



European Employment Observatory

EEO Review: Youth Employment Measures, 2010

Italy

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1. Introduction

In Italy the recent crisis has heavily impacted on the younger component of the labour force. Considering the age group 15-29, total employment decreased from almost 3.8 million in the first quarter of 2008 to almost 3.3 million in the first quarter of 2010 (down by 488,000, 12.8 %). In the first quarter of 2010, the employment rate in the age groups 15-19, 20-24 and 25-29 amounted to 4.7 %, 36 % and 58.7 %, respectively (it was 6.9 %, 40.8 % and 64.6 % in the same quarter of 2008). The highest decrease (-7.9 percentage points) has been observed in the age groups 25-29, that is among young workers having completed their studies and possibly already having some work experience. Although the highest unemployment rate and its largest increase was in the age group 15-19 (where it amounted to 46.6 % in the first quarter of 2010, against 31.9 % in the first quarter of 2008), unemployment in the age groups 20-24 and 25-29 appears most worrying, in particular when considered as a proportion of the population in the same age group instead of the whole labour force. In particular, in the first quarter of 2010 the youth unemployment to population ratio amounted to 12.4 % for the age group 20-24 and to 11.3 % for the age group 25-29, against 9.7 % and 8.3 %, respectively, in the first quarter of 2008.

In what concerns educational attainment, in the age group 25-29 (in which most young people have completed their education), individuals with tertiary education (ISCED 5-6) show the highest unemployment rate in the first quarter of 2010 (18.8 %), while upper secondary education (ISCED 3-4) seems to provide a better shelter against unemployment (unemployment rate in this group amounted to 14.1 % in the first quarter of 2010). It is however worth noting that the largest increase of the unemployment rate (+5.3 percentage points with respect to the first quarter of 2008) involved the less educated workers (ISCED 0-2), also due to the deterioration of business conditions in sectors (like manufacturing and construction) in which low-skilled professions are more dispersed.

The increase of unemployment can be attributed, to a large extent, to the interruption of fixed-term contracts, which is a more common employment arrangement among younger workers. Nonetheless, the diffusion of fixed-term contracts still remains high (ranging from 51.9 % in the age group 15-19, to 36.7 % in the age group 20-24 and 18.5 % in the age group 25-29). This evidence points to a weaker position of younger workers in terms of access to welfare benefits, as will be explained in the remainder of the article.

2. Measures taken to promote youth employment

2.1 School education and training policies

The Italian situation in this field has been characterised in recent years by increasing levels of educational attainment in upper secondary and tertiary education, although the relevant figures remain below the European average. In particular, the share of people aged 20-24 with an upper secondary diploma was 76.3 % in 2009 (the percentage was 65.3 % in 1998), compared to an EU-27 average of 78.6 %, while the share of people aged 30-34 having completed tertiary education was 19 % (11.6 % in 2000), compared to the EU-27 average of 32.3 %.

Although important progress has been made in recent years, the issue of early school leaving remains relevant. The percentage of the population aged 18-24 with at most lower secondary education (and not in further education or training) stood at 19.6 % in 2009, almost five

percentage points higher than the EU-27 average and much higher than the 10 % target set by the Europe 2020 strategy. Nonetheless, the rate of decrease of this indicator has been faster than the European average.

The difficulties in this field are mainly addressed through EU funds (namely, the National Operational Programme “Competencies for Development” 2007-2013). Its target for 2013 is the decrease of the percentage of young people without upper secondary education to 10 %. Possible actions financed by this programme are interventions to promote access to education, development of centres aimed at preventing early school leaving, orientation and counselling measures, etc. Several measures to prevent early school leaving are implemented at the regional or provincial level.

The main general measure recently introduced in the field of education is the so-called *Gelmini reform* (from the name of the current Minister of Education). The reform has been gradually implemented: it started on 1 September 2009 for primary and lower secondary schools and on 1 September 2010 for higher secondary schools. A reform of the university system is currently under examination by the Parliament (in July 2010 the proposal was approved by the Senate).

As for school education, the main innovations concerned the reintroduction of a ‘prevalent’ teacher in primary schools and the reorganisation of upper secondary school programmes and syllabi (major changes were introduced in the system of lyceums, technical schools and vocational schools). The reform makes access to the final examination more difficult by requiring students to achieve a pass grade in all subjects in order to be admitted.

Although the reform should meet the aims of increased efficiency and modernisation of the educational system, it was also required to handle the reduction in financial resources, even though the Italian investment in education is already lower than that of other industrialised countries. According to OECD (2010), in 2007 Italy spent only 4.5 % of GDP on education, in comparison to 6.2 % for the OECD average and 5.7 % for the EU average. This level of expenditure is not coherent with EU guidelines which attach great significance to the achievement of a knowledge society, through human capital accumulation.

In 2010 the Ministry of Labour and Social Policies and the Ministry of Education, University and Research, presented an Action Plan (*Italia 2020 - Piano di azione per l'occupabilità dei giovani attraverso l'integrazione tra apprendimento e lavoro*) aimed at enhancing the employability of young people through the integration between learning and work experience. Six priorities have been identified: favouring the transition from school to work; supporting technical and vocational education and apprenticeship contracts; redesigning the role of university education; and strengthening the relationship between researchers, the production system and the labour market. Social partners are asked to provide their assessments and suggestions about the implementation of the Plan.

As concerns apprenticeships, a 12-year right/duty to education and training (until 18 years old), up to the attainment of a vocational qualification (through apprenticeship or the regional system of vocational training), was introduced in 2003. The right/duty can be exercised also through the so-called *alternanza scuola-lavoro* (the possibility to alternate periods at school with periods in work-related training). The first example of this kind of arrangement was

launched, however, only in 2010 in the Lombardy region, through an agreement among regional institutions and the Ministry of Education.

2.2 Labour market and employment-related policies and access to benefits

The main innovations recently introduced in the field of ALMPs fall under the measures, adopted at the beginning of 2009, to tackle the economic crisis. These measures are not specifically targeted at young people, but cover a variety of target groups. The system of ALMPs has been reinforced by introducing a compulsory service pact (*patto di servizio*) among PES officers and customers (unemployed people), which defines the rights and responsibilities of both parties. The counterpart of the pact is a 'declaration of immediate availability' (to work or to undertake re-qualification) that the unemployed must sign in order to access unemployment benefits.

As for job search assistance, a measure was included in the 2010 Budget, concerning the provision of monetary incentives to job centres (both public and accredited private) for each 'disadvantaged' customer successfully intermediated to work. Disadvantaged workers are defined according to EC Regulation 800/08 (individuals unemployed for more than 6 months; low-skilled; 50 year old and older; etc.). Young people (in particular first-time job-seekers) are more interested in these incentives given that their careers are more discontinuous and their risk of falling into unemployment is higher. The management and monitoring of the incentives are assigned to Italia Lavoro, a technical agency of the Ministry of Labour.

As concerns incentives to hire younger workers, a job insertion contract (*contratto di inserimento*) directed at disadvantaged workers, including young workers between 18 and 29 and unemployed people aged between 29 and 32, has been in place since 2003. This contractual typology, with a duration ranging between nine and 18 months, can be adopted only if at least 60 % of previous contracts of the same kind have been transformed into permanent ones within the given firm. It is characterised by lower social contributions and the possibility for the employer to offer a lower salary with respect to collective agreements (*sottoinquadramento*). These incentives notwithstanding, this contract is not widely taken up, regarding only 0.6 % of total employment in 2008 (against 0.8 % in 2006), but the percentage increases to 1.6 % among young people aged 18-29.

The access of younger workers to social security benefits faces significant barriers. As regards unemployment benefits, two main limitations emerge. (1) Young workers are over-represented in atypical contractual typologies (such as project-based and freelance contracts) which do not grant access to ordinary unemployment benefits. (2) In many cases, due to the higher discontinuity of their careers and the shorter length of their careers, young people do not match the requisites to access unemployment benefits (to apply for the ordinary unemployment benefit, the unemployed must have worked 52 weeks in the previous two years and have paid their first social contribution at least two years previously). Recent estimates (Altieri et al., 2010) find that 42.5 % of open-ended employees aged 15-24, and 14.6 % of those aged 25-34, cannot access the ordinary unemployment benefit. These shares increase to 65.2 % and 49.7 %, respectively, in the case of fixed-term employees.

A couple of interventions introduced in 2009 in this field may prove relevant for young people. Ordinary unemployment benefits have been extended to apprentices for the period 2009-2011, for a duration of up to 90 days in a year. Moreover, an experimental lump-sum

allowance for ‘coordinated collaborators’ working for a single employer (*regime di monocommittenza*) and matching specific income limits has been introduced. The replacement rate of this indemnity has been gradually increased to 30 %, but the stringency of the income limits (although recently loosened) makes access to this benefit quite difficult.

In relation to pensions, under the new notionally-defined contribution system (introduced in 1995, but only becoming fully operational in subsequent years) the fragmentation of careers and the diffusion of flexible labour contracts translate into poorer pension prospects for younger workers. In particular, estimated replacement rates appear dramatically low for people spending a large part of their careers as collaborators or project workers. Although the social contribution rate paid by these contracts has progressively increased, it remains below that paid by employees (26.5 %, against almost 33 %). Actions are quickly required in this field in order to prevent the occurrence of future social emergencies.

The Protocol on Pensions, Employment and Competitiveness (Law 247/2007) introduced some innovations in the field of labour market legislation on the basis of flexicurity principles. The Protocol attempted to limit the misuse of fixed-term contracts by companies, by: i) identifying the open-ended labour contract as the standard employment typology; ii) establishing the 36 month period as the *fair* length of fixed-term contracts; iii) giving priority to the hiring on permanent contracts, of people who have worked on fixed-term contracts in the same firm for more than six months; iv) abolishing the ‘job on call’ and the ‘staff leasing’ contracts; and v), raising the social contribution rate for ‘coordinated collaborators’.

Some of the Protocol’s contents were repealed by legislative decree 112/2008 (subsequently converted into law 133/2008), which re-introduced job-on-call contracts and established that: (i) fixed-term contracts can be allowed even if they refer to the employers’ ordinary activity; (ii) the 36-months maximum length can be derogated by collective bargaining (including at the local level).

The use of more flexible clauses in part-time contracts and the attention paid to part-time work, apprenticeship contracts and *lavoro accessorio* (accessory labour, i.e. occasional working activities) aim at encouraging labour demand and the surfacing of irregular labour. Regarding apprenticeship contracts, the same decree introduced simplification procedures for the highly skilled (*apprendistato di alta formazione*), for fixed-term contracts, working hours arrangements, employment declarations (*dichiarazione di assunzione*) and employment disputes (*contenzioso sul lavoro*). The minimum duration of the apprenticeship contracts was replaced by a maximum six year duration. Regions and trade unions define apprentice profiles whereas decisions on how to provide training was left to collective bargaining. Despite the lack of regional legislative measures, employers started to make use of professional apprenticeships on the basis of sectoral collective agreements.

Since 2005 the Regions have set standards and established rules for professional apprenticeship, most of which show transitory features. Nevertheless, the number of apprentices increased by 87 % in the pre-crisis period 1998-2008, reaching 650 000 persons and involving 17 % of the employed persons in the 15-29 age bracket.

The national framework for professional and training standards should be realised by 2011 with the objective of addressing some of the persistent weaknesses of the Italian labour market. A Technical group, created in 2006, is working on these standards as well as on the

certification and recognition of diplomas. The expected result is an improvement of the match between training interventions and companies' professional needs in order to increase youth employment rates, foster the educational attainment level and reduce the difficulties companies experience in finding the skills they require.

The Italian 2007-2013 ESF Regional Operational Programmes envisage specific measures aimed at encouraging and supporting national and international mobility. Axis V of these Programmes is devoted to promoting geographical incoming and outgoing mobility of students, workers, trainers and researchers, as well as facilitating students' work placements abroad. Transnational and interregional cooperation has been one of the most successful features of the previous programming period in the field of mobility and will be further enhanced in the current one.

Some regions (i.e. Puglia and Sardinia) have been implementing specific programs by using ESF funding to provide their young people with the financial resources necessary to attend Master's courses in Italy or abroad. The goal is to foster the mobility of young people and regional development by generating a more skilled workforce.

2.3 Addressing problematic features of youth employment

The recent labour market reforms also aimed at increasing the employment opportunities of younger workers by introducing a set of atypical contractual arrangements. However, the already very low youth employment rates (especially in the case of young women) did not increase in the period 2004-2008, thereby widening the gap in comparison with the EU-27 average.

The economic crisis has hit atypical employment hard, recording the largest fall in 2009. The main job losses involved workers employed on fixed-term contracts and atypical jobs, contributing to the dramatic increase of youth unemployment rates up to the age of 29, the age group where both men and women are more likely to be employed in atypical jobs. Whereas the number of workers on fixed-term employment contracts declined by 11 % with respect to the previous year, the proportion of project workers and employer-coordinated freelance workers fell by about 16 %. Moreover, as already mentioned in the introduction, the number of young employed people sharply declined and youth employment rates significantly dropped in all age groups, for both men and women.

Young people were hence hardly hit by the recession after around a decade in which enhanced flexibility did not succeed in improving their employment opportunities. According to the latest Eurostat data, Italy is now one of the countries with the highest NEET (*Neither in Education nor in Employment or Training*) rates, namely 11.4 % for people aged 15-19 and 21.6 % for people aged 20-24 in 2008. Limited employment opportunities, which further decreased during the economic slow-down, and discouragement effects, seem to be the main reasons for this situation.

2.4 Roles of the labour market actors

The recent development of private job centres and temporary work agencies is expected to improve the match between labour demand and supply and to favour labour mobility. Their presence is, however, relatively inadequate in the regions where labour demand is the weakest. During the current economic crisis, some regions decided to outsource to these

agencies some of their public employment services (PES), in order to deal more effectively with redundant and unemployed workers.

Concerning PES, Law 2/2009 was proposed by the PES, introducing, as mentioned earlier, the obligation for all unemployment benefit recipients to sign a ‘declaration of availability’ to accept any congruent job offer or re-qualification activity. This conditionality measure, already present in the majority of EU unemployment benefit systems, may be considered a step towards a ‘welfare-to-work’ model. Accredited labour agencies also underwrite ‘service pacts’ with the unemployed, defining the obligations and responsibilities of both parties.

In 2008 the Government commissioned INPS (the national social security institute) to develop a database integrating information on unemployment benefit beneficiaries and PES administrative data.

3. Conclusions

In Italy, labour market conditions are traditionally unfavourable to younger workers and the situation worsened with the economic crisis. Most of the jobs lost in 2009 belonged to young people and the number of them who are neither employed nor in education or training grew dramatically. The employment rate in the age group 18-29 decreased, especially among low-skilled workers, and the unemployment rate increased, most of all among atypical workers.

Although several reforms and measures introduced in the past decade were expected to positively affect work opportunities for younger age groups, a set of mutually coherent labour market policies aimed at tackling the worrying and deteriorating conditions for younger workers is missing.

The increased flexibility introduced by recent reforms translated into a significant share of the young population holding atypical labour contracts, facing lower job security, lower contributions and lower expected pension benefits. Even though the recent introduction of significant measures should be praised (such as the job insertion contracts, apprenticeships, the increase of the ordinary unemployment benefits to apprentices and the lump-sum allowance for coordinated collaborators), younger workers continue to represent a significant part of the ‘dark’ side of the Italian dual labour market.

A weak reform of the school and university systems, persistent difficulties in the transition from school to work, severe public budget constraints and pressure from other segments of the labour market do not favour optimistic expectations. It is most likely that the Italian system of family support networks will continue to bear the costs of the difficulties experienced by young people. The consequent need to strengthen the inter-generational pact has rapidly outdated the once partly fashionable slogan ‘more to the children and less to the fathers’.

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Annex

Table 1: YOUTH EMPLOYMENT / UNEMPLOYMENT TRENDS (Q1 data)									
Data	Age group 15-19			Age group 20-24			Age group 25-29		
	2008	2009	2010	2008	2009	2010	2008	2009	2010
Employment rate (%)	6.9	5.7	4.7	40.8	37.1	36.0	64.6	62.0	58.7
Unemployment rate (%)	31.9	38.4	46.6	19.2	24.1	25.7	11.4	12.7	16.1
Long-term unemployment as a % of unemployed	26.9	26.6	28.6	41.5	39.7	45.4	45.3	38.4	45.3
Youth unemployment to population ratio	3.2	3.6	4.1	9.7	11.7	12.4	8.3	9.0	11.3

Source: Eurostat, Labour Force Survey

- : Data not available

Data in brackets not reliable due to small sample size.

Table 2: YOUTH UNEMPLOYMENT TRENDS (Q1 data, %)						
Data	Age group 15-24		Age group 20-24		Age group 25-29	
	2009	2010	2009	2010	2009	2010
Unemployment for the low-skilled (ISCED 0-2)	27.0	32.2	25.0	28.0	12.9	18.2
Unemployment for the medium-skilled (ISCED 3-4)	25.5	27.3	23.6	25.0	11.1	14.1
Unemployment for the high skilled (ISCED 5-6)	32.1	20.4	32.1	20.4	16.3	18.8

Source: Eurostat, Labour Force Survey. Data non-seasonally adjusted

Table 3: YOUTH TEMPORARY CONTRACTS (% OF EMPLOYEES) (Annual data)			
Data	Age group 15-19	Age group 20-24	Age group 25-29
	2009	2009	2009
Temporary work as a % of employment	51.9	36.7	18.5

Source: Eurostat, Labour Force Survey. Data non-seasonally adjusted

Table 4: NEITHER IN EMPLOYMENT NOR IN ANY EDUCATION OR TRAINING (NEET) (Annual data)

Data	Age group 15-19	Age group 20-24
	2008	2008
NEET rate (% of the age group) (annual averages)	11.4	21.6

Source: Eurostat, EU Labour Force Survey, Annual averages

Table 5: EARLY SCHOOL LEAVERS* (Annual data)

Data	Age group 18-24	
	2008	2009
Early school leavers (% of the age group)	20.1	19.6

Source: Eurostat, Labour Force Survey

* Percentage of the population aged 18-24 having attained at most lower secondary education and not being involved in further education or training.

Table 6: DIFFERENCE IN YOUTH UNEMPLOYMENT RATE BETWEEN Q4-2009 AND Q4-2007

Data	Age group 15-19	Age group 15-24
Difference in youth unemployment rate between Q4-2009 and Q4-2007	9.9	4.7

Source: Eurostat, Labour Force Survey. Data non-seasonally adjusted