

JOINT STATEMENT
ON THE CRISIS AFFECTING THE METALWORKING SECTOR

Federmeccanica, Assital, Fim and Uilm

The metalworking sector, which represents approximately 50% of Italy's manufacturing industry, is experiencing a deep and lasting crisis, and is the most severely affected sector of Italian industry.

In extremely concise form, the crisis may be illustrated by the following figures: output was down by 31% in the first nine months of 2009 compared to the first nine months of 2008 and exports declined by 27%; the number of hours of redundancy fund benefits approved for companies operating in this sector rose by over 600% in the first ten months of the year (375 million hours, equivalent to approximately 220,000 full-time workers).

The plant engineering segment also showed a similar negative performance: sales plummeted by 30% and the order backlog contracted by 26% from January to October compared to the same period of 2008; at the level of personnel, approximately 20% of all firms, and over 26% of those with more than 25 employees, had to cut their workforces.

These results, which are far worse than those reported in other industries, may be attributed to falling demand in Italy and the rest of the world, a phenomenon which had the severest impact on the product and activity types characteristic of the metalworking sector: investment assets and durable consumer goods.

This grave situation is weighing heavily on workers and firms in the form of excess production capacity that jeopardizes jobs and compresses business earnings.

Despite some weak signs of recovery, this situation is destined to continue at least for most of 2010, putting many companies and jobs at risk.

Federmeccanica, Assital, Fim, and Uilm share this view of the serious difficulties experienced by the sector and believe that there is an urgent need for the government to enact targeted incentive and support measures in order to stimulate a renewal of investment and relaunch demand for durable consumer goods.

The parties are well aware that some steps have been taken and proven effective. However, as is clear from the data, even more incisive measures are needed.

There is no doubt that a resumption of robust growth (which, under the current conditions, must inevitably be driven by the manufacturing industry) is of key importance. However, in the meanwhile, we should ensure that the greatest possible number of

companies survives and jobs are protected for as long as possible in order to avoid finding ourselves unprepared when the recovery begins.

To this end, moving beyond indications of a general nature (to which the various unions have already drawn attention), the organizations that have signed this document, insofar as they are directly competent to do so, strongly emphasize the need for immediate action aimed at increasing the efficacy of currently available social safety nets and enacting measures to reduce the tax burden on labor in order to support internal demand.

In particular, Federmeccanica, Assistal, Fim, and Uilm, pending the announced structural reform of social safety nets and given the structural surpluses generated by the management of the redundancy fund (CIG) over the years, believe that measures aimed at achieving the following should be taken immediately and with effect in 2010, in addition to those already implemented:

- increasing the maximum redundancy fund benefits, at least as regards average wage, without prejudice to the 80% limit;
- maintaining the continuity and certainty of use of the redundancy fund when the 52 weeks of the ordinary fund expire;
- ensuring that redundancy fund benefits are provided with the utmost punctuality if they are not advanced directly by the employer.

Turning to the tax issues, the parties believe there is an urgent need to reduce the tax burden on labor, which EU statistics show to be the highest in Europe, by decreasing the difference between net wage and the cost of labor: a €1 increase in a worker's average net wage currently costs that worker's employer approximately €2.4.

The following structural changes should be made a top priority:

- reducing IRPEF (personal income tax) on wages, starting with the bottom brackets;
- excluding the cost of labor from the taxable base for IRAP (regional production tax);
- ensuring that all entitled workers and firms that meet the requirements have access to differentiated taxation and reduced social security contributions on bonuses.

The parties agree that there is an urgent need for immediate, extraordinary action aimed at:

- exempting redundancy fund benefits from taxation through the year-end balance payments;
- reducing the tax burden on employees through the "thirteenth-month" bonus.

The parties, as they urge their respective federations to advocate and support the proposals put forth by the signatories in this joint statement, despite their awareness of the difficult situation of the public finances in Italy, are confident that the government will be willing to devote its fullest attention to petitions submitted by organizations that represent the most important sector of Italian industry.

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