**ROME INVESTMENT FORUM 2017**
**Financing Long-Term Europe**

**Prof. Luciano Monti**
**Scientific co-director of Fondazione Bruno Visentini**

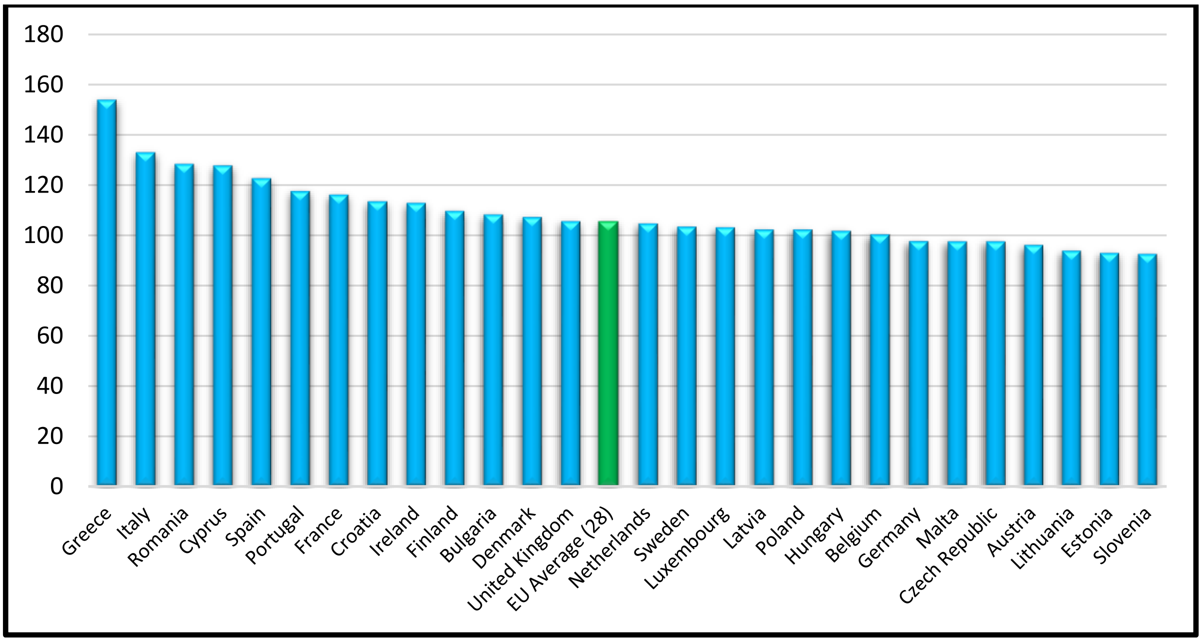
**Contribution to the round table**
**"Building the future: human development, sustainability and resilience"**

**December 16th 2017, Scuderie di Palazzo Altieri, Rome (IT)**

I am very pleased to intervene today at the round table "building the future: human development, sustainability and resilience" within the IV Rome Investment Forum 2017, Financing Long-Term Europe.
Dealing with such topics and mainly with human development, I will focus on young generation challenges to build their future in the European contest.
It is not easy to estimate the impact and measure the intensity of unsustainable growth of young generation since the recent recession is the product of many factors. Among the factors, we should consider mainly lower job protections and a less job-specific experience. The still current imbalances of European integration and relevant sectorial impact of the crises led to a less favorable climate for youth development
For example, if we consider the Construction sector, with the highest presence of young workers, according to data elaborate by Eurofound (2012), just from 2008 to 2011 the percentage in youth employment in Construction decreased 27%. Manufacturing follows with a decrease of 25%
The framework for the measurement of the generational divide includes thoughts and reflections on the depletion of human capital, the scarring effects of youth unemployment, increasing entry wage differential decreasing of salaries for younger cohort (and the available stock of real productive assets. The research team of Fondazione Bruno Visentini inquired in the past 4 years on the origins of the actual generational divide, namely, the unsustainability of national policies that have disproportionately benefitted the older generations to the detriment of younger generations. Much of southern Europe remains mired by still unacceptably high rates of youth unemployment, which leaves an indelible scar on young people, poses economic problems for future generations, and threatens the European economies competitiveness.
Actually, we have two cutting-edge approaches in identifying the extent of these generational imbalances, namely: The Intergenerational Foundation's *Intergeneration Fairness Index* (IFI) and the Bruno Visentini Foundation's *Generational Divide Index* (GDI). The findings outline the differing objectives and methodologies of these respective approaches.
Although both instruments arrive at broadly similar conclusions, (i.e. young people's diminishing prospects over time) there are palpable differences in the results. This is

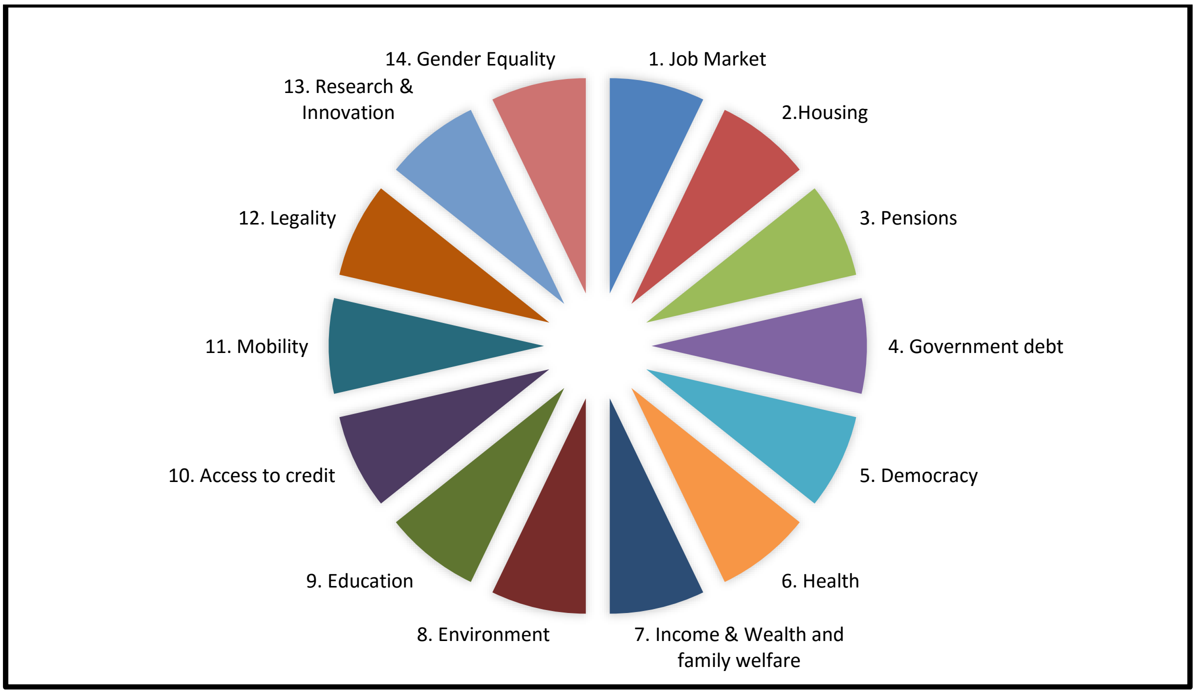
attributable to IFI and GDI's different aims and objectives: IFI is mainly helpful for country comparisons and GDI for fixing country-specific targets to reduce intergeneration unfairness. GDI refers to the accumulated delay that young people of a single European country face in reaching certain personal and professional development "life goals," compared to previous generations, taking into consideration the obstacles that restrict the full attainment of social and economic maturity.
The main results of the Intergeneration Fairness Index at European level are shown in the above figure 1.

Fig. 1 EU28 member state index scores, 2014. By Intergenerational Foundation




These data tell of the continuing decline in young people's life chances compared to previous generations. This deterioration is attributed to *inter-alia* rising pension liabilities per worker, healthcare costs have increased due to an aging demographics, disproportionately high youth unemployment rates *vis-à-vis* the wider population, increasing government debt per person, and rising housing costs. Most alarming is the cost of public sector occupational pensions' unfunded liabilities per person in the workforce, and the level of government debt per worker, which have risen exponentially since the dawn of the 2008 crisis.
The weakest ranks are those of Greece, Italy, Romania, Cyprus and Spain, that means (except for France) a clear concentration in the Mediterranean area.
Instead, Fondazione Bruno Visentini GDI differs in its scope and detail. While IFI adopts 9 domains and 17 indicators (*Unemployment, Housing, Pensions, Government debt, Democracy, Health, Income, Environment and Education*), the GDI is composed of 14 domains (see Figure 2) and more than 40 indicators.

Fig.2: Generational Divide Index (GDI) domains



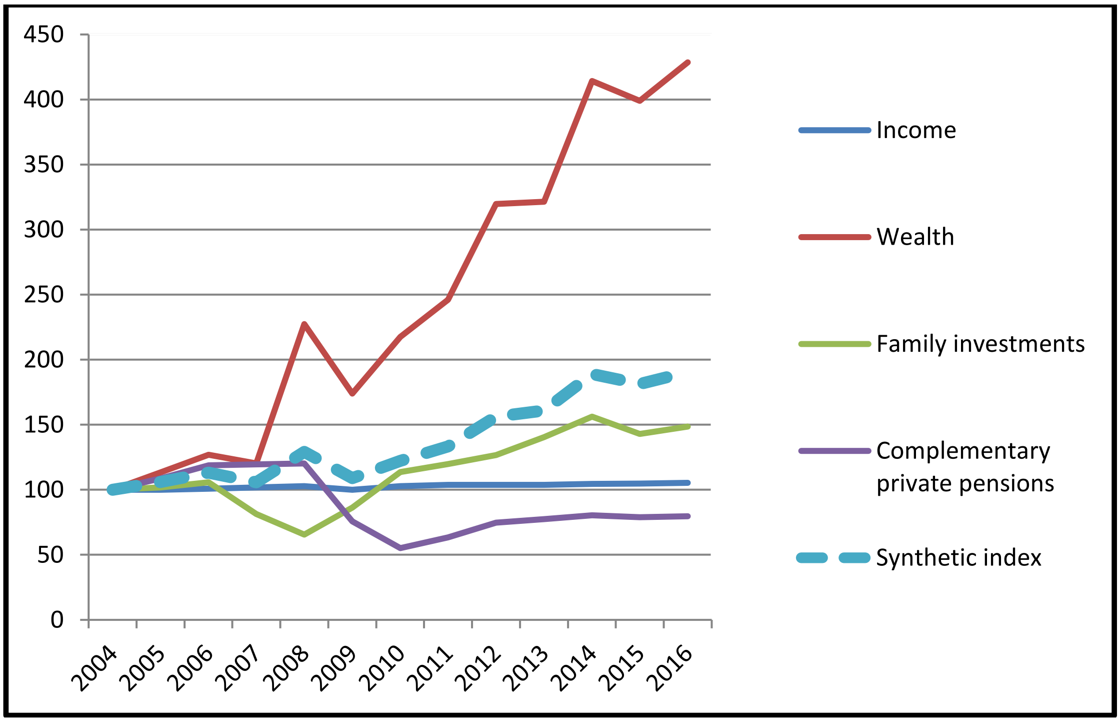

The key objective of GDI is to provide an analysis of a single country. GDI measures the legality divide for Italy, which is highly relevant to that country but largely irrelevant in other countries. In short, GDI represents an index model tailored to the specific circumstances of a specific country. GDI's overarching objective is governance: namely to influence policy-making to improve the life chances of young people and stakeholder to face the generational challenge.

Today I will here stress the discrepancy in Income indicators that is attributed to the different set of indicators used. As you can see from Fig.3 above, IFI focussed on income only. Conversely, GDI has expanded the remit to include family wealth and family welfare. GDI's ratio between young people's average earnings and average earnings of the total population reveals a flat and constant trend, like that of IFI. However, when family wealth in considered, GDI's income and family wealth indicator shows a marked deterioration (see Figure 3 above).

Fig.3: GDI (original version) and IFI comparison of results on Income and wealth indicator for Italy

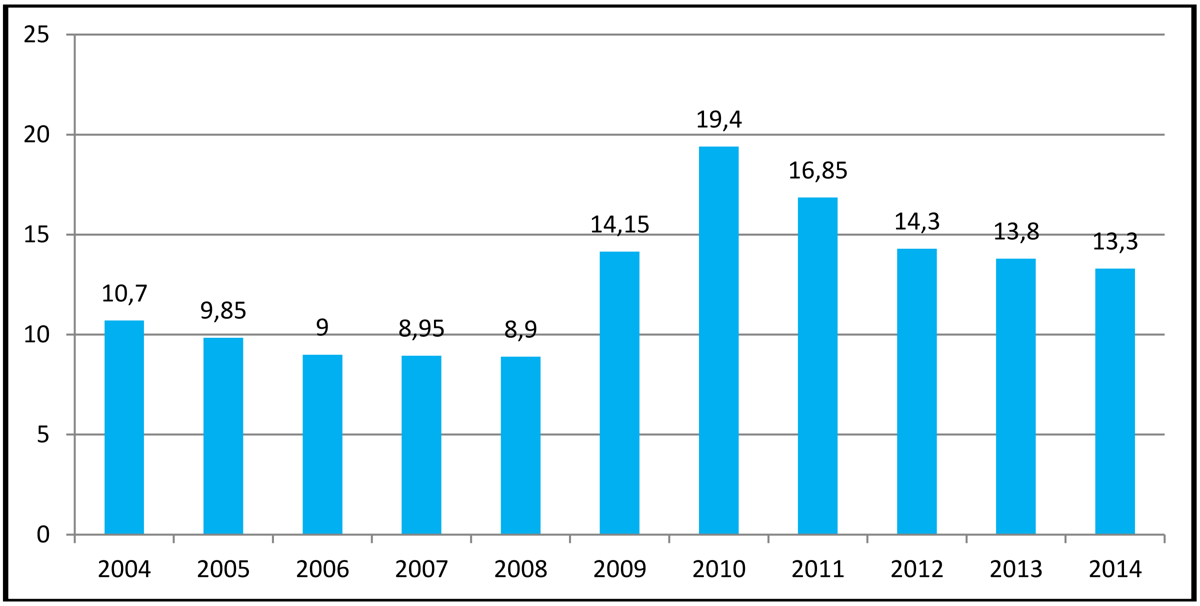

If the index is enriched with other elements such as the medium and long-term investments of over 65 family householders and complementary private pension hold by under 35 family householders the picture of the generational divide appears clearly as shown in Figure 4.

Fig.4: GDI new index of Income, Wealth and Family Welfare for Italy (by Fondazione Bruno Visentini)



Income and Wealth are clearly related the very low salaries and unstable employment of mainly of young adults (between 29 and 34 years old) and solution must be related to systemic, organic and multidimensional governmental policies (from the reform of educational processes to a new pension reform and targeted industrial policies). This phenomenon is not the cause of intergenerational unfairness, but one of its effects.
On the other hand, banks and Assurances could play a key role to positively affect the Family investment and the complementary private pension targets. This latter, is decreasing in Italy and involves only a minor part of young adults (see figure 5 below). From 2010 to 2014 the percentage decreased of more than 5 points.

Fig. 5: Percentage of families (under35) having complementary private pensions in Italy (Bank of Italy data elaborated by Fondazione Bruno in Italy




In brief I can conclude that the new GDI indicator of income, wealth and family welfare shows, at least for the tested country, a lack of relevant incentives to promote complementary pensions framework for under 35 householders) and target long term investment of over 65 householders in favour of their descendants.