"IN THE MEDIUM TERM, INFLATION IS PROVING DIFFICULT TO TACKLE"

retirement income is trending downwards, even without considering the effect of inflation, and redressing the balance is extremely challenging from a legal and financial perspective.

Limited resources to raise pensions

In the medium term, inflation is proving difficult to tackle. INPS (Istituto Nationale per la Previdenza Sociale), the public pension institution, confirmed that minimum pension benefits will be raised to offset inflation. But the resources to keep up with the rising cost of living are limited, given the government's attempts to help working families at the same time.

Those challenges have forced the government to postpone a more ambitious reform attempt. The 2022 budget law focused on raising benefit levels and extended some of the temporary measures that were in place to allow early retirement. The law introduced 'Quota 103', a measure valid only for 2023, whereby workers that can prove they paid contributions into the system for a total of 41 years can retire at 62 years of age.

Last year's budget law also extended 'APE Sociale', an early pension benefit that workers are entitled under certain conditions related to income and type of work, and 'Opzione donna', an early retirement option available to women. None of the above measures, however, are widely accessible, which compels policymakers to find solutions that have greater impact.

The government has also launched the 'Osservatorio per la spesa previdenziale', a body bringing together various governmental and non-governmental institutions and dedicated to evaluating the expenditure on pensions and welfare.

This is the reincarnation of a previous entity established in 1995 and subsequently suppressed, and it is relevant as the government prepares for a significant overhaul that will have a large impact on the budget. At the moment, Italy spends almost 17% of GDP on pensions and welfare, one of the highest figures in the EU.

Plans for early retirement

In June, labour minister Marina Calderone met with trade unions to discuss the details of the proposed reform. The discussions were met with mixed reactions by trade union leaders, but further meetings are scheduled for September, as the government hopes to insert some measures in this year's budget law.

The main items on the government's agenda are expanding the options for early retirement. One proposed way to do this is make the APE Sociale available for more workers. There are also proposals to lower the retirement age for every worker – Matteo Salvini's League, one of Meloni's main coalition partners, proposes that every worker should be able to retire once they can claim 41 years of contributions into the system.

But the government also intends to expand the role of businesses in financing early retirement, which is seen as an incentive to modernise the workforce and increase productivity.

At the moment, businesses have several options to retire workers prior to the statutory retirement age. 'Contratto di espansione' and 'isopensione' allow workers to retire respectively five and four years prior to the normal retirement age, but companies have to finance the forgone contributions to different extents. The government is looking to create a single framework applicable to all businesses, including SMEs.

Given the lack of room for fiscal manoeuvre, however, the 2023 budget law could be more of the same as last year. To merely extend the existing early retirement provisions, the government needs to set aside between €1bn to €2bn – a fraction of the cost of a comprehensive reform of the system.

ITALY: KEY DATA

Pension assets: €211.9bn

Occupational pension assets as % of GDP: 11.3%

Working population: 25.5m

Projected old-age dependency ratio: 61.3

Gross average replacement rate: 74.6%

Asset allocation (%)

Sources: Pension assets – IPE research; Occupational pension assets as % of GDP – OECD June 2022; Working population, data as of end 2021 – World Bank; Projected old-age dependency ratio 2050 per 100 people – Eurostat 2021; Gross average replacement rate – OECD Pensions at a Glance, 2021; Asset allocation – OECD Pension Funds in Figures, June 2022

Top pension funds

	Pension fund/entity	Assets (€'000)
1	Fondazione ENPAM	27,673,000
2	Cassa Nazionale di Prev. e Assist. Forense	18,006,000
3	Inarcassa	14,099,000
4	Previndai-Fondo Pensione	13,710,709
5	Fondo Pensione COMETA	12,563,400
6	CNPADC	11,754,000
7	Fondazione Enasarco	8,959,000
8	Intesa Sanpaolo SpA	8,727,673
9	FONCHIM	8,000,000
10	Fondo Pensione FonTe	4,746,416
11	UniCredit Group	4,185,048
12	ENPAF	3,681,000
13	Fondo di Previdenza Mario Negri	3,638,204
14	Laborfonds	3,403,215
15	Previp	3,157,477
16	Fondenergia	2,955,960
17	CNPR	2,873,000
18	Cassa Italiana Prev. e Assistenza Geometri	2,725,000
19	Fondo Pens. Nazio Banche di Credito Coop.	2,718,260
20	Fondazione ENPAIA	2,567,000

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