

**Armanda Cetrulo**

## **The State of Youth Unemployment in Italy: Looking towards Europe for Solutions?**

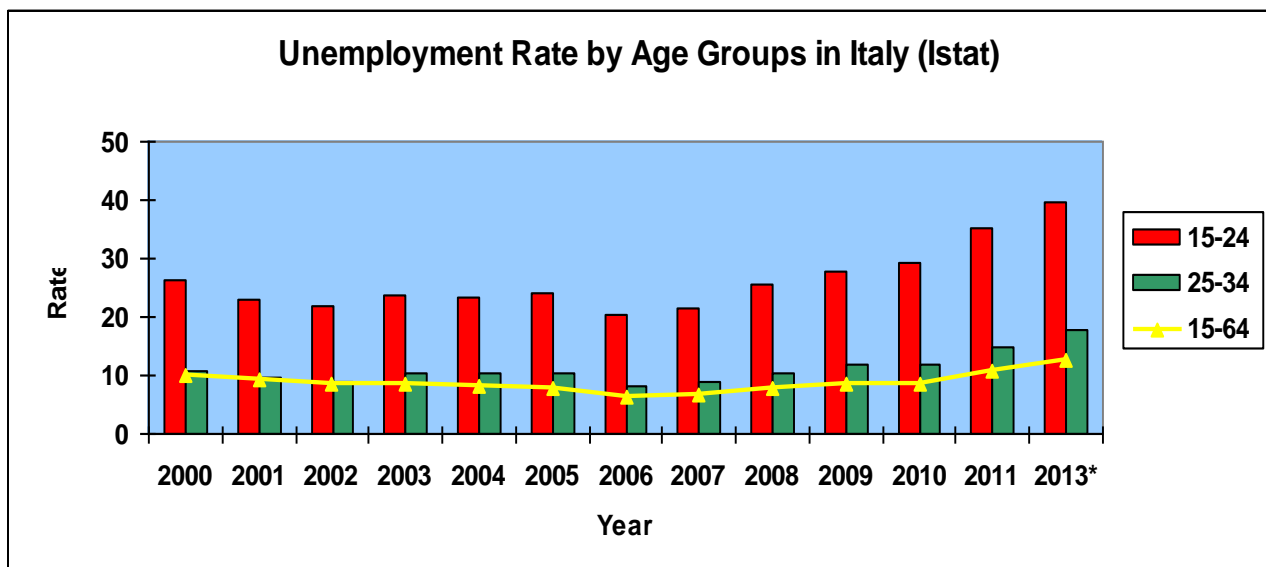
In the first part I will analyse the state of youth unemployment in Italy in recent years. Then I will consider some of the critical issues regarding the use of this indicator as a measure of the concrete conditions on the labour market. In the second part, I will then evaluate the effects and the consequences of this situation and in the last part I will make proposals for policies, taking into consideration some reforms adopted during the last years. The intention is to try to formulate a framework, which is able to recognise national specificities, but at the same time is based on a common European horizon.

### **Part I**

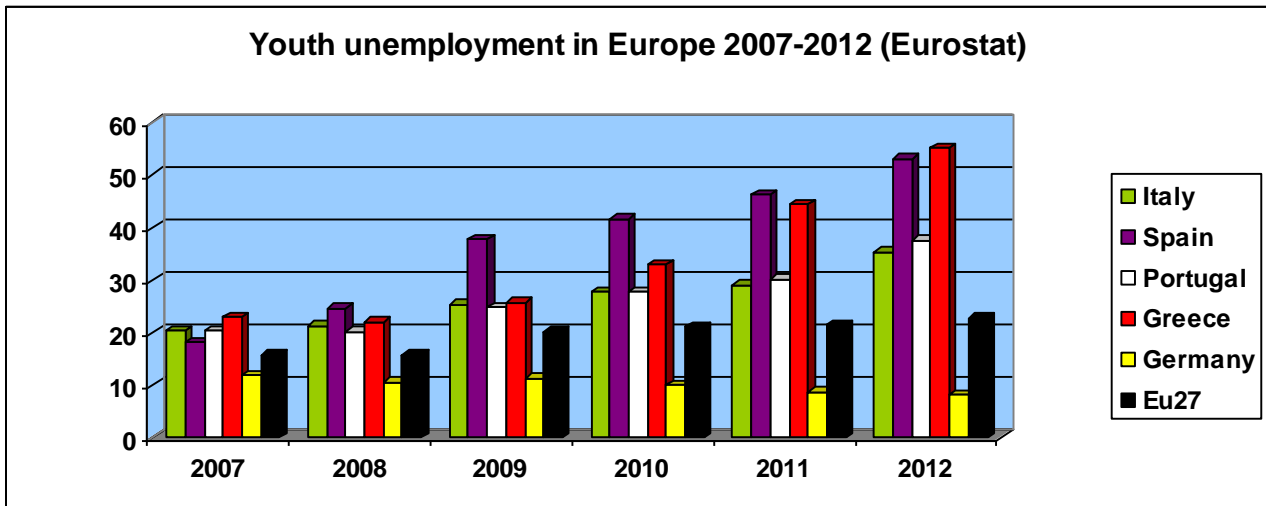
Dealing with youth unemployment (15-24 years) we have to consider that in all economic phases it almost always turns out to be higher than the unemployment of the entire population (15-64 years). However, the economic crisis seems to have hit the young harder than other age groups. In fact, from the beginning of 2009 the gap between the youth and the total unemployment rates has increased, so that at the end of 2012 the youth unemployment rate was 2.6 times the total rate.

Turning to **Italy**, we can easily notice that already in 2007 there was a gap between the youth unemployment rate and the total, but it is clear that it has increased considerably during the crisis.

The most recent data provided by Istat speak of **41.9% of youth unemployment** in the first quarter of 2013 compared to **13.0% of total unemployment**, so that the youth unemployment rate is three times higher than the total.



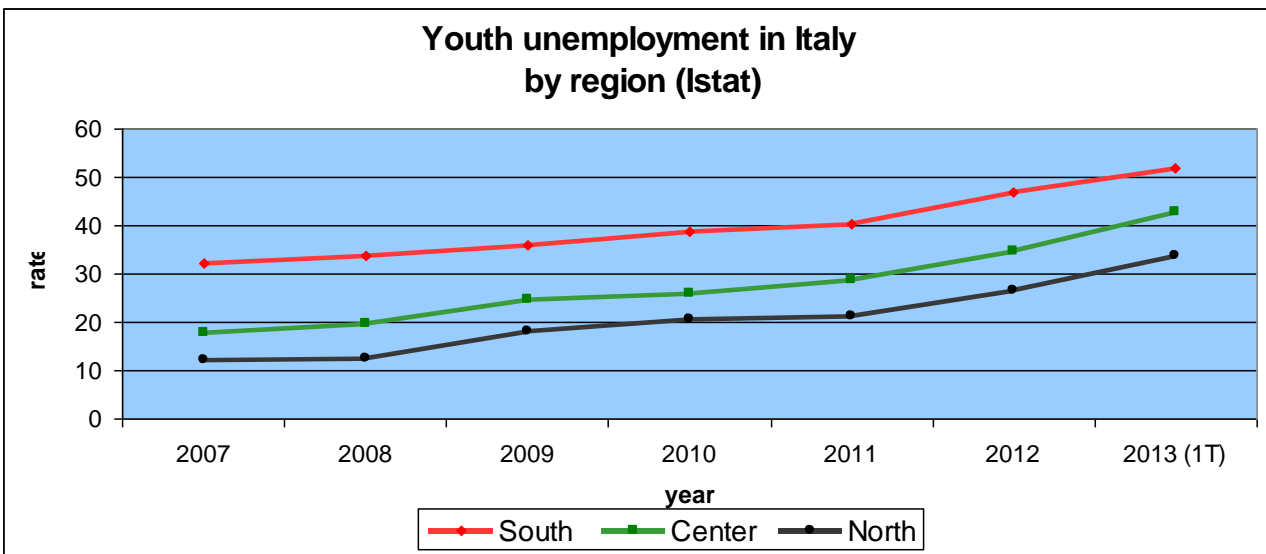
This trend is not, however, common to all European countries, some of which have made experiences less serious. Referring to the countries represented here, we can observe deep differences between the southern countries, Germany and the EU average.



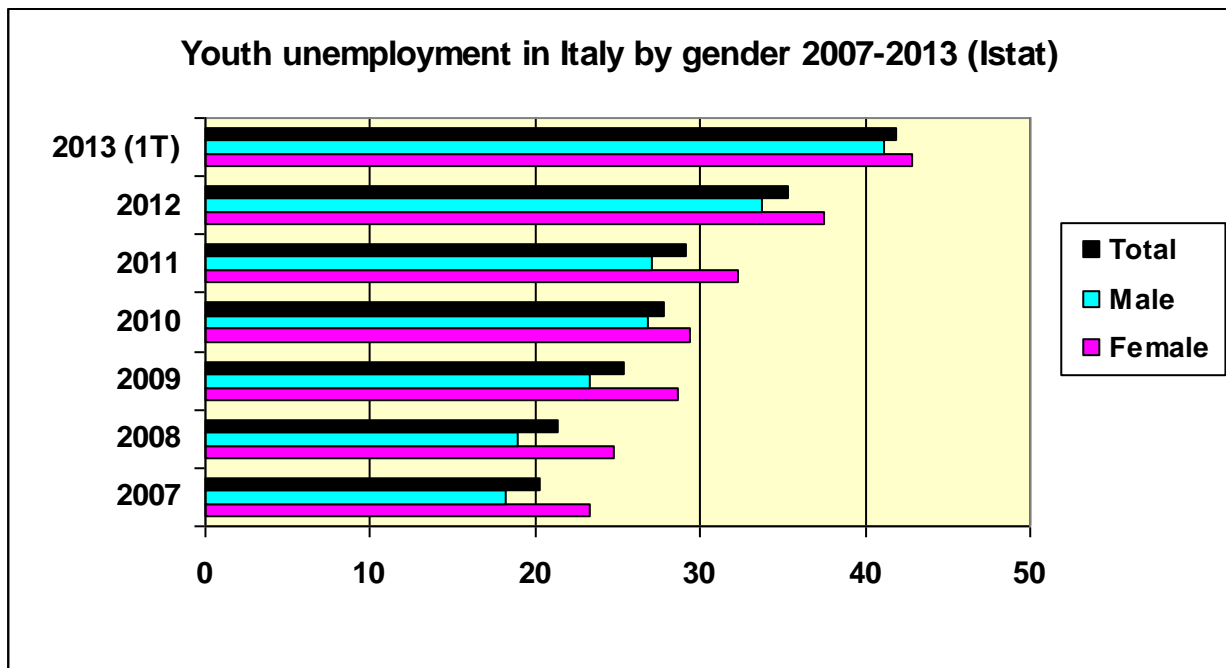
We can clearly see that in 2012 **Spain (53.2%)** and **Greece (55.3%)** register a youth unemployment rate well above the **European average (22.8%)**.

**Italy (35.3%)** is rapidly approaching the higher levels while **Germany (8.1%)** records rate lower than 10%, which is well below the other countries.

Furthermore, going back to Italy, if we want to have a more complete description of the situation, we should also consider the differences within the country that are both linked to the region of origin of young people and to their gender.



As we can easily see from this chart, the conditions in the **south** where at the beginning of 2013, the unemployment rate came to **51.9 %** are significantly worse than in the rest of Italy. In particular, there is a permanent **and significant gap between the northern and southern regions of about 20 percentage points**. The trend of youth unemployment is not only deteriorating the social and economic conditions of the population but it is, above all, greatly exacerbating gender differences and regional inequalities, even if all the countries share a perspective of decline.



In addition, remarkably different conditions have emerged regarding gender. From the above data it is clear that young women have the greatest difficulties in the labour market, presenting a rate of unemployment that during the crisis has increased more than the men's rate. If we also consider that the inactivity rate is even higher among young women, the picture becomes more serious and urgent to solve. As an example, we can undoubtedly say that a young woman that lives in southern Italy has the highest probability of being unemployed.

### **Does this picture tell us everything? Absolutely not!**

The unemployment rate alone is not able to capture all the critical elements of the labour market. Since it is based on the number of people looking for a job who are not able to find an occupation, it does not account for those who are outside the labour market, the so called inactive people that do *not* look for a job.

### **Inactive**

In Italy the number of inactive young people has increased dramatically. If we ignore them, we run the risk of underestimating the actual number of unemployed. A first explanation of the rising number of inactive among young people aged 15-24 could be detected in a possible increase in university enrolments. In other words, young people are not seeking work because they have decided to follow higher education courses. Unfortunately, this is not true since in the last ten years, the number of enrolments fell from 338,482 (2003-2004 ) to 280,144 (2011-2012), with a decrease of 58,000 students (-17 %). **It is as if in a decade an entire university had disappeared.** This drop has different reasons:

- increasing fees;
- reduction of scholarships. (We expect a further cut of 92 % of scholarships over the next three years, due to the huge reduction of resources of the national fund for the right to study, from 103 million in 2013 to 12 million in 2015 );
- deterioration of the economic situation of families that are not able to afford this cost;
- worsening trend of the labour market.

Therefore, we can understand why the phenomenon of *NEET* (*not in employment neither in education*) is growing, since it concerns precisely that segment of the youth population that decided not to look for a job or to follow formative courses because they are strongly discouraged. The number of NEET has grown considerably throughout Europe and now, in 2012, concerns 13 million young Europeans and more than 2 million young Italians.

In Italy, in 2010 the rate of Neet (22%) was higher than the average value of 15 % in Europe. The economic cost estimated by Eurostat is approximately 153 billion for Europe and 32 billion for Italy. Beyond the mere economic data we need to consider the social effects of this phenomenon in terms of disengagement from the labour market and society, feelings of isolation, health risks, political marginalisation and social exclusion. Many of the young NEET in Italy still live with their families and appear to be completely separated from the rest of society; they do not get informed, do not read newspapers, do not take part in activities or policies.

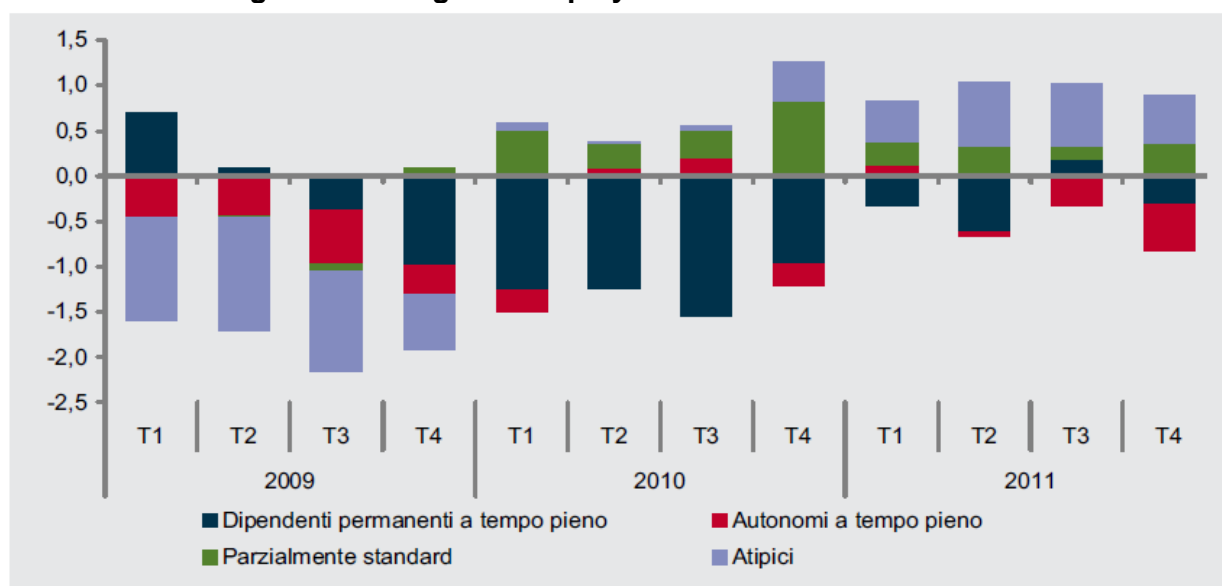
## Emigrants

Another phenomenon that is not captured by the unemployment rate is the number of young people who decide to move abroad for study or work after having completed their studies in Italy. The crisis has exerted a considerable influence, if we consider that **in 2012 there was an increase of 30 % of young people leaving Italy mainly in the direction of Germany, Switzerland and Great Britain.** In 2012 the emigration from Italy has increased from 60,635 in 2011 to 78,941 citizens. It is interesting that many young emigrants prefer to leave their precarious and unstable jobs in Italy to have a better option abroad.

With this, we come to the second central aspect of the labour market in Italy: **the conditions of young workers.** While we have seen that more than 40 % of young people looking for a job are unemployed and that an increasing number of them have decided not to even look for it; we have to conclude that the **condition of young people in employment is not so much better.** The majority of young people are employed in precarious jobs. Actually, this is the general trend of the overall Italian economy. In fact, over the last three years the number of full-time employees with permanent contracts has been significantly reduced whereas the number of atypical workers has grown considerably. The only new-permanent employees are part-time workers who have chosen involuntarily part-time instead of full time to meet the needs of their companies. This situation involves the entire workforce, but is particularly serious for young neo occupied. **Moreover, precarious work, (when present), far from being a springboard to better employment, as many supporters of flexibility theorise, rather represents a real trap.** Longitudinal data in fact confirm that the probability of an atypical worker to find permanent employment in the following year has slightly increased, but it remains far from pre-crisis levels (which were still very low). Today, the majority of young active people moves from temporary jobs to an undetermined period of unemployment.

## Employment by type of work 2009-2011 (Istat) in%

### Factors contributing to the changes in employment trend

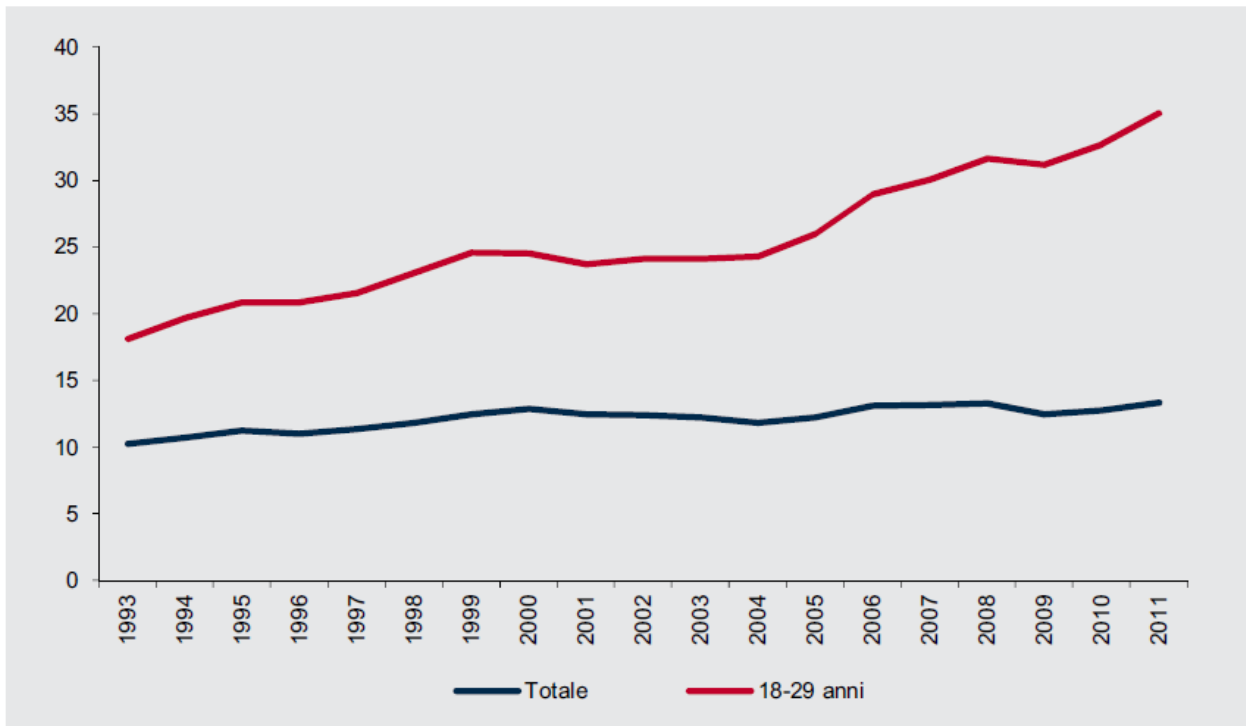


Fonte: Istat, Rilevazione sulle forze di lavoro

As we can see from this table, since the third quarter of 2009 permanent full-time employment has dropped significantly, while atypical employment and partially standard (part-time, etc..) has risen. Also we should keep in mind that since the mid-nineties, and especially between 1999 and 2004, the number of atypical contracts increased significantly.

To understand the impact in terms of employment on young people, let's have a look at the following graph:

**Fixed terms employees (18-29 years old) 1993-2011 (percentages of total) (Istat)**



The number of fixed-term employees is higher for the age group of young people aged between 18 and 29 years, implying an increased incidence and weight of temporary employment in total youth employment. Moreover, continuance in this precarious condition affects more than 55 % of young people occupied and has grown considerably compared to ten years ago. If already in 2010 only one out of five young precarious workers obtained a permanent contract within a year, the situation today is even worse.

**Not only are young people trapped in precarious and unstable types of contracts, they are also affected adversely in terms of salaries and job tasks.**

In Italy it is very difficult for a graduate to find a job, to the extent that many will fill a position for which they are overqualified. Given the risk of entrapment, it looks more rational to refuse under-qualified jobs than accept them, since an under-qualified work experience can negatively influence the professional career. This could be another element that explains the strong increase of the number of inactive people.

### **What are the consequences?**

On the one hand, more than 40 % of young people are unemployed. They are affected by:

- increasing difficulties in finding a job (long term unemployment);
- greater difficulties within families that today need to sacrifice everything, even food products;
- many obstacles to access to university courses (higher fees, closed number of admissions, reduced scholarships);
- a growing sense of disillusion and discouragement that leads many to remain inactive;
- social exclusion, lack of participation in politics.

On the other hand, young workers (we refer here to young people up to 29 years old) are forced to:

- accept precarious and unstable or part-time contracts;
- carry out tasks for which they are over-qualified. This mismatch results in frustration and failure to valorise their own skills which also has negative effects on labour productivity (already stagnant in the country);
- periods of unemployment mixed with periods of temporary employment;
- accept forms of collaboration that should be formative but that they are not, usually unpaid (internship, stage);
- work with schedules often inflexible in return for low wages and almost no protection.

### **Part III**

#### **What were the policies adopted in Italy?**

Between 1993 and 2003 several reforms of the labour market led to the introduction of more than 40 types of atypical contracts determining **the most drastic drop in the labour protection index (EPL)**. These reforms have produced the effect of a certain employment growth, driven by a strong demand of atypical workers by Italian firms. Indeed, they started a real process of re-composition of production, based on a growing share of atypical and low-qualified workers, less protected and less expensive, but also less productive. **These short-term, profit maximisation oriented choices led up to a big loss of competitiveness on international markets.**

In the very recent years, Fornero's Reform (2011) and Giovannini's decree (2013) were totally ineffective for two reasons:

- They did not address the issue of job insecurity. They fail to correct the choice of enterprises in favour of in unstable employment in order to accumulate an increasing share of profits rather than invest it in research and innovation (product and process innovation). Instead, these reforms actually worsened the situation (Fornero's reform increased the retirement age.)
- They were not able to create occupation, since they suffer from the lack of a broader plan able to stimulate the economy and support the recovery.

#### **And Europe?**

The European Commission, together with the OECD, has been a strong supporter of flexibility. Even recently, the President of the ECB Draghi has explained the need to make the labour market less rigid. On the other side, Europe has become more self-critical, in 2010 it was stated that "flexicurity must be revisited and adapted to the post-crisis context "(European Commission 2010).

As a matter of fact, Europe has recently introduced: **The EU Youth Strategy ( 2010-18 )** *in order to provide more and equal opportunities for young people in education and in the labour market and to encourage young people to be active citizens and participate in society .The strategy should be implemented in the following way:*

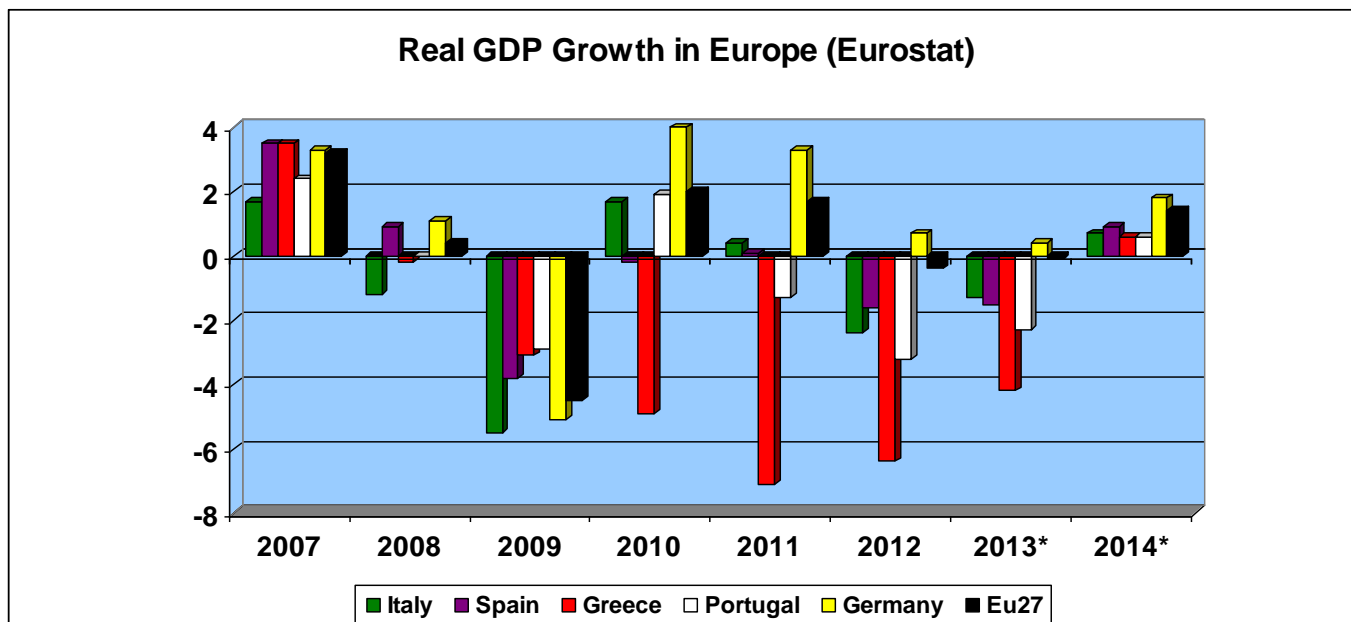
- *Cooperation with Member States - A common agenda, mutual learning, dissemination of results and progress reporting are key elements to promote learning from good practice and exchange of information on their priorities and actions;*
- *Structured dialogue - Involving young people in continuous joint reflection on priorities, implementation and follow-up;*
- *Evidence- based policy for youth - all policy must be based on concrete evidence, experience and knowledge of the situation of young people;*
- *Youth work - promoting opportunities for young people to develop autonomy and key competences: such as a sense of initiative and entrepreneurship and to Actively Participate in all fields of public life (social, political, educational, sports, service);*

**The Youth in Action Programme** *contributes to the goals of the EU Youth Strategy by providing opportunities for young people to be mobile, to learn and to participate all across the EU.*

**Youth employment package of measures (2012)** including consultation of social partners on a European Quality Framework for Traineeships and a European Alliance for Apprenticeships

**Youth Guarantee (February, 2013):** the Council reached a political agreement on the establishment of youth guarantee schemes to ensuring that unemployed young people are quickly offered employment or training.

However, all these interventions are only theoretically valid today and practically ineffective if we do not act primarily on the recovery of the economy as a whole. All countries represented today by us have undergone a substantial reduction of the GDP, with the exception of Germany.



**It is clear that there can be no employment if there is no recovery.** Yet, European policies seem to be far from these goals: as we know, the ECB continues to demand austerity measures and to ask southern countries to reduce public spending, although the real social and economic emergency is represented by these alarming figures on the level of unemployment.

### What to do?

#### Europe should:

- adopt an expansive programme to support demand, a kind of *new deal* based on investments in research and education, green economy, employment and services and, of course, focussed on the countries with the greatest difficulties with the aim of reducing the disparities between north and south. Programmes as the *Youth Guarantee*, although they are motivated by the best intentions, are unable to solve the problems underlined before because they cannot be applied easily in many countries nowadays;
- recommend that countries better regulate the various job contracts in order to guarantee equal rights to the newly-employed compared with those who are retiring today;
- push countries to adopt policies aimed at:
  - stimulating the industrial system (This measure is of extreme urgency in the case of Italy);
  - increase the wages and bargaining power of workers;
  - ensure the full coverage of social safety nets (minimum income, subsidies);
  - ensuring access to education;
  - ensure equal opportunities for women and men.

**Is Europe going to adopt these measures? Probably not, indeed certainly not!**

**What to do then?**

Some economists are proposing the exit from the eurozone.

If we want to save the monetary union, we need a deep change in monetary politics in order to push the European Central Bank to adopt expansive measures, to mitigate divergences across countries and to solve commercial imbalances. In any case, we must create :

- social coalitions able to counteract the influence of financial markets and international or/and European organisations;
- networks, days of mobilisation in all European countries on issues that concern the Union and not just each single Member State;
- awareness campaigns intended to influence the electoral decisions (see projects such as *Change Europe, Euro memorandum*);
- greater solidarity among the peoples of Europe, speak with one single voice that addresses all the specific problems;
- more democracy and representation in the European institutions: it is interesting that in Germany during a debate on the election a group of German citizens gave symbolically their votes to people from other countries that are affected by German and European policies (Electoral Rebellion).

We should conduct a persistent social, cultural and political battle to reverse the debate and impose as main priority the issues of employment and equality within Europe.



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