Industrial relations and social dialogue

Italy: Working life in the COVID-19 pandemic 2020
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Introduction

Italy was severely hit by the COVID-19 pandemic outbreak. The first case was reported in late February 2020 in Lombardy, but the situation rapidly worsened as more and more cases were detected and the number of casualties suddenly escalated. Italy is among the worst-hit countries in terms of incidence of cases and deaths per 100,000 inhabitants (Johns Hopkins University data, 11 February 2021). The distribution of cases is uneven across the country, with the concentration in the North and notably in Lombardy. However, while the rest of the country remained relatively less involved in the first wave, between February and May 2020, the second wave, which emerged in September 2020 and it is still ongoing, has significantly affected all the regions, although some significant differences remain.

Responses to the pandemic have evolved in the first phase, from local lockdowns, in the most affected areas, to a national lockdown between 23 March 2020 and 3 May 2020, where activities regarded as unnecessary were closed down. Schools suspended all in-presence activities since early March until the end of the school year and shifted progressively to online teaching. After the end of the national lockdown in early May, all activities have progressively resumed until early November, when the progressive increase in new cases and deaths led to the introduction of a region-based classification system which introduced different restrictions for economic activities and in-presence education, according to the level of contagion. The classification system envisages a revision of the regional risk level every two weeks, based on the monitoring of Sars-CoV-2 cases, hospitalization and deaths, and it is still active.

The impact on employment has been significant, with a relevant increase in inactive populations, so that employment and unemployment rates both decreased, due to what can be regarded as a “discouragement effect”. Data as for December 2020 show that, since February 2020, employment decreased by 420,000 workers (equal to -0.9 percentage points for the employment rate); unemployment fell by some 150,000 people (and the unemployment rate decreased by -0.4 percentage points). At the same time, inactivity increased by more than 400,000 people. While the labour market showed positive trends between July and November 2020 (higher employment and lower unemployment), the situation worsened again in December 2020 (Istat, 2021d). Between December 2019 and December 2020, the drop in employment has mostly affected women (-3.2% compared to -1.0% for men) and temporary employees (-13.2% compared to +1.0% for permanent employees). Self-employment decreased by 4.0%.

Economic activity showed a marked decrease in all sectors. The GDP decreased in the first two quarters (with short-term trends of -5.5% and -13.0% respectively), markedly rebounded in the third quarter (+16% over the previous quarter), but then decreased again in the last quarter (-2.0%). The overall annual tendency is of a 6.6% fall (Istat, 201e).
Impacts of the pandemic on working life

The pandemic represented a significant challenge for researchers, especially for key organisations which aim to provide timely data and analyses to support policymaking (Biancotti et al., 2021). In order to cope with the scarcity of official data and cope with the usual time lags, new tools and models were developed to estimate the impact of the pandemic, by using, for instance, available sources in new ways, a combination of historical and current data, self-administered surveys of non-representative samples.

Labour income, inequality and effect of income support measures
Carta and De Philippis (2021) investigate the impact of the COVID-19 pandemic on labour income and inequality in Italy. They use Labour Force Survey (LFS) data, which are produced on a monthly basis and include information on monthly net wages of employees. Although LFS does not represent a usual source for studying inequality, it allows to analyse trends some 12 months earlier than usual sources. They focus their attention on households whose reference person is between 15-64 years and with no retired members (in order to exclude households with zero labour income, which would greatly affect the estimation of inequality). These households include some 60% of households and 70% of the overall population. Moreover, they estimate the income of self-employed workers, which is not collected directly through the LFS. The impact of the COVID-19 pandemic is calculated by transforming the drop in sectoral GDP in the first six months of the year into job losses, while wages are adjusted according to the average collectively agreed pay rises in the first six months of 2020. In order to identify who is losing his/her job or contracts (in case of self-employed), they estimate a probability factor, which is based on certain individual characteristics (for instance, gender, marital status, type of contract, sector of employment, age, level of education). According to their estimates, the COVID-19 pandemic would result in an average drop of labour income of -17%, without any cushioning measures, concentrated among temporary workers and self-employed. The social insurance benefits in place before the pandemic would reduce the fall to -10%. This would essentially cover employees through short-time work and unemployment benefits. The special measures introduced by the government (notably the extension of short-time work to uncovered firms and subsidies for self-employed) further reduce the overall impact to -6%, between March and May 2020. This is essentially due to the one-off subsidies granted to self-employed workers (€600 per month), who would be otherwise without coverage (the impact for this group of workers is reduced from -24% to -5%). The extension of the short-time work schemes to uncovered workers (and the ban on dismissals) does not reduce the impact, because the newly covered workers would nevertheless be covered by unemployment benefits, which provide a similar income protection. Therefore, the effectiveness of such extension should be assessed in terms of job security rather than income security. Temporary workers remain the less protected from the impact of the COVID-19 since no measures specifically covered them. In terms of the impact on inequality, COVID-19 mostly affected the bottom of the distribution, but the COVID-19 measures were able to offset the potential effect on inequality, including because they provide larger replacement rates for lower income levels. The possibility to use remote/smart working has probably contributed to increase wage inequalities as higher-skilled and higher-paid occupations tend to show a higher possibility to shift to smart-working, which helped to avoid reduced working hours and the involvement in short-time work with reduced income (Bonacini et al., 2020).
Impact of the crisis on companies
Orlando and Rodano (2020) study the impact of the COVID-19 pandemic on the financial stability (undercapitalization) of Italian firms across sectors and the mitigating effect of the measures introduced by the government to help firms through the crisis. Undercapitalisation is relatively high in Italy, as it involved some 8.5% of companies in 2010-2018, with higher rates especially in services (such as accommodation and food services) and in the Centre and Southern regions. According to their estimates, the COVID-19 pandemic could have pushed up the number of ailing firms from 48,000 in 2018 (7.25% of all operating firms), employing some 334,000 employees, to around 94,000 firms (over 14% of those operating in 2018), involving 1.2 million workers. The main government measures introduced until August 2020 could reduce undercapitalised firm to 82,000 (or 12.4% of those operating in 2018), employing 812,000 workers. These measures include the extension of short time work, tax rebates, rents refund and direct grants, with short-time work ensuring the largest share of rescued firms. In general, even considering the mitigating measures, the pandemic is expected to significantly worsen the prospects of Italian firms (although the analysis only considers the impact of the pandemic in a ‘static’ financial framework, that is without including the possibility to increase debt or recapitalise the firms), especially in certain sectors, like accommodation and food (from 15.8% to 42.2%), arts and entertainment (from 11.6% to 21.4%), professional services (from 6.4% to 12.8%).

Istat conducted two waves of a rapid survey on the situations and prospects of firms amidst the pandemic, the first one in May 2020 and the second one between October and November 2020 (Istat, 2021a). The survey covers firms with a least three workers, which include around one million companies with over 12 million workers representing almost 90% of total added value and some three quarters of the overall employment in manufacturing and services. Istat identifies five firm profiles: static and in crisis (heavily affected but with no substantial reactions), static and resilient (no significant impact and no specific action), suffering and proactive (heavily affected with significant reactions), proactive in expansion (little impact and continuing the pre-COVID development path), proactive and advanced (variably affected with new investments in 2020). Firms classified as static and in crisis are 28.6% and employ 15.25 of workers; static and resilient firms are 35.5% and staff 24.1% of workers; suffering and proactive firms amount to 10.7% of companies employing 9.9% of workers; proactive firms in expansion include 19.4% of firms and 30.7% of workers; proactive and advanced firms represent 5.8% of total and employ 20.2% of workers. The latter group include the larger firms, while static firms are on average smaller.

Focussing on proactive firms and on personnel policies, it is possible to identify some basic features of the various groups. Suffering and proactive firms belong to the sectors mostly affected by lockdowns and falls in turnover (hotels and restaurants, arts and entertainment, sports activities, etc.). These firms blocked investment programmes (42% of firms), reduced working hours (57%), redefined working days (35%), used short-time work or similar tools (74%), used mandatory holidays and other temporary measures to reduce costs (45%). Proactive firms in expansion or advanced are larger, with higher productivity, higher-skilled workers, higher investments per worker. They usually operate in more dynamic, technology and knowledge intensive sectors, which were less affected by the pandemic. These companies invested in digital collaboration, customer communication and online sales. They continued to invest in people, especially in relation to the development of remote/smart working and digital collaboration.
**Gender-based inequalities**

Cardinali (2021) presents the results of a self-administered online survey on male and female work during the COVID-19 pandemic. The survey intends to shed light on gender-based inequalities both during the lock-down phase in March-May 2020 and in the following period, which was marked by a progressive resumption of economic activities. The survey reached a self-selected sample of employed people aged at least 18 working as employees or self-employed. Respondents were 689 people (79% employees, 21% self-employed; 80% women, 20% men). The main results of the survey show that after the lock-down men tend to return to work more rapidly than women, who postpone their return to work because of the increased family care burden (for instance, children continued to attend school from home). Even during the lock-down phase, data show that the unequal distribution of the care burden between women and men continued, with almost 50% of women reporting that they prevalently look after children. They shared the responsibility with the partner in 35% of cases and the partner took the largest share of caring activities in less than 10% - with the rest relying on external help. Women also consistently report a higher impact of family needs (children, elderly people, home chores) on remote work than men. After the lock-down, this pattern is reinforced, as the male participation in caring is further reduced, whereas women start to rely more on external help.

**Smart/remote working**

According to the Smart Working Observatory of the Politecnico di Milano¹, during the lockdown some 6.6 million workers shifted to remote (home) working, involving 97% of larger enterprise, 94% of public administrations and 58% of SMEs. Remote workers were around 570,000 in 2019, so that the increase is almost 12-fold. In September 2020, around 5 million workers were still working remotely. The emergency turns to smart working exposed the weaknesses of the ITC endowment of many enterprises: larger companies invested in more hardware devices (69%) and remote tools (65%). Three quarters of public administration encouraged workers to use their own devices, while half of SMES did not have the resources to implement smart working. Organisational difficulties mostly involved work-life balance issues (58% or larger companies and 28% of workers) and isolation (29% of workers), while management was often unprepared to implement smart working (33%).

The push toward smart working is expected to change significantly the current workplace practices, with a significant expansion of smart working (around 50% in larger enterprises and some 30% in many public administrations) and a re-design of workspaces and working time.

The Bank of Italy similarly identifies a large increase in remote working during the pandemic. Based on the LFS survey, the study estimates that, in the third quarter of 2020, remote working involved over 14% of workers in the private sector (excluding agriculture), while in 2019 it involved less than 1.5% of the workforce. The percentage of enterprises using remote working increased from 28.7% in 2019 to 82.3% in 2020. Individual characteristics show that remote worker increased notably for women, for workers of larger enterprises and in some sectors, such as information and communication as well as in financial and insurance activities. Managerial and white-collar positions were more frequently involved, as workers with higher education. Workers in smart working had higher wages (essentially because they worked more hours and were not involved in short-time work) and perceive their job as more stable. In the public administration, the percentage of employees

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working remotely increased from 2.4% in 2019 to 32.8% in the second quarter of 2020. Women and higher educated workers were more frequently among those working remotely (Basso and Formai, 2021; Depalo and Giorgi, 2021; Giuzio and Rizzica, 2021).
Political context

The coalition government in office in 2020 included the Five Star Movement (M5S, Movimento 5 Stelle), the Democratic Party (PD, Partito Democratico), Italia Viva (IV) and Free and Equal (LeU, Liberi e Uguali). The government was established in early September 2019, after the break-up of the previous cabinet, which gathered the 5SM and the League after the elections in March 2018. The new government was headed by Giuseppe Conte, who had also chaired the previous one.

A number of measures were introduced throughout 2020 to address the health emergency, preserve employment and support economic recovery. Some tensions emerged in the last part of the year on the use of the Next Generation EU resources and the definition of the Recovery Plan, the package of measures to accompany and promote recovery and just transition. In particular, Italia Viva raised a number of issues concerning the allocation of resources to the different policy objectives as well as about the management of the implementation phase. Eventually, Italia Viva withdrew its support and the prime minister resigned in late January 2021.

Since the former coalition partners were not able to continue the previous cooperation, the President of the Republic, Mr. Sergio Mattarella, asked Mr. Mario Draghi, former ECB President, to try to form a government with a broad parliamentary basis to cope with the pandemic and carry out the necessary steps to use the Next Generation EU funds. After successful consultations with the parliamentary groups, Mr. Mario Draghi was appointed as President of the Council of Ministers and formed the new government in mid-February 2021. The new government is supported by a large parliamentary majority and includes ministers from the 5SM, the League, the Democratic Party, Forza Italia (the party led by the former prime minister Silvio Berlusconi), Italia Viva and LeU. However, it should not be regarded as a Grand Coalition government, since the current cooperation does not involve a political coalition, but only a temporary convergence under the auspices of the President of the Republic. This situation is also referred to as a Presidents’ cabinet.
Governments and social partners response to cushion the effects

The government introduced a number of measures to respond to the health emergency and to cushion the economic and social effects. Among the former, besides the six-week lockdown between March and May 2020, limitations and restrictions affected certain economic activities (such as bars and restaurants as well as shops) and mobility. This occurred during both the first wave, until mid-June 2020, and the second wave, since early November 2020, depending on the regional situations, as for the indicators of new cases, hospitalization, and intensive care unit utilization.

The preservation of employment rested on two main measures:

- The introduction of a special COVID-19 short-time scheme; and
- The ban on dismissals, which has been so far extended until 31 March 2021 (and trade unions ask for a further extension).

The total number of COVID-19 short-time hours authorised until 31 December 2020 amount to some 4.05 billion hours. The number of authorised hours peaked in April and May 2020, when they reached 960 million hours and 830 million hours respectively. After that, they progressively decreased until September 2020, when they totalled 190 million hours, to slightly increase to around 210 million hours in October and November and then decrease again to some 130 million hours. The lack of a new peak when the second wave emerged in Autumn 2020 may suggest that economic activities have been less affected by the milder restrictions of this phase, including because the health and safety protocols at workplace level were in place and most activities could continue, with some exceptions or restrictions in case of personal services (such as beauty centres) and bars and restaurants (which could always maintain take-away services on reduced hours).

Another key step in ensuring the continuity of economic activities was the protocol on workplace health and safety reached by the social partners – and promoted by the government – of 14 March 2020, later revised and integrated on 24 April 2020. This agreement introduced a set of rules and procedures to ensure a safe workplace environment and therefore allow resumption of economic activities.

Two other important areas of interventions were income support measures and enterprise support. Both included a vast array of provisions which cover different compensations and subsidies for different types of beneficiaries (from self-employed to domestic care-givers and workers not living with the employers) and which mostly granted credit facilities for enterprises and suspended contributions or tax payments (see Eurofound’s EUPolicyWatch under “Supporting businesses to stay afloat”.

Finally, a key measure to accommodate business responses to the health emergency and ensure the continuity of activities has been the simplification of the rules on smart working, with the temporary suspension of the individual agreement to activate smart working. This allowed a massive shift to smart working (more properly home working, given the mobility restrictions). This was particularly evident in the public administration, which formerly had been lagging, but turned extensively to smart working during the pandemic.
These measures were essentially introduced unilaterally by the government, with ex-post consultations with the social partners, which helped introducing adjustments and integrations. In general, it is possible to say that social partners backed the various government measures. The most controversial issues concerned the ban on dismissals and the contribution introduced over the summer for utilising the COVID-19 short-time work, for companies with a low impact on turnover (below 20%). Companies are critical of the general ban on dismissals and are asking that more targeted measures are introduced to cover only firms most affected by the pandemic. They also demanded the elimination of the contribution for the utilisation of the COVID-19 short-time work, which was effectively terminated since January 2021. Trade unions insist that the ban on dismissals is a key measure to reduce the social impact of the pandemic and that any loosening of the measure shall be accompanied by adequate support. Both agree that any extension of the ban on dismissals must be coupled with the confirmation of the COVID-19 short time work.

2 Eurofound (2020), Temporary suspension of individual and collective dismissals, case IT-2020-12/219 (measures in Italy), COVID-19 EU PolicyWatch, Dublin.
3 Eurofound (2020), Government and social partners protocol to ensure safe working conditions at the workplace, case IT-2020-11/457 (measures in Italy), COVID-19 EU PolicyWatch, Dublin.
5 Eurofound (2020), Simplifying the adoption of the smart working regime, case IT-2020-10/221 (measures in Italy), COVID-19 EU PolicyWatch, Dublin.
How COVID-19 accelerated and disrupted working life policies and impacted social dialogue

Accelerated developments
There has been no specific acceleration in working life policies, if we leave aside the remarkable development in smart (home) working mentioned above. The debate and attention have focused on measures to cushion the effects of the pandemic. The various ad-hoc measures and subsidies, such as the COVID-19 short-time and the various income support provisions granted to different types of workers, including self-employed, were introduced as temporary measures, without changing the overall social protection system. At workplace level, the adjustments to implement social distancing and possibly different working time schedules have been carried out in the framework of the joint protocol of health and safety. In perspective, the workers’ role in monitoring health and safety arrangement to contain the spread of the COVID-19 disease may strengthen participatory practices at workplaces.

Disrupted developments
The focus on the pandemic diverted the attention from the ongoing debates on the possible introduction of a legal minimum wage and the related issue of assessing the representativeness of social partners. The issues remained on the agenda, but it was not part of the priorities. In late October 2020, the proposal by the European Commission to introduce an EU Directive to ensure that workers in the Union are protected by adequate minimum wages somehow refuelled the debate, but no concrete discussion has taken place yet, since the positions of the social partners – who would like to preserve the role of collective bargaining – and the political parties supporting the introduction of a legal provision remain distant. The new government might address the issue, which however remains highly controversial, including because of the technical issues concerning the possible enforcement of collectively agreed minimum wage rates as generally binding.

Limitations in mobility and service provisions have disrupted and prevented progress in active labour market policies, especially those based on counselling and mentoring, traineeships and internships, and vocational training. However, with the start of the vaccination campaign and the discussion about the implementation of the Recovery Plan, which are drawing the attention to the medium- and long-term perspectives, active labour market policies and employment creation are becoming a priority. Until recently, however, health and safety issues and the prevention of employment loss have drawn almost all of the attention of policymakers and the public debate.

Impacts on the social dialogue and collective bargaining
Besides the additional focus on health and safety issues, collective bargaining at industry-wide level continued without any particular disruptions. Negotiations got more difficult and took longer, but they were never interrupted. Important agreements were reached despite all difficulties. Wage-setting was not affected significantly: longer negotiations postponed pay rises and the various partial increases, which make up the overall rise and are usually distributed during the duration of the agreement,
tended to be more diluted through time. Such adjustments in pay rise timing accommodated the expectations about the severity and length of the pandemic.

As for social dialogue on policies, the practice of unilateral decisions by the government continued with the measures to address the pandemic, but it was somehow tempered by a more consistent ex-post dialogue about possible corrections and adjustments. In addition, the government promoted the protocol on health and safety at workplace level which is certainly one of the key regulations to help resume economic activities. The new PM, Mr. Mario Draghi, held talks with the social partners during the political consultations over the creation of the new government. This might anticipate a renovated vigour of social dialogue in the coming months, which will be marked by the measures and reform of the yet to be completed Recovery Plan.
Other important policy developments

Nothing to underline.
Labour disputes in the context of the pandemic

In Italy, official data about strikes are missing since 2010. The pandemic triggered some conflicts in the early weeks in early March 2020, essentially to demand safe working conditions. Spontaneous protests emerged and sometimes evolved into strikes. Distances, personal protection equipment, sanitification and work organisations were at the centre of the workers’ demands. The metalworking sector was one of the first to record such protests, which involved the former Ilva steel factory in Taranto, the Electrolux plant in Susegana, the FCA plant in Turin, the Fincantieri shipyards in different locations, to name just a few. Logistics were also involved, with stoppages at the Amazon warehouses, for instance. The government asked the social partners to address the issue of health and safety at the workplace and organised a meeting which led to the the protocol on health and safety at the workplace signed by the social partners on 14 March 2020 and later revised and integrated on 24 April 2020 (see above). The protocol allowed to resume work by setting a general framework and procedures, but some underlying conflict in the implementation phase remained.

For other reasons, conflict has remained unaffected and regularly emerges over restructuring processes and in collective bargaining, both at company and industry-wide level. For instance, trade unions called strikes for sectoral renewals in November 2020 for the metalworking sector, as negotiations stalled, and in December 2020 for the public administration, to demand more resources. Similarly, in October and November 2020, the mobilisation and strike for the long overdue multiservice collective agreement, which expired seven years ago, were regarded by trade unions as significant successes.
Impacts of the crisis on working time

This section will feed into the next annual report on working time. The figures and tables will be removed from the working paper by Eurofound prior to publication.
Major developments in working time regulation as a result of the pandemic

Legislation on working time
The legislation on working time (that is legislative decree No. 66 of 8 April 2003, which establishes weekly working time, break periods, annual leave, etc., implementing EU’s Working Time Directive 2003/88/EC) was not affected by the pandemic. However, art. 5-sexies of the law converting decree law No. 18 of 17 March 2020 established that health workers contrasting the COVID-19 epidemic emergency could exceed maximum working hours established by collective agreements, as envisaged by article 17, paragraph two of the Working Time Directive, provided the workers receive appropriate protection, as defined by a national framework agreement. The suspension of annual leave of health workers was sometimes implemented at local level in order ensure the continuity of assistance at the highest possible level.

Collective bargaining on working time
The pandemic did not affect the regulation of working time at the sectoral level. Workplace adjustment, on the other hand, may have involved working time. In particular, if the health and safety measures introduced at company level to reduce the risk of contagion include the remodulation of working time, this had to be negotiated with trade unions. However, no specific data on this type of negotiations is currently available.

Ongoing debates on working time
No specific debate on working time and the pandemic. During the most severe phase of the pandemic, the issue of working time (and working conditions) of health workers emerged, since some of them practically lived in the emergency rooms, including to avoid the risk of contagion of their families. As mentioned above, depending on the local situations, some emergency reductions of break times and the suspension of annual paid leave of health workers could be implemented.
Impacts of the crisis on wages and wage setting

The health crisis did not have any significant impact on wages and wage setting. Negotiations in the most affected sectors were of course influenced by the economic and financial conditions of companies, but negotiations proceeded, and the final deals were above the inflation parameters. In 2020, wage increases were on average of 0.6%, which should be compared with a price index of -0.2% in the same period (Istat 2020b, 2020c). The agreements signed in 2020 sometimes included the of pay rises, due to the longer negotiation phase, and possibly the dilution of partial increases during the whole duration of the agreement.

At the end of December 2020, a substantial share of collective agreements is awaiting renewals (49 agreements out of the 73 surveyed – excluding public administration managers, representing some 80% of the observed wage bill). This involves all collective agreements in the public administration (covering around 2.8 million workers or around one quarter of the overall wage bill covered by the Istat sample) and 34 agreements in the private sector, amounting to some 7.2 million workers or 56% of the observed wage bill. Although the share of expired collective agreements is substantial and a substantial increase for the private sector (28% of covered employees in December 2019 and 75% in December 2020), average waiting times have not increased over the end of 2019 (around 20 months in both cases for the whole economy). In the private sector, the increase in the share of workers awaiting renewal was partly linked to the slower negotiations during the pandemic and notably by the expiration of the most important agreements in terms of covered employees: the metalworking agreement (renewed in early February 2021) and the agreement for commerce and services. Negotiations for the agreement renewal for the commerce and service sector – which was heavily affected by the lockdown and the pandemic – started in early 2021.
What is new in working life in the country?

Working lives have been highly disrupted by the pandemic, as it happened for everyday lives. A very important impact was on employment: the decrease in employment and increase in inactivity shows the deterioration of the labour market. The ban on dismissals only applies to open-ended contracts. This shifted adjustments to the temporary and non-standard segment of the workforce, including self-employment. Another important feature is the variable impact across sectors, with some activities heavily affected, such as personal services, including bars, restaurants and hospitality. Health and safety measures and social distancing impacted on work organisation and required significant adaptations in workplace layouts, with a necessary reduction of sociality in the workplace. The use of personal protective equipment, the necessity of sanitification and other precautionary measures changed the timing and routines of everyday work. The massive use of remote home working imposed a very fine-grained change in how most of clerical work is performed. This required widespread adaptations in work organisations and is triggering a number of revisions of company practices. The impact on work-life balance was important and often produced more stress, including because of the concomitant shift of education activities to an online format. Parents and children were simultaneously at home, with many conflicting demands, while the resources and devices for online activities were limited and sometimes insufficient. The whole education sector was dramatically affected as most of activities moved to remote teaching and learning, with the required adaptations in tools, schedules and models. Most of these developments would probably involve some lasting effects and require attention by policymakers and social partners. The review and analysis of the impacts on working lives will certainly take some time, as there are no widespread research findings so far.
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