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# Case Study

## The Veneto Region

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# 1. Introduction

The aim of this work is to analyse the impact of the current economic crisis on the Veneto region and the role of the European Cohesion Policies on regional development and on the overcoming of the crisis.

In order to do that, besides using data on the socio-economic context, we interviewed a number of local actors asking them an evaluation of the current situation, on the policies implemented at the European, national and regional level, and, finally, their forecasts on future development of the region.

The Veneto region is situated in the North East of Italy and is composed by seven Provinces. Thanks to its geographical position, almost all trade and tourist flows direct both to the Eastern or Western European countries transit for its territory, and this has clearly an impact on the international programmes in which it is involved, that are numerous.

For example, the Veneto region is involved in cross-border cooperation programmes between Italy, on one side, and Austria and Slovenia, on the other. It is also involved in transnational cooperation programmes in Central and South Eastern Europe, in the Alps and the Mediterranean Area. Moreover, it takes part to the interregional programme “INTERREG IV”, whose priorities are basically two: the first is concerned with innovation in knowledge economy, while the second is focused on the protection of the environment and the reduction of health risks.

More generally, the regional institutional activities more relevant are addressed: (i) to the Central and Eastern Europe countries and to the Balkans, for the geographical proximity, for the pre-existing partnerships and, finally, for the economic exchange and trade opportunities; (ii) to the Mediterranean area, not only for the economic, environmental and cultural interests linked to the historical and artistic heritage of Venetian Istria in Dalmatia and other areas, but also for the relationship with the Italian communities living in Slovenia, Croatia and Montenegro. Besides those with the European countries, the region also has institutional relations with American and Asian countries, particularly with the Latin America, given the great number of communities of descendants of Veneto living in this area, and with China, for the great economic exchanges and trade opportunities.

As pointed out in a recent report presented by the Region (“*Veneto in cifre*”), the last decades has been very important for the development of the regional international relationships, which have been encouraged by a number of factors, like: the cross-border programmes promoted by the European Union; the implementation of legal instruments which favour the relationships with other regions; the economic globalization; and, finally, the migration flows.

From the political point of view, there were not relevant changes in the last years: from the 1995 the region is governed by centre-right coalitions, and the last elections, in 2010, confirmed this trend, even if the current President of the Regional Government is not a member of the PDL, like the one governing for the last three legislatures, but he is a member of the Lega Nord, a party with strong roots in the region.

The political stability or, better, the lack of discontinuity in the political framework that characterize the Region, is probably due also to the economic stability and prosperity of the area, as the Veneto region is among the richest of Italy.

Although after the Second World War the region has experienced a period of economic crisis, becoming a poor economy without a driving economic sector, then it has experienced a strong economic expansion, becoming the centre of important industrial and services activities.

This has had a significant impact on population dynamics and migration flows in the Region. Until forty years ago, in fact, the Veneto region was a land of emigration, especially because of its economic system, mainly based on agriculture, with low added value productions and lacking in industrial production systems particularly strong. However, since the beginning of the ‘70s, there has been a sharp reversal in the migration flows. The industrial development and the consequent economic growth have attracted an increasing number of migrants, who come prevalently from the South of Italy in the first phase, while now are prevalently foreigners.

The immigration influx has certainly contributed to the significant population growth experienced by the region in recent years, so that now it is among the Italian regions with the highest percentage of foreign citizens.

The influx of immigration from abroad is mostly favoured by the economic development of the area, that offers numerous job opportunities, by the high standards of regional health and social services and, finally, by the provision of training and jobs.

Also the integration of foreigners seems to be high, at least if we consider the data on entrepreneurship, which show an increase of foreign entrepreneurs in trade, construction and footwear.

The data on regional GDP and GDP per capita confirm the economic growth of the Veneto region that, in 2007, was the third in Italy in terms of GDP. Moreover, the GDP per capita has increased no less than 15 percentage points between 1996 and 2007. The excellent regional performance, in terms of GDP, added value and employment, has been clearly affected by the current international economic crisis.

The data provided by the National Institute of Statistics<sup>1</sup> (ISTAT, 2009) show that the North East is the area of the country most affected by the current financial and economic crisis, as it is one in which the GDP fell more sharply (-5,6%) than other areas of the country, and the same holds when we consider the GDP per capita measured at market prices, which shows that the decline is even more marked in the North than in other areas of the country.

Throughout the area, the downturn has resulted in a decline in production and, consequently in the units of work, in productivity and in GDP per capita. As regard the Veneto region, the last data provided by ISTAT show that in 2009 the units of work decrease by 3 percentage points with respect to 2008, while the GDP and the GDP per capita have decreased no less than 6 and 5 percentage points respectively, with respect to the previous year. Even more pronounced results the variation of the added value for unit of product, passed from the -0.7% in 2008 with respect to 2007 to -3.5% in 2009 with respect to the previous year (ISTAT, 2009<sup>2</sup>).

Clearly, the crisis has affected also the labour market outcome: with respect to 2008, in 2009 both the activity rate and the employment level have decreased, while the unemployment rate rose by just over one percentage point, from the 3.6% in 2008 to 4.8% in 2009. However, it is still lower than the national figure and than in other macro-area of the country.

In what follows, we will analyze more deeply the socio-economic characteristics of the Region, comparing the performances of the economic systems before and after the onset of the crisis started in 2008, where the availability of data allows for it.

The work is organized as follow. In section 2 we present the demographic and migration trends which characterize the region in the last decade. In section 3, starting from the description of the socio-economic framework, we analyze the regional economic system, with particular emphasis on the production system and on the labour market, supporting the analysis with the interview results. Section 4 is devoted to the analysis of the policies implemented at European, national and regional level, and on respondents' evaluation. Finally, section 5 concludes with respondents' forecasts on future development of the region.

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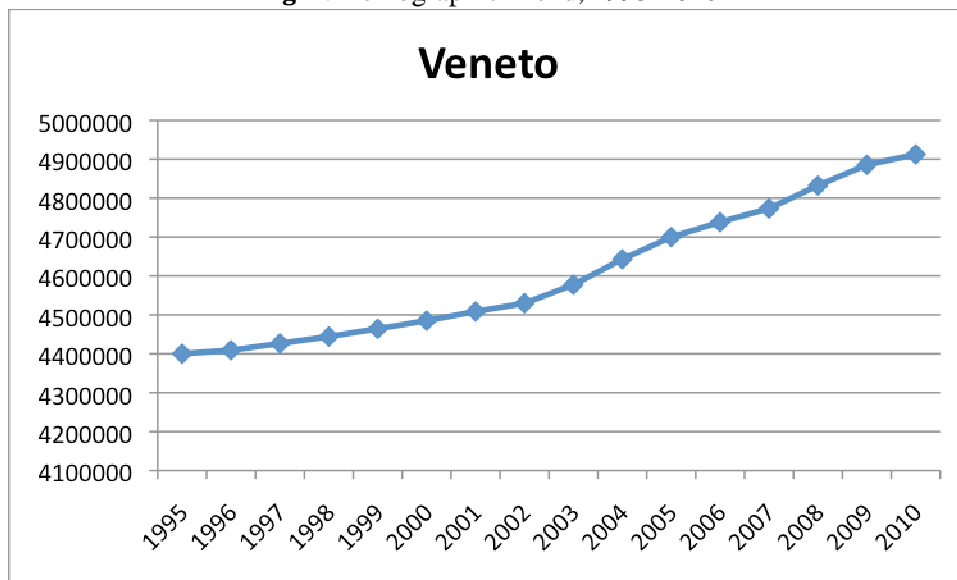
<sup>1</sup> Principali aggregati dei conti economici nazionali", ISTAT, 2009

<sup>2</sup> *op. cit.*

## 2. Demographic changes and migration flows

Veneto is one of the most populated region of Italy; its almost 5 million of inhabitants account for the 8% of the national population and for about the 18% of those living in the North. The trend of the population growth has been positive for many years: contrarily to what occurred at national level, where the growth process started since the early 2000s, in Veneto the increase was steady and gradual as demonstrated by the fact that from 1995 to 2009 the population grew by almost 9 percentage points.

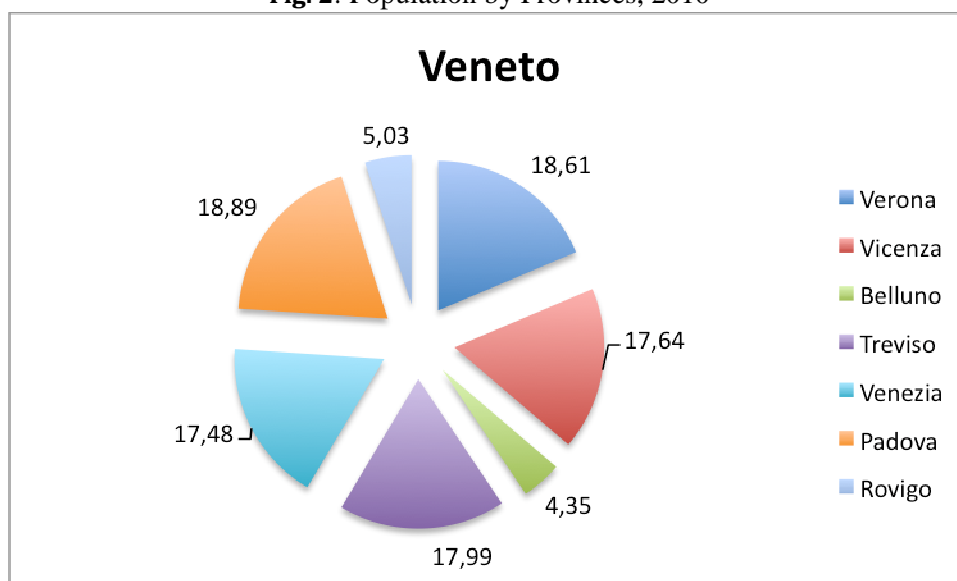
**Fig. 1: Demographic Trend, 1995-2010**



Source: demo – ISTAT, various years

The increase in the number of residents has lead to an increase in the population density throughout the region, although individuals are especially concentrated in the cities. Moreover, the population is not equally distributed among the seven provinces in which the region is divided: the most populated are Padua and Verona, followed at a short distance from Treviso, Vicenza and Venice; on the contrary, the individuals living in the two provinces of Belluno and Rovigo account only for the 10% of the regional population.

**Fig. 2: Population by Provinces, 2010**



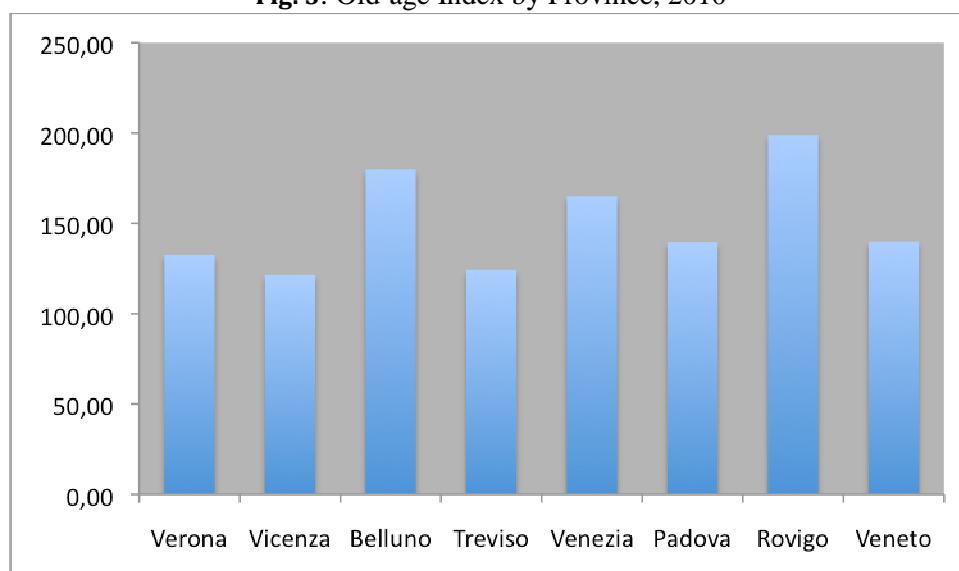
Source: author's elaboration on ISTAT data, 2010

The differences between the seven provinces are confirmed also by other demographic indexes. Here, we will limit the analysis to two of them that, better than others, provide some information on the demographic structure of the population, namely the birth rate, on one side, and the old-age index on the other. According to the data provided by ISTAT, the fertility rate, computed as the ratio between live births for 1000 women in reproductive life, is almost unchanged in the past four years (between 2007 and 2010) in the Region and, with a value of 1.43, it is almost equal to that registered in the North East but slightly higher than the national average (ISTAT<sup>3</sup>, 2010).

The birth rate, computed as the ratio between the live birth and the average population, multiplied by 1000, has shown a decreasing trend in the past four years in all the provinces but Rovigo and Belluno that, together with Venice and Padua, still have birth rates lower than the regional average<sup>4</sup>.

As for the second index, although the population aging process depends on the interaction of many variables, some information on it can be drawn from the analysis of the old-age index, computed as the ratio between the over-65 and individuals aged between 0 and 14. In none of the seven provinces it has a value lower than the parity (100) meaning that in none of them there is a higher incidence of young people; on the contrary, it displays particularly high values in the provinces of Venice, Belluno and Rovigo, where the over-65 are almost twice than the under-14.

**Fig. 3: Old-age Index by Province, 2010**



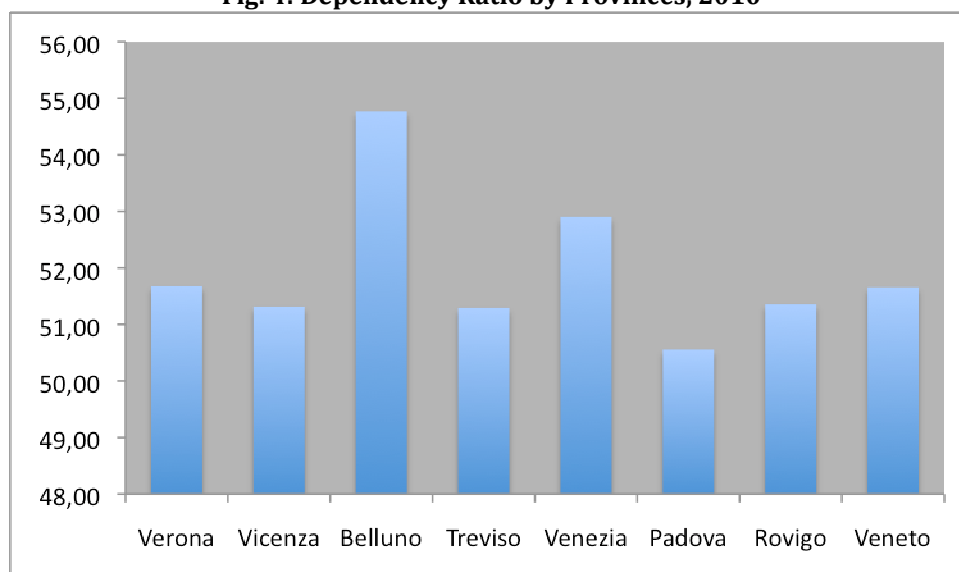
Source: author's elaboration on ISTAT data, 2010

Finally, in order to have a complete framework, it seems necessary to provide also some information on the dependency ratio, which gives both economics and social information, as it relates the number of individuals that are likely to be dependent on the support of other for their daily living, as they are unproductive for age reasons, to the number of those in working age. At regional level the ratio is around 1 to 2, meaning that for each unproductive individual there are about two potentially active, even if the province of Belluno, and at a lower extent Venice, show values slightly higher than the regional average.

<sup>3</sup> "Indicatori demografici", ISTAT 2010.

<sup>4</sup> ISTAT 2010, *op. cit.*

**Fig. 4: Dependency Ratio by Provinces, 2010**



Source: Author's elaboration ISTAT data, 2010

However, what is worrying, both from the economic and social point of view, is that the percentage of “old unproductive” is higher than that of individuals under-14 (Tab. 1), and this will have inevitable repercussions on the national contributory system.

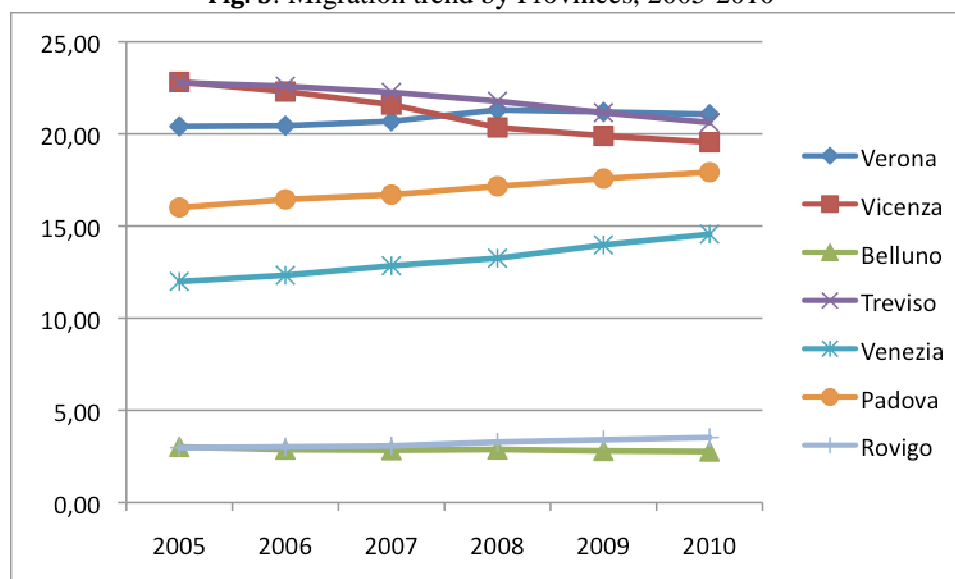
**Tab. 1 : Population by Provinces and Age Classes, 2010**

	0-14	over-65	15-65	over-65
Verona	133,91	602,849	177,623	
Vicenza	132,728	572,582	161,088	
Belluno	27,046	138,189	48,641	
Treviso	133,646	584,195	165,999	
Venezia	112,126	561,742	185,047	
Padova	130,045	616,203	181,482	
Rovigo	28,063	163,388	55,846	
Veneto	697,564	3,239,148	975,726	

Source: Demo-Istat, various years

At the same time, it is interesting to note that the population aging process is more marked in the provinces of Belluno and Rovigo, where also there is a lower percentage of foreign individuals, which gives an important contribution to the population growth.

The number of foreigners living in the region increased significantly over the period 2005-2010, albeit in a gradually smaller way (Tab. 2), so that the foreigner residing in the Veneto region in 2010 accounted for the 10% of the regional population.

**Fig. 5: Migration trend by Provinces, 2005-2010**

Source: author's elaboration ISTAT data

However, they are not uniformly distributed in the region. As said before, the presence of immigrants is lower in the provinces of Belluno and Rovigo, where, in 2010, they account for the 3% of the total population, and is markedly higher in the remaining 5 provinces. Moreover, while in Verona, Vicenza and Treviso the percentage of immigrants has remained essentially the same in the period we consider, with a slight decline in the last two provinces, in Venice and Padua there was an increase of about 2 percentage points.

**Tab. 2: Foreign residents by Provinces, 2005-2010**

	2005	2006	2007	2008	2009	2010
Verona	58,726	65,579	72,459	86,062	96,309	101,245
Vicenza	65,667	71,533	75,630	82,207	90,421	93,946
Belluno	8,676	9,212	9,939	11,624	12,728	13,284
Treviso	65,546	72,475	77,947	87,976	96,127	99,087
Venezia	34,506	39,553	44,996	53,550	63,520	69,976
Padova	4,606	52,755	58,498	69,321	79,878	86,133
Rovigo	8,551	9,686	10,746	13,245	15,470	16,945
Veneto	287,732	320,793	350,215	403,985	454,453	480,616

Source: Demo-Istat, various years



### 3. The socio-economic framework

As said in the introduction, the Veneto region is one of the richest of Italy; the data on GDP, employment rate and export confirm the strong economic development of the region that, however, is one of the most affected by the current economic crisis.

Hence, starting from the data on the GDP, in this section we will analyze the characteristics of the regional economic systems, focusing particularly on the labour market and production systems of the region, and on the changes produced or accelerated by the current crisis. The analysis of the data will be followed by the results of the interviews.

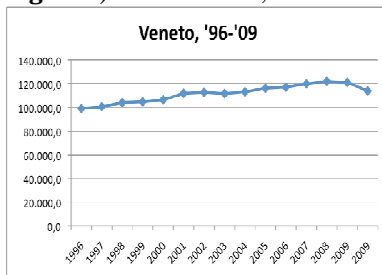
#### 3.1 GDP, Poverty and Social Exclusion

In 2009 the regional GDP accounted for the 9% of the national one and for about the 40% of those of the North East of Italy. The last data available from ISTAT show that, with respect to the 2008, in 2009 there was a reduction of 3 percentage points in the unit of work, while the GDP and the GDP per capita have decreased no less than 6 and 5 percentage points, respectively, with respect to the previous year (Tab. 14). Even more pronounced results the variation of the added value for unit of product, increased from the -0.7% in 2008 with respect to 2007 to -3.5% in 2009 with respect to the previous year (Tab. 15).

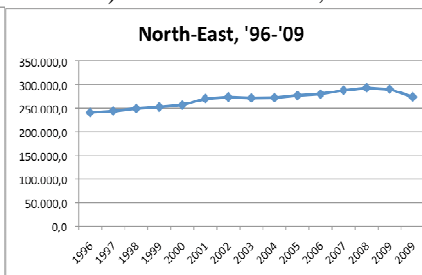
By analyzing the dynamics of the GDP in a longer time span, we notice that, except in 2002, between 1996 and 2008 it has maintained almost constant growth rates, which were similar to those of the macro-area in which the region is located but often markedly higher than the national average.

The impact of the crisis on the region was already visible at the beginning of 2008, but its effects were much more marked in the following year, resulting in a contraction of the regional GDP much higher than both the national and the North Eastern average (Fig. 7).

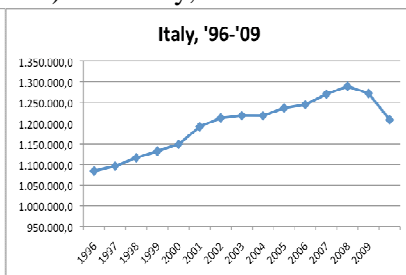
**Fig. 6:** a) GDP Veneto, '95-'09



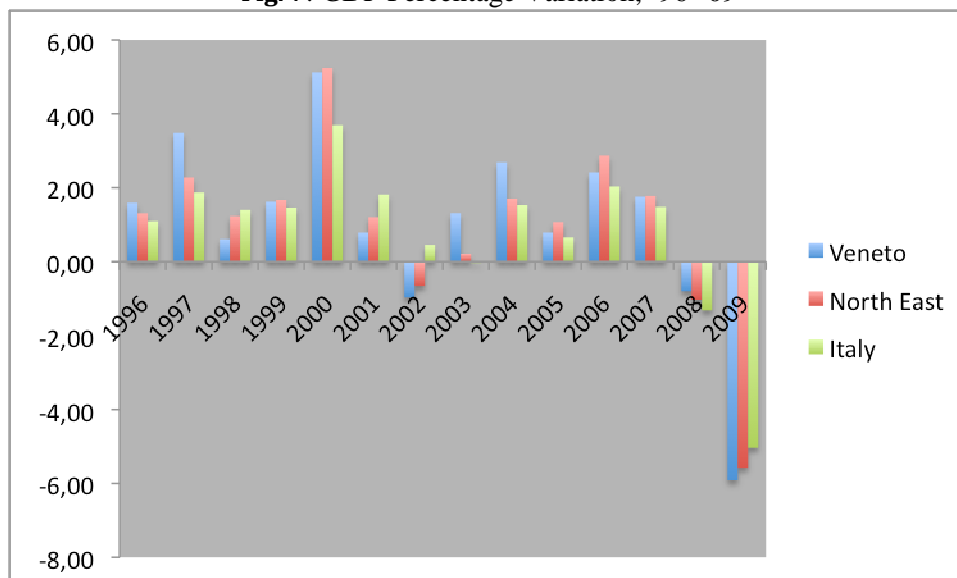
**b) GDP North East, '95-'09**



**c) GDP Italy, '95-'09**



**Fig. 7:** GDP Percentage Variation, '96-'09



Source: Conti Economici Territoriali, ISTAT various years

However, as it has been widely recognized in the economic literature on social welfare, even if the GDP is a very useful tool, the information it provides in terms of welfare and wellbeing are quite poor. The information provided by this indicator should be enriched and integrated by the analysis of other characteristics that affect not only the social welfare, but also the socio-economic development of the society.

We are referring, in particular, to those measures which allow to capture the “multidimensionality” aspect of individuals’ well being and the inequality dynamics. As regard the former, it should be noticed that individual’s welfare depends not only on the level of income they own, but also on a number of factors like (i) the level and the quality of consumptions; (ii) the capacity and the possibility to actively participate to the political and social community in which the individual lives, and hence the degree of social exclusion; (iii) the labour market participation; and, finally, (iv) the environmental context in which individuals live. As regard the inequality dynamics, then, it is known that an higher income concentration or, said it differently, a higher level of inequality in the income distribution implies not only higher social costs linked to the provision of services for poor citizens, and an increase in social conflicts, but it is also associated with a loss of welfare for the whole society.

Hence, in what follows we will present some data related both to the first and the second points, referring to the following subsections for the analysis of the labour market participation in the Veneto region.

The data on social quality provided by the Ministry of Economic Development show that, in the five years for which data are available (from 2001 to 2006), the indexes considered, namely the incidence of environmental certification, the rate of violent crimes, the incidence of spending on leisure and culture and, finally, the attractiveness of tourist consumptions, have followed a similar path at both national and regional level, although they reach different values, especially as regards the second and the last indexes (Tab. 3). In fact, the rate of violent crimes is 6 percentage points lower than the national average while the attractiveness of tourist consumption is more than double in the Veneto region. Therefore, the two indices suggest the quality of life in the region to be better than the national, at least as far as the two mentioned aspects are concerned. Also the level of spending in leisure and culture is higher in the Veneto region, but the data on the incidence of environmental certification provides less encouraging information, as it is still lower than the national average, even if it has grown up a lot in the 5 years considered.

**Tab. 3: Social Quality Indicators**

	Veneto		Italy	
	2001	2006	2001	2006
Incidence of environmental certification	2.6	6.4	2.9	7.7
Rate of violent crimes	8.6	14.3	13.3	20.1
Incidence of spending in leisure and culture	8	8.6	7.3	7.5
Attractiveness of tourist consumption	12.8	12.5	6.1	6.2

Source: Ministry of Economic Development

However, the social and economic development of the Veneto region is confirmed by indicators on the level of poverty and deprivation experienced by the households living in the region, although it seems that the crisis has led to an increase of the economic hardship. By analyzing the data on the incidence of relative poverty, it emerges that it is markedly increased in the last two years for which data are available (2008 and 2009), although it still maintains a much lower value than that observed at the national level (Tab. 4).

**Tab. 4 : Incidence of Poverty by Households (H) and Individuals (I), 2005-2009**

	2005		2006		2007		2008		2009	
	H.	I.	H.	I.	H.	I.	H.	I.	H.	I.
Veneto	4.47	4.88	5.0	5.0	3.3	3.4	4.5	5.4	4.4	5.43
North	4.54	5.12	5.2	5.47	5.5	5.9	4.9	5.91	4.9	5.8
Italy	11.11	13.05	11.1	12.91	11.1	12.8	11.3	13.63	10.8	13.1

It is defined relatively poor a family whose monthly expenses in consumption is equal or lower the relative poverty line, measured by using the per capita average consumption.

Source: Survey on Family Consumption, ISTAT

Another measure often used to analyze the socio-economic context is the deprivation index, which has remained essentially unchanged in the Veneto region between 2004 and 2008 (Tab. 5) and lower than the national average, but higher than that observed in the North East of Italy.

**Tab. 5: Deprivation Index for Family (Eurostat Indicator), 2004-2008**

	2004	2005	2006	2007	2008
Veneto	10.3	10.6	9.1	9.8	9.9
North	7.8	7.5	8.1	9.0	9.5
Italy	14.5	14.5	14.0	14.8	15.8

A family is defined deprives if it shows at least one of the following characteristics: *i)* can not face unpredicted expenss; *ii)* can not afford one week of holiday far from home; *iii)* have bac krent; *iv)* can not afford an adequate meal at least every two days; *v)* can not adequately keep warm his house; do not have: *vi)* washing machine; *vii)* tv colour; *viii)* tv; *ix)* car.

Source: ISTAT, Survey on "Income and Living Conditions" Eu-SILC, 2007

Finally, as regard the level of inequality, it is well known that there exist several methods to measure it. The one most commonly used in the literature consists in using a synthetic index which allows to precisely measure the degree of inequality in the distribution of income, thus allowing to evaluate whether it has changed over time and in which direction, namely if it is increased or decreased. Among these indexes, the most commonly used is the Gini coefficient, which allows one to measure the degree of concentration in a distribution and ranges from 0, in case of equally distributed outcome, to 1, in the case of maximum concentration. Unfortunately, the data on this index are available only until the 2007, the year immediately before the onset of the crisis, but they show that the level of inequality in the Veneto region, between 2003 and 2007, was slightly below the national average and it had started to decrease in 2007 (Tab. 6).

**Tab. 6: Gini Index, 2003-2007**

	2003	2004	2005	2006	2007
Veneto	0.28256	0.28084	0.28084	0.27146	0.26257
Italy	0.33239	0.32751	0.32751	0.3213	0.31029

Source: ISTAT, Survey on "Income and Living Conditions" Eu-SILC, 2007

However, only when more recent data will be available we will be able to draw some conclusion on the impact of the financial and economic crisis on regional inequality, and verify if this positive trend observed till 2007 has been affected in some way from it.

### 3.2 Production system

By looking at the data on the added value, one immediately notices that the most important sector is the one related to services, followed, at a certain distance, by the industry, while the construction and even more the agricultural sector have a significantly lower weight on total economy.

Although the structure of the production system is substantially similar across the region, there exist some differences at provincial level. The available data, disaggregated at provincial level, allow us to analyse the trend in the regional production system only until 2008, showing that the added value of the services is slightly decreased in all the provinces but Verona, Vicenza and Venice, where it is remained almost unchanged. The added value of the industrial sector has remained essentially unchanged in all provinces with the exceptions of Belluno, Padua and Rovigo, where it is increased by 2 percentage points in the period considered. Moreover, the latter province, together with Treviso, is the only one in which also the added value of the construction is increased. On the opposite, the data on the agricultural sector show that the added value, which was already low in 2004, is also declined in all provinces but Belluno, where it is unchanged (**Erreur ! Source du renvoi introuvable.**).

Some information on the impact of the crisis on the regional production system can be drawn by the analysis of the business' stillbirth, which provides information on the number of firms operating in a given territory. Data on the firms' growth rate between to 2006 and 2009 show a slowdown from the beginning of 2008, although it is in 2009 that a negative growth rate is observed, which amounts to say that the number of firms no more active is higher than that of the new ones, even if the contraction observed in the Veneto

region is lower than that registered in the North of Italy (Tab. 7). The data disaggregated at the provincial level show that the restructuring process of the production system was already in place in 2007: the closures were more than the new born in all provinces but Padua that also seems to be the one less affected by the financial and economic crisis.

**Tab. 7: Firms' growth rate and demographic changes, 2007-2009**

Provinces	2007	2008	2009
Demographic Change			
Verona	0.59	-0.01	-0.1
Vicenza	-0.34	-0.02	-0.12
Belluno	-0.75	-0.97	-0.53
Treviso	-0.25	-0.35	-0.69
Venezia	-0.2	-0.54	-0.79
Padova	1.34	0.86	0.64
Rovigo	0.17	0.65	-0.35
<b>Veneto</b>	<b>0.24</b>	<b>0.03</b>	<b>-0.2</b>
Growth Rate			
Veneto	0.24	0.03	-0.2
North	0.2	0.06	-0.4
Italy	0.75	0.59	0.28

Source: Movimprese

The most recent data on the stillbirth of firms, provided by Movimprese<sup>5</sup> (2010), show that the last year there was a positive trend, as the growth rate was positive (0.66%) and equal to the average observed in the North East (0.65%), even if it was still lower than the national average (1.19%).

By analyzing the most recent data, it emerges that after a sharp decline in the level of production, with the minimum peak reached in 2009, the production levels have started to grow again during the summer of the same year, and this trend has continued also during the first months of 2010.

In particular, while for the small and “micro” firms the production levels are still declining, the production growth for the medium and big enterprises has been driven by foreign orders, and only a small proportion from the domestic market (Bank of Italy, 2010<sup>6</sup>).

As pointed out in a recent study conducted by the Bank of Italy<sup>7</sup> (2010), the rebuilding of inventories should favour this trend of growth, while the increase of sales has improved the firms' profitability. Moreover, in the same study it is shown that only investments in capital do not still register improvements: it seems that even in 2011 the accumulation of capital will not be higher than in the previous years, as the firms' investment plans are still strongly influenced by the uncertainty on the demand side.

To conclude, it seems necessary to say something about the region's trade with foreign countries. The data for 2010 show a recovery of exports, driven by that of international trade and by the increase of the euro competitiveness with respect to other currencies. Both exports to EU extra-EU countries are increased. The former were mainly driven by an increase on the demand side in Germany, while the latter was favoured by the resumption of emerging Asian economies, although the value of export still remains below the level reached before the onset of the crisis (Tab. 8, Bank of Italy<sup>8</sup>, 2010).

<sup>5</sup> “Natalità e Mortalità delle Imprese registrate presso le Camere di Commercio”, Movimprese 2010.

<sup>6</sup> “L'economia del Veneto, 2010”, Economie Regionali, Bank of Italy.

<sup>7</sup> Bank of Italy, *op. cit.*

<sup>8</sup> Bank of Italy, *op. cit.*

**Tab. 8: International Trade by geographical area**

Country	Export		
	% variation		
	I sem. 2010 (mln. Of euro)	2009	I sem 2010
<b>EU countries (1)</b>	13,291	-21.3	8.0
Total Euro area	9,890	-18.9	6.6
France	2,400	-14.1	5.8
Germany	3,003	-18.6	10.8
Spain	1,166	-25.8	5.4
Other EU countries	3,401	-27.5	12.0
UK	1,061	-25.9	14.7
<b>Extra-EU countries</b>	8,585	-22.0	16.1
Centre-Eastern countries	1,176	-32.5	0.1
Other European countries	1,287	-19.6	18.3
North America	1,769	-28.1	42.7
US	1,590	-28.8	46.6
Centre-South America	564	-31.7	15.1
Asia	2,755	-12.1	16.8
China	606	7.9	37.4
Japan	200	-16.0	-13.3
EDA (2)	636	-14.6	16.7
<b>Other Extra-EU countries</b>	1,034	-16.5	-0.8

(1) UE-27; (2) Dynamic Asian Economies

Source: Bank of Italy, 2010

### 3.2.1 Results from the interviews

According to the respondents, in the current crisis we have to distinguish between three components: one on the demand side, a crisis of competitiveness and, finally, a crisis of sustainability.

The first one is caused by a reduction in the value and the quantity of production due to a recessive cycle that follows a speculative growth cycle that acted in the opposite direction. This first component tends to make the economic system more unstable and, hence, to reward companies and factories that are organized to share the risk, and to “distribute” it in a collaborative way.

The second component is due to a “rethinking” of the high-cost production systems compared with the new low-cost global producers. This component tends to eliminate from the region those phases of the productive process whose productivity cannot be increased, thus forcing the development of firms in order to suit this goal. According to some respondents, this process will surely cause the disappearance of some actors, other will succeed in the upgrading process, new firms will be born with a high level of productivity and, finally, some firms will defend, with local excellence, extended global supply chains, increasing in this way the returns to the knowledge used in the productive process.

Finally, the third component is due to the dissipative nature of the way till now followed by modernity, and it will imply a different relationship between producers and consumers in the weaving factories.

However, these changes are not a direct consequences of the crisis, rather they are process already in place accelerated by the current crisis.

The changes are going in two directions. The first acts on costs and is leading to an intensification of the internalization of the production process, which focuses not only in a reduction of costs but also to guard the market. The more structured firms, then, are moving like other global competitors, using the internalization, together with other strategic levers such as the stabilization of logistics platforms, to establish themselves as global player. This first path led to a de-territorialisation of some factories as, for example, the fashion one.

The second line of change focuses on the development and growth of a “more evolved” manufacturing system, highly specialized, able to intercept a demand function evolved and innovative and, therefore, able to produce and sell goods rich in experiential contents.

Hence, at the onset of the crisis the production system was operating an internal process of transformation, moving along two directions: the first is an internal reorganization process, which involves firms that, driven by the international competition, have revised the organization of the production process by raising the added value of their products; secondly, firms have tried to shorten their supply chain.

According to respondents, the ongoing crisis brings to an “explosion” of these processes, in a positive and negative way: it will be positive for those who have already begun the innovation process, as they are in a less critical position, and have further accelerated the processes described above; it will be negative, obviously, for those who have not taken the innovation and reorganization processes.

These changes bring to a change in the functioning of industrial districts for two main reasons. The first is that the district is involved in a “verticalizing process”, meaning that there are emerging some business leaders (usually medium-size enterprises with many foreign markets) who continue to maintain relations with their sub-suppliers, forcing them to an upgrading process. This has changed the functioning of the industrial districts which were formerly “osmotic”, meaning that the processes of growth or crisis used to affect all the actors operating in the district, while now firms belonging to the same district perform differently.

The second change is more sociological, in the sense that it brings to a change in the relationship within districts, which were formerly more “based on trust” and now more formalized.

However, overall there are no spatial and/or sectorial differences in the impact of the crisis. Besides the areas that were already in critical conditions before the onset of the crisis (such as jewelry, woodworking or furniture), the crisis has affected all the sectors in a “transversal way”, selecting, within each of them, the most efficient firms.

Perhaps the engineering sector is the only exception, as it is the one that has suffered more than others the effect of the crisis, at least initially.

The most affected by the crisis were those subcontracting firms who had not started any innovation process, maintaining a productive structure based on the cost containment. Even in the engineering industry, in fact, the most affected was the “weaker tale” of the sector.

Instead, if we consider the dimensional aspect, the smaller firms are those that have suffered the most from the onset of the crisis. This is because the medium enterprises have reacted to the sharp drop on the demand side by internalizing the production process, eliminating in this way one of the organizational models of work typical of the Veneto region, namely the division of labour, one of the factors that can explain the regional proliferation of enterprises occurred in the past.

As regard the medium firms, those who had internalized some steps of the productive process before the onset of the crisis have reacted better in the sense that, despite they’ve been affected by the crisis, they were able to react more quickly. Finally, firms that produce on behalf of foreign manufacturing companies have had some trouble in continuing work for them as, in some cases, they delocalize their production outside the national territory.

These factors bring to a switching from a situation of strong firms’ proliferation to one of greater selection, which have also negative effects. On one side, the less efficient firms are out of the market, hence releasing resources that could be recovered and better organized by those who react better to the crisis as more structured, stronger from the financial standpoint and better organized also in the international market. On the other, since the regional production system was in a transformation phase, many firms who were reorganizing their production (through innovation processes under a technological, organizational and market profile) faced the crisis when they were financially more “exposed”, and hence at risk, and it is therefore likely that now even firms with high potential are out of the market.

To conclude, respondents believe that, although it is likely that many firms will not resist to the crisis, the regional economy is now in a recovery phase, and that the first companies who show these positive signals are those operating in the engineering sector, namely those where the structural changing process starts earlier.

However, the forecasts on the production system are very cautious, as all respondents agree in affirming that it is still too early to give a reliable evaluation on what will be the effects of the crisis in the long term. This is not only because the crisis is still an ongoing process, but also because with the data currently available we can only measure the recovery of still active firms, ignoring in this way the losses due to the lack of production of those that are no more in the market.

### 3.2.2 Respondents' Evaluation on Firms' Strategic Reaction

The crisis has led to a reduction in the level of the utilization capacity, with consequent impacts on the labour market. However, firms that react better to it have kept the investments started before the onset of the crisis, but in many cases addressed them to the training of workers and suppliers, in order to increase the level of internal capital and the ability to reach final customers.

The crisis, which initially affected only the industry, is now “moving towards” the tertiary sector, both the one linked to the firms and that related on trade, and firms reacted to this process by increasing their productivity in order to regain market share.

According to respondents, the internal restructuring process is moving along two dimensions: the internalization of production and especially the commercial internalization; and the innovation of process and/or products, carried on trying to “dematerialize” their products, enriching them with the results of the research and innovation process.

Medium and big companies, who then pulled on some smaller firms, drove the first process, the internalization one. It is then possible to distinguish between two kinds of internalization. Some company have sought to make a progressive “dematerialization” of their products and have reorganized at the international level in a “non-classical” way, by investing in tertiary activities (in communication, research and design) and in the distribution networks. Besides these, there are other companies that follow the classical internalization process, but tend to reduce their branches in Eastern Europe and move to China.

However, as regard the destination of the internalization process, although the companies have tried to find new market, and some of them also have manufacturing facilities in China, the presence of regional companies in this area is still modest, while smallest companies begin only now to set in the Eastern European markets.

The internalization process has led to a hierarchisation of industrial districts, which were based on the competitiveness of labour cost, as the companies that try to be part of the international market tend to partly break the links that characterized the districts.

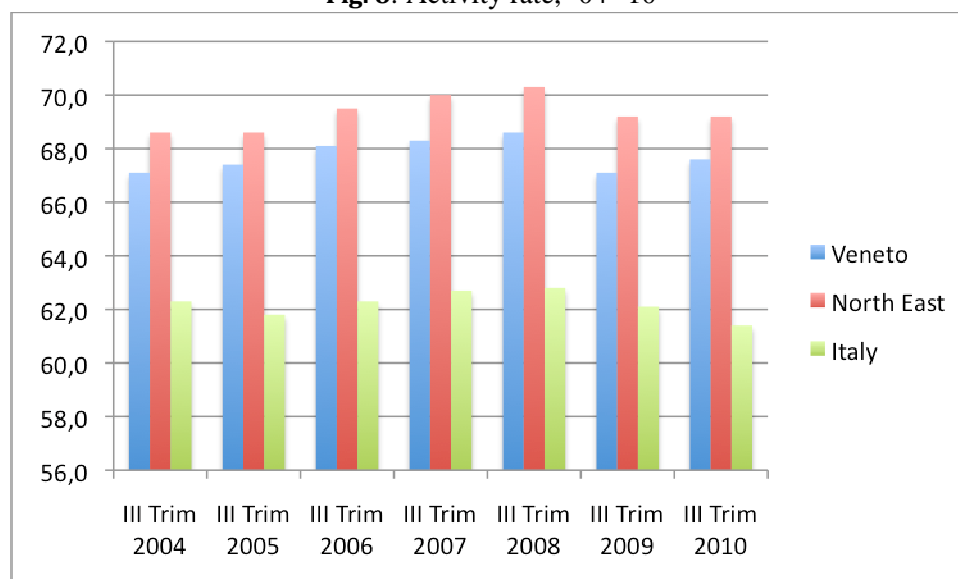
All these factors partly explain why smaller and subcontracting firms were more affected by the crisis, whose negative effects are due not only to the internationalization process implemented by big firms, but also to the fact that the latter have firstly tried to use their internal resources, thereby reducing subcontracting. At the same time, as the subcontractors do not know the final markets, they also face difficulties in finding alternative markets and customers. This is also for these reasons that the second changing process described above, the innovation process, has mainly involved this type of firms (subcontractors) whose main objective is precisely to “anticipate the market”, trying to figure out in advance what kind of innovations companies want to introduce, in order to provide convincing solution and not being overtaken by competitors.

To conclude, the difference between small and medium-big enterprises in the reaction to the crisis, according to some respondents, will render once again important the “size factor” and, to confirm this hypothesis, they stressed that especially big companies made the managerial, organizational and technological “jump”. This is because, to invest in innovation or in the international market, it is necessary to share the investments on a broad basis in order to be able to recover them, and only big companies can afford this kind of strategy.

## 3.3 Labour Market

The crisis has clearly had an impact also on the labour market, and the economic recovery, registered between late 2009 and early 2010, has not yet manifested its effect on the employment rate. A recent study conducted by the Bank of Italy (2010, *op. cit.*) shows that the most dynamic companies, namely those for which the production level is increased, resorted to the labour force whose use was reduced as first reaction to the crisis. Nevertheless the Labour Force Survey conducted by ISTAT show that, in general, the labour market performance in the Veneto region is much better than the national one.

For example, the data on the activity rate, calculated as the ratio between active population and those in working age, show that the regional labour supply is slightly lower than the average observed in the North East of Italy, but higher than the national one. By looking at the trend registered in the past six years, one can notice that the labour supply has grown until 2008 and, after a decline in 2009, is rising again in 2010 (Tab. 9).

**Fig. 8: Activity rate, '04-'10**

Source: ISTAT, Survey on Labour Force

However, the analysis of the labour market performances suffers from a gender bias that, although less pronounced with respect to the national level, is visible also in the Veneto region, where it seems to be the gender differences in labour supply the cause of the differences in the activity rate between the region and the North East of Italy. Indeed, while the activity rate for men is almost similar to the one observed in the North East and it remained constant over the period considered, the female labour supply, although higher than the national average, is lower than that of the North East, even if it has increased since 2004, thereby reducing the gap with the other regions located in the macro-area.

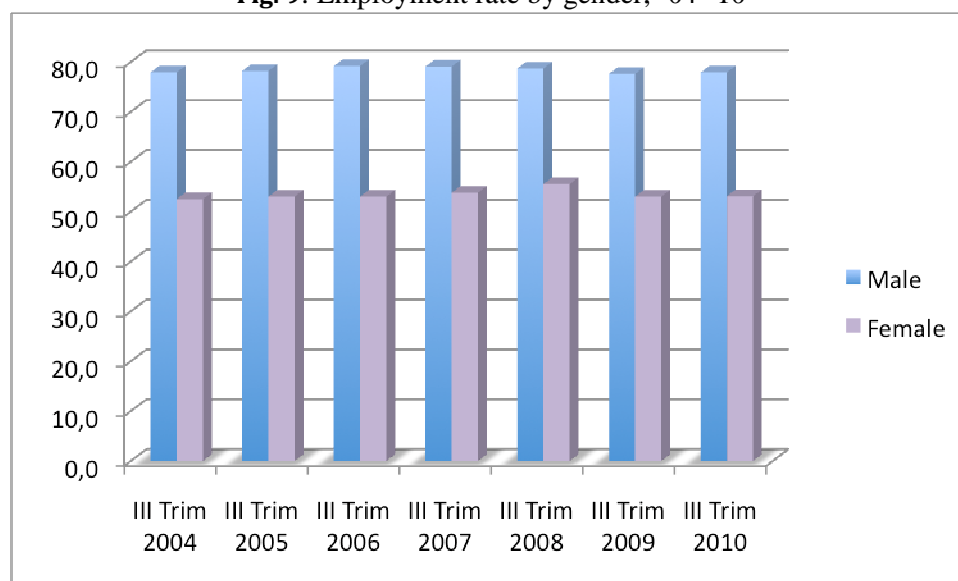
**Tab. 9: Activity rate, 2004-2010**

	Veneto			North East			Italy		
	Male	Female	Tot	Male	Female	Tot	Male	Female	Tot
III Trim 2004	77.9	55.9	67.1	77.9	59.1	68.6	74.6	50.1	62.3
II Trim 2005	78.2	56.2	67.4	78,0	59,0	68.6	74,0	49.6	61.8
III Trim 2006	79.2	56.6	68.1	79.1	59.7	69.5	74.4	50.1	62.3
III Trim 2007	79.1	57.1	68.3	79.4	60.5	70.0	74.7	50.7	62.7
III Trim 2008	78.7	58.1	68.6	79.3	61.1	70.3	74.4	51.3	62.8
III Trim 2009	77.6	56.4	67.1	78,0	60.3	69.2	73.7	50.5	62.1
III Trim 2010	77.9	57.1	67.6	77.9	60.4	69.2	72.7	50.2	61.4

Source: Labour Force Survey, ISTAT various years

Notwithstanding this, the women participation to the labour market is still markedly lower than that of men, and this result holds even if we decompose the sample by age classes. Although the employment rate decreased in 2009, it is consistently above that of the North East and higher than the national one. But if we disaggregate the sample according to gender, the employment rate is higher with respect to the North East for men, but not for women whose employment rate is lower than the one registered in the North East even if higher than the national average. The data on the employment rates by age classes show a better performance for the Veneto region with respect to the national average for both male and female, regardless to the age group considered.



**Fig. 9: Employment rate by gender, '04-'10**

Source: ISTAT, Labour Force Survey

On the other side, the unemployment rate, which was equal to 5.4% in the third trimester of 2010 (Tab. 10), has grown over the past years and among women it is almost double, although both are lower than the data observed at national level.

**Tab. 10: Unemployment rate, 2004-2010**

	Veneto			South			Italy		
	Male	Female	Tot	Male	Female	Tot	Male	Female	Tot
III Trim 2004	2.1	6.1	3.7	2,0	5.5	3.5	5.7	9.9	7.4
II Trim 2005	3,0	5.7	4.1	2.8	5.1	3.7	5.5	9.5	7.1
III Trim 2006	2.4	6.4	4,0	2.6	5.2	3.7	4.8	8,0	6.1
III Trim 2007	1.7	5.7	3.3	1.7	4.4	2.8	4.4	7.4	5.6
III Trim 2008	1.7	4.5	2.9	1.8	4.2	2.9	4.9	7.9	6.1
III Trim 2009	3.9	6.1	4.8	3.9	5.7	4.6	6.4	8.6	7.3
III Trim 2010	3.9	7,0	5.2	3.6	6.4	4.8	6.8	8.7	7.6

Source: Labour Force Survey, ISTAT various years

If one wants to analyze more deeply the effect of the crisis on the labour market outcomes, some intuitions can be drawn from the analysis of the trend of the unemployment rate. Although it does not necessarily express a causal relationship, as this kind of analysis does not allow us to surely deduce that the observed changes in trend are attributable to the crisis, it provides some information that allow us to make an evaluation of the labour market performances.

By looking at the data on the unemployment rate, between 2004 and 2010, we notice that it was decreasing till 2008 and is markedly increased in 2009, rising from 2.9% to 4.8%, following a similar pattern for both male and female, and it is still increasing during the third semester of 2010 (Tab. 11).

**Tab. 11: Employment rate, 2004-2010**

	Veneto			North East			Italy		
	Male	Female	Tot	Male	Female	Tot	Male	Female	Tot
III Trim 2004	76.3	52.5	64.6	76.2	55.8	66.2	70.3	45.1	57.7
II Trim 2005	75.7	53,0	64.5	75.8	56,0	66,0	69.9	44.8	57.4
III Trim 2006	77.3	53,0	65.4	77,0	56.6	66.9	70.7	46.1	58.4
III Trim 2007	77.8	53.8	66,0	78,0	57.8	68,0	71.3	46.9	59.1
III Trim 2008	77.3	55.5	66.6	77.8	58.5	68.2	70.7	47.2	59,0
III Trim 2009	74.5	53,0	63.9	74.9	56.9	66,0	68.9	46.1	57.5
III Trim 2010	74.8	53.1	64.1	75,0	56.5	65.8	67.6	45.8	56.7

Source: Labour Force Survey, ISTAT various years

In a recent work, the Bank of Italy pointed out that unemployment has mainly risen among employees, particularly those working in the industry sector. The same study show that, between 2009 and 2010, the balance between recruitment and layoffs has been particularly negative. Moreover, most of the observed negative balance is attributable to permanent contract, while the temporary or atypical contracts results relatively favoured, and this suggests that another effect of the crisis was a recomposition in the contract types.

Besides this, it should be noticed that the crisis does not manifest itself in the labour market only through an increase of the unemployment, but also through an increase in the use of social security benefit and of the *Cassa Integrazione Guadagni* (CIG<sup>9</sup>) that is a short time work scheme which makes up the pay of permanent employees affected by temporary lay-offs, or under a forced reduction of working hours, for a maximum of two years. Particularly, the latest available data show that there were not improvement in the last year, as the use of the CIG is increased by 55% in 2010 with respect to 2009, and this increase results from a reduction in the use of the CIGO, and an increase of more than 200 percentage points for the CIGS and more than 100 for the GIGD (Tab. 12).

**Tab. 12: CIGO, CIGS and CIGD variation in percentage points, 2009-2008**

Regions	CIGO	CIGS	CIGD	Total
Piemonte	-54.69	159.00	218.39	12.67
Valle d'Aosta	-48.88	-30.75	-25.66	-43.60
Lombardia	-39.44	122.93	131.70	15.59
Trento	-13.77	-47.40	130.54	9.90
Veneto	-41.39	113.55	117.13	-0.17
Friuli-Venezia Giulia	-39.45	221.68	134.44	54.34
Liguria	-39.97	178.01	211.98	46.56
Emilia-Romagna	-38.89	206.05	486.60	83.43
Toscana	-36.36	144.39	351.33	59.05
Umbria	-25.36	62.53	498.94	94.85
Marche	-41.19	36.17	789.61	61.26
Lazio	-37.90	31.14	295.92	25.26
Abruzzo	-56.64	147.06	44.34	-5.82
Molise	-31.19	190.15	724.92	63.70
Campania	-35.49	136.73	85.18	32.95
Puglia	-31.44	324.78	261.93	75.62
Basilicata	4.17	35.17	799.69	25.68
Calabria	-1.04	45.75	359.92	72.71
Sicilia	-2.71	99.75	288.83	43.50
Sardegna	-1.86	-19.22	135.42	32.18
ITALY	-40.70	126.40	206.48	31.68

CGIL elaboration on INPS data

### 3.3.1 Interviews' results

The effects of the reduction in the quantity of labour demanded have partly differed between enterprises according to their dimension, that is depending on whether one considers the small one or the medium-large companies.

For the former, which are often very small, to be deprived of even one or two employees means a reduction in the capacity of production of 10 or 20 percentage points, as well as, a loose in human capital

<sup>9</sup>In the Italian social security system, this instruments aims at substituting or integrating wage in cases explicitly defined by law; at the same time it is used to support firms that face problems in maintaining the cost of temporary "unused" workers.

This measures are divided in "ordinary" and "extraordinary": the first one (*Cassa Integrazione Guadagni Ordinaria*, CIGO) lasts less and is used in case of temporary market crisis or other unpredictable events; the second one (*Cassa Integrazione Guadagni Straordinaria*, CIGS) lasts longer and is used in case of restructuring process. These instruments are mainly devoted to the industrial sectors, and the CIGS can be used only by firms with more than 15 employees. It follows that they are related to specific categories, and depends on the size of the firms and on the economic sector to which they belong.

Since 2004 it is possible to use these instruments in situation that differ from those defined by law (*Cassa Integrazione Guadagni Straordinaria*, CIGS), by basing their use on territorial pacts that confirm the existence of an occupational crisis..

investments made over years. Consequently, they have tried to limit the discharges by using both internal tools and the work scheme provided by the national government.

The medium and big companies have initially reacted by using the classical instrument of crisis management, but when it became clear that the fall in the production levels would be consistent, they assessed their ability to remain in the market and some have closed while others have used the tools of corporate crisis (moving from the CIGO to the CIGS).

Beyond the differences related to the size of the firms, the first reaction was to eliminate the “marginal” workers (especially composed by worker with temporary contracts and immigrants) who are more interchangeable. In a second step firms used the CIGO and then increased the level of redundancies. Moreover, they avoid replacing the retired worked.

The turnover reduction, combined with the rise of redundancies, implies that there is still a reduction in terms of permanent employees, while the temporary contracts are increased in 2010 with respect to 2009 but are still less than those observed in 2008.

As it was well illustrated by one of the respondents, after the onset of the crisis the core business remained unchanged, while temporary or atypical contracts declined. Once the enterprises understood what their core businesses are, there was an increase in temporary contracts so that those initially remained constant (permanent contracts) are now in downturn. However, the worrying thing is that it seems to be a structural change, and not a cyclical one, which means that there will be a loss in the productive capacity.

However, to be more precise, respondents noticed that the effect of the crisis, two years after its onset, is the sum of two different effects as it has affected different groups over this period: initially it affects mainly the very young and industrial worker and, later on, it affects also the service sector.

Another important issue regards the effect that the crisis has had and will have in the long run on immigrants. They have been strongly hurt in the first phase of the crisis and there are respondents believing that ultimately there could be integration problems associated with competition between low-skilled workers. On the other side, other respondents think that, although this kind of problems are likely to occur, they won't be directly caused by the crisis, whose effect in the medium-long term are difficult to predict, as they are strongly influenced by the migration trends.

Finally, as regards the effect of the crisis on young individuals, the problem is that, despite having few competitors among peers for numerical reasons, they have a strong competition from higher generations, and this does not hinder the access to the labour market but the career opportunities.

## 4. Regional Development Policies

### 4.1 European Policies

The EU regional policies are financed through the Structural and the Cohesion Funds, whose main purpose is to equalize the level of development between regions and Member States. There exists two Structural Funds, while the Cohesion one was established only in 1994 with the aim of promoting and accelerating the process of economic, social and territorial cohesion.

The Cohesion policies are based on national and regional co-financing, meaning that the EU actions respects the additionality principle, so that the EU Funds are always in addition to the public expenditure of the Member States. Hence, a seven-years programming allows to the Member States and regions to set clear targets, based on the priorities defined in the Operational Programmes, and to have a stable financial framework.

The Operational Programme defined for Veneto falls within the Regional Competitiveness and Employment Objective Framework and has a total budget of around 452 million of euro, the 0,7% of which provided from the EU (Tab. 13). The overall objective of the Programme is to render the region more appealing to both people and business. As explained in the Programme, it aims to develop a knowledge-based economy, by ensuring access to information and communication technology (ICT) and to its efficient use, and to facilitate and promote cross-border interregional cooperation in an effort to strengthen territorial, social and economic cohesion.

The main impact expected from the investments in this region include a reduction of greenhouse gas emission; an increase of renewable energy consumption; a reduction of air pollution; and, finally, the creation of new full-time jobs in industry and the R&D sector, equally distributed among men and women.

More precisely, the Operational Programme is articulated in 6 priorities. The more important, to which is devoted around the 42% of total funding, focuses on knowledge economy and hence aims at promoting business innovation in the knowledge-based sector. The second priority, to which is devoted something more than the 20% of total funding, focuses on the telecommunication infrastructure and IT services and promotes also clean urban transport; an intelligent transport system, multi-modal transport and the upgrade of the regional railway system. To the third and the fourth priorities is devoted around the 30% of the total fund, equally distributed for interventions on energy efficiency and environment and risk protection. The former supports energy efficiency in buildings and renewable energy and aims to accelerate the introduction of innovative and cost-competitive renewable energy and energy efficient technologies. The latter focuses on the rehabilitation of industrial sites and contaminated land, on the promotion of biodiversity and on measures that protect the environment and reduce health risks. The fifth priority focused on interregional cooperation, to which is devoted around the 5% of total funding, and provides opportunities for the Veneto region to cooperate with other regions of Europe on project in energy, entrepreneurship, R&D and environment, aiming, in this way, to enables involved regions to share and test best practises for economic modernization and competitiveness. The remaining 2% of total fund, finally, are devoted to provide technical assistance to the Region to implement the Programme, and cover administration, monitoring, evaluation, auditing, information and communication costs.

**Tab. 13: Cohesion Funds by priority axis**

Priority Axis	EU contribution	National Public Contribution	Total Public Contribution
Innovation & Knowledge Economy	87,334,766	102,794,296	190,129,062
Energy	31,190,988	36,712,249	67,903,237
Environment & Risk Prevention	32,022,748	37,691,242	69,713,990
Access to Transport & Telecommunication services of general economic interest	43,546,372	51,254,717	94,081,089
Interregional cooperation	9,478,307	11,156,105	20,634,412
Technical Assistance	4,366,739	5,139,715	9,506,454
<b>Total</b>	<b>207,939,920</b>	<b>244,748,324</b>	<b>452,688,244</b>

Source: Operational Programme For Veneto, 2007-2013

With the onset of the crisis, the European Commission has proposed a series of measures to accelerate the implementation of the Operational Programme in order to ensure that all resources devoted to the cohesion policies are fully used to support the Member State and regional recovery effort.

The idea behind these measures, presented in the European Economic Recovery Plan (EERP), is to introduce “great flexibility, give regions a head start and target cohesion policy programmes on smart investment” (Cohesion policy: response to the economic crisis”, European Union). The first point will be reached by simplifying the financial management of the funds so that to reduce the administrative burden. The second one consists in increasing the cash flow for investment by helping the Member States in accelerating the development of major projects and, finally, by simplifying the state aid rule. Finally, the targeting on cohesion policies on smart investment will be reached by investing in areas with high growth potential, by encouraging the Member States to maintain high levels of public spending and by enhancing the cooperation between entrepreneurship on one side, and the European Investment Bank and the European Investment Funds on the other.

## 4.2 National Policies

The regional development programme for the 2007-2013 period is based on a Strategical National Plan (*Quadro Strategico Nazionale*, QSN hereafter), adopted after the Committee that is in charge of the National Economic Planning (CIPE) approved it in 2007. The crucial characteristic of the QSN is that it unified, for the entire period, the national and European programmes and funding (the UAS at national level, the European Structural Funds and the Cohesion Fund). This guarantees a unified framework for the regional Italian policies.

This choice was carry out with the Financial Law for 2007 that define the amount of resources available for the 2007-2013 period.

As regard the objectives of the QSN, they are coherent with what defined at the European level. It has four macro-objectives, namely: (i) the development of the knowledge economy; (ii) the improvement of the quality of life, of legality and of social inclusion in the Italian regions; (iii) the improvement of the production system and of its competitiveness; and, finally, (iv) the modernization and internalization of the economy, of the society on of the Public Sector.

They are grouped into “thematic priorities”, and each priority has its own funds. The main innovations of the 2007-2013 plans are: the higher relevance of the priorities linked to the Lisbon Agenda (Europe 2020), particularly to those linked with education, innovation and research, and a greater coordination between “ordinary policies” and regional development policies. To the former is devoted the 60% of the overall resources allocated to the regions in the Convergence Objective and the 75% of those allocated to those in the “Competitiveness framework”.

Overall, the QSN allocated 101 billions of euro to the South of Italy, 47 come from the Structural Funds and about 54 from the national funds for underdeveloped areas (FAS, hereafter). The 85% of the latter have to be allocated to the South of Italy, and the remaining 85% to the Centre-North, as prescribed by law. The policies designed for the South are managed by both national and regional administrations. About 50 billions were assigned to the regional programming, 30 billions to Ministries, and, finally 20 billions were assigned to interregional programmes. To these resources were added those remaining from the previous programming.

Besides the National Plan described above, there are Regional Operational Programmes that implement the policies defined in the QSN and financed through the European Structural Funds and the European Cohesion Fund.

The 2007-2013 national plan was designed during the two legislatures of 2001-2006 and 2006-2008, and then it was strongly modified.

The Ministries and the Regions start to use the European funds, as prescribed by the Programmes, but the spending process, and hence the implementations of action, policies and investments, is very slow.

Moreover, with the current legislature, the national funding for underdeveloped regions (FAS) is pretty changed, as it was reduced and used for different objectives, so that a significant part of these resources were assigned to different uses. This had a relevant impact on the objectives designed in the QSN, and has significantly reduced the national funding for the regional development.

However, it is not simple to follow all the acts and law through which this happened. Firstly, the financial law for 2007 allocated 64,4 billions of euro to the FAS. There was a first reduction, during the previous legislature and it passed to 63,3 billions of euro. Then, with the current legislature, the FAS was further reduced, both in 2008 and 2010, so that the resources passed to 63,3 billions to 48,7 billions.

The resources coming from the first reduction, in 2008, were used mainly to guarantee the national financial stability, but also for other measures, like the funding of the National Health Service. As regard the second reduction, that was in a first moment equal to 2,5 billions of euro and then doubled (as the reduction was applied also to the programming for the next three years), it should be used also in this case for the national health system and to guarantee the national financial stability.

The amount available for the national funds of the 2007-2013 (FAS) was assigned at the beginning of 2009, and 27 billions of euro were devoted to Regional and Interregional Programmes, as previously decided. The allocation of the remaining 25,5 billions of euro was completely redefined.

In the previous national plan, it was decided that their allocation should be based on Thematic National Plan (PAN, hereafter), but at beginning of 2009 they were grouped into three Funds: (i) an “Infrastructural Fund”, to which are devoted more than 12 billions of euro; (ii) a “National Strategic Plan for supporting real economy”, to which are devoted about 9 billions of euro; and, finally, (iii) the “Social Fund for Employment”, with something more than 2 million of euro. The remaining resources were used to finance policies previously designed, mainly devoted to the road system of the Calabria region, linked to recommendation of the Civil Protection, and to the funding of the tax credit in the Southern regions.

The QSN allocated also 3 billions of euro to the Service Level Objectives (SLOs, hereafter), about 2 billions for interregional programmes and, finally, 22,3 to regional programmes (18 of which devoted to Southern Italian regions). However, these resources were not used until now, as the regional plans defined by Southern regions still have been not approved by the CIPE.

As regard the Structural Funds, they are grouped into 3 programmes, one managed by regional administration, one devoted to interregional programmes, and the last one managed by the central administration.

For all these programmes, there exists data on their implementation, certified by the European Union, that are very useful as there are fixed term before which the funds have to be used, otherwise they are lost.

In fact, after the planning phase, the projects that have to be financed through the European resources must be exactly defined (lets call it the “commitment phase”). After that, the national or regional administration in charge, can directly implement the actions planned and defined or they can transfer the resources to “third actors”, like local administrators, public companies, and so on and so far.

For the 2007-2013 period, there exist data on the use and commitment of the resources of the Structural Funds and on the Cohesion Fund. As regard the commitment of the resources coming from the Structural Fund (ERDF), the programme managed by the Ministries show percentages of implementation that range from the 20% to the 34%. The data on the interregional programmes are even less encouraging, one of them is still not started while the percentage for the other is 8%. The programmes for the regions of the Centre-North are at the 23%, on average, while those for the centre South range from the 10% in Campania, to the 31% in Calabria.

As regard the payment of these commitments, they range from the 9% to the 13%, and in the Centre North are higher than in the South.

The same hold for the Cohesion Fund, that is at national level the commitments range from 16% to 49%, and the payments range from the 6% to the 23%, and once again they are higher in the Centre-North than in the South.

However, it should be noticed that, as pointed out in the EU Strategic Report, there have been some obstacles that hampered a rapid implementation of the programmes, namely: (i) the delay in the approval of the EU balance; (ii) the changes in the role on financial control; (iii) the difficulties linked to the management of overlapping programming periods; and (iv) the current economic and financial crisis that has modified the priorities.

To conclude, we can say that the differences in the implementation of programmes between administrations depend on four factors. The first is due to their efficiency, both in the identification of objectives and in the implementation phase. The second is linked to the size of the programmes. The third depends on the kind of interventions designed, and, finally, the third one is linked to the expenditure reporting process needed for projects already financed and previously implemented.

### **4.3 Regional Policies**

The regional policies that aim at the development of the Veneto region are defined in the Regional Operational Plans, in which are declined the objective of regional policies and the allocation of regional, national and European resources. Here, for brevity, we will not go through a detailed description of each of

these Regional documents, but on the general development goals that they aim to achieve, referring to the Regional Plans for more precise and detailed information.

However, it is worth to notice that the growth and development goals declined in the regional operational plans are “coherently expressed”, that is for each of them there is a high correspondence between what stated in the regional plans and at national and European level.

The regional planning and the goals that have to be achieved are based on the assumption that the regional loss of competitiveness, combined with the globalization process and the current economic crisis may bring the Veneto region to loose its leading position in the national economy. Hence, the main objective of the economic development programmes is (i) to promote research and innovation, to address the risk of loss of competitiveness, protecting the environment and (ii) to promote the risk prevention, improving the regional accessibility by enhancing the relationship with neighbour territories.

As regard the environmental problems, the Region decides to promote the production of energy from renewable sources and the energy efficiency, in order to reduce some negative externalities caused by the productive activities, and trying, at the same time, to save and restore the soil, by enhancing the natural and cultural heritage.

Moreover, it has been proposed to promote the access to the information technology, paying particular emphasis on those geographical areas, like the rural ones, that are not yet sufficiently covered.

Summarizing, the Regional Government plans to achieve the overall objective of making the region more attractive to business and citizens through the achievement of six specific objectives, that are: the promotion of innovation and knowledge economy; the development of renewable energy sources and the improvement of energy efficiency; the environment protection; the improvement of region accessibility; the strengthen of the international role of the region; and, finally, the improvement of the efficiency and effectiveness of the implemented interventions.

Beyond these general objectives, the current economic crisis has made it necessary to adopt ad hoc measures able to mitigate in some way its impact on the regional economy, and the majority of them are focused on the labour market.

In particular, between 2009 and 2010, the Region has adopted a series of measures to intervene in the labour market and mitigate the effects of the crisis on the industrial sector and on the labour market and the actions undertaken or planned were partly financed with the European Cohesion Fund.

The Regional Programme defines a numbers of active labour market policies, targeted at both workers and enterprises.

The actions, proposed by a regional plan enacted in June of 2009, are grouped into four lines of action. The first one defines a set of interventions aimed at the access to the labour market or the re-employment through various active policies, which are defined by taking into account the need of the recipient individuals, in order to define a process that involves the use of three instruments: *Patto di Servizio*, which defines the tasks and role of the individual who benefits from the policy; *Piano d'Azione Individuale*, which identifies the specific actions that have to be undertaken; and, finally, a voucher (*Dote Individuale*) that has to be used in order to implement the *Piano* previously established.

The second line is focused on the identification and adoption of tools for the access to the labour market (or for the reintegration) of unemployed workers, and it includes: the use of redundant workers in jobs that have public utility; the income support for single-income households, where the household's head does not receive social benefits; and finally, various actions aimed at the upgrading or reintegration of quasi-employees working.

The third line of action is devoted to enterprises and, in particular, to the functioning of all those activities that are focused on innovation, conversion or on the restructuring of production systems.

Finally, the fourth line of action aims at protect and promote the employment of individuals who have difficulties in entering in the production system, through projects aimed at both workers and firms and through actions that can increase their competitiveness and strengthen the production system.

#### **4.4 Respondents' policy evaluation**

The evaluation of the policies implemented at European, national and regional level is rather critical.

As for the European policies, the respondents complain for the lack of a “common direction”. They pointed out that, besides the rather weak defence against a possible financial speculation against the euro, the European Union has continued to focuses on competition policy intervention within the European zone, without considering that now the competition has moved on a global scale. This has bring companies to continue to look for support from their national States, weakening in this way the possibility of adopting an

European cooperation on issues on which Member States perceived themselves as competitors rather than as parties that have to cooperate.

As regards national policies, although the respondents recognise that the welfare system worked properly, since the use of social benefit has limited the rise of unemployment, at the same time they stressed that such policies, which are basically instruments of income support, cannot be used over a long period, especially if not accompanied by new investments. Hence, the main problem lies in focusing on the current period, and on the overcoming of the crisis, without adopting, at the same time, structural policies.

The same objections are moved towards the action implemented at regional level, which are basically in line with the national one, and no structural policies were planned. In fact, the industrial policies implemented, such as focused on industrial districts, have soon transformed into a “redistributive policy” as it was distributed among all firms, without any selection rule, deleting immediately its potential effect of structural policies.

Finally, even the heavy reliance to the Cassa Integrazione has been criticized by the majority of the respondents, although they recognize it has had a positive effect on the labour market. The criticism, in this case, stems from the consideration that it was used without any inspection, and in some cases it has been requested repeatedly, year after year, by the same companies, which, in this way, have transformed permanent contract in “intermittently” contract, with the “intermittence” paid by national taxation. Therefore, in some cases it works as a very opaque mechanism that, although ensured support to the production system and purchasing power, could also generate mechanisms of unfair competition and therefore requires some additional rigidity and control.

According to the respondents, it would be more appropriate to intervene with investment in intellectual capital and relational networks; by reconstructing industrial district, using the business leader as a key factor of evolution and selection of the existing firms; and, finally, with a shift of public services from the central State to local government, reducing also the tax burden, with a policy aimed at the reduction of income inequalities and at the share of risks at national and local level.

However, it is widely recognized that the policies implemented have been based on a strong cooperation between social actors.

All respondents confirmed that the level of cooperation between social actors is very high in the Veneto region. Historically, since the early 90's representative associations have played an important role in regulating the development process, favouring the cooperation between firms in the innovation process, also trying to anticipate the demand and thus to influence economic policy. The problem now is that, as this economic cycle is exhausted, the associations play almost no role but there aren't other actors who have replaced them in their “driving role”.



## **5. What will happen in the long-term?**

Having accelerating changes, the crisis can be seen as a turning point because it marks a period of transformation, but not because it has introduced elements of changes that were not already visible.

At the same time, the crisis can be seen as an opportunity to rethink the production system. The respondents believe the regional production system will succeed in adapting itself to the changes that will inevitably involve the world economy, thanks to the flexible and inclusive social organization that characterize the Veneto region. So, there will be a process of adaptation driven by the sum of many process of micro-adaptation and micro-innovation.

However, according to respondents, this positive evaluation does not imply that the region is ready to face the future. It is necessary to first manage the deconstruction of what has been inherited, from a Fordist past season, in terms of culture and institutions, in order to rebuild a different view, which starts from people and their ability to share projects and risks to spread knowledge and awareness that the long-term process requiring that also the rest of the world grow with us. Secondly, it is necessary to become complementary to these processes, rather than competitors, aware not only of the unavoidability of them but also of their potential positive effects in the long run, as, if well managed, they can stabilize the geopolitical balance of the world responding to the ideals of distributive justice and freedom

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# APPENDIX

## Descriptive Statistics

**Tab. 14: Economic Indicators**

Regions and Macro- areas	2007-2008 variation (%)			2009-2008 variation (%)			Absolute value (2009)	
	GDP	GDP per- capita	Added- Value by unit of labour	GDP	GDP per- capita	Added- Value by unit of labour	GDP	GDP per- capita
Piemonte	-1.5	0.3	-1.2	-6.3	-4.6	-3.3	96,325	27,351
Valle d'Aosta	1,0	1.8	1,0	-4.4	-4,0	-2.5	3,414	32,784
Lombardia	-1.7	-0.1	-1.3	-6.3	-5,0	-3.8	247,359	31,743
Bolzano	1.1	3,0	-1,0	-2.6	-1.5	-2.9	13,630	34,421
Trento	0.4	2.1	-1.1	-3,0	-2.1	-3.2	12,703	30,918
<b>Veneto</b>	<b>-0.8</b>	<b>0.3</b>	<b>-0.7</b>	<b>-5.9</b>	<b>-4.9</b>	<b>-3.5</b>	<b>113,725</b>	<b>28,856</b>
Friuli-Venezia Giulia	-1.8	0.4	-1,0	-5.6	-3.7	-3.3	27,354	28,248
Liguria	-0.7	2,0	0.1	-3.3	-1.8	-2.3	34,049	26,858
Emilia-Romagna	-1.5	-0.2	-1.7	-5.9	-4.9	-4.2	106,435	30,493
Toscana	-0.8	1.1	-1.6	-4.3	-2.8	-3.1	82,157	27,933
Umbria	-1.3	0.4	-0.3	-5.9	-4.3	-3,0	16,603	23,531
Marche	-0.8	0.6	-0.8	-4.7	-3.8	-3.2	32,277	25,640
Lazio	-0.4	1.1	0.3	-3.3	-2.6	-2,0	134,757	29,838
Abruzzo	-1.1	0.9	-1.6	-6.9	-5,0	-1.9	21,829	20,701
Molise	-0.3	2.1	-0.2	-3.6	-1.3	-1.5	5,117	20,098
Campania	-2.7	-0.1	-0.1	-5.2	-3.3	-1.6	74,430	16,322
Puglia	-1.4	1.2	0.1	-5,0	-3.5	-1.8	54,078	16,711
Basilicata	-0.9	2,0	0.3	-4.5	-2.6	-2.5	8,634	18,587
Calabria	-3,0	-1,0	-1.1	-2.3	0,0	-1.3	26,509	16,898
Sicilia	-1.7	-1.4	-0.8	-2.7	-1.7	-1.4	68,785	17,045
Sardegna	-1.2	-3,0	0.3	-3.6	-2.9	-1,0	26,602	19,986
North West	-1.5	-3.1	-1.2	-6,0	-4.6	-3.5	381,173	30,036
<b>North East</b>	<b>-1,0</b>	<b>-2.5</b>	<b>-1.1</b>	<b>-5.6</b>	<b>-4.5</b>	<b>-3.7</b>	<b>273,868</b>	<b>29,746</b>
Centre	-0.6	-1.8	-0.5	-3.9	-2.9	-2.5	265,782	28,204
South	-1.9	-3,0	-1.6	-4.3	-2.7	-1.6	285,977	17,324
<b>ITALY</b>	<b>-1.3</b>	<b>-2.6</b>	<b>-0.8</b>	<b>-5,0</b>	<b>-3.7</b>	<b>-2.9</b>	<b>1207,874</b>	<b>25,237</b>

Source: Main regional economic Indicators, ISTAT 2009

**Tab. 15: Added value at constant prices by sectors, percentage, 2009**

Regions and Macro-areas	Agriculture, silviculture & fishing	Industry	Services	Total
Piemonte	-4.1	-16,0	-2.9	-6.7
Valle d'Aosta	-1.2	-11.2	-3.1	-5.1
Lombardia	2,0	-15,0	-2.8	-6.8
Bolzano	1.5	-7,0	-1.9	-2.9
Trento	7.6	-9.4	-1.6	-3.3
<b>Veneto</b>	<b>-2,0</b>	<b>-14.1</b>	<b>-2.2</b>	<b>-6.4</b>
Friuli-Venezia Giulia	-9.7	-13.4	-3.3	-6.1
Liguria	-5,0	-9.5	-2.3	-3.7
Emilia-Romagna	2.8	-13.7	-3.1	-6.5
Toscana	-8.7	-12.6	-1.3	-4.6
Umbria	-11.2	-12.9	-3.5	-6.3
Marche	-8,0	-11,0	-2.2	-5.2
Lazio	-4.4	-7.2	-2.9	-3.6
Abruzzo	-8.6	-14,0	-4.6	-7.6
Molise	-8.7	-9.9	-1.9	-4.2
Campania	-0.6	-13.8	-3.7	-5.5
Puglia	-7,0	-12.7	-3,0	-5.4
Basilicata	-10.7	-4.8	-4.4	-4.8
Calabria	-6.8	-6.5	-1.2	-2.3
Sicilia	-4,0	-12.1	-0.6	-2.7
Sardegna	-1,0	-8.5	-3,0	-4,0
North West	-0.6	-14.9	-2.8	-6.5
<b>North East</b>	<b>0.5</b>	<b>-13.5</b>	<b>-2.6</b>	<b>-6.1</b>
Centre	-7.3	-10.5	-2.4	-4.3
South	-4.7	-11.9	-2.6	-4.5
<b>ITALY</b>	<b>-3.1</b>	<b>-13.2</b>	<b>-2.6</b>	<b>-5.5</b>

Source: Main regional economic Indicators, ISTAT 2009

**Tab. 16: Added value at constant price by sector and province (million of euro), 2004-2008**

Regions and Macro-areas	Agriculture, silviculture & fishing	Industry	Services	Total
		2004		
Verona	756	6,775	14,714	22,245
Vicenza	364	9,382	11,816	21,562
Belluno	47	1,985	3,149	5,182
Treviso	419	8,167	12,113	20,700
Venezia	428	5,516	14,895	20,840
Padova	428	7,357	15,469	23,254
Rovigo	314	1,756	3,223	5,294
<b>Veneto</b>	<b>2,756</b>	<b>40,942</b>	<b>75,382</b>	<b>119,080</b>
		2005		
Verona	665	6,887	15,309	2,286
Vicenza	326	9,465	12,028	21,819
Belluno	51	2,054	3,161	5,266
Treviso	347	8,559	12,800	21,706
Venezia	388	5,594	15,307	21,290
Padova	383	7,487	15,741	23,612
Rovigo	262	1,823	3,356	5,441
<b>Veneto</b>	<b>2,422</b>	<b>41,872</b>	<b>77,705</b>	<b>121,999</b>
		2006		
Verona	650	7,186	15,689	23,526
Vicenza	318	9,793	12,311	22,423
Belluno	47	2,274	3,254	5,576
Treviso	320	8,869	12,939	22,128
Venezia	341	5,972	16,004	22,317
Padova	355	7,839	15,748	23,943
Rovigo	250	2,016	3,447	5,713
<b>Veneto</b>	<b>2,282</b>	<b>43,953</b>	<b>79,395</b>	<b>125,631</b>
		2007		
Verona	725	7,518	16,232	24,476
Vicenza	347	10,587	12,879	23,814
Belluno	54	2,412	3,382	5,848
Treviso	366	9,462	13,466	23,294
Venezia	344	6,215	16,524	23,083
Padova	400	8,377	16,028	24,806
Rovigo	268	2,182	3,555	6,005
<b>Veneto</b>	<b>2,503</b>	<b>46,756</b>	<b>82,069</b>	<b>131,329</b>
		2008		
Verona	706	7,652	16,720	25,079
Vicenza	332	10,700	13,315	24,349
Belluno	66	2,420	3,526	6,012
Treviso	348	9,669	13,543	23,561
Venezia	310	6,401	16,842	23,554
Padova	373	8,541	16,454	25,369
Rovigo	243	2,258	3,688	6,189
<b>Veneto</b>	<b>2,377</b>	<b>47,644</b>	<b>84,092</b>	<b>134,114</b>