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The Social Investment challenge and Italian youth

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Abstract

Social Investment affirms that sustainable economic growth can be achieved by social policies that invest in the younger generations. In this regard, Italy is an example of worst practice. Despite young people in Italy numbering fewer than ever before (also relative to other European countries), the labour market indicators are worst for this group. Not only are they experiencing an increasingly difficult entrance into the labour market, but after access they are more likely to be overqualified, taking lower quality jobs, characterised by a higher degree of destandardisation. Scholars doubt that Italy will benefit from the improved human capital of subsequent generations given the structural constraints of its labour demand.

This chapter will contribute to the social investment debate by analysing two relevant policies proposed to benefit young workers in recent years: apprenticeships in higher education (*Apprendistato in Alta Formazione*) and Youth Guarantee (*Garanzia Giovani*). The analysis will demonstrate how the two policies, the first targeting high-skilled youths, and the second the NEET (Not in Employment nor in Education or Training), have performed poorly due to the unfavourable socio-economic (the type of local production systems) and educational (the school system and the transition from school to work) environments.

Keywords: social investment, youth, labour demand and supply

1. A short introduction to social investment

Social investment is one of the most important bywords in contemporary European social policies, as it forms the foundation of the current Europe 2020 strategy (Hemerijck, 2015). This policy approach was established based on experience of the "third way", as characterised in the mandates of UK Prime Minister Blair (Morel *et al.*, 2012) and during the Dutch Presidency of European Union in 1995 (Hemerijck, 2015). Rather than regulating the market, the "third way" seeks to empower individuals to be better equipped to sustain competition, by developing human capital driven by individual success (Esping-Andersen, 2002). Social investment strategy further develops this, by proposing that a certain type of social spending (aimed at fostering human capital) can be seen as an investment characterizing post-industrial societies. Investment must take place at the societal and the individual level: at the societal level, because contemporary societies have a heightened need for qualified workers; and at the individual level, because highly-skilled individuals are more protected from deteriorating labour market conditions (Nolan, 2013; Kazepov and Ranci, 2017). If welfare states invest in the education of future generations, better-educated workers will be able to create added value for all economic systems, because they will exploit the human capital of future generations, enabling them to access better working conditions and generating *good jobs* from their increased capabilities. In this sense, social policies should not be considered a passive cost anymore, but as an active investment to create stable and sustainable growth, supported by the state (Morel *et al.*, 2012). As explicitly stated by the European Commission, the goal of a social investment package is "*to 'prepare' people to confront life's risks, rather than simply 'repairing' the consequences*"[1].

[1] For more information: http://ec.europa.eu/social/BlobServlet?docId=9761&langId=en. Citation taken from page 3.

There are two main pillars recognisable in this strategy: that the human capital of people can be advanced with education, training and lifelong learning, while participation in the labour market is supported with active labour market policies (Pintelon *et al*., 2013). The first regards the promotion of the participation of marginal social groups in the labour market, such as NEETs for instance, with leverage to develop active labour market policies. The second favours improving average level workers' skills as a precondition for accessing *"good jobs*", as for example in the universalization of university education, the growth in life-long learning and increased investment in basic education. These actions can be associated with the attempt to increase the general level of the human capital of workers, starting from a very early age. The promoters of this theoretical perspective view the Nordic countries as examples of *best practices*; their equity and economic growth is ascribed to an effective application of labour market inclusion's policies and the state's support for education and life-long learning (Kazepov and Ranci, 2017). Empirical applications of social investment policies have thus been mostly oriented to foster supply-side policies, with the explicit aim of increasing the employability of the workforce, its human capital and its activation. However, employability is an ambiguous term, shifting responsibility for lack or fragile labour market participation on the shoulders of the individual, framing unemployment, precariousness, and exclusion as an individual responsibility forgetting the role of labour demand (Cuzzocrea, 2015).

Certainly, there is no guarantee that the increase in human capital *per se* offers sufficient condition to improve the quality of labour market integration in a certain context. In fact, this assumption can find adequate empirical grounding only in cases where the local economic system is able to offer adequate jobs to those who possess a higher level of human capital (Sanchez-Sancheza and McGuinness, 2015; Maestripieri and Ranci, 2016; Bison *et al.*, 2017). In the following paragraphs, I will discuss why Italy exemplifies *worst practice* for social investment policies (Kazepov and Ranci 2017), directing special consideration to the condition of youths (18-34) in the labour market (Rizza and Maestripieri, 2015). In the second section, I will present some data relating to the Italian labour market, to highlight its peculiar performance in terms of young workers' integration. In the third section, two policies will be analysed in detail: the Italian implementation of the Youth Guarantee (*Garanzia Giovani*), a European programme aimed at fostering the labour market participation of NEETs (*Not in Employment, nor in Education or* Training) and the apprenticeship in high education (*Apprendistato in Alta Formazione*), designed to facilitate the transition between university and work. I will illustrate how the failure of the two policies arises from a combination of diverse factors, which include the underestimation of the role of labour demand. In Italy, the problem of youth marginalisation in the labour market should be addressed from both the supply and demand side, as the following analysis demonstrates.

2. Italian youth faces a segmented labour market[2]

Young people are usually considered outsiders relative to the labour market, because they are a social group that is particularly exposed to the social risks related to post-industrial transition (Chevalier, 2016). Italy represents one of the most interesting cases where individuals' integration into the labour market is concerned: young people are a scarce resource in terms of numbers, and yet the access to, and the quality of the work they receive, when in the labour market is uncertain. The magnitude of their labour market marginalisation, and the specific institutional context, i.e. labour market employment regulations and welfare assets, contribute to producing and reinforcing this situation (Firinu and Maestripieri, 2017). The structure of the opportunities offered to youths in Italy render their transition into adulthood even more difficult, when compared to previous generations (Chauvel and Schroder, 2014).

First, the relative proportion of the young generation in Italy is among the lowest in Europe (see table 1). The combined effect of low numbers and the scarce involvement of youths in traditional political containers (Gozzo and Sampugnaro, 2016) makes them a less appealing target for politicians. Italian social expenditure reflects their political irrelevance; undoubtedly, in terms of the

[2] The data presented in this section can be accessed through the Eurostat database of indicators at: http://ec.europa.eu/eurostat/data/database

distribution of expenditure young people are losers. Italy spends 13.7% of its gross domestic product on old age protection, compared to 8.2% in Germany (which has a comparable old-age dependency ratio), and 9.5% in Spain (usually aligned with Italy in the welfare regimes debate), while resources devoted to active labour market policies (one of the pillars of Social Investment strategy) represent barely 0.4% of its total GDP, while France spends 0.9%, and Sweden 1.4%.

Secondly, the condition of Italian youths in labour market is apparently in contradiction with the traditional assumptions of a neoclassical economic. As shown in table 1, scarcity in the supply of a younger, more active, more educated and more productive labour force, represented by people younger than 35 years old is not the main barrier to labour market entry. Younger generations are always less employed than older generations: under 24 years old, the majority of the people are still not active participants in the labour market. However, after 25 years of age the growing participation of the young does not correspond equally with the capacity of the labour market to absorb this younger and more educated labour force. This situation is worsened by the fact that the rate at which people under-30 are hired is among the lowest in Europe: 1.2 out of 10. In the United Kingdom it is 3 and Germany 2.6 out of 10 (Castellano *et al.*, 2014). Italian employers seem to prefer an older workforce that does not bear the attendant costs of educating and training a younger population (Seghezzi, 2016).

Table 1 – Few facts about demography and labour market access in Italy, by generations 2017

	Age class					
	15/24	25/29	30/34	35/39	40/59	60/64
Proportion on total Italian population	9,7	5,4	5,7	6,5	30,8	6,1
Employment rate	17,1	54,2	67,9	72,9	70,2	39,6
Unemployment rate	34,7	21,2	13,5	10,1	8	4,7
Activity rate	26,2	68,8	78,5	81,1	76,3	41,5
Percentages of individuals with ISCED 0-2	51	21,9	28,3	30,9	43	53
Percentages of individuals with ISCED 3-4	44,6	51,3	44,8	44,4	41,3	34,3

Percentages of individuals with ISCED 5-8	4,4	26,8	26,9	24,7	15,7	12,7

Source: Eurostat database, labour market and demographic indicators

In general, young people in Italy are disadvantaged by difficult school-to-work transitions, their high share of destandardised employment, and frequent spells of unemployment, which transforms them into outsiders (Sergi *et al.*, 2018). In fact, the timing of the labour market integration of the young occurred after the deregulation of the Italian labour market (Marques Salavisa, 2017), which exposed them to deteriorated working conditions, and destandardised forms of work that made their position in the labour market more vulnerable relative to older generations (Schwander and Haussermann, 2013; Firinu and Maestripieri, 2017). When the crisis arrived, older workers with stronger tenure and protected employment proved more resilient to the economic downturn, while the younger generations were more significantly affected. Consequently, the crisis worsened the generational inequality that already characterised the Italian labour market (Rosina, 2013; Reyneri and Pintaldi, 2013; Firinu and Maestripieri, 2017); especially, given that the highest contraction of standard employment occurred in those aged between 25 and 39 (Reyneri and Pintaldi, 2013; Firinu and Maestripieri, 2017).

Table 2 – Indicators on labour market integration of youth, percentages by country 2017

	DE	ES	FR	IT	PL	SE	UK
Tertiary educated 30-34[1]	34	41,2	44,3	26,9	45,7	51,3	48,3
Employment ISCED 3-4 up to 3 years from title 20-34	89,1	58	61	47,1	72,3	84,4	80,1
Employment ISCED 5-8 up to 3 years from title 20-34	92,7	74,7	80,6	58	87,6	91,7	87,4
Unemployment rate - tertiary educated 15-39	2,6	13	6,2	11,2	3,2	4,9	3,3
Early leavers from education/training 18-24[1]	10,1	18,3	8,9	14	5	7,7	10,6
NEET (15-24)	6,3	13,3	11,5	20,1	9,5	6,2	10,3
NEET (25-29)	12	22,1	18,8	31,5	18	7,8	13,1
Long-term unemployment 15-39	31,9	34,7	37,3	56,1	26,2	12,5	20,7
Temporary employee on total employment 25-34	17,5	39,5	20,2	26,7	32,9	20	5,1

Involuntary temporary job 25-34	17,8	82,9	61,9	67	60,9	57,3	31,5
Part-time employee on total employment 15-39	23,9	18,8	17,3	21,8	6,4	27,8	24,1
Involuntary part-time job 15-39	10,3	61,9	45,7	70,4	22,5	31,7	17,4
Young 25-34 living with their parents (%) - 2016	17,9	40,0	13,4	49,1	45,5	6	14,3

Source: Eurostat database, labour market and education indicators. [1] Part of the Europe 2020 Baseline Indicators and European Pillars of Social Rights

We can confirm the ambivalence of the opportunity structure for young people be consulting the macro indicators portrayed in tables 2 and 3. This ambivalence mainly relates to two groups: those who are neither active nor students (the so-called NEET) and those who are highly skilled.

Regarding the first group, Italy has the worst performance in Europe in terms of its rate of early school leavers (significantly above the 10% Europe 2020 target). Differing from Spain (13,3%), in Italy the result of these dynamics is a higher rate of people aged 15-24 neither actively participating in the labour market, nor in the educational system (20.1% in 2017). The NEET rate remains very high around the age of 30 (31.5% vs. 22.1% in Spain), which makes re-entry into the labour market after a long spell of inactivity even more problematic (Rosina, 2013). Furthermore, disadvantage among youths is not only a problem when accessing the labour market; indeed, when focusing on the type of work young people get, Italy reveals an overall incapacity in terms of taking advantage of its human capital. A possible indication of this is the high rates of involuntary part-timers and temporary employees among young workers, which can also be interpreted as a form of under-employment (especially in the case of involuntary part-time workers) (Bodnár, 2018). The less educated young people are, the more they struggle to enter the labour market, but even the well-educated are affected (see table 2). In fact, the transition from school to work appears to be especially problematic given the low employment rates, for those seeking to achieve at any educational level. Data on employment rates three years after graduation shows that Italian youth employment is among the lowest in Europe: 47.1% for ISCED 3-4 and 58% for ISCED 5-8 in 2017.

Italy seems to be suffering simultaneously from problems in both demand and supply. On the supply side, the percentage of young graduates is half the share in Sweden, United Kingdom and France, far from the EU2020 target (40%). This is not only a problem of quantity, but also a result of the composition of graduates: the Italian educational system has failed to develop a network of post-secondary vocational schools, such as those in other countries that offer manufacturing and vocational courses (i.e. Germany). On the demand side, the productive system lacks the capacity to absorb high-skilled workers: the lower percentage of graduates aged 30 to 34 is associated with a greater risk of unemployment among those who have a degree. That is, Italian graduates are typically exposed to unemployment at a rate that is consistently higher than that in other EU countries, with the sole exception of Spain, which has a relatively higher rate of tertiary educated people in their thirties (ISCED 5-8).

Youths react to this situation by lowering their expectations, given the increasing risk of being exposed to inactivity or unemployment, leading them to accept jobs of lesser quality (Rosina, 2013). Bignardi *et al.* (2014) show that young workers are increasingly willing to accept lower salaries. In 47% of cases they are also willing to accept a job that is not in line with their acquired skills: one graduate in every three affirms that their current job and educational profiles are incoherent (Rosina, 2013). This leads to the risk of entrapment in a situation of over-qualification in the medium and long-term (Scherer, 2004). Although the literature confirms that a higher educational level still constitutes an advantage compared to a lower one (Ballarino and Scherer, 2013), in Italy possessing high skills is no longer a sufficient condition to guarantee access to jobs in line with one's qualifications. Unsurprisingly, the result of this is that the share of over-qualified workers in Italy is 22.1%, compared to about 13% in France and Germany, and 15.5% in the United Kingdom (source: WISE Dataset, OECD). Workers until their 40s are accustomed to accepting roles for which they are over-qualified, as demonstrated in a previous study (Maestripieri and Ranci, 2016).

Scholars have proposed several explanations for the fall in investment in education in Italy (it is lower in Italy than in the rest of Europe) (Beblavý and Veselková, 2015), and its decline in recent years (Ballarino and Scherer, 2013). The trend is not due to an increasing number of graduates being active on the labour market (as this is not the case in Italy), but from a lack of demand of high-skilled workers, arising in part from the below average performance of the advanced business sectors (Bernardi and Ballarino, 2012; Bison *et al.*, 2017). Studies reviewing the characteristics of labour demand reveal that Italian employers prefer to hire those in low skilled positions (Reyneri and Pintaldi, 2013; Fellini, 2015; Bison *et al.*, 2017). The 2007-8 financial crisis further reinforced pre-existing trends, reducing employment opportunities for young graduates. In the remainder of Europe, the crisis increased the share of knowledge workers in the labour force (Gallie, 2013), but in Italy the opposite occurred, with steady demand remaining only for manual unskilled employment and in the care sector (Reyneri and Pintaldi, 2013; Fellini, 2015).

One of the most accredited explanations for the low demand for high-skilled workers in Italy relates to the extended role that microbusinesses and self-employment plays in the market (representing about one quarter of the total labour force in Italy). This is a legacy of the absence of a process of concentration, such as that which occurred in other advanced capitalist economies in the 1960s and 1970s. The structure of the Italian productive system is still predominantly family-owned, concentrating on traditional manufacturing activities and characterised by enterprises with an extremely reduced dimension (Colli, 2010), hindering innovation activities and training. The low investment in R&D is paralleled by low shares in enterprises providing training. This picture is striking when compared with countries such as Germany and France (see tab. 3). Furthermore, the institutional context seems to be unable to disrupt the trend. The poor performance of the educational system is correlated with reduced public expenditure in education, which is the lowest level among the countries considered. Countries including Germany, the United Kingdom and Sweden seem to be more able to avoid the risk of marginalising the youth labour force than the southern European countries, in part due to their better economic performance during the current financial crisis, but also because of the desire for a smoother transition between school and work, as favoured by investments in active labour market policies and training activities. Investment in education and active labour market policies are two of the main pillars of social investment strategy, but they are apparently under-financed in the context of Italy, at least when the Italian situation is compared with that in concurrent European countries.

Table 3 – Indicators on productive system, ALMPs and education, by country

	DE	ES	FR	IT	PL	SE	UK
Employed persons in advanced business services (%) - 2017	18,6	18,4	19,2	17,8	13,2	23,6	23,9
Managers and professionals as a % of total employment - 2017	22,5	22,3	25,5	18,7	25,7	34	35,8
Technicians and associate professional employees (%) - 2017	20,4	9,8	18,6	14	11,6	16,8	11,3
Participation in lifelong learning 25-34 (%) - 2017[1]	19,1	18,6	23,5	14,9	7,7	38,8	18
Activation-Support LMP participants per 100 persons wanting to work - 2015	30,3	28,3	41,2	15,1*	20,8	42,1	-
Training enterprises as a % of total enterprises - 2010	73,0	75,0	76,0	56,0	22,0	87,0	80,0
Total public expenditure on education (% of GDP) - 2012	4,8	4,3	5,7	4,2	4,9	7,4	6,1
Intramural R&D expenditure – 2016 (euro/inhabitant)[2]	1.125	286	732*	356	108	1537	619
Expenditure in publicly financed training in GDP % - 2015	0,204	0,115	0,364	0,168	0,012	0,146	0,017*
Expenditure in start-up incentives in GDP % - 2015	0,011	0,099	0,031	0,016	0,052	0,006	0,002*

Source: Eurostat database, *2010. [1] European Pillars of Social Rights. [2] Europe 2020 Baseline Indicators.

In synthesis, a difficult transition takes place between school and work, and the low capacity of the educational system means that it is difficult to sustain students up to university degree level when combined with access to the labour market and characterised by low quality jobs, reduced opportunities for the highly skilled and involuntary reduced participation in the labour market. One of the causes identified is the substantial incapacity of the Italian productive system to sustain demand for high-skilled jobs (Maestripieri and Ranci, 2016; Bison *et al.*, 2017). The country produces fewer graduates, and high-skilled workers are scarcely requested by the labour market, although their advantage is still sound relative to those with lower educational skills. However, the high share of involuntary part-timers, temporary workers and over-qualified workers among 25-39 years old questions the capacity of the productive system to benefit from the higher educational attainments of the younger generations. Thus, a context characterised by small and scarcely innovative enterprises, combined with reduced public investment in innovation and training partially explains the unsatisfactory labour market integration of high-skilled workers. In contrast, the large share of drop-outs and limited investment in active labour market policies determines the higher and more persistent share of NEETs in the country, with over one third of young people not being in employment, education or training until their thirties.

The Italian context also places many constraints on the beneficial application of Social Investment policies. Thus, in the next section, the author will investigate the impact of two policies (one targeting NEETs, one targeting high-skilled newly graduated workers), which are usually considered within the scope of a social investment approach, to see how well they perform and what the shortcomings are in relation to their application.

3. Tackling the poor integration of youths into the labour market

Despite the evidence, the political debate over the problem of labour market integration of youths, due to the *mismatch* between labour demand and supply, attributes "fault" to the education system and young people themselves. Public discourse on the futility of studying for certain degrees (especially those related to soft sciences) has been hegemonic in recent years, and combined with a paternalistic attitude towards blaming the young, they are frequently accused by politicians of being lazy, plump, and “choosy”. This rhetoric is partially founded in the fact that Italian youths leave the parental home relatively late, 49.1% of Italian young aged 25-34 still live with their parent(s), compared to 6% of Swedish, 13.4% of French 14.3% of British youths (see table 2). This has caused the problematic integration of youth to be predominantly framed as a supply side problem (Cuzzocrea, 2015): an omission of pro-activity, linked to the safety net of families and the potential orientation towards soft sciences, hindering the desirability of degrees in the labour market and causing friction to arise, affecting the transition between school and work. The resultant supply-side policies are missing an important component of the equation, i.e. labour demand.

The following section analyses two relevant policies proposed in recent years: apprenticeship in higher education (*apprendistato in alta formazione*), and the youth guarantee scheme (*garanzia giovani*). The analysis will show how those policies resulted in poor performance, given the lack of demand for the willing young people targeted by these measures. A diagnosis based on supply side arguments, in fact, cannot explain why these two approaches, especially designed to improve the attractiveness of the young on the labour market, and strongly sustained by the state via incentives, failed in their scope.

3.1. Apprenticeship in Higher Education

Apprenticeship in Higher Education is a specific contractual form, which combines education and employment, adopting the same dual approach to learning by doing in a firm, and acquiring greater competence in the context of high-skilled and knowledge professional training. This contract hinges on the general sustainment of apprenticeship as proposed by recent Italian governments as the main strategy to smooth school-to-work transitions among the newly graduated.

This contract form was introduced with so called “Biagi law” (Law d.lgs. n. 276/2003) in 2003, and then subsequently modified by *Testo unico sull’apprendistato* in 2011 (d.lgs. n. 167/2011), a comprehensive law evaluating all types of apprenticeship. The contract was further modified in reference to ministerial decree in 2013. Its underlying objective was then to develop an educational track involving an enterprise, a university and an apprentice; the lectures in class then served as a support for the real training, which occurs within the company on the job. The intention is to give greater prominence to *learning by doing* practices, without renouncing the value of a highly-skilled workforce. The law has been inspired by the German dual model, which bases its effectiveness on the circularity between educational and on-the-job training. It rather attempts to overcome its strictly segregated path, assuming that *learning-by-doing* practices should be integrated into all types of education at every level. The measure aspires to smooth the transition into the labour market for high-skilled profiles, tailoring educational gains to the needs of enterprises.

Since its initial enforcement in 2003, the use of this contract has been limited, involving very few students, far below the legislators' expectations. Even in regions and areas actively promoting the contract, as in Lombardy, apprenticeship in higher education is still a marginal track in the transition from school to work. In the province of Milan, it accounts for fewer than 0.4% of all apprenticeships: during the period 2012/2015 there were 183 contracts of *apprenticeships in high education* out of a total 55,000 apprenticeships contracts. The profile of workers employed based on this contract is very consistent: 25-34 year olds with no migration background, mostly employed in the advanced business sector and scientific research, with almost perfect gender parity. Apprenticeship in higher education is clearly in line with social investment principles, serving as a way to promote the acquisition of high-skilled competencies by immediately bringing them to the labour market. Yet, this approach is still not attractive to the market, as is clear from the number of contracts signed.

Table 4 – Apprentices in high-education track, Province of Milano – 2012/2015

	Absolute values	Percentages
Construction	9	5%
Manufacturing	18	10%

Traditional services	33	18%
Advanced business services	93	51%
Scientific research	30	16%
	183	100%

Source: Administrative data on employment – Observatory on labour market / Province of Milano

Why these poor figures? Is it a problem of labour supply? From the previous analysis, it seems more appropriate to explain the failure of apprenticeship schemes in higher-education from an institutional perspective, as the implementation of apprenticeships is also fragmented, occurring at the regional level with different requirements and criteria magnifying the institutional weaknesses in the system (Kazepov and Ranci, 2017). There are several possible reasons for this: on the one side, there is a challenging dialogue between universities and enterprises, on the other side, there is an inherited institutional environment, which is unable to sustain practices at the local level. The educational system suffers from an incapacity to effectively bridge labour markets (Sergi *et al.*, 2018). However, a crucial role is also played by the reluctance of employers to finance employee training through apprenticeship contracts (Seghezzi, 2016; Kazepov and Ranci, 2017). This problem is not only related to apprenticeship in higher-education specifically, but to apprenticeship in general: in Italy, these terms are not viewed as a privileged path by those entering the labour market (Ascoli *et al.*, 2016). However, the most recent Italian labour reforms have tried to promote apprenticeship contracts by reducing costs and training requirements. Nevertheless, this deregulation has not led to increased use of this contract. One of the possible explanations for this is that good practice works well in other contexts like Germany and France, but less so in the Italian context, where firms are smaller and less motivated to invest in the education and training of their workers (see table 3). Furthermore, Italy is a favourable context for strategically destandardised contracts, aimed at reducing labour costs without investing in the human capital of workers (Firinu, 2015).

Policies have been designed to subsidise this type of contract, assuming that it constitutes a good strategy for stabilizing young workers engaged in the labour market. Nevertheless, the progressive reduction in the amount of training associated with the contract, especially in the most recent modifications to the measure in 2011 and in 2013, seems to contradict the assumptions of social investment strategy that relying on improved human capital is the best way to facilitate a smoother transition from school-to-work.

3.2. Youth guarantee

The youth guarantee is a programme promoted and financed by the European Union, which has been implemented in Italy since December 2013[3] and aims to alleviate the worst consequences of the financial crisis on youth unemployment. It is inspired by policies emphasising active labour market integration carried on in the past year in Austria and Finland, and it mainly evolves around the possibility of offering a job, training or educational opportunities to young NEETs within four months of their beginning a spell of unemployment. In the official European presentation, the programme has been defined as "*as social investment which enables young people to put their skills to productive use and to further develop them, as opposed to the skills deterioration and de-motivation which results from protracted unemployment and inactivity*"[4]. The belief behind the programme is that young people are in a disadvantaged position because of their personal shortcomings, and thus the programme aims to help them to improve their skills from an explicit social investment perspective.

The programme works in a very simple way: the individual (in Italy he/she must have 15-29 years old) who is unemployed, not in education, nor in training has to register online at the programmes' portal. Within four months, public employment services (PES), and private agencies get in contact with the person, first measuring their needs (with a profiling index), in order to tailor the necessary

[3] See the Youth Guarantee implementation in Italy: http://ec.europa.eu/social/main.jsp?catId=1161&intPageId=3340&langId=en
[4] See the European Commission - Fact Sheet EU Youth Guarantee: Questions and Answers: http://europa.eu/rapid/press-release_MEMO-15-4102_en.htm

set of services required to enhance his/her activation on the labour market. Information, orientation, training, internship, social services and support for self-employment exemplify the services offered within the programme. Private and public actors are equally involved in the implementation process: the financial support offered to private partners varies in terms of the occupational outcomes required by the person, with higher contributions for the most problematic cases (Seghezzi, 2016; Lodigiani and Santagati, 2016). The Italian system of integrated e-portals for on-line use has been indicated by the European Commission as a good model of implementation[5]. The regional portals are connected to a national database which facilitates the verification of fulfilments and the transmission of offers.

One of the most important innovations associated with the programme is the comprehensive system of monitoring, which was implemented allowing for complete assessment, constituting the empirical basis for the following analysis. According to a recent monitoring report provided by ANPAL (dated 31/12/2017)[6], 1,295,609 people were involved in the implementation of the measure, which began in May 2014. About 82.3% were assisted by PES or a private working agency, which resulted in a total of 546,930 young people benefitting from an active labour market measure (53.5% of the total taken in charge by the system). The individuals taken in charge scored on average 0.67 on the profiling index, which measures the likelihood that the person would become NEET (the index scores 1 when the person is a NEET). Private agencies are the most important actors in the Northern regions, while PESs are prevalent in the South (ANPAL, 2017). As shown in table 5, the majority of individuals taken in charge by the system represent a medium/high to high NEET likelihood.

Table 5 – Supported NEET in Youth Guarantee program, 2014-2017 (update 28/6/2017)[7]

[5] *Ibid.*
[6] It is accessible at: http://www.anpal.gov.it/Dati-e-pubblicazioni/Documents/Rapporto-trimestrale-GG-n4-24042018.pdf (text in Italian).
[7] Although the last report is dated 31/12/2017, the last statistical update on Youth Guarantee is available on the main portal for the 149° week of implementation, dated 28/6/2017.

	Absolute values	Percentages
Low NEET likelihood	110.021	11,5%
Medium-low	65.858	6,9%
Medium-high	382.405	40%
High NEET likelihood	398.104	41,6%
Total	956.388	

Source: Youth Guarantee Monitor

Although consistent, those people who registered on the programme do not represent NEETs totality. This relates to the necessity of registering to access the measure, which presupposes an action from the person who is the potential beneficiary, although eased by the accessibility of the e-portals. This requirement might marginalise the most vulnerable groups, as they will not have the competencies or necessary digital skills to browse the registration procedure. In fact, the NEET condition is often associated with a series of vulnerabilities, including low education, migration background, disability, difficult family background, or structurally weak contextual conditions. This results in a strong disparity among recipients (Cuzzocrea, 2014), which might be at detriment of an individual initiative when there is insufficient active support for PES in the initial phase (Lodigiani and Santagati, 2017).

The main reason for the incongruity between the users in charge and those who have effectively received a support measure (about half of the total) can be found in the different interests enterprises have reserved for the programme, which have been lukewarm at most. In the last statistical update, in which data about demand was reported[8], the available job opportunities offered by the programme were 91,847, providing options for fewer than 10% of the total registered young people. Despite several incentives for stabilisation being offered to companies (e.g. tax reliefs for

[8] Data were taken 28/4/2016. After this week, the monitoring system has not anymore published stock of trends in jobs placement via Youth Guarantee.

hiring young people through apprenticeship contracts or permanent positions) – only a residual portion of the jobs were aimed at ensuring an effective stabilisation. In the last update from ANPAL (2017), of the 624,854 interventions, about 60% foresee a traineeship, only 23% provided incentives for a labour contract (also temporary contracts are included for a minimum duration of six months) and about 12% were educational programs. About 70,000 young people were offered jobs within the frame of the youth guarantee measure, representing only 10% of the total. Such disproportion between the jobs offered and the number of young people willing to enter the youth guarantee programme puts a serious question mark on those who are actually employed via the youth guarantee, with an inherent risk from the Matthew effect on the most employable profiles (Lodigiani and Santagati, 2016).

The persistent high number of internships, which is the main option offered within the programme is problematic given the precariousness associated with this type of labour market entry, which leads to a permanent position in a residual number of cases only (Seghezzi, 2016). In fact, only 47.9% of young people included in a youth guarantee intervention were employed at 31/12/2017 (ANPAL, 2017); denoting about 225,990 of young workers, which is a minority considering the number of young people involved in the programme throughout the three years in which it was active (2014-2017). A positive element can be found from among those already employed: 8 contracts out of 10 are stable contracts, equally divided between apprenticeships and permanent contracts. However, even apprenticeship contracts, which in theory are a tenure track contract to subsequent stable permanent contracts, are not immune from precariousness, as they are quite likely to be interrupted before their end, or not renovated (Kazepov and Ranci, 2017). Nevertheless, an additional confirmation of the implicit Matthew effect of the youth guarantee action is given when looking at occupational performances by level of profiling. Among those with a low likelihood of being NEET, about 61% of people are employed, but only 36.5% of those with a high likelihood of being NEET are employed (ANPAL, 2017).

Seghezzi (2016) identifies the main reasons why the youth guarantee is not working in Italy as the joint effect of a general diffidence among Italian enterprises towards public programs and the fact that they prefer hiring older adults, in order to avoid initial training costs. This explains partly why apprenticeship measures are not as diffused in the youth guarantee programme, and also why higher education apprenticeships fail (§ 3.1). The outcome shown in youth guarantee is a clear signal of these trends: a reduced number of jobs, mostly concentrated in temporary and precarious profiles, probably integrating only those young workers who can easily find a job even without the programme.

4. Conclusions

Italy is a relevant case to assist in understanding the role of contextual conditions when specific policies are developed and implemented, as in the case of Social Investment (Kazepov and Ranci, 2017). As demonstrated throughout the chapter, the specific Italian productive structure, the dominance of micro and small enterprises, and the strong segmentation across age bands, exposes young people to marginalisation, non-standard employment and low-quality jobs, despite their higher educational level being higher compared to previous generations. At the same time, activities demanding a high-intensity of human capital are weaker in Italy than in the other countries in Europe, reducing the occupational opportunities for highly skilled workers. All these elements are an integral part of a system that is highly dualized in terms of the generations, and extremely unequal in terms of labour market opportunities for young workers within the wealthy North and economically vulnerable South (Sergi *et al.*, 2018). The national averages presented in the chapter do, in fact, cover different situations in terms of youth labour market participation and the economic performances of local productive systems, which must not be forgotten.

Italy effectively represents the overall pattern in South-European countries, which are characterised by a large share of long-term unemployed and discouraged job seekers, with the relevant peculiarity of not being a favourable environment for those with higher skills (Maestripieri and Ranci, 2016), unlike, for example, Spain (Ibánez, 2011). Social investment policies that fail to consider these aspects are unable to attain target outcomes: as demonstrated in the analysis of the two policies investigated in the chapter. The ultimate reason behind their failure is the low level of interest among employers in investing in employee training (Apprenticeship in High-Education) or in hiring young workers (Youth Guarantee).

Given these characteristics, Italy can be regarded as a very good example of why a social investment perspective could produce negative effects for high-skilled young workers entering an unfavourable labour market. The intersection of the principal characteristics of three systems produces this outcome: i.e. the educational system, which has a high dropout rate and struggles to facilitate a smooth transition towards the labour market for highly skilled individuals; ii. the productive system, which offers limited opportunities in the form of high-skilled job positions, due to a combination of low knowledge-intensive production and a low propensity to innovation; and iii. the social protection system, which divides outsiders and insiders on the basis of age cleavages. Overall, a definition of *worst practice* is appropriate for Italy, as it does not offer the necessary preconditions for the effective application of social investment policies (Kazepov and Ranci, 2017).

The result of this situation is that young workers are more exposed to both increasingly difficult entry into the labour market, and to lower job quality, given the greater exposure to non-standard jobs and over-qualification. The two phenomena that can be considered interlinked in Southern Europe (Ortiz, 2010) negatively influence the future careers of young workers, as deteriorating entry positions in the labour market can have long lasting negative effects (Scherer, 2004). A feeling of uselessness and helplessness is on the rise among young people. If some of them are willing to accept deteriorated labour market conditions, the more active and entrepreneurial are more inclined to leave the country, triggering a *brain drain* from which countries including Germany and the United Kingdom benefit (Balduzzi and Rosina, 2011).

In accordance with the principle of social investment, the most relevant policies have been oriented towards fostering employability, focusing only on a supply-side policy orientation, without considering the relevant dimensions associated with the educational system, the productive system and the protection system on the demand side (Cuzzocrea, 2015). Two emblematic examples of the failure of a merely supply-side approach were presented in this chapter: apprenticeships in higher-education and the youth guarantee. In the first case, the unwillingness to invest in the education of employees and the low preference of potential employers for high-skilled apprentices has led to a substantial failure of the measure. In the second case, the youth guarantee programme has demonstrated a mismatch between supply and demand, emphasising the failings in employers, rather than young people. A setting unfit for the implementation of active labour market policies completes the picture, prompting a substantial Matthew effect to arise from the measure (Pintelon *et al.,* 2013), i.e. favouring the least marginalised profiles. In terms of the Italian youth guarantee implementation, the programme proved more beneficial to job-ready young people rather than those requiring more support.

The analysis presented in this chapter sheds doubt on the possibility that Italy will be able to effectively profit from the improved human capital of new generations, thus questioning the sustainability of the Italian social and economic model in the near future, as the youth of today will be the adult generation in the near future. To modify this scenario, we need tailored activation policies that focus on the employability of the person, and interventions to adapt the productive system and sustain the development of advanced business services (i.e. incentives to start-ups, academic spin-offs, fostering industrial policies aimed at sustaining creative industries, and knowledge-intensive services) and high-tech manufacturing to foster better labour market opportunities for new entrants. A stronger political intervention aimed at changing the nature of labour demand in the Italian context would assist in the effective development of social investment measures, buttressing human capital and increasing the labour market participation of the younger generations.

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