OECD Employment Outlook 2023

ARTIFICIAL INTELLIGENCE AND THE LABOUR MARKET

Country note

Italy

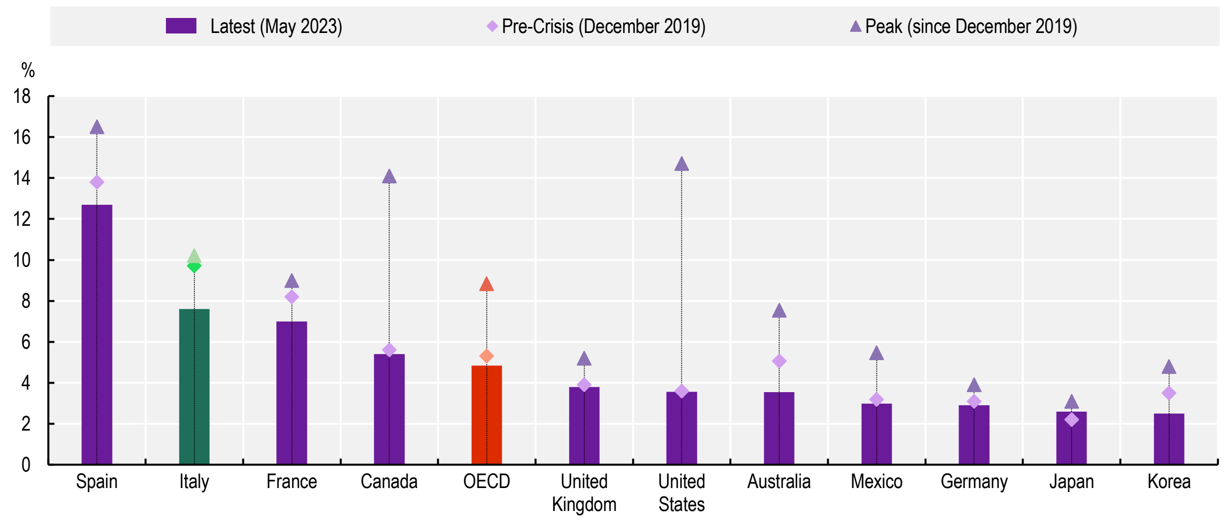
Labour markets have been resilient despite the significant slow-down in economic activity

The labour market recovery from the COVID-19 recession has been strong, but lost momentum in 2022 and early 2023 in the context of the economic slowdown. However, employment and unemployment have held their ground, and job vacancy rates remain high in most countries, despite some signs of easing. By May 2023, the OECD unemployment rate had fallen to 4.8%, a level not seen in decades.

- The unemployment rate in Italy fell to 7.6% in May 2023, more than 2 percentage points lower than before the COVID-19 crisis but still above the OECD average of 4.8%. Total employment also increased in the last year, with a year-on-year increase of 1.7% in May 2023. However, Italy's employment rate remains well below the OECD average (61% vs 69.9% in Q1 2023).
- The labour market is projected to remain broadly stable over the next two years – with total employment growing less than 1% in both 2023 and 2024.
- Active labour market policies (ALMPs) are a key pillar of the Italian National Recovery and Resilience Plan. As the initial target on the number of jobseekers to be supported has been met, it is now essential to ensure adequate support and to strenghten training quality assurance in all regions.

Figure 1. Unemployment rates remain low across the OECD

Unemployment rate (percentage of labour force), seasonally adjusted



Note: Latest month available refers to March 2023 for the United Kingdom; and June 2023 for Canada and the United States.
Source: OECD (2023), "Unemployment rate" (indicator), https://doi.org/10.1787/52570002-en (accessed on 11 July 2023).

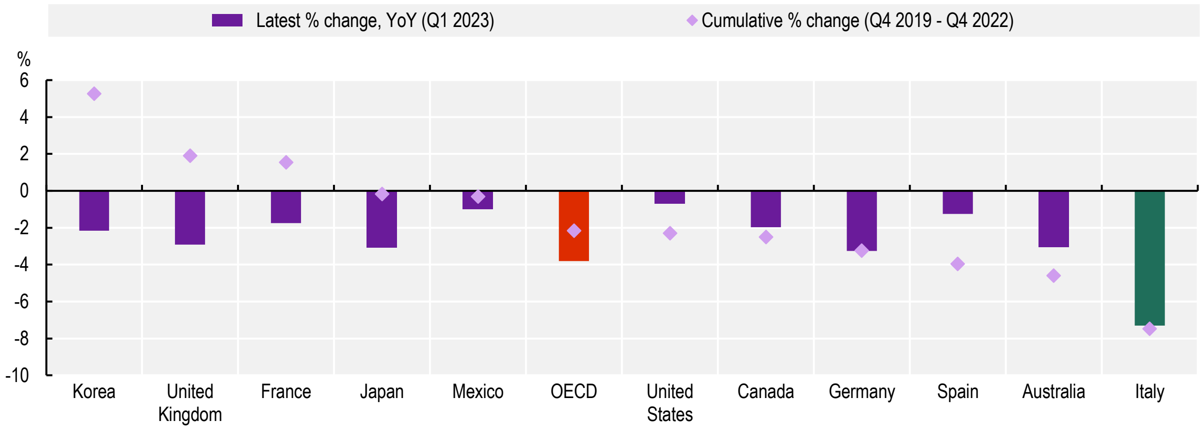
Real wages are falling amid a cost-of-living crisis

Russia's war of aggression against Ukraine contributed to a surge in inflation, which was not matched by nominal wage growth. Consequently, real wages have fallen in virtually every OECD country. On average, real wages were down 3.8% in Q1 2023 year-on-year among the 34 OECD countries with data available. The loss of purchasing power is particularly challenging for low-income households that have less capacity to deal with increases in prices through savings or borrowing.

- Italy is the country which has seen the largest fall in real wages among the largest OECD economies. By the end of 2022, real wages were 7.5% lower than just before the pandemic.
- Nominal wages in Italy are projected to increase by 3.7% in 2023, before moderating to 3.5% in 2024 while inflation is projected to be at 6.4% in 2023 and 3% in 2024.

Figure 2. Real wages are falling in most countries

Change in real hourly wages, Q1 2023



Note: OECD is an unweighted average of 34 OECD Member States (not including Chile, Colombia, Ireland and Türkiye). For the United Kingdom, average weekly earnings are used.
Source: *OECD Employment Outlook 2023*, Chapter 1.

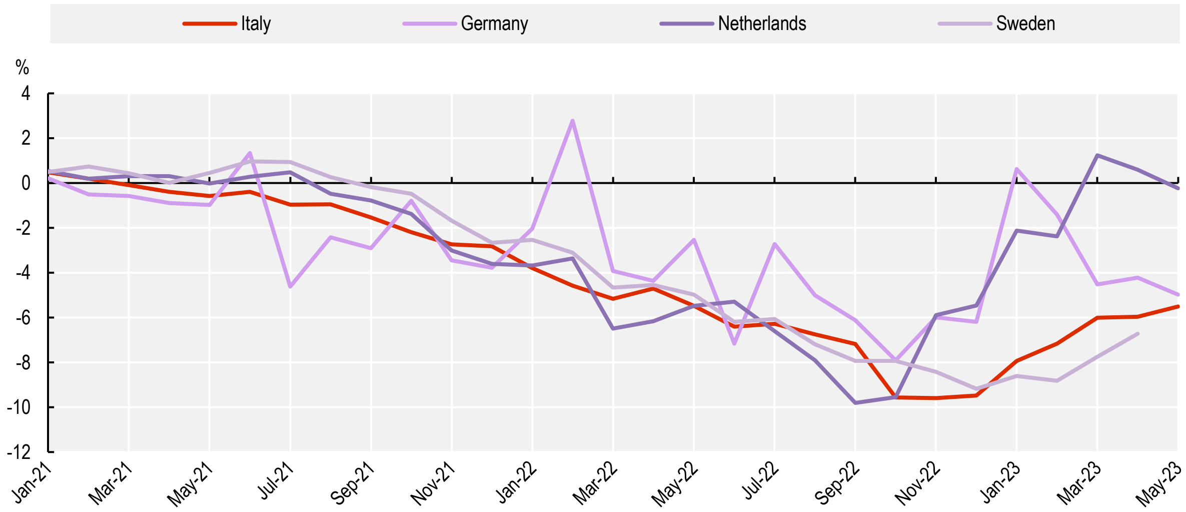
Collective bargaining can support low-paid workers

Collective bargaining can help mitigate losses in purchasing power and ensure a fair distribution of the cost of inflation between firms and workers, while avoiding a price-wage spiral. The evidence suggests that there is room for profits to absorb some further increases in wages, at least for low-paid workers. Governments should also more to more targeted direct support through the tax and benefit system to towards low-income households.

- Negotiated wages declined in real terms by more than 6% in 2022. The fall is particularly significant given the very high coverage of collective bargaining in the country.
- The widespread presence of partial indexation mechanisms and the recent increase in the inflation forecast used as basis for future wage adjustments mean that negotiated wages in Italy are likely to recover some of the lost ground over the coming quarters. However, significant delays in the renewal of collective contracts are frequent and risk protracting the substantial loss of purchasing power for many workers.

Figure 3. Real negotiated wages are reacting with long delay

Year-on-year percentage change in negotiated wages, private sector, Jan 2021-May 2023



Note: Statistics for Germany and the Netherlands include lump sums and/or special payments. International comparability of data on negotiated wages is affected by differences in definitions and measurement.
Source: Calculations based on national data on negotiated wages and the OECD Consumer Price Index (CPI) database.

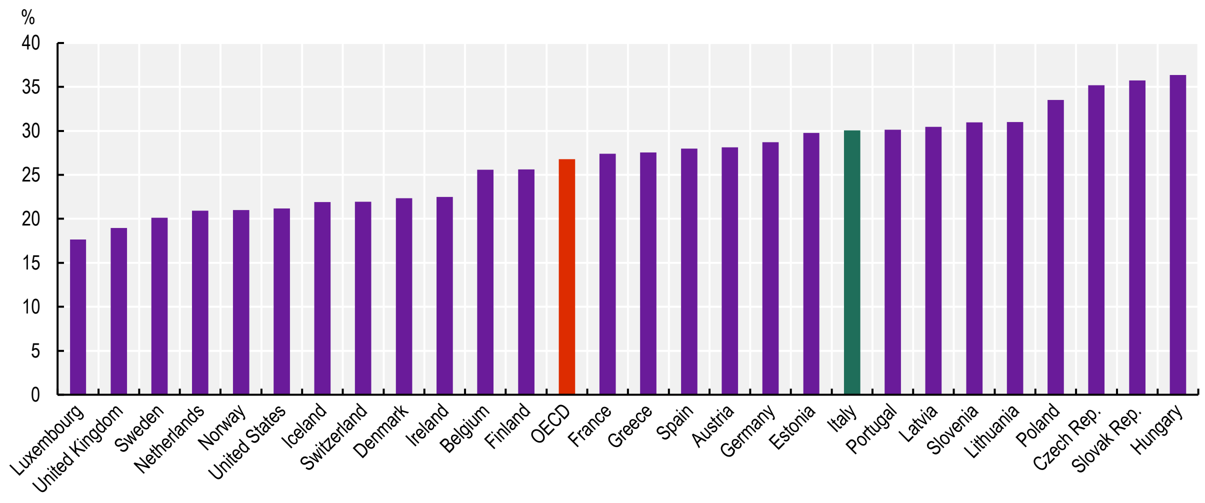
AI has so far helped high-skilled workers perform their jobs rather than displacing them, but employment effects could take time to materialise

So far, there is little evidence of decreased labour demand due to AI. High-skilled occupations have been the most exposed to recent progress in AI, but they have also experienced employment gains relative to lower-skilled workers. However, AI adoption is still relatively low and the technology is evolving rapidly including recent advances in generative AI. Any negative employment effects may therefore take time to materialise.

- AI appears to complement the skills of more exposed, high-skill occupations. When considering all automation technologies including AI, the occupations at the highest risk of automation are typically lower-skilled. 30.1% of employment in Italy is in occupations at highest risk of automation compared to an OECD average of 27%.

Figure 4. Although AI exposure has not (yet) led to decreased labour demand, certain groups remain at risk

Share of employment in occupations at the highest risk of automation by country, 2019



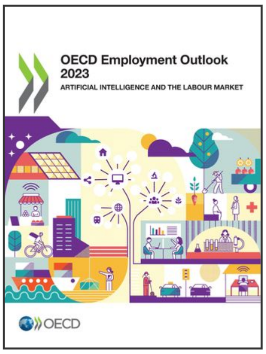
Note: The figure shows the employment share of the occupations at highest risk of occupations, i.e. top quartile occupations when ranked according to their automation index. The results are based on a survey of experts who evaluated the degree of automatability for 98 skills and abilities. The risk of automation measure is then computed by occupation as the average rating for each skill or ability used in the occupation across all expert responses weighted by the skills or abilities' importance in the occupation as rated by O*NET.
Source: Lassebie and Quintini (2022), "What skills and abilities can automation technologies replicate and what does it mean for workers?: New evidence", https://doi.org/10.1787/646aad77-en, based on OECD Expert Survey on Skills and Abilities Automatability and O*NET.

Contact

Stefano SCARPETTA (✉ stefano.scarpetta@oecd.org)

Andrea GARNERO (✉ andrea.garnero@oecd.org)

Andrea SALVATORI (✉ andrea.salvatori@oecd.org)



From:

OECD Employment Outlook 2023

Artificial Intelligence and the Labour Market

Access the complete publication at:

https://doi.org/10.1787/08785bba-en

Please cite this chapter as:

OECD (2023), “Italy”, in *OECD Employment Outlook 2023: Artificial Intelligence and the Labour Market*, OECD Publishing, Paris.

DOI: https://doi.org/10.1787/2a82d670-en