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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 a traineeship within a period of four months of becoming unemployed or leaving formal education, in order to improve their employability.

This is the seventh 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 char-

acteristics. This report describes the situation as of December 31, 2016. Each issue additionally provides a focus on a specific topic. This report's focus provides a brief overview of profiling in active labor market policies.

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:

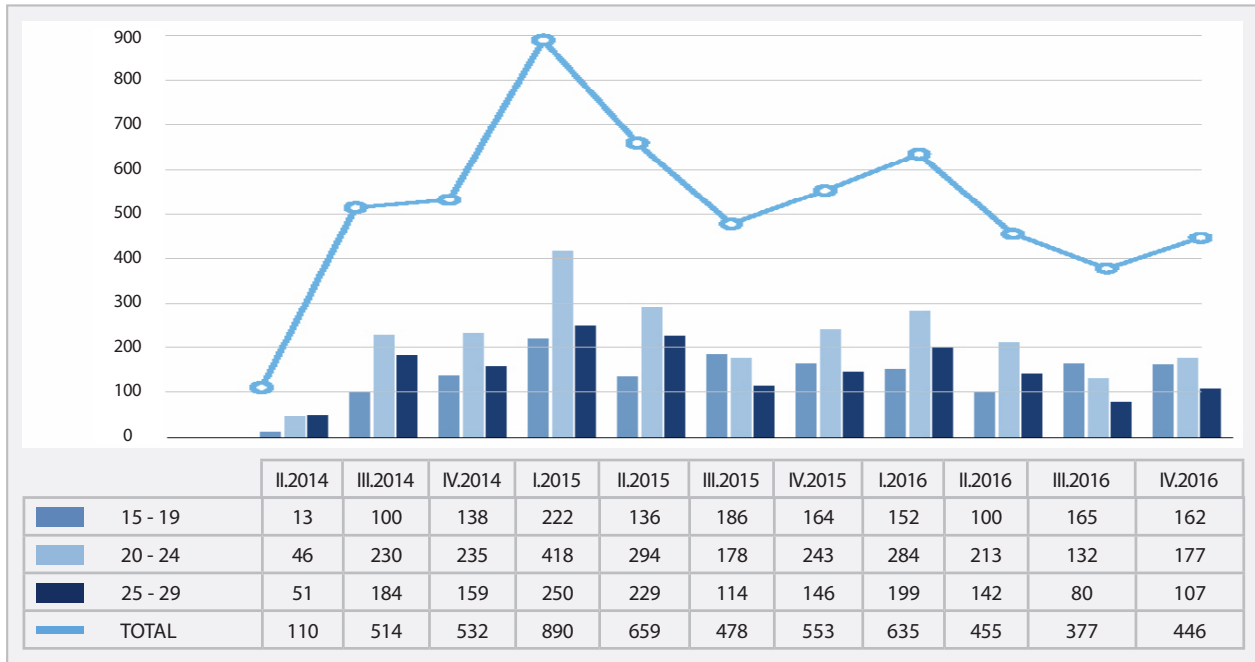
| | |
|--|--|
| Track A Internship | <ul style="list-style-type: none">• individual orientation activities (up to 8 hours)• preparatory training (up to 26 hours, from 2016 extended to 60 hours)• internship (8 to 24 weeks)• phase of "accompanied labor market insertion"• first activities started on November 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 or 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 subject to discussion in this report's focus section. However, the newly emerged Track E will not be part of the monitoring report, as it is still within the activation phase.

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

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.

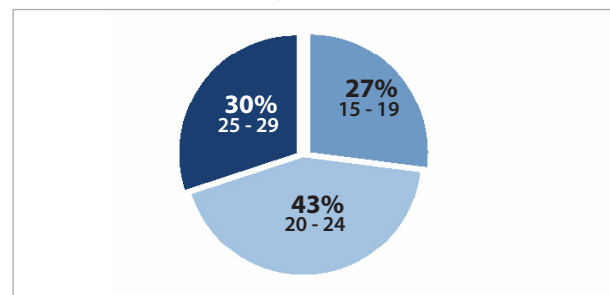
to 478 new participants. Participation appears to pick up slightly in the fourth quarter of 2015 with 553 new participants. This trend continues for the first quarter of 2016 (635 interviews) but is reversed in the second quarter of the same year (455 interviews). This negative trend continues for the third quarter of 2016, which sees participation drop to a new low (377 interviews). For final quarter in 2016, the number of interviews rises again (446), reversing the downward trend. The noticeable drop in the third and subsequent rise in the fourth quarter of 2016 can be explained with a temporary stop of inscription for Track B in the third quarter of 2016.

Overall, most participants come from the 20-24 age group, with participation peaking in the first quarter of 2015. This pattern holds true for each individual month with the exception of the second quarter of 2014, the third quarter of 2015, and the third quarter of 2016. 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. This negative trend is reversed in the third quarter of 2016,

which is impressive, considering that participation in the other two age groups and over-all decreased noticeably. It remains on that level for the next quarter, the final quarter of 2016. On the whole, as displayed in Figure 2, almost half of the program participants (43 percent) are 20-24 years old at program entry, followed by the group of 25-29 year-olds (29 percent), and the youngest group of 15-19 year-olds (28 percent).

By the end of December 2016, the total number of participants in the Youth Guarantee scheme in Trentino amounted to 5,649 individuals, 1,538 15-19 year-olds, 2,450 20-24 year-olds, and 1,661 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.

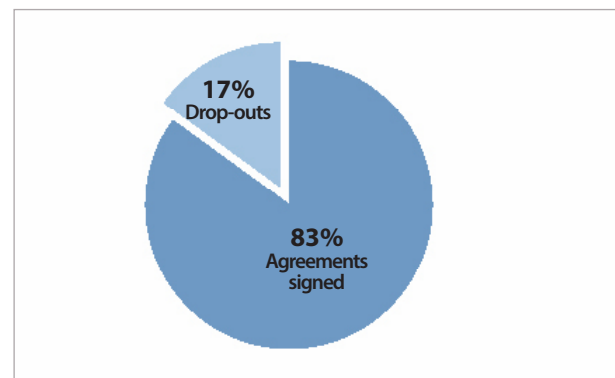
In this section, we provide an overview of the passage from the interview to the mutual obligation agreement, the characteristics of participants who signed such an agreement, as well as an outlook on the types of Youth Guarantee measures chosen.

From interview to mutual obligation agreement

At the passage from interview to mutual obligation agreement, ca. 17 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 955 dropouts among the 5,649 participants from program start until December 2016. Hence, in the observation period, a total of 4,694 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

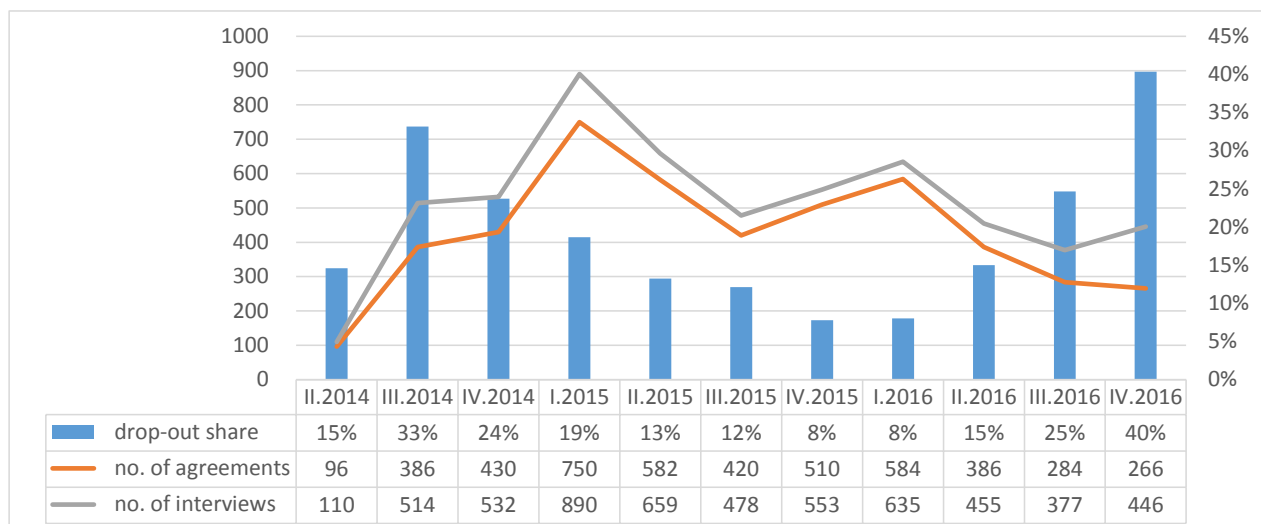
Figure 3
Share of dropouts in program participants at the passage from interview to mutual obligation agreement



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

to distinguish dropouts in terms of all the above-mentioned reasons. However, for the last quarter 124 of the 151 drop outs can be attributed to job interviews.

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.

Figure 4 reports the evolution of the number of interviews, number of agreements over the observation period 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 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 dropout rates soar again to 15%, in the third quarter of 2016 they jump to 25%, and in the fourth quarter of 2016 reach a new all-time high with 40%.

Participant characteristics

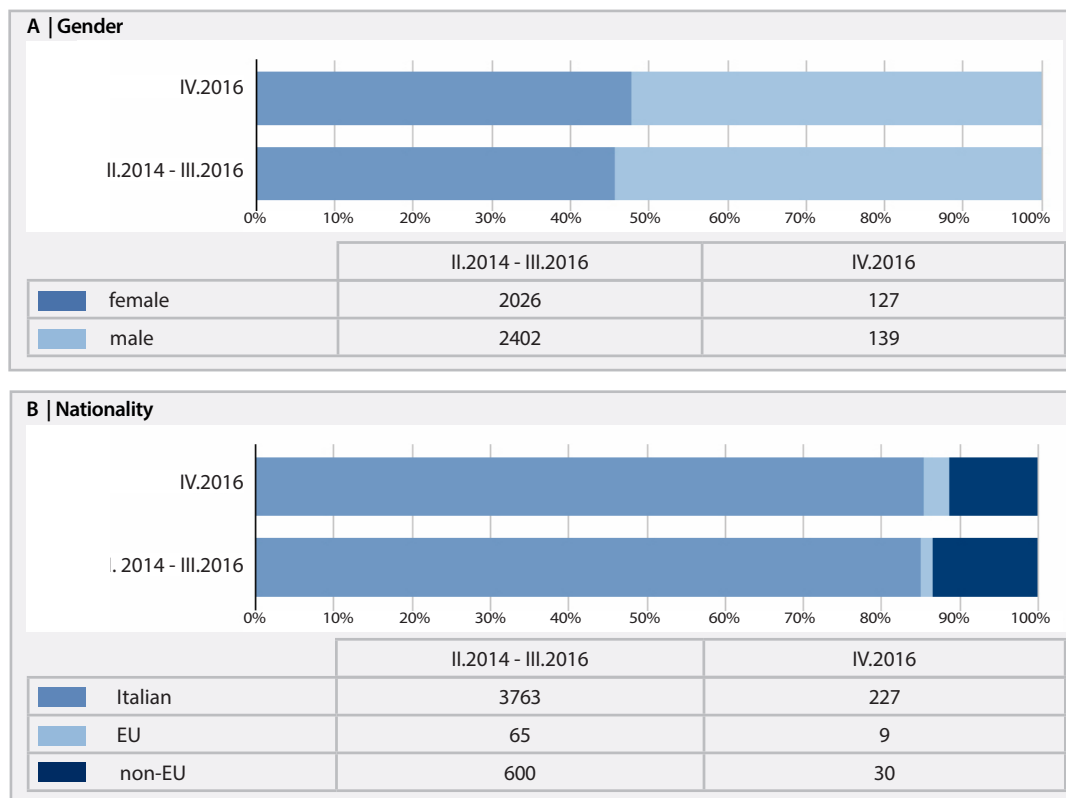
Figure 5 displays demographic characteristics (gender and nationality) of participants who signed a mutual obligation agreement, whereas Figure 6 shows the distribution of educational levels and the prevalent occupational status in the year before the interview. We show distributions of these characteristics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

percent both until the second quarter of 2016 and for the third quarter of 2016). Note that – irrespective of citizenship – about 6.1 percent of the participants are not resident in Trentino; this ratio is quite stable compared with the previous quarter when it was at 7.2 percent.

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

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 second quarter of 2016 and 25 percent for the third 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.

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.

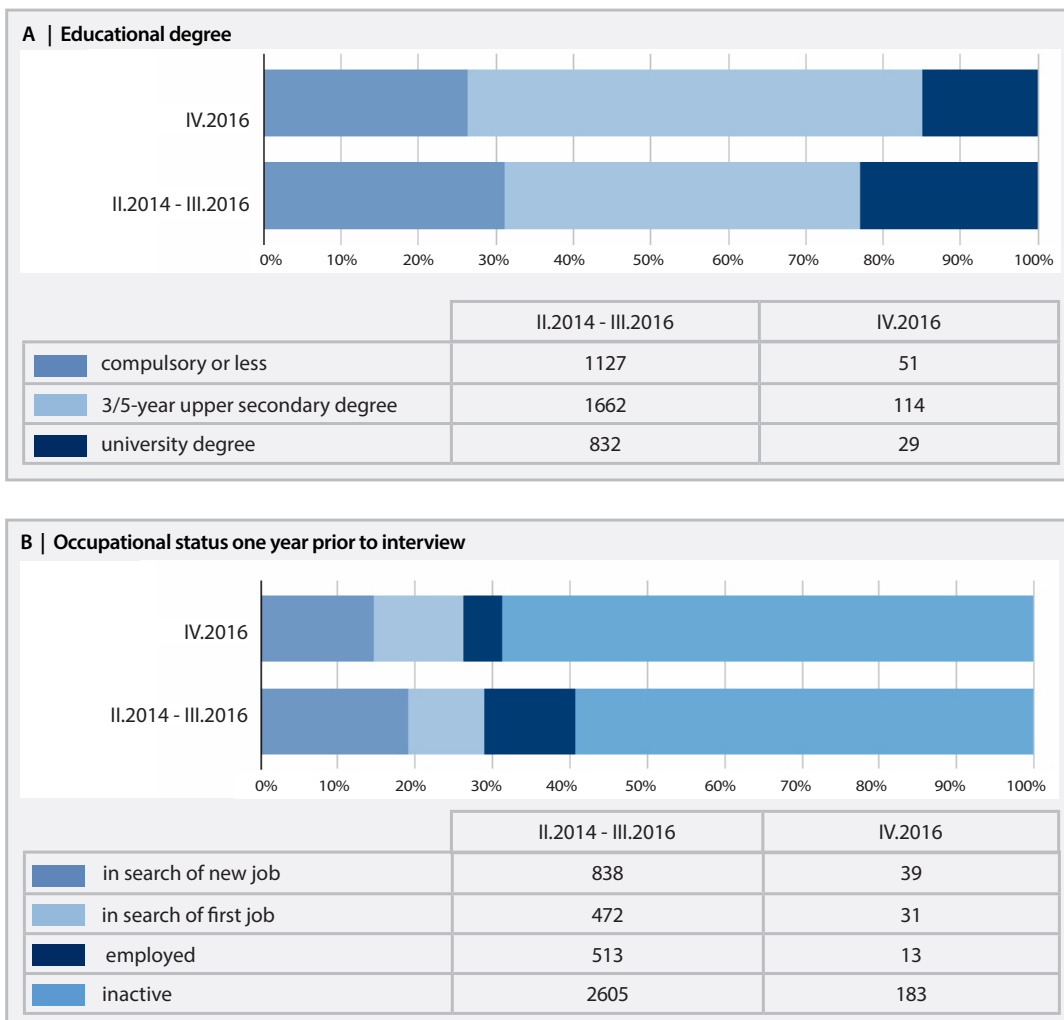
A relatively large fraction, around 31 percent, holds no upper secondary school degree (compulsory schooling or less) in the period until the third quarter of 2016. This share amounts to 26 percent in the fourth quarter of 2016. Up until the third quarter of 2016, the majority of participants (46 percent) holds a 3-year vocational degree (qualifica) or a 5-year upper secondary degree (diploma 5 anni). This share soars to 59 percent for the fourth quarter of 2016. With 23 percent, a sizeable share of participants holds a university degree (laurea) up until the third quarter of 2016. For the fourth quarter of 2016 this share drops to 15 %.

With respect to occupational status, Panel B of Figure 6 shows that until the third quarter of 2016 more than half of the Youth Guarantee participants were inactive one year prior to entering the program (59 percent).

Presumably, those are the participants who enter the Youth Guarantee scheme directly from the formal education system. This share is considerably larger for the fourth quarter of 2016 (69 percent).

As of the third quarter of 2016, 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 19 percent) or in search of a first job (around 11 percent) and about 12 percent were employed one year prior to their Youth Guarantee interview. In the fourth quarter of 2016, the numbers changed for entering from unemployment (15 percent in search of a new job, 12 percent in search of their first job) as well as for participants entering from employment (5 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.

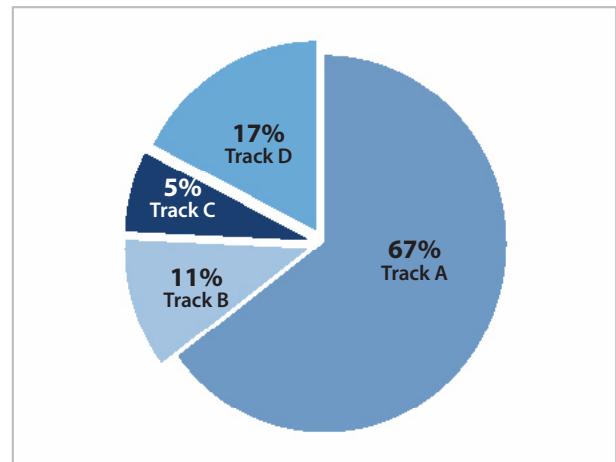
Types of Youth Guarantee measures chosen

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 December 2016. With 67 percent, Track A (Internship) appears to be the most requested measure, followed by Track D (Civilian Service) which is chosen by 17 percent of participants, and Track B (Training and Internship), chosen by 11 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 in Track B for

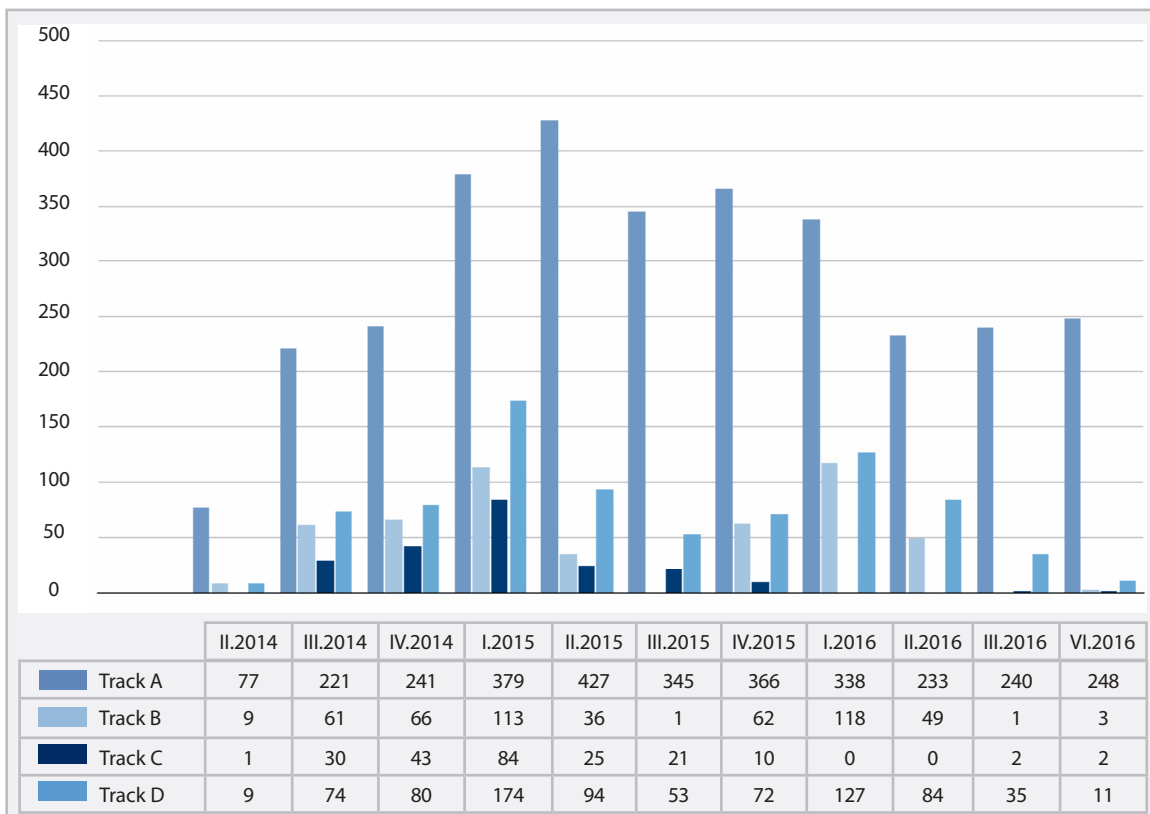
Figure 7
Mutual obligation agreements by type of measure chosen



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

this quarter is due to the fact that inscription has been temporarily suspended due to the introduction of new courses within the Track and the related call for tender. In the second quarter of 2016, participation in all tracks plummets (except for Track C, which already reached zero and hence cannot decrease further). For the third

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.

quarter of 2016, participation in Track A and C remains virtually at the same level, while participation in Track B and D keeps falling even further. As mentioned before, the decline for Track B can be attributed to the temporary suspension of inscription for this particular track. For the final quarter of 2016 participation rates for Track A, B and C remains virtually the same while participation in Track D plummets.

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 third 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

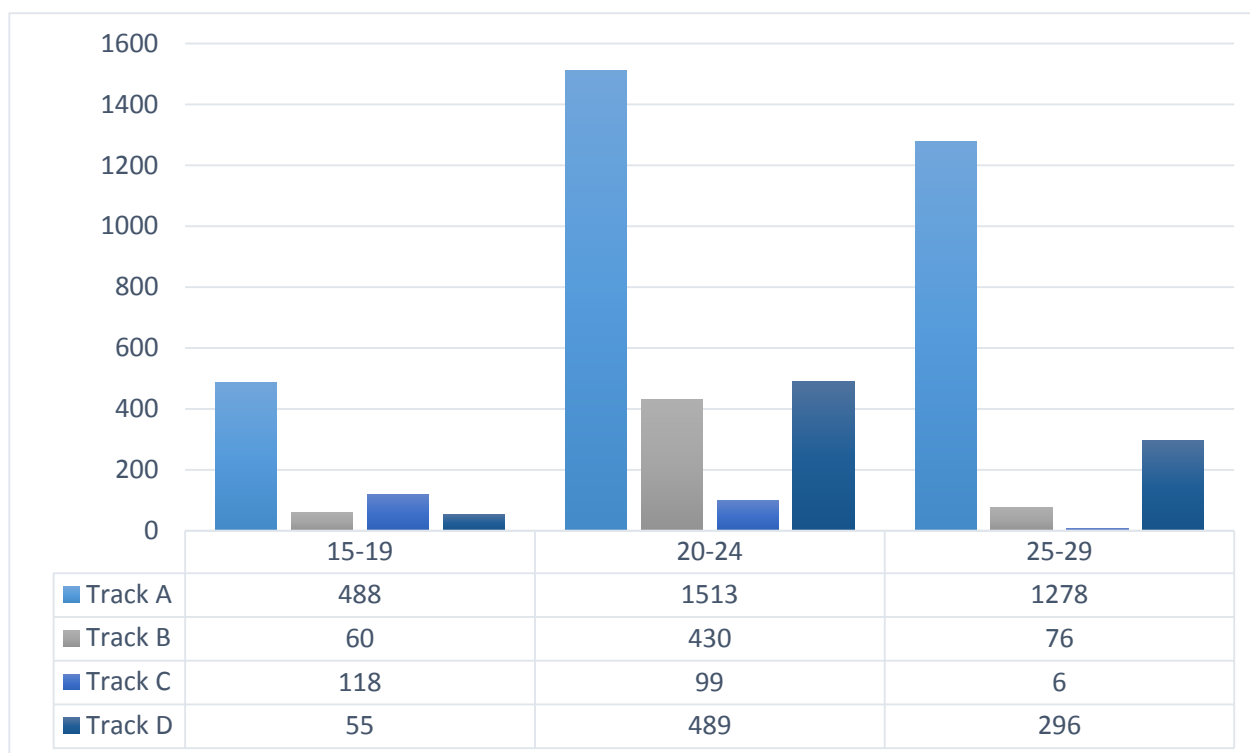
heterogeneous pattern across regions.

The region of Umbria displays the highest take-up rate with 72 percent of signed agreements among the NEET and Campania displays the lowest take-up rate with 20 percent of signed agreements among NEET youth. Trentino lies in the middle of the distribution with a 38 percent take-up rate. This rate is almost identical with the average take-up rate at the national level (32 percent) and considerably lower in comparison with the average take-up rate in the rest of the North-East (49 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).

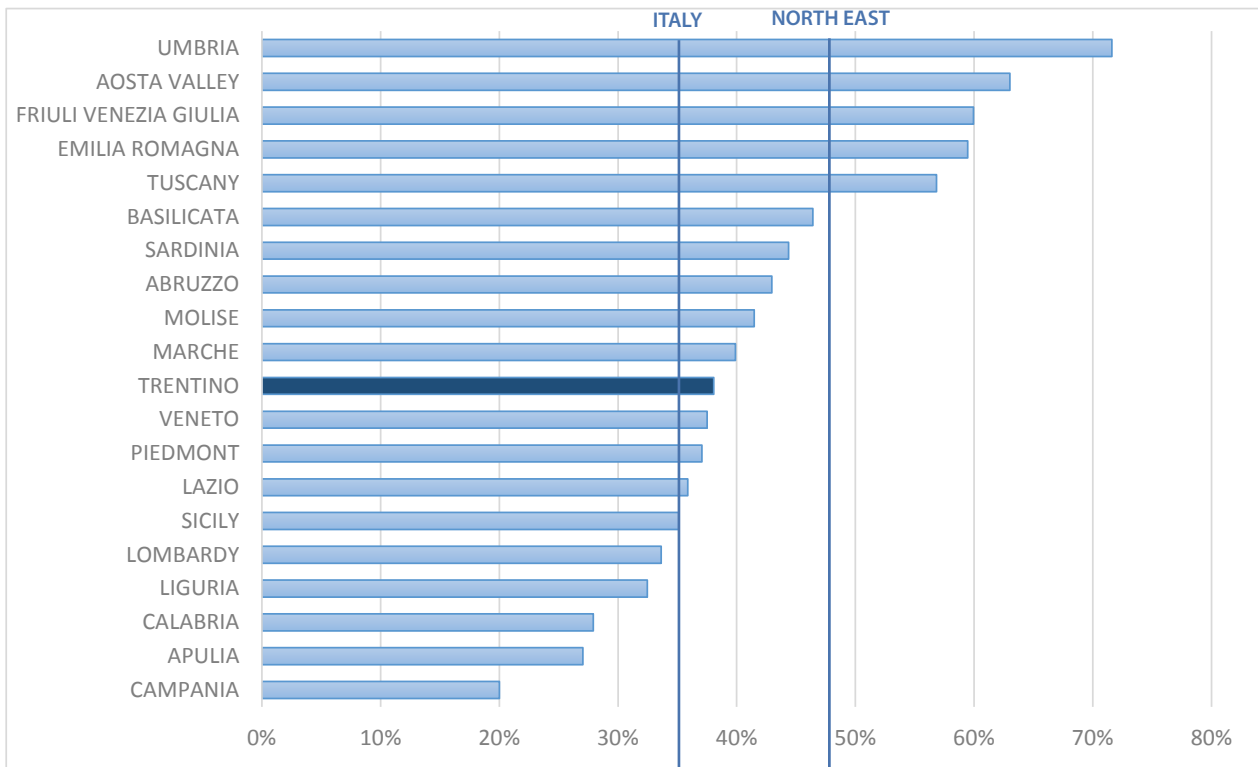
Given a low level of NEET incidence, the low program take-up rate in Trentino could be due to the availability of other active labor market policy measures outside the Youth Guarantee scheme. However, any analysis of the extent to which a low take-up rate is due to alternative measures available to NEET 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 of 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 VI.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 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 December 31, 2016.

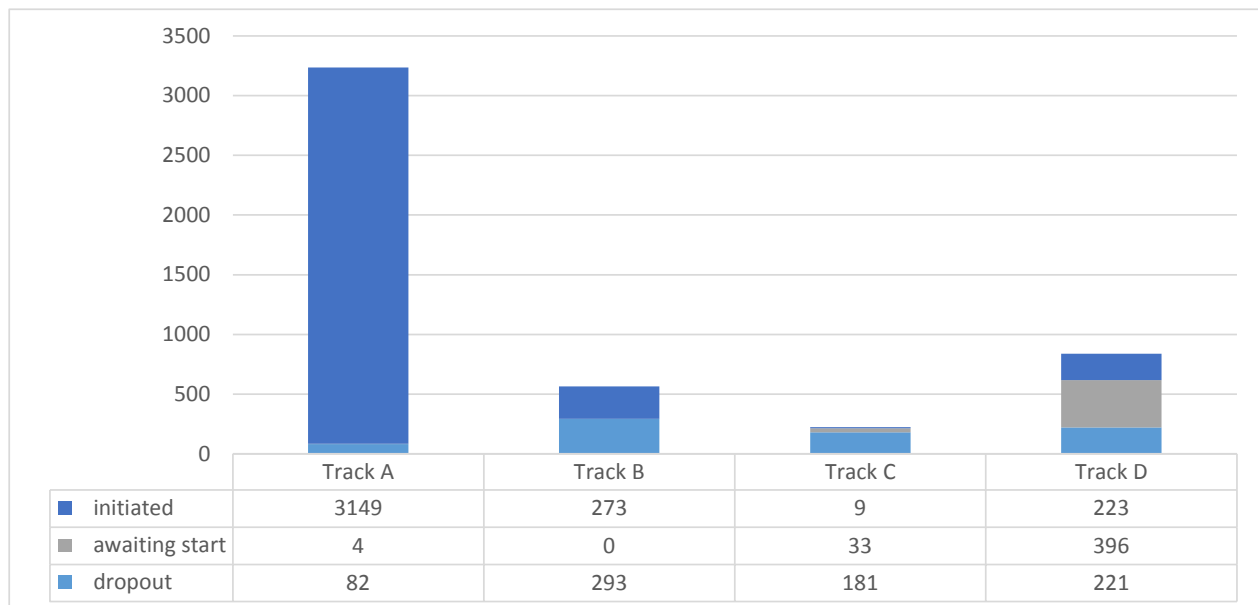
Track A (Internship) is the measure type, which was first available to participants from program start. It is the most popular choice among participants with the lowest overall dropout rate (3 percent, i.e. 82 individuals) and the highest fraction of participants with overall initiated activities (97 percent). Among the other available tracks, we observe higher dropout rates (highest in Track C with 81 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 47 percent) awaiting the start of activities in Track D (Civilian Service). Furthermore, for Track D 27 percent started activities and 26 percent dropped out.

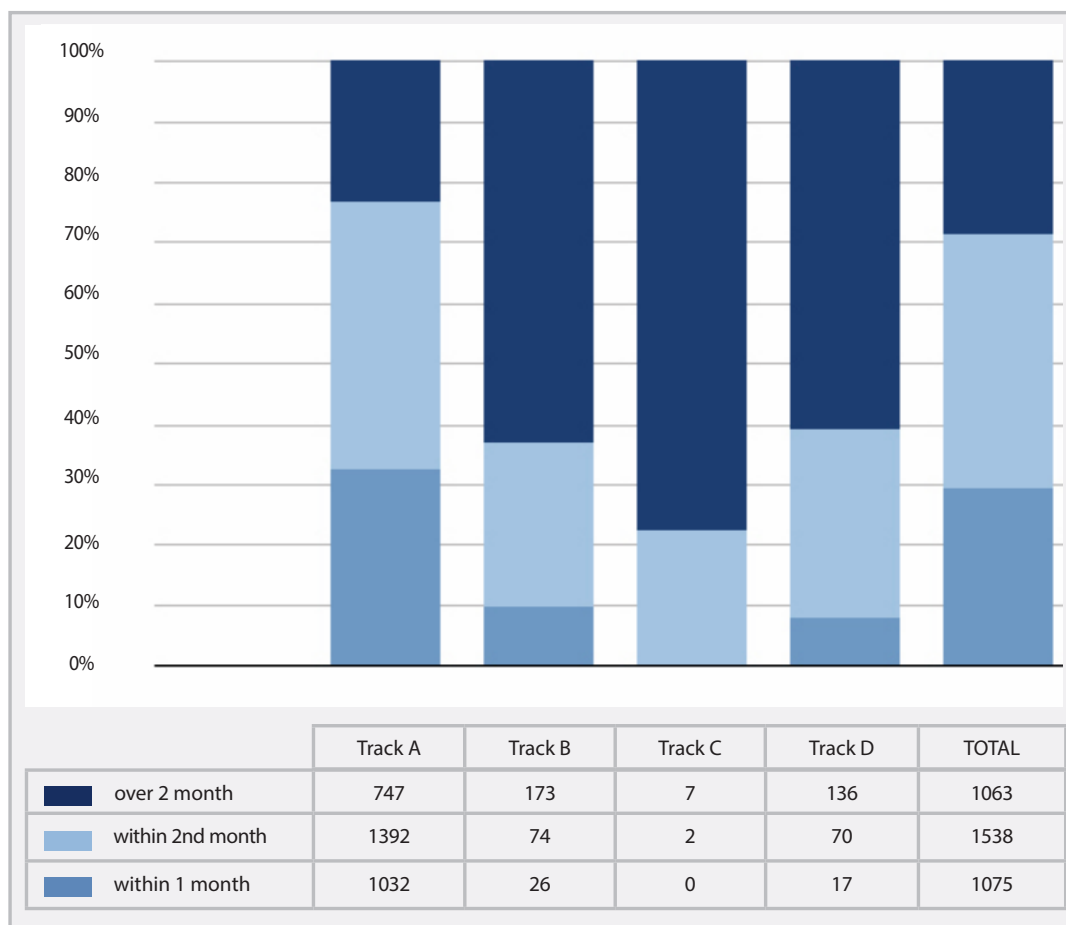
Figure 12 exclusively concerns participants who initiated an activity. For this group, the figure displays the waiting time from interview to activity start. Overall, we observe that a bit more than two thirds of the activities were initiated within 2 months of the interview (ca. 29 percent in the first and 42 percent in the second month); 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 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.

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

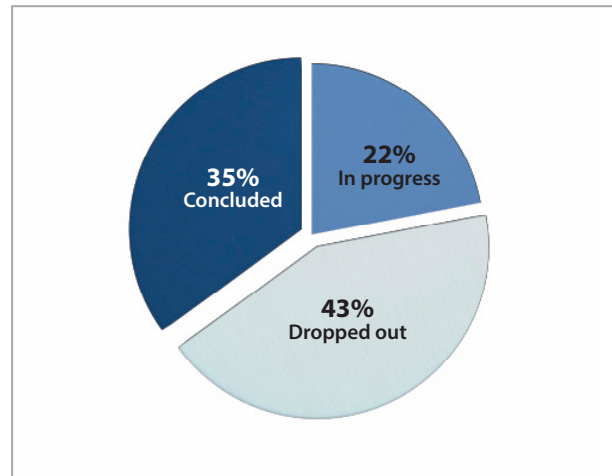


Source:
 own calculations
 based on data
 from the *Servizio
 Europa* of the PaT.

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 December 2016. 35 percent of program participants concluded a track, which amounts to 1,265 individuals (1,007 for Track A, 111 for Track B, 2 for Track C, and 145 for Track D). Furthermore, the overall dropout rate amounts to four out of ten (almost half of Track A, three out of 10 for Track B, about 4 out of 10 for Track C, and about one out of 10 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 about half of the dropouts of Track B, none for Track C, and every twenty-fifth 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.

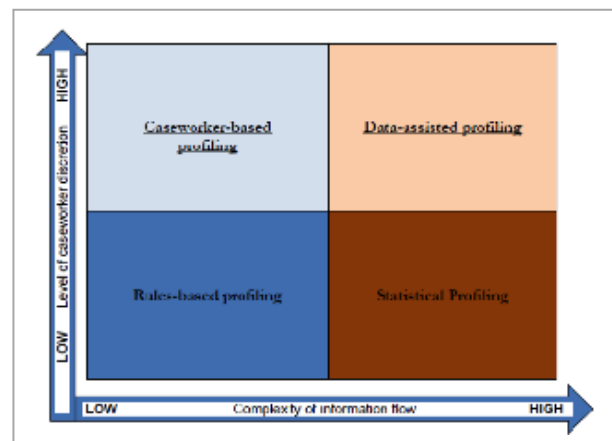
Profiling¹ is used in the labor market to assess people's vulnerability to long-term unemployment, which can then be used to take appropriate action. As increasing numbers of potential beneficiaries with different backgrounds are in need of different services, the issue of profiling has taken an increasingly important role in active labor market policies (ALMP). Internationally, many countries have introduced various profiling systems. The different systems used can be classified according to the degree of complexity of the data and the level of discretion left to the caseworker. Regarding the first aspect, data complexity can range from mere personal data of the unemployed (e.g. age, gender, level of education), over more detailed data (e.g. employment status, work experience, special needs), to highly complex and in practice difficult to determine data (e.g. skills, motivation, health). Regarding the second aspect, the profiling system can be fully obligatory, it can leave full discretion to the caseworkers, or be a mix of both of them; e.g. pre-select a number a number of programs and leave the final decision to the caseworker.

The figure below summarizes the above discussion. The soft approach matches the light-blue quadrant, where caseworker discretion is high and complexity of statistical analysis low; the hard approach matches the brown quadrant, where caseworker discretion is low and complexity of statistical analysis high; while the mixed approach matches the eggshell quadrant, where both requirements are high. A special case resembles the dark-blue quadrant, where both caseworker discrepancy and complexity of statistical analysis are low. An example of such a practice is Youth Guarantee's age limit: everybody of 30 years or older is automatically placed in the traditional program. This is a rule neither allowing for case workers to decide nor being in need of advanced statistics. While most programs have some rule based profiling in place, it is rarely advisable to base a program entirely on strict rules.

In general, profiling serves three purposes. First, it allows for segmentation of unemployed in different risk groups to make it easier to focus on high-risk groups; e.g., people who have not found a job after one year might be at an increased risk to end up

long-term unemployed. This mechanism is already in place for Youth Guarantee. Second, profiling allows for targeting specific measures to specific groups of people; e.g., highly educated unemployed might not benefit as much from education programs, but instead more from traineeships. To come up with these kind of results it is necessary to subject the programs to counterfactual-based impact evaluations in advance. A profiling system could make evidence-based suggestions and report whether the expected outcomes for one measure are significantly better than for another, which leaves room for personal decisions. Given that Youth Guarantee participants will soon have to choose between five different tracks (plus non-participation) and personal experience will be of limited help to make that decision, evidence based decision assistance, if properly implemented, can be expected to yield large positive results. Third, as a result of the first two steps resources can be allocated to maximum effectiveness and efficiency. However, two things are important to note. First, outcomes have to be clearly defined; e.g. whether only unemployment spells should be decreased or whether, for instance, the kind of work should factor in. Second, with time the economy changes, which makes it necessary to adjust the statistical models.

Figure 14
Classification of profiling systems



Source: Loxha, A. & Morgandi, M. *Profiling the unemployed: A Review of Oecd Experiences and Implications For Emerging Economies*, World Bank, Discussion Paper No. 1424, 2014

¹ The literature distinguishes between profiling and targeting. According to Frölich et al. (2003), profiling tells how vulnerable an individual is and hence how much assistance is needed. Targeting on the other hand suggests one out of many different programs (or non-participation). To avoid complicating the matter unnecessarily, the term *profiling* is used for both *profiling* and *targeting*.