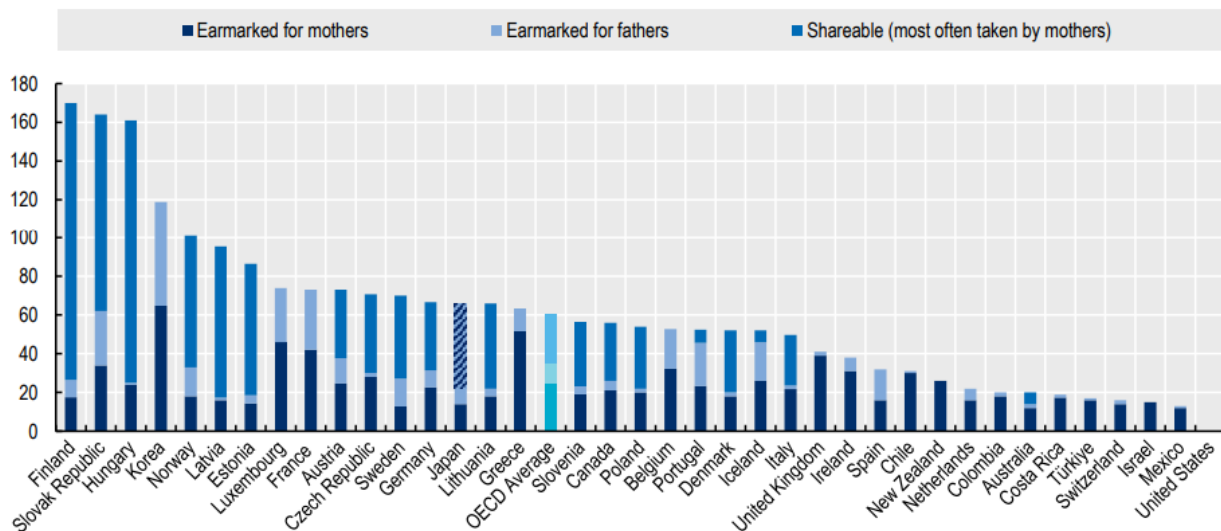


Figure 35 Duration of earmarked and shareable paid family leave entitlements, in weeks, 2022. Source: OECD Family Database

Although the OECD does not provide precise estimates of how frequently this is taken by mothers, the fact that they had to specify in their research that this occurs frequently gives us a sense of how widespread this practice is.

Let's now analyze the situation in Italy.

The compulsory maternity leave is a 5-month period of mandatory leave from work granted to female employees during pregnancy and the postnatal period, as well as in cases of adoption or fostering<sup>104</sup>. Regarding the salary, Inps pays an indemnity equal to 80% of salary for the duration of maternity leave. During this period, employers are prohibited from terminating pregnant employees. This leave is applicable to both employees and independent contractors, even if the latter are not required to be absent from work. There is also the possibility for certain categories of women with a certain level of income who do not fall within the aforementioned categories to receive a state-issued support allowance.

For fathers, however, there is a only mandatory 10-day paternity leave, with the possibility of using an additional one. In the case of multiple births, the days increase to 20<sup>105</sup>. In any case, the leave must be taken in a period that goes, as for mothers, from two months before the birth to 5 months after, furthermore the salary is equal to 100 % of father's salary.

<sup>104</sup> Testo unico sulla maternità e paternità (Dlgs 151/2001), Art. 16-27

<sup>105</sup> *Ibidem* Art. 28-31

Parental leave also exists in Italy, which gives parents with children up to the age of 12 the possibility of being able to take advantage of an additional 6 months of leave each, paid at 33% of the original salary. In any case, the number of months enjoyed by the couple cannot exceed 10<sup>106</sup>.

However, as shown in Figure 36, female employees in the private and agricultural sectors are by far more likely to take advantage of this leave than fathers.

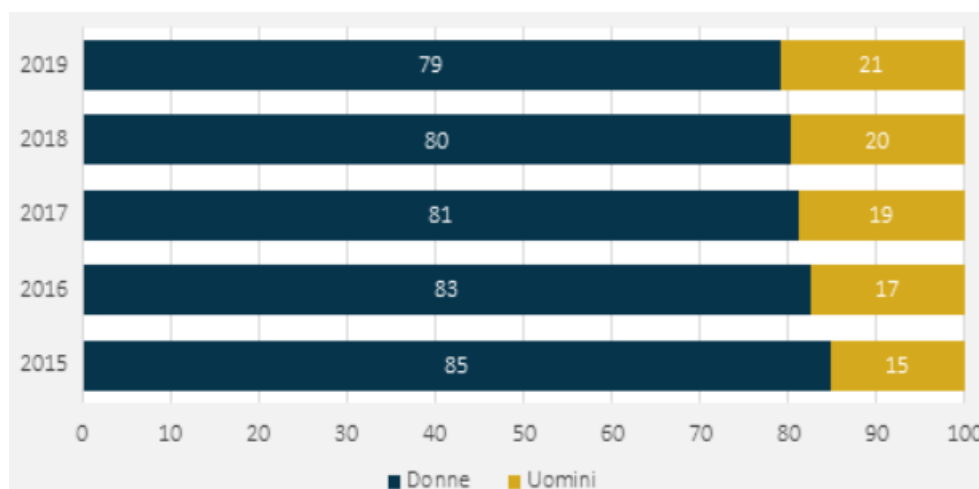


Figure 36 Employees in the private and agricultural sectors: percentage of beneficiaries of parental benefits by gender. Source: graphical elaboration of Italian public accounts observatory based on Istat data

It is also important to note that the percentage of fathers who have benefited from the program has increased over time, going from 15% to 21% in only 5 years, which is equivalent to one-fifth of the entire population.

It is reasonable to believe that a small cultural revolution is slowly taking hold in our country. This is because the traditional role of fathers, which "relegated" them to providing sole financial support for their families, is giving way to a more active and participatory role in the care of their children.

In a similar vein, we cannot anticipate that this (slow) shift in cultural norms will take place on its own. There is a need for policies that support fathers who choose to care for their children, and there is also a need to extend the duration of paternity leave, in order to assist in the eradication of the notion that fathers play a secondary role in the process of childrearing. A longer and more accessible paternity leave has a positive impact on the total fertility rate, in addition to promoting greater gender equality<sup>107</sup>.

<sup>106</sup> *Ibidem* Art. 32-38

<sup>107</sup> Thomas, J., Rowe, F., Williamson, P. et al. The effect of leave policies on increasing fertility: a systematic review. *Humanit Soc Sci Commun* 9, 262 (2022)

Now that we have a sufficiently complete picture of the most pressing issues to be addressed, we can turn our critical eye to an Italian region that has avoided a birth rate decline as severe as the rest of the nation. Clearly, we must keep in mind that the solutions proposed until now are insufficient to solve the problem of the Italian population decline alone. In fact, we have not discussed the problems affecting other social groups, particularly youth. Recognizing that our welfare system is certainly not pious towards young people, not allowing them to guarantee full independence before the age of 30<sup>108</sup>, unlike their European counterparts, and that the local political class still does not take youth policies seriously, favoring instead the older electorate, it must be stated that the underlying problem of the lack of economic independence of young people is largely an economic failure.

This means that in order to resolve the youth employment issue, we must resolve the crisis that our nation has been experiencing for many years, and which was exacerbated by the recent COVID-19 pandemic and the Russian invasion of Ukraine.

Obviously, implementing better social policies would be ideal, but as long as our country remains stuck in this economic stagnation, the problem of young people will not be able to be resolved.

Immigration is another consideration to be made. In fact, it is not uncommon to hear opinions about the role this could play in resolving the problem of declining birth rates. As migrant women from less developed countries tend to have more children than women born in more developed countries, sustained migration from these countries would mitigate the declining number of births.

However, there is a flaw in this reasoning: even if it is true that the population could increase in the short term, as it has in Italy over the past two decades, migrant women tend to adjust their fertility levels to that of the natives over time.<sup>109</sup>

This is because, even if the concept of an extended family might be viewed as ideal in their communities, the welfare and social protection system of a country remains the same: if it fails to support its own citizens in their procreative decisions, it will do so for immigrant women too. The answer changes if immigration is viewed as an addition to the previously proposed solutions. In this instance, the answer may be affirmative: a country that is able to guarantee a high level of prosperity and economic well-being for all of its citizens can certainly welcome newcomers within its borders.

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<sup>108</sup> Age of young people leaving their parental household, 2023, Eurostat

<sup>109</sup> Tønnessen, Marianne. "Declined Total Fertility Rate Among Immigrants and the Role of Newly Arrived Women in Norway." *European journal of population = Revue europeenne de demographie* vol. 36,3 547-573. 6 Nov. 2019.

Germany, the most populous nation in the European Union with more than 84 million inhabitants, would drop to 60 million without immigration<sup>110</sup>. Without its own immigrant community, the United Kingdom's population would fall to 57 million from its current 67 million<sup>111</sup>. This is because, thanks to their welfare systems, these nations are able to ensure a decent fertility rate among both their own citizens – albeit using different approaches – and those from other countries.

To compensate for the demographic deficit, it would be unthinkable for our country to accept a disproportionately large number of immigrants; our welfare system would fail them just as it fails Italian women. It will only serve to delay the problem, not solve it.

We must also reiterate that the solutions presented here should not be considered definitive or independent of one another. In order to have a tangible effect on society, they must all act in concert.

Having said that, let's analyze the demographic situation of the Autonomous Province of Bolzano and see what the Italian government can learn from it.

### 3.4 The Bolzano Model

The Autonomous Province of Bolzano is the northernmost province in Italy and is located in the Trentino-Alto Adige/Südtirol region. According to the most recent census, approximately two-thirds of the province's population speaks German as their native language<sup>112</sup>. This is due to the fact that this territory has historical ties to Austria, and specifically to the historical region of Tyrol. After the end of the Second World War, the new Italian Republic and the Austrian Republic signed the so-called De Gasperi-Gruber pact, named after the respective foreign ministers, in which the Austrian Republic renounces any claim to the province on the condition that the difference of the South Tyrolean population is protected by the state.

Today, owing to this autonomy statute, the Province, along with the Province of Trento and four other regions, can boast significantly greater decision-making authority on its territory than the so-called ordinary statute regions. One of these major powers relates to fiscal autonomy, i.e. the local

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<sup>110</sup> "Population and Employment; Population with a Migration Background – Results of the 2019 Microcensus –", Destatis. Available (in German) at: [www.destatis.de](http://www.destatis.de)

<sup>111</sup> Research report on population estimates by characteristics, 23 August 2017. Available at: [www.ons.gov.uk](http://www.ons.gov.uk)

<sup>112</sup> Censimento della popolazione 2011 - Determinazione della consistenza dei tre gruppi linguistici della Provincia Autonoma di Bolzano-Alto Adige. Available (in Italian) at: [www.provinz.bz.it](http://www.provinz.bz.it)

administration's ability to withhold virtually all taxes; this is extremely important because it guarantees the South Tyrolean provincial government higher expenditures per resident than other regions.

The Province has been successful in avoiding the decline in birth rate that Italy as a whole has experienced as a result of policies that strongly support families. Since the 1980s, the number of births on the territory governed by the local government has remained stable, as shown by *Figure 37*, despite the fact that the overall number of births has been decreasing, lately.

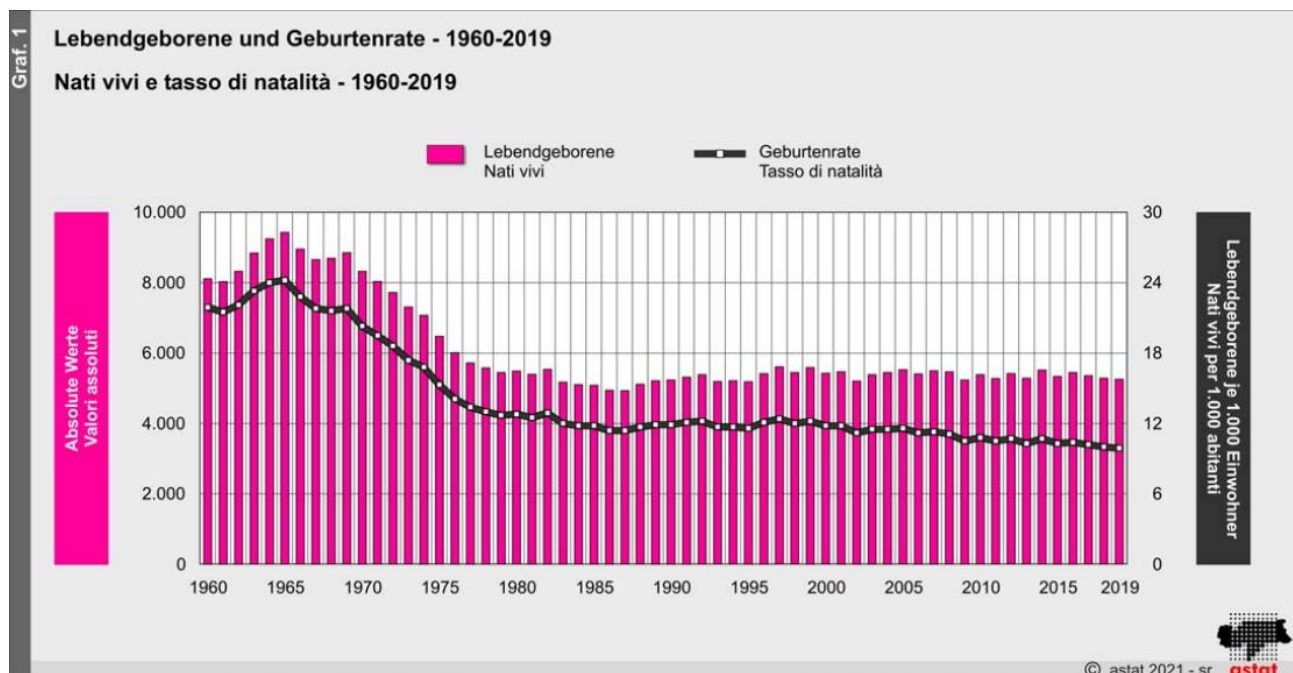


Figure 37 Live births and birth rate 1960-2019. Pink bars refer to live births, while the black line to the birth rate. Source: Astat (2021)

In addition, as shown by *Figure 38*, the fertility rate in the province has hovered around 1.5 since the latter half of the 1980s, and it has started to climb once more since 2010, surpassing at time the value of 1.7<sup>113</sup>. Since the first surveys of this group were conducted in the early 1990s, the fertility rate of foreign women has remained high, significantly higher than the replacement rate, and has been hovering around 2.5 the entire time.

<sup>113</sup> Natalità e fecondità 1999-2019, Istituto provinciale di statistica (ASTAT), 2021. Available (in Italian and German) at: [astat.provincia.bz.it](http://astat.provincia.bz.it)

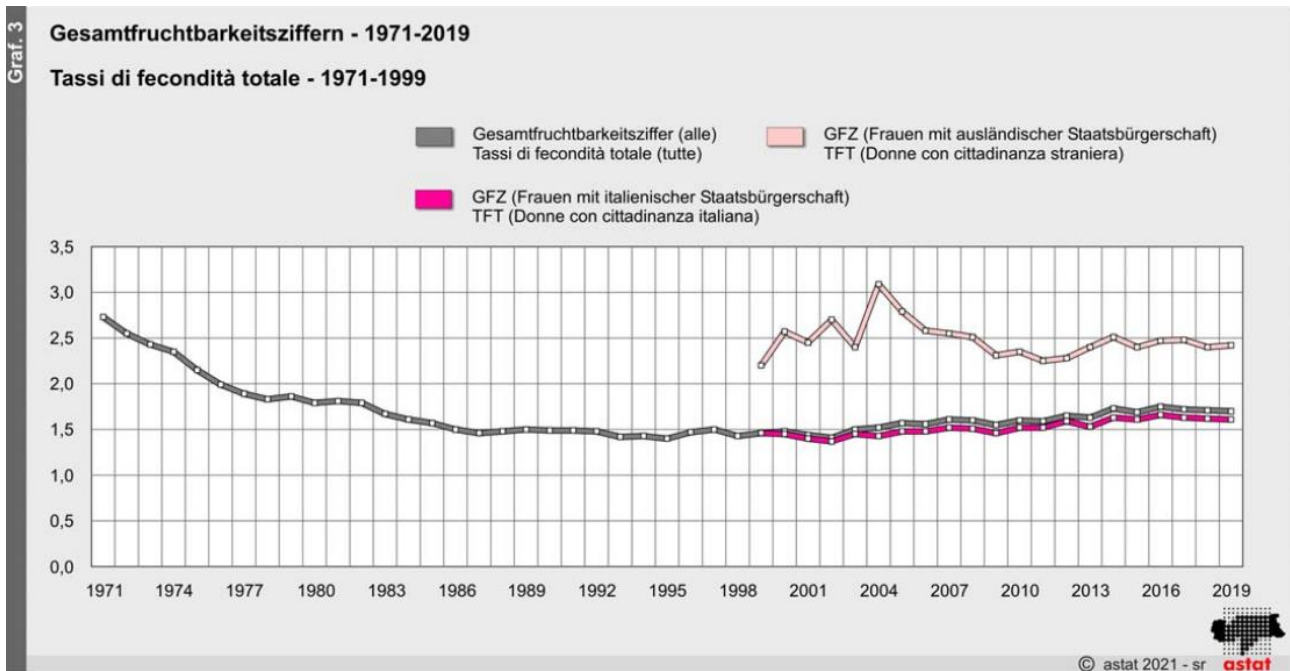


Figure 38 Total Fertility Rate 1971-2019. Black refers to the total TFR, light pink to the TFR of foreign women, and the solid pink to native women. Source: Astat (2021)

Several of the primary reasons of such wonderful results can be traced back to an all-encompassing political strategy that was implemented in 2005 and included generous financial benefits for families. These benefits, which included everything from monthly child allowances to assistance with purchasing a home, were among the most important factors. In addition, the implementation of these policies occurred simultaneously with the expansion of family support services like nurseries. As stated by Waltraud Deeg (VP of the Province) “[o]ne important thing was to not only think about the city [of Bolzano] but the rural areas, and to have services in place for early childhood.”<sup>114</sup>

With the passage of provincial law no. 4 on March 12, 2002, the first *Tagesmutter* service was established to address the issue of a relatively small nursery compared to the population's requirements<sup>115</sup>. The first *Tagesmutter* projects were developed in Northern Europe, and now they are being re-proposed as models for childcare in several countries throughout Europe (especially German speaking). Children are taken into custody by one or more people, or even small associations, cooperatives, and organizations, as part of this system. These individuals or groups offer their own home or some other structure suitable for the service, thereby creating a "homemade" kindergarten. After seeing the success that the *Tagesmutter* system had, other Italian

<sup>114</sup> Giuffrida, Angela. “Italy’s Birthrate Is Falling. Can the Storks Help?” The Guardian, 8 May 2021, [www.theguardian.com](http://www.theguardian.com).

<sup>115</sup> LP. n.4/2002. Nuovo ordinamento per i servizi socioeducativi per la prima infanzia e successive modifiche.



Regions quickly followed suit, but the results that they have seen have been less encouraging than those that the Alto Adige region has seen. Because there is no national law, the regulation of Tagesmutter projects is left up to the provinces and regions. This restricts the system's scope, which in turn reduces its effectiveness and the potential benefits it could provide.

When compared to the rest of Italy, the labor force participation rate of women in the province of Bolzano may be another factor that contributes to the overall high TFR. In comparison to the rest of Italy, the Province of Bolzano has a significantly higher number of working women than the national average. This is especially true in the public sector, which employs close to 70% of the province's working women<sup>116</sup>. Working in the public sector offers the opportunity to secure a long-term contract with benefits, including a maternity leave policy that provides for at least five months of paid time off.

As can be seen, expectant mothers in the Province of Bolzano made the decision to start a family for the following reasons: the possibility of having a stable job during and after pregnancy, the variety and high quality of nursery services dispersed throughout the territory (rather than being concentrated in large urban centers), and the various economic benefits for new families. In addition, the possibility of having a stable job during and after pregnancy was also influential.

The most astonishing aspect of this is that it precisely reflects what we've been discussing thus far. A great number of kindergartens, allowances for mothers and parents, and finally a large portion of women employed in the public sector, granting them even more job stability and income security. Undoubtedly, the South Tyrolean economy is in better shape than the economies of other Italian regions, and this has had a significant impact on the possibility of financing certain policies.

Due to the foresight of the local administration, however, South Tyrolean mothers and those who wish to become mothers can rely on a very robust, structured, and widespread support system for their reproductive decisions.

Attempting to emulate this model as closely as possible would almost certainly significantly improve our country's demographic situation. Solutions exist, but political will is required to implement them.

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<sup>116</sup> Dipendenti pubblici - Landesinstitut für Statistik, Astat. Available at: [astat.provinz.bz.it](http://astat.provinz.bz.it)

## Conclusion

The problem of the Italian population decline can be resolved in a variety of ways, depending on the lens through which we view it, as demonstrated by this brief but sufficiently exhaustive examination.

If, for instance, we only consider the economic factor, then the solution lies in increasing each worker's ability to generate per capita GDP. This is because a decrease in population is accompanied by a decrease in the total number of workers, which could lead to a decrease in per capita GDP growth. However, this is not necessarily a problem: as is already the case in a number of countries, Japan in particular, sustained technological advancement can enable a country to increase its GDP per capita despite a population decline. Therefore, from a purely economic standpoint, the primary solution to the problems caused by the demographic winter is a greater investment in R&D to equip workers with the necessary tools and knowledge to produce more with fewer resources. This reasoning is not necessarily incorrect, and it can be part of a broader solution to the problem, which is the objective of this thesis's research, but it would be simplistic to view the problem solely through the lens of economic indicators.

In order to deal with it effectively, we must examine the welfare system in place in our country, because welfare reveals how a state views and interprets its own society, and since the state is a reflection of society, welfare is nothing more than a reflection of society itself. As we have seen, the various welfare systems in place in Europe each offer a possible solution to our problem.

The Scandinavian system tells us that a state that invests vast resources in social protection instruments, which focus on psycho-physical well-being and that push towards full employment of all its citizens (men and women), for example through continuous reskilling, has an exorbitant cost for the state's treasury, but which, if carried out properly, thwarts the problem of unemployment. In addition, trade unions are acknowledged to have considerable influence over labor performance.

In contrast, the Anglo-Saxon system places the responsibility for an individual's well-being almost entirely in the hands of the individual and in the market's ability to allocate resources: the state intervenes only in extreme cases where the individual is unable to support himself in any other way, and even then, the support provided by the state is highly means-tested and time-limited. Moreover, by focusing primarily on the creation of low-income jobs, this system has increased employment, including female employment, to levels comparable to those of Scandinavian nations, thereby minimizing the role of labor unions.

The continental system, on the other hand, is a compromise between the two aforementioned systems, as the state strives to make its market, which is also regarded as the most capable player in the allocation of resources, as competitive as possible while maintaining solid stability guarantees for its workers. Born as a compromise between capitalism and Marxism to avoid social conflicts in the 19th century, this system has proven to be the most effective of those presented, thanks to the high employment, including female employment, which has been historically low in these countries, and the capacity for economic growth, to the point where it is the most popular among those present in the European Union today.

Conversely, the Mediterranean system, adopted among others by Italy, is revealed as the most inefficient, due to structural inequalities, both in relation to certain categories of workers (divided

between hyper-protected and non-protected) and the public expenditure (heavily oriented toward pensions), and is also discriminatory against working mothers, as it prevents their full working independence while caring for their children. Moreover, the primary objective of this system has always been to prevent the dismissal of its employees at all costs, resulting in the formation of powerful unions rather than their reintegration into the workforce. This system, the result of a strongly male-dominated and conservative socio-political culture, worked until the 1970s, but by the 1980s, and even more so today, it reveals its enormous weaknesses with respect to the socio-economic sensitivities of the modern world, and this is reflected in the demographic consequences that this system entails.

It is necessary, therefore, to convert the current system to a continental one, not only due to the similarities between the Italian economy and those of the two most important European nations, Germany and France, but also because, as stated previously, the continental system represents an excellent compromise between the two other systems, combining their best features: a competitive market and strong worker protection. This is due to the fact that we cannot fool ourselves into believing that we can achieve a level of public spending and its quality comparable to that of the Scandinavian countries in sufficient time for it to have a significant impact on the demographic level before it continues to decline. At the same time, it is hard to believe that the problems of our country could be resolved by entrusting the market and private actors with the responsibility of compensating for the shortcomings of the state, not to mention the extremely pronounced socioeconomic inequalities that this system would produce. Moreover, the Italian welfare system has been "continentalizing" since the 1990s, along with many other European nations, making it easier to convert this sense, also due to the similarities between our economy and the French and German ones.

In addition to modifying the welfare system, it is necessary to develop policies that can pursue three distinct goals, but whose outcomes are strongly intertwined: promoting female employment and its stability, expanding the number of kindergartens, and enhancing the fathers' role in childcare. The reason is obvious: without a sufficient and stable income, women tend to find the idea of motherhood unattractive. However, without sufficient childcare facilities, even if they did have an income, they would be forced to choose between work and family. But even so, without the support of their partners (which are deprived of an adequate paternity leave), they might still abandon the idea of having children.

All the solutions proposed so far have been fully applied by the Autonomous Province of Bolzano, which has managed to avoid a drop in fertility as drastic as in the rest of the country, remaining above 1.70 of TFR, by increasing its female employment (especially in the Public Administration), and by enhancing and diversifying the offer of early childhood services. Therefore, it is by no means impossible to accomplish.

The demographic situation of our nation can be effectively addressed, and with patience and perseverance, the trend could even be reversed in the long run.

Multiple solutions are available; what is required is political will to implement them.

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