

# Europe and Italy: Expansionary Austerity, Expansionary Precariousness and the Italian Jobs Act

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## 1 Economic depression in Europe

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- 2 Austerity and precariousness in Europe

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- 3 What really Europe needs and what Italy needs in Europe

# Growth, employment and wages

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- The evidence confirms that some countries in the Eurozone - the PIIGS - seem to have suffered most from the austerity policies. In particular, the most serious scenario for these countries is the effect on the labour market, which will continue to suffer, with the unemployment rate that will worsen in the biennium 2014-2015 even compared to the 2008-2013 period

# Growth, employment and wages

## Revisions in growth projections vis-à-vis the May 2014 Economic Outlook

### GDP growth Per cent

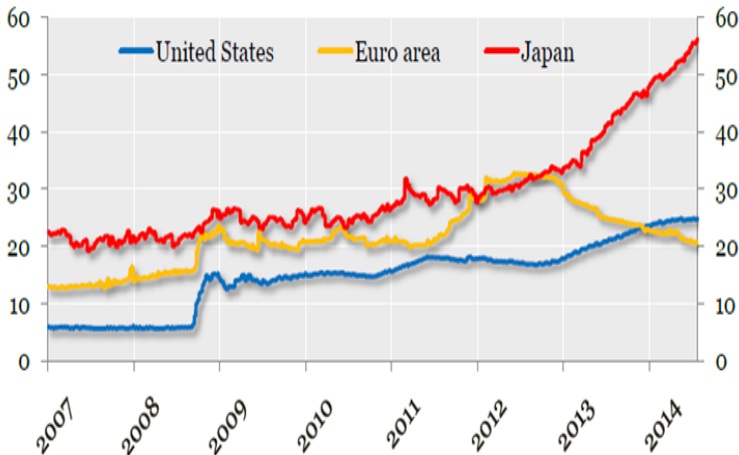
	2013	2014			2015		
	Actual	May 2014 Economic Outlook	September Interim Forecasts	difference	May 2014 Economic Outlook	September Interim Forecasts	difference
United States	2.2	2.6	2.1	-0.5	3.5	3.1	-0.4
Euro area	-0.4	1.2	0.8	-0.4	1.7	1.1	-0.6
Japan	1.6	1.2	0.9	-0.3	1.2	1.1	-0.1
Germany	0.2	1.9	1.5	-0.4	2.1	1.5	-0.6
France	0.4	0.9	0.4	-0.5	1.5	1.0	-0.5
Italy	-1.8	0.5	-0.4	-0.9	1.1	0.1	-1.0
United Kingdom	1.8	3.2	3.1	-0.1	2.7	2.8	+0.1
Canada	2.0	2.5	2.3	-0.2	2.7	2.7	0.0
China	7.7	7.4	7.4	0.0	7.3	7.3	0.0
India	4.7	4.9	5.7	+0.8	5.9	5.9	0.0
Brazil	2.5	1.8	0.3	-1.5	2.2	1.4	-0.8



# Growth, employment and wages

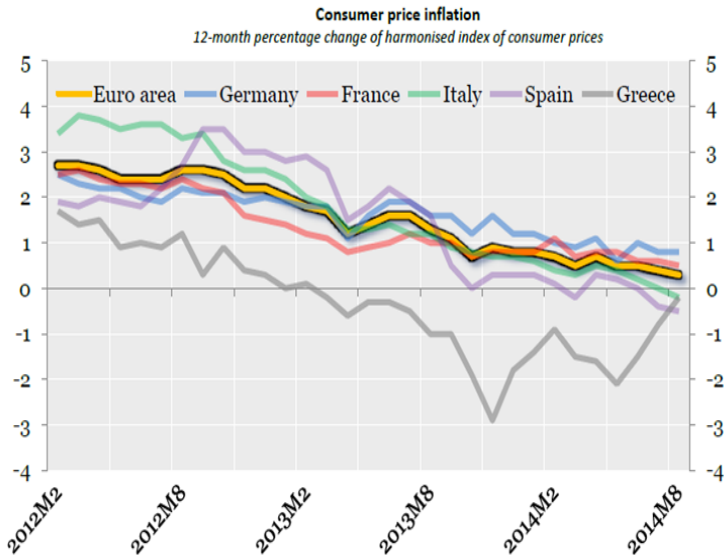
**Other major central banks have eased more aggressively than the ECB**

*Central bank assets as per cent of GDP*



Source: Datastream.

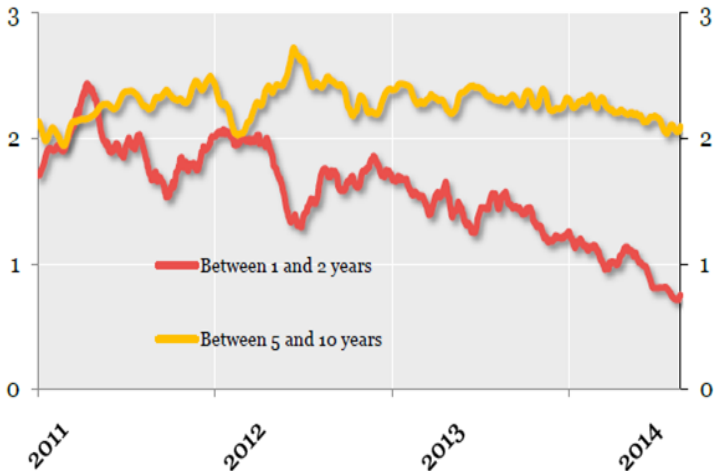
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Source: Eurostat.

# Growth, employment and wages

**Inflation expectations in the euro area**  
*From inflation swaps; 10-day moving average, per cent*



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Figure 1: Real wage and productivity (Oecd, Sept. Interim Forecasts 2014)

Real wages and labour productivity  
Annualised percentage change, Q2 2009 – Q1 2014



Figure 2: Real wage and productivity gap in G20 countries (Oecd, Ilo, World Bank, 2014)



# Growth, employment and wages

Changes in labour income share in peripheral and Eastern EU countries before and during the crisis

**Figure 3:** Annual change in labour income share: peripheral countries



**Figure 4:** Annual change in labour income share: eastern countries



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## Aberrant economic cycle generate by the Fiscal Compact

The aberrant cycle generated by maintaining fiscal consolidation measures through expenditure cuts in a recession goes as follows: a decline in the growth rate of GDP increases the government budget deficit, which in turn puts pressure on the government to avoid an increase in the deficit (to comply to the Fiscal Compact), which in turn results in even further stricter fiscal policies, which in turn push down the GDP growth rate and then the cycle starts again. The result is a permanently recessive/stagnating economy, as is apparent in several Eurozone economies: Italy is one example.

# The Italian Jobs Act: expansionary precariousness



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- ④ *Restructuring of the labour market through the introduction of the contract with progressive protection:* **under discussion in the parliament, it may end up in a reduction of protection for those who have without extending them to those who have none** (Ichino reform preferred to Boeri-Garibaldi one)

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- **Industrial policy must identify key sectors and key research areas where the public actors should invest**, closely linked to innovation policies to spur innovation in private sectors

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- Specific policies could be designed in order to sustain organizational innovations aimed at **increasing employee participation** in firms' decision-making, improving their responsibility and autonomy and reducing the hierarchical levels
- It has long been recognized that **organizational innovation has positive impacts on working climate, workers motivation and then firm economic performance**, particularly when measured as labour productivity

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- **Second level bargaining** (decentralised level):
  1. bargaining of specific **measures to reach the productivity goals**;
  2. adoption of a **pay for participation model**;
  3. **wages** are **linked to organizational changes** organizational changes and **innovation commitment**

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  - ③ **Productivity and competitiveness must be achieved through innovation** rather than with a mere wage reduction

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- The Fiscal Compact should not be taken for granted: major revisions are needed
- The **coordination of policies at EU level** becomes even more important than public intervention at a national level: we strongly need a **public investment programme and industrial policies**
- We here stress the importance of **coordinated labour market policies among Eurozone countries: stop to the mantra of structural reforms** and wage deflation, **leave room to wage-led growth policy**

# Thank you for the attention!

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