



Consiglio Nazionale dell'Economia e del Lavoro

Hearing at the Senate and Chamber of Deputies Joint Budget Commissions on the "Draft budget plan of Italy 2021 and Multiannual Budget for the period 2021- 2023" (AC. 2790)

Oral statement of the Cnel President

During the events and the various regulatory interventions that have taken place in recent months, the macroeconomic framework has deteriorated, as we can see from the surveys of many Italian and international observers, although conducted in conditions of continuing uncertainty.

Instead the Research Institutes (CER Europe Researches Center, REF Researches, Prometeia) consulted by the CNEL, in accordance with article 10 of Law n. 936/1986 - with a reading at 18 November, therefore updated with the pandemic return – forecast data which are relatively more reassuring than those collected by European sources and do not differ much from those of the latest indications of the Government.

In particular, the comparison between the forecasts of the three Institutes shows a range of fluctuation much closer to that forecast by the Government for 2020 (REF expects a fall in GDP of - 9.3; CER - 8.5) and also for 2021 an estimated growth between 5.2 and 5.8 of GDP is estimated.

These data show a positive framework in contrast with the forecasts made by the major international observers (IMF, European Commission, OECD), which tend to underestimate the ability of the Italian economic system to recover after the pandemic shock. The forecasts of the three Institutes, on the other hand, are close to the forecasts formulated by the Government in NaDEF, which were moderately optimistic compared to the international ones and form the basis on which the Draft Budget Plan sent to Brussels was built.

It should be remembered that the effectiveness of the indications concerning the main variables (GDP, employment, deficit, public debt) will depend decisively on our economic and social policy choices in the coming years and on the full and finalized use of the European resources of the Next Generation EU.

In any case, government action in recent months has had to deal with poverty situations and serious economic and social problems, to respond to which it has multiplied the emergency measures, with a succession of compensatory measures in favor of companies and workers, which we take into account in our analysis.

CNEL acknowledged that many of these measures were necessary to face the critical issues of the emergency and made it possible to reduce their impact on people, families and companies.

However, we cannot fail to note that their great fragmentation of government interventions risks reducing their effectiveness and dispersing resources, and that most of the provisions of the law are still suffering too much from the logic of the emergency to the detriment of the indications about the strategic priorities that must support the whole budget intervention and that are necessary to face the major challenges of the coming years.

In addition, the CNEL has stressed the importance of implementing the compensatory measures for companies and workers as soon as possible, reinforcing the initial improvements that have been made in some more recent measures.

In this regard, CNEL has on several occasions stressed the need to overcome sectoral and contingent measures in order to combine emergency interventions with structural measures that indicate, as we can say with an emphatic but significant expression, a clear perspective for the future of the Country.

Europe too, lastly with Mr. Gentiloni's recent statements, presses for recovery and short-term interventions to be combined with a strategic vision in the directions repeatedly referred to by the European Union and also by CNEL.

The dramatic current situation asks for a clear change compared to the past, a clear indication of the strategic objectives to be pursued and a qualitative progress in projecting, implementing and spending capacity of Public Administrations, an essential condition for the full use of NGEU funds and for the deployment of their multiplier effects.

CNEL has long been indicating the priorities, has been calling for a project to relaunch our country that allows to manage the three major transitions, environmental, digital and demographic, and has been indicating three main lines of strategic intervention on which we have also committed ourselves to contribute:

- an industrial and economic policy plan offering instruments for managing the transitions indicated in accordance with the Union's guidelines and in synergy with major european projects;
- a great redistributive work that reformes the tax system and welfare to combat the inequalities that have dramatically worsened in recent years, mostly because of the pandemic impact;
- a simplification of administrative rules and procedures to free up the country's energies and make it possible to implement the reforms necessary for sustainable development.

In this perspective, CNEL reiterates the urgent need for policies that provide the country with the ability to manage public debt in the medium term, all the more necessary to respond to its worsening as a result of the measures taken in these months of pandemic. The sustainability of this debt depends on the implementation of structural and coherent policies that address the historical critical issues of our country, *in primis* its stagnant productivity.

To this end, we need effective and organic actions to get public investment back on track and support private investment (the 3% target also indicated in official documents). Only long-lasting and sustainable growth can enable effective and non-regressive debt management.

More effective public administrations and public services are essential to achieve these results and must be implemented with the digitization and simplification of procedures in accordance with the obligations provided for in the digital agenda.

The sustainable development goals set out in UN Agenda 2030 and shared by the European Union are fundamental guidelines, which - in the opinion of CNEL - must inspire all measures in the coming years, those concerning both the implementation of the budget law and the NGEU utilization programs.

With the inclusion of the BES indicators in the economic planning, Italy is at the forefront, being the first in the EU and in the G7 countries to use these indicators to assess the trend of well-being in the current three-year period and to verify with continuous feedback the impact of planned and implemented policies in the following three years.

In the same way, the measures needed to maximise the great opportunities offered by the transitions underway in the global scenario - those stimulated by the green economy and the pervasive spread of digital technologies - must be evaluated and monitored over time.

Organic choices carried on with consistency and continuity over time in these two directions are also essential to meet the conditions that the European Union lays down for the use of *NextGenerationEU funds*.

CNEL has requested, not alone, that both central institutions of government and regional and local authorities, be equipped with defined and convincing projects to respond to these European indications and to finalise in the best possible way the considerable resources made available, in particular to Italy. We refer to projects which, in addition to material infrastructure - such as, for example, the introduction of means to promote sustainable mobility - provide for the introduction of measures to encourage environmentally virtuous behaviour.

We also considered essential that choices in this regard, because of their importance and difficulty, should be shared with all social partners, a sharing that is now authoritatively called for by the President of the Republic also with the opposition political parties.

It is important that projects relating to the use of European funds should not only be completed as soon as possible with this method of sharing but should also be communicated clearly and in a way that is accessible to society and to the general public.

Comprehensive and transparent communication would be useful to give security and confidence to citizens and savers. Trust is an essential asset in this difficult time, not only to overcome the disorientation spread in the population, but also to give a boost to people's choices and to the dynamism of the economy.

The large budget items indicated in the budget law (the Rotation Fund, introduced in the MEF's estimates, provides for a budget of €34.775 billion for 2021, €41.305 billion for 2022 and €44.573 billion for 2023) for the use of *Next Generation EU funds* is central to supporting strategies in the coming years, but needs to be filled with projects that meet the above strategies and credible in content and implementation times.

In this regard, we reiterate the need, underlined not only by CNEL, for the management of these very complex projects to be supervised by governance instruments (such as an authoritative "control room" or similar at the Council Presidency) able to verify in good time the state of implementation of the various measures.

Continuous and effective monitoring will also be needed in order to make any course corrections during the next few years in the management of European funds that are necessary to respond to the evolution of an economic and social framework that is changing and uncertain.

The availability of the great European resources is an opportunity not to be missed also to strengthen the capacity of our system, public administrations and private actors, to implement public choices promptly and consistently so as to make them appreciated concretely by the citizens.

Working in this direction, on the projects and their shared and timely implementation, is essential so that the indications of the budget package effectively support the economic recovery of the Country, starting as early as 2021. 2021 is a year of transition and it is still surrounded by uncertainties, including the possibility to cope with COVID with vaccines available on time, but for this very reason it is important to urgently activate the most mature projects, especially infrastructure projects, and measures that can have more immediate effect.

Only a sustained recovery that develops our Country's full potential for growth and competitiveness can make it possible to respond to the needs of people and businesses and at the same time to support the public debt that has grown enormously during this period (and on which Europe will ask us to account).

On some of the main lines of intervention of the budget law, the CNEL expresses the following specific assessments:

- The strengthening of public and private investment, referred to by the budget law and central to the European guidelines for the use of the NGEU, must be aimed consistently to increase the country's growth and productivity potential, in particular by supporting the production chains with an high added value and high-tech productions, strengthening the production base and business size of companies also with incentives for corporate mergers provided for by the budget law, strengthening technology transfer systems on the German model, linking industrial policy measures with major European projects in the field of research, digital innovation and alternative energies.

- The epidemic and economic crisis has had a very serious effect on employment. Despite emergency measures on the CIG (salary integration to workers suspended from work) and the blocking of redundancies, the pandemic has caused the loss of hundreds of thousands of jobs, particularly affecting the weakest groups, precarious and short-term workers and, in general, young people and women. The recovery of employment is a priority target of public policies and must also be a priority target for private action.

Recovery measures should promote investment with particular attention to their employment impact.

CNEL has dedicated specific proposals to promote women's employment, with a view to gender equality, and youth employment. Our documents have shown that isolated and sectoral measures are not enough, that the same incentive measures - such as the decontributions provided for in the law - are not sufficient to guarantee sustainable employment growth, especially in times of crisis. We need structural measures to tackle the roots of the problem.

Women's employment must be supported, in particular by promoting the sharing of roles in the family and by strengthening childcare and care services for the elderly, because the burden of these tasks weighs mainly on women and constitutes an obstacle to their opportunities to participate in the labour market.

Similarly, youth employment policies must include a coherent set of measures; in particular, European resources must be used to strengthen the European 'Youth Guarantee' Programme by turning this instrument into a real step to work. The instruments for the transition from school to work must be exploited and strengthened, in particular the apprenticeship mechanism, which in other countries has given a major contribution to facilitating young people's access to the regular labour market.

Moreover, it is desirable to strengthen the systems of work-school alternation and, above all, the introduction of lifelong and continuous training mechanisms also to facilitate the retraining of workers in view of the ever-changing demand for work generated by new technologies and the advent of the crisis.

- CNEL, aware of the importance of social shock absorbers (CIG, Unemployment Benefits) in the social protection system, has drawn up an analysis document and proposals on this subject, which it has submitted to the Work Commission of the Chamber of Deputies.

This document stresses the need to remedy the shortcomings - dramatically highlighted by the pandemic - of the social safety nets, by drawing indications also from the emergency measures approved so far, with the aim of rationalisation and reform in a generalist sense and in line with the European measures already approved (SURE) and proposed (European support for unemployment). The new system of the social shock absorbers will have to guarantee essential basic protection for all forms of employment, both subordinate and self-employed, supplemented by protections that meet the characteristics and needs of the various sectors and groups of workers.

These protections must be matched by a system of active policies, not only endowed with more resources, even beyond those allocated in the budget law, but above all strengthened in structures, in the provision of properly trained human resources, and in *governance* to ensure greater effectiveness and unity of action.

Active policies and employment services, both public and private, are set to play an increasingly important role in the future economy in supporting workers and enterprises in the processes of retraining, restructuring and transition to the jobs required by the new technologies.

To this end, it will be decisive to strengthen and revise, taking into account the economy of the future, the vocational and continuing training system with training projects aimed at the real needs of people and companies, also by increasing the resources of the Fund for new skills and targeting it to objectives of innovation and support of transitions.

The system of incentives to companies should also be reviewed and rationalised in the light of the COVID experience and the prospects for the future economy, in particular, on the one hand, by giving priority to businesses that contribute to sustainable development and the green economy and, on the other hand, by meeting the liquidity and capitalisation needs of SMEs in particular. In this regard, a very useful immediate initiative that is strongly urged by the organizations present at CNEL would be the payment of public administration's debts to companies.

- The measures proposed by the Government documents on health are aimed at the necessary strengthening of the national health system, also for the purpose of a more effective fight against the COVID emergency, both with substantial economic and instrumental resources and with provisions for human resources. The CNEL, while appreciating these measures, reiterates that interventions in the health sector must go beyond the emergency phase and must review the organization of the system also in the light of the experience of this period, in particular in order to strengthen the territorial Presidia and prevention services, which are crucial to deal with emergencies.

In addition, it should be remembered that health is not only an essential component of our welfare but also a strategic industrial sector, in particular with regard to the development of technological innovations for health and life sciences.

CNEL appreciates the fact that the law provides for a reform for families from July 2021 with the introduction of a single children allowance extended to the self-employed and the poor. The measure is financed with substantial resources and has still to be defined, but it is an important aid for families with children and may be useful - if properly structured - to promote women's employment opportunities; all the more because new transfers are also planned to local authorities for the enhancement of nurseries. A useful review to strengthen our welfare system should make it possible to effectively implement the essential levels of social welfare benefits.

The CNEL expresses approval for the set of regulations concerning the Southern Regions and the territorial cohesion policies, while stressing the fragility of employment support. In fact, tax concessions for research and development activities, the strengthening of administrative and personnel capacities and the creation of innovational ecosystems through the creation of structures for training, research and the creation of businesses geared towards technological progress and socio-economic development in the South will immediately benefit the development of the South and the effective use of European funds. On the contrary, employment tax relief measures only produce effects in the Regions where there is recovery.

- CNEL gives great importance to economic and financial strengthening of the "industry 4.0" programmes, stressing the need both to link these programmes with European choices relating to the same objectives and to finalise resources not only to the purchase of traditional goods, but also to investment in innovation, to the spread of tools and of the culture of digitisation, especially in SMEs. Here more than ever it is necessary

that the addresses and choices are defined with a wide involvement of all stakeholders. Substantially, we see the need for a project for the coordination of industrial policies in the field of digitalisation.

- CNEL has long stressed the urgent need to follow up the tax reform already announced by the Government, a reform that must be oriented towards social equity and support for employment and growth. In this perspective, the main axes of this reform must include: reduction of the tax wedge, rebalancing and rationalisation of rates for an effective progressiveness, fight against tax evasion also using available technologies, progressive reduction of cash money. In order to make proposals on these complex issues that we intend to make available to everyone, CNEL has requested the collaboration of a group of experts coordinated by Franco Gallo and Vieri Ceriani.

Finally, CNEL reiterates the importance of investments in infrastructure not only physical and digital but also social. The latter are central, now more than ever both to meet social needs and to counter inequalities and to create good quality work.