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Tackling Youth Unemployment: An Investigation of Youth Employment in Italy

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Tackling Youth Unemployment:

An Investigation of Youth Employment in Italy

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Abstract

This paper serves to investigate actions taken by the Italian government to correct long-standing issues of youth unemployment in Italy. Following the Great Recession in 2008, the ratio of youth unemployment to adult unemployment in Italy has been comparatively high. In the early 2000’s, Italy saw a modest decline in youth unemployment due to sweeping labor reforms enacted in the 1990’s. However, after the 2008 world financial crisis, youth unemployment throughout Italy, and many other European countries, reached all-time highs. This put youth unemployment at the forefront of academic and political debate in Europe.

In this paper, I look to investigate why Italian policies regarding youth unemployment were unsuccessful. To do this, I first examine potential explanations for the dramatic divergence between youth unemployment and adult unemployment during, and after, the 2008 financial crisis. Existing literature has identified three potential explanations for this divergence. These include the large number of fixed-term work contracts concentrated among youth, pension reforms, and weak school-to-work transitions among Italian youth. In this project, I will be focusing on the structural aspect revealed in poor school-to-work transitions.

With this research, I investigate current programs in place in Italy, including vocational training, education, and apprenticeship programs for Italian youth. I will further use a case study approach to compare these programs and initiatives to those of more successful countries in tackling issues of youth unemployment. Finally, I will discuss the feasibility of Italy adopting similar programs or modeling initiatives after the German dual education system.
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Introduction

Following the Great Recession in 2008, unemployment among youth has been at the forefront of academic and political discussions in Europe. Many countries in the European Union saw youth unemployment numbers reach all-time highs during the Great Recession that shook labor and financial markets across the world. As a response, a wide-reaching spectrum of policy tools were implemented to combat the issues surrounding youth employment. However, many of these policies saw minimal or no success in improving the employment opportunities for young workers.

Among these countries, Italy saw a rapid increase in youth unemployment during, and continuing after, the Great Recession. As a result, the ratio of youth unemployment to adult unemployment in Italy drastically diverged from the ratios reported by other countries within the European Union.

This paper sets out to investigate why Italian policies regarding youth unemployment were unsuccessful. To do this, I first examine demographic factors that influence public policy discussions and governance in Italy. Next, I outline the significance of this research, detailing the impact of the Italian “brain drain.” After a discussion of demographics and trends, I define the issue being observed. Then, I examine potential explanations for the dramatic divergence between youth unemployment and adult unemployment during, and after, the 2008 financial crisis. Existing literature has identified three potential explanations for this divergence. These include the large number of fixed-term work contracts concentrated among youth, pension reforms, and weak school-to-work transitions among Italian youth. The first two explanations are characterized as cyclical economic explanations while the latter is characterized as a
structural explanation. In this project, I will be focusing on the structural aspect revealed in poor school-to-work transitions. After exploring explanation for the divergence, I complete two case studies examining successful policies in Germany and Austria. To conclude, I investigate current programs facilitating work-to-school transitions in Italy and make suggestions for potential policy interventions.

It is important to note that in this paper youth unemployment is defined as individuals currently seeking employment between the ages of 15 and 25. These ages were chosen due to a classification formalized by the International Labor Office (ILO) in 1999. These definitions were found in the ILO’s “Key Indicators of the Labor Market,” and find that “youth” is typically described as those aged over the minimum school leaving age and less than age 25. The ILO classifies individuals over the age of 25 as “adults” because they have most likely completed education and entered the workforce full-time. The lower end of the range was chosen by reviewing minimum school-leaving age in OECD countries. After review of these countries, the ILO found the minimum age for most OECD countries lies between 15 and 18 years old. In Italy, the compulsory education age varies by region between ages 15 and 16. For the purposes of this paper, I decided to use age 15 as the lower end of this range.

In addition, I include a metric to measure the broader impact on young individuals seeking employment in Italy. To do this, I include individuals described as NEETs (Not in Employment, Education, or Training). This observes individuals ages 15 to 29 who are not in education, employment, or training. The Organization for Economic Cooperation and Development (OECD) defines this group of people as young individuals who are at risk of becoming socially excluded. These individuals are at risk of social exclusion because they have
incomes at or below the poverty-line and lack the skills and training necessary to improve their economic situation. This metric is important in measuring the effect of school-to-work transitions such as technical training, education, and apprenticeship programs.

**Youth Unemployment vs. Adult Unemployment**

There is a clear distinction between youth unemployment and adult unemployment. Youth unemployment is naturally higher than adult unemployment. There are many reasons why youth report higher rates of unemployment than adults. In 2011, David Bell and David Blanchflower investigated the topic of young people and their labor market performance during the Great Recession of 2008. In this paper, they discuss the difference between youth unemployment and adult unemployment at length. Their insight into this separation is worth noting as we explore the issue of youth unemployment in Europe and more specifically in Italy.

There are several economic explanations for why youth unemployment is higher than adult unemployment. There are both demand side explanations and supply side explanations for the separation in unemployment rates. On the demand side, young workers generally have less specific human capital and less general work skills. Additionally, firms may seek to layoff younger workers first especially in countries were statutory redundancy payments are seniority weighted. Younger workers are less efficient in job searches. Youth most likely have less contacts and fewer experiences finding work, making them slightly disadvantaged to adults looking for employment. Often, youth seeking employment find themselves in an experience trap. This means young individuals often find themselves in situation where employers require some sort of experience they do not have. As a result, youth entering the labor market are not
hired and then cannot receive the experience needed to increase their chances of getting hired. (Bell & Blanchflower, 2011).

On the supply side, young workers are more likely to have less substantial financial commitments than adults looking for employment. It is also likely that their parents might be able to assist them while they are job searching. These factors might result in an incentive to continue searching for jobs that better match an individual’s skills or preferences. This restriction in job search can lead to higher rates of unemployment. (Bell & Blanchflower, 2011).

**Demographic Factors and Trends**

It is necessary to investigate current and projected demographic trends in Italy before furthering my analysis of this issue. It is imperative that the demographic explanations are described in order to better understand the problem of youth unemployment in Italy. These demographic factors greatly impact public policy discussions and governance and merit investigation.

Estimated population for Italy in 2018 is just under 60 million. This makes Italy the fourth most populated country in Europe, preceded only by France, the United Kingdom, and Germany. It is estimated that over 6 million Italian-born individuals live abroad, with this number gradually increasing each year. After 1970, Italy began to attract many more foreign individuals. It is estimated that over 5 million foreign-born individuals reside in Italy today, including more than half a million children born in Italy to foreign nationals. (Istituto Nazionale di Statistica, 2018).
It is important to note that these official population figures do not include illegal immigrants due to the difficulty of determining exact figures. However, researchers estimate over 650,000 illegal immigrants remain in Italy today. Many of these individuals travel from North Africa and Eastern Europe at a projected pace of one immigrant every 7 minutes. The issue of mass migration is at the forefront of political discussion in Italy and throughout the European Union. This topic has created large rifts in public opinion and is presenting challenges for policy makers. It is also an important factor to note when discussing the Italian labor market. (Istituto Nazionale di Statistica, 2018).

It is widely accepted that the Italian population is one of the most rapidly aging populations in the world. In 2014, it was estimated nearly 22 percent of the population was 65 years or older with only 13.5 percent of the population being under the age of 15 (Istituto Nazionale di Statistica, 2018). The age of the average citizen is increasing each year. This presents an interesting situation for the Italian people. With the workforce gradually aging, it would be expected for younger individuals to easily be entering vacated positions. However, this is not being observed in the country’s labor market. There are several factors that can explain this observance that will be discussed later in this paper.

In the most recent Italian Census, taken in 2011, population growth was projected for the next several decades. However, according to the United Nation’s estimates the Italian Census projections are unduly optimistic. In 2017, the United Nations World Population Prospects found declining population growth rates starting in 2016 and continuing for the foreseeable future. A graph outlining these projections can be found below in Figure A1. This graph displays the low, average, and high variant trends for population growth in Italy, with the
average variant projecting sustained population decline through the year 2100. (World Population Prospects, 2017).

Projections for population decline in Italy are closely linked to the country’s low birth rates. Italy sports the second lowest birth rate in the world, second only to Japan. Today, the death rate in Italy has exceeded the birth rate. This is the driving force behind the current and projected population decline in Italy. Additionally, birth rates of foreign-born citizens are outpacing the birth rates of Italian-born citizens. In a historically traditional society this has caused widespread concern. Politicians and journalists alike have used this key demographic fact to fuel controversial discussions surrounding mass immigration and labor market policies. (Istituto Nazionale di Statistica, 2018).

Ultimately, the demographic factors and trends laid out in the proceeding paragraphs play an important role in public policy discussions and governance in Italy. An aging population combined with sustained population decline present unique circumstances in Italy that have dominated many recent policy discussions. However, the most significant issue being debated in Italy is that of mass migration. As a result, policies to correct problems with youth unemployment in Italy have not been the major topic of interest in recent discussions.

However, there is one significant trend in Italy that is driving a lot of debate in the area of youth unemployment and education. For many years, Italy has been experiencing what many would call the effect of a “brain drain.” Even though the Italian economy has slowly improved since the Great Recession in 2008, the country has experienced steady emigration to countries within the European Union and other western countries. This is particularly concerning, as most of these individuals are young and educated. Figure A2 shows the number of Italian citizens
living outside of Italy. In 2016, this number was estimated at nearly 6 million individuals. This number is expected to increase; however, the United Kingdom’s exit from the European Union is also expected to influence the number of Italians living outside of Italy.

With many young, educated individuals leaving the country, colorful discussion among policy makers and politicians have been a major factor in recent elections. The incentives to find solutions to issues of youth unemployment have increased, but youth unemployment is only one of many negative trends in Italy capturing the attention of policy makers and government officials.

Figure A1: Population Growth in Italy

Identifying the Problem of Youth Unemployment

In 2008, the Great Recession rocked financial and labor markets throughout the world. As a result, many countries in the European Union experienced a dramatic increase in youth unemployment. It is important to note that the problem of youth unemployment has been around in various countries for many decades. However, the recent rise in youth unemployment has not been observed by every country in the European Union. A few of these countries fared horribly, while others achieved success in curbing youth unemployment. Italy, along with Greece, Spain, and Portugal, were among the former, while Germany, Austria, and Switzerland were among the latter. This creates an opportunity to investigate the different approaches taken by countries within each of these groups to alleviate the issues of youth unemployment.
Figure B1 below shows youth unemployment rates among OECD countries in 2017. The bar chart reveals the large disparities among youth unemployment rates reported by countries within the European Union. When looking at the graph, we see Italy, Spain, and Greece report the highest youth unemployment rates among European countries. Additionally, the rates in these three countries are drastically higher than the OECD average.

Figure B2 below displays the ratio of youth unemployment to adult unemployment. This scatter plot controls for structurally high adult unemployment to reveal the real trends in the youth labor market. When observing this graph, we see Italy reports one of the highest ratios of youth unemployment to adult unemployment. In fact, this ratio is much higher than most, if not all, of its European neighbors. Additionally, Figure B3 below shows the youth unemployment rate compared to the adult unemployment rate in Italy overtime. This chart reveals the large divergence in youth unemployment and adult unemployment after the Great Recession in 2008. For this reason, Italy presents a particularly interesting case.

Italy has experienced high rates of youth unemployment since the mid 1980’s. After a series of policy reforms in the 1990’s, Italy began to see a modest decline in youth unemployment. However, during the Great Recession of 2008, youth unemployment rates reached a new peak. After the Great Recession rates topped out at nearly 40 percent for Italian youth. In the period, directly after the Great Recession, the adult unemployment rate did not exhibit the same trends as the youth unemployment rate. At one point the adult unemployment rate even declined slightly as the youth unemployment rate continued to rise. Overall, as Figure A1 below shows, the ratio of youth unemployment to adult unemployment is particularly high relative to the rest of Europe.
Furthermore, as shown in Figure B4 below, the rate of unemployment by region reveals a large disparity between the Northern, Southern, and Central regions in Italy. The Southern regions report a much higher rate of youth unemployment. There are many explanations for this disparity among regions. In general, the Southern regions in Italy have been outpaced by the Northern regions throughout most of modern Italian history. Infrastructure issues, problems in the education system, lack of industrial development, and lack of job opportunities are the driving influence of the Southern regions’ disadvantage in comparison to the Northern regions.

By reviewing youth unemployment rates and the ratios of youth unemployment to adult unemployment in Europe and other OECD countries, it is clear to see there is a peculiar situation taking place in Italy. Primarily, it signals the existence of a youth specific issue in the Italian labor market. The ratio of youth unemployment to adult unemployment presents an interesting question: what caused the divergence between youth unemployment and adult unemployment in the years after the Great Recession of 2008. Potential explanations for this divergence are explored in the next section.
Figure B1: Youth unemployment rate in OECD countries

Source: OECD (2018), Youth unemployment rate (indicator).

Note: Bar chart displaying youth unemployment rates in OECD countries. This graph uses data collected in 2017. Numbers are reported as a percentage of youth labor force. Youth unemployment measures unemployment rates among individuals age 15 to 24.
**Figure B2**: Ratio of Youth Unemployment to Adult Unemployment

![Graph showing the ratio of youth unemployment to adult unemployment across different countries.](image)

Source: (Leonardi & Pica, 2015)

Note: This graph plots the ratio of youth unemployment rates and adult unemployment rates; Ratio between youth (ages 15-24) and adult (ages 25-54) unemployment rates.

**Figure B3**: Ratio of Youth Unemployment to Adult Unemployment in Italy

![Graph showing the trend of youth unemployment rates in Italy over time.](image)

Source: (Leonardi & Pica, 2015)
Figure B4: Youth Unemployment Rates by Region

Source: (Leonardi & Pica, 2015)
Explaining the Divergence in the Ratio of Youth Unemployment to Adult Unemployment

There are three potential explanations for the divergence in youth unemployment and adult unemployment following the Great Recession in 2008 as described by Marco Leonardi and Giovanni Pica in their contribution to the book *No Country for Young People?: Youth Labor Market Problems in Europe*. These explanations include the proliferation of fixed-term (short-term) work contracts, introduction of pension reform, and weak school-to-work transitions. Of these explanations, the first two present as cyclical explanations and the latter presents as a structural explanation.

The first explanation is the proliferation of fixed-term work contracts. There were two sets of labor market reforms in Italy, one in 1997 and one in 2003, that affected the use of fixed-term work contracts. These reforms were put forth in response to the continued increase in unemployment particularly among youth. These reforms liberated the use of fixed-term contracts in employment. As a result, the use of these contracts increased widely. Figure C1 below plots the number of fixed-term contracts over time along with the youth unemployment rate. Here it can be seen, after the reform of 1997 and 2003, how the number of fixed-term contracts increased. As the use of these contracts increased, the youth unemployment rate decreased. This is due to the concentration of fixed-term contracts among youth workers. It is estimated that 50 percent of individuals under the age of 25 in Italy work under one of these temporary contracts. It is widely accepted that liberation of fixed-term work contracts favored the reduction of youth unemployment. However, during a recession, like the one in 2008, temporary workers are the first ones to be relieved of their duties. Due to the large
concentration of these temporary contracts among youth, it is very likely that these contracts contributed to divergence in youth unemployment and adult unemployment after the Great Recession in 2008. (Leonardi & Pica, 2015).

The second explanation for the divergence is a sequence of pension reforms that occurred in the late 2000s and early 2010s. These reforms increased the age at which a pension could be received. As a result, employment and participation rates increased for older workers. In Figure C2 below, the employment rates at three different age ranges are shown. This figure shows the increase in employment rates among older workers ages 55 to 64. Due to the large impact of pension reform on older workers’ employment, there may have been a short-run effect on youth unemployment. This is especially seen in large firms were job rotation between older workers and young apprentices are often practiced. (Leonardi & Pica, 2015).

The third explanation for the divergence in the ratio of youth unemployment and adult unemployment is weak school-to-work transitions. While the first two explanations in this chapter were mainly cyclical, this explanation is primarily structural. In Figure C3 below, rates of individuals under the age of 30 that are not in employment, education, or training (NEETs) are displayed for OECD countries. We can see that the rate of NEETs in Italy are much higher than other countries. This points to a significant issue with school-to-work transitions in Italy. It is also clear that the issue of weak school-to-work transitions has been exacerbated by the crisis of the Great Recession with the number of NEETs reaching 2.5 million, or 27 percent of the population for this age group. (Leonardi & Pica, 2015).

While the first two explanations in this section are important, the majority of the remainder of this paper will focus on improving weak school-to-work transitions in Italy. After
analysis of fixed-term contracts, it is clear that they helped mitigate youth unemployment rates before the Great Recession. However, these temporary contracts were unable to reverse the historical patterns of youth unemployment as seen by the youth unemployment rates recorded after the Great Recession. For this reason, I believe reforming school-to-work transitions is a more permanent, long-term response to improving youth unemployment.

**Figure C1:** Number of Fixed-Term Work Contracts and Youth Unemployment Rate

Source: (Leonardi & Pica, 2015)
Note: The lines at years 1997 and 2003 represent 2 sets of fixed-term work contract reforms. Both of these reforms increased liberation of the temporary work contracts. As seen by the graph, these reforms resulted in wide use of fixed-term contracts.
**Figure C2**: Employment Rates by Age Group

Source: (Leonardi & Pica, 2015)
Figure C3: Rate of NEETs in OECD Countries

Source: OECD (2018), Youth not in employment, education or training (NEET) (indicator)
Note: Individuals not in employment, education, or training (ages 15 – 29); measured as a percentage of the population for individuals age 15 to 29
Case Studies

As mentioned in the previous sections of this paper, Italy is facing a youth specific problem in its labor market. While investigating the divergence in youth unemployment and adult unemployment, weak school-to-work transitions were discovered in Italy. These transitions are a potential explanation for the surge in youth unemployment and merit further investigation. In this section, a case study approach is taken to observe countries that have successfully managed school-to-work transitions and decrease the rate of youth unemployment. There are many countries who have been successful in this. However, for the purposes of this paper, school-to-work transitions and youth unemployment will be investigated in Germany and Austria.

Case of Germany

Germany has experienced low rates of youth unemployment for decades. Despite a peak in 2005, youth unemployment in Germany has remained at or below 10 percent for individuals age 15 to 25. In Figure D1 below, youth unemployment for Germany is displayed over time. Here we can see Germany has reported relatively low youth unemployment rates. In Figure D2 below, youth unemployment in Germany is displayed in comparison to other countries in the OECD and European Union. An important factor that drives consistent low youth unemployment rates is the vocational education and training system, also known as the dual VET system. Germany’s success in vocational training and education is known throughout the world, and many countries have considered or attempted to adopt their education and training model.
As a response to prolonged high rates of youth unemployment, the Vocational Training Act of 1969 was introduced to combat youth specific issues within the labor market. The Vocational Training Act was also amended in 2005 in response to a prolonged period of rising youth unemployment that reached its peak in 2005. This act created an alliance between the federal government, the federal states within the country, and companies willing to provide young individuals with nationally recognized skills training. Above all, the Vocational Training Act helped to create a shared responsibility between employers, the government, and trade unions within the country to provide young people with the skills and opportunities necessary to be successful in the labor market. (German Federal Ministry of Education and Research, 2018).

The main characteristics of the German dual system is the partnership between medium sized and small companies and the publically funded vocational schools within the country’s education system. Individuals participating in the dual system typically spend 70 percent of their time in hands-on training at a firm and 30 percent of their time in a traditional vocational education setting. (German Federal Ministry of Education and Research, 2018).

The benefits of this system are seen by both young people attempting to gain skills necessary to enter the work force and companies searching for skilled workers to meet their needs. Because companies and trade unions cooperate with the government to provide apprenticeships and on-site training, they are able to express what skills their firm needs to be successful. Companies are able to ensure that they will have enough skilled workers, and can adapt training to meet the specific desires of their company. This allows young individuals to obtain relevant skills currently being sought after by employers. (Riphahn & Zibrowius, 2015).
Overall, implementation of the dual VET system in Germany has resulted in high labor force participation among youth and a strong labor economy. The returns to this program are seen in both industrialized labor as well as skilled craft-trade businesses (Riphahn, 2015). The German dual VET system is a great approach to curbing youth unemployment by promoting relevant skill development and vocational training and education.

**Figure D1:** Youth Unemployment in Germany Over Time

Source: *Eurostat*
Figure D2: German Youth Unemployment Compared to other OECD Countries

Source: OECD (2018), Youth unemployment rate (indicator).
Note: Youth unemployment is defined as individuals between the ages of 15 and 25 currently seeking employment.
Case of Austria

Both before and since the Great Recession, youth employment in Austria has been very strong compared to its European neighbors. This is mainly due to the robust institutions and policies in Austria targeted at young individuals. These policies and institutions have attracted attention around the world and have often been proposed as models for other countries with higher youth unemployment and poor labor market performance among young workers.

Policymakers and social partners have been strongly in favor of implementing programs targeted at disadvantaged youth and finding ways to fight youth unemployment. The education and apprenticeship system in Austria is largely responsible for their strong labor market performance among youth workers. (Zweimüller, 2015).

The education system in Austria also implements the idea of dual training. Individuals in Austria have nine years of compulsory education. At the age of 14, they are then required to decide whether to enter the academic track or the vocational track. The vocational track requires an additional year of schooling after which the individual enrolls in apprenticeship training. This apprenticeship and vocational training in Austria has been and continues to be very popular, with an apprenticeship certificate being the highest form of education for a significant percentage of individuals under the age of 30. (Zweimüller, 2015).

An additional factor that contributes to the success of youth performance in the Austrian labor market, is the use of active labor market policies (ALMPs). The Austrian government allocates well above the OECD average in expenditures to ALMPs. These ALMP expenditures are heavily concentrated among youth and policymakers have been active in using these policies to combat youth unemployment. (Zweimüller, 2015).
In 1998, a policy was introduced by the Austrian government to provide apprenticeship spots to early school leavers. In the beginning, this policy change provided 4,000 apprenticeship spots for individuals who could not find employment on the traditional labor market. In 2008, this policy was expanded to include the “apprenticeship guarantee.” This is a guarantee in which the government will supply an apprenticeship for any school leaver who cannot find an apprenticeship in the regular labor market. This program has been highly successful at combatting youth unemployment; however, it is seen as very costly. (Zweimüller, 2015).

An additional set of ALPMs are targeted at disadvantaged youth in Austria. These policies are set to provide additional assistance in education and training, job searching, and preventing school and apprenticeship dropouts. These counseling and guidance programs target young individuals with burdensome parental backgrounds, handicaps, language barriers, and individuals with high risk of dropout. (Zweimüller, 2015).

Overall, Austria’s strong performance among youth workers is likely due to the strength of its apprenticeship institutions and programs. However, the Austrian government’s financial commitment to young individuals through ALMP and youth targeted programs have also played a large role in their success.

**Current Policies in Italy**

There are currently many areas of concern for Italian policymakers. As explained earlier in the demographics and trends section, many issues are plaguing the Italian peninsula. These issues have driven the conversation away from youth unemployment; however, there have
been recent reforms implemented and proposed to combat issues surrounding the Italian labor market and youth unemployment.

In 2014, the Italian government began implementing the Jobs Act. This act built off previous labor market reforms beginning in the 1990’s that worked to liberalize the Italian labor market. There are three main components to this act; however, there is one that is the most pertinent to this research. A substantial component of the Jobs Act was to further liberate the use of temporary (fixed-term) work contracts. This is achieved by eliminating previous restrictions on their adoption. This act also gives a substantial monetary incentive to firms who expand use of these contracts. (Cirillo, Fana, & Guarascio, 2017).

In 2015, the Italian government approved a new set of education measures called La Scuola Buona. The goal of this reform is to revitalize the Italian education system and address several long-standing issues with skills development and skills quality. Within this set of new education measures, a program called the Alternanza Scuola-Lavoro (ASL) is the most significant change for the Italian education system. This program introduces mandatory internship and work-based learning in technical and professional schools for the first time. The ASL is the first step toward adopting a dual education system in Italy that could correct for long-standing skills imbalances and weak links between schools and firms within the country. (OECD, 2017).

**Evaluation of Current Policy and Recommendations**

The issue of youth unemployment in Italy needs attention from policymakers and government officials. In recent years, reforms and action to minimize the rise of youth
unemployment has achieved minimal success. After reviewing policy interventions in successful countries like Germany and Austria, it is clear that school-to-work transitions play a vital role in tackling youth unemployment. Current policy intervention in Italy have fallen short, but there are ways to improve upon the ongoing reforms.

The Jobs Act of 2014 actually hinders the recovery of youth unemployment. As seen in the last decade, fixed-term (temporary) work contracts have contributed to the divergence in the ratio of youth unemployment to adult unemployment during the financial crisis (Cirillo, Fana, & Guarascio, 2017). With implementation of the Jobs Act, these types of work contracts were further liberated and became a greater percentage of employment contracts in the Italian labor market. This creates a disadvantage for young workers entering the labor force, as the percentage of individuals under the age of 25 employed under fixed-term work contracts will increase (Cappellari, Dell’Aringa & Leonardi, 2012). While a short-term positive relationship between fixed-term contracts and youth employment is likely, these contracts fail to correct long-standing issues in the Italian labor market.

The education system reforms approved in 2015 by the Italian government were a step in the right direction to improving school-to-work transitions for young individuals in Italy. Implementation of the ASL and compulsory internship and work-based learning are key aspects needed to improve the link between schools and employers (OECD, 2017). However, this program faces bottlenecks and barriers to implementation. Weak public administration and cooperation between firms and the Italian government slow down the implementation of this program (OECD, 2017).
As a result of this research, it is recommended that policymakers continue to investigate policies to improve school-to-work transitions for Italian youth. Reforms such as the Jobs Act, while potentially beneficial in the short-run, do not work to correct long-standing structural issues in the labor market and actually create disadvantages for young workers. On the other hand, reforms that facilitate and align education and the workforce are encouraged.

In recent years, policymakers in Italy have discussed adoption of the German dual education and vocational training system. However, no reform has been proposed. With the education system reforms in 2015, the Italian government moved one step closer to implementing a dual education system. Resources and reforms should be directed at school-to-work transitions and the facilitation of appropriate vocational training and education.

Additional considerations include allocating a greater amount of funding to ALMPs directed at disadvantaged youth. While costly, Austria has experienced a good amount of success by creating programs targeted at disadvantaged youth. Italy stands to benefit from increasing programs to support disadvantaged youth and those at risk of dropping out of school.

Conclusion

Youth unemployment continues to be a concern for Italian policymakers. While there are many other issues capturing the attention of politicians and government officials alike, youth unemployment will continue to be a problem if action is not taken to improve school-to-work transitions in Italy. After review of successful countries, it is clear that an emphasis on
apprenticeship programs and work-based learning is key to improving youth participation in the labor market.

With the status of the current government in Italy, the chances of programs seeking to improve school-to-work transitions appear to be slim. Public administration in Italy is weak, and reforms within government procedures and administration are needed before significant steps can be taken to alleviate the issue of youth unemployment. However, there is motivation to improve governing in Italy.

In conclusion, significant steps must be taken to improve the situation for young individuals in Italy. Without intervention, Italy risks worsening performance among youth and continued economic stagnation. Additionally, policies widening the use of fixed-term contracts should not be the focus of policymakers. Italy stands to gain much more from improvement of school-to-work transitions and long-standing structural issues in the labor market.
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