

PRESS RELEASE

New topics for an ancient question: a double gap – South/North, Italy/Europe; a break of demographic balance; southern Italy community and citizenship rights; production changes; the weakness of public policies; the role of South within a sustainable development strategy

The main SVIMEZ's branches of research and suggestions

The new topics of the ancient southern question entail a change of perspective in the analysis of Italian stagnation. Over the last twenty years, national economic policy has disinvested from the South, has debased rather than enhanced its interdependencies with the Centre-North. A progressive disengagement of the national lever of territorial rebalancing policies has resulted in negative consequences for the Country as a whole. Data shows what follows: a noticeable convergence process experienced by Eastern Europe; a progressive departure of the countries of Southern Europe, including Italy, from the average levels of European living standards; the trend growth in per capita income in Northern Europe.

Northern Italy is no longer among Europe's driving forces, some regions of the new Eastern Member States exceed many rich Italian regions as to GDP, benefiting from the asymmetries in tax regimes, labour costs, and other factors that lead to wide competitiveness gaps at regional level. Stagnation is worsened by **adverse demographic dynamics** affecting the whole country and especially the South. As a result of a break of demographic balance (low birth rate, emigration of young people, ageing population), the South will lose 5 million people and, under given conditions, almost 40% of GDP. Only an increase in the employment rate, especially in women, can break such vicious circle. For the SVIMEZ it is necessary to return to a **unified vision of Italian stagnation**, breaking away from interpreting the increase in inequalities exclusively linked to the immutable borders between North and South. For this reason, the complementarities that bind the productive and social systems of the two parts of the Country need to be valued. Requests for **differentiated regionalism** must be evaluated in the framework of an organic, complete, balanced implementation of the new Title V. From this point of view, the comparison on the valorisation of regional self-governments and the reduction of inequalities must be immune to the claims from the North and the South and has to be brought back to the **national topics of the quality of the policies on public service supply** and on those necessary for **restarting to grow**.

Possible concessions for strengthened autonomy must be motivated by the national interest, not by the particular interest of the individual requesting regions. The SVIMEZ **denounces the instrumental use of the concept of fiscal residue**, a measure of redistribution referable to individuals, not to territories.

The SVIMEZ is in favour of building a united front to strongly support the principles of cooperative federalism in the interest of the country to make the demands for autonomy sustainable. The real challenge is an **orderly implementation of fiscal federalism** to deprive even southern ruling classes of the alibi of the current stingy centralism, useful to claim more resources and to hide inefficiencies. A challenge based on the definition of **standard costs** and LEPs – *livelli essenziali delle prestazioni* (essential service levels) – in order to ensure equal citizenship rights and an equalization fund to fill the infrastructural deficit.

The stagnation of the Italian economy – few consumption and investments

The reopening of the gap between Centre-North and Mezzogiorno relates to consumption, especially of the PA. Public investment has been collapsed

2018 **GDP in southern Italy** grew by **+0.6%**, compared to +1% in 2017. **Consumption** above all stagnated (**+0.2%**), still below -9 percentage points against 2018, compared to the Centre-North, where they grew by +0.7%, recovering and exceeding pre-crisis levels. The contribution of **private consumption by households** is weak, with **food consumption** falling by **-0.5%** due to the fall in incomes and employment. Above all, the final consumption expenditure of the P.A. marked **-0.6%** in 2018. **Investments** remained the most dynamic component of domestic demand (**+3.1%** in 2018 in the **South**, compared to **+ 3.5%** in the **Centre -North**). In particular, **investments in construction** increased (**+5.3%**), while those in **machinery and equipment** stopped (**+0.1% against +4.8% in the Centre-North**). A recovery of private investments was counterbalanced by a **collapse of public investments**: in 2018, according to the SVIMEZ estimates, capital expenditure fell from 10.4 to 10.3 billion in the South, in the same period it rose from 22.2 to 24.3 billion in the Centre-North.

Economic stagnation in 2018/2020 in the Centre-North and in the South. SVIMEZ's macroeconomic forecasts estimated the **Italian GDP** at **+0.9% in 2018**, +0.2% in 2019 and +0.6% in 2020. In particular, the **Centre-North** would reach **+0.9% in 2018**, +0.3% in 2019, +0.7% in 2020. As can be observed, it is a very modest growth, even in the most developed areas of the country. In the **South** in **2018** the increase would be **+0.6%**, it would fall to **-0.2%** in **2019** and would rise slightly to +0.2% in 2020. Italian employment, in turn, would mark +0.9% this year, +0.07% next year and +0.30 in 2020. In the Centre-North it would be +0.9% in 2018, +0.13% in 2019, +0.35% in 2020. In the South it would be + 0.7% this year and would fall to -0.14 next year to go up to +0.14% in 2020.

Agriculture goes badly in the South, the tertiary sector goes well, industry is struggling

The added value of **agriculture** fell in the **South** in 2018 by **-2.7%**, whereas in the Centre-North it increased by **+3.3%**. The added value of **industry**, strictly speaking, increased by **+1.4%** in 2018 in the South, a decline compared to 2017 (**+2.7%**). In the Centre-North it grew by **+1.9%**. The added value of the **tertiary sector** in the South in 2018 increased by **+0.5%**, less than in the Centre-North (**+0.7%**).

The different speeds of the regions

In 2018 Abruzzo, Puglia and Sardinia were the regions that recorded the highest growth rate, respectively **+1.7%**, **+1.3%** and **+1.2%**. In **Molise and Basilicata**, GDP grew by **+1%**. In **Sicily** it scored **+0.5%**. **Campania** recorded **zero growth** in 2018. Calabria is the only southern region that has had a GDP decline of **-0.3%**.

The excessive recourse to involuntary part time

The employment gap between South and Centre-North has been widening, over the last decade it has increased from 19.6% to 21.6%: this means that about 3 million jobs are to be created to reach the levels of the Centre-North. **Employment** growth in the **first half of 2019** has affected only the **Centre-North (+137,000)**, which is offset by the decline in the **South (-27,000)**. Job insecurity increases in the South, while it decreases in the Centre-North, **part-time employment restarts to grow (+1.2%)**, in particular the **involuntary** one, which in the South is closer to **80%** compared to 58% in the Centre-North.

Southern Italy community, between demographic crisis, waste of women's potential and a gap in public services

Demographic crisis and shrinking population

Italy's population has stopped growing since 2015, since it keeps on falling at an increasing rate, especially in the South. The exhaustion of the long period of transition has translated, in fact, into a real **demographic trap** in which a declining birth rate succumbs to a growing mortality. The **demographic crisis and emigration** emphasize the differences between South and Centre-North. From the beginning of the century to the present, the **southern population has grown by only 81,000 inhabitants**, compared to about **3.300.000 in the Centre-North**. In the same period the **native population** of the South has decreased by 642,000 units, while in the North it has grown by 85,000. Over the next 50 years, the South will lose 5 million residents: -1.2 million young people and -5.3 million working age people. The Centre-North will limit its losses to 1.5 million. According to the SVIMEZ, immigration contributes to accentuating the imbalances between the two areas of our Country. In 2018 foreigners, amounting to 4.4 million, are almost 11% of the population of the Centre-North and only 4.4% of the southern one. In 2018, a new all-time low for births was reached – just over 439,000 live births, more than 18,000 fewer than in 2017.

In the South, nearly 157,000 children were born last year, about 6,000 less than in 2017. The novelty is that the natality contribution guaranteed by foreign women is no longer sufficient to offset the low propensity of Italian women to have children. The demographic weight of the South continues to decline and is now 34.1%. In all the expected scenarios, the Italian GDP, assuming an invariability of the productivity rate, would decrease in the next 47 years at a national level from a minimum of 13% to a maximum of 44.8%, and different intensity drops would affect the North and the South of our Country; therefore, resources would be reduced to finance public expenditure, which is increasing due to the greatest number of pensions and to social and health assistance.

Meanwhile, the young continue to flee

The Mezzogiorno continues to lose young people up to the age of 14 (-1,046,000) and the working age (15-64) population (-5,095,000) due to the fall in births and the continuous loss caused by migration. Outbound net migration has reached -50,000 in the Centre-North and -22,000 in the South. New migration involves many graduates, and more generally young people, with high education levels, who often never come back. Since the beginning of the new century, 2,015,000 residents have left Southern Italy, half of them young people up to 34, almost a fifth of them graduates. An alternative to migration is long-term commuting, which in 2018 involved about 236,000 people (10.3% out of total) from the South. Of these, 57,000 have always moved within the South, while 179,000 have gone to the Centre-North or abroad.

The labour market between women without jobs and working poor

The southern regions rank lowest in Europe in terms of female activity and employment rate: in 2018 the South lost further ground, even exceeded by Ceuta and Melilla, by French Guyane and Macedonia. The low employment rate of southern women also reflects the lack of labour demand and this explains why the **female unemployment rate in the South** is around **20%**, i.e. values more than double compared to the Centre-North. The very serious emergency affects above all young women between 15 and 34, who have reduced by over 769,000 units. **Part-time employment has increased** significantly for women (+**22.8%**) while full-time job has decreased (-1.3%). In particular, women employed with involuntary part-time have increased by almost 1 million, or + 97.2%, over the decade. **Working poor** are on the increase, especially in the South: the incidence of absolute poverty in 2018 grew in the South to 8%: in those cases where the reference person, i.e. the head of the family, has a worker contract, the proportion of households in absolute poverty rose in the South to 14.7%

Guaranteed minimum income, no impact on the labour market. The SVIMEZ evaluates the **guaranteed minimum income** as a useful tool, but poverty cannot be tackled only with a monetary contribution, welfare policies must be redefined, and citizenship rights must be equally extended to all. Moreover, the impact of the guaranteed minimum income on the labour market is zero, as such a measure, instead of attracting people in search of employment, is moving them away from the labour market.

The territorial gap in public services, starting from health and education

In the South, **services for citizens and businesses are lacking**. The **per capita expenditure of Public Administrations** was equal in 2017 to 11,309 in the South and 14,168 in the Centre-North. Such a gap grew in the 2000s. The southern disadvantage is very marked for the expenditure related to education and research, development and culture. **Hospital migration** to Central-Northern regions continues – around 10% of patients in acute care surgery move from the South to other regions. A serious delay occurs in childcare services. **Expenditure on education** in Italy is reduced with a 15% decrease at national level, of which 19% in the South and 13% in the Centre-North. The North/South differences mainly concern the supply of schools for children and university education. In the South only a little over 3 holders of a high-school diploma and 4 out of 10 graduates are employed for one to three years after earning their qualification. Early school leaving continues, in 2018 southern **early leavers** were 18.8% compared to 11.7% in the central-northern regions. Moreover, in the South, 56% of schools need urgent repairs.

Guidelines proposed by the SVIMEZ

Greater productive investments in a context of discontinuity in industrial policy

In the most critical phase of the crisis, the southern **industrial base** has shrunk by -6%, with higher peaks in some regions. As to **industrial investments**, while in the South, thanks to the growth of the 2015-2018 period, there has been a slight recovery of just over 20% of the fall suffered during the long crisis, the central-northern regions have achieved a recovery equal to 85%. A significant discrepancy between the Centre-North and the South relates to the share of **“zombie” companies** – i.e. companies that have been alive for more than 10 years and that for 3 consecutive years, experiencing serious financial difficulties, were not able to pay even interest on loans: in the South the industrial “zombie” companies are 5.83%, twice the percentage of the Centre-North, 2.98%. According to the SVIMEZ, what is needed is a **strong discontinuity in industrial policy**, through instruments less oriented, as in the past, to keep alive what does not stand the test of competitiveness and more focused on the ability to attract and activate new energies in innovative sectors.

Investing more public resources in the South to grow the national economic system

The SVIMEZ is waiting for the Government to announce the lines of an extraordinary plan for the South. The enhancement of the complementarities that link the productive and social systems of the two parts of the Country should have a pivotal role for national economic policy. The decline in **infrastructure spending** in Italy is well represented by the average annual rate of change in the period 1970-2018, equal to -2% at national level, of which -4.6% in the South and -0.9% in the Centre-North.

Infrastructural investments in the South, which in the 1970s were about half of the total, in recent years have fallen to one sixth of the national ones. In this context, the **Cohesion Policies** must be strengthened, which after 2020 will have **60 billion**, 70% of which in the South and the 7 – no longer 5 – less developed regions will be called on to operate, with the addition of Molise and Sardinia.

Too many **delays** have been accumulated in the implementation of the **2014-2020** current cycle: most European resources to be certified are concentrated in Campania, Puglia and above all Sicily. **Payments to the South** have so far been just 19.78% out of total. The monitored expenditure of the **Cohesion Development Fund**, which brings together the additional national financial resources meant for economic and social rebalancing, amounted to €37.6 billion on June 30, 2019, of which only 1 billion was actually paid. This shows a clear inability of central, regional and local Administrations to make full use of available resources.

Focusing on the Green New Deal and placing Bioeconomy at the centre

Bioeconomy represents **10.1%** in terms of **production** and **7.7%** in terms of employment out of the total economy. The **southern bioeconomy** can be estimated at between **50 and 60 billion** euros, equivalent to a weight between 15% and 18% of the national one. The growth of renewable energy sources is significant in the South. Among the various sectors of the circular economy in the South, green chemistry has a prominent position. A strong demand for patents in the bioeconomy sector has been rising in the South. **Biotech companies** have grown a lot in the southern areas – +61.1%, compared to +34.5% on a national scale.

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