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Le nuove sfide dei sistemi di welfare: l'Italia in prospettive comparata
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Proposta di Paper

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All is good with Notional Defined Contribution pensions?
Evidence from Italy, twenty years later

Coupled with pension multi-pillarization, in the last three decades, several countries have strengthened the contributions-benefits link in order to make their paygo pension systems financially sustainable. Accordingly, a bunch of European countries - Italy, Latvia, Norway, Poland, Sweden - have implemented Notional Defined Contributions (NDC) schemes with the aims of: i) stabilizing pension expenditure- since a well-designed NDC satisfies the condition set by the Aaron-Samuelson theorem in order to guarantee the financial sustainability of paygo schemes (Aaron 1966, Samuelson 1958), ii) harmonizing rules and returns on paid contributions, thus iii) pursuing actuarial fairness. The "promised virtues" of NDC schemes have fascinated policymakers and prompted sparkling debates also in other EU Members states, such as Greece, France, Spain and others.

Despite promises, a growing social policy and economic literature has recently argued that the interplay between ever more flexible labor markets – especially "at the margin", that is via the expansion of atypical employment - and pension reforms aimed at strengthening the "equivalence principle" between contributions and benefits might well lead to "institutional maladjustment" (Flora 1986) between the two institutional spheres of labor market and pensions (Jessoula and Hinrichs 2012).
In particular, this interplay may be detrimental for achieving both substantial fairness and adequate income security in old age. In fact, on the one hand, as pointed out by Jessoula and Raitano (2016), the actuarial fairness (i.e. actuarial neutrality) of NDC schemes has not to be confounded with equity in terms of social justice. Indeed, from a normative point of view, the strict proportionality between life-time contributions and pensions is fair only if contribution accrual is fair, i.e. if labour market mechanisms are fair. On the other hand, in countries such as Italy where the NDC is not coupled with redistributive tools within the pension system, micro-simulations on some representative working histories have shown that individuals characterized by unsuccessful working careers will risk to become poor pensioners (e.g. Raitano 2007 and Conti and Raitano 2015).

The main research questions underpinning the proposed paper are thus the following:
a. are NDC pension schemes effective in both protecting from poverty and ensuring adequate income maintenance after retirement under post-industrial conditions?
b. can therefore NDC schemes be considered not only actuarially neutral, but also fair and socially "just"?

As mentioned above, most of previous analyses have either used micro-simulations (Bridgen et al. 2007; Dekkers et al. 2010, Caretta et al. 2013, European Commission 2015) – with all the drawbacks related to (too) stringent assumptions – or envisaged possible outcomes in light of labor market trends/performances and reformed pension institutional arrangements (Hinrichs and Jessoula 2012).
The key innovation of the proposed paper relies on the fact that, a couple of decades after the proliferation of the NDC model, administrative data about the actual (though notional) accumulation of contributions in paygo-NDC schemes are available. Thus, differently from previous works, this article assesses claims in the literature by using "real" data for the Italian case. In more detail, relying on a recently built longitudinal dataset that merges information collected in the Italian waves of EU-SILC with the administrative records collected in the archives of the National Institute of Social Security (INPS), we will consider the subsample of those who started to work in the 1996-1998 ("fully" subject to the NDC scheme) and will follow their working career for a 14-year period, measuring, through a set of indicators, the accumulation of pension contributions during that period and the main sources of possible limited accumulation of contributions.
It shows, first, that atypical contracts are generally not functioning as "stepping stones" in Italy, and persistence or recurrence in atypical and low paid employment is frequent; second, that contribution accumulation is meagre for a relevant share of the first cohorts of workers fully subject to the new system.

The proposed paper is organized as follows: the issue of the interplay between a NDC scheme and a flexible labour market is framed in Section 2, the Italian trajectories concerning labour market and pension reform are discussed in Section 3, while the original empirical evidence about the effective accumulation of pension contributions in the initial phase of the career by the first cohorts of workers enrolled in the NDC is shown in Section 4. Section 5 briefly concludes summarizing main evidences and providing some policy suggestions.

This paper comes as a product of two different lines of research. The first concerns the research project “The New Pension Mix in Europe” directed by D. Natali and funded by the European Social Observatory (OSE) and the European Trade Union Institute (ETUI). The authors have contributed to this project by drafting a chapter on the Italian case. The second relates to the project IESS – Improving Effectiveness in Social Security, sponsored by INPS, Ministry of Finance, Fondazione Brodolini and the Center for Economic and Social Inclusion. Michele Raitano was involved in this project.

A preliminary version of the paper has been presented at the 2016 Annual ESPAnet Conference September 1-3, 2016 - Erasmus University Rotterdam, The Netherlands.

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