



BANCA D'ITALIA
EUROSISTEMA

Welcome address

by Paolo Angelini
Deputy Governor of the Bank of Italy

7th Bank of Italy-CEPR workshop on labour market policies and institutions

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Ladies and gentlemen,

It is with great pleasure that I welcome you today to the seventh edition of the workshop on labour market policies and institutions, co-organized with the CEPR.

The labour market is a key component of our economies, providing the foundation for individual livelihoods and societal well-being. The Covid-19 pandemic and its aftermath have accelerated long-term trends that are reshaping our labour markets: technology adoption and rising inequalities. These two issues are receiving much attention, and rightly so, in my view. They run through the papers that will be presented over the next two days, and will be addressed by our keynote speakers. In my remarks today, I would like to share some thoughts on these two related themes.

First, the pandemic accelerated the digitalization of our societies. As a result, the demand for workers with digital skills has risen sharply. While this transformation has created new job opportunities, it has also deepened existing wage inequalities, as it mostly benefited high-paid and highly educated workers.¹ Automation and generative AI are an important part of this process. These innovations can potentially improve labour productivity and the quality of work, but they also risk displacing some types of jobs, this time also at the top of the earnings distribution.

While the ultimate impact of the new technologies on welfare and inequality is still uncertain, it is clear that it can be potentially large. Therefore, careful monitoring and analysis will be required to guide policy design in areas such as social protection, welfare and education. It is a privilege to have Professor David Autor as our keynote speaker on

¹ A. Adams-Prassl, T. Boneva, M. Golin and C. Rauh, "Inequality in the impact of the coronavirus shock: Evidence from real time surveys", *Journal of Public Economics*, 2020; O. Aspachs, R. Durante, A. Graziano, J. Mestres, J.G. Montalvo and M. Reynal-Querol, "Real-time inequality and the welfare state in motion: Evidence from COVID-19 in Spain", *Economic Policy*, 2022. F. Carta and M. De Philippis, "The impact of the Covid-19 shock on labour income inequality: Evidence from Italy", Bank of Italy Occasional Papers Series, n. 606, 2021, [Bancaditalia.it/pubblicazioni/qef/2021-0606/QEF_606_21.pdf?language_id=1](https://www.bancaditalia.it/pubblicazioni/qef/2021-0606/QEF_606_21.pdf?language_id=1).

this important topic. His contributions to the literature on the impact of technology on the labour market and on inequality have set milestones in these fields.

While new technologies can affect welfare and inequality, requiring a reaction from labour market institutions and policies, the latter can in turn have an important influence on the adoption of technologies. A few papers in the programme discuss this interplay. One shows that improving the quality of worker-job matching, including through well-designed institutions and labour law reforms, is crucial to unlocking the economic gains of innovation.² Another paper shows that unions play an important role in technology adoption: their actions reduce the negative effects of technology on workers and can even improve the quality of the technology in which firms invest³ (today's opening paper, also about unions, confirms that they negotiate over different job characteristics, not just about money).⁴ Another paper to be presented this morning shows that digital technology can also improve occupational training and skills acquisition, and ultimately promote the adoption of new technology itself.⁵

Digitalization has also enabled the rapid and massive shift to remote working triggered by the pandemic. Employees benefit from reduced commuting time and costs, more flexible daily schedules, and a better work-life balance. Firms can reap significant cost savings from reduced need for office space, and can achieve better job-matches by potentially recruiting from a larger pool of candidates, as physical proximity is no longer required.

But there could be a dark side of these visible benefits: in the medium to long term, the changes in interactions patterns among colleagues brought about by remote working could have unwanted and hard-to-identify effects on productivity, innovation and even mental well-being. Working from home also poses challenges for firms in terms of adapting management practices and incentivising employees.⁶ Research on these effects is hampered by the relative novelty of the phenomenon, but it will become very relevant to private and public decision-makers as soon as availability of good quality data makes it possible.

Let me now turn to the issue of rising inequalities. The pandemic has exacerbated deep-seated inequalities – in income, access to health care, job security, and opportunities. Unequal societies tend to be more prone to economic inefficiencies and political instability, and the two are likely to reinforce each other. Inclusiveness is not only an antidote to inequality, it is also a powerful driver of economic development and resilience. That is why we need to pursue inclusive growth. In labour markets,

² O. Bandiera, A. Kotia, I. Lindenlaub, C. Moser and A. Prat, "Meritocracy across Countries", NBER WP No. 32375, 2024.

³ W. Dauth, O. Schlenker and S. Findeisen, "Organized Labor Versus Robots? Evidence from Micro Data", IZA DP No. 19192, 2024.

⁴ L. Lagos, "Union Bargaining Power and the Amenity-Wage Tradeoff", IZA DP No. 17034, 2024.

⁵ C. Lipowski, A. Salomons and U. Zierahn-Weilage, "Expertise at Work: New Technologies, New Skills, and Worker Impacts", ZEW DP No. 24-044, 2024.

⁶ J. M. Barrero, N. Bloom and S. J. Davis, "The evolution of work from home", Journal of Economic Perspectives, 2023.

this means tackling the barriers that have long marginalized certain groups, including migrants and women.

The literature has increasingly recognized the important role of immigrants in the economy – in particular their contribution to innovation, labour market fluidity and female participation – and has found that their skills are primarily complementary to those of natives.⁷ Another important aspect, that has received less attention, is the impact of high-skilled immigration on firms. A paper on this topic, to be presented tomorrow, demonstrates the positive impact of high-skilled migration on firm performance and employment.⁸ Regardless of how important these aspects are, we cannot avoid mentioning the host of challenges posed by the ageing of advanced societies, a particularly pressing concern in Italy. The political debate has often focused on illegal immigration, but awareness is growing that a proper management of migration flows is important to counter the decline in labour force caused by ageing.

Another part of the solution to the ageing problem must come from increasing labour force participation. Policies in this area are also essential, and involve, inter alia, promoting female participation in the labour market (another pressing concern in Italy). Regarding the study of gender gaps, we are honoured to have as our second keynote speaker Professor Claudia Olivetti, a leading economist in this important field.

Women are less likely to be in top positions, and gender quotas can be of help in this respect. In 2021 the Bank of Italy did its part. We used our regulatory powers to introduce a gender quota for the top management of all Italian banks, following the Italian law on gender balance for listed companies. Let me add another bit of self-promotion. The research department of the Bank has been particularly active in studying gender gaps. Last year we presented and published the results of a major project looking at various aspects of women's experience in the Italian labour market.⁹ One of our key findings, to be presented in this workshop, is that gender gaps are already large at the point of entry into the labour market.¹⁰ Educational choices, already in high school, are key to explaining much of these gaps. Women tend to avoid STEM subjects, which – also because of the digital revolution – tend to be more remunerative. Let me tell you an anecdote about this. Since 2008, the Bank of Italy has been funding an annual prize for high school students who excel in mathematics and information technology. Students' participation in the contest is voluntary, and the selection process is entirely conducted by the schools.

⁷ G. Peri and C. Sparber, "Task Specialization, Immigration, and Wages", *American Economic Journal: Applied Economics*, 2009; G. Basso and G. Peri, "Internal Mobility: The Greater Responsiveness of Foreign-Born to Economic Conditions", *Journal of Economic Perspectives*, 2020; G. Barone and S. Mocetti, "With a little help from abroad: the effect of low-skilled immigration on the female labour supply", *Labour Economics*, 2011.

⁸ P. Mahajan, N. Morales, K. Shih, A. Brinatti and M. Chen, "The Impact of Immigration on Firms and Workers: Insights from the H-1B Lottery", IZA DP No. 16917.

⁹ F. Carta, M. De Philippis, L. Rizzica and E. Viviano, "Women, labour markets and economic growth", Bank of Italy Workshops and Conferences, 26, 2023, [Bancaditalia.it/pubblicazioni/collana-seminari-convegni/2023-0026/women_labour_markets_growth_n26.pdf](https://www.bancaditalia.it/pubblicazioni/collana-seminari-convegni/2023-0026/women_labour_markets_growth_n26.pdf).

¹⁰ G. Bovini, M. De Philippis and L. Rizzica, "The origins of gender wage gaps: the role of school to work transition", Bank of Italy Working paper series, *forthcoming*.

Over 17 years, the prize has been awarded to 340 students. The proportion of males has remained fairly constant over the period, averaging 93 per cent. This suggests that in order to better understand the sources of such a deep gender gap, we may need to focus on the secondary school period, possibly even earlier.

Let me conclude. The workshop programme is very rich and touches on many other relevant topics that are of great interest to policy makers and to the wider research community. I am sure that each presentation will generate a fruitful discussion and new ideas.

I would like to thank the organisers for their efforts, the presenters and the keynote speakers for their contributions, and all of you for being here to participate in the workshop.