

Youth Guarantee in Trentino

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Agenzia del Lavoro
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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 Youth Guarantee is to ensure that individuals below 30 years of age receive a good-quality offer of continued education, an apprenticeship, or a traineeship within a period of four months of becoming unemployed or leaving formal education, in order to improve their employability.

This is the fifth 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 participant characteristics.

This report describes the situation as of June 30, 2016. Each issue additionally provides a focus on a specific topic. The current report discusses challenges and opportunities of internships as active labor market measure.

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 subject to 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 different types of measures within the Youth Guarantee scheme (see also *Deliberazione della Giunta Provinciale: May 26, 2014, no. 807*), which are implemented by external entities selected by a public call:

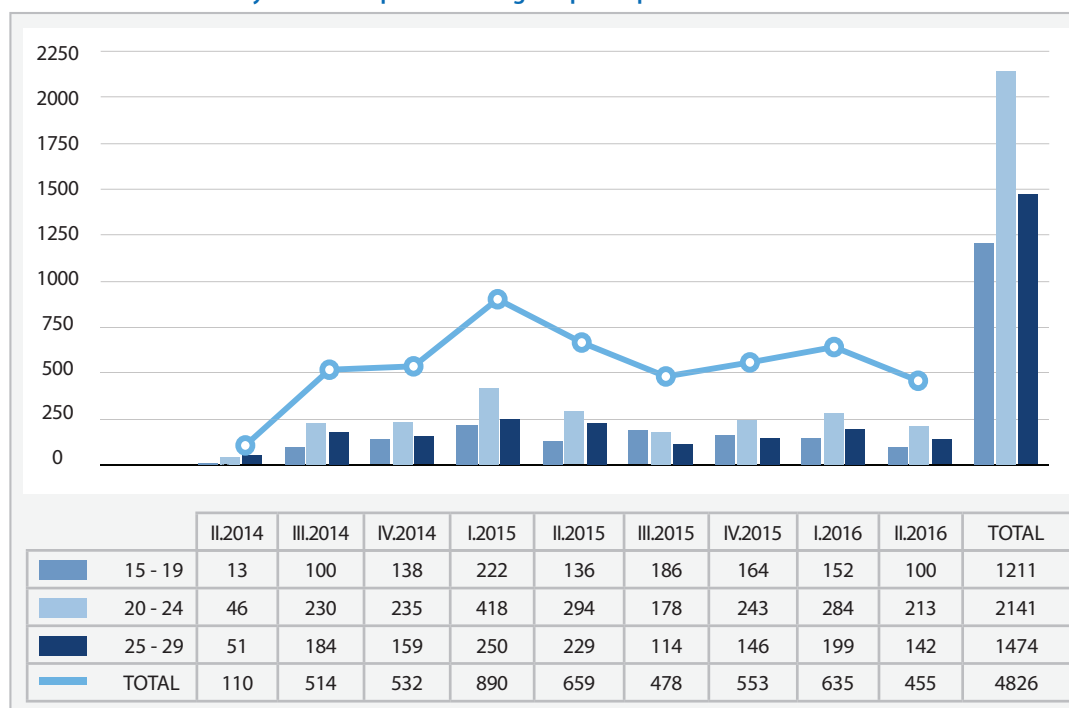
Track A Internship	<ul style="list-style-type: none">• individual orientation activities (up to 8 hours)• preparatory training (up to 26 hours, from 2016 extended to 60 hours)• internship (8 to 24 weeks)• phase of “accompanied labor market insertion”• first activities started on November 10, 2014
Track 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).• phase of “accompanied labor market insertion (from 2016)”• 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 (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 these pillars of Youth Guarantee measures, another 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.

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. This trend continues for the first quarter of 2016 (635 interviews) but is reversed in the second quarter of the same year (455 interviews).

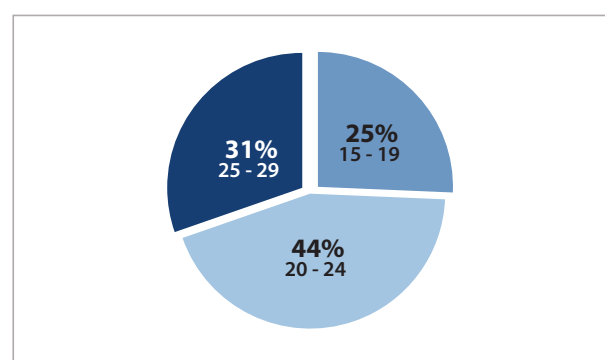
Figure 1
Number of interviews by interview quarter and age of participants



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

The age distribution among participants shows that with exception to the second quarter in 2014 and the third quarter in 2015, most participants stem from the 20-24 age group with a peak in the first quarter 2015. Moreover, 25-29 year-olds are the second largest group with program entry also peaking in the first quarter of 2015. Participation gradually increases among the youngest group of 15-19-year olds until the first quarter of 2015, then considerably decreases in the second quarter of 2015, increases in the third quarter of 2015, and then decreases for the next three quarters. Note that participation in the third quarter of 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 (31 percent), and the youngest group of 15-19 year-olds (25 percent). By the end of June 2016, the total number of participants in the Youth Guarantee scheme in Trentino amounted to 4,826 individuals, 1,211 15-19 year-olds, 2,141 20-24 year-olds, and 1,474 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.

Upon conclusion of 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 entails 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.

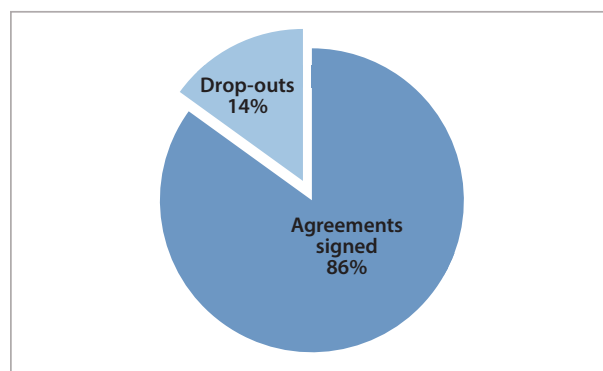
From interview to mutual obligation agreement

At the passage from interview to mutual obligation agreement, ca. 14 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 682 dropouts among the 4,826 participants from program start up until June 2016. Hence, in the observation period, a total of 4,144 mutual obligation agreements have been 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 during the starting period of the program, participants dropped out due to long waiting times involved in 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 drop-outs in terms of the above reasons.

Figure 4 reports the evolution of the number of interviews, number of agreements over the observation period by interview quarter, and shows

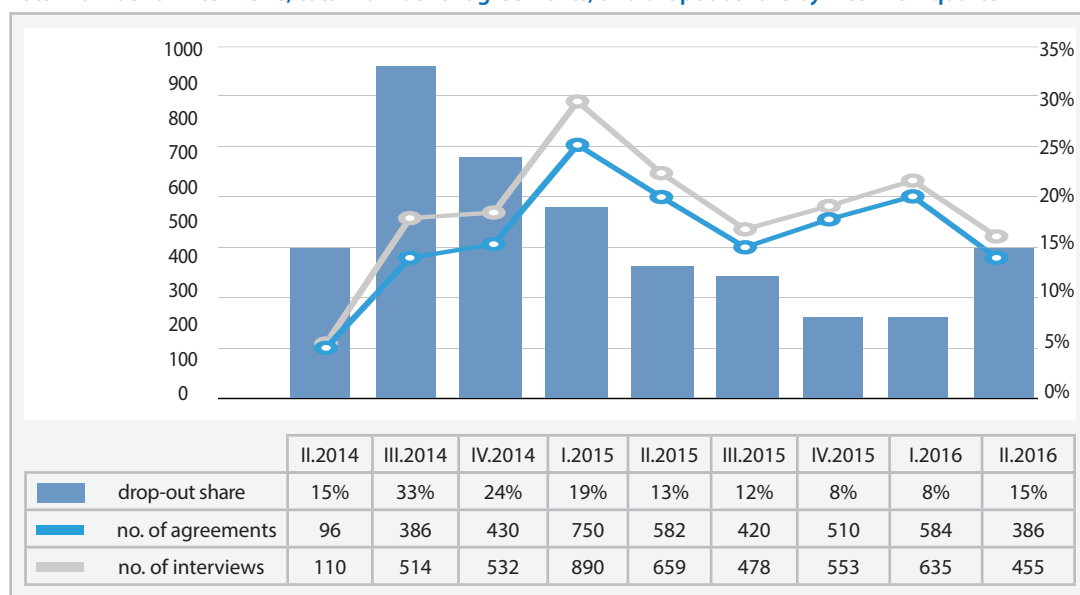
Figure 3
Share of dropouts in program participants at the passage from interview to mutual obligation agreement



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

(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 until the fourth quarter of 2015 when they reach 8% and stagnate at that level for the first quarter of 2016. In the second quarter of the same year drop-out rates soar again to 15%.

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

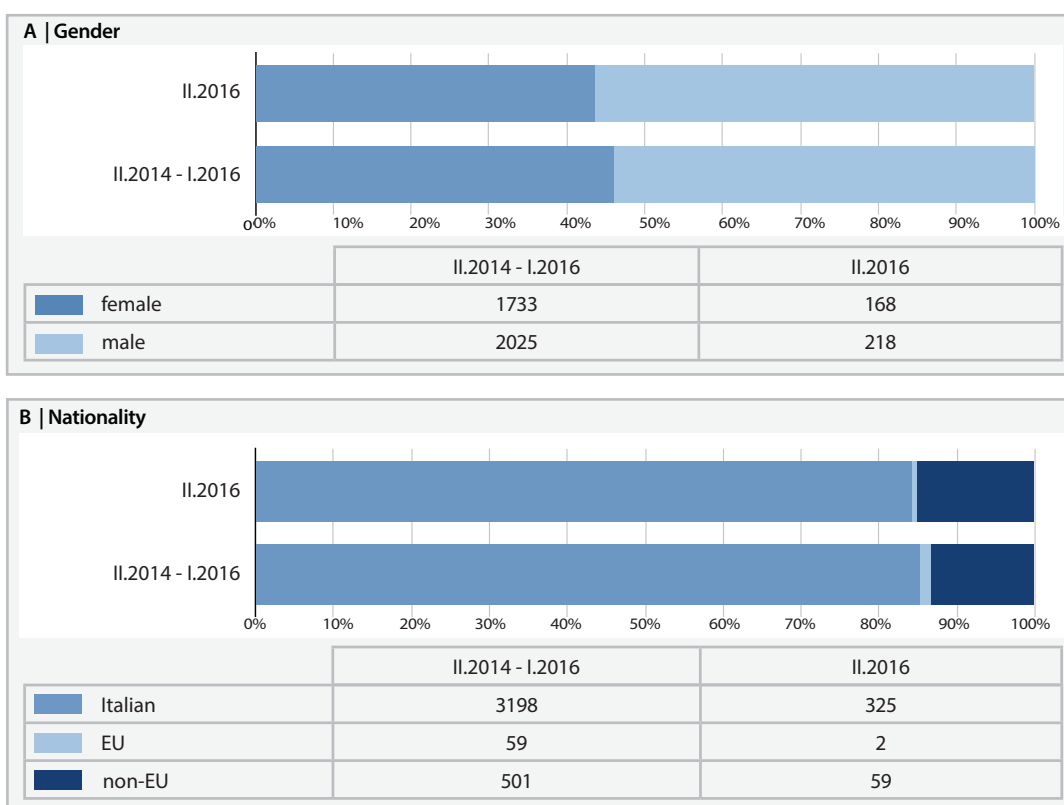
Figure 5 displays demographic characteristics (gender and nationality) of participants who signed a mutual obligation agreement, whereas Figure 6 shows the distribution of educational levels and the prevalent occupational status in the year before the interview. We show distributions of these characteristics for the overall observation period up to the first quarter of 2016 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).

The large majority of participants is of Italian nationality (85 percent and 84 percent for the time until the first quarter of 2016 and the second quarter of 2016, respectively). Note that – irrespective of citizenship – about 8 percent of overall participants are not resident in Trentino; this resembles a duplication from the first quarter of 2016 when less than 4 percent of participants were 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 18 percent for the period until the first quarter of 2016

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.

and 19 percent for the second quarter of 2016. It is hence important to note 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) in the period before the second quarter of 2016. This share amounts to 36 percent in the second quarter of 2016. The majority of participants (47 percent) holds a 3-year vocational degree (*qualifica*) or a 5-year upper secondary degree (*diploma 5 anni*). This share drops to 39 percent for 2016. With 23 percent, a sizeable share of participants holds

a university degree (*laurea*). This share increases for the second quarter of 2016 to 25 %.

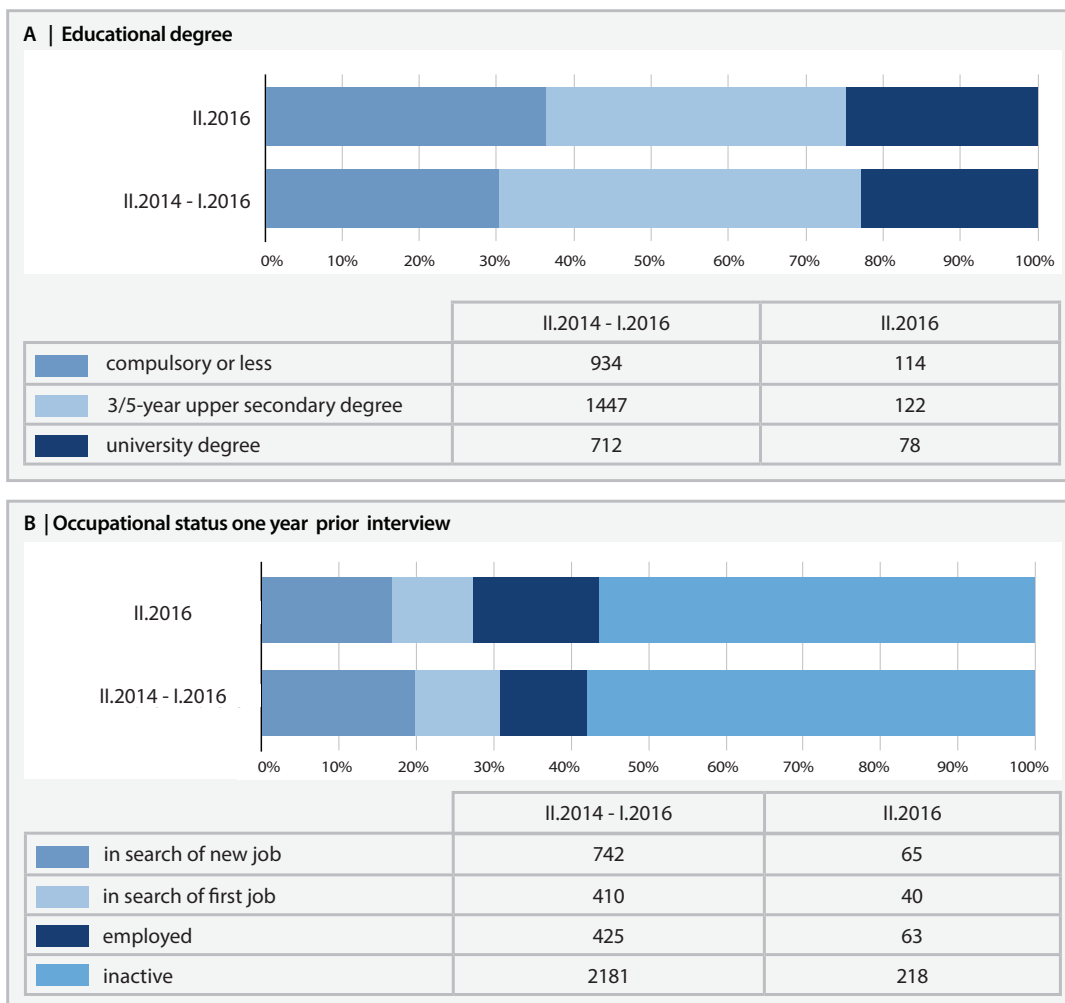
With respect to occupational status, Panel B of Figure 6 shows that for the time until the end of the first quarter of 2016 more than half of the Youth Guarantee participants were inactive one year prior to entering the program (58 percent). Presumably, those are the participants who enter the Youth Guarantee scheme directly from the formal education system. This share is slightly lower for the second quarter of 2016 (56 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 20 percent) or in search of a first job (around 11 percent) and about 11 percent were employed one year prior to their Youth Guarantee interview before the second quarter of 2016. In the second quarter of 2016, the numbers changed slightly for entering

from unemployment (17 percent in search of a new job, 10 percent in search of their first job). On the other hand, the fraction of participants that enter from employment is slightly higher at 16 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

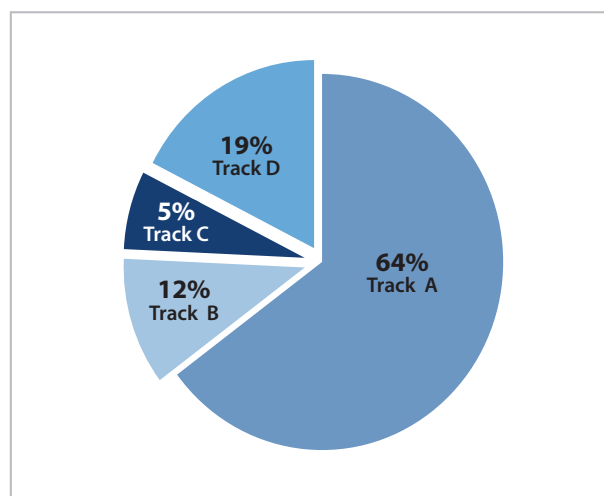
This section describes the types of measures chosen by participants who sign a mutual obligation agreement. Note that here we consider all agreements signed in the observation period irrespective of whether the participant began an activity or dropped out beforehand.

Figure 7 displays the overall distribution of types of measures chosen among all signed agreements over the observation period from program start up until June 2016. With 64 percent, Track A (Internship) appears to be the most requested measure type, followed by Track D (Civilian Service), which is chosen by 19 percent of participants, and Track B (Training and Internship), chosen by 12 percent. To date, Track C (Apprenticeship) is the least requested measure (5 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 the participants choosing other measures drop. In the third quarter of 2015, we observe a decrease in participation with respect to all tracks. Note that the sharp drop of participation

Figure 7

Mutual obligation agreements by type of measure chosen

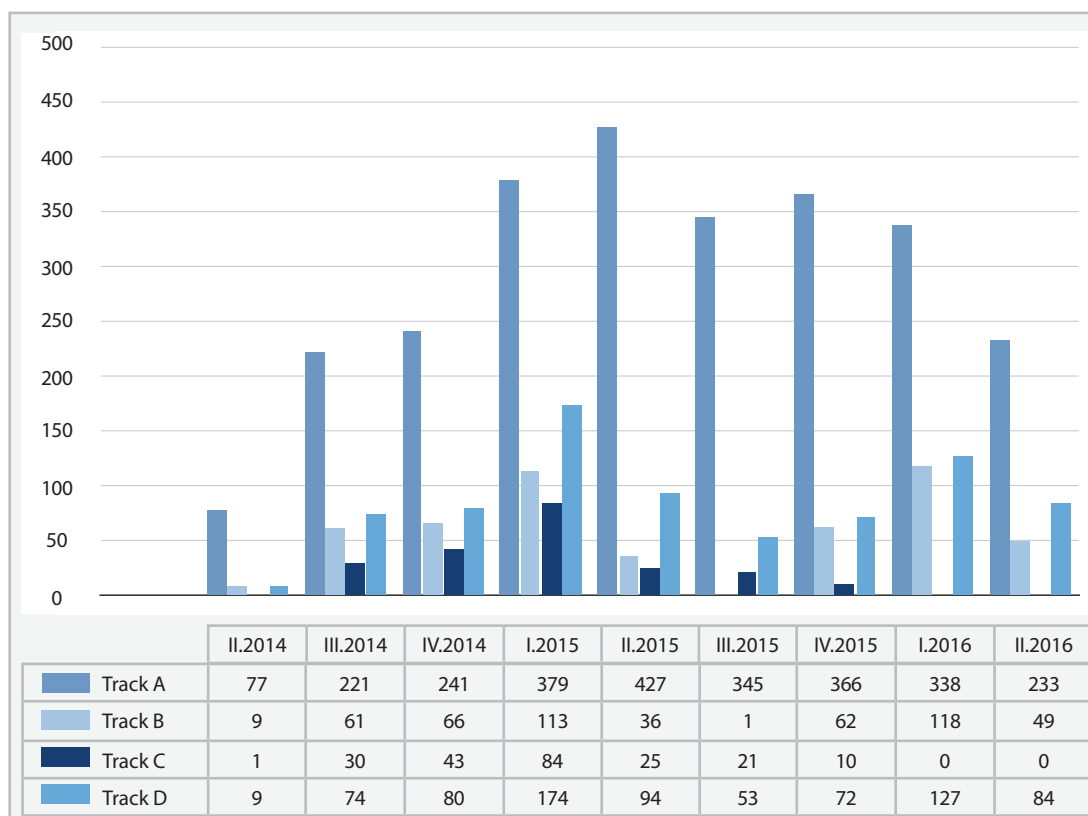


Source: own calculations based on data from the *Agenzia del Lavoro* of the PaT.

in Track B for this quarter is due to the fact that inscription has been 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 plummets (except for Track C, which already reached zero and hence cannot decrease further).

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.

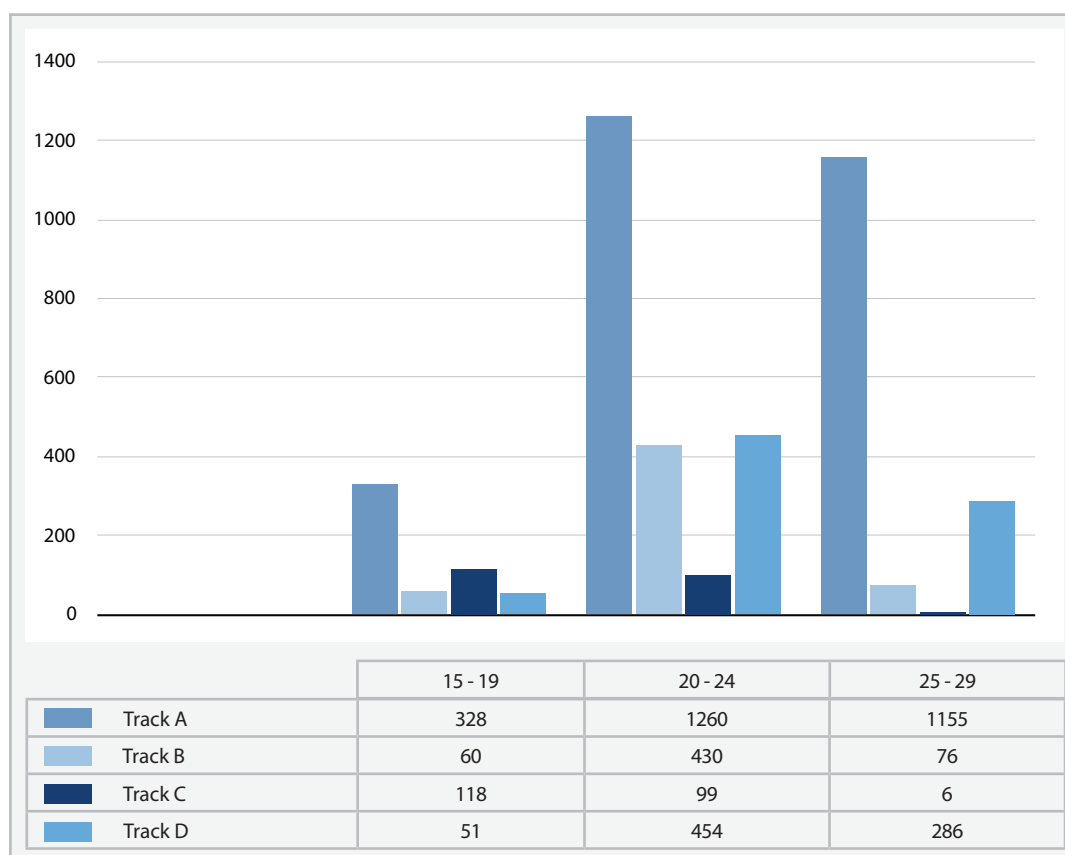
Figure 9 concerns the participants' choice of measure by age groups. We observe that among the youngest age group of 15-19 year-olds, track A (internship) and track C (apprenticeship) are the most popular choices. Among participants aged 20-24 – the group with the highest number of signed agreements – 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 10 shows the program take-up rate for each Italian region as of the second quarter of 2016. 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 65 percent of signed agreements among the NEET and Campania displays the lowest

take-up rate with 18 percent of signed agreements among NEET youth. Trentino lies in the lower middle of the distribution with a 32 percent take-up rate. This rate is almost identical with the average take-up rate at the national level (30 percent) and considerably lower in comparison with the average take-up rate in the North-East (42 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 2015^[2], the NEET incidence rate is relatively low in Trentino (as in the rest of Northern Italy).

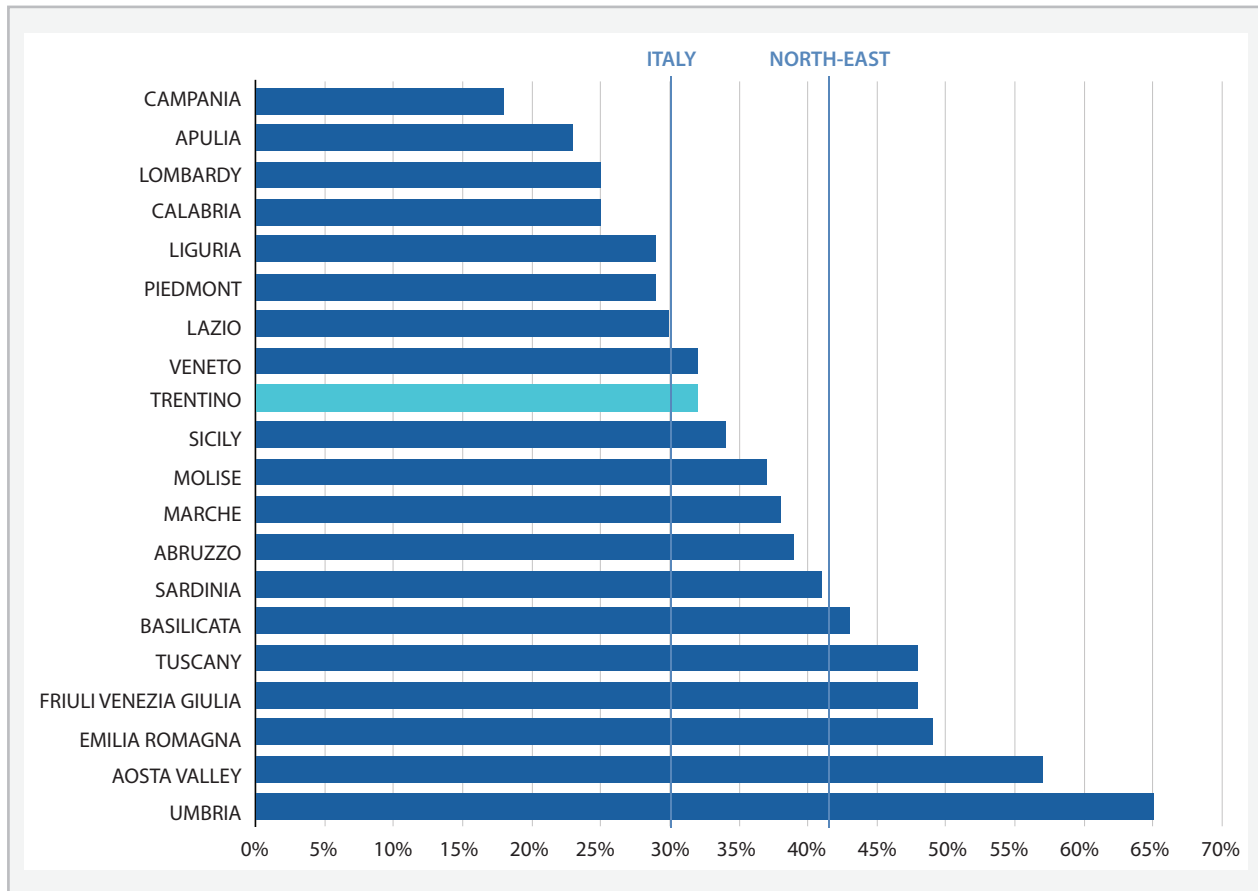
Given a low level of NEET incidence, the low program take-up rate in Trentino could be due to the availability of other active labor market policy measures outside the Youth Guarantee scheme. However, any analysis of the extent to which a low take-up rate is due to alternative measures available to NEET youth or rather to inefficiencies in program management or in the type of measures offered, needs to be based on individual data. Such an analysis lies beyond the scope for this monitoring report.

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
Program take-up rate by region as of II. 2016



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 the NEET population aged 15-29 on which the calculation of program take-up rates refer to the year 2013 (the year before program start).

The statistics we present in this section are exclusively concerned with 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 (dropouts). The figure describes the situation as of June 30, 2016.

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. 70 individuals) and the highest fraction of participants with overall initiated activities (95 percent). Among the other available tracks, we observe higher dropout rates (highest in Track C with 55 percent, followed by 52 percent in Track B) as well as lower rates of initiated activities (lowest in Track C with 4 percent). 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.

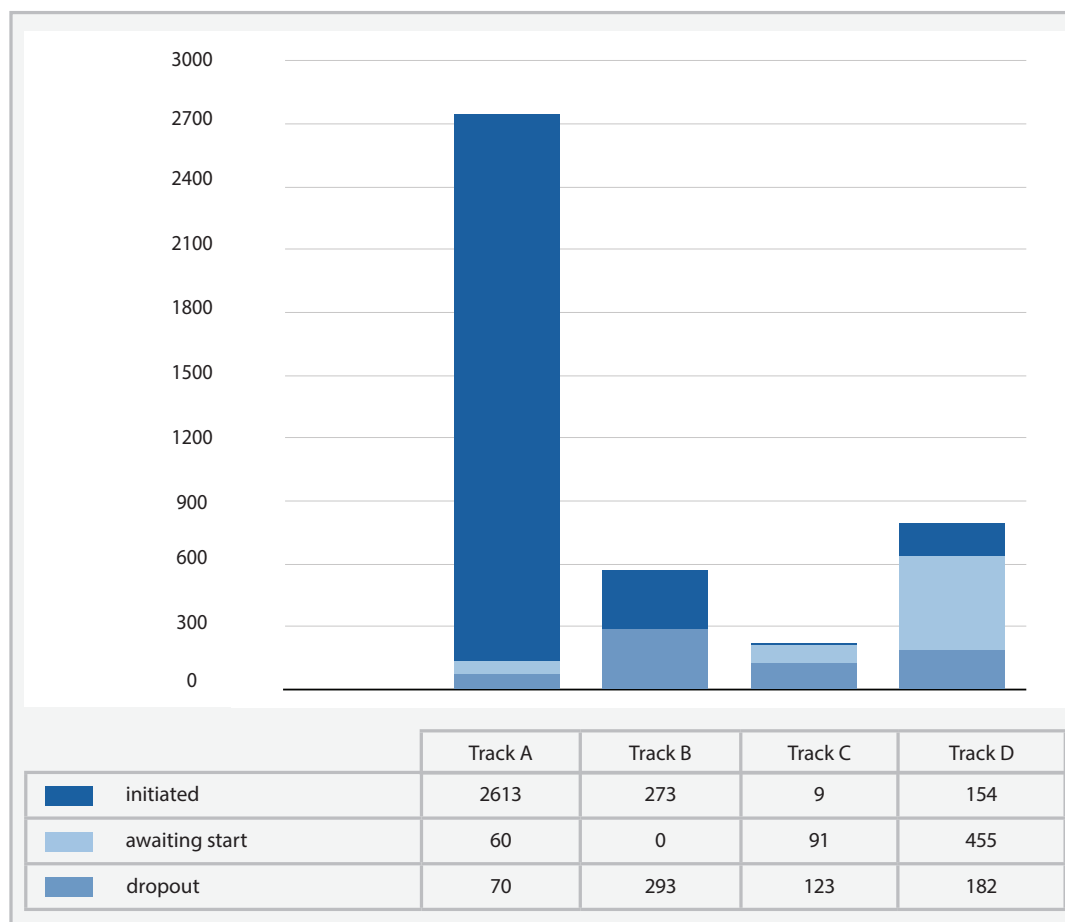
We note an elevated rate of individuals (about 58 percent) awaiting the start of activities in Track D (Civilian Service). This is mainly due to the budget limits. Furthermore, 19 percent started activities and 23 percent dropped out.

As of June 30, 2016, we observe the participants that have concluded activities within the Youth Guarantee program in Trentino. In particular, 284 participants concluded activities within Track A, 77 within Track B and 78 within Track D.

Figure 12 exclusively concerns participants who initiated an activity. For this group, the figure displays the waiting time from interview quarter to activity start. Overall, we observe that about two thirds of the activities were initiated within 2 months of the interview (ca. 24 percent in the first and 43 percent in

Figure 11

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

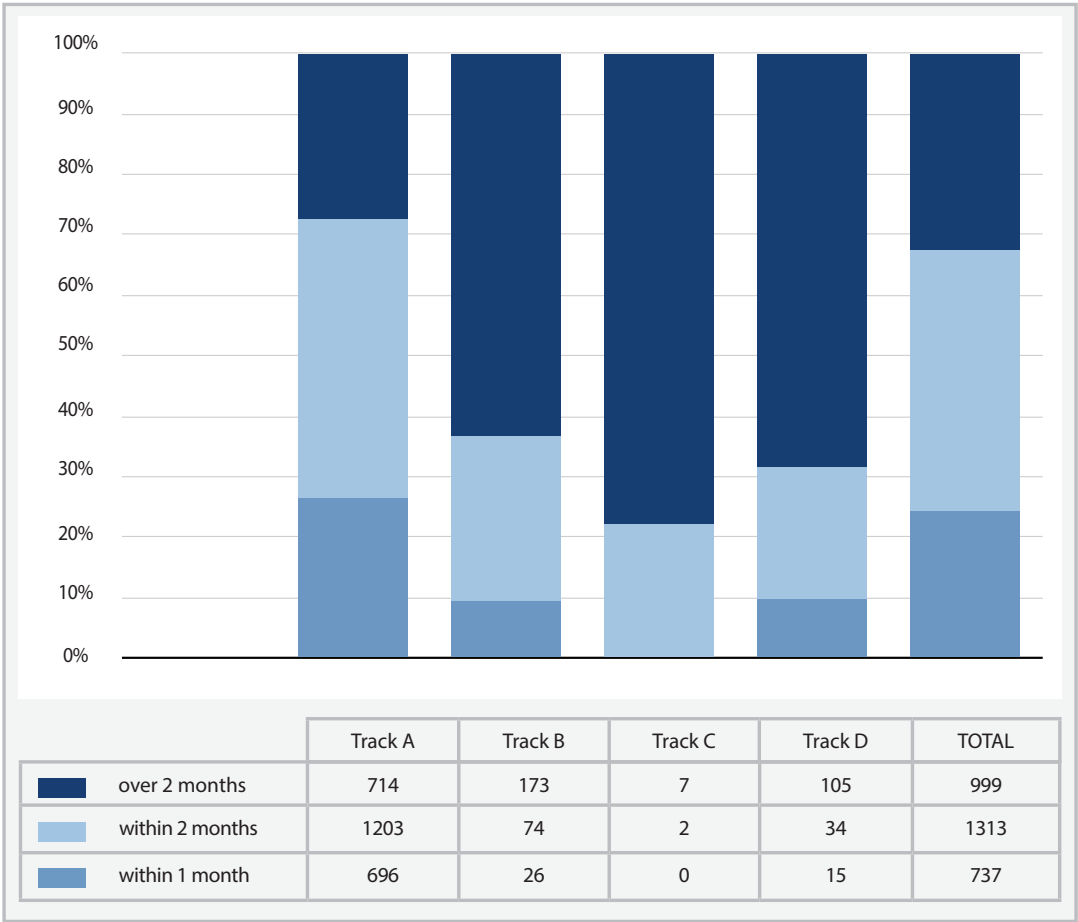


Source:
own calculations
based on data
from the *Servizio
Europa* of the PaT.

the second month). In view of the fact that this includes the starting period of the scheme and that several tracks only started recently, this represents a tolerable

timing. As can be seen by the dark blue area, which is much smaller for Track A than for the other tracks, Track A allows for much faster entry.

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

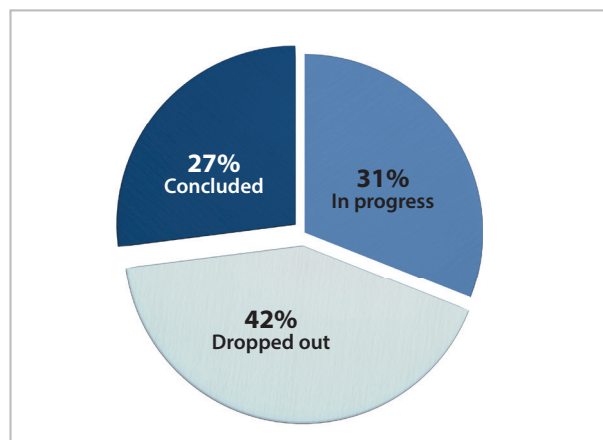


Source: own calculations based on data from the Servizio Europa of the PaT.

The statistics we present in this section are exclusively concerned with those participants who started a track. We will describe the passage from start of the activity to its termination.

Figure 13 depicts the overall situation as of June 2016. 27 percent of program participants concluded a track, which amounts to 808 individuals (590 for Track A, 94 for Track B, and 124 for Track D). Furthermore, the overall dropout rate amounts to four out of ten (almost half of Track A, a quarter for Track B and about one sixth for Track D). Among the individuals who dropped out a considerable number dropped out for employment related reasons. Precisely, among ten individuals who dropped out of Track A, four dropped out because they took up some kind of work. The same holds true for almost half of the dropouts of Track B and every twentieth individual who dropped out of Track D.

Figure 13
Distribution of program participants after program start



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

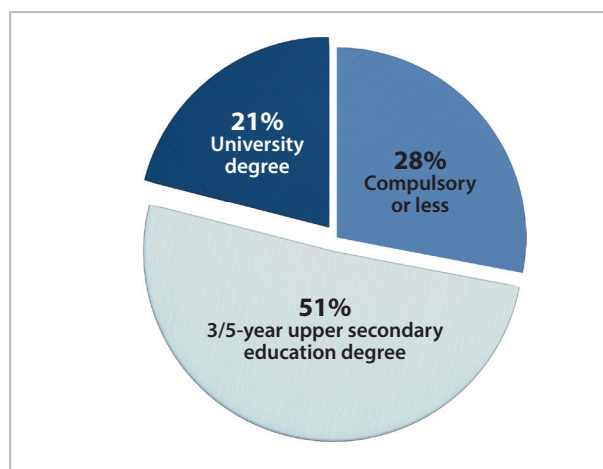
Youth Guarantee features two internship programs: Track A-Internship and Track B-Internship and Training. As mentioned in the first section of this monitoring report, Track A consists of two parts: a classroom based preparatory training and the actual internship. The classroom-based training consists of a mere 26 hours of training. The skills conveyed are rather basic, as students learn about safety in the workplace as well as methods and tools for active labor market search (such as writing a CV). Track B on the other hand, is a much more advanced program. Though similar on first glance – Track B also consists of classroom-based training and a subsequent internship – the two tracks differ qualitatively: classroom-based training takes between 50 and 200 hours in Track B and participants learn how to be a tourist guide or program smart phone applications.

Figure 14 shows the proportions of participants who initiated Track A by education. A similar graph for Track B would not be meaningful, as per requirement only high school graduates can follow Track B; lower and higher educated are excluded.

As can be seen in the chart, a minority of 21 percent of followers of Track A have completed only compulsory education, while the majority of participants – 79 percent – holds at least a high school degree. Considering the very basic education of the classroom-based training, it is questionable whether participants who have at least completed high school acquire any marketable skills. Hence, for them the internship will likely not be an opportunity to apply any newly acquired skills, but just an internship.

Scholars have been researching the effect of different Active Labor Market Policies (ALMP) for years. In a paper by Bonnal et al. (1997) the authors find that for their sample of males under the age of 26 in France alternating work/training programs (in the private sector), shorten the unemployment spell for participants without high school degrees, but show no effect for participants with high school degrees. For workfare programs (public sector) the results are worse, with no and negative effects for the lower and higher educated, respectively. The authors interpret the latter as a negative-signal effect of the program for the higher educated. Of course, findings from France pertaining to a period from 1986 to 1988 are not transferable to Italy in 2016. However, they pose an interesting question: does the use of internships depend on the level of education of the participants? Caliendo et al. (2011) find that youths (up to 25 years) who participate in internships in Germany as part of an ALMP are less likely to find a job and the negative effects seem to be more pronounced for the higher educated. On the other hand, participants of internships are much more likely to take up education (Caliendo et al., 2011). Harms (2015) also arrives at the conclusion that German academics who choose

Figure 14
Level of education of participants who initiated track A



Source: Own calculations based on data from the *Servizio Europa* of the PaT; non-respondents (22 %) have been excluded

internships after graduation take longer to find a job and earn less. Differentiating between internships that take place during and internships that take place after university is crucial. As Saniter and Siedler (2014) showed, internships that take place during university significantly increase expected wages and propensity of employment. However, when performing the analysis for Italy, Harms (2015) finds that the effects are much weaker and the differences vanish within a three year period.

The above-summarized results present a mixed picture. While the overall trend suggests that internships are not useful to facilitate employment, especially not for the higher educated, they do seem to have merit to increase the take-up rate of education. Additionally, most of the studies analyze the situation in Germany. However, as Harms (2015) showed, results from Germany cannot be transferred one-to-one to Italy. In fact, for both earnings and employment, the negative effects are much weaker for Italy and – on top of that – they are not long-lived (Harms, 2015). To arrive at a robust assessment of Track A, it is necessary to evaluate this particular program on its own. An evaluation is warranted for the two reasons discussed above: on the one hand, previous findings call for caution concerning the effect on employment, especially for university graduates; on the other hand, they also point to opportunities in the realm of education take up.

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