

# Exploring the Impact of Economic Crisis on Italian Unemployment Rate

Yiling Wei <sup>1, a, \*, †</sup>, Binglei Yu <sup>2, b, \*, †</sup>, Bocheng Zhou <sup>3, c, \*, †</sup>

<sup>1</sup> Business School, University of Sydney, Sydney, 2006, Australia

<sup>2</sup> School of Economics and Finance, South China University of Technology, Guangzhou, 510006, China

<sup>3</sup> School of Social Sciences, University of Manchester, Manchester, M13 9PL, UK

\*Corresponding author. Email: <sup>a</sup>ywei2952@uni.sydney.edu.au; <sup>b</sup>201930430237@mail.scut.edu.cn;

<sup>c</sup>bocheng.zhou@student.manchester.ac.uk;

<sup>†</sup>These authors contributed equally.

## ABSTRACT

Since 1990, Italy has been experiencing long-term economic stagnation and had experienced many economic crises. At the same time, Italy's unemployment rate has also remained at a relatively high level for a long time. This paper aim to find out how does the economic crisis Italy suffered since 1990 had influenced Italy's unemployment rate by sort out and summarize the previous studies who had been focused on this issue, in order to get a better understanding of the relationship between the fluctuate of economy and the unemployment rate, so when an economic crisis occurs, the government can make a more timely and reasonable response, and carries out some macro-control on the labor market. This paper reviewed 11 papers related to this topic and made a summarize of them. From the results, this paper shows that in Italy, since 1990, the impact of the economic crisis on women's unemployment rate is greater than that on men's, and the impact on young people who is aged under 25 is greater than that on people over 25. Finally, combined with the specific situation of Italy, this paper thinks that the impact of the economic crisis on the unemployment rate is significant.

**Keywords:** Economic crisis, labour market, unemployment, gender difference, age difference.

## 1. INTRODUCTION

Since the 1990s, Italy has suffered from a long period of economic crisis and it influenced on Italian unemployment rate. In 2008, Italian Gross Domestic Product (GDP) reached the highest of 2.399 US Dollars and then began to drop [1]. In the meantime, Italian national debt also increased. By the end of 2020, Italy's total national debt amounted to 184% of the annual GDP, ranking the second only after Greece in the euro area and third in the world [2]. According to World Bank, in 1991, the unemployment rate was 10.1%, it reached a peak of 12.68% in 2014 and the lowest data is 6.08% in 2007 [3]. During this period, Italian economy is in a tough situation. Along with this increasing unemployment rate, Italian poverty rate also reached a height of 20.6% in 2015. In the meantime, the Italian share of youth not in education rate remain high in Italy during the crisis and reaches a peak in 2013. Since 2008 the beginning of the economic crisis, Italian population annual growth rate continue to decrease to -0.247% in 2019 [4]. In recent years, many articles have covered different perspective

of the impact of Italian economic crisis, some articles have discussed from the sexual perspective on how the crisis impact male and female in Italy and showing while one is more impacted. Additionally, some articles show how huge the impact is to different age groups like people from 15-24 and 25+. Finally, some articles have covered its total impact to the Italian society. Therefore, this article aims to explore the impact of Italian economic crisis to its unemployment rate and try to summarize all the previous findings in Italian economic crisis.

## 2. THE IMPACT ON MALE AND FEMALE IN ITALY

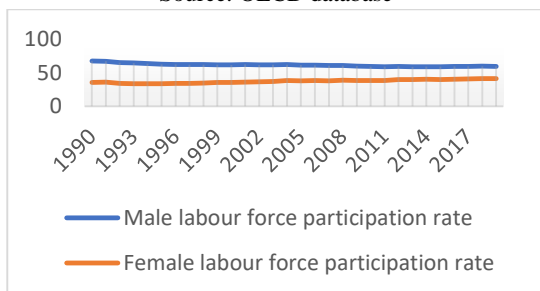
In countries with relatively large gaps, such as Mediterranean countries, where female unemployment is much greater than male unemployment, the unemployment problem primarily affects women. [5]. Piazzalunga, D., & Di Tommaso, M. L states the same that in Italy, women's unemployment rate remains greater (13.8 % in 2014) than men's (11.9 % in 2014) [6]. During the 2008-2012 economic crisis, the wage disparity

between men and women has widened. The reason is that during the economic crisis or even the normal days, the probability of female successfully entering the labor market is much lower than that of male. Baussola, M et al states that Italy as a typical southern European labour market, women are disadvantaged in the labour market [7]. Table 1 shows in Italy female workers earn less than male workers before the economic crisis, therefore, female workers are much more likely to be impacted by economic crisis. Since the economic crisis, the wagegap between male and female has narrowed down due to the poor economic condition. According to Baussola, M et al, the gender gap in unemployment rates shrank throughout the recession, from roughly 7.2 percent in the beginning of the 1990s to roughly 1.5 percent in 2013 [7]. From Figure 1, we can see that Italy has a long history of gender disadvantages and now the situation is getting better and better, the female labour force participation rate is increasing to around 40% of total female population above 15, while male labour force participation rate is decreasing to nearly 60% of total male population above 15. During the economic crisis, Italy taken different measures to overcome the tough situation including reducing public spending: lowering the number of public workers and setting a compensation ceiling for them [8]. Piazzalunga, D., & Di Tommaso, M. L. states that the reducing number of public education employees is also related to the increasing female unemployment rate during the crisis as 75% of employees in the public sector are female [6].

**Table1.** Wagegap in Italy [9]

ITA	2002	15.7251%
ITA	2006	10.51282%
ITA	2010	5.640535%
ITA	2014	6.584723%
ITA	2018	5.708061%

Source: OECD database



**Figure 1** Male and Female labour force participation rate of Italy [10]& [11]

Source: World Bank

### 3. THE IMPACT ON YOUTH AND ADULT IN ITALY

In Recent research, Giorgio Liotti in 2019 used

different ways to look at the changes in unemployment of younger and older population in Italy as a result of economic crisis. One way is to compare the youth and adult unemployment in the south and north part of Italy before and after the economic crisis. In North Italy, unemployment of aged 15 to 24 (youth) increases from 15% in 2001 to 35.7% in 2015, and unemployment aged 25 and up (adult) increases from 4.3% in 2001 to 7.8% in 2015 after economic crisis. In the South Italy, youth unemployment increases from 50.5% in 2001 to 55.7% in 2015 after economic crisis, and adult unemployment increases from 4.3% in 2001 to 7.8% in 2015 after economic crisis. As a result, following the crisis, Giorgio Liotti in 2019 found that the unemployment among youngsters and adults grew higher in the north than in the south [12].

Also, an autoregressive distributed lag (ARDL) model is used by Giorgio Liotti to examine Italy's youth and adult unemployment as a result of the economic crisis, and the real growth rate in each region is used to determine the economic crisis. As a result, the findings reveal that the economic crisis harmed both youngster and adult workers. The impact of the economic crisis on young unemployment is statistically significant and ranges from 3.024 to 1.777, whereas the impact on adult unemployment is between 1.000 and 0.576. This suggests that the economic crisis has a 3–4 times larger impact on youth unemployment than on adults (depending on the econometric specification). As a result, the econometric findings by Giorgio Liotti appear to support the idea that economic crises disproportionately affect young people, who have less protection than adults and are thus lose their jobs easier during recessions [12].

The similar result was found by Francesca Dota in 2015. Shown in his research, from the year 2008 to 2009, the employment rate of young people aged below 25 declined by 12.6%, which is much higher than people aged between 25-34 (-3.8%) and aged over 35 (2.2%). By looking at the unemployment in percentage rate, it has showed that young people aged below 25 have suffered from the effects of the crisis, highlighting their vulnerability in comparison to older employees [13]. The two results given above shows that the adult unemployment in Italy was much less affected by crisis. This could be one of the reasons why almost all the research paper focus on youth unemployment.

By looking at more research on youth unemployment, Marco Leonardi and Giovanni Pica in 2015 has showed in their research that, since the 1980s, Italy has had a high percentage of young unemployment, which grew even more during the Global Financial Crisis, reaching as high as 40%. This result takes the factor of schooling into its consideration. As a result, during the recession, more young people entered education, resulting in lower participation rates and more unemployment, and there exists a sluggish transition from school to work [14].

Also, Nadia D'Ippolito in 2011 has summarized the overall effect on youth unemployment since 1990. As a result of economic growth downturn, the youth unemployment has reached the peak of 31% in 1997. Although the youth unemployment reduces to 22.7% at 2002 due to the introduction of Treu's package and reduce to 19.5% at 2007 due to the establishment of Biagi's law, it reached to 29% at 2010 after financial crisis in 2008 [15].

#### **4. MACRO IMPACT ON ECONOMIC CRISIS ON UNEMPLOYMENT RATE**

About the influence economic crisis have on the unemployment rate in Italy, different research has different ideas. A research made in 2018 suggested that the economic crisis significantly raised the number of young people who are not in education, employment or training. Also, the research thinks the crisis had made people's work more unstable, make those who have temporary works more likely to lose their jobs. The crisis had also damaged the young people's enthusiasm to find a job, bring them into a state that Eurostat called "discouragement", which also influenced the unemployment rate of Italy [16]. In the chart below we can see the share of youth not in education, employment or training keeps at a high level from 2004 to 2019.

Another research in 2012 point out that while according to the saying of official statistics, economic crisis' influence on unemployment rate is not as high as people original think, it may be a misleading of the data collected in a way unsuitable of the actual condition of Italy, for the official idea of unemployment is not fitted in Italy's case, and it had missed the state of those who are "semi-employed", which means they can't find a lasting work and losing job from time to time. Also, there is the problem of "discouraged workers", who are not active in finding a job not because they don't want to work or unable to work, but because they don't believe there would be any job available on the market for them. After considering all this implicit joblessness unobserved by the official data, the increasing in unemployment rate of Italy after the economic crisis become significantly higher than it seems on the official data, about two times higher. So, the research pointed out that the impact economic crisis had on unemployment should be paid more attention to, the government should make proper policies to change this situation [17]. In chapter 11 of this book, they measured the impact of crisis on labour market from the aspect of individuals and find out that the redundancies are increasing while job offers decreased in the period after the crisis. they also pointed out that some people's employment is more likely to be affected by a crisis than others, like the young, migrants, men, people living in the north area, couple without children and single parent [18]. Both of these research think that economic crisis do have some significant

impact on the unemployment in Italy, and this kind of impact can be un observed by the official data, for it can be showed in several ways and was hard to quantification. This means the government must not underestimate the impact from what the data showed but should take actions in different ways to lighten the negative effect of crisis have made to the labour market.

#### **5. CONCLUSION**

In this paper, we have explored three perspectives of impact of unemployment rate Italian economic crisis, male and female, different age groups and the macro impact. With such a high unemployment rate, it is easy to imagine the tough situation in Italy at that time. To conclude, we summarize that female workers are much more likely to be affected by the economic crisis as the public service sector is the most highly affected and more than half of its employees are female. Italian tradition also leads to a low rate of female labour force participation rate, women are often considered better stay at home than work outside. Also, based on the unemployment rate, we have showed that the young people aged below 25 years old suffered more from economic crisis than the adult aged above 25, and this highlight youngster's disadvantage comparing to the adult. As for the macro impact Italian economic crisis have on the unemployment rate, according to the results of previous studies, has been found to be very significant. This kind of impact not only includes the increasing the unemployment rate in a traditional sense, but also includes some other problems caused by the specific situation of Italy, such as the instability of people's work was increasing and the labour force losing their confidence in finding a job. These "hidden" unemployment should also be included when analyse how the economic crisis influence the unemployment rate. For the future research relevant to this subject, the international perspective should be considered, so the comparative economics in Eurozone after 1990s could be used to discover the topic further. For example, as a result of single market in eurozone, the effect of economic crisis on unemployment could be eliminated by free movement of labour.

#### **REFERENCES**

- [1] World Bank, Italy. Data retrieved on November 26<sup>th</sup>, 2021.  
<https://data.worldbank.org/country/italy?view=chart>
- [2] OECD, General government debt. Data retrieved on November 26<sup>th</sup>, 2021.  
<https://data.oecd.org/gga/general-government-debt.htm>
- [3] World Bank, Unemployment, total (% of total labor force) (modeled ILO estimate) – Italy. Retrieved on

- November 26<sup>th</sup>, 2021.  
<https://data.worldbank.org/indicator/SL.UEM.TOT.L.ZS>.
- [4] OECD, Population Total, Annual growth rate (%), 1990 – 2019 Italy. Retrieved on December 6<sup>th</sup>, 2021.  
<https://data.oecd.org/pop/population.htm>
- [5] G. Azmat, M. Guell, and A. Manning, “Gender Gaps in Unemployment Rates in OECD Countries,” *Journal of Labor. Economics*, 2006, 24 (1), 1–37.
- [6] D. Piazzalunga, & M. L. Di Tommaso, The increase of the gender wage gap in Italy during the 2008-2012 economic crisis. *The Journal of Economic Inequality*, 2019, 17(2), 171-193.
- [7] M. Baussola, C. Mussida, J. Jenkins, & M. Penfold, Determinants of the gender unemployment gap in Italy and the United Kingdom: A comparative investigation. *International Labour Review*, 2015, 154(4), 537-562.
- [8] L. Bordogna and S. Neri, Social dialogue and the public services in the aftermath of the economic crisis: strengthening partnership in an era of austerity in Italy. National report VP/2011/001, European Commission project, Industrial Relations and Social Dialogue, 2012.
- [9] OECD, Gender wage gap. Data retrieved on December 1<sup>st</sup>, 2021.  
<https://data.oecd.org/earnwage/gender-wage-gap.htm>
- [10] World Bank, Labor force participation rate, female (% of female population ages 15+). Data retrieved on December 1<sup>st</sup>, 2021.  
<https://data.worldbank.org/indicator/SL.TLF.CACT.FE.ZS?view=chart&locations=IT>
- [11] World Bank (2021), Labor force participation rate, male (% of male population ages 15+). Data retrieved on December 1<sup>st</sup>, 2021.  
<https://data.worldbank.org/indicator/SL.TLF.CACT.MA.ZS?view=chart&locations=IT>
- [12] G. Liotti, Labour market flexibility, economic crisis and youth unemployment in Italy, 2020.  
<https://www.sciencedirect.com/science/article/abs/pii/S0954349X19304084>
- [13] F. Dotta, Economic crisis and flexibility in Italy: the " tsunami" of youth unemployment, 2015.  
[http://www.warwick.ac.uk/fac/soc/wbs/research/irru/ywesrc/seminar1/sem1papers/francesa\\_dota.pdf](http://www.warwick.ac.uk/fac/soc/wbs/research/irru/ywesrc/seminar1/sem1papers/francesa_dota.pdf)
- [14] M. Leonardi, G. Pica, No country for young people, 2015.  
[https://voxeu.org/sites/default/files/file/No\\_Country\\_Young\\_People\\_VoxEU.pdf#page=103](https://voxeu.org/sites/default/files/file/No_Country_Young_People_VoxEU.pdf#page=103)
- [15] N. D’Ippolito, Youth Unemployment The cases of Denmark and Italy, 2011. [https://research-api.cbs.dk/ws/portalfiles/portal/58451921/nadia\\_dippolito.pdf](https://research-api.cbs.dk/ws/portalfiles/portal/58451921/nadia_dippolito.pdf)
- [16] C. Quintano., P. Mazzocchi. & A. Rocca, The determinants of Italian NEETs and the effects of the economic crisis. *Genus* 74, 5 (2018).  
<https://doi.org/10.1186/s41118-018-0031-0>
- [17] L. Tronti, R. Gatto, Measuring the Long Wave. Unemployment, Discouragement and Semi-Employment in Italy, During and After the Crisis. In: G. Parodi, D. Sciulli(eds) *Social Exclusion. AIEL Series in Labour Economics*. Physica, Heidelberg, 2012. [https://doi.org/10.1007/978-3-7908-2772-9\\_9](https://doi.org/10.1007/978-3-7908-2772-9_9)
- [18] M. Lilla, S. Staffolani, Labour Market Transitions During the Financial Crisis in Italy. In: G. Parodi, D. Sciulli (eds) *Social Exclusion. AIEL Series in Labour Economics*. Physica, Heidelberg, 2012. [https://doi.org/10.1007/978-3-7908-2772-9\\_11](https://doi.org/10.1007/978-3-7908-2772-9_11)