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ABSTRACT

Why So Slow? The School-to-Work Transition in Italy*

This essay provides a comprehensive interpretative framework to understand the reasons why the school-to-work transition (SWT) is so slow and hard in Italy. The country is a typical example of the South European SWT regime, where the educational system is typically rigid and sequential, the labor market has been recently made more flexible through two-tier labor market reforms, and the family has typically an important role to absorb the individual and social cost of the passage to adulthood. The main thesis of this essay is that the traditional disorganization of the educational and training system coupled with slow economic growth, rather than the supposedly low degree of labor market flexibility explain high (youth) unemployment. Important reforms of several tiles of the Italian SWT regime – the Jobs Act, important fiscal incentives to hiring youth long term unemployed, the so-called Good School and the related introduction of work-related learning, the European Youth Guarantee and the reform of employment services – have been all recently implemented, which are causing a slow convergence towards the so-called European social model, but it is still too early to draw conclusions as to the impact of such reforms on youth labor market outcomes.

JEL Classification: H52, I2, I24, J13, J24

Keywords: school-to-work transition, youth experience gap, human capital theory, dual principle, European Youth Guarantee, Italy

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Introduction

The immediate impact of what the Nobel Prize winner Paul Krugman has referred to as a 21st century version of the Great Depression has been to make existing weaknesses in Italy's school-to-work transition system worse, adding further cause for concern. In fact, the crisis has dramatically increased both the absolute and relative disadvantage of young people as compared to adults, which was however already high before the crisis.

This paper starts from setting out the main effects the current recession has had on youth labour market outcomes over the past decade, to proceed with an in-depth analysis of the long-term weaknesses of the Italian school-to-work transition regime (SWTR). In fact, beyond the undeniable dramatic outcomes of recent years, young Italians have always had to face one of the toughest and indigestible school-to-work transition paths in the world. The main argument of this paper is, in fact, that youth unemployment is, above all, the consequence of disorganized SWT. In turn, the difficulties young people encounter in achieving *smooth* transitions and the ensuing long term unemployment depend not so much on insufficient labor market flexibility, but rather on the failure of the education and training systems to deal with and overcome what appears to be undoubtedly the principal handicap of the young, the one that sets them apart from adults: namely, their lack of general, but even more so job specific work experience. Not to mention the slow economic growth of the last twenty years.

A SWTR denotes the set of institutions and rules that govern and supervise the passage from school to adulthood. They include the degree of regulation and flexibility of the labour market, but also the degree of flexibility of the educational and training system. Typically, the state also provides placement services to help young people finding a job more easily. The household is also part of the regime, by providing, for instance, financial support during the entire transition and hence also a cushion against the risk of unemployment. The role assigned to each institution within a regime is different from one country to the other and based on such differences, it is possible to identify different SWTRs (Ryan, 2001; O'Higgins, 2001; Hammer, 2003; Pastore, 2015).

On a national scale, in fact, as Pastore (2015) discuss at more length, the indicators of absolute and relative disadvantage of the young tend to form clusters of countries that share similar characteristics, rather than arranging themselves in an orderly line. Different SWTRs can therefore be said to characterize more or less homogeneous groups of nations. These *regimes* tend to overlap those of the welfare state: a) "Continental European"; b) "Scandinavian"; c) "Liberal"; d) a) "Mediterranean European"; e) "Post-communist"; f) Asian. The first three regimes are the traditional ones in Esping-Andersen's definition (2000). Following Ferrera

(1996), Burlacu (2007) and Simonazzi (2009), among others, we include also the case of the so-called Latin Rim and the new EU member states of Eastern Europe.

The Italian SWTR belongs to the Mediterranean European group that also includes France, Greece, Portugal and Spain. In these countries, each institution that takes part in the transition process, namely the family, enterprises, the labor market, educational institutions and vocational and technical training systems, employment agencies and labour legislation, plays a similar role.

Over the past twenty years there has also been a similar evolution in legislation that has witnessed the gradual reform of employment contract regulations. This reform has brought greater flexibility and diversity to work contracts and a radical overhaul of education systems as outlined by the so-called Bologna Process, begun within the wider context of the Lisbon Agenda, then continued under the auspices of Europe 2020.

Within this context, one should recall the implementation of the Jobs Act in 2015, which, together with a strong policy of fiscal incentives (€17 billions) to hiring youth long term unemployed, is importantly reducing the youth unemployment rate in the last months. In the meantime, Renzi's government has approved also the so-called Good School reform in 2015, which has introduced, among other things, compulsory work-related learning in the last two years of high secondary school.

The analysis will also discuss the conditions for a successful implementation of the European Youth Guarantee in Italy introduced in 2014. In principle, the program should be able to affect the frictional and mismatch components of unemployment, if not the Keynesian and neoclassical ones, as also the experience of Scandinavian countries suggests. However, this requires an in-depth transformation of public and private employment services. In turn, the decree n. 150 within the Jobs Act has introduced a new promising quasi-market organization of employment services, but the reform is still to be fully implemented in most regions. To tackle the Keynesian and neoclassical components, however, it is vital to rethink the European austerity and reduce the labor wedge in a more stable way. For shortness' sake, we do not deal with this issue in detail.

The outline of this essay is as follows. Section one provides the outlook of the youth labor market, by looking first at the cyclical and then at the structural component. Section two lays down the theoretical framework to understand the SWT in general. Section three focuses on the evolution of the employment protection legislation in Italy from the 1970 Single Act to the 2015 Jobs Act. The section also provides evidence to show that the Italian labor market can now be considered a rather flexible one. Section four discusses the causes of the low education attainment level of the country, by looking at the factors from the supply and demand side.

Section five shortly analyses the most recent reforms of several tiles of the SWTR. Some concluding remarks follow.

1. The outlook

The current dramatic youth condition is the result of the recent economic crisis, which continues to some extent also now, but also of more structural problems. In fact, even before the crisis exploded, Italy experienced a highest youth unemployment rate. In other words, the crisis is essentially exacerbating long-term weaknesses.

1.1. The impact of the Great Depression

Italy differs very little from other South EU countries with regard to the way the youth unemployment rate (YUR) has evolved during the current recession. Figure 1 shows the trend of the YUR and the adult unemployment rate (AUR) by gender between 1993 and 2015, together with the real GDP growth. The first point to note is the slow growth rate of the country, which never goes beyond 2%, except for the years 1994, 1995 and 2000. The overall growth rate over the entire period was only 13.4%. This per se could be taken to explain an important part of the country's youth unemployment rate, if it were not there also in the previous decades, as the following figures will show.

Not surprisingly, as the figure clearly shows, the young have been the worst hit by the recent recession. The weakness of young people during any economic recession is a well-known fact in the literature due to the tendency of firms to apply the so-called 'LIFO (last-in-first-out) principle' to their decisions concerning dismissals[1]. The YUR, in fact, increased from 24% in 2007 to around 32% in 2011 and 35.3% in 2012. In Italy, the financial crisis hit hard the real sector mainly from the end of 2011. At the same time, the youth unemployment rate is reducing more markedly than average in 2015.

What is new when we compare the current economic crisis to that of 1991 is that the LIFO principle has tended to become stronger as a result of the widespread use of temporary employment contracts over the past 15 years. In fact, Figure 1 illustrates increased fluctuation in the YUR since 1997 when, for the first time, the Treu Law began to liberalize the use of short-term contracts. While the late 1990s and early 2000s witnessed a reduction in the YUR, mainly

[1] The issue of the sensitivity of the youth unemployment rate to the business cycle and especially to economic crisis has been the object of a recent reappraisal by, among others, Choudhry et al. (2012).

on account of the widespread use of short-term contracts, at the start of the economic crisis in 2008, the YUR soared, quickly overcoming, by the year 2012, the mid-1990s level.

[Figure 1 about here]

By comparison, the AUR has remained much more stable over the entire period. The recent two-tier reforms have, in some way, further reduced fluctuation in the AUR, since the upward pressure on unemployment of the business cycle has been transferred even more strongly than in the past to the YUR.

Interestingly, in the period under consideration, we can observe a slight decrease in gender differences in unemployment rates both for the young and for the adults. The gender gap in the YUR goes down from 9.3% in 1993 to about 3% in the mid-2010s. This complex phenomenon, which has already been observed in other countries, is, among other factor, the result of a growing educational gap in favor of women.

The YUR is an index of absolute disadvantage, which mirrors how the business cycle affects the youth labor market. It does not enable us, however, to understand whether the disadvantage of young people is higher or lower than that of adults. The aim of Figure 2 is to show how the YUR/AUR ratio has evolved by gender from 1993 till today. It clearly indicates that not only the average value (3.3) has remained very high by EU standards (about 2), but the relative disadvantage of young people has escalated even more dramatically as a result of the two-tier reforms implemented in the early 2000s.

Interestingly, in 2012, the youth to adult unemployment ratio has fallen because also the AUR has increased. As Newell and Pastore (1999) note with reference to Poland and the economic transition from plan to market, the depth of a recession can be measured from the involvement of the adults: when closing down, in fact, firms experience mass dismissals, rather than marginal reductions in their workforce. Consequently, the LIFO principle does not apply anymore and also the adults experience job loss.

[Figure 2 about here]

An interesting way of assessing the impact of the crisis on young people is to observe the YUR in relation to the skill level of the unemployed. Figure 3 shows that the crisis has not had the same effect on all categories of workers. In fact, the worst affected groups are the low-skilled. The absolute position of young high skill workers has only slightly worsened. This has meant a dramatic increase in the skill gap in terms of unemployment rates.

[Figure 3 about here]

1.2. Structural factors

The facts we have reported with regard to youth unemployment during the Great Depression are indeed the result of structural problems. More than 60% of the unemployed in Italy belong to the category of *new entrants* (workers who are entering the labor market for the first time). Despite the proliferation of temporary, occasional and short-term jobs, in fact, a large fraction of the unemployed admit to a complete lack of work experience.

As Pastore (2015b) reckons, the SWT in Italy is astonishingly slow and long. According to a module of the European labor force survey questionnaire administered in 2009, Eurostat (2012) finds that young people in Italy take 9 months on average to find any kind of job. The length of the transition becomes 13.5 months for a young person holding a high secondary school diploma. However, this figure is dramatically underrating the overall length of a transition to a permanent job. According to an estimate made by Quintini et al. (2007, Table 2), the length of the transition to a permanent job is the highest in Italy among OECD countries. This period of transition which was 62.4 months in 1995, reached 70.5 months in 2000, and fell down to 51.3 months in 2005 when temporary jobs became more easily available. During the same period of time, the EU average was 30 months, i.e. less than a half. In addition, it takes about 7-8 years on average, namely 2-3 years more than the curricular years, to obtain a university degree. This implies that young people accumulate a human capital gap with respect to their peers living in other European countries and especially in the Anglo-Saxon countries that it is really hard to overcome such a gap over the life cycle of an individual. Just as an example, a young Italian aiming to obtain a university degree will probably attain his/her degree at the age of 27-28 years[2]. He/she will need other 4 years circa to find a permanent job, which means 32-33 years.

Figure 4 allows us putting the discussion in a long term perspective, which confirms the structural nature of the problems young people face. The figure shows the evolution of the relative disadvantage of young people relative to the adults in terms of unemployment rate from 1970 to 2015 in 8 countries representing different SWTRs. The ratio of the YUR (15 – 24 years) to the AUR (25 – 54 years) is in recent years in the case of Italy above 3.5, close to Sweden, but above all the other countries considered, including a new EU member state, which has experienced a dramatic transition from plan to market (Poland). The figure also shows that Italy has always had a higher than average relative disadvantage and the crisis has only marginally changed this more general situation.

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[2] On the top of that, after graduation if graduating before the age of 26 years or, in any case, at 26 years of age, the young people attending a university course had also to serve for a year in the national military service until 2005, when conscription was abolished.

[Figure 4 about here]

The share of long-term youth unemployment (more than 12 months) is much higher in Italy than in other European countries. High long term unemployment among young people is a rather unusual phenomenon compared to elsewhere. As Clark and Summers (1982) have pointed out already long ago, the duration of youth unemployment is usually lower than the mean on account of the tendency of the young to change frequently from one status to another on the labor market. Young people seek the *best job-worker match,* but before finding it, they often follow winding paths that lead them to experiment a variety of labor market conditions. This search tends to interrupt the mean duration of their periods of unemployment. However, as noted previously, the duration of unemployment spells is particularly long for young people, due to the way the SWT is organized,

As in other Latin Rim countries, gender differences among young people are in favor of men, rather than women. This is the opposite of what now typically occurs in many other OECD countries. Figure 5 represents a scatter plot of the youth unemployment rate of men and women in a sample of 42 OECD countries in 2015. The figure shows that in Italy, as in a small number of other traditionally Catholic, Orthodox and Muslim countries of different continents, such as, among others, Chile, Colombia, Poland, Portugal, Russia and Turkey, the gap clearly is against young women[3].

[Figure 5 about here]

According to Eurostat data, Italy is near the bottom of the EU table for the number of young university graduates. In fact, in 2011, in the population aged between 25 and 34, only 27 out of every hundred had a university degree. As a consequence of the economic crisis, the corresponding figure relative to 2015 has slightly fallen down to 25%. Overall, the share of graduates has increased by a factor of about 2.5 in the past two decades, but it remains still well below the European average of 30%, while countries such as France, Spain, Denmark, Sweden and the United Kingdom have all overcome 40%.

This is surprising considering that 75% of Italian students (one of the highest percentages in OECD countries) obtain a secondary high school diploma that gives access to university. Why then does only a small percentage of enrolled students obtain a degree? Difficulties seem to arise at the time of enrolling for university. In fact, only just over 70% of those who *could* enrol actually sign up for a university course (OECD, 2009, A2.2).

[3] Pastore and Tenaglia (2013) and Fischer and Pastore (2015) study the possible impact of belonging to a given religious denomination on the employment probability of women in a large sample of OECD countries.

This initial 'creaming off' of students precedes a subsequent 'selection' during the course of university studies. Italy is the leader among OECD countries for the number of students who drop out: in 2006, the only year when the OECD provided comparative statistics, approximately 55% of university students dropped out without even obtaining the three-year degree qualification, a percentage that is considerably higher than the average 31% and also higher than in the USA, the country where university fees are probably the highest (OECD, 2008, Chart A4.1)[4].

Another problem is the excessive duration of university studies. There is even a neologism to express this social problem. "*Fuoricorsismo*" means that many students fail to finish their degree courses in the prescribed time. Obviously, this further diminishes the incentive to invest in education (Aina et al., 2013).

Moreover, Eurostat (2009) claims that in Italy, the probability of obtaining a university degree is still closely linked to family social background. The offspring of better educated citizens have roughly a seven-fold greater chance of obtaining a degree than their peers from low educational backgrounds. In the United Kingdom, this probability is about two-fold, while in France and Spain it is 2.5 times higher. It is easy to imagine the negative consequences for young Italians caused by such a low degree of social mobility (for a more in-depth analysis, see Caroleo and Pastore 2012; Raitano and Vona, 2015).

In addition to a low level of education attainment, it is important to underline the significant *mismatch* of human capital generated by disparity in demand (technical) and supply (humanistic). The mismatch often results in *over-education*: because of the lack of demand for their particular type of qualification, young people are forced to accept jobs intended for candidates with lower qualifications. Using the Reflex data, McGuinness and Sloane (2010, Table 3.6) report that in Italy the percentage of graduates employed in posts meant for secondary high school diploma holders, is one of the highest (23% for first-time hiring) in the EU countries in their sample. With a total of 13% of overeducated five years after graduation, Italy is the third lowest country in terms of performance, just marginally ahead of Spain and the United Kingdom. Figure 6 shows that the share of well-matched individuals is slightly, but steadily reducing over recent years, Moreover, more than 20% of graduates are overequalified.

[Figure 6 about here]

Last, but not least, In a sharp and tranchant column, the authoritative journalist Sergio Rizzo (2013) noted that with their staff of about 10,000 employees, public employment services cost €464 millions per year and help 35,000 unemployed to find a job, with an average cost per jon of €13,000. The cost is high, but Italy's spending in active labor market policy amounts only

[4] Unfortunately, the OECD does not collect this information more frequently.

to 0.37% of GDP, a much lower share than Germany and France (1%), not to say of Denmark (1.48%), the homeland of flexicurity. The expansion of temporary work was also a solution to the low cost of employment services.

Why is, then, the Italian SWT so slow? After a first look at the stylised facts, a number of factors seem to be at work:

a) the excessively rigid education system, particularly in the tertiary stage, that results in very late labor market entry for a large number of individuals who enrol at the university;

b) the low level of both secondary and tertiary education attainment;

c) insufficient linkages between the world of education and the labor market, that prevents young people from gaining the work experience they need to develop general and job related competences;

d) the lack of an adequate vocational and training system;

e) the lack of intermediation between demand and supply of qualifications, due, in turn, to inefficient public employment agencies and an insufficient number of private agencies.

2. Theoretical framework[5]

This section provides a general theoretical framework useful when thinking of cross-country differences in the youth unemployment problem and the role of different policy instruments to help young people have a smooth school-to-work transition (for a detailed definition of the concept of transition system, see Raffe, 2008). The main reason for young people moving between different labor market statuses is their lower level of human capital and, therefore, productivity compared to adults, which *ceteris paribus* makes employers prefer adults. As also Becker (1962) noted, human capital has three components: education, general work experience and job-specific work experience. General work experience includes the ability to cope with the functional distribution of tasks within an organization, to respect deadlines and the internal hierarchy of an organization. All these skills can be learned in any type of job and are easily transferred from one job to another. Job specific work experience comprises specific skills that can only be gained and used in a given type of job. They include the ability to carry out specific types of task, such as, say in rural areas, harvesting, feeding livestock and so on.

This type of reasoning helps solve a typical puzzle of youth labour markets. With ever increasing educational attainment worldwide, the educational level of the younger generation is almost always greater than the old generation. Despite this, young people still have lower

[5] This section is a summary of the main arguments developed in Pastore (2015).

chances of finding employment. Why is that? The likely explanation is their lack of the other two components of human capital, general and job-specific work experience. That is, that behind the youth unemployment problem, there is a "youth experience gap" (Pastore, 2015). Bell and Blanchflower (2015) note that this lack of work experience may generate an experience trap, whereas firms are in search for experienced workers, which prevents young people from gaining the work experience that firms require.

Aiming to fill this gap, young people move in and out of employment in search for a best job-worker match, but if not found quickly, they tend to become unemployed or inactive while searching for a better job. During employment, some young people become aware of their gaps in education or training and, consequently, return to school (see the seminal contributions included in the NBER volumes edited by Freeman and Wise, 1982; and Blanchflower and Freeman, 2000).

Youth unemployment is clearly related to the hardship involved in accumulating work experience. In the liberalist view (see, for instance, OECD, 1994), causes of youth unemployment, especially the long spells experienced by many young people, can be found in past unemployment experiences, reducing their chances of finding gainful employment. In this stream of economic thought (Blanchard and Diamond, 1994), unemployment causes a process of deskilling from the supply side: since the unemployed cannot use their skills because they are unemployed, they have lower productivity. On the demand side, employers see unemployment as a stigma: a sign of lack of skills and motivation. Lowering the share of long-term unemployment and reducing the average period would be an important policy target for liberalists.

The OECD (1994) and Krugman (1994), among others, suggested that by rendering the labor market more flexible, also at the margin, by legalizing and encouraging part-time and temporary contracts, the policy-makers could provide a simple and effective solution to young people's problem of work experience, enabling them to find the job they desire. There are two ways to make this happen. First, easily accessible temporary contracts would provide young people with more opportunities to gain the work experience they need and learn different working methods and competences through short periods of employment. Second, increasing the degree of turnover in the labor market shortens the average duration of unemployment.

Within this framework, labor market flexibility and low entry wages are the best solution to ease school-to-work transition. These solutions to the youth experience gap also have the merit of being low cost, since they automatically exist in the labor market. This is an important aspect of such a policy and helps understand its appeal in a time of increasingly stringent budget constrains for many governments worldwide.

Two arguments cast doubts on this solution to youth unemployment, suggesting that it is in need of amendments. The first is based on the empirical finding that only the least skilled and motivated fall into long-term unemployment, therefore, there would be no lower job finding rate for them; instead the causal link would go in the opposite direction. Less skilled individuals would experience greater difficulty in finding gainful employment and, as a consequence, also longer unemployment spells (Heckman and Borjas, 1980; Heckman and Singer, 1984).

The policy implications of this reasoning are important. Training programs finely tuned to the least skilled and motivated groups would be the best policy option to reduce youth unemployment. They would be more effective than increasing labor market flexibility. There is no guarantee that labor market flexibility would help the least skilled and least motivated and it is more likely it would only help those who are better educated and more motivated.

The second argument, for which Becker (1962) provides the theoretical basis, criticises the effectiveness of labor market flexibility to actually help young people increase their human capital to the level of adults with similar education attainment. The reasoning is that temporary contracts only generate sufficient incentive to invest in the formation of general work experience. They do not allow young people to increase other skills specific to a given type of job due to their short time horizon. Why should employers and employees invest in the accumulation of skills specific only to a given type of job if the contract is temporary?

It is a common occurrence in countries with increased flexibility in youth labor markets that short-term contracts fail to provide young people with specific work experience. This type of market failure should be addressed by providing incentives to prolong short-term contracts or, specific programs of on-the-job training aimed at enabling young people to accumulate job specific work experience.

In addition, from a more practical point of view, there is increasing empirical evidence to support the view that fixed-term contracts create precariousness of income for many young people experiencing frequent interruptions to their career. Too many temporary workers end up in dead-end jobs that they hoped would be a stepping stone to decent work (Bentolila and Dolado, 1994; Berton et al., 2011).

The above arguments help understanding why, in many of the countries, increasing flexibility of labour market entry – the so called two-tier reforms – has reduced youth unemployment only to a small extent, while generating work precariousness (Blanchard and Landier, 2002; Bentolila, Dolado and Jimeno, 2012). Fixed-term contracts alone cannot fill the youth experience gap.

Moreover, as ILO (2004) and Cazes and Nesporova (2007), among others, note, the experience of flexibility has shown that what its advocates usually consider its main advantage,

namely its supposed universality is, in fact, one of its major shortcomings. Labor market flexibility is not the best solution for every country and confirms the wisdom that there are no such policy interventions that fit any country or economic condition. Labor market flexibility alone proves too often to be ineffective. It is a good instruments in particular types of labor market conditions where, for instance, there is also a high average level of educational attainment, where it goes together with flexibility in the market for goods and financial services.

These arguments also explain why labour market flexibility is only one of the policy instruments adopted in any country to help young people fill in the youth experience gap. Efficient educational and training systems, passive income support schemes on a contractual basis, fiscal incentives for employers, who are willing to hire long-term unemployed, prove to be no less important instruments (see, among others, Hennan, Raffe and Smyth, 1996; Ryan, 2001; O'Higgins, 2001; Hammer, 2003b; Raffe, 2008).

It is certainly difficult to find policies that fit the institutional framework of any country. However, comparison of different countries' outcomes in addressing the problem of making smooth the SWT suggests that youth unemployment is lower:

- where educational systems are more flexible so as to allow more easily to move from one curriculum to another and reach in the expected time the expected level of education;
- and better integrated with the labor market according to one of the three models available: a) the dual (as opposed to a sequential) principle, typical of Germany, for instance, which means that young people are provided training while at school and not after school; b) the supply of job placement services to those who complete their education, like in Anglo-Saxon countries; c) direct contacts with employers, like in the Japanese *Jisseki Kankei*;
- where labor market flexibility is coupled with high education attainment;
- where employment services are efficient and provide an alternative to the personal network of family and friends;
- where active labor market policy (ALMP) is fine-tuned to the needs of the weakest groups and targeting and evaluation of training programs are implemented in a systematic way to discard the least effective and develop the most effective;
- where households do not bear all the cost of youth unemployment.

To sum up, labour market flexibility is not the one-size-fit-all solution to every problem young people encounter during their school-to-work transition. Labour market institutions are also very important. In particular, in the case of young people, the educational and training systems play a no less important role than the degree of labor market flexibility.

3. The evolution of labor market rules

3.1. A brief historical digression

At the beginning of the 1990s, there were two important reasons for increasing labor market flexibility in Italy. The first was related to the country's unusual position within the international division of labor. Although it is an advanced economy, it continues to produce a significant share of GDP in the traditional manufacturing sector. This encourages industries to request greater labor flexibility, since price competition can be important in traditional sectors[6].

The second reason concerned the high degree of labor market rigidity, especially if we compare it with the United States, but also in relation to other European countries. In the early 1990s, many observers considered Italy to be one of the most rigid countries in what was already an inflexible Europe. Salary indexation had widened the gap between internal and European inflation to values above zero. The CIG (*Cassa Integrazione e Guadagni* – Redundancy and Earnings Fund) was believed to have made the closure of enterprises and collective dismissals both difficult and costly. Some observers argued that individual dismissals were also considerably impeded by art. 18 of the Workers' Statute that prohibits dismissal without a 'just cause', a generic term which, according to prevailing case law, tribunals always interpret in favor of workers.

To obtain wage flexibility, salaries needed to be linked to work productivity instead of inflation. This issue was tackled in a series of large-scale political and social clashes in the decade between the 1984 St. Valentine Referendum and the 1993 Protocol Agreement. The latter led to *institutional indexation*, i.e. atripartite agreement between unions, management and the government with regard to planned inflation. The institutional nature of the agreement meant that if real inflation rose above planned inflation, the trade unions had to wait until the subsequent national labor contract had been signed before they could recover the loss of purchasing power they had suffered. This mechanism led to an immediate dampening of inflation, but every time real inflation exceeded the programmed rate, it also involved an inevitable loss of wage purchasing power for the entire period between one contract and another. Moreover, the duration of collective labor contracts was prolonged, so that in the following period, real wages actually sustained substantial losses, often falling below growth in

[6]*Price competition* which is typical of traditional manufacturing markets that function in a very similar way to those of perfect competition, is considered here to be in contrast with *competition for capacity of product innovation*, typical of markets characterized by imperfect or monopolistic competition.

labor productivity, and therefore curbing growth in internal consumption (see also Tronti, 2010; Pastore, 2010).

Starting with the 1997 Treu Law that legalized the use of so-called atypical employment, a number of measures have succeeded in introducing greater numerical flexibility, especially for temporary work and coordinated and continuous collaboration (the so-called *co.co.co*). However, some aspects of this law, which were designed to prevent temporary work being used in a 'non-standard' way, have never been put into practice. Furthermore, no insurance provisions have been brought into effect to cover the loss of income of co.co.co workers during periods of unemployment.

The following period witnessed new legislative provisions, such as the Maroni Law (inspired to Marco Biagi's White Book) of 2003, for achieving numerical flexibility, rather than for protecting temporary workers. On the one hand, as many labor law experts claim, this law enabled employers to avoid their obligation of stipulating permanent contracts. At the same time, though, the law did introduce a more restrictive regulation with regard to co.co.co.s (now called co.co.pro.). Unlike under the Treu Act, employers were obliged to make contracts official, thus granting workers some important juridical and economic rights. Nevertheless, the eagerly-awaited conversion of co.co.pro.s to permanent employment contracts rarely occurred and many young people continued to work under a form of semi-dependent employment contract for years.

Overall, the aforementioned legislative measures diverge significantly from the 1970s Workers' Statute. Nevertheless, the strongest supporters of flexibility have criticized both the Treu Package and Biagi's Law for not reducing the costs of dismissal.

A new labor reform was implemented in 2012. The main aim of the so-called "Fornero Law", named after Elsa Fornero, the Minister of Labor who proposed it, was to eliminate some of the disadvantages young people encounter in entering the labor market. According to a number of observers, young people were meeting serious and increasing hardship in finding permanent employment on account of the two-tier reforms implemented previously. The Fornero Law aimed to improve young people's chances of accessing permanent work in two ways: firstly by lowering the cost of permanent employment for firms, mainly through the removal of restrictions imposed by art. 18 of the 1970 Workers Statute on the decision of firms to dismiss employees; and secondly, by increasing the cost of temporary work by granting workers social security rights that were not foreseen under the Treu and Maroni reforms[7].

[7] For an insider view of the historical climate in which the government of Mario Monti operated, see Fornero (2013).

With the 2015 Jobs Act, Matteo Renzi's government tried to systematize the entire labor market legislation in 8 main decrees[8]. In short, the package further deepened the Fornero's approach to article 18 by defining the exact quantum for severance pay in case of dismissal for economic reasons. This meant excluding the right to be reinstated in the former job (*reintegra sul posto di lavoro*), except for few cases, and preventing expensive legal costs and long-lasting legal controversies for firms. In addition, in view also of the dramatic economic crisis, the particularly high youth unemployment rate and the excessively high cost of labor, Renzi's government introduced a system of generous fiscal incentives to firms hiring a young unemployed worker on a permanent basis, which has caused an increase in the number of hiring by about a million units over the period immediately after. This indirectly shows that the cost of labor is very high in Italy due to the conspicuous fiscal wedge.

Moreover, with the aim of implementing a fully-fledged flexicurity system, the Jobs Act introduced a quasi-market organization for the provision of employment services. This is probably the most important novelty of the Jobs Act, since employment services are not working properly and pro-active schemes are still in their infancy. The quasi-market system is based on the principle that each non-employed person is, first, profiled by an agency and, based on the certified degree of need, receives a voucher of different value according to the certified need for assistance, with which the recipient can buy employment services from authorised state and private (for-profit and non-profit) operators. However, while the reform of art. 18 is already implemented, the reform of employment services is still far from realized in most regions. The main reasons why this is the case are as follows: a) the uncertainty, until the constitutional referendum of the 4th of December about whether training services should be implemented by regional bodies or by the state itself; b) the disorganization of regional administrations in Southern regions; c) the lack of public finance to spend in vouchers.

While there are already several evaluation studies of the impact of the employment protection legislation and fiscal incentives (Leonardi and Nannicini, 2016), still there is not much on the role of pro-active labor market policy.

3.2. An attempt at measuring the degree of labor flexibility in Italy

Has labor market flexibility increased in Italy as a consequence of the reforms discussed in the previous section? And by how much? It is hard to measure labor market flexibility. The

[8] It is beyond the aims of this essay to discuss in detail the Jobs Act. For more in depth analyses than the one which is allowed here for shortness' sake, see Ichino (2015), Leonardi (2015), Leonardi and Nannicini (2016), Pastore (2016).

most common way is to look at the OECD synthetic indicators of the degree of employment protection legislation, though it is not exempt from criticisms (Myant and Brandhuber, 2016). Figure 7 reports the 8 OECD composite indicators, relative to: a) individual dismissals (eprc_v1); b) individual and collective dismissals with a growing number of sub-indicators considered (eprc_v2 and eprc_v3); c) individual dismissals of workers with regular contracts (epr_v1 and epr_v3); d) and collective dismissals of regular workers (epr_v2); e) strictness of regulation on the use of fixed-term contracts with 6 and 8 sub-indicators (ept_v1 and epr_v3). The Figure clearly shows that most of the reform effort of the government has focused on temporary work (ept_v3) and on only few sub-indicators relative to this category. Just in 2012, probably as a consequence of the Fornero's law, the other indicators have seen a slight reduction. Unfortunately, the OECD indicators do not take into account the impact of the 2015 Jobs Act, which, as noted above, has regarded mainly regular workers, but still applies only to new hiring.

[Figure 7 about here]

Having a close look at the indicator relative to individual dismissals of regular workers (Figure 8) and of temporary workers (Figure 9) over the years from 1985 to 2013 in selected countries representing specific types of SWTR (Anglo-Saxon or liberal; Central European; Scandinavian; Latin Rim; East European), clearly reveals that Italy continues to have a quite sclerotic labor market when regular workers are considered, although the Fornero Law has started a reduction in the degree of employment protection legislation for the new hiring, which the Jobs Act is likely to have continued in 2015. If we look at the protection of temporary workers, though, Italy is not anymore a sclerotic country, following a series of two-tier reforms which have also affected other EU countries. At the end of the 1980s, with a score of more than 5, Italy topped the table for the most rigid labor market among European countries, an example of labor rigidity. Since then, however, it has witnessed the largest reduction in this indicator which, in 2003, dropped down to 2, a reduction of over 60%. It is too early to see the effect of the more recent labor market reforms (especially the Jobs Act) on the OECD indicators. It would be, however, not strange to find Italy much closer to the Anglo-Saxon countries also for the group of regular workers. Nonetheless, still youth unemployment remains very high, as documented earlier. More time will be needed to properly assess the impact of the more recent reforms, but the doubt remains whether acting only on labor rigidity is the only way.

[Figure 8 and 9 about here]

Despite all the debates, and possibly on account of methodological difficulties in calculating indicators of labor market dynamics, there are still few indices to measure numerical flexibility on the labor market. Table 1 describes the annual rate of *job finding* as a percentage

of the total number of unemployed, and the annual rate of *job separations* as a percentage of the total number of employed, in selected countries. The table highlights the fact that, in Italy, as a consequence of the labor reforms, there has been a gradual, but significant increase in the *turnover* rate, especially with regard to the *job finding* (almost tripled from 13.1% to about 30%), while the percentage of job separation has remained roughly unchanged. This was until when the economic and financial crisis came in. Expectedly, the crisis has increases the job separation and reduced the job finding rate, although in the last 2 years, these two indicators are both reversing to the pre-crisis levels. In any case, Italy has now a job finding that is much higher than the EU average, although being lower than the USA and the Anglo-Saxon countries in general. In turn, this means that probably the duration of unemployment fell down importantly from around 7.6 to roughly 3 years, before the crisis, since when it went up again somehow. Also the turnover confirms that progress has been made already.

[Table 1 about here]

The Jobs Act and the related fiscal incentives have caused an important increase in the number of new permanent contracts, partly a transformation of previous temporary contracts and partly an anticipation of hiring decisions by firms to gain the incentives. Overall, there has been an increase in the number of new permanent jobs by about 1 million units in the years from 2015 until the end of 2016, when the incentives stopped (Leonardi and Nannicini, 2016).

This confirms that the reforms have had a significant impact on the degree of labor flexibility, at least the numeric component. Still, as shown in the previous sections, the youth disadvantage is still very high.

A number of studies point to the existence of a *causal* effect of temporary employment on the probability of finding permanent employment. In a quasi-experimental context, Ichino et al. (2008) reported a positive net impact of 19% in Tuscany and 11% in Sicily, where the effect was, however, only slightly significant when compared to a gross effect of 31% and 23%, respectively. In other words, say in Tuscany, the share of temporary workers who find permanent employment after a year is 31%, a value 19% higher than that of individuals with similar characteristics (education, work experience and others), but unemployed. This means that holding a temporary contract implies a higher probability of finding a permanent job than being unemployed. Using INPS data, Berton, Devicienti and Pacelli (2011) confirmed that temporary employment could act as a port of entry for permanent employment, but that it could also become a trap. In fact, they found that temporary contracts tended to persist in the same firm, probably because enterprises benefited from a reduction in employment costs.

It is too early to assess the impact of the Fornero law and the Jobs Act, but the expected results of the implemented measures on permanent employment may be over optimistic, as art.

18 applies only to a small number of firms: over 90% of firms have less than 10 employees, while about 46% of employment is in firms with 9 or fewer employees and about 50% in firms with 15 or fewer employees.

In its monitoring report on implementation of the law, ISFOL (2013) shows that the law had a negligible impact on permanent work, while it strongly reduced the number of temporary contracts, especially co.co.pro. In the logic of the difference-in-difference approach to evaluation, Boeri (2013) shows that in Veneto, there is no statistically significant difference between individual dismissals in firms with less and firms with more than 15 employees, the only ones affected by the reform. Instead, in the second half of 2012, co.co.pro. experienced an anomalous reduction as compared to both temporary and permanent contracts.

The very nature of wage flexibility makes it difficult to measure it in an unequivocal way. A synthetic measurement can be obtained by the speed with which real wages return to their equilibrium level, as determined by the dynamics of labor productivity. According to an estimate made by Pastore (2010, Fig. 3), the 1993 income policy agreements caused the speed at which real wages readjusted to their long term value, based on labor productivity, to increase from 46% to 79%. In other words, after 1993, only 20% of the gap of any given year between real wages and labor productivity is left to later years. Increased wage flexibility also resulted in the share of dependent employment income undergoing a dramatic reduction (-11% of GDP) from the mid-1990s onwards.

However, while numeric and wage flexibility have been dramatically reduced, instead, the cost of labor has remained still very high as a consequence of the high wedge between gross and net wage. The components due to income taxes, social security and unemployment insurance make the wedge equal to about 120% of the net wage.

To sum up, this assessment exercise, labor market flexibility has advanced in different directions bringing Italy closer to the European mean. However, the Italian labor market market still has not reached the type of conditions that characterize the most flexible Anglo-Saxon countries.

4. The education and vocational training system

Although the Italian labor market is becoming more and more flexible, still this does not eliminate the inefficiency of the education system. How can we explain the difficulty young people - especially those from a poor walk of life - encounter in getting a proper education to meet the needs of a modern labor market? The answer involves factors that concern both the demand and supply of skills.

4.1. Demand-side explanations

First of all, we must point to the low demand for human capital in a production system characterized by slow growth and limited technological innovation. This leads to poor returns for educational qualifications. Naticchioni, Ricci and Rustichelli (2008) demonstrated that over the period 1993 through 2004 economic returns for university degrees and secondary high school qualifications (already low compared to those in advanced economies), have lost considerable ground with regard to humanistic and professional degrees, although this is not the case for degrees in scientific majors. The salary premium for secondary high school has fallen by at least 30% in all salary distribution quantiles.

The decline in economic returns for education in Italy becomes all the more surprising if we compare it to the strong increase in returns witnessed in other developed countries, be they Anglo-Saxon or Northern European. In fact, in these countries, technological innovation is thought to have led to disproportionate economic returns for the most highly qualified. This would indicate that Italy is moving along what some refer to as the *low road to development*. Another possible explanation emphasizes the contemporaneous role of income policy in producing a curb on wages and consumption patterns (Pastore, 2010; Tronti, 2010).

4.2. Supply-side explanations

If education brings fewer economic returns than elsewhere, why do young Italians continue to enroll *en masse* at university? A significant increase (+12%) occurred following the introduction of the "3 + 2 years" Zecchino reform. ISTAT reckons that between the academic years 1999-2000 and 2003-2004, the number of students matriculating rose from 286,893 to 353,199.

This directs to the opinion that a provision for reducing the unduly prolonged duration of university studies through the "3+2" reform had been eagerly awaited by students and households and also that the production of human capital was inefficient. As noted above, the high dropout rate, the long-time to a degree and the low attainment rate were the most apparent signs of these inefficiencies. However, as Bratti, Checchi and de Blasio (2008) point out, tertiary education reforms have, in fact, led to a far greater increase in the number of university enrolments than in the number of graduates.

A possible explanation of the failure in implementing the "3+2 reform" lies in the limited democracy of the reforming process. The government essentially decided the reform with little debate within the universities and the country. That has prevented university lecturers, students

and parents from absorbing the positive elements of the reform that seem, in fact, to be perfectly in keeping with the Lisbon and Bologna agendas.

The reforms have not succeeded in eliminating a contradiction that is inherent in a system that initially allows nearly all holders of a secondary high school diploma to enter university (following a 1969 reform), but then forces most of them to dropout, possibly after wasting many years (Aina et al., 2013).

Human capital theory may help us explain the poor supply of first-class qualifications. Educational choices are influenced by the prospect of better future net remuneration. Not only does education pay less in Italy compared to other countries, it also costs more. While the direct cost (university fees, books, lodgings) is the same, the indirect costs (no earnings on the part of the student for the prolonged period needed to obtain a degree and complete the transition from university to employment) are a burden on the family budget.

Figure 10 compares the case of Italy and of the United States. In the United States, the earnings curve of a university graduate commences at around the age of 22-23 years: in fact, a young person will typically obtain a university degree at the age of 21 on average and about 6 months later (almost immediately, by Italian standards), he/she will also find a job. As studies on the returns to education of employed workers, show, the earnings curve is steeper in the United States: the return for each year of education is approximately 18.4% as compared to 6.7% in Italy. The other difference concerns the indirect cost of education, which depends on the probability to graduate with a delay and, in the extreme cases, to dropout. In Italy, the same curve starts further over to the right, since the mean graduation age is 27-28 years, and young people enter their first job at roughly 32-33 years of age. A the age of 32-33 years, when an Italian finds his/her first permanent job, his/her American contemporary will have already accumulated about 10 years of work experience and his/her human capital will be, hence, much bigger. Since the retirement age is more or less the same in the two countries, Italian university graduates fail to make the best use of the complementary relationship between education and work experience, merely because of delayed graduation and delayed entry to the labor market.

[Figure 10 about here]

University dropout and delayed graduations are affecting importantly the decision to invest in tertiary education in the country. If we think within the framework laid down by Altonji (1993), in fact, delayed graduations may be conducive to dropouts and, in the long run, to a strong reduction in enrolment, which is happening recently in Italy in many universities (see, among others, Intravaia and Zunino, 2016). The reason is that the decision to invest in education is made not so much, as in the standard Becker's (1962) model, based on *ex post*, but rather on *ex ante* returns to education. The high school diploma holder who is going to enrol at the

university has to weigh the returns to education of those who graduate and find a job by the probability to graduate and the probability to find a job. And, hence, the shift to the right and the smoother profile of the earnings curve affect also the decision to continue university studies, rather than dropping out, as well as the decision to enrol at the university for the new generations.

But why do university studies last so long? The most obvious answer is that the aim is to kill many birds with a single stone by making it difficult to obtain a degree. Since anyone with a secondary high school diploma can enter university, there is no proper entry selection, except for the more remunerative faculties, where there is limited enrollment (e.g. School of Medicine). Selection, therefore, occurs in the course of university study, slowing down even those students who would have been capable of graduating on time. Moreover, because of the lack of funding, there is a limited choice of courses, and attendance is low, in some faculties below 10% on average.

Furthermore, courses focus mainly on the theoretical aspects of a subject. Little attention is given to practical applications, thus preventing young students from learning the problem-solving skills that are extremely useful for the world of work. In addition, there are few links between the education system and the labor market. This is evident not only in the lack of apprenticeships, stages and other company training schemes that are typical of other education systems based on the dual principle, but also in the absence of links during the post-graduation period. In fact *job placement* activities are virtually non-existent. All this means that it takes many years to get a degree, and that the transition period to a permanent job is more than brief.

4.3. The 'class-oriented' education system

The discouraging effect of the low returns and high costs of education is influenced by social class background: the poorer a student is, the lower his cultural background, the higher the direct (effort, motivation) and indirect (time) costs of getting an education, the lower the economic returns for education. The offspring of professionals graduate earlier not only on account of their above-average cultural background, but also because of the better prospects of future earnings. These prospects give them a greater incentive to overcome the obstacles that lead out of the difficult transition tunnel towards a stable and satisfying job.

A study by Hertz et al. (2007) shows that Italy has one of the lowest social mobility rates in the world, also below that of such countries as the USA where university fees are much higher. Checchi, Ichino and Rustichini (1999) were perhaps the first to report this paradox in a very interesting comparison with the United States where selective entry mechanisms based on merit

and family income are highly developed. Cappellari (2004) found that there is a strong association between the type of secondary high school attended, family background and previous school performance.

Checchi and Flabbi (2010) point out that in Germany, an early tracking system determines, at the age of ten, whether a child will become an apprentice or attend an academic high school (gymnasium), the latter being (almost) the only route of entry to university. In Italy, decisions concerning the choice of a secondary high school are taken at the age of 14, and all secondary high school diplomas give access to university. In theory, family background should influence this choice more in Germany than in Italy, but in practice the opposite occurs, probably because parental choice is not necessarily linked to a child's school performance, whereas German parents must still accept a mandatory rule fixed by the school.

About 10 years after the Bologna Declaration and subsequent university reforms, it is essential to assess the results in terms of levels of education and disparity. Cappellari and Lucifora (2009) claim that the Bologna Process has not succeeded in significantly modifying the Italian education system that is biased to favor inequalities. Following the reform, students who attained their high school diploma had a 15% better chance of enrolling for university than students who were otherwise their peers. This increase was found principally among those who had a better school performance and a poorer family background. The authors interpreted this result as indicating that the most talented students from under-privileged families encounter impediments when choosing the best educational path. They also found that the reform has had a slightly negative impact on the university dropout rate.

Nevertheless, there is now clear empirical evidence that in the past decade, there has been only a moderate increase in the percentage of graduates coming from families with a poor social background and/or educational level (see also the annual AlmaLaurea reports).

5. Some recent reforms

5.1. The European Youth Guarantee

The EU Parliament and the other EU institutions have agreed with the national governments of all EU members the implementation of the European Youth Guarantee (EYG since now), a program which essentially implies the (moral, if not legal) "obligation" for each member country to provide young people with a job, training or educational opportunity within four months from the beginning of their unemployment spell. The EYG is clearly inspired to the

Scandinavian experience and has already been recently implemented in Germany, Austria, The Netherlands and Poland (for a more systematic treatment, see Pastore, 2015c).

The evidence on the implementation of the program up to now is not fully satisfactory, although it has dramatically improved over the last months. In mid-February 2015, about 11 months from the beginning of the program, slightly more than 400,000 young people (aged 15–29) had joined the project; only 151,000 of the registered users have undergone the welcome meeting; only 12,000 of them have used the second level orientation meetings and about 8,000 have entered a pro-active measure. According to the most recent weekly monitoring report available, in March 2017, about 1,300,000 young people under the age of 29 years has registered in the program. about 28% of them (891,000) have undergone the welcome meeting and 36% circa (467,000) have received a proactive measure. Now, considering that 1,700,000 young not in employment education and training (NEETs) constituted the target group of the program, nowadays, the program has involved over 75% of the target, about 52% have undergone the welcome meeting and 27% have entered a pro-active measure. Still evaluation studies of the impact of the program on the employment chances of participants are not available, although the European Commission has recently commissioned an evaluation study.

In addition to a stable and sufficiently high growth of the economy, the first condition to further increase the chances of success of the EYG in Italy is one of *administrative capacity*. The EYG requires the well-functioning of Public Employment Services (PES). What is the condition of the PES in Italy? Not at their best, as noted above. Since 1991, the state sector has lost a monopoly control over labor intermediation, also for low skill jobs, which it had maintained from 1970. This did not help increase the share of the unemployed who found a job, though; just the opposite. Since 1997, when the Treu Law allowed private agencies to contend the activity of job placement to the PES for temporary contracts, things have not changed much. The aforementioned Maroni Law of 2003, which strongly encouraged the cooperation between public and private agencies, was not much more successful. Against the expectations of experts and policy makers, the share of jobs placed through the PES has remained stubbornly low (just above 3%). This compares to about 7.7% in the UK and 13% in Germany. A possible explanation of the inefficiency of PES is the lack of available resources, both financial and human. Just to make a quick comparison: in Italy, there are 150.1 unemployed for every staff of the PES; the comparable number for the UK is about 24.2 and in Germany about 48.6. In addition, the current legislation does not help much in as much as it assigns to PES eminently bureaucratic tasks (Cicciomessere e Sorcioni, 2007; Giubileo, 2011; Pastore, 2013; Cicciomessere, 2014).

In a period of dramatically reducing opportunities in the public sector, with the share of jobs offered falling down from about 29.5% in the mid-1990s to about 8.6% in the late 2000s, the percentage of young people who is seeking jobs through their network of family and friends has dramatically increased from 24.4% in the mid-1990s to about 35.3% in the late 2000s. In the meantime, private agencies of temporary work have increased their market share up to 5% in the late 2000s (Mandrone, 2011).

The EYG will probably work better when public and private (forprofit and nonprofit) employment services will play a role in the labor market. In order for this to happen, though, it is necessary that the PES be endowed with sufficient human and financial resources, while being cleaned from bureaucratic burdens which could be assigned to private call centers thus paying a lower cost (Giubileo, 2011). The aforementioned decree n. 150 of 2015, within the Jobs Act, has introduced important novelties in the provision of recruitment services and training programs by introducing a quasi-market system which should sooner or later "reactivate" employment services, so to say. In march 2017, the government has funded the first 30,000 vouchers to be spent for employment services[9].

However, the re-established sovereignty of users implicit in the quasi-market does not allow overcoming an effort by the government to properly target, monitor and evaluate the effectiveness of any intervention with appropriate and sound methodological studies. Moreover, it is necessary to think of some greater interaction with the educational system. This issue has been partly addressed in the Good School reform.

5.2. The Good School

The so-called 2015 Good School (*Buona Scuola*) reform (Act n. 107 of July 2015) has introduced a compulsory period of 200 hours in the lyceum and 400 hours in the technical and professional schools of work-related learning. From now on, high secondary school attainment will involve several weeks of experience in a firm or other private or state organization for

[9] The delay in implementing the reform was due to the 4th of December 2016 constitutional referendum, which foresaw a transfer of competences for employment services, among others, from the regional bodies to the state, but was rejected by the electorate. The current organization of the entire system is confusing: after the most recent constitutional reform (in 2001), which has been confirmed by the referendum, the competence of the education system belongs to the state, the competence of the training system belongs to regions and the competence of the PES belongs to provinces (counties).

everybody. The first year of experimentation of the reform is quite positive, although, especially in the South, schools have found it really hard to find training places[10].

This model of work-related learning involves an important change in the traditional mission of the educational system, which is an important novelty of the reform. However, work-related learning is closer to the Scandinavian tradition, rather than the German tradition of the dual apprenticeship system. In fact, work-related learning should not be confused with apprenticeship which is a plurennial working contract with a pay and specific obligations for each side: apprentice, firm and school. Work-related learning is, however, easier to implement for the Italian tradition of a sequential type of educational system. Needless to say, it is far too early to assess the impact of the reform on the length of the school-to-work transition and, even less so, the employment chances of new graduates.

The Good School reform is important especially if it is able to pave the way towards more in-depth reforms, such as the introduction of work-related learning at the university level and n apprenticeship at school for all those who want to have it, starting from some schools who would like to follow more closely the German tradition.

In fact, still unsolved is the issue of implementing a full-fledged apprenticeship system starting from high school students, like in the German tradition. The 2011 Single Act on apprenticeship, although inspired to the German system, remains in its essence a post-school, post-university program for young people up to the age of 29 years. This means giving up an important aspect of the successful German SWTR, namely the duality principle, which allows young people developing their competences and skills when they are still in education. Nonetheless, in the Italian labor market vacuum, allowing some form of interrelation between the training system and the labor market as the Good School has done is, in principle, an important novelty.

Another novelty would be that also university graduates be apprentices. The German type of professional universities could be an alternative for those young people who find it hard to get a university degree (Cappellari and Leonardi, 2013).

Conclusions

This essay has examined the Italian SWTR, which is a typical example of the European Mediterranean one where the role of the State is marginal as compared to that of the family. The

[10] For a more detailed assessment of the early period of implementation of the reform, see Giubileo, (2016) and Maisto and Pastore (2017).

latter has to bear the cost of the extremely slow transition period young people undergo on their way from education to a stable employment. The slowness is the consequence of a sclerotic labor market and a very inefficient and disorganized educational system. On the one hand, a very low job finding rate is causing very long unemployment spells, also to young people. This is systematically preventing young people from accumulating the work experience that is necessary to them to build their competences, especially the job related ones. On the other hand, the educational system, which is sequential, has as a mission only to generate general education, with little space given to vocational education for the young people aiming to finding a job, rather than continuing to the university. A law of 1969 allowed any graduate from high secondary school to access the university, therefore, degenerating vocational and technical education, which did not prepare to work anymore. This contributes to maintain the rate of school dropout from compulsory education at around 18%, one of the highest shares in advanced economies. At the university level, delayed graduation and dropout are the rule and many young people remain trapped for many years, sometimes for a decade or more, to obtain a university degree. About 55% of those who enrol at the university dropout and over 40% of the rest graduate with substantial delay. The overall consequence of a sclerotic labor market and disorganized educational system is that on average young Italians find a permanent job in their thirties.

In the past two decades, there have been many reforms designed, on the one hand, to make the labor market more flexible by reducing hiring and firing costs, and, on the other hand, to a lesser extent, to make both secondary and tertiary education more inclusive and interlinked to the labour market. A number of different indicators point to a remarkable increase in wage, functional and numerical flexibility, also without considering the recent Jobs Act. The changes in the employment protection legislation have helped slightly reducing the youth unemployment rate, but have not succeeded in smoothing the overall school-to-work transition system that remains one of the slowest and most sluggish in the world. This also explains why in Italy, as in other Latin Rim countries, the disadvantage of the young compared to adults is constantly high.

The attention of the government has recently shifted towards reforming the education system and the employment services. The introduction of work related learning within the Good School reform is changing the traditional sequential nature of the educational system and hopefully paving the way towards introducing the dual principle in the Italian SWTR. Objectives for the near future could be work-related learning at the university level and apprenticeship as an alternative to technical and vocational schools for the students more interested in finding a job. This would probably help also reducing the still high dropout rate from compulsory education within the target of 10% suggested in Europe 2020.

Furthermore, to shorten the school-to-work transition period, the markets of many goods and services should be liberalized. Many employment opportunities could come for young people from liberalising public transportation and housing services, where the internet is opening new business opportunities especially for young people.

In addition, efficient careers guidance systems should be developed. There are various ways of building closer links between the education system and the world of work. We have already mentioned Germany's dual model, but alternatives are provided by the Japanese schools and universities, which place qualified students directly in firms and by the Anglo-Saxon job placement services, where both young people and individual firms bear the responsibility and honour of choosing the best match. It is absolutely vital that Italy moves decisively towards a mix of these three systems as it is, in fact, doing, but at a too slow pace.

Last, but not least, employment services and pro-active placement and training schemes should be soon implemented to realize a fully-fledged flexicurity system. This tile of the Jobs Act still remains to be placed to complete the puzzle.

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Appendix

Figure 1. Evolution of YUR, AUR and real GDP growth (1993-'15)

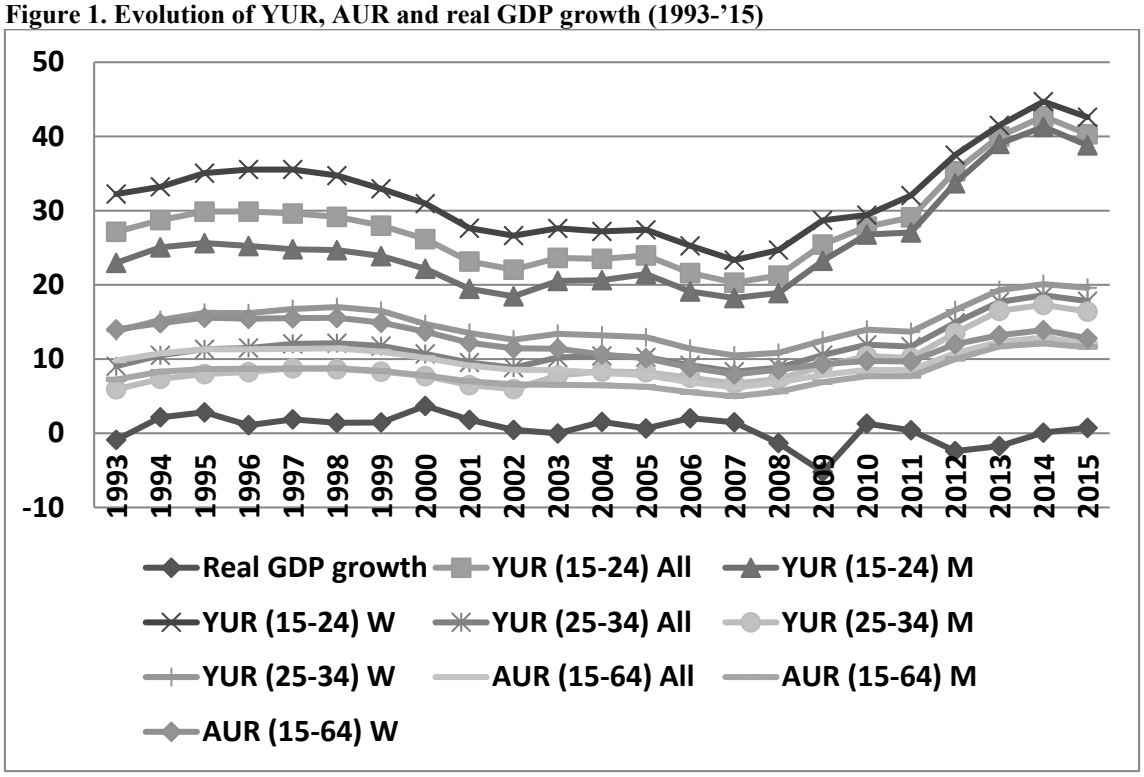


Figure 2. The relative disadvantage (1993-'15)

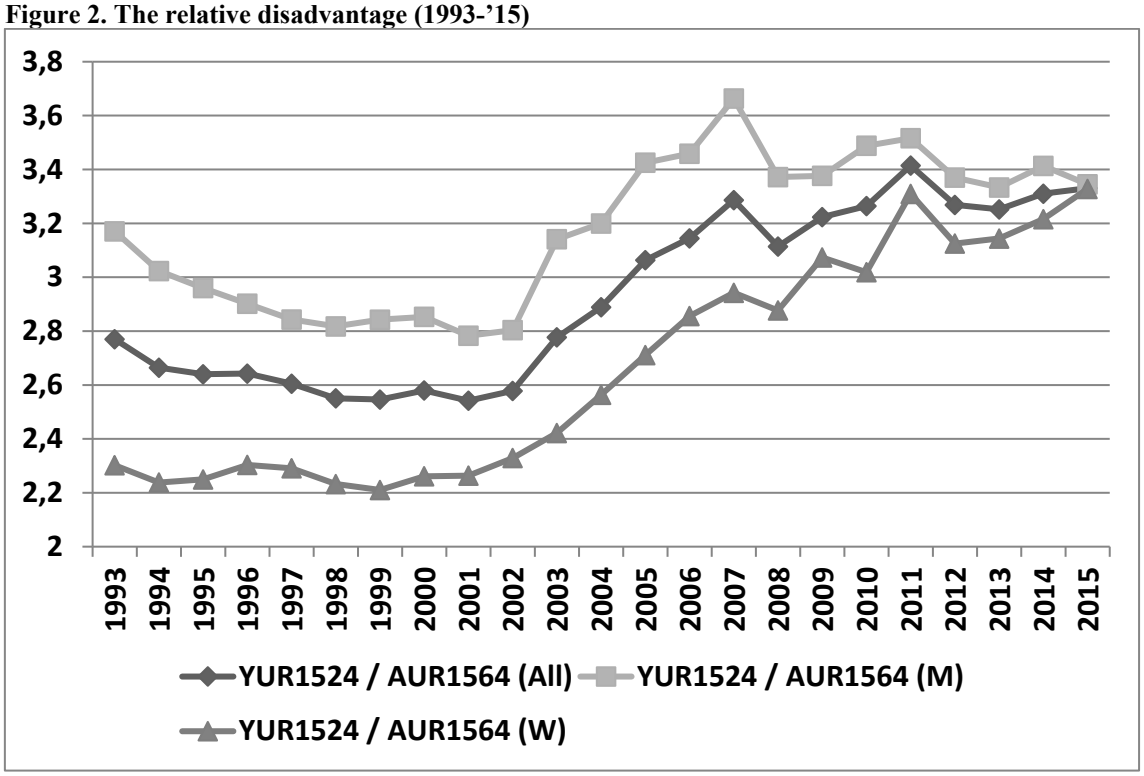


Figure 3. YUR (15-29 years) by skill level

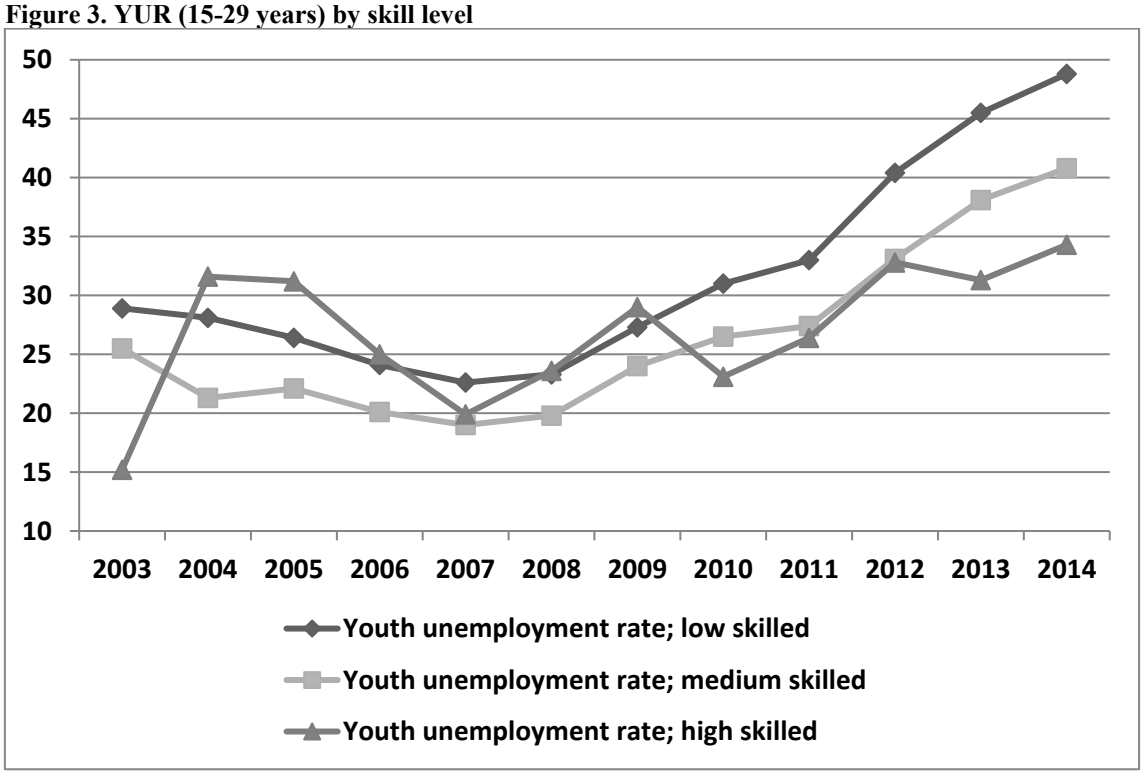
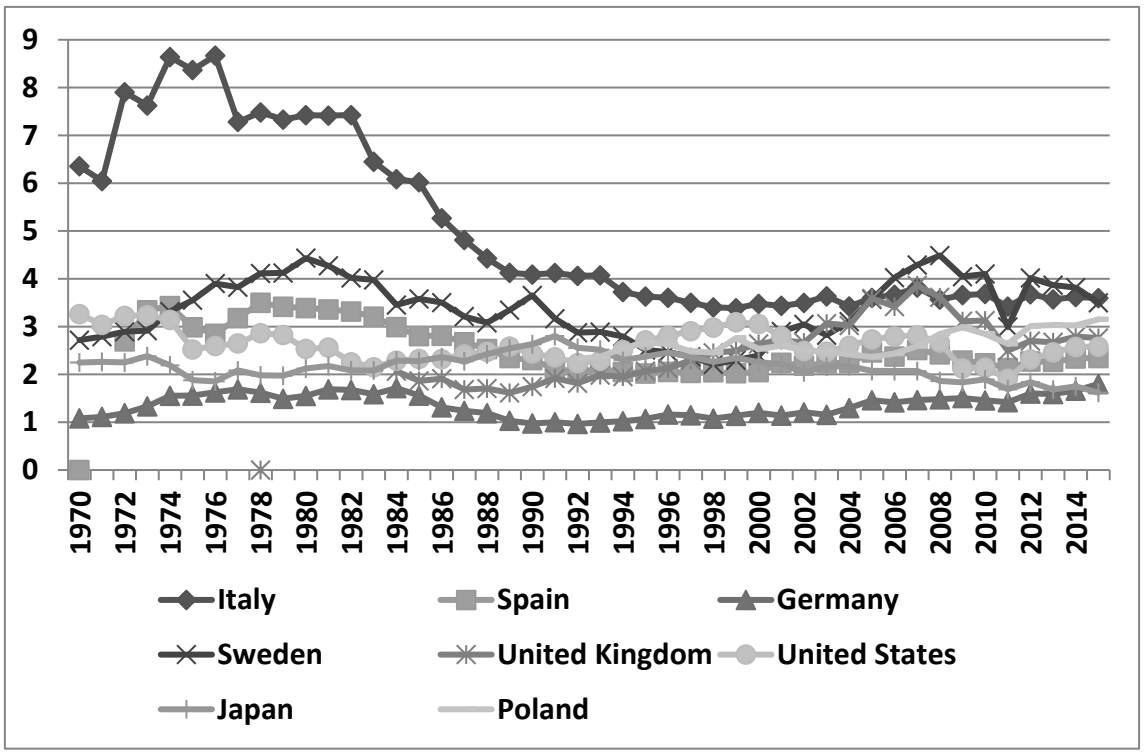
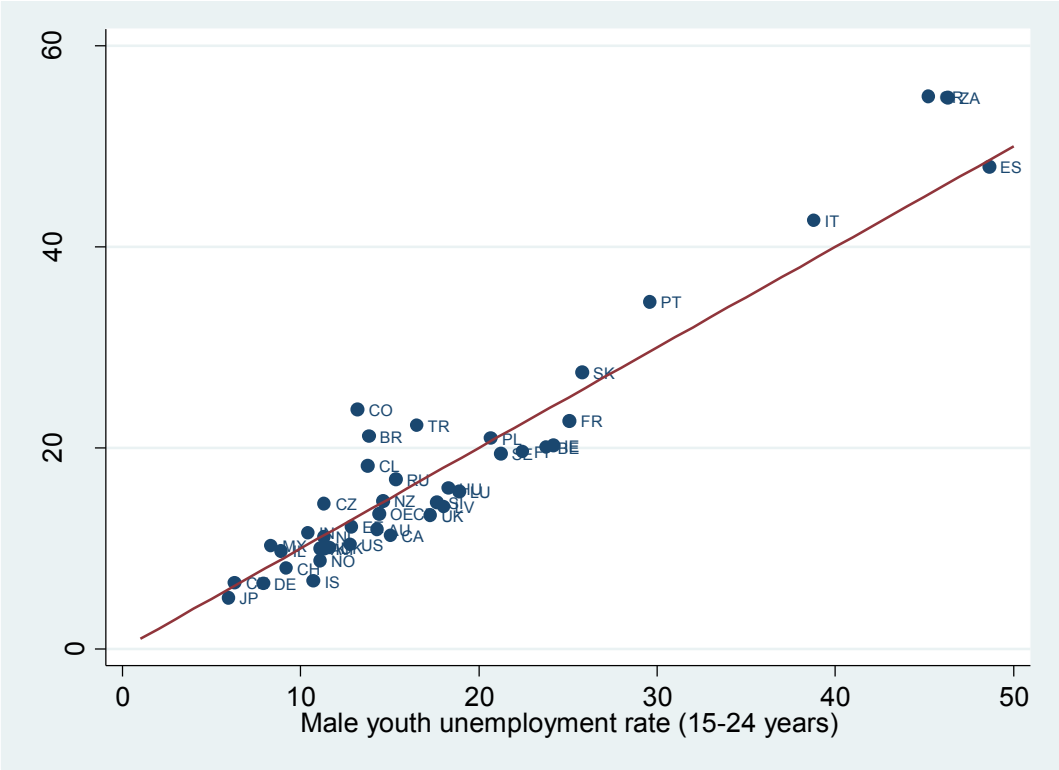


Figure 4. Youth and adult unemployment rate in selected OECD countries (1970-2015)



Source: own processing of OECD data.

Figure 5. Gender gap in youth unemployment rates (2015)



Source: own processing of OECD data.

Figure 6. Share of well-matched, overqualified and underqualified (2003-'13)

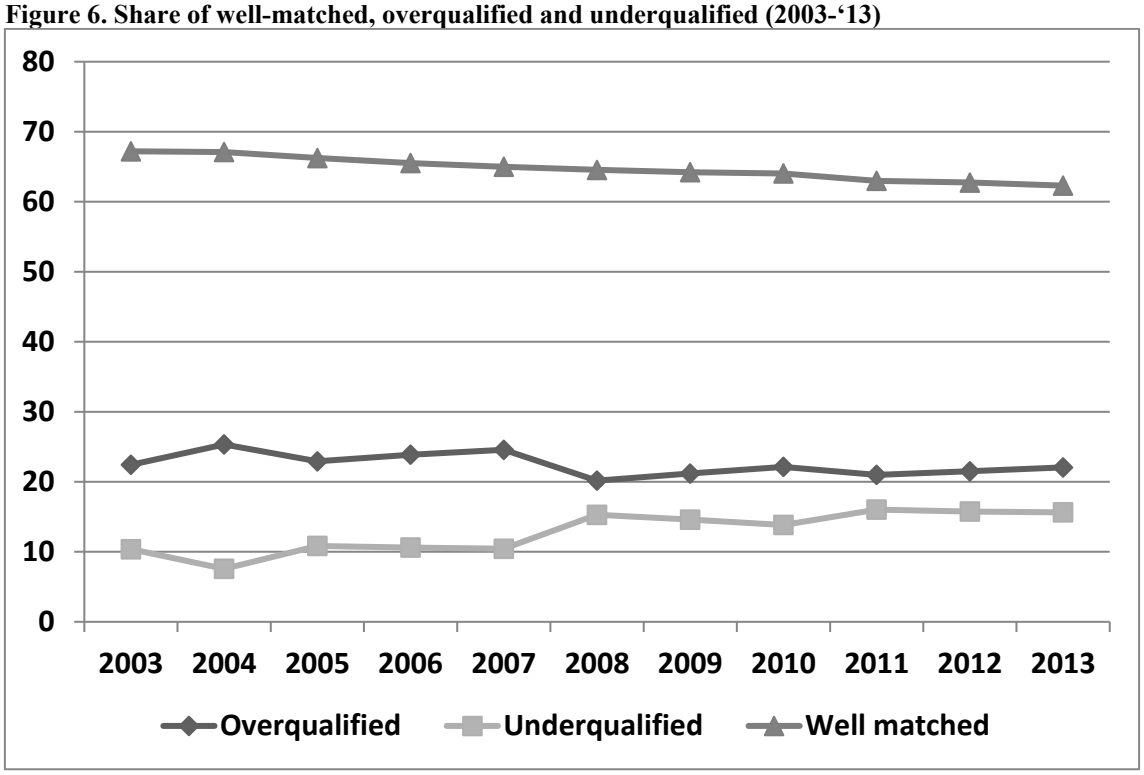
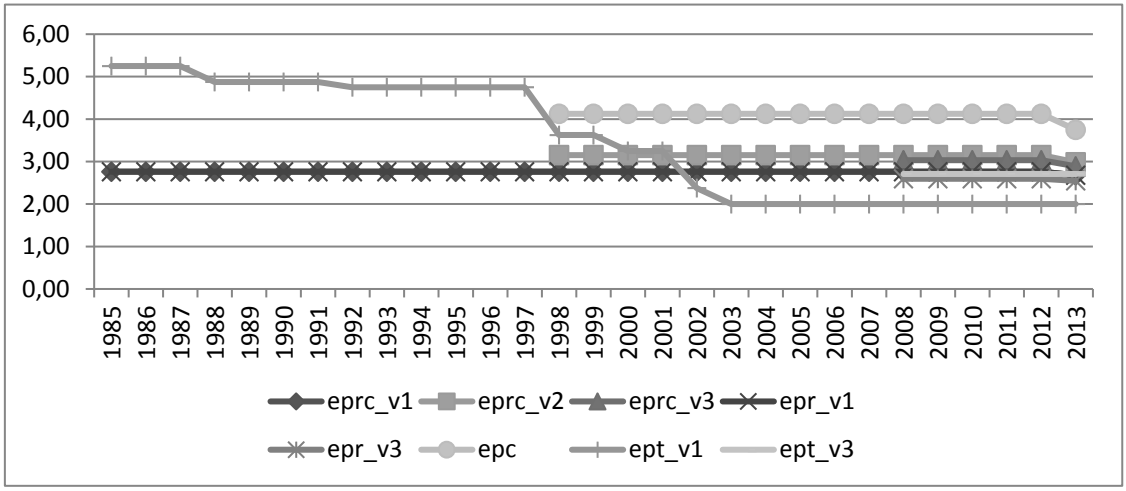
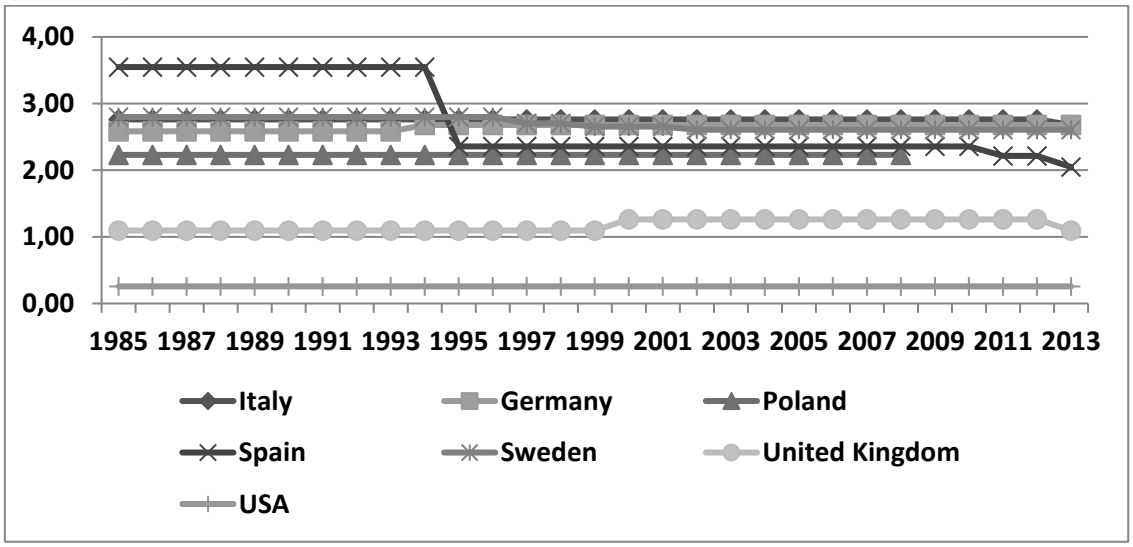


Figure 7. OECD indicators of employment protection legislation in Italy (1985-'13)



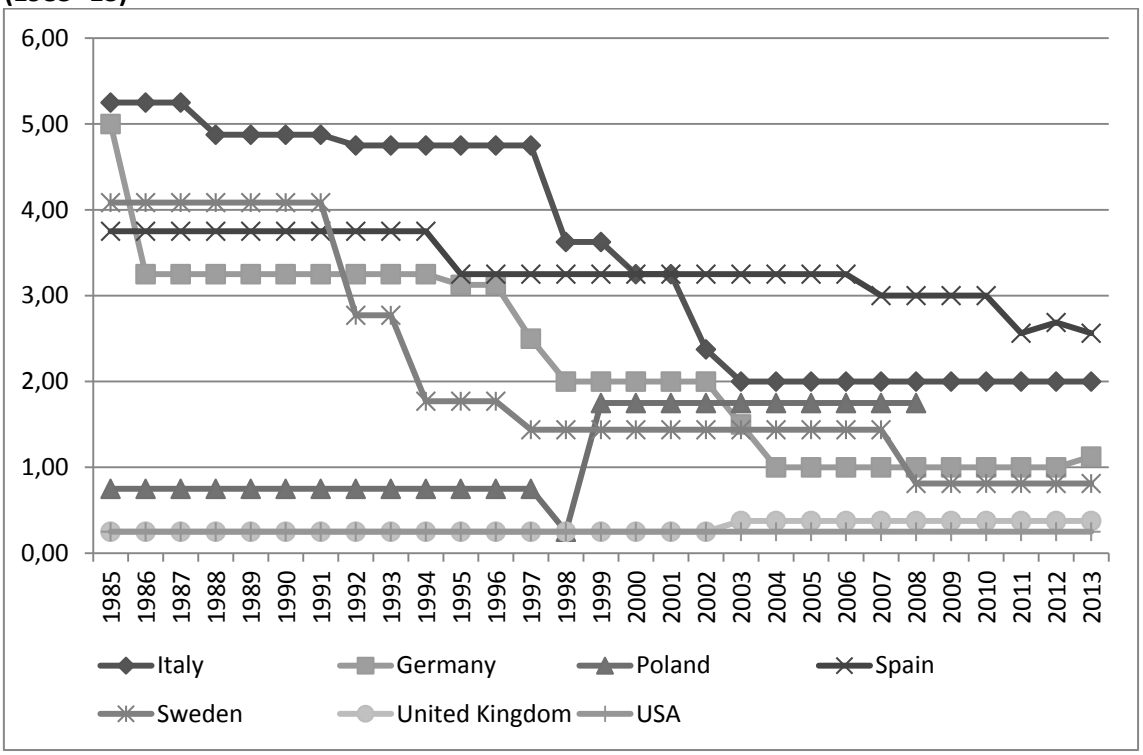
Source: own processing of OECD data.

Figure 8. OECD indicator of protection of individual regular workers in selected countries (1985-'13)



Source: own processing of OECD data.

Figure 9. OECD indicator of protection of individual temporary workers in selected countries (1985-'13)



Source: own processing of OECD data.

Figure 10. Earnings curves of Italian and American university graduates

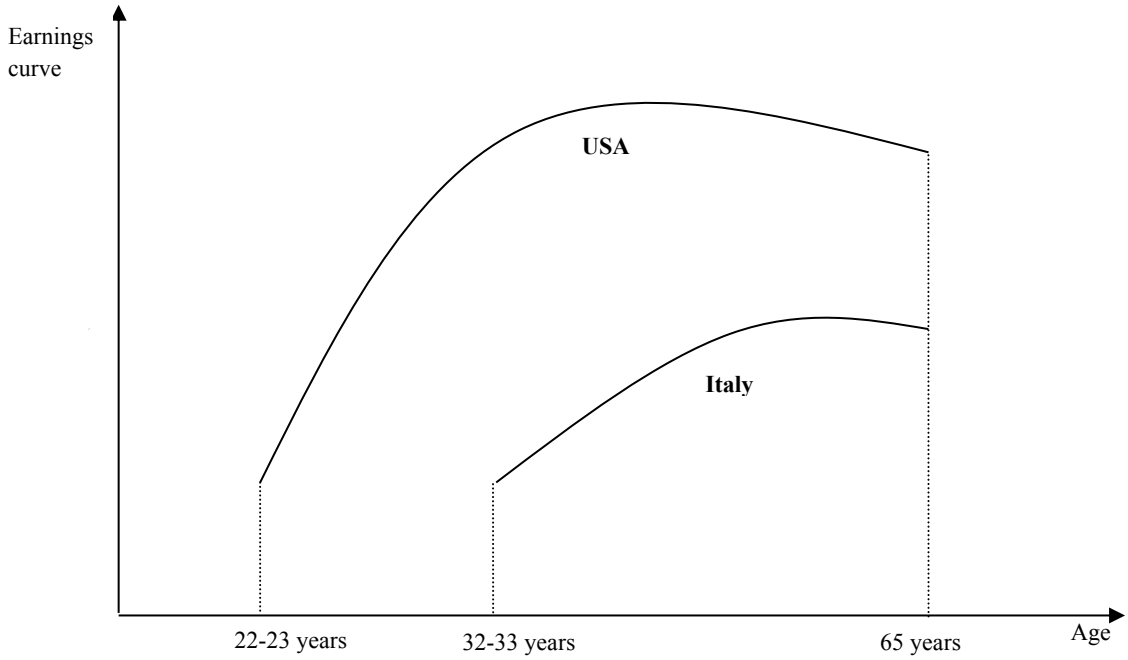


Table 1. Job finding and job separation rates for different countries and different years

Country	Job finding	Job separation
Italy, 1994-‘95	13,1	1,6
Italy, 2001-‘02	20,3	1,5
Italy, 2007-‘08	33,5	1,6
Italia, 2008-‘09	28,3	2.3
Italia, 2009-‘10	26,9	2,3
Italia, 2012-‘13	19.5	
Italia, 2013-‘14	21.8	2.7
Italia, 2014-‘15	22.6	2.3
Italia, 2015-‘16	25.6	2.0
Italia, 2016-‘17		2.2
EU, 2016	18.0	1.4
United States, 1992-‘93	65,9	2,8

Note: The estimate relative to the EU does not include Belgium and Germany.
Source: for Italy, ISTAT; for the EU, Eurostat.