

ITALY

Analysis and trends: Over the last years, the activity rate of 15-24 year olds decreased from 38.1% in 2000 to 32.5% in 2006 reflecting both the increase of years spent in education and some discouragement of young people trying to enter the labour market. The employment rate is far below EU average hovering around 26% (2006: 25.8%). A high and increasing share of fixed term contracts and their low conversion rate in permanent ones characterise young people's employment. The youth unemployment rate has constantly decreased since 1996 (34.7%), but is still high at 20.6% in 2006. The corresponding youth unemployment ratio has fallen from 12% in 2000 to 6.7% in 2006, which is slightly below EU average. The percentage of 22-year-olds having achieved at least upper secondary education level has constantly improved from 1995 (58.9%) to 2006 (75.5%). International surveys have highlighted problems in the quality of education in the Southern regions of the country. Early school leaving decreased significantly (32.8% in 1995, 20.8% in 2006) but is still very high, especially in Southern Italy.

Policy analysis and ESF contribution: **To attract and retain more young workers**, the 2003 labour market reform aimed at fostering young people's employment by modifying / introducing a number of new employment contracts, such as insertion and job-on-call contracts. The revised apprenticeship contract, still to be fully implemented, is designed to ease transition into the labour market. Significant efforts, also via ESF co-financing, have been directed at modernising the employment services and will continue during the 2007-2013 programming period. In addition to the labour market reform, which increased labour market flexibility, initiatives in the area of **adaptability** include measures, some of them **ESF** co-financed, to support mobility. This should contribute to address the geographical disparities in terms of unemployment, particularly sharp for young people. Measures are being adopted to address employment precariousness and foster stable working relationships, such as the tax wedge reduction (-5%) in 2007 on permanent labour only and the increase of social rights for temporary workers. The creation of a new unemployment insurance system is foreseen. Adaptability remains a priority area for ESF co-financing in 2007-2013. As concerns **investments to increase human capital**, the recent education and training reform, modified in 2007, should be implemented as from the 2009/2010 school year. It is supposed to contribute to an improved responsiveness of the educational system to labour market needs, to increase education levels and to reduce early school leaving. ESF co-funds a series of interventions for young people at risk and students.

Challenges and policy direction: The risk of labour market segmentation is a challenge and the first steps taken to tackle it and the effects of flexibility are thus important. The difficult situation faced by young people in Southern Italy calls for significant further progresses in employment services, an aspect addressed also by the Lisbon recommendations for Italy of March 2007. In the area of human capital, the recommendations pointed out another key challenge, which is the need to improve quality and labour market relevance of education. Quality assurance mechanisms are in particular needed to ensure common standards in education across regions.