

YOUNG ENTREPRENEURS SUCCEED

## D1 Country Reports

### D1.2 Country Report: Italy

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The aim of this report series is to gather and present relevant data on NEETs in Greece, Italy, Spain and Poland with the purpose of informing decision-making in the context of the project: "YES!" funded by Iceland, Liechtenstein and Norway through the EEA and Norway Grants Fund for Youth Unemployment. Coordinated through a cooperation of eight partners, the project aims at improving the employment situation of young people neither in employment nor in education and training (NEETs) through innovative approaches and the partners' transnational cooperation on labour market issues.

# Country report: **Italy**



*#YoungEntrepreneursSucceed*

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The Scaling trust-based partnership models to recharge youth entrepreneurship: Supporting underserved communities with innovative entrepreneurship support instruments (TPM-RYE) project, benefits from €2,3M grant from Iceland, Liechtenstein and Norway through the EEA and Norway Grants Fund for Youth Employment. The aim of the programme is to activate unemployed youth to access the labour market and promote entrepreneurship.

## Country report: Italy

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# 1 Introduction

## 1 Introduction

The report aims to gather and present relevant data about the Italian labour market with the purpose of informing decision-making in the context of the project “YES! Young Entrepreneurs Succeed” funded by by Iceland, Liechtenstein and Norway through the EEA and Norway Grants Fund for Youth Unemployment. Coordinated through the cooperation of eight partners, the project’s goal is to improve the employment situation for young people neither in employment nor in education and training (NEETs) through innovative approaches and transnational cooperation on labour market issues as well as building youth entrepreneurial support among project’s partners. This report proceeds as follows; after a brief introduction provided in Section 1, Section 2 underpins the three core themes which characterise the Italian job market: age, skills, geographical location, Section 3 profiles NEETs in Italy giving a brief overview of their demographic and socio-economic variables, plus their composition and regional distribution is presented. Subsequently, Section 4 discusses the policy context by analysing three selected local interventions, and the last section concludes and presents Italy’s outlook and prospects.

# 2 Core Themes

## 2 Core themes

### 2.1 No country for young people?

The fact that Italy faces various political and economic challenges is, unfortunately, old news. According to Marco Annunziata, “the labour market is the best example of how deep-rooted Italy’s structural weaknesses are.” (Annunziata, 2018). If one looks at some major labour market variables, the Italian labour market is particularly unpromising<sup>1</sup>: in 2017, Italy recorded an unemployment rate of 11.2% (against an EU average of 7.6%) and the highest long-term unemployment rate (6.5%) in Europe after Greece. According to data in 2017, Italy had the lowest activity rate in the EU and the highest rate of “available but not job-seeking” people among the Member States (11.6% against the European average of 7.6%), which includes, among others, discouraged workers who have given up on the hope of finding work. Italy also falls short in terms of youth employment in Europe, having the highest NEET rate among Member States (25.5% against an EU average of 14.7% for young adults between 15 and 34 years old).

Observing unemployment rates over time, one can see that Italy experienced three dramatic surges of unemployment in the last 50 years. All three episodes were followed by periods of recovery - decreased unemployment rates and increased GDP. The first surge in unemployment from 1975-1988 is associated with the oil price shock, which had negative effects on economic productivity, and, consequently, on the job market. The second, the “early 1990s recession”, affected many countries in the Western world and resulted in a rise in unemployment rates in Italy between 1993 and 1998 (Bertola & Garibaldi, 2006). The last and most recent instance of an economic downturn is known as “The Great Recession”, which hit global markets during the late 2000s. While this crisis displaced thousands of workers in the housing industry, decreasing consumer confidence and tighter conditions on loans indirectly affected other sectors through a sharp decline in sales. In Italy, as in most European countries, unemployment rates began to rise in 2008 and skyrocketed to a record high (12.7%) in 2014.

Figure 1 shows the trend in total unemployment and unemployment of people under 25 years old in Europe and Italy over the past 35 years (data on EU averages are available only starting in 1999). While more recent data reveals a general declining trend in unemployment rates both in Italy and, on average, in Europe, this should be viewed with

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<sup>1</sup> All data in this report is based on EUROSTAT (2018) unless otherwise stated.

caution. Journalist Erik Sherman suggests that falling unemployment rates could be a consequence of a rise of “missing workers”, namely people who have given up on finding work and disappear from the data because they are not employed nor unemployed<sup>2</sup> (Sherman, 2018). Furthermore, moving the focus to the youth population, Figure 1 unveils an undisputable truth: Italy’s unemployment among youth has always been high, even during periods of recovery.

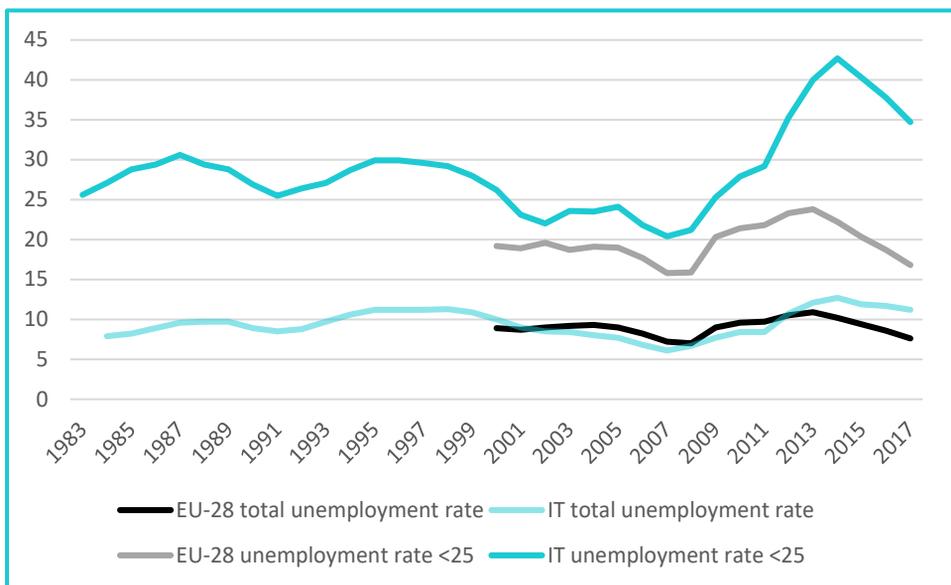


Figure 1. Total and <25 unemployment rate, Italy and EU-28, 1983-2017 (%).

Source: EUROSTAT, 2018.

Worryingly, the graph depicts how the most recent recession affected Italian youth far more than any other (compared to previous shocks to the economy). The gap between total and youth unemployment was already considerably high (14.3%) at the start of the crisis in 2008, and it reached 30 percentage points in 2014. However, this does not seem

<sup>2</sup> Only individuals who are actively seeking for a job are considered unemployed.

to be the case for the rest of Europe, where although unemployment rates for people under 25 years old are higher than total unemployment, nevertheless, the gap remained steady, around 10 percentage points throughout the 2000s. This begs the question: why is the Italian job market particularly hostile to young people? Just as Leonardi and Pica (2015) suggest in a chapter of the book “No country for young people? Youth labour market problems in Europe”, there is no all-encompassing answer and a great number of factors contribute to poor prospects for Italian youth.

### “Demand” for workers

The Italian economy has been stagnating for the past two decades. Slow growth has been caused not only by macroeconomic shocks but also from internal shortcomings, which negatively affect an already weakened labour market, the direct result of hampered job creation. As Quintini & Martin (2014) note, excessive labour costs in the form of high taxation represent an obstacle for many small and medium-size businesses, which are the backbone of Italy’s economy. Labour wedge, especially in a period of economic stagnation, results in lower hiring rates and inexperienced youth usually suffer the consequences. A third factor contributing to the creation of a hostile environment for young people is the quality of entry jobs. In 2011, a third of youth were employed under temporary contracts (Quintini & Martin, 2014) seemingly the rule rather than the exception today. Temporary contracts are easier to terminate, giving young adults little job security and vulnerability to economic contractions; they are more likely to lose their job when firms face tough times.

## 2.2 When education is not enough: the shortcomings of the Italian system

### “Supply” of workers

Italy’s youth shows low educational attainment levels, demonstrated by its third-lowest score in upper secondary attainment (and above) in 2016 among EU Member States, with only Malta and Portugal following behind. Additionally, only about 30% of students who are enrolled in the first year of university will complete their program and get a degree, making Italy one of the OECD countries with the highest university dropout rates (Gitto, Minervini & Monaco, 2011). University students also take a longer time to graduate compared to OECD averages (Gitto, Minervini & Monaco, 2011). As Pastore (2017) illustrates, the phenomenon is known as “fuoricorsismo”: many students fail to finish

their university studies in the time allocated to them. This might be a social issue since families still play a significant role in the journey from school to work (Pastore, 2017) providing such support that there are fewer incentives to finish studies in the prescribed time.

Another aspect to consider is that the Italian educational system is producing adults who are not highly skilled. Graduates from Italy seem to have lower basic skills than high school leavers in Japan and the Netherlands. Data collected from the PIAAC survey carried out in Italy in 2012 shows that Italy ranks among the last countries in Europe regarding literacy, numeracy skills and computer experience (OECD, 2015). All these factors contribute to cumbersome, slow school-to-work transitions for young adults and show the need for up-skilling. However, this does not give a complete picture. For example, there is no justification for highly educated and skilled individuals struggling to find employment and leaving the country looking for opportunities elsewhere. An explanation, certainly difficult to distill in a few lines, might come from three different aspects.

The first aspect is that Italy shows extremely weak links between education and the labour market. Combining studies and internships (or other sorts of work experiences) is still rare in Italy (Pastore, 2017). Therefore, recent graduates might attempt to enter the labour market at a relatively late age (if we consider that the mean university graduation age in Italy is 27-28 years old) with little-to-no practical experience and competence. Furthermore, university courses have a theoretical leaning with no emphasis on practical relevance (Pastore, 2017). Difficult interactions between the education system and the labour market appeared evident when firms were asked through the 2013 Excelsior survey about their difficulties in filling vacancies. Most private-sector employers identified qualitative reasons (applicants having inadequate skills) as the most important factor (Montanari, Pinelli & Torre, 2015).

The second aspect is the weak link between school and the real world, this is also expressed by the fact that often education and training providers, as well as families fail to give accurate information on labour market needs. Young people end up basing their educational choices on other factors, which may lead to poor career prospects. For instance, high school graduates interested in an academic path should be advised to pursue degrees linked to favourable job prospects - there is an increasing demand from firms for mathematicians, actuaries and statisticians, software and application developers and analysts, and electrotechnology engineers (Skills Panorama, 2016).

The third aspect is that reform over the past few years in Italy have aimed to create more flexible vocational education and training systems (VET), which are meant to provide direct entry into the job market by teaching technical skills and practical competences.

Despite the efforts put into creating vocational programs at tertiary levels, participation is still very low (1% of current students) (Montanari, Pinelly & Torea, 2015). The shortage of VET graduates is both a challenge and an opportunity for Italian youth.

### 2.3 A divided, draining nation

The last aspect we decided to investigate in order to better understand the Italian labour market is the North-South cultural and economic divide. Its origins are controversial and can be traced back in history (Federico, 2007) to the so-called “Southern Question”. However, this is still an unsettled problem, especially regarding the labour market. In fact, Italy recorded one of the highest dispersions of unemployment rates in the EU (50%) in 2017, an increase of 6.7 percentage points since 2013. Differences between North and South unemployment rates have been increasing since 2009 when they reached a record low (7.6%) and the gap was recorded at 12.8% in 2017. In general, unemployment rates in the South (and Islands) are three times higher than in the North of the country. The gap between North and South NEET rates is significant: NEET rates in the South are double the number in the Northern regions. In 2017, NEET rates for young adults between 18 and 24 years old were 27.8% in the South and 14.2% in the North. With NEET rates of 39.6% in the Southern region of Sicily in 2017, almost one out of two young adults are unemployed, making it the worst underperforming region in Europe for youth employment.

Statistics confirm stereotypes associated with Southern Italy. Significantly, the gender unemployment gap (i.e. the difference between female and male unemployment rates) is double in the South (4.7%) in comparison to the North (2.3% in the North-West of the country) possibly due to Southern Italians following more traditional gender roles. Owing to the poor job prospects the South of Italy had to offer, interregional South to North migration patterns characterized the second half of the 20<sup>th</sup> century. People from poorer and low wage regions in the South moved to the more urbanized North in search of work. Internal migration slowed down between the 70s and 90s, then picked up again in the 2000s. (Biagi, Faggian & McCann, 2010).

While the South-Center-North migration pattern has become a common trait of Italian society, latest data by the Italian National Institute of Statistics (ISTAT) appears alarming: the net loss of population in Southern regions over the past 20 years is estimated to be one million people (ISTAT, 2018b). As expected, younger individuals are more prone to migrate (Biagi, Faggian & McCann, 2010). However, the phenomenon distinguishing Italian

youth over the past decade is a sharp increase in international migration too as young Italians are moving abroad in huge numbers. In 2017, around 28,000 Italian graduates fled to other countries (an increase of 4% compared to the year 2016). Italian migrants are mostly moving to the UK (18%), Germany (16.1%), France (10.8%) and Switzerland (9.1%) (ISTAT, 2018b). Brain drain from Italy is costing the country its most talented citizens. Between 2013 and 2017, ISTAT (2018b) recorded a steep increase in the number of Italian emigrants with a high school diploma (+32.9%) and with a university degree (+41.8%).

The lack of skilled and highly skilled youth in-country not only demonstrates the difficulties in finding a job but rather the disadvantageous conditions offered by *employers in Italy* compared to the countries like the UK or Germany. Italian newspaper La Repubblica has been gathering stories of young Italians who decided to move abroad. Reading their accounts, a few common themes emerge: young skilled Italian migrants complain about the salary, types of contracts and the quantity of job offers received in Italy. They do not feel appreciated. One of the contributors writes: “After all, if your country does not want you but rather does everything to obstruct you, what alternatives do we have? My dream is to come back one day but only when there will be better conditions.” (“Italiani all’estero,” 2019). The directors Gustav Hofer and Luca Ragazzi suggest the dilemma for Italian youth, with their aptly-titled 2011 movie “Italy: love it or leave it”. Yet leaving is an expression of dissatisfaction, despite the high emotional price.

# 3 Statistical overview of NEETs in Italy

### 3 Statistical overview of NEETs in Italy

The issue of youth unemployment first reached formal recognition and political engagement about 25 years ago (Williamson, 2010), but the concept of NEET's became a routine talking-point on the European Policy Agenda as late as 2010. The term NEET, besides being an acronym widely used by the media industry, has shown some major advantages in the European policy arena and, specifically, the NEET indicator helped better understand young people's vulnerabilities (Eurofound, 2016). This confirmed that the NEET rate should be a keystone for the statistical background we provide in this section. The NEET rate is calculated as the number of young people not in employment, education or training divided by the total population of young people. It differs from the youth unemployment rates because it considers inactive people and does not include unemployed individuals in training.

As previously anticipated, Italy is one of the Member States with very high NEET rates (over 24% in 2017 among young adults between 15 and 29 years old). While the rate of young people aged 15-29 who are not in education, in employment nor training has been falling in Italy from 2014, NEET rates in Italy are still clearly above Europe average levels, as shown in Figure 2, and in the year 2013 the gap between European and Italian NEET rate has surpassed 10 percentage points.

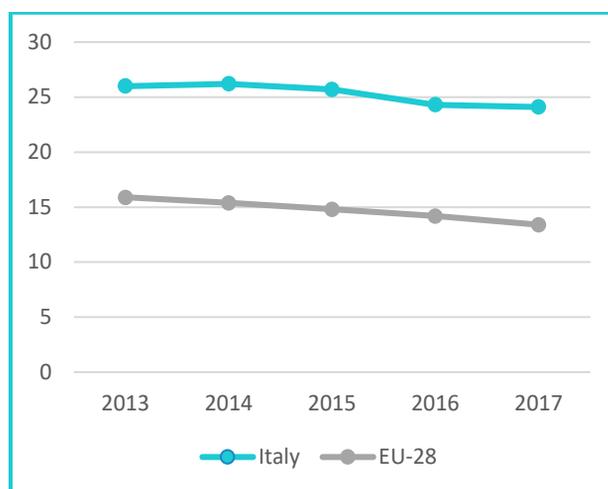


Figure 2. NEET rate, 15-29 years, Italy and EU-28, 2013-2017 (%).

Source: EUROSTAT, 2018.

### 3.1 Demographic variables

Much emphasis has been placed on gender composition of the unemployed group in Europe among policymakers over the past decades, and, as a result, the gap between male and female youth unemployment is steadily decreasing in most European countries (Loi, Patrizio, & Samek, 2017).

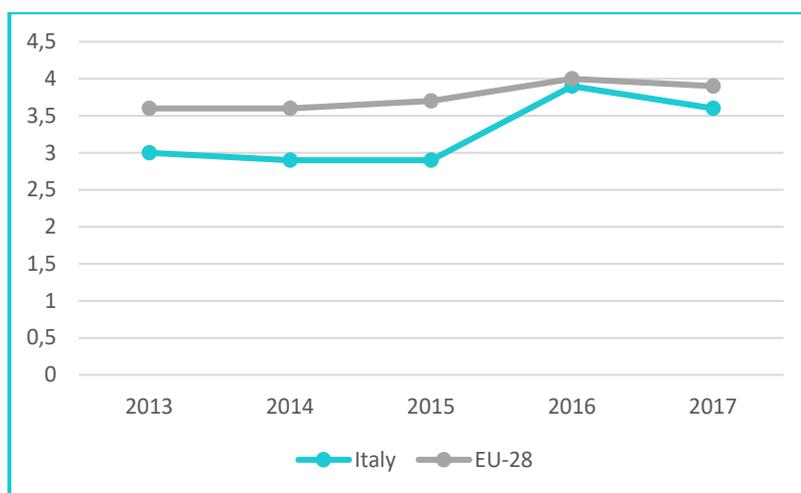


Figure 3. Gender gap of NEETs aged 15-29 years, Italy and EU-28, 2013-2017 (%).

Source: EUROSTAT, 2018.

As Figure 3 shows, in Italy the gap between genders from 2013 and 2017 has reached a record low (2.9 %) in 2014 and 2015. Despite an increase to 3.6 percentage points in 2017, it remains below the European average (3.9%). Young males between 15 and 29 years old are therefore as likely to fall in the NEET group as their female counterparts.

The gender variable plays a significant role both in Italy and across the EU when analysing the labour status of NEET youth as depicted in Figure 4. While within the NEET group young men are more likely to be unemployed (looking for a job), young women are more likely to be inactive (not actively looking for a job). Eurofound (2016) attributes these differences to the traditional role of the woman in the family structure. In fact, women more often than men tend to stay home caring for children or incapacitated adults.

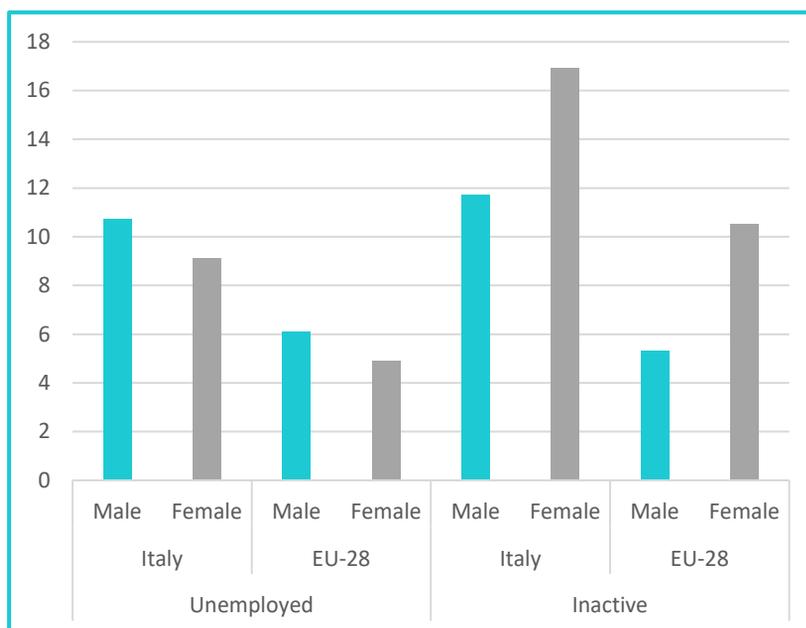


Figure 4. NEET rate for people aged 15-29 by sex and activity status, Italy and EU-28, 2017, %.

Source: EUROSTAT, 2018.

A non-native background (here represented by foreign country of birth) also increases the risk of becoming NEET. Across Europe in 2017, NEET rates for young people with migration backgrounds (20.3%) were almost 8 percentage points higher than for their national counterparts (12.6%). However, an analysis of youth unemployment by gender and country of birth reveals that young women with a migration background (here represented by the foreign country of birth) are the group most at risk of becoming NEETs, see Figure 5. With a NEET rate of 42.6%, in Italy, almost every second young woman with a migration background is unemployed. This number significantly contrasts with NEET rates of national-born females (23.5%) suggesting that foreign-born young women are almost twice as likely to be unemployed compared to their national born counterparts. Secondly, their NEET rate is also much higher than the NEET rates for males with a migration background (23.8%). While a gap in NEET rates between national and foreign-born residents is to some extent noticeable all over across Europe, the wide gap between

national and foreign-born females in Italy (19.1%) clearly diverges from the EU average (11.7%).

This data should be viewed with scepticism: a significant number of foreign-born women in Italy are migrants, who are active in informal labour market channels. For instance, ISTAT (as cited in Cadeo, 2017) suggests that there are around 2 million domestic workers in Italy, at least 60% of them do not have a regular working contract and 77% are foreigners, especially women. It seems therefore reasonable to suppose that a significant share of foreign-born women who declare to be unemployed are de facto working in a shadow economy.

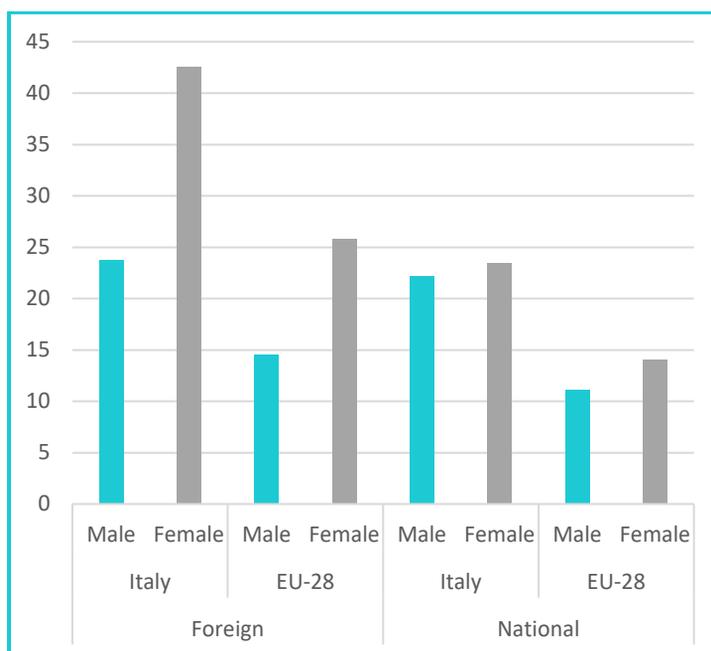


Figure 5. NEET rate by country of birth, people aged 15-29, Italy and EU-28, 2017

Source: EUROSTAT, 2018.

The age variable also plays a key role in profiling unemployed young adults. In line with European averages, data confirms that in Italy the risk of becoming NEET increases with age. Figure 7 gives evidence that NEET rates are higher in the subgroup of young adults aged 25-29 compared to those in the groups of young adults under 25 years old. NEET rates for youth under 25 years old might be closely linked to the rate of early school

leavers. Italy has, in fact, one of the highest rates of early leavers from education and training in the EU (14% against a European average of 10.6% in 2017).

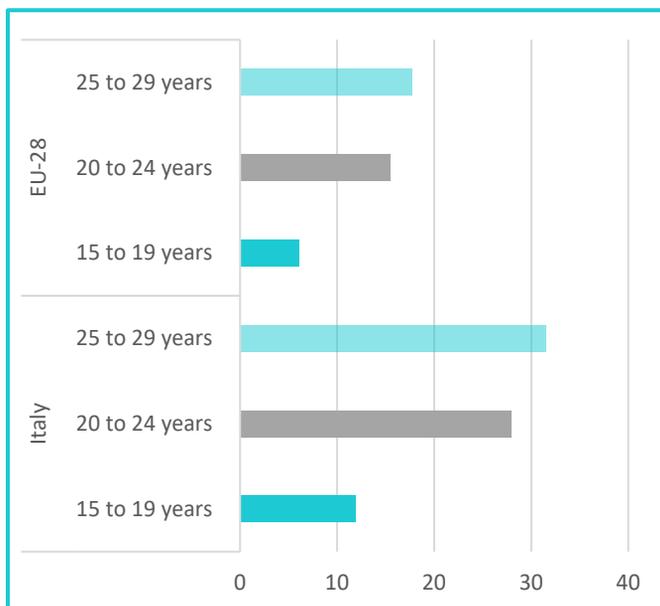


Figure 7. NEET rates by age group, Italy and EU-28, 2017.

Source: EUROSTAT, 2018.

Finally, in Italy, the degree of urbanization does not seem to be a significant determinant of the risk of young people to become NEETs. As Figure 8 depicts, in Italy, NEET youth seems to be equally distributed among cities, towns and suburbs and rural areas with no significant differences among the three places of residence.

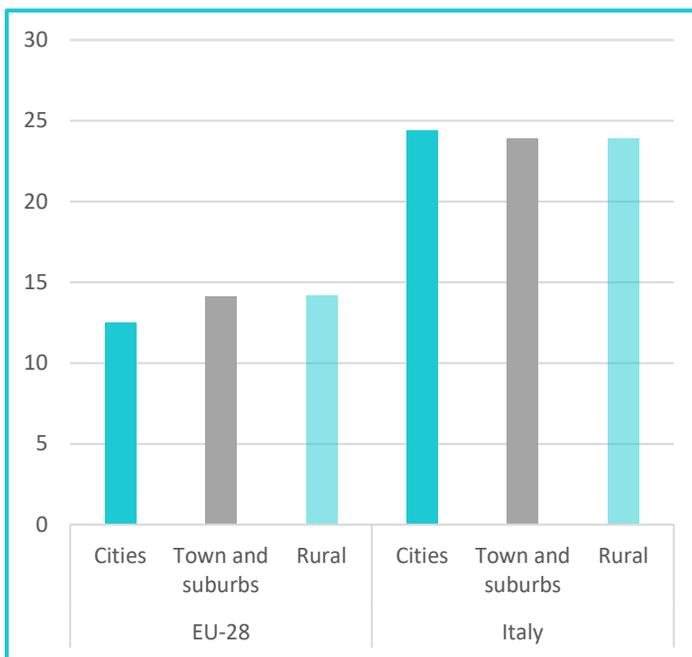


Figure 8. NEET rate by degree of urbanization of people aged 15-29, Italy, 2017.

Source: EUROSTAT, 2018.

### 3.2 Socio-economic variables

One of the most revealing socioeconomic variables when analysing unemployment is educational attainment. Data indicates that on average, in the European Union, tertiary education represents effective protection against unemployment - NEET rates decrease with increasing levels of education. Yet conversely in Italy, young people with a secondary level of education (ISCED 3-4) are more at risk of becoming NEETs. As Figure 10 depicts, the NEET rate for people with a tertiary level of education (ISCED 5-8) is lower than the NEET rate of young adults with lower educational attainment, however, NEET rates for

low educated individuals (ISCED 0-2) are also lower than those of individuals with a medium educational attainment level.

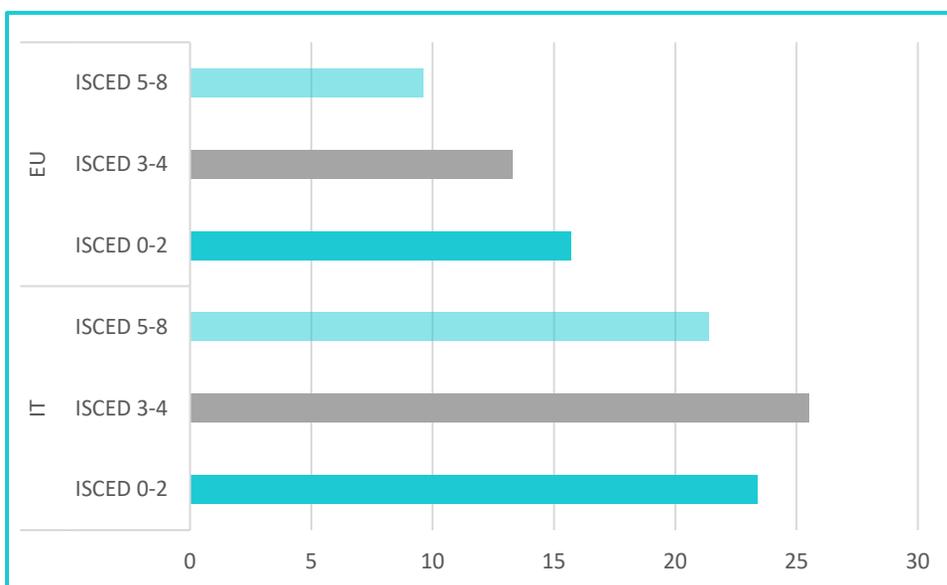


Figure 10. NEET rate by educational attainment of people aged 15-29, Italy and EU-28, 2017.

Source: EUROSTAT, 2018.

Regarding other relevant socio-economic variables, Robson (2008) found that in a sample of European countries with data collected between 1994 and 2001, the general trend is that increasing levels of household income are negatively correlated to the probability of falling into the NEET group. Essentially, NEETs tend to come from poorer families. However, in a later empirical study by Shinozaki (2012) on NEET predictors in Japan, the effect of family income on NEET status seems to have a U-curve shape. The level of family income decreases the probability of becoming NEET up to a certain point and increases it after that point. This hypothesis has been tested empirically in the Italian context by Bonollo (2013) on a sample of about 600 NEETs between 20 and 39 years old living with their parents. The results indicate that economic variables are relevant when one tries to identify predictors of NEET status. Bonollo gives evidence that an increasing per capita

income decreases the likelihood of becoming NEET up to a point but after that point increasing per capita income is positively associated to the probability of becoming NEET.

One explanation for this phenomenon could lie in the fact that while poor families benefit from an increasing per capita income up to a certain point, very high levels of per capita income could act as a safety cushion for young adults, who are therefore less motivated to look for a job.

### 3.3 NEET composition and vulnerability

The most recent Eurofound report (2016) on NEET diversity proposes a division of the NEET population into seven sub-groups (re-entrants, short-term unemployed, long-term unemployed, unavailable due to family responsibilities, unavailable due to illness or disability, discouraged workers and other inactive) based on the EU Labour Force Survey. This categorisation goes beyond common demographic and socioeconomic variables and tries to identify reasons for an individual's NEET status in order to help policymakers and interventions' planners.

According to the report, the different categories are characterised by diverse degrees of vulnerability in terms of labour market participation and risk of social exclusion. Re-entrants and short-term unemployed display low to moderate degrees of vulnerability. Unavailable due to illness or disability and long-term unemployed and discouraged workers are classified as highly vulnerable groups since they are the people more at risk of social exclusion. Finally, the categories of unavailable due to family responsibilities and other inactive are a mix of vulnerable and non-vulnerable NEETs, who require further analysis to determine their potential labour market participation and risk of social exclusion.

Figure 11 provides an overview of NEETs in Italy according to the seven Eurofound categories described above. The chart shows at least three alarming trends. Firstly, the biggest group of NEETs in Italy is made of long-term unemployed (26.3% - 3.2 percentage point higher than the EU average). Secondly, the share of discouraged workers in Italy (14.1%) is more than twice as large as the EU average rate (5.9%). Both afore-mentioned groups are considered highly vulnerable groups made of individuals at risk of social exclusion who have the potential to become long-term disengaged. Thirdly, the share of

short-term unemployed in Italy (14.8%), who generally are characterized by lower degrees of vulnerability, is lower than the EU average (25.5%).

Positively, the rate of NEETs unavailable due to illness or disability (3.6%) is significantly lower than the EU average (7.1%) suggesting that the country has put in place effective measures of social support. Also, the rate of Italian NEETs unavailable due to family responsibilities (15%) is significantly lower than the EU average (20.5%).

This last measure, however, is difficult to interpret as it is currently not known which NEETs are voluntarily inactive because of family responsibilities and which ones are instead forced into it because they cannot afford, for instance, paid care. Finally, a significant number of NEETs belonging to the group “other inactive” (15.1% against an EU average of 11.7%) calls for a deeper analysis of this heterogeneous category.

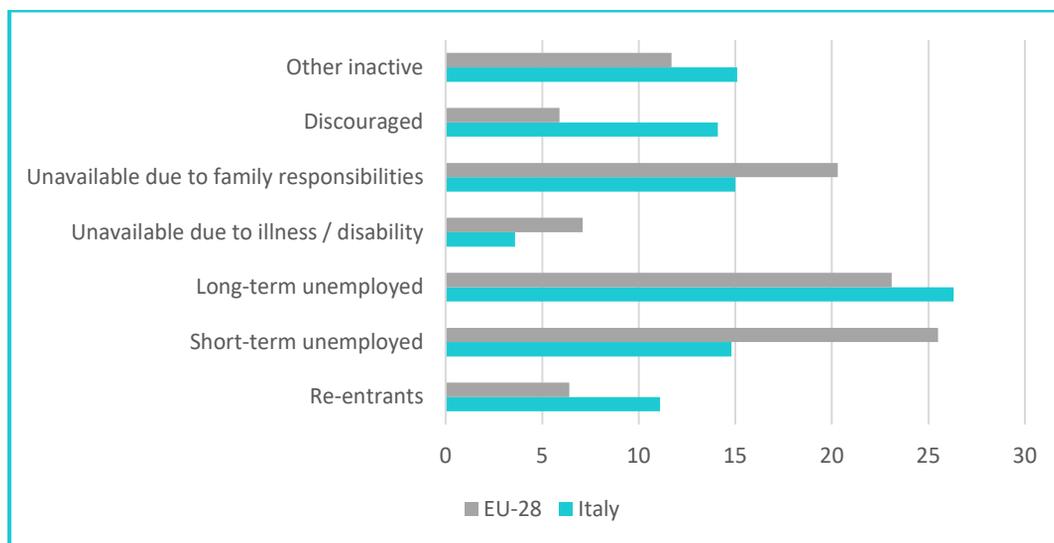


Figure 11. Composition of the NEET group in Italy and EU-28 (%), 15-29 year olds (2013)

Source: Eurofound, 2016.

### 3.4 Regional distribution

While general demographic data on NEETs is of extreme importance to glean a complete picture, further context-specific factors intervene at a national level in determining who the NEETs in Italy are. Because of the wide regional diversity of the country, this report suggests that the macro-region of residence carries high significance when trying to further understand the composition of the NEET population in Italy, as suggested in Chapter 2.

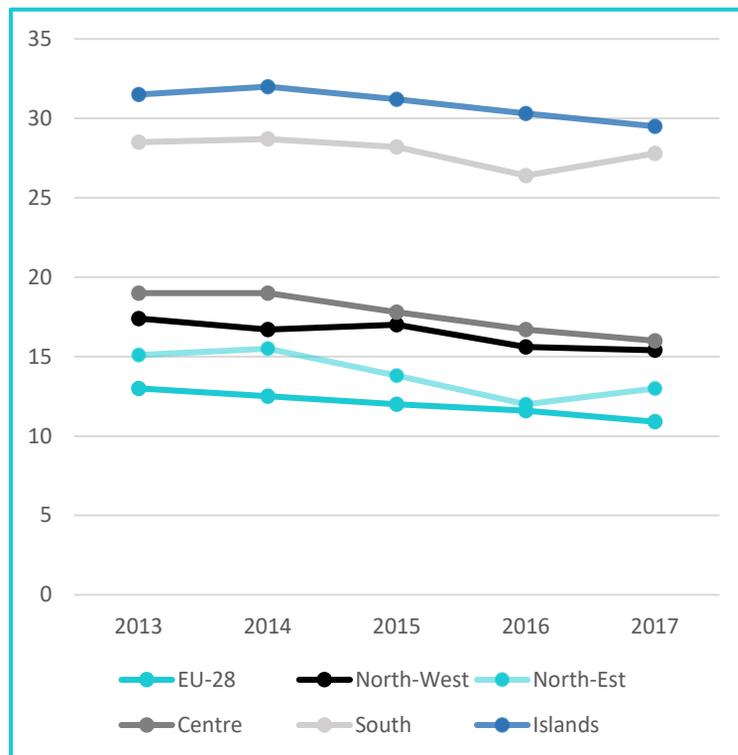


Figure 12. NEET rates by macro-regions Italy and EU-28, people aged 15-24 (2017)

Source: Eurostat

Figure 12 illustrates the massive North-South divide in NEET rates among young adults. In the South and on the Islands, NEET rates have surpassed 30 percentage points. A slight decline in the past two years sees rates at 27.7% for the South<sup>3</sup> and 29.5% for the Islands<sup>4</sup> in 2017 (against a European average of 10.9%). The Centre<sup>5</sup> and North of the country score better on youth unemployment with NEET rates at 16% for the Centre, 13% in North-East<sup>6</sup>, and 15.4% in the North-West<sup>7</sup>.

Although the most underperforming relative comparison among Italian macro-regions shows a better situation in the North and Centre, the imbalance with the EU average remains significant across the whole country.

The historical North-South divide helps explaining the disparate development of unemployment rates. However, official statistics might hide part of the truth. Working “off the books” can distort unemployment levels, especially in the South and Islands, where illegal employment is widespread. Informal work represents a social safety net for those who are unemployed, and it involves over 3 million people in Italy, contributing to 6.5% of the national GDP. The Southern region of Calabria ranks first for informal employment in with 146,000 informal workers who contribute to a (regional) added value of 2.891 million Euros (9.9% of the total regional added value against a national average of 5.2%). In general, data reveals that the South has roughly 1.3 million informal workers who generate 8% of the added value, costing the Italian government 15 million Euros in lost tax revenue (CGIa, 2018).

To conclude, the above analysis showed that in Italy (generally):

1. Gender (female) is a significant variable if associated with labour status (inactivity) and migration background (foreign country of birth).
2. The risk of becoming NEET increases with age.
3. Tertiary educational is associated with significantly lower NEET rates.
4. The degree of urbanization does not seem to play a key role in increasing the risk of becoming NEET.

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<sup>3</sup> It includes the following regions: Abruzzo, Molise, Campania, Puglia, Basilicata, Calabria.

<sup>4</sup> It includes the following regions: Sicilia, Sardegna.

<sup>5</sup> It includes the following regions: Toscana, Umbria, Marche, Lazio.

<sup>6</sup> It includes the following regions: Trentino Alto-Adige, Veneto, Friuli-Venezia Giulia, Emilia\_Romagna.

<sup>7</sup> It includes the following regions: Piemonte, Valle d'Aosta, Liguria, Lombardia.

5. The region of residence plays a critical part in becoming NEET. Southern regions and Islands have substantially higher NEET rates with respect to the Centre and North of the country.

6. The share of vulnerable NEETs who are “long-term unemployed” and “discouraged workers” are significantly higher in Italy compared to EU averages.

# 4 Selected local interventions

## 4 Selected local interventions

The plague of youth unemployment and its causes have been of interest to theorists, practitioners and policymakers throughout modern history (Levin, 1983; Melvyn & Freedman; 1979; Hess, Petersen & Mortimer, 1994). NEETs are now a recurring topic on the European Policy Agenda since they have been identified as the single most important challenge in recent labour market trends (Eurofound, 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, but also, unemployed citizens 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 or other types of income support are instead directed at mitigating the adverse immediate financial effects of job loss, which often results in deteriorating living standards (Mascherini, Ledermaier, Vacas-Soriano & Jacobs, 2017). These types of measures usually do not help secure employment unless they are coupled with work inclusion policies.

The report now turns to a review of three active policies in Italy, aiming to tackle the problem of youth unemployment from different angles. The first is Italy's implementation of the Youth Guarantee, which is the most important policy framework ever established in Europe. Its goal is to prevent social exclusion and long-term disengagement of youth (Mascherini et al, 2017). The scale and reach of this policy initiative are extremely significant. The second program analysed in the report is called *Resto al Sud* ("I stay in the South") and it is an incentive scheme that targets unemployed young people in job-depressed regions in the South of the country. The initiative is noteworthy as it represents a regionally targeted labour policy aimed at creating jobs and combatting brain drain by fostering youth entrepreneurship. The third intervention addressed is *Reddito di cittadinanza*, a new reform rolled-out in March 2019, which consists of a minimum income scheme conditional to work. The single most important objective of this intervention is lifting people out of poverty through financial benefits, and importantly, the scheme includes an employment insertion path for those who can work. This could have significant consequences on the Italian labour market.

## 4.1 The Youth Guarantee by the European Union

Adopted in April 2013, the Youth Guarantee is the European plan that Member States agreed to. They will engage more actively in the fight against unemployment by supporting youth in finding a work 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 of Youth Guarantee highlights the need for a tailored approach to tackle the issue of youth unemployment and invites Member States to present their own implementation plan depending on local circumstances. Italy presented a Youth Guarantee Implementation Plan on 23 December 2013 consisting of three different sequential phases: 1) informative services to promote the Youth Guarantee contents among young unemployed adults, 2) reception and analysis of requests, 3) personalized offers (such as work placement, apprenticeship, internship, formal education path, entrepreneurship or community service) based on the needs and preferences of the end beneficiary.

On the one hand while Youth Guarantee aims at reaching significant numbers of disengaged youth, yet it is evident that 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 excluded. They may be reluctant in joining the scheme and try instead to make it on their own for a while supported by other social safety mechanisms such as family and friends 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 a generous allocation of funds to temp agencies and private companies even before NEETs are being offered a job opportunity (Cannavò, 2015).

## 4.2 Resto al Sud

Since the Italian unification was formalized in 1861, various national policies have tried to introduce mechanisms and schemes with the aim of reducing the North-South economic divide. The notorious *Cassa per il Mezzogiorno* (Casmez) or “Fund for the South”, was a public agency, active from 1959 to 1984 and created for the development of the Italian Southern regions. The failure of this massive intervention is still being debated and a

recent book “*La dinamica economica del Mezzogiorno*” by the Svimez Research Centre fights clichés about the Casmez fiasco. Casmez represented government unproductivity and poor management of resources, fueling Italian public opinion that all spending in the South was doomed to fail (Tupputi, 2016). This example, in combination with economic liberalization, globalization and privatization of many public companies, meant that the country has drastically lowered the public resources available to the Southern regions (Tupputi, 2016).

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

The public program *Resto al Sud* was introduced by the Italian Government in 2017 to promote entrepreneurship for young adults between 18 and 35, who live in eight Southern regions or, alternatively, youth from other Italian regions willing to move to the South and start their own venture. Since 2019, this intervention has extended the age range to include individuals up to 46 years old. The initiative seems to target a specific need of many necessity entrepreneurs<sup>8</sup>, those who lack capital and require startup financing in order to lower entry barriers (*Resto al Sud* foresees a non-repayable financing for 35% of the initial investment and an interest-free loan for the remaining 65%). Preliminary results available on the official *Resto al Sud* website show disappointing numbers. Out of 7,816 loan requests presented to date, only 3,035 of them (39%) have been accepted and deemed positive. The high percentage (61%) of rejected requests raises important questions about the program.

Three factors could possibly 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?”. *Resto al Sud* might partly address fears related to the financial issues arising from bankruptcy but, it does not deal with cultural stigmas of entrepreneurial failure. Secondly, young people may doubt their very own entrepreneurial abilities. Data collected by OECD/EU and reported in the study mentioned above confirms that 30% of young adults are uncertain about their abilities, which acts as a barrier when it comes to venture creation. However, the unfavourable context may force many into entrepreneurship as a last resort option, regardless of the

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<sup>8</sup> Necessity entrepreneurs are people who feel urged to start their own business because job opportunities in the area are either non-existent or unsatisfactory.

perception of the abilities that one holds - as a result the share of people doubting their entrepreneurial skills but becoming entrepreneurs 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 the creation of a viable business plan and be behind the significant number of rejected applications.

### 4.3 Reddito di cittadinanza

Unemployment is a huge part of income insecurity and often results in poverty and social exclusion (Sen, 1997). This section 4.3 explores policies that have been made with the attempt to alleviate poverty, in-work poverty and social exclusion.

It focusses on a recent key reform introduced by the Conte I Cabinet, namely *Reddito di cittadinanza* (RdC) (basic income or citizens' income). According to Eurostat, roughly one-fifth of the European population is at risk of poverty and social exclusion (22.4% as of 2017). The European Anti-Poverty Network (EAPN) claims that there are, on average, significant improvements across the EU (Cesarini Sforza & Teodosi, 2018), although Italy's numbers demonstrate the opposite: the number of people at risk of poverty and social exclusion in Italy has been increasing, changing from 24.9% at the dawn of the global financial crisis in 2009 to 28.9% in 2017. Under domestic and international pressures (Ciccarone, Dente & Rosini, 2016), the Italian government undertook a series of actions to tackle this problem over the past decade. The following paragraphs shed light on the previous efforts of reform and how they culminated in the latest initiative to address this - a basic income scheme rolled-out in March 2019.

After a failed attempt to launch a minimum income scheme called *reddito minimo di inserimento* (RMI) in 1997, the first significant reform of this type was introduced by the Berlusconi government (2008) with the *Carta acquisti ordinaria* (ordinary purchase card), intended for the elderly over 65 or children under 3, with extremely low disposable incomes, it gives recipients a monthly allowance of 40 Euros on a pre-paid card and is still in use today. It is solely for financial help to guarantee basic amenities such as food, health and energy and does not require any participation in social inclusion programs. Another similar scheme was implemented four years later, in 2012, when the government introduced the *Social card sperimentale* (experimental social card). As the name suggests, this intervention was first experimentally introduced in 12 Italian cities and then rolled-out at the national level in 2015 with a different name, *Sostegno per l'inclusione attiva* (SIA, active inclusion subsidy). Unlike the *Carta acquisti ordinaria*, this income support tool was coupled with a path for social inclusion, which engaged the end

beneficiaries in social activities at a municipal level. The card offered 80 Euros monthly per family member for families with low incomes and poor housing conditions.

After the experimental phase, SIA became a structural reform in 2018 and various amendments were made, income thresholds rose, duration of benefits increased from 12 to 18 months and it was given the new name *Reddito di inclusione* (REI). One year later, an even more comprehensive policy, called *Reddito di cittadinanza* (RdC, basic income or citizens' income) was then introduced and launched at the national level. The only change from REI to RdC is that higher payments for the most disadvantaged aim to guarantee that everybody lives above the poverty line figure of 780 Euros a month.

To be clear, most literature on the issue agrees on Van Parijs's (1992, p.3) definition of basic income as an "income unconditionally paid to all on an individual basis, without means test or work requirement", a definition that clearly deviates from the 2019 Italian reform. Although RdC has been frequently referred to as basic income or citizens' income (a more literal translation), this leads to misconceptions.

The policy is a minimum income scheme conditional to work rather than a more revolutionary universal basic income scheme (Gobetti, 2018).

The idea was first piloted for six months in 2016 with 100 families in Livorno, an Italian coastal city in the region of Tuscany. Beneficiary families received 500 Euros per month and, only if interested, were involved in community work, cultural and environmental projects. A study conducted by Roma Tre University on the pilot assessed the perceived effects of the scheme by the beneficiaries themselves. In general, two thirds of them reported an improvement in their economic conditions during the semester of delivery. However, recipient families highlighted the lack of work integration paths as a significant shortcoming and 20% of the sample interviewed added the need to couple the cash transfers with other non-economic interventions such as support in the care of minor children or disabled family members (Dhimgjini, 2017).

The work inclusion path is a central defining component of RdC since recipients of the benefits will have to enroll in employment trainings and cannot turn down more than three job offers, under penalty of exclusion from the scheme. While the idea seems great in theory, strong criticisms have emphasized the fact the Italian public administration simply lacks the personnel, infrastructure and funds to deliver the work integration element of the scheme (Hurst, 2019). Initially, the government proposed the introduction of a new work profile, a "navigator", who acts as tutor, coach or mentor accompanying unemployed receivers of the RdC through a personalized work inclusion path. Early speculations discussed 30,000 navigators, who would be hired under temporary contracts by Agenzia Nazionale Politiche Attive Lavoro (ANPAL, National Agency for Active Labour Market Policies) and would be working in the 550 Centri Pubblici per l'Impiego (CPI, public employment offices). Aspiring navigators undertook a public exam to compete for one of

the 6,000 places available (one-fifth of the initial amount) and their results were available in June 2019. The new work profile started being operative in July 2019 after specific trainings sessions were held in different municipalities in Italy. Thus far, the plan has not run smoothly and Luigi Oliveri, the public manager of Verona's provincial administration, ironically talked about the "shipwreck of navigators".

The first problem is a lack of physical infrastructure. Even though the government has talked about tens of thousands of navigators, there are no concrete plans about the opening of new CPIs, where the navigators would be working. The current set-up of public employment structures is clearly inferior to what this scheme requires and should involve in order to deliver its mission. An adapted database system is still missing so coordination among the CPIs at a national level is not possible. Furthermore, current employees are lacking the digital skills needed for this change. In 2018, ISTAT conducted a crucial investigation about the functioning of public employment services (PES) in Italy and other European countries, which highlighted the Italian system's lack of human infrastructure. For instance, there has been little public investment into labour market services, which include costs intended for public employment services, in 2015 Italy spent 0.04% of the GDP, in sharp contrast to Germany (0.36%) and France (0.25%). In the same year, Italy employed about 10,000 workers in PES in contrast to the 110,000 people employed in Germany and 50,000 in France. This means a public expenditure of about 100 Euros on each unemployed person in Italy, while Germany and France spent 3,700 and 1,300 Euros, respectively (ISTAT, 2018a).

Experts estimate that for a smooth implementation of the scheme the creation of at least 50,000 jobs would be necessary (Brusini, 2018). The new navigators, however, appear as a stopgap measure on a dubious system, namely 6,000 temporary jobs that add to the issue of precarious work among youth in Italy. Vincenzo de Luca, President of Campania, blocked the navigators' call for applications in his region and refused to sign an agreement with ANPAL. He stated, "navigators have no future", referring to the fact that eventually, they will add to the crowds of unemployed people when their employment contracts will end, in April 2021 (Scaperrotta, 2019). Critics of the minimum income scheme introduced in 2019 also emphasized several other issues related to the measure. For instance, the existence of a fundamental funding problem: the investments required could partly come from resources diverted from other social programs, but they are unlikely to be enough and this raised concerns about the government's plans to increase the already worrisome country's public debt (Kirchdorfer, 2018; Girardi, 2019). Other difficulties in the implementation phase arise also from the country's infamous high levels of tax evasion and informal work, which could result in a failure to reduce unemployment rates (Girardi, 2019).

# 5 Outlook and conclusions

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According to the IMF (2019), unemployment rates in Italy are forecasted to stay at relatively stable levels around 10% for the next 5 years. However, challenges such as globalisation and automation have the potential to lower the quality of new jobs and create greater disparities amongst workers within the Italian labour market (OECD, 2019). Additionally, it remains to be seen how recent changes in the government will affect ongoing labour market reform. As the Chairman and CEO of Samasource Leila Janah said: “Labour looks different in the 21st century. And so should our job training programs”. Based on this report, innovative employment programs developed with the objective of connecting NEETs in Italy to jobs available in the labour market or, alternatively, supporting them in creating their own business, should aim at the right target, offer the appropriate content, be aware of the public policy environment in which they operate, and be able to provide solid, credible evidence on their impact.

Regarding the target group, it would appear that new programs should attempt to include hidden, inactive and discouraged NEETs, who may have failed to join other schemes or initiatives. Moreover, even though the prevailing European definition of NEET defines young people as between 15 and 29 years old, it is reasonable to question if youth employment programs in Italy should instead extend the age range to include older groups of youth, adapting to the local context: allowing for sociological and cultural specificities of the Italian job market and educational system. In fact, even ISTAT, the official Italian National Institute of Statistics, includes people up to 34 years old in its definition of NEETs. In relation to the content of the programs, it is important that employment programs act as a link between labour demand and supply by a) providing accurate information on labour market needs (for instance by highlighting areas with shortages of workers, or presenting vocational and/or educational paths with good career prospects) b) facilitating labour market entry through up-skilling and re-skilling and also c) supporting new business creation through solid entrepreneurship education, especially in job-depressed regions.

With reference to the public policies discussed above, it is worth considering if and how RdC will affect other work inclusion initiatives. According to INPS, the Italian National Institute for Social Security, the approved recipients of RdC until July 2019 accounted for about 1 million people in the whole country, with Campania and Sicily being the top regions by number of recipients (INPS, 2019). It should be acknowledged that the amount of RdC beneficiaries could be detrimental for other employment programs operating in those areas due to the fear of possible revocation of the financial benefits, as they are conditional to specific work inclusion paths offered by the, under-staffed, Italian PES.

Finally, it is vital for innovative projects to be developed around a well-founded impact assessment framework, which would enable policymakers, funders and program designers to access solid evidence of what works and what does not work in the world of youth employment programs.

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