

EMPLOYMENT AND TRAINING
PAPERS

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Youth unemployment and youth employment policies in Italy

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Foreword

This paper represents a contribution to the ILO's Action Programme on Youth Unemployment being undertaken in the 1996-97 biennium. The Action Programme is intended to: (i) raise awareness amongst constituents concerning the problems associated with the labour market entry of young people; (ii) to improve their understanding of the advantages and disadvantages of the principal policy and programme options for tackling the problem of youth unemployment; and thus, (iii) enhance the capacity of member States to design and implement policies and programmes for promoting youth employment. The Action Programme includes country case studies from all over the world as well as policy reviews concentrating on specific topics within the ambit of the youth unemployment "problem". The country case studies will be used as the basis for the major output of the Programme, a comparative report on youth unemployment and youth employment policy.

The paper deals with some of the issues concerned with young people setting up their own businesses. In particular, it sets out: to define the relationship of enterprise-based youth employment initiatives with wider youth employment programmes; to develop an overall conceptual framework for various categories of enterprise-based youth employment initiatives and their major components; and, to identify the major lessons to be learned to date with regard to the design and implementation of enterprise-based youth employment policies and programmes.

The paper finds that the promotion of youth enterprise comprise two main steps. Firstly, it must create awareness and understanding of what enterprise is and what it takes to own and manage a business. Secondly, it must provide practical support services such as training, advice, access to finance and to work spaces. Effective youth enterprise programmes require adequate funding, well trained and properly supported staff. Both the government and the private sector have important roles to play in programmes and policies promoting youth enterprise above-all through advice, support and programme sponsorship. A number of different ways of financing programmes and business start-ups are also considered although there is no consistent theme. Programmes can rely on international donors, governments and/or the private sector in providing the necessary financial and technical support.

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Introduction

The labour market in Italy is characterized by the following structurally specific features:

- C Regional differentials. In 1996 the unemployment rate was between 7 per cent and 10 per cent in Central and Northern regions, while it was over 21 per cent in the South where, moreover, the participation rate was also low, especially for women (37 per cent in the North and Centre, 28 per cent in the South);
- C Unemployment is highest for young people. In 1996 the unemployment rate of the 15-29 year old labour force (25.8 per cent), in Italy, was more than double that of the total working age population and the youth problem is much greater in the South where the unemployment rate of 15-29 year olds rises to 45.3 per cent;
- C The low rate of employment is mainly due to the lower female rate of employment (36.2 per cent) that is far inferior than the EU average rate of employment (49.7 per cent).

Why is the youth unemployment rate so high? Aside from demographic trends (namely the coming of age of the numerically largest generations, born at the beginning of the 1960s - i.e. the so called “baby boom” generation), and from decreasing labour demand, the other variables explaining the dominant features of Italian unemployment are institutional factors (such as the role of family) as well as qualitative labour mismatches. Indeed, the new entrants into the labour market are more highly educated but the occupational mix has not evolved in a similar way. Technological progress seems, on the contrary, to be bringing about a polarization of the skill mix.

The main labour policy undertakings in recent years have been developed in three areas:

- C increasing labour market flexibility through the introduction of new rules for atypical employment and hiring procedures;
- C granting general reductions in payroll taxes, as well as cuts in wage costs and social insurance contributions differentiated according to regions and economic sectors;
- C fostering integration or reintegration of disadvantaged groups (women, young people, workers on short-time compensation and on mobility rolls, etc.) into work.

These policies, however, have not produced the expected results, especially the second set of policies which have merely brought about an increase in budgetary constraints in exchange for only modest increases in employment.

A large part of public spending (over 50 per cent) has been dedicated to social security and the welfare system and has caused many problems for the Italian economy and to the labour market in particular. In fact, in addition to the imbalance between the

cost and quality of services, there has also been the high cost of the pension system. Notably, although the pension system, with easy transfers in crisis areas, has caused an increase in commodity demand and in welfare, it has also contributed to strengthening the role of the family in the guarantee system. Accordingly, especially for first-job seekers in the South, a higher reservation wage and growing long term unemployment is to be expected with the consequent destruction of human capital¹.

During the 1990s, government, business and labour institutions all came to realize that fighting unemployment would require a co-ordinated set of policy measures based on the following main objectives:

1. increasing employment, especially in southern Italy, through selective investments, mainly in infrastructure and in new labour intensive sectors;
2. investing in human resources, training and education;
3. ensuring the effective running of the labour market, by encouraging flexibility (part-time and rented work contracts);
4. offering a range of services to workers and business: information, vocational guidance, training, etc.;
5. guaranteeing, with special terms, financial protection to active job seekers.

In the following paper we will provide a policy review concentrating on specific topics of the youth unemployment problem. The paper consists of two parts: the first provides an overview of the Italian labour market, with international comparisons, and an analysis of North-South dualism and of issues concerning the problems of youth unemployment. The second part describes and evaluates the labour policies introduced in the last ten years and in the new National Labour Agreement (*Accordo per il Lavoro*).

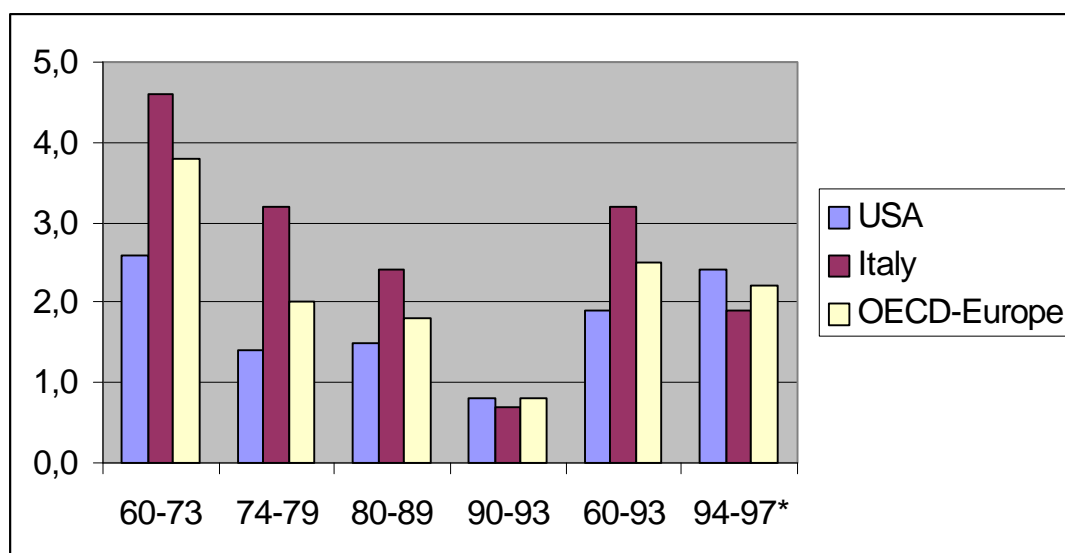
¹ Even this, as recent research has shown, demonstrates that transfers from the family to young people in Italy is lesser than that of other countries, like the United States, where the youth unemployment rate is lower (12,5 per cent).

Part A: Youth unemployment in Italy

1. The labour market in Italy

GDP growth in Italy was on average 3.2 per cent per annum from 1960 to 1993 (1,3 points more than the USA and 0.7 more than OECD-Europe). In particular, during the last ten years, sluggish growth or stagnation gave rise to a serious crisis between 1990 and 1993 (graph 1), partially offset in 1994-1995 and restored in 1996-1997.

Graph 1. Average growth rate of real per capita GDP (USA-Italy-OECD-Europe)



Source: OECD, Bank of Italy, EU, FMI

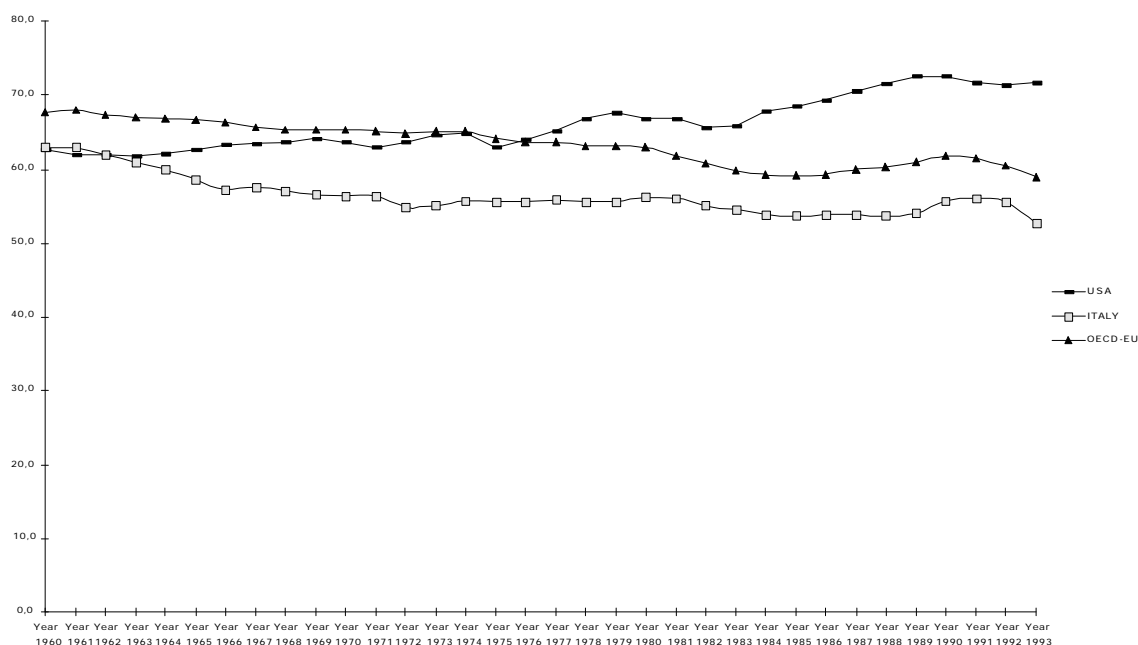
However, even if the Italian GDP growth rate is on average higher than that of OECD-Europe and the USA, unfortunately these production improvements have not been to the benefit of the labour market. The Italian labour market shows marked anomalies compared with the other major European industrialized countries. At aggregated levels the anomalies exist mainly in:

- a lower employment rate;
- a lower participation rate,
- the fact that the gap between the other European countries in terms of the unemployment rate has been reduced.

The employment rate

Since the sixties the trend of the Italian employment rate is constantly below the European average and that of the USA (graph 2).

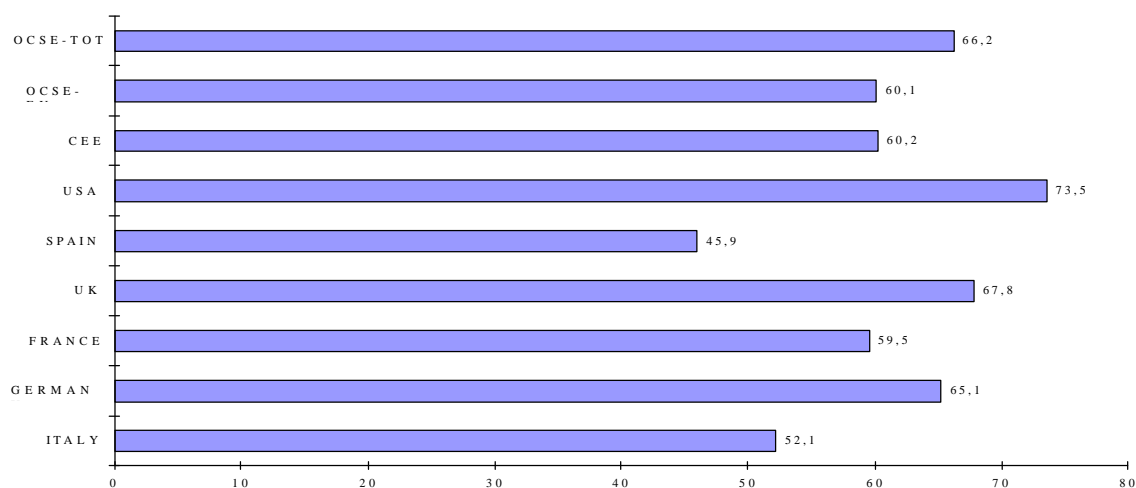
Graph 2. The employment rate (1960-1993) (USA-Italy-OECD-Europe)
Percentage of population 15-64



Source: Based on OECD data.

In 1995 the Italian employment rate (as a percentage of the population aged 15-64) (graph 3) is particularly low (52.1 per cent), second only to that of Spain (46 per cent), and 8 points lower than the European average (60.2 per cent).

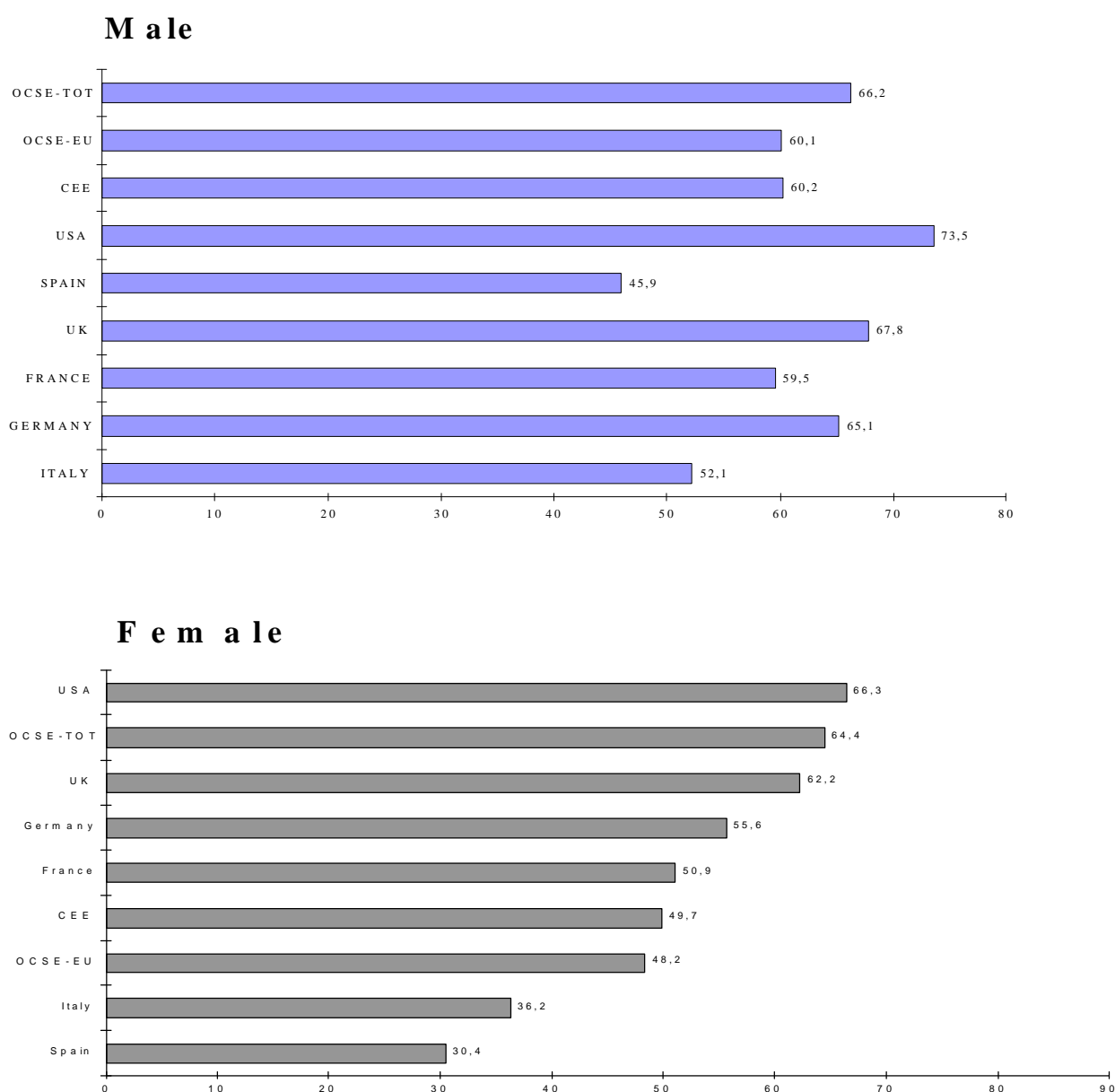
Graph 3. The employment rate-1995 (Principal countries)
Percentage of population 15-64



Source: Based on OECD data.

These differences are mainly affected by the level of the female employment rate (graph 4) 36.2 per cent in 1994 and significantly inferior to the European average (49.7 per cent). On the other hand, the Italian male employment rate, 68.6 per cent, is in line with that of the other European countries; higher than that of France and Spain, but lower than the European average.

Graph 4. The employment rate by gender - 1995 (principal countries), Percentage of population 15-64



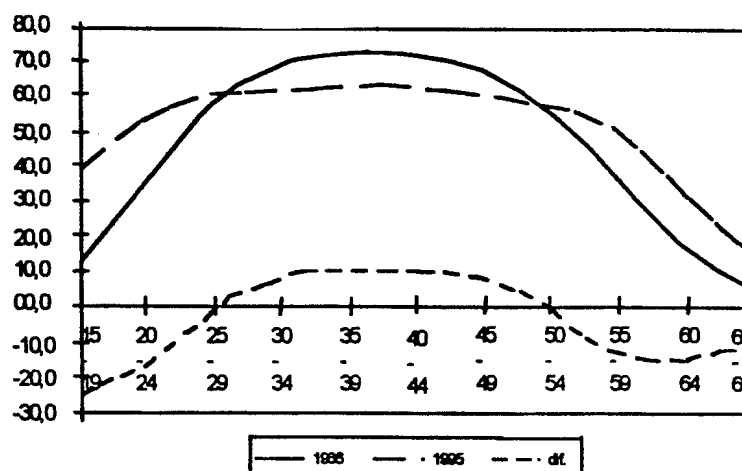
Source: Based on OECD data

Nevertheless, in the last twenty years employment has been modifying gradually, with an increased share of women related to the increase of those employed in the service sector. Indeed, during the '60s the presence of women in the labour market was sharply curtailed by the decline in the primary sector, whereas, in subsequent decades, this trend was more than offset by the growth in the service sector.

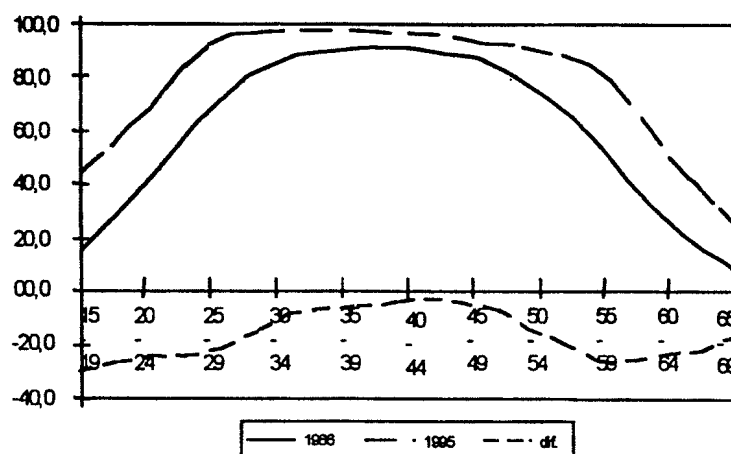
The process of the “feminization” of the labour market can be seen in graph 5. In fact, from 1966 to 1995 the pattern of female employment by age in Italy has moved significantly closer to that of male employment even if the level remains lower.

Graph 5. The employment rate by age, 1966-95

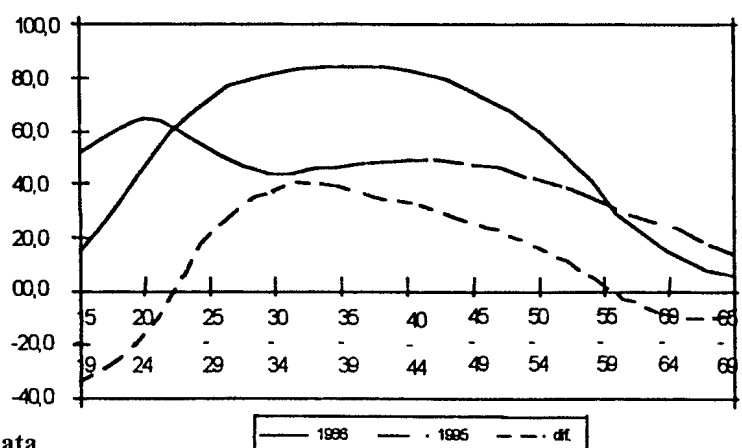
Males and Females



Males



Females



Source: FGB, based on ISTAT data

One reason could be the insufficient growth of the service sector. In 1995 the Italian and European employment rates (52.1 per cent and 60.1 per cent) were lower than in the USA (73.5 per cent) and this is due primarily to low female employment (the female employment rate is 66,3 per cent in the USA, 48,2 per cent in the EU and 36,4 per cent in Italy) (graphs 3 and 4 above). The reason for this difference is the predominance of the service sector in the United States. In the '60s, '70s and '80s the service sector in Italy expanded steadily, reaching a share of almost 60 per cent of total employment, but not enough to match that of the USA (73.0 per cent) (table 1).

Table 1. The employment rate by sector (principal countries) - 1983, 1993, 1994, 1995, Percentage of population 15-64

	Agriculture				Industry				Services			
	1983	1993	1994	1995	1983	1993	1994	1995	1983	1993	1994	1995
Italy	12.0	7.5	7.0	-	36.0	33.0	33.0	-	51.0	59.6	60.0	-
Germany	5.0	4.0	3.0	3.0	41.0	39.0	38.0	38.0	54.0	58.0	59.0	59.0
France	8.0	5.0	5.0	5.0	34.0	28.0	27.0	27.0	58.0	67.0	68.0	69.0
UK	3.0	2.0	2.0	2.0	33.0	26.0	26.0	26.0	64.0	72.0	72.0	72.0
Spain	19.0	10.0	10.0	9.0	33.0	31.0	30.0	30.0	48.0	59.0	60.0	61.0
USA	4.0	2.7	3.0	3.0	28.0	24.1	24.0	24.0	68.0	73.2	73.0	76.0
CEE	9.0	6.0	5.0	-	35.0	32.0	31.0	-	56.0	63.0	64.0	-
OECD-EU	13.0	9.7	10.0	-	33.0	28.2	29.0	-	53.0	58.2	61.0	-
OECD-TOT	9.0	8.0	8.0	-	32.0	27.0	28.0	-	59.0	65.0	64.0	-

Source: OECD.

Moreover, if we look at the total employment in Italy in recent times (graph 6) the job crisis was extremely serious. From April 1992 to January 1995, the Bank of Italy estimated a decrease in total employment of about 1,271,000 units (with a reduction of about 5 per cent), which hit both employees and the self-employed. The subsequent recovery, beginning in 1995, had not yet reabsorbed the previous employment loss (+ 0.40 per cent between 1995 and 1996, table 2).

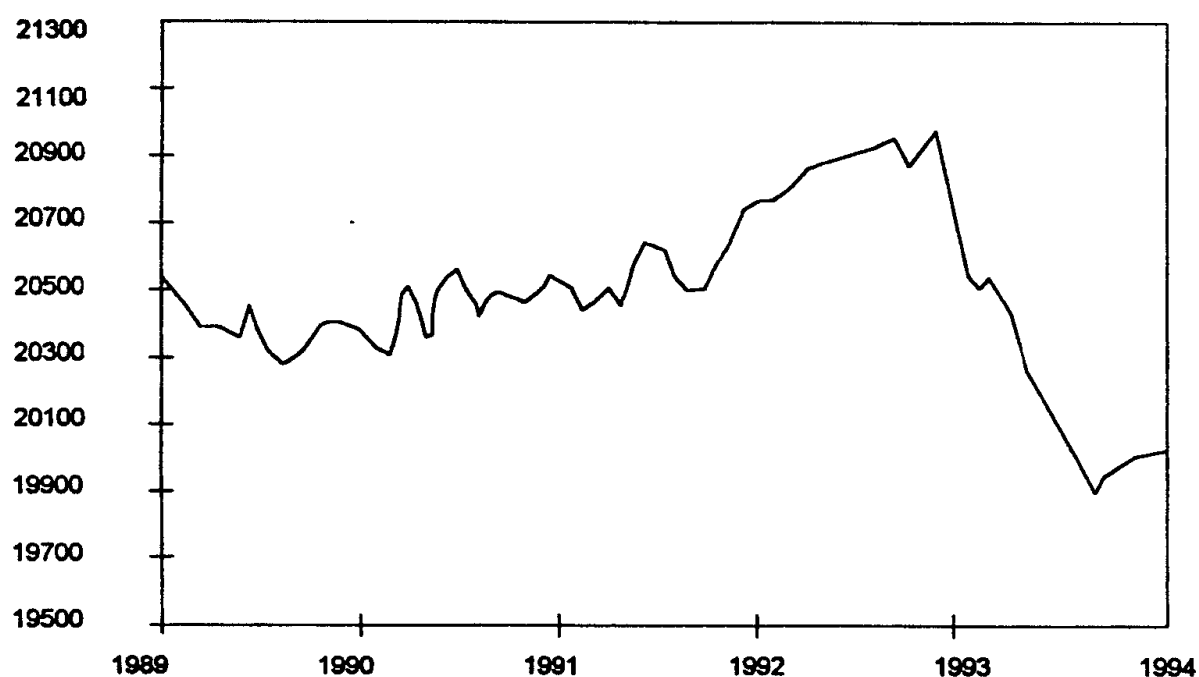
**Table 2. Employment by sector and gender - Italy
(Yearly percentage variation - 1993= 100)**

	Agricultural			Industry			Service			Total		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
1994	-4,5	-7,8	-5,7	-2,4	-0,9	-2,1	-1,5	-0,2	-1,0	-2,1	-1,0	-1,7
1995	-4,3	-7,0	-5,3	-1,7	-0,3	-1,4	0,1	1,2	0,6	-0,9	0,2	-0,5
1996	-4,3	-8,9	-5,9	-0,4	0,1	-0,3	0,4	3,1	1,6	-0,2	1,6	0,4

Source: Quarterly Survey on Labour Force, ISTAT.

With regards to the activity sector, the occupational crisis hit agriculture heavily. Industry, in 1994 and 1995 lost respectively 2.4 per cent and 1,7 per cent of its workers (table 2). The reduction in female employment is lower than the male and it increases in the services while male employment in this sector remained unchanged.

**Graph 6. Total employment in Italy. Quarterly data (x1000).
Series corrected for "seasonality"**



Source: CNEL on data of Ministero del Lavoro.

With regards to female and male employment, during the two years of recession, male employment, roughly stable during the '80s, dropped sharply, while female employment, which had been increasing rapidly in the last decade, fell only slightly.

In sum, it may be argued that during the last thirty years, the main reason for unemployment has been due to the job loss in agriculture and manufacturing. Only the service sector has been creating jobs; in this sector, due to relatively poor productivity performance, the growth in output has been achieved by an increased labour input, albeit not at the level seen in the USA, so that the women's access to the labour market has been lower than expected.

Moreover, following the oil crises in the '70s, Italian industry has been engaged in a drawn-out adjustment process. The need to save on energy costs, and, at the same time, to remain internationally competitive, spurred Italian industry to adopt the 'just on time' or other more flexible models of production. To facilitate this adjustment, stocks were cut down and service activities and production components were decentralized to smaller firms able to manage their labour force with greater flexibility.

In the tertiary sector the State performs an important role, but employment, in this sector, has been declining since 1993. Indeed, under budgetary constraints, many public administrative departments have hired only to replace (even if not entirely) retiring employees.

This decline damages southern regions in particular, where the majority of workers are employed in the public sector (33 per cent in the South, 21 per cent in the North and 29 per cent in the Centre, table 3).

The damage is far more serious for young people in the South as, in recent times, the public sector has granted the only 'regular' employment in this area, on which young people in the South have built their own human capital and their own aspirations. The wish to find regular employment in the public sector can be considered one of the reasons for the high reservation wage in the South.

Table 3. Employment by economic sector and territorial area - 1996 - Italy

	North	Centre	South	Italy
Agriculture	4.9 (100)	4.8 (100)	12.3 (100)	7.0 (100)
Industry	38.5 (100)	28.4 (100)	23.5 (100)	32.2 (100)
Energy and water	(2.8)	(4.8)	(5.2)	(3.7)
Manufacture	(78.6)	(70.4)	(51.8)	(71.7)
Construction	(18.6)	(24.8)	(43.0)	(24.7)
Other activities	35.9 (100)	38.0 (100)	31.5 (100)	35.1 (100)
Commerce	(46.4)	(46.5)	(53.4)	(48.2)
Hotels and restaurants	(13.2)	(11.6)	(11.7)	(12.5)
Transport and communications	(14.5)	(15.8)	(16.8)	(15.4)
Credit, insurance and financial management	(11.3)	(12.0)	(7.6)	(10.5)
Other services for enterprise	(14.6)	(14.2)	(10.5)	(13.5)
PA	20.7 (100)	28.8 (100)	32.7 (100)	25.7 (100)
Public Administration	(22.3)	(34.0)	(33.6)	(29.0)
Education, health and other social services	(52.4)	(44.8)	(52.4)	(50.7)
Other public services	(25.3)	(21.2)	(14.0)	(20.3)
TOTAL	100.0	100.0	100	100

Source: Quarterly Survey on Labour Force, ISTAT.

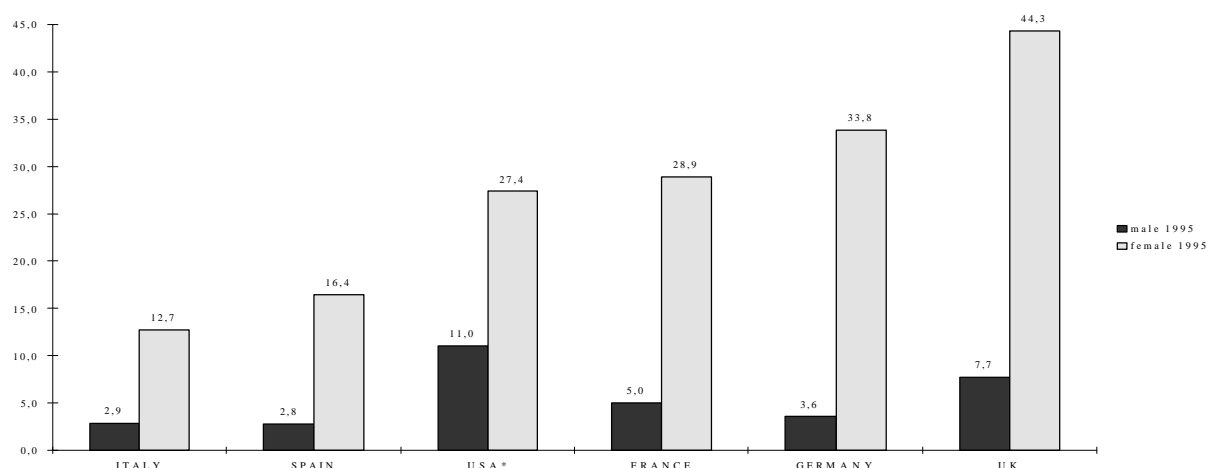
In conclusion the low rate of employment in Italy is mainly due to the low level of female employment. Moreover, in addition to the demand factors mentioned above, the access of women to the labour market still comes up against several obstacles such as discrimination by employers, even if it is not explicit, a cultural backwardness, that decreases the Italian female labour supply in comparison with all other European countries and the lack of infrastructure or of contractual agreements that favour

women's role in the family as well as in the labour market. For instance, the Italian part-time worker percentage out of total employment is the lowest in Europe, and this is greater for women (graph 7), even if, between 1987 and 1995, the number of part-time workers increased steadily (graph 8).

The activity rate

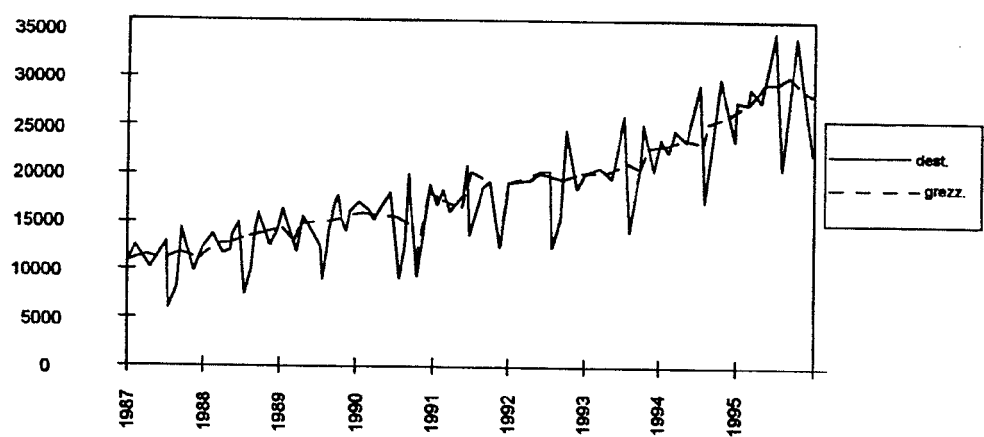
Another structural aspect of the Italian labour market concerns the low participation rate (graph 9). In international terms, Italy (59.6 per cent) has a lower rate, higher than the Spanish rate (59.3 per cent) only (graph 10). On the other hand, all European rates are inferior to that of the United States where almost 80 per cent of the aged working population is employed or is actively seeking a job.

Graph 7. Part-time employment by gender - 1995 (Principal Countries)
Percentage of total employment



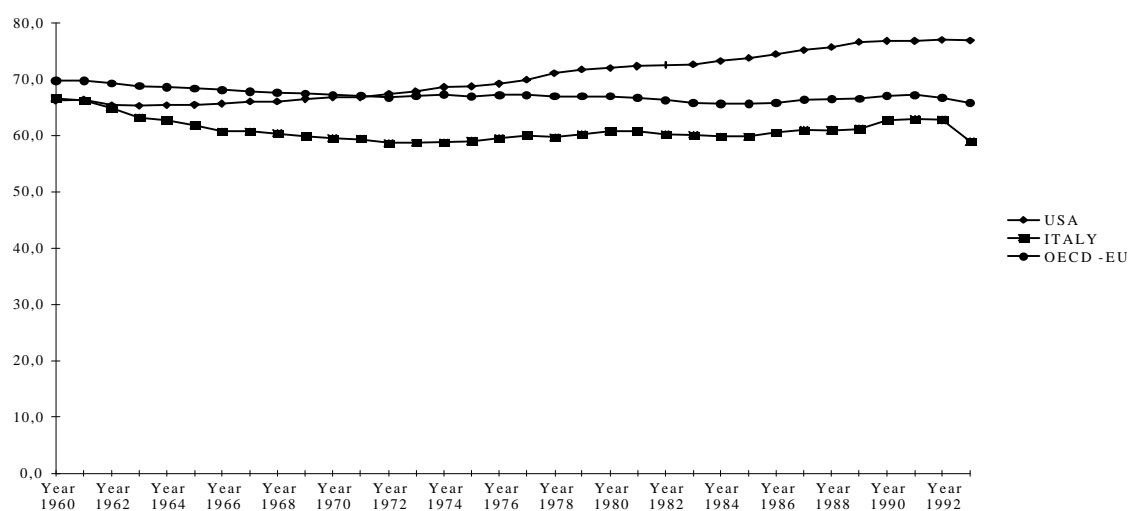
Source: Based on OECD data.

Graph 8. Part-time contracts. Italy 1987-95



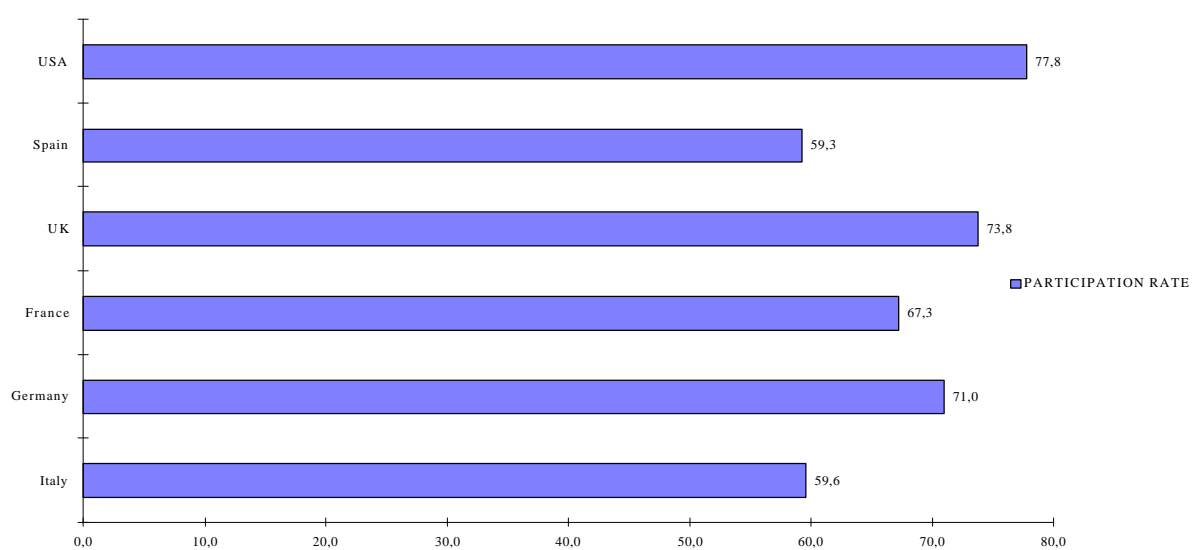
Source: CNEL on data of Ministero del Lavoro.

Graph 9. The participation rate (1960-1993) (USA-Italy-OECD-Europe)
Percentage of population 15-64



Source: Based on OECD data.

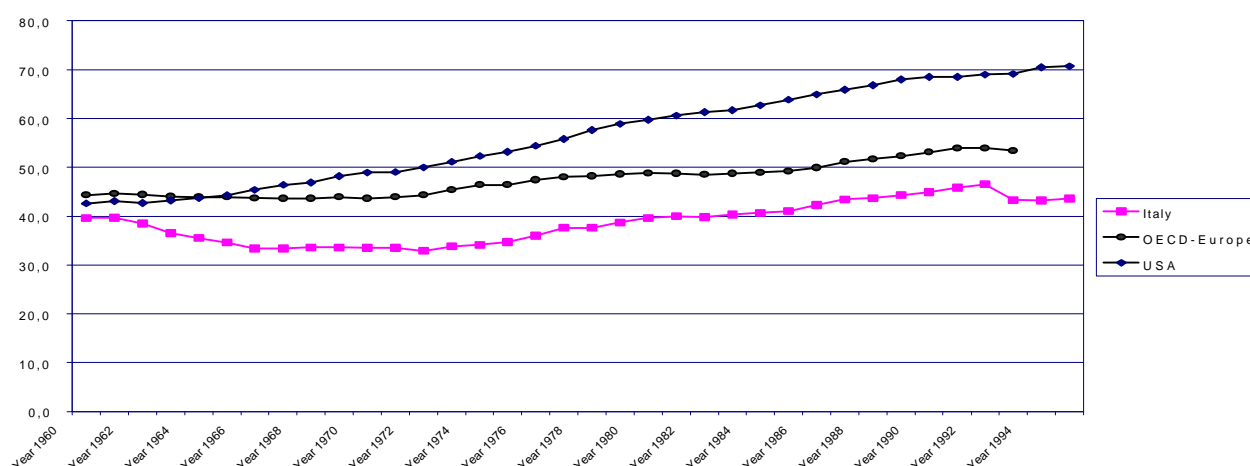
Graph 10. The participation rate - 1995 (Principal countries)
(USA - Italy - OECD - Europe)



Source: Based on OECD data.

This difference is due essentially to the modest growth of the female participation rate particularly (graph 11) in Mediterranean countries.

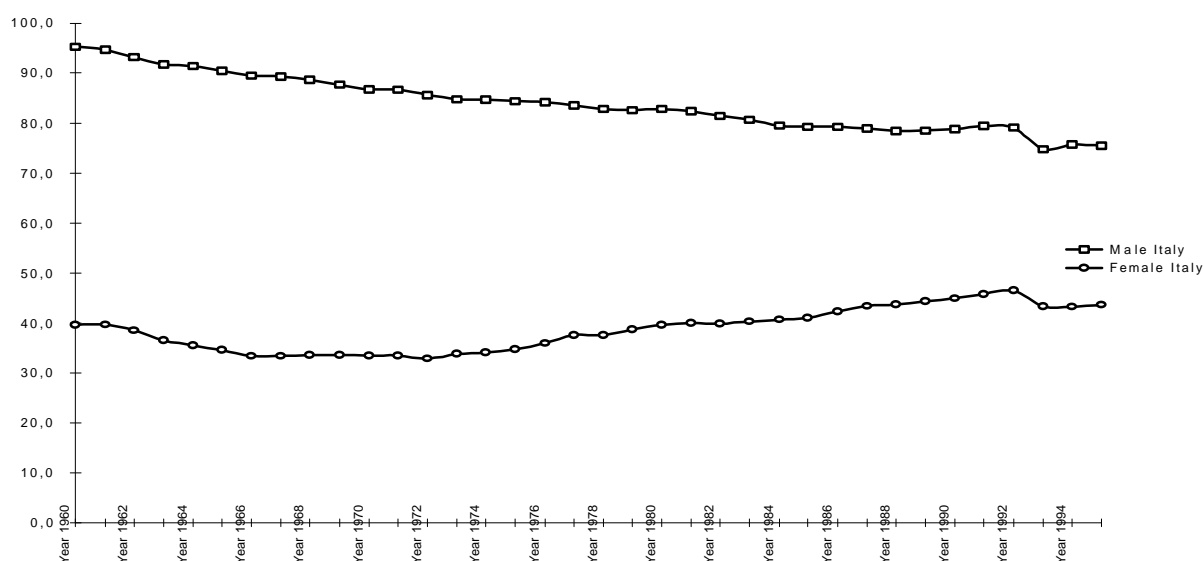
Graph 11. The female participation rate, 1960-1995, USA-Italy-OECD-Europe



Source: OECD.

In graph 12 it can be seen that, although the gap between men and women in Italy has been reduced, the difference in the participation rate still remains at 32 percentage points.

Graph 12. The female and male participation rate (1960-1995) (Italy)

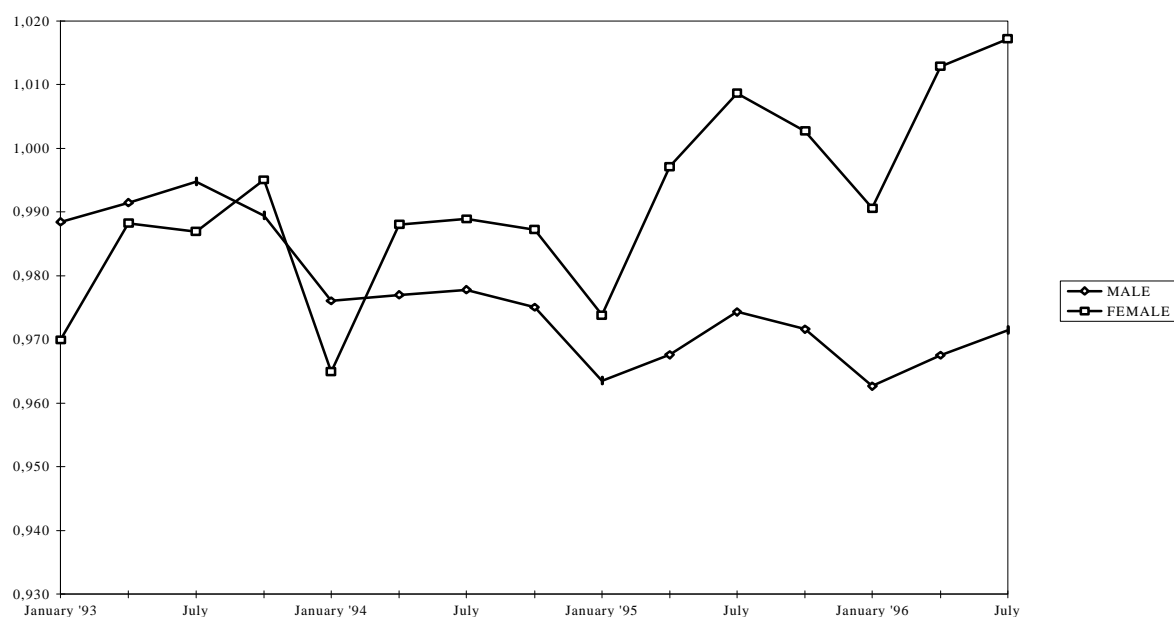


Source: OECD.

The reason for the low female activity rate is not only the discouraged worker hypothesis but also the basic cultural conditions and lack of infrastructures and services. In fact, until 1973 the reduction in the female participation rate arose from the transformation of and the decrease in female employment in the agricultural sector. After 1973 Italian women partially benefited from opportunities in the development of the service sector as in the USA. This is due to the lack of infrastructure and of a cultural heritage which deems the work of men a right and a duty and the work of women an optional. Another reason regards the wage expected. women have gained, but not completely, a differential wage compared to men.

During the employment crisis in the nineties (graph 13) the pattern of the female participation rate has been growing even if women's employment has been declining. This does not mean that there are no signs of 'discouragement', but simply that also in this period, the steady increase in the female activity rate seems to persist.

Graph 13. The participation rate by gender, October 1992= 100



Source: OECD.

Nevertheless, this process is still insufficient and slower in the South where women are less active. As Mazzotta and Nese (1997) point out, women in the South are no more discriminated against than those in the North, their smaller participation in the labour market depends on the cultural heritage and inefficiency of social services.²

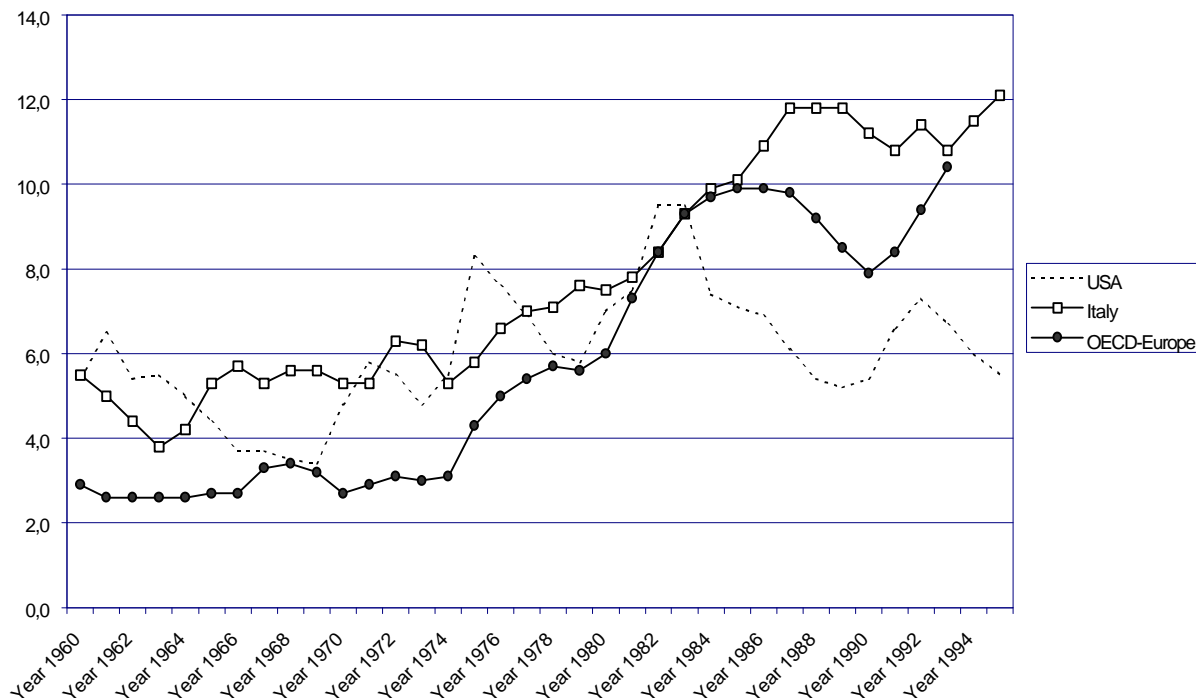
In conclusion we assume that Italian women are moving closer to male models of labour participation. However, this process works less in the South where factors such as the employers discrimination or greater difficulties in combining work and family are more prevalent. The hypothesis may be confirmed by pointing out that female employment rate differentials between the Centre-North and South are mainly due to lower participation in southern regions (graph 16). Others (European Commission 1996) attribute the lower female participation to the lack of more flexible job contracts, such as part-time work.

The unemployment rate

As regards the unemployment rate, Italy and Europe have been suffering from a constant increase in unemployment since the end of the '70s, while the U.S. unemployment rate has a more cyclical course (graph 14).

Graph 14. The unemployment rate, 1960-1995, USA-Italy-OECD-Europe

² In this research a multinomial logit model has been implemented to estimate the likelihood of being unemployed, the likelihood of being employed and the likelihood of being left out of the labour force. Results show that the likelihood of being left out of the labour market for women living in the South is greater than for women living in the Centre-North (a difference of the estimated probability of 12 per cent). while the difference between the likelihood of being employed is not statistically different even if it is lower for women living in the South (-2 per cent).

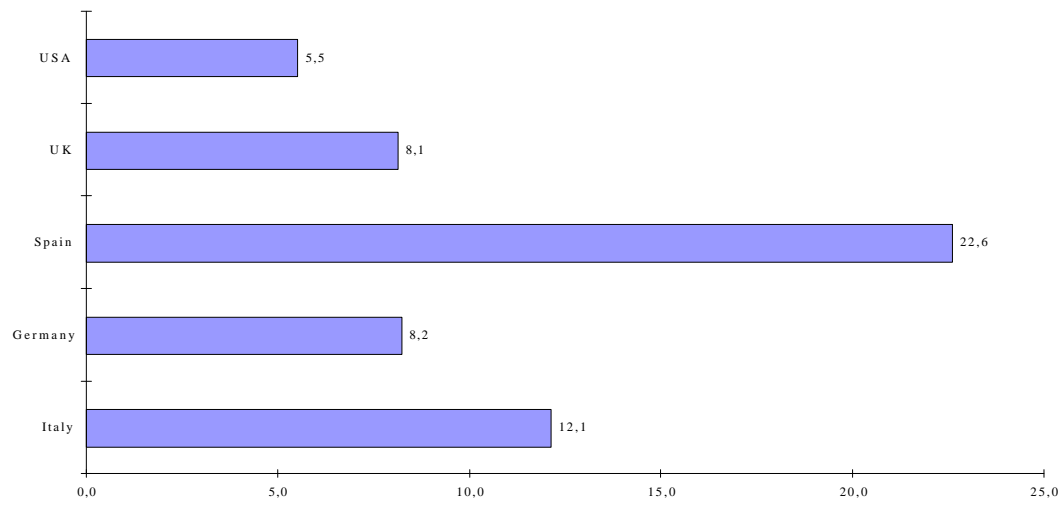


Source: OECD.

The difference between the Italian unemployment rate and other European countries is small (graph 15), but specific problems are:

- increasing dispersion among regional unemployment rates;
- steep increases in structural unemployment for women and young people;
- sharp rises in long-term unemployment.

Graph 15. The unemployment rate - 1995, principal countries.



Source: OECD.

2. North South dualism

As stated above, there are very strong similarities regarding the dynamics of the unemployment rate in the eighties and the first half of the nineties between the EU countries. During this time, the unemployment rate in Italy was on average 10 per cent, (table 4) a level not much different to that of most of the twelve member countries of the European Union. At the same time, only Spain (19,9 per cent) and Ireland (15,8 per cent) recorded an unemployment rate higher than that of Italy, while other countries: Germany (6,7 per cent), Portugal (6,3 per cent), Greece (7,7 per cent), and Great Britain (9,8 per cent), the unemployment rate was slightly lower.

Table 4. The unemployment rate of 'EU' countries, average value 1983 - 1995

Country	Average unemployment rate (%)
Belgium	12.0
Denmark	6.1
Germany	11.3
Spain	22.9
France	10.8
Ireland	2.2
Italy	23.6
Holland	4.4
Portugal	7.5
UK	12.4

Source: Based on EUROSTAT data

What, on the contrary, differentiates the Italian labour market from its European partners is the regional allocation of unemployment. If we consider the simple difference between the maximum and minimum regional unemployment rate, as a measure of the territorial discrepancies, we find that Italy (and also Spain) has very high levels compared with its European partners. In Italy, in particular, this difference was, at the time in point, 23.6 per cent on average, compared to 22.9 per cent in Spain, while in the other countries the rate never topped 13 per cent (table 5).

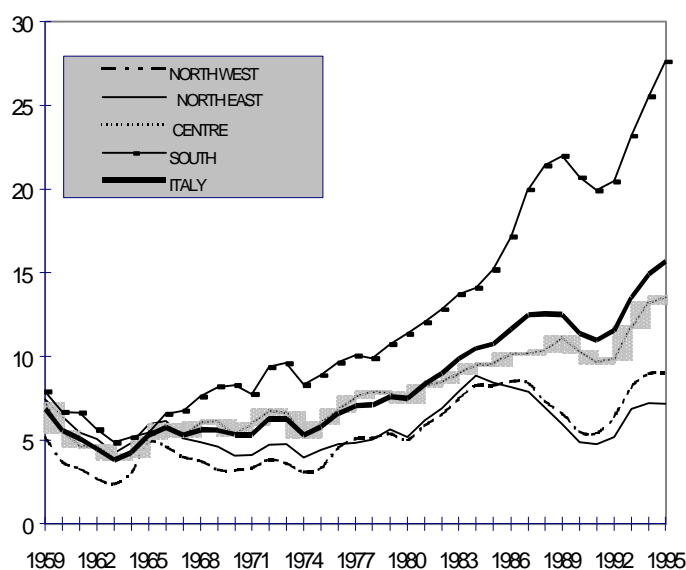
Table 5. The unemployment rate of 'EU' countries, average territorial variation Percentage 1983 - 1995

Country	Territorial variation in unemployment rates,
Belgium	12.0
Denmark	6.1
Germany	11.3
Spain	22.9
France	10.8
Ireland	2.2
Italy	23.6
Holland	4.4
Portugal	7.5
UK	12.4

Source: Based on EUROSTAT data.

This striking regional dualism is one of the most structural characteristics of the Italian economy and in the last twenty years it has been defined as a regional differential in unemployment location. If we refer to ISTAT data, from 1961 to 1995, we note an increasing difference in the level of use of the labour force between different areas in the country, and it has been increasing in recent times (graph 16).

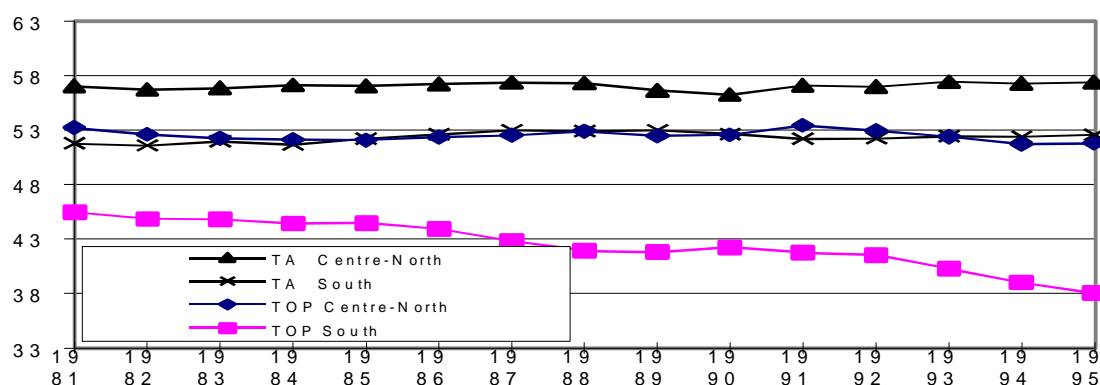
Graph 16. The unemployment rate, 1960-1995



In 1960 the unemployment rate in Italy was 5.5 per cent and the difference between that of the South (6.6 per cent) and the North (5.3 per cent) was about one percent. The unemployment rate in the South grew considerably over the years compared to other areas in the country. In 1995, therefore, the percentage of jobless people in southern Italy (27.2 per cent) was twenty percent higher than in the North (7.1 per cent), and the situation worsened, particularly since the mid-eighties. In fact, since that date the unemployment rate in the South doubled from 13.9 per cent in 1986 to 27.2 per cent in 1995.

An analysis of graph 17 notes that from 1981 to 1995 the activity rate was almost constant in all regions, while the employment rate was virtually stable in the Centro-Nord and decreasing in the Mezzogiorno. An overall view of the development of regional differentials might be examined through the indexes of the regional variability of labour market variables. The index considered is the normalized mean square error (SQT) for each year related to the unemployment rate (TU), the activity rate (TA) and employment/population ratio (TOP). The time series of the SQT shows if the regional differentials of the variables have been increasing or decreasing.

Graph 17. The activity rate (TA) and the employment rate (TOP), Centre-North and South, 1981-1995.



Source: Amendola, Caroleo, Coppola, 1997.

Regarding the unemployment rate, the dynamics of the (SQT) show an increase in the regional differential throughout the period concerned (graph 18). In particular, after a prolonged phase of progressive expansion in the sixties and seventies, a reduction in the regional differentials can be seen in the early eighties, due to the positive performance of the labour market in the southern regions. Since 1984 regional variability greatly increased, underlining a substantial increase in regional differentials. Today, therefore, the regional differentials in the unemployment rate are a great deal

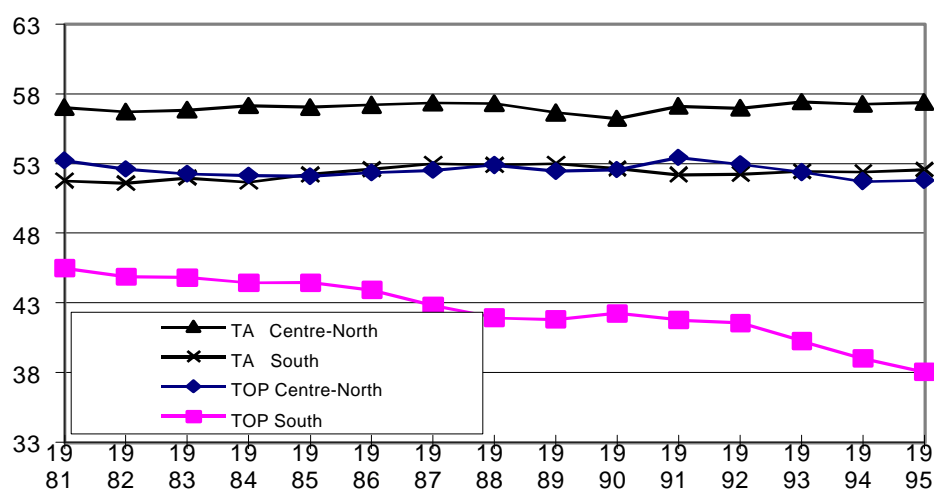
more marked than at the end of the seventies.

As regards the employment rate (TOP), the SQT shows:

- a marked and prolonged reduction in the regional differentials up to the beginning of the seventies;
- an increase in the differences with strong accelerations, as a consequence of the two oil crises, in the seventies and eighties;
- in the last decade, a substantial stabilisation at a high level of the differences in the regional variability of the employment rate.

The activity rate, however, shows a very different picture. In graph 18 we can note a tendency in the long term to a reduction in regional differences in the labour supply. This phenomenon is markedly due to regional dynamics in the female labour supply.

Graph 18. Normalized mean square error of the unemployment rate (TU), the employment rate (TOP) and the participation rate (TA), regional data, 1960-1995.

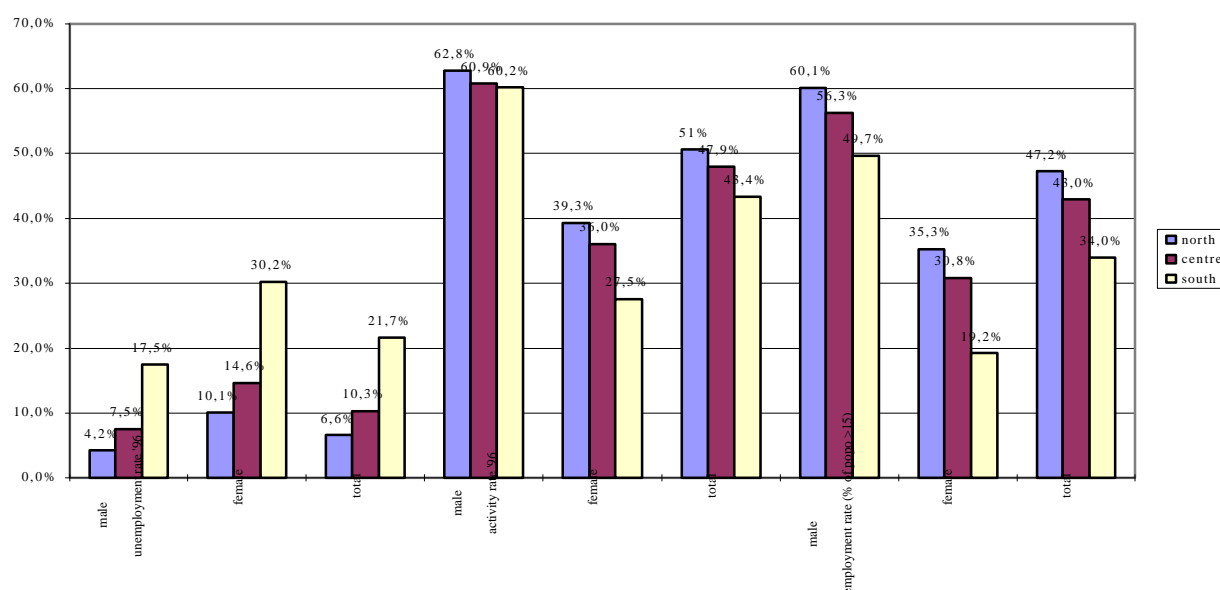


In sum, in Italy, the increasing convergence in the regional labour supply trend does not correspond to an analogous convergence in employment opportunities. Therefore, the Italian labour market presents an increasing inequality in the regional distribution of supply and demand that, in the more disadvantaged areas, exacerbates the emergence of increasing quotas of hidden unemployment. This phenomenon is undoubtedly more evident primarily from the early eighties. It seems, therefore, that the North-South dualism in the labour market has been sharpened by the negative trend in labour demand in southern Italy.

The nation-wide indicators of the labour market in Italy, as has been said above, show great differences between the North and South. In Central and Northern regions, the unemployment rate in 1996 was between 7 per cent and 10 per cent, but in the South the rate was over 21 per cent (graph 19). Moreover, in the South, labour participation is also low, especially for women (37 per cent in the North and Centre, 28 per cent in the South) (graph 19), and this suggests that the potential labour force is even greater than that recorded in official statistics. As we have already said (Mazzotta, Nese, 1997) possible reasons for this phenomenon in part, may be cultural and due to the inefficiency of social services.

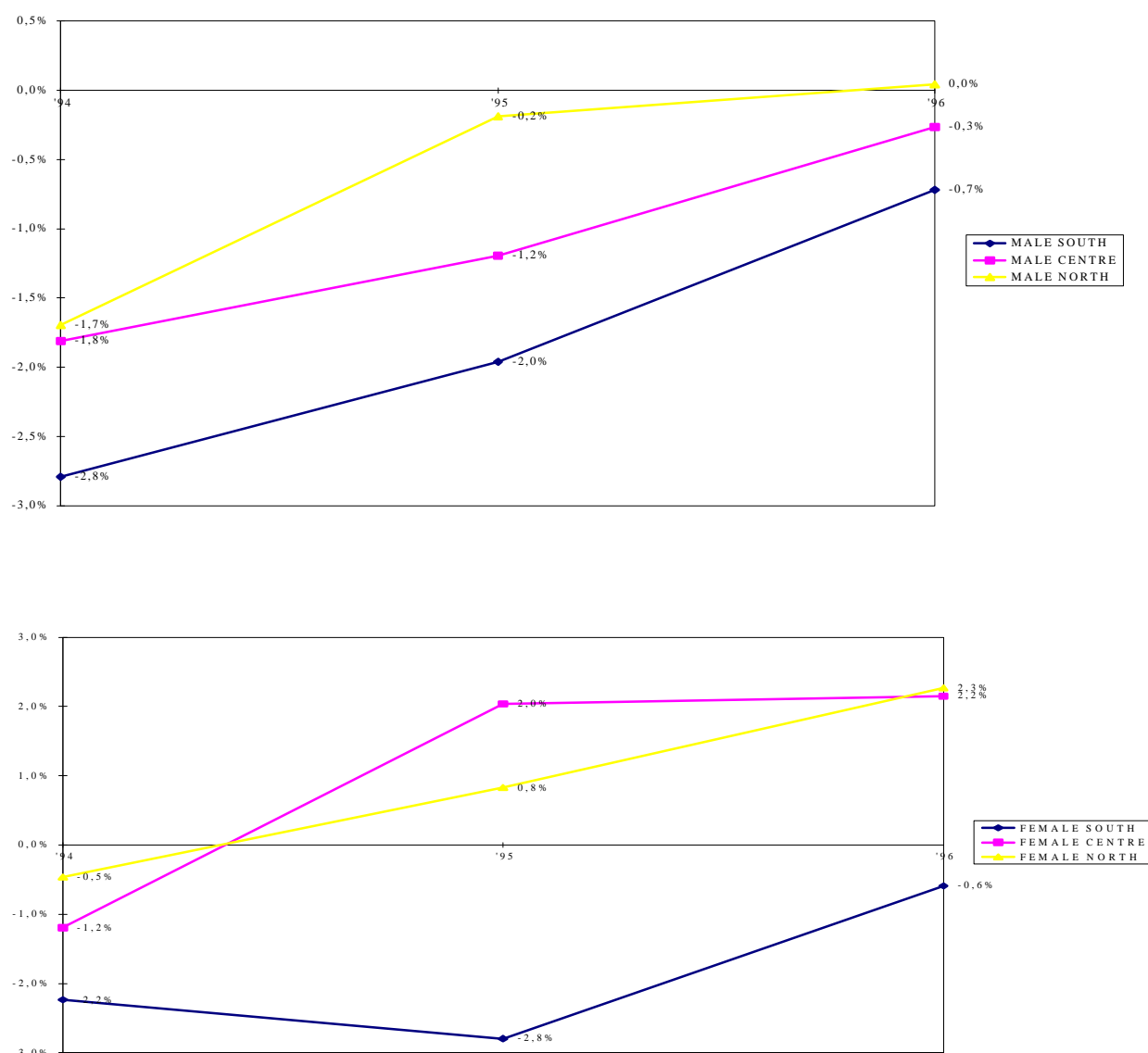
In Italy about 50 per cent of the men of working age are employed, but only a quarter of women have a job and there are notable differences in the dynamics of employment in different geographical areas. The male employment rate is 60 per cent in the North and 50 per cent in the South, while the female employment rate range is 35 per cent and 19 per cent (graph 19).

Graph 19. Indicators by gender and territorial area, 1996



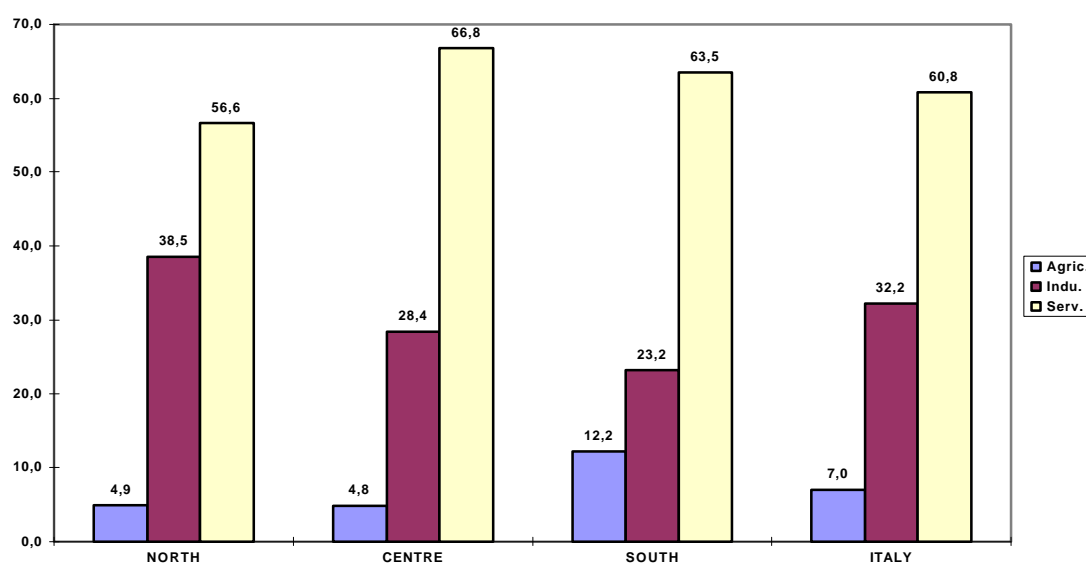
Source: Quarterly Survey on labour force.

During the recession (1993-1994), in the North, the reduction in the number of employed is ascribed largely to the decrease in male workers (-1,7 per cent for male and -0,5 per cent for female) (graph 20) while in the Centre it mainly concerns both male and female workers (-1.8 per cent for male and -1.2 for female). In the South, as in the Centre, this reduction regards male workers (-6.2 per cent), but the employment reduction persists also in the recovery phase (-0.6 per cent from 1995 to 1996) (graph 20).

Graph 20. Yearly employment variation by gender, Jan. 1993 - Jan. 1996

Source: Quarterly Survey on labour force.

With regards to activity sectors, in the Centre there is a larger service sector (67 per cent) (graph 21). The North has a higher quota of those employed in industry (38.5 per cent) and in the South agriculture, generally in decline, takes up a higher quota of workers (12.2 per cent) than the rest of the country.

Graph 21. Employment by sector and territorial area, 1996

Source: Quarterly Survey on labour force.

During the period 1993-1996 in Southern Italy the most notable decrease in the number of employed was in the agricultural sector (-8.8 per cent in 1996) (table 6).

Table 6. Employment yearly variation, 1993-1996

Yearly average	Agriculture		Industry		Services		Total	
North								
1993	595	-	4.067	-	5.740	-	10.401	-
1994	558	-6.2%	4.029	-0.9%	5.687	-0.9%	10.274	1.6%
1995	545	-2.3%	3.977	-1.3%	5.772	1.5%	10.294	0.2%
1996	509	-6.6%	3.998	0.5%	5.878	1.8%	10.385	0.9%
Centre								
1993	229	-	1.183	-	2.675	-	4.087	-
1994	223	-2.6%	1.150	-2.9%	2.649	-1.0%	4.022	-1.6%
1995	206	-7.7%	1.161	1.0%	2.653	0.2%	4.020	0.0%
1996	195	-5.3%	1.148	-1.1%	2.702	1.8%	4.045	0.6%
South								
1993	845	-	1.475	-	3.660	-	5.979	-
1994	793	-6.2%	1.408	-4.5%	3.623	-1.0%	5.824	-2.6%
1995	765	-3.5%	1.357	-3.7%	3.600	-0.6%	5.721	-1.8%
1996	697	-8.8%	1.328	-2.1%	3.631	0.9%	5.656	-1.1%
All Italy								
1993	1.669	-	6.725	-	12.074	-	20.468	-
1994	1.574	-5.7%	6.587	-2.1%	11.959	-0.9%	20.120	-1.7%
1995	1.516	-3.7%	6.495	-1.4%	12.025	0.6%	20.036	-0.4%
1996	1.401	-7.6%	6.474	-0.3%	12.211	1.5%	20.086	-0.3%

Source: Quarterly Survey on labour force.

The distribution of temporary employment (table 7), is almost the same in the

North as in the Centre (4.2 per cent) while it is greater in the South (8 per cent). The high percentage of temporary workers in the South is due to the number of those employed in the agricultural sector, where there is a large demand for seasonal workers. The rate of temporary workers in agriculture, in Southern Italy, is 20 per cent and these workers are predominantly women.

As concerns part-time employment, there is a certain homogeneity in area (between 6 per cent and 7 per cent). In the North a greater “feminization” of part-time work can be noted (table 7). In fact 13.9 per cent of northern women workers have a part-time job (12.4 per cent in the Centre and 9.7 per cent in the South).

In the Mezzogiorno there is a structurally dependent economy, where consumption is sustained artificially by transfer of resources from outside (Leonardi, 1995). Several factors such as the lack of infrastructure, high transport costs and the effect of organized crime, have hindered the growth of business in the South. These obstacles have impeded inflows of private capital investment, both Italian and foreign (Oneto, 1995). Nationwide collective bargaining has been deemed insufficient to compensate for the gap in productivity. Only thanks to social contribution relief for employers were unit labour costs in manufacturing kept in line with the rest of the country.

Table 7. Fixed term and part-time contracts, by area, gender and sector, 1996

Workers	Fixed term				Part-time			
	North	Centre	South	Italy	North	Centre	South	Italy
By gender								
Male	3.2	3.2	7.3	4.5	2.5	2.7	3.9	3.0
Female	5.2	5.6	10.1	6.7	13.9	12.4	9.7	12.6
Total	4.8	4.2	8.1	5.3	7.0	6.3	5.6	6.4
By sector								
A	4.3	5.6	19.9	12.3	10.6	10.3	13.1	11.8
I	3.7	3.7	9.1	4.8	3.9	4.4	3.9	4.0
S	4.6	4.2	5.5	4.8	8.7	6.8	4.7	7.1

Source: Quarterly Survey on Labour Force.

Another factor contributing to the difference in labour costs between the Centre-North and South is the distribution of non-regular employment. Non regular jobs now represent some 34 per cent of total employment in the South (33 per cent in 1980) (European Commission, 1996), against 18 per cent in the Centre-North. Non regular or unregistered workers are most common in agriculture and in construction.

Finally, whereas in northern Italy the bulk of the jobless are unemployed workers (i.e. dismissed workers), in the South the largest group is composed of first-time job seekers (50 per cent) (table 8), moreover, the gap particularly concerns those

aged 15-29 (graph 22). In particular, the unemployment rate differential between the Centre-North and South is more marked for men than women up to the age of 30. While participation rate differentials persist only for women -the female participation rate in the South is lower.

Table 8. Unemployment distribution by type and area, 1996

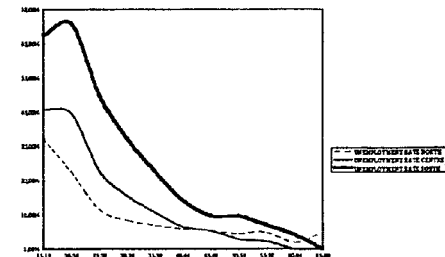
	Unemployment			First-time seekers			Other seekers			Total		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
North	148	185	333	91	138	229	41	132	173	280	455	735
Percentage	53	41	45	33	30	31	15	29	24			
Centre	91	81	172	95	102	197	20	75	95	206	258	464
Percentage	44	31	37	46	40	42	10	29	20			
South	355	152	506	444	334	778	50	230	280	849	715	1564
Percentage	42	21	32	52	47	50	6	32	18			

Source: Quarterly Survey on Labour Force.

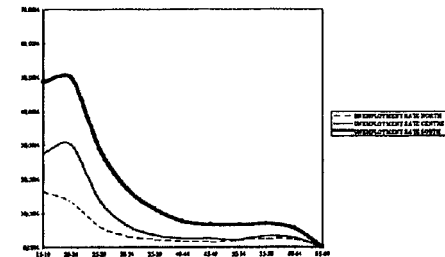
To summarize, higher unemployment of the young and a lower female participation rate are the main structural features that differentiate the Mezzogiorno from the Centre-North. In the latter, the reasons for scant female participation in the labour market, and consequently the lower female employment rate in the South, are due to a lack of social services and infrastructure and a cultural heritage. Below we shall describe some features of youth unemployment.

Graph 22. Unemployment rate, participation rate and employment rate, by gender, age and area, 1996

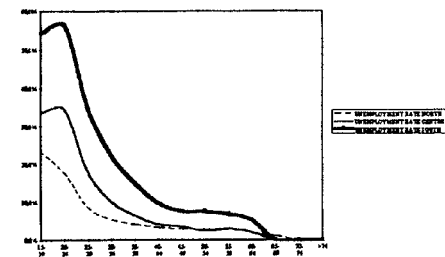
**Unemployment rate
(Unemployment/Labour Force)
Female**



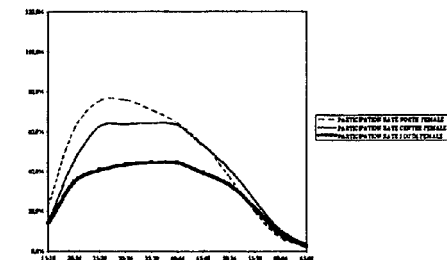
Male



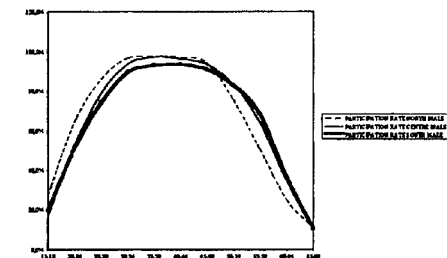
Male+female



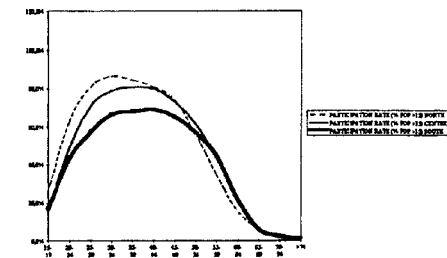
**Participation rate (Labour Force/Pop.>15)
Female**



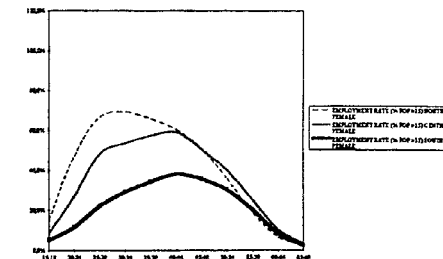
Male



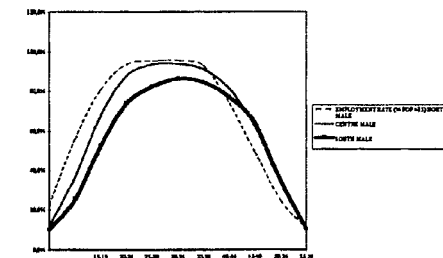
Male+female



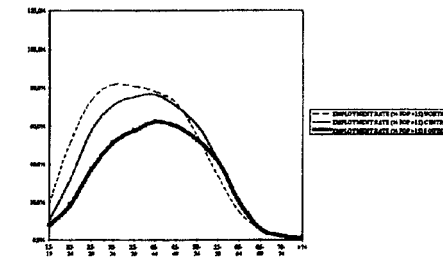
**Employment rate (employed//POP.>15)
Female**



Male



Male+Female



3. The labour market by age group

Table 9 shows the unemployment rate by age for the relevant industrialized country. In 1995 there was illustrates a high degree of youth unemployment, except for Germany. Compared with other European countries, Italy has however a very high youth unemployment rate, lower only to that of Spain.

In the long term, the youth unemployment rate substantially increased in all countries; particularly between 1983 and 1995 it ranged from 30.5 per cent to 32.8 per cent in Italy, from 19.7 per cent to 25.9 per cent in France and from 37.6 per cent to 42.5 per cent in Spain.

During the same period, in another group of countries (Germany, United Kingdom, United States of America), where in general, policies favouring young people were successfully undertaken, there was, on the contrary, a decrease.

Table 9. The unemployment rate by age, OECD countries, 1983-1995

	1983			1995		
	15 to 24	25 to 54	55 to 64	15 to 24	25 to 54	55 to 64
Male and Female						
USA	17.2	8.0	5.7	12.1	4.5	12.1
Spain	37.6	11.5	7.4	42.5	20.8	42.5
UK	-	-	-	15.5	7.4	15.5
France	19.7	5.7	6.3	25.9	10.5	25.9
Germany	11.0	6.9	8.9	8.5	7.7	8.5
Italy	30.5	4.5	2.9	32.8	8.9	32.8
Male						
USA	6.1	8.2	18.4	3.6	4.4	12.5
Spain	8.8	11.5	33.7	12.6	15.3	37.0
UK	10.1	9.3	22.4	10.1	8.5	17.9
France	6.0	4.4	15.0	7.7	8.8	21.0
Germany	9.0	6.3	10.4	10.4	6.3	8.7
Italy	1.9	2.7	25.5	4.1	6.7	29.0
Female						
USA	2.9	7.7	16.8	3.6	4.5	11.8
Spain	5.1	11.6	48.7	11.4	37.5	49.1
UK	-	-	-	3.9	6.1	12.5
France	6.9	7.7	25.5	6.6	12.6	32.2
Germany	8.6	8	11.7	13.7	9.4	8.2
Italy	6	8.3	36.5	4.9	37.6	37.6

Source: OECD.

In the debate on youth unemployment it is often stressed how its effects are generally alleviated by the “support” the young get from the family. In addition this “support”, in raising their ‘reservation wage’ (i.e. the expected minimum wage required to accept a job), allows them to wait for long periods of time before finding more suitable jobs.

Moreover, research on reservation wage estimation in Italy (Mazzotta,1996) shows that it is higher and more significative in the South. However the level of significance is lower for the re-entrants and job-losers than the new entrants (tables 10a - 10d). In other words, the higher reservation wage in southern Italy depends mainly on first-time job seekers.

Table 10a. Estimation of the reservation wage (total unemployed, January '95)

OLS	Coefficient	T-ratio	T-ratio(prc. White)
Area			
South	0.1637	4,990 ***	5,116 ***
Centre	0.0522	1,652 *	1,997 *
Age			
15-30	-0.0274	-0.653	-0.627
31-40	-0.0287	-0.854	-0.855
Sex			
Female	-0.0712	-3.033 ***	-3.096 ***
Relation to head of family			
Head of family	0.1448	1.751 *	1.177
Spouse	0.1032	1.268	0.873
Son/daughter	0.1197	1.516	0.979
Education			
University	0.2181	5.271 ***	5.587 ***
Upper secondary	0.0677	3.364 ***	3.336 ***
None or elementary	-0.0562	-1.854 *	1.837 *
Work experience			
Yes	-0.0888	-2.870 ***	-2.773 ***
Availability to work			
Not immediately	-0.0100	-0.174	-0.216
Under certain conditions	-0.0037	-0.192	-0.180
Months from last search	-0.0035	-0.651	-0.903
No. of search actions			
2-3 acts	-0.0101	-0.483	-0.474
4-5 acts	0.0795	1.967 **	1.654 *
More acts	-0.0101	-0.121	-0.144
Search intensity	0.0167	1.180	1,394
Mobility			
Out of place of residence	0.0623	3.383 ***	3.303 ***
Duration of discouragement	-0.0002	-0.421	-0.483
Type of preferred work			
Only full-time	0.1903	7.757 ***	8.224 ***
Preferably full-time	0.1052	4.406 ***	4.229 ***
Only part-time	-0.0779	-2.338 *	-2.168 **
Log (Unemployment Duration)	-0.0046	-0.624	-0.623
Condition before the search			
Labour force	0.11485	3.460 ***	3.134 ***
Sector preferred			
Only private	-0.0046	-0.241	-0.243
Only public	0.0080	0.173	0.200
Av. unemployment rate (Jan. '94-Jan. '95)	-0.1284	-1.593	-1.603
Log (Total n. family's component)	-0.0554	-0.997	-1.134
Log (N.unemployment in family)	0.0197	0.418	0.510
Constant	13.9220	125.623	97.818

Source: Mazzotta (1996) on Quarterly Survey of Labour Force data, ISTAT

Table 10b. Estimation of the reservation wage (new entrants, January '95)

OLS	Coefficient	T-ratio	T-ratio(prc. White)
Area			
South	0.179	3.909 ***	4.628 ***
Centre	0.019	2.039 **	2.599 ***
Age			
15-30	0.037	0.559	0.739
31-40	0.026	0.436	0.539
Sex			
Female	-0.042	-1.596	-1.829 *
Relation to head of family			
Head of family	0.264	2.359 **	1.228
Spouse	0.247	2.347 **	1.196
Son/daughter	0.219	2.165 **	1.040
Education			
University	0.243	5.533 ***	5.473 ***
Upper secondary	0.094	4.056 ***	3.794 ***
None or elementary	0.013	0.293	0.354
Work experience			
Yes	-	-	-
Availability to work			
Not immediately	-0.009	-0.140	-0.163
Under certain conditions	-0.023	-1.008	-1.032
Months from last search	0.001	0.088	0.125
No. of search actions			
2-3 acts	-0.010	-0.382	-0.385
4-5 acts	0.029	0.591	0.402
More acts	-0.073	-0.789	-0.846
Search intensity	0.023	1.266	1.427
Mobility			
Out of place of residence	0.037	1.674 *	1.644 *
Duration of discouragement	-0.001	-0.592	-0.868
Type of preferred work			
Only full-time	0.161	5.602 ***	6.213 ***
Preferably full-time	0.090	3.166 ***	2.926 ***
Only part-time	-0.064	-1.569	-1.514
Log (Unemployment Duration)	-0.017	-1.582	-1.501
Condition before the search			
Labour force	-	-	-
Sector preferred			
Only private	-0.042	-1.821 *	-1.921 *
Only public	-0.042	-0.858	-0.929
Av. unemployment rate (Jan. '94-Jan. '95)	-0.182	-1.919 *	-2.233 **
Log (Total no. family components)	-0.058	-0.841	-0.894
Log (No.unemployment in family)	0.014	0.251	0.286
Constant	13.817	94.499	62.265

Source: Mazzotta (1996) on Quarterly Survey of labour Force data, ISTAT.

Table 10c. Estimation of the reservation wage (job-losers/leavers, January '95)

OLS	Coefficient	T-ratio	T-ratio(prc. White)	
Area				
South	0.131	1.519	1.607	
Centre	0.033	0.403	0.563	
Age				
15-30	-0.219	-2.216 ***	-1.701 *	
31-40	-0.153	-2.171 ***	-2.308 **	
Sex				
Female	-0.105	-1,450	-1,182	
Relation to head of family				
Head of family	0.104	0.582	1.225	
Spouse	0.077	0.430	0.826	
Son/daughter	0.153	0.893	1.606	
Education				
University	0.228	1.465	1.986 **	
Upper secondary	0.037	0.625	0.584	
None or elementary	-0.176	-2.522 **	-2.975 ***	
Work experience				
Yes	-	-	-	
Availability to work				
Not immediately	-0.121	-0.734	-1.516	
Under certain conditions	-0.995	-0.104	-0.110	
Months from last search	-0.020	-0.925	-1.313	
No. of search actions				
2-3 acts	-0.084	-1.465	-1.563	
4-5 acts	0.153	1.347	2.112 **	
More acts	0.214	0.949	1.991 **	
Search intensity	0.015	0.406	0.517	
Mobility				
Out of place of residence	0.183	3.370 ***	3.357 ***	
Duration of discouragement	-	-	-	
Preferred work				
Only full-time	0.244	3.578 ***	4.140 ***	
Preferably full-time	0.121	1.845 *	1.939 *	
Only part-time	-0.130	-1.310	-1.559	
Log (Unemployment Duration)	0.012	0.602	0.618	
Condition before the search				
Labour force	-	-	-	
Sector preferred				
Only private	0.066	1.291	1.493	
Only public	0.085	0.549	0.712	
Av. unemployment rate (Jan. '94-Jan. '95)	0.208	0.815	0.539	
Log (Total no family components)	-0.206	-1.391	1.740 *	
Log (No.unemployment in family)	0.111	0.854	1.125	
Benefits				
Yes	0.182	1.390	2.037 **	
Position in Previous Job				
Employees	-0.131	-1.141	-1.859 *	
Reason for loss of the job				
Firing	0.144	1.319	1.978 **	
Inintentional	0.094	0.873	1.273	
Voluntary	0.141	1.086	1.890 *	
Constant	14.029	51.599	81.629	

Source: Mazzotta (1996) on Quarterly Survey of labour Froce data, ISTAT.

Table 10d. Estimation of the reservation wage (re-entrants, January '95)

OLS	Coefficient	T-ratio	T-ratio(prc. White)
Area			
South	0.1647	1.981 **	2.033 **
Centre	-0.0151	-0.199	-0.270
Age			
15-30	0.0712	0.713	0.882
31-40	0.0088	0.123	0.139
Sex			
Female	-0.1978	-2.463 **	-3.154 ***
Relation to head of family			
Head of family	-0.1253	-0.458	-0.842
Spouse	-0.2087	-0.771	-1.516
Son/daughter	-0.1644	-0.611	-1.207
Education			
University	0.2870	1.800 *	2.251 **
Upper secondary	0.0122	0.198	0.279
None or elementary	-0.0392	-0.558	-0.563
Work experience			
Yes	-	-	-
Availability to work			
Not immediately	0.1658	2.241 **	5.036 ***
Under certain conditions	0.1214	2.069 **	1.936 *
Months from last search	-0.0339	-1.482	-1.224
No. of search actions			
2-3 acts	0.0778	1.318	1.305
4-5 acts	0.2610	2.501 **	3.417 **
More acts	0.3021	0.809	2.245 **
Search intensity	-0.0150	-0.407	-0.471
Mobility			
Out of place of residence	0.0639	1.246	1.310
Duration of discouragement	0.0015	1.305	1.644
Preferred work			
Only full-time	0.2372	3.319 ***	3.162 ***
Preferably full-time	0.1578	2.391 **	2.607 **
Only part-time	-0.0856	-0.984	-0.966
Log (Unemployment Duration)	-0.0077	-0.363	-0.566
Condition before the search			
Labour force	-	-	-
Sector preferred			
Only private	0.0462	0.911	0.862
Only public	0.0219	0.099	0.274
Av. unemployment rate (Jan. '94-Jan. '95)	-0.1791	-0.668	-0.834
Log (Total no. family components)	0.0222	0.149	0.212
Log (No.unemployment in family)	-0.0806	-0.058	-0.084
Benefits			
Yes	-0.0364	-0.377	-0.634
Position in Previous Job			
Employees	-0.0287	-0.271	-0.388
Reason for loss of the job			
Firing	0.0869	0.904	1.260
Unintentional	-0.0189	-0.197	-0.277
Voluntary	-0.1100	-1.098	-1.610
Constant	14.0990	42.175	63.325

Source: Mazzotta (1996) on Quarterly Survey of labour Force data, ISTAT.

Table 11. Sample selection, Mill's ratios coefficients (GLS)

Total	Coefficients	T-Ratio	Coefficients	T-Ratio
TOTAL N.1244;N.UNE.1710 LAMBDA	0.056	1.487	0.056	1.48
EXCLUDED ON JOB SEARCH n.12133;b.une.1710 LAMBDA	0.055	1.472	0.054	1.46
ONLY FULL TIME N.11128;N UNEM LAMBA	0.061	1.383	0.061	1.42
NORTH N.5685.N.UNE.261 LAMDA	0.065	0.947	0.055	0.82
CENTRE N.2345;N.UNE.261 LAMBDA	0.086	1..237	0.089	1.27
SOUTH N.4093;N.UNE.1124 LAMBDA	0.031	0.507	0.031	0.50

Source: Mazzotta (1996) on Quarterly Survey on Labour Force.

Regional differentials in reservation wages may be due to the fact that, although average wages in the South are lower than in the Centre-North, the public sector wages of men aged below 35 are higher in the South (CNEL,1994; Mazzotta, 1996) (table 12). Others (Ghignoni, 1997) point out that the unemployed in the South might take moving costs into account.

Table 12. Wage differential between private and public sector, 1989

	#35 years old		> 35 years old	
	Male	Female	Male	Female
North West	-3.1	-13.8	-0.7	3.2
North East	2.5	-5.8	13.9	9.0
Centre	4.9	-9.6	-1.1	-7.1
South	11.1	-2.3	18.2	9.0

Source: CNEL, 1994, Dati Banca d'Italia.

An important aspect that must be take into account is that the reservation wage estimated in the survey depends on the fact that individuals demand a fixed and regular job and seek only this kind of job.

In substance the higher wages required in the South are mainly due to the behaviour of first-time labour market entrants: younger unemployed who are much more influenced by 'regular wages'. In the South, the "regular wage" signal presumably corresponds to the public sector wage. The public sector in the 80's expanded greatly in Italy, especially in the South and the increase in employment was also connected to an expanding increased wage policy. Furthermore, as stated above, for males under 35 the retributive bonus in the public sector is higher in Southern regions (table 12).

A further "signal" may come from the informal labour market, unstable and low paid. As several surveys both in Italy and abroad have shown, people working in the informal sector are not newly unemployed. They are, on the contrary, primarily workers subject to weak guarantees (redundant workers, pensioners) and also workers with strong guarantees (employees with a steady job on the main labour market), because of the familial network they are able to set in motion.

Moreover, as regards the role of the family, recent studies point out that the financial support from families to young people in Italy, is no greater than in other countries, such as the United States, where the youth unemployment rate is lower (12,5 per cent). Another study on OECD countries (Employment Outlook, 1996) has shown that the rate of young unemployed without have family support increased markedly from the mid-80's to early '90s. In Italy young people who no longer depend on their families make up about 22 per cent of the young unemployed. Although, in southern regions in particular, families may act as support systems for young unemployed, this effect has been weakening, due also to increasing problems that parents encounter on the labour market.

Generally, the Italian labour market has favoured the employment of more mature workers. This feature was usually ascribed to lack of mobility. People consider a job as a 'fortress' which might be hard to get into but, once a job is obtained, it will be harder to lose it. On the other hand, the Italian labour market is characterized by a high level of mobility; that can only be explained by the predominance of small and medium-sized firms in all sectors whose characteristic is a high turnover.

In sum, in the past, adult workers definitely benefited from a very high level of job security, and it was always easier for them than younger workers to find another job. In Italy, more than in other countries, the best passport to a job has always been already having one. It must be said, however, that this mechanism has begun to jam in recent years after the employment crisis.

In addition, unemployment has increased in line with the number of mature workers. In just three years (1993-1995) the number of unemployed people aged over 30 rose from 35 per cent to 40 per cent out of total unemployment (European Commission, 1996) The sharpest rise was registered in the 30-39 age group, where income need is greatest.³

³ This phenomenon is becoming persistent. Time series (ISFOL, 1995) show that, although young people make up the bulk of job seekers, their number fell from 76 per cent in 1978, to 73 per cent in 1986 and 62 per cent in 1994. The main decrease concerns young people aged 14-19 which fell from 31 per cent in 1978, to 23 per cent in 1986 and 12 per cent in 1994. At the end of this time, therefore, we have an ageing of unemployed people and a growing number of

This is confirmed by Mazzotta (1997), who calculates the probability of remaining unemployed or getting a job, by the estimation of a bivariate probit model of the labour force status at the end of a period of time (Jan. '95) as a function of other individual variables surveyed at the beginning of the period (Jan. 1994)

The first meaningful result is that, considering the flows,⁴ young people (aged 15-19 and 20-30) are not disadvantaged by the hiring preferences of employers towards older workers. The higher probability of employment concerns middle aged people (31-40) who are more inclined to accept a job and more dependent on income. This result also comes from the higher probability of householders becoming employed (tables 13a-13c).

On the other hand, when stocks are considered (table 13c), the probability of employment is not linear and people aged 31-40 are disadvantaged. In fact, they are mainly penalized by rigidities in the labour market.

Broadly speaking, the variables which positively affect the likelihood of success are: the level of the *intensity of the search*, which actually represents a measure of the quantity of the search and the *number of job searches*, at least more than three. Such a result confirms the hypothesis that with an increase in the number of 'contacts', the likelihood of finding a job also increases.

The significant positive effect of the willingness to accept a job under reasonably good conditions confirms how important it is to have fairly clear ideas about organising and directing the search. Whilst, those who are not *available for work* have significant likelihood of success; meaning that they can not work at present but will work in the future.

The difficulty the unemployed have met with in finding a job in the private sector (which has seen job losses in large private industry mainly in the North) has been confirmed during the period of time in point. Indeed, the likelihood of success of those who have concentrated their efforts in the *public employment* sector is positive and relevant. However, a reversal of the trend has been forecast for the future, as it results from the policies aimed at limiting the public debt and favouring private enterprise.

Particularly interesting is the *family-job ratio*. Those who are members of a household with a greater number of unemployed have met with growing difficulty in finding a job, while the trend is reversed if we consider the number of those employed. In other words, the theory stating that the network of information created by the family positively affects the likelihood of finding a job, is confirmed. We might say that 'jobs attract jobs'. Such a result agrees with Nickell's (1979) where the number of people to be supported lowers the likelihood of being employed.

unemployed with previous job employment.

⁴ It must be pointed out that in the "stock" analysis both dependent and independent variables are surveyed at the same instant of time (January 1995), while in the "flow" analysis the dependent variable consists of the status of a worker at the end of the period concerned (January 1995) as a function of a set of exogenous characteristics surveyed at the beginning of the period (January 1994). In other words the "stock" analysis estimates the probability of being employed at a given instant of time, while the "flow" analysis estimates the probability of a worker, having some characteristics at the beginning of the period, of being employed at the end of that period.

The likelihood of success also decreases with the *lengthening of the period of unemployment*. Such a period corresponds to the time of search and at the same time of unemployment. Therefore, the more an individual is outside the world of production, the more s/he is discouraged and labelled an unskilled worker, consequently her/his likelihood of finding employment decreases progressively. This result, together with the effect of age, highlights a new problem: the ageing of job seekers.

Table 13a. Employment probability (Total employed - Italy- October 1994) N.1410 (Flow analysis)

Variable	Marginal effects	t-ratio		Mean of Std. Dev X	
Area					
South	-0.095	-4.090	***	0.654	0.4
Centre	-0.032	-1.247		0.159	0.3
Age					
15-19	-0.017	-0.367		0.659	0.4
20-30	0.042	1.221		0.204	0.4
31-40	0.088	2.762	**		
Sex					
Female	-0.048	-2.259	**	0.528	0.4
Relation to head of family					
Head/family	0.073	2.142	**	0.190	0.3
Son	-0.018	-0.587		0.607	0.4
Job seeking condition					
Job-loser	0.148	4.568	***	0.327	0.4
First job-seekers	0.085	2.531	**	0.480	0.5
Education					
University	-0.040	-1.025		0.055	0.2
Upper Secondary	-0.011	-0.526		0.374	0.4
None or elementary	-0.054	-1.793	*	0.146	0.3
Availability to work					
Not immediately	0.143	2.391	**	0.021	0.1
Under certain conditions	0.041	2.216	**	0.488	0.5
Months since last search	-0.015	-1.596	*	1.611	1.5
N. of searches					
2-3 acts	0.022	1.083		0.316	0.4
4-5 acts	0.060	1.766	*	0.069	0.2
more acts	0.096	1.576		0.014	0.1
Search intensity	0.035	2.590	***	1.279	0.6
Mobility					
Place of residence	0.013	0.524		0.784	0.4
Anywhere	0.061	1.495		0.047	0.2
Duration of discouragement	0.000	-0.638		3.293	12.9
Type of preferred work					
Only full-time	0.044	1.866	**	0.322	0.4
Preferably full-time	0.028	1.137		0.317	0.4
Only part-time	-0.042	-1.152		0.135	0.3
Log (unemployment duration)	-0.023	-3.129	***	2.782	1.2
Sector preferred					
Only private	0.026	1.421		0.365	0.4
Only public	0.132	2.961	***	0.033	0.1
Employed in family					
Log (N. of unemployed)	-0.038	-2.395	**	0.850	0.5
Log (N. of employed)	0.074	5.404	***	-0.040	0.745
Constant	-0.253	-3.758	***		

Source: Mazzotta (1997) on Quarterly Survey-0.038 of Laobur Force data, ISTAT.

Table 13b. Employment probability (total employed - Italy- October 1994), N.1410 (Flow analysis)

Variable	Coefficient	Marginal effects	t-ratio		Mean of Std, Dev. o	
Area						
South	-0.504	-0.096	-4.089	***	0.654	0.47
Centre	-0.147	-0.028	-1.073		0.159	0.36
Age						
Age/100	8.650	1.641	2.506	**	0.289	0.09
Age\$ 2/10000	-13.036	-2.474	-2.712	***	0.093	0.06
Sex						
Female	0.251	-0.048	-2.224	**	0.528	0.49
Relation to head of family						
Head/family	0.389	0.074	2.166	**	0.190	0.39
Son	-0.115	-0.022	-0.681		0.607	0.48
Job seeking condition						
Job-loser	0.780	0.148	4.548	***	0.327	0.46
First job-seekers	0.448	0.085	2.520	**	0.480	0.50
Education						
University	-0.227	-0.043	-1.051		0.055	0.22
Upper Secondary	-0.047	-0.009	-0.435		0.374	0.48
None or elementary	-0.241	-0.046	-1.482		0.146	0.35
Availability to work						
Not immediately	0.756	0.143	2.397	**	0.021	0.14
Under certain conditions	0.220	0.042	2.216	**	0.488	0.50
Months since last research						
	-0.082	-0.016	-2.017	**	1,611	1,57
N. of searches						
2-3 acts	0.110	0.021	1.027		0.316	0.46
4-5 acts	0.309	0.059	1.734	*	0.069	0.25
more acts	0.472	0.090	1.460		0.014	0.11
Search intensity						
	0.188	0.036	2.659	***	1.279	0.63
Mobility						
Place of residence	0.054	0.010	0.419	0.784	0.784	0.41
Anywhere	0.285	0.054	1.314	0.047	0.047	0.21
Duration of discouragement						
	-0.002	0.000	-0.540		3.293	12.932
Type of preferred work						
Only full-time	0.240	0.046	1.906	*	0.322	0.46
Preferably full-time	0.154	0.029	1.167		0.317	0.46
Only part-time	-0.229	-0.043	-1.189		0.135	0.34
Log (unemployment duration)						
	-0.121	-0.023	-3.094	***	2.782	1.271
Sector preferred						
Only private	0.129	0.024	1.334		0.365	0.482
Only public	0.684	0.130	2.902	***	0.033	0.180
Employed in family						
Log (N. of unemployed)	-0.213	-0.040	-2.517	**	0.850	0.537
Log (N. of employed)	0.375	0.071	5.206	***	-0.040	0.745
Constant						
	-2.408	-0.457	-3.643			

Source: Mazzotta (1997) on Quarterly Survey of Laobur Force data, ISTAT.

Table 13c. Employment probability (total employed - Italy- October 1994), N.1410 (Stock analysis)

n= 12447
 Binomial Probit Model
 Maximum likelihood estimates
 Log-likelihood -3417.836
 restricted (Slopes= 0)Log-L -4981
 Chi (14) 3126.492
 Significance level 0.00000000

Variables	Marginal effects	T-Ratio	
Area			
South	-0.062	-7.554	***
Centro	-0.025	-3.210	***
Age			
15-19	-0.016	-0.863	
20-30	0.008	0.663	
31-40	-0.006	-0.643	
41-50	0.014	1.456	
Gender			
Female	-0.016	-2.233	**
Relation with head of family			
Head family	0.027	1.231	
Wife	-0.015	-0.672	
Son/Daughter	-0.070	-3.232	***
Education			
University	0.019	1.826	*
Upper Secondary	0.021	3.512	***
None or elementary	-0.025	-3.029	***
Unemployment rate(#)	-0.477	-17.620	***
Log (N. of member of family)	0.033	2.829	***
> 2 member of family not employed(\$)	-0.030	-4.076	***
Constant	0.275	0.011	***

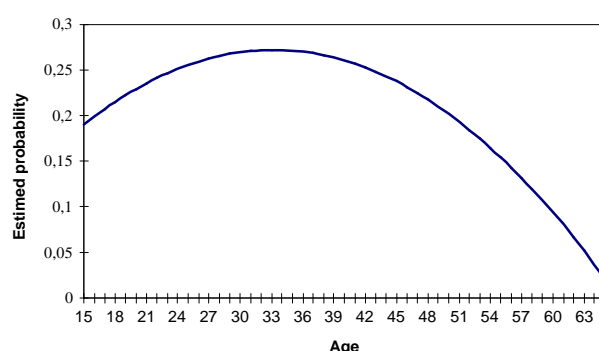
Notes: (\$) Excluded interviewed.

(#) Average unemployment rate of Jan. '94-Jan. '95, by gender, by age, by educational level, by area.

Source: Mazzotta (1997) on Quarterly Survey of Labour Force data, ISTAT.

In table 13b age is considered as a continuous variable (not dummy) and shows how the likelihood of finding a job increases up to the age of 33, then decreases (graph 23). As a consequence of the ageing of the unemployed, we can note (i) the relevant average duration of job search of those over 25 (41 months in the South) -especially for first-time job-seekers; and (ii) the growth of long term youth unemployment, which was 18 per cent, in April '93, while it reached over 22 per cent, in April 1996 (tables 14 and 15).

Graph 23. Estimated likelihood of employment, January 1994 - January 1995



Source: Mazzotta (1997) on ISTAT data.

Table 14. Average months of search by age, gender and area, 1996

Age	Job losers/leavers			First-time job seekers			Others			Total		
	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total
North												
15-24	12	12	12	18	20	19	12	14	13	15	17	16
25-29	16	18	17	25	27	26	15	19	18	19	21	21
> 29	23	22	23	36	36	36	17	25	24	24	24	24
Centre												
15-24	16	26	16	20	24	22	13	18	17	19	22	20
25-29	21	20	20	35	33	34	26	25	25	29	27	28
> 29	29	26	27	38	38	38	21	30	30	30	29	30
South												
15-24	17	17	17	31	32	31	21	26	25	28	29	28
25-29	24	25	24	54	47	51	40	38	38	43	40	41
> 29	28	26	28	68	69	54	37	42	42	40	41	40

Source: Quarterly Survey on labour Force, ISTAT.

Table 15. Long-term unemployment rate (per cent)

	Male		Female		Total	
	15-24	Total	15-24	Total	15-24	Total
April '93	15.2	4.4	21.0	9.2	17.8	6.2
July	15.8	4.5	22.2	9.4	18.6	6.3
October	17.1	4.9	22.8	9.7	19.7	6.7
January '94	16.6	5.0	22.5	9.6	19.1	6.6
April	17.5	5.4	22.7	10.1	19.8	7.1
July	17.7	5.5	23.3	10.1	20.1	7.2
October	18.2	5.7	23.8	10.9	20.7	7.6
January '95	18.2	5.8	24.5	10.6	21.0	7.6
April	18.4	5.8	25.1	10.8	21.3	7.7
July	18.6	6.0	26.1	11.1	22.3	7.9
October	18.4	6.0	25.7	11.1	21.7	7.9
January '96	17.5	6.0	24.9	11.0	20.	7.9
April	19.0	6.2	26.6	11.4	22.4	8.2

Source: Quarterly Survey on Labour Force, ISTAT.

One specific feature of Italian unemployment, compared with European levels, has always been the prevalence of young first-time job seekers out of the total unemployed (47 per cent for men and 43 per cent for women) (table 16), mainly younger in the South (as we have already seen) with a lower likelihood of finding a job (see tables 13a-13c).

Table 16. Unemployment by type, 1961-1996

	1961	1972	1981	1991	1995	1996
Men						
First-time job seeker	29.6	46	57.9	56.5	46.9	47.3
Job losers/leavers	51.5	30.8	15	22.4	44.3	44.4
Others	18.8	23.2	27	21.1	8.8	8.3
Women						
First-time job seeker	33.9	41.6	48	42.4	38.7	43
Job losers/leavers	19.1	9.3	8.7	14	27.1	29.2
Others	47.0	49.1	43.3	43.5	34.3	32.7
Total						
First-time job seeker	31.5	43.8	52.2	48.4	42.5	43.6
Job losers/leavers	37.3	20.2	11.3	17.7	35.1	36.6
Others	31.2	36	36.5	33.9	22.4	19.8

Source: Quarterly Survey on Labour Force, ISTAT.

Another peculiarity to be noted is the changing of the employment and unemployment rate during the last 20 years. The total employment rate decreased for those aged 15-29, while it increased for those aged 29-50. This increase is essentially

due to the female employment rate, which has become steadily closer to that of men. The reason is that the new women cohorts entering the labour market have behaved increasingly like men, remaining in the labour market. Moreover, we see that the unemployment rate of young women is higher than that of young men and the phenomenon is worse in the South. However, as we have said, the main gender difference between North and South concerns participation rates.

With regards to the relation between age and education, university degrees clearly give significant advantages on the labour market. In 1996 graduates accounted for 10,6 per cent of the total employed and only 6,4 per cent of the unemployed (table 17). The advantage for graduates was higher 'until now' especially in the South (Mazzotta - Nese, 1997).⁵

Undoubtedly those with upper secondary school qualifications encounter more difficulty: 35 per cent of the employed but 38,6 per cent of the unemployed. Those with only compulsory schooling (14 per cent of the total labour force in Italy) are still worse off, being 37,6 per cent of the employed and 41 per cent of the unemployed. The probability of being unemployed thus decreases as the educational level rises. The exceptions are people with only elementary schooling (having dropped out at 10 years old); indeed, they appear to be favoured as they gravitate around unskilled jobs that most Italian workers now tend to reject (table 17).

Table 17. Age and education, 1996 Source: Quarterly Survey on Labour Force.

	Graduate		Upper secondary		Compulsory schooling	
	% of employed	% of unemployed	% of employed	% of unemployed	% of employed	% of unemployed
15-19	0.9	0.0	20.2	30.1	71.6	63.0
20-24	1.1	1.2	47.4	56.1	48.6	38.4
25-29	6.7	13.8	45.2	43.1	44.8	37.4
Total 1	4.2	5.8	43.4	47.0	48.8	42.0
30-34	11.3	12.3	41.4	34.3	43.0	43.0
35-39	13.1	7.3	39.7	29.7	40.0	45.1
40-44	14.6	3.8	35.1	19.6	36.1	43.7
45-49	13.2	1.6	28.4	17.2	31.8	33.6
50-54	11.4	0.0	23.7	15.0	27.0	26.3
55-59	10.9	3.4	19.8	8.5	21.7	20.3
60-64	11.5	0.0	15.1	0.0	18.5	15.0
65-69	16.0	0.0	13.3	0.0	14.9	0.0
Total 1	10.6	6.4	35.0	38.6	37.7	41.0
70-74	15.3	-	13.9	-	13.9	-
> 74	15.1	-	17.0	-	15.1	-
Total		6.4	34.9	38.6	37.6	41.0

Source: Quarterly Survey on Labour Force.

⁵ The authors estimate a probability of graduates in the South being employed at 145 per cent higher than the national probability.

In any event, the figures on education cannot be grasped in their full significance unless they are adjusted for age. When this is done we will find that young university or high school graduates do appear to have greater difficulties in finding jobs than their less educated counterparts.

However, the figures need a closer interpretation. For example, among young people aged 20-24, upper secondary graduates account for 47.4 per cent of the employed and 56.1 per cent of the unemployed, while, among people with only compulsory schooling, the employed outnumber the unemployed. Holding a high school diploma thus seems to hinder the successful search on the labour market. However, unless the data are corrected along a time limit, they can be misleading. In fact, a 20-24 year old without a high school diploma is not advantaged at all. S/he can simply spend more time finding a suitable job, since leaving school of four or five years on average. Her/his more educated peer, who has probably just entered the labour market, has no time to make the transition from school to work, a long process, especially in Italy. From this perspective, the entry problems of those with better educational qualifications are largely scaled down.

Looking at the older age-groups, the situation is decisively reversed. Among those aged 40-44, people with upper secondary school diplomas account for 35.1 per cent of the employed and no more than 18 per cent of the unemployed. The same occurs for university graduates.

On the whole then, it appears that high school or university graduates do not greatly shorten their waiting time before entering employment; rather those who have a degree and have completed their transition phase, face a lower risk of remaining unemployed.

In conclusion, it may be said that in Italy young people aged 20-25 are the most disadvantaged category on the labour market. This is especially the case in the South where, during the 1980s, the growth rate of the working age population was twice as high as in the North and where, in spite of these demographic pressures, there is a structural inability to create jobs.

Moreover, a worrying increase in older unemployed people is found. The unemployment of older people brings on many social problems, since being jobless at 22 is not the same as it is at 35.

The reasons for youth unemployment, as we have said, are manifold. However it is possible to say that two models, both distinct and coexistent, are at work (Brunetta, Tronti, 1992), corresponding to two levels of wage equilibrium and, therefore, to two different segments of the labour market. Firstly a rich urban model in which easy State aid, the prevalence of the State sector as 'patron and client', higher educational levels and age (25-35), the dodging of tax and health insurance payments- all contribute to guaranteeing a relatively high reservation wage.

As can be seen in table 18 only 14 per cent of the unemployed aged 25-29 ask for a wage of 1,000,000 lira while 36.5 per cent ask for more than 1.500.000 lire. In this group unemployment may be caused in part by the higher reservation wage and in part by the lack of information on vacancies and by a low labour demand.

Secondly, there is a poor marginal model (people aged 15- 24 or more than 35, urban as well as rural) which has several characteristics such as: a structurally low

labour demand, frequent school drop-out and generally poor schooling and professional training, family and social break up, inefficient public services, crime and widespread illegal work. These elements cause a lower acceptance wage and also a lower level of skills. For the unemployed belonging to this group the problem arises from the low labour demand and also from skill mismatch between labour supply and demand.

Table 18. Minimum wage asked by job seeker, by age, 1996

Age	Lira (x1000)		
	1 - 1,000	1,000 - 1,501	> 1,501
	(% on total)		
15-24	18.1	52.4	23.6
25-29	14.0	45.4	36.4
30-39	17.5	42.6	35.4
40-49	19.5	40.4	35.0
> 49	19.6	38.7	35.7

Source: Quarterly Survey on Labour Force.

Furthermore, the almost complete absence of monitoring and of administrative checks, conditions imposed by these policies, has reduced the effectiveness of normative intervention.

What is more, youth unemployment is not equal in the Centre-North and in the South and requires different solutions. Southern unemployment is mainly due to the lack of labour demand, caused by a lack of productive investments, and to a mismatch between skills supplied –often generic and of low qualification- and skills demanded.

As will be discussed in the following section, youth unemployment in the South may be alleviated not only by adopting measures of flexibility in the labour market but also by stimulating investments, that means: (i) eliminating obstacles such as crime, low productivity, lack of infrastructure and social and production services, (ii) improving entrepreneurship or self-employment, (iii) programming training functional to the firms' requirements and to technological change. More investments as well as more employment should also reduce the reservation wage in the South whether by the minor costs of moving or by the diversification of job opportunities that would induce more wage competition.

On the other hand, the problem of unemployment in the Centre North seems to concern mainly skill mismatches. In this case, the employers demand specialized manual workers, whereas the workers offer a medium to high, but generic, educational level. Thus, the labour policy guidelines should be addressed towards reforming training systems.

B. Youth employment policies

1. Introduction

The publication of the European Commission White Paper on “Growth, Competitiveness and Employment” in 1993, has stirred up the labour market policy debate in Italy. According to the White Paper, the Italian labour policy strategy of curbing the increase in both young and female unemployment and its concentration in the southern regions has been centred on introducing more flexibility on the labour market, allowing firms to become more elastic to technological and organisational changes.

What is more, in the electoral promises of the present Prodi Government, one of the most urgent commitments was to deal with the structural features of Italian unemployment. The labour policy strategy was defined under the “National Labour Agreement”⁶ (*Accordo per il Lavoro*), undertaken with the Trade Unions and employers representing all production sectors and signed in September 1996. This *Agreement* was drawn within the limits of the special income policy adopted in Italy which is commonly known as the “Policy of Economic Agreement” (*Politica della Concertazione Economica*).

The main aim of the *Agreement* is to lower unemployment in Italy acting on its structural causes. The features of unemployment in Italy are in part common to all the countries of the European Union, as far as it concerns essentially young people, women and the long term unemployed and is caused by the process of the transformation of production due to technological innovations. On the other hand, a typical characteristic of Italian unemployment is its concentration in the Southern regions of the country⁷. In this respect the youth unemployment problem has become a priority in the general guidelines of labour policy.

Moreover, it is necessary to stress that the points in the *Agreement* do not only concern specific labour policies, but also the general reorganisation of State Administration as well as the administrative and bureaucratic procedures to be carried out for the planning and the execution of public and private investment, and the revision of the welfare state. Since such objectives involve the whole of public administration, many government proposals must also be sought in other legislative measures and/or in Ministerial decrees, different from the Ministry of Labour, or are at present being studied on Government Commissions.

The two principal undertakings to borne in mind are: the Bill (Delega Bassanini) enacting the reform of Public Administration and the Report of the “Commission for the analysis of the macroeconomic consistency of welfare expenditure” (Commissione

⁶ Henceforth : Agreement.

⁷ In this respect it may be noted how the Government is concerned with harmonizing the procedures agreed, acting in concert with the rules defined on a European level and in particular with the European Social Fund priorities.

Onofri) instituted by the Head of the ministerial Council.

The Bassanini Bill

The Bassanini Bill pledges the reorganisation of public institutions entrusted with the task of regulating the labour market, eliminating public monopoly in the mediation between labour supply and demand, and decentralising Employment Agencies.

The Onofri Commission

The Onofri Commission aimed to provide proposals for the reform of welfare state expenditure. A basic aspect of such reform concerns the labour policy expenditure. An initial problem arises from the relative costs of labour policy programmes which turn out to be extremely heavy due to the lack of simultaneous registration in public accounts. This prevents us from evaluating the economic effectiveness and efficiency of the majority of these programmes.

Table 19: Labour policies expenditure

	Billions		% GDP	
	1994	1995	1994	1995
Social shock absorbers				
Short-time earnings compensation benefits	4,210	3,790	0.26	0.21
Regular unemployment benefits	7,320	6,619	0.45	0.38
Mobility allowance	3,472	2,734	0.21	0.15
Early reirement	3,280	3,436	0.20	0.19
Total	18,282	16,579	1.12	0.94
Employment incentives				
Financial hiring incentives	59	75	0.00	0.00
Social security contributions	8,142	6,565	0.50	0.37
Contributions to special job contracts (trainee contracts, solidarity contracts, apprenticeship etc.)	8,599	8,242	0.52	0.47
Total	16,800	14,882	1.03	0.84
Active labour policies				
Labour Offices*		550		0.03
Vocational training	2,250	3,100	0.14	0.18
Trainee contracts	1,353	1,442	0.08	0.08
Apprenticeship	1,528	1,420	0.09	0.08
Social useful jobs*		1,170		0.07
Total	5,131	7,682	0.31	0.43

*Data referred to 1996
Source: onofri Commission, Final Report

The main concern of the Commission is that unemployment benefits cover only a limited part of the jobless (20 per cent of the total unemployed). Young people and workers in small firms, who generally accept voluntary dismissal, are not eligible for benefits. On the other hand, the reconstruction of data on the expenditures for labour policies (see table 19) carried out by the Commission, note how income compensation

measures (that allow people to release personal income for a limited period from that relatively unstable of the economic cycle and of employment) range between 0.95 per cent 1.08 per cent as a percentage to the PIL and has been constant, depending on the economic cycle, during the last ten years. The incentives for selective employment, wick entail a reduction of the labour costs to encourage the hiring of young people and women, to promote the development of disadvantaged regions or to reconvert industrially declining areas, are about 0.84 per cent of the PIL and will decrease in the future because of the drastic reduction in social security contributions, in concert with the EU. The percentage of active labour policies, placement and employment services, vocational programmes, measures improving labour and demand matching, and enterprize promotion are very low, especially when compared with the European figures (Baici, Samek Lodovici 1995) (see table 20).

Table 20. Public expenditure in labour market programmes in some EU countries, as percent of GDP - 1997

	Active labour policies	Passive labour policies
Belgium*	1.50	2.77
Denmark	1.79	4.01
Finland	1.57	3.23
France*	1.32	1.81
Germany	1.25	2.54
Greece*	0.27	0.45
Ireland*	1.66	2.42
Italy*	1.08	0.88
Netherlands	1.53	3.33
Norway	0.91	0.70
Portugal*	0.95	1.02
Spain	0.50	1.87
Sweden	2.09	2.16
united Kingdom	0.42	1.05

*1966
Source: OECD-Employment Outlook

The policy proposed by the Commission is, therefore, to move from a "passive welfare" to a "welfare of opportunities". That means re-organising income compensation measures and rising selective employment measures as well as active labour policies, especially with regards to vocational training programmes. This strategy will greatly improve the employment of young people as a result.

2. The labour policy strategy

The majority of specific labour market proposals contained in the *Agreement* was defined in a Bill (*Treu Law*, June 1997). We will review the guidelines of the labour policy followed by the Government and, where provisions are exclusively and/or mainly aimed at young people, we will give more detailed information.

The expected intervention may be grouped under the following headings:

- 1) Employment policies;
- 2) Contracts;
- 3) Supply policy;
- 4) Institutions.

2.1 Employment policies

Macroeconomic policies

In order to revitalize employment growth, according to the scheme defined by the “White Paper on growth, competition and employment”, the *Agreement* plans to intervene in industrial policy and infrastructure. The areas of intervention are:

- (a) Scientific research. The *Treu Law*, for example, finances short term contracts for young researchers at Italian Universities and subsidises the posting of researchers to small-medium firms;
- (b) Infrastructure and qualification of public demand in the following sectors:
 - Public Administration;
 - Public overhead capital;
 - Transport;
 - Environment;
 - Energy;
 - Communications.

The priorities in these fields are:

- i) to reduce administrative and bureaucratic procedures in Public Administration;
- ii) to overhaul contracting procedures;
- iii) to create or to reorganize authorities for checking and programming;
- iv) to involve private capital in infrastructures and public investments;

A further aim is to define the priorities for infrastructural buildings that can be constructed in either a short or medium term.

Specific employment policies

Specific provisions for employment have primarily of all the purpose of fostering the creation of small firms and self-employment. Three of these involve, more or less directly, young people.

(a) Promotion of youth self-employment (*Prestito d'onore*)

The promotion of a youth self-employment scheme is a new measure defined in the *Agreement* (and regulated by Decree Law n. 591, 8 November 1996) aimed at promoting self-employment in southern Italy. The scheme was designed by the Società per l'Imprenditoria Giovanile Spa. (S.I.G.) and is eligible only for the Southern Regions established by the EEC Law n. 2081 of 20 July 1993 (i.e. Abruzzo until December 1996, Molise, Campania, Apulia, Basilicata, Calabria, Sicily, Sardinia). The programme consists of financial incentives and technical and training assistance to the potential young self-employed person from the drafting of the initial project up to the completion of training.

The beneficiaries are job seekers registered at the Employment Office for at least 6 months, living in the South (Objective 1 area, see above) who are at least 18 years old (with no upper age limit). Nevertheless, recent data show that 64,2 per cent of applicants are under 30.

An application must be sent to the S.I.G. This organisation, by means of a permanent committee of experts, verifies the requirements for admission to the programme. The S.I.G. evaluates the project in the chronological order of application arrival, and chooses the people to be selected and introduced into a four month training programme. Then it decides on the expenses to be covered, the duration of the project and the facilities. In other words the task of the S.I.G is to finance, nurse, provide technical tutorial assistance and monitor the projects.

The projects must last at least 5 years and must require no more than a 50 million lira contribution (up to 30 million for initial fixed sunk capital, and up to 20 million for subsidized 5 year credit with an interest inferior to the interest paid by craft industry).

Benefits cover only the expenses for tangible and intangible properties, land, buildings and other commodities necessary to start the project, and also current expenses for the first year (raw materials, rents and financial charges). While they do not cover the expenses contracted before the decree of admission to the programme, and the expenses for the reconstruction of property and for facilities and wages.

The S.I.G. checks the projects that pass screening, can impose sanctions and makes a six-monthly report to the Ministero del Bilancio.

The Government provided 30 billion in 1995 and 50 billion in 1996 for the program.

(b) Fiscal incentives (*Legge Tremonti*)

Another specific measure for employment is the *Tremonti Law* [Law 357/1994] which provides tax allowances for young people or other categories of workers, who wish to be self-employed.

This consists of: a) fiscal incentives for new firms; b) bonuses for new hiring. The beneficiaries are: (1) self-employed workers starting a new activity who are: (i) under 32 years old; (ii) workers on Wage Supplementation Scheme or entitled to Turnover Benefits (workers registered on "mobility rolls") and eligible for early retirement; (iii) workers registered at the Employment Office for no less than 2 years (i.e. long-term unemployed); (iv) the disabled. (2) partnerships, firms, artisans and

professionals that hire first job seekers -with the requirements described in (1)- under ordinary contracts.

Group (1) is taxed with a lump-sum of 2 million lire in the first year of activity, 3 million in the second year and 4 million in the third year that covers corporate tax, personal income tax, local estate tax, incipient regional tax. For group (2) there is a "hiring bonus" in the form of a tax allowance of 25 per cent of the worker income subject to with-holding tax.

According to the *Agreement* (not yet approved to date) the scheme will be modified to provide for: (a) fiscal incentives for new firms; (b) promoting environmental projects; (c) promoting non-profit activities. The beneficiaries will be self-employed workers starting a new activity that are: (i) under 32 years old; (ii) workers on Wage Supplementation Scheme or entitled to Turnover Benefits; (iii) the disabled.

The benefits would be a tax allowance of a specific (to be defined) percentage of profits, during the initial two years (or 5 years in Objective 1 areas). No data of such scheme are available as yet.

(c) Financial incentives for young entrepreneurship (*Imprenditoria Giovanile*)

This is a measure which has aimed, since 1986 (Law 44/1986), at favouring the setting up of new enterprises. Due to its positive outcome it has been recently reorganized and refinanced (Law 95/1995) and has become an integral part of Government strategy. The scheme was devised by the Società per l'Imprenditoria Giovanile Spa. (S.I.G.) and eligibility was only for the southern Regions until 1995. After Law n. 95/1995 eligibility has been expanded to all depressed areas of the country (Objective 1, Objective 2 and Objective 5B). It provides financial incentives and technical and training assistance to the potential young entrepreneurs from the drafting of the initial project until they are fully trained. The beneficiaries are production and labour co-operatives and partnerships founded by young people (aged 18-35), or mainly consisting of younger people (aged 18-29) (absolute or shareholder majority), resident in the depressed area. An application must be sent to the S.I.G. that, by means of a permanent committee of experts, verifies the requirements for the admission to the programme. Its decision is based on the evaluation of the project and of other documentation sent by the applicants.

Projects for creating enterprises whether in agriculture, industry, or services are financed. These must be at least 10 years long and aim to increase production, employment or entrepreneurial skill. Furthermore, the projects must be new and they should require an investment up to 5 billion. Grants are assigned for: (a) initial fixed capital; (b) subsidized credit; (c) contribution to current expenses for materials, rents and financial costs; (d) technical assistance; (e) training for young entrepreneurs. Grants cover expenses for new tangible and intangible property, lands, buildings and all other commodities for the production process, while they do not cover expenses for wages and refunding to partners. The S.I.G. monitors projects that pass the screening and presents a six-monthly report to the Ministero del Bilancio.

Italian Regions may decide on other provisions. In Campania, for example, the

Regional Law 23 of 1996 gives financial contributions for fixed capital and interests, for the creation of enterprises, co-operatives and partnerships mainly run by young people (aged 18-35) or by workers owning 2/3 of capital that are on Turnover or Wage Supplementation Scheme and by young people for the rest.

(d) Area contracts (*Contratti d'Area*)

A new instrument of policy for employment fostered by the *Agreement* is the so-called “Area Contracts” (*Contratti d'Area*). The purpose is to favour new production investments in economic and occupational crisis areas, both with financial incentives and by bearing upon general costs. Lower costs may be obtained in the following ways: (i) granting speed and security in administrative procedures; (ii) establishing particularly favourable contracts; (iii) improving better credit conditions.

“Area Contracts” consist of two parts: (i) the “Territorial Deal” (*Patto Territoriale*), concerning the agreement between unions, employers, banks and others, for the fulfilment of the investment plan; (ii) the “Agreement of Framework Programme” (*Accordo di Programma Quadro*) which defines the administrative procedures to be accelerated or modified, the kind of contracts and wage rules to be applied, agreements on credit conditions and tax relief. The “Agreement of Framework Programme” favours also the hiring of young people.

2.2 Contracts

Atypical job contracts.

In this field the strategy of the *Agreement* is to introduce new forms of job contracts which can make the transition into employment more flexible.

(a) Contract of Rented Work (*Lavoro interinale*)

A new kind of “atypical” job contract, the “Contract of Rented Work”, was introduced, and definitively regulated by the *Treu Law*, to give flexibility in the hiring of temporary workers.

(b) Work-sharing Agreements (*contratti di solidarietà*) and Part-time Contracts

“Job Contracts with lower working hours” and “Part-time contracts” facilitate the hiring of young people.

Part-time contracts were initially introduced by Law Decree n. 726, 30 October 1984 and were regulated again by the *Treu Law*, to incentive the hiring of young unemployed people by lower working hours and consequently lower wages

The Government, through collective agreements, can fix limits such as: (a) ratio of part-time/ full-time contracts in the firms; (b) duties of part-time workers; (c) number of working hours.

In order to improve part-time contracts, the *Treu Law* introduces: (i) a

reduction of social security contribution (pension scheme and wage supplementations) for employers; (ii) further reductions for: young first job-seekers living in the South (Objective 1 areas), re-entrant women, older people in gradual retirement, and
(iii) the extension of this contract to the primary sector (Agriculture).

Summing up, the *Treu Law* should encourage temporary contracts through different percentages of social contribution by differentiating working hours (24, 32, 36, 40) and favouring the shorter.

Mixed cause contracts

The *Agreement* and *Treu Law* reviewed job contracts which explicitly favour youth employment: “Youth Training Contracts” (*Contratti Formazione Lavoro*) for which the established term was extended, and “Apprenticeship Contracts” that was substantially reformulated. They are also defined as “mixed cause contracts” because of the vocational training content of the contract.

(a) Youth training contracts (YTCs)

This type of contract was already considered by Law 285/1977, introduced again experimentally in 1983, by Law 79, Article 8, and finally established in Article 3, of the Law 863, 1984, with more attention to the training content of the projects.

The general scheme is basically decided by the Government together with the Ministry of Labour. The YTC works all over the country, however some further advantages, in terms of social security contributions, are provided for Southern Italy, for some areas in recession in the North and Centre and for firms in craft industry. The organisation of the training scheme can be designed at Regional level by the Trade Unions, employers and the Regions. Projects including training terms and details can be proposed also by each single firm eligible for YTCs. If there are no local agreements, national conditions will operate.

The design of the scheme is: (a) to encourage the hiring of young unemployed people by lowering labour costs for employers (b) to offer the firm the opportunity to decide to keep the workers after having tested their skills during the training; (c) to increase trainees’ chances of employment through work experience and the acquisition of an intermediate or a high skill level.

The beneficiaries are young unemployed people (the age limit was put up from 29 to 32, in 1994).

An employer can submit a training project for approval to a Regional Employment Commission. No approval is required if the project is in accordance with national level agreements. In this case the employer must send an application to the Employment Agency and after 20 days s/he can directly hire at the Local Labour and Employment Office (*Ufficio Provinciale del Lavoro*), making a declaration promising to observe all the conditions stated.

There are two types of YTCs: (a) 24-month long training contracts (a duration of 36 months can be established only for research contracts and contracts drawn with refugees); (b) 12-month basic training contracts.

Both of them provide a reduction in the Social Contribution charged to the employer and a wage level lower than that of workers with ordinary contracts for the same job. The main difference is that in type (b) YTC the employer will reap benefits only after 12 months and only if s/he transforms the YTC into an ordinary contract.

Moreover, the YTCs must provide some hours of training: in type (a) YTC no less than 80 hours for medium professional level and at least 130 hours for upper professional level; in type (b) no less than 20 hours. According to EEC rules, it is possible to apply for financing of the training projects.

Private and public firms and associations who can stipulate YTCs are: Industry firms, Farmers, Traders, Craft industry, Associations (professional, sporting, cultural), Foundations, Employers on a professional register, Pools of firms.

The firms must not have laid off workers for the same job during the last 12 months preceding the YTC request. Furthermore, only employers who have transformed into ordinary contracts at least 60 per cent of YTCs -excluding those who voluntarily dismissed or were justifiably fired- can use this procedure for new hiring.

The training is normally 'on the job' and at the end of the term of contract the employer must report on the professional qualification the worker attained.

According to the Treu Law, a longer duration (three years) of benefits will be allowed only if the employer transforms the YTC into an ordinary contract.

The exemptions are different for regions and sectors, and particularly:

- (1) Tax subsidies reduced by 25 per cent for employers not operating in the South;
- (2) For small firms (up to 15 employees) in trade and tourism the exemption is 40 per cent;
- (3) For artisans and employers operating in the South or in depressed areas, the subsidies have been adjusted to that of the apprenticeship (a fixed social contribution of 4875 lire per week);
- (4) For Associations and Foundations the reduction is of 25 per cent -50 per cent if operating in Southern Italy.

In short, if we consider a reduction of 25 per cent in tax subsidies and a standard wage paid in the industry sector, the employers can save about 4.5 million lire per year for each worker employed on a YTC.

(b) Apprenticeship

The apprenticeship contract was introduced for the first time in 1955 (L. 25/1955 and art. 21 of L. 56/1987). This contract was drawn up at national level by the Government. The beneficiaries are young people aged 14-20 (up to 29 for highly skilled jobs for firms in the craft industry). According to the Treu Law, the age limit should be put up from 14-20 years to 16-24 (up to 26 years in the South)

Firms that want to stipulate apprenticeship contracts must apply for authorisation to the Local Labour and Employment Office which checks various technical and organisational requirements (such as the number of workers in the firms, number of apprentices hired and to be hired, etc.). The direct effect of the apprenticeship is to give a professional qualification to young unemployed people through work and training periods. Mostly, training is 'on the job', but the collective agreement may introduce

some additional hours (about 100 hours per year) of 'out of job' training. The additional training is organized by the Regions. Production and office workers can be hired on an apprenticeship contract, but the medical sector, as well as, those tasks, that are too simple to require any training, are excluded.

The apprenticeship is favourable to artisans. In fact, after authorisation, they can directly hire the young apprentices, without applying to the Labour and Employment Office. The duration of the apprenticeship is variable but must not cover more than 5 years. Working hours can vary too: from 35 to 44 hours per week, for different aged workers, favouring the younger.

There are two advantages for the employer: a reduction both in wage and social contributions. Wages are decided in the collective bargaining agreements or, failing this, through apprentice and employer agreement. In the latter, wages can not be much lower than those stated by industrial collective agreements. The social contribution is fixed at 4.841 lire or 5.021 lire per week comprehensive of job accident insurance. Artisans pay only for maternity contributions.

New features introduced by the Treu Law are:

- The apprenticeship should give a more professional qualification to young unemployed people, being extended to all economic sectors, including agriculture, and should be more favourable to the artisans.
- The duration of the apprenticeship contract is variable but must not cover less than 18 months and more than 4 years.
- The apprenticeship contract should be divided into three parts: (1) a variable period in 'off the job training'; (2) a period during which the young person is mainly engaged in work by the firms and takes some training off and on the job; (3) a final period for checking the professional qualification attained.
- During the whole period of contract the wage should be paid by the employer, at the end s/he should be refunded for expenses entailed during the out of job training.

(c) Wage bargaining

At present the labour policy debate in Italy is essentially centred on wage bargaining.

An instrument used for many years in order to favour employment in Southern regions was the "Exemption From Social Security Contributions" (*Fiscalizzazione degli oneri sociali*) which aimed to reduce the fiscal wedge between the wage paid to the employees and that paid by the employers. Since 1996, following the agreement with the European Community such exemption has been reduced, and will be progressively eliminated, and thus the problem of finding other ways of reducing labour costs in these regions remains.

On this point the *Agreement* provides for: (1) particular forms of contracting with "temporary" (for a period of about one year) total or partial fiscal reductions, for job contracts carried out in the "Agreement of Framework Programme" within the "Territorial Deal" or in the European Social Fund objective areas; (2) a reduction of contributions regarding health insurance; (3) tax relief for the non-profit sector, for new

production activities run by young people and for newly hired people, especially if young. Moreover, the Treu Law has codified the Emergence Contracts (*Contratti di gradualità*) which aim at bringing workers in the “black economy” into regular employment. In fact, firms which favour the progressive bringing up to the regular wage can apply wage contracts set for newly hired employees to their workers.

2.3 Labour supply policies

The general themes discussed in Italy regarding the supply labour policy are:

1. How to improve “Human Capital” through the reform of the educational and vocational system.
2. The reform of unemployment subsidies through the reorganisation of “Unemployment Benefits” and “Turnover or Mobility Rolls” (*Liste di Mobilità*), that means transferring the subsidies for employment into subsidies for unemployment.
3. The reform of the welfare state also through defining subsidies for the unemployed with no previous work experience, “Guaranteed Minimum Wage” (*salario minimo garantito*).
4. Within the scope of the *Agreement* (and of the Treu Law), great importance is also given to some forms of “active labour policies”, mainly aimed at young people, which encourage the adoption of workfare policies rather than of welfare policies, such as “Socially Useful Activities” (*Lavori Socialmente Utili*) and “work experience in firms”.

(a) Vocational training in Italy

The reordering of professional training is a priority in the *Agreement*, and in the Treu Law general guidelines are fixed. The reform of the Italian Training Scheme at present provides for: (i) the revision of the whole school system: High School, Training and University; (ii) the development of new forms of exploitation of human capital following the introduction of new technologies as: “on the job training” (within the firm) and “permanent training” (training carried out during the whole of working life and improved by contracts providing for sabbatical years, leave to undertake training programmes, etc.); (iii) a better co-operation between institutions which manage the training; (iv) the development of counselling; (v) the promotion of work experience and “on the job” training for people leaving school, improving their access to the labour market.

The structure of Italian vocational training was laid out by Law 845, of 21 December 1978 (said *Legge Quadro*) and by Article 123 of EEC Constitutional Law.

Regions determine projects for vocational guidance and training of the job seekers. The European Social Fund (ESF) finances the training of disadvantaged categories. The Ministry of Labour has a link role with the ESF. It passes the project to the ESF and gives its own technical and financial support

Regions plan the training activities at a regional level with annual or medium term programmes. Beneficiaries are Italian citizens who have the minimum legal level

of education and non-Italian citizens according to international agreements.

Training projects are run directly by Regional Training Centres or through entrepreneurial organisations, social associations and pools. Private citizens must have some characteristics checked by the Region. Moreover, they are free from taxation.

During training, trainees have an insurance for pension and sickness schemes. Courses consist of one or more cycles (up to a maximum of 4) and cover no more than 600 hours. At the end of the course an official certificate detailing the professional qualification achieved by the trainee will be given.

As in the Youth Training Contract, employers, hiring a young person who has followed a training programme, pay the same social security contribution for the first six months of work as for apprentices.

According to the art. 123 of EEC Constitutional Law, the European Social Fund has the following aims: (i) to fight long-term unemployment and to promote the hiring of both young people and also other disadvantaged categories (objective 3); (ii) to favour the updating of workers' professional qualifications, according to the evolution of the cycle of production; (iii) to promote the development of regions in recession (objective 1); (iv) to promote industrial reorganisation in regions and sub-regions in decline (objective 2); (v) to promote rural development (objective 5b).

The ESF finances all the activities useful for the aims above, therefore it provides training for job seekers, promotes employment, initial and permanent training and counselling, improves human capital, the R&D, the qualification of trainers and acts as a link between the training centre and firms.

The expenses covered are: (a) wages, travel and residence; (b) training, organisation and evaluation costs; (c) expenses for improving hiring.

The Ministry for Labour presents the projects to the EEC Commission, the ESF co-finances the activity programme and gives subsidies and supplies technical assistance to pilot projects.

(b) Work access and training programme for young people

According to art. 15 Law 451/1994, the Government, with the Ministry of Labour, consulting Regional Administrations and Regional Employment Commissions, should implement projects to improve the access of young workers to the labour market, in areas in crisis established by Law n. 236/93.

The beneficiaries are young people (aged 19-32, put up to 35 for the long-term unemployed) registered at the Labour and Employment Offices.

The access projects should be: (i) socially useful activities; (ii) schooling programmes, basic level vocational training for people with compulsory school qualifications and vocational training of the second level for people with a high school diploma; (iii) 'on the job' training and work experience dealing with Associations of Employers (also professional).

The programme cannot last more than 12 months and cannot involve workers for more than 80 hours per month. During the programme the young worker remains registered at the Employment Office or on the Turnover Register, and maintains the right to Turnover Benefits and Wage Supplementation Scheme (WSS).

The number of workers included in the programme of type (iii) depends on the

number of employees already in the firm or the number of hiring the firm makes. At the end of the training programme, the employer can hire the young trainee under a Youth Training Contract.

During the programme the young trainee earns 7.500 Italian lira per hour. The Employer covers 1/2 of this sum, but only for working hours and not for training hours.

The programme is financed by a National Fund for the Reduction of Unemployment stated by Law 236/93, which lasts until 1998. The Regions can give additional financial contribution for the programme in their own area. Such a supplement exists in Campania, according to the Regional Law 15/1993.

(c) Special programme for young unemployed people in the South of Italy

The Treu Law provides an extra two years funding of 1,000 billion Lira for projects of Socially Useful Activities and scholarships for work experience for 100,000 young people living in areas with high unemployment.

The beneficiaries are young people aged 19-32 (put up to 35 for the long-term unemployed -more than 30 months- registered at the Labour and Employment Office). Projects cannot last more than 12 months and cannot involve workers for more than 80 hours per month. During the programme the young worker remains registered at the Employment Office. Contributions to young people are the same as the above Work Access and Training Programme.

(d) Socially useful activities (SUA)

The Law 608/1996 and the Treu Law dictate the Socially Useful Activities programmes.

Local Authorities, Public Administrative Offices, Companies with prevailing public share, Social Co-operatives and other individuals established by the Ministry of Labour devise the scheme. Technical assistance by the Regional Employment Commissions is provided. It is eligible for all parts of the Country, and its aim is to favour employment improving socially useful activities.

The projects can be national, regional and for areas which can include more than one region. For national and inter-regional projects, it must be submitted to the Ministry of Labour and accepted by the Central Employment Commission, which decide on the basis of an Evaluation Commission. Regional projects must be submitted to Employment Agencies and approved by the Regional Employment Commission.

Beneficiaries are: (a) workers enrolled on the Turnover Register or Mobility Rolls; (b) workers on the Wage Supplementation Scheme; (c) young people aged 19-32 (put up to 35 for the long-term registered unemployed).

The programme cannot last more than the duration of Mobility or Turnover benefits or Wage supplementation scheme. During the programme the young workers are still registered as unemployed, or are on the Mobility Roll, and keep the right to Turnover Benefits and the Wage Supplementation Scheme.

During the programme the worker earns a bonus of 10 per cent of the benefits already claimed, if s/he is not on benefit at the time, payment will be of 7.500 Italian

lira per hour.

The programme is financed by a National Fund for the reduction of Unemployment established by Law 236/93, which lasts until 1998, and with a financial contribution of the individual who has proposed the project. The Regions can give an additional financial contribution for the programme in their own area. Such a supplement operates at present in Campania (according to the Regional Law 15/1993).

2.4 Institutions

One of the most important objectives of the *Agreement*, concerns the reform of "Employment Agencies". The Employment Agencies with the loss of the public monopoly of the labour placement system and in view of the reform of employment services should: (i) develop the supply of labour services to both workers and firms; (ii) develop the counselling and the planning of training programmes.

A regional decentralisation of Employment Agencies is to be provided to improve local labour markets. Indeed, as set by the Bassanini Bill, every Region is adopting a Law providing a reorganisation of employment services and labour policies at a regional level. The involvement of private capital and social institutions will be stimulated and the role of public intervention will be that of regulation, inspection and programming labour services.

3. How to evaluate the labour policy strategy

As shown above, in the nineties in Italy, as well as all other industrialized countries, strong labour policy strategies have been formulated to contrast the high levels of structural unemployment. These included, *inter alia*, improving employment opportunities of young people living in the southern regions and encouraging a more flexible organisation of work. The following Summary Scheme sums up the policies which involve young people both directly and/or indirectly.

(a) Summary scheme

A further and more fruitful task, now, is to try to evaluate these policies. This process generally focused on the evaluation of the impact on the labour market, that is, to assess the programme goals of an individual policy instrument with a measurable outcome through an impact or cost-benefit analysis. This type of evaluation needs detailed data sets collected from monitoring procedures, that reveal whether the programme design and the implementation of policies correspond to policy goals, and it also requires checking mechanisms that show whether the implementation of policies is managed efficiently. In Italy, unfortunately, this process of policy evaluation is rarely implemented, with only a few exceptions. (Borzaga, Brunello 1997, Felli, Ichino 1988). The first reason is that the majority of policies (mainly active labour policies) are too recent or have not yet been implemented. However, the main reason is that there no longer exists any system of monitoring or checking of policies. The methodology of evaluation used is merely based on case studies and verbal interpretation of legal documents at a descriptive level, the reports have been made with poor data sets or dealt with from a methodological point of view. (Sameck Ludovici 1995, Martini, Garibaldi 1993).

The way we will attempt to evaluate the policies is to privilege the other two aspects of policy evaluation, generally not often analysed, policy formation process and implementation. The methodology used is a “target-oriented evaluation” (Schmid, O'Reilly, Schomann, 1996) that is, acknowledging that policy formation and implementation are interrelated processes and embedded in a historically specific socio-economic context. In this respect the recent labour policy strategies in Italy can be evaluated primarily by analysing the institutional changes in industrial relations and in the welfare state, assessing to what degree social groups are involved in accepting and pursuing the principal aims of labour policy programmes.

The issue of debate on welfare state reform and on wage bargaining is to introduce more flexibility guaranteeing workers or the unemployed with a high chance of finding employment. The industrial relations and welfare system in the last twenty years has been too rigid; the former favoured “strong workers”, i.e. 30-50 year old men employed in medium or large industries, with rigidities in hiring and firing as well as with an automatic wage indexation mechanism. The welfare system brought about an income redistribution favouring household incomes, and unemployment benefits, were provided only for dismissed or on turnover and/or on mobility roll workers.

By the end of the eighties the system encountered serious difficulties. More internal and in-out firm flexibility has thus been pursued in industrial relations, for example new atypical job contracts were introduced (part-time contracts, work-sharing agreements, contracts of rented work, youth training contracts, apprenticeship contracts), the wage supplementation scheme, collective dismissals and subsidies to the unemployed (unemployment benefits, turnover or mobility roll) were reformed.

Important changes were also introduced in collective bargaining agreements. From a “mixed” bargaining system, in which the wage structure was formally defined at a central level but in effect at an industrial level, the new system, established in July 1993, developed a two tier system. The national industry level contracts set the structure and evolution of wages (over a two years period), “consistently” within official inflation targets, as well as working conditions (with a four year limit). On the other hand a de-centralized bargaining system, mostly at large firm level, was provided for strengthening the flexibility of wages according to the firms’ performance. A further evolution of bargaining decentralisation was the introduction of Area Contracts that, in promoting agreements between employers and unions at local level to institute advantageous conditions for new investment or for the expansion of existing businesses and for maximisation of the job impact, represent a new form of “regional” decentralization of the bargaining system.

As can be seen above, regarding the labour market, the objective of Welfare State reform is to reorganize unemployment benefits, moving from a “passive welfare” to a “welfare of opportunities” with a central role of active labour policies, but in a budgetary framework constraint that does not cover extra costs.

In conclusion, the labour policy strategy is aimed at strengthening flexibility in industrial relations along with social solidarity towards jobless people. The question is: does that strategy really affect the young? Are the single implemented programs sufficient and/or efficient in achieving the aim of increasing employment for the young?

The answer to the first question is affirmative. The employment policies as well as the new contract programmes give new tools to the social agents in decentralized agreement bargaining and counteract the rigidity of access to the labour market of young people. The active labour policies addressed to young people, on the other hand, aim to provide a first job opportunity or training. The answer to the latter is more complicated but generally negative. We will now proceed with an analysis of each single policy.

Employment Policies

The “Promotion of Youth Self-employment” and the “Financial Incentives for Youth Entrepreneurship” aim to increase job opportunities by giving financial incentives to the new activities –as partnership or self-employment-.

The former program is still at an early stage and only the initial training courses for proponents of approved projects have been carried out as yet. If we refer to the first 25000 applications before the end of May 1997 we see (table 21) that 14.6 per cent of the applications examined (and 8.4 per cent of total applications presented) were passed and applicants admitted to training courses. The region with the highest number of applications is Campania (30.1 per cent). Of total applications presented 64.2 per cent

of applicants were under 30 (58.5 per cent of total successful applications), 70 per cent on average are male.

Table 21. Promotion of youth self-employment (Law 591/96)
By region of residence of proponents

Regions	Projects					
	Total (a)	Passed (b)	Rejected (c)	Under Exam. (d)	b/a*100	(b/(a-d))*100
Abruzzo	1,457	133	711	613	9.1	15.8
Molise	330	28	178	124	8.5	13.6
Campania	6,455	622	3,479	2,354	9.6	15.2
Puglia	4,746	469	2,399	1,878	9.9	16.4
Basilicata	910	71	452	387	7.8	13.6
Calabria	4,130	309	1,979	1,842	7.5	13.5
Sicilia	4,692	339	2,018	2,345	7.2	14.4
Sardegna	1,905	104	873	928	5.5	10.6
Total	24,625	2,065	12,089	10,471	8.4	14.6

Collected data at 31 May 1997.

Source: Società per l'imprenditoria Giovanile

Table 22. Youth entrepreneurship (Law 44/83: Situation to 23 January 1997)

1. Projects submitted - accepted and financed	
Accepted	1,162
Rejected	3,124
Not eligible for subsidies	409
Not definitive	44
Total projects passed	4,739
Implemented	7
To be processed	118
To be completed	25
Total projects submitted (a)	4,889
2. Projects accepted	
Number of project (b)	1,162
Investment	3,316
Shareholders	7,584
Employees	22,234
3. Projects eligible for subsidies	
Number of projects	923
Financial commitment	3,109
4. Firms financed	
Number of firms	784
Funds distributed	1,831

(a) Including 31 projects submitted under Law 236/1993.

(b) Including 9 projects accepted under Law 236/1993.

The second programme has been implemented for over ten years. Until the end of January 1997 (see table 22) 4900 projects had BEEN presented and 1162 projects passed the screening of the Commission, corresponding to 3316million Lira of investment and to 22234 new employed people. In this respect, research (Croce 1997b) shows how this Law in the starting-up phase has had a significant effect on employment. Regions with the highest number of approved projects are Campania, Apulia and Calabria (respectively 267, 143 and 136 out of 1083 projects approved until the 1st of July 1996), while sectors with the highest number of projects submitted are Farming and Livestock (23.5 per cent of 4609 projects submitted until the 1st of July 1996) in Agriculture (28.2), Basic Food Processing (6 per cent) in Industry (51.1 per cent) and Business Services (17.2) in Services (20.7 per cent). The form of both programmes covers two main areas: the former regards the nursing phase and consists of training courses and technical assistance. In this phase the aim is to promote self-employment or an entrepreneurial job attitude and, in this way, to eliminate a rigid element of work access which lies in the young's attitude towards stable jobs.

The latter regards the financial incentives to sunk capital and credit. In this case research on the Youth Entrepreneurship Law (Scandizzo, Atella 1997; Croce; Battistin, Gavosto, Rettore 1997) has shown that these incentives have created lower risk firms but with average performances inferior to that of firms without incentives. As regards the debt cost, this means that the minor long term cost of funding is more than offset by the higher level of the short term cost of funding. This makes a firm's position more precarious when the incentives run out. In fact, it has been proved that the survival function, depending on the economic efficiency of the firm, has rates generally higher than spontaneous firms when incentives to the starting up are running, but a lesser rate when they end.

(b) Contracts

The objective of the new types of work contract is to improve the flexibility of the firms in labour force management, within the scope of technological change and of competitiveness recovery, as well as to favour labour demand for jobless people.

Part-time contracts and solidarity contracts promote the internal flexibility of firms. They permit work sharing hours between a higher number of workers, and in this way increase employment.

As we have said in part A, these contracts have been running in Italy since 1984 but with little success. The lack of part-time employment contracts has been considered one of the structural problems of the Italian labour market while in other European countries, such as Holland, it has been a strategic tool in fighting unemployment by inducing a generation change of the labour force and favouring young and female employment.

The Italian case can be viewed as an example of an inadequacy between single programmes and the policy formation process. In fact, the development of part-time contracts must be strictly linked to a more general strategy of working time regulation in industrial organisation.

Mixed cause contracts such as Apprenticeship contracts and Youth Training Contracts affect the degree of freedom the firms have in the management of the labour

force. The implicit assumption is that more flexibility in hiring and firing and more incentives towards youth employment may increase the firms bias in favour of employing workers.

These contracts have been running successfully since 1984. From 1990 to 1996, 3.3million apprenticeship contracts were drawn up (see table 23), an average of 470,000 contracts per year, 20 per cent of them in the South (but only 16 per cent in the last year). Thirty five to forty per cent of contracts regard female workers and the main sectors employing female apprentices are Clothing, Furnishing and Commerce, Tourism, Hotels and Public Exercises, while sectors employing mainly male apprentices are the Mechanical and Construction sectors.

Table 23. Hiring under apprenticeship: 1990-1996

Years	Apprentices		% by Regions		Variation on previous year	
	Total	Artisans	Total	Artisans	Total	Artisans
South						
1990	117,582	73,249	22.2	21.8		
1991	115,882	72,108	22.1	21.7	-1.4	-1.4
1992	109,282	69,858	21.6	21.9	-5.7	-3.1
1993	91,044	55,469	20.2	20.1	-16.7	-20.6
1994	76,336	47,150	17.9	18.8	-16.2	-15.0
1995	75,333	46,115	18.0	18.2	-1.3	-2.2
1996	66,290	39,345	16.0	16.4	-12.0	-14.7
Centre-North						
1990	412,259	262,635	77.8	78.2		
1991	407,885	260,668	77.9	78.3	-1.0	-0.7
1992	396,452	249,469	78.4	78.1	-2.8	-4.3
1993	358,721	220,238	79.8	79.9	-9.5	-11.7
1994	350,399	217,207	82.1	82.2	-2.3	-1.4
1995	342,900	206,988	82.0	81.8	-2.1	-4.7
1996	347,602	200,587	84.0	83.6	1.4	-3.1
Italy						
1990	529,741	335,884	100	100		
1991	523,767	332,776	100	100	-1.1	-0.9
1992	505,734	319,327	100	100	-3.4	-4.0
1993	449,765	275,707	100	100	-11.1	-13.7
1994	426,735	264,357	100	100	-5.1	-4.1
1995	418,233	253,103	100	100	-2.0	-4.3
1996	413,892	239,932	100	100	-1.0	-5.2

Source: Relazione Generale sulla situazione Economica del Paese.

Since 1984, 4.7 million young people were hired on a Youth Training Contract (see table 24), an average of 400,000 contracts per year. In the 1980s, 9 per cent of contracts on average were drawn up in the South while in the nineties this percentage

has doubled all over the southern Regions (see graph 24). A quarter of contracts regard female workers and the majority of them are people aged 19-24 (see table 25). Nevertheless the average age has been growing recently because, as we have seen, the new rules also apply to older people. The typical young person on a training contract has been hired by a small industrial firm and is a manual worker (see table 25).

These contracts have a two tier advantage: (a) benefits for the firm by lowering labour costs and providing hiring flexibility; (b) training for the young workers. Research in the eighties noted that the role of training provision for the young worker did not appear to be crucial. In large part the training content of the contract was modest, reduced in time and poor in quality -mainly "on the job" training (ISFOL 1988).

Table 24. Hiring under trainee contracts (Law 863/1984, Art. 3), 1994-1995

	Worked hired			% Var. on previous year			% South
	South	C-N	Italy	South	C-N	Italy	
1985	7,445	100,989	108,434				6.9
1986	18,152	211,083	229,235	143.8	109.0	111.4	7.9
1987	33,312	369,544	402,856	83.5	75.1	75.7	8.3
1988	44,473	449,170	493,643	33.5	21.5	22.5	9.0
1989	55,043	475,056	530,099	23.8	5.8	7.4	10.4
1990	68,314	420,789	489,103	24.1	-11.4	-7.7	14.0
1991	64,952	251,391	316,343	-4.9	-40.3	-35.3	20.5
1992	55,838	199,877	255,715	-14.0	-20.5	-19.2	21.8
1993	44,036	144,916	188,952	-21.1	-27.5	-26.1	23.3
1994	43,579	177,537	221,116	-1.0	22.5	17.0	19.7
1995	46,610	204,210	250,820	7.0	15.0	13.4	18.6
1996	54,430	214,790	269,220	16.8	5.2	7.3	20.2

Source: Ministero del lavoro - Osservatorio sul mercato del lavoro.

The question is, if the benefits for the firm have had any positive effect on youth employment. There are many doubts as to whether to consider these new forms of contracts functional to the young person's participation on the labour market or whether they have rather been a convenient tool for more flexible labour organisation for the firms.

Other research points out that the net effect has been positive but limited while the displacement effect, when the young squeezed out workers already employed, had prevailed (Bruno, Arrigo, Guarna 1987; Venturini, 1997). Another element that justifies the functional use of this contract by the firm is the progressive increase in the age limit that in some regional agreements has been fixed up to 45 years old.

On the other hand, data show the strong cyclical effects of YTC implementation. In fact, Training Contracts improve pro-cyclically in the phase of economic growth, and, in spite of the greater benefits in the southern regions, in more dynamic areas of the North-Centre. While at the beginning of the nineties, years of high unemployment, the reduction in Training Contracts was greater than the reduction of youth employment, particularly in Northern regions (see Croce 1997a).

The pro-cyclical use of YTC can be explained through the labour hoarding strategy of the firms. In fact, these can exploit the YTC, which have lower adjustment costs than other contracts, by achieving more in-out flexibility. From the insider-outsider theory, we can consider youth as new entrants who, when labour demand grows, are hired on a YTC as long as benefits cover hiring costs. After a demand crisis, such as that in 1991-93 in Italy, they are easily the first to be fired because these contracts are more flexible than regular ones. Those employed on a regular contract will be fired only if the crisis persists over time.

Table 25. Hiring under trainee contracts (Law 863/1984, Art. 3), 1984-1996, percentage by characteristics

	Workers Hired		Age			Education			Sector			Firm Size			
	Male	Female	15/18	19/24	25/29	Lower Second	Upper Second	Universit y	Agriculture	Industry	Services	0/49	50/249	250/499	500
1984	68.4	31.6	16.4	64.7	18.9	67.7	31.3	1.0	0.3	67.8	31.9	50.5	29.4	10.1	10.0
1985	60.0	40.0	13.1	68.5	18.4	62.4	35.9	1.6	0.4	60.7	38.9	67.4	19.8	4.8	5.2
1986	58.3	41.7	13.4	67.5	19.0	62.3	35.2	1.9	0.5	61.2	38.3	71.9	18.5	5.1	4.4
1987	60.0	40.0	12.5	65.1	22.4	62.3	35.8	1.9	0.7	58.2	41.1	71.0	18.8	5.8	4.4
1988	59.4	40.6	13.3	64.8	21.9	65.0	32.9	2.1	0.6	58.7	40.7	70.3	18.7	6.2	4.8
1989	59.8	40.2	12.1	64.8	23.1	66.4	31.5	2.1	0.4	59.4	40.2	69.2	19.2	6.3	5.4
1990	60.0	40.0	10.5	63.2	26.3	66.2	31.8	1.9	0.4	57.0	42.5	70.6	18.7	5.8	4.9
1991	61.5	38.5	11.0	60.9	26.0	65.0	31.1	1.8	0.5	53.4	44.1	70.4	16.2	5.6	5.6
1992	60.0	40.0	8.8	62.8	28.3	64.8	32.7	2.5	1.2	51.5	47.3	73.8	15.8	5.2	5.3
1993	59.6	40.4	7.9	61.7	30.5	63.0	33.9	3.1	0.3	51.2	48.5	78.1	12.3	3.8	5.8
1994	63.2	36.8	6.7	58.4	34.8	64.8	32.0	3.2	0.4	59.4	40.2	73.4	14.9	4.4	7.3
1995	65.4	34.6	6.5	56.5	37.0*	64.4	32.2	3.4	0.3	62.8	36.9	71.7	14.8	5.5	8.0
1996	63.8	36.2	4.5	52.1	43.4*	61.0	34.6	4.3	0.2	59.9	39.9	74.5	14.5	4.3	6.6

(c) Labour supply policies

Supply labour policies aim to reduce unemployment by lowering skill mismatch, inducing choice and behaviour supply models that are homogeneous to labour demand and by safeguarding human capital from the long-term persistence of unemployment.

In the “Extraordinary European Council Meeting on Employment” (Luxembourg 20-21 November 1997), European countries agreed on the guidelines of supply labour policy concerning educational and vocational training system reform. As we have seen, the Italian vocational system bears a lot of structural problems mainly due to on the over-rigidity of mixed, public and private, organisation and on its marginal role compared with the educational system. In fact, 2.5million students attend secondary school but only 300,000 young people on average go on training courses (see table 26) –35 per cent go on post-diploma training courses the others on post-compulsory school training courses-. However, the main structural problem concerns the local authorities – particularly in the southern Regions- that are unable to channel and thus spend EU funding. In fact, as can be seen in table 27, only 17,7 per cent of EU funds have been effectively spent in the South.

Table 26. Training courses by region

	1990-91 (a)		1991-92 (b)		1992-93 (b)	
	N.	%	N.	%	N.	%
Students						
Centre	35,609	13.4	40,397	13.2	43,181	13.3
South	39,580	14.9	54,264	17.8	57,530	17.8
North	190,860	71.7	210,818	69.0	222,916	68.9
Total	266,049	100.0	305,479	100.0	323,637	100.0
Courses						
Centre	2,398	18.9	3,288	22.0	3,430	22.0
South	1,766	13.9	2,190	14.6	2,049	13.1
North	8,526	67.2	9,489	63.4	10,123	64.9
Total	12,690	100.0	14,967	100.0	15,602	100.0

(a) Excluding the provinces of Padua, Siena, Rieti, Latina, Frosinone, Isemia, Campobasso, Caserta, Benevento, Avellino.

(b) Excluding the region Apulia.

Source: Censis, based on data from ISTAT, Yearly Report 1995.

One of the most recent developments in supply labour policies is “active labour policies” addressed towards disadvantaged job seekers. The most important programmes are: Socially Useful Activities, the Work Access and Training Programme for the Young and the Special Programme for Young People Living in the South.

Table 27. Social European fund: objective 1 financial assets (at 31 December 1995)

	Assets		
	Programmed	Committed	Distributed
		%	%
Abruzzo	75,823	95	73.3
Molise	40,679	81.9	10.9
Campania	275,193	19.4	0
Puglia	244,178	49.8	35.4
Basilicata	152,781	111.6	33.7
Calabria	159,566	0	0
Sicilia	362,209	121.3	2.1
Sardegna		160.7	33.1
Total	1,479,195	78.5	17.7

Table 28. Hiring for socially useful project, 31 December 1996

	Projects		Workers		Workers per project
	Numbers	%	Numbers	%	
V. d'Aosta	51	0.6	152	0.2	3.0
Piemonte	426	4.7	4,078	4.6	9.6
Lombardia	365	4.0	1,163	1.3	3.2
Liguria	313	3.4	2,178	2.5	7.0
Trentino A.A.	-	-	-	-	0.0
Veneto	1,236	13.6	3,353	3.8	2.7
Friuli V.G.	91	1.0	197	0.2	2.2
Emilia Romagna	171	1.9	434	0.5	2.5
Toscana	472	5.2	1,982	2.3	4.2
Umbria	184	2.0	1,202	1.4	6.5
marche	403	4.4	3,056	3.5	7.6
Lazio	1,292	14.2	12,352	14.0	9.6
Abruzzo	440	4.8	3,688	4.2	8.4
Molise	311	3.4	946	1.1	3.0
Campania	1,645	18.1	28,508	32.4	17.3
Puglia	960	10.5	14,659	16.7	15.3
Basilicata	274	3.0	2,597	3.0	9.5
Calabria	479	5.3	7,375	8.4	15.4
Sicilia	-	-	-	-	0.0
Sardegna	-	-	-	-	0.0
Italy	9,113	100.0	87,920	100.0	9.6
South	4,109	45.1	57,773	65.7	14.1
Centre-North	5,004	54.9	30,147	34.3	6.0

Source: Ministero del Lavoro

Data refer only to the older programme – Socially Useful Activities - and show a more complicated picture. Table 28 shows the situation until 31 December 1996; 9113 projects involved 88,000 people in SUA, 66 per cent of which were in the South

-mainly Campania 32.4 per cent, and Apulia 16.7 per cent- where the workers are hired on average on larger projects, 14.1 workers per project in the South and 6 per cent of workers per project in other Italian regions.

Table 29. Hirings for socially useful project, 30 June 1996

Regions	Total	Male	Female	Manual workers	Office workers	Executive workers	By Age		
							< 40	40-50	> 50
V.D'Aosta	77	42.9	57.1	91.7	8.3	0.0	18.2	51.9	29.9
Piemonte	1,068	22.8	77.2	90.4	9.5	0.0	29.4	30.0	31.6
Lombardia	390	41.3	58.7	93.3	6.7	0.0	56.9	24.14	19.0
Liguria	484	74.0	26.0	77.0	23.0	0.0	30.8	1.1	28.1
Trentino A.A.	-	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Veneto	284	58.8	41.2	62.7	37.3	0.0	20.4	28.9	50.7
Friuli V.G.	421	61.5	38.5	87.5	12.5	0.0	33.5	25.9	40.6
Emilia Romagna	791	35.0	65.0	89.8	10.2	0.0	25.8	34.8	39.4
Toasana	1,291	50.6	49.4	92.9	7.1	0.0	27.3	27.7	45.1
Umbria	1,770	44.9	55.1	90.1	9.9	0.0	19.7	36.8	43.6
Marche	1,483	n.a.	n.a.	97.2	2.8	0.0	30.8	41.1	28.1
Lazio	4,484	50.3	49.7	90.6	9.4	0.0	27.9	49.2	23.0
Abruzzo	2,212	46.8	53.2	95.1	4.9	0.0	33.7	35.9	30.3
Molise	988	62.0	38.0	95.8	4.2	0.0	47.2	25.8	27.0
Campania	25,746	72.8	27.2	97.2	2.8	0.0	42.7	37.9	19.5
Puglia	23,001	63.0	3.0	96.3	3.2	0.5	17.1	40.5	42.5
Basilicata	1,361	63.9	36.1	95.3	4.7	0.0	43.0	36.8	20.1
Calabria	4,834	86.1	13.9	89.6	10.4	0.0	31.8	67.5	0.6
Sicilia	1,677	89.2	10.8	43.5	56.5	0.0	32.9	41.6	25.5
Sardegna Molise	3,827	84.3	15.7	90.0	4.0	5.9	30.5	44.8	24.7
Italy	76,189	65.4	32.6	73.9	25.8	0.3	30.8	41.1	28.1
South	63,646	70.1	29.9	72.4	27.3	0.3	31.1	41.8	27.0
Centre-North	12,543	41.5	46.7	90.2	9.8	0.0	28.0	35.2	36.8

Source: Ministero del Lavoro.

More detailed information is available up to 30 June 1996 (see table 29). 67 per cent of hired workers for SUA are male. If we consider hiring by age we can see that this program concerns young people only partially – just 31 per cent of hired workers are under 40 years - but above all it is addressed to job seekers with particular re-employment difficulties. In fact table 30 shows that the majority of workers implemented on SUA are workers receiving social contributions or on mobility roll and therefore job-seekers with a previous occupation.

The last two policies, -the Work Access and Training Programme for the Young and the Special Programme for Youth Living in the South-, are more recent and, also in this case, they conform to the European labour policies guidelines in guaranteeing on first-time job seekers and/or the long-term unemployed, a new start or a fresh start, in the form of training, retraining, work experience or jobs.

Table 30. Hirings for socially useful projects, 30 June 1996

Regions	Long term unemployment	Workers perceived a social contribution	Workers in mobility	Workers in WSS(*)	Workers in art. 1, c.10 DL 510/96(**)
V.D'Aosta	23	21	0	30	3
Piemonte	118	852	98	0	0
Lombardia	202	103	71	11	3
Liguria	147	114	93	130	0
Trentino A.A.	-	-	-	-	-
Veneto	23	33	198	12	18
Friuli V.G.	216	10	186	9	0
Emilia	164	127	462	12	26
Romagna	313	136	842	0	0
Toasana	204	1,437	127	2	0
Umbria	73	689	721	0	0
Marche	776	2,478	798	80	352
Lazio	489	767	889	8	59
Abruzzo	100	308	512	31	37
Molise	835	23,432	1,355	0	124
Campania	109	22,180	625	8	79
Puglia	389	587	299	0	86
Basilicata	327	1,555	1,328	439	1,185
Calabria	381	721	301	68	206
Sicilia	0	3,827	0	0	0
Sardegna					
Italy	4,889	59,377	8,905		2,178

(*) WSS= Wage Supplementation Scheme

(**) Workers stopped from WSS and mobility during Socially Useful Activities.

Source: Ministero del Lavoro

Conclusions

In the first section it was pointed out that Italian unemployment derives from several causes. Structural features, such as its being predominantly young and female and living in southern regions, depend mainly on the economic development characterized by an industrial growth favouring large northern firms and male workers aged 30-45. On the other hand, industrial reorganisation in the eighties and nineties, despite introducing more flexible processes of production and increasing the service sector, to date, still does not appear sustain either the feminisation phenomenon of the labour market or increase the job opportunities for young people.

This phase of “growth without employment” has on the contrary introduced new forms of unemployment since production reorganisation has also put more guaranteed workers out the labour market, with no chance of re-employment. Consequently, the economic crisis in 1993-94 had significantly more dramatic consequences in terms of job losses and the increase in long-term unemployment.

The second section dealt with the present government’s labour policy strategy to curb increasing unemployment. General goals have been identified and discussed, namely (i) a reorganisation of Public Administration towards a more decision making decentralisation, (ii) an increasing solidarity between generations (pension reform, more guarantees for young people –minimum wage, active labour policies vs unemployment benefits guaranteeing only older workers), and for women (reform of the anti-discrimination and equal-opportunity law), (iii) an investment plan in infrastructure and human capital.

In this section, there was a more specific analysis of how single labour policy programmes have been implemented. It has been pointed out that in Italy these programmes claim to reach contemporary manifold objectives by single instruments. However, paying special attention to the young people living in southern regions as well as to first-time job seekers, women, the long-term unemployed and the disabled, it becomes evident that jobless people include numerous distinct unemployed categories each one with specific job-search problems.

In fact, not all young first-time job seekers are long-term unemployed, many of them are actually fired older workers not yet re-employable. The young jobless living in the South are different in comparison with those living in the North. The work access of women is also different to that of men, because of discrimination or of family responsibilities. Jobs, training or re-training opportunities laid out by the policies ought therefore to cover several issues and to have different objectives accordingly. The heterogeneity of jobless people might explain the failure of such policies. We will examine two examples of youth labour policies.

The Youth Training Contracts have not been implemented to a great extent in the South regions in particular and therefore they have not affected youth employment in these regions (graph 24). One explanation is that other incentives, mainly social security tax relief, usually reduce the incentive to use YTCs in the South. However, the main reason is the different form of youth work access in the two areas. YTCs are a

flexible tool used by firms to organize their labour force and obviously they are developed in regions (North-Centre) where there is more industry. Therefore YTCs have not been functional to all young unemployed people but only to the unemployed living in the North or Centre.

A similar problem concerns Socially Useful Activities. They are addressed to young people, the long-term unemployed, workers on mobility roll, etc. and this gives rise to mistakes in evaluating and implementing the projects. In fact, SUA projects for young first-job seekers might contain features of active labour policy or of new jobs, but if they are projects for the unemployed with a previous occupation they might contain characteristics of retraining or fresh jobs, what is more if they are addressed to workers in early retirement they might contain income support elements until pension eligibility.

Finally it is stressed that changing policy design only, as far as to give firms more incentives to arise employment or job search opportunities for unemployed people, is not enough to solve the unemployment problem. There is an urgent need for more adequate monitoring of the programmes and a cost-benefit analysis in order to evaluate them effectively. Furthermore the political process which underlies policy design must not be ignored. These inefficiencies in Italian labour policy strategy, if left unresolved, may seriously hinder the process of reducing unemployment.

In conclusion although one of the most explicit objectives of Italian labour policy today is to solve the youth unemployment problem, this still calls for a selection and a implementation of suitable and efficient programmes.

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