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Abstracts

DOES RISING UNEMPLOYMENT LEAD TO POLICIES OF LABOUR FLEXIBILITY? THE ITALIAN CASE (1990-2013)

Guglielmo Forges Davanzati, Lucia Mongelli

This paper deals with the relation between labour market deregulation and the path of employment in Italy. A preliminary reconstruction of the theoretical debate is provided, based on the different views advocated by Neoclassical and post-Keynesian scholars. The second part of this paper focuses on empirical evidence, concluding that the increase in labour flexibility negatively affected the employment rate in the 2000s. Moreover, it is argued that, as unemployment increases, workers' bargaining power decreases not only in the labour market but also in the political arena, allowing the Government to implement further policies of labour flexibility. The evidence confirms this conjecture.

THE RESKILLING IMPERATIVE FOR THE DIGITAL ECONOMY

Adele Bianco

The coming impact of technological innovation on employment makes it relevant to equip people to stay ahead of technological change. It is therefore appropriate to promote policies aimed at reskilling these workers and at making young people fit for the coming digital economy.

The paper is structured as follows. The first paragraph gives a short definition of the digitalisation process that has been taking place for some years. The second one deals with the effects of the digital economy on employment. The third section is devoted to the skills requested by the digital economy. The fourth paragraph takes into consideration the measures and methods enabling workers to stay on the digital labour market. It also stresses the importance of all the stakeholders that are involved in such process and that play a role in promoting the preparation of the workforce for the digital future.

QUALITY OF WORK AND FACTORS PUSHING OLDER WORKERS OUT OF THE LABOUR MARKET

Maria Luisa Aversa, Pietro Checcucci, Luisa D'Agostino, Roberta Fefè, Giuliana Scarpetti

The combination of demographic factors, the barriers to entry for the younger generation, and the actions to re-establish the financial balance of the public pension system, have deeply redesigned the age structure of the Italian labour market, contributing to the growth of labour supply of people who are in the second part of their working career.

The differences in participation and retirement rates among the European countries suggest the need for careful consideration of the prevalence of factors that, at individual level, can contribute to pushing older workers out of the market, in addition to factors operating at macro level (labour market rigidities, wages structure, etc.). On this basis, the article intends to explore the key factors that favour the risk of exclusion of older workers, with particular reference to the attitudes of employers, working conditions, health and safety, as well as available resources in terms of skills, social capital, and continuity of professional careers.

PRODUCTIVITY, WAGE TRENDS, AND CURRENT ACCOUNT IMBALANCES IN THE EUROZONE: AN EMPIRICAL ANALYSIS

Gaetano Perone

The paper has two main goals. Firstly, we try to establish whether and to what extent 30 years of greater job uncertainty and progressive dismantling of workers' rights in the Eurozone countries affected the functioning of the labour market, and secondly we try to verify whether changes in the institutional paradigm – amending the economic policy – encouraged a virtuous reorientation of national production patterns.

To achieve these goals, the paper is divided into two sections: i) a first section specifically devoted to the descriptive analysis of employment protection legislation and the relationship between wages, productivity and income distribution in 1980-2017; and ii) a second section providing an empirical analysis of the impact of employment protection legislation on employment and productivity trends respectively in 1990-2013 and in 1999-2013, as well as of the role played by wages in unwinding peripheral countries' trade imbalances in 2009-2015. The analysis shows that the reduction of employment protection has not triggered a definite and unequivocal impact on employment; it has instead led to an increase in the share of temporary workers and – in accordance with the Kaldorian-Classical approach – to a dangerous downward trend in wages, aggregate demand, and labour productivity, seriously limiting the chances for innovation and technological restructuring. Finally, we verify how the rebalancing of external accounts in “peripheral” countries was mediated by wage moderation and the destruction of domestic demand, rather than by renewed competitiveness on international markets.

INTRODUCTION TO FRANCO MODIGLIANI, A PASSIONATE NEO-KEYNESIAN ECONOMIST

Francesco Forte

The paper explores the interaction between the main theorems of Franco Modigliani's neo-Keynesian theory, from which he draws his fiscal and monetary principles. First, the theorem stating that the size of savings of the country depends on the accumulation and de-accumulation during the individual life cycle, and the one stating that the composition of firms' capital in stocks and bonds is irrelevant at theoretical level. The former theorem is linked to that of public debt as a future burden, as it impinges on savings, which depend on the life cycle. The growth of the market brings about a reduction in prices of oligopolies, as their power is limited as to the room they leave for the entry of new suppliers. In case of deflation or stagflation, the Central Bank needs to increase the money supply in order to reduce unemployment to its natural rate; however, growth requires monetary stability to remove the differential cost of credit, which distorts the composition of firms' capital in stock and bonds, thus hindering their financing.

MODIGLIANI'S CONTRIBUTION TO THE POLICY PROJECT BASED ON PROGRAMMED INFLATION AND POLITICAL AND ECONOMIC EXCHANGE

Giuseppe Ciccarone, Giovanni Di Bartolomeo

The paper examines the support provided by Modigliani to the policies carried out in Italy through the dismantling of the full indexation of wages ("scala mobile") and, more generally, Tarantelli's policy project – centred on programmed inflation, social dialogue, wage moderation, and political exchange. After recalling the depth of the human and scientific relation between the two economists, the paper summarises the "Tarantelli Proposal" and highlights its theoretical foundations, focusing attention on nominal wages and the reformulation of the Phillips curve, as proposed by Modigliani and Tarantelli. It subsequently analyses Modigliani's scientific contribution to the proposal, which can be identified especially in the theory of price formation and in the role played by expectations in shaping effective inflation, highlighting the analytical strength it guarantees to the need of price moderation and predetermined inflation. After stressing Modigliani's relevance today, the paper concludes with a brief discussion of the future of social dialogue in the present European context.

THE SAVINGS CONUNDRUM AND DEVELOPMENT ECONOMICS: MODIGLIANI'S LIFE CYCLE HYPOTHESIS IN CHINA

Claudia Rotondi

A theoretical, empirical, applied, and policy-oriented work. Thanks to this method of research, Franco Modigliani elaborated the Life-Cycle Hypothesis (LCH). He then applied such hypothesis to the specific case of Chinese savings, with two works published by Modigliani himself and Cao in 1996 and 2004, which still represent an important guideline for researchers. As the LCH suggests, the interactions between economic growth, income level, and demographic changes can strongly influence the personal savings rate. In China, various institutional factors have contributed to creating a high propensity for personal savings. Whereas such propensity alone does not fully explain the high rate of household savings, it constitutes an important determinant. To examine this issue, we make some considerations on the problematic but fruitful relationship between Modigliani and Keynesian theory. We look at his analysis of savings, then incorporated into the LCH, which was subject to empirical verification for a long time. We subsequently draw from Modigliani's contributions on savings in China, focusing also on their heuristic value in the current phase. Some conclusive reflections outline similarities between Modigliani's analysis of savings, on the one hand, and development economics, on the other.

APPRENTICESHIP IN ITALY IN TIMES OF ECONOMIC CRISIS

Roberto Angotti, Silvia Vaccaro

Apprenticeship, a work contract that combines on-the-job and off-the-job training with the working activity, has been identified as one of the main tools of the European strategy to fight against the effects of the recession on youth employment. For this reason, apprenticeship has been playing an increasingly central role in the Italian labour policies. In order to promote the use of apprenticeship, several legislative measures have been launched in recent years, introducing structural changes to the regulation of this type of work contract. However, the statistical data on the spread of the phenomenon in Italy show that, to date, the purpose has not been reached. On the other hand, a clear paradox emerges: apprenticeship was initially conceived as a tool to promote stable and quality employment for young people, but it was during the economic crisis that it dropped significantly, which highlighted its structural weakness.

LABOUR PRODUCTIVITY IN ITALY, AND MEASURES TO SUPPORT FIRM-LEVEL BARGAINING

Massimo Resce

In the last twenty years, labour productivity has experienced an almost flat growth trend. Different European authorities have tried to promote reforms of the Italian labour market, including an increase in the use of bargaining at firm level. The aim is to curb wage growth and to promote higher productivity growth. However, they did not take into consideration the changes in real variables. Indeed, after the adoption of the euro, real wage growth was lower than productivity growth. Furthermore, the current Italian two-level bargaining system allows for linking wage components to productivity only in decentralised bargaining. Therefore, the Italian government has launched tax relief measures in relation to productivity bonuses. This policy, however, seems to increase the North-South territorial divide and generate other forms of polarisation. The current incentive system needs to be integrated with not only labour policies but also economic development policies. Furthermore, new approaches in bargaining and in industrial relations are needed.

CORPORATE TAX POLICY IN IRELAND: TIME FOR A CHANGE?

Jim Stewart

Tax incentives to attract foreign direct investment (FDI) have been the main tool of industrial policy in Ireland for over 50 years. As a result, Ireland has attracted large inflows of FDI, and is the European headquarters for many US digital-based firms, such as Facebook and Google. The paper argues that a tax-based industrial policy has become more risky, because of changes to international tax rules in response to criticism of low-tax strategies. The risk is that resulting changes will mean the Irish tax regime is far less attractive, and will result in an outflow of FDI.

The paper argues that a tax-based industrial policy is not likely to result in an innovative, research-led economy, rather there is a need for new policies.