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## **Italy's south: the NRRP and differentiated autonomy. Petraglia (Svimez): “Italy's south could potentially be as resilient as the rest of the country, if given the chance”**

In its “2024 Annual Report”, published a few days ago, the National Statistics Institute (ISTAT) observed that “the prolonged economic slowdown is accompanied by widespread symptoms of vulnerability in the territories and populations of Southern Italy.” The data, covering various areas - the economy, employment, wages, education and vocational training, household finances and quality of life, poverty, young people and the elderly, infrastructure and services - have not only highlighted Italy's backwardness compared to other EU countries, but have also confirmed the country's widespread social and regional inequalities. SIR discussed the reasons for this situation and the possible solutions, also in view of the upcoming adoption of the Differentiated Autonomy Law, with **Carmelo Petraglia**, Professor of Political Economy at the University of Basilicata and scientific advisor at SVIMEZ (Association for the Development of Industry in Southern Italy). **Professor, the National Institute of Statistics has identified elements of fragility in the south of Italy that include a decline in population, poorer access to services and a low level of financial soundness. Are those the reasons for the growing divide between the north and south of the country?** The north-south divide reflects inequalities among citizens that exist nationwide but are most acute and persistent in the southern regions. For instance, the youth employment rate in the North is below the European average (52% compared to 58%). In the South, this figure drops to 32%. The same applies to women's employment, which is lower in the South, especially among women with children, due to a lack of childcare services. Demographic decline is also a national problem, but the North partly compensates for depopulation and ageing with inflows of immigrants from abroad and from the South, especially young graduates. By contrast, depopulation in the south continues uninterrupted, with more than one million people having emigrated in the last 20 years, including more than 800,000 under the age of 35 (300,000 university graduates). **Nevertheless, ISTAT portrays a resilient South in the post-covid recovery phase...** During the post-Covid recovery period, the South has seen unprecedented growth compared to the North, thanks to proactive policies to support the workforce and businesses. This shows that

Italy's south could potentially be as robust as the rest of the country if given the chance, in contrast to the austerity that followed the last major crisis.

But structural backwardness lingers on, and cyclical upturns fail to take hold, especially the recent recovery, which was underpinned by unprecedented one-off budgetary slippages, focused on low-value-added services and construction, while the contribution of industry in the south was extremely weak. **The employment rate has also risen, particularly in the South.** Indeed, employment recovery in the south has been unprecedented and more robust compared to the central and northern regions. In contrast to the rest of the country, poverty rates have remained unchanged: excessive labour market flexibility and increasing numbers of working poor are among the national problems that are becoming emergency situations in the South. Low wages and short working hours mean that rising employment is not curbing social discontent. **Employment subsidies to reduce labour costs in the South have been the object of debate. What are the likely effects?** Subsidising employment has helped companies to sustain their demand for labour during the Covid emergency. Subsequently, during the energy crisis, they provided some compensation for the high electricity bills of enterprises in the southern regions, which were more affected by the shock. Its discontinuation would act as a brake on employment recovery, which is now showing signs of a slowdown. What was a blanket measure, necessary in the emergency phase, must now be more selective, based on job profiles and production areas. This applies especially to skills and production

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sectors that are more functional to the priorities set out in the strategic plan of each SEZ (Special Economic Zone, ed.). **ISTAT pointed out that, in terms of GDP per capita, central Italy has seen a deterioration in its parameters in recent years, moving closer to the figures for the southern regions. How do experts interpret the development trends and economic circumstances of southern Italy? How should this trend be understood?** The 'Central Italy problem' has been identified by SVIMEZ as the most obvious sign of the fragmentation of regional growth processes that intensified during the twenty years of Italy's decline, in a context of widespread divergence of all productive areas of the country from European competitiveness standards. In the year 2000, GDP per capita in the central regions exceeded the EU27 average by around 37 percentage points, but by only 2 points in 2021. In the ranking of European regions by per capita GDP, Umbria has lost 69 points and Marche 40. This backwardness is linked to the Third Italy crisis, the "small is beautiful" territorial model that emerged as a result of the devaluation of the Italian Lira. It came to an end with the adoption of the Euro, which disrupted cost competition and exposed the limits of a productive structure that lacked large companies capable of meeting the challenge of innovation. **You mentioned the role of recovery measures. What has gone wrong and is still not working with regard to cohesion policy?** When inequalities rise, bad policies are obviously part of the problem. But to understand what has gone wrong and how to fix it, you can't simply blame cohesion policy.

Cohesion policy should be "complementary",

in other words, additional funds should be allocated to underdeveloped regions alongside general policies designed to ensure equal access to basic services across the country. Nevertheless, for too many years, the State has disinvested in education, healthcare and welfare. This has hampered regional cohesion because the cuts have hit the least developed and neediest areas, especially in the south. Cohesion policy has many limitations. But over the years it has been overburdened with objectives that should be the responsibility of overarching policies. It fails to deliver because of the inadequacy of its planning and implementation instruments, which are largely in the hands of the regions, and because it should provide targeted measures to complement a national strategy, which is currently lacking. **Like what?** In the absence of a national industrial policy aimed at expanding and modernising the manufacturing base in the South, individual Southern industrial strategies alone will not be able to steer investment towards higher value-added production with demand for skilled and better paid labour. **One of the aims of the NRRP was to help reduce territorial disparities. Has this been accomplished?** The NRRP aimed to restore territorial balance, which was the European mandate of the Next Generation EU, namely, to use economic, social and territorial cohesion as a means of growth. This required planning investments on the basis of territorial targets, which were instead set only at national level, as in the case of the 33 per cent target for kindergartens. The same applies to all investments in schools. Instead, it was decided to use the tender system: municipalities were invited to competitive bidding to receive the funds. As a result

investment did not go to the areas where it was most needed, and the NRRP scheme will not suffice to bridge the gaps.

**Concerns have been expressed in recent days that much of the planned cuts would hit the south. Is this the case? What are the consequences?** The NRRP has been amended to accelerate spending. But to achieve this goal, considerable resources have been diverted from public investment to incentives for enterprises. Some targets, such as the number of new kindergartens, have been revised downward. Strategic investment commitments, such as the Naples-Bari and Palermo-Catania railway lines, have also been trimmed. Should this undermine the territorial cohesion objective of the NRRP, it will affect not only the South, but

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the whole country, which urgently needs to boost the contribution to growth of its less prosperous regions.

**What should be the priorities of the overall measures?** With the reintroduction of the Stability and Growth Pact rules, Italy has already embarked on a path of significant public expenditure restraint. Decisions on the allocation of available resources will be crucial. There are two clear priorities. Firstly, programming an active industrial policy that supports the integration of the south's industrial sector into Europe's strategic green transition and secondly investing in social infrastructure, education and healthcare. **How does the forthcoming adoption of the Calderoli law on differentiated autonomy fit into this picture?** It contradicts it. It will weaken national policies, it will dwarf competitiveness and it will increase inequalities among citizens. The problem is not autonomy per se, but the Calderoli law, which allocates resources without checking the ability of the requesting regions to provide better services to their citizens.

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