

Thinking Space No.33

Active policies targeting NEETs in Italy

Giulia Parola, Munich Business School, September 2019

This Thinking Space paper offers a brief review of two policies currently active in Italy, which have been trying to tackle the problem of youth unemployment from different angles. The first policy discussed refers to Italy's implementation of the Youth Guarantee. The second policy explored is called Resto al Sud ("I stay in the South"). It is an incentive scheme that targets explicitly unemployed young people in job depressed regions in the South of the country.

NEETs are now a recurring topic on the European Policy Agenda since they have been identified as the single most crucial challenge in recent labor market trends (Mascherini & Ledermaier, 2016). The reasons for European leaders' special attention to youth unemployment are typically twofold: long-term unemployment can have permanent effects on both the personal and professional development of a young individual and can put a substantial economic burden on society (Council of the European Union, 2013). Policies actively addressing the issue generally try to improve school to work transitions (such as the Youth Guarantee by the European Union) or foster entrepreneurship, especially in job-depressed regions.

Financial support instruments such as unemployment benefits are instead directed at mitigating the adverse immediate economic effects of job loss, which often results in deteriorating living standards (Mascherini, Ledermaier, Vacas-Soriano & Jacobs, 2017). These types of measures do not usually help secure employment unless they are coupled with work inclusion policies. Against this background, this Thinking Space paper offers a brief review of two policies currently active in Italy, which have been trying to tackle the problem of youth unemployment from different angles.

The first one is Italy's implementation of the Youth Guarantee, the most significant policy framework ever established in Europe to prevent social exclusion and long-term disengagement of youth (Mascherini et al., 2017). The scale and reach of this policy initiative make it worth mentioning. The second program analyzed in the report is called Resto al Sud ("I stay in the South"). It is an incentive scheme that targets explicitly unemployed young people in job depressed regions in the South of the country. The initiative is noteworthy. It represents a regionally targeted labor policy aimed at creating jobs and combating brain drain by fostering youth entrepreneurship.

The Youth Guarantee by the European Union

Adopted in April 2013, Youth Guarantee is the European plan with which Member States agreed to engage more actively in the fight against unemployment by supporting youth in finding work through a placement or a personalized educational/training path. Specifically, the offer is

addressed to NEETs between 15 and 29 years old within four months of being unemployed or leaving education to avoid long-term disengagement. The Council recommendation on Youth Guarantee highlights the need for a tailored approach to tackle youth unemployment and invites Member States to present their implementation plan depending on local circumstances.

On 23 December 2013, Italy presented a Youth Guarantee Implementation Plan consisting of three different sequential phases: informative services to promote the Youth Guarantee contents among young unemployed adults, reception and analysis of requests, personalized offer (such as work placement, apprenticeship, internship, formal education path, entrepreneurship or community service) based on the needs and preferences of the end beneficiary. While on one side the Youth Guarantee aims at reaching significant numbers of disengaged youth, the large catchment area still fails to include severely disadvantaged NEET subgroups.

Because the Youth Guarantee scheme in Italy is implemented in a way that requires young adults that are not in education, training, or employment to make the ask, inactive and hidden NEETs such as mothers of young children or people with poor health are often left out. They may be reluctant to join the scheme and try instead to make it on their own supported by other social safety mechanisms such as family and friends. Thus, becoming increasingly hard-to-reach (OECD, 2016). The Youth Guarantee has also been criticized because of the weak incentive scheme set up in Italy since it establishes generous allocation of funds to temp agencies and private companies even before NEETs are being offered a job opportunity (Cannavò, 2015).

Resto al Sud

Since the Italian unification was formalized in 1861, various national policies have tried to introduce mechanisms and schemes to reduce the North-South economic divide. The best known of all is probably the so-called Cassa per il Mezzogiorno (Casmez), translated "Fund for the South," a public agency, which has been active from 1959 to 1984 for the development of the Southern Italian regions. While the failure of this massive intervention is still under debate (a recent book "La dinamica economica del Mezzogiorno" by Svimez fights clichés about the Casmez fiasco), the waste and fund misallocations that characterized the last decade of the intervention contributed to plant the idea in the Italian public opinion that all the spending for the South was doomed to fail because of unproductivity and lousy management (Tupputi, 2016).

Because of this reason and other dynamics that distinguished the following decades (economic liberalization, globalization, and privatization of many public companies), the country has drastically lowered the public resources available to the South (Tupputi, 2016). Given the

extremely high unemployment levels, most recent interventions for the South have focused on providing tax breaks for companies that hire young unemployed people on one side and foster entrepreneurship among youth.

The public program Resto al Sud was introduced by the Italian Government in 2017 to promote entrepreneurship among young adults between 18 and 35, who live in eight Southern regions or, alternatively, youth from other Italian areas willing to move to the South and start their venture. Since 2019, this intervention has extended the age range, including individuals up to 46 years old. The initiative seems to target a specific need of many necessity entrepreneurs, namely the lack of capital by providing start-up financing to lower entry barriers (Resto al Sud foresees non-repayable funding up to 35% of the initial investment and an interest-free loan for the remaining 65%).

Preliminary results on the official Resto al Sud website show numbers that are not very exciting, though. Out of 7,816 loan requests presented to date, only 3,035 (39%) have been accepted and deemed positive. The high percentage (61%) of rejected requests is quite worrying and raises important questions about the program. Three factors could probably help to explain the low numbers of both incoming and accepted applications. Firstly, a 2017 study conducted by OECD/EU highlighted the fear of failure as one of the main barriers in venture creation among youth in Europe.

Over the period 2012-2016, almost 60% of young Italians between 18 and 30 years old (about 20 percentage points more than OECD averages) responded yes to the question, "Does a fear of failure prevent you from starting a business?". While Resto al Sud might partly address fears related to the financial issues arising from bankruptcy, it does not deal with entrepreneurial failure's cultural stigmas. Secondly, young people may doubt their very own entrepreneurial abilities. Data collected by OECD/EU and reported in the same study mentioned above confirms that uncertainty about one's abilities acts as a barrier when it comes to venture creation. 30% of young adults in Italy confirmed this is the case.

However, because the unfavorable context may force many into entrepreneurship as a last resort option independently of the abilities that one holds, the share of people doubting their entrepreneurial skills but becoming entrepreneurs nevertheless could be higher in the South with respect to the national average. Finally, the fact that necessity entrepreneurs are not driven by demand (Van Stel, Storey & Thurik, 2007) could compromise creating a viable business plan and be behind the significant number of rejected applications.

References

- Cannavò, S. (2015, May 10). Garanzia giovani: Flop per chi cerca lavoro, affare per chi prova a trovarglielo [Youth Guarantee: Flop for job seekers, good deal for those who help them find it]. *Il Fatto Quotidiano*. Retrieved June 5, 2019, from <https://www.ilfattoquotidiano.it/2015/05/10/garanzia-giovani-flop-per-chi-cerca-lavoro-affare-per-chi-prova-a-trovarglielo/1658038/#cComments>

- Council of the European Union. (2013). *Council conclusions on enhancing the social inclusion of young people not in employment, education or training*. Based on education, youth, culture and sport council meeting of 25-25 November 2013.
- Mascherini, M., & Ledermaier, S. (2016). *Exploring the diversity of NEETs*. Report for the European Foundation for the Improvement of Living and Working Conditions (Eurofound). Luxembourg: Publications Office of the European Union.
- Mascherini, M., Ledermaier, S., Vacas-Soriano, C., & Jacobs, L. (2017). *Long-term unemployed youth: Characteristics and policy responses*. Luxembourg: Publications Office of the European Union.
- OECD. (2016). *The NEET challenge: What can be done for jobless and disengaged youth? in Society at a Glance 2016: OECD Social Indicators*. Paris: OECD Publishing. https://doi.org/10.1787/soc_glance-2016-4-en .
- OECD/EU. (2017). *The Missing Entrepreneurs 2017: policies for Inclusive Entrepreneurship*. Paris: OECD Publishing. <https://doi.org/10.1787/9789264283602-en> .
- Tupputi, R. (2016). Mezzogiorno e politiche di sviluppo territoriale dalla fine dell'intervento straordinario al 2012 [Southern Italy and territorial development policies from the end of the extraordinary intervention to 2012]. *Itinerari Di Ricerca Storica*, 3(1), 95-118.
- Van Stel, A., Storey, D. J., & Thurik, A. R. (2007). The effect of business regulations on nascent and young business entrepreneurship. *Small Business Economics*, 28(2), 171-186. doi:10.1007/s11187-006-9014-1