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National Recovery and Resilience Plan: Italy

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Abstract

In this chapter we examine how Italy has stimulated EU action in the aftermath of the Covid-19 pandemic and how it has benefited from the NextGenerationEU plan as one of the countries most affected by the pandemic. We show how the adoption of the national Recovery and Resilience Plan has impacted the still troubled political landscape, but also how the Italian institutions have managed to allocate funding efficiently by providing, among other things, unprecedented financial and structural support for social and labour market policies. We also highlight the uncertainty caused by the forthcoming elections.

Keywords: Covid-19 pandemic, Recovery and Resilience Plan, Social and labour market policies, Conte government, Draghi government, GOL.

1. General framework

Italy has been one of the main proponents of EU action in the aftermath of the Covid-19 crisis: it was the first country to really bear the brunt of the pandemic. Two months of almost total lockdown (March–May 2020) impelled the government to provide financial support to the self-employed and businesses of all sizes in order to prop them up and avoid mass redundancies. Inevitably, this severely disrupted public finances, drastically curtailing tax revenues and risking recourse to more public debt on the free financial markets, at uncontrolled interest rates.

During the lockdown it became immediately clear that a joint effort by the EU Member States would be needed first to tackle and then to recover from the pandemic. Only a few Member States would have the option of self-financing. A European financial instrument was needed in order to raise the necessary capital at a sustainable interest rate.

In fact, of course, such an instrument already existed in the form of the European Stability Mechanism (ESM), established by an ad hoc intergovernmental treaty signed by the

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governments of the euro-area member states (EAMS) on 2 February 2012, replacing the European Financial Stability Facility (EFSF) and the European Financial Stabilisation Mechanism (EFSM), both intended to cope with the sovereign debt crisis of 2008–2012.

Despite its critical financial conditions, Italy did not profit from the ESM, which was a matter of heated debate among Italian political parties from the ratification of the Treaty establishing it (19 July 2012 – Monti government) onwards. There were worries about the strict fiscal and macroeconomic conditionalities attached to the financial support the ESM provides.

The *Movimento 5 Stelle* (M5S or Five Star Movement) was particularly critical. Its political influence grew dramatically from its foundation in 2009 to the extent that in the March 2018 elections M5S was the most successful party and, after highly complicated negotiations, formed a coalition government with *Lega*. Giuseppe Conte was appointed prime minister, a professor of civil law without political experience. He tried to implement a common agenda, seeking some compromise between the noteworthy ideological differences between M5S and *Lega*.

He was successful for around 13 months, during which period the so-called *Reddito di cittadinanza* (Decree Law 28 January 2019, no. 4) was introduced. On 20 August 2019, however, he resigned because of the behaviour of *Lega* during some parliamentary debates.

Following to an agreement between M5S, *Partito Democratico* (PD), *Italia Viva* (IV) and *Liberi e Uguali* (LeU), however, Conte returned to office, leading a second coalition government (Conte II). On 31 January 2020, it declared a state of emergency in an effort to get a grip on the pandemic and on 9 March 2020 imposed a national lockdown.

During his second term as prime minister, Conte shifted from being an independent, nominated by M5S, to the political leader of M5S, under the patronage of its founding father, Beppe Grillo. M5S party policy was opposed to applying for ESM funding. Therefore, the Italian government proposed to the Commission, in agreement with Spain, that a different instrument be introduced, taking a bottom-up approach in contrast to the top-down ESM, emphasising a proactive role for Member States in suggesting missions and investments, whose coherence with the overall EU policy framework would be assessed by the European institutions.

Against this background the political parties supporting the Italian government welcomed the Commission's proposal on the NextGenerationEU plan,[1] as approved by the European Council on 21 July 2020. *Forza Italia* (FI) took the same positive position. By contrast, *Lega* and *Fratelli d'Italia* (FdI)[2] remained critical, highlighting the conditionality of support on EU institutional approval, as well as the fact that a considerable part of it would be provided as loans, thereby increasing the already huge Italian sovereign debt.

On 17 December 2020, *Lega* abstained from voting on the EU budget financing the Recovery and Resilience Facility (RRF) in the EU Parliament. It did vote in favour of the RRF Regulation on 10 February 2021, however, while *Fratelli d'Italia* abstained.

[1] COM 2020 456 final, 27 May 2020.
[2] FI, Lega and FDI represent the centre-right in the Italian political landscape.

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The adoption of the national Recovery and Resilience Plan (RRP) was extremely consequential for Italian politics. The official reason why *Italia Viva* (led by former prime minister Matteo Renzi) withdrew its support for the Conte II government was the alleged lack of transparency and clarity of objectives of the draft presented by the government in January 2021. Conte resigned on 26 January 2021 and Mario Draghi took office on 13 February, presiding over a coalition government that included all the major political parties, with the exception of *Fratelli d'Italia*. Draghi resigned on 14 July 2022, when M5S withdrew its support and *Lega* and *Forza Italia* abstained from the vote.

2. The RRP: an overview

Since the outbreak of the pandemic, Italy has received (and will continue to receive) among the highest shares of financial assistance from the European institutions.

First, under Council Regulation 2020/672 of 19 May 2020 on the establishment of a European instrument for temporary support to mitigate unemployment risks in an emergency (SURE) following the Covid-19 outbreak,[3] the Union made available to Italy a loan of 27.4 billion euros (€), with a maximum average maturity of 15 years (Article 2(1)). The availability period for financial assistance granted by the Decision was 18 months, starting from the first day after the Decision takes effect (Article 2(2)). Italy has already received the whole sum, in the following instalments: €10 billion and €6.5 billion on 23 November 2020; €4.45 billion on 8 March 2021; €3.867 billion on 22 March 2021; €1.87 billion on 20 April 2021; and €751 million on 10 June 2021.

Second, under Regulation (EU) 2020/2221 (REACT-EU),[4] Italy has received a total of €14.387 billion (1 April 2022). This has been assigned according to Commission Implementing Decision (EU) 2021/182 of 12 February 2021, setting out the breakdown by Member State of REACT-EU resources for 2021 (€11.3 billion) and Commission Implementing Decision (EU) 2021/2055 of 23 November 2021, amending the former to set out the breakdown by Member State of REACT-EU resources for 2022 (€3.084 billion). REACT-EU resources have been used mainly for territorial, economic and social cohesion, but also co-financing of ALMPs.

Third, following the Council's acceptance of the Italian Recovery and Resilience Plan,[5] the EU shall make available to Italy a financial contribution in the form of non-repayable support amounting to €68.88 billion (Article 2(1)) and a loan of up to €122.6 billion (Article

[3] According to the Council Implementing Decision 2020/1349 of 25 September 2020 (based on the Commission proposal 24 August 2020 COM(2020) 466 final).
[4] Regulation (EU) 2020/2221 of the European Parliament and of the Council of 23 December 2020 amending Regulation (EU) No 1303/2013 (REACT-EU).
[5] Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the RRF and Council Implementing Decision of 6 July 2021 on the approval of the assessment of the recovery and resilience plan for Italy (based on the Commission proposal of 22 June 2021 COM(2021) 344 final, preceded by SWD(2021) 165 final).

3(1)), to make a total amount of €191.48 billion from the Recovery and Resilience Facility (RRF).

As for the financing from RRF, an amount of €47.9 billion is available to be legally allocated by 31 December 2022 and a further amount of €20.95 billion as of 1 January 2023 until 31 December 2023 (Article 2(1)). An amount of €8.9 billion shall be made available as a pre-financing payment, equal to 13 per cent of the financial contribution (Article 2(2)). The release of instalments in accordance with the Financing Agreement shall be conditional on available funding and a decision by the Commission, taken in accordance with Article 24 of Regulation (EU) 2021/241, that Italy has satisfactorily fulfilled the relevant milestones and targets identified in relation to the implementation of the Recovery and Resilience Plan. To be eligible for payment, milestones and targets shall be completed no later than 31 August 2026 (Article 2(4)).

As for the loan, the Union shall make available to Italy an amount of €15.938 billion as a pre-financing payment, equal to 13 per cent of the loan (Article 3(2)). In relation to the release of instalments in accordance with the Loan Agreement, the same conditions just mentioned shall apply (Article 3(4)). At the time of writing, Italy has received the whole pre-financing payment of €24.89 billion (13 August 2021) and the first instalment of €11 billion (8 June 2022).

Last but not least, thanks to the adoption on 19 July 2022 of the Cohesion Policy Partnership Agreement with the Commission, Italy will receive €42.7 billion in 2021–2027 to promote economic, social and territorial cohesion, with a particular focus on the southern regions (€30 billion from the European Regional and Development Fund [ERDF] and the European Social Fund Plus [ESF+]). Such targeting is crucial in order to reduce the (still large) gap among regions in terms of economic activity, employment opportunities, education and access to services and health care. Together with national co-financing, the total Cohesion Policy allocation is €75 billion.

Some 37 per cent of the RRP's total allocation refers to reforms and investments that support climate objectives. In this perspective, key measures to secure Italy's green transition include the following. Sustainable mobility (€32.1 billion), aimed at integrating more regions into the high-speed rail network and complete the rail freight corridors; and also boosting sustainable local transport through the extension of cycle lanes, metros, tramways and zero-emission buses, including the construction of electric charging stations across the country and hydrogen refuelling points for road and rail transport. Energy efficiency in residential buildings (€12.1 billion), with the financing of large-scale renovation of residential buildings to make them more energy efficient. And renewable energy and a circular economy (€11.2 billion), by developing the production and incentivising the use of renewable energies, including green hydrogen, as well as increasing recycling, reducing landfill waste and improving water management.

Around 25 per cent of the RRP's total allocation refers to reforms and investments supporting digital objectives. Key measures to ensure Italy's digital transition include the following. Developing ultra-fast and 5G networks (€6.7 billion), fostering 1 Gbps connectivity across the country and providing 5G coverage. Digitalisation of businesses (€13.

4 billion), promoting the uptake of digital technologies by companies through a tax credit scheme aimed at supporting and accelerating their digital transformation. And digitalisation of public administration (€6 billion), building a secure national cloud infrastructure, ensuring interoperability of platforms and data services and fostering the widespread adoption of key digital public services.

Of the utmost importance for our purposes is that 38 per cent of the RRP's total allocation supports reforms and investments related to the economic and social challenges outlined in the country-specific recommendations addressed to Italy by the Council in the European Semester in 2019 and 2020. In this area, key measures to reinforce Italy's economic and social resilience include:

– Education and labour market (€26 billion): increasing the supply of childcare facilities, reforming the teaching profession, improving active labour market policies, as well as women's and youth participation in the labour market and reinforcing vocational training, investing in the apprenticeship system.
– Public administration and the justice system (€3.7 billion): reforming and modernising public employment, strengthening administrative capacity, reforming and digitalising civil and criminal courts to reduce the length of court proceedings.
– Business environment: improving public procurement and local public services, reducing late payments, removing barriers to competition. Enhancing social and territorial cohesion (€13.2 billion): promoting the transformation of vulnerable territories into smart and sustainable areas by investing in social housing, strengthening local social services to support children and families, improving the quality of life of persons with disabilities, and investing in infrastructure for the Special Economic Zones in the south of Italy.

3. The social and labour dimensions in the RRP.

3.1 Commission and Council assessments.

Based on the Commission's proposal of 22 June 2021,[6] on 6 July 2021 the Council adopted an Implementing Decision on the approval of the assessment of the RRP for Italy. The assessment is, overall, highly positive.

In fact, in accordance with Article 19(3), point (a) and section 2.1 of Annex V to Regulation (EU) 2021/241, the RRP to a large extent represents (Rating A) a comprehensive and adequately balanced response to the economic and social situation, thereby contributing appropriately to all six pillars referred to in Article 3 of Regulation (EU) 2021/241,[7] taking into consideration Italy's specific challenges and financial allocation.

[6] COM(2021) 344 final).
[7] These are: (a) green transition; (b) digital transformation; (c) smart, sustainable and inclusive growth, including economic cohesion, jobs, productivity, competitiveness, research, development and innovation, and a well-

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Furthermore, the RRP, in accordance with Article 19(3), point (b) and section 2.2 of Annex V to Regulation (EU) 2021/241, is expected to contribute to effectively addressing all or a significant subset of challenges (Rating A) identified in the Country-specific Recommendations 2019 and 2020, including fiscal aspects thereof and recommendations made pursuant to Article 6 of Regulation (EU) No 1176/2011, or challenges identified in other relevant documents officially adopted by the Commission in the context of the European Semester.

In particular, reforms and investments included in the RRP are expected to contribute, among other things, to improving the effectiveness of active labour market and social policies, and to improve education outcomes and upskilling. Furthermore, the plan includes reform and some investments with the aim of reducing undeclared work and measures to increase women' participation in the labour market through a combined set of reforms and investments, including reinforcement of the provision of childcare facilities.

The RRP provides measures to strengthen skills, including digital, and to improve opportunities for young people and the most vulnerable groups of society. Significant reforms and investments to increase the efficiency of public administration are included in the RRP, particularly to improve the management of public employment and strengthen administrative capacity. The measures on public employment focus on reforming the selection and recruitment of public employees.

According to the Commission and the Council, by addressing the aforementioned challenges, the RRP is expected also to contribute to correcting the imbalances that Italy is experiencing, in particular with regard to the protracted weak productivity in a context of high unemployment.

Furthermore, the RRP is expected to have a strong impact (Rating A) on strengthening Italy's growth potential, job creation, and economic, social and institutional resilience, contributing to the implementation of the European Pillar of Social Rights. This includes the promotion of policies for children and young people, and mitigating the economic and social impact of the Covid-19 crisis, thereby enhancing the economic, social and territorial cohesion and convergence within the EU. In this way, a range of important dimensions will be addressed, such as increasing the provision of social housing, improving access to social services, particularly for persons with disabilities and non-self-sufficient elderly people, and the extension of home care services or support to disadvantaged communities through urban regeneration plans.

In accordance with Article 19(3) point (g) and section 2.7 of Annex V to Regulation (EU) 2021/241, the RRP is expected to have a large and lasting impact on Italy (Rating A).

Moreover, in accordance with Article 19(3), point (h) and section 2.8 of Annex V to Regulation (EU) 2021/241, the RRP is adequate (Rating A) to ensure its own effective monitoring and implementation, including the envisaged timetable, milestones and targets, and the related indicators. According to the Commission and the Council, the milestones

functioning internal market with strong SMEs; (d) social and territorial cohesion; (e) health, and economic, social and institutional resilience, with the aim of, inter alia, increasing crisis preparedness and crisis response capacity; and (f) policies for the next generation, children and young people, such as education and skills.

and targets of the Italian plan are clear and realistic, and adequately reflect the investments and reforms envisaged in the plan. Indicators adopted are relevant, acceptable and sufficiently robust.

The justification provided in the RRP on estimated total costs is to some extent (Rating B) reasonable and plausible. Nevertheless, according to the Commission and the Council, it is in line with the principle of cost efficiency and commensurate to the expected national economic and social impact.

On the other hand, in accordance with Article 19(3), point (j) and section 2.10 of Annex V to Regulation (EU) 2021/241, the arrangements proposed in the RRP are adequate (Rating A) to prevent, detect and correct corruption, fraud and conflicts of interest when using the funds provided under that Regulation.

Moreover, in accordance with Article 19(3), point (k) and section 2.11 of Annex V to Regulation (EU) 2021/241, the RRP includes substantial (Rating A) measures for the implementation of reforms and public investment projects that represent coherent actions. As far as gender equality and equal opportunities for all are concerned, according to the Commission and the Council, the RRP contains measures that are expected to help address the country's challenges. It includes measures aimed at the challenges of gender equality, such as support for female entrepreneurship or the establishment of a national gender equality certification system. The RRP explains how the various components are expected to contribute, directly or indirectly, to addressing inequality and fostering equal opportunities, in particular for women and younger people. According to the Commission and the Council, however, the expected contribution for specific groups, such as people belonging to ethnic or racial minorities, remains unclear. Therefore, close monitoring of the RRP's concrete implementation should be essential to ensure that it delivers the expected results and forms part of a comprehensive strategy, in synergy with the National Strategy for Gender Equality 2021–2026.

The RRP and the measures adopted so far take into due account the implementation of the European Pillar of Social Rights and the Social Scoreboard.

In particular, they address the following principles: education, training and lifelong learning (1); gender equality (2); equal opportunities (3); active support for employment (4); work–life balance (9); child care and support for children (11); social protection (12); unemployment benefits (13); health care (16); inclusion of people with disabilities (17); long-term care (18); housing and assistance for the homeless (19); and access to essential services (20).

By Decree of the Minister of Finance, adopted on 15 July 2021, Milestones and Targets (M&T) have been fixed for the implementation of the RRP by central government and the regions. By Decree of the same Minister, adopted on 6 August 2021, RRF resources have been allocated to them, according to their institutional prerogatives, in order to achieve Milestones and Targets within the framework of the Missions, Components and Reforms as structured by the RRP and the investments it provides.

In the following, Mission 5 (M5 Inclusion and Cohesion) and its Components (C1 Labour Policies; C2 Social infrastructure, Families, Community, Non-profit; C3 Special measures for territorial cohesion), each one with its Reforms, Investments and Milestones and Targets, will be synthetised.

As for M5 C1 (Labour Policies), a crucial role is played by the Ministry of Labour and Social Policies (MLPS). The MLPS, together with the National Agency for Active Labour Policies (ANPAL) is in charge of Reform (1.1) Active Labour Market Policies (ALMPs) and training, to which a total of €4.4 billion has been allocated from 2021 to 2026. The first Milestone, set for 31 December 2021, has been achieved by issuing the national programme, GOL (‘*Garanzia di occupabilità dei lavoratori*’ – Workers Employability Guarantee) and the National Plan on New Skills (‘*Piano Nazionale Nuove Competenze*’). A further Milestone was set for 31 December 2022 concerning the entry into force of all regional reorganisation plans for Public Employment Services (PES), according to the GOL guidelines. The main Targets, set for 31 December 2025, are the involvement in GOL of a certain number of potential beneficiaries, namely job-seekers, workers entitled to in-work benefits at risk of dismissal, the working poor, and the PES guarantee to beneficiaries of a uniform national level of services (‘*livelli essenziali di prestazione*’). In order to achieve such Milestones and Targets a total amount of €600 million has been allocated to strengthen PES, according to a 2021–2023 plan to be completed by 31 December 2025.

Within M5 C1 a further crucial Reform (1.2) refers to undeclared work. No resources have been directly allocated to it, however, and the Milestones and Targets seem to be extremely vague, referring to an enhancement of labour inspections and a reduction of undeclared work. On the other hand, within M5 C1 an investment amounting to €600 million has been allocated for a so-called dual educational system.

M5 C1 also involves the Ministry of Economic Development (MiSE) with an investment (1.2) amounting to €400 million for Female Entrepreneurship, in cooperation with the Equal Opportunity Department of the Prime Minister’s Office. The Milestone, set for 31 December 2021, was achieved through the establishment of the Female Entrepreneurship Fund by Decree of the Minister of Economic Development, adopted on 30 September 2021, and Inter-ministerial Decree 24 November 2021. Objectives, set for 30 June 2023 and 30 June 2026, refer to the establishment of a certain number of start-ups managed by women and benefiting from the resources made available by the Fund.

M5 C1 also involves the Ministry of Youth Policies with an investment (2.1) amounting to €650 million in the so-called Universal Community Service (‘*Servizio Civile Universale*’), with a Target, set for 31 December 2023, of getting a certain number of attendees involved in certified training in job programmes related to social assistance and care services provided on a voluntary basis.

M5 C1 also involves the Ministry of Equal Opportunity and Family, with an investment (1.3) amounting to €10 million in a Gender Equality Certification System to be introduced by 31 December 2022. This Milestone has already been achieved by a Decree of the Ministry adopted on 22 April 2022, providing criteria for obtaining such certification. Only certified undertakings may access public financial incentives and participate in public procurement tenders. The Target of a certain number of undertakings obtaining certification thanks to technical support provided by equal opportunity institutions has been set for 30 June 2026.

As for M5 C2 (Social Infrastructure, Families, Community, Non-profit), the MLPS plays a crucial role, with reference to Reform (2.2) providing an intervention system to help dependent elderly people, the Milestones for which have been set for 30 June 2023 (adoption of a Framework Act) and 30 June 2024 (adoption of Legislative Decrees implementing the Framework Act). An investment amounting to €500.1 million has been provided to support vulnerable people and to try to avoid situations in which dependent elderly people are forced into homes. The investment is divided into several sub-investments, aimed at: supporting parental capacities and helping vulnerable families and children; adopting measures to guarantee independence for elderly people; strengthening home (health care) social services; and preventing burn-out of social workers. The Milestone, set for 31 December 2021, was achieved through the adoption by Directorial Decree 9 December 2021, No. 450 of the Social Intervention Operation Plan. The Target, set for 30 June 2026, consists of the commitment of social districts to achieving at least one of the following: (i) parents' support; (ii) independence of elderly people, (iii) home services for elderly people; and (iv) support to social workers in order to prevent burn-out.

A further important investment (1.2) amounting to €500 million within M5 C2, refers to independence pathways for the disabled. Targets include the adoption (by 31 December 2022) and implementation (by 30 June 2026) of home renovation with a view to providing the disabled with ICT devices and skills. Moreover, a 'Housing First' investment (1.3) amounting to €450 million has been provided, with a Milestone, set for 30 June 2022, consisting of the approval of an Operational Plan (already achieved through Directorial Decree 9 December 2021, No. 450) and a Target, set for 30 June 2026, of hosting a certain number of severely deprived people for six months. Similarly, an investment amounting to €200 million is planned within the framework of the Urban Integrated Plan with a view to tearing down illegal settlements and fighting workers' exploitation in agriculture. The Milestone, set for 30 June 2022, has been achieved through the MLPS Decree adopted on 29 March 2022, mapping illegal settlements and allocating the relevant resources. The Target, set for 30 June 2025, is full dismantling and the adoption of requalification plans for illegal settlers.

Again, as for M5 C2, a crucial role is played by the Ministry of Infrastructure and Sustainable Mobility (MIMS), which is responsible for an investment (2.3) of €2.8 billion (€800 million funded by the Development and Cohesion Fund [FSC]) from the Quality Housing Innovation Programme, divided into two sub-investments in social housing, both amounting to €1.4 billion, termed Quality Housing Innovation Plans (PinQuA). A first part of the PinQuA has been implemented through Directorial Decree 29 December 2021, No. 17524. The Target, set for 30 June 2026, is the construction or renovation of a certain number of apartments and public areas benefiting from PinQuA support.

Again, as for M5 C2, a crucial role is played by the Ministry of the Interior, responsible for an investment in the amount of €3.3 billion (€500 million funded by the Development and Cohesion Fund), divided into two investments (2.2 and 2.2b)) within the framework of the abovementioned Urban Integrated Plan. The Target, set for 30 June 2022, and already achieved through Decree of the Minister of the Interior of 30 December 2021, is the conclusion of all procurement procedures for the purpose of reducing social exclusion and degradation, respecting the 'do no significant harm' principle.

M5 C2 is completed by an investment of €700 million managed by the Department of Sport of the Prime Minister's Office, labelled 'Sport and Social Inclusion', and by a Milestone, set for 31 December 2021, and already achieved on 22 December 2021, consisting of the adoption of the Framework Act on Disability (n. 227), as assigned to the Disability Department of the Prime Minister's Office.

Responsible for M5 C3 (Special measures for territorial cohesion) is the Ministry for Southern Italy and Territorial Cohesion, to which several investments have been assigned: the first, amounting to €825 million (€400 million financed by the FSC), on the National Strategy for 'Inner Areas' divided into two sub-investments, both aimed at supporting local health authorities by strengthening social community services and infrastructure, as well as local health care facilities; the second, amounting to €300 million on the repurposing of goods seized from the Mafia; the third, in the amount of €220 million, finances socio-educational actions aimed at fighting educational poverty in the South, supports the non-profit sector. The Target of the latter, set for 30 June 2026, realises a number of such actions.

To sum up, all this amounts to a fairly effective and well distributed use of the resources available.

3.2 Taking into account the country-specific recommendations.

As already mentioned, according to the Commission and the Council, Italy's RRP, with regard to the measures adopted so far, adequately implements the (social aspects of the) country-specific recommendations (hereinafter CSR) formulated in the European Semester cycles 2019 and 2020. At a closer look, however, this assertion does not seem fully borne out by an analysis of the CSRs adopted in those years.

In fact, with reference to the Country-Specific Recommendations 2019 (1) – 'Implement fully past pension reforms to reduce the share of old-age pensions in public spending and create space for other social and growth-enhancing spending'[8] – the same Commission was highly critical of the Italian approach, stating in the In-Depth Review (IDR) 2019[9] that:

> the 2019 budget introduced several provisions which partially reversed past pension reform by broadening possibilities for early retirement, including by creating a new early retirement scheme ('quota 100') and suspending the indexation to life expectancy of the minimum contribution requirement needed to retire under the existing early retirement scheme. The 2020 budget law confirmed the new pension measures implemented in 2019 and even extended to 2020 the temporary early retirement

[8] COM(2019) 512 final, 5 June 2019.
[9] SWD(2020) 511 final, 26 February 2020.

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schemes for women and for employees recently dismissed or performing heavy work ('*APE sociale*'), further increasing pension expenditure.

Therefore, Italy made no progress whatsoever in this area, which is not addressed by the RRP.

As far as CSR 2019 (2) – 'Step up efforts to tackle undeclared work' – is concerned, the Commission's assessment was as follows: 'Limited progress. The national labour inspectorate launched a recruitment competition, together with other services, to hire more labour inspectors. The total number of firms inspected has declined in 2018.'[10] As already highlighted, although addressed by the RRP in M5 C1, no investment is explicitly linked to the fight against undeclared work. The National Labour Inspectorate has been permitted to hire more staff and a web portal has been launched, but those measures do not seem to be adequate to the purpose and the seriousness of the situation.

As for CSR 2019 (3) – 'Ensure that active labour market and social policies are effectively integrated and reach out notably to young people and vulnerable groups' – the assessment of the Commission was as follows:

> Some progress. 3000 'navigators' have been hired to reinforce public employment centres. However, active labour market policies (ALMP) remain barely integrated and coordinated with other related policies (e.g., social services, adult learning, vocational training). The coordination role for the national agency (ANPAL) is still weaker than originally intended. The main challenges for the implementation of the reform remain improving coordination, exchange of data and standardisation of services provided.[11]

In this area, we can say that the RRP represents a decisive step forward in the direction required by the Commission, whose positive assessment in 2022 may be therefore shared.

The same reasoning applies to CSR 2019 (3.1), 'Support women's participation in the labour market through a comprehensive strategy, including through access to quality childcare and long-term care'. The IDR 2019 assessment was:

> Limited progress. The different family-related social policy measures are often not coordinated and a comprehensive strategy, including access to services and provision of benefits, is missing. The government took some action to facilitate access to childcare through financial support to families but has no plans to increase the supply of childcare. Available pre-school places covered on average only 24% of children under three years of age in the school year 2016/17, with big regional variations.

[10] *Ibid.*
[11] *Ibid.*

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Also in this field, one can say that the RRP moves a decisive step ahead in the direction required by the Commission, whose positive assessment in 2022 therefore may again be shared.

The same applies once again to CSR 2019 (3.2) 'Improve educational outcomes, also through adequate and targeted investment, and foster upskilling, including by strengthening digital skills'. Also in this case, the IDR 2019 assessment was 'Limited progress'. No significant measures have been adopted to address the CSR beyond hiring new teachers (with very little effort to hire digital-expert teachers). The RRP has moved up a gear, as it has with reference to CSR 2020 (2), 'Provide adequate income replacement and access to social protection, notably for atypical workers. Mitigate the employment impact of the crisis, including through flexible working arrangements and active support to employment. Strengthen distance learning and skills, including digital ones.'

4. Lessons from the previous crisis?

In Italy, the NGEU and the RRP have set management of the economic and financial effects of the current crisis on a very different pathway from during the 2011 euro-crisis when especially the Monti government, was compelled by the appalling financial situation to introduce restrictive measures as regards pensions. Now social and labour policies have been boosted like never before.

It is not the case that the CSR 2022[12] simply requires Italy to 'proceed with the implementation of its recovery and resilience plan, in line with the milestones and targets included in the Council Implementing Decision of 13 July 2021' and to 'swiftly finalise the negotiations with the Commission on the 2021–2027 cohesion policy programming documents with a view to starting their implementation', as happened on 19 July 2022.

The political landscape was transformed dramatically by the adoption of the NGEU. As highlighted above, doubts on the capacity of the Conte II government to project and implement the RRP were the official reason put forward by *Italia Viva* (decisive in the majority coalition) for withdrawing its support. The appointment of Mario Draghi as Prime Minister was motivated mainly by the need for somebody well acquainted with EU political dynamics. The Draghi government has involved the social partners in implementation of the RRP through the establishment by Decree Law No. 77 of 31 May 2021 of the *Tavolo permanente per il partenariato economico e sociale*, chaired by Tiziano Treu, former Minister for Labour and Social Affairs, and activated by Decree of the Prime Minister, adopted on 14 October 2021.

Obviously, it is impossible to forecast the political future because at the time of writing, a general election has just taken place. But although nobody wants to squander any more of the credibility won during Draghi's term of office, the joint political programme for the September elections presented by *Forza Italia*, *Lega*, *Fratelli d'Italia* and *Noi moderati* (the

[12] COM (2022) 616 final, 23 May 2022.

winning centre-right coalition) ambiguously refers to 'an agreement with the European Commission, as provided for by the European Regulations, with a view to revising the RRP to take the changed circumstances, necessities and priorities into account'.

Despite everything, Italy is now in a better position than before the pandemic, even if suffering from the energy crisis and relatively high inflation, like many other countries. Improvements are discernible in the In-Depth Review 2019–2022. In the latter,[13] although confirming the excessive imbalances, the Commission highlighted that 'the policy response to the COVID-19 pandemic offers prospects for structural productivity improvements', with 'low productivity growth (…) the main factor behind Italy's weak growth performance in the decade prior to the COVID-19 pandemic'. Moreover, if, on one hand, 'the labour market continues to face structural challenges with low participation rates, regional and gender disparities, and high youth unemployment', on the other hand, 'the RRP includes measures to increase participation rates and the government has extended the social safety net'.

5. Final considerations

One may conclude that, as things stand, the RRP appears adequate not only to avoid social retrenchment, but even to develop it to an unprecedented extent. There may thus be an opening towards a growth model in which social and employment policies are less dependent on fiscal/macroeconomic priorities. The next challenge is the looming energy crisis, for which some political parties have called for a specific recovery and resilience plan.

[13] SWD(2022) 635 final, 23 May 2022.