Wage (In)Equality and Wage Setting – Challenges for Italy

Ilaria Armaroli and Paolo Tomassetti
(ADAPT – Association for International and Comparative Studies
in Labour Law and Industrial Relations)

After a period of economic expansion, which determined a decline in Italian income inequalities, the Gini index[1] started to rise at the end of the Eighties, coinciding with a striking economic downturn, which led Italy to the bankrupt. «Incomes from work, capital and savings became 33% more unequal since the mid-1980s» (OECD 2008). It was the highest increase across OECD countries. The situation didn't improve in the shift towards the new century. After 2008, the year of the beginning of the financial crisis, there have been a slightly increase in the value of the Gini index and an even more sensible growth in the income ratio[2]. Overall, «Italy's inequality level is above the OECD average, higher than in Spain but still below that of Portugal and the UK» (OECD 2011).

The following are the main issues that have to be deeply evaluated when tackling inequalities in Italy.

Regional disparities. Inequalities between Northern and Southern Italy started in the Eighties, following the second oil crisis, and continued to increase during the economic crises of 1992 and 2008. By and large, in Italy inequalities tend to concern individuals living in the Southern regions, which are more affected by national economic conditions than the rest of the country (Inequality Watch 2012). Notably, gross hourly earnings are lower than the national average in the North-Eastern and Southern Italian regions, respectively by 4.2% and 3.6%. However, the worst condition affects women working in the industrial sector in the South of Italy, whose gross hourly earnings are 29.5% less than the national average (ISTAT 2013).

Gender issue. According to the 2012 OECD report *Closing the Gender Gap*, Italy has the third lowest labour participation rate (51%) among OECD countries. However, it is a well-known fact that «greater female labour force participation strengthens household incomes» (OECD 2012). Although in 2010 one-third of staff with supervisory

[1] The Gini coefficient provides a single statistical measure of the degree of income inequality. It lies between 0 and 1, with perfect equality at zero and income inequality increasing as the Gini coefficient approaches 1.
[2] The income ratio compares the top 10% of earners with the lowest 10% (the richest with the poorest). As a consequence, the greater the disparity, the greater the ratio.

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responsibility was composed of women and the share of women on boards in 2009 was 7%, just below the OECD average (10%), Italian female entrepreneurs are a minority and mainly own small and medium sized firms. In 2010, women stood for 22% of self-employed workers but their income out of self-employment was only about half of that of their male counterpart (OECD 2012). Moreover, as shown by ISTAT (2013), women are mainly employed in the social and personal services' sector, where accounted for 69.7% of the total workforce in 2010. In addition, women stood for 77.8% of Italian employees with a part-time contract (ISTAT 2013).
Employment contracts. The Eurostat data (2013) reveal that in 2010, 26.7% of Italian employees with a fixed-term contract were low-wage earners[3], compared to 11.1% of employees with an indefinite contract. More precisely, the gross hourly earnings of employees with indefinite contract were about EUR 16.4, while employees with fixed-term contract earned about EUR 13.1 (ISTAT 2013). Moreover, in 2010 Italian employees with full-time contract earned, on average, EUR 5 per hour more than those with a part-time contract (ISTAT 2013). Interestingly, according to the 2011 OECD *Country note: Italy* on income inequality, changes in self-employment income represent an important driver of increased earnings inequality in Italy. Indeed, the share of self-employment income in the total earned income has risen by 10% since the mid-1980s. Furthermore, unlike what happened in many other OECD countries, in Italy self-employment has become more predominant among high earners.

Education. By and large, across the European Union «higher levels of education yields higher earnings» (Eurostat 2013). As regards Italy, in 2010 the median gross hourly earnings of employees with a high level of education (EUR 19,5) nearly doubled the median gross hourly earnings of employees with a low level of education (EUR 10,0). Moreover, while the proportion of low-wage workers among employees with a high level of education was 2.6%, this percentage increased up to 20.9% when considering employees with a low level of education (Eurostat 2013).

Professional qualifications and within-firm seniority. In 2013 ISTAT published a report providing information on Italian wage structure in the year 2010. ISTAT reveals that Italian managers earned on average EUR 43.3 per hour, while low-qualified workers earned about EUR 11 per hour. Similarly, employees with less than 5 years of within-firm seniority earned EUR 13.7, while gross hourly earnings of workers with at least 15 years of within-firm seniority were about EUR 19,9. Consequently, in 2010 25.0% of Italian employees aged below 30 years were low-wage earners in 2010, compared to 11.6% of employees between 30 and 49 years and 9.1% of workers from 50 years.

[3] Low-wage earners are generally considered as «those employees earning two-thirds or less of the national median gross hourly earnings» (Eurostat 2013).

Overall, gross hourly earnings tend to grow with increasing age of the workers (ISTAT 2013).

Wage differentials across economic activities. In 2010, within the Italian industry sector, gross hourly earnings in the activities linked to pharmaceuticals' production were quite high (EUR 22,2), compared to the gross hourly earnings of workers in the textile sector (EUR 11,8). However, the greatest variation in gross hourly earnings emerged in the tertiary sector, where employees in financial and insurance activities earned about EUR 26,5 per hour, while workers in accommodation and food service activities earned about EUR 10,9 per hour. Moreover, in 2010 the gross hourly earnings in the public sector exceeded those in the private sector by almost EUR 6. This differential is mainly due to the concentration of high-skilled employees in the public sector (ISTAT 2013).
According to the OECD report *Divided we stand: Why inequality keeps rising* (2011), wages and salaries stand for 75% of household incomes among working-age adults, thus representing the main driver of income inequality. Considering that wages are in most EU countries defined largely in negotiations between trade unions and employers and that in Italy collective bargaining coverage concerns about 60% of the overall workforce (ISTAT 2015), the reason behind the research on this topic lies in the need to pay more attention at the role of social partners and industrial relations in preventing or redressing inequalities in Italy.