“WELFARE, ITALIA”: THREE PROPOSALS TO START BACK AFTER THE PANDEMIC

THE 2020 REPORT BY THE “WELFARE ITALIA” THINK TANK, DEVELOPED BY THE UNIPOL GROUP WITH THE EUROPEAN HOUSE - AMBROSETTI, WAS ISSUED TODAY

The Think Tank will deliver three concrete proposals to the government and public institutions regarding the future welfare system:

- ✓ **DIGITISATION OF THE HEALTHCARE SYSTEM: -25% in days spent in hospital and savings of €4.5bn per year** through the interoperability of healthcare databases and telemedicine
- ✓ **STREAMLINING SOCIAL POLICIES:** by streamlining welfare instruments, €10bn could be freed up for active job policies with **+200 thousand jobs and a return to pre-Covid levels in 5 years**
- ✓ **DEVELOPMENTS IN PENSIONS:** with a reduced tax rate of 11.5% on returns and the adoption of flexibility instruments **+2.5 million people taking out supplementary pensions and €7bn in extra resources**

Launch of the Regional Welfare Italia Index, an instrument to monitor and support Regions to assess the effectiveness and response capacity of the welfare system.

Rome, 18 November 2020

The 2020 edition of the **“Welfare Italia”** Think Tank Report was presented today in live stream; it was developed by **Unipol Gruppo** with **The European House - Ambrosetti**, with the support of a scientific committee comprising Veronica De Romanis, Giuseppe Guzzetti, Walter Ricciardi and Stefano Scarpetta.

The following people contributed to the annual meeting for the analysis, examination and reflection on welfare matters, open to interactive discussion among the main public and private stakeholders in the sector (decision-makers, national and local government representatives, social partners, banks and pension and assistance funds, and representatives of companies, workers, universities and the voluntary sector): ***Elena Bonetti*** *(Minister for Equal Opportunities and the Family),* ***Alberto Brambilla*** *(Chairperson, Itinerari Previdenziali),* ***Carlo Cimbri*** *(Group CEO, Unipol Gruppo),* ***Valerio De Molli*** *(Managing Partner and CEO, The European House - Ambrosetti),* ***Veronica De Romanis*** *(Professor of European Economic Policy, Stanford University Program in Florence and LUISS Guido Carli in Rome;*

*scientific advisor with "Welfare, Italia" Think Tank), **Daniele Franco** (Chairperson, Institute for the Supervision of Insurance "IVASS"; General Manager, Bank of Italy), **Roberto Gualtieri** (Minister of Economy and Finance), **Giuseppe Guzzetti** (former Chairperson Cariplo Foundation; scientific advisor with "Welfare, Italia" Think Tank), **Mario Nava** (General Manager, Structural Reform Support, European Commission), **Antonio Polito** (Columnist and Deputy Editor, Corriere della Sera), **Walter Ricciardi** (Advisor to the Ministry of Health for relations with the international healthcare public institutions for the Covid-19 healthcare emergency; Chairperson "Mission Board for Cancer", European Commission; scientific advisor with "Welfare, Italia" Think Tank); **Riccardo Sabatini** (Chief Data Scientist, Orionis Biosciences, Boston, USA), **Stefano Scarpetta** (Director, Department of Employment, Labour and Social Affairs, OECD; scientific advisor with "Welfare, Italia" Think Tank), **Marco Simoni** (Chairperson, Human Technopole Foundation), **Pierluigi Stefanini** (Chairperson, Unipol Gruppo) and **Giovanni Toti** (Deputy Chairperson of the Conference of Regions and Autonomous Provinces, President of the Liguria Region).*

The Covid-19 pandemic and its social and economic impacts

The healthcare emergency linked to the spread of the COVID-19 pandemic quickly changed into an unprecedented **social and economic crisis.** In October 2020, the Economic Outlook of the International Monetary Fund predicted **a fall in global GDP** of 4.4% this year as the baseline scenario. Italy is no exception with a forecast of **-10.8%** for 2020 according to the **model drawn up by The European House - Ambrosetti.** In order to show the impact of this drop, this is the third worst year in over 150 years, taking the absolute value of the GDP back to 1996 levels.

The government debt / GDP ratio could also reach "war economy" levels (158.9%) in this scenario, or only 1 percentage point less than the historic high reached during the first World War. It is clear that the increase in public debt / GDP further will reduce the room for action in the public sphere in years to come. Due to the impacts on GDP, the effects on employment are equally significant. In the first 6 months of 2020, over **800 thousand jobs** were lost compared to the same period of 2019, including 677 thousand fixed-term jobs (80%), 416 thousand in the 15 to 34-year old range (50%). 44% of these jobs lost were in the North, 17% in the Centre and 39% in the South.

Therefore, due to the economic impacts of the epidemic, the need to protect the public also increased and the **role of the welfare system became more essential than ever,** since it is a tool that can reduce the impacts of the pandemic.

The welfare system in turn has been placed under severe stress: in the short term, the health area was the area that was hit hardest, however, in the short-medium term, social policies will have to be reinforced to protect employment continuity and in the medium-long term, pensions will also be put under pressure.

Up until September 2020, it is estimated that Covid-19 generated **an increase in healthcare expenditure of over €1.5bn** for hospital facilities alone. Redundancy schemes risk exceeding 3,500 million hours, with an overall cost estimated as over €25.6bn, while between 550 thousand and over

740 thousand people more could use NASPI (unemployment benefits), with a cost for the country of between €5.5bn and €7.0bn per year.

More generally, social policies will require resources estimated as over €40bn per year. It will also be crucial for a portion of these resources to come from what is now earmarked for pensions, with Italy's pension payments eating into welfare costs at the highest rate in Europe (16.3% of the GDP compared to an average figure of 12.3% in the euro zone).

Proposals to develop the Italian welfare system

Starting with a photograph of the current Italian welfare system and how the social-economic impacts of the Covid-19 crisis are affecting future developments, **the think tank identified three priority lines of action** to define an "accurate welfare system" to put on the table of public institutions and decision-making bodies, with one for each pillar (health, social policies and pensions):

1. ***HEALTH: the creation of interoperable databases and new digital services, including a pilot telemedicine project coordinated at national level and scalable across the whole country***

   The use of technology and digital resources is one of the basic guidelines outlined by the Ministry of Health to manage the healthcare emergency in the long term. The first action to take is to ensure the **standardisation of public databases** on an open-data basis, with full **interoperability between public and private databases** in order to ensure deployment of the benefits that can be obtained through the Electronic Health Records ("FSE") which should be a national priority.

   The Covid-19 emergency highlighted, *inter alia,* the urgent **need for a national telemedicine plan:** Welfare Italia's proposal is to start up a pilot project - established and coordinated at national level, adopted initially by certain Regions that already have the digital infrastructure, and subsequently scaled across the entire country - to fully digitise the family doctor and specialist consultations and monitor the health conditions of patients with chronic illnesses. Private healthcare facilities would provide technology, expertise and the development of innovative solutions.

   The implementation of a large-scale pilot project in the country to create a telemedicine system could require an **estimated investment of about €5bn,** and thereby **reduce the days spent in hospital by up to 25%,** with a savings of about €1.5bn every year (for a total of €7.5bn over 5 years).

   The reduction in waiting times and the need to travel, especially for the more isolated areas, would lead to savings of over €3bn per year, therefore total savings of **about €4.5bn every year** could be achieved through a telemedicine plan.

2. ***SOCIAL POLICIES: streamlining of welfare instruments and investment in an active job policy plan***

   Due in part to the poor results achieved by the numerous one-off measures taken by the Italian system, we propose optimising social policy instruments, starting with those aimed at households. Even though a first step was taken in this direction with approval of the “Family Act” bill, a further proposal would be to employ **a single social inclusion instrument** that encompasses the welfare component of the citizens’ income, emergency income and the children's’ allowance.

   This reorganisation could **free up about €10bn in resources,** to be used to start up specialised training courses aimed at upskilling to stay in line with the demands of the job market and which could **generate up to an additional 200 thousand new jobs.**

   In the long-term scenario, with an initial investment of €10bn, reducing to €7bn and €5bn in two and five years respectively, the additional employment generated by an active job policy plan would guarantee a **return to pre-Covid employment figures 5 years** from now (compared to the 9-year figure forecast in the standard long-term trend scenario) and an **annual GDP increase of 0.7%.**

3. ***PENSIONS: introduction of a reduced tax rate on returns built up with supplementary pensions, increase in the flexibility of the supplementary pensions and launch of “UNICO” as a pension instrument for the youngest citizens.***

   The future sustainability of the Italian pension system, due to low birth rates and an aging population, will also depend on a system where supplementary pensions play a greater role: therefore, **we suggest introducing a reduced tax rate of 11.5% on the returns** built up in supplementary pensions, equal to the value before the Stability Law of 2015, to support higher take-ups in the number of people taking this option.

   Considering an average contribution period of 25 years, we estimate that the reduced tax rate could **generate about €10 thousand in returns for each person taking this option,** thereby giving an incentive to subscribe, with numbers that could increase by **2.5 million** (equal to 30% of total subscriptions) for a total of **€7bn in additional resources** destined for supplementary pensions. These resources could be routed towards investments in the real economy which could increase the GDP by 1.5 percentage points.

Actions aimed at increasing flexibility in supplementary pensions would also be desirable: these include the introduction of **“portability” from one year to the next of the amount of unused tax deductions**, the option to obtain **extraordinary advances on the proceeds** in certain situations regardless of how long the plan has been subscribed to and finally, the option to **transfer the position accrued in the supplementary pension by owners to their children** instead of collecting on them.

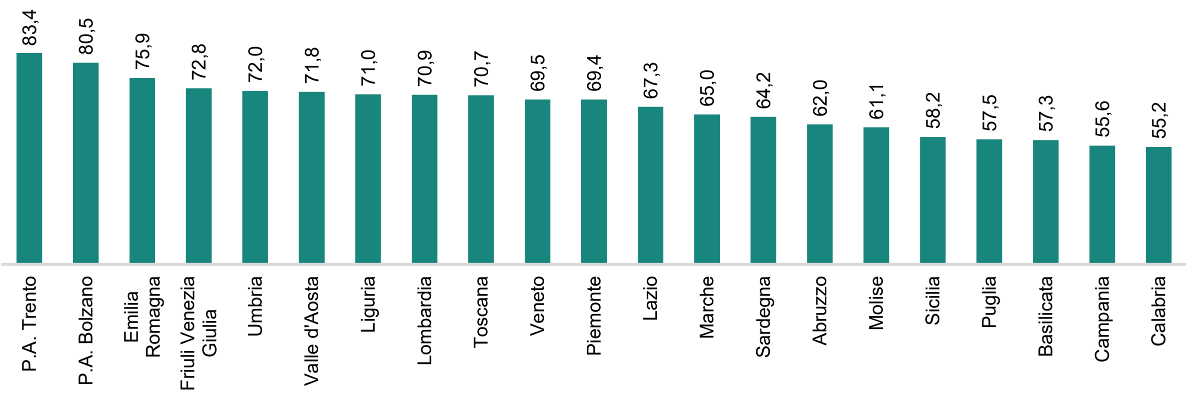
Another address relates to the proposal to **create UNICO** "Universal Contribution", an instrument to support the creation of integrated pension positions for all new-borns (about 450 thousand every year) for whom pillar III pension positions will automatically be opened.

The Regional "Welfare Italia Index"

In the Annual Welfare Italia Report, the **Welfare Italia Index**[1] was also calculated for the first time in 2020; this device monitors the effectiveness and response capacity of the welfare system in Italian Regions, **based on 22 Key Performance Indicators** that can be measured on aspects linked to both welfare spending and the results produced by this spending.

The first element that clearly emerged from the regional comparison was the big differences in scores between the first and the last Regions (over 28 points difference). A second significant element was the **strong polarisation between the North and South of the country:** the last 8 regions are in Southern Italy and the Islands, and the best of these - i.e. Sardinia (14th with 64.2 points) - was about 20 points behind the first in the ranking and about 9 points ahead of Calabria, which came last.

The complete ranking of the Welfare Italia Index:



[1] The Welfare Italia Index comprises two aspects aimed at representing the attributes that characterise the response capacity of the territorial welfare system: the input aspect, i.e. welfare spending indicators that represent how many resources are allocated in a certain territory and the output aspect, i.e. structural indicators that represent the socioeconomic context into which the welfare spending is put.

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For the fifth year in a row, The European House - Ambrosetti was ranked as the top private think tank in Italy, in the top 10 in Europe and the 100 most-appreciated independent think tanks out of 6,846 at global level in the 2017 edition of Global Go To Think Tanks Report by the University of Pennsylvania.
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