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ISTITUTO PER LA RICERCA VALUTATIVA
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PROVINCIA AUTONOMA DI TRENTO

Youth Guarantee in Trentino

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INTRODUCTION

This report contains information regarding the participation in the Youth Guarantee scheme in the Autonomous Province of Trento (PaT). The policy framework for the local scheme is provided by the EU-wide Youth Guarantee principle endorsed by EU member states in April 2013. The main objective of the Youth Guarantee is to ensure that individuals below 30 years of age receive a good-quality offer of continued education, apprenticeship, or traineeship within a period of four months of becoming unemployed or leaving formal education, in order to improve their employability.

This is the third of 18 quarterly reports, which will monitor the implementation of the Youth Guarantee scheme in Trentino, Italy. The reports inform about the current state of program take-up and participants characteristics. This report describes the situation as of

December 31, 2015. Each issue provides additionally a focus on a specific topic. This report includes a review of the current empirical literature on the effectiveness of active labor market policies aimed at reducing youth unemployment.

Youth Guarantee in Trentino

The initial interview represents the starting point of participation in the Youth Guarantee scheme in Trentino. Individuals who expressed interest via the national or regional Youth Guarantee website, are contacted by the local Labor Agency (*Agenzia del Lavoro*) of the PaT to set up an interview date. Individuals who concluded such an interview are subjects of the monitoring and are further called “**program participants**”. Note that we explicitly exclude individuals registered via the website but not available for an interview appointment since they are obviously a priori not interested in participating in the program. Instead we monitor participants who drop out of the scheme at any step throughout the program.

If an individual decides to take part in one of the measures of the Youth Guarantee scheme, a **mutual obligation agreement** (*patto di servizio*) is signed, which states the type of measure chosen.

The PaT offers four types of measures within the Youth Guarantee scheme (see also *Deliberazione della Giunta Provinciale: May 26, 2014, n. 807*), which are implemented by external entities selected by a public call:

Track A Internship	<ul style="list-style-type: none">• individual orientation activities (up to 8 hours)• preparatory training (up to 26 hours)• internship (8 to 24 weeks)• phase of “accompanied labor market insertion”• first activities started on November 10, 2014
Track B Training and Internship	<ul style="list-style-type: none">• targeted to youth aged 15-25 holding a secondary school degree and graduated no more than two years ago• occupation-specific training courses (50 to 200 hours)• internship (16 to 24 weeks).• first activities started on February 2, 2015
Track C Apprenticeship	<ul style="list-style-type: none">• restricted to 15- 25 year olds in possession of credentials corresponding to at least one year of vocational education• apprenticeship of (up to two years) in combination with vocational training (up to 460 hours) to achieve a vocational degree (<i>qualifica</i> or <i>diploma professionale</i>)• first activities started on May 12, 2015
Track D Civilian Service	<ul style="list-style-type: none">• targeted to youth aged 18- 28• activities in the civilian service (3 to 12 months)• first activities started on April 1, 2015

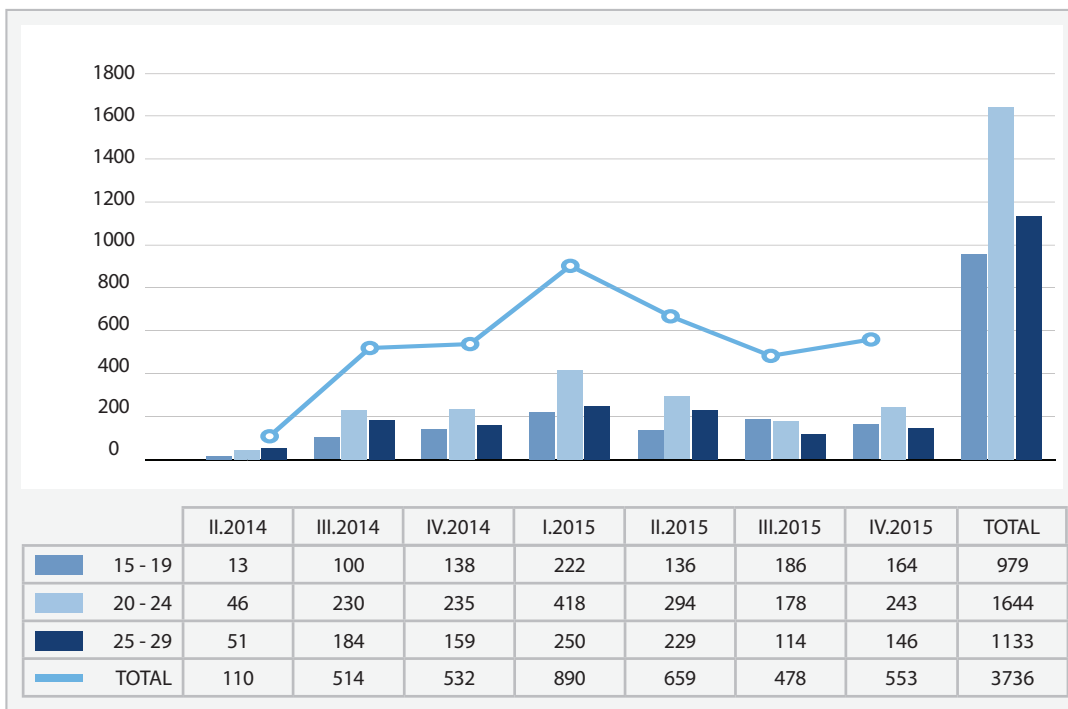
In addition to the four pillars of Youth Guarantee measures, a fifth measure concerns the so-called **bonus occupazionale**, which represents a monetary incentive for enterprises to hire program participants. This bonus is currently not subject to the monitoring exercise provided in the report.

Note that modifications of the Youth Guarantee Scheme in Trentino (see *Deliberazione della Giunta Provinciale: December 3, 2015, n. 2215*) are only operative as of 2016 and hence not subject of the present monitoring report.

As mentioned above, program participants are defined as individuals who concluded an interview with the local Labor Agency (*Agenzia del Lavoro*). Figure 1 depicts the number of interviews conducted for each quarter since program start, hence the number of program participants entering the scheme. Numbers for the second quarter of 2014 are relatively low since the *Agenzia del Lavoro* of the PaT started conducting interviews in June 2014. In the subsequent two

quarters, on average about 500 participants entered the program. There is a considerable peak in the number of interviews conducted in the first quarter of 2015 (890 interviews), while program participation decreases in the subsequent quarter to 659, and continues to decrease in the third quarter of 2015 to 478 new participants. Participation appears to pick up slightly in the fourth quarter of 2015 with 553 new participants.

Figure 1
Number of interviews by interview quarter and age of participants

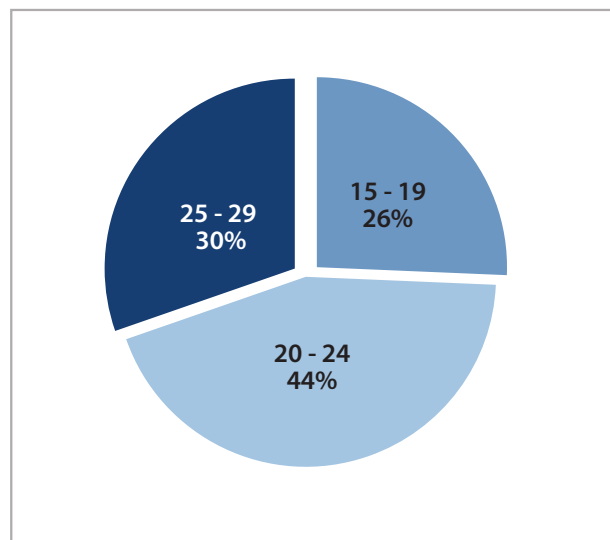


Source: own calculations based on data from the *Agenzia del Lavoro* of the PaT.

The age distribution among participants shows for each quarter that most participants stem from the 20-24 age group with a peak in this group's program entry in the first quarter 2015. Moreover, 25-29 year-olds are the second largest group with program entry also peaking in the first quarter 2015. Participation gradually increases among the youngest group of 15-19-year olds until the first quarter 2015, then considerably decreases in the second quarter 2015, and again increases in the most recent quarter. Note that participation in the third quarter 2015 increases only for this age group, while participation among the other age-groups decreases. On the whole, as displayed in Figure 2, almost half of the program participants (44 percent) are 20-24 years old at program entry, followed by the group of 25-29 year-olds (30 percent) and the youngest group of 15-19 year-olds (26 percent).

As of end-December 2015, the total number of participants in the Youth Guarantee scheme in Trentino amounts to 3,736 individuals, 959 15-19 year-olds, 1,644 20-24 year-olds, and 1,133 25-29 year-olds.

Figure 2
Share of total interviews by age of participants



Source: own calculations based on data from the *Agenzia del Lavoro* of the PaT.

Concluding the interview with the *Agenzia del Lavoro* of the PaT, participants decide whether to sign a mutual obligation agreement (*patto di servizio*). Signing the agreement goes along with the choice of one of the four types of Youth Guarantee measures offered in the Province of Trento.

In this section, we provide an overview of the passage from the interview to the mutual obligation agreement, the characteristics of participants who signed such an agreement, as well as an outlook on the types of Youth Guarantee measures chosen.

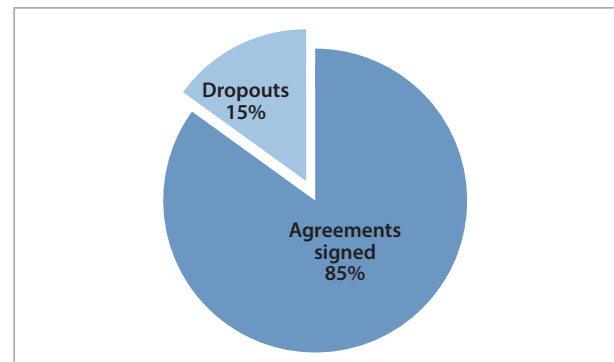
From interview to mutual obligation agreement

At the passage from interview to mutual obligation agreement, ca. 15 percent of all participants choose not to sign an agreement and hence drop out of the Youth Guarantee scheme (see Figure 3). This amounts to 562 dropouts among the 3,736 participants from program start up until December 2015. Thus, in the observation period, a total of 3,174 mutual obligation agreements were signed in the Province of Trento.

There are several potential reasons for a participant to drop out of the scheme. First, participants who (re) enter the labor market or the formal education system automatically drop out. Second, especially in the starting period of the program, participants dropped out due to long waiting times until the activation of their preferred measure, in order to re-enter the program at a later point. Third, participants can at any time drop out to participate in other activation measures provided in the Province of Trento, which are not part of the Youth Guarantee scheme, or for other reasons. Unfortunately, at this point, it is not possible to distinguish dropouts in terms of the above reasons.

Figure 4 reports the evolution of number of interviews, number of agreements over the observation period

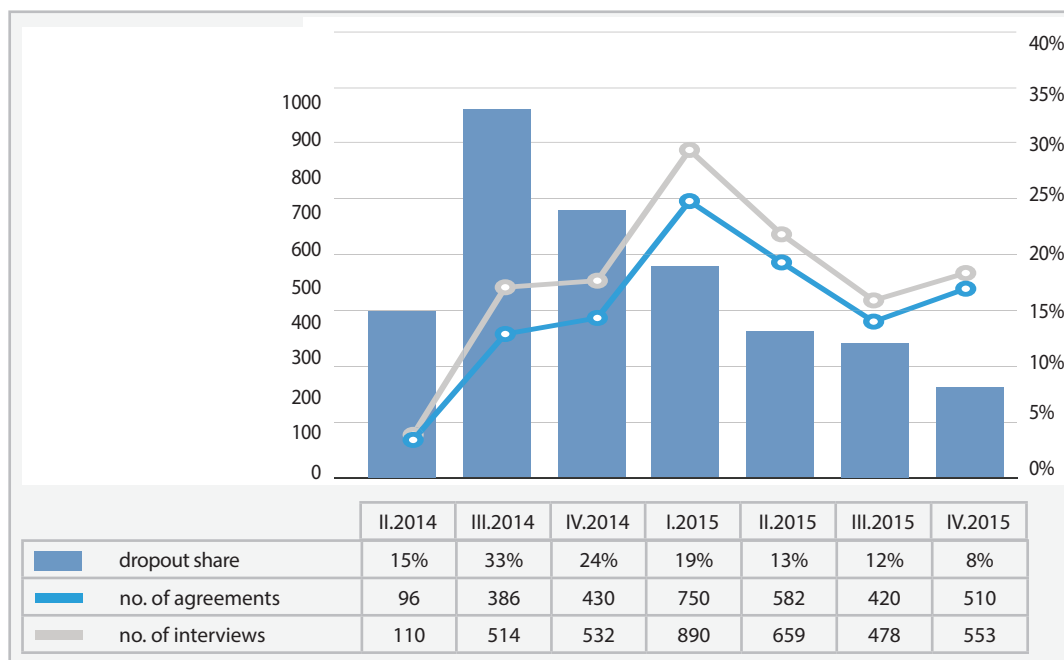
Figure 3
Share of dropouts in program participants at the passage from interview to mutual obligation agreement



Source: own calculations based on data from the *Agenzia del Lavoro* of the PaT.

by interview quarter, and shows (on the right axis) the share of dropouts among program participants at the passage from interview to mutual obligation agreement. Dropout rates increased from 15 percent at the very program start to 33 percent in the following quarter. From then on, dropout rates decrease each quarter with 8 percent in the most recent quarter.

Figure 4
Total number of interviews, total number of agreements, and dropout share by interview quarter



Source: own calculations based on data from the *Agenzia del Lavoro* of the PaT.

Participant characteristics

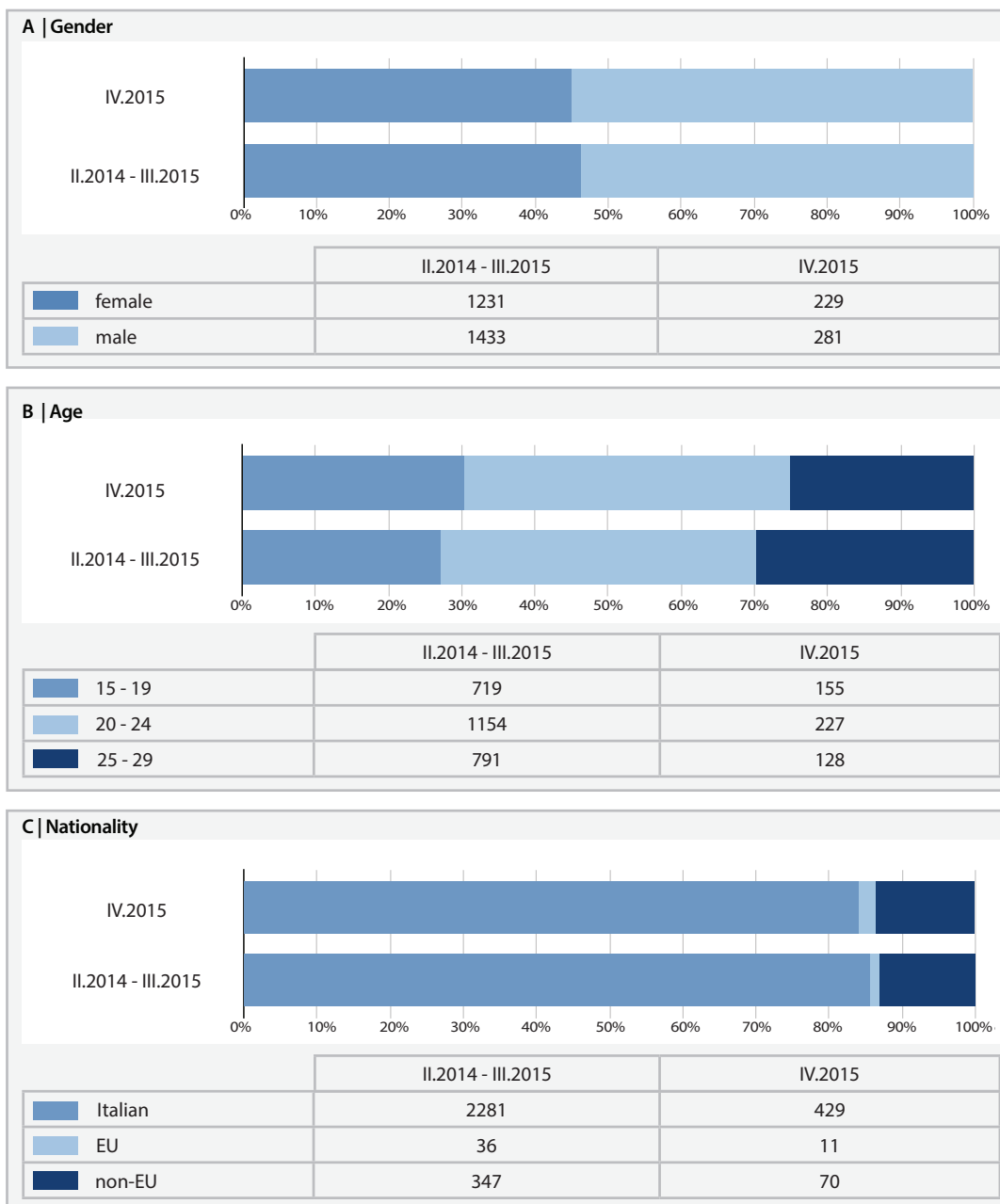
Figure 5 displays demographic characteristics (gender, age, and nationality) of participants who signed a mutual obligation agreement, while Figure 6 shows the distribution of educational levels and the prevalent occupational status in the year before the interview. We show the distribution of these characteristics for the overall observation period up to the third quarter of 2015 and separately just for the most recent quarter, in order to follow potential recent distributional changes.

It is evident from Panel A of Figure 5 that the gender distribution is overall roughly balanced with

slightly more males than females signing a mutual agreement (54 percent males vs. 46 percent females).

Regarding age, ca. 44 percent of total participants are in the middle of the age-range (20-24), whereas 28 percent are younger and 29 percent are between 25 and 29 years old. For the most recent quarter, we observe an increase in the younger and middle age group who represent a share of 30, and 44 percent respectively, among the new program participants and a decrease in the relatively older age group to 25 percent.

Figure 5
Demographic characteristics of participants who signed a mutual obligation agreement



Source:
own calculations
based on data
from the *Agenzia
del Lavoro* of
the PaT.

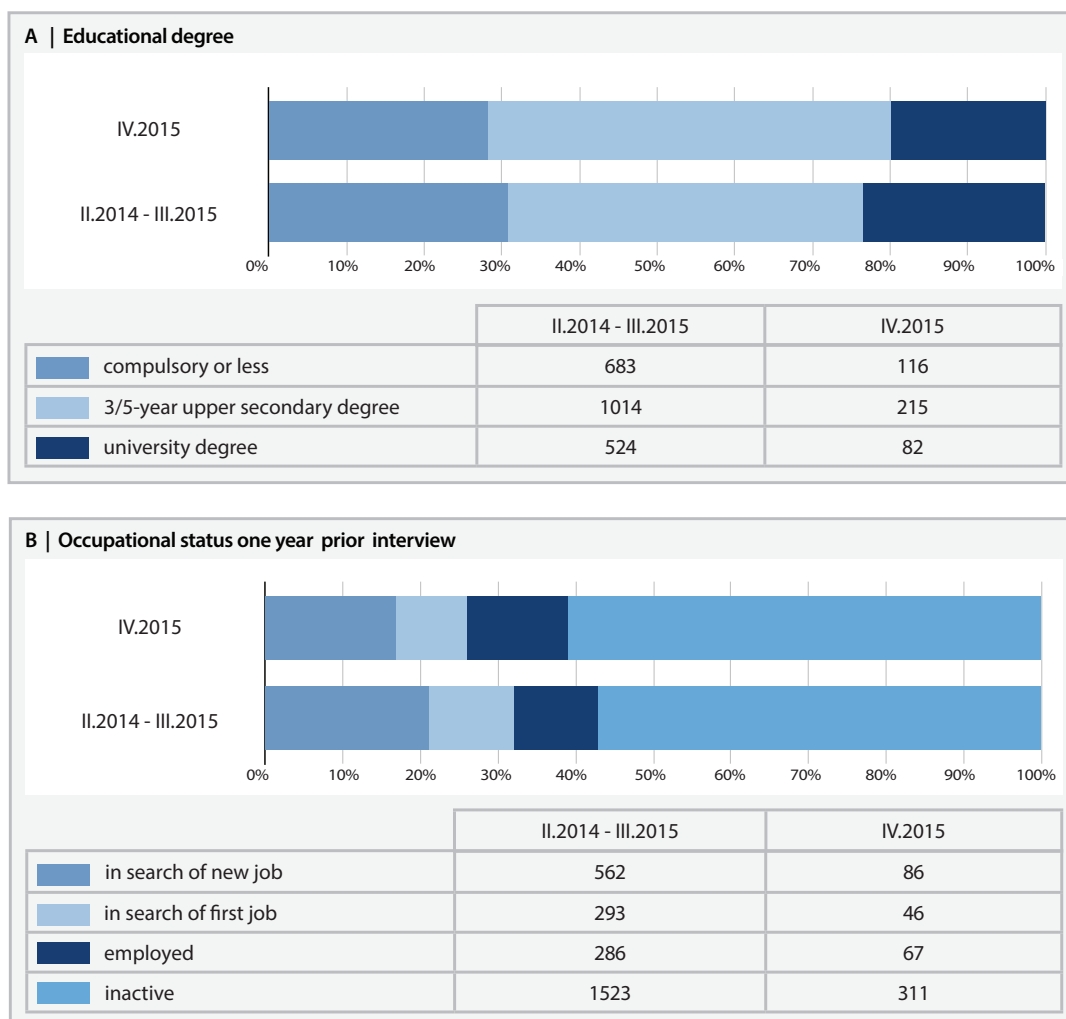
The large majority of participants is of Italian nationality (85 percent). Note that – irrespective of citizenship - only 3.6 percent of overall participants are not resident in Trentino.

Panel A of Figure 6 describes the educational attainment among participants who signed a mutual obligation agreement. Note that we lack information on highest educational attainment for around 17 percent. It is hence important to bear in mind that the fractions displayed in Figure 6 are calculated excluding those observations with missing information on educational attainment.

A relatively large fraction, around 30 percent, holds no upper secondary school degree (compulsory schooling or less). This share amounts to 28 percent in the most recent quarter. Most participants (47 percent) hold a 3-year vocational degree (qualifica) or a 5-year upper secondary degree (diploma 5 anni). This share increases moderately in the most recent quarter to 52 percent. With 23 percent, a sizeable share of participants hold a university

degree (laurea). This share decreases to 20 percent in the most recent quarter. With respect to occupational status, Panel B of Figure 6 shows that more than half of the Youth Guarantee participants were inactive one year prior to entering the program (57 percent). Presumably, those are the participants who enter the Youth Guarantee scheme directly from the formal education system. This share is slightly higher in the recent quarter (61 percent). The second largest group among participants with a signed mutual obligation agreement entered the scheme from unemployment, either in search of a new job (around 21 percent) or in search of a first job (around 11 percent). About 11 percent of participants were employed one year prior to their Youth Guarantee interview. In the recent quarter, relatively fewer participants entered the scheme from unemployment (17 percent in search of a new job, 9 percent in search of their first job). On the other hand, the fraction of participants that enter from employment is slightly higher at 13 percent.

Figure 6
Educational level and occupational status of participants with signed mutual obligation agreement



Source:
own calculations
based on data
from the *Agenzia
del Lavoro*
of the PaT.

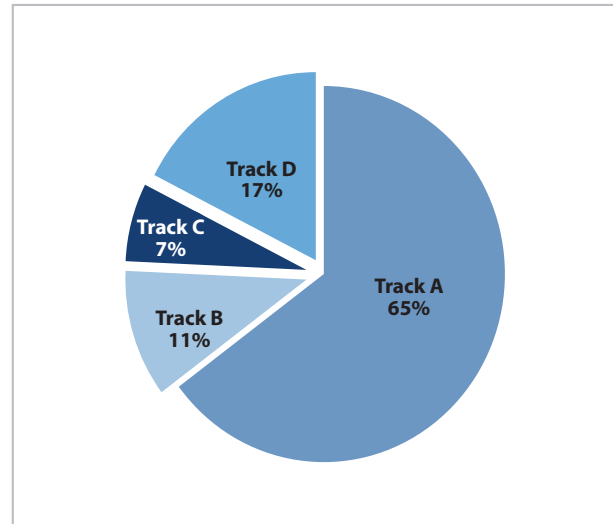
Types of Youth Guarantee measures chosen

This section describes the types of measures chosen by participants who sign a mutual obligation agreement. Note that here we consider all agreements signed in the observation period irrespective of whether the participant began an activity or dropped out beforehand.

Figure 7 displays the overall distribution of types of measures chosen among all signed agreements over the observation period from program start up until September 2015. With 65 percent, Track A (Internship) appears to be the most requested measure type, followed by track D (Civilian Service) which is chosen by 17 percent of participants, and track B (Training and Internship), chosen by 11 percent. Track C (Apprenticeship) is the, to date, least requested measure (7 percent).

Figure 8 shows how the number of mutual obligation agreements and the types of measure chosen evolved over the observation period. Up until the first quarter of 2015, we observe an increasing trend in participation for all types of measures with stable proportions over time. In the subsequent quarter, the number of participants choosing track A continues to increase, whereas participants choosing other measures decrease. In the third quarter of 2015, we observe a diminution in participation with respect to all tracks. Note that the sharp

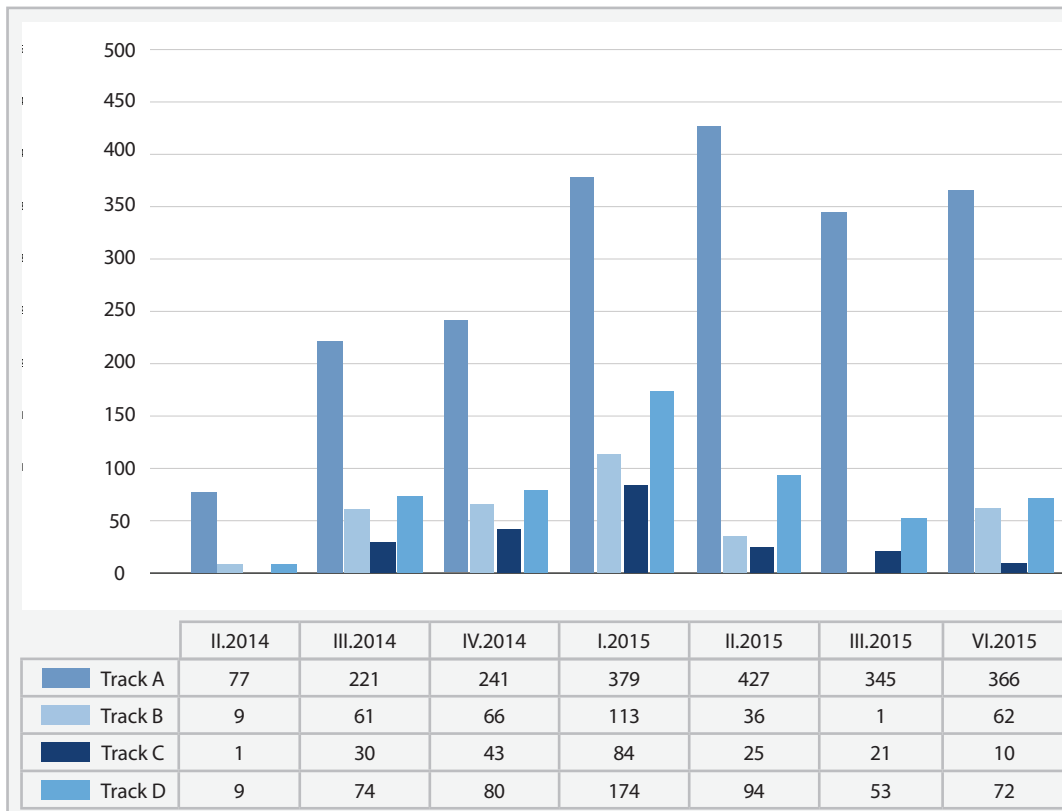
Figure 7
Mutual obligation agreements by type of measure chosen



Source: own calculations based on data from the *Agenzia del Lavoro* of the PaT.

drop of participation in Track B for this quarter is due to the fact that enrollment was temporarily suspended during the introduction of new courses within the Track and the related call for tender. In the most recent quarter, participation in all Tracks (except Track C) increased again (especially Track B).

Figure 8
Mutual obligation agreements by interview quarter and type of measure chosen

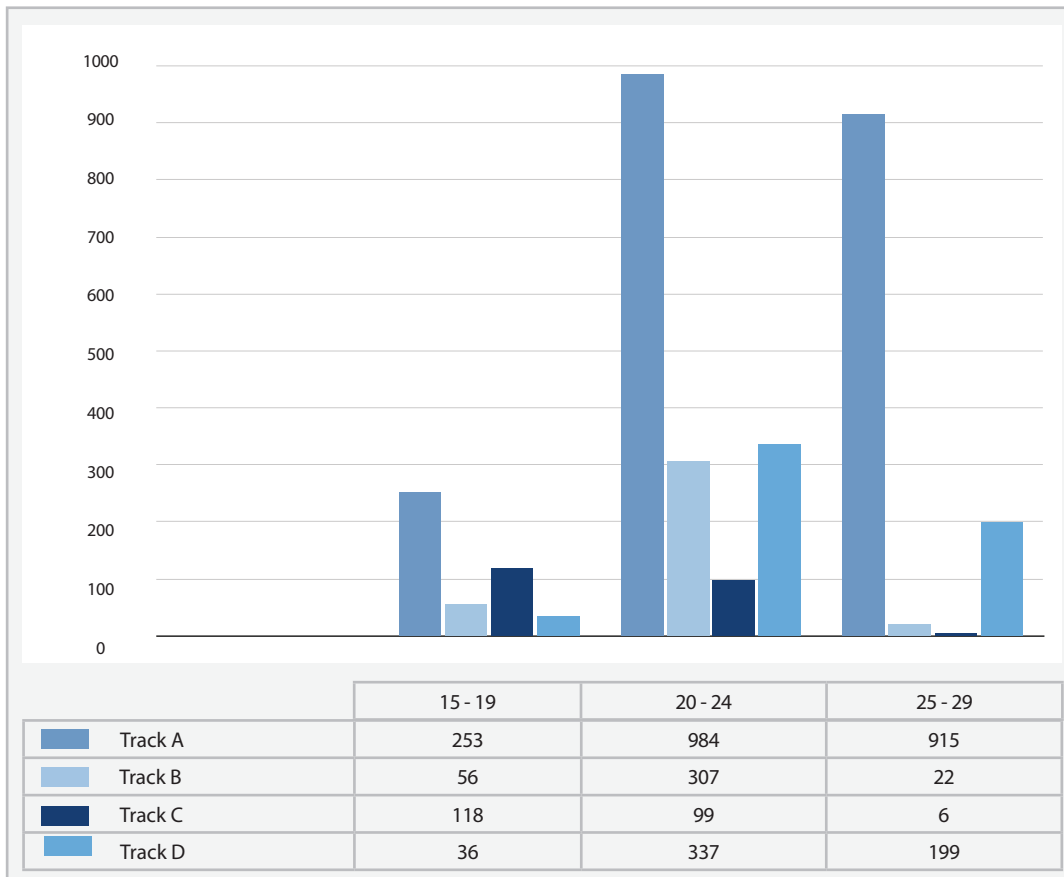


Source: own calculations based on data from the *Agenzia del Lavoro* of the PaT.

Figure 9 concerns the participants' choice of measure by age groups. We observe that among the youngest age group of 15-19 year-olds, track A (internship) and track C (apprenticeship) are the most popular choices. Among participants aged 20-24 – the group with the highest number of signed agreements – track A (internship) is by far the most

chosen, followed by the track D (civilian service and track B (training and internship). Similarly, 25-29 year old participants exert a strong preference for track A, followed by track D and with very low participation in measures of tracks B and C (that by design are targeted towards the younger age groups).

Figure 9
Mutual obligation agreements by type of measure chosen and age of participants



Source:
own calculations
based on data
from the Servizio
Europa of the PaT

Figure 10 shows the program take-up rate for each Italian region as of the fourth quarter of 2015. We calculate the program take-up rate for each region with respect to the NEET population aged 15-29. That is, for each region we display the share of the NEET population that signed a mutual obligation agreement within the Youth Guarantee scheme.

Overall, we observe a rather heterogeneous pattern across regions. The region of Umbria displays the highest take-up rate with 50 percent of signed agreements among the NEET and Campania displays the lowest take-up rate with 12 percent of signed agreements among NEET youth. Trentino lies in the lower middle of the distribution with a 25 percent take-up rate.

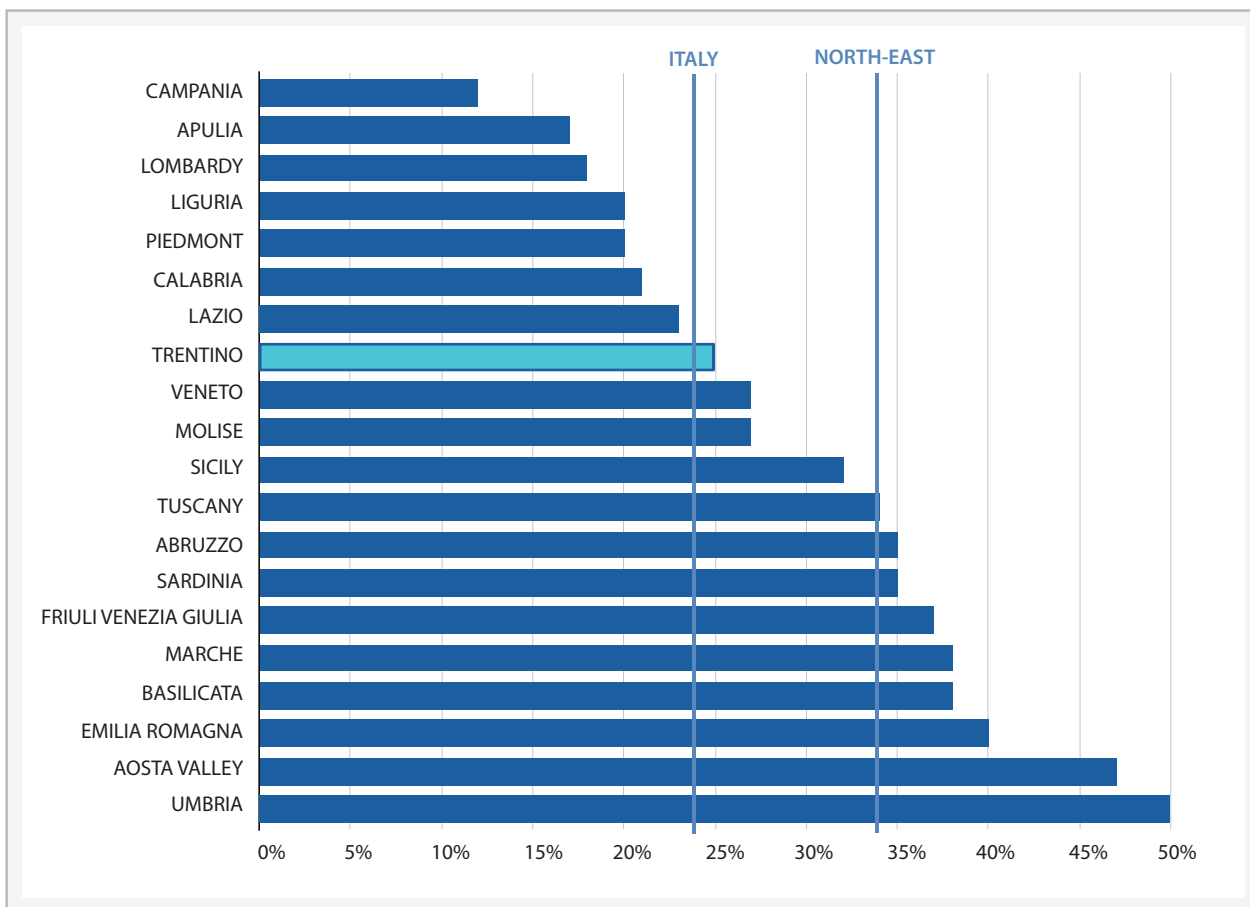
This rate is almost identical with the average take-up rate at the national level (24 percent) and considerably lower in comparison with the average

take-up rate in the North-East (34 percent). However, note that in order to comprehensively interpret take-up rates one needs to consider regional variations in the composition of the target population. As described in Section 4 of the Monitoring Report 2015², the NEET incidence rate is relatively low in Trentino (similar to the rest of Northern-Italy).

Given a low level of NEET incidence, the low program take-up rate in Trentino could be due to the availability of other active labor market policy measures outside the Youth Guarantee scheme.

However, any analysis of the extent to which a low take-up rate is due to alternative measures available to NEET youth or rather inefficiencies in program management or in the type of measures offered, needs to be based on individual data. Such analysis is out of scope for this monitoring report.

Figure 10
Program take-up rate by region as of VI.2015



Source: own calculations based on data from the *Ministero del Lavoro e delle Politiche Sociali* and *ISTAT*.

Note: South-Tyrol is not displayed since it does not take part in the Youth Guarantee scheme. Information on NEET population aged 15-29 on which the calculation of program take-up rates are based refer to the year 2013 (the year before program start).

The statistics we present in this section exclusively regard those participants who signed a mutual obligation agreement. We will describe the passage

from agreement (and the contemporaneous choice of measure type) to activity start.

From mutual obligation agreement to activity start

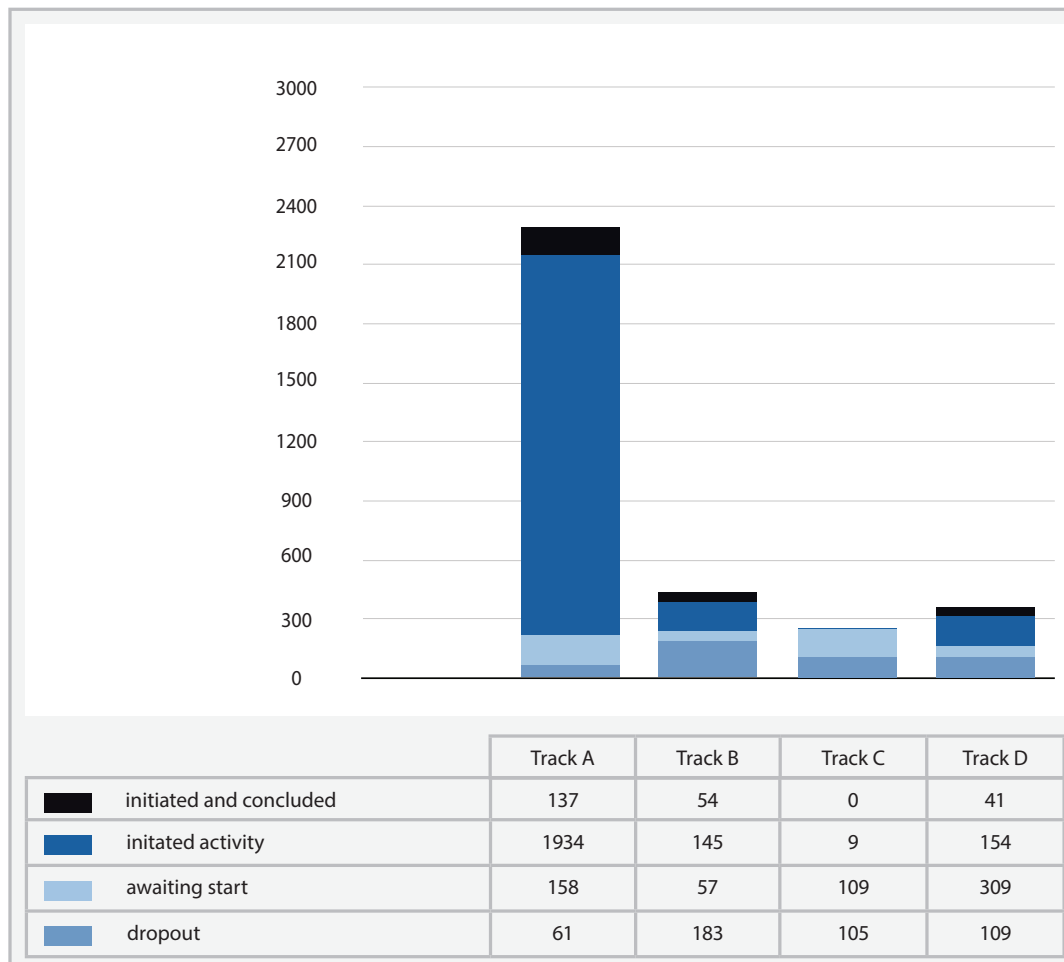
Figure 11 displays by type of measure the number of participants who initiated an activity, are waiting for the activity to start, or decide to discontinue participation in the Youth Guarantee program (dropout). The figure describes the situation as of December 31, 2015.

Track A (Internship) is the measure type, which was first available to participants from program start. It is the most popular choice among participants with the lowest overall dropout rate (3 percent, i.e. 61 individuals) and the highest fraction of participants with overall initiated activities (84 percent). 6 percent (i.e. 137) of participants in Track A concluded activities as of December 31. With respect to the other available tracks, we observe higher dropout rates (highest in Track C with 47 percent) as well as

lower rates of initiated activities (lowest in Track C with 4 percent), mainly due to the fact that these types of measures were activated later. More precisely, activities within Track A started in November 2014, while activities in Track B (C and D) started in February (May, April) 2015, i.e. three to six months later. Additionally, one difficulty that emerged with respect to Track C (Apprenticeship) is that the number of participants significantly exceeded the number of offers of apprenticeship positions from firms in Trentino. We note an elevated rate (about 50 percent) of individuals awaiting the start of activities in Track D (Civilian Service). This is mainly due to the budget limits.

As of December 31, 2015, we observe the first participants that have concluded activities within the

Figure 11
Initiated activities, awaiting activity start, and dropouts by type of measure chosen, among participants who signed a mutual obligation agreement



Source:
own calculations
based on data
from the *Servizio
Europa* of the PaT.

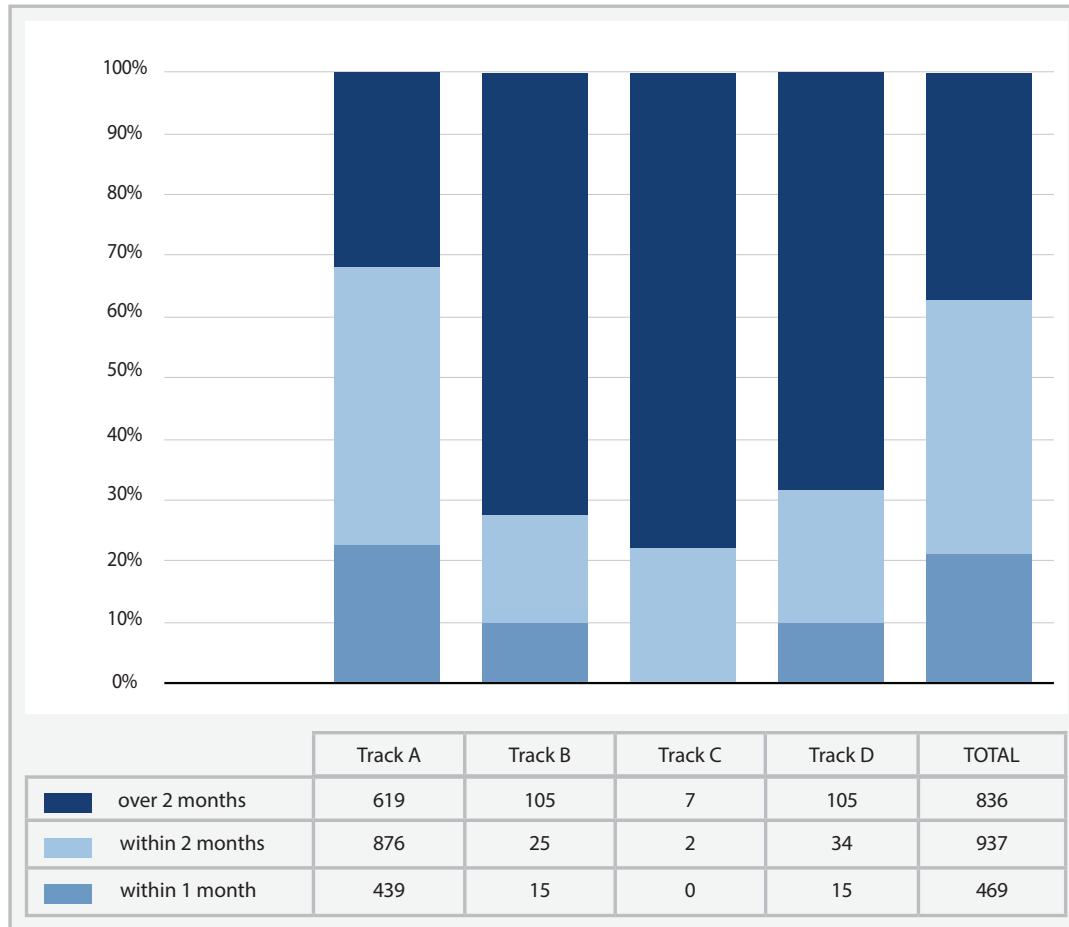
Youth Guarantee program in Trentino. In particular, 137 participants concluded activities within Track A, 54 within Track B and 41 within Track D.

activity start. Overall, we observe that more than half of the activities (ca. 63 percent) were begun within 2 months of the interview.

Figure 12 exclusively concerns participants who initiated an activity. For this group, the figure displays the waiting time from interview quarter to

In view of the fact that this includes the initial period of the scheme and that several tracks only got under way recently, this represents a tolerable timing.

Figure 12
Waiting time from interview quarter to activity start by type of measure chosen, among participants who initiated activity



Source:
 own calculations
 based on data
 from the Servizio
 Europa of the PaT.

The special focus of this issue is a review of the empirical evidence on active labor market policies targeted to youth. Since the economic crisis, many public programs have been activated and considerable resources have been allocated to combat youth unemployment. Yet, not much is known about the effectiveness of such programs: can active labor market policies help youths at risk and, if yes, which program types work best?

An answer to the above question is complicated by the fact that a rigorous empirical quantification of program effects needs to sift out changes in youth employment rates that are due to the respective policy from changes that would have occurred anyway, also in absence of the policy. Analyses that are able to address this issue using the toolbox of modern econometric techniques are referred to as counterfactual evaluation studies.

What evidence do such evaluation studies provide to date concerning the effectiveness of policies designed to combat youth unemployment? Which policy implications can we draw from the empirical evidence? Caliendo and Schmidl (2015) have systemized the results of 37 empirical studies on several European countries (excluding Italy) that convincingly analyze the effectiveness of a range of public programs

aimed at combatting youth unemployment. The types of programs can be divided into four categories:

- **Labor Market Training:** The general purpose of these programs is to provide youth with some level of work experience and send productivity signals to employers, making them more likely to hire. Training can be school based or on-the-job within firms.
- **Job Search Assistance and Monitoring:** These programs comprise counseling, mentoring and monitoring by caseworkers of public employment services or external providers. They aim at providing vacancy information, coaching, or training in a short period and assistance in the application process.
- **Private sector incentives:** The general purpose of subsidies, wage, or income support is to provide a financial incentive for employers to hire youth. The incentive is meant to counteract employers' expectations of additional costs due to initial training investment when employing young individuals.
- **Public employment:** These programs are mainly aimed at creating employment opportunities and giving youth some work experience. Usually these temporary jobs involve the production of socially valuable goods or services.

Table 1
Summary of the meta-analysis conducted by Caliendo and Schmidl (2015) on the effectiveness of public programs aimed at combatting youth unemployment

Program Type	No. of Programs	Countries	Cost	Employment Effects
Labor Market Training	19	AT; NO; DE; SE; FI; FR; UK; DK	medium/high	mixed
Job Search Assistance and Monitoring	16	DK; PR; SE; FR; DE; HU; UK; BE	low	mostly positive
Private Sector Incentives	8	BE; DE; NO; SE; UK; FR	high	mostly positive
Public Employment	8	DE; FR; UK	medium/high	mostly negative

Source: Caliendo & Schmidl, (2015).

Note: Some studies provide estimates for more than one program type.

Table 1 summarizes the main results of the meta-analysis. With respect to the employment effects of the programs under consideration, job search assistance as well as private sector incentives appear to be most effective, with roughly half of the estimated effects being positive. The evidence concerning labor market training is rather mixed, while the effects of public employment are evidently not positive, in many cases even negative. The empirical evidence on effects with respect to job quality is overall too scarce to make a meaningful interpretation. The only conclusion drawn by Caliendo and Schmidl (2015) concerns a positive employment quality impact of labor market training. Most studies under consideration do not analyze the cost-effectiveness of the programs. Nonetheless,

data from Eurostat indicates that expenditures are highest for wage subsidies, followed by training programs, and public job creation, while job search assistance programs are the least expensive.

In conclusion, it emerges that measures of job search assistance appear the most promising in that they provide mostly positive employment effects at a relatively low cost. Also private sector incentives might be considered since they are often found to have positive results on youth employment, even if their costs are quite sizeable.

Reference: Caliendo, Marco and Schmidl, Ricarda (2015), *Youth Unemployment and Active Labor Market Policies in Europe*. IZA Discussion Paper No. 9488.