How fine targeted is ALMP
to the youth long term unemployed in Italy?

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1 – The European employment strategy and the accumulation of human capital

A fundamental assumption of the endogenous growth theory is human capital endowment is a pillar factor of the catching up process (Romer,1990; Aghion, Howitt 1992). Less developed countries and regions are featured by low levels, in quantity and quality, of physical and human capital, the latter being measured by the level of education and training. One possible way of reducing this gap is the less developed areas invest a relevant amount of private and public funds in education over a long period of time. Investments in human capital endowment would make the production of high technological goods cheaper. Human capital upgrading would shift the output structure towards high quality and away from low quality industries. Another possible way of reducing the regional gap would be to invest in technology intensive industries, thus increasing the demand for skilled labour, and then wait for labour supply to adapt to it. However, the second possibility requires much more time and is difficult to implement as far as labour supply constraints are at work, making low quality productions relatively more convenient. For this reason, in this paper we focus on the first alternative.

Beyond the issue of economic growth, the real convergence between the poorest and the richest European areas has been the principal problem capturing the attention of policy makers and researchers in the last two decades. Europe has ever faced regional disparities, especially between the South-West boundary regions and the North-Central regions and, in fact, the article 158 of the Treaty states one of the main objectives of the EU is the economic and social cohesion aimed at reducing disparities between Member States, regions and individuals. In the 1980s and the 1990s, this objective has been mainly pursued by financing the Strucural Funds and the Cohesion Fund (EU, 2000). These Funds not only finance investments, but also contribute to implement an institutional framework which helps to enhance the efficiency of public spending by reinforcing elements such as programming, evaluation, monitoring and financial control. Objective 3 of the structural Funds concerns the development of human resources to favour the employment growth. Agenda 2000 is the most recent programme to regulate these funds.

Moreover, these funds have been finalised to the European Employment Strategy (EES) in the Luxembourg extraordinary EU Council, thus, anticipating the implementation of the Amsterdam Treaty. In the Luxembourg declarations, the first pillar of the EES is the workers employability and aims to favour a better matching of labour demand and supply by modernising education and training systems and strengthening their links to the labour market, especially for the least skilled. Particular target groups within the EES whose employability should be increased include long–term and youth unemployed. A definite commitment to the former group is to implement measures for creating new job opportunities and preventing long-term unemployment for youths, before six months of unemployment have elapsed, and

for adults, before twelve months of unemployment have elapsed. Such measures have to become operational by 2003. Making school to work transition smooth for the latter should be achieved through more efficient education and training systems. Furthermore, assuming employability as the main objective means promoting a further shift from passive to active measures and increasing the degree of participation of social partners to employment policy.

As a matter of fact, on pillar one Italy's National Action Plan (NAP) for 2000 states the main objective of the government be pursuing the implementation of its labour market reforms. This objective implies in particular reducing the unemployment differential between young and adult workers. In turn, requires a comprehensive implementation of the new employment services, a wide-scale application of the new apprenticeship scheme and an integration between education and vocational training. As for adults, in addition to the employment services activities, a central role shall be played by the reform of the social relief benefits, the definition of new contracts for re-entering the labour market, and the accelerated development of continuing education.

An effective implementation of the EES in Italy cannot disregard the existence of internal massive unemployment differentials. The government strategy to reduce such divide include regional planning documents, in line with a similar approach that surfaced in Lisbon. In the first place, greater emphasis needs to be laid on strengthening the systems (employment services, education-training) in the southern regions, where the demand for labour is insufficient and the attempt to correct the labour demand/supply mismatch fails to have the same effectiveness as in the Centre-North.

In addition, the Government attaches the utmost relevance to two structural-type policies for Southern Italy. Firstly, regular or illegal activities contribute to generate relevant hidden labour market problems. According to the NAP repression alone has failed and would continue to fail to be effective against the hidden economy if it is not backed up by tax- and contribution-related measures helping enterprises and workers to "surface". The policy of the "surfacing" and "wage realignment" contracts will be continued in the short run. Secondly, the need to allow for greater tax incentives as inducement to new investment is clearly stated. Ways to implement this include a significant reduction of the social contribution and tax burden on labour in Southern Italy, just as it is being done in a few EU countries.

2 – Evidence on youth unemployment

2.1 – General issues

Although expected to have an overall positive impact, policies aimed at human capital upgrading may have contrasting effects on the youth labour market. To explain this it is necessary first to introduce the features of the youth labour market as they appear in most EU and non-EU countries.

1 – *the activity rate is generally lower than for adults in almost every country.*

Low labour force participation depends on the educational, vocational and training systems, on the one hand, and on the labour market structure, on the other hand. Cross-country differences in the degree of efficiency of the educational system explain most part of the differences in the participation rate of the youths. On this matter, it is relevant to consider that the youth labour force, including all the workers aged 15 through 24[1], is not internally homogeneous. Conversely, it seems necessary to disentangle the group of teenagers, aged 15 through 19, and the group of young adults, aged 20 through 24. The nature and labour market experiences of such two groups of young workers are different. In almost every country, the teenagers tend to have lower participation rates, due to school attendance, whereas the young adult's participation is generally dependent on the efficacy of training systems in favouring a smooth transitions from school to work.

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1 We follow the United Nations standard definition of the youth workforce. Differences can exist across countries, according to social or political institutions. Generally speaking, the lower bound is based on the statutory minimum school-leaving age, whereas the upper bound is conventional. In some countries, according to the information available, it is possible to note an apparent similarity of experiences among the adult young and older workers, both in terms of unemployment rates and duration of unemployment spells. For this reason, in Southern Italy, the upper age limit in defining the target group of relevant policy interventions is raised to 32 years (O'Higgins, 2000).

The more effective[2] is the education system, the lower is the participation rate and the less relevant is the share of young adults that drop out of the labour market into: a) the unofficial economy; b) and / or into social exclusion or marginalisation. In fact, a poor educational and training system contributes dramatically to raise the number of unskilled youth that flow into the labour market with little, if not any probability of finding a good job. The youth have then two possibilities, often linked to each other. First, they could be forced to accept low pay insecure jobs into the grey or black economy. Secondly, it is now ascertained by convincing evidence, they could fall into social exclusion. As a matter of fact, marginalisation can be related not only to social, financial, cultural and political problems, but also simply to a weak position on the labour market.

Among the cultural problems, the family background of individuals and the types of welfare systems should also be mentioned. The hypothesis that weak labour market conditions could generate social exclusion is based both on demand and supply side considerations. On the demand side, entrepreneurs tend to consider early unemployment spells as signs of scant motivation to work. On the supply side, unemployment may lead to depression, family break-up and social isolation. However, the unemployed youths are not destined to be, or to stay, at the bottom of the heap. Under different labour market conditions they would perhaps never have been there. Hence, the concept of marginalisation contains a dynamic dimension.

Avoiding this risk of marginalisation is of utmost importance, as a large evidence points to supporting the view that the more numerous and the longer are unemployment spells the lower is the job finding rate all over the life of the individual. Reducing the number of those experiencing early unemployment spells is an essential step for reducing the bulk of what is long-term persistent unemployment in a country.

Besides, an effective education system represents the best form of investment in human capital. In fact, a higher rate of school attendance shrinks youth, but increases the number and quality of adult labour market participation.

2) *Common across all OECD countries is the large and perhaps growing number of unemployed workers among the youth population.* ILO (1999, p. 1) claims that, on average, and almost everywhere, young people (who enter the LM) are twice as likely to be unemployed as adults.

When considering the causes of youth unemployment, one should bear in mind that the high unemployment rate mirrors the low employment rate among the youths. This last depends on two groups of factors. First, it depends on the level of aggregate demand and income growth. Nonetheless, holding constant the rate of GDP growth across countries, differences still exist in the youth unemployment rates, suggesting that the structure and features of the youth workforce also matter.

To understand this point, it is important to take a flow approach to the labour market[3]. Firstly, large evidence exists in favour of the hypothesis that the flows in and out of employment are very high among the youngest, mainly because of their tendency to return to education (mainly in Northern Europe and Anglo-Saxon countries) or to go into training and re-training schemes (mainly in Southern Europe). Especially when on-the-job training is missing on the part of firms, young workers often prefer (or are forced) to stay out of the labour market to participate to formal off-the-job training.

Also the flows between employment and unemployment are very frequent for some sub-groups of particularly low skill young workers. Unemployment and employment spells are generally shorter than for high skill young and adult workers, due to their tendency to enter a chain of low pay temporary and or part-time work. The low outflows from unemployment into a stable occupation[4] of some groups of young workers depend also on the tendency on the part of firms to prefer the adults. This is due, in turn, to the lower skill and experience level of the latter, that an inefficient education and training system is unable to increase. The cost of on-the-job training for young workers by firms significantly increases the cost of hiring them. All this explains why the youths entering the labour market and experiencing unemployment spells tend to stay unemployed more often and for a longer period also later on in their life, contributing to the bulk of long term long duration unemployment in a country.

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2 By effective education system, we mean a system that includes as many workers as possible, reducing the number of school leaves. Financially, this would mean to employ in the best way the funds destined to the process of human capital formation.

3 From a flow approach to labour market, the unemployment rate at a given time t can be defined as the difference between inflows into and out of unemployment from and to employment and non participation, plus the unemployment rate at time t-1.

4 By "stable" occupation, we mean here a type of occupation that is not of short length, but not necessarily on a same permanent full-time job. The degree of labour turnover has increased everywhere, also and, perhaps, especially for young workers. However, a stable occupation is not inconsistent with job-to-job moves if they do not imply unemployment spells.

But what explains the higher unemployment rate of young workers as opposed to adult workers? Two possibilities are in order. In some countries, such as Italy, young workers experience a particularly low job finding rate (Caroleo and Mazzotta, 1998); in other countries, such as Germany and, among transition countries, Poland (Newell and Pastore, 2000), young workers show higher than average lay-off rates. In the German case, the high rate of job loss among the youths is due to the peculiar dual education system. In the case of Poland and other transition countries, a fast restructuring process, especially in the newly established private sector, is the origin of high job destruction rates among the youths.

Last but not least, young workers are discriminated against adult workers, not only because of low skill and experience levels, but also because of gender. Young women are worse off in terms of employment opportunities with respect to any other group in most countries. Discrimination against ethnic minorities hit in the same way young and adult workers.

The previous analysis strongly supports the view that two very different paths are offered to young workers in almost every country. On the one hand, some youths enter a positive virtuous circle that leads from education to training to work in most countries and from education and training to work in Germany and other German speaking countries. On the other hand, some groups of youths get stuck into unemployment, as they are unable to accomplish a smooth transition from school to work. Once entered unemployment early in life, a young worker has got higher probabilities to permanently enter the bulk of long term unemployment also later on in their life. As noted in O'Higgins (2001), this fact suggests youth unemployment and employment policies be targeted not to the youth in general, but to those young people that have a weak position in the labour market.

Moreover, on a policy ground, the previous analysis suggests some important guidelines that will be further discussed in what follows. They are common to most developed countries that have already a long experience of labour market policy. Firstly, the main aim of employment policies targeted to young workers in general should be based on an efficient education system. As noted above, this is likely to reduce the share of those young workers that are more likely to enter the vicious circle that leads from education to the unofficial economy or to social exclusion, rather than to work.

Secondly, once reduced the number of school leaves among young workers, the policy maker should increase their probability of job finding. To such an end, labour market policy should not be confined to passive income support of the youth unemployed, but actively favour their ability to exit unemployment into a job. This is now perceived everywhere in the world as the best way also to lastingly reduce the poverty rate.

Similarly, in almost every developed country, direct employment of young workers into social or public services with little, if not any on-the-job training or experience is seen as not dissimilar from passive income support. Unable as they are to increase the degree of employability of young workers, direct employment schemes are to be avoided.

2.2 – The Italian Youth unemployment problem

Looking at Italian data, it becomes apparent labour market differentials by age, gender and regions basically depend on a twisted use of labour resources. Compared to the EU average, in fact, Italy has lower activity and employment rates, especially for young people and women. Nonetheless, the scarce use of labour resources in Italy affects particularly the unemployment rate. The ratio of the Italian to the EU youth unemployment rate is 1.62 for men and 1.74 for women (Fig. 1).

Fig. 1

Labour Market Indexes by Age and Sex: Average 1995-1998
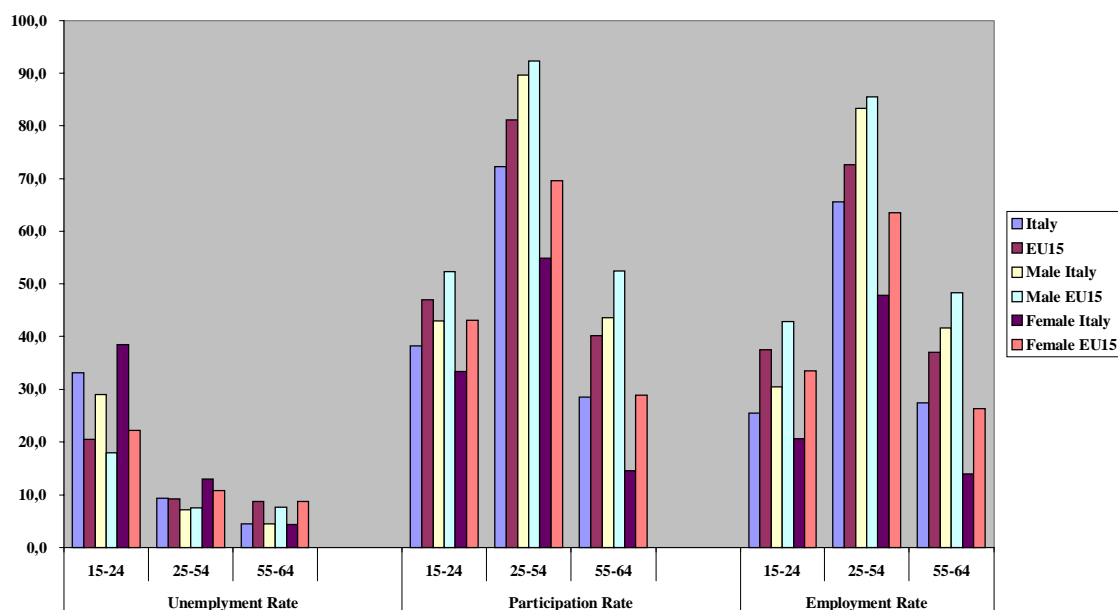
Youth unemployment rates are almost four times those of adults in Italy. This ratio is somewhat higher than the average for European Union and many other CEE countries. In December 2000, Labour Force Survey (LFS) data[5] suggests that the unemployment rate for young people (15-24) was 32.0% as opposed to 8.5% overall giving a ratio of 3.8. The comparable figures for the EU in 1999 were 17.2% and 9.2% respectively (or a ratio of 1.87). The ratio is slightly higher in the North (4.2) compared to the South (3.4), which depends on the very low rate of adult unemployment in Northern regions.

Such shrill contrast between the Italian and the EU youth unemployment rate worsens when the North-South divide is taken into account (18,1 vs 55,7 per cent). The rate of long-term unemployment also presents a worrying aspect of the problem in Italy. It is much higher in the South, with a share of 65.7% of young unemployed having spells longer than 12 months. The comparable figure for the North is 40.1%. Long-term unemployment is the most relevant indicator of the degree of human capital decumulation, as long-term unemployment causes a permanent destruction of skills and labour productivity. Short (even repeated) periods of unemployment have relatively unimportant long-term consequences. However, extended periods of unemployment early in a person's labour market experience may have negative consequences throughout their working life. This means that young people are particularly at risk of entering social exclusion, through discouragement, and the unofficial economy

Table 1 - Unemployment rates by age and duration in months of unemployment (%)

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[5] For the calculation of unemployment rates for different categories of young people, the main source of data is the Labour Force Survey. The concept of unemployment used is therefore the ILO definition that the unemployed correspond to those who are willing to, able to and actively seeking to obtain employment. In some cases data is also taken from the NES's registry of unemployment, but the concept used is different. In this case, the unemployed correspond to those people who have registered with labour offices as being unemployed in order to access services offered by the NES. Although overlapping, the two concepts do not coincide. The first definition is more in line with ILO recommendations for labour market statistics.

		1998				1999			
		0-6	6-12	>12	Total	0-6	6-12	>12	Total
Centre-North	15-24	7.6	4.2	7.9	19.7	6.9	3.5	7.7	18.1
	25-64	1.3	0.9	2.4	4.6	1.2	0.7	2.4	4.3
	Total	2.1	1.3	3.2	6.6	1.9	1.1	3.1	6.1
South	15-24	10.0	9.0	36.4	55.4	9.8	9.2	36.7	55.7
	25-64	3.0	1.9	11.4	16.3	3.0	1.9	11.6	16.5
	Total	4.0	2.8	14.7	21.5	3.9	2.8	14.8	21.5
Italy	15-24	8.5	6.0	18.5	33.0	8.0	5.6	18.4	32.0
	25-64	1.9	1.3	5.4	8.6	1.9	1.1	5.5	8.5
	Total	2.7	1.8	6.9	11.4	2.5	1.6	6.9	11.0

Source: ISTAT - Quarterly survey of labour forces (RTFL).

A further difference between young and adult workers is the degree of labour force participation. Only 25.2% young workers are employed, which compares to a share of 58.5% of the adults. This is definitely due to the higher rate of participation to education of the former. Nevertheless, relevant gender and regional differences suggest the degree of distortion in the allocation and use in production of labour exist. In fact, although, for instance, out of 100 young men and women people the shares of those not available to work are more or less similar between Northern and Southern Italy (45.8 and 45.8 for men, 47.1 and 51.4 for women), nonetheless the share of young men working equals 37.3 in the North and 18.2 per cent in the South. Even more dramatic is the position of women: 30.3 out of 100 women in the North are employed, which compares to 9.5 per cent in the South. Moreover, the rest are unemployed or discouraged, this last group including jobless workers not actively seeking a job or available to work, but not actively seeking a job. The discouraged represent 10.1% of men and 13.5% of women in the North and 17.1 and 21.8 per cent in the South.

Tab. 2 – Population by age, gender and labour market status (in %; 1999)

	Men			Women			TOTAL		
	15-24	25-64	15-64	15-24	25-64	15-64	15-24	25-64	15-64
					Centre-North				
Employed	*37,3*	*77,7*	*71,1*	*30,3*	*49,3*	*46,3*	*33,8*	*63,5*	*58,7*
Actively seeking a job	*6,7*	*2,6*	*3,3*	*9,2*	*4,2*	*5,0*	*7,9*	*3,4*	*4,1*
Not actively seeking a job	*2,2*	*0,9*	*1,1*	*3,6*	*2,2*	*2,5*	*2,9*	*1,6*	*1,8*
Available to work, but not seeking a job	*7,9*	*1,5*	*2,5*	*9,9*	*5,7*	*6,3*	*8,9*	*3,6*	*4,4*
Others not available to work	*45,8*	*17,4*	*22,0*	*47,1*	*38,6*	*39,9*	*46,5*	*28,0*	*30,9*
					South				
Employed	*18,2*	*70,4*	*58,6*	*9,5*	*28,1*	*24,1*	*13,9*	*49,0*	*41,2*
Actively seeking a job	*18,9*	*10,5*	*12,4*	*17,3*	*9,4*	*11,1*	*18,1*	*9,9*	*11,7*
Not actively seeking a job	*7,6*	*3,9*	*4,7*	*8,7*	*5,5*	*6,2*	*8,1*	*4,7*	*5,5*
Available to work, but not seeking a job	*9,5*	*1,4*	*3,3*	*13,1*	*9,4*	*10,2*	*11,3*	*5,5*	*6,8*
Others not available to work	*45,8*	*13,7*	*20,9*	*51,4*	*47,6*	*48,4*	*48,6*	*30,9*	*34,8*
					Italy				
Employed	*29,0*	*75,3*	*66,7*	*21,3*	*42,0*	*38,3*	*25,2*	*58,5*	*52,5*
Actively seeking a job	*12,0*	*5,3*	*6,5*	*12,7*	*6,0*	*7,2*	*12,3*	*5,6*	*6,9*
Not actively seeking a job	*4,6*	*1,9*	*2,4*	*5,8*	*3,4*	*3,8*	*5,2*	*2,6*	*3,1*
Available to work, but not seeking a job	*8,6*	*1,5*	*2,8*	*11,3*	*7,0*	*7,7*	*9,9*	*4,2*	*5,3*
Others not available to work	*45,8*	*16,1*	*21,6*	*49,0*	*41,7*	*43,0*	*47,4*	*29,0*	*32,3*

Fonte: in Ministry of Labour (2000) on ISTAT data, Labour Force Survey.

Another indicator of human capital upgrading is the education level of the workforce, especially among the adults, as the education level of young workers is not computable due to the fact that young

workers are still involved in education. The employment rate of those with a high or secondary level of education attainment is well over the average and, at the same time, the unemployment rate of workers with a low level of education attainment is higher than average.

**Tab. 3 – Adults' employment and unemployment rates by education levels (1999)**

	Employment rate					Unemployment rate				
	NE	NW	Centre	South	Italy	NE	NW	Centre	South	Italy
University degree	83,4	82,6	79,9	76,9	80,4	4,3	5,1	6,6	10,5	6,9
High secondary	77,1	79,5	70,9	59,4	70,2	3,6	2,9	7,0	15,7	8,0
Vocational qualification	72,7	78,2	69,9	59,8	71,5	4,2	3,0	7,2	15,9	6,3
Low secondary	65,8	69,4	62,4	49,8	60,2	5,1	4,2	7,7	18,5	9,7
Prmary or below	33,7	37,0	35,6	29,1	32,9	6,1	3,5	6,7	20,3	11,1
Total	63,5	65,9	61,2	49,0	58,5	4,6	3,7	7,2	16,9	8,8

Source: own elaboration on ISTAT data, Labour Force Survey.

Fig. 2 below provides an overall indicator of the degree of human capital accumulation by groups of regions measured as the average years of education of workers employed in manufacturing industries. It clearly shows that regional differentials persist over time and the catching up is very slow.

Fig. 2

**Estimates of human capital endowment
in manufacturing employment by groups of region**
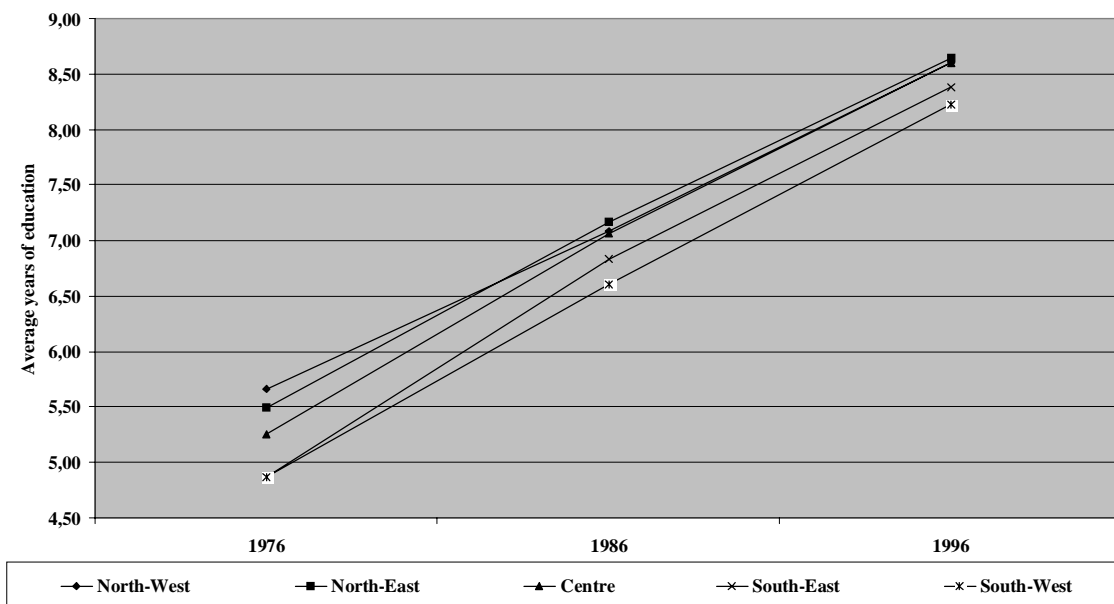
Source: De Sefanis (2000).

It is more difficult to find the level of human capital accumulation of employed youth, considering most of them have not completed their educational and training track. A way of measuring the peculiar labour market behaviour of young workers is depicted in Table 4 below. The table shows that a larger number of young workers were students in the Centre-North for every age group in 1994, whereas in 1999 those aged 20-24 tend to have higher rates of education participation in the South. This does not mean that there is a higher propensity to stay in education for young people in the South, but rather that they have a much lower probability of finding a job in this area. In fact, among those aged 24 and not employed in education in Southern regions in 1999, 45.5per cent are unemployed and only 28.1 per cent are employed. The comparable figures are 17.5 and 57.9 per cent in the North.

Tab. 4 – Young workers by employment status (%; 1994 and 1999)

| | 1994 | | | | | | | | 1999 | | | | | | | |
| | Centre-North | | | | South | | | | Centre-North | | | | South | | | |
Age	Stud. (*)	Not-emp.	emp.	Total	Stud. (*)	Not-emp.	emp.	Total	Stud. (*)	Not-emp.	emp.	Total	Stud. (*)	Not-emp.	emp.	Total
15	86,8	6,1	6,8	100	78,5	15,5	6,0	100	89,5	5,1	5,4	100	83,6	12,2	4,1	100
16	81,1	8,5	9,9	100	76,6	17,3	6,1	100	85,9	5,5	8,5	100	81,9	13,6	4,5	100
17	74,4	10,2	14,9	100	72,3	20,8	6,9	100	81,9	5,4	12,7	100	78,1	16,0	5,9	100
18	68,3	12,4	18,9	100	64,6	26,2	9,2	100	75,0	9,3	15,7	100	72,2	21,7	6,1	100
19	53,9	24,1	21,6	100	49,3	39,3	11,5	100	57,5	20,7	21,8	100	55,5	36,1	8,4	100
20	42,1	26,1	31,3	100	40,1	45,1	14,8	100	43,6	21,8	34,6	100	45,7	41,7	12,6	100
21	33,4	25,6	40,8	100	33,2	46,7	20,1	100	36,4	21,5	42,1	100	37,4	46,0	16,6	100
22	27,7	22,7	49,1	100	27,5	49,8	22,7	100	31,5	19,1	49,5	100	32,2	46,7	21,2	100
23	23,8	20,2	55,7	100	22,1	50,1	27,8	100	27,5	16,8	55,7	100	29,7	45,4	24,8	100
24	20,5	19,9	59,2	100	18,6	50,6	30,8	100	24,7	17,5	57,9	100	26,4	45,5	28,1	100

(*) Students include also those involved in work activities.
Fonte: in Ministry of Labour (2000) on ISTAT data, Labour Force Survey.

Table 5 below suggests youth and adult workers have not the same employment pattern also at a very aggregated industry level. This strongly supports the view that similar to other countries, the degree of substitution between young and adult workers is very low in Italy. As a matter of fact, young workers tend to be hired in traditional services, such as Trade and Repairs, Hotels and Restaurants, to a larger extent than their older counterpart, as well as in traditional manufacturing sectors, such as Food, Textiles, Constructions. This is suggestive of the low skill level of young workers.

Table 5 – Employment by sector and age (%; 1999)

	Young	Adults	Total
Agricolture	4,3	5,6	5,5
Total manufacturing, of which:	45,0	31,5	32,6
Manufacturing, of which:	35,4	24,0	25,0
Mining and Chemicals	3,6	3,7	3,7
Food, textiles etc.	14,7	9,6	10,0
Metal industry	17,1	10,8	11,3
Constructions	9,7	7,4	7,6
Total services, of which	50,7	63,0	61,9
Trade, Hotels and resstaurants	25,3	19,0	19,6
Transports and Telecommunications	3,3	5,7	5,5
Banking and Insurance	1,7	3,4	3,2
Services to firms	6,5	6,4	6,5
Public Administration	3,3	9,1	8,6
Health, Education etc.	10,6	19,3	18,5
TOTAL	100	100	100

Source: own elaboration on ISTAT data, Labour Force Survey.

As shown in Table 6, the education level is actually increased sharply in Italy, at a similar rate in the North and the South and for men and women. This confirms that the education system in Italy does not represent a specific source of gender or regional discrimination. In other words, the differences by gender and region are not to be searched in a different rate of education participation, but rather in a different position on the labour market. In other words, the lower level of skill of young workers in the South depends on longer unemployment spells. The low probability of finding a job forces young workers to lose their skills and human capital.

Tab. 6 – Rates of participation to secondary high school by gender (1982-1998)

	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98

ITALIA											
Total	52,5	54,0	55,7	57,7	59,4	60,8	72,6	75,3	77,6	80,0	81,4	83,1
Men	52,0	53,4	54,9	56,7	58,4	59,7	71,3	72,5	76,1	78,5	79,9	81,8
Women	52,9	54,6	56,6	58,7	60,5	62,0	74,0	76,7	79,1	81,5	82,9	84,3
NORD-OVEST											
Total	51,8	53,6	55,6	57,7	59,7	60,8	72,3	75,1	77,7	79,7	80,6	81,7
Men	51,4	52,9	54,6	56,4	58,1	58,6	69,6	72,6	75,0	76,7	77,3	78,4
Women	52,3	54,3	56,7	59,2	61,4	63,0	75,1	77,7	80,4	82,7	83,9	85,2
NORD-EST											
Total	51,3	53,7	56,1	58,6	60,7	62,4	75,0	78,0	80,4	82,4	83,6	84,3
Men	49,9	51,4	54,6	56,8	58,6	60,5	72,1	75,6	77,4	79,3	80,4	80,5
Women	52,7	54,4	57,8	60,5	62,9	64,3	77,8	80,4	83,4	85,8	86,8	88,2
CENTRO											
Total	62,0	63,6	65,3	67,4	68,7	70,1	82,4	85,2	87,5	89,7	91,1	92,9
Men	61,1	61,6	63,7	65,6	66,8	67,8	80,6	83,6	85,7	88,0	89,2	92,6
Women	62,9	64,7	68,7	69,3	70,8	72,5	84,1	86,9	89,4	91,6	93,2	93,3
MEZZOGIORNO											
Total	49,2	50,1	51,4	53,0	54,6	56,1	68,0	70,5	72,7	75,5	77,3	79,4
Men	49,4	50,2	51,4	52,9	54,7	56,3	68,0	70,3	72,4	75,4	77,5	79,8
Women	48,9	50,1	51,5	53,0	54,5	55,8	67,9	70,8	73,0	75,7	77,2	79,3

Note: a) the rate of participation to education in high secondary school has been computed as the ratio between the number of students registered in secondary school and the total population aged 14-18, times 100.
Source: in Ministry of Labour (2000) on ISTAT data, Labour Force Survey.

The Italian vocational system bears relevant structural problems mainly due to the over-rigidity of mixed, public and private, organisations and to its marginal role compared to the educational system. As a matter of fact, 2.5 million students on average attended secondary school in the 1980s and in the 1990s, but only 300,000 people on average attended training courses (less than 50% youth) – 35% post-diploma training courses, the others 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 funds. These last have been the main financial source to finance training programmes in Southern regions in the 1980s.

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

Tab. 7 – Regional training courses. Numbers of registered workers by region (various years).

	1988	1995	1998
Italy	270,238	347,449	447,917
Centre-North	221,572	274,884	419,087
South	48,666	72,565	28,830

Source: own elaboration on ISFOL and ISTAT data.

Tab. 8 – Regional training courses. Numbers of registered workers by type of workers (1998).

	Italy	Centre-North	South
Young workers	154,575	143,976	10,599
Disadvantaged and excluded	27,590	25,845	1,745
Unemployed	35,479	31,350	4,129
Women	9,447	8,349	1,098
Employed	206,463	195,204	11,259
Total	447,917	419,087	28,830

Source: own elaboration on ISFOL and ISTAT data.

Other instruments able to increase the level of human capital accumulation of young workers are Apprenticeship and Work and Training contracts, which mainly envisage on-the-job training. Stock data show on average workers involved in these contracts are about 700,000 per year, which is a much bigger number than workers involved in out-of-the-job training (150,000). This indicates that Work and Training contracts are distorted and are mainly used by firms to dispose of more flexible work.

3 – The institutional framework of ALMP in Italy

3.1 – Reforming employment offices and education systems

As noted earlier, the Italian NAP relative to year 2000 envisages a broad set of actions to be taken within the context of Objective 1 of EES and Obj. 3 of FSE.

The first instrument of the EES is entrusting employment services organisation. This will be based on the decentralisation of activities to local employment offices and imply the establishment of new local employment centres linked to each other through an Employment Information System (EIS) within the first half of 2000. Local employment offices should become able to actively promote employment at a local level. Their main activity will consist of providing counselling and guidance to the job search activities of the long term unemployed. Before six months have elapsed from the beginning of an unemployment spell, each registered young unemployed should be given vocational training, re-qualification initiatives or job opportunities. For adult unemployed of long duration, the interview must be held before 12months. Those who fail to attend an interview lose their unemployment status; the rejection, if any, of a job in line with the professional status of the unemployed, located within a radius of fifty kilometres from home, entails the loss of the unemployment status seniority. In turn, monitoring activities and the careful administration of placement lists are necessary conditions to the success of the policy.

The relevance of the reform of the education and training systems appears already in the agreement of December 1998 signed by the government with the Social Partners. In 1999, the Government initiated a multilateral supervisory procedure (Master Plan) at the Premier's Office.

The interventions addressed to the school system include the autonomy of Schools, new schooling requirement, rearrangement of (school and University) cycles, training programs, introduction of new technologies in school management and teaching, greater attention paid to adults. As for vocation training, agreements between central and local governments with social partners included the establishment of new integrated training courses, subsequent to the schooling requirement and the diploma, the apprenticeship scheme, the certification of skills and the crediting of training structures. The purpose is to adjust the training system in terms of both process and products-services in order to meet the special requirements and needs of the labour supply and demand, paying special attention to the new demands connected with self-employment and atypical work and to the weaker population groups. The increased training opportunities and the close connection with the operation of the employment services, as well as the greater access to various forms of traineeship both inside and outside the training courses, shall allow a progressive implementation on a wider scale of actions preventing and curing unemployment. An important intervention is the introduction in 2000 of compulsory training requirements to school students. Every student up to the eighteen had to chose whether to do his training period within the school education system, the vocational training system or an apprenticeship scheme.

The Ministry of Education implemented actions[6] hindering school drop-outs particularly in southern areas, with the ESF support. According to preliminary monitoring data, such actions concerned 119,000 students in the 1998-1999 two-year period.

In order to avoid the risk of inflation of certifications, as it was the case in other EU countries adopting relevant training programmes, the Ministry of Labour, the Ministry of Education, MURST and the Regions are organising a "national system of competencies". It will be up to the Regions to certify the skills acquired in participating in training schemes. With a view to documenting the training curriculum, the Regions shall create the *citizen's training booklet*.

Another measure regards the setting up of a higher technical education and training (HTET) system, consisting in training courses organised by regions with the participation of the Ministers of Labour, Education and of University.

The *new apprenticeship* is soon to become the main on-the-job qualification channel for youths; while a special experimentation begun in 1998, involving 19,000 apprentices, an effort was made to specify the contents of off-the-job training programs (by crosswise and vocation-oriented areas of competence) and to heighten the training action relative to youths of up to 18 years of age (compulsory training requirement). Another relevant part of employment policy regards the so-called Work and Training Contracts. These are reorganised in such a way that the apprenticeship contract will play a central role for the access to the private and public sector of youths of up to 25 years of age (29 years for degree-holders) who are to carry out a given number of hours of vocational training, benefiting by a considerable contribution relief.

Specific measures regard Southern regions. This include a total contribution relief granted for a three-year period to newly hired employees until 2001, with a view to increasing employment levels, with a shortened time limit. Moreover, a tax credit for each new employee are introduced in favour of employers operating in specific areas. Different Finance Acts have extended the benefit, in a more limited amount, to the enterprises located in nearby areas with a high unemployment rate. Other measures include *Incentives for the workers' mobility*, tax incentives (related to the increase in the number of employees) granted to business income receivers who invest in area contracts, territorial pacts and program contracts stipulated in the territories of Ob. 1, 2 and 5b, as well as other negotiated planning agreements. Finally, unemployed workers involved in Socially Useful Jobs (SUJ) will be offered re-employment incentives, also through forms of self-entrepreneurship.

3.2 – Persons benefiting *from active policies*

It is still difficult to measure the groups of persons who have benefited by ALMPs. In fact, while the overall design is being completed along the Luxembourg guidelines, active policies keep on involving large groups of unemployed. On the other hand, most of the programmes aim to reform the background system of education, training and employment services. Therefore, their effect and the degree of participation are measurable only in the long run and cannot be caught by short term very preliminary data.

Tables 2 an 3 show a concise evaluation of the mean stock of persons benefiting by the various active policy measures and compares it to the mean stock of persons looking for a job, drawing a distinction between the total number of job-seekers - as estimated in the labour force survey - and the subset of these job-seekers that are registered with the ES (the persons registered with the ES also include those who are not actively looking for a job and, therefore, who are not identifiable as a direct target of the measures considered). These measures are divided into three groups. Items from A to E refer to unemployed beneficiaries (item E does not imply the access to an actual employment contract); items from F to G concern persons who, although coming from an unemployment status, are currently employed on account of the implementation of the measure (the two items differ on whether or not a training content in present). Therefore, indicators 1 and 2 relate the set of values from A to E to the mean stock of the unemployed (total stock or only the persons known to the ES); indicators 3 and 4 relate to a broader total that adds either item F or items F and G to both the beneficiaries of the relative measures and the total number of the unemployed.

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6 These actions include guidance, curriculum integration, extensive recourse to traineeship schemes, extension of the schooling requirement (compulsory training), introduction of training credits, school/training integration courses and heightening of the apprenticeship schemes.

As shown in Table 2, considering only the items that refer to persons who are still unemployed, the indicator is slightly lower or slightly higher than 20%, depending on whether we consider only the unemployed actively looking for a job who are registered with the ES or the total number of the unemployed who are actively looking for a job. Should we include the other measures to both the numerator and the denominator, the indicator jumps to around 40%. This is due to the fact that, on account of the ES reform which is still under way, the policies adopted in Italy are based for the most part on automatic employment incentives granted to those who have lost a previous job or those who are looking for their first job (items G and F respectively). These incentives cut the social contribution charges for a relatively long period, so that the mean stock of persons affected by such measures in a given year, groups together the placements that occurred during the year as well as those that occurred in preceding periods.

Table 9 - Persons who benefited by active employment policies in 1999 (mean yearly stock, thousands of units)

		Men	Women	Total
(A)	Unemployed participating in training programs	104.3	111.9	216.2
	Education of unemployed adults			
	• short courses			24.2
(B)	• long courses			42.4
	Subjects being trained in connection with programs of access to			
(C)	entrepreneurial activities	2.0	0.8	2.8
(D)	Regional active policy initiatives			34.6
	Work experiences			
	• socially useful jobs and jobs in the public interest	77.0	67.1	144.1
	• vocational placement schemes			14.3
(E)	• in-house traineeship and training schemes			20.0
	A+B+C+D+E			498.6
	Individuals entering the labour market with mixed-cause contracts (work-training)			
	• work Training contracts	243.3	129.0	372.3
(F)	• apprenticeship	228.2	151.7	379.9
	Incentive-supported hiring of workers			
	• long-term unemployed and workers with laid-off allowances	131.2	118.5	249.7
(G)	• workers under mobility schemes	39.1	33.7	72.8
	Unemployed persons actively looking for a job that are registered			
(H)	with the ES			2157
(I)	Total number of unemployed persons actively looking for a job	1266	1404	2670
(1)	(A+B+C+D+E)/H%			23.1
(2)	(A+B+C+D+E)/I%			18.7
(3)	(A+B+C+D+E+F)/(I+F)%			36.5
(4)	(A+B+C+D+E+F+G)/(I+F+G)%			42.0

NOTES

The figures are expressed as mean yearly stock or measured directly and shown as mean stock on the basis of the duration of the individual measures. A few figures are partial and are susceptible of correction. The breakdown by sex is only shown when the figure is available.

A) The unemployed who had access to vocational training initiatives other than the participation in educational courses (refer to B below), as estimated in the ISTAT survey of the labour forces.

B) The unemployed participating in educational courses for adults handled by the Ministry of Education. In the yearly mean stock estimate of the individuals benefiting by an active policy, the yearly aggregate total of participants counts for ½ in case of short courses and in full in case of long courses.

C) Individuals allowed participating in programs supporting the start-up of entrepreneurial activities, including training and tutoring.

D) Initiatives managed directly by the Regions (including work and training experiences and the placement in employment not included under different items: provisional estimate).

E) Work experience programs for the unemployed or youths seeking their first job. The PIP[7]-related data is partial and refers to the average value of the first six-month period.

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7   Piani di inserimento professionale: vocational placement programs.

F) A yearly flow of placements in employment approximating 600,000 corresponds to an overall stock of 765.200 persons.
G) Long-term unemployed persons or subjects in receipt laid-off allowances or under mobility schemes, placed in employment with incentive-supported contracts.
H) Source: ISTAT, Survey of Labour Force.
I)   Source: ISTAT, Survey of Labour Force.

Anyway, table 10 distinguishes persons involved in the major ALMP programmes by age. A first observation is ALMPs are still scantly in favour of young workers, except the mixed cause work and training contracts.

Tab. 10 – Breakdown by age classes of individual situations covered by the major active labor policies - year 1999 - percentage values

	<20	20-24	25-44	45-49	>50	Total
Mixed-cause contracts	36.5	39.0	24.4	0.0	0.0	100.0
Training	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Employment incentives	4.8	27.7	57.2	5.1	5.2	100.0
Direct job creation	0.1	2.9	71.2	12.7	13.1	100.0
Total	*22.8*	*31.6*	*39.6*	*3.0*	*3.0*	*100.0*
The employed	*1.5*	*7.1*	*57.7*	*12.7*	*21.0*	*100.0*
Job-seekers	*8.3*	*24.4*	*54.7*	*5.0*	*7.6*	*100.0*
Labor forces	*2.3*	*9.0*	*57.4*	*11.8*	*19.5*	*100.0*

Source: Ministry of Labour (2000).

The same conclusion can be drawn from table 11. This reports data on expenditure and participants in active schemes. The expenditure in ALMPs was well below 1% of GDP in 1999, not improving the 1990s trend. This is in sharp contrast with the objective of catching up in human capital levels stated in European Employment Strategy. As noted before, regional and age differences in labour market experiences require high and prolonged investments in human capital to be filled.

Tab. 11 – Active labour policies expenditure and participants in 1998 e 1999

	Participants		Expenditure	
	1998	1999	1998	1999
Training	**1.316.075**	**1.273.529**	**7.282.086**	**7.613.248**
Co-financed training:				
Young people seeking for a first job	246.720	215.118	1.295.968	747.595
Disadvantaged people	14.246	13.597	189.521	198.790
Long-term unemployed or people at risk of becoming so	96.006	63.531	644.088	621.438
for people at work	215.171	212.417	447.140	611.676
Communitarian initiative programs (ADAPT and Employment)	n.a.	n.a.	271.484	381.997
Training for people at work (ex L. 236/93)	n.a.	n.a.	415.000	215.000
Experimentations concerning apprenticeship	n.a.	n.a.	-	25.000
Apprenticeship	341.073	412.595	1.953.443	2.745.672
Training-cum-work	402.859	356.271	2.065.442	2.066.080
Employment incentives	**723.670**	**762.335**	**5.099.955**	**5.862.059**
Vocational integration scheme	-	18.539	n.a.	200.000
Vocational training	n.a.	n.a.	n.a.	n.a.
Apprenticeship contract turned into open term contract	45.562	43.204	401.361	411.850
Training-cum-work turned into open-term contract	13.503	19.139	14.074	18.763
Incentives for taking on long term unemployed	230.425	264.184	1.275.250	1.653.465
Incentives for hiring those registered in mobility lists (and transformations)	75.051	74.784	705.524	788.527
Other Incentives*	937	681	7.543	6.989
Subsidy for low paid workers in the Mezzogiorno	358.192	341.804	534.163	1.084.000

Incentives for hiring in the South: three years relief from social security contributions	n.a.	n.a.	-	44.011
Incentives for hiring in the South: total annual relief from social security contributions	n.a.	n.a.	65.029	259.184
Tax relief for SMEs creating jobs in Ob.1 areas	n.a.	n.a.	398.196	75.554
Relief from social contributions for agricultural employers in the south	n.a.	n.a.	240.000	122.550
Other relief from social security contributions in the South	n.a.	n.a.	1.458.815	1.197.166
Integration of disabled	**265.712**	**266.493**	**50.979**	**64.781**
Disadvantaged workers employed in social cooperatives which benefit by relief from social contributions	9.183	10.174	50.979	64.781
Obligatory employment	256.529	256.319	n.d	n.a.
Direct job creation	**137.115**	**144.814**	**1.295.531**	**1.542.331**
Socially useful work	137.115	144.814	1.295.531	1.542.331
Start-up incentives	**1.808**	**2.200**	**291.377**	**321.291**
youth entrepreneurship-oriented incentives ***	1.200	1.409	244.163	276.769
Disbursement in advance of mobility benefit	608	791	47.214	44.522
Out-of-work income maintenance and support	**1.506.834**	**n.a.**	**12.223.000**	**11.926.999**
Mobility Benefit	95.794	89.123	2.228.000	2.313.366
Ordinary unemployment benefit	1.283.611	n.a.	8.203.000	8.000.000
Redundancy Fund	99.191	96.155	903.000	935.607
Extraordinary Redundancy Fund	28.238	20.125	889.000	678.026
Early retirement	**n.a.**	**n.a.**	**2.444.000**	**1.854.757**
total active policies	*2.444.380*	*2.449.371*	*14.019.928*	*15.403.710*
total passive policies	*1.506.834*	*n.a.*	*14.667.000*	*13.781.756*
Total Labour policies	*3.945.214*	*2.654.774*	*28.686.928*	*29.185.466*

Source: Ministry of Labour (2000).

It seems, therefore, a particular institutional and financial poverty characterises labour supply policy in Italy. Training, education systems, work and training contracts, stages, work scholarships etc, that should be finalised at increasing the human capital accumulation and, hence, the probability of job finding, pose at least two types of problems. From a macro-economic viewpoint, in areas where the activity rate is low and the employment prospects are scarce, these measures could be totally ineffective because of the scarring effect and the displacement effect. From a microeconomic viewpoint, it should be recalled that to be effective in general active measures should be targeted to specific groups of small size.

In the case of Italy, hence, the most important issue is rather than reforming the institutions governing the labour market, starting again a courageous policy of state intervention to promote the growth of Southern regions and upgrade the production system to the new technological frontier.

4 – Data description

The analysis of the following sections is based on an *ad hoc* survey carried out on a sample of youth unemployed in Italy within the context of the EU *Targeted Socio-Economic Research Programme* on Youth Unemployment and Social Exclusion[8]. The enquiry was implemented from March to June 2000 on a sample of 1421 youth (18-24) registered unemployed living in Campania and Veneto. Note that the young teenagers, aged 14-17, usually considered part of young people according to the UN definition, were excluded from the sample. Another stratification criterion was adopted after the interview quotas had been established based on gender and place of residence, in such a way that the final sample should be statistically representative of the underlying population in the regions considered.

As outlined in section 2, regional unemployment differentials are one of the main features of the Italian labour market. In 1999, when the survey was carried out, the unemployment rate was at 6.5% in Central and Northern regions and at over 22% in Southern regions. More dramatically, the youth unemployment rate (15-24 years) was 19% in the North and in the Centre, but over 56% in the South. The

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[8] The TSERP on YUSE includes a panel of EU countries, such as Norway, Finland, Sweden, Scotland, France, Germany, Spain and Italy. Similar surveys have been carried out in each of the aforementioned countries.

long-term unemployment rate (more than 1 year) was 3,1% in the Centre-North and 14,8% in the South. To mirror this situation, the sample has been stratified concentrating two-thirds of the interviews in the South. The two regions considered represent very different labour market contexts, with Campania being one of the highest and Veneto one of the lowest unemployment regions in the country. This is a reason of particular interest of this data, which compare boom and slump labour markets. At the time of the survey, Campania's unemployment was at 23.7%, youth unemployment was at 62.6% and the long-term unemployment rate at 17.7%. In Veneto, the average unemployment rate was 4,5%, the rate for the young unemployed was 11.7% and the long-term rate of unemployment 1.3%. Furthermore, Campania well represents the overall youth unemployment conditions, as it includes one of the biggest urban area of the country, Naples, and the rural inner areas. On the other hand, in the last decades, Veneto has recorded the highest growth rates in the country, mainly due to the development of a large number of small and medium-sized firms, and the lowest unemployment rate.

The sample was selected among individuals registered at the local unemployment office for at least three months at the time when the sampling procedure was carried out, a year before the time of the interview. The main problem arising from this procedure is that job seekers enrolled in placement registers do not completely overlap all the unemployed recorded in the official Labour Forces Survey, the so-called *Rilevazione Trimestrale delle forze di lavoro* (RTFL). Among other reasons, this depends on the fact that enrolment in the registers is only one of the various criteria requested to actively seek a job. It is true registering at the local employment office is actually the main job seeking activity for most unemployed workers. Nonetheless, only three-quarters of the job seekers found by the RTFL, indeed, declare they are enrolled in the registers. Conversely, people enrolled in the registers are not always properly qualified as job seeking unemployed. The main difference between the two data sets is that while the Labour Force Surveys is an "ad hoc" survey in order to produce information on labour supply conditions, data from the placement registers is a secondary outcome of the administrative activity of the Job Placement Office. All this considered, it could be said there is no relevant information loss in using data from placement registers. In fact, these last draw a picture of Italian unemployment very similar to that of the RTFLS and, in addition, all youth employment policies implemented in Italy require the administrative enrolment in the registers.

The base questionnaire, designed by the Nordic research team within the TSERP on YUSE, has been accepted, except for few changes. This makes the Italian data comparable with those of the other countries involved in the project. Besides, the questions used in the Northern EU countries are actually well suited also to investigate the features of unemployment and social exclusion in Southern EU countries, such as Italy. At the same time, the changes made provide a basis to mirror specific market and institutional features of Italian employment. In particular, the data provide a detailed picture of specific training and educational programmes implemented in Italy. This is an important feature of the data used, as the LFS only rarely includes partial information on active measures[9]. Moreover, a particular attention has been given to the occupation of employed workers, on the wages and the salaries perceived.

Data were collected by means of direct interviews[10]. Interviewers got in touch with people during a period of 4 mouths – from March to June 2000 – through the "chain rule", exploiting their own direct or indirect acquaintance network and contacts with public or private institutions involved in supporting the analysed population. Interviews were anonymous, but spot checks were carried out, to test the effective submission of the questionnaire. 1421 interviews of those turned out valid and complete, after verification. They represented 447 out of the 500 envisaged in Veneto and 974 out of the 1000 envisaged in Campania[11].

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[9] Collect information on this issue.

[10] 60 interviewers (28 in Veneto and 32 in Campania) have been selected on the basis of their high level of education attainment in economic and social sciences, skills in interviewing methods and in implementing networks and residence. Once selected, the interviewers attended a short training course during which the objectives of the research and the interviewing methodologies were explained. They were also provided with a manual containing detailed explanations about the aims and methods of the survey.

[11] Various factors explain the different problems met in the two areas. Firstly, the high degree of dispersion of the population in Veneto has entailed the involvement of more interviewers than in Campania. Secondly, it has been difficult to find youth long-term unemployed enrolled in the official register in Veneto, due to the low rate of long-term unemployment among young people there. In fact, 4.000 contacts have been necessary to realise 447 interviews in Veneto, which compares to 2.000 contacts for 978 valid interviews in Campania. In this region, the major problem was to find people with low education. In both the regions about 30% of people refused to answer to the questionnaire as it needed at least one hour to be filled in.

5 – *The econometric methodology*

In what follows, an attempt is made to verify whether *ceteris paribus* participating to ALM programmes significantly affects the labour market prospect of young adult (aged 18-24) unemployed[12] in Italy, by permanently changing the various factors that constitute their employability. As noted before, roughly speaking ALMP include on-the-job and off-the job training, the former being associated to work experience. The issue of participation to ALMPS is also investigated estimating the effect of various individual, social and environmental characteristics on the probability of entering an active scheme. The Italian questionnaire relative to the YUSE survey allows this, as it contains quite detailed information on the present *and* past participation of interviewees to specific programmes.

Only the gross impact of the measures is considered. No attempt is made here to study their net impact[13], which will be the aim of future research.

Studying the probability of participating to ALMP is an important aspect of the work as it could provide relevant information on issues related to sample selection bias that rise when studying the impact of ALMP measures (see for a survey Heckman, 2000). It is often claimed, in fact, one of the main reasons why active measures tend to be ineffective in terms of the average probability of job finding of the unemployed is those who find a job after participation to training and / or work schemes would find it anyway. In fact, the most motivated in seeking a job could be also those most motivated to enter active schemes. Therefore, knowing the characteristics of participants to the policy would provide useful information on the existence of sample selection bias. This is relevant information for future research on the net impact of active policy.

We present estimates of the probability for a young adult registered unemployed of entering a given labour market status at the time of the interview, considered he was unemployed a year earlier. This means the YUSE data, although being cross-section in nature, can be seen as having quasi longitudinal features. In fact, every individual was registered unemployed at time *t-1* and is observed at time *t*, where every period is a year. During the year he could have moved to other statuses than unemployment. A problem here is that we adopt two different definitions of unemployment at time *t-1* and at time *t*, the former being the definition of registered unemployment and the latter the ILO definition. Improvement on this issue is possible using answers to question 18 on the main labour market status in the period previous to the interview[14].

A large literature suggests flows from unemployment into a job often depend significantly and negatively on unemployment duration. Evidence also exists of positive, rather than negative duration dependence. To test for duration dependence, the transition probabilities are usually estimated as conditional on being within the original unemployment status for a given period of time. This means estimating hazard functions by survival models. However, computing the duration variable implies, among other things, having information on the last job experienced by the unemployed (Pastore, 1999). Unfortunately, the YUSE data do not provide any specific retrospective question on this issue. Moreover, as noted in the previous section, the definition of registered unemployment does not coincide with that provided by the ILO and adopted in LFSs. In particular, large shares of registered unemployed could be involved in education and, therefore, not actively seek jobs. As a consequence, we don't know exactly what was the labour market status of the individual at the time of the survey.

The only known information is on the overall unemployment duration. This does not allow estimating conditional probabilities on the basis of hazard functions, as the overall unemployment duration would conceal the existence employment spells. We then prefer to estimate unconditional probability flows, using logit models, and use this rough measure of unemployment duration as an independent variable. Only the marginal and the impact effects of the variables are included in the table, both for the entire sample and the part of sample that excludes workers in University education. The marginal and the impact effect measure the *ceteris paribus* effect of a continuous and discrete variable on the probability of an event occurring.

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[12] Recall that, as noted in the previous section, YUSE data regard individuals aged 18-24.

[13] The net impact of a policy is given by the increased probability of job finding after controlling for the so-called substitution effect and the dead-weight loss. The sum of the net impact, the substitution effect and the dead-weight loss is called the gross impact of a policy.

[14] Question 18 asks the interviewee to tell the "main labour market status between 1993 and 1999". Answers are guided to cover six month periods.

6 – variables definition

To detect the current labour market status of the individual, question 17 has been used. It asks: "What has been your main activity during the last week?" Various answers are possible, that have been grouped into seven homogeneous outcomes, as depicted in Fig. 3. These include:

a) having some type of work activity, such as a full-time or part-time permanent job, a full-time or part time temporary job or an *interinaire* job;

b) being involved in a casual job or in an irregular (informal) job[15];

c) being on apprentice training, on Youth Training Contract, on professional work experience (*stages*), on a training scheme on the job;

d) being studying at school or professional vocational school (so-called off-the-job training);

e) being unemployed actively seeking a job; f) being on University education;

f) being out of the workforce, as committed in home duties/childcare, in maternity leave, military or civil service, voluntary service.

Figure 3 – Procedure for the definition of the dependent variables
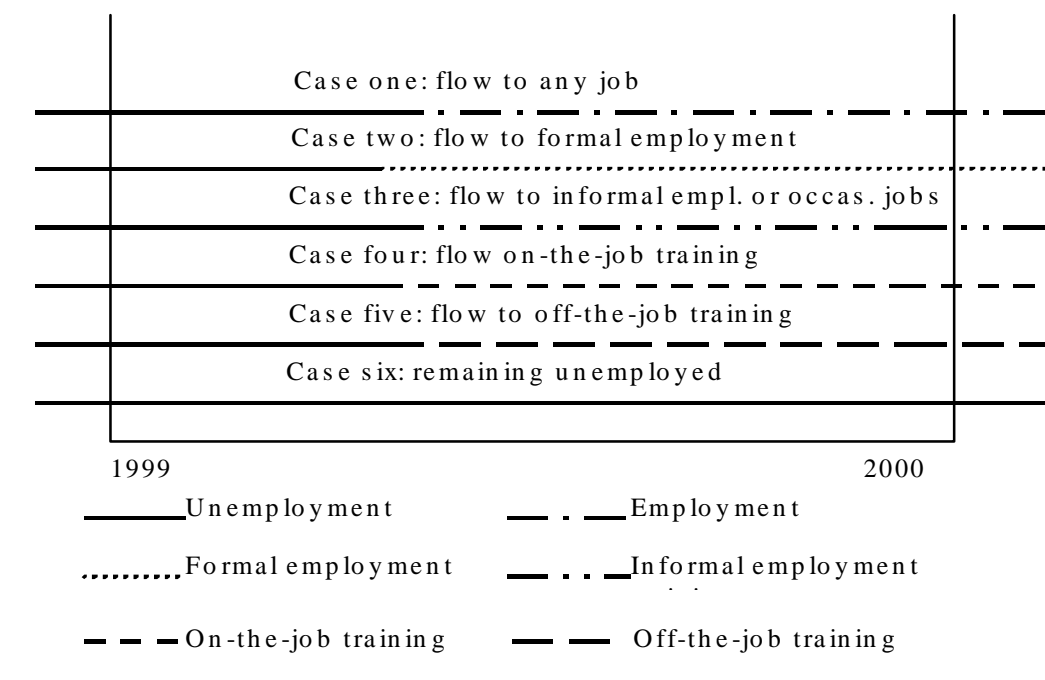
In what follows, we present estimates of the probability of flowing from unemployment to each of the aforementioned statuses, except for flows to University education and to non-participation, i.e. status g), that will be the object of further research. The first group of estimates is relative to flows from unemployment to either the status a) or b). Two different estimates follow that disentangle flows to status b) from flows to status c).

Note that the answers to question 17 were not mutually exclusive. In other words, young unemployed could occupy two or more statuses at the same time. It is typical of some young people, especially when unemployed, to be involved in various activities. For instance, they could be registered unemployed, but be in education and have occasional jobs. Also workers involved in ALMP could be in need of having some paid, formal or informal wok. An attempt has been made to make these cases mutually exclusive, imposing the ILO definitions of employment, unemployment and non-participation. It has been assumed that a person having any kind of paid work was employed, although involved in other activities or declaring they were unemployed. Three cases of being out of the workforce, such as participating to ALMP, University education and discouragement, have been distinguished.

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[15] Two individuals working in socially useful activities or public utility jobs (so-called subsidised work) have been included in this group just because of the small number of observations.

Moreover, about 31.4% of the workers in our sample are attending University courses. This suggests they are less likely to change their labour market status. Moreover, as noted in section 2, being in education, especially in University education is not to be confused with unemployment or non-participation. Table 12 confirms these individuals have significantly different characteristics from the rest of the sample. Their presence in the sample could affect the sign, size and significance level of the coefficients. To take this into account, all the estimates are run on the entire sample and on the individuals not involved in University education.

Table 12 gives information on the aforementioned flows. The first apparent feature of this data is the high flow rate out of unemployment. Especially the flows to a job are very high, compared to those computed using LFS data (Mazzotta, 1996)[16]. Flows to formal employment, the most important measure of job finding, equal 30.8 per cent. Adding the flows to informal or occasional work the job finding rate raises to almost 60 per cent. It is interesting to note that about 30 per cent of Italian unemployed tend to find some form of income support in informal or occasional jobs. This should not come as a surprise, also considering that in Italy, first time job seekers have no unemployment benefits. The reason is again the peculiar definition of registered unemployment in Italy and the tendency of many young people to register at the local employment offices even if employed or in education. Nonetheless, the number of those remaining unemployed a year after the sampling procedure was implemented is 16.8 per cent and the scarring effect amounts to 26 per cent of the sample. Overall, about 75 per cent of sampled workers feel they are not actively participating to the labour market.

Other features of the table are the relevant and significant differences between workers involved in University education and the rest of the sample. The only difference that does not end up being statistically significant is that of participation to the informal sector or to occasional jobs. The need for income support is widely spread also among registered unemployed involved in University education. This depends also on the long time, between seven and eight years on average, needed to get the degree in Italy. The recent reform of University education, reducing to three years the ordinary University degree, is likely to affect the tendency of University students to enter informal or occasional jobs.

Tab. 12 – Mean of dependent variables and mean differences between workers in University education and non in University education

Flow variables	All the sample	Without those in University education	Young workers in University education	Mean Diff. (col. 3-col. 2)
To any kind of job	57.3	63.7	43.3	20.4***
To formal employment	30.8	37.3	16.4	21.0***
To informal employment	26.5	25.6	28.3	2.6
To on-the-job training	0.5	6.8	2.2	4.5***
To off-the-job training	18.1	24.3	4.5	19.8***
Remaining unemployed	16.8	20.2	9.2	11.0***
To education	31.4	- -	- -	- -
To discouragement	26.0	16.1	47.5	-31.4***

Source: own elaboration on YUSE data.

The independent variables supposed to affect the labour market behaviour of young people have been grouped into two benches. The first bench includes individual characteristics, such as age, gender and education. Only two levels of education attainment are considered, the high secondary and the University, all the rest being considered the benchmark group. We also include a dummy for unemployed workers having children. Other individual characteristics include the social level of the family to which the unemployed belongs to, proxied by the degree of education of the mother[17]. We include in the estimates a dummy for individuals whose mother has a University degree.

The second bench of variables includes environmental characteristics. Among them, it is considered whether the worker leaves in a city. This dummy variable is aimed at checking the validity in the Italian case of the so-called portfolio effect in the labour market. According to Curtis and Nardinelli

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[16] Mazzotta (1996) finds the flows to employment be at around 15% of the unemployed. She does not consider young workers. However, even considering the higher labour turnover of this group, their flows to employment based on LFS data are not as big as ours.

[17] In Italy, at least among adult people, women generally have a lower level of education than men do. This means using the level of education of the mother is more likely to detect the actual social level of the family.

(1988), all other things being equal, urban areas have lower unemployment rates than rural areas, as their economic structure is more diversified. The lower degree of industrial concentration of urban areas would reduce the risk of job loss. In future estimates, this dummy will be substituted by an Herfindhel index of industrial concentration at a local level.

Moreover, following Arulampalam and Stewart (1995), we include in the estimates the local unemployment rate, as a proxy of the degree of stagnancy of the unemployment pool. This variable is aimed at testing whether the job finding rate is higher or lower where unemployment is more diffused.

We control also for differences between the two regions considered, Campania and Veneto, with an *ad hoc* dummy, representing individuals living in Veneto that should catch unobserved differences on the various probability rates studied.

Moreover, in order to test whether participation to training courses in the past affects the present probability of finding a job we include among the regressors a variable for the number of courses attended and one for the months spent in training. In fact, the two variables could apparently catch different phenomena.

Following Musella and Pastore (2001), we test whether having had an experience of voluntary work affects the level of accumulated human capital and hence the probability of job finding of young workers. We include, therefore, a dummy variable for workers involved in voluntary work.

A common finding of the literature on the youth unemployment problem is that skill and professional qualifications matter. Usually, youth unemployment is associated with a low level of qualification. Often also the degree of experience is found to affect the labour market outcomes of young workers. To test these hypotheses we include in the estimates two variables, of which the first is relative to workers with managerial, professional or entrepreneurial qualification and the second to office workers, skilled manuals or self-employed. A continuous variable measuring the months of work experience is also included.

Finally, some socially relevant issues are also considered. Firstly, we test for discrimination against disabled workers. Secondly, we test for the possible effect of social exclusion on the probability of a young worker to remain unemployed longer. As noted before, in the case of young workers, social exclusion can be a consequence and at the same time a cause of unemployment. To test the second hypothesis we include variables relative to the use of alcohol and drugs.

People declaring they drink alcohol everyday are detected by a dummy variable, the baseline group being all the rest of the sample. Drug use is defined on the basis of question 67 ("Have you ever used drugs in the last 12 months?"). No distinction is made between use of light and heavy drugs. The use of alcohol and drugs are treated separately, as the shares of those using an excessive quantity of alcohol and of drugs are significantly different. In our sample, only 6.1 per cent drink alcohol frequently, with a significantly lower share of alcohol abuse among young people in University education. Drug use is over twice more frequent, but evenly spread across the sample. Cross-tabulation suggests that the use of alcohol is frequently associated with that of drugs, as about 50% of those routinely drinking alcohol are addicted to light or heavy drugs and 22.5% of those addicted to drugs are also drinker. When the distinction between light and heavy drugs is brought into focus, we find that 45% of those using heavy drugs do also routinely drink alcohol. However, the contrary does not hold true, as only less than 10 per cent of those drinking alcohol routinely are also addicted to heavy drugs.

Tab. 13 – Mean of independent variables and mean differences between workers in University education and non in University education

Variables	All the sample	Without those in University education	Young workers in University education	Mean Diff. (col. 3-col. 2)
Age	21.4	21.16	22.0	0.849***
Women	0.493	0.450	0.587	0.137***
Children	0.025	0.033	0.004	-0.003***
Mother with a University degree	0.058	0.024	0.135	0.111***
University education	0.014	0.017	0.007	-0.001*
High secondary education	0.533	0.331	0.973	0.64***
Living in a city	0.841	0.818	0.890	0.007***
Months of training	1.45	1.55	1.24	-0.305
Training schemes attended	0.191	0.199	0.175	-0.002
Unemployment duration	19.6	22.6	12.9	-9.74***
Local unemployment rate	18.0	18.2	17.4	-0.757
High skilled	0.023	0.021	0.029	0.001
White collars	0.160	0.152	0.177	0.002
Voluntary work experience	0.085	0.064	0.132	0.007***
Disabled	0.040	0.036	0.049	0.001
Use of alcohol	0.061	0.075	0.031	-0.004***
Use of drugs	0.134	0.133	0.137	0.000
Months of work experiences	19.9	24.0	11.0	13.0***
Veneto	0.315	0.301	0.345	0.004

Source: own elaboration on YUSE data.

7 – *Results*

Very preliminary results regarding Italy are presented in what follows.

Some general remarks. The overall significance level of all the estimates, except for those relative to flows to on-the-job training, is very high. This is encouraging in a preliminary analysis, as it suggests the independent variables used catch most part of the probability flows. Of course, some unobserved characteristics are at work. Further analysis will be done to try to understand specific factors of each flow.

Despite the high overall level of significance of the estimates, not all the variables come out to significantly affect the probability flows. This could be due to the unrecoverable problem of heteroskedasticity of logit estimates. Aware of this, we presented the coefficients relative to all the variables used in the estimates. In fact, they could be significant, although this does not appear in the estimates.

The variables included in the tables are only some of the variables used in the estimate. Other correlated variables have been dropped out, to avoid problems of multicollinearity. Still some variables could be related to each other. For instance, the dummy for Veneto does not come up significant in any of the estimates presented and so does the local unemployment rate. This could be due to the fact that the local unemployment rates proxi the difference between Veneto and Campania, as they tend to polarised around two values, one very high for the booming Veneto and another very low for the slumping Campania.

The policy variables, such as past participation to training schemes, are generally not very significant also in estimates of the gross impact of the policy as these presented here. However, in the literature generally these variables have a positive gross impact. How to explain this result? Data are of course a suspect. However, assuming our data are reliable, other reasons could be at work. The first reason is the way our sample is selected. We consider registered unemployed workers, i.e. workers that have not succeeded in finding a job. By construction of our data, those most successful in finding a job after the training period has elapsed are excluded. Nonetheless, usually comparable estimates consider samples of unemployed workers and the problem now outlined should be common to those estimates. The remaining alternative is ALMPs are not effective in increasing the probability also of young participants. There is room to argue in a labour market characterised by mass unemployment, as it is the case in

particular for Southern Italy, participation to training and work schemes is unable to relevantly affect the employability of young inexperienced workers. Moreover, ALMPs are quite recent in Italy and they suffer many organisational problems. Off-the-job courses are not structured and are organised by unqualified staff. Firms tend not to do any formal training, also when the contract envisages on-the-job training. This hypothesis is confirmed by the fact that the probability of entering on-the-job training depends almost exclusively on the fact of having participated to training in the past. In other words, there is a bench of young people who tend to stay in training for long periods of time not to find a job, but simply to do something. In other words, there seems to be a sort of vicious circle of being in training schemes. The results relative to employment policy suggest the intuition of the government, stated in the NAP 2000, to reform and invest more in the education and training systems is correct.

Table 14, and the following tables, presents the marginal effects of the probability of being into any kind of job, computed, as noted before, on the basis of a logit estimate. The flows here can be either to type a) or to type b) of jobs. Specific estimates on the flows to formal and informal work are presented later on. The most important determinants of the flows to employment for those not in University education are as follows. Women have a higher probability of finding a job. Ceteris paribus, being a woman increases the probability of finding some kind of job by 5.8 probability points. This result is quite surprising. Having children, instead reduces the probability of finding employment, for obvious reasons.

We find some evidence of positive duration dependence (Table 19). This is typical of labour markets with mass unemployment. In this situation, distinguishing among workers becomes difficult and being unemployed longer does not reduce the chances of finding some kind of job, but rather increases it. The following estimates confirm this impression, showing that unemployment duration positively affects the probability of finding a job in the informal sector and reduces it in the case of formal jobs. This is likely to be due to the fact that in the latter case, employers tend to discriminate workers for their level of skill, which is supposed to reduce during unemployment. Conversely, finding some kind of remuneration is important when the unemployment spell lengthens. This presumption is based on the idea that labour demand in the informal sector is flat and supply side considerations become predominant.

Other determinants of job finding are all the variables affecting the level of human capital accumulated by the young worker. Having a high level of qualification or some work experience is an important factor both on the supply and the demand side. Especially when the group considered is characterised by a large share of new entrants, having some kind of work experience can make the difference.

Interestingly enough, our estimates confirm that working as a volunteer, presumably in non-profit organisations, increases the probability of finding a job. More precisely, it increases the probability of finding a job in the formal economy, but not in the informal sector. In unreported estimates, voluntary work negatively affects the probability of being discouraged from job search, suggesting voluntary work have a significant effect on the overall labour market experience of a worker.

Tab. 14 – Marginal effects of the probability of finding any kind of job (aged 18-24)

Variables	All the sample	Without those in education
Dependent variable: flows to any kind of job including subsidised jobs		
Constant	-.329*	-.541*
Age	.003	.018*
Women	.058*	.016
Children	-.306**	-.345***
Mother with a University degree	-.136*	-.0135
University education	.125	.087
High secondary education	.019	.107**
Living in a city	.033	.048
Months of training	-.006	-.003
Training schemes attended	.053	.052
Unemployment duration	.001*	.001*
Local unemployment rate	-.001	-.002
High skilled	.201*	.361*
White collars	.105*	.045
Voluntary work experience	.084*	.101
Disabled	.121	.069
Use of alchool	.056	.043
Use of drugs	-.070	-.087*
Months of work experiences	.014***	.011***
Veneto	.079	.055
N. of observations	1421	975
Iterations	6	6
McFadden (in %)	74.8	76.7
Chi-squared	368.6	268.3
Log likelihood restricted	-969.8	-638.8

Source: own elaboration on YUSE data.

Interestingly, unemployment duration affects positively the probability of finding a job in Table 14. This is not surprising when we disentangle flows to formal and flows to informal jobs. In the first case, unemployment duration is negative, whereas in the second case, it is positive. Therefore, the positive effect of unemployment duration on the probability of finding a job is all explained from the supply side and suggests people with long unemployment spells tend to find some form of income support in the informal economy.

Comparing the Tables 14, 15 and 16, one finds women have a higher probability of finding jobs in the formal sector, but a lower probability of finding it in the informal sector.

Having children negatively and significantly affects the probability of finding any kind of job, especially in the formal economy.

Having a mother with a University degree reveals the family background of young workers. This variable affects negatively and significantly the probability of finding a job when all the sample is considered, but is not significant when those attending University programmes are excluded. This suggests a rich family background tends to push young people to continue education, rather than finding a job. Family support is a possible explanation, as it increases the reservation wage of individuals.

Tab. 15 – Marginal effects of the probability of finding a formal job (aged 18-24)

Variables	All the sample	Without those in education
Dependent variable: flows to formal full-time and part-time permanent and temporary jobs, excluding subsidised jobs, occasional work and work and training contracts		
Constant	-.497**	-.829***
Age	.008	.026*
Women	.047*	.073*
Children	-.100	-.212*
Mother with a University degree	-.163*	-.166
University education	-.079	-.143
High secondary education	-.078*	.011
Living in a city	-.035	-.035
Months of training	.002	.005
Training schemes attended	-.022	-.066
Unemployment duration	-.001*	-.003***
Local unemployment rate	.002	.001
High skilled	.290***	.426***
White collars	.213***	.213***
Voluntary work experience	.093*	.154*
Disabled	.135*	.130
Use of alchool	.053	.024
Use of drugs	-.020	-.067
Months of work experiences	.005***	.005***
Veneto	.115	.118
N. of observations	1421	975
Iterations	6	5
McFadden (in %)	72.0	68.8
Chi-squared	221.4	164.4
Log likelihood restricted	-876.9	-644.2

Source: own elaboration on YUSE data.

Tab. 16 – Marginal effects of the probability of finding an informal or occasional job (aged 18-24)

Variables	All the sample	Without those in education
Dependent variable: flows to informal or occasional jobs		
Constant	-.469**	-.441*
Age	.003	.001
Women	.025	-.035
Children	-.086	-.070
Mother with a University degree	-.041*	-.089
University education	.127	.151
High secondary education	-.076**	.062*
Living in a city	.074*	.086
Months of training	-.004	-.004
Training schemes attended	-.006	.040
Unemployment duration	.002***	.003***
Local unemployment rate	.000	.001
High skilled	.013	.014
White collars	-.100**	-.111*
Voluntary work experience	.038	.040
Disabled	.000	-.025
Use of alchool	-.072	-.053
Use of drugs	.013	.022
Months of work experiences	.003***	.003***
Veneto	.006	-.040
N. of observations	1421	975
Iterations	5	6
McFadden (in %)	74.5	76.8
Chi-squared	103.1	109.7
Log likelihood restricted	-821.1	-555.0

Source: own elaboration on YUSE data.

Tab. 17 – Marginal effects of the probability of entering on-the-job training (aged 18-24)

Variables	All the sample	Without those in education
Dependent variable: flows to on-the-job-training		
Constant	-.004	-.010
Age	-.006*	-.005
Women	.007	.013
Children	-.020	-.041
Mother with a University degree	.014	.046
University education	.053	.053
High secondary education	.014	.047***
Living in a city	-.008	-.012
Months of training	-.003*	-.002
Training schemes attended	.044***	.036***
Unemployment duration	.000	.000
Local unemployment rate	-.001	-.002
High skilled	-.024	-.026
White collars	-.014	-.052**
Voluntary work experience	.004	-.009
Disabled	-.018	-.007
Use of alcohol	.035*	-.023
Use of drugs	-.001	.016
Months of work experiences	.000	.000
Veneto	.004	-.018
N. of observations	1421	975
Iterations	7	7
McFadden (in %)	94.6	93.1
Chi-squared	38.6	40.7
Log likelihood restricted	-296.5	-241.4

Source: own elaboration on YUSE data.

One interesting result of the estimates presented in the tables 18 and 19 is using drugs increases the probability of remaining unemployed and of entering off-the-job training. Whether the causality goes from one status to the other or *vice versa* is difficult to ascertain. However, the results suggest unemployment and off-the-job training are associated with social exclusion. The tendency of young adult involved in off-the-job training schemes is interesting and worth further investigation. In fact, if the perception of this association between drug use and participation to off-the-job schemes spreads, the risk exists that employers start seeing being involved in off-the-job training as a sign of social exclusion. This could lead to put a stigma on workers on these schemes and exclude them from job offers. A similar phenomenon has been recently observed in the UK.

Moreover, workers with a high secondary school diploma have a lower probability of entering off-the-job schemes. This could indicate that training schemes are not targeted to this group of workers. Anecdotal evidence suggests training courses are especially targeted to those with low or with high levels of education attainment. Targeting on-the-job training to young people with high school diplomas could be a suggestion for policy makers

In addition, unemployment duration negatively affects the probability of entering off-the-job training. Suggesting that with time passing in the unemployment status, workers tend to be longer in unemployment or to flow towards non-participation.

Tab. 18 – Marginal effects of the probability of entering off-the-job training (aged 18-24)

Variables	All the sample	Without those in education
Dependent variable: flows to off-the-job-training		
Constant	.393***	.545***
Age	-.023***	-.032***
Women	-.002	-.020
Children	-.094	-.119
Mother with a University degree	-.036	.054
University education	-.106	-.137
High secondary education	-.145***	-.102***
Living in a city	-.008	.063**
Months of training	-.034	.000
Training schemes attended	.097***	.099***
Unemployment duration	-.002***	-.004***
Local unemployment rate	.003	.005
High skilled	.067*	.114*
White collars	-.028	-.050
Voluntary work experience	.004	.030
Disabled	-.010*	-.127
Use of alcohol	-.027	-.084*
Use of drugs	.038*	.084***
Months of work experiences	-.003***	-.005***
Veneto	-.011	-.017
N. of observations	1421	975
Iterations	7	7
McFadden (in %)	85.6	83.1
Chi-squared	378.9	324.0
Log likelihood restricted	-671.7	-540.7

Source: own elaboration on YUSE data.

Table 19 shows work experience and high qualification levels significantly increase job finding rates in the formal economy. Symmetrically, the same variables affect negatively the probability of remaining unemployed.

Unemployment duration in the overall labour market experience of young workers positively and significantly affects the probability of remaining unemployed. This can be considered a test of the unemployment persistence hypothesis. Considering that unemployment duration affects negatively the probability of entering off-the-job schemes, one could conclude that unemployment duration is a way towards non-participation

Tab. 19 – Marginal effects of the probability of remaining unemployed (aged 18-24)

Variables	All the sample	Without those in education
Dependent variable: persistence in unemployment		
Constant	-.010	-.198
Age	-.001	.010
Women	-.016	-.001
Children	.097**	.085
Mother with a University degree	-.049	.025
University education	.069	.050
High secondary education	-.058***	-.019
Living in a city	-.052**	-.053*
Months of training	.001	-.000
Training schemes attended	-.002	-.012
Unemployment duration	.001***	.001
Local unemployment rate	-.001	-.002
High skilled	-.214*	- -
White collars	-.025	-.048
Voluntary work experience	-.034	-.092*
Disabled	-.039*	-.070
Use of alcohol	.159	.016
Use of drugs	.047*	.068**
Months of work experiences	-.004***	-.005***
Veneto	-.049	-.082
N. of observations	1421	975
Iterations	7	7
McFadden (in %)	83.2	80.2
Chi-squared	148.5	116.6
Log likelihood restricted	-642.1	-490.6

Source: own elaboration on YUSE data.

8 – Concluding remarks

Evidence on youth unemployment in Italy suggests the objective of investing in human capital is an appropriate objective of the Government, considering the waste of human resources in Italy. Moreover, the results of econometric analysis of data at an individual level suggest some specific observations. Above all, qualification and work experience are the most important determinants of job finding, especially in flows to the formal sector. However, training and participation to ALMP does not significantly improve the employability of young workers.

A number of reasons could explain this apparently surprising result. Especially in Southern regions, micro-policies could be totally ineffective because of the generally negative labour demand conditions. Moreover, expenditure on ALMP is very low (less than 1% of GDP in 1999), considered the very high level of unemployment. Thirdly, a relevant institutional and financial poverty still characterises labour supply policy. Finally, structural reforms, such as those relative to the educational system, require time to be completed and to produce their expected outcomes.

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