

Modernizing Social Protection Systems in Italy

Project Presentation



1. Why the project is relevant

The MOSPI project aims to support the modernisation of the social protection system in Italy allowing it to respond to the challenges of digitalisation, of the changing world of work, of the aging of population. In order to reach such objectives the partnership will build, among others, on the previous shared experience of the T-DYMM social policy modelling tool, on the direct access to monitoring data, as well as on the knowledge acquired by the core team of experts recent involvement in the study for DG EMPL “Access to social protection for all forms of employment - Assessing the options for a possible EU initiative”.

All these experiences will support the core team of experts in describing possible scenarios of change in the world of work with a multidisciplinary perspective, to define possible reform options and to estimate social risks, needs and outcomes under the different scenarios. A special focus will be paid to investigate how the so called “platform” workers can be supported in having access to social security and to estimate the expected evolution of the phenomenon. The action will also focus on how possible national reforms might improve the social protection of non - standard workers and self employed estimating the economic impact of solving the problem of discontinuity in their working careers through notional contributions. Finally the action will focus on the impact of different options of the possible integration public and supplementary pension schemes

The composition of the partnership – involving National Institute for Public Policies Analysis (INAPP), applicant, the Italian Ministry of Economy and Finance-Department of Treasury, and Fondazione Giacomo Brodolini, author of the above mentioned European study - grants for a sound methodological approach joined with the potentialities for a long terms sustainability of the action. The European dimension of the project will be granted by the involvement of a selection of EU experts, including policy makers and researchers, in two workshops aimed to foster a mutual learning approach and conceived as peer review exercises to discuss and validate the main outputs of the project. The first workshop will take place at the end of the desk review on “future of work scenarios” (phase1), the second at the end of the micro-simulation phase (phase3). Both events will support the dissemination of the approach and, at the same time, feed it with European suggestions for possible national reforms. The MOSPI project will also offer the opportunity to update the T-DYMM model with AD-SILC 2017 – i.e., an innovative micro-dataset representative of the Italian population built merging longitudinal administrative data with the cross-sections of the Italian component of the EU-SILC – creating the basis for further investigations and monitoring of non-standard workers accesses to social security and for the identification of contribution gaps leading



to discontinuity in social protection. The results of the micro-simulation exercise at national level will be potentially useful to identify and clarify any new potential risk/opportunity in non-standard workers contribution behaviours and/or job discontinuity periods, useful for defining further investigations also in other EU Member States. The results of the desk review and the micro simulation analysis of different policy options will bring MOSPI experts to elaborate one or more proposals for a national reform aiming to ensure a broader coverage by pension system(s) to non standard-workers. The production of guidelines describing the methodological approach and the implementation of the tool and the micro-simulation process will ease the transferability of the approach to any EU Member State interested in testing the adapting the methodological approach to own social and economic context.

2. What is the diagnosis of the issues addressed and the approach suggested

2.1 The European Contexts

As stated in the call for proposal and shown by a series of recent studies from the EU Commission in the last years there is economic and employment risks associated to a growing number of people in non-standard forms of employment and self-employment who lack of adequate social protection, training opportunities and effective access to employment services. As a matter of fact, in most of the European countries welfare states was originally designed and developed in order to safeguard the social and employment rights of i.e. full time and open-ended workers.

Economic and societal changes, together with rapid developments in technologies, are deeply affecting the nature of employment relationships. As underlined by the Commission, these transformations "offer new opportunities, increase possibilities for self-employment and new types of activities and make career patterns more diverse, yet also create new risks of "grey zones" in terms of labour rights an access to welfare" (European Commission 2016, 3). While the majority of workers are on standard employment contracts, part-time workers as a percentage of the total EU-28 workforce in the 15-64 age group increased from 17,5% in 2007 to 19.6% in 2015. A high share of part-time workers can be found in the Netherlands (about 50%); by contrast, in Central and Eastern European countries they are less common. As far as fixed-term workers are concerned, in the EU-28 the incidence of this type of employment contract was 11.9% in 2015, but it greatly differs across the European countries, ranging from more than 20% in Poland and Spain to less than 2% in Lithuanian and Romania. Also the proportion of self-employed varies among Member



States with a higher share in South European and Eastern countries and lower level in the three Nordic countries (DK, NO, SE) Beyond the extent of non-standard work and self-employment across the European countries, a large variety of new forms of work is emerging in Europe and in other countries (Ilo 2016). Overall, it is possible to distinguish four main groups of employment arrangements:

1. standard forms of work;
2. "conventional" non-standard forms of subordinate and bilateral employment relationships;
3. "new" atypical forms of employment;
4. "conventional" forms of self-employment.

The first group refers to full time and open-ended employment contract.

The second group is mainly composed by conventional fixed-term contracts and part-time (vertical and horizontal ones).

The third category is the widest one since it covers a large "grey area" of new and evolving forms of employment relationships. In this area, it is possible to find both subordinate and more independent forms of work ranging from temporary agency work, to "very atypical contractual arrangements" (Broughton 2010) such as workers with no employment contract (causal workers; "zero hours" contracts), workers who report working a very small number of hours (< 10 hours a week) or who hold a temporary contract for less than 6 months. Moreover, it is possible to mention other types of contractual arrangements like ICT-based mobile work, crowd employment, portfolio work, collaborative employment, para-subordinate workers, freelance and false self-employment where the distinction between subordinate and independent relationship is blurred (Eurofound 2015). This wide "grey area" of new forms of employment has also been described in the Commission's background document that accompanied the public consultation on the so-called "Written statement directive" (see Tab. 1).

Table 1. Definitions of 'new forms of employment' for the purpose of the evaluation of the Written Statement Directive.



Telework	A form of organizing and/or performing work using information technology whereby work which could also be performed at the employers' premises, is carried out away from those premises on a regular basis.
Temporary agency work	A worker with a contract of employment or an employment relationship with a temporary-work agency with a view to being assigned to a user undertaking to work temporarily under its supervision and direction
Zero-hours contracts	A worker with a permanent contract but no guaranteed work.
Employee sharing	An individual worker is jointly hired by a group of employers (who are not clients of a traditional temporary work agency). Such workers rotate between the different companies.
Job sharing	A single employer hires two or more workers to jointly fill a specific job.
Voucher-based work	The employment relationship and related payment is based on a voucher rather than an employment contract. In most cases, the workers then have a status somewhere between employees and self-employed.
Interim management	A worker – usually a highly skilled expert – is hired for a temporary period of time by an employer, often to conduct a specific project or solve a specific problem. In contrast to traditional fixed-term work arrangements, interim management has some elements of consultancy, but the expert has employee status rather than that of external advisor.
ICT-based mobile work	Work patterns characterised by the worker (whether employee or self-employed) operating from various possible locations outside the premises of their employer (for example, at home, at a client's premises or 'on the road'), supported by modern technologies such as laptop and tablet computers. This is different from traditional teleworking in the sense of being even less 'place-bound'.
Collaborative models of employment	<p>Umbrella organisations, which offer specific administrative services such as invoicing clients or dealing with tax issues.</p> <p>Co-working, which involves the sharing of work space and back-office and support tasks. The shared work space is not necessarily a physical one but can also be a virtual meeting space that facilitates collaboration</p> <p>Cooperatives, which are jointly owned, and democratically controlled enterprises characterised by intensive cooperation among the members in the fields of production, marketing and strategic management. Unlike co-working, there is no shared location. Cooperatives are not exclusive to the self-employed</p>

Source: European Commission (2016)



Finally, the last group of employment arrangements deals with **conventional self-employment**, that is referred to independent workers who usually have more than one client and can also eventually have dependent workers.

Therefore, non-standard work and self-employment represent a complex world characterised by *different employment relationships* (one to many; many to one; many to many), *different work patterns* (discontinuous, intermittent, fixed-term), *networking and cooperative arrangements*, as well as *conventional or non-conventional workplace* (own office; mobile work; multiple locations) (Eurofound 2015).

Despite the variety of non-standard contracts and self-employment contracts across the European countries, we can observe some common elements such as a lower job security, limited training opportunities and upward mobility, as well as worse health and security conditions (Matsaganis et al. 2016).

Nevertheless, while "conventional" part-time workers and fixed-term workers have the same formal access to social protection as standard employees in all European countries¹, new forms of employment in the centre of the above continuum (the greyer area) are often (more or less completely) excluded from entitlements to any kind of social benefits.

Overall, non-standard workers and self-employees tend to suffer from several specific deficiencies or disadvantages in regard to social protection, depending on the provisions of labour law and social insurance legislation in their countries (Jessoula and Heinrich 2012; Emmenegger et al. 2012, Buschoff and Protsh 2013). Among the main risks, we can mention (Giubboni et al. 2013):

a) **the lack of insurance coverage.** Some employment contracts are only insured against certain specific risks (e.g. accident at work) or are exempt from compulsory insurance contribution. This is often the case of self-employed persons who usually are more excluded from statutory access than salaried workers. In addition, also some categories of non-standard employees have not formal access to specific kinds of social benefits in certain countries.

b) **the lack of minimum insurance requirements.** Beyond disparities in statutory access to social benefits between standard employees and other categories of workers, gaps in social protection may depend on limited possibility to meet eligibility criteria. In other words, while social protection can be formally guaranteed to non-standard workers and self-employed, *de facto*



access actually depends on minimum requirements set at the national level. However, these requirements are often hard to reach by atypical and self-employed workers with highly fragmented and irregular career paths.

c) **difficulties associated to the calculation methods for benefits.** The take up rate of social benefits can be also lower for non-standard works and self-employed because of the calculation rules adopted for the accumulation of entitlements. The actual calculation methods (e.g. aggregation of working periods) can penalise workers with short or incomplete periods of insurance and can also limit their right to free movement.

d) **the impossibility of aggregating periods even when contributions have been made.** People in fixed term work or self-employment have often difficulties in preserving their acquired rights when they (frequently) change employment. Therefore, special attention should be paid to the portability of social and training entitlements during the entire person's career. These disparities may be also amplified by the fact that atypical employment quite often forms part of a fragmented career pattern (Berton et al. 2012; Matsaganis et al. 2016). Due to the «fluidity» of professional paths, non-standard workers and self-employed tend to change their employment status more frequently than standard employees.

e) **the risk of inadequate levels of social protection.** Non-standard workers and self-employed can fulfil eligibility criteria and get effective access to social benefit that however are far from providing sufficient protection against social risks. For example, this could be the case of atypical or self-employed workers who will not have access to adequate future pension provisions.

f) **the risk of individual myopia or limited financial capabilities.** When social protection for non-standard employees and self-employed workers is provided only on a voluntary basis, there is the risk that individuals would prefer to forgo or reduce contributions if allowed. On the other hand, the decision not to adhere to a voluntary scheme can be affected by financial reasons rather than individual preferences, since many atypical and self-employed workers have irregular and low revenues.

In conclusion, the gaps in social protection of atypical workers, along with their lower level of job security and salary have several impacts both in terms of social consequences and on the



functioning of the labour market. In particular, non-standard workers and self-employed are usually at a **greater risk of social exclusion**; according to data provided by Eurostat, in almost all EU countries poverty rate are higher for non-standard workers than for workers with an open-ended contract in 2015.

2.2 Specificities of The Italian context

The 1995 pension reform in Italy replaced the previous public earnings-related defined benefit scheme (called *retributivo*) – where pension was computed as a share of individuals’ final wages – with a notional defined contribution (NDC) formula (called *contributivo*) – where pension depends on the (notional, being the public pension system pay go financed) accrual of contributions along the whole working life. The pension will be entirely computed according to the NDC rules for all individuals entered in the labour market since 1996, while a mixed scheme (NDC and earnings related) is used for individuals who already worked in 1995.

As known, the NDC has the main advantage of providing incentives for individuals to pay contributions – i.e. to “make contributions pay” –, since the benefit will increase when the accrual of contributions rises and, following actuarial rules, the benefit will rise when an individual postpones the retirement, thus not providing “wrong” incentives to early retirement. Furthermore, as pointed out by the periodical AWG reports, an NDC scheme has the advantage of acting as a sort of automatic stabilizer of public spending for pensions, thus guaranteeing long-term sustainability of the pension budget, since pension spending will change according to the evolution of GDP (the notional return rate on pension contributions is indeed a moving average of past nominal GDP growth rates) and life expectancy, since the benefit is computed according to the average life expectancy at the retirement age through the application of specific coefficients and these coefficients are updated every two years to take into account changes in life expectancy.

However, despite of its main pros, the Italian NDC formula computes pensions according to paid contributions only. Indeed, apart a social assistance benefit (the *assegno sociale*) paid to all elderly without other resources, no redistributive tool exists in the NDC scheme.

More in detail, in the NDC scheme pension benefits depend on several determinants, both at the macro level (with the GDP growth rate defining the rate of return on contributions and the mean life expectancy upon retirement determining the annuity of the benefit) and at the micro level (the length and the success of the working career being the main determinants of the level of the benefit). Hence, due to its strict actuarial neutrality, in the NDC system workers are fully exposed to



risks arising both at the macro and the micro level. In particular, apart from the provision of a means-tested social assistance benefit for the very poor elderly (the previously mentioned *assegno sociale*), in the NDC scheme pensions depend on contributions paid during the whole working life, so that, differently from the former earnings-related system, the maintenance of pre-retirement earning levels is no more guaranteed. In other terms, having no internal explicit redistributive features and applying the same rate of return to every individual, the NDC scheme is a sort of “mirror” of labour market outcomes. **Therefore, the capacity of the Italian labour market to guarantee to all workers long and profitable careers becomes the crucial issue for assessing challenges coming from the new architecture of the public pension system.** Projecting individuals’ labour market outcomes become then crucial to assess the adequacy of future pension benefits.

In general, the main concerns about pension adequacy regard individuals who are unable to spend a long career as full-time employee, due to: i) the lower contribution rates characterizing self-employed and (up to the 2011 reform) para-subordinate workers in Italy (e.g., when mandatory contributions for para-subordinate workers were introduced in 1996, the contribution rate was 10% versus 33% paid by the employees); ii) the weak coverage of unemployment benefits for individuals with intermittent careers (given the frequent lack of notional contributions for periods spent not working, sums accumulated in the NDC proportionally decrease when unemployment spells occur); iii) low wages mostly paid to atypical workers, to part-timers and to people at the beginning of their working life; iv) the difficulties in balancing work with life because of the shortage of care services. Consequently, due to the interactions between these adverse events – i.e. low contribution rates, low earnings and frequent unemployment spells without being entitled to figurative contributions – also individuals who were active for a long span of their lives could receive modest pension incomes when retired. Furthermore, the attitude of a pension scheme not to protect the most vulnerable workers could in turn engender unforeseen costs in the long run due to the provision of social assistance benefits also to individuals with a quite long working career.

Recent reforms have strongly tightened requirements for early retirement, thus largely increased expected retirement ages. Increasing the working life is a clear policy option to improve pension adequacy in an NDC scheme since an individual working longer will pay more contribution and will receive a higher pension when retiring at an older age due to the higher coefficient that will convert the accumulated contributions in an annuity. However, this policy option might not be enough for individuals who might meet a difficult employability at older ages or might have been



characterized by frequent unemployment spells at younger ages or, in general, an unsuccessful career.

Studies about pension adequacy stress that the Italian NDC scheme, especially after the reforms who have increased the retirement age, will surely pay adequate benefits to individuals characterized by long and decent careers. The challenge is to understand how many individuals might deal with so huge difficulties during the working life – in terms of unemployment spells, low wages and contributions – to not be able to accumulate enough contributions to earn an adequate public pension benefit.

Public pension benefit may be complemented by private pensions in Italy. Indeed, workers can voluntarily enrol to supplementary private pension funds (both occupational and personal) that are based on a defined contribution formula and are fully funded financed. Moreover, pensions paid by private pension funds are advantaged by reduced tax rates. However, the participation to private pension funds is still limited in Italy – less than 30% of the workforce is enrolled to private schemes – and, more important, atypical workers and those characterized by discontinuous careers use not to enrol to private schemes, especially because of liquidity constraints (associated with low wages and unemployment spells) during the working life.

2.3 The objectives of the project

The **first objective** of the action is to **define future of work scenarios with a specific focus on the evolution of non-standard workers and self-employed career in view of the challenges presented by the digitalization of work.**

Economic systems and labour markets have always been structurally influenced by changes in technology. Among the main recent innovations in this domain, we can mention the ICT developments which have fostered the ongoing digitalisation and automatisisation of production and delivery of goods and services. The use of these new technologies has affected traditional businesses and led to the emergences of new ones. At the same time, technologies such as increased robotisation of standardisable tasks or the development of digital platforms can have important impacts on the organisation of work. With the development of new ICT, work can be easier broken down into specific projects or even tasks to be outsourced to independent professionals. The digitalisation of the economy could lead to further diffusion of self-employment and non-standard work. In particular, ICT technologies can provide some opportunities for the development of new or very atypical working arrangements (Broughton et al. 2010) such as workers with no employment contract (causal workers; "zero hours" contracts), workers who report working a very small number



of hours (< 10 hours a week) or who hold a temporary contract for less than 6 months. In addition, these technological changes are also often accompanied by an increased demand for flexibility which can promote the frequent recourse to other types of contractual arrangements like ICT-based mobile work, crowd employment, portfolio work, collaborative employment, para-subordinate workers, freelance and false self-employment.

The development of "on-demand" collaborative economy or "gig economy" driven by digital technologies has important implications on working conditions and social protection of NSE and SE. In particular with reference to the so-called "platform economy", while the characteristics of digital platforms may vary to a large extent, self-employed and workers in the collaborative economy tend to share some features. They are usually younger and more educated than the average population, they tend to work long hours on several platforms earning below or just above minimum wages, they are not usually covered by social protection or, at least, they have only some minimal social guarantees. Finally, they often hold limited possibility for careers developments (European Commission 2017). Moreover, the potential rise of new working arrangements poses some serious challenges to national labour law and social protection systems that have been traditionally based on job status and seniority. Among the main thorny issues, we can mention the difficulties related to a clear definition of employment status and, in particular, the distinction between the status of self-employed and employees (Eurofound 2015). While such a definition is often blurred at the national level and can be constantly challenged by the emergence of new working arrangements, at the same time no common EU definition has been set in order to distinguish and regulate different forms of works.

MOSPI partner will try to identify scenarios within this trend and estimate the impact it will have in the next future at national level.

The **second objective** of this project is then to **assess the relevance of the risks of inadequacy of public pension benefits**; this will be done by carrying out detailed **analyses of the working careers of individuals enrolled to the NDC scheme**, and by **simulating their future career prospects by means of a dynamic micro-simulation model**. Moreover, we will suggest the possibility to introduce some kind of minimum benefits in the NDC scheme, analyzing by means of the micro-simulation model their impact on the distribution of pension benefits, on poverty rates and the budget costs of this measure. We will also try to simulate the possible effects of eventual changes in unemployment benefits allowing to accumulate additional contributes on the pensions for atypical, parasubordinate and self-employed workers.



Many authors and discussants propose an increase of the role of private providers in the pension system associated to the possibility for workers to (at least partially) opt out from public schemes as a strategy for reducing public costs and increasing efficiency, due to a supposed positive role on economic efficiency and individual freedom of choice played by pension funds. Actually, since 1993 Italian policy makers have supported the development of funded supplementary pillars in order to compensate downscaling interventions in the public pension system. Supplementary pillars were introduced on a voluntary basis, they are fully funded systems and provide defined contributions (DC) pensions only. According to recent data (COVIP 2012) the take-up rate in private supplementary schemes is still limited in Italy, although the tax regime for all private schemes is advantaged as fund contributions are exempted until a threshold of 5,165 Euros each year, returns pay a reduced rate and annuities will be charged by a low and proportional tax rate (15% reduced up to 9% in case of 35 years of enrolment to private schemes). However, on the one hand incentives to private schemes could burden public budget with major tax expenditures. On the other hand, they could produce negative effects on equity and social cohesion grounds, since fiscal incentives and administrative costs are often regressive and considering that it is often very difficult for the most disadvantaged workers to enrol to private pension funds.

The **third aim** of this project is then to **assess pros and cons of the current design of the Italian private second and third pension pillars, also analyzing**, by means of a dynamic micro-simulation model that takes into account the different propensity of groups of workers to enrol to pension funds, **the influence on pension benefits distribution of private pension schemes**.

At the end of the assessment process MOSPI partners will be able to elaborate, moving from a solid base of scientific evidence **policy recommendations** to support the modernisation of the social protection system in Italy allowing it to respond to the challenges of digitalisation, of the changing world of work, of the aging of population.

3. Overview of project work programme

The project implementation is organised in seven phases to be implemented in 36 months. The seven phases cover the following activities: **Desk review, Updating T-DYMM social policy modelling tool, Simulating policy options impact, Elaborating Policy recommendation for national reforms, General project evaluation, Dissemination and Project management**. A Steering Committee (1 person per co-applicant + the leading applicant) will support the applicant in coordinating different phases and the coherence among them; INAPP will be in charge of



coordinating the desk review and defining the policy options, Fondazione Giacomo Brodolini and the Ministry of Economy and Finance will be in charge of updating the T-DYMM model and running the simulations as well as of the evaluation activities, all partners will cooperate in definition the suggestions for policy reforms of the social security system.

3.1. Phase 1 Desk review

Phase 1 Desk review: defining possible scenarios for the future of work at global, EU and national level. Specific focus will be placed on platform workers and so called GIG economy

The **activity** will consist in a literature review on future of work (new professions, news skills, new jobs) and future of workers; it will include European papers and Italian reviews, it may include interviews with key stakeholders.

The activity will produce a **Background report on future of work scenarios**, containing the results of the desk review research activity and presenting a collection of information (data, reports, analysis) suitable to define the future trends for non standard workers and self employed in Europe and Italy.

Output: Report on future of work scenarios

Length: 8 months (0-8)

3.2 Phase 2 Updating T-DYMM social policy modelling tool

Phase 2 Updating T-DYMM social policy modelling tool with AD SILC 2017 data: populating the model will allow to follow non standard workers pathways and identify gaps in the contributory pathways.

The phase will be divide in the following sub activities:

Further implementation of the innovative dataset:

- a. Update and enhancement of the AD-SILC database. Such innovative database is built merging for Italy EU-SILC survey data with longitudinal information provided by administrative archives managed by INPS. This allows to reconstruct individuals' work and life patterns by controlling for a much higher number of variables than those included in both original INPS and SILC datasets. The research will explore, *inter alia*, the possibility of introducing methodological improvements to the database by strengthening its representativeness in respect to the Italian population;



b. Inclusion in the analysis of new survey data:

- i. With the aim of investigating some specific aspects of the labor market related to a series of sub-populations, such as the entry into the work of young people, the prolongation of active life of the population in the older age groups, the participation of the female component in the labor force, demand-supply and mismatching issues related to the labor market, the research will explore the possibility of merging INPS data with the PLUS (Participation, Labor, Unemployment Survey) data currently managed by INAPP;
- ii. In order to investigate the behavior of companies in the demand for workforce by sectors of the economy, so as to better implement the labor market simulation features of our microsimulation model, the research will explore the possibility of merging INPS data with the RIL (Longitudinal Survey on Businesses and Work) survey data currently managed by INAPP;
- iii. With the scope of investigating the aspects of the quality of labor supply (professional development, career prospects, safety at work, economic stability, autonomy, time and hours of work), the research will explore the possibility of merging INPS data with the QDL survey (that draws from the European Working Condition Survey, EWCS) data currently managed by INAPP.

- Elaboration of in-depth analyses on socio-economic characteristics of the labor market.

Characterization of individuals by detailed examination of work-history patterns, labor market transitions and incomes, paying particular care to individuals experiencing fragmented careers, due to reasons relating to non-standard working conditions and general contractual arrangements and due to discontinuous participation in the labor market.

Focus groups will be determined on the basis of a number of socio-economic variables, including, but not limited to, age, gender, family composition, educational attainment, type of employment.

Objective of the analyses will be the identification of vulnerable individuals and the socio-economic variables that characterize them, thus allowing the exposal of specific issues and the consequent elaboration of policy proposals to be evaluated both in the present and in the medium-long term with the use of a microsimulation tool (the Treasury Dynamic Microsimulation Model, T-DYMM).



Output: T-DYMM forecast model report, containing a description of the new version of the model, its potentialities and functioning system, the datasets.

Length: 12 months (0-12)

Phase 3 Simulating policy options impact: The microsimulation model T-DYMM will be employed for the analysis of the Italian labour market and pensions system and will be improved in the following areas:

- a. Extension in the simulation of social protection subsidies. Starting from the recent addition to the model of an unemployment benefit section, further social protection measures will be included. That will comprise institutes already present in the Italian Legislation and those constituting policy proposals to be evaluated;
- b. Inclusion in the simulation of working pensioners. In a framework of discontinuous careers, far-reaching pensionable ages and lowering pension benefits, workers may opt to keep working even after retirement. Such a provision is already foreseen in the present Italian Legislation but has yet to be implemented within the model;
- c. In the framework of the social adequacy of pensions, a relevant concern is represented by the proper estimation of real estate ownership, financial wealth and supplementary pension schemes. In the current framework of T-DYMM, supplementary pension schemes are present, but need further improvement;
- d. Crucially to the assessment of poverty, social adequacy and inclusion indicators (At Risk Of Poverty Rate, Income Quintile Share Ratio, Gini index, etc.) is the proper computation of net individual and family income. To this goal, T-DYMM already encompasses a “taxation module”, that will benefit from further specification;
- e. To duly keep into account the relevance of the phenomenon of migration both for the demography and for the labor market of Italy, a “migration module” has to be implemented. At present time, T-DYMM works as a closed model, thus neither considering immigration nor emigration, therefore an improvement on this side is crucial.

In order to fully exploit the potential of the microsimulation tool, a series of scenarios will be simulated. A number of sensitivity scenarios will be built. The role of demographic projections is crucial for the prospected sustainability of social protection systems in the medium-long term. For this reason, we will focus on the effect of changing the underlying components, in particular



stressing fertility and migration. In a Notional Defined Contribution (NDC) scheme (such is the one that Italy has introduced with the 1995 and 2011 Reforms) pension benefits depend on several determinants, both at the macro level (with the GDP growth rate defining the rate of return on contributions and the mean life expectancy upon retirement determining the annuity of the benefit) and at the micro level (the length and the success of the working career being the main determinants of the level of the benefit). Due to its strict actuarial neutrality, in the NDC system workers are more exposed to risks arising both at the macro and the micro level. In other terms, having no internal explicit redistributive features and applying the same rate of return to every individual, the NDC scheme mirrors labor market outcomes. Therefore, the capacity of the Italian labor market to guarantee continuity in individual careers becomes a critical issue. When uninterrupted careers cannot be guaranteed, adequate protection is crucial for assessing present and future challenges, both during the working life and after retirement.

Policy proposals will be directed to examining the possibility of extending the present system of social protection to include measures specifically designed to tackle late entrance in the labor market, long-term unemployment, fragmented careers (short but frequent unemployment spells) and the structural changes deriving by the process of digitalization. Proposals will include measures of minimum income and income support measures specifically directed to the vulnerable groups identified in the analyses carried out in the vast dataset at disposal. Such benefits will have to include the payment of imputed contribution, in order to increase the amount of the future pension benefits. In parallel, additional support measures to poor pensioners can be implemented.

As additions to the “taxation module” are already envisioned, a number of policy options in this area can be implemented, so to reflect the growing mainstream attention shown by Italian policy makers and public opinion (e.g., so-called flat tax) and to test the effect of different levels of progressive taxation on distributive indicators.

All proposals will be evaluated in terms of the impact on poverty, social exclusion and adequacy as well as sustainability indicators.

Output: An **Analysis report** containing the results of the simulation exercise and describing the policy options that have been assessed and the main results obtained

Length: 14 months (13-27)

3.4 Phase 4 Elaborating policy recommendations



On the basis of previous results policy recommendation for social protection system reforms will be elaborated. The phase will start with an EU peer review meeting to discuss intermediate results with peer review audience and collect inputs and feedbacks.

Each policy recommendation will be assessed in terms of cost-effectiveness and feasibility

Output: Policy Recommendation report including a set of policy recommendation for reforming the social protection system.

Length 8 months (28-36)

3.5 Phase 5 Monitoring and Evaluation

Monitoring activities involve all project steps as well as an evaluation of the MOPSI policy recommendations in terms of its transferability, cost-effectiveness, and feasibility, and quality of the research will run in parallel with research activities. The monitoring and evaluation process will be conducted and supervised by one of the partners - FGB - with wide experience in evaluation methodologies and practices of social researches and studies. Project managers and scientific coordinators, as well as the rest of the project staff, throughout the entire process of the project, will support her. She will involve researchers in order to accumulate and share the knowledge needed for drafting and implementing the sustainability strategy. The monitoring system will include desk survey design, preparation of reports, peer review workshop organisation, selection of the experts, briefing of the experts, participation of the experts, data treatment, results delivery, measures to ensure ownership and scale up in case of success. Two Intermediate Monitoring Reports will be delivered at month 12 and 24 of the project lifespan, and a Final Monitoring Report will be delivered at month 36 of the project. The evaluation will address the following elements: *merits and implementation of the study; cost effectiveness; transferability and up-scaling; feasibility*. The evaluation will combine analyses of the data collected throughout the study, of the information collected through the monitoring system, and data gathered through original research by the evaluator. While the results will be utilized in the final phase of the project, during the up-scaling and dissemination process, evaluation activities will start since the beginning of the project and last throughout the timeline of the project. An Intermediate Evaluation Report will contain the results of the evaluation process at month 18, aimed to readjust if needed the actions using also the monitoring data and results. At the end of the intervention, the Ex-Post (Final) Evaluation Report will be delivered, including an assessment of the possibility of extending the intervention to the wider regional population. The specific objectives of the evaluation process will be: ensure the credibility of the study of MOSPI; explore cost-effectiveness, and feasibility of the options. In order



to do so, it will explore the meaning of any unexpected fact, and assess the effects of attrition and non-compliance on the solidity of the results; share the comprehension of the nature, usability, limits, and strengths of MOSPI reform recommendations;

Duration: Months 1-36

Outputs:

- Two Intermediate Monitoring Reports
- Intermediate Evaluation Report
- Final Monitoring Report
- Ex Post (Final) Evaluation Report

3.6 Phase 6 Dissemination

MOSPI dissemination will be tailored on the specificity of the project content and will take into due consideration the need for confidentiality of some intermediate outputs of the project. A well-defined plan will support the timeliness and consistency of the project, and define the level of publicity that will be given to specific outputs. The *T-DYMM forecast model report* and the *Policy Recommendation report* will be accessible for a wider public with the aim of fostering the adoption of the process and of the results from other Member States. General information about MOSPI, its objectives and activities will be address to a larger public through a dedicated leaflet and using partners institutional website; attendance to peer review workshop will be upon invitation, the group of EU experts – selected by MOSPI researcher – will share its qualified opinion with project team plus a selection of young Italian researcher that will be invited to become familiar with the approach and the tool. The *Final Conference* will be the occasion to present in Rome, to a European and Italian audience, both the results of the action and the methodology and tools used.

Duration: months 3-24

Outputs:

- Project Leaflet (IT: EN)
- Final Conference

3.7 Phase 7 Project management

In order to ensure a smooth and effective implementation of project activities, the applicant, in parallel to ordinary project management and coordination tasks (such as overall project coordination, including contacts with partners, administration issues, liaison with the European Commission) has envisaged a series of specific project management activities that will run in



parallel to the implementation of the phases outlined above. These tasks can be summarised as follows:

- a) Setting up of the Steering Committee
- b) Steering Committee Meetings
- c) Reporting

The project promoter will be responsible for complying with the technical and financial reporting requirements. This will entail, inter alia, the drafting of the final report on the implementation of the action, together with a financial statement of all actual expenditure. This report shall be submitted to the EC within 60 days after completion.

Duration: months 1-36

Outputs:

- Steering Committee set up
- 3 Steering Committee meetings
- Internal communication strategy
- Intermediate report
- Final report



3.2 Applicant, co-applicant and associated partners and their roles in the project

The table below offers a synthetic overview of partners roles, responsibilities and tasks

Partner	Type of organisation	Role	Responsibilities and tasks
National Institute for Public Policies Analysis (INAPP)	National Public body	Applicant	<ul style="list-style-type: none"> Project coordination, Scientific coordination Research activities and the desk review Participation in the project events (peer review workshops and conferences) Participation in the steering committee and related meetings Participation in the definition of the recommendations for national social security system reforms Dissemination of the project outcomes Finalisation of project's reports
Italian Ministry of Economy and Finance- Department of Treasury	National Public body	Co-applicant	<ul style="list-style-type: none"> Research activities Updating the T-DYMM econometric model and AD-SILC dataset Running simulation of policy options income Organisation of the peer review workshops and final conference Participation in the project events (peer review workshops and conferences) Participation in the steering committee and related meetings Participation in the definition of the recommendations for national social security system reforms Dissemination of the project outcomes Finalisation of project's reports
Fondazione Giacomo Brodolini (FGB)	Non profit research centre	Co-applicant	<ul style="list-style-type: none"> Research activities Updating the T-DYMM econometric model and AD-SILC dataset Running simulation of policy options Participation in the project events (peer review workshops and conferences) Participation in the steering committee and related meetings Participation in the definition of the recommendations for national social security system reforms Dissemination of the project outcomes Monitoring and evaluation of the project activities

