

UNIVERSITÀ DEGLI STUDI DI VERONA

**The North-East and Italy's firms  
Development and the values of civil society**

*Lectio Magistralis* by Antonio Fazio, Governor of the Bank of Italy,  
on the occasion of the award of an honorary degree  
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The North-East of Italy is one of most highly developed areas in Europe, strongly projected towards international markets and point of arrival for large flows of immigrants. Per capita income in the area is 20 per cent above the European average, it provides 23 per cent of Italy's GDP and a third of all its exports; developments there increasingly influence the economic growth of the country as a whole. For some time now there has been full employment in the area.

The North-East has become emblematic of spontaneous and unaided economic growth. It is the homeland of Italy's export trade and of the organization of firms in industrial districts.

The tumultuous growth of these regions has not occurred without causing problems in the labour market and in the adjustment of innovative activity to cope with international competition; shortcomings have emerged in infrastructure and in the ability of the institutional system to meet the new requirements.

### ***1. Industrial development and exports***

At the beginning of the 1960s, per capita GDP in the North-East of Italy was 20 per cent below that in the North-West and 6 per cent below that of the Centre; in the early 1970s it overtook the latter and from 1993 onwards contended for first place with the North-West.

Nevertheless, GDP growth in the North-East has followed the long-term downward trend shown by the Italian economy. In the 1970s it was faster but in the following decade, especially the first five years, the area failed to keep pace with the rest of Italy. Between 1992 and 1996 the North-Eastern economy grew by 2.3 per cent a year compared with the national average of 1.1 per cent, after which the differential was almost eliminated.

As time passed by, the manufacturing sector in the North-East grew to be almost as important as its counterpart in the industrial triangle formed by Milan, Turin and Genoa; at the same time it also became more capital-intensive. In 1951 light

industry accounted for nearly 50 per cent of employment; forty years later its share had fallen below 37 per cent and that of mechanical engineering had risen from 20 to 33 per cent.

The contribution of exports to the area's economic growth has been decisive. Compared with the beginning of the 1960s, the share of exports from the North-East in the national total has almost doubled, rising from 16 to 31 per cent.

Nevertheless, paralleling the national economy, the North-East lost ground on international markets in the second half of the 1990s. Its share of world exports, which had increased from 1.2 to 1.4 per cent between 1992 and 1995, fell to 1.1 per cent in the two-year period 2000-2001.

The regions of the North-East account for more than half of Italy's exports of non-metallic mineral products, 40 per cent of exports of machinery and equipment, wood products and other manufactured products and more than a third of exports of processed food and leather products.

Many firms, including small ones in traditional sectors, have set up factories abroad to take advantage of the opportunities offered by the globalization of markets. The expansion has mainly taken place in the countries of Central and Eastern Europe, where it has benefited from the availability of low-cost skilled labour, economic incentives and good growth prospects.

## ***2. Industrial districts and the question of firm size***

The industrial structure of the North-East is characterized by the spread of agglomerations of small and medium-sized enterprises specialized in the various stages of a single line of production.

Istat has identified 65 industrial districts in the area, a third of the national total. In 2001 about 60 per cent of industrial workers in the area were employed in these

districts, of which 20 are specialized in textiles and textile products, 18 in furniture, ceramics, glass and building materials, 14 in mechanical engineering, 7 in food products, 4 in leather goods and footwear and 2 in gold jewelry and in paper, printing and publishing. These are broadly traditional products for which price, besides any aesthetic qualities, is important for penetrating the international markets. High-tech products, which can set their own prices, feature less.

The districts are agglomerations of firms but even more importantly they are communities. Local traditions embody a high level of “social capital”; mutual trust among the members of the local community encourages the development of private economic and social organizations and cooperatives. Crime rates are low and public affairs are well run.

A cooperative spirit goes beyond the sphere of social relationships to influence those between firms. The North-East enjoys the highest propensity to collaborate and enter into commercial, manufacturing, organizational and logistical agreements; the many associations give expression to collective needs. Although there are differences between the various regions, the underground economy is less developed than in other parts of Italy, in all the non-farm sectors and especially in industry.

In the Concluding Remarks I recently addressed to the annual meeting of the Bank of Italy’s shareholders, I dealt at length with the fragmentation of economic activity in Italy, the very large number of small firms and the effects of this configuration on productivity, competitiveness and growth.

In the 1970s, conflicts over the distribution of income and the rapid increase in labour costs created difficulties for larger firms. At the same time, a virtuous mechanism fostering the development of small firms came into play, encouraged by greater demand for personalized goods and by the crisis in standardized, mass production. The need for variety was better satisfied by goods produced on a small scale; technological innovation made this kind of differentiation easier.

Small firms working within a district were successful above all in the regions of the North-East and the Centre.

In many ways, district networks provide a middle way for organizing production between the large, vertically-integrated company and the small or very small, isolated firm.

Some industrial districts grew up around one or more large enterprises. The countryside, peopled by small landowners and share-croppers, was a source from which industry could draw new entrepreneurs and workers. Development benefited from the widespread presence of artisanal and commercial businesses and the existence of adequate infrastructure.

These conglomerations of firms achieved a remarkable combination of cooperation, imitation and competition, benefiting from currency devaluations and quickly adapting to sudden changes in the product mix and geographical origin of demand.

The district model has proved able to overcome difficult tests, as in the 1980s, when the introduction of the new regime of the European Monetary System and the concurrent large increase in costs forced firms to increase productivity and competitiveness in order to survive.

The increasing application of electronic technologies to business systems, the arrival of new competitors in the manufacture of low-tech products and the emergence of markets far from traditional outlets called for a quantum leap in terms of organization and strategies for penetrating foreign markets.

Large firms were able to overcome these difficulties by restructuring and investing heavily in technology; small firms relied mainly on operational flexibility and their ability to keep up with their customer's changing tastes. However, this did not prevent a growing productivity gap from opening between smaller and larger firms.

Faced with this situation, firms organized in districts tried different paths. Firms that were leaders in their field formed their own groups by acquiring companies. There was also an increase in the number of projects aimed at pooling service activities such as research, marketing and finance.

The ability to gain ground in the global market and gradually move towards the manufacture of higher quality products was coupled with the possibility of benefiting from the traditional external economies arising from geographical concentration, especially as regards the availability of specialized factors of production.

At the national level, while the industrial base contracted, districts held up well as witnessed by the further increase in their share of employment in manufacturing at the end of the 1980s, a trend that continued in the 1990s. However, industrial employment in districts declined by 4 per cent between 1991 and 2001, in the rest of the country it fell by 13 per cent.

In the districts of the North-East, industrial employment did not change significantly in the 1990s. This difference partly reflects the positive effects of exports on firm size. The activity of firms benefits from the stimulus of competing in foreign markets.

Districts have sources of competitiveness that are not available to large companies; however, against the background of the globalization of trade and the transformation of the technological paradigm that have occurred over the last decade, these advantages risk being outweighed by the disadvantages attaching to small firm size.

Large firms are the main channel for creating, incorporating and disseminating technological and management innovations; they are better able to consolidate their position in the international marketplace through direct greenfield investment and links with major distribution chains and foreign producers.

There is no doubt about the merits of small enterprises and their contribution to the development of the Italian economy. However, industry as a whole is apparently finding it difficult to achieve the scale of production prevalent in the other industrial countries, adopt the most up-to-date models of company organization, marketing and inter-firm exchange, use the most advanced technologies and improve the quality of product specialization.

The success of the new competitors in Asia and Central and Eastern Europe requires a strengthening of Italian competitiveness to be achieved through generalized growth in the size of firms.

If smaller firms are to be able to grow and larger ones to improve their efficiency, it will be necessary to remove the obstacles that today prevent the full realization of their potential and an increase in employment.

These obstacles are related to the legislation in force, the structure of employment relationships and the tax and social security contribution system.

### **3. *Workers and entrepreneurs***

The North-East is an area of full employment. Factory jobs are often a stepping-stone to becoming an entrepreneur or self-employed.

Since the middle of the 1990s employment has grown faster than the national average, by 1.4 per cent a year. In the last two years the unemployed, including first-job seekers, have been equal to about 3.5 per cent of the labour force.

Women made a decisive contribution to the growth of employment in the 1990s. Ample use was made of part-time and fixed-term jobs. Firms turn to temporary job agencies mainly to meet demand peaks; temporary employment plays a role in personnel selection.

Staff turnover is above the national average. Entry into the job market comes at a younger age. Employers mainly seek skilled workers.

Young workers, often hired under mixed work-and-training contracts, improve their technical skills through on-the-job learning rather than formal training courses. Wages rise with job experience. For firms, vocational training represents an investment, for their employees, an opportunity.

The more frequent use made of bonuses linked to companies' results and the prospect of exploiting the skills acquired to start up one's own business attenuate conflicts over income distribution and produce a convergence of interests between employers and workers.

In these regions the culture of work and the patterns of individual success are powerfully shaped by the entrepreneurial spirit. Very often workers' employment paths culminates with their starting up their own businesses.

More than half of all the businessmen and women in Veneto, Trentino-Alto Adige, and Friuli-Venezia Giulia are former employees, and two-thirds of these come from the ranks of production workers (nearly 80 per cent in industrial firms). The business class is relatively young; more than a third of business proprietors under 40 are women. Immigrants from outside the European Union accounted for 2.3 per cent of the total in 2001.

The behaviour model of young people in an environment that rewards early entry into the labour market, combined with firms' attitude to training, results in an equilibrium that could prove inadequate in the new competitive context.

The advent of the new technologies means that firms need a more versatile work force, people with broader general knowledge in addition to the specific skills they acquire on the job.

Investment is needed in training programmes that can supplement and make the most of formal schooling. The proportion of university graduates in the area's labour force is smaller than in the rest of Italy. High school graduates make up 30.6 per cent of the work force, compared with a national average of 32.3 per cent. A larger share of young people opt for technical and vocational training, following paths that prepare them better for immediate entry into work or the professions than does a university education.

The services provided in these regions by the public educational system, and by the universities in particular, are of high quality. They must be exploited fully. The range of activities that the higher education system offers to the business world must

correspond to the demand for knowledge and expertise expressed by the more far-sighted firms.

#### **4. Shortcomings, imbalances, opportunities**

Small businesses have contributed to the economic takeoff of the North-East and of Italy with their incremental innovations in products and processes.

Istat's most recent surveys of technological innovation in Italian industry have found that in the mid-1990s the regions of the North-East had the largest proportion of innovative firms.

However, the pattern of expenditure on research and development, which together can be seen as the most strictly formalized mode of investment in technical and productive progress, is far less encouraging for the North-East. In 1999 the area's R&D spending, in relation to output, was only 60 per cent as high as in the North-West of Italy. The business component alone, moreover, was much smaller: no more than a quarter of that found in the North-West. And of this, investment was concentrated in the region of Emilia-Romagna, which accounted for half of all the North-East's R&D spending.

The spread of information and communications technology has been slower than in the North-West or the Centre of Italy. Industrial firms with more than 50 employees had 0.36 computers per employee in the North-East at the start of this year, compared with 0.44 in the North-West and 0.48 in the Centre.

The introduction and efficient use of ICT requires organizational innovation, the development of the human capital employed by the firm and a favourable institutional and social environment. Size, sector and other conditions being equal, the firms that form part of industrial districts make less use than others of "organizational software", which is the heart of the technological transformation now under way.

In the traditional industries heightened competition from the emerging countries, with lower labour costs and other expenses, in part owing to a lower level of environmental protection, is eroding the market share of firms that fail to increase the technological content and quality of their output.

International demand for high-technology products is growing faster than that for traditional goods.

With a view to the future, there must be a gradual modification of Italy's product specialization. Even the large size of the North-East's export sector could make for vulnerability if we are slow in bringing technology up to date and developing products better suited to the most dynamic segments of world demand.

Population aging is very pronounced in these regions. In the North-East there is a negative balance between births and deaths. Friuli-Venezia Giulia and Emilia-Romagna are losing nearly 0.4 per cent of their population annually due to these demographic trends.

The share of the younger age-groups in the population is 5 percentage points below the European Union average. That of those over 65 is 4 points above it.

The consequences of demographic imbalance can be attenuated by increasing the labour market participation rate, which, while higher than the national average, nevertheless remains very low by European standards and significantly lower than those of the regions of Europe that are comparable to the North-East of Italy in size and economic development.

Forms of flexibility that can reconcile the needs of the production system with those of working men and women and an improvement in public services for the care of children and old people could help foster greater labour market participation.

Migration from other parts of Italy intensified in the second half of the 1990s. Net immigration from the regions of the South amounted to 32,000 persons in 1999.

However, this may be less than the potential inflow because of poor information and shortcomings in the supply of housing.

In recent years, the needs of production have been met by sharply increasing immigration from outside the European Union. In 2000 foreigners accounted for 3.2 per cent of the resident population of the North-East, compared with 2.4 per cent nationwide and 5 per cent in the European Union.

Foreign immigration in the North-East is characterized by greater utilization of official labour market entry mechanisms than in the rest of Italy and a smaller proportion of off-the-books employment.

For the most part immigrants go to the most heavily industrialized areas, where the need is for relatively unskilled workers who are hard to find locally, and who ordinarily require training. Another sizable group of non-EU workers live in urban areas and provide services to households and firms.

Entry flows that take the needs of local communities into account represent a real opportunity for growth, but the occupational integration of foreign workers requires additional investment in training by the community, including language teaching.

In an area in which productive activities are widely diffused throughout the territory and export-oriented, growth may be impeded by insufficient development of transport and other infrastructure. Congestion increases costs for firms and causes difficulties and inconvenience for the population.

A significant gap has opened in recent years between the demand for and supply of some infrastructure in the North-East.

Between 1980 and 2000 the road network increased by just 2.5 per cent, while the number of vehicles in circulation rose by more than 80 per cent. In the second half of the 1990s traffic continued to increase faster than in other parts of Italy, while the road network remained virtually unchanged.

Production is organized into networks of firms linked by intensive exchanges. Small shipments of goods from one local unit to another are common. The need for speedy supply makes it harder to group small batches together into larger loads.

The transition of the countries of Eastern Europe to the market economy has spurred the growth of trade still further. In the 1990s shipments of goods for processing abroad rose from 2 to around 12 per cent of the Veneto region's total exports to the transition economies. This increases use of the transport network by generating two-way traffic.

Infrastructure insufficiencies, which threaten to stifle economic activity by undermining the competitiveness of firms, must be overcome. At the same time, diverse needs have to be reconciled with a view to sustainable development; the integrity of the territory and of the environment must be safeguarded.

The decisions of local governments must be made consistent with the best possible configuration of the major national networks that it is the central government's duty to achieve.

Entrepreneurial energy cannot be allowed to go to waste for lack of local labour. Entrepreneurial talent can be made the most of — and this, in practice, is what happens — by transferring capital and business know-how to places where there is an abundance of workers seeking jobs.

Labour-intensive phases of production have been relocated to Central and Eastern Europe and the Balkans.

Interregional agreements entered into by local authorities and business associations must grow in importance. The most significant such agreements in Italy are those between producers in the North-East and the South, especially Puglia.

These initiatives need to be extended by better direct knowledge of the opportunities that the Italian South now offers. They correspond to a profound need of

industry in the North-East, for which locally available resources would otherwise constitute a severe bottleneck.

A crucial passage for these initiatives is overcoming the deficiency in the South of infrastructure that investors consider essential, such as water supply, electricity, gas and telecommunications.

It is of the utmost importance that projects for the relocation of production and cooperation be able to count on better infrastructure in their new host areas than that offered in their congested homelands.

## **5. Banks**

The North-East has a large and diversified endowment of credit institutions, partly as a result of the far-reaching reorganization of the nation's banking system in recent years.

Thirteen large banks, 53 small ones and 202 mutual banks are based in the area and operate through 6,253 branches.

Another 61 banks of various size are also present with 1,555 branches.

Capital bases are robust, bad debts at a very low level, and operating costs and profits adequate. Competition increased appreciably in the last decade, notwithstanding the sector's consolidation.

All four of Italy's largest banking groups operate in the area, where their overall number of branches is high.

The network of medium-sized banks with a predominantly local focus, a natural interface for the productive system made up of small and medium-sized enterprises, is especially well developed.

Banks find favourable conditions for business growth in the solidity of firms. The lower credit risk is reflected in lower interest rates.

Our repeated insistence on the need to provide more and better services to the corporate sector applies above all to this important component of the Italian banking system. The aim must be to promote and assist the attainment of greater size by small enterprises, to orient them towards market-based forms of finance, to foster the development of more innovative lines of business.

The high value of output and plant and of the enterprises themselves is accompanied by an ownership structure based on direct control by individuals and families.

It is a configuration of finance and control that has made a major contribution to economic growth, that has created and governed a widespread and robust network of businesses in the past decades.

It is now possible to envisage more advanced forms of control and financing that rely on the market. This is an opportunity for the growth and consolidation of productive activities. Possibilities are opening up for financial intermediaries to do business and grow and for banks to expand their role.

## **6. *Federalism***

The need for public authorities that are able to respond promptly to the demands of producers and civil society has become pressing in Italy, especially in the fastest-growing areas. The need for decision-making to be close to citizens and firms is keenly felt.

The congestion of the roads, the associated environmental problems, the integration of foreign workers and the necessity of supporting business innovation

significantly increase the demand for public measures targeted to specific territorial ends.

Support and stimulus for the growth of the North-East can come from the reorganization of functions within general government.

The calls for administrative and financial autonomy received an initial, partial response in the 1990s.

The decentralization of some functions was accompanied by greater tax-levying autonomy. New own taxes, such as the municipal property tax and the regional tax on productive activities, and local government surtaxes were introduced.

Nationally, local taxes rose from 13.8 per cent of total local government expenditure in 1990 to 44.5 per cent in 2001; in the same period they increased from 4.8 to 13.9 per cent of general government revenue.

Administrative decentralization will accelerate with the implementation of the reform of Title V of the second part of the Constitution, which entrusts the regions with legislative power over all matters not explicitly assigned to the central government.

By bringing the management of each public service closer to the area in which it produces its benefits, it will be possible to improve the match between supply and users' preference; new forms of producing and financing public services can be tried out.

The benefits of autonomy depend on the efficiency of local authorities. The differentiation of public services that decentralization will bring must be tempered by the need to limit disparities between citizens.

Implementing the reform requires a complex of legislative measures; it is necessary to continue resolutely along the lines of the recent interinstitutional agreement. The motivation for those who govern to do their job well rests on a close link between responsibility for expenditure and financing.

Autonomy must not be an obstacle to the country's growth. The Constitution reaffirms the prohibition of restrictions on the free movement of persons and goods. Fragmentation of the tax and regulatory system can constitute an implicit restriction. Tax-levying autonomy must not lead to harmful forms of tax competition.

Many public services and public works are of national interest. It is necessary to ensure institutional arrangements that will permit effective cooperation between the different levels of government in the production of the services and implementation of the projects. Every possible conflict of jurisdiction must be rapidly resolved.

Elements of solidarity are important in a country characterized by large geographical differences in income. The constitutional amendment explicitly provides for a redistribution fund.

It is essential that the scale of redistribution be decided beforehand. A repetition of measures to make good deficits that have already been incurred must be avoided. Transfers must be counted in determining the budget constraint and must not be a means of evading it.

Autonomy must be accompanied by responsibility. A balanced budget, with appropriate adjustments for the financing of investment, is compulsory; it must be part of the national fiscal policy framework.

It is useful for citizens to be able to compare the quality and cost of the services provided in their own region with those of other parts of the country. Complete statistical information, above all comparable and timely accounting records, and the harmonization of public budgets are necessary.

Rules for transparency and common standards of financial reporting do not curtail autonomy; they are a pre-requisite for its legitimation.

The country's new institutional structure offers an opportunity to raise the efficiency of the public administration and increase the competitiveness of our economy. The commitment of all levels of government is needed in order to determine the most suitable ways of putting it into practice.

Institutional and territorial decentralization must be framed in a context of solidarity and cooperation. The enhanced powers assigned to local authorities are necessary in order to unite the country. This vision must inspire the implementation of the amendment to the Constitution.

## **7. Conclusions**

The development of the North-East in the past forty years has been vigorous in every respect. The initial spontaneous growth led to original forms of organization of production and markets, based on the success of the industrial districts. Labour market developments were consistent with the new needs. With its vigorous civic, social and organizational life, the North-East became a breeding ground for entrepreneurial energy.

With economic success, the typical problems of a mature economy have now surfaced. Difficulties derive from the limits of the local labour supply and the slowness with which infrastructure adjusts to the vitality of business growth.

The importance of industrial districts and their particular features raise the question of whether they are only the result of a process of optimization or also an attempt to overcome the obstacles to companies' growth that are reflected in the general fragmentation of production in Italy.

The difficulty of facing international competition inevitably fuels fears for the future of a model based on the creativity of small businessmen and district economies.

A strengthening of competitiveness must be sought, through adequate organizational models and intense innovation.

Wider utilization of computer networks to exchange information and restructure intersectoral relations can raise the productivity of the entire system.

In any event, it is necessary to ponder the long-term consequences of the scarcity of large and medium-sized firms in our country.

Size enables firms to tap the technical and organizational advances that are being developed at the international level, to enter into industrial and commercial transactions with large, internationally active firms on an equal footing.

It is up to economic policy at both national and local level to create conditions whereby firms' decisions are not subject to excessively tight constraints and the quality of services, public support for research and a reduced tax burden provide a basis for the broadening and upgrading of firms' product specialization.

Action is necessary to launch a new phase of development, which, following the widespread industrialization of the past decades, will foster the emergence of larger companies and groups, marked by more extensive application of the new technologies, higher productivity and greater competitiveness.

Product lines of more advanced and higher quality goods and services require greater size. The support of more highly developed financial services is necessary for ventures in the domestic and international markets.

It is up to firms to grasp these opportunities.

Regional and local governments must promote an improvement in transport infrastructure, safeguard and enhance the value of the environment, with its wealth of natural beauty and art cities, and adapt the education system to the new, greater demands of production.

Immigration can make a positive contribution to the economy and society; it corrects the negative demographic trends. The flows must be adequately regulated, in order to ensure security and legality. Those who come to Italy to work must be presented with a shared core of values, of rights and duties and constitutional loyalty to the State. These must be fully accepted. It is not a question of interfering with moral or religious convictions; xenophobic attitudes must be rejected.

The values and traditions of civil society that allowed the first phase of modernization and industrialization to flourish must be rediscovered, cultivated and strengthened so that they can guide a new phase of development.

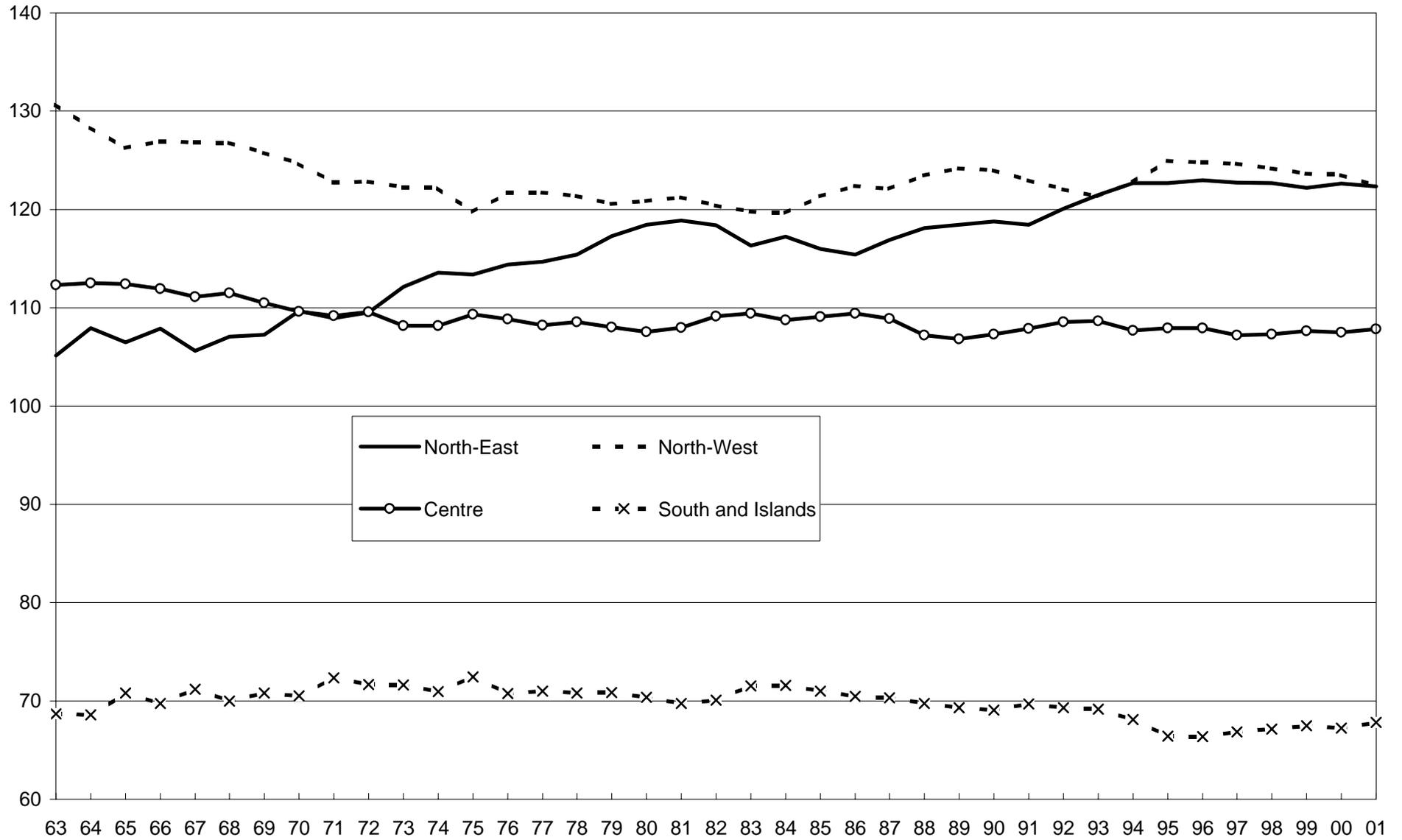
The development of the North-East can be a model for other regions. It can contribute to the nation's growth.

## *FIGURES AND TABLES*

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Figure 1

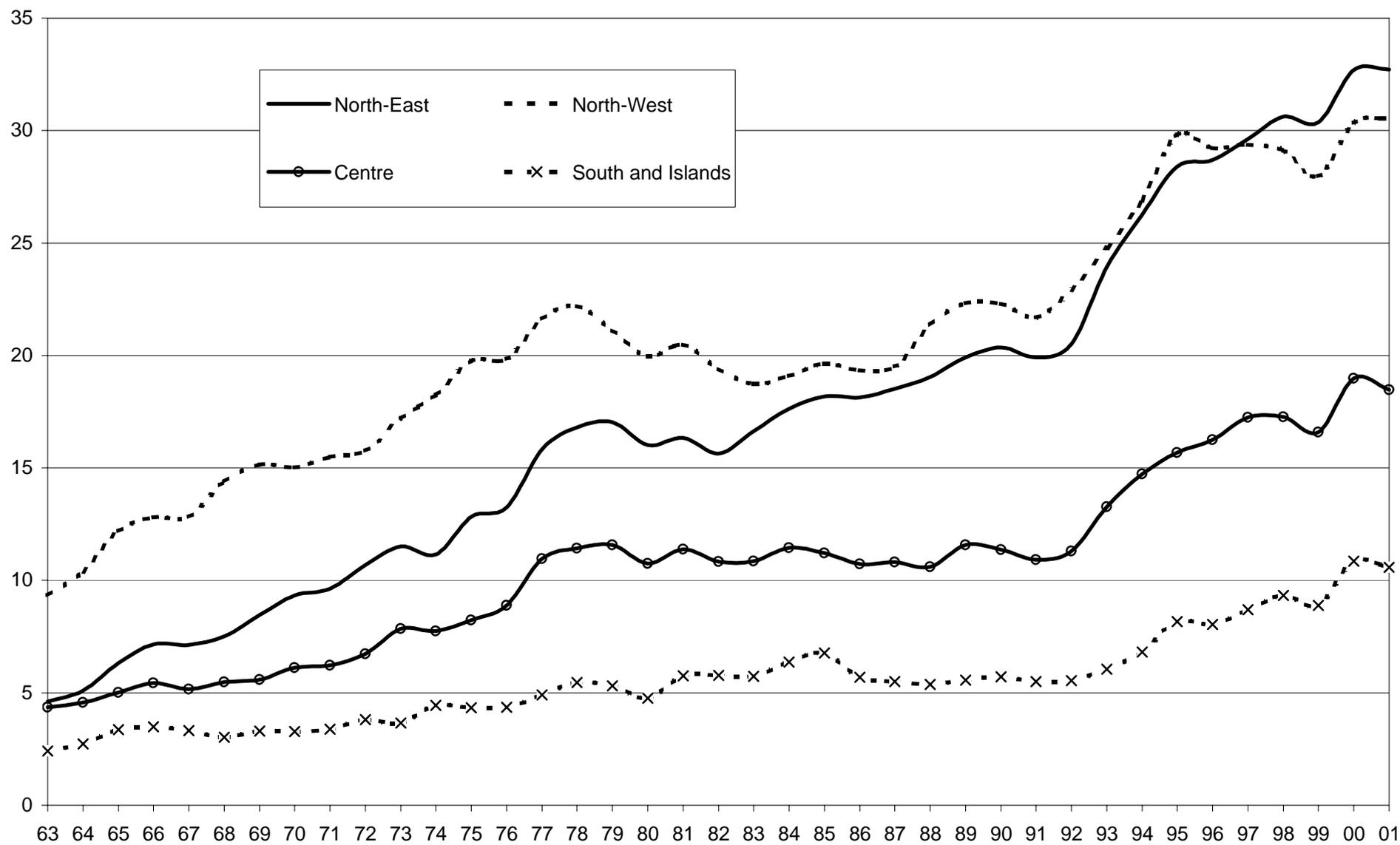
**Per capita GDP by macro-region**  
*(indices, Italy=100)*



Sources: Based on data published by Prometeia (1963-69), Svimez (1970-94), Istat (1995-99) and Svimez (2000-01).

Figure 2

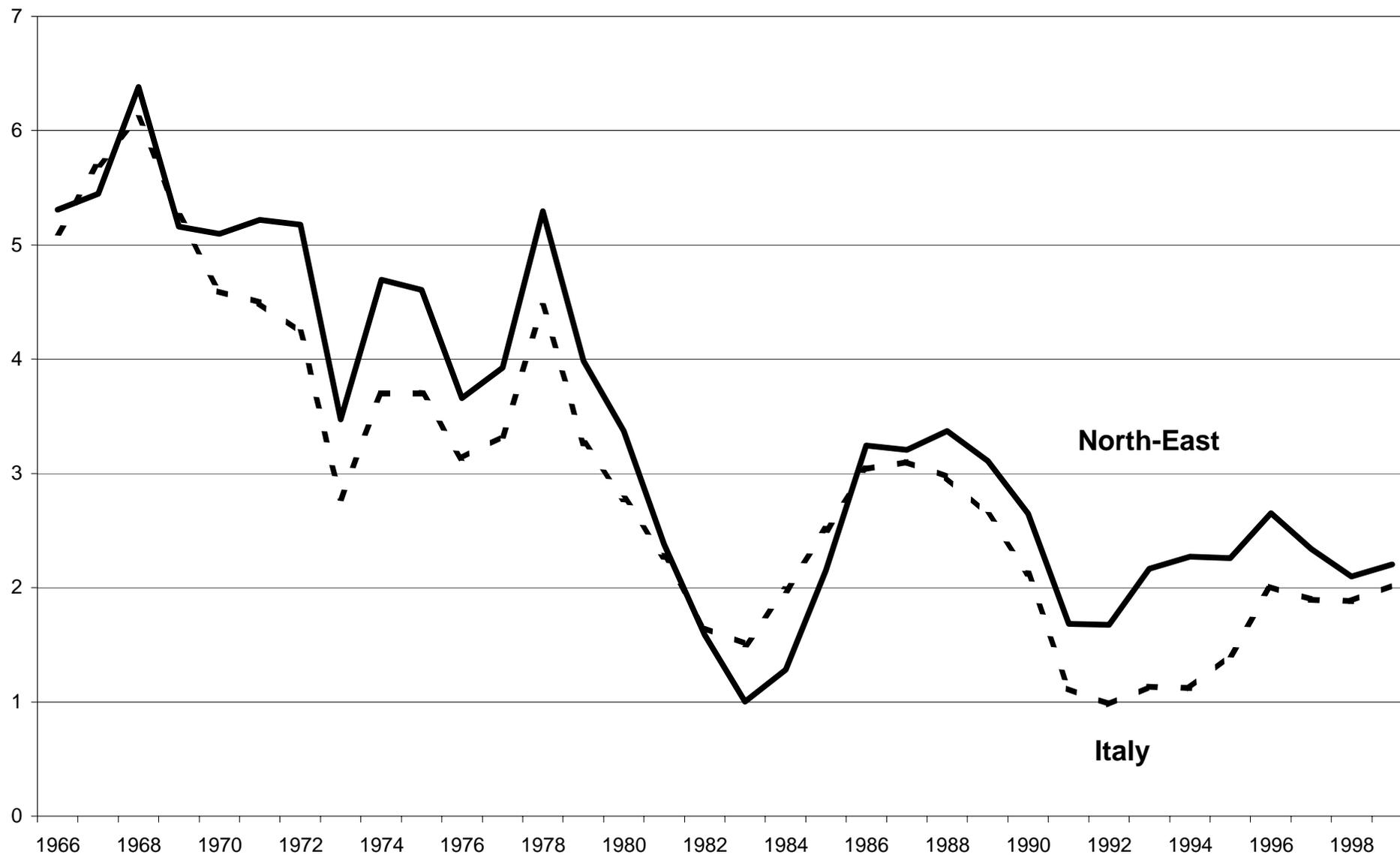
### Share of exports in GDP by macro-region (percentages)



Source: Based on Prometeia data.

Figure 3

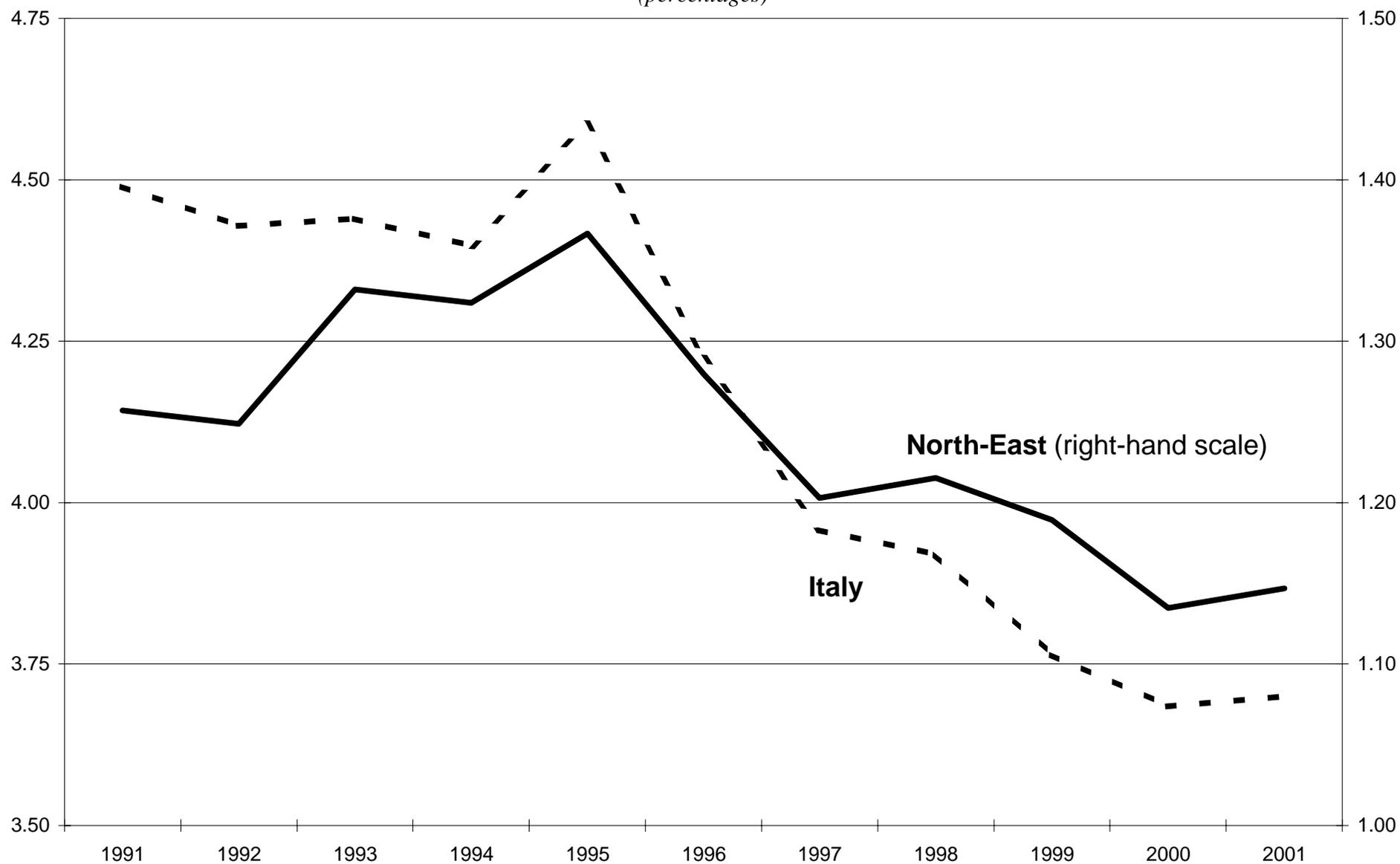
**GDP growth rates**  
*(five-term moving averages; percentages)*



Sources: Based on data published by Prometeia (1963-69), Svimez (1970-94), Istat (1995-99) and Svimez (2000-01).

Figure 4

### Shares of the world market of Italy and the North-East (percentages)



Sources: Based on Istat and IMF data.

Figure 5

**Male participation rates by age bracket in 1999**  
(percentages)

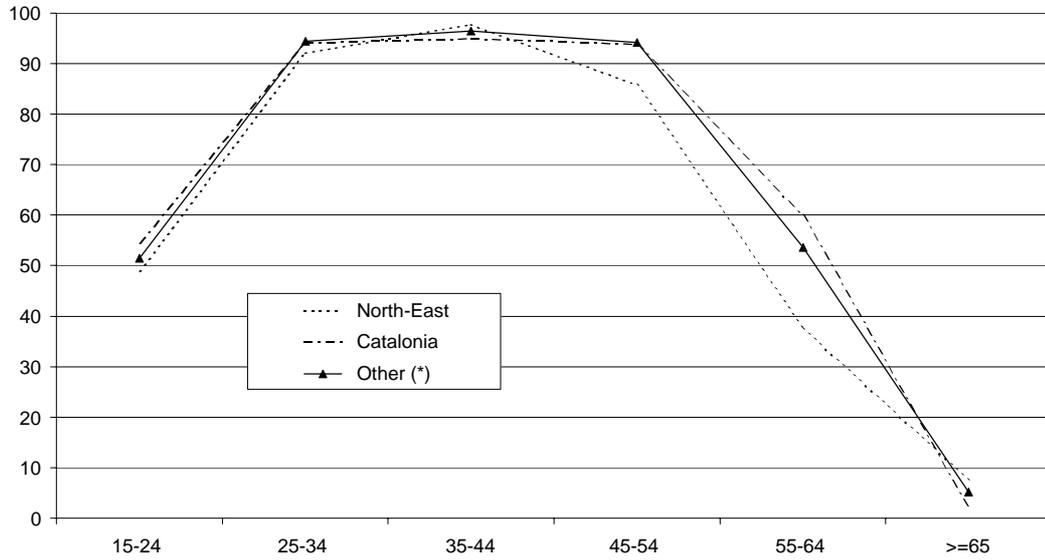
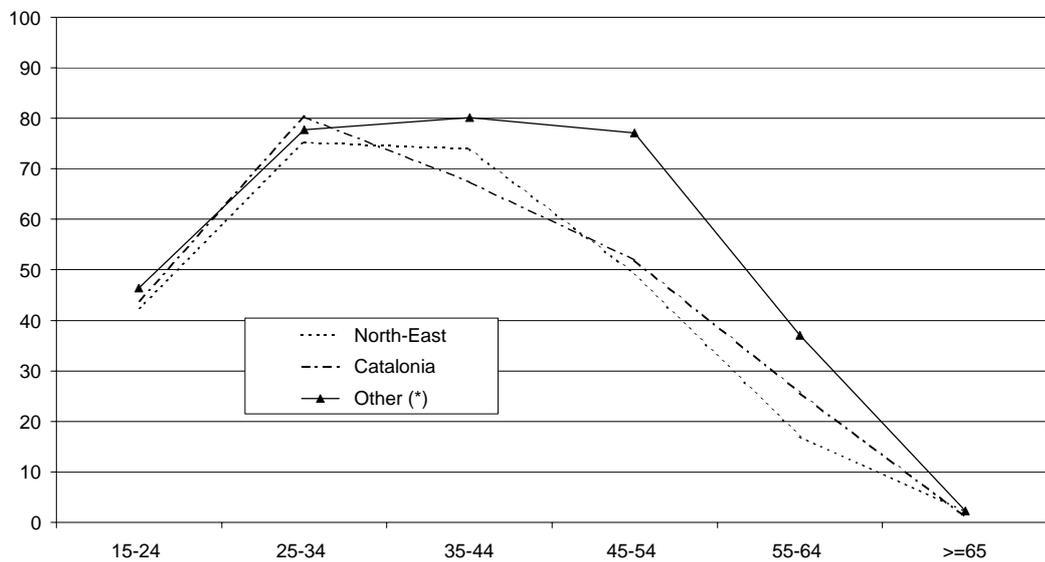


Figure 6

**Female participation rates by age bracket in 1999**  
(percentages)



Source: Eurostat *Regio* (2002).

(\*) Average of the participation rates in Baden-Württemberg, Bavaria (Germany), Île de France, Rhône-Alpes (France) and Eastern (United Kingdom).

Table 1

**Breakdown of exports by branch of economic activity in 2001**

*(percentages)*

	North-East	Nort-West	Centre	South and Islands	Italy
Products of agriculture, forestry and fishing	1.8	0.7	1.0	3.9	1.5
Products of mining and quarrying	0.1	0.2	0.4	0.3	0.2
Food, beverages and tobacco products	5.9	4.1	3.7	7.6	5.0
Textiles and clothing	10.2	11.1	15.1	5.8	10.8
Leather and leather products	6.5	1.5	13.9	6.2	5.6
Wood and cork products and articles of straw	0.7	0.4	0.6	0.4	0.5
Paper, paper products, printed matter and publishing	2.2	2.2	2.7	1.4	2.2
Coke, refined petroleum products and nuclear fuel	0.2	0.5	0.8	14.0	2.0
Chemical products and man-made fibres	5.0	12.1	11.5	8.6	9.4
Rubber and plastic products	2.8	4.9	2.2	3.1	3.6
Non-metallic mineral products	6.6	1.6	3.3	2.1	3.5
Basic metals and metal products	7.4	10.3	5.7	5.9	8.1
Machinery and equipment	25.1	21.2	13.7	6.5	19.5
Electrical machinery and apparatus and optical instruments	8.3	12.7	8.7	8.3	10.2
Transport equipment	8.6	12.3	8.2	18.5	11.1
Other manufactured goods	8.6	4.0	8.1	5.3	6.3
Electricity, gas and water	0.0	0.0	0.0	0.0	0.0
Other products	0.1	0.2	0.4	2.2	0.4
<b>Total</b>	100.0	100.0	100.0	100.0	100.0

Source: Istat.

Table 2

**Share of exports from the North-East in Italian exports by sector**  
(percentages)

	1991	1996	2001
Products of agriculture, forestry and fishing	40.1	37.2	38.9
Products of mining and quarrying	16.4	21.0	17.3
Food, beverages and tobacco products	34.7	34.4	36.8
Textiles and clothing	24.3	26.7	29.1
Leather and leather products	31.4	33.2	36.2
Wood and cork products and articles of straw	40.1	41.0	41.6
Paper, paper products, printed matter and publishing	29.7	32.2	30.7
Coke, refined petroleum products and nuclear fuel	3.6	4.4	3.2
Chemical products and man-made fibres	19.4	18.9	16.4
Rubber and plastic products	18.4	22.0	23.9
Non-metallic mineral products	52.0	57.9	58.6
Basic metals and metal products	21.9	24.5	28.2
Machinery and equipment	36.7	37.5	39.9
Electrical machinery and apparatus and optical instruments	16.0	21.0	25.2
Transport equipment	16.7	23.3	23.9
Other manufactured goods	46.7	44.6	42.5
Electricity, gas and water	30.2	0.1	0.0
Other products	16.5	15.9	8.8
<b>Total</b>	<b>28.0</b>	<b>30.3</b>	<b>31.0</b>

Source: Istat.

Table 3

**Average size of local units by sector, 1951-91**  
(average number of employees per local unit)

	1951	1961	1971	1981	1991
			North-East		
<b>Industry</b>	5.5	7.9	7.9	6.3	6.1
<i>of which: manufacturing</i>	4.9	7.2	8.6	7.8	7.6
<i>of which: construction</i>	12.1	12.9	5.6	3.3	3.1
<b>Services</b>	2.8	2.8	2.8	2.9	3.2
<b>Total</b>	4.0	4.6	4.6	4.2	4.4
			North-West		
<b>Industry</b>	10.0	12.5	11.7	8.3	6.9
<i>of which: manufacturing</i>	9.9	12.4	13.3	10.4	8.6
<i>of which: construction</i>	11.0	13.4	5.8	3.2	3.1
<b>Services</b>	2.8	3.0	3.0	3.3	3.5
<b>Total</b>	5.8	6.3	6.1	5.3	5.0
			Centre		
<b>Industry</b>	5.5	6.8	6.9	6.1	5.3
<i>of which: manufacturing</i>	4.4	5.9	6.7	6.7	5.9
<i>of which: construction</i>	15.0	13.9	6.4	3.7	3.4
<b>Services</b>	3.0	3.0	3.1	3.2	3.5
<b>Total</b>	4.0	4.3	4.4	4.3	4.2
			South and Islands		
<b>Industry</b>	3.3	4.3	4.9	5.4	4.5
<i>of which: manufacturing</i>	2.6	3.4	4.1	5.4	4.4
<i>of which: construction</i>	12.3	13.1	8.4	4.9	4.4
<b>Services</b>	2.3	2.4	2.3	2.5	2.7
<b>Total</b>	2.7	3.0	3.1	3.4	3.3
			Italy		
<b>Industry</b>	6.1	8.1	8.1	6.7	5.8
<i>of which: manufacturing</i>	5.5	7.4	8.4	7.8	6.7
<i>of which: construction</i>	12.3	13.3	6.3	3.6	3.4
<b>Services</b>	2.7	2.8	2.8	2.9	3.2
<b>Total</b>	4.2	4.6	4.6	4.3	4.2

Source: Istat *I censimenti delle attività produttive dal 1951 al 1991*.

Table 4

**Employment in local units by size of unit and macro-region (\*)**  
(percentages)

Size class (number of employees)	1981	1991	1996
		<b>North-East</b>	
1-9	46.6	48.4	48.1
10-19	12.3	13.9	14.2
20-49	11.5	13.2	13.0
50-99	8.0	7.6	7.5
100-199	7.3	6.4	6.4
200-499	6.7	6.1	6.0
500 and more	7.6	4.4	4.7
		<b>North-West</b>	
1-9	38.5	43.3	45.1
10-19	10.6	12.4	12.1
20-49	11.0	12.4	12.3
50-99	7.9	7.9	7.8
100-199	7.7	6.8	6.9
200-499	8.6	8.2	7.5
500 and more	15.8	9.1	8.2
		<b>Centre</b>	
1-9	46.4	50.4	52.5
10-19	11.5	12.2	12.1
20-49	11.3	11.3	11.1
50-99	7.0	6.4	6.4
100-199	5.9	5.3	5.3
200-499	6.2	5.8	5.4
500 and more	11.7	8.6	7.4
		<b>South and Islands</b>	
1-9	53.0	57.2	59.8
10-19	9.9	10.2	9.9
20-49	9.7	10.4	9.8
50-99	5.8	5.5	5.4
100-199	5.1	5.0	4.6
200-499	5.7	4.8	4.9
500 and more	10.7	6.9	5.7
		<b>Italy</b>	
1-9	45.0	48.9	50.4
10-19	11.0	12.3	12.2
20-49	10.9	11.9	11.7
50-99	7.3	7.0	6.9
100-199	6.7	6.0	6.0
200-499	7.1	6.5	6.2
500 and more	12.0	7.4	6.7

Source: Istat *Censimento dell'industria e dei servizi*.

(\*) The breakdown is based on the total number of local units.

Table 5

**Average size of local units by sector, 1991-2001**  
(average number of employees per local unit)

	1991	2001 (*)
	North-East	
Industry	6.6	6.9
Distribution	2.6	2.9
Other services	3.3	3.7
Total	4.2	4.4
	North-West	
Industry	7.8	7.7
Distribution	2.8	2.9
Other services	3.8	3.7
Total	4.7	4.5
	Centre	
Industry	6.0	5.4
Distribution	2.4	2.4
Other services	4.1	3.8
Total	4.0	3.8
	South	
Industry	6.0	5.0
Distribution	1.9	1.9
Other services	3.2	3.4
Total	3.2	3.2
	Islands	
Industry	5.1	4.1
Distribution	2.0	2.1
Other services	3.4	3.2
Total	3.1	2.9
	Italy	
Industry	6.7	6.3
Distribution	2.4	2.5
Other services	3.6	3.6
Total	4.0	3.9

Source: Istat *Censimento generale dell'industria e dei servizi*.

(\*) Provisional data.

Table 6

**Employment in local units by macro-region and sector**  
(percentages changes)

	1991-2001 (*)			
	Industry	Distribution	Other services	Institutions
	<b>Industrial districts</b>			
North-East	-0.5	7.2	35.8	11.8
North-West	-6.5	6.3	46.5	25.8
Centre	-4.7	1.4	49.8	14.1
South	-9.5	-3.3	44.9	12.6
Islands	...	...	...	...
<b>Italy</b>	<b>-4.0</b>	<b>5.4</b>	<b>42.6</b>	<b>17.2</b>
	<b>Other areas</b>			
North-East	-7.4	4.2	24.6	13.5
North-West	-18.6	-0.1	15.5	9.3
Centre	-12.5	-1.2	15.4	3.8
South	-9.3	-1.2	31.5	5.4
Islands	-14.9	-6.3	11.1	13.0
<b>Italy</b>	<b>-13.3</b>	<b>-0.7</b>	<b>19.6</b>	<b>8.0</b>
	<b>Total</b>			
North-East	-3.4	5.6	29.3	12.8
North-West	-13.4	1.9	23.4	14.3
Centre	-9.4	-0.5	21.7	5.7
South	-9.3	-1.3	32.1	5.7
Islands	-14.9	-6.3	11.1	13.0
<b>Italy</b>	<b>-9.6</b>	<b>0.9</b>	<b>24.7</b>	<b>9.9</b>

Source: Based on Istat data published in censuses of industry and services.  
(\*) Provisional data.

Table 7

**Employment in local units of industrial districts as a percentage of total employment by macro-region and sector**  
(percentages)

	1991				2001 (*)			
	Industry	Distribution	Other services	Institutions	Industry	Distribution	Other services	Institutions
North-East	58.2	48.1	41.9	43.3	59.9	48.8	44.0	42.9
North-West	42.7	31.7	25.7	29.9	46.1	33.0	30.5	32.9
Centre	39.1	25.4	18.3	18.4	41.2	25.9	22.5	19.9
South	9.2	5.1	4.3	3.9	9.2	5.0	4.8	4.2
Islands	...	...	...	...	...	...	...	...
<b>Italy</b>	<b>39.2</b>	<b>26.2</b>	<b>22.2</b>	<b>20.0</b>	<b>41.7</b>	<b>27.3</b>	<b>25.4</b>	<b>21.3</b>

Source: Based on Istat data published in censuses of industry and services.

(\*) Provisional data.

Table 8

**Underground economy by macro-region and sector in 1999 (\*)**  
(percentages)

	Italy	North-West	North-East	Centre	South and Islands
Agriculture	30.4	19.5	23.7	25.2	38.4
Industry	8.0	4.5	3.2	9.1	19.3
<i>of which:</i> <i>manufacturing</i>	5.7	3.5	2.9	6.2	14.5
<i>of which:</i> <i>construction</i>	15.9	9.2	4.4	18.4	28.8
Services	16.9	14.4	14.1	17.0	21.2
Total	15.1	11.1	10.9	15.2	22.6

Source: Istat.

(\*) Share of irregular employment in total employment.

Table 9

**Labour market indicators in the North-East  
and Italy in 2001**  
*(percentages)*

	North-East	Italy
<b>Participation rate</b>		
Total	52.6	48.4
<i>Male</i>	63.6	61.4
<i>Female</i>	42.3	36.3
<b>Employment rate</b>		
Total	50.7	43.8
<i>Male</i>	62.1	56.9
<i>Female</i>	40.0	31.6
<b>Unemployment rate</b>		
Total	3.5	9.5
<i>Male</i>	2.2	7.3
<i>Female</i>	5.3	12.9

Source: Based on Istat data.

Table 10

**Payroll workers on fixed-term contracts**  
*(thousands and percentages)*

	2001		1997	
	Payroll workers	% fixed-term	Payroll workers	% fixed-term
ITALY	15,517	9.8	14,372	7.8
North-West	4,727	6.8	4,395	5.5
North-East	3,322	8.7	3,059	7.3
Centre	3,111	8.9	2,897	6.3
South and Islands	4,357	14.4	4,021	12.0

Source: Istat, *Indagine sulle forze di lavoro*.

Table 11

**Share of entrepreneurs and self-employed in the total  
population aged over 15**  
(percentages)

	Self-employed	Entrepreneurs				Total
		Agriculture	Industry	Other	Total	
ITALY	7.1	0.1	0.8	2.4	3.3	10.4
North-West	6.9	0.1	1.1	3.0	4.1	11.1
North-East	8.8	0.2	0.9	2.5	3.6	12.4
Centre	7.4	0.1	0.8	2.6	3.6	11.0
South and Islands	6.1	0.1	0.6	1.6	2.3	8.4
EU-15	-	-	-	-	-	7.2

Source: Istat, *Indagine sulle forze di lavoro*, 2001; Eurostat *Quarterly Labour Force Survey*, 2000.

Table 12

**Educational qualifications of the labour force in 2001**  
(percentages)

	Degree or doctorate	Short-course degree	High school diploma	Training college diploma	Middle school diploma	Elementary school diploma or none	TOTAL
Trentino-Alto Adige	8.1	1.5	24.1	19.7	36.7	9.8	100.0
Veneto	9.2	1.1	29.7	12.0	37.0	11.0	100.0
Friuli-Venezia Giulia	9.8	1.2	34.1	12.3	34.4	8.2	100.0
Emilia-Romagna	11.0	1.2	32.1	9.7	33.5	12.5	100.0
North-East	<b>9.9</b>	<b>1.2</b>	<b>30.6</b>	<b>11.8</b>	<b>35.4</b>	<b>11.2</b>	<b>100.0</b>
<b>ITALY</b>	<b>10.7</b>	<b>1.2</b>	<b>32.3</b>	<b>7.7</b>	<b>36.0</b>	<b>12.0</b>	<b>100.0</b>

Source: Istat *Indagine sulle forze di lavoro*.

Table 13

## Demographic indicators

	Population	Population by age (1.1.1997)		Replacement index <sup>(1)</sup>	Economic dependency	Balance of migration (‰)	Natural balance
	1997	<15 (%)	>=65 (%)	(%)	ratio <sup>(2)</sup>		(‰)
EU-15	374,094	-	-	-	1.50	-	1.0
Euro area (EUR-11)	290,455	17.2	15.7	-	1.57	-	0.9
Belgium	10,181	17.8	16.3	119.8	1.65	1.0	1.2
Denmark	5,285	17.8	15.0	127.2	0.98	2.3	1.5
Germany	81,979	16.1	15.7	84.1	1.32	1.2	-0.6
Greece	10,499	16.1	16.2	123.6	1.72	2.1	0.2
Spain	39,323	16.0	15.8	156.3	2.10	0.9	0.3
France	58,609	19.2	15.4	143.3	1.65	0.7	3.4
Ireland	3,661	23.2	11.4	216.8	1.67	5.8	5.6
<b>Italy</b>	<b>57,512</b>	<b>14.7</b>	<b>17.1</b>	<b>111.3</b>	<b>1.87</b>	<b>3.1*</b>	<b>-0.3*</b>
Luxembourg	421	18.6	14.2	113.2	1.49	9.1	3.8
Netherlands	15,611	18.4	13.4	131.8	1.18	2.0	3.5
Austria	8,072	17.3	15.3	115.1	1.24	0.4	0.6
Portugal	9,946	17.3	14.9	150.1	1.20	1.5	0.8
Finland	5,140	18.9	14.5	121.0	1.43	0.9	2.0
Sweden	8,846	18.8	17.4	122.3	1.26	-0.3	-0.3
United Kingdom	59,009	19.2	15.9	125.0	1.22	-	1.7
<i>North-East of Italy</i>	<i>10,511</i>	<i>12.2</i>	<i>19.8</i>	<i>94.8</i>	<i>1.33</i>	<i>7.4*</i>	<i>-1.2*</i>
<b>Trentino-Alto Adige</b>	<b>922</b>	<b>15.7</b>	<b>16.3</b>	<b>115.4</b>	<b>1.34</b>	<b>4.7*</b>	<b>2.6*</b>
<b>Veneto</b>	<b>4,461</b>	<b>13.2</b>	<b>17.1</b>	<b>105.4</b>	<b>1.36</b>	<b>6.2*</b>	<b>0.3*</b>
<b>Friuli-Venezia Giulia</b>	<b>1,185</b>	<b>11.1</b>	<b>20.7</b>	<b>86.1</b>	<b>1.50</b>	<b>6.7*</b>	<b>-3.8*</b>
<b>Emilia-Romagna</b>	<b>3,943</b>	<b>10.8</b>	<b>21.5</b>	<b>82.7</b>	<b>1.26</b>	<b>9.8*</b>	<b>-2.9*</b>
Baden-Württemberg	10,428	16.9	15.0	88.8	1.20	0.3	1.8
Bavaria	12,087	16.5	15.6	87.0	1.15	1.1	0.8
Île de France	11,073	20.1	11.5	167.2	1.36	-4.9	7.9
Rhône-Alpes	5,665	19.9	14.2	148.5	1.44	1.7	4.6
Eastern	5,323	19.0	16.0	120.6	1.11	5.9	2.1

Source: Eurostat, *Regio*, 2002, the data refer to 1997. Those marked by an asterisk are taken from Istat, *Bilancio demografico nazionale*, 2000.

(1) Replacement index: ratio of the population aged between 15 and 24 (potential number of persons entering the labour market) to the population aged between 55 and 65 (potential number of persons exiting the labour market).

(2) Economic dependency ratio: ratio of the inactive population to the employed population.

Table 14

**Utilization of temporary workers in 2001 by macro-region**  
(percentages)

	Sources	
	Confinterim*	Manpower
North-West	43.1	50.1
North-East	25.9	24.4
Centre	18.2	16.2
South and Islands	12.8	9.3
Italy	100.0	100.0

Sources: Based on Confinterim and Manpower data.

\* Partial sample, May 2001.