

LUISS



Dipartimento
di Economia e Finanza

Cattedra di Macroeconomics

Comparative analysis among five European Unemployment benefit systems

Prof. Francesco Lippi

RELATORE

Gabriele Are

CANDIDATO

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Introduction

I decided to treat the subject of unemployment, and the related methods of subsidy, as it is a purely current topic, which as I will explain in the course of the thesis, touches us all very closely, conditioning our lives. Initially, in this regard, I will make a general picture of unemployment and its various forms, explaining how it can affect the economy of a country and its citizens. Subsequently, I will deal more closely with the central argument of the thesis, that is unemployment benefits, then their importance and how they come to the aid of citizens in need. Subsequently I will carry out a comparative analysis between five EU states (Denmark, Germany, France, Italy and Spain) comparing relative insurance and social systems and the eligibility and entitlement criteria. Not by chance, from the comparative analysis it is clear that at the European level certain countries have very similar characteristics, which lead them to be grouped into sub-groups, characterized by greater or lesser development at the level of economic policies aimed at supporting of unemployed citizens. The comparison is useful in order to highlight similarities and differences between the various European states, in particular to give greater clarification and find the structural problems inherent in the system of our country (Italy). Therefore, using the most developed and civilized European states in economic policy as a method of comparison, I will then try to highlight and bring to light the major problems that afflict our state in this matter. Hence issues concerning the distribution of investments between active and passive policies, the flaws relative to the entitlement and eligibility fields, such as severity in controls, generosity and duration of benefits. Also discriminations deriving from the job sector and the scope and size of the belonging industry. Therefore, clarifying and eventually finding a solution to these innumerable bureaucratic contradictions which threaten our country: a high public expenditure accompanied by a negligent support of the unemployed; on the one hand a great severity regarding the justified reasons for voluntary resignation and on the other a mere supervision and support of the unemployed people who benefit from the allowances. To find, hence, a solution and homogeneity to this disorganized legislative "*corpus*", I will finally present alternative methods of restoring the Italian unemployment insurance system, which would benefit the whole national economy. Fundamental point will be the criticism that revolves around the institution of the Cassa Integrazione Guadagni, a uniquely Italian institution, which in the role of passive supporter of the unemployed, tends to create a stable precarious class, not belonging neither to the unemployed nor to that of active workers. Moreover, it urges the beneficiaries, not having a real active role within the company or at least lending themselves to part-time work, to accepting undeclared work.

Chapter 1 - How unemployment affects nations and the importance of unemployment benefits

1.1 General framework on the concept of unemployment

Unemployment is a fundamental topic in assessing the economy of nations, since it not only affects the welfare of a state itself, but mainly that of each single citizen. In fact unemployment is defined as” a situation in which able-bodied people, who are looking for a job, are not able to find it”.

Insights of macroeconomics:

In order to precisely reckon unemployment, it is fundamental to distinguish some variables:

- a. L_t = work force
- b. E_t = employed people
- c. U_t = unemployed people

Hence unemployment rate is:

$$u_t = U_t / L_t$$

and

$$L_t = E_t + U_t$$

From what depicted above, it is important to underline that not all citizens are considered “work force”, and in fact not all of them are taken in consideration for calculating unemployment. To be enlisted in the work force, specific requirements are mandatory, the most important of which are: the citizen must be in the legal working age, and he/she must be looking for a job.

The unemployment trends: the unemployment rate that affects a nation, can be composed of two different kinds

1. Cyclical unemployment, which is the component of overall unemployment that results from economic upturns and downturns. Unemployment rises during recessions and declines during economic expansions. Moderating cyclical unemployment during recessions is a major motivation behind the study of economics and the goal of the various policy tools that governments employ to stimulate the economy.
2. Natural unemployment, on the other side, is the minimum unemployment rate that a state can achieve, and it never reaches the zero point. In fact, while cyclical unemployment can be cut out,

through winning economic policies, as in the case of healthy economies, natural is subject to exogenous forces, which do not ever allow to be busted. Indeed there are three levels of natural unemployment, which are:

- a. Frictional unemployment is the result of the employment transitions within an economy, like, for example, workers who quit their job or people newly entering the work force.
- b. Structural unemployment happens when there is a mismatch between the kind of labor demand and supply. For example, when there is worker's lack of requisites or the offer does not satisfy the unemployed.
- c. Surplus unemployment happens when the government introduces minimum wage laws or controls. This means increasing the average wages, always keeping within the payroll budget. The only way to do this, is to dismiss some people.

As depicted in the image, it is easy to see how different the trend of the cyclical is, respect to the natural rate. In fact, while the former is characterized by rigid ups and downs, depending on the economic moment, the natural rate of unemployment follows a homogenous trend, with a rate always between 2,5% and 6%, the latter depends on the economic moment that affects the nations. Examples are recessions and expansions.

The natural unemployment rate: structural plus frictional unemployment.

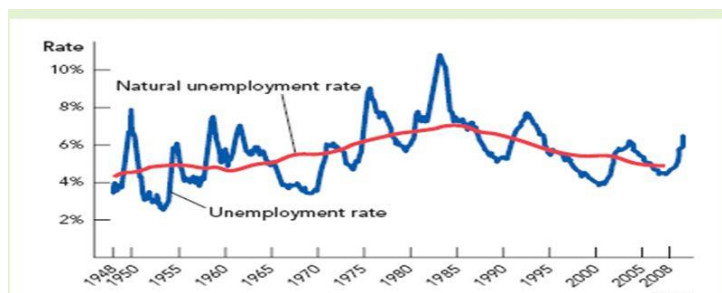


Figure 1 Source: Bureau of Labor Statistics and author calculations

In order to see in depth why unemployment is so important to the eye of a state, and how it is affected, we will take in consideration some empirically observed relationships:

Okun's Law:

It examines the relationship changes in unemployment and in GDP. In a healthy economy, an increase in the domestic product should lead to a decrease in unemployment, as represented by the scatter plot underneath.

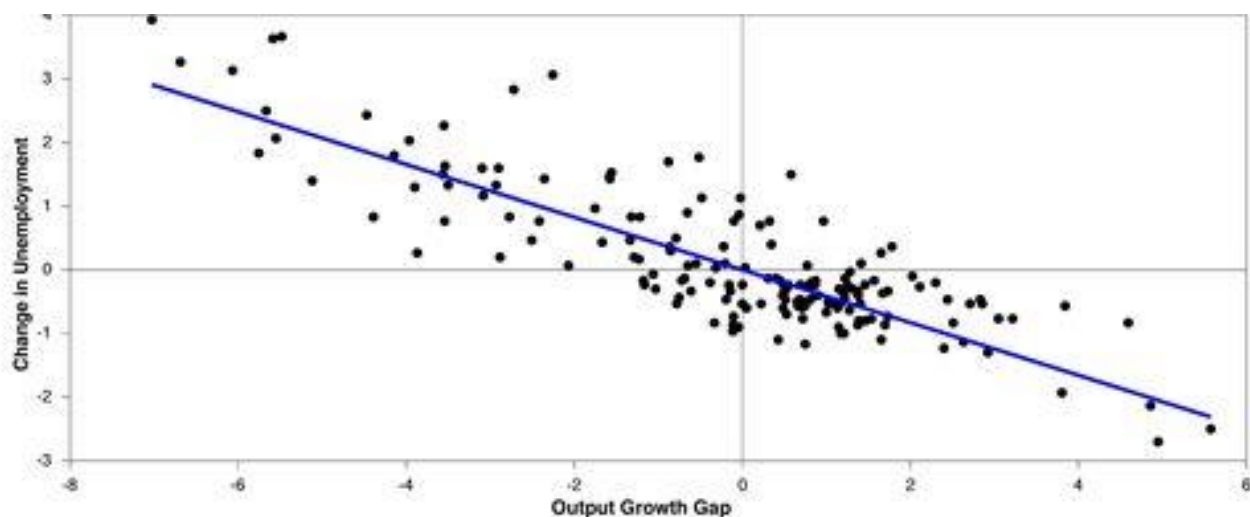


Figure 2 Source: FRED, Author's Calculations

In fact from the image we can deduce how strict is the relation between these two factors, and hence how employment, not only affects the short and long-term income of people, but the economy as a whole.

Okun's Law synthesizes that unemployment and GDP affect each other, as a two-factor model,

$$Y_t - Y_t^* = \alpha + \beta(U_t - U_t^*) + \varepsilon_t$$

where the exogenous variable indicates the GDP gap, the endogenous one the unemployment gap and the B is the Okun coefficient, which as mentioned before in a healthy country is negative.

Despite what Okun states, this theory was the subject of a harsh criticism, since it is reductive to summarize the causes of a GDP change into one single variable, and vice-versa. By the way, I decided to take in consideration such relationship, though purely made by empirical observations, to underline the importance of unemployment, and its influence in different aspects of a country's economy and society.

Phillips Curve:

It is an economic concept, developed by A. Phillips, which states that unemployment and inflation have an inverse relation.

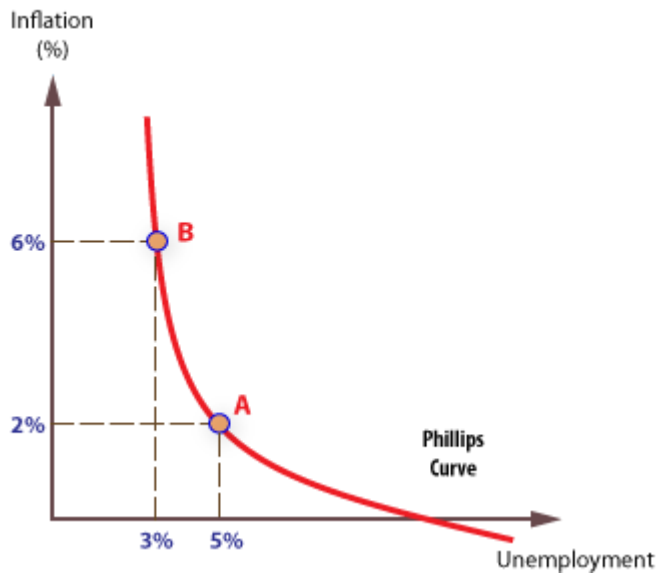


Figure 3 economicsonline.co.uk

The concept behind Phillips curve, is that with an economic growth comes inflation as well. This is easily understandable by staring at the quantity theory of money formula

$$MV = PY$$

which states that an economic growth, and indeed an increase in the quantity of money circulating in the country, causes an increase in prices, hence an increase in inflation. This prosperity leads to an increase in jobs, decreasing unemployment.

This concept is applicable to all countries characterized by a “healthy economy”, since its totality has been empirically disproven in the 70’s, with the appearance of stagflation.

Stagflation is a situation in which high inflation is followed by high unemployment, concept that is opposed to the one just mentioned. By the way, even if Phillips curve presents some limits too, it is useful to understand how unemployment continues to be important in the field of political economy.

1.2 The importance of unemployment benefits.

If, by now we have examined the importance of unemployment, and its invasiveness in the internal relations of a state, such important are the Unemployment Insurances/benefits the same country adopts.

Unemployment benefits are a system of insurance through which, people who lose their job, may receive benefits, following strict eligibility criteria.

In fact, this essay is focused on showing that UI has a beneficial effect on the economy, by decreasing sensitivity to shocks and reducing the variability in income (caused by unemployment), employment and consumption. Not by chance, in the most generous countries, employment is significantly less responsive to labour demand shocks. According to recent studies, a standard deviation increase in generosity reduces the elasticity of employment growth with respect to local shocks by around 7%. Hence, these results have both a statistical and economical relevance.

In order to precisely and more in depth analysing the consequences of UI on the society, we decided to divide its effects according to 3 different economic fields:

1. *Employment growth*

The most generous Unemployment Benefits make households less sensitive to alterations in the employment status, because of their disposable income. This is embodied by a decrease in spillovers of shocks across different labor sectors. In countries with high UI, employment growth is significantly less responsive to labor demand shocks. In fact, benefit generosity has a relevant economic significance, as a standard deviation increase in generosity reduces elasticity for what concerns employment growth with respect to local shocks by about 9%.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	<i>Employment Growth</i>			<i>Employment in Non-Tradable Sector</i>			<i>Employment in Tradable Sector</i>		
Bartik Shock × UI Generosity	-0.08** (0.03)	-0.07** (0.03)	-0.06** (0.03)	-0.13** (0.06)	-0.13** (0.06)	-0.12*** (0.04)	-0.02 (0.04)	0.02 (0.04)	-0.01 (0.03)
Bartik Shock	0.94*** (0.03)	1.23*** (0.08)	1.25*** (0.07)	0.72*** (0.05)	0.45*** (0.10)	0.51*** (0.11)	1.27*** (0.04)	1.79*** (0.20)	1.82*** (0.22)
County Fixed Effects		Yes	Yes		Yes	Yes		Yes	Yes
Year Fixed Effects		Yes	Yes		Yes	Yes		Yes	Yes
Bartik Shock × Controls			Yes			Yes			Yes
Observations	46,470	46,470	46,050	46,470	46,050	46,050	46,470	46,050	46,050
R-squared	0.43	0.07	0.08	0.01	0.02	0.01	0.08	0.01	0.01
Number of Counties	3,098	3,098	3,070	3,098	3,070	3,070	3,098	3,070	3,070

Table 1 Source: *The Importance of Unemployment Insurance as an Automatic Stabilizer* by Marco Di Maggio and Amir Kermani

We further distinguish, throughout this analysis, between tradable and non-tradable sectors, for what concerns employment. Tradable jobs consist mainly in: manufacturing, consulting, engineering, finance; while non-tradable are: government, health care, hospitality, food service, education, retail, and construction. As depicted by the Table above, UI reduces the elasticity of employment in the non-tradable sector by about 20%, while it has scarce effect on the tradable one, both economically and statistically.

2. Consumption growth

The intuition behind this thesis is that an increase in UI would increase the disposable income of unemployed people, reducing less sharply consumption, supporting aggregate demand, national GDP and local economy in general. Not by chance, a one standard deviation increase in UI generosity reduces the elasticity of consumption growth to local labor shocks by around 18%. This effect is statistically significant.

3. Aggregate earnings growth

	<i>Earnings Growth</i>		
	<i>Full Sample</i>	<i>Full Sample</i>	<i>Full Sample</i>
Bartik Shock × UI Generosity	-0.09*** (0.03)	-0.08** (0.03)	-0.07*** (0.02)
Bartik Shock	1.03*** (0.04)	1.24*** (0.08)	1.23*** (0.07)
County Fixed Effects		Yes	Yes
Year Fixed Effects		Yes	Yes
Bartik Shock × Controls			Yes
Observations	46,470	46,470	46,050
R-squared	0.38	0.06	0.08
Number of Counties	3,098	3,098	3,070

Table 2 Source: *The Importance of Unemployment Insurance as an Automatic Stabilizer* Marco Di Maggio and Amir Kermani

The table above represents the correlation between unemployment benefits and the sensitivity of aggregate earnings to possible shocks. As depicted, in fact, there is a negative correlation between the two factors, meaning that earnings, in more generous countries, tend to be less sensitive to adverse shocks. In the particular case, a one standard deviation increase in UI tones down the shocks on aggregate earnings up to 8%.

In sum, we can state that the variations in generosity of unemployment benefits, affect with statistical significance the elasticity of all the three fields analyzed.

Chapter 2 - Comparative analysis of unemployment schemes in 5 European States (GER, FRA, ITA, SPA, DNK)

If back then, we took in consideration the importance of Unemployment insurance and in particular, how its generosity affects different fields of a country, it is now fundamental to analyse what these unemployment benefits are. In doing this, it is significant comparing these 5-member states and catching fundamental differences.

In the comparative analysis of the different unemployment schemes in these five countries, it is fundamental to distinguish, to gather and to analyse the differences among the structural features of these member states.

First of all, we will concentrate on the criteria that characterize unemployment benefits, that is those economic support financed with a contribution base, both from the status and from the worker.

Therefore, the requisites the unemployed person must have in order to be entitled to such economic support, the duration and the generosity of the latter. In addition, the rules that the unemployed person must follow in order to be able to continue to take advantage of these state support, therefore the severity and relative sanctions in case of violation of the established regulations.

2.1 Entitlement criteria for unemployment benefits

Indeed the first scope of this analysis is the distinction of the entitlement criteria. This element plays an important role for the unemployment benefit system, as it depicts which persons have the right to benefits and why, since certain groups are excluded altogether from receiving unemployment benefits. The diagram below represents the differences and similarities among these five European countries in the field of entitlement.

Table 1	<i>ENTITLEMENT CRITERIA FOR UNEMPLOYMENT BENEFITS</i>
DNK	You can receive unemployment benefits, if you have been a member of a recognized insurance fund (AKASSE) for at least 1 year; have earned/have had an income of at least DKK 228,348 (in 2018) during the last 3 years (in total). These two requirements must be met only in the absence of a gradu-

	ation, Furthermore you must be registered at job center (the public employment service), and in case of voluntary unemployment there is a waiting period of 3 weeks before you can receive unemployment benefits.
GER	Claimants must be between 18 and 65, and must be registered as unemployed people actively looking for a job. To be entitled you must have worked 360 days in the last 3 years, and a contribution of at least 12 months.
FRA	In France Unemployment benefit is called l'allocation d'aide au retour à l'emploi and to be entailed at it certain conditions must be met, which are: only salaried persons have right to benefits; you did not leave your job voluntarily; you have worked for at least four months; capable of work; actively searching for work.
ITA	Since 2015 according to NASPL (Nuova assicurazione sociale per l'impiego), the minimum requirement for access is the presence of 13 weeks of contributions in the last four years, with at least 30 working days.
SPA	In Spain to be beneficiary of Unemployment benefits, it is mandatory to have contributed to Social Security for a minimum of one year (360 days) in the last 6 years. These benefits can be claimed by going to the Servicio Público de Empleo Estatal (SEPE, Spanish State Employment Service), an autonomous body that currently reports to the Ministry of Employment and Social Security. Obviously to be beneficiary you must be under retirement age, not subject to incompatibility and have involuntary lost your own job.

As represented in the diagram above, we can see how the entitlement criteria focuses on: the age, the time worked and the involuntarily. For what concerns the latter, Denmark is the only one, which contributes in providing UI to voluntarily unemployed people as well.

The table underneath represents the entitlement percentage, hence the percentage of unemployed people who receive benefits, in the main European countries in 2014. We can see how countries like

Germany and Denmark have reached pics of 80-90%, while countries like Italy not even 20%. This severity in the entitlement criteria, leads Italy to be one of the countries with the lowest percentage of unemployed who receive unemployment benefits. This is not due, as we will see later, to a precise ratio, but rather to the lack of inclination and negligence of the Italian state to invest in active policies against unemployment. This brings the citizens but also the whole country in a state of economic and social depression, with an increase in the number of unemployed and a decrease in consumption, therefore a slowdown in the national economy.

Share of unemployed (less than 1 year) who receive unemployment benefits

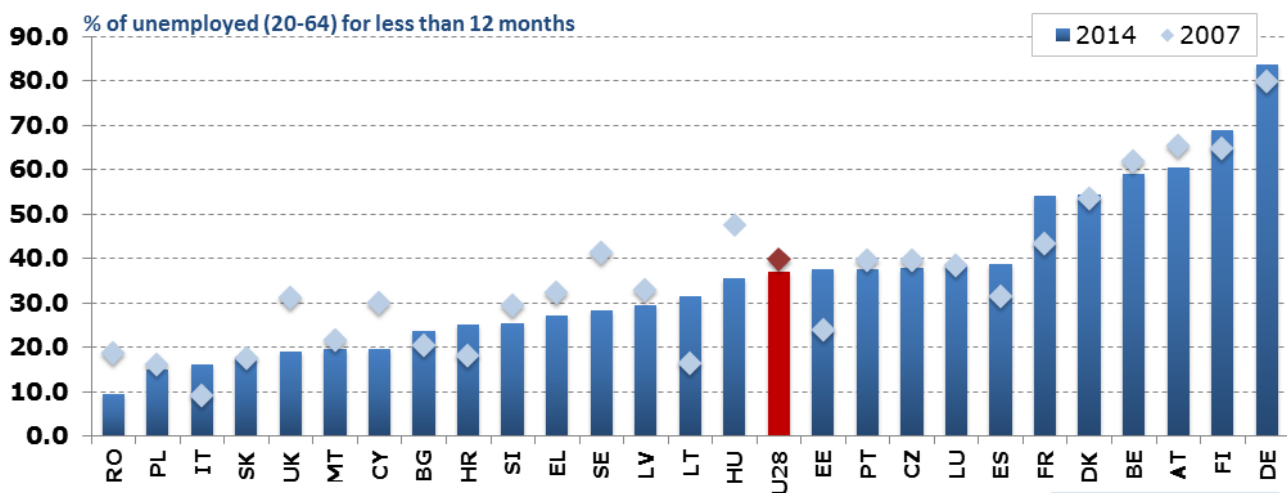


Figure 4 Source: Eurostat LFS

2.2 Duration and generosity of unemployment benefits

After being entitled for benefits, what really distinguishes one country from another in terms of generosity is the duration of the right to benefits for the unemployed, and the generosity of the same benefits. In fact, while the duration is calculated in days from the beginning of the unemployment status, the generosity is calculated through the replacement rate. It indicates the percentage of the unemployed person's salary, their benefits represent. The generosity of the replacement rate, beside the salary, depends on different factors like the seniority, the family status and the contribution period.

TABLE 2	<i>DURATION AND GENEROSITY OF UNEMPLOYMENT BENEFITS</i>
DNK	<p>UI benefits have averagely a replacement rate of 90%, with a maximum duration of 4 years... The highest unemployment benefit you can receive is: • DKK 18,633 a month for a fulltime ensured; • DKK 12,422 a month for a part-time ensured. If you have just completed your education or training: • DKK 13,323 a month for a fulltime ensured; • DKK 8,882 a month for a part-time ensured. If you have just completed your education or training and are providing for a child: • DKK 15,279 a month for a fulltime ensured; • DKK 10,186 a month for a part-time ensured. If you are under the age of 25: • DKK 9,317 a month for a fulltime ensured; • DKK 6,211 a month for a part-time ensured.</p>
GER	<p>The replacement rate depends on family status, and fluctuates between 60-67%. The duration depends on the age of the unemployed and on the contribution period during employment. It goes from a minimum of 156 days (benefits are paid 6 days per week), with 360 days of contribution and under 42 years old, to 832 days with 1920 working days of contribution and over 54 years old.</p>
FRA	<p>Duration is based on contribution like this: up to 52 y.o the minimum contribution period is 4 months in the last 28m with a maximum duration of benefits of 24 months; 53-54 y.o with a minimum contribution of 4 months in the last 36 and a duration of 30; at last 55+ years, minimum contribution of 4 months in the last 36 and a duration of 36 months. The replacement rate goes from a minimum of 57 to a maximum of 75%.</p>
ITA	<p>By NASpl, generosity depends on the salary of the last 4 years. If the latter is less than or equal to 1,208 euros, the service has a replacement rate of 75 percent, if it is higher, the amount is increased by 25 percent of the difference between 1,208 euros and the value effective, up to a maximum of 1,314 euros. Duration depends on a number of weeks equal to half of those for which contributions have been paid up to the maximum limit of</p>

	24 months. ASPL has been joined by a new measure called miniASPL, dedicated to very short-term working class people, in which are required only 13 weeks of contribution in the last 12 months, in order to receive benefits. Furthermore, the duration of unemployment benefits has been extended to 16 months for morethan-55-years workers.
SPA	Benefits duration depends on the contribution period. It can go from 120 days, with 360-539 days of contribution period, up to 720 days of benefit period, due to a contribution of more than 210 days. Generosity is calculated based on the last 180 days of contribution before dismissal. It is equal to the 70% of this 180-days basis for the first six months, and then it falls to 50%, in order to boost unemployed people to find a new occupation.

What is most deductible from the table above is how each country over time reduces the benefits generosity to the single citizen, in order to encourage him/her to find a new occupation. Beside each country's personal regulation, we can notice, how all the states taken in analysis, apply this formulation. Not surprisingly, over the last few decades it has been shown that a high replacement rate in the early days, which then decreases over the following years, has encouraged the unemployed to look for a new job.

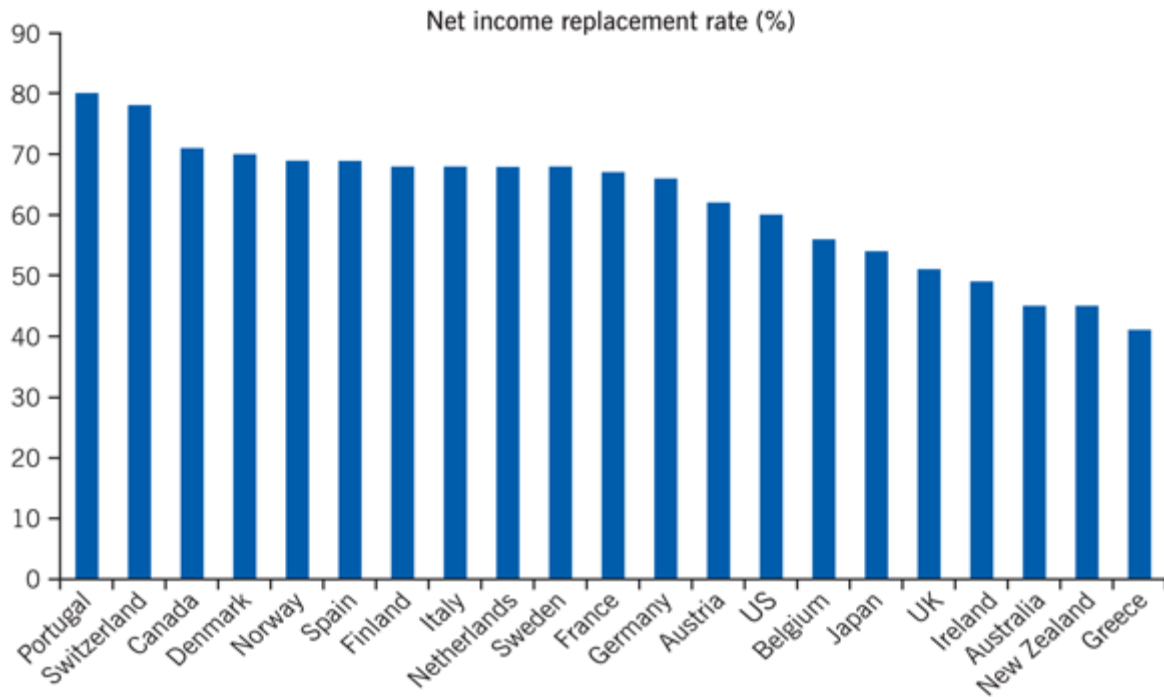
Underneath we present the replacement rate in the first five years of unemployment in 30 world countries.

	Year 1	Year 2	Year 3	Year 4	Year 5	Five-year average
Norway	72	72	72	72	72	72
Belgium	65	63	63	63	63	63
Austria	61	58	58	58	58	59
Denmark	68	68	68	68	9	56
Ireland	50	50	50	50	50	50
Portugal	79	79	56	24	3	48
Germany	64	48	42	36	36	45
France	67	64	31	31	31	45
Finland	60	58	33	33	33	43
Australia	42	42	42	42	42	42
Spain	69	65	25	25	13	39
New Zealand	38	38	38	38	38	38
Sweden	66	63	41	8	8	37
Iceland	57	54	54	8	8	36
United Kingdom	28	28	28	28	28	28
Netherlands	71	59	3	3	3	28
Switzerland	80	40	0	0	0	24
Luxembourg	87	8	8	8	8	24
Canada	52	14	14	14	14	22
Hungary	48	13	13	13	13	20
Poland	42	16	8	8	8	16
Czech Republic	33	11	11	11	11	15
Japan	45	3	3	3	3	11
Turkey	46	0	0	0	0	9
Slovak Republic	32	3	3	3	3	9
Greece	33	5	1	1	1	8
Italy	37	0	0	0	0	7
Korea	31	0	0	0	0	6
United States	28	0	0	0	0	6
Median	52	40	25	13	9	28

Table 5 Source: *OECD tax-benefit models* (www.oecd.org/els/social/workincentives).

These statistics are the result of the average replacement rates of each single country in five different years. As discussed above, though all five countries, we take in consideration in our analysis, present a decreasing replacement rate over time, Italy is the sole country, which presents, on average, a zero replacement rate after the first year. The most generous one is Denmark with an average replacement rate over the five year of 56%, decreasing the generosity only after the fourth year of unemployment. Italy, with 7%, is the least generous country, over the five years. In fact, although it is true that a decrease in the replacement rate incentives people, the Italian case, where the rate is always low on average and does not last more than two years, discourages and puts the citizen in an economic condition of not being able to find a new and proportionate job in a quiet way.

Figure 5 Net income replacement rate in 1 year after unemployment in 21 World countries.



Source: Burtless, G., and T. Gordon. "The federal stimulus program and their effects." In: D. B. Grusky, B. Western, and C. Wimer (eds). *The Great Recession*. New York: Russell Sage Foundation, 2011; pp. 249–293 [1].

2.3 Eligibility criteria

Another important element in the analysis of the unemployment schemes is covered by the eligibility criteria. It consists in a range of behavioral requirements, which must be strictly followed by those who have established a right to receive unemployment benefits, in order to continue to be entitled for benefits, without losing the right. This way, citizens are encouraged to follow strict rules to find a new occupation, or at least trying to.

In fact, economic models and empirical research show that, if UI were issued with the only requisite of unemployment status, they would discourage the pursuit, by unemployed citizens, of a new occupation. Therefore, the role of the eligibility criteria is to counter this trend, going so far as to decrease unemployment rate.

Eligibility criteria: *behavioral requirements the beneficiary must strictly follow not to lose the right of UI benefits.*

TABLE 3	Availability for work	Demands on occupational mobility	Demand on geographical mobility	Sanctions in case of resignation	Job search monitoring	Minimum number of job-search actions.
DNK	Available for work, job search and job referrals.	Available for any reasonable work.	Up to 3 hours of travel. After 3 months must accept more.	Quarantined for 3 weeks.	When unemployed attends a meeting he brings a plan of job-searching (every 3 months)	A minimum number per week or month agreed in an individual plan.
GER	Efforts required when participating in ALMP.	Accepting job corresponding to capacities, unless good reasons like very low salary.	Accepting jobs far up to 2 hours and a half.	Without good reasons, will be suspended for 12 weeks, and period of entitlement cut.	Integration agreements must be reviewed every six months.	No minimum number specified.
FRA	Must accept job offers, but no evidence of job search.	After 3 months must accept every job if it is at least 95% replacement rate.	After 6 months must accept jobs far 30km or 1 hour distance	Without good reason, will not obtain benefits before 4 months.	Each month must provide evidence of job search.	No minimum number specified.

ITA	No job-search obligation but cannot refuse job offers.	Lose their entitlement if refuse wage 20% higher than benefits	If he refuses an adequate job offer, which may be reached in 80 minutes, lose benefits.	Only justified reasons sexual harassment, or their tasks were changed.	There is no requirement to prove job search activity.	Not applicable.
SPA	Renew registration every 3 months, no active engagement if they take part in programs.	Accept job if it is adequate. After 1 year accepts any job.	Up to 30km distance, and journey not more than 25% of work duration.	No benefits in case of voluntary resignation.	Must prove to search a job, but no legislation about frequency.	No minimum number specified.

Eligibility criteria have a more positive impact on unemployed people, than a reduction in replacement rate, as incentive. It happens because these criteria, as listed in the table above, require behavioral compliance.

In doing so, the UI system must reach the right balance of boosting unemployed people toward seeking new occupations, without stressing the burdens required to be eligible, which would cause an opposite effect on welfare. This means that the mandatory conditions imposed by the system of Unemployment benefits must be such as to establish a level of job search intensity greater than those workers they would assume in the absence of such conditions, but less than that required in the absence of compensation. This has the aim of determining, based on the effects described above, a positive effect on the market of work through a reduction in unemployment rates.

2.4 Factors that justify a voluntary resignation with no sanction

As mentioned above, in the case of voluntary resignation from a previous job, there is a wide range of sanctions, more and less strict, depending on the belonging country. Nevertheless, there are some factors, intrinsic in the willingness of the employee to resign from the previous job, which justify his action. The table below represents the five countries taken into analysis and the cases in which a voluntary quit is justified without any sanction being charged on the unemployed benefits.

Table 5 - Factors that justify a voluntary resignation with no sanction

Country:	ITA	GER	FRA	DNK	SPA
<i>Health</i>		X		X	
<i>Family</i>		X	X	X	X
<i>Following spouse</i>		X	X	X	
<i>Sub. Emp. failed</i>		X			
<i>New job fell through</i>		X			X
<i>Nature of work</i>	X				
<i>Future Emp. assured</i>		X	X	X	
<i>Discrimination/harassment</i>	X	X		X	
<i>Transport-issues</i>		X		X	
<i>Skills/training</i>		X			
<i>Business reasons</i>		X			
<i>Ethical/moral</i>		X			

1. **Health reason:** The jobseeker cannot remain in his/her current type of work for health reasons (but is still available for some kinds of work)
2. **Family and personal reasons:** The jobseeker quits a job related to family or personal reasons (e.g. care for a child or close relative, domestic violence), therefore needs to change hours or relocate
3. **Following spouse:** The jobseeker needs to quit to move with a spouse who is taking up work in another part of the country; (or for young people under the age of 18 to follow their parents)
4. **Subsequent employment failed:** : The jobseeker left a long-term job to start a new job or self-employment, but voluntarily quit during the trial period of the new job or the own business started wasn't successful; obtain better prospects with another organisation, which subsequently proved to be the wrong decision;
5. **New job fell through:** The jobseeker left a long-term job to start a new job, but the new job fell through (e.g. the employer terminated at the end of a trial period)
6. **The jobseeker resigns from the job because of the nature of the job.**
7. **Future employment assured:** The jobseeker quit a job because a future employment relationship is assured (often a minimum length of the new contract needs to be assured) or to take up education
8. **Discrimination/harassment:** The jobseeker quit a job because of discrimination, (sexual) harassment, or other serious violations of fundamental employer duties towards the employee
9. **Transport issues:** The jobseeker quit a job due to transport issues (e.g. following relocation of the business)
10. **Skills/training:** The jobseeker quit a job as it requires particular skills or qualifications that the person does not have, and appropriate training will not be provided by the employer
11. **Business reasons:** The jobseeker quit a job due to reasons related to the owners of the business reasons (e.g. ongoing labour dispute; imminent danger of debt overload or insolvency)
12. **Ethical/moral reasons:** The jobseeker quit a job as it does not any longer accord with ethical, moral or religious beliefs or other reason worthy of consideration. a) "X" indicates that a majority of states have some type of provision for that factor, with some states provisions more restrictive than other ones. In all states, individuals who leave their work voluntarily must have good cause if they are not to be disqualified. Good cause may be determined if the employer is not paying for work done (in the case of uncertainty/viability of business). In the other examples, eligibility will depend on the individual's reason for quitting and efforts to work with the employer to resolve the issue or the circumstances at the time of the quit. DELSA/ELSA/WD/SEM(2015)3 59 Table A10. Sanctions for refusing job offers (item 8 and 9) Country Fi

This table shows how the results of Spain and Italy stand out among the five countries considered. The latter, in fact, have a very high severity in terms of voluntary resignation. This causes a disorder at the social level, in which the citizen has little chance of leaving, in the case of a breakdown or inconvenience in the workplace, without insurance coverage at the economic level by the State.

Chapter 3 - Other forms of income benefits towards unemployed citizens.

3.1 General framework of the 5 member states taken in analysis

All European countries, in particular the five ones we have been taking in analysis by now, have UI system, in which the worker's performance consists of payment of a prize, in the form of "social" contributions, and the consideration, in the event of unemployment, materializing the provision, by the managing body of such insurance, of unemployment benefit. Beside the UI system, there is a welfare system of social benefits, which supports the unemployed citizens, who do not fall within the UI eligibility, or they replace such allowance in case the unemployed runs out of this right.

In most countries, unemployment insurance is mandatory. Among the states taken in analysis, only Denmark is an exception. Nevertheless about 90% of the people who fall within the scope of application are registered with a fund for unemployment insurance.

For what concerns the financing of related services to unemployment, in most countries insurance is based on contributions paid by both employees and their relative employers. For example in Germany the contribution rate is the same for both workers and employers, and it amounts to 3,25% of net salary. In France, the contribution rate for employers is 5,65%, while for workers there is a lower share, which amounts to 3,6%. In Denmark, instead, contributions are only paid by workers registered with the cashier.

In most European countries, social benefits are financed by the tax authorities, which are income support, when the unemployed ceases to receive the UI benefits.

The problem deriving from this situation, which all European countries have to face, is relative to the increase of the public spending, which drives the same countries toward seeking different forms of reform for what concerns the welfare system. In fact, the aim of the countries is to contain social spending, deriving from the services provided, in this particular case, to unemployment. In doing so, each country intervenes

on the conditions of access to the social benefits, its relative generosity and the conditions required to the beneficiaries of these services, in order to, as mentioned in the previous chapter, discourage the citizens to act passively towards the State.

So far, we have been analyzing the processes that entail UI benefits, and how to be entitled for them. By now, the purpose is to explore more in depth the social security systems of our five countries, taken in analysis. In the paragraph above, we gave a general framework of some substantial differences.

Now we focus on the single state, in order to catch the fundamental inequalities, mostly compared to our Italian case.

Social security systems:

1. Denmark

As mentioned in the introduction, differently from most of the European countries, Denmark's unemployment insurance system provides a non-mandatory enrolment. Despite this peculiarity, a high percentage of labor force is recorded.

The Danish social security system consists of a dual system in which two different administrations are responsible for the provision of social or unemployment benefits. On one hand, we have the Ministry of Labor, which is strictly responsible for the measures and actions toward workers registered with an insurance fund in case of non-voluntary unemployment. On the other hand, instead, there is the Ministry of Social Affairs, which is responsible for unemployed people not registered with such fund.

Actually, the two systems, though separated, use the same tools and share the same aim, which is a connection between the labor market and the unemployed people. They try to put the citizen in the optimal condition, to become laborious again in the society. For people enrolled in an unemployment insurance fund, there is access to benefits. Instead, for non-registered citizens receive a subsidy from the welfare system. As shown in the first chapter, Denmark, in the insurance system, presents a high replacement rate in the first years of unemployment, in order to reintegrate labor force into the market. The same happens with the welfare system, with high replacement rate and short duration.

2. *France*

Always as mentioned above, France, like many other European countries, presents a mandatory insurance system, and it is financed through contribution both by workers and by employers. The generosity of replacement rate is usually quite generous (around 75%) and the duration too (minimum 7 months, maximum 60 months).

For what concerns the social security system, French one is based on two principles: the insurance and solidarity sectors. It includes eight various forms of income support, such as: subsidy for people elderly (minimum vieillesse), subsidy for the disabled (minimum invalidité), subsidy for disabled adults (allocation adulte handicapé), placement subsidy (allocation d'insertion), minimum income of insertion (revenu minimum d'insertion), subsidy for parents single (allocation de parent isolé), widowhood insurance (assurance veuvage).

The income support system, beside the insurance system, is divided in three different kind of interventions. In the first case, the legislator instead of issuing any kind of subsidy to the citizen, he rather tries to enter him/her in a program of reintegration. The second case is characterized by the issue of a small subsidy beside a program of reintegration. Instead, in the third case, the unemployed person is entitled with full subsidy without any social commitment.

French income support system has, therefore, a complementary role to the insurance one. It played a fundamental role in periods when conditions for accessing to unemployment benefits were restricted. In this context the "minimum insertion income" has played, and still does so, an important role in the French economy. It consists of an income support, whose access is reserved to people who do not meet the eligibility criteria imposed.

3. *Germany*

In Germany Unemployment insurance is managed by the Federal Labor Office. Like in France, the enrolment to the system is mandatory, and its contributions is equally divided between worker and employer, with a 6, 5% on the gross wage.

Beside the unemployment benefit system, as all the countries seen so far, Germany is sustained by a welfare system as well. This latter provides subsidy (Arbeitslosenhilfe) to workers who first were entitled for unemployment benefits, but at the end of the duration are still unemployed.

The welfare system is financed by general taxation, it corresponds to a percentage on the income and it is not marked by a specific time limit.

Beside these forms of income support, German welfare system provides a kind of subsidy called “Sozialhilfe”. It is issued to those who do not fit the eligibility criteria to receive unemployment benefits. This type of subsidy is financed through the general taxation and it does not provide a time limit. Furthermore, its amount does not depend on the previous salary of the single citizen, but it is established according to the family situation of the latter.

4. *Spain*

In Spain, the unemployment insurance is mandatory as well, and it is managed by INEM (Instituto Nacional de Empleo). The contribution for unemployment is financed both by workers and by employers, in the proportion of 4, 7% for formers and 23, 6% for the latter.

Beside the unemployment benefits, Spanish system, as well as the other country we have seen so far, presents a subsidy provision. Are entitled to these subsidies those whose unemployment benefits are exhausted, or those who do not meet the requirements to be entitled for unemployment benefits.

To be entitled to these subsidies, the requirements are: involuntary unemployment, being between 16 and 65. The duration fluctuates from a minimum of 6 months to a maximum of 18.

There are other 17 different forms of subsidies in Spain, which depend on the 17 communities, in which the country is divided. Most of the time these amounts are composed of minimum quantities of money and only a small part of the population are entitled for them.

In fact, because of these 17 different autonomous communities, which present their own legislations, the Spanish system presents a strong lack of uniformity.

3.2 The Italian case

The Italian unemployment benefit and social security system is divided in the following way:

1. Two different unemployment insurance benefits

- a. NASPI (Nuova assicurazione per l'impiego) is an unemployment benefit system, addressed to the private sector employees, with contributory and no-means-tested basis, subject to taxation. All workers can be entitled for such benefits, except for permanent public employees and permanent agricultural workers, as long as they have provided at least 13 weeks of contributions in the four years preceding the unemployment. As mentioned above, the benefits and their relative generosity depend on the amount of the relative contribution. For what concerns the eligibility

RESULTS FOR SINGLE PERSON OF 40 Y.O. WITHOUT CHILDREN

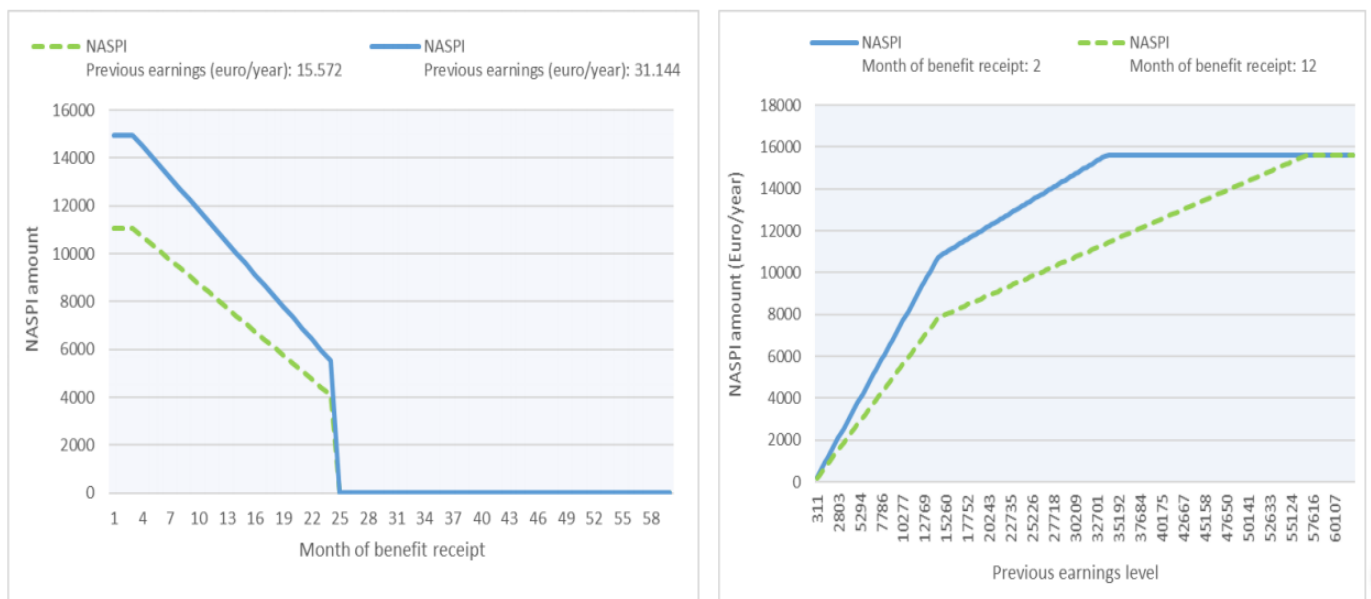


Figure 6 Source: The OECD tax-benefit model for Italy

conditions, beside the involuntary unemployment, the citizen must be registered with the public employment service (Centri per l'impiego) and must be actively seeking for a

job. The NASPI is monthly issued by INPS (Istituto Nazionale per la previdenza sociale) with a replacement rate usually of 75%. The duration of the benefit is reckoned as the half the number of weeks for which social contributions were paid in the four years before the start of unemployment, to a maximum of 24 months.

- b. DISS-COLL is another source of unemployment benefits, addressed to coordinated and continuous collaborators self-employed workers, postdoctoral research fellows and PhD students with scholarships. For what concerns the duration, generosity and eligibility criteria, it follows the same characteristics of NASPI.

2. Welfare system:

Beside the UI system, Italy presents an unemployment assistance system, called ASDI (Assegno sociale di disoccupazione). Since the beginning of 2018, ASDI has been replaced by REI (Reddito di Inclusione). Differently from unemployment benefits, it has non-contributory and means-tested basis, without subjection to taxation. REI is a subsidy against poverty and is divided into two different parts: a monthly check and a personalized project, aimed at reintegrating the citizen in the labor environment.

The entitlement criteria, in order to be economically supported by such subsidies, depend on the family conditions, like the number of family members and social indicators like ISEE (indicatore della situazione economica equivalente) and ISRE (indice situazione reddituale). The duration of the subsidy lasts up to 18 months, with other 12 months after a waiting period of 6 months.

3. Mobility allowance (assegno di mobilità):

It consists in an intervention towards specific categories of workers, dismissed by industries in economic troubles, which guarantees an income support service, replacing remuneration, and tries to reintegrate the citizen into the labor environment.

The subsidy is addressed to unemployed people with the status of worker, employee or manager.

The eligibility criteria are; a seniority of at least 12 months, being fired after a period of “Cassa Integrazione” or for reduction of personnel following transformation, restructuring and cessation of activity.

4. **Cassa integrazione guadagni:**

It is a social safety net, which provides, through payments of money made by INPS, economic support in favor of workers, who are in precarious economic conditions, because of a suspension of their working activity.

It is important, in fact, to underline that those who are entitled for Cassa Integrazione, though they play a passive role in the society, are not concerned, in front of the state, as unemployed citizens. They are, *ipso facto*, considered, in the statistics, as active labor force.

According to the beneficiaries of the same, Cassa Integrazione can be divided in:

a. Cassa Integrazione ordinaria

Cassa Integrazione ordinaria (CIGO) is an economic benefit, always managed and issued by INPS, instituted to replace the salary of workers in the industries, who have suffered a reduction in the hours of work, or a total suspension, because of hard economic situation caused by:

- Seasonal weather
- Temporary market issues
- Other external events, which are not reasonability of the worker nor the employer.

The replacement rate is about 80% of the previous salary, while for what concerns the duration of the subsidy, it depends on the belonging sector, but in most of the cases is from 13 weeks up to 12 months.

b. Cassa Integrazione straordinaria

Cassa Integrazione straordinaria (CIGS) has been funded to replace the salaries of workers in the industries as well. What differentiates CIGS from CIG is the assumption according to which the subsidy is granted. In fact, while the latter refers to temporary market issues, the former can be issued in extraordinary situations like:

- Restructuring and conversion of the company's activity
- In case of crisis of the company at sector or territory level
- In case of bankruptcy, compulsory administrative liquidation or extraordinary administration.

The replacement rate is equal to 80% of the previous salary. For what concerns the duration of the subsidy, instead, it cannot last more than 36 months in the last 5 years.

CIGS is financed and approved by the Ministry of Welfare, according to a request made by the same industry. In order to be eligible, the company must design a program in which they face and take care of the incumbent consequences of the job reduction, both at the social and economic level. This is the case of industries having numerous workers along the same territory.

3.3 Observations on the different systems

From the previous observations, about social security and unemployment benefits systems, among these five member states, we can identify common traits, through which we can get to define three different models.

- A first model is the Scandinavian one, to which belongs Denmark (and other northern countries not taken in consideration by this analysis). This system is characterized by voluntary registration to unemployment insurance, high levels of public spending in the field of unemployment, creation of job and protection of unemployed citizens. Furthermore, Denmark presents high level of replacement rate in the first years of unemployment, and a strongly decreasing one in the successive years, in order to stimulate the unemployed person to find a new occupation.
- Another model is composed by southern Europe countries like Italy and Spain (Portugal and Greece as well). This model is characterized by a very low level of public investments, in particular of social benefits in the field of unemployment. Moreover, the replacement rate is quite low and the duration of the benefit, most of the times, does not exceed one year.
- Continental countries, such as Germany and France, compose the last model. They have intermediate characteristics for what concerns the benefits toward the unemployed person, and the social condition of the latter.

Chapter 4 - Conclusive observations and suggestions of the Italian condition, in the light of the comparative analysis.

Already from the three model scheme we have just seen, it is deductible how Italy, respect to other European states, presents serious problems in the field of unemployment. In fact, our country, next to Spain and Greece, has resulted the least equipped nation to support job placement and replacement such that the shortcomings of the legal-institutional framework of our Country are not bounded to the enhancement of the social and unemployment benefits system. Indeed, another big problem, that affects our nation, is the focusing on the protection of the *contraente debole*, rather than the institutionalizations of reintegration measures in the work system.

4.1 In depth analysis and critiques on the Cassa Integrazione Guadagni institution.

Undoubtedly, the application of measures plays a big role in the public intervention, mainly characterized by passive support towards workers' income. A striking example of these passive supports is the already mentioned Cassa Integrazione. It is an Italian institution, not present in the other countries' bill, which, through its expensive and indirect channel of financing precarious workers, covers and denatures other legitimate operations of restructuring. Not by chance this peculiar system, has favored forms of collusion inside the industries at the expense of the State, without a real active design of reintegration towards those workers expelled by the companies. Furthermore, it is important to underline the ruinous application, in accordance with Cassa Integrazione, of socially useful works, which have passively absorbed a large sum of the State fund. These works consist of the involvement of the same workers in activities compatible with their profession, for public services or other activities. Socially useful works have been funded by the Italian legislation, to support precarious workers of Cassa Integrazione, in order to curb the spread of undeclared work. By the way, this timid attempt of social assistance has resulted in a transformation of the latter, from a passive instrument of social support, to the form of *precariato stabile*.

Therefore, for what concerns the socially useful works, nor really contributed to the elimination of unemployment, nor stemmed the spread of undeclared work. It has rather worsened this situation because of the lack of staff checks and the boost of part-time workers, respect to the previous full-time. This negative environment has contributed to the foundation of a basin favorable to undeclared (*black*) work.

So far, hence, we have been seeing how the Italian system is unbalanced towards the preservation of the job, rather than protecting the employee in the work environment. Thus, it does not surprise that the social system is directed towards the protection of workers, who already own an employment, with measures of income supplements, rather than helping unemployed ones. This way Italian system increases the gap among employed and unemployed people, reinforcing the dualistic model: *outsiders* and *insiders*.

Not by chance, in 2012 Italy spent 30.7 billion of euros (1.96% of GDP) on employment interventions, of which 5.4 billion (0.35% of GDP) for employment active policies and 25.3 billion (1.61% of GDP) for passive policies like the above mentioned Cassa Integrazione.

Incidence of hours of redundancy pay on the total hours worked in the industry in the strict

sense

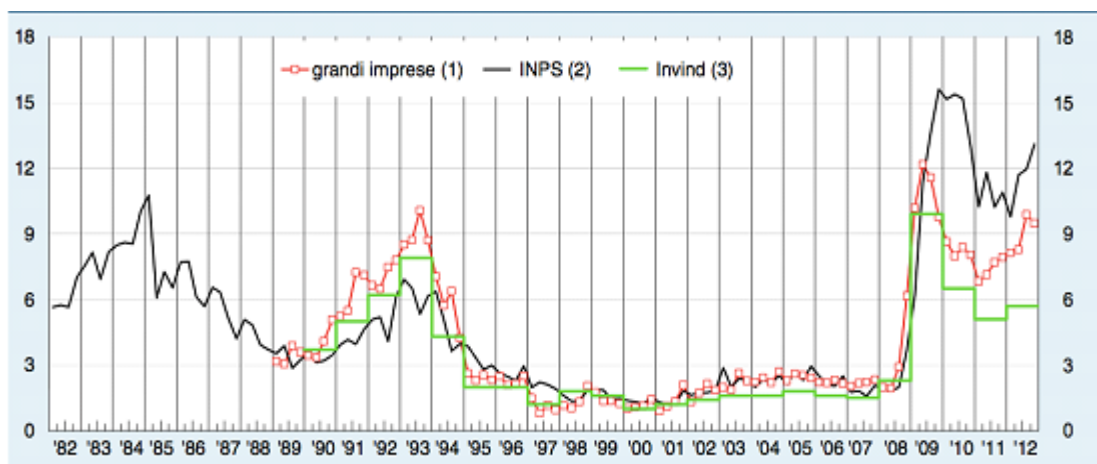


Figure 7

Moreover, covers another fundamental aspect the effects that Cassa Integrazione causes to the finances of the State. In fact, though CIG is entitled only for certain sectors and big industries, it operates on an insurance basis. In particular, workers

who benefit from them, finance CIGO with fixed and variable contributions, full load of the industries and, fundamental, with the duty of balanced budget.

CIGS, on the contrary, which intervenes in critic moments, and issues the largest sums of money, though it is financed with fixed and variable contributions by the companies themselves, does not have the duty to provide balanced budget. This means that all the liabilities, resulting from the company balance sheet, are covered by the State.

4.2 Inconsistencies of the Italian system.

In case of unemployment all European countries, as mentioned above, provide economic benefits to replace income in case of jobless situation. They are considered macroeconomic stabilizers, which, as treated in the first chapter, make households and the whole economy less sensitive to alterations in the employment status. In fact, through the application of benefits and subsidies, the unemployed citizen can quietly seek a new occupation, without accepting job, which is under his/her competences. This aspect should determine an improvement of the work reintegration, which, in turn, would increase the national quality level of hired workers.

On the other hand, despite having positive effects on the society, unemployment benefits can create disincentive system of work. In fact, these disincentives are fed by the conditions in which the unemployed person finds himself in a high social benefits situation, according to which the unemployed person rises the level of remuneration claimed. This situation causes an increase in long-term unemployment. That is why the most developed counties, in terms of social security, that own high replacement rates, are equipped with very efficient reintegration systems, characterized by activation systems of unemployed workers, with big incentives and strict sanctions.

Furthermore, many studies conducted on the effects on the labor market, have shown that the disincentive effect of benefits on unemployed workers is not provided by the replacement rate generosity, rather the duration of the service. In fact, even if the compensation has a not too high amount, the worker prefers a modest safe entry, compared to a higher income but that could be uncertain. Not by change, northern countries like those of the Scandinavian model (Denmark), provide in the first years of unemployment a conspicuous amount of money, up to 90% replacement rate. After the first years of benefits, the generosity suddenly decreases, until reaching the 0-

point. This way the citizen has the time and tools to find a new occupation in the best economic conditions. Italy, on the other side, besides providing a lower replacement rate, maximum of 75%, never reaches a duration period higher than 24 months.

In fact, despite a decreasing replacement rate incentives the citizen, the Italian case provides too low generosity, both in duration and generosity terms, to allow the unemployed citizen to find a safe social condition. Therefore, the precarious condition in which the Italian state places the citizen, not only does not allow the latter to quietly find a new job without risking the bankruptcy, but rather the unemployed person is not allowed to refuse underpaid occupations, which require basic skills, beneath his/her own possibilities.

According to these European observations, a great unemployment benefits system would be the one with the characteristics just mentioned: high replacement rate and short duration. It is, then, up to the eligibility criteria to decide the severity according to which the UI is issued. About this topic, Italian system presents different flaws in the eligibility and entitlement system, respect to the most developed ones. The first important aspect is the discrimination towards certain classes of unemployed workers. In fact, the benefits generosity issued to these, does not depend only on the contribution and the seniority, but on other discriminant conditions as well. These are: the economic sector of affiliation, the size and the importance of the company and the reason why he/she lost the job.

- **Sector of affiliation**

A striking example is the treatment reserved for agricultural sector employees. In fact, these receive treatment in the event of unemployment with a much higher replacement rate in favor of the same contributions paid by an employee in another sector.

- **Size and importance of the company**

In this regard, the Italian scheme of intervention in the economy was based on supporting large companies, even if operating in obsolete sectors. The analysis conducted in the last decades on the measure adopted, reveals the incapacity of the Italian legislation to direct in the right way the conduct of the economic operators, which has been a big success instead of the French experience in the last decades. Furthermore, there is a big issue for what concerns the improvement of the market, which is

stuck in a policy, where the State passively finances the businesses, without a real *ratio*. This causes a fragility, which sets the State in a situation of serious degeneration.

These measures, therefore, reveal a legislation on UI benefits and social system biased in favor of big industries, instead of a more organic and coherent intervention. This explains the always-increasing growth and resistance of the large industrial aggregate and the lapsed of the smallest ones, and the connected delay of our country in the process of transformation and innovation.

- **Justified reasons for voluntary resignation**

According to data gathered during our analysis, in particular in the first chapter, we can deduce how, among the five countries analyzed, Italy is the one, which presents the strictest sanctions in case of voluntary resignation. In fact, from what we have seen so far, it is clear that the Italian state has a tendency in investing in passive social policies rather than active ones. This also leads to an increase in severity regarding the entitlement criteria. So much so that our country recognizes as justified reasons for abandoning the workplace, only two cases: the nature of work and racial discrimination. Which, compared to the wide range of justified reasons, first of all the "health conditions", makes us understand the limited elasticity and support of our country in terms of social assistance. All this, however, is not accompanied by a system of severity, in terms of eligibility criteria, well tested as the case of Denmark, first among all. The latter in fact, together with other European states such as the Netherlands and the United Kingdom, showed above all during the nineties, as a decrease in unemployment, was directly connected with an increase in the severity of the eligibility criteria. This is not the case in Italy, which still has serious flaws in the supervision system for unemployed workers, and at the same time to protect them. In fact, compared to many European countries, it is far behind with regard to the re-employment of the work force in the world of work, above all due to an underinvestment in this field. Therefore, we can summarize how the Italian system is made up on the one hand of strict entitlement criteria, which bring a good part of the unemployed population to have no subsidy, or at least little, and on the other a weak eligibility system, which does not present a strict control of those who are entitled to compensation. All this accompanied by a mere reintegration program of the unemployed, which creates frictions in the labor supply and demand system.

4.3 Conclusion and possible suggestions for the Italian case.

It is a unanimous opinion, according to what analyzed so far, that the current regime of the Italian unemployment social system, gives rise to an unorganized *corpus*, which always more distances itself from the concept of “system”. At the same time is fully shared the presence of anomalies respect to the other developed European countries. In particular, the comparison made with the other States, shows how our current regime, with a total expenditure not far from the other ones, presents two striking problems: the first one consists in the excessive expensive for passive supports (Cassa Integrazione), with one of the lowest expenditures in UI benefits all over Europe. The 2012 survey of public expenditure is a striking example, where the active/passive (0,35/1,61 of GDP) supports-ratio amounts only to 0,21. The second consists in a huge gap between different working classes and industries, and the aim of protecting precarious jobs instead of finding new ones.

Therefore, it would be appropriate to revise the entire Italian system, starting from a greater equanimity in the distribution of the indemnities, without discrimination due to the working sector to which they belong, nor to the size of the industry. Furthermore, the increase in investments in the active subsidy policies, rather than passive ones, is very important, one of the most recent redundancy fund we have talked about so far. The latter, in fact, should be abolished or at least reduced to a minimum, especially with regard to the CIGS. Not respecting the budget equality, it becomes a burden too heavy for the State coffers, contributing to increase the public debt.

Hence, it would be appropriate a complete abolition of the latter, or in any case a detachment of the system of subsidies from State funds. In addition, by saving on these passive policies, funds could be invested in more active support and reintegration policies, thus not focusing on job retention, but rather finding a new one. For what concerns the system of eligibility and entitlement criteria, with a general reform and therefore greater funds available, one could think of extending the entitlement criteria, therefore to a larger part of the population, but at the same time with a strict system of eligibility, equipped with periodic checks. In fact, nowadays, Italian eligibility

system does not present strict burdens for the beneficiaries of UI, such as the obligation to job-search and the minimum number of job-search actions, which are, on the contrary, very important and severe points in the eligibility systems of the most developed countries. Indeed, they have to verify the regular behavior of the unemployed, who must participate in active reintegration programs and actively seek new employment. This is a fundamental point in the design of modernization of the social system, as an extension of the right and access to the subsidy would lead to a greater stabilization of the Italian people and economy, in the face of possible shocks. In fact, although at first sight the Italian entitlement criteria do not seem so severe, unfortunately far fewer people than they would be able to benefit from (less than 10% of the unemployed in 2014, compared to 80% in Germany and about 60% of the Denmark), actually enjoy the right. This happens due to large bureaucratic flaws in the NASPI system (2015), characterized by large delays in the payment of subsidies to taxpayers, often with delays of 60 days. Moreover, this new compensation system, compared to the old Aspi, has caused a halving in the already very restrictive pay slips. Furthermore, the contribution rate to reach the minimum compensation requirements is always higher, in proportion to the compensation actually received. Or whoever receives them, it does so for a minimum length of time with a very low amount (maximum 75% for an average of 6 months with a maximum of 24, compared to 90% in Denmark) which, as mentioned above, does not allow the unemployed person to find economic stability or time to find a new job that matches its capabilities. In fact, as seen at the beginning, a greater subsidy would lead not only to the monetary stabilization of the citizens, but also a further support of the consumption, the aggregate demand and the economy as a whole.

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