Connecting People with Jobs

Strengthening Active Labour Market Policies in Italy



OECD

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Foreword

Giving people better opportunities to participate in the labour market improves well-being and strengthens economic growth. Better labour market and social protection policies help countries to cope with rapid population ageing by mobilising potential labour resources more fully. Many OECD countries achieved record employment levels prior to the global financial crisis, but in all countries employment rates differ markedly across population groups. High unemployment, weak labour market attachment of some groups in society, and frequently unstable, poor-quality employment reflects a range of barriers to working or moving up the jobs ladder. In many countries, the crisis has accentuated long-standing structural problems that are causing these disadvantages. It is a major challenge for policy makers in the coming years to address these problems and make OECD labour markets and, thus, OECD economies more inclusive.

Therefore, the OECD Employment, Labour and Social Affairs Committee is carrying out a set of reviews of labour market and social protection policies to encourage greater labour market participation and better employment among all groups in society with a special focus on the most disadvantaged, who face the greatest barriers and disincentives to finding good work. This includes a series of country studies, Connecting People with Jobs, which provide an assessment of how well activation policies help all groups to move into productive and rewarding jobs and a number of policy recommendations that could improve the situation.

This report on Italy is the sixth country study published in this series. It discusses how active labour market policies in Italy are performing at the national and regional level, focussing particularly on the reform of the system of public employment services initiated by the Jobs Act, the latest labour market reform introduced in 2014. The report was prepared by Anne Lauringson (OECD's Skills and Employability Division), with input from Gianluca Scarano (University of Milan), under the supervision of Theodora Xenogiani. Statistical assistance was provided by Sylvie Cimper and editorial assistance by Lucy Hulett and Katerina Kodlova. Comments were provided by Stefano Scarpetta, Mark Keese and Kristine Langenbucher. The report benefited greatly from comments provided by the National Agency for Active Labour Market Policies and from discussions with national and regional authorities and experts during an OECD mission to Italy in early 2018. Inputs from the following experts who participated in a number of seminars organised in Rome are gratefully acknowledged: Margaret Kidd, Martine Breedveld, Nick Butler, Gordon Roberts, Claudia Thériault, Sandi Meke, Louise Seidler Johansen, Anna Møbjerg Stevnhoved and Aude Busson. The report also benefited from the information collected during the visits to local employment offices in Abruzzo, Piedmont and Campania.

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Acronyms and abbreviations

AD	*Ammortizzatori sociali in deroga* (criteria for wage supplementation)
ALMP	Active labour market policy
ANPAL	*Agenzia Nazionale per le Politiche Attive del Lavoro* National Agency for Active Labour Market Policies
ASDI	*Assegno Sociale di Disoccupazione* (unemployment benefit)
ASL	*Alternanza Scuola-Lavoro* (a work-based learning program)
ASPI	*Assicurazione Sociale per l'Impiego* (unemployment benefit)
BIBB	Federal Institute for Vocational Education and Training (in Germany)
CIGO	*Cassa Integrazione Guadagni Ordinaria* (wage supplementation)
CIGS	*Cassa Integrazione Guadagni Straordinaria* (wage supplementation)
CIMR	Birkbeck Centre for Innovation Management Research (in the UK)
CPI	*Centro per l'Impiego* Public local employment office
CREST	Center for Research in Economics and Statistics (in France)
CV	Curriculum Vitae
DID	*Dichiarazione di immediata disponibilità* Jobseekers declaring their availability to work
DIS-COLL	*Disoccupazione collaborator* (unemployment benefit)
DWP	Department of Work and Pensions (in the UK)
EC	European Commission
EGF	European Globalisation Adjustment Fund
ESF	European Social Fund
EU	European Union
EUR	Euro
EU-SILC	European Union Statistics on Income and Living Conditions
EULFS	European Union Labour Force Survey
FY	Fiscal year
GDP	Gross domestic product
HoPES	Heads of Public Employment Services (in the EU)
I4.0	Industria 4.0
IAB	Institute for Employment Research (in Germany)
IDB	Inter-American Development Bank
INAIL	Institute for Insurance against Accidents at Work
INAPP	National Institute for Public Policy Analysis
INDIRE	National Institute for Documentation, Innovation and Educational Research
INPS	*Istituto Nazionale Previdenza Sociale* National Institute of Social Welfare
ISFOL	Institute for the Development of Workers' Professional Training
ISTAT	Italian National Institute of Statistics
I.Stat	Database of the Italian National Institute of Statistics
ICT	Information and communication technology
IT	Information technology
IZA	Institute of Labor Economics (in Germany)
JSCI	Job Seeker Classification Instrument (in Australia)
LF	Labour force
LFS	Labour Force Statistics
LMP	Labour market policy
LTU	Long-term unemployment
Mini-ASPI	*Mini-Assicurazione Sociale per l'Impiego* (unemployment benefit)
NASPI	*Nuova Assicurazione Sociale per l'Impiego* (unemployment benefit)

NBER	National Bureau of Economic Research (in the United States of America)
NCES	National Center for Education Statistics (in the United States of America)
NEET	Neither in employment, nor in education or training
PARES	Partnership between Employment Services (in the EU)
PES	Public employment service
PIAAC	OECD Survey of Adult Skills
PLMP	Passive labour market policy
PPP	Purchasing power parity
R&D	Research and development
REI	*Reddito di Inclusione* "Inclusion Income" (unemployment benefit)
ROME	*Répertoire Opérationnel des Métiers et des Emplois* (French classification of occupations)
SEPE	Spanish State Public Employment Service
SIA	*Sostegno all'Inclusione Attiva* (unemployment benefit)
SIU	An integrated single IT system of active labour market policies
SMEs	Small and medium-sized enterprises
STAR	Danish Agency for Labour Market and Recruitment
SVIMEZ	*Associazione per lo sviluppo dell'industria nel Mezzogiorno*
TrEffeR	A tool to evaluate ALMP impact in the German PES
U	Unemployment
UK	United Kingdom
USD	United States dollars
VDAB	Public employment service in Flanders, Belgium
WAPES	World Association of Public Employment Services

Executive Summary

This review discusses how active labour market policies in Italy are performing both on the national and the regional level, focussing particularly on the reform process in the system of public employment services initiated by the Jobs Act. The ongoing reform has good potential to improve the performance of employment services in Italy, particularly if the stakeholders of the system co-operate to establish a binding performance management framework and develop national IT infrastructure supporting the tasks of the local offices to serve jobseekers and employers. The National Agency for Active Labour Market Policies has a key role in encouraging the co-operation between the stakeholders, leading the development of new tools and methodologies and thus supporting the local employment offices to implement the new service model.

The Italian labour market has witnessed mild improvements over the past few years. Nevertheless, the challenges in the labour market are still greater than in most other OECD countries. The unemployment rate is high, the employment rate and labour productivity are low, youth employment has not recovered from the crisis and the gender employment gap and long-term unemployment are decreasing only slowly. Low qualifications and low skills of the labour force cause under-skilling and depress productivity. Mismatches are common also due to wage rigidity and low labour mobility. Regional disparities are relatively high compared to other OECD countries, but the major labour market challenges are often similar across regions.

Despite the difficult labour market situation, the resources devoted to labour market policies to fight the challenges are too low. The package of active labour market policies is under-financed and weakly targeted, over-reliant on employment incentives. Training measures are essentially missing for jobseekers aged over 29, options for institutional training are scarce, counselling services for jobseekers and job-brokering activities are under-developed. As such, the system of public employment services lacks credibility among the labour market stakeholders and its contribution to improve the labour market is limited. Furthermore, as the system of public employment services is decentralised, different approaches to service provision are practiced across country (e.g. concerning targeting active measures, contracting out services, reaching out to employers), leading to unequal access and quality of services.

The Jobs Act has had some positive effects in enhancing labour market flexibility and harmonising unemployment benefits. Nonetheless, the pillar of the reform aiming at strengthening active labour market policies has been more cumbersome. It has decreased fragmentation as 21 regions and autonomous provinces are now responsible for providing active labour market policies instead of over 100 provinces that were responsible prior to the Jobs Act. However, the co-operation between the regions is not sufficient, limiting further improvements of the system. The recently created National Agency for Active Labour Market Policies has the potential to improve co-operation. This requires clearer establishment of ANPAL as the supporter of regions and local employment offices in designing and implementing improvements in the system of employment services.

The Jobs Act aims also to improve the quality of active policies by laying down general principles of active labour market policies, setting grounds for introducing minimum service standards across the country, enhancing the quasi-market for employment services by stimulating competition between the public and private providers and enforcing activation conditionality on benefit recipients. All these initiatives are yet to be put into practice as the common IT infrastructure to support the implementation is still being developed and the staff in the local employment offices are not equipped to deliver the new concepts.

The OECD analysis suggests that the key activities to improve the performance of the Italian system of employment services are the following:

- Establish an accountability framework in the system of public employment services involving an agreement between regional and central authorities on the set of objectives and corresponding key performance indicators. Part of regional budgets should depend on the achievement of the set target levels.
- The National Agency for Active Labour Market Policies has to strengthen its strategic view on its role as the supporter of regions and local offices in reforming employment services. Moreover, ANPAL should communicate its strategy systematically externally and internally with the help of the in-house entity ANPAL Servizi which has a regional outreach, to mobilise the staff in local offices to implement the reform in active labour market policies.
- Support the staff in the local employment offices in improving their services by continuous training programs reaching all staff members on implementing the new methodologies, IT infrastructure and labour market information and by designing new IT infrastructure supporting the processes in the local offices.
- Strengthen activation conditionality on registered jobseekers by developing IT tools supporting local offices to apply conditionality and to communicate violations to unemployment benefit authorities and by raising awareness among the staff in local employment offices about the objectives of activation.
- Increase the role of private providers to support under-resourced public employment offices by laying down a strategy on how the market should function, harmonising the rules of contracting out, increasing the range of services that can be outsourced and enhancing performance-based outsourcing.
- Increase the effectiveness of active labour market policies by conducting regular impact evaluations that feed into targeting the measures, by using profiling tools to target employment incentives only to the most vulnerable groups, by linking the provision of training programs with employers' needs and by expanding the range of active measures to address individual needs of jobseekers facing greater obstacles to enter employment.
- Support local employment offices in job brokering by providing national tools for mapping jobseekers' skills, tools for job mediation and matching that support matching on skills and across different regions and online tools for uploading vacancies with matching functions for employers. Provide training for dedicated employers' counsellors and devote these counsellors to actively reach out to employers (selling demand-side services and encouraging job mediation by employment offices).

Assessment and Recommendations

The Italian labour market is witnessing a mild recovery

Helping the unemployed and other inactive people to find jobs is not easy in a period of slow or negative economic growth. The global financial and economic crisis hit the Italian economy more than many other OECD countries. Although productivity growth is still stagnant, the economy is undergoing a mild recovery albeit with some headwinds looming large on the horizon. The improved economic situation has triggered an increase in labour force participation and some increase in employment. The employment rate of persons aged 15-64 years has risen to 58.0%, which is very close to its pre-crisis level, but still well below the OECD average (67.8%). Although the unemployment rate has been decreasing in recent years, at 11.4%, it is still well above its pre-crisis levels and the third highest among OECD countries.

Some groups are still disadvantaged

Despite the recent improvements in the labour market, several groups continue to face rather bleak labour market prospects:

- Women still face greater challenges than men in the labour market. The participation rate of working age women, at 56% in 2017, remains almost 20 percentage points below that of men despite rising by over 10 percentage points in the past two decades. To promote further much needed progress in addressing gender gaps in the labour market, significant improvements are needed in the provision of caretaking facilities for children and elderly and better targeting of active labour market policies to support women's labour market prospects.
- Young people were hit hardest by the crisis in Italy. The unemployment rate of 15-24-year-olds stood at 43% at its peak in 2014. The labour market situation of youth has improved only mildly during the recovery. In 2017, every third economically active person aged 15 to 24 was unemployed compared with one in every eight in the OECD, and more than one in four persons aged 20 to 24 were neither in employment, nor in education or training (NEET) compared with one in six in the OECD. So far, the measures under the Youth Guarantee programme have not been successful at drawing large numbers of jobless youth into active labour market programmes and bringing them closer to the labour market. Public employment services have to be strengthened to be able to reach the NEETs on time and provide them with appropriate support.
- Long-term unemployment remains high in Italy. Long-term unemployed persons accounted for 59% of all the unemployed in 2017, second highest – together with the Slovak Republic – among OECD countries, just behind Greece. The share of the long-term unemployed in the labour force was 6.5% in 2017 (for the population aged 15-74), versus 3.4% for the EU countries.

Under-skilling and labour market mismatch hinder economic growth

Italy also faces a challenge of improving the skills of its workforce and better utilising those skills and matching them to employer needs. Only about one in six adults aged 25 to 64 years have a tertiary degree in Italy, the second lowest share among the OECD countries, behind Mexico. In addition, according to the results of the OECD Adults Skills Survey (PIAAC), the skill levels of the adult population are low compared to the other participating countries at all levels of educational attainment. The low skill levels are coupled with a high incidence of skill mismatch which depresses productivity further. Wages in Italy are set through sectoral collective agreements that are automatically applied across the country and provide weak incentives for investing in skills or improving work performance. While the Italian Government has made efforts to encourage firm-level bargaining (e.g. tax reductions on productivity bonuses), wages still tend to be rigid and contribute further to skill mismatch and low productivity.

In 2016, close to 40% of adults aged 15-64 were either over- or under-qualified for their job in Italy which is higher than the OECD average. The high incidence of mismatch suggests that there may be room for promoting labour mobility across occupations and sectors. This could be done through a range of services administered and delivered by the system of employment services. A prerequisite for promoting labour mobility is the availability of good information on labour market prospects in each region, which is currently lacking in Italy.

Spending on active labour market policies is low

Italy spent 0.51% of GDP on active labour market policies (ALMPs) in 2015, which was just below the average spending among OECD countries (0.53% of GDP). However, Italy's unemployment rate was almost double the OECD average (12.1% vs 7.0% among 15-64-year-olds), which indicates that the country invests relatively little in active measures per unemployed person.

At the same time, spending on passive labour market policies (i.e. income support), notably wage supplementation schemes, is relatively high (0.49% of GDP on wage supplementation and related schemes and 0.78% on unemployment benefits in 2015). Spending on passive labour market policies increased from 0.67% of GDP to 1.29% between 2005 and 2015, in line with the increase in the number of jobseekers during the crisis and the growing reliance on wage supplementation schemes.

Spending on active labour market programmes is not well directed

Italy's budget on active labour market policies is skewed toward measures that are more susceptible to suffering from large deadweight losses as half of the budget for active labour market policies is devoted to employment incentives. More than a third of the budget is devoted to training measures, though mostly in the form of reductions in social contributions for employers during apprenticeships programs. In contrast, only 2% of the budget for active policies is devoted to services that have internationally proved to be more cost-effective, such as job mediation, job placement and related services. As a comparison, OECD countries spend on average on these services almost 10% of their budget for active policies.

Furthermore, the allocation of funding by regions and provinces does not always follow a coherent national framework, leading to differences in access, quality and effectiveness of active labour market policies across the country.

Labour market policies rely heavily on subsidising employment relationships

ALMPs in Italy serve a similar purpose as the passive measures. Two thirds of active measures are used to subsidise new employment relationships while 40% of spending on passive labour market policies are used to subsidise continuing employment relationships. Both active and passive measures lack transparency and targeting, and are likely to be misused as permanent subsidies for non-sustainable employment in low value-added enterprises. Therefore, employment incentives should be redesigned to target only the most vulnerable groups (for example by adjusting the quantitative jobseeker profiling tool for this purpose) and not as a permanent subsidy for non-sustainable enterprises.

Training provision does not address the widespread lack of skills among adults

The vast majority of training programmes in Italy are targeted at people up to 29 years of age. For the unemployed aged 30 and over, there are only limited institutional training options available and essentially no workplace training or internships. The Polish apprenticeship programs for adults provides one example of how access to training for adult jobseekers can be facilitated.

The referral of jobseekers to institutional training and the corresponding funding for these programs should be increased considering the widespread lack of skills among adults but linked better to their training needs and the skill needs of employers. Currently, the results of skills assessment and anticipation exercises are not systematically linked to referrals to training nor is there any information available about the effectiveness of training programs. As a first step, the choice of training programs to be provided for the jobseekers should be linked better with employer needs (e.g. the Excelsior model conducted by *Unioncamere* providing detailed overviews on short-term labour needs and long-term skill forecasts) and outcomes of training programs (labour market integration rates after participation). To strengthen the effectiveness of training programs, the programs should be regularly evaluated to take the net effect of each program into account in training referrals. A tool called TrEffeR in the German public employment service provides an example of regular impact evaluation of programs by providers, area and type of program. A similar mechanism could be introduced in Italy for example in co-operation with INAPP (the National Institute for Public Policy Analysis) and/or universities. As ANPAL (the National Agency for Active Labour Market Policies) is working currently together with the regional authorities on setting up a register for vocational education and training, this provides a good prerequisite to have the necessary data ready in the future to conduct impact evaluations of training courses.

Public employment services have low credibility as job brokers

Only about half of unemployed persons in Italy are registered with the public employment service (PES), a lower share than in most other OECD countries. Moreover, the public employment service is not a popular channel for seeking employment: only half of the registered unemployed use these services to look for work, a low share relative to the situation in other OECD countries. Jobseekers are reluctant to use PES services as the access to active measures is low and often perceived to be of low quality.

Employers also make little use of the PES to fill their vacancies. In 2014, as the main recruitment channel, only 1.5% of employers used the PES while two thirds used their personal and social networks. This low use of the PES is observed among all employers, regardless of their size, sector or region.

The low share of jobseekers who find employment with the support of the PES, also points to its limited role as a job broker. In 2016, only 2.5% of new hires have involved some services from the PES. This share is five times lower than the OECD average and shows that the Italian PES lacks credibility both on the side of employers and jobseekers.

An important labour market reform was introduced in recent years

To address its labour market challenges, Italy launched the "Jobs Act" in 2014-16, a set of reforms that introduced the flexicurity concept resting on three pillars: changing employment protection legislation (simplifying and clarifying procedures for dismissal of those on open-ended contracts), reforming the benefit system (security) and strengthening the system of ALMPs. Though some preliminary measures were introduced already in March 2014, the majority of the relevant decrees were finally adopted by September 2015 and implemented thereafter. By 2018, there had been some progress on the first two pillars but the reform of the system of ALMPs remains more challenging. The Jobs Act has been complemented by two additional reforms, *Buona Scuola* and *Industria 4.0,* aiming jointly at boosting productivity and improving the ability of the economy to adjust to external shocks due to global changes. These reforms have the potential to increase the supply of and the demand for skilled labour and improve the matching between the two.

Labour market duality remains a significant problem in Italy

The Jobs Act replaced the multitude of forms of open-ended and non-standard contracts with one permanent contract type with severance payments increasing with job tenure (*tutele crescenti*). By introducing this new contract type, the uncertainty of firing costs was cut by restricting the grounds for reinstatement in cases of dismissal without just cause. It was only applied to newly signed permanent contracts (after the 7 March 2015) in firms with more than 15 employees. Additionally, the new permanent contracts were exempted from the social security contributions in 2015-16 (maximum limits reduced in 2016). The budget for 2017 extended the social security exemptions, but limited them only to students newly hired to firms where they completed their internship or traineeship and young workers hired in the southern regions with permanent or internship contracts.

These attempts to increase labour market flexibility have generated some positive effects. The number of new open-ended contracts increased in response to the changes by 63% in 2015, but fell back to the 2014 level in 2016 and even decreased by 7% in 2017 compared to 2014. The different estimations indicate that the Jobs Act has reduced labour market duality, mostly by encouraging the conversion of fixed-term contracts to permanent ones and less so by triggering new hires using open-ended contracts. The positive effects have emerged mostly due to monetary incentives and less so due to the changes in the employment protection legislation. Regardless of the initial modest effects, introducing more clarity on the conditions for dismissal has been a step in the right direction besides boosting employment and reducing labour market duality. These changes could also potentially increase productivity through improved labour allocation and skill match and decrease the extent of undeclared work in the Italian labour market.

Nevertheless, at the end of September 2018, the Italian Constitutional Court declared rigid indemnities upon unfair dismissal dependent solely on job tenure to be unlawful. This threatens to re-introduce the uncertainty of firing costs and to eliminate the positive effects of the Jobs Act on the use of open-ended contracts. Furthermore, a recent change in the employment protection legislation called the "Dignity Decree" approved already in July 2018 increases the minimum and maximum amounts of firing costs. In addition, the use of fixed-term contracts is now more constrained making the employers hesitant to hire additional employees and calling a further increase in employment into question.

Unemployment benefit schemes have so far been fragmented and benefit few

Italian passive labour market policies have relied past years heavily on generous, but poorly targeted wage supplementation schemes for workers on reduced working hours covering only some sectors, contract types and companies. At the same time, only around 7% of registered unemployed people received unemployment benefits. Wage supplementation schemes have been more popular than unemployment benefits due to their generous levels and low contribution requirements from employers.

The main goals of the Jobs Act regarding social security have been to reduce the reliance on wage supplementation schemes, to introduce more "harmonisation" and "universalisation" of unemployment benefits and link their duration to the previous working history, to introduce means-tested measures complementing social insurance ones, and to strengthen the principle of conditionality. During the initial years, the reform has led to a slightly higher coverage of unemployment benefits. The share of unemployed persons registered at the public employment service and receiving unemployment benefits increased from 6.7% in 2014 to 7.0% in 2015 and to 7.8% in 2016. The magnitude of these effects has been modest, but the true effects will be visible only when the new benefit system has had some time to mature and only if the accompanying changes in the active labour market policies will be fully implemented.

Somewhat less fragmentation of the system since Jobs Act and creation of ANPAL

While there have been many attempts to promote labour market flexibility and passive labour market policies during the past 30 years, the provision of active labour market policies has been lagging behind. Up until the Jobs Act, the provinces were responsible for delivering employment services which led to a fragmented system with great differences in the quantity and quality of measures available across Italy. The original aim of the Jobs Act was to consolidate the responsibilities from the provincial level to a new central organisation, the National Agency for Active Labour Market Policies (ANPAL). However, this step required a constitutional reform preceded by a referendum. Due to the negative outcome of the referendum in December 2016, only the consolidation of the powers from provinces to the regional level was possible. Nevertheless, this has led to a lower level of fragmentation than before as there are 21 regions and autonomous provinces implementing employment services instead of over a hundred different provinces.

The original aim of the Jobs Act was to entrust ANPAL with the responsibility for setting the objectives and strategies for the employment services in Italy. However, following the negative outcome of the Referendum, ANPAL's role has been that of the co-ordinator of the activities of the network of employment services that was established to improve the efficiency of the labour market. The network includes ANPAL, regional structures responsible for ALMPs, public and private employment offices delivering ALMPs,

the organisation responsible for unemployment benefits (INPS), the organisation managing measures for disabled jobseekers (INAIL), the organisation evaluating public policies (INAPP), universities and upper secondary schools, among other actors. Its creation involved a slight rearrangement of responsibilities between the organisations rather than a new set-up of employment services. The establishment of ANPAL as the co-ordinator of the network is a positive step, as the existence of a national level organisation such as ANPAL is instrumental in a decentralised system to support the regional authorities and thus make the system effective and efficient.

ANPAL's role needs to be strengthened further

The main documents framing the scope of action for ANPAL are the decree implementing the Jobs Act regarding ALMPs, ANPAL's statute and the strategic agreements between the State and the regional authorities. In addition, ANPAL has laid down its Performance Plan defining the multitude of tasks assigned to it by the legal framework in detail. ANPAL has progressed well fulfilling many of these tasks already during the first years of its activities. ANPAL has worked out new methodologies (for profiling jobseekers, contracting out employment services, etc.), reached agreements with the regions on common concepts (a suitable job offer for jobseekers, minimum service standards, indicators for performance measurement, etc.) and developed new IT solutions.

In addition, ANPAL has done a lot during its first years to generate and disseminate knowledge about the situation in the system of employment services by conducting surveys among the local employment offices and their customers. This has created strong awareness about the challenges in the system among the members of the network of employment services. To overcome these challenges, ANPAL has a crucial role to play to co-ordinate and support the activities of the network designing and implementing change. ANPAL has to provide central support to the system, going beyond individual detailed tasks to enable the system go through a fundamental reform rather than a patchwork of small changes. Thus, ANPAL's clear strategic plan defining its main mission is vital for its success.

While ANPAL has an elaborate Performance Plan in place, it is important for ANPAL to elaborate its strategic view further to clearly state its mission, vision, core values, clients and key partners. A solid strategic identification of ANPAL would benefit the implementation of the reform and moving forward. On the one hand, this would promote co-operation within ANPAL as the objectives of the organisation and the strategy to achieve these objectives would then be understood in the same way by all parties. This is especially important for the co-operation between ANPAL and its in-house entity ANPAL Servizi, but also ANPAL's employees who were moved there from INAPP and the Ministry of Labour and Social Policies.

On the other hand, a clear strategic view would benefit also the co-operation of ANPAL with the other partners in the network of employment services as there would be then more clarity what the exact role of ANPAL is and what kind of support the regional authorities could expect from it. ANPAL's mission should be above all supporting the regions and the local employment offices – *Centri per l'Impiego* (CPIs) to improve the employment services.

Thus, it is crucial that ANPAL keeps both its external and internal stakeholders in mind when refining its strategy. The communication by ANPAL of its strategy both internally and externally should become an integral part of its business model to become effective.

Regarding internal stakeholders, the strategy should ensure that the ANPAL Servizi staff are treated as an integral part of the organisation. ANPAL Servizi's presence in the regions is a tool for ANPAL to better serve the regions, but it has not yet been fully utilised.

Efforts should be made to strengthen co-operation

The law provides only a limited set of tools to ANPAL to fulfil its role as the co-ordinator of the system of employment services. *First*, ANPAL is leading the negotiations to draw up strategic documents. For this purpose, ANPAL has set up a Committee of Active Labour Market Policies, which is chaired by the general director of ANPAL and meets about ten times a year with the participation of the regional directors for employment. *Second*, ANPAL is authorised to monitor and evaluate the management and performance of ALMPs and even manage these employment offices directly that do not meet the minimum service standards. The latter tool is however a last resort and the full process of implementing it is not yet in place.

As a result of the limited tools ANPAL can use, during the first years of activity, ANPAL has been struggling in its co-ordinating role and the stakeholders perceive the progress to be slow. To overcome the limited tools, ANPAL should build trust among stakeholders through its activities to encourage collaboration within the system. Harmonisation of the system is important, but it should not be ANPAL's primary objective at all costs. The key objective is to find good working methods that could be delivered in all the regions while making it possible to accommodate best practices already in use and create the ground for development and innovation.

While ANPAL has made good efforts to reach agreements in the Committee of Active Labour Market Policies, the reform progress depends also on the willingness and efforts of the regions to co-operate. The co-operation of the regions is crucial, as the resources in the system are very limited and thus developing nation-wide tools is more efficient, allowing regions to save funds for staff and active policies.

A way to encourage co-operation can be through an evidence-based sharing of good practices like the method implemented in the EU PES Network and applied also by the decentralised system of employment services in Spain. Within this framework, the performance of employment services is monitored to enable detecting best practices and share these practices with each other. This form of co-operation to create mutual improvements can be even more easily applicable in Italy where the institutional context across regions is much more similar than across European countries.

Encouraging competition at a local level with a performance management system and appropriate incentives is crucial in any system of public employment services. Yet this becomes even more critical in a decentralised system where the local units have more flexibility to define their business model. For example, performance of employment services has been successfully improved by transparency and financial incentives in the decentralised systems of Denmark and Spain. However, in the case of Italy, so far also the budget laws regulating the funding of the system of employment services have been passed without making funding of CPIs conditional on their performance. An incentive system rewarding an increase in performance (i.e. not the absolute level of performance) could be potentially feasible also in Italy. For example the funds allocated from the state budget to cover partially the operating costs of local employment offices could depend on improvements in performance (measured by a set of well-identified performance

indicators). This becomes even more crucial if the funding of public employment services will be increased from the state budget as has been announced by the new government.

The mechanisms to improve the quality of active labour market policies provided by the Jobs Act have not yet been put into practice

Besides restructuring the system of employment services, the Jobs Act also targets the content and above all the quality of active labour market policies. *First*, it identifies general principles of active labour market policies and sets grounds for introducing minimum service standards across Italy. The first agreements to set the minimum service standards have been reached, although the monitoring of the implementation of these standards is still problematic. *Second*, activation conditionality on benefit recipients is enforced to shift the focus from passive measures to active measures in the system. This will likely not be implemented any time soon as it is depending among other issues on IT developments. *Third*, the Jobs Act aims to increase the quality of employment services by enhancing the quasi-market for employment services and stimulating competition between the public and private providers. This has been implemented mainly through a national measure to outsource job placement services called the reintegration (replacement) voucher.

Benefit conditionality is in its infancy

Although conditionality of benefit receipt on participation in ALMPs and active job search has existed in the legislation for some time, it has never been imposed and until recently it was technically difficult to make a link between benefit recipiency on the one hand and participation in ALMPs and active job-search on the other. The Jobs Act stipulates that conditionality on benefit recipients is enforced in order to shift the focus from passive measures to active measures in the system. However, this has proved to be the most difficult aspect to implement and several other changes have to be made in the system before it could take effect successfully.

The biggest obstacle until recently was that the concept of a suitable job offer was not well defined and approved by the Ministry of Labour and Social Policies up until July 2018. During this phase, the CPIs and operators were reluctant to apply the activation conditionality due to the possible lawsuits as it would not be possible for them to prove that the job offer was suitable. Nevertheless, even if the term of suitable job offer was well defined, there would be difficulties for the operators to prove that the jobseeker refused it. The operators in the CPIs have to be trained to implement activation, making them aware of its objectives and build the know-how to use the appropriate tools.

The online tools for communicating violations of activation activities by jobseekers to the institution managing unemployment benefits (INPS) have not become fully functional yet, implying that the data exchange is not properly facilitated and any communication attempt is at the moment rather burdensome. The processes and IT systems have to be amended to support the application of conditionality.

Finally, the number of vacancies mediated by the public employment services is very low, which also makes it harder for the operators in the CPIs to apply the activation conditionality by referring jobseekers to suitable jobs. Hence, shifting the system of employment services towards activation requires still fundamental changes throughout the business model and related processes, from developing supportive IT infrastructure to putting a strategy for employer outreach in place.

If the proposal by the new government to provide universal basic income (extending means-tested benefit called *Reddito di Inclusione*) is to be implemented, the activation conditionality will gain even more importance as the number of benefit recipients would be significantly increased compared to the current benefit system. Any positive effects of such scheme on poverty and employment in the framework of limited financial resources will only be possible if the benefit recipients get a strong support from the employment services helping them to actively seek work and providing them the necessary active measures to succeed in that.

Contracting employment services out to private providers could be a good solution for the under-resourced public system

The Jobs Act aims to increase the quality of employment services by enhancing the quasi-market for employment services and stimulating competition between the public and private providers. Contracting out employment services to private providers could potentially help overcome the lack of staff, skills, and efficient processes in the network of public employment services. Though the legal system allowed private providers to deliver employment services already before the Jobs Act relaunched it, this approach is not yet well rooted in Italy. Most of the regions have a system to outsource employment services in place (though not yet fully functional in all of them), but the rules tend to be quite heterogeneous and thus the market fragmented leading to unequal access and quality of services for jobseekers living in neighbouring regions.

More regulation from the national level is needed for the positive effects of the quasi-market for service providers to emerge. ANPAL should develop a strategic view on how the market should look like and function, and this view should lay out the foundation of regulations. The aim should be to harmonise the rules and increase the range of services that private employment services could provide. A number of OECD countries have experience in setting up the market for private service providers and monitoring their performance. A good example of how to contract services out is Australia where the model focuses on performance-based fees; the performance outcomes are published and available to all labour market stakeholders, including to jobseekers who can use this information when choosing a provider; certification for a minimum standard of quality is in place; and the market shares of service providers are adjusted promptly according to their results. Also the experience of developing the quasi-market in the United Kingdom provides useful and easily transferable guidelines for enhancing the market in Italy. The necessity to build strategic relationship with the providers, the need to pay by results or the need to take action against providers who do not deliver can be applied at both the regional and national level. The role of ANPAL should be to enhance co-opetition between service providers, but also between the regions, develop a management information system that supports performance monitoring by regions, but also supports the regions to monitor the providers, etc.

The development of the national IT infrastructure is critical for enhancing the market. When the new IT system will be fully operational, it will link data about jobseekers, their participation in measures and labour market outcomes in order to establish a performance management system involving both private and public providers, to extend performance-based outsourcing and to supply also private providers with a direct access to the data about jobseekers they need for service provision.

The results of piloting the reintegration voucher seem rather poor

The Jobs Act aims to increase the role of private providers of employment services through a new measure for job placement services which involves drawing up an individual action plan and support from a job search coach. The voucher was implemented first in 2017 as an experiment and rolled out fully in 2018. As the jobseeker can choose a service provider for this service her/himself, it should encourage competition between public and private service providers and thus improve the quality and timeliness of the services. The fees for service providers depend on how close a jobseeker is to the labour market (the outputs of a quantitative profiling tool) and on the results of the service (whether job integration takes place and the type of employment contract used), thus aiming at performance based fees for the service providers. However, the reintegration voucher during its piloting year in 2017 has not been viewed as a success. The take-up has been lower than expected with only 9.6% of the 30 000 persons invited to participate enrolling for the voucher. Moreover, the employment outcomes of participants have been weak with evaluations indicating statistically insignificant effects and the information on job quality has been missing. This new scheme suffers from a low take-up due to its design flaws such as the perceived stricter activation conditionality compared to non-participation, limited services covered and its duplication of existing regional measures.

These flaws should be addressed by aligning better the regional measures with the national reintegration voucher to avoid duplication and confusion among the jobseekers. For instance, the reintegration voucher should target jobseekers who are still relatively close to the labour market, whereas the regional measures could target jobseekers further away from the labour market and who need more complex services. These measures can take into account the regional peculiarities and may rely less on the performance-based approach. The activation conditionality on unemployment benefit recipients should be strengthened in general so that the activation activities connected to the reintegration voucher would not perceived as a threat, but as support. The package of services covered with the reintegration voucher should be widened to accommodate other necessary services such as training for upskilling.

A common IT infrastructure is the backbone of the new network of employment services, but efforts to build it are still inadequate

The IT infrastructure is one of the key areas that needs modernisation and higher integrity to implement the necessary changes in the provision of employment services in Italy. Until the end of 2017, there was no national IT system available which would put together the data collected by the provincial and, following the Jobs Act, regional IT systems. It was only in December 2017, when the new IT system was created by ANPAL and launched with the aim to integrate the regional systems. This new IT system was expected to be developed further to enable data exchange with other organisations such as INPS (to implement activation conditionality), INAPP (to enable conducting evaluations of labour market policies) and with other registers that contain relevant data about jobseekers (education data, income and income tax returns data, land and real estate data) that are needed to provide labour market policies. These linkages with other institutions and data sources are crucial to monitor and evaluate the effectiveness of active labour market policies.

This new IT infrastructure has in theory all the prerequisites to facilitate services for jobseekers and employers, significantly reduce administrative burden in the local

employment offices, enable introducing monitoring and performance management system of employment services and thus make the system of employment services more effective, efficient and customer friendly.

In practice though, there are still many limitations. The system set up in the end of 2017 is prone to breakdowns, undermining the quality of the data collected, as CPIs revert to their regional IT systems when the national system is not working. Moreover, the new system has created additional administrative burden for the local employment offices (e.g. after mandatory online registration a jobseeker has to come physically to the CPI so that the online form could be printed, signed and archived) and CPI staff have not received appropriate training for its use. Very importantly, the new system does not provide adequate inputs for monitoring and evaluation of employment services and does not take into account the end users' needs.

This new IT system is about to be abandoned due to the technical difficulties concerning the system indicated above and due to too high dependency on the infrastructure of the Ministry of Labour and Social Policies (i.e. the use of an external infrastructure causes delays in extracting the data, fixing technical problems, etc.). The decision to abandon the system was taken only a few months after its launch and a new one will be built from scratch. The development of a new system has financial implications and will result in delays in the collection of data on registered unemployed, and the monitoring of participation in ALMPs and conditionality. A new system can be successful if a number of considerations are taken into account. *First*, it has to be kept in mind that it takes time to develop an appropriate IT infrastructure that supports the business model. The development plans and the different stages of the developments should be regularly communicated to the end-users, creating awareness about the objectives of the different new tools and features and building know-how about their use. *Second*, the development process should be planned to minimise negative side-effects to CPI staff. Above all the integration of different applications and their fit to the processes should be given more consideration. The quality of the system developed by ANPAL is not only instrumental for implementing modern active policies but it is also of ultimate importance regarding ANPAL's credibility among the stakeholders.

The staff in the local employment offices are ill-equipped to deliver modern employment services

Adequate front-line human resources are vital to put into practice the changes in the service concept foreseen in the strategic plans. However, the number of staff in the local offices is currently low and has been decreasing in the past years. In 2016, the number of CPI staff shrank by 10% while the number of unemployed persons decreased by 1%. The vast majority (83.5%) of the CPIs consider their staff numbers insufficient. Moreover, the infrastructure and process design do not support the CPI staff work process. In addition, there is a serious lack of skills, with 90% of the CPIs expressing the need for further training for their staff and the staff is reluctant to implement the new concepts.

The upcoming increase in the CPI staff (1 600 persons temporarily until 2020 in addition to some 7 500 existing employees) and the training for existing operators which are provided in the Plan to Strengthen Employment Services and Measures are necessary to overcome these obstacles and thus truly useful initiatives. In addition, the new tools and IT infrastructure have to be designed to support the operators and should be better integrated to the business model. Furthermore, the set and division of tasks in the CPIs should be analysed as some of the responsibilities and processes might be more efficiently executed

if centralised to the regional or the national level, freeing up more local resources for the core services for jobseekers and employers. Services such as face-to-face counselling of jobseekers and co-operation with local employers should be offered by the local offices, while more general services and particularly services via online tools and telephone do not have to be physically close to the customer.

The training plans to increase competencies of the front-line staff need to be developed further to reach all employees of the local employment offices, requiring non-negligible investments of time and financial resources. Additionally, a plan for continuous training has to be drawn up to keep the skills of the staff up to date along with the improvement of the methodologies and developments of the IT infrastructure. Strategies and experiences in human resource management in the public employment services of Germany, Estonia and Austria could offer good practices.

Furthermore, to mobilise staff in local offices and gain their support, a communication plan of the reform agenda and the strategy of ANPAL should be drawn up. It has to be systematic and reach all offices and front-line staff, and should create the feeling of common mission by providing an overall vision of the system. The role of the staff of ANPAL Servizi, situated physically in the regions could be instrumental. They should be utilised as advocates for the reform, communicating directly and face-to-face with the local offices and front-line staff. Regional ANPAL Servizi has to co-operate with regional authorities to help incorporate the reform agenda provided by ANPAL into the regional plans.

An additional substantial investment in the system of public employment services has been proposed by the new government. However, the details and conditions for this funding have not been declared. Indeed, additional investments are necessary regarding the number of staff and their skills and the IT infrastructure (IT systems, software, hardware, internet connection). The additional funding should follow an agreed accountability framework, rewarding regions and local employment offices which improve their services.

National profiling tools have the potential to target active policies more effectively when they are fully developed and implemented

Efficient allocation of resources for active labour market policies is especially crucial when the financial resources for the measures as well as for counselling are very limited, such as is the case of Italy. Over the years, many different approaches have been developed across the country to tackle this issue, involving quantitative profiling tools (statistical profiling using register/survey data), qualitative tools (discretion of case worker) and rules-based profiling approaches (particularly in the case of employment incentives). However, in many regions no distinct profiling/targeting methods have emerged.

National quantitative tools are used for the two national labour market programs (the Youth Guarantee program and the reintegration voucher), although due to the lack of available data their usefulness to target other measures is currently limited. The Job Seeker Classification Instrument in Australia is a good example of how to improve data in a profiling tool by adding survey data. Furthermore, if the profiling tool could be refined, its use could be extended also on allocating jobseekers to different counselling channels like in the Netherlands to manage better the scarce resources available for face-to-face counselling.

The national profiling tool should be fully developed and integrated into the business model

ANPAL proposed recently a profiling tool that combines a quantitative profiling of all jobseekers with a qualitative tool to help case workers to develop a personalised service pact for the jobseekers in a harmonised way across all Italian regions. The new tool has the potential to harmonise the targeting of active policies and above all the application of activation via the personal service pact. At the moment, this national profiling tool reflects a light approach to profiling as the topics covered are fairly general and the supporting skills and infrastructure are missing. Most importantly, the tool is only a proposal made by ANPAL to the regions, and is by no means a mandatory tool.

For the new tool to become fully operational, a number of steps should be made. *First*, ANPAL should clearly communicate to the regional authorities and the local offices the tool's purpose and merits. Moreover, training should be offered to the operators to create the understanding about how the tool should be applied, how to assign the best corresponding active policies and how to conduct interviews with the jobseekers. The application of the proposed approach should be further facilitated by the IT tools (the qualitative part is not supported by the IT yet). As long as the supporting tools and activities have not been developed and established, the tool's application in practice remains highly unlikely.

Profiling of skills is needed to assess training needs and help job matching

The PIAAC Education & Skills Online Assessment tool developed by the OECD provides individual-level results for cognitive skills similarly to the OECD Survey of Adult Skills (PIAAC) and has been recently complemented by non-cognitive assessments as well, involving skill use, career interest and intentionality, subjective well-being and health and behavioural competencies. The use of PIAAC online tool was piloted in 2017-18 by 181 local employment offices in Italy to test if it could help profiling the skills of their customers. The PIAAC tool maps well literacy, numeracy and problem solving skills, enables some reflection on jobseeker's potential to be integrated in the labour market and gives some general input for training needs. However, the value added for a public employment service would be higher if a tool that covers a wider array of skills, particularly regarding soft and vocational skills, could be used instead. The component of the test assessing behavioural competencies was not used in Italy.

If the current approach based on PIAAC Education and Skills Online was to be retained, it should be shortened to minimise the time jobseekers spend on it. The current duration of the test (on average two and half hours to fill in the test and an additional half hour to analyse it with the case worker) is way too long if the test was to be taken by all jobseekers. The PIAAC online tool (or specific sections of the tool) could be offered instead on a voluntary basis for the jobseekers and could be filled in at home. Its results could provide some complementary input to the main skill profiling tool used by the case workers.

It would be more useful to develop a tool that feeds better into mapping training needs and into matching jobseekers to vacancies (for examples tools used by the public employment services in Belgian Flemish part (VDAB), Germany or France could be seen as good practices). In this case the skills (also non-cognitive) could be mapped by the jobseekers as a self-assessment during on-line registration (and validated if necessary by the case workers, designated career counsellors or even by former employers) and the same easily understandable (i.e. in "common language") classification should be used by the employers

when inserting a vacancy for job mediation. It is crucial that the skill profiling tool would be bi-directional to map the skills of the jobseekers as well as the skills needed for the vacancies.

The labour demand side has been neglected

Reaching out to employers has not been a priority in the system of public employment services in the majority of Italian regions. Thus, the demand-side services are generally under-developed and the resources devoted to employers' needs are insufficient leading to inefficient job matching functions and low credibility among both jobseekers and employers. A new strategy towards employers has been proposed by ANPAL, which maps well the gaps in this field, calling for further training for employers' counsellors, improved services for employers and IT tools to support these services. Ideally, ANPAL should take even more explicit responsibilities to provide itself the common tools for job mediation and matching, design training for the staff in CPIs, communicate the strategy to the CPI staff with the help of ANPAL Servizi and aim at adjusting the agreed minimum service standards according to the new strategy of employers for monitoring purposes.[1] The national strategy for employers by the Danish Agency for Labour Market and Recruitment could be a useful example for Italy to improve and implement its strategy. The Danish strategy outlines priorities for local employment offices and supportive tasks for the national level in the context of a decentralised system. For example, the national level organisation has developed a manual for the local offices on how to draw up local strategies for employers and how to implement them as well as disseminates good practices from different parts of Denmark.

There is currently no appropriate national tool to support matching jobseekers to vacancies and a matching function across regions (which would facilitate regional mobility) is impossible as the few existing regional tools are not harmonised and thus cannot be linked. It is critical to develop a nation-wide tool to match vacancies and jobseekers that would have functionalities to upload vacancies via online tools, apply for jobs via online tools, conduct automatic matching and enable matching across different regions. This tool should take into account not only experience and qualifications, but also generic skills, technical skills as well as soft skills. Many public employment services among OECD countries have increased their efficiency by using national matching tools, including countries with decentralised systems similar to the Italian one, such as Canada and Denmark.

Building employers' trust in the system of employment services

Being relevant as a job broker and improving the matching of jobseekers and vacancies on the labour market needs establishing trustful relationships with the employers that are supported by good tools and services. It also needs active outreach to employers, which requires more resources in the system of public employment services. The operators who are currently manually matching vacancies and jobseekers should instead focus on interacting with employers by offering (tailored) demand-side services to encourage vacancy inflow to job mediation.

Moreover, the system of public employment services should play a role in making the skill needs and supply shortages more transparent, for instance by conducting an assessment of the jobseekers' skills, going beyond experience and qualifications, to include generic, technical as well as soft skills (such as the tools in France or Belgium VDAB). This exercise would be a step forward to convince employers about the jobseekers' skills and the

usefulness of working with the public employment services to fill their vacancies. A national skill profiling tool that enables testing soft skills has to be integrated with the job matching tool.

An effective system of public employment services can promote labour mobility

The system of public employment services has a role to play in promoting mobility between regions, which is currently very limited. For example, a decentralised system of public employment services, such as the one in Italy, may help design labour market measures tailored to local requirements and specific needs. Additionally, general measures for the public employment system to increase geographical mobility can involve for example a certain level of mobility in job search and acceptance requirements (which is also established in Italy), but also motivating job acceptance in other areas by case management and counselling as well as geographical relocation subsidies. Thus it is important that the front-line counsellors have information about their local labour market as well as about other regions (for example an overview of which skills/occupations are in surpluses/shortages in other regions, general trends, etc.) and that there is information exchange between regions.

Labour demand-side policies would be also relevant, such as measures encouraging employers to move to a geographical area where the skills they need are available (considering the supply of skills of both mismatched workers as well as unemployed persons). Also, it is important that the IT system matching jobs and unemployed is capable to match across regions (such as in Canada, Denmark and most other advanced systems of employment services) and that information is accessible for jobseekers, employers as well as counsellors, which today is still missing in Italy.

In addition to geographical mobility, occupational mobility should be encouraged. The public employment services have a double role to play in promoting skills development. They should direct more systematically to training those who have lost their job and are hard to place because of a lack of skills. Moreover, they should aim at up-skilling those who are still employed, but are at risk of losing their job due to their low skill level or skill mismatch. In the context of low participation of adults in education and training, the role of the public employment system should not only be to provide short training but also to have case workers and career counsellors guiding low-educated adults and drop-outs back to formal education. The integration to formal education could be facilitated by scholarships for low-skilled adults, particularly when they are unemployed and do not have an income source.

Key policy recommendations

Establishing an accountability framework for employment services

- Reach an agreement between the central authorities and the regions on an accountability framework that establishes regional objectives and key performance indicators, and set regional targets, taking into account local labour market situation.
- Make funding of local offices from the state budget dependent on progress defined by a set of well-identified performance indicators.
- Develop a national management information system (including a dashboard) accessible to all levels of employment services to manage and disseminate the performance results.
- Publish the results of performance management system for both private and public providers in order to enhance performance-based outsourcing.

Developing and communicating the strategic plan and reform agenda

- Refine further ANPAL's strategy to clearly state its mission, vision, core values, clients and key partners keeping both its external and internal stakeholders in mind.
- Set ANPAL's mission as supporting the regions and local employment offices to improve the employment services.
- Develop a clear communication plan for ANPAL's strategy and reform agenda to be used both internally and externally and make it an integral part of the business model.
- Treat the ANPAL Servizi staff as an integral part of ANPAL and use their presence in the regions as advocates for the reform reaching all front-line staff.
- Improve the co-operation between regional ANPAL Servizi and the regional authorities to help incorporate the reform agenda provided by ANPAL into the regional plans. Use ANPAL Servizi staff to provide technical assistance to the local employment offices for implementing the reform.

Strengthening job-search conditionality

- Train the staff in the local offices to implement the new concept of a suitable job offer, make them aware of the objectives of activation and build the know-how to use the appropriate tools.
- Fully develop the IT tools for data exchange to communicate sanctions on unemployment benefits to the institution managing benefits (INPS).

Increasing the role of private providers to complement counselling and job placement activities of public employment services

- Harmonise the rules across the country for contracting out the provision of employment services and increase the range of services that private employment

services may provide. Lay down a national strategy on how the market should look like and function.

- Align the regional measures with the national reintegration voucher better to avoid duplication and confusion among jobseekers. Target the national reintegration voucher to jobseekers closer to the labour market providing them with job placement, training and upskilling. Target the respective regional measures to more difficult clients offering them more diverse service package aiming to eliminate area-specific obstacles on job integration.

Increasing the access and effectiveness of active labour market policies for jobseekers

- Redesign employment incentives to target better the most vulnerable jobseekers, for example by using the existing quantitative jobseeker profiling tool that predicts the individual probability of long-term unemployment and is used currently to contract out job placement services through the reintegration voucher.
- Increase access to training (also workplace training and internships) for unemployed over 29 years of age.
- Increase the referral of jobseekers to appropriate institutional training and the corresponding funding for these programs.
- Link the choice of training programs with the employer needs better (e.g. the Excelsior survey and forecast model) and the performance results of the training programs.
- Through counselling services, expand the range of ALMPs to address the individual needs of jobseekers in greatest difficulties by addressing care obligations of female jobseekers, actively reaching out to NEETs, training under-skilled employees, referring low-educated adults and drop-outs back to formal education, and advancing occupational and geographical mobility in case of mismatches.

Improving demand-side services and job-brokering

- Develop a nation-wide tool to match vacancies and jobseekers, which would allow uploading vacancies and job applications online, automatic matching (also based on generic, technical and soft skills) and matching across different regions.
- Develop a tool for skill profiling that feeds better into mapping training needs and into matching jobseekers to vacancies, using a skill classification in a "common language" for jobseekers and employers.
- Consider offering the OECD PIAAC online tool on a voluntary basis for jobseekers to fill in at home. Its results could provide some complementary input to the main skill profiling tool used by case workers.
- Direct more resources to active outreach to employers. The operators that are currently manually matching vacancies and jobseekers should be devoted to selling demand-side services by encouraging employers to register their vacancies with the public employment services via a national online tool.

Developing integrated IT infrastructure

- Reach an agreement between the central authorities and the regions to develop nationally integrated IT infrastructure that supports the common management information system, links with other registers (e.g. unemployment benefits), and produces labour market information for all stakeholders (including jobseekers and employers).
- Design the new tools and IT infrastructure with the main objective to support the operators in the local offices, decreasing their administrative burden and helping them applying new concepts regarding qualitative profiling, activating jobseekers, engaging with employers, etc.
- Communicate the development plans of the IT tools and the different stages of the developments to the end-users regularly, creating awareness about the objectives of the different tools and features and building know-how about their use.

Improving the support structures for staff in local offices

- Draw up a plan for continuous training to keep the skills of staff up to date along with changes in service concepts (such as applying activation conditionality and reaching out to employers), improvements of the methodologies and developments of the IT infrastructure.
- Consider centralising some of the responsibilities and processes in the local offices to the regional or the national level to increase efficiency.

Note

[1] Many of these areas were significantly strengthened compared to the initial proposal by ANPAL in the employers' strategy that was adopted by the Committee of Active Labour Market Policies in December 2018.

Chapter 1. Recent trends in the Italian Labour Market

This chapter provides an overview of the recent developments in the Italian labour market and discusses the main challenges. The Italian economy and labour market have started to recover from the Great Recession in the past few years. However, youth and long-term unemployment remain high and there is space to increase female labour force participation. The qualification and skill level of the labour force are low and the resulting mismatches contribute to the low and declining productivity. Although many of these challenges apply across the country, regional disparities are vast and persistent. Resources devoted to labour market policies are insufficient and not well allocated or targeted to address the difficult labour market situation.

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

1.1. Introduction

The objective of this chapter is to give an overview of the Italian labour market situation and highlight the main challenges. The Great Recession hit the Italian economy more than many other OECD countries and only recently a mild recovery from the crisis can be observed. The improved economic situation has triggered an increase in the participation rate and some increase in employment. The employment rate of persons aged 15-74 years has risen to 50.6%, very close to its pre-crisis level. The unemployment rate (at 11.2% in 2017) has been decreasing in recent years, but it remains well above its pre-crisis levels and the third highest among OECD countries. Female participation has considerably improved, but labour market prospects for women are still lagging behind those for men. A high share of young people neither in employment nor in education and training and high long-term unemployment also constitute obstinate challenges.

Moreover, Italy's labour market is characterised by a low level of skills. The share of working-age adults with a tertiary degree is low in comparison with other OECD countries and the skill levels tend to be relatively low at all levels of educational attainment. In addition, there is a high incidence of mismatches on the labour market, which further contributes to low productivity and low incentives for individuals to invest in education.

Italian regions face many of the same challenges. Nevertheless, regional labour market differences are vast and persistent, as labour force mobility between regions, occupations and sectors remains low.

Investment in active labour market policies is low compared with other OECD countries considering Italy's high unemployment rate and deep-rooted challenges on the labour market. The limited resources available for the system of public employment services, the weak targeting of active measures and the misallocation of valuable resources constitute important challenges that should be addressed going forward.

This chapter proceeds as follows. Section 1.2 discusses the general labour market situation and identifies the groups that have more severe obstacles to enter employment. Section 1.3 highlights the challenges regarding skills and skill mismatch in Italy. Section 1.4 discusses regional disparities in labour market situation. Section 1.5 analyses the resources that Italy has devoted to labour market policies to address the difficult labour market situation. The final section concludes the chapter.

1.2. General trends in the labour market

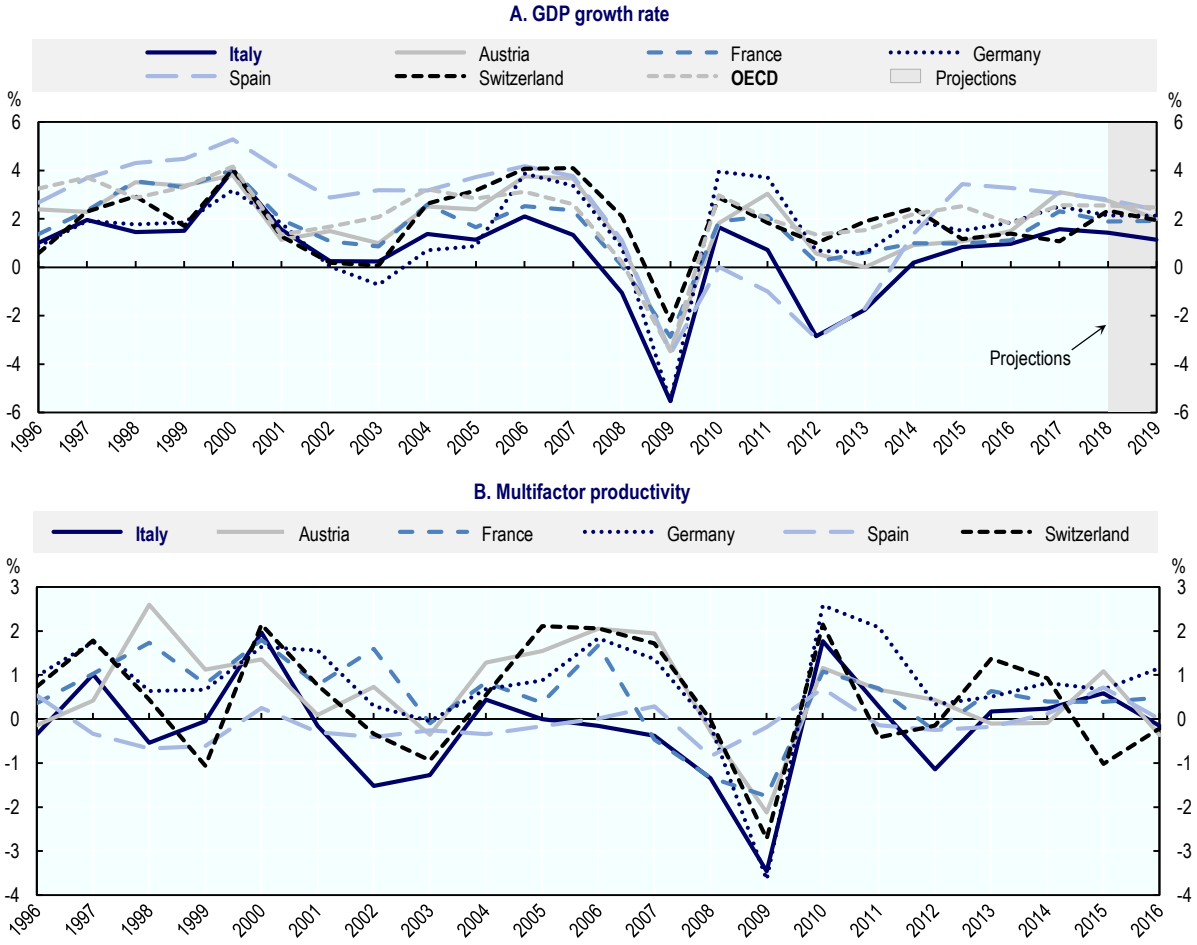
The Italian labour market situation has witnessed mild improvements during the past few years after a long recession. However, the female labour market participation rate is still low, youth unemployment high and long-term unemployment prominent.

1.2.1. Some signs of recovery in the Italian labour market

The Great Recession was deeper and longer in Italy than in most other OECD countries (Figure 1.1). Due to the long duration and severity of the crisis, the real GDP per capita was in 2017 about at the same level as it was almost 20 years ago, in 1999. Although since 2014 the real GDP growth has been positive, it has remained weak. The economic recovery during the past few years has emerged due to structural reforms in Italy (including on the labour market), but also accommodative monetary policy and mildly expansionary fiscal policy as well as lower commodity prices (OECD, 2017[1]). The mild economic growth is expected to continue also during the coming years.

Figure 1.1. The economy is recovering, but productivity stagnating

Annual growth rate



Note: GDP: Gross domestic product. ULC: Unit labour costs. Growth in multifactor productivity is measured as a residual, i.e. that part of GDP growth that cannot be explained by growth in labour and capital inputs. Multifactor productivity, also called total factor productivity, reflects the overall efficiency with which labour and capital inputs are used together in the production process.
Source: OECD Economic Outlook No. 103 – May 2018 Dataset, http://stats.oecd.org//Index.aspx?QueryId=51396 for Panel A; and *OECD Productivity Database*, *Growth in GDP per capita, productivity and ULC Dataset*, http://stats.oecd.org//Index.aspx?QueryId=54368 for Panel B.

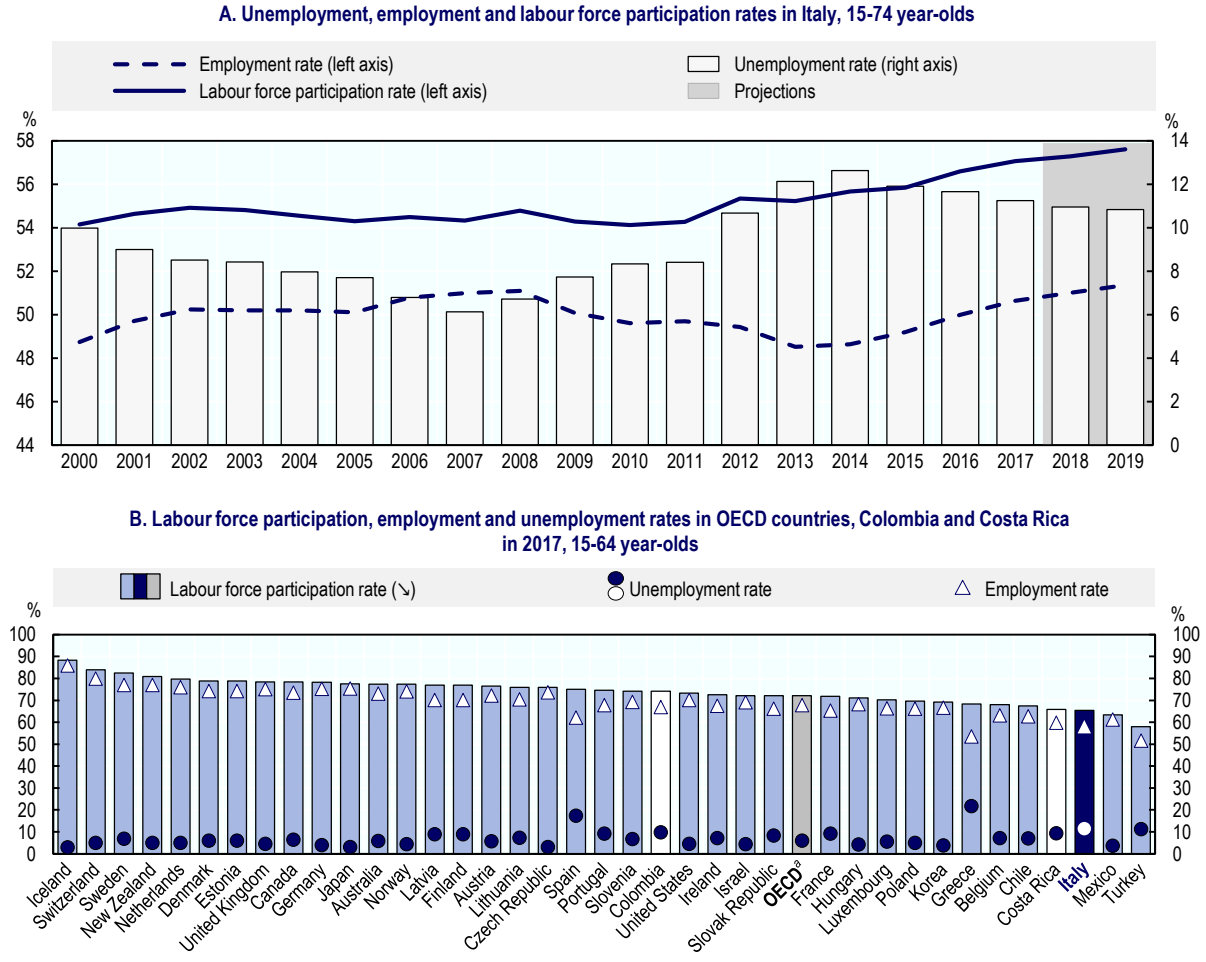
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However, total factor productivity as well as labour productivity have been declining or stagnating during the recent years. In fact, productivity in Italy has been lagging behind the productivity of most of its closer neighbours already for decades. The total factor productivity has been decreasing in Italy during the past twenty years on average by 0.2% a year, while increasing in most of its neighbouring countries. One of the main reasons behind this has been a rising misallocation of resources. It has been shown that capital inflows have been misallocated toward firms with higher net worth but not the more productive ones (Gopinath et al., 2017[2]) and that the rising misallocation was triggered by a sharp decline in real interest rates (Cette, Fernald and Mojon, 2016[3]). Though other reasons such as increasing global competition and changes in the trade dynamics (the rise of China), too stringent labour market protection legislation, "brain drain"

and under-skilling as well as inefficient public administration might have played a role in the low productivity and economic weakness in Italy as well. Pellegrino and Zingales (2017[4]) and Hassan and Ottaviano (2013[5]) have argued that some of the main reasons for decreasing productivity have been low ICT investments and penetration due to the inability to exploit the ICT revolution as well as non-meritocratic management practices.

The Italian labour market has witnessed mild improvements along with a better economic situation (Figure 1.2). In particular, employment growth has supported the economic recovery during the past years through household income and private consumption (OECD, 2017[1]). The structural reforms including reforms on the labour market and the improving economic situation have encouraged many people to exit from inactivity and the labour force participation rate is now higher than before the beginning of the economic crisis. However, the rise in the participation rate has not yet fully transformed into higher employment rate which was in 2017 still slightly below the pre-crisis level.

Figure 1.2. Labour market indicators improving, but the situation still challenging



a) Weighted average of 35 OECD countries (excluding Lithuania). Colombia and Costa Rica are following the accession process to become OECD member countries.

Source: OECD Economic Outlook No. 103 – May 2018 Dataset, http://stats.oecd.org//Index.aspx?QueryId=51396 for Panel A, and *OECD Labour Force Statistics Database, LFS by sex and age – Indicators Dataset,* http://stats.oecd.org//Index.aspx?QueryId=54218 for Panel B.

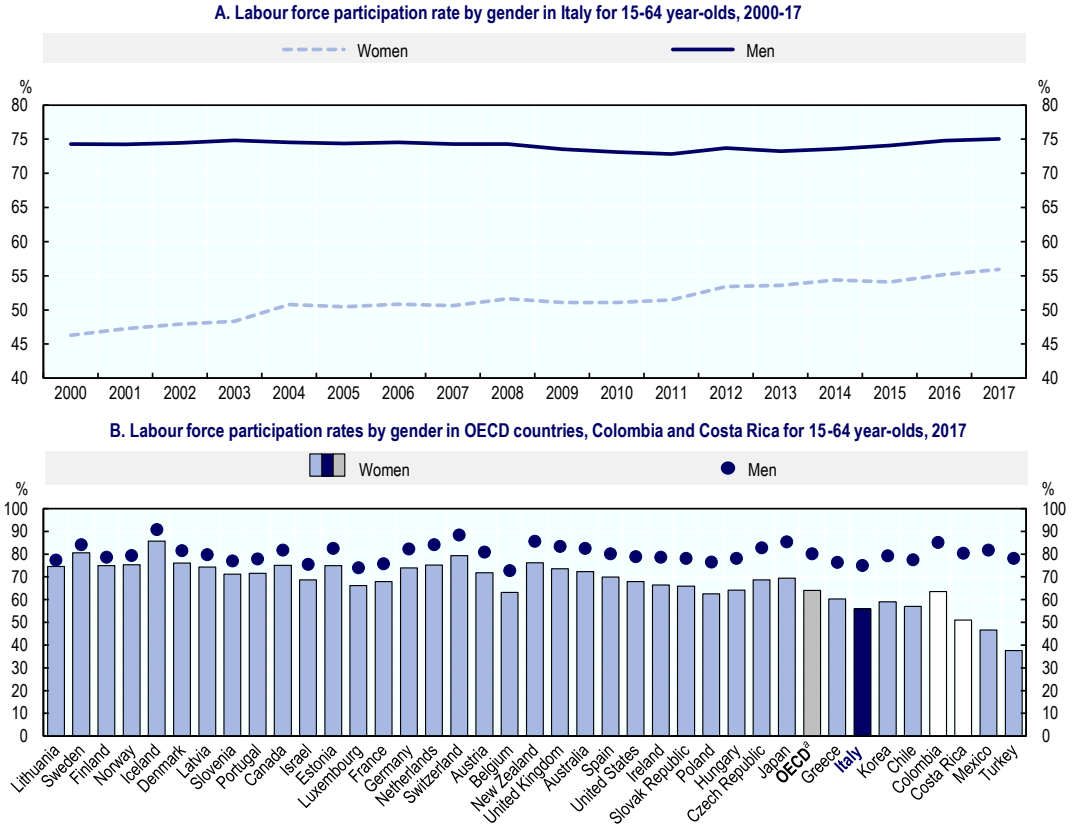
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Even though Italy has advanced well in terms of the main labour market indicators during the past years, its labour market situation is still one of the worst among the OECD countries. The unemployment rate among 15-74-year-olds is relatively high (at 11.2%) and the employment rate and the participation rate are relatively low (at 50.6% and 57.1% respectively in 2017).

1.2.2. Female labour market participation is low despite recent improvements

Sharp differences in labour market outcomes exist between different population groups in the Italian labour market. For instance, women fare less well than their male peers (Figure 1.3). In 2017, 75% of men aged 15-64 were active on the labour market in Italy while only 56% of women. Nonetheless, there have been recent improvements in female labour force participation which reached 56% in 2017, versus 46% in 2000. Yet, other Southern European countries which had similar female labour force participation back at the time, have evolved much faster (70% of working-age women participate in labour force in Spain and 60% in Greece). There is indeed a lot of potential to further increase female labour force participation in Italy, for example by further improving the caretaking facilities for children and elderly and in the system of public employment services targeting active labour market policies to women.

Figure 1.3. The gender gap in participation rates has decreased, but still high



Note: In Panel B, countries are ranked in increasing order of the difference between male and female labour force participation rates (the smallest gap on the left).

a) Weighted average of 35 OECD countries (excluding Lithuania). Colombia and Costa Rica are following the accession process to become OECD member countries.

Source: OECD Labour Force Statistics Database, *LFS by sex and age – Indicators: Labour force participation rate Dataset*, http://stats.oecd.org//Index.aspx?QueryId=64197.

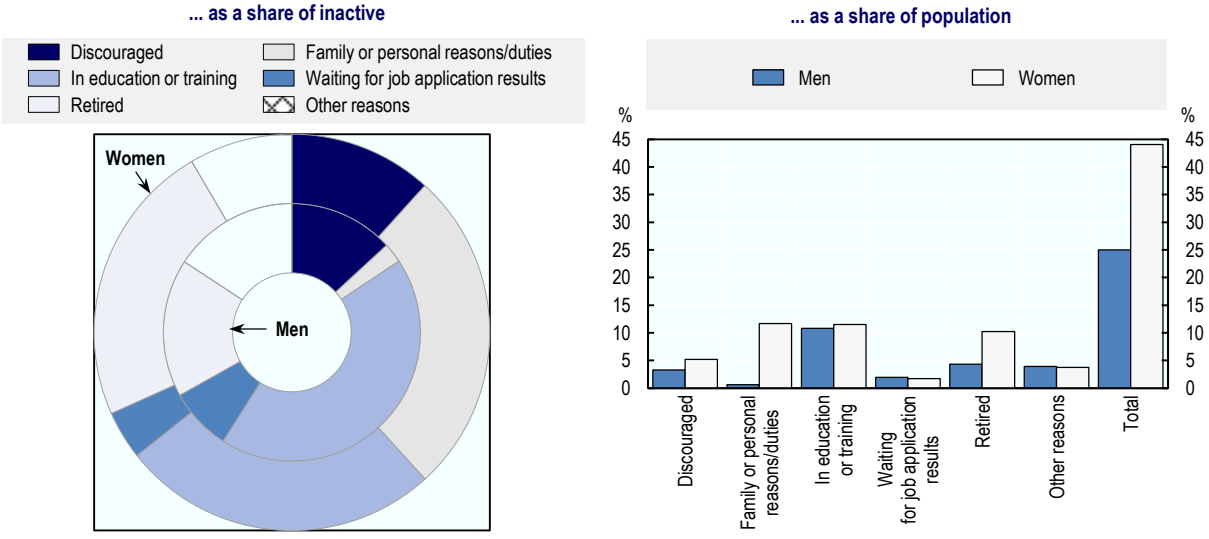
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A quarter of all inactive working-age women state that the reason for their inactivity is education and training. For inactive men it constitutes even more than 40% (Figure 1.4). The main factors explaining the gender gaps in labour force participation are family duties and a lower retirement age for women. More than one in ten working-age women states to be out of the labour force due to family duties, while only less than one in hundred working-age men state family duties as the main barriers to labour force participation. Indeed, the lack of caretaking possibilities for children and elderly and the fact that flexible working arrangements are relatively uncommon, contribute to the low labour force participation of women in Italy [Boca, Pasqua and Pronzato (2004[6]), OECD (2017[1])].

In addition to differences due to family duties and retirement age, proportionally more working-age women than men do not believe that there are jobs available for them on the labour market. This suggests that labour market prospects are still not as good for women as for men. Women are discouraged to enter the labour market and thus policies to increase participation rates for women should go beyond caretaking measures.

Figure 1.4. Barriers to labour force participation differ by gender

Inactive people aged 15-64 by main reasons for inactivity in Italy, percentages, 2017



Source: I.Stat Database, http://dati.istat.it/ and OECD calculations.

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Indeed, a study by the OECD using EU-SILC (European Union Statistics on Income and Living Conditions) data from 2014, shows that the employment barriers for Italian women are quite heterogeneous (Pacifico et al., 2018[7]). A relatively large group of women who are persistently out of work (unemployed or inactive) or who are in weak labour market attachment (unstable jobs, restricted hours, near-zero earnings) do not have childcare responsibilities, but have employment barriers such as limited work experience and education. An additional factor is their lower motivation to search for work because of sufficient income by other members of the household. Some groups of women do not have any past work experience at all which can occur in combination with other employment barriers such as care responsibilities or low work incentives.[1]

During the past years, there have been several new attempts to increase female participation in the labour market further, mainly promoting the balance between work and family life (additional funding for kindergartens, possibility to use parts of subsidy at the end of maternity leave for childcare services, an extension of compulsory parental leave for fathers, new regulations and incentives for employers regarding teleworking), yet they are considered to be small in scope (OECD, 2017[1]).[2] Additionally, since March 2016, employers have to use an electronic database of the Ministry of Labour and Social Policies for terminating an employment contract, which should put an end to a common practice of illegal firing of young mothers, a practice that was common thus far (Pacifico et al., 2018[7]).

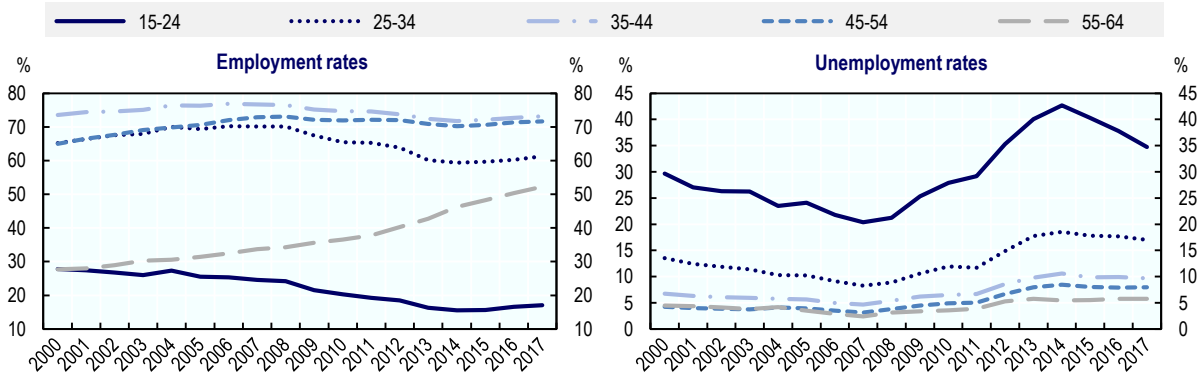
The system of public employment services has potentially a role to play by providing support for women to enter employment, for example through financing temporary caretaking services in case of participation in active measures or entering employment, or reaching out to discouraged workers and offering job-search training to build skills for job search, but also self-esteem and motivation. Currently, the active policies targeting women tend to be limited to employment incentives for employers hiring them (*OECD/Eurostat Labour Market Programme Database*, data for 2015).

1.2.3. No real recovery in youth labour market situation yet

The young people were hit hardest during the last crisis in Italy. The labour market situation of youth has improved only mildly and as a result every third economically active person aged 15 to 24 was unemployed and more than one in four young persons aged 20 to 24 were not in employment, education or training in 2017.

Many young people lost their job when the global economic crisis hit as some 40% of young employees used to work on temporary contracts in Italy, which were easier to terminate. Thus, the employment rates have plummeted for the younger age groups (Figure 1.5). Though there have been slight improvements in 2017, the employment rates for 15-to-24-year-olds (17.1%) and 25-34-year-olds (61.3%) were still almost ten percentage points lower than a decade ago. Simultaneously, the scarce job opportunities for youngsters have also become even more precarious as now more than half of employed 15-24-year-olds work on temporary contracts (see also Chapter 2). Workers on temporary contracts however tend to face wage penalties, income instability, slower wage growth, more job strain, less job security and they receive less training from their employer (OECD, 2015[8]).

Figure 1.5. Italian youth were severely hurt by the crisis



Source: OECD Labour Force Statistics Database, LFS by sex and age – Indicators Dataset, http://stats.oecd.org//Index.aspx?QueryId=54218.

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Along with the decline in employment, the youth unemployment rate (persons aged 15-24) peaked at 42.7% in 2014. While the youth unemployment has witnessed some improvements during the last years, its level as well as its difference from the unemployment levels of other age groups are still much higher than in most other OECD countries.

In addition to high unemployment, many young Italians are inactive (Figure 1.6). Among those 18-24-year-olds who are not in education, the share of youngsters who are employed is much lower in Italy than on average in the OECD countries, whereas the share of unemployed as well as inactive is much higher. Very importantly, while on average the share of youth neither in employment, nor in education or training (NEET) among 20-24 year-olds has slightly decreased in the OECD countries within the last ten years, Italy has suffered the largest increase making it the OECD country with the highest NEET rate (30.1%) after Turkey.

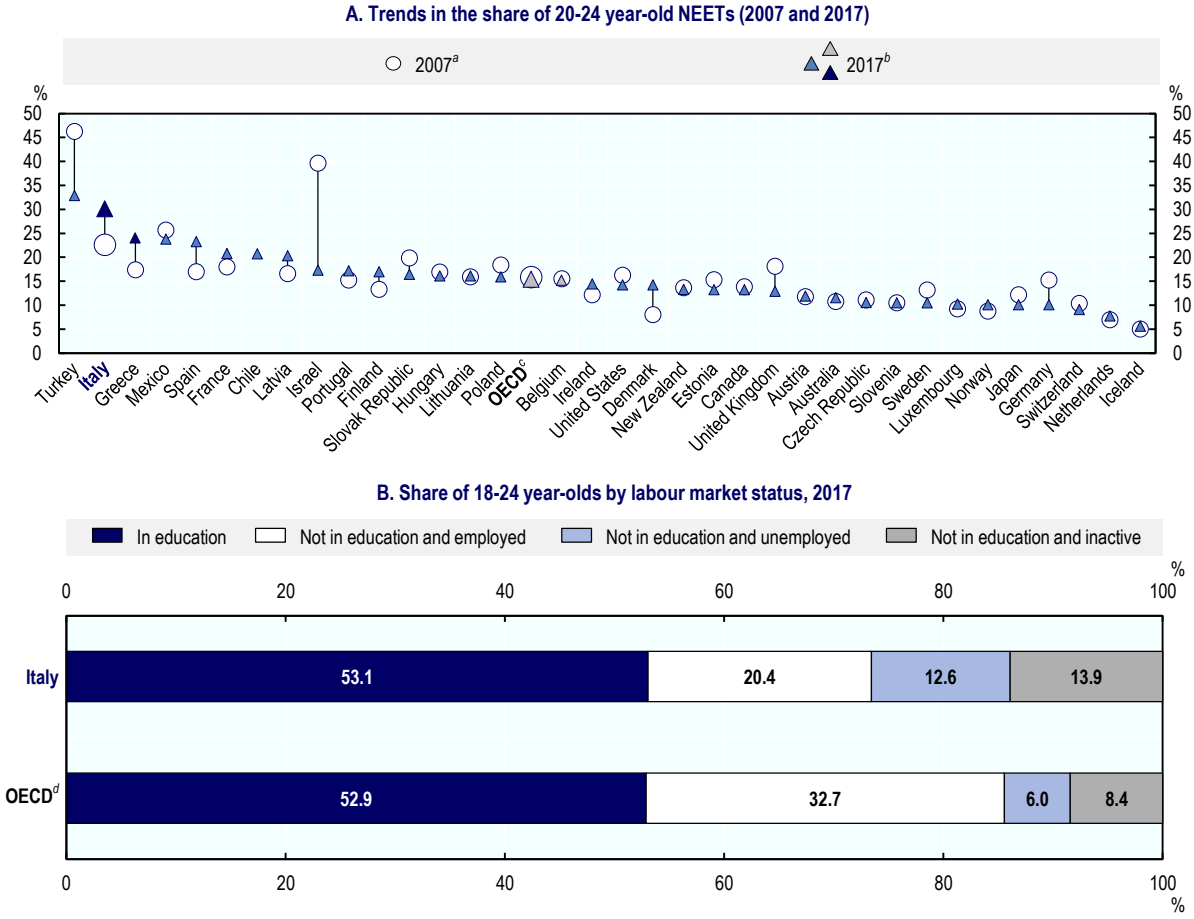
Long unemployment spells and drifting into inactivity early in a career have shown to cause large scarring effects on wages and employment prospects throughout the working-life [see for example OECD (2010[9]), Gregg (2001[10]), Arulampalam (2001[11])]. The long-term damaging effects of longer unemployment periods can occur even on other aspects of life such as happiness, job satisfaction and health [Scarpetta et al. (2010[12])]. Thus, youth unemployment and NEETs require particular attention.

The Youth Guarantee in Italy targets the young NEETs similarly to the other EU member states directing them to employment (e.g. through hiring subsidies and support for self-entrepreneurship), education, apprenticeships and traineeships. There were on average 2.3 million NEETs aged 15-29 during 2014-17 (data from *I.Stat Database*). According to a report by the National Agency for Active Labour Market Policies (ANPAL, 2018[13]), from the start of the programme in May 2014 until December 2017 altogether more than 1.5 million people aged 15-29 had registered for the Youth Guarantee programme in Italy. However, due to cancellations, no-shows and eligibility issues, only two-thirds (1.02 million) effectively started the programme (though this rate has improved over time), out of whom about half were enrolled to an active measure, mostly traineeships (60%), employment incentives for employers (23%) and education (12%). Furthermore, while the Youth Guarantee framework expects people registered with the programme to receive an offer for employment, education or training within four month after registration, 75% of youth in the programme had been waiting for an offer more than four months in 2016 [average over the year (EC, 2018[14])].

There are large regional differences in the share of enrolment in the programme compared to the registrations as well as in the share of youth thereafter enrolled into active measures. At the end of July 2018, the share of youth participating in at least one active measure compared to all youth enrolled in Youth Guarantee was 71% in North-Western regions, 64% in North-Eastern regions, 58% in Central Italy and only 45% in the South and the islands (ANPAL, 2018[15]).

By end of July 2018, 1.06 million youth had started the Youth Guarantee programme (i.e. successfully registered), out of whom 703 thousand had been enrolled at some point to an active measure and 542 thousand among them had completed the measure (ANPAL, 2018[15]). The average employment rate one month after participation has been 43% and after six months 52% (66% in North-Western regions and 38% in the South and the islands). Almost 40% of these jobs are not regular employment contracts, but apprenticeship contracts.

Figure 1.6. A third of Italian youth are not in employment, education or training



Note: NEET: Neither in employment, nor in education or training. Countries are ranked in descending order of the total percentage of 20-24 year-old NEETs in 2017.

a) Data for Lithuania refer to 2005.

b) Data refer to 2015 for Chile and to 2016 for Japan.

c) Unweighted averages of the 35 OECD countries shown in Panel A (data not available for Korea).

d) Unweighted average of 33 OECD countries (including 2015 for Chile, data not available for the Czech Republic, Japan and Korea).

Source: Panel A: OECD, *Education at a Glance Database, Transition from school to work Dataset*, http://stats.oecd.org//Index.aspx?QueryId=76798; and OECD (2017), *Education at a Glance 2017: OECD Indicators*, http://dx.doi.org/10.1787/eag-2017-en, Figure C5.3. for Japan 2016 data. Panel B: OECD (2018), *Education at a Glance Database, Transition from school to work: Trends in the percentage of young adults in education/not in education, employed or not, by age group and gender Dataset*, http://stats.oecd.org//Index.aspx?QueryId=76821.

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Over the years, there have been improvements in the performance of the Youth Guarantee programme in Italy and the satisfaction rates of participants is relatively high. Four out of five youth registered in the programme between May 2015 and December 2016 were quite or very satisfied with the assistance from the employment services, (ANPAL, 2018[16]). Nevertheless, the outreach to NEET is still modest, the coverage rate with active policies of those NEETs who have applied for the programme is fairly low and the impact of the programme is limited.

More could be done by the system of public employment services to reach the NEETs on time and provide them active measures bringing them closer to employment. For example, almost half of the subscribers (45%) to the Youth Guarantee between May 2015 and December 2016 learnt about this programme from friends and relatives, 16% from social networks and internet and only 19% from public and private employment offices. It means that the main channel of information is word of mouth and formal channels to reach out to NEETs by the system of employment services (national, regional and local level) are underused.

Generally, the difficulties undermining the effectiveness of the Youth Guarantee are the same as those for the other active policies in Italy. These are mainly the insufficient resources dedicated to job matching and mediation, scarce knowledge of the effectiveness of the measures (see Section 1.5), lack of co-operation between the stakeholders of the network of employment services, insufficient staff in the employment offices (see Chapter 2) and insufficient outreach to employers (see Chapter 3).

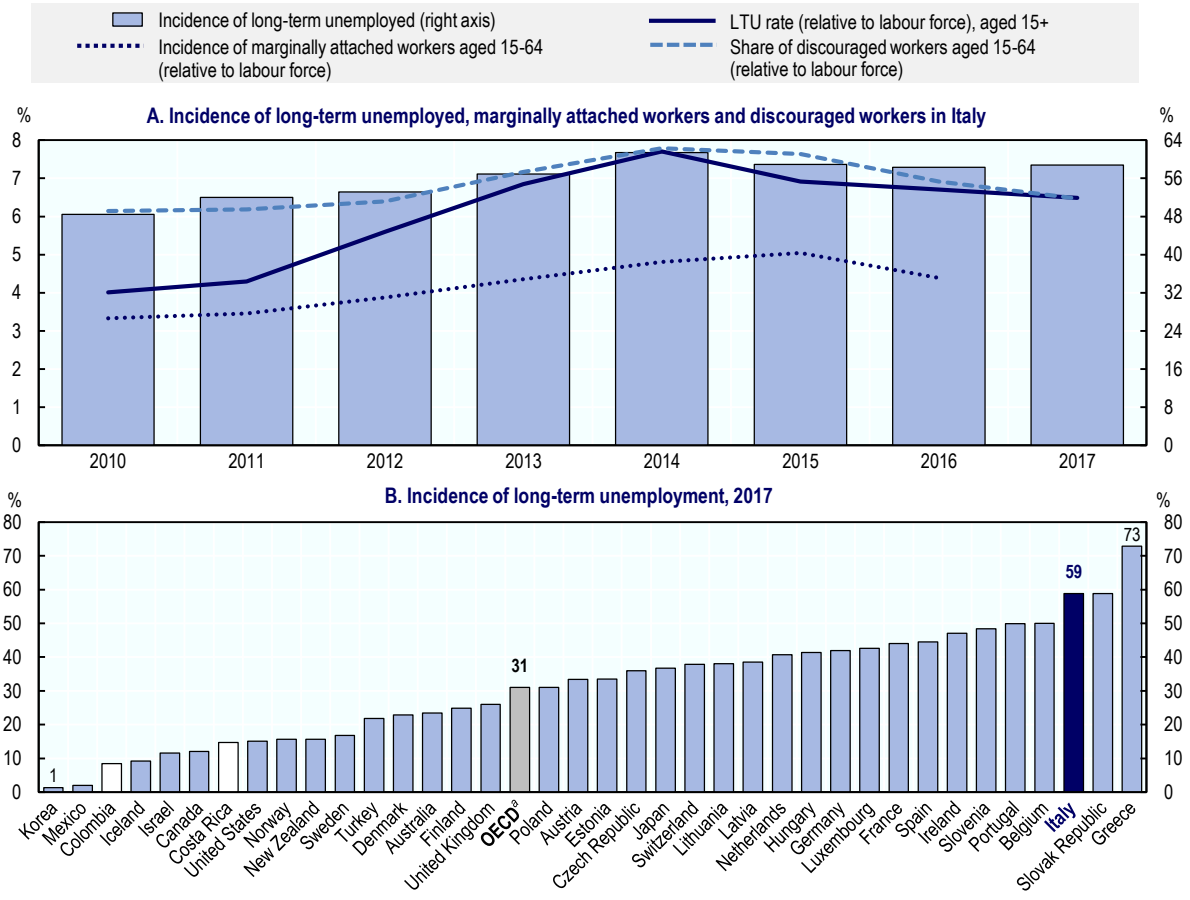
1.2.4. Long-term unemployment is decreasing, but remains high

Long-term unemployment remains high in Italy. The share of long-term unemployed persons out of all unemployed persons stood at 58.8% in 2017 while the long-term unemployment rate (the share of long-term unemployed in the labour force) was close to 6.5% in 2017 (Figure 1.7). Italy shares second position together with Slovak Republic among OECD countries in terms of its share of long-term unemployment, just behind Greece.

There are usually two main phenomena affecting the share of long-term unemployed in the beginning of an economic recovery. On the one hand, employers prefer hiring shorter term unemployed persons as they have more recent working experience, which pushes the share of long-term unemployed upwards. On the other hand, an improving economic situation encourages inactive persons to start looking for work, which statistically decreases the share of long-term unemployed among total unemployment. These people have still short periods of unemployment as they only started looking for a job, though their working experience may be well more than a year ago. In the Italian case, the economic upturn has triggered more people to look for work as the share as well as the number of short-term unemployed (unemployment period less than a month or less than three months) increased after 2014 and the labour force participation rate in general has increased. However, the economic recovery has had an effect also on the long-term unemployed as not only the share, but also the number of long-term unemployed has decreased (from 1.966 million people in 2014 to 1.682 million in 2017).

Positive developments in the labour force participation rate are accompanied by decreasing incidence of marginally attached workers and discouraged workers. This shows that more people believe there are jobs available on the Italian labour market and get engaged in job search.

Figure 1.7. Long-term unemployment decreasing, but still high



Note: Long-term unemployment (LTU) is defined as unemployment lasting 12 months or more. *Marginally attached* are persons neither employed, nor actively looking for work, but are willing/desire to work and are available for taking a job and they have looked for work during the past 12 months. *Discouraged workers* are considered here as inactive people whose main reason for inactivity is a belief that there is no job available for them (regardless of their desire to work).

a) Weighted average of 35 OECD countries (excluding Lithuania). Colombia and Costa Rica are following the accession process to become OECD member countries.

Source: OECD Labour Force Statistics Database, *Incidence of unemployment by duration Dataset*, http://stats.oecd.org//Index.aspx?QueryId=9593 for incidence of LTU and LTU aged 15+ levels, http://stats.oecd.org//Index.aspx?QueryId=9571 for labour force aged 15+ levels, *Incidence of marginally attached workers Dataset*, http://stats.oecd.org//Index.aspx?QueryId=37635; and OECD calculations from *I.Stat Database*, *Inactive population Dataset*, http://dati.istat.it/Index.aspx?DataSetCode=DCCV_INATTIV1 for discouraged workers aged 15-64, and http://dati.istat.it/Index.aspx?DataSetCode=DCCV_FORZLV1 for labour force aged 15-64.

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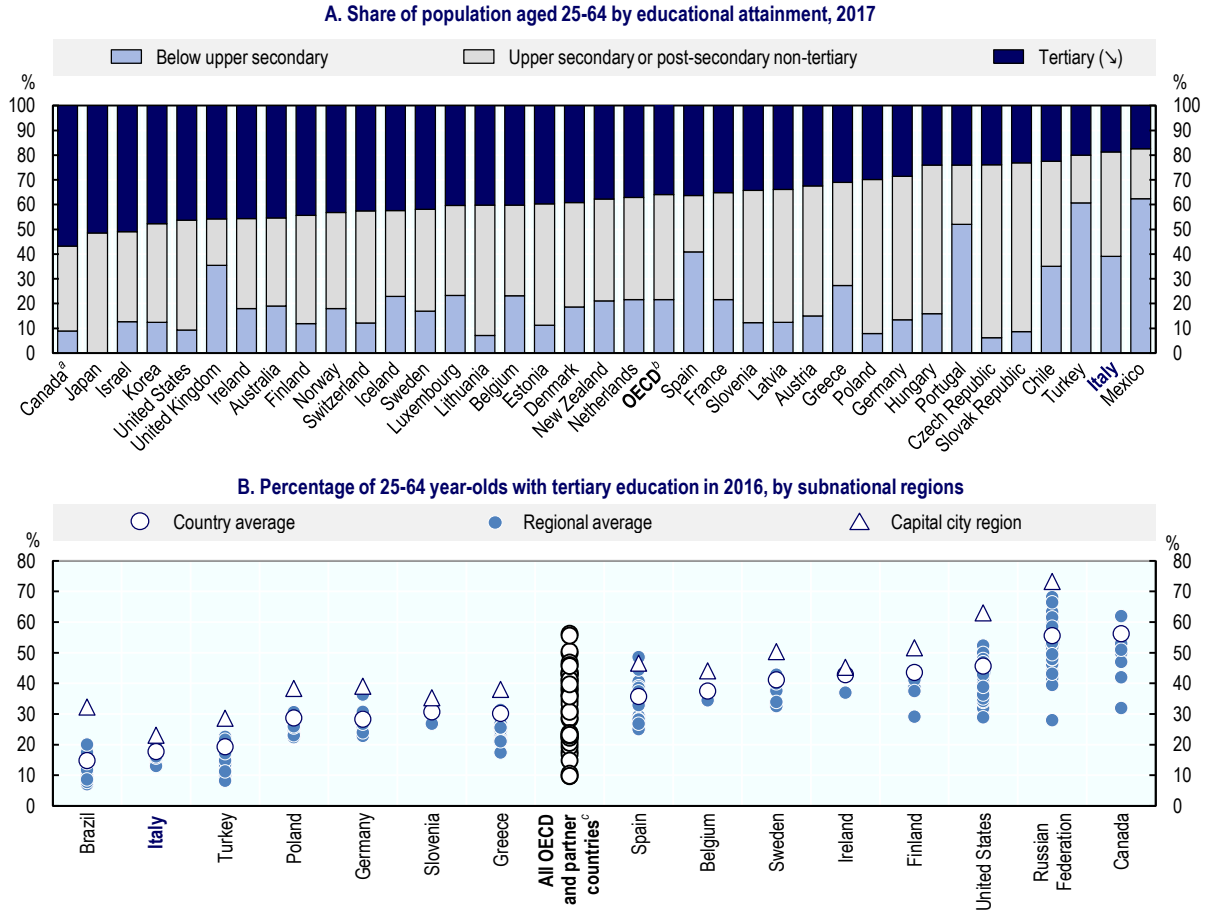
1.3. Skill and qualification mismatches in the Italian labour market

The qualification and skill levels are relatively low in Italy leading to high incidence of under-qualification and under-skilling. However, also over-skilling is relatively high as rigid wages and low occupational mobility contribute to mismatches on the labour market.

1.3.1. Upskilling is necessary throughout the country

The educational attainment in Italy is very low. The share of the working age population (aged 25-64) with tertiary education is less than 18.7% which is the lowest among OECD countries after Mexico (Figure 1.8). The share of the population with tertiary education is fairly similar across Italian regions. Simultaneously, the share of the population with education level below upper secondary education is 39.1%, which is one of the highest shares in OECD.

Figure 1.8. The education level of adults is low in Italy



Note: In Panel A, data for Chile refer to 2015. In Panel B, the country average is the weighted average of the regions for 25-64 year-olds.

a) The province of Ontario has been presented as a regular region because the capital Ottawa is a comparatively small urban centre in the province of Ontario.

b) Unweighted average of the 36 OECD countries.

c) All OECD and partner countries refers to the country averages as shown in OECD (2017), *Education at a Glance 2017: OECD Indicators*, http://dx.doi.org/10.1787/eag-2017-en, Table A1.1.

Source: *OECD Educational attainment and labour force status Dataset*, http://dotstat.oecd.org//Index.aspx?QueryId=79282 for Panel A; and OECD (2017), *Education at a Glance 2017: OECD Indicators*, http://dx.doi.org/10.1787/eag-2017-en using data from OECD/NCES (2017), *Education at a Glance Subnational Supplement*, http://nces.ed.gov/surveys/AnnualReports/oecd/ for Panel B.

StatLink http://dx.doi.org/10.1787/888933922253

Overall, youth tend to be more educated than older persons. More than one-quarter of the 25-34 year-olds have tertiary education, while this share is only 13% for the 55-64 year-olds (2017 data). More than half of the older people have below upper secondary degree while only a quarter of the young. Nonetheless, Italian youth's education level is still very low compared to that in other OECD countries (only Mexico has lower share of tertiary educated among the 25-34-year-olds similarly to all working-age people).

Possible reasons for the low level of educational attainment are the modest employment prospects for people with higher education level relative to those with a lower educational attainment as well as a low return in terms of wages (see Annex 1.A). On average across OECD countries, employed adults (25-64 year-olds) with a tertiary degree earn on average 56% more than those with only upper secondary education, while in Italy the earning advantage for tertiary-educated is only 41% (OECD, 2017[17]).

The skills of Italian adults are low by OECD comparison

According to the results of the OECD Survey of Adult Skills (PIAAC), the skill levels of adults in Italy are low compared to the other participating countries and this holds for all levels of educational attainment [data from OECD (2016[18])]. The share of tertiary-educated Italians scoring high (4 or 5 on a 5-point scale) in literacy proficiency is 12%, while the average in countries that participated in the survey is 21%, and in numeracy proficiency respectively 14% versus 23%. The relative skill level of Italian adults with upper secondary or post-secondary non-tertiary education is slightly more similar to the other countries, the share of high scores in literacy proficiency is 4%, while the average share across countries is 7%, and in numeracy proficiency respectively 7% versus 8%.

Some of the reasons for low skill levels of Italian adults start already early on in their life as the 15-year-olds demonstrate low scores in the PISA tests and the early school drop-out rate is high; some reasons are added during adulthood as also the likelihood to participate in adult education and training is very low for Italians according to the PIAAC survey, particularly on the main islands and the southern part (OECD, 2017[19]). Italy has advanced well during the past years with many of these indicators, but still lags behind the other OECD countries.

With regard to youth, the 2015 Good School ("*Buona Scuola*", see also Chapter 2, Box 2.1) reform is a notable effort to strengthen the links between the education system in Italy and the labour market. Among other things, it aims at providing the Italian youth with up-to-date skills required by Italian companies by putting a higher focus on internships and work-based learning. This improvement concerns persons who are only yet to enter the labour market.

Looking beyond this population, the low skill levels of the numerous working-age individuals who face barriers entering the labour market and remain employed represent an ongoing challenge. Improving the skill level of this group of people is partly the responsibility of the system of public employment services. On the one hand, the public employment services should direct to up-skilling those who have lost their job and are hard to place to the labour market due to their lack of skills. This is a task that the system of public employment services in Italy also aims to fulfil currently (see the discussion in Section 1.5). On the other hand, the public employment services could aim at up-skilling also those who are still employed, but are in threat of losing their job due to their low skill level or skill mismatch. The training programs for employed people in Italy are covered at present by dedicated funds, the Inter-Professional Funds run by social partners and supervised by the National Agency for Active Policies (ANPAL). A task for the system of

public employment services to solicit employers to upskill their staff using these funds has been recognised only recently (see discussion in Chapter 3).

In the context of low participation of adults in education and training, the role of the public employment system should not only be in providing short courses for upskilling, but also in utilizing case workers and career counsellors in directing low-educated adults and drop-outs back to formal education. This task is at present in general underdeveloped (particularly regarding adults aged over 29) due to limited resources for public employment services (see Section 1.5). The integration to formal education could be further facilitated by scholarships for low-skilled adults, particularly when they are unemployed and do not have an income source.

The skill mismatch is high

Mismatches are high on the Italian labour market both in terms of qualification mismatch (how the attained formal education corresponds to the job requirements) as well as in terms of skill mismatch (how the skills of the employee correspond to the tasks performed on the job). Labour productivity would increase significantly if mismatches would be reduced. The system of public employment services should play an important role here.

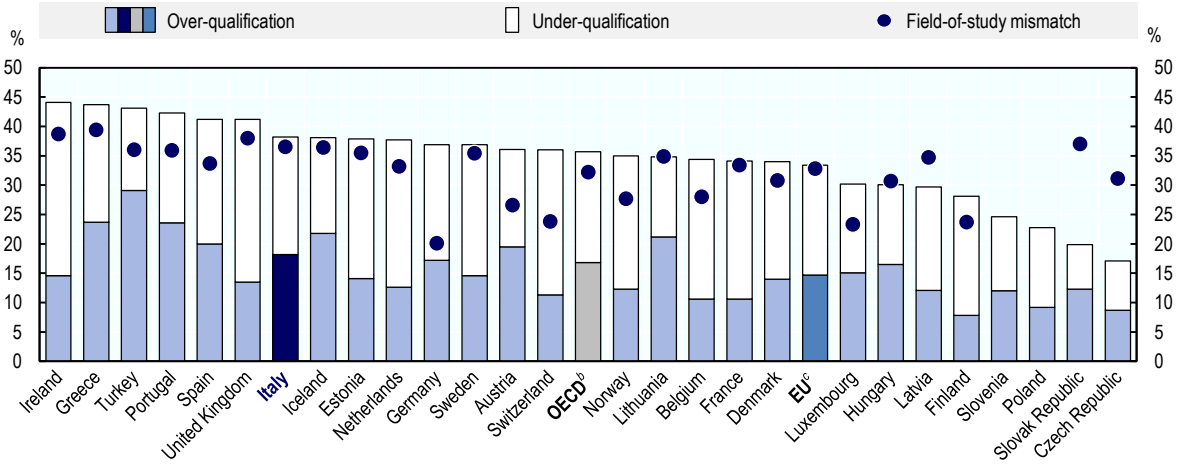
Qualification mismatch (defined as the mismatch between one's qualification level and that required by the job he/she holds, estimated using the European Union Labour Force Survey data) is high in Italy relative to other countries in the European Union (Figure 1.9). Close to 40% of adults aged 15-64 are either over- or under-qualified for their job. Despite the low education level of the Italian working-age population, both the shares of over-qualified and under-qualified workers are higher than in the other OECD countries.[3] In addition, field-of-study mismatch is prevalent as 36.5% of employed people do not work on the field they are specialised in. Data from the Survey for Adult Skills (PIAAC) indicates also to high mismatches in Italy. However, somewhat contrary to the data from the Labour Force Survey, the share of under-qualified workers is the highest among the OECD countries while the share of over-qualified is the lowest [self-reported data from the participants in 2012,[4] (Garda, 2017[20])].

In addition, mismatches are high in terms of skills. This means that either employees cannot fully use their skills or lack skills for their current job. Skill mismatches take into account not purely the formal qualification, but also the skills acquired or lost beyond the formal education as well as the quality of education system. Pellizzari and Fichen (2017[21]) have developed an indicator for skill mismatch using PIAAC data that indicates that Italy has a relatively large incidence of under-skilling compared to the other countries, though also the level of over-skilling is not very low (based on PIAAC data from 2012). In general, under-skilling and under-qualification are particularly pronounced in the southern regions while young and highly educated have higher probabilities to be over-skilled or over-qualified (Garda, 2017[20]).

Adalet Mcgowan and Andrews (2015[22]) use PIAAC data to study the relationship between skill and qualification mismatches and labour productivity in a number of countries. They show that there are links between higher mismatches and lower labour productivity, over-skilling and under-qualification being the main culprits. Thus, not only the activity rate of working-age adults is important for economic growth, but also the allocation of the economically active people. Simulated gains from a decrease of the skill mismatch to the best practice of the OECD could increase the labour productivity in Italy by around 10%, which is the highest among the countries covered in this study.

Figure 1.9. Qualification mismatch is high in Italy

Share of employed persons experiencing qualification or field-of-study mismatch in 2016,[a] aged 15-64



Note: Qualification mismatch arises when workers have an educational attainment that is higher or lower than that required by their job. If their education level is higher than that required by their job, workers are classified as *over-qualified*; if the opposite is true, they are classified as *under-qualified*. *Field-of-study mismatch* arises when workers are employed in a different field from what they have specialised in. Countries are ranked in decreasing order of the sum of workers over-qualified *plus* those under-qualified.

a) Data for Germany refer to 2013 and for Turkey to 2015.

b) Unweighted averages of 33 OECD countries shown in the chart (data not available for Israel, Japan and Korea).

c) Unweighted averages of the 27 European OECD countries shown in the chart above.

Source: OECD Skills for Jobs Indicators Database, Mismatch Dataset, http://stats.oecd.org//Index.aspx?QueryId=77595, using data from the European Union Labour Force Survey.

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As under-skilling and over-skilling exist simultaneously on the Italian labour market, there is room for improvement of matching the skills through increasing labour mobility across occupations and sectors (but potentially also across regions, see the next Section 1.4). Hence, mobility between occupations and sectors, which is otherwise relatively low in Italy (Eurofound, 2017[23]), should be encouraged. This could be facilitated by counselling activities and training provision for jobseekers (and potentially for employed people that are under- or over-skilled for their job) administered and delivered by the system of employment services.

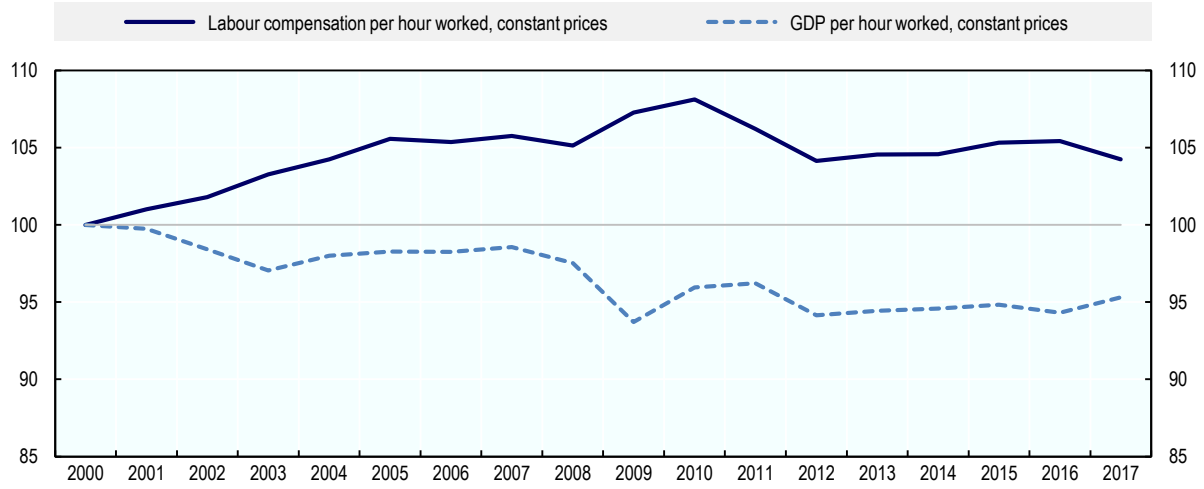
Labour demand-side measures would also be relevant, such as policies encouraging employers to upskill their employees and/or restructure to higher value-added products. A prerequisite for such measures is the availability of good regional labour market data (e.g. overview of skills that jobseekers have) across the country, which currently are lacking in Italy. Additionally, an important task for the system of public employment services is to match well vacancies and the unemployed to minimise mismatch and inefficient labour allocation. To this end, the employment services need to be relevant as a job broker mediating a high share of vacancies on the market. To play this role successfully, they need to have contacts with both the demand and the supply of the labour market and a clear overview of the skills in demand and supply. They also need rich, systematic and up to date data on both labour demand and supply to determine the skill gaps and intervene through upskilling or reskilling if necessary. The respective labour demand-side services and job brokering activities have so far been largely neglected by the system of public employment services in Italy (see discussion in Chapter 3).

1.3.2. Rigid wages contribute to skill mismatch and low productivity

Real wages in Italy are increasing as nominal wages experience a moderate growth and inflation has been persistently low. However, labour productivity is at the same time declining and thus wage dynamics do not reflect well the economic and labour market situation (Figure 1.10). Though it is difficult to adjust real wages to declining productivity when also inflation is low, also the specific wage setting system in Italy adds to the wage rigidity.

Figure 1.10. Real wage costs are increasing while labour productivity declining

Wage costs and labour productivity in Italy, 2000 = 100



Note: GDP: Gross domestic product. ULC: Unit labour costs.
Source: OECD estimates from *OECD Productivity Database*, *Growth in GDP per capita, productivity and ULC Dataset*, http://stats.oecd.org//Index.aspx?QueryId=54368 for Labour compensation per hour worked in current prices and GDP per hour worked in constant prices; and *OECD Key Short-Term Economic Indicators Dataset* [Consumer Prices – Annual inflation], http://stats.oecd.org//Index.aspx?QueryId=21757 for consumer price index.

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Wages are set in Italy through a centralised system of collective bargaining at sector level while firm-level contracts tend to be uncommon. Sectoral level collective agreements are applied automatically across country and these agreements define also the scope of bargaining at the firm-level. As a result, on the one hand, the wage response to the labour market situation is lagged as contracts are negotiated in a sequence for three years ahead (EC, 2016[24]). On the other hand, this wage setting process hampers productivity through less efficient resource allocation, higher incidence of skill mismatches and less effort to develop innovative solutions at the firm level [Tronti (2010[25]), European Commission (2017[26])]. For example, in this wage setting system wages have not been responsive to the labour market needs as employers have not been able to attract employees to hard-to-fill jobs through wage increases nor other features of these jobs (Monti and Pellizzari, 2016[27]). While the Italian Government has made efforts to enhance firm-level bargaining and thus make the system of wage setting more flexible, negotiations between social partners to review the system have started only in recent years (OECD, 2017[1]).

There are also other factors in Italian industrial relations contributing to wage rigidity. For example, the sectoral collective agreements also regulate in detail the tasks, responsibilities and duties for different occupations thus making it more difficult for employers to reallocate tasks

between employees and be responsive to the economic situation. Additionally, wage increases tend to be linked to the seniority of an employee rather than to productivity, and performance bonuses are rare. To improve the current situation, the budget for 2017 provided a tax reduction on performance-related pay and welfare provisions to promote firm-level bargaining and a better match between salaries and productivity (OECD, 2017[19]). Nevertheless, further efforts by the social partners are required to decrease the rigidity of wages and thus contribute to better resource allocation and productivity.

1.4. Regional differences

The previous section highlighted the many common challenges on the labour market, which are shared by all the Italian regions. Nonetheless, in terms of labour marker performance, regional disparities are relatively wide and persistent, suggesting that there is scope for policies to encourage labour mobility that is currently limited.

1.4.1. Regional disparities are vast and not profoundly decreasing

The economic and employment situation varies a lot across the regions in Italy. For example, more than 80% of GDP growth from 2000 to 2013 was attributable to the performance of the top 20% fastest growing regions (OECD, 2016[28]). The main indicators in the OECD Regional Well-Being Database related to the labour market show relatively high regional disparities compared to the other OECD countries (for example higher regional disparities regarding jobs and income than Spain and Greece) (OECD, 2017[1]). Labour market participation rates (including for females), employment rates, productivity, wages and GDP per capita, but also skill mismatch tend to be higher in the northern regions than in the south and the main islands. Working-age people in the southern regions and the islands tend to have higher unemployment rates, and higher incidence of under-skilling and under-qualification.

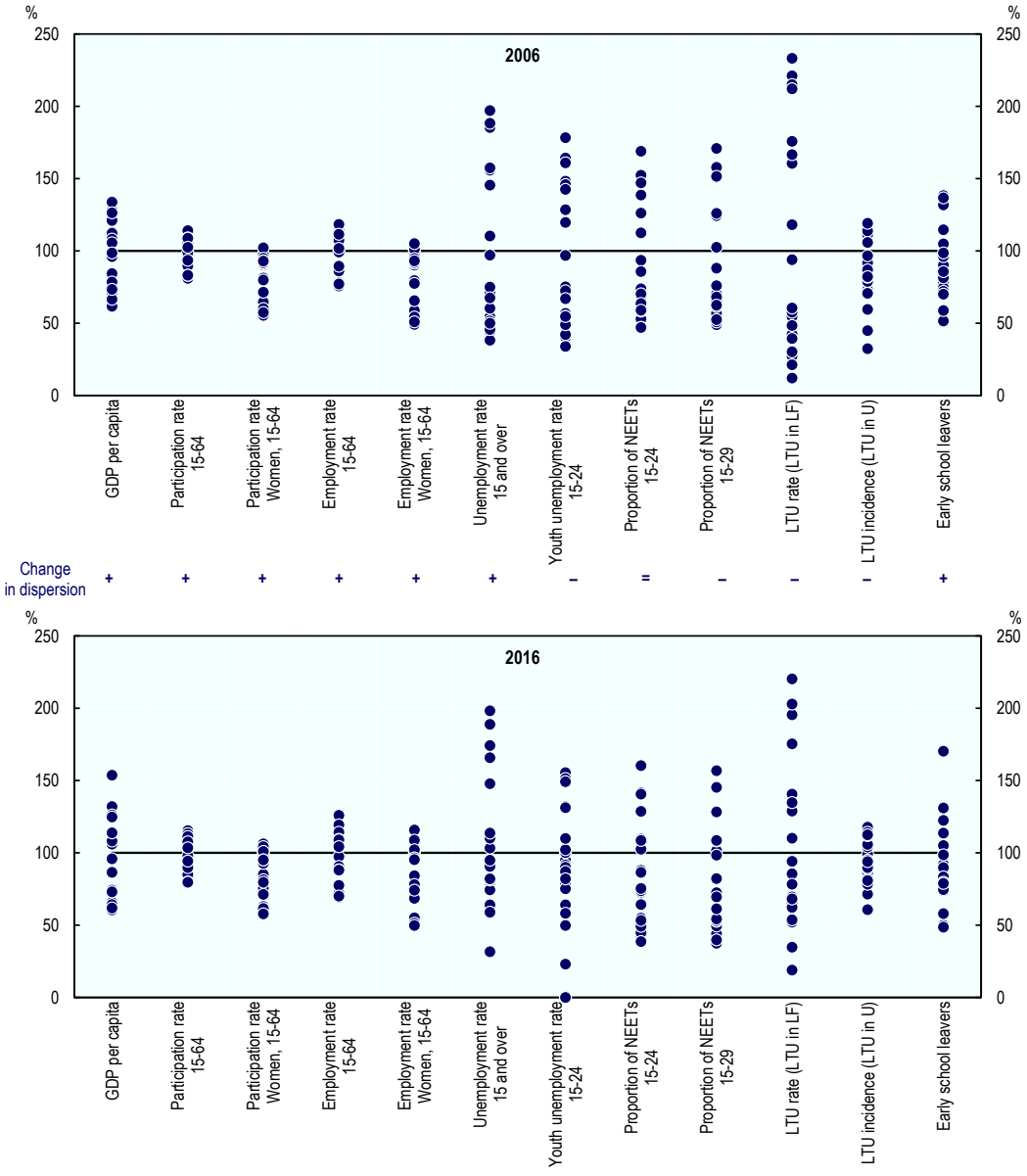
Although in recent years regional disparities for many of the labour market indicators have decreased compared to the recession period, there are no considerable advancements compared to the period before the crisis (Figure 1.11). For example, the lowest unemployment rate in 2006 was in the autonomous province of Bolzano-Bozen at 2.6% and Sicily with the highest at 13.4%, i.e. more than five times higher. In 2016, the province of Bolzano-Bozen had an unemployment rate of 3.7%, Calabria more than six times larger at 23.2%.

As the pace of deterioration on the labour market as well as the pace of recovery have been often different across the regions, a convergence has not taken place in many labour market and economic indicators. Nevertheless, the directions of changes have been often the same regardless of the disparities and different pace. For example, the disparities in the real GDP per capita have increased between regions, yet the real GDP per capita has decreased almost everywhere. Similarly, despite the increased disparities, total unemployment and the female participation rate have increased across the board and the rate of early school leavers has decreased nationwide.

In addition, there is some convergence taking place. For instance, the youth unemployment rate and the share of long-term unemployed among total unemployment are today more similar (yet worse) than ten years ago across regions. These trends demonstrate that regardless of the many differences, Italian regions still face some of the same challenges and are influenced by similar trends in the economy. This provides the scope for more co-operation between the regions also in the field of active labour market policies such as learning from each other's good practices, sharing labour market information and developing common tools and methodologies for service provision. The challenges of regional co-operation are discussed further in Chapter 2.

Figure 1.11. No major progress in decreasing regional disparities

Regional outcomes compared with the average for Italy (Italian average = 100%)



Note: GDP: Gross domestic product, which refers in both panels to regional GDP per capita (USD, constant prices, constant PPP, base year 2010). LF: Labour force. LTU: Long-term unemployment. NEET: Neither in employment, nor in education or training. PPP: Purchasing power parity. U: Unemployment. USD: United States dollars. Indicators are presented relative to national average (e.g. a value 150% means that this indicator in the specific region is 1.5 times higher than the national average). Dispersion is calculated as the difference between the minimum and maximum value relative to national average among regions. A negative change "–" in dispersion means that the difference between the minimum and maximum value relative to the national average has decreased. A positive change "+" means that the difference has increased. Changes smaller than 1 percentage point are signified with "=". Data for regional long-term unemployment rates refer to 2015 instead of 2016.

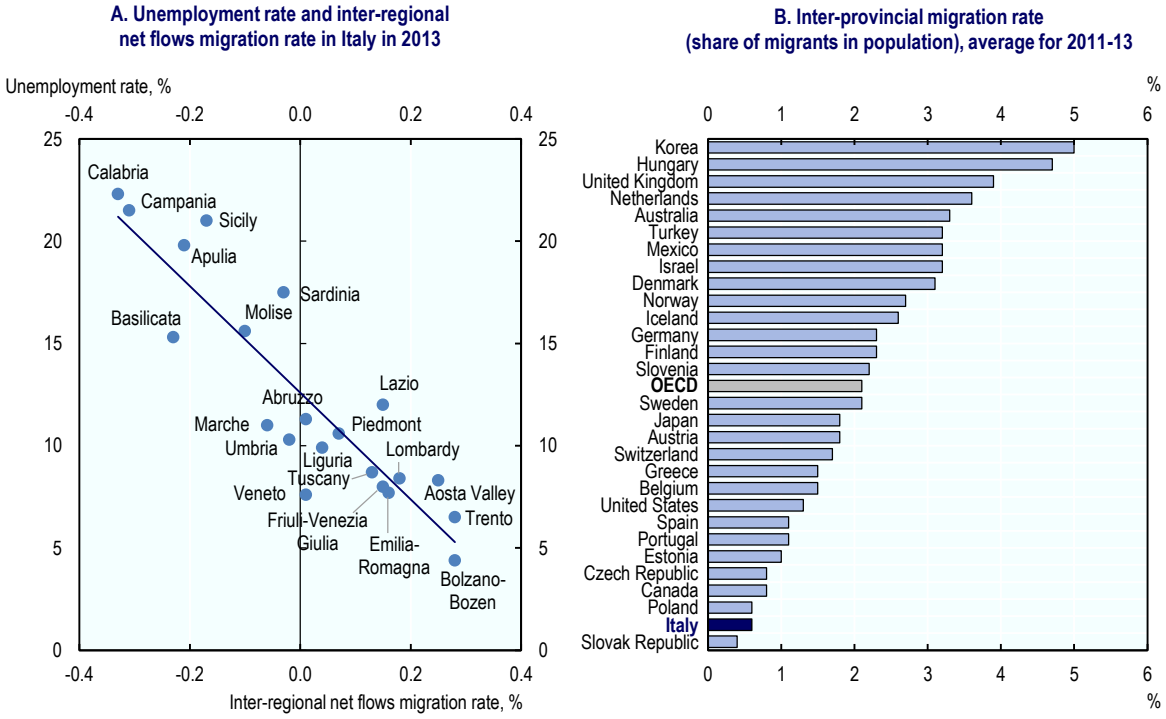
Source: OECD estimates based on data from the *OECD Regional Database*, *Regional Labour Dataset*, https://stats-1.oecd.org/Index.aspx?DataSetCode=REGION_LABOUR, and Istat, Italian Data for UN-SDGs, Sustainable Development Goals of the 2030 Agenda, https://www.istat.it/en/well-being-and-sustainability/the-measurement-of-well-being/indicators.

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1.4.2. Labour mobility is limited

Labour mobility between the Italian regions does take place, with southern regions experiencing negative net migration flows and northern regions gaining additional population (Figure 1.12). However, labour mobility is still very modest in Italy in comparison with other OECD countries.[5] The inter-provincial migration rate is 0.5% in Italy, versus 2% for the OECD on average. Labour mobility could be potentially increased and lead to lower disparities between the regions. The system of public employment services can contribute to the labour mobility, targeting both labour supply and demand as well as improving matching between the two. Nevertheless, encouraging labour mobility has to be accompanied by up-skilling and promoting mobility also between occupations.

Figure 1.12. Although low, internal migration responds to local labour market situation



Note: Net flows of migration relative to population on regional (TL2) level for Panel A. Total migration flows relative to population on provincial (TL3) level for Panel B. OECD average for the 29 countries shown in Panel B.
Source: OECD estimates based on data from the *OECD Regional Database*, *Regional Labour Dataset*, https://stats-1.oecd.org/Index.aspx?DataSetCode=REGION_LABOUR and *I.Stat Database* http://dati.istat.it/ for Panel A; and OECD (2016), *OECD Regions at a Glance 2016*, http://dx.doi.org/10.1787/reg_glance-2016-en for Panel B.

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Higher mobility may play a self-equilibrating role in reducing regional disparities, can contribute to a more flexible labour market and to better matching between skills and jobs, thus increasing productivity. Geographical mobility could be encouraged for example by housing-market policies such as reducing tax incentives and subsidies in favour of homeownership, reducing transaction costs on housing, providing housing allowances [OECD (2005[29]), Andrews et al. (2011[30])] and relocation subsidies, but should be integrated with increased flexibility of work arrangements and family support such as subsidised childcare and schooling (OECD, 2017[19]).

Moreover, the system of public employment services can contribute to higher geographical mobility. For example, a decentralised system of public employment services, such as the one in Italy, may help design labour market measures tailored to local requirements and specific needs. However, a proper central system for reporting regional labour market outcomes is vital for the success of such a system and thus a system of accountability framework that sets regional objectives and where funding is dependent on the achievements of these objectives has to be agreed on by regional and central authorities[(OECD, 2005[29]), see also Chapter 2].

Additionally, general tools of the public employment services to increase geographical mobility can involve for example a certain level of mobility in job search and acceptance requirements. This was recently adopted in the definition of suitable job offer in Italy, but it is not yet implemented (see Chapter 2). Public employment services can also motivate job acceptance in other areas by case management and counselling as well as geographical relocation subsidies. Thus it is important that the front-line counsellors have information about their local labour market as well as about other regions (for example an overview of which skills/occupations are in surpluses/shortages in other regions, general trends, etc.). Labour demand-side policies would be also relevant, such as measures encouraging employers to move to a geographical area where the skills they need are available (considering the supply of skills of both mismatched workers as well as unemployed persons). Also, it is important that the IT system matching jobs and unemployed is capable to match across regions and that information is accessible for jobseekers, employers as well as counsellors, which today is still missing in Italy.

Nevertheless, geographical mobility does not lead always to a decrease in regional employment disparities if it is the highly skilled who move, de-skilling further the regions worsening the economic situation and weakening their regional growth potential (OECD, 2005[29]). This seems to have taken place over the past decades also in Italy, weakening the southern regions (Fratesi and Percoco, 2014[31]). Simultaneously, the rate of young highly-educated who have emigrated from Italy altogether during the past decades, has been high as well, while contrary to many other developed countries Italy has not attracted significant numbers of highly educated immigrants to offset the "brain drain" [OECD (2013[32]), Becker et al. (2004[33]), European Commission (2016[24]), Tintori and Romei (2017[34])]. This has added to the low qualification level of the labour force and weakened the regions even further. Thus, to overcome regional disparities on the labour market, in addition to encouraging regional labour mobility, the focus should be also on tackling under-skilling (see previous Section 1.3).

1.5. Italy's resources for labour market policies

Considering the profound challenges of high level of unemployment, widespread under-skilling and low labour mobility, Italy devotes too little resources on labour market policies. This section discusses first the overall budget for labour market policies, secondly the capacity of the public employment services as a job broker and thirdly the main types of Italy's active labour market policies.

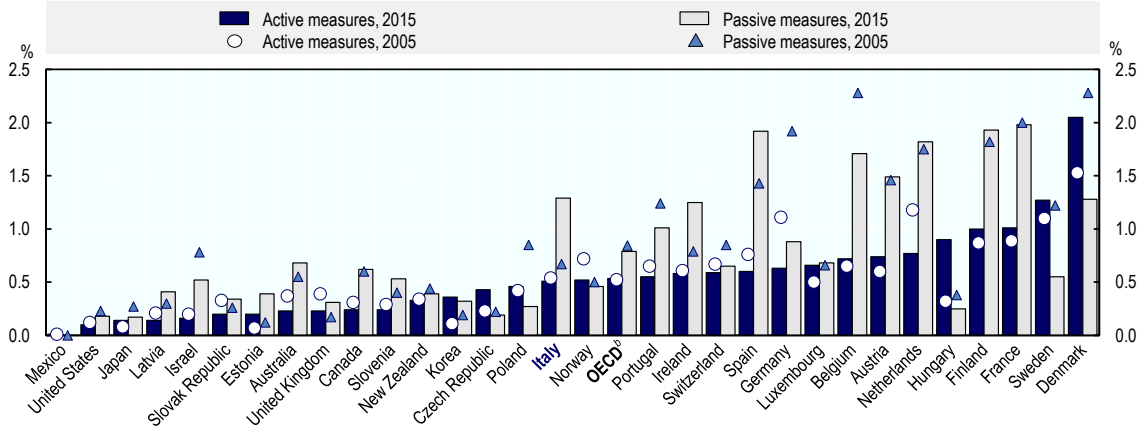
1.5.1. Italy spends relatively little on active labour market policies

Italy spends less on active labour market policies than OECD countries on average, especially considering that its unemployment rate is twice as high. Before the Great Recession, the unemployment rate was in Italy at a similar level as the average in the OECD countries (only slightly higher). Simultaneously, also the expenditures on

passive and active labour market policies relative to GDP were at a similar level as the OECD average (only slightly lower, see Figure 1.13). Now, ten years later, the unemployment rate in Italy is almost double the average of OECD countries and so are the expenditures on passive labour market policies. Yet, expenditures on active labour market policies are continuously slightly below the OECD average despite the higher number of people in need (see Figure 1.14 and Annex 1.B). The gap in expenditures on active policies is even greater in Italy compared with the EU average.

Figure 1.13. Expenditures on active and passive labour market policies

Percentage of GDP, 2015 versus 2005[a]



Note: FY: Fiscal year. GDP: Gross domestic product. *Active measures* refer to Categories 1 to 7, *Passive measures* to Categories 8 and 9 of the *OECD/Eurostat Labour Market Programme Database*. Countries are ranked in increasing order of expenditures on active policies in 2015. For more details about the categories, see Grubb and Puymoyen (2008).

a) Data refer to FY 2004/05 for the United Kingdom and New Zealand (instead of 2005); they refer to FY 2011/12 for the United Kingdom, to 2014 for Estonia and to FY 2014/15 for New Zealand (instead of 2015).

b) Unweighted averages of 31 OECD countries where both active and passive measures are shown for all years, i.e. except Chile, Greece, Iceland and Turkey.

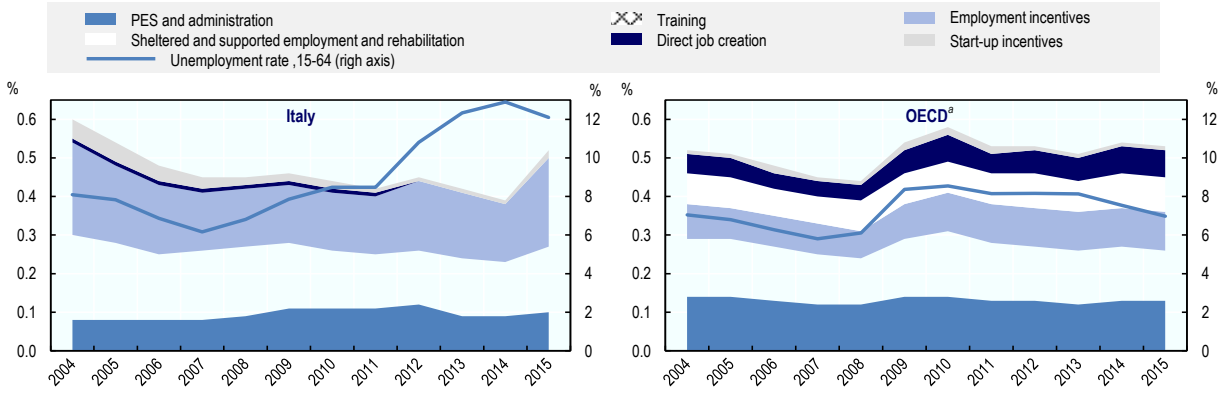
Source: OECD/Eurostat Labour Market Programme Database, http://dx.doi.org/10.1787/data-00312-en; and Grubb, D. and A. Puymoyen (2008), "Long time series for public expenditure on labour market programmes", http://dx.doi.org/10.1787/230128514343.

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The rise in expenditures on passive measures during the crisis is well explained by the rise in unemployment and the massive reliance on wage supplementation schemes, a policy response adopted in that period. Instead, spending on active measures tends to react with some lag to the downturn. Yet, active policies can be efficient even in a bad economic situation and some cyclicality of expenditures would be desirable [see for example OECD (2015[35])].

Figure 1.14. Variety of active policies is low in Italy

Unemployment rate and expenditures on active labour market policies as a percentage of GDP, 2004-15



Policies	Expenditure in OECD 2015	Expenditure in Italy 2015	Italy compared with the OECD (%)
PES and administration	**0.13**	**0.10**	**77**
Placement and related services	0.05	0.01	20
Benefit administration	0.04	0.05	125
Other costs	0.04	0.04	100
Training	**0.13**	**0.17**	**131**
Institutional training	0.09	0.02	22
Workplace training	0.01	0.04	400
Integrated training	0.01	0.00	0
Special support for apprenticeship	0.01	0.11	1100
Employment incentives	**0.10**	**0.23**	**230**
Recruitment incentives	0.08	0.23	288
Employment maintenance incentives	0.01	0.00	0
Sheltered and supported employment and rehabilitation	**0.09**	**0.00**	**0**
Sheltered and supported employment	0.07	0.00	0
Rehabilitation	0.02	0.00	0
Direct job creation	**0.07**	**0.00**	**0**
Start-up incentives	**0.01**	**0.02**	**200**

Note: GDP: Gross domestic product; PES: Public employment service. For more details about the categories, see Grubb and Puymoyen (2008).
The figures in the table above on summarising rows use more detailed information than shown in the table (more decimal places than visible in the second and third column).
a) Unweighted averages of country data for the different types of employment support for OECD.
Source: OECD/Eurostat Labour Market Programme Database, http://dx.doi.org/10.1787/data-00312-en; *OECD Employment Database*, www.oecd.org/employment/database for unemployment rates; and Grubb, D. and A. Puymoyen (2008), "Long time series for public expenditure on labour market programmes", http://dx.doi.org/10.1787/230128514343.

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Although the labour market reforms which started in 2015 with the Jobs Act (more details on this are provided in Chapter 2 of this report), have put greater emphasis on active measures, they have not changed this expenditure imbalance between passive and active measures. There has been some increase in the expenditures on active policies after 2014, with the start of the new programming period from the European Social Fund and the introduction of the Youth Guarantee, but this has not continued in more recent years.

The application of sanctions in case of noncompliance with job-search conditionality by unemployment benefit recipients has not yet started to be implemented and enforced, which leads to forgone additional funds for ALMPs (see Section 2.3 in Chapter 2 for a discussion of this).

In addition to the limited resources, the budget for ALMPs suffers from misallocation. Italy's ALMPs are characterised by less variety than ALMPs in the other OECD countries (see Figure 1.14). Although the recent labour market reforms (Jobs Act, Chapter 2) defined a long list of employment services that should be accessible across Italy (Annex 1.C), not all these services are delivered by all employment offices across the country, yet. The list of provided services covers only the basic needs of the jobseekers and fails to address individual needs, jobseekers in greater difficulties or jobseekers with disabilities. Half of the spending on ALMPs goes currently to employment incentives,[6] a measure usually susceptible to suffering from large deadweight losses. About a third of the budget goes to training measures, but mostly benefiting employers during apprenticeship programs. Even though the Italian labour force suffers from lower skills and higher skill mismatch than other OECD countries, spending on formal training is only a fifth of that in the other OECD countries. Less than a fifth of the budget on ALMPs goes on employment services and administration, though mostly as costs on administration. Thus, only 2% of the budget on ALMPs is devoted to job-search assistance, which according to evaluations in other countries [see Brown and Koettl (2015[36])Card et al. (2010[37]), Kluve (2010[38]), Dar and Tzannatos (1999[39])] tend to be the most efficient expenditures (OECD countries spend on average almost 10% of their budget for active policies on these services).

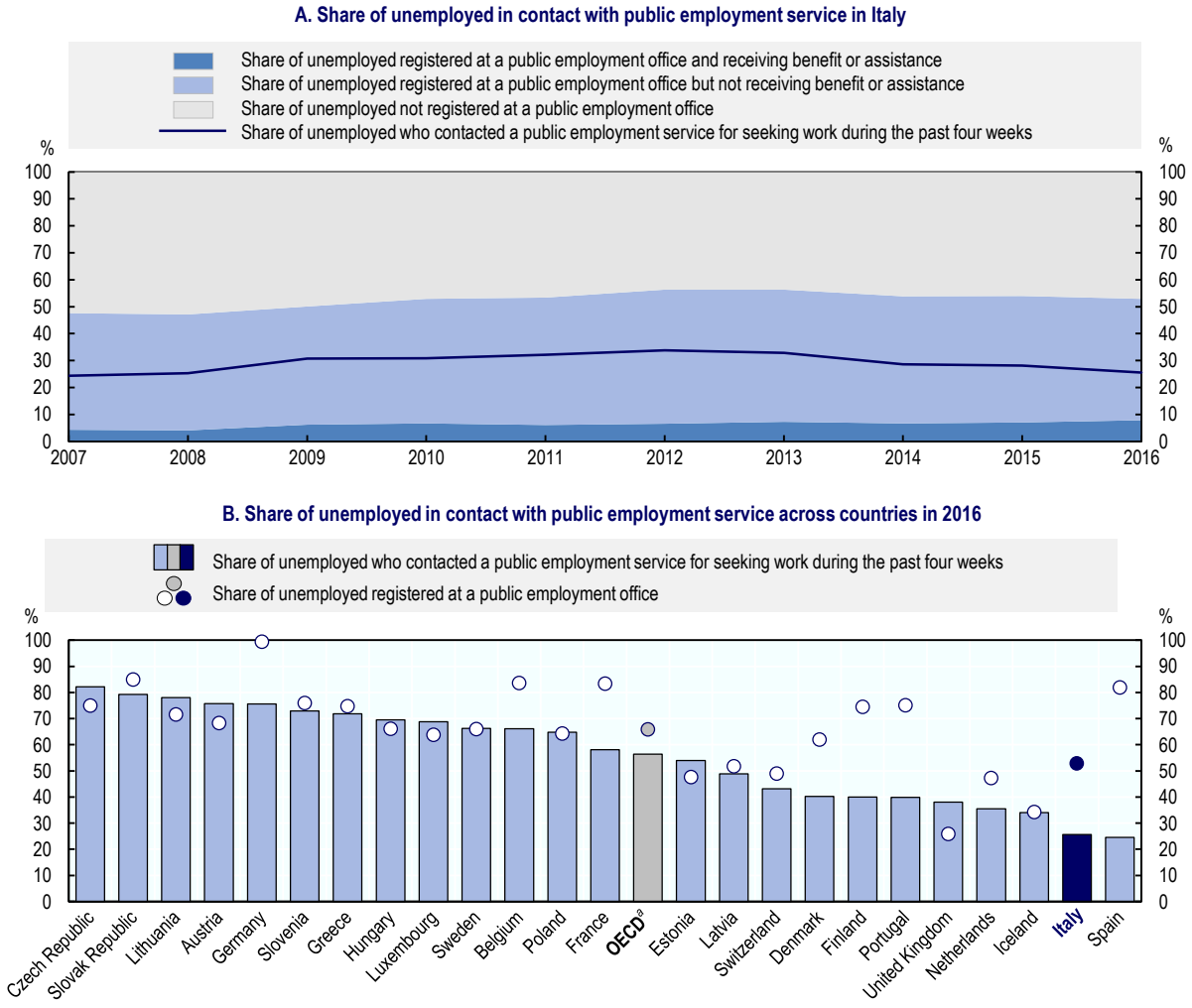
Furthermore, the allocation of funding of ALMPs across Italy does not always follow a coherent national framework, leading to large differences in access, quality and effectiveness of active labour market policies between regions.

In total, a large share of expenditures on labour market policies aim to lower the cost for employers. In 2015, more than 38% of the expenditures on passive labour market policies in Italy were dedicated to subsidise continuing employment contracts (wage supplementation schemes and mobility allowance) and 74% of expenditures on active labour market policies were dedicated to subsidise new employment (and apprenticeships and internships) contracts. This implies that 48% of all expenditures on labour market policies in Italy served a very similar purpose.

1.5.2. The system of public employment services has low credibility as a job broker

The public employment service is not a popular channel for seeking employment in Italy. About half of the unemployed people are registered with the public employment service, a lower share than in most other OECD countries and well below the OECD average share of 66% (Panel B, Figure 1.15). In addition, only half of these registered unemployed (i.e. 26% of all unemployed persons) are in contact with the public employment service for seeking work (Panel A, Figure 1.15). This share is not only low in comparison with other OECD countries but is also equally low for different population groups defined by gender, age and level of education. The share of unemployed persons registering with and contacting public employment service increased slightly during the recession period, partly due to the inflow of new jobseekers previously employed and qualifying for unemployment benefits, thus required to register with the PES. However, along with the economic improvements during the past few years both the numbers and the shares of unemployed registering with and contacting public employment service have decreased.

Figure 1.15. A low share of jobseekers use the Italian public employment service



Note: Share of unemployed who contacted a public employment service for seeking work during the past four weeks: percentage of unemployed who declared having used this method as one of the channels to seek work. An unemployed person might use several methods at once.
Panel A: The sum of the first three groups shown in the graph equals 100% (the share of unemployed registered at a public employment office and receiving benefit or assistance *plus* the share of unemployed registered at a public employment office but not receiving benefit or assistance *plus* the share of unemployed not registered at a public employment office).
a) Unweighted average of the 24 OECD member countries shown in Panel B.
Source: OECD estimates based on the share of unemployed who contacted public employment service for seeking work during the past four weeks: *Eurostat Database*, http://ec.europa.eu/eurostat/data/database, and on the share of unemployed registered at a public employment office: *European Union Labour Force Survey* (EULFS) *Database*, http://ec.europa.eu/eurostat/web/lfs/data/database.

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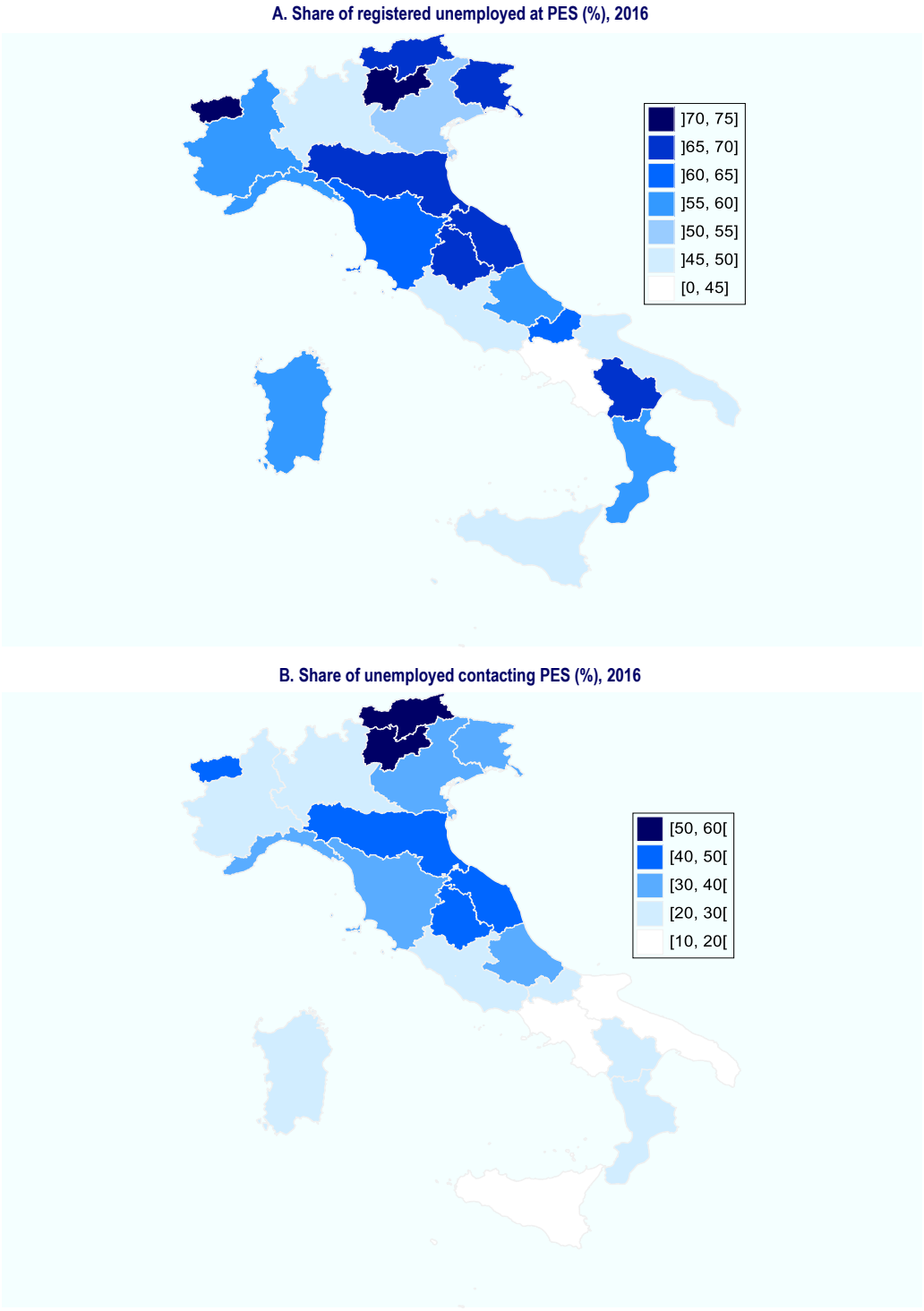
Similarly to the use of PES services by jobseekers, employers are also reluctant to rely on these services to fill their vacancies. In 2014, only 1.5% of employers used public services as the main channel to find employees (Mandrone et al., 2016[40]). Other, advanced PES tend to be much more popular channels for employers to find employees. For instance, the PES market share of vacancies has been on average over 50% during the past few years in Germany (Bundesagentur für Arbeit, 2018[41]). In Italy, employers often do not risk

employing people outside of their networks whose skill level they are unaware of (as qualifications are poor predictors of skills in Italy) and as until recently the firing costs were still very high (OECD, 2017[19]). They prefer using informal channels to fill their vacancies. A large share of vacancies on the Italian labour market are neither published nor mediated through the public employment service. In 2014, two thirds of employers used their personal and social networks as the main channel to find employees (Mandrone et al., 2016[40]). While the utilisation of informal networks is more common for smaller firms and also more prevalent in the southern regions and the main islands, the use of public employment services as the main channel for filling vacancies is rare for all enterprises, independently of their size, region or economic sector.

The shares of unemployed registering with the public employment office vary greatly across regions (see Figure 1.16). On average 64% of unemployed register with the public employment service in the Northern regions; Aosta Valley and the Autonomous Province of Trento having the highest rates with 74% and 78% respectively. In the southern regions and on the main islands, on average 54% of unemployed register with the public employment services, the lowest rates being in Campania (40%) and Sicily (45%). Likewise, there is a similar gap in the share of the unemployed who contact public employment offices in order to find a job between the North and the South (38% versus 25%). More than 50% of unemployed use the public employment service for finding a job in the Autonomous Provinces of Trento and Bolzano and less than 20% in Campania and Sicily.

The differences between regions might arise from disparities in the type and quality of services provided to jobseekers, the capacity to apply the activation conditionality as well as the ability of public employment offices to serve as job brokers. Additionally, some differences in these figures between the regions reflect differences in the development of the market for private services providers. The issue of conditionality is discussed in Chapter 2 whereas Chapter 3 discusses in detail the development of the market for private service providers.

Figure 1.16. Regional disparities in the use of public employment services

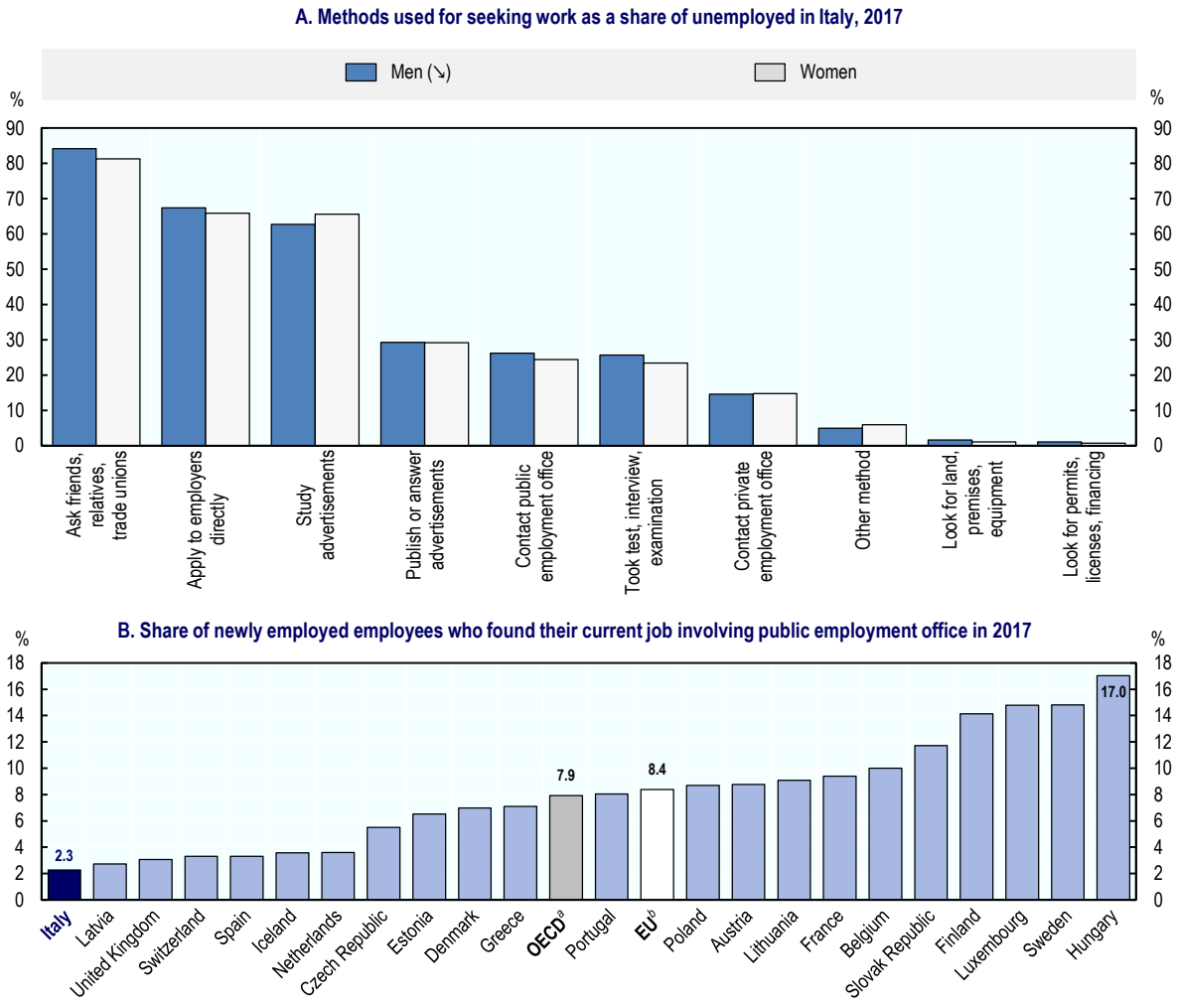


Note: PES: Public employment service. Share of unemployed who contacted PES for seeking work during the past four weeks: percentage of unemployed who declared having used this method as one of the channels to seek work. An unemployed person might use several methods at once.
Source: OECD estimates from the *European Union Labour Force Survey* (EULFS) *Database*, http://ec.europa.eu/eurostat/web/lfs/data/database.

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The most common means to look for work in Italy has been the use of personal and social network such as inquiring for job opportunities from friends and relatives (Figure 1.17). Up to 84% of the unemployed used this as one of the channels for finding work in 2016. This has been the most popular channel and has been continuously gaining popularity.

Figure 1.17. Unemployed in Italy seek employment through social networks



Note: Panel A: Percentage of unemployed who declared having used a given method for seeking work during the past four weeks. An unemployed person might use several methods at once. Data are ranked in decreasing order of the percentage of men's methods used for seeking work.
Panel B: Involvement of the public employment office at any moment in finding the present job. Employed persons aged 15 years old and over, who started this job less than one year ago.

a) Unweighted average of the 22 OECD member countries shown in Panel B (excluding Germany, Ireland, Norway and Slovenia because of a too low response rate).

b) Unweighted average of the 22 EU member countries shown in Panel B.

Source: OECD estimates based on published data from the *European Union Labour Force Survey* (EULFS) *Database*, http://ec.europa.eu/eurostat/web/lfs/data/database for Panel A, and on microdata from EULFS for Panel B.

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As only few jobseekers use public employment service for job search and likewise only a minority of employers use this channel to find employees, the share of jobseekers finding a

job with the support of public employment service is also very low. In 2016, only 2.5% of employed persons who found their current job during the previous year, claimed that the public employment service was in some way involved in finding that job. This is five times lower than the average of the OECD countries and indicates that the Italian system of public employment services lacks credibility both on the labour demand and labour supply sides.

1.5.3. Strengthening the relevance of ALMPs is of primary importance

Raising spending on ALMPs alone will not be sufficient to improve their effectiveness in Italy. It is also necessary to improve the services for both jobseekers and employers and strengthen the relevance of ALMPs by taking into account the specific needs of jobseekers in order to increase the value-added of the system of public employment services in Italy. Strengthening the relevance of ALMPs requires the development of effective labour market services for the jobseekers, i.e. job search assistance (counselling, job search monitoring and sanctioning in case of noncompliance, job matching and mediation, etc.). Moreover, the different services currently offered should be better targeted to ensure they reach and help the jobseekers who need them the most. Finally, being relevant as a job broker and improving the matching of jobseekers and vacancies on the labour market requires establishing trustful relationships with the employers to increase the market share of vacancies by well-functioning matching tools and services for employers on the one hand. This last issue is discussed in detail in Chapter 3 of this report, whereas the other areas for improvement are discussed below.

Employment incentives should be more targeted

Although the evidence on employment incentives is rather mixed, in general, they can be effective if they are carefully targeted [see e.g. Brown and Koettl (2015[36]), Card et al. (2010[37]), Kluve (2010[38]) and Dar and Tzannatos (1999[39])]. A weak targeting to all long-term unemployed can even be counter-effective as some unemployed might not receive a job offer before they become long-term unemployed (OECD, 2015[35]). Italy devotes a lot more than other OECD countries of its resources to employment incentives (0.23% of its GDP compared to 0.10% in the other OECD countries on average in 2015) and it covers many different interventions under this measure concerning women, older jobseekers, younger jobseekers, young parents, benefit recipients, long-term unemployed, disabled people, etc. (see Annex 1.D).

Thus, the employment incentives cover the majority of jobseekers and do not target only the most vulnerable groups, but rather serve the purpose of subsidies for employers to create jobs and use preferably open-ended contracts for that (employment incentives dependent on contract type). As in Italy the targeting of these measures is quite broad, substantial deadweight, substitution and displacement effects[7] are likely to occur and the effectiveness of these measures is probably low and the likelihood to benefit from these measures may be low for the most vulnerable persons or those who are the farthest from the labour marker.

Given the current economic situation and labour market duality in Italy, the focus of employment incentives on the majority of jobseekers without emphasis on the most vulnerable groups is to some extent reasonable. However, now that the economy has started to recover, the employment incentives should become more targeted to the most vulnerable groups and should not be used as permanent subsidies for non-sustainable low value-added enterprises. More targeting could be achieved for example by using the current national quantitative jobseeker profiling tools (see Section 3.2 in Chapter 3) for this purpose, making only these jobseekers eligible for the employment incentives that have the highest likelihood (the highest score) to remain in unemployment over longer time. Until now, the quantitative profiling tool has been used for determining the amount of employment

incentives in case of the Youth Guarantee, but not regarding other groups of jobseekers or for targeting the employment incentives in general.

The system of employment incentives is not transparent at the moment due to an abundance of different programs that vary between the regions and Autonomous Provinces (hereinafter referred to as the Regions) and due to a lack of data exchange. The Jobs Act tasks ANPAL to set up a repository of these measures and sets the general principles for employment incentives to avoid obvious misuses (i.e. uses that are not fulfilling the objective of the measure).[8] This repository is a necessity to increase the effectiveness of employment incentives.[9]

Upskilling through training programmes reaches only limited groups of jobseekers

Training measures are another group of active policies on which Italy spends relatively more than other OECD countries. As under-skilling is a vast challenge in Italy, operating effective training measures is a clear need for the country. Evaluation results of training measures in other countries have shown that these programs might incur modest positive effects, especially in the longer term [see e.g. Brown and Koettl (2015[36]), Card et al. (2010[37]), Kluve (2010[38])]. Training in a workplace and apprenticeship programs might have even more positive results than classroom training, especially in the short run (OECD, 2015[35]) and these are the programs that Italy focuses on.

The majority of training costs form support for apprenticeships,[10] 23% for workplace training and only 9% for institutional training. As such, most of the expenditure on training programs goes to employers as reduced social contributions, a third to training providers and less than 1% to the participants in training as periodic cash payments. This is quite different from the training expenditures in other EU countries, where more often the majority of costs form transfers to individuals and only marginal share is devoted to benefits for employers (data from *Eurostat Labour Market Policy Database* for 2015).

Thus, a large part of the expenditure on training programs in Italy serves partly similar purposes as the employment incentives. While in both cases the recruited employees and apprentices do gain work experience and skills, both of these measures also serve the purpose of reduced labour costs for the enterprises. Therefore, there is some risk that these programs are used by employers as a permanent solution for cheap labour in low-skill sectors. The apprenticeship programme should be adapted to minimise this risk while offering the jobseekers the possibility to acquire new skills. At the moment, a mechanism to avoid abuse of apprenticeship contracts is provided for companies with more than 50 employees, which cannot hire more apprentices if they have not retained employment at least for 20% of apprentices during the previous three years of operation.

The support for apprenticeship programs concerns in Italy young people up to 29 years of age.[11] In addition, there are several other training programs targeted for young people (institutional training for apprentices, apprenticeship and institutional training programs under the Youth Guarantee, etc.). In total, more than 90% of expenditure on training is limited to young people. There are only very few institutional training programs available for adults over 29 years of age and essentially no workplace training or internships for them possible. Yet, meta-analyses by Kluve (2010[38]) and Dar and Tzannatos (1999[39]) indicate that training programs for jobseekers other than youth tend to yield more positive results than training programs for youth.[12] As at the same time older people have also lower education and skill levels than youth (see Subsection 1.3.1), the effectiveness of public employment services in helping older adults back to the labour market is currently questionable. Financing and implementing training programs for (low-skilled) adults are necessary to change that.

The apprenticeships for adults in the Polish public employment service (also a decentralised system) could be taken as an example when designing the respective programmes in Italy. Polish public employment service offers adult jobseekers job-training of 6-12 months and qualification upgrading of 3-6 months. Participants receive a monthly transfer in the amount of 120% of unemployment benefit. Employers receive a small monthly fee (2% of the average wage) and a bonus if the participant passes the exam successfully. In 2016, 78% of participants gained employment during the programme or within 3 months after completing the programme. The programme is conducted in co-operation between a local public employment office, an employer, a training institution and an institution responsible for exams (Kaczmarska-Sawicka, 2018[42]).

The referral of jobseekers to institutional training should be improved in general considering the widespread lack of skills among adults. A monitoring survey conducted by ANPAL in 2017 (ANPAL, 2018[43]) showed that more than a third (34.8%) of employment offices (public and private) do not carry out any functions related to referring jobseekers to vocational training. Only 12.3% carry out the whole set of functions related to training programmes, such as identification of jobseeker characteristics and motivation for training, assessing the suitability and skill match of the training programme, assessment of individual needs concerning training, etc. The same issue is reported by the jobseekers when asked why they turn to local employment offices. A jobseekers' satisfaction survey among jobseekers who visited public employment offices in 2016, showed that only 0.9% of jobseekers that participated in the study had decided to visit an employment office in the hope to find a training course (ANPAL, 2018[44]).[13] Out of the jobseekers who asked for an assessment of their training needs and/or referral to a course, only 37.9% received this service. In total, less than 5% of the jobseekers had received some support in finding or signing up for a training course (considering also those jobseekers for whom it was not the main request or who were suggested to receive training by the employment office). One quarter of them were very satisfied with this service and another half were rather satisfied than dissatisfied.

Furthermore, even though there are many different exercises conducted for assessing and anticipating skill needs in Italy [using different methods and data sources, available on regional and national level and by sectors, see OECD (2017[19])], the results of these studies are currently not systematically taken into account in the Regions when referring jobseekers to training. Related to that, the choice of training programmes is at times limited to what the training providers are able to offer in that specific moment and failing to take into account when and what training programs the jobseekers actually need. This is also an issue for training programmes for employed people [see OECD (2019[45])].

As a first step to increase the effectiveness of training programs, the training programs available for the jobseekers should be more systematically linked with employer needs, by using the results of the skill anticipation studies (for example from the Excelsior survey by Unioncamere) and/or the labour market integration rates of the participants. ANPAL could take the role of disseminating the available information on skill anticipation to the Regions and the local employment offices and offer guidelines how to take this information into account in service provision. Information on labour market integration rates of participants in training as an input of referrals depends on the advancements with the common IT infrastructure.

Moreover, there is no information available about the effectiveness of the training programs (e.g. by type and training provider) that could be used as an input for referrals to training. A further step to improve the effectiveness of training programs could take into account the effects of the programmes[14], for example, by regularly evaluating their impact by programme types, target groups, providers and areas. The German public employment

service does this using a tool called TrEffeR. This tool applies automatically a quasi-experimental evaluation method (matching method) to compare participants in labour market programs with non-participants regarding their employment outcomes and taking into account their socio-demographic characteristics. The outputs of the model can feed into deciding which programmes work best for which target groups and which programs do not provide positive results and thus should be not offered. The model enables to detect also worse performing providers, enabling to feed into performance dialogue or possibly to not allocate resources to these providers. Once the IT infrastructure involving data on registered unemployed and their employment records is in place, the additional cost to develop an evaluation mechanism like TrEffeR is relatively low [see more details on TrEffeR in Schewe (2017[46]) and Büttner et al. (2015[47])]. In Italy, a similar tool could be developed by the National Institute for Public Policy Analysis (INAPP) in co-operation with ANPAL and the Regions (and possibly with universities), pending the advancements in the IT infrastructure and the respective data collection.

ANPAL is currently working together with the Regions to set up a register of vocational education and training. Firstly, this will improve the data quality for the system of vocational education. Secondly, this will provide better data for the system of employment service to support the jobseekers (e.g. enriching data about education and training in jobseekers' CVs). This initiative provides also a good prerequisite to have the necessary data ready in the future to develop a system for regular impact evaluations of training courses.

More emphasis on counselling jobseekers is necessary

Employment services such as counselling activities, job-search monitoring and sanctioning in case of noncompliance, job matching and mediation activities as well as administrative activities (benefit administration and PES operating costs in general) represent the third larger item of spending on active labour market policies in Italy. Most of the expenditures in this category are devoted to administration activities, while the spending on job-search assistance and placement constitutes only a fifth of the average spending in the other OECD countries (Figure 1.14).

This imbalance reflects to a great extent the inefficient processes in the employment offices which impose high administrative burden on staff and limit the available resources for job-search support and counselling (see also Chapter 2).

In addition, when such counselling services are provided, they tend to be fairly basic in nature. A monitoring survey conducted by ANPAL in 2017 (ANPAL, 2018[43]) showed that while 80% of employment offices are able to provide basic counselling (such as identification of jobseeker needs, jobseeker profiling, providing information about training possibilities, providing support in composing a CV, addressing a jobseeker to a specialised service), only 45% of employment offices are providing more advanced counselling services (individualised counselling including the assessment of skills, career counselling, defining individual action plan) and only half of the employment offices (53%) engage in a full spectrum of services for employers to enable job matching and mediation activities.

The limited capacity of the employment offices is also reflected in the results of the jobseeker satisfaction survey for services provided in 2016 (ANPAL, 2018[44]).[15] The request by jobseekers to receive core employment services are much less often met than the request for more simple administrative services. For instance, only 7% of the jobseekers requesting support to start self-employment feel that their request was met. About 38% of those requiring support for identifying training needs reported that their needs were met by the employment services. In contrast, almost all (97% and 96% respectively) jobseekers who approached the

employment office for first reception and preliminary information and for administrative procedures reported that their demand was met. Furthermore, even when these services are received, the jobseekers' satisfaction tends to be low. Only 15% of users were very satisfied and 40% rather satisfied with job search support.

The main obstacles that employment offices face in providing job search assistance and job mediation services are discussed in Chapter 2. Addressing these obstacles requires the allocation of additional resources, at least for some years and until the system becomes fully functional and savings on total labour market policies start occurring.

1.6. Conclusion

Despite recent improvements, the Italian labour market fares worse than most other OECD countries. The unemployment rate is relatively high, while the labour force participation rate, employment rate and labour productivity are low. Low qualification level and low skills contribute to low productivity, as under-skilling is common. Yet, relatively high under-skilling and over-skilling occur simultaneously in Italy as wages are rigid and labour mobility low. The major labour market challenges are common across Italy, though regional disparities do occur and are not yet profoundly decreasing.

The system of public employment services has potentially a major role to play to address these challenges. To enhance female employment, public employment services could reach out to female discouraged workers providing them job-search skills and supporting them in their care obligations during the take-up of employment.

Moreover, the public employment services should reach out to young people neither in employment, nor in education or training (NEET), by increasing their awareness about the Youth Guarantee programme and reacting to their needs quickly by soliciting employers to provide opportunities for employment and workplace training.

Unfortunately, the resources devoted to labour market policies (and particularly to active labour market policies) are too modest in Italy to address the labour market challenges and provide the aforementioned services sufficiently. The package of active measures is over-reliant on weakly targeted employment incentives. The training measures and particularly workplace training are essentially available only for jobseekers under 30 years of age and not for the low-skilled older adults. Counselling activities, job-search motivation and monitoring, and job-matching and mediation activities are underfinanced and thus underdeveloped. Consequently, the system of public employment services lacks credibility as a job broker in Italy and its effects on the labour market are limited.

Chapter 2 of this review discusses the recent reforms of the Italian labour market that aim to address the current labour market challenges. It analyses the Jobs Act, the latest labour market reform, which aims to introduce the flexicurity model in Italy in which one of the components is strong active policies. Chapter 2 provides an overview of the aims of the Jobs Act, the state of play regarding its implementation and the obstacles in the implementation and gives recommendations on how to improve the implementation process. Subsequently, Chapter 3 explores the specific approaches regarding providing employment services in Italy – using jobseeker profiling tools to target active labour market policies; increasing quality and capacity of employment services by contracting out employment services to private service providers; and reaching out to employers and advancing demand-side services.

Notes

[1] In this study, people who are persistently out of work (unemployed or inactive) or who are in weak labour market attachment (unstable jobs, restricted hours, near-zero earnings) are clustered into 13 groups depending on their combinations of barriers on the labour market in Italy. Six of the clusters concern only females: 1) Labour-market inactive women with low education and limited work experience, who do not have children, but who can however draw significant income from other household members [16% of the target population (men and women)]; 2) Labour-market inactive women with low education and without any past work experience, who do not have children and whose household income is low (12% of the target population); 3) Labour-market inactive mothers with care responsibilities and limited work experience (7% of the target population); 4) Labour-market inactive mothers with care responsibilities, without any past work experience and lower levels of education (6% of the target population); 5) Underemployed prime-age women who did some paid work during the reference period but for several reasons remain underemployed and whose employment barriers are relative diverse (9% of the target population); 6) Unemployed prime-age women with limited work experience who are at risk of becoming discouraged from the labour market (7% of the target population). In addition, there are women also among another 5 groups of the remaining 7 clusters (discouraged younger adults with limited work experience, discouraged youth without any past work experience facing scarce job opportunities, retirees with low work incentives, older individuals with health limitations and limited work experience, individuals with disabilities and without any past work experience).

[2] By age groups, female labour market participation and employment rates have increased the most during the past ten years within the group of older workers (55+) similarly to males due to the increases in the retirement age. Female employment and labour market participation has increased also among the 45-to-54-year-olds and has remained stable among 35-to-44-year-olds, while these indicators have suffered a decline among male counterparts. This means that the female labour market indicators have improved probably also through other measures such as the measures for childcare accessibility or for fostering female entrepreneurship, than the increase in the pensionable age.

[3] The qualification mismatch is calculated by comparing the educational attainment of workers to the educational attainment that their job usually requires [the most common educational attainment that workers on that job at that time have, (OECD, 2017[48])]. The actual skills are not reflected well in these indicators in case of Italy. As the skill level tends to be low across educational attainment in Italy, the indicators for qualification mismatch can very well overestimate the share of over-qualified and underestimate the share of under-qualified.

[4] The questionnaire asks the participants in the survey about their opinion on the match between their job and their education. While it is a subjective indicator, it takes into account the job specificities better than the qualification mismatch indicator in the OECD Skills for Jobs Database.

[5] One reason, why the disparities between the Italian regions have emerged and mobility has been hindered, is that separate regional qualification frameworks have existed historically in each region. The differences in implementation and standards have pushed regions to only recognise their own qualifications. A legislative decree from 2013 and an agreement between the state and regions from 2015 are gradually changing that, though the barriers are not yet fully removed (OECD, 2017[19]). Also the register of regional vocational qualifications as a part of the national register of education, training and professional qualifications initiated by the 2015 agreement that should strengthen the recognition of qualifications has not been fully implemented (OECD, 2017[1]).

[6] In 2015 in total 59% of this were the expenditures on social security exemptions on new permanent hires (see Chapter 2), because of which the expenditure on other programmes slightly decreased.

[7] The net effect of an employment incentive can be lower due to deadweight effects (i.e. an employer would have hired the jobseeker also without the additional employment incentive), substitution effects (i.e. the employer does not hire a jobseeker without a subsidy and uses subsidised hiring instead) and displacement effects (i.e. employers not using employment incentives have to reduce their number of employees, because employers exploiting the subsidies get advantage on the market), see OECD (2015[35]).

[8] For example, the employment incentives are not due in case an employer has made the same worker redundant within the past six months, i.e. the law aims to prevent that some employees are permanently hired using an employment incentive by an employer.

[9] The details about the centrally provided schemes for employment incentives are already available on the webpage of ANPAL (www.anpal.gov.it/Aziende/Incentivi%20e%20repertorio%20incentivi/Pagine/default.aspx), but not yet the Regional schemes.

[10] Including related to the apprenticeship programs introduced with the reforms in 2014-2016 (see also Box 2.1 in Chapter 2).

[11] There are three types of apprenticeships: i) apprenticeship to gain qualification and a professional diploma, a diploma of upper secondary education and a certificate of technical specialisation; eligible group: people aged 15 to 25 years; aimed at finalizing one of the aforementioned qualifications in the workplace; ii) professional apprenticeship; eligible group: people aged 18-29; aimed at learning a job or attaining a professional qualification; iii) apprenticeship of advanced training and research; eligible group: people aged 18 to 29; aimed at obtaining university and higher education qualifications.

[12] Meta-analyses of Kluve (2010[38]) and Dar and Tzannatos (1999[39]) indicate that training programs for youth do not tend to yield positive results or at least these effects are less pronounced than for other age groups, i.e. training programs by public employment services are generally not able to make up for the problems in education system.

[13] A satisfaction survey carried out among jobseekers aged over 30 years who used services in the local employment offices in 2016. The study reached about 40 000 respondents.

[14] I.e. the net effects. The labour market integration rates after program participation indicate the gross effect, but it is not known how big share of this effect is due to the program. Net effects show the share of labour market integration rates that are attributable to the program.

[15] A satisfaction survey carried out among jobseekers aged over 30 years who used services in the local employment offices in 2016. The study reached about 40 000 respondents. Unfortunately, ANPAL does not carry out a regular customer satisfaction survey among employers, yet.

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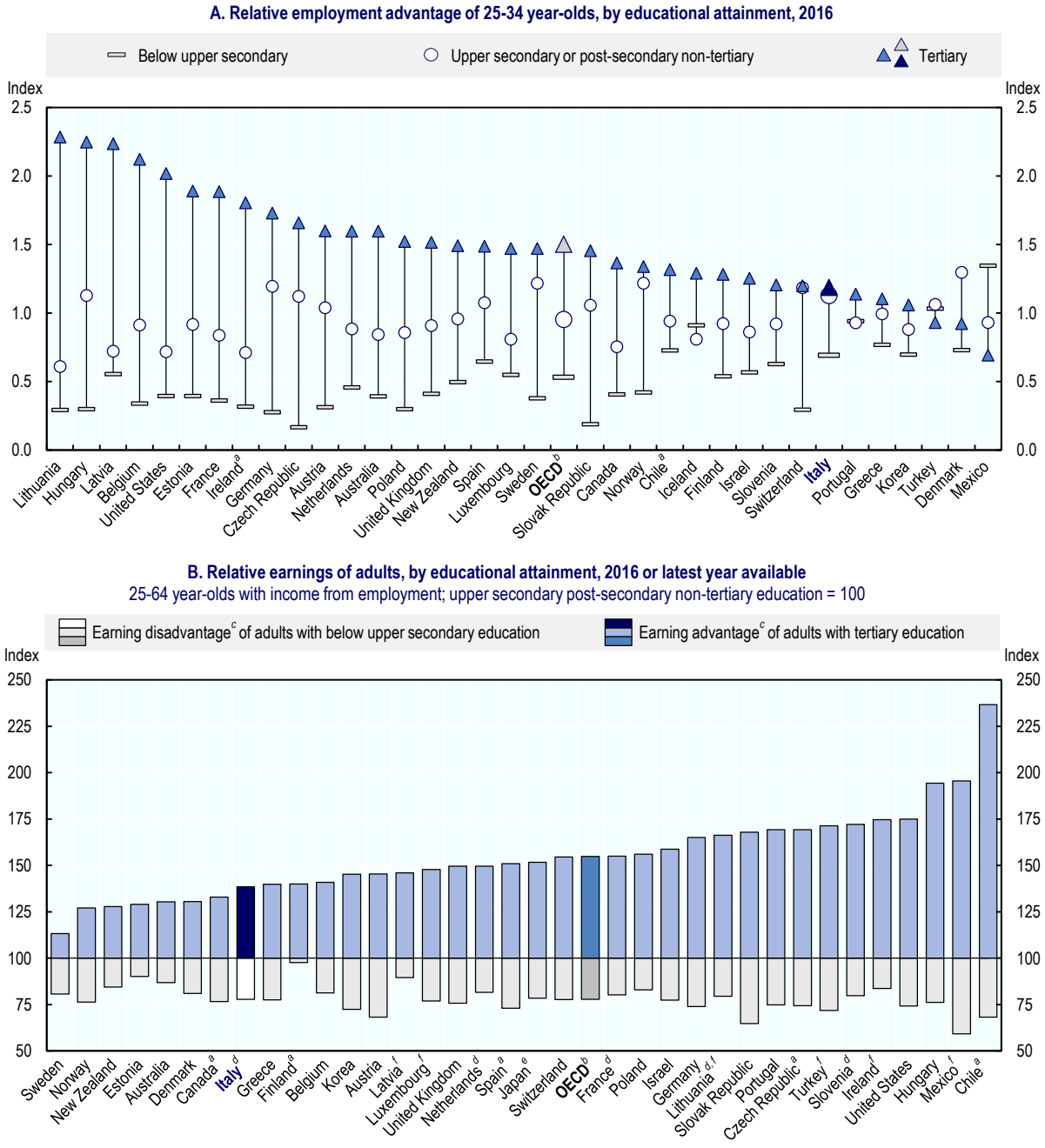
Annex 1.A. Returns to tertiary education in Italy

A report by the OECD (2017[17]) analyses employment prospects using a concept of relative employment advantage. A relative employment advantage of a specific level of education is defined as the share of employed people with this education relative to all employed divided by the share of unemployed people with this education relative to all unemployed. Thus, these statistics are not affected by the general situation on the labour market of a country in terms of unemployment and employment levels. An index value greater than one implies that the share of individuals with this education level is higher among employed persons than among the unemployed. Therefore, this education level gives them a relative employment advantage. An index smaller than one implies relatively worse employment outcomes for people with that specific educational attainment.

On average across the OECD countries, the index of relative employment advantage for 25-34 year-olds with below upper secondary education was 0.5 and among the tertiary-educated 1.5 in 2016. It means that young tertiary-educated have on average a substantial advantage with regards to employment prospects while people with below secondary education have a relative disadvantage. In Italy, the index of relative employment advantage for tertiary-educated is lower than the OECD average and also only marginally above the index for youth with upper secondary or post-secondary non-tertiary education. It means that the relative employment prospects for tertiary-educated are not as good as in the other OECD countries and gaining a tertiary education compared to having an upper secondary or post-secondary non-tertiary education does not improve the employment prospects much.

In addition to poor employment prospects, also the financial returns from attaining a tertiary education are low in Italy. The earning disadvantage for adults with below upper secondary education compared to those with upper secondary education is in Italy similar to the OECD average. The marginal return on tertiary education is lower in Italy, which impedes education attainment.

Annex Figure 1.A.1. Returns from tertiary education are poor in Italy



Note: In Panel A, countries are ranked in descending order of the relative employment advantage of tertiary-educated 25-34 year-olds. An index of *relative employment advantage* = (number of employed persons with an educational attainment "a" / number of employed persons regardless of their educational attainment) / (number of unemployed persons with an educational attainment "a" / number of unemployed persons regardless of their educational attainment) = the share of employed people with an educational level "a" among the population of employed divided by the share of unemployed people with an educational level "a" among the population of unemployed. This index equals 1 if the share of people in employment with the specific education level is equal to their respective share among the unemployed people. An index value greater than 1 means that the share of people with a given level of educational attainment is higher among employed persons than unemployed persons and thus, the given level of educational attainment has a relatively greater employment advantage. An index lower than 1 implies relatively worse employment advantage for people with that the given educational attainment.
In Panel B, countries are ranked in ascending order of the relative earnings of 25-64 year-olds with tertiary education.
ISCED: International Standard Classification of Education. Tertiary education includes short-cycle tertiary, bachelor's, master's, doctoral or equivalent degrees.

a) Data refer to 2015.
b) Unweighted average for the 35 OECD countries and referring years shown in each panel (Panel A: no data available for Japan. Panel B: no data available for Iceland).
c) For adults with upper secondary or post-secondary non-tertiary education (ISCED 3 and 4), relative earnings are 100 and earnings (dis)advantage is 0.
d) Data refer to 2014.
e) Data refer to 2012.
f) Earnings net of income tax.

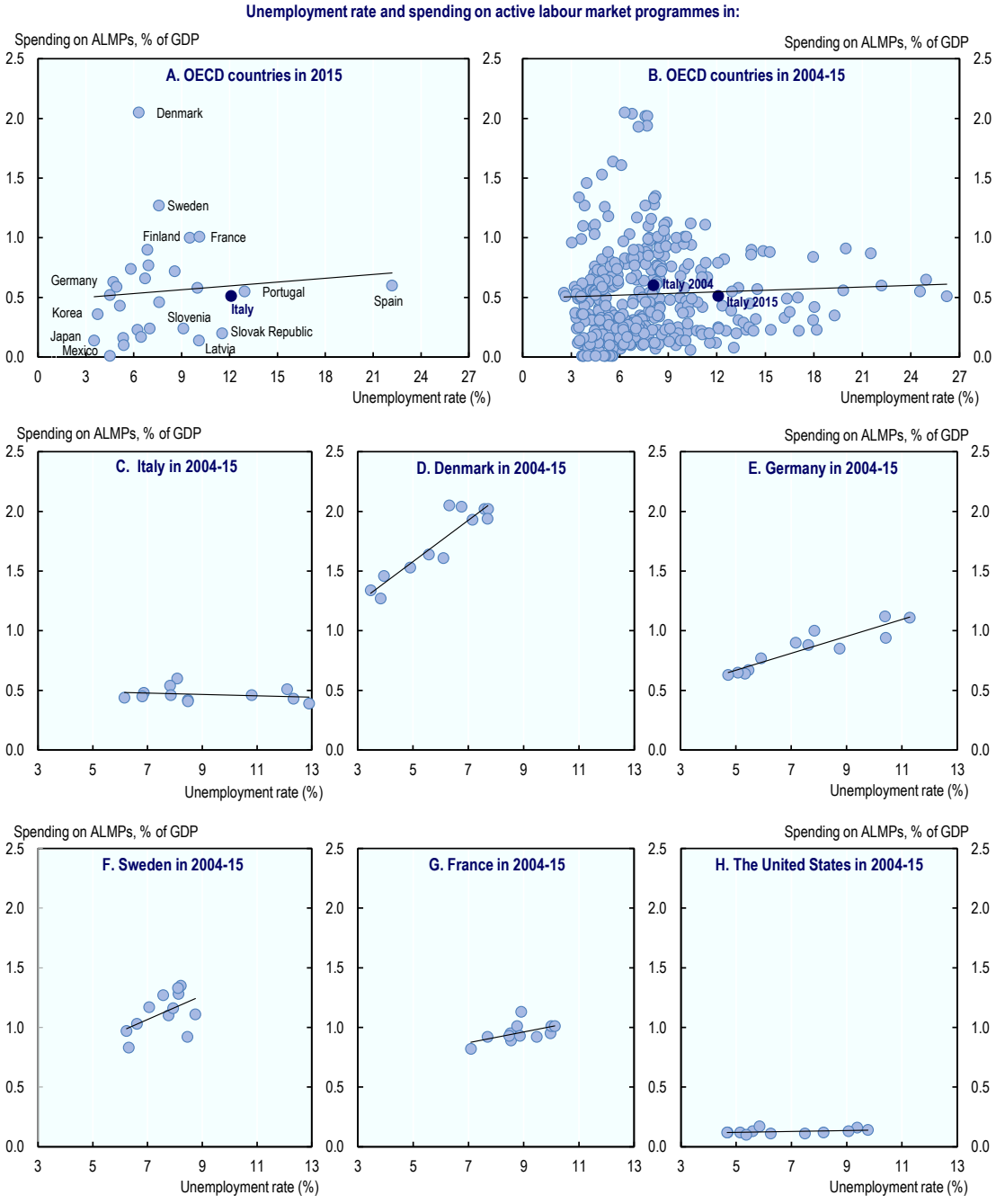
Source: OECD (2017), *Education at a Glance 2017: OECD Indicators*, Box A5.2, pp. 96-97, http://dx.doi.org/10.1787/eag-2017-en for Panel A. OECD (2018), *Education at a Glance 2018: OECD Indicators*, Table A4.1, http://dx.doi.org/10.1787/eag-2018-en and http://stats.oecd.org/wbos/default.aspx?datasetcode=EAG_NEAC for Panel B.

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Annex 1.B. Expenditures on active labour market policies and the level of unemployment

Annex Figure 1.B.1 depicts the expenditure on active labour market policies (relative to the gross domestic product) and unemployment rate among the OECD countries. There is only a very slight tendency to spend more on active labour market policies when the unemployment rate is higher. This correlation is in general weak as policy choices by the governments and business models of public employment services vary considerably among the different countries. Nevertheless, in some countries the link is stronger (e.g. Denmark, Germany) than in others. Italy spent in 2015 slightly less on active policies considering its unemployment level than other countries in the OECD in 2015 as well as the average level of OECD countries in 2004-15. In addition, contrary to many other OECD countries, Italy spent rather less on active labour market policies during the years of higher unemployment rate throughout the past decade.

Annex Figure 1.B.1. Italy spent in 2015 relatively little on active labour market policies



Note: GDP: Gross domestic product. Data missing for Chile 2004-07, Estonia 2015, Greece 2004-15, New Zealand 2015 and the United Kingdom 2012-15.
Panels A and B: When the data point is above (respectively, below) the trend line, then the country spends more (respectively, less) on active policies relative to its unemployment level compared with other OECD countries.
Source: Data from the *OECD/Eurostat Labour Market Programme Database*, http://dx.doi.org/10.1787/data-00312-en; *OECD Employment Database*, www.oecd.org/employment/database for unemployment rates; and Grubb, D. and A. Puymoyen (2008), "Long time series for public expenditure on labour market programmes", http://dx.doi.org/10.1787/230128514343.

StatLink http://dx.doi.org/10.1787/888933922462

Annex 1.C. Active labour market services and measures according to the Jobs Act

According to Article 18 in Legislative Decree No. 150 from 2015, the Regions perform the following activities to integrate unemployed people to the labour market:

a) Analysis of jobseeker's skills taking into account the local labour market situation; basic counselling; profiling;

b) Assistance for job search, including group sessions;

c) Individualised counselling including the assessment of skills and analysis of the needs for training, apprenticeship or other active measures;

d) Individualised counselling for becoming self-employed and tutoring in the initial phase of self-employment;

e) Vocational training and retraining, including for self-employment and immediate job placement;

f) Assistance during the early stages of employment, also through reintegration (replacement) voucher;

g) Apprenticeship programmes;

h) Subsidies for self-employment;

i) Subsidies for geographical mobility;

j) Measures to aid reconciliation of working life with care obligations;

k) Public works.

Annex 1.D. Expenditures on active labour market policies in Italy in 2015

Annex Table 1.D.1. Expenditure on active labour market policies in Italy by programmes in 2015

Type of active labour market programme	Million EUR	Percentage of ALMP expenditures
Labour market services	**658.24**	**8.8**
PES staff expenditure	256.10	3.4
ESF Co-financed actions 2007-13 – Counselling	25.86	0.3
Youth Guarantee – Local and transnational mobility	89.51	1.2
Youth Guarantee – Support for work or work experience	176.53	2.3
ESF 2007-13 – PES: Acquisition Resources	25.80	0.3
ESF 2007-13 – PES: Development and testing of prototypes and models	6.39	0.1
ESF 2007-13 – PES: Guidance and training for staff	2.07	0.0
ESF 2007-13 – Networking of PES	2.32	0.0
ESF 2007-13 – PES: Creation and development of networks/partnerships	0.41	0.0
Youth Guarantee – Registration, enrolling, counselling	73.24	1.0
Training	**2 761.17**	**36.8**
ESF Co-financed actions 2007-13 – Training voucher	6.79	0.1
Training interventions financed by the solidarity fund for the credit sector	0.57	0.0
Training interventions financed by the solidarity fund for the co-operative credit sector	3.22	0.0
ESF Co-financed actions 2007-13 – Training for reintegration into work	92.09	1.2
ESF Co-financed actions 2007-13 – Training (after compulsory education and post-diploma)	59.52	0.8
ESF Co-financed actions 2007-13 – Integrated measures for reintegration into work	58.42	0.8
Institutional training for apprentices	40.00	0.5
Youth Guarantee – Professional training	177.36	2.4
Youth Guarantee – Extracurricular traineeship	376.07	5.0
Youth Guarantee – Public works	86.06	1.1
Training accompanying work-entry contracts	7.54	0.1
ESF Co-financed actions 2007-13 – Institutional training for people involved in Training and work contracts	1.91	0.0
ESF Co-financed actions 2007-13 – Vocational integration schemes	0.59	0.0
ESF Co-financed actions 2007-13 – Traineeships	17.36	0.2
Employment of immigrants	6.00	0.1
ESF Co-financed actions 2007-13 – Institutional training for apprentices	4.41	0.1
Youth Guarantee – apprenticeship	201.04	2.7
Apprenticeship	1 622.22	21.6

Type of active labour market programme	Million EUR	Percentage of ALMP expenditures
Employment incentives	**3 760.18**	**50.1**
Reintegration contracts	0.05	0.0
Integration of prisoners into work	2.03	0.0
ESF Co-financed actions 2007-13 – Incentives for hiring	40.14	0.5
ESF Co-financed actions 2007-13 – Mobility allowance	1.55	0.0
ESF Co-financed actions 2007-13 – Job grants	1.01	0.0
ESF Co-financed actions 2007-13 – Other work experience	40.08	0.5
Incentives for youth and women	20.00	0.3
Incentives to hire over fifty-year-olds and women	30.51	0.4
Experimental incentive to recruit people under 30 years of age	37.70	0.5
Incentive for hiring ASPI recipients	6.33	0.1
Incentive for new permanent hires in 2015	2 223.73	29.6
Incentives for hiring young parents	4.70	0.1
Incentive for hiring young people admitted to the Youth Guarantee programme	17.16	0.2
Incentive for hiring people under 30 years of age	248.00	3.3
Incentives for hiring people registered in mobility lists – Open-ended contracts	33.76	0.4
Incentives for hiring people registered in mobility lists – Temporary contracts	5.99	0.1
Incentives for hiring employees in CIGS	0.59	0.0
Incentives for hiring long-term unemployed	773.39	10.3
Subsidies for the reinsertion people previously in public works – Labour cost subsidies	0.02	0.0
Conversion of temporary apprenticeship contracts into permanent contracts	217.18	2.9
Incentives for hiring disabled people	21.91	0.3
Solidarity contracts – Expansive solidarity contracts	0.00	0.0
Incentives to provide fixed-term jobs as replacement for workers on compulsory leave	34.37	0.5
Supported employment and rehabilitation	**19.66**	**0.3**
Exemption from social contributions for disadvantaged workers in social co-operatives	19.66	0.3
Direct job creation	**53.69**	**0.7**
Public works	51.67	0.7
ESF Co-financed actions 2007-13 – Public works	2.02	0.0
Start-up incentives	**259.17**	**3.5**
ESF Co-financed actions 2007-13 – Training for start-ups	2.12	0.0
ESF Co-financed actions 2007-13 – Incentives for self-employment	3.89	0.1
ESF Co-financed actions 2007-13 – Integrated measures for start-ups	0.64	0.0
Youth Guarantee – Supporting self-employment	117.88	1.6
Loans for sole entrepreneurs	134.65	1.8
Total ALMPs	**7 512.11**	**100.0**

Note: ALMP: Active labour market programme. ESF: European Social Fund. PES: Public employment service. The figures in the table above on summarising rows use more detailed information than shown in the table (more decimal places than visible in the second and third column).
Source: OECD/Eurostat Labour Market Programme Database, http://dx.doi.org/10.1787/data-00312-en.

StatLink http://dx.doi.org/10.1787/888933922481

Chapter 2. Reforming the institutional landscape

This chapter provides an overview of the recent reform package in the institutions and organisations in the Italian labour market called the Jobs Act. Alongside its objective to reform the labour market to introduce flexicurity, the Jobs Act aims to restructure the system of employment services and to increase the quality of active labour market policies. The chapter discusses the first steps of the reform process such as establishing the network of employment services, creating the National Agency for Active Labour Market Policies to coordinate the network and introducing activation conditionality on benefit recipients. Furthermore, it displays the challenges of the implementation processes stemming from underdeveloped IT infrastructure and insufficient human resources in the local employment offices.

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

2.1. Introduction

Italy launched a set of reforms in 2014-16 to address its deeply-rooted economic challenges. This chapter discusses the reform in the institutions and organisations in the Italian labour market called the Jobs Act, focussing on the reform process concerning strengthening the system of employment services.

The Jobs Act aims to introduce the flexicurity model in the Italian labour market by reforming the employment protection legislation, the system of unemployment benefits and the active labour market policies. Modest positive effects have occurred during the first few years since the changes regarding labour market flexibility and unemployment benefits were introduced. The number of new open-ended contracts increased by 63% in 2015 (though only temporarily) and the coverage of unemployment benefits increased from 6.7% in 2014 to 7.8% in 2016 (the share of unemployed receiving unemployment benefits).

Progress towards stronger active labour market policies has been more cumbersome. The design of the Jobs Act has good potential to significantly enhance the system of employment services. However, the implementation process has to be improved by stronger co-operation between the stakeholders of the network of employment services (involving putting monitoring and accountability system in place), establishing the National Agency for Active Labour Market Policies as a strong support unit for local employment offices, building a modern IT infrastructure supporting local offices and strengthening the local offices regarding their staff numbers, skills and processes in place.

The chapter proceeds as follows. The second section provides a general overview of the Jobs Act and its objectives, particularly the changes that were introduced to increase labour market flexibility and the changes in the unemployment benefit system. The third section discusses the efforts to strengthen the system of employment services, in particular the restructuring of the system and the attempts to increase service quality. It discusses also the efforts to link unemployment benefits with activation conditionality, the establishment of the new National Agency for Active Labour Market Policies and the IT infrastructure and capacity of the local employment offices needed to implement the Jobs Act. The final section concludes the chapter.

2.2. Reforming the labour market

The Jobs Act, the latest reform of the labour market in Italy, introduces the flexicurity concept resting on three pillars: changing employment protection legislation (flexibility), reforming the benefit system (security) and strengthening the system of active labour market policies. The introduction of a single type of permanent contract and the exemptions from social security contributions for new contracts have reduced the labour market duality to some extent by encouraging converting temporary contracts to permanent positions and triggering new employment relationships. The coverage of unemployment benefits has increased as a new universal unemployment benefit scheme has been introduced and the weakly targeted wage supplementation schemes have been cut.

2.2.1. Objectives of the Jobs Act

The deep and lengthy economic crisis demonstrated Italy's long-standing productivity problems, urging the Italian government to launch a set of broad and complementary reform strategies in 2014-16 in order to strengthen the economy and the labour market. Within this framework, the Italian government set a goal to modernise labour market institutions by

implementing the "Jobs Act" as a major reform of the labour market. One of the main objectives of the reform is to create a new comprehensive and inclusive model of labour market governance to support employment growth. In March 2014, some preliminary new measures were introduced with the so-called "Poletti decree" to foster employment and simplify bureaucratic procedures for temporary contracts. Subsequently, a wide-ranging law was passed in December 2014 that enabled passing eight legislative decrees in the following months, covering an extensive set of issues from active and passive labour market policies to reconciling work and family life. These decrees were all adopted by September 2015.

On the one hand, the reform relaxed employment protection legislation for open-ended contracts while increasing stability for temporary workers, relying on a combination of hiring incentives and a reduction in firing costs. On the other hand, it aims at strengthening active labour market policies that have been traditionally very weak in Italy, while also reforming passive policies by linking them with active labour market policies through conditionality provisions and activation strategies.

More flexibility for firms is offset by more "security" for workers in the labour market. The "security" relies on the interplay of two components: i) income sustainability by means of solid benefit schemes and ii) concrete help that can be provided through ALMPs in order to re-integrate people in the labour market. With the intention of strengthening the governance of ALMPs and integrating them with unemployment benefits, the government created a new state agency – *Agenzia Nazionale per le Politiche Attive del Lavoro* (ANPAL) – assigning it with the tasks of modernising the Italian system of employment services and providing a new set of tools and incentives to apply conditionality of benefits and activate jobseekers. The original idea of the Jobs Act was to transfer the competencies and responsibilities for the design and delivery of ALMPs from the provincial to the national level. However, this restructuring needed a change in the constitution. The rejection of the constitutional referendum in December 2016 put a halt to this plan and it has only been possible to transfer the responsibilities from the provincial to the regional level.

The "Jobs Act" reform included also other novelties to modernise labour market regulation such as advancing greater organisational flexibility by allowing employers to modify duties of their employees in the course of the employment relationships. Other changes included a relaxation of some restrictions on remotely controlling workers, a simplification of administrative procedures encouraging the use of telematic channels to interact with labour market authorities, a unification of different separate inspectorates into a single National Work Inspectorate and new work-life balance measures that relaxed some criteria for parental leave.

The "Jobs Act" has been complemented by two additional reforms, *Buona Scuola* and *Industria 4.0,* aiming jointly at boosting productivity and improving the ability of the economy to adjust to external shocks due to global changes (Pinelli et al. (2017[1])). *Buona Scuola* aims more specifically at reinforcing skills formation and the linkages between education and work (see Box 2.1). The goal of *Industria 4.0* is to stimulate innovative production systems and to boost them towards the technological frontier (see Box 2.2). These three reforms complement each other well as together they have the potential to increase the supply of skilled labour, the demand for skilled labour and improve the matching between the two.

Box 2.1. Buona Scuola

Skill mismatch and skill shortages have seriously affected Italian labour market and productivity in recent years, in addition to high levels of youth unemployment (ISTAT, 2016[2]), (OECD, 2017[3]). Among the provisions of *Buona Scuola*, a special chapter has been devoted to this problem, attempting to address the Italian skill imbalance by a tool called *Alternanza Scuola-Lavoro* (ASL), a work-based learning program aimed at improving school-to-work transition. This scheme has been a part of the Italian educational system already since 2003, playing however only a marginal role before *Buona Scuola* as it was not compulsory. The reform has substantially strengthened the tool introducing compulsory internship periods in secondary schools, both for vocational education tracks (technical and professional schools), for an amount of 400 hours, and for humanistic and scientific general education (*licei*, usually oriented to continue to study at the University), for 200 hours. This reform has the potential to improve the alignment between educational programs and employers' needs, with the aim of overcoming the unfortunate tradition of scarce interaction between schools and firms.

ASL represents an attempt to emulate German dual vocational training system" (*Duales System*). However, important differences still remain between the two countries. The German model combines high public and private investments. The expenditure for the *Duales System* shows that 96.1% of new contracts in 2015 were mostly financed by companies, as opposed to 4.9% mostly publicly financed positions (BIBB, 2017[4]). Social partners and firms' representatives are involved in the management of the dual vocational training system as well. This is different in Italy, where the participation of the firms' representatives in the administration of vocational schools was abolished more than forty years ago (Decree 416/1974). At the same time, while the German model provides a real work experience, based on an apprenticeship contract and aimed at the achievement of standardised qualification degrees, in the Italian ASL, schools rely both on "soft" activities (such as orientation, visits to the companies, meetings with company staff), and more "heavy and demanding" activities (such as internships integrated with teaching, project works performed by students for companies, business simulations). The role of the state dominates in the funding of the system. Law 107/2015 earmarked 100 million per year from 2016 onwards to finance ASL, with the possibility to add further resources coming from the private sector, depending on the specific partnership implemented at the local level.

The first results of the reform are promising. For example, 90.6% of the graduate year students got enrolled to the work-based training program in 2015/2016 covering 96% of the high schools compared to only 17% of students covering 54% of high schools a year before (INDIRE, 2016[5]).

Source: ISTAT (2016[2]), *Rapporto annuale. La situazione del Paese*, https://www.istat.it/storage/rapporto-annuale/2018/Rapportoannuale2018.pdf; OECD (2017[3]), *Getting Skills Right: Italy*, https://dx.doi.org/10.1787/9789264278639-en; BIBB (2017[4]), *Datenreport zum Berufsbildungsbericht 2017*, https://www.bibb.de/dokumente/pdf/bibb_datenreport_2017.pdf; INDIRE (2016[5]), *Presentati al Miur il monitoraggio nazionale e il programma "I Campioni dell'Alternanza"*, www.indire.it/2016/10/18/presentati-al-miur-il-monitoraggio-nazionale-e-i-campioni-dellalternanza/.

Box 2.2. Industria 4.0

Inspired by similar national strategies in Germany (*Platform Industrie 4.0*) and France (*Alliance Industrie du Futur*), the Italian Ministry for Economic Development presented "Industria 4.0 National Plan" in September 2016. The government earmarked approximately EUR 20 billion s with the budgetary law 2017 for this National Plan.

Industria 4.0 (I4.0) represents an ambitious set of measures aiming at supporting industrial change and boosting the competitiveness of Italian companies. These measures correspond to: tax-benefits based on different incentive structures; facilitation of firms' access to investments oriented to technological transformation; and R&D initiatives and digital upskilling of workers. The main objectives of the reform are the support of innovative investments and the empowerment of skills related to the fourth industrial revolution. Big data, cloud computing, advanced internet connection, 3D printing and robots are some examples of technologies that firms can implement in their manufacturing production relying on tax benefits. Furthermore, concerning the empowerment of skills, I4.0 foresees several measures focusing on educational programs such as "*Scuola Digitale*" (a national programme modernising and restructuring learning processes of digital knowledge) and interacts with *Alternanza Scuola-Lavoro* (a work-based learning program aimed at improving school-to-work transition), mainly strengthening the potential of technical high schools (*Istituti Tecnici Superiori*) for projects related to I4.0 topics.

To support the whole framework, a "National Network Industria 4.0" assists firms in digital transformation, disseminating knowledge and expertise related to the benefits emerging from the Plan, identifying technology needs, stimulating research projects and development.

The Plan has been relaunched, adding further 9.8 billion with the budgetary law 2018. A decree in June 2018 has also introduced new experimental incentives for digital upskilling of workers, recognising tax credits for training courses related to I4.0 topics, up to a yearly amount of EUR 300 000.

SVIMEZ (Cappellani and Prezioso, 2017[6]) has evaluated the impact of the policy at the territorial level. The main results show that investments will be 4 percentage points higher in the South compared to the Centre-North of the country. At the same time, regions in the Centre-North are those that should benefit more in the long-term, by an increase in productivity equal to 0.6 percentage points compared to the 0.2 in the South.

ISTAT (2018[7]) has conducted both a survey among firms and an econometric evaluation to study preliminary effects of the I4.0 reform. The majority of firms across all sectors consider the measures relevant for their investment decisions. At the same time, it is estimated that the tax benefits should produce an increase in the total increase of investments of 0.1 percentage points in 2018 and 0.2 in 2019 compared with 2017. Tax credits associated with R&D should lead to positive effects in terms of hiring specialists on topics related to I4.0.

Source: Cappellani, L. and S. Prezioso (2017[6]), Il "Piano nazionale Industria 4.0": una valutazione dei possibili effetti nei sistemi economici di Mezzogiorno e del Centro-Nord, https://www.svimez.info/images/note_ricerca/2017_07_10_industria_4_0_nota.pdf; ISTAT (2018[7]) Rapporto sulla competitività dei settori produttivi. Edizione 2018, https://www.istat.it/storage/settori-produttivi/2018/Rapporto-competitivita-2018.pdf.

2.2.2. Decreasing labour market duality and fostering employment

Historically, firing costs have been high for permanent contracts in Italy which has hindered job creation and increased labour-market duality with respect to permanent and fixed-term workers. Increasing labour market flexibility has been the aim of several reforms since the nineties when different types of fixed-term contracts were introduced. Introducing additional types of fixed-term contracts, however, did not increase flexibility, but rather fostered labour market dualism as the fixed-term contracts were also used as a cheap screening device before hiring on a permanent contract, other than using these contracts for temporary labour demand (Sestito and Viviano, 2016[8]).

Italy used to have uncertain and potentially high firing costs in case of open-ended contracts as an unfair dismissal meant reinstatement of the employee or paying up to six-months-salary[1] preceded by a lengthy legal process. The "Fornero reform" in 2012 tried to lower the firing costs and the uncertainty of these costs for open-ended contracts by limiting the possibilities for reinstatement and shortening the related legal processes (Sestito and Viviano, 2016[8]). The uncertainty of firing costs was cut further by the Jobs Act in 2015 by restricting the grounds for reinstatement in cases of dismissal without just cause for newly signed permanent contracts (after 7 March 2015) of firms with more than 15 employees. Additionally, the Jobs Act replaced the different forms of open-ended contracts with one permanent contract type with severance payments increasing with the job tenure (*tutele crescenti*). Following these changes, the strictness of employment protection legislation for permanent workers against individual dismissals has fallen from 2.74 to 2.54 in 2015 [preliminary estimations by Garda (2017[9])], leading to a smaller gap in protection between permanent and temporary contracts.

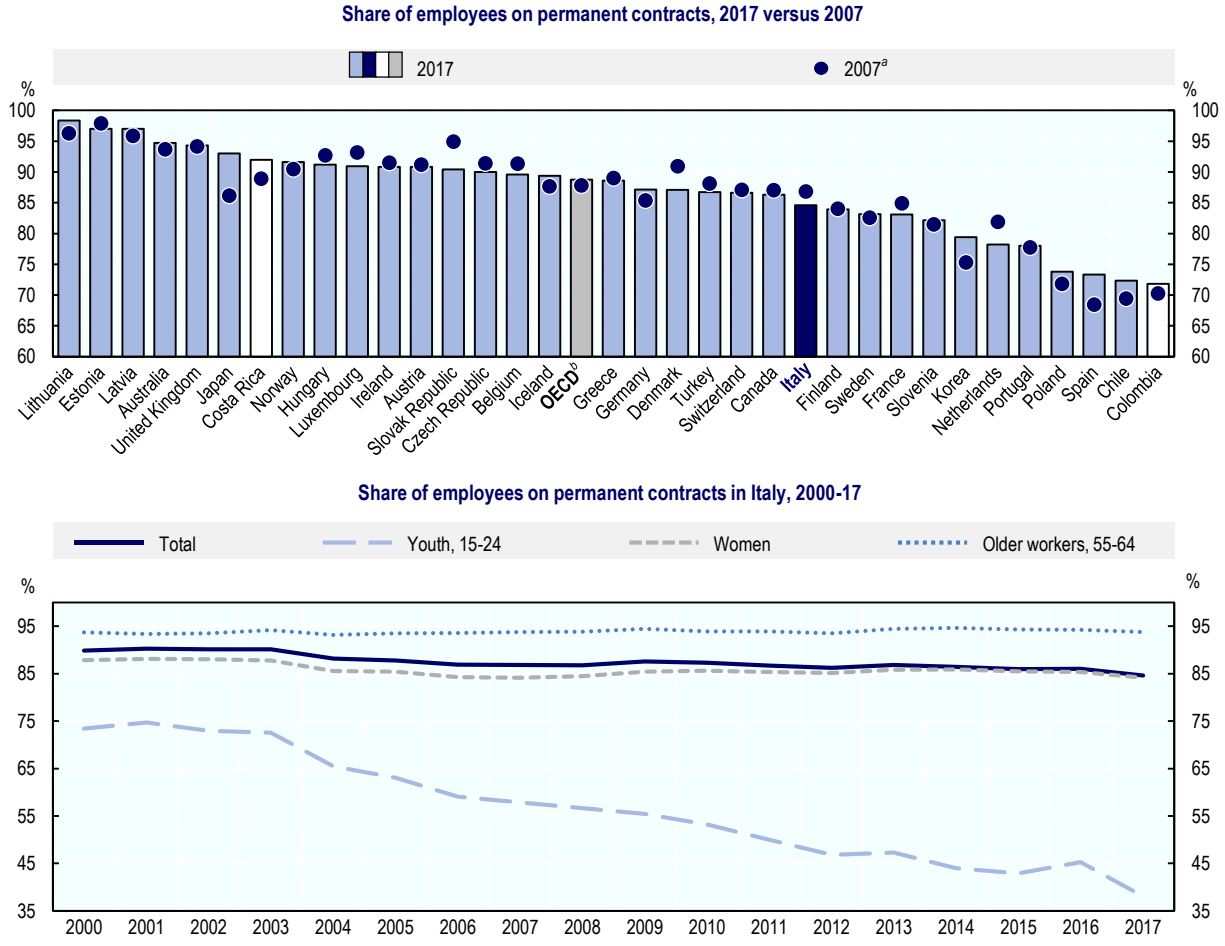
Moreover, all new permanent contracts were exempted from the social security contributions in 2015 (capped at EUR 8 060 annually for the first 3 years). In 2016, the social security exemptions were reduced (up to EUR 3 250 in 2 years). The budget for 2017 extended the social security exemptions for two more years, but limited them only to students newly hired to firms where they completed their internship or traineeship (up to EUR 3 250) or young workers hired in the southern regions with permanent or internship contracts [up to EUR 8 060, (OECD, 2017[10])].

Analysis of the reform conducted by the Italian National Institute of Social Welfare (*Istituto Nazionale Previdenza Sociale*, INPS), shows that the number of new open-ended contracts increased indeed as expected in 2015 (by 63%), but fell again back to the 2014 level in 2016 when the social security exemptions were cut. The number of fixed-term contracts increased as well in 2015 (although marginally), but continued to increase in 2016. The rise of new permanent contracts rose in 2015 both in terms of new hirings with permanent contracts as well of conversions of fixed-term contracts to permanent contracts (INPS, 2016[11]), (INPS, 2018[12]). In 2017, the number of new permanent contracts even decreased by 7% compared to 2014 (INPS, 2018[12]).

Additionally, the survival rates of employment relationships started by permanent contracts in the first quarter of 2015 using the social security exemptions have been higher in 12 and 18 months after the start of the relationship than the survival rates of those permanent contracts that did not yet use the social security exemption (signed in the first quarter of 2014; (INPS, 2017[13])). In 2019 it will be possible to estimate if these employment relationships have higher survival rates also beyond 36 months, the maximum period of social security exemptions for permanent contracts signed in 2015.

Despite the higher number of permanent contracts and their longer actual duration in 2015, the share of employees with permanent contracts has not visibly changed yet (Figure 2.1). The share of employees with permanent contracts has slightly decreased over the years and remained stable during the past few years in Italy, whereas this share has slightly increased over the past decade on average in the OECD countries (particularly in Spain and Japan).

Figure 2.1. The share of permanent contracts has not increased



a) 2010 instead of 2007 for Chile and Costa Rica.

b) Weighted average of the 32 OECD member countries shown in the chart above (data not available for Israel, Mexico, New Zealand and the United States). Colombia and Costa Rica are following the accession process to become OECD member countries.

Source: OECD Labour Force Database, Incidence of permanent employment Dataset, http://stats.oecd.org//Index.aspx?QueryId=9588.

StatLink http://dx.doi.org/10.1787/888933922500

The use of fixed-term contracts has been particularly common practice in Italy for young employees. During the past years, more than half of the young employees were working on short-term contracts. In 2016, the share of permanent contracts for young employees saw a slight increase, but in 2017 this share decreased again.

Sestito and Viviano (2018[14]) use microdata for the Veneto region and apply a difference-in-difference approach to estimate the impact of firing cost reductions and

hiring incentives introduced in 2015. They conclude that the exemptions on social security contributions and changes in the employment protection legislation have both contributed to a reduction in the duality on the Italian labour market and have encouraged labour demand. However, by exploiting the differences in the design of the policies (differences in the timing of the announcement of the reforms and which firms and employees they concerned), they conclude that the larger part of the effect can be attributed to the social security exemptions. Nevertheless, the decrease in the uncertainty of firing costs had a significant effect on new permanent contracts. This was not only achieved through the effect of converting more temporary contracts into permanent ones, but also through the increased willingness of employers to hire new (yet "untested") employees using permanent contracts. Cirillo et al. (2017[15]) have shown similarly that the effect of new permanent contracts has emerged mainly through monetary incentives, but also that the new permanent contracts were mostly fixed-term contracts transformed into permanent ones. A remarkable share (41% in January to September 2015) of new permanent contracts concerned part-time jobs, while the increase in employment concerned mostly older employees. The new permanent jobs emerged more in low-skilled and low-tech service sectors. The fact that the change in the employment protection legislation concerned firms with more than 15 employees is used by Boeri and Garibaldi (2018[16]) to study the effects of the new single type of permanent contract. They conclude that hiring with permanent contracts, the transformations of fixed-term contracts to permanent contracts and also firing increased in firms with more than 15 employees relative to smaller firms due to the changes in employment protection legislation.

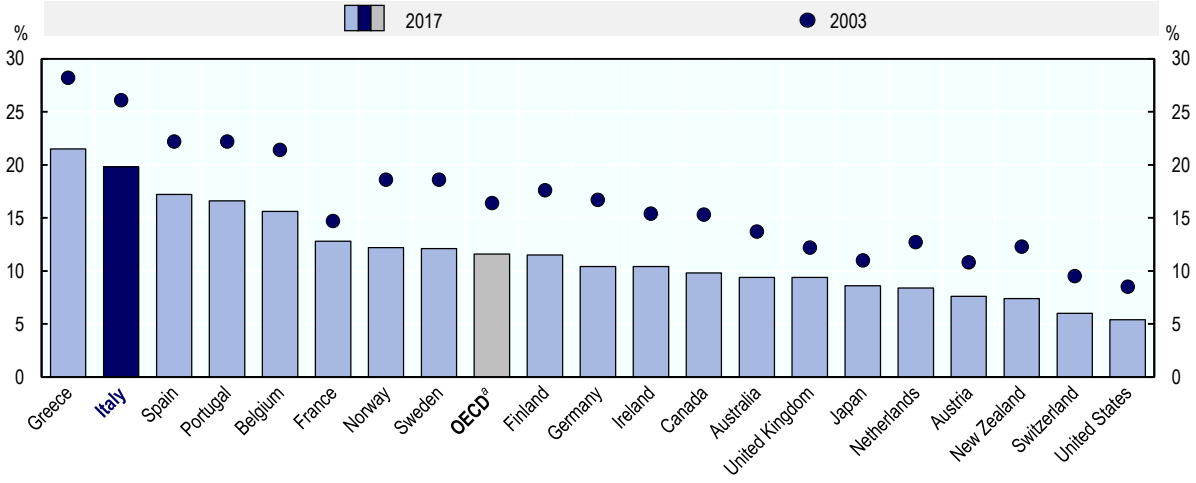
However, more time is needed to estimate the longer term effects of the exemptions on the social security contributions and the changes in the employment protection legislation. Besides increasing employment, the reduction in employment protection has the potential to increase productivity through improved labour allocation and skill match as the firms can more easily adapt their workforce according to changing demand conditions and technology and as the workers have better opportunities to find better matching jobs (OECD, 2013[17]). Bassanini and Garnero (2013[18]) show additionally that the high extent of reinstatement in case of unfair dismissals, which has been the case in Italy, is a particularly hindering factor for worker flows. Skill mismatch has been one of the key problems on the Italian labour market hobbling productivity (see Chapter 1). Berton et al. (2017[19]) have shown that the Fornero reform, which was a step towards less strict employment protection before the introduction of the Jobs Act, indeed favoured labour reallocation, somewhat increased better skill matches and even led to a small increase in productivity. Similarly Hijzen et al. (2013[20]) show that before the Fornero reform higher employment protection in bigger firms was associated with lower labour productivity.

The exemptions form the social security contributions and the changes in the employment protection legislation together with concentrating all the inspection activity related to undeclared work in a single new body (National Inspection Agency) have also the potential to decrease the extent of undeclared work in the Italian labour market. A recent estimate by Schneider and Boockmann (2017[21]) puts the share of the shadow economy to close to 20% of GDP in 2017 (Figure 2.2). Although the share has recently decreased, it is still higher than in many other OECD countries. A study by the Study Foundation (*Fondazione Studi*) of Labour Consultants (*Consulenti del Lavoro*) claimed that in 2015 the number of persons informally employed decreased to 1.9 million i.e. 200 000 persons lower than the year before due to the Jobs Act and the three-year social security contributions exemptions (Consulenti del Lavoro, 2016[22]). If the conversion of informal employment to formal employment indeed has taken place during this period, the statistics for the additional

employment contracts might overestimate the impact of the Jobs Act. Nevertheless, the study on the informal economy by ISTAT indicates that the total number of employees working unofficially (no formal employment contracts, including people working in a family business or farm) increased slightly in 2015 compared with 2014, from 3 667 thousand employees to 3 724 thousand employees [from 15.7% of employees to 15.9% of employees, (ISTAT, 2017[23])].

Figure 2.2. Italy has large shadow economy

Share of shadow economy, percentage of GDP



a) Unweighted average of the 20 OECD member countries shown in the chart above.
Source: Data from Schneider, F. and B. Boockmann (2017), *Die Größe der Schattenwirtschaft – Methodik und Berechnungen für das Jahr 2017*, www.iaw.edu/index.php/aktuelles-detail/734.

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Regardless of some positive effects on labour demand and the labour market duality due to the Jobs Act, recent developments in Italy have put further positive effects under question. *First*, the Italian Constitutional Court declared in the end of September 2018 that rigid indemnities upon unfair dismissal dependent solely on seniority are unconstitutional. *Second*, the new Italian government coming to power in 2018 increased the level of firing costs. The "Dignity Decree" approved in July 2018 states that in case of unfair dismissal, the employer has to cover for the employee salary costs for 6 to 36 months depending on tenure. Due to the decision by the Constitutional Court, the exact amount depends on the decision by the courts as the judge has to consider also other factors besides tenure. In addition, the Dignity Decree constrains the use of fixed-term contracts by decreasing its maximum duration and limiting possibilities to extend the contract (new fixed-term contracts signed after 14 July 2018 or renewed after 31 October 2018). Although the aim of the Dignity Decree is to decrease the labour market duality by discouraging the use of fixed-term contracts, the changes introduced with this decree might make employers more hesitant to hire additional employees altogether which might limit further improvements in the employment rate.

2.2.3. Introducing more equal and universal unemployment benefits

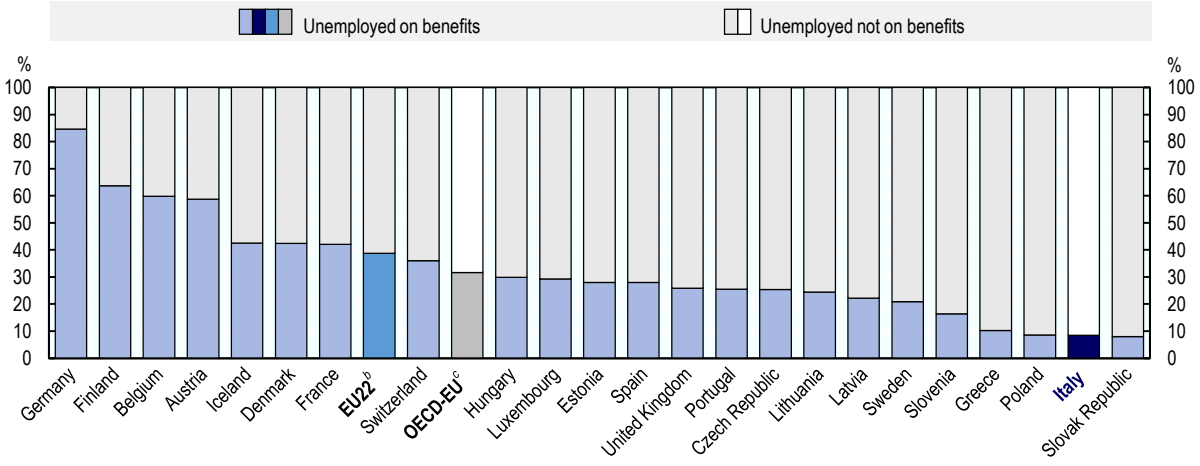
The Italian unemployment benefit system has been characterised by long-lasting problems of fragmentation, limited and unequal coverage, generous levels and absence of any link between passive and active labour market policies.

The expenditure on passive labour market policies has been relatively high in Italy compared to other OECD countries (1.29% of GDP in Italy and 0.79% on average in OECD countries in 2015, see Figure 1.13 in Chapter 1). During 2012-15, both the unemployment rate and the spending on passive labour market policies relative to GDP in Italy were 60% to 70% higher than the respective average figures for the OECD. Yet, only 8.5% of unemployed people received unemployment benefits in Italy in 2016, which is one of the lowest shares in the European Union, second lowest after the Slovak Republic (see

Figure 2.3). A large share of expenditures are dedicated to wage supplementation schemes for workers on reduced working hours. This is one of the main reasons why the share of benefit recipients among the unemployed is so low even though expenditures on passive labour market measures are high in comparison with those in other OECD countries.

Figure 2.3. Unemployed by benefit receipt in the European Union

The share of benefit recipients out of all unemployed and the share without benefits, 2016[a]



Note: EU: European Union. PES: Public employment service. Data refer to all unemployed people regardless of being registered or not at the PES, by whether they receive benefits or assistance.
a) Data refer to 2013 for Germany.
b) Unweighted average of the 22 EU countries in the figure.
c) Unweighted average of the EU countries in the figure which are OECD member countries, excluding Lithuania.
Source: European Union Labour Force Survey (EULFS) *Database*, http://ec.europa.eu/eurostat/web/lfs/data/database.

StatLink http://dx.doi.org/10.1787/888933922538

Wage supplementation schemes dominate passive labour market policies

Italy's passive labour market policies have historically relied on wage supplementation schemes (*Cassa Integrazione Guadagni Ordinaria* – CIGO and *Cassa Integrazione Guadagni Straordinaria* – CIGS). These benefits are paid for workers on reduced working hours (including in the cases when working hours are reduced to zero, but the working contract is formally maintained). They were introduced in the 1950s and 1960s to help firms cope with temporary difficulties or lengthier processes of restructuring. Nevertheless, over time these kinds of benefits were used increasingly to cover permanent redundancies. Since they are not universal, one of the consequences of the massive reliance on these

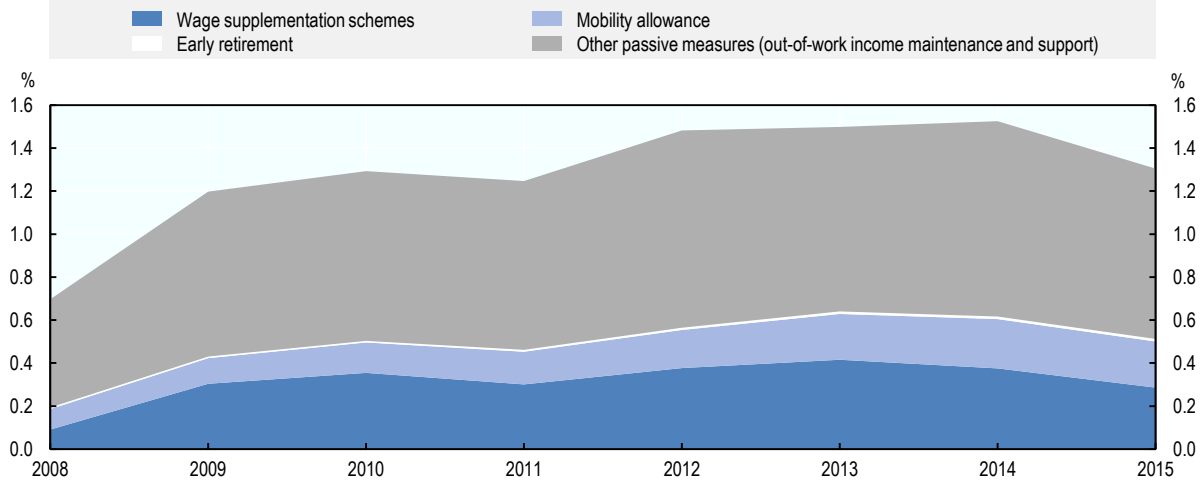
schemes has been a high level of differentiation in the coverage of workers, mainly by contract type and seniority, firm size and sector of activity as well as by the discretion of the public authority who can decide the access to the funds.[2] These schemes are very generous as they replace up to 80% of the wage and require a contribution from employers which does not exceed 8% of the benefit. These generous conditions make them more popular than the unemployment benefit schemes for both employers and employees. However, they limit the potential for mobility across firms and reallocation to more productive jobs, they leave room for opportunistic behaviour due to the lack of job-search conditionality and they cover only some workers while many others lack effective protection (Calligaris et al., 2016[24]).

These schemes are used as substitutes for the unemployment benefit system, but only for the workers in specific sectors. The coverage of sectors was extended in the period following the crisis by applying the "social shock absorbers in derogation" (*ammortizzatori sociali in deroga* – AD) which relaxed the entitlement criteria for both wage supplementation schemes and for the occupational mobility allowance (*Mobilità in deroga*, which serves in essence the same purpose as CIGO and CIGS).[3] These new criteria allowed regional authorities to include firms that were previously not covered because of their sector or size as well as employees on non-standard contracts. Newly admitted firms accessed the system without making any contributions, as the cost was covered by the state budget. At the same time, the maximum period for wage supplementation was extended indefinitely.[4] The government earmarked almost EUR 12 billion between 2009 and 2015 for this purpose (8.1 billion for wage supplementation schemes and 3.5 billion for the mobility allowance, partially co-financed by the regions and the European Social Fund).

The share of wage supplementation schemes and occupational mobility allowance has formed around 40% of the total expenditure of PLMPs in Italy in the past years (Figure 2.4). The increase during the crisis was due to the introduction of AD.

Figure 2.4. Almost half the expenditures on passive labour market policies go to wage supplementation and mobility allowance

Expenditures on passive labour market policies relative to GDP by expenditure group, 2008-15



Note: GDP: Gross domestic product.
Source: OECD/Eurostat Labour Market Programme Database, http://dx.doi.org/10.1787/data-00312-en.

StatLink http://dx.doi.org/10.1787/888933922557

Table 2.1 compares CIGO and CIGS with the two general unemployment benefit schemes existing before the Fornero reform in 2012 – the full requirements unemployment benefit (*Indennità di disoccupazione a requisiti pieni*) and the reduced requirements unemployment benefit (*Indennità di disoccupazione a requisiti ridotti*).[5] It shows that the wage supplementation schemes used to be more generous and had lighter requirements than the unemployment benefits that existed at the time. For employers, they represented a tool for internal flexibility in response to the strict employment protection legislation (Sacchi, Pancaldi and Arisi, 2011[25]).

Table 2.1. Wage supplementation schemes and general unemployment benefit schemes before the Fornero reform in 2012

	Full requirements unemployment benefit	Reduced requirements unemployment benefit	Ordinary supplementation fund	Emergency supplementation fund
Entitlement criteria	52 weeks of contribution in the last 2 years.	78 working days in the year the benefit is claimed for.	Dependent workers of firms authorised to access the fund (workers on non-standard contracts excluded).	Dependent workers of firms authorised to access the fund (workers on non-standard contracts excluded) with at least 90 days of contributions.
Duration	8 months (12 for over 50-year-olds).	Number of days in the reference year, with a maximum of 180.	3 months in a row, extendable up to 12 months in 2 years.	Up to 48 months for restructuring (24 + 12 + 12).

Changes in the system of passive labour market policies

The Jobs Act intends to introduce three main changes in the system of passive labour market policies: i) reduce the reliance on wage supplementation schemes, ii) harmonise the unemployment benefit system into one universal insurance scheme linking the duration of benefits with the previous working history, and iii) strengthen the link between active measures and benefit recipiency by strengthening the principle of activation conditionality.

Regarding the wage supplementation schemes, the Jobs Act brought about a harmonisation of CIGO and CIGS and reduced the ground for redundancies, extended their coverage and linked the schemes better with ALMPs. The coverage of contract types was extended to all employees and the length was reduced to a maximum of 24 months over a moving five-year period (cumulated length of CIGO and CIGS). The cost for firms was made more responsive to the actual use of the schemes by making their contribution proportional to the extent of the CIGO and CIGS used.[6] Bureaucratic procedures were simplified by smoothing the access procedure to the funds as the wage supplements are now granted directly by INPS and the local committees were abolished.[7] Concerning the link with ALMPs, workers whose working hours are reduced by more than 50% are required to sign the "personalised service pact" with employment services (similarly to the recipients of unemployment benefits) in order to help them to be reintegrated into the labour market.

Concerning the unemployment benefit schemes, the Jobs Act created one single main insurance scheme called "New Social Insurance for Employment" (*Nuova Assicurazione Sociale per l'Impiego,* NASPI) and a smaller one dedicated to dependent self-employed workers (*Disoccupazione collaborator*, DIS-COLL). NASPI was introduced in March 2015 replacing the "Social Insurance for Employment" (*Assicurazione Sociale per l'Impiego* – ASPI) and the "Mini-Social Insurance for Employment" (mini-ASPI) which had been introduced with the Fornero reform in 2012.

The Jobs Act harmonised the entitlement and eligibility criteria and extended both the coverage and the duration of the benefits (see Table 2.2 for a comparison of the eligibility conditions and benefit characteristics of NASPI with ASPI and mini-ASPI). First of all, contrary to the previous system, NASPI applies also to workers whose contract has been terminated consensually or by resignation. An increase in the coverage rate of unemployment benefits has been achieved also by loosening the entitlement criteria.

Table 2.2. Unemployment benefit schemes after the Fornero reform (ASPI and mini-ASPI) and after the Jobs Act (NASPI)

	New Social Insurance for Employment (NASPI)	Mini-ASPI	Social Insurance for Employment (ASPI)
Entitlement criteria	13 weeks of contributions in the 4 years before the beginning of the period of unemployment, and at least 30 working days in the 12 months preceding the same period.	First contribution payment at least 2 years before the beginning of the period of unemployment. 12 months of contributions in the 2 years preceding the same period.	13 weeks of contributions during the 12 months preceding the beginning of the period of unemployment.
Duration	Half the number of weeks for which contributions were paid in the 4 years before the start of unemployment. Maximum duration was 24 months in 2015 and 2016.	From 10 to 16 months depending on age.	Half of the number of weeks for which contributions were paid over the 12 months preceding the beginning of unemployment.
Amount	75% of the first EUR 1 195 of wage. 25% of wage over EUR 1 195. The maximum allowance is EUR 1 300. The benefit decreases by 3% each month starting from the fourth month.	75% of the first EUR 1 195 of wage. 25% of wage over EUR 1 195. The maximum allowance in 2015 was EUR 1 167. The benefit decreases by 15% after the first 6 months and by a further 15% after 12 months.	75% of the first EUR 1 195 of wage. 25% of wage over EUR 1 195 The maximum allowance in 2015 was EUR 1 167.

Note: ASPI: *Assicurazione Sociale per l'Impiego*. NASPI: *Nuova Assicurazione Sociale per l'Impiego*.

Table 2.3 shows the number of unemployed people entitled to NASPI in 2015 and 2016 and compares this with the situation in which they would have filled requirements to access the previous ASPI/mini-ASPI system. In both years, the number of benefit recipients would have been almost 6% lower. The new system appears to benefit particularly the workers on temporary contracts, which is possibly a result of the more relaxed entitlement criteria. It means that the new scheme might enable an easier accumulation of working records, as career breaks probably have a smaller impact on the benefit entitlement.

Table 2.3. Extension in coverage of NASPI compared with previous ASPI/mini-ASPI system

	2015			2016		
	Total number of recipients	Number of recipients who would have not been entitled to ASPI/mini-ASPI	Percentage of persons not entitled under the old system	Total number of recipients	Number of recipients who would have not been entitled to ASPI/mini-ASPI	Percentage of persons not entitled under the old system
Total	**1 300 385**	**73 616**	***5.7***	**1 579 311**	**91 800**	***5.8***
Open-ended contracts	429 650	15 007	*3.5*	581 998	19 339	*3.3*
Fixed-terms contracts	625 486	38 061	*6.1*	726 631	50 553	*7.0*

Note: ASPI: *Assicurazione Sociale per l'Impiego* (unemployment benefit). NASPI: *Nuova Assicurazione Sociale per l'Impiego* (unemployment benefit).
Source: INPS (2017), *XVI Rapporto annuale*, https://www.inps.it/nuovoportaleinps/default.aspx?sPathID=%3b0%3b46396%3b50544%3b&lastMenu=50544&iMenu=12&iNodo=50544&p4=2.

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The maximum duration of NASPI is longer than of ASPI. NASPI is granted for a number of weeks equal to half the weeks of insurance contribution in the last four years,[8] while this window was restricted to one year for ASPI. The maximum potential period of NASPI is now in total a few months longer than it was for ASPI (see Table 2.4 for a full comparison of the two schemes). The increase is particularly high for open-ended contracts due to the higher number of weeks of contributions in the period before unemployment that is used to establish benefit duration. This means that people working more continuously (with less career breaks) might benefit more from the new system.

Table 2.4. Extension in duration of NASPI compared with previous ASPI/mini-ASPI system

	2015			2016		
	Total number of benefits granted	Average duration of NASPI (months)	Average duration of ASPI (months)	Total number of benefits granted	Average duration of NASPI (months)	Average duration of ASPI (months)
Total	**816 574**	**13.8**	**10.9**	**966 716**	**13.8**	**12.8**
Open-ended contracts	319 410	17.7	11.3	433 603	17.5	13.1
Fixed-terms contracts	383 480	11.8	10.7	405 398	11.4	12.5

Note: ASPI: *Assicurazione Sociale per l'Impiego* (unemployment benefit). NASPI: *Nuova Assicurazione Sociale per l'Impiego* (unemployment benefit).
Source: INPS (2017), *XVI Rapporto annuale*, https://www.inps.it/nuovoportaleinps/default.aspx?sPathID=%3b0%3b46396%3b50544%3b&lastMenu=50544&iMenu=12&iNodo=50544&p4=2.

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The amount of the benefit has not changed. NASPI grants 75% of the monthly "standardised" wage[9] for those who earn up to a threshold of EUR 1 195 per month.[10] For wages above the threshold, the benefit is equal to 75% of EUR 1 195 *plus* 25% of the difference between the monthly wage and the threshold itself, limiting the maximum benefit at EUR 1 300.[11]

The smaller-scale unemployment benefit scheme dedicated to dependent self-employed workers (*Disoccupazione collaboratore* – DIS-COLL)[12] requires a minimum of three months of contributions, from the beginning of the year preceding unemployment. The duration and amount of the benefit are the same as for NASPI, with the only difference that the maximum duration cannot exceed six months. It represents the first protection introduced for an emblematic category in the Italian dual labour market, the dependent self-employed workers. These are mainly so-called collaborators (*collaborazione a progetto*), whose share in the Italian labour market has dramatically increased after the liberalisation of this kind of contracts by the "Biagi reform" in 2003.

Another important novelty in the Jobs Act was the introduction of the *Assegno Sociale di Disoccupazione* (ASDI) that relies on general taxation. This benefit is targeted to those unemployed who do not fulfil the minimum entitlement criteria for NASPI or who have exhausted its maximum period, but who continue to be unemployed and also in poverty.[13] In 2017, it was replaced by the "Inclusion Income" *Reddito di Inclusione* (REI),[14] which extended both the benefit coverage and duration. REI was originally designed with entitlement criteria related both to the family composition[15] and the household's income[16] and then changed with the 2018 budget removing family requirements from 1 June 2018. All persons in the household have to agree to a "personalised project", involving not only employment services but also social assistance services. Very importantly, this benefit is

conditioned on active job search, but also on other commitments, such as healthcare and attendance of school for minors, in order to help families to overcome poverty and address social exclusion.

For the new benefit schemes to serve the purpose of providing income support during job search, activation conditionality is aimed at concerning all the benefits introduced with the Jobs Act. Activation conditionality (obligation to look for a job, accept suitable job offers, etc.) applied on unemployment benefits is a common and crucial feature of developed systems of labour market policies among OECD countries (OECD, 2013[17]), (OECD, 2015[26]). In addition, in the intention of the Italian policy-makers, the introduction of the new means-tested unemployment benefit (REI) would enable the Italian income support system to conform with the most widespread model in the Western Europe, i.e. the protection against unemployment is organised on two pillars, unemployment insurance and unemployment assistance (Sacchi, 2014[27]).

The new Italian government, which came to power in 2018, aims to reform REI to transform it into a universal income benefit, i.e. a universal measure against poverty. Some changes were implemented already in June 2018 (abolishing the requirements on family situation) and further and more extensive changes are foreseen for 2019. The budget law for 2019 allocates a substantial additional funding for this reformed benefit indicating an increase in its generosity. However, the exact details of the new scheme are not fixed yet as of autumn 2018. If the new scheme will be indeed more generous, the activation conditionality becomes even more crucial for the benefit scheme to have positive effects on the employment rate.

2.3. Strengthening the system of employment services

The Jobs Act aims to strengthen activation policies through a restructuring of the system and the institutions responsible for the design and delivery of ALMPs and the creation of the National Agency for Active Labour Market Policies as the coordinator of the network of employment services. In addition, it strengthens the activation concept supported by modernising the IT infrastructure, updating the service models and introducing monitoring and transparency to the system. These changes have the potential to make the system of employment services more effective and efficient.

2.3.1. Restructuring the system and enhancing service quality

Although there have been many attempts to advance labour market flexibility and passive labour market policies in Italy during the past 30 years, the provision of active labour market policies has been lagging behind.

The previous reforms of employment services have shifted the responsibilities across different government levels, but the concept and content of active measures have remained nearly untouched. The reform of active measures within the Jobs Act brings about on the one hand yet another restructuring of the system, this time aiming at harmonisation and decreasing fragmentation. In addition to that, the Jobs Act targets the content and above all the quality of active labour market policies. *First*, it identifies general principles of active labour market policies and sets grounds for introducing minimum service standards across Italy. *Second*, it aims to increase the quality of employment services by enhancing the quasi-market for employment services and stimulating competition between the public and private providers (this issue is discussed more thoroughly also in Chapter 3 of this

report). *Third*, activation conditionality on benefit recipients is enforced to shift the focus from passive measures to active measures in the system.

Restructuring the system: some fragmentation will likely remain

The initial intention of the Jobs Act was to fundamentally restructure the system of employment services to increase the effectiveness of active labour market policies across Italy by centralising the competencies for active measures from the provincial level to the national level. The newly created National Agency for Active Labour Market Policies (ANPAL) was tasked with setting the objectives and strategies for the employment services in Italy. However, this step of centralised competencies required a constitutional reform preceded by a referendum.[17] Due to the negative outcome of the referendum in December 2016 it was not possible to centralise the responsibilities to the national level, but only consolidate the competencies to the regional level. This process had started already in 2014, but is not completed yet. One of the difficulties in this process has been the negotiations with the trade unions of the staff in the local employment offices that are not welcoming the new regional approaches.

Although this partial transfer of responsibilities was not the desired outcome, it was a step forward from the highly fragmented system, in which more than hundred provinces were implementing the employment services, to a system of 19 regions and 2 autonomous provinces.

Additionally, the roles and relationships between the stakeholders had to be redefined compared with the initial model. ANPAL is now the coordinator of the activities of the relevant stakeholders involved in the delivery of employment services.

The Jobs Act established a network of employment services with the task to introduce actions and services aimed at improving the efficiency of the labour market for both employers in terms of satisfying skill needs and for jobseekers by providing support for labour market integration. The network is composed of a number of actors:

- **The National Agency for Active Labour Market Policies (ANPAL)**, formerly the General Directorate for Active Policies, Employment and Training Services of the Ministry of Labour and Social Policies. ANPAL is tasked to be the coordinator of the network of employment services. Monitored and steered by the Ministry of Labour and Social Policies.
- **The regional structures for active labour market policies**. The regions have the competencies to provide the employment services thorough their local employment offices (*Centri per l'Impiego*, CPIs). Previously, the provinces were in charge of the local employment offices. About half of the regions (nine of them) have a regional agency for employment services to manage the local employment offices, in others regional administration manages the employment offices directly.
- **The National Institute for Social Protection (INPS)** being in charge of employment subsidies and income support measures (i.e. also passive labour market measures), a national centralised organisation (no change due to the reform). Monitored and steered by the Ministry of Labour and Social Policies.
- **The Institute for Insurance against Accidents at Work (INAIL)** co-operating with the system of public employment services regarding job integration of people with work-related disabilities (no change due to the reform). Monitored and steered by the Ministry of Labour and Social Policies.
- **Private (accredited) providers of employment services** providing active measures alongside the public local employment offices. These service providers

existed also before the reform, though the reform aims at developing the market for private service providers further.

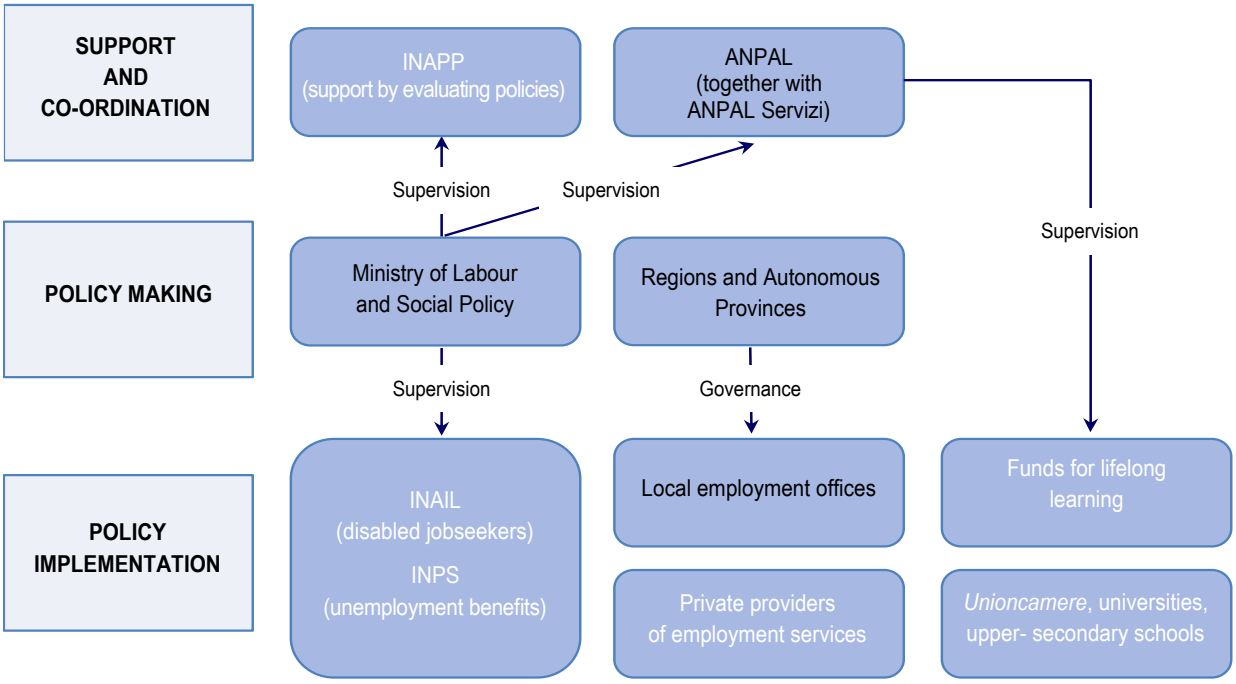
- **Inter-professional funds for lifelong training and bilateral funds** i.e. funds for training measures for which the task of supervision is given by the reform to ANPAL.
- The Institute for the Development of Workers' Professional Training (ISFOL) changed by the same decree to **the National Institute for Public Policy Analysis (INAPP)**. Some staff of ISFOL was transferred to ANPAL as part of the reform. The main task of INAPP is to study, monitor and evaluate public policies, including labour market policies. Monitored and steered by the Ministry of Labour and Social Policies.
- Italia Lavoro S.p.A. changed to **ANPAL Servizi S.p.A**. and transformed to an in-house entity of ANPAL. While Italia Lavoro used to be a joint-stock company owned by the Ministry of Economy and Finance mainly to manage locally the provision of employment services from ESF funding, the transformed ANPAL Servizi (now a joint-stock company owned by ANPAL) should assist and support ANPAL in its activities. As ANPAL Servizi contrary to ANPAL has employees also in the regional level, it assists also the regions and CPIs locally (though considering the guidelines from ANPAL).
- **The Union of the Chambers of Commerce, Industry, Crafts and Agriculture** called Unioncamere) regarding an input for trainings (anticipating skill needs), **universities and upper secondary schools** regarding training provision.

All of these organisations existed in some form also before the reform. Thus, the creation of this network was a slight rearrangement of responsibilities between the organisations rather than creating a new set-up of employment services. For example, prior to the reform, ANPAL existed as a directorate in the Ministry of Labour and Social Policies and had somewhat similar responsibilities as after the reform. ANPAL is today still steered and monitored by the Ministry of Labour, similarly to several other organisations in the network of employment services. ANPAL was created transferring some staff from the Ministry and from the ISFOL/INAPP together with the respective funds aiming at no additional burden to be generated to the public sector in terms of costs.

All stakeholders of employment services in Italy are depicted in Figure 2.5 by their function, highlighting the core actors of public employment services in black font. Although ANPAL coordinates the network of employment services,[18] it is not responsible for active labour market policies. The Ministry of Labour and Social Policies together with the Regions and Autonomous Provinces (hereinafter referred to as the Regions) identify the relevant strategies, objectives and priorities. Specifically, the Ministry of Labour and Social Policies acting together with the State-Regions Conference is responsible for fixing three-year strategies and yearly objectives regarding active labour market policies and for defining minimum service levels throughout the country. The Ministry and the Regions sign yearly framework agreements regulating the relations and obligations concerning the management of employment services and active labour market policies, the activities that are outsourced from the private accredited bodies and the duties entrusted to ANPAL.[19] However, ANPAL coordinates the preparation process for the different strategic documents and thus can have an influence over activation policies. ANPAL established for that a Committee of Active Labour Market Policies as one of its first steps. This committee involves all regional directors, is chaired by the general director of ANPAL and meets about ten times a year to discuss strategic issues regarding employment services.

Figure 2.5. The system of employment services in Italy by function

The core stakeholders of public employment services (black) and additional members of the network of employment services (white)



Note: Column 1 refers to the function of actors, Columns 2 to 4 to actors. The Ministry of Labour and Social Policy is not a member of the network of employment services.

Active labour market policies are delivered by the local employment offices (CPIs) or outsourced to private (accredited) providers for employment services. After the full implementation of the reform, the CPIs are steered by the Regions. Although the consolidation of the competencies from the provinces to the regional level began already in 2014, this process was still ongoing as of June 2018 (only 10 out of 19 regions had completed the consolidation process).[20] In addition, the financial resources were not moved to the regional level alongside the responsibilities, which hinders the consolidation process. As an (intermediary) solution, the funding of the CPIs was shared between the Ministry and the Regions and regulated by the yearly framework agreements in 2016 and 2017. The budget law for 2018 established a permanent transfer from the State budget to the Regions.

Due to the consolidation of responsibilities, the fragmentation of the system has decreased as there are 21 Regions implementing employment services instead of over a hundred different provinces. Yet, the number of partners in the system is still too high for a smooth and harmonious implementation of active policies. The fragmentation has caused delays in the progress of improvements in the system and is considered to be one of the main challenges by many stakeholders. The main actors in the system of employment services should co-operate more to overcome the fragmentation of the system and make progress in implementing the Jobs Act.

The co-operation is particularly low among the Regions as they do not see the clear benefits from the activities of ANPAL and from co-operating with other Regions. The wide-spread

belief that the regional labour markets are very different leaves little scope for learning from each other and co-operating. However, in reality, the Regions share many similar features and challenges and the regional labour markets are indeed interconnected (see for example ISTAT (2014[28]) and Franconi et al. (2017[29])).

The benchlearning initiative of the EU PES Network has demonstrated the benefits of co-operation and sharing of best practices despite important differences in the labour market situation and business models among the public employment services in the EU. In that context, a method has been developed to monitor performance of employment services, detect best practices and mutually learn good practices from each other and for which the feedback through the satisfaction surveys has been very positive by the public employment services (see Box 2.3 for more details). Spain, a country with a decentralised system of employment services and relatively high regional labour market disparities (OECD, 2017[10]), has successfully adapted the same methodology to apply it in its regional employment services and encourage thus mutual learning and continuous improvement. In Italy, this approach could be managed and supported by ANPAL to promote co-operation between the Regions.

Box 2.3. Benchlearning initiative in the EU PES Network

The Decision of the European Parliament and Council on enhanced co-operation between public employment services in 2014 established a network of PES in the European Union and set a method called "benchlearning" as one form of co-operation to integrate benchmarking and mutual learning activities to improve sharing of best practices. Benchlearning is a systematic, indicator-based learning method supporting PES to improve their performance.

Benchlearning involves two exercises – benchmarking and mutual learning. Benchmarking consists of quantitative benchmarking of PES performance and qualitative benchmarking of organisational arrangements. This double benchmarking method enables to identify relationships between PES organisational arrangements and performance while controlling for institutional and economic context. An econometric modelling exercise is conducted to identify the "true enablers" of PES performance.

Quantitative benchmarking involves comparing quantitative performance indicators related to transitions of registered unemployed persons to employment, filling of vacancies and satisfaction of employers and jobseekers with PES. For this purpose, data is gathered in a harmonised methodology from PES registers, aiming at comparable data regardless of different institutional contexts.

Qualitative benchmarking assess organisational arrangements in seven areas: i) strategic performance management; ii) design of operational processes; iii) sustainable activation and management of transitions; iv) relations to employers; v) evidence-based design and implementation of PES services; vi) effective management of partnerships with stakeholders; vii) allocation of PES resources. *First*, the PES conducts the evaluation of its organisational arrangements as a self-assessment, and *second* a team of external experts including from peer PES carry out an assessment. The assessment follows a Common Assessment Framework (CAF) model adapted to PES, which in turn is the Excellence Model of the European Foundation for Quality Management (EFQM) adapted to public sector organisations. The organisational arrangements are assessed following a plan-do-check-act cycle. As an output of qualitative assessment, the PES receives a report providing suggestions and recommendations for peer PES as potential exchange partners.

Mutual learning builds on the evidence from quantitative and qualitative benchmarking results. Benchmarking exercises identify learning needs (topics), potential thematic clusters and best practices that can be shared. Mutual learning takes place for example in thematic review workshops, PES Network seminars, conferences as well as smaller-scale formats such as study visits, smaller working groups or mutual assistance projects for PES that need more intense support. In addition, the key outputs of the mutual learning exercise such as the fiches of best practices, analytical papers and toolkits, are disseminated in the PES Knowledge Centre also externally. [21]

The main factor of success of this methodology in the EU PES Network has been that the participants do not perceive this exercise as a contest of performance, but have a strong motivation to learn from others and share their own good practices. Thus, they contribute to open and truthful self-assessments and external assessments and exhibit a strong will to improve.

A similar exercise could be applied in Italy to encourage a structured and evidence-based sharing of good practices between the Regions. As gathering quantitative data depends on the IT developments and might still take some time, as a first step the qualitative benchmarking could be implemented to detect potential good practices and to build mutual learning on. The exercise needs coordination [organising practical arrangements concerning qualitative assessments and mutual learning events, potentially involving external partners to support the exercise, disseminating the good practices detected (potentially also through a repository), collect and process data, etc.], which should be done by ANPAL.

Source: Fertig, M. and N. Ziminiene (2017[30]), *PES Network Benchlearning Manual*, EC, Brussels, http://dx.doi.org/10.2767/254654; European Parliament and the Council (2014[31]), "Decision No 573/2014/EU of the European Parliament and of the Council", https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv%3AOJ.L_.2014.159.01.0032.01.ENG.

Setting minimum standards

The Jobs Act aims at harmonising the concept of employment services and setting minimum quality standards in the otherwise diverse regionalised system. The Decree 150/2015 implementing the Jobs Act defines the basic concepts such as the status of unemployment and it identifies general principles of active labour market policies.[22] Given the institutional setting in Italy and the decentralised responsibilities for the design and implementation of active measures, the set of measures varies greatly across Italy. The Jobs Act outlines the minimum set of active labour market policies that has to be available for all the jobseekers across Italy. However, the Regions can (and they do) provide additional measures to this minimum set of measures.

In addition, the Jobs Act calls for the establishment of minimum quality standards for the outlined active measures with the help of ANPAL. The agreement for these minimum standards was reached with the Regions the first time at the end of 2017 and these are fixed in the Triennial Strategy for the Action on Active Policies. The concluded agreement has been a step forward in guaranteeing access to employment services for citizens across Italy. In principle, ANPAL has the right to manage labour market programmes directly in case the essential service standards are not guaranteed and hence intervene in the management of CPIs in case of weak performance. However, monitoring of the implementation of these minimum quality levels has remained yet problematic. ANPAL did conduct a monitoring

survey among the local employment offices in 2016-17, but this did not follow (yet) precisely the minimum service standards agreed upon and the monitoring framework itself did not follow any agreed framework. Nevertheless, these monitoring results indicate that while basic activities of the minimum service standards tend to be in place in most of the CPIs, many activities are still problematic across Italy (ANPAL, 2018[32]). The preliminary performance management system (including the management information system) has to be developed further to accommodate monitoring of the quality of services and actions have to be agreed when the service quality is below the minimum agreed level.[23]

Enhancing quasi-market

A true novelty in the law 150/2015 regarding the set of active measures is the provision of individual "reintegration vouchers" ("replacement vouchers") which allows the jobseeker to decide which service provider to use for an intensive support service for job search. This legal provision aims at increasing the role of private providers of employment services to complement the limited resources of the public providers as well as stimulating competition between the public and private providers to enhance service quality. The value of the reintegration voucher depends on the employability profile of the jobseeker (the harder to place jobseekers needing more intensive support) and the payments depend on the employment results achieved, thus aiming at performance, but avoiding creaming. The development of the operational scheme and monitoring methods of the reintegration vouchers have been some of the tasks delivered by ANPAL during the first year of its operation. The actors in the network of employment services share the view that the complementarity from the private service providers is welcome as the resources in the public system are insufficient. Yet, the provision of reintegration voucher during its piloting year in 2017 has not been viewed as a success as the take-up has been lower than expected, the employment outcomes have been weak [the evaluation results for the experimental phase of the voucher by ANPAL show no statistically significant improvement in employment outcomes due to the vouchers (ANPAL, forthcoming[33])] and the information on job quality has been largely missing.

Linking passive with active measures: enforcing conditionality

The link between unemployment benefit recipiency and active job-search requirement (job-search conditionality) has traditionally been weak in the Italian system. Until the Jobs Act the job-search conditionality was regulated very rigidly in the law, establishing a complete loss of benefit in any lack of compliance with commitments agreed with employment services. Despite this strict definition, conditionality was never applied in practice. The Decree 150 of September 2015 strengthened the principle of conditionality through two main changes. *First*, there is a more gradual application of sanctions in case jobseekers are not complying with commitments agreed. *Second*, it establishes mechanisms to implement conditionality by relaunching setting mutual obligations for employment offices and jobseekers and by incentivising employment offices to apply sanctions.

With the aim to increase the activity of jobseekers and make benefit receipt conditional on job-search activity on the one hand and to increase the personalised support for the jobseekers on the other, "an individual service pact" ("*patto di servizio personalizzato*"), is introduced by the law. After registration through an online system as unemployed, a jobseeker has to contact a local employment office within 30 days to validate his/her status as unemployed. The local employment office has to propose an individual service pact within 60 days after registration. The service pact is in essence an individual action

plan (or job integration agreement) used in some form by all of the public employment services in the European Union [see e.g. Wittenberg et al. (2016[34]) and Tubb (2012[35])].

The service pact lays down mutual obligations of the jobseeker and the employment office. The employment service commits to providing labour market services according to the individual needs of the jobseeker (e.g. job-search counselling, training, reintegration voucher, unemployment benefit REI) and the jobseeker agrees to participate in these activities, take steps to find employment and accept suitable job offers. A failure to comply with the activation activities (no-show to an appointment in the employment office, failure to participate in an active measure or refusal of a suitable job offer) incurs sanctions on benefits ranging from the reduction to the termination of unemployment benefits (NASPI and DIS-COLL, REI), as well as the reduction or loss of income support measures (CIGO, CIGS, Solidarity Contract and Solidarity Funds). However, so far the service pact has not been applied in a homogenous way across Italy and not always covering all benefit recipients (involving for example only recipients of certain services such as the reintegration voucher).[24] This is why ANPAL proposed a common form to be used for the service pact in May 2018 (see Chapter 3), which is however not binding for the employment offices to use.

Although the activation conditionality on benefits existed in the legislation already before the introduction of the Jobs Act, these principles were never implemented (Pinelli et al., 2017[1]). One of the reasons the conditionality has not been enforced in the past is the lack of IT infrastructure which would enable the employment services to communicate with INPS which is responsible for the benefit delivery to the unemployed. The Jobs Act specifies that the employment offices have to use the online system to communicate violations of activation activities by jobseekers to ANPAL and INPS which executes the resulting benefit adjustments. However, the integrated single IT system has not yet been completed, which makes any communication attempt rather burdensome.

In order to strengthen job-search conditionality, the Jobs Act foresees disciplinary and financial sanctions for the staff in employment offices failing to apply the sanctions on benefit recipients and rewards them in case of compliance. The Regions receive 50% of the benefits saved from applying sanctions which can be used as incentive tools for staff in local employment offices and the remaining 50% of benefit savings goes to the national fund for active labour market policies.

The biggest obstacle in the implementation of activation conditionality has been that the concept of a suitable job offer was not furnished and approved by the Ministry of Labour and Social Policies until July 2018. As such, the CPIs and operators were afraid to apply the activation conditionality due to the possible lawsuits as it would not have been possible for them to prove that the job offer was suitable.

The Ministerial decree from July 2018 defines suitable job offer through i) the match between the job offer and jobseeker regarding experience and skills (better match required when shorter unemployment duration), ii) geographical distance and commuting times (obligation to accept jobs up to 50 km distance when the unemployment duration is less than 12 months, but 80 km thereafter), iii) wage level in case of unemployment benefit recipients (wage should be 20% higher than benefit). Additionally, the job offer should be at least for three months, with at least 80% working time, provide at least the minimum wage required by the applicable collective agreement and be compatible with health limitations in case of a disabled jobseeker. The application of the suitable job offer is set to be dependent on the new IT system for providing employment services (an integrated single IT system of active labour market policies, see Subsection 2.3.3). The employment

offices should receive data about the amount of unemployment benefit from INPS through the IT system to apply the income criterion. The matching of skills and experience depends on what is agreed in the service pact using the classifications for occupations and economic sectors from the new IT system. Thus, the decree postpones the application of criteria related to skill match until the full operation of the new IT system.

As a result, it is unlikely that the concept of suitable job offer will be applied as part of the activation conditionality before the new IT system is functional. In addition, even if drawing up service pacts incorporating jobseekers' skills and suitable job offers will be supported by the new IT system, there would be difficulties for the operators to prove that the jobseeker refused the job offer. For the new IT system to support the application of activation conditionality in general, the activities agreed with the jobseeker and the activities of the jobseeker executed should be recorded in the IT system.

Clearly, it will be unavoidable that the application of conditionality will incur some appeals and lawsuits from jobseekers and thus the Regional authorities will have to devote some additional budget for legal costs. Yet, the additional legal costs will be marginal compared to the additional benefits that the application of activation conditionality brings if implemented properly. For example, in Estonia the reform of labour market policies took place in May 2009 incurring activation conditionality to be applied on registered jobseekers supported by fundamental changes throughout the business model, including building a modern IT infrastructure to support the changes. Although the eligibility criteria for unemployment benefits (e.g. conditions for availability for work, job-search requirements, etc.) in Estonia are some of the strictest among the OECD countries (Langenbucher, 2015[36]), the share of appeals by jobseekers has been around 0.5% relative to the stock of registered unemployed and only a third of the appeals have been settled in favour of the jobseekers.[25] Furthermore, activating jobseekers does not only occur costs, but also significant benefits. Activating jobseekers brings them quicker to the labour market and saves costs for the system of employment services. The meta-analysis of evaluations of early activation policies in 11 EU countries conducted by Csillag et al. (2018[37]) indicates that many early activation programs are effective and cost efficient (high positive benefit to cost ratio). This is particularly the case of intensified early support programmes involving individual job counselling (stronger evidence than for example for early group job counselling, early participation in training programs or early measures in case of collective dismissals).

To strengthen the enforcement of activation conditionality, the operators in the CPIs have to be trained to implement activation, making them aware of its objectives and build the know-how to use the appropriate tools. The difficult conditions in the labour market together with no prior experience in applying conditionality make the employment offices and their staff reluctant to impose sanctions on benefit recipients and share this information with INPS and ANPAL.

The monitoring and performance management system have to be developed further to accommodate activation activities. In the set of indicators agreed in the Triennial Strategy for the Action on Active Policies in December 2017, also indicators for the sanctions applied on benefit recipients and for the number of service pacts signed are included. However, no target has been set for these indicators yet[26] nor is it clear how to gather the data for them.

Finally, a key factor which may limit the applicability of the activation conditionality is the very small number of vacancies mediated by the public employment services, which makes it harder for the operators in the CPIs to refer jobseekers to suitable jobs. Hence, shifting the system of employment services towards activation also requires putting a strategy for

employer outreach in place (see Chapter 3 for more details on this matter). Given all these constraints and the limited progress so far, it is possible that the implementation of activation conditionality on benefit recipients will take a few years despite the additional new mechanisms provided by the Jobs Act.

If the proposal by the new government to transform the means-tested benefit REI into a universal benefit scheme will be implemented, the implementation of activation conditionality becomes even more critical as the number and potentially the level of benefit will be substantially increased. This scheme will reduce poverty and increase employment only in case benefit recipients are well supported by the employment services helping them to actively seek work and providing them with the necessary active measures to succeed in job search.

2.3.2. The crucial role of the National Agency for Active Labour Market Policies

Despite the change in ANPAL's role following the outcome of the referendum, the organisation is still one of the key actors in the system of employment services and has a critical role to play. The main tasks of ANPAL are laid down in the decree implementing the Jobs Act regarding active labour market policies (decree 150/2015). Besides co-ordinating the network of employment services, ANPAL is tasked with developing methodologies for different tools (reintegration voucher, jobseeker profiling, services for enterprises going through downsizing / services for displaced workers, training programmes), developing the support systems for service provision (integrated IT system, system of accrediting service providers, system of employment incentives) and contributing to the management of the related funds (ESF funding, EGF funding, funds for life-long learning). Very importantly, ANPAL is also setting the (minimum) standards for providing employment services and monitoring and evaluating the service provision.

Thus, the decree provides ANPAL with many different responsibilities which are similar in nature to the ones that the respective previous directorate of the Ministry of Labour and Social Policies used to have. Despite that, the law does not provide ANPAL with a main objective, the *raison d'être.* In reality, of course, ANPAL has an important main role to fill in coordinating the network of employment services and supporting the Regions to reform the system of employment services.

The statute of ANPAL (a presidential decree effective from June 2016) declares that ANPAL performs the functions and tasks assigned to it by the Decree 150 from 2015 in order to promote the effectiveness of the rights to work, training and professional development and the right of every individual to access free placement services, through interventions and services aimed at improving efficiency of the labour market.

The other strategic documents defining among other matters the activities of ANPAL are the two strategic agreements between the Ministry of Labour and Social Policies and the Regions: i) the Triennial Strategy for the Action on Active Policies, and ii) the Plan to Strengthen Employment Services and Measures. The current plans in force as of autumn 2018 were agreed on in the end of 2017 after negotiations coordinated by ANPAL. The two plans define the objectives, common principles and the key activities for the system of employment services to implement the Jobs Act. The Triennial Strategy for the Action on Active Policies establishes also a set of indicators to monitor the objectives (key activities) for 2018. These plans contain agreements to co-operate in developing and applying the different methodologies and systems being developed by ANPAL (outlining the key activities of the legal Decree 150/2015 in more detail), but do not assign additional duties or functions on ANPAL compared to the legal Decree 150/2015.

ANPAL's strategic view

ANPAL's Performance Plan laid down first in November 2017 and further strengthened in February 2018 (ANPAL, 2018[38])[27] is the main strategic document which describes the organisational set-up, defines the general tasks of each structural unit[28] and sets specific tasks for ANPAL for the next three years.[29] This is an elaborate strategic plan aiming to define its tasks in detail to support the reform in the Italian employment services the best possible way.

In its Performance Plan, ANPAL refers to the functions and tasks assigned to it by the Decree 150/2015 and in its statute as ANPAL's mandate and mission.[30] As ANPAL defines itself through these tasks, it has made also a lot of progress during its first years in fulfilling many of these individual responsibilities. For example, ANPAL has proposed new methodologies for profiling jobseekers, contracting out employment services, etc. It has managed to reach agreements with the other stakeholders on defining common concepts (a suitable job offer for jobseekers, minimum service standards, measuring performance in local offices, etc.) and it has provided new IT solutions.

In addition, ANPAL has made great efforts in generating and disseminating knowledge about the situation in the system of employment services, conducting surveys for that among the local employment offices as well as among their customers. This has created solid awareness about the challenges in the system for ANPAL itself, but also for the other members in the network of employment services as well as for the general public.

To tackle these evident challenges in the system of employment services, ANPAL has a critical role in supporting the network of employment services, particularly the Regions. ANPAL is the key institution to coordinate the network to design change (strategic plan for the system) and implement it. This requires ANPAL to have a strategic role, going beyond the individual detailed tasks provided by the legal framework. ANPAL's central support will enable the system to go through a more fundamental reform, rather than a patchwork of small adaptions. ANPAL's clear strategic plan regarding its own role in the system is thus vital.

While ANPAL has an elaborate Performance Plan in place, it is important for ANPAL to elaborate its strategic view even further, beyond the detailed tasks of the legal framework and highlighting more its main *raison d'être* – supporting the Regions and co-ordinating the network in order to improve the system of employment services. *First*, a well-developed strategic plan (i.e. not necessarily very detailed, but highlighting the crucial strategic aspects) enables an organisation to set its goals, its key actions as well as other critical elements to achieve these goals. *Second*, a strategic plan helps an organisation to communicate its *raison d'être* both internally and externally, thus helping it to achieve the set objectives. A good strategic plan should be easily comprehensible, focused and highlighting the critical elements, in order to facilitate its communication. Generally, a strategic plan should state the mission of the organisation (its purpose, what the organisation does), vision (an inspirational statement what the organisation wishes to achieve), core values of the organisation, clients to whom its services are targeted to, key partners to achieve its objectives, key activities to fulfil the goals and key performance indicators to assess the progress. Some good examples of the key elements in the strategic plans of the public employment services in France, Estonia, Spain and Denmark are provided in Box 2.4 (in the case of Spain and Denmark there is a central independent public body in a decentralised system of employment services similarly to ANPAL).

Box 2.4. Examples of key elements in the strategic plans of public employment services

Estonia. Estonian Unemployment Insurance Fund. Development Plan for 2016-19

Mission: We support finding work and workers.

Vision: We are the best and most inspiring labour market organisation in Estonia and Europe.

Core values:

Trust – we have an in-depth understanding of our field and we focus on results; we notice and take into account the individual opportunities and needs of the customer; we follow good practices and keep our promises; our decisions are reasoned and comprehensible; we ensure the purposeful use of resources.

Co-operation – we initiate and maintain meaningful co-operation; we listen to the proposals of our customers and partners and work together to find solutions; we are accessible, helpful and friendly to our customers and partners; we work as a team and value each and every colleague.

Innovation – we actively acquire new knowledge and share our experience with colleagues and partners; we are creative in finding and adopting solutions; we make effective use of modern information and communication technology; our ideas support the development of the organisation.

France. *Pôle emploi*

Mission: In order to fulfill our public service mission, we develop a range of personalised services, based on our in-depth expertise of the labour market in France.

As *Pôle emploi* has a strong focus on innovation and digitalisation,[31] it introduces its mission to its clients on its website in an easily comprehensible and short format, focusing on the key elements of its strategy such as its core values of proximity and accessibility, listening to the needs of employers and innovation (https://youtu.be/G2D9S2Eda8c).

Spain. State Public Employment Service (SEPE). Services Charter 2015-18.

Mission: To contribute to the development of an employment policy, manage the unemployment protection system and guarantee the flow of information on the labour market to ensure insertion and long-term employment for workers and improvement of human capital for companies in collaboration with the Autonomous Communities' Public Employment Service and other actors in the labour market.

Vision: Achieve excellence in the management of our citizen services, making the most of new technologies and directing contributions through the National Employment System to increase the quality of the labour market.

Core values: In order to comply with the provision of services entrusted to us and to reach objectives of being a quality body of reference in the delivery of those services, we are governed by the following principles: 1) Culture of service to citizens, 2) Innovative capacity, 3) Transparency, 4) Collaboration with other actors in the labour market, 5) Commitment to the body's personnel, 6) Quality in management.

Responsibilities: 1) Develop state-wide policy proposals regarding employment, training for employment and unemployment protection. 2) Plan and foster employment policy proposals focused on people's and corporate needs. 3 Manage unemployment benefits, realising the protection rights of unemployed people. 4) Conduct research, studies, analysis and statistics collection at a state level on the situation of the labour market and provide solutions to improve it.

These functions are performed proactively, by anticipating new needs, with the aim of providing a fast and efficient service.

Denmark. Strategy 2018-21 of the Danish Agency for Labour Market and Recruitment (STAR). Building tomorrow's labour market together.

Mission: STAR promotes effective labour market policy by which businesses receive the necessary labour and as many citizens as possible have a job or are in education.

Vision: STAR makes it possible to make decisions regarding the labour market on a qualified basis. STAR makes it possible to transform labour market policy into effective practice that benefits citizens. STAR makes it possible for businesses to receive the necessary labour.

Source: Estonian Unemployment Insurance Fund (2015[39]), *Development Plan for 2016-2019*, https://www.tootukassa.ee/sites/tootukassa.ee/files/euif_development_plan_2016_2019.pdf; Pôle emploi (2018[40]), *Nos missions*, http://www.pole-emploi.org/poleemploi/mission/nos-missions.html?type=article; SEPE (2015[41]), *Services Charter 2015-2018*, https://www.sepe.es/contenidos/que_es_el_sepe/publicaciones/pdf/pdf_sobre_el_sepe/carta_servicios_f_ing.pdf; *STAR* (2018[42]), *STAR's Strategy 2018-2021: Building Tomorrow's Labour Market Together*, https://www.star.dk/media/7669/strategy_star.pdf.

Further strengthening of ANPAL's strategic identification and a view of its role would benefit the implementation of the reform in the system of employment services. *First*, a stronger strategic view would be benefiting the co-operation between ANPAL and the other partners in the network of employment services (particularly the Regions) as there would be more clarity about the exact role of ANPAL and whether and what kind of support the Regional authorities could expect from ANPAL. Indeed, 13 out of 18 Regions that answered a question about how ANPAL could improve the system of employment services (a questionnaire administered by the OECD in 2018),[32] thought that ANPAL could provide more support to Regions, local offices and staff in the local offices. Above all, the Regions need ANPAL to contribute to the training of staff, but also support on interpreting legal provisions, provide technical assistance to implement the methods and tools, disseminate knowledge and share good practices. Five Regions also expressed the concern to involve them more in the development of the methods and tools (i.e. the need for support and co-operation instead of imposing methods).[33] These results put forward a strong expectation from the Regions, which could be more straightforwardly reflected in the mission of ANPAL.

Second, a clear and easily comprehensible mission is beneficial for co-operation within ANPAL as an organisation itself, especially regarding the co-operation between ANPAL and its in-house entity ANPAL Servizi, but also employees from previously different organisations such as from INAPP and the Ministry of Labour and Social Affairs. A clear mission statement and strategy helps to understand objectives and tasks in the same way across the organisation.

Regarding internal stakeholders, the current strategy could be strengthened by treating the ANPAL Servizi staff as an integral part of the organisation, and considering them as ANPAL's extension to the Regions and CPIs. Although the President of ANPAL is also the Director of ANPAL Servizi, these two entities operate currently as two separate organisations, thus making co-operating more difficult. Ideally, ANPAL Servizi should be operating similarly to the different divisions of ANPAL, i.e. being part of the same information exchange and chain of command and having similar rights and obligations. The employees of ANPAL Servizi on regional level should be helping to implement the methodologies and tools that are developed by ANPAL in co-operation with the central level ANPAL Servizi, the Regions and other partners. ANPAL Servizi staff should be the main channel of support for the local offices and front-line counsellors, helping the CPI staff to interpret provisions, providing technical assistance to use new tools and

methodologies and organising training to enhance their skills. The regional staff of ANPAL Servizi should be the channel to advocate the reform agenda of the system of employment services and communicate the strategy of ANPAL.

ANPAL could further strengthen its strategy by defining its main clients as part of its strategy. ANPAL's task is to support the Regions and local employment offices to improve the employment services rather than deliver services to jobseekers and employers, which is under the responsibility of the local offices and the regional authorities. The strategy should state straightforwardly that ANPAL is the enabler for CPIs, supporting them in improving their services and in fulfilling their mission.

Thus, ANPAL's role in the Italian system of employment services is crucial and it would be beneficial to address that stronger in the ANPAL's strategy. Further developments in its strategy should keep both its external and internal stakeholders in mind. The new strategy should lay down a clear and easily comprehensible mission which will define ANPAL's role as an independent organisation. The communication of its strategy should become an integral part of its business model to become effective. For example in the Estonian public employment service which took over the responsibilities for active labour market policies from a poorly performing state-governed public body in May 2009, the management board visited all local employment offices during the preceding months before the take-over to learn about the challenges that the local offices had, to introduce the new ideas to go forward and to discuss the strategy ahead. The management board has continued visiting all the local offices each year, providing every staff member the opportunity to meet the top managers and enabling bi-directional communication on the strategy and performance. In addition, there are several other tools in place to involve also staff members in local offices in strategy design and strategy communication, such as yearly strategy days involving all key employees and conducting regular self-evaluation exercises using Common Assessment Framework methodology.

The Italian system of employment services is clearly too large to apply exactly the same tools for strategy communication as the Estonian public employment service. Yet, higher involvement of local offices in strategy design and communication could be achieved. For example, it would be feasible for the management of ANPAL to organise meetings regionally, involving all the managers of local offices in a region (and the regional authorities) to discuss their challenges, their specific needs for support and the steps needed to improve the system. These activities would provide input for the strategic view of ANPAL as well as for the strategies of the whole system of employment services (such as the triennial strategy).

Co-ordination of the system of employment services remains a challenge

ANPAL is still very new in the role as a coordinator of the network of employment services and has not been able to establish itself fully as such. The ability of ANPAL to coordinate and harmonise the system depends largely on its capabilities to lead the negotiations on implementing the Jobs Act, i.e. the negotiations to draw up the strategic plans (the triennial strategies, the Plan to Strengthen Employment Services and Measures), develop the appropriate tools and to implement them. ANPAL has made great efforts to enable reaching agreements on necessary changes in the system, but as there are more than 20 Regions with different levels of development and resources that ought to agree with these plans and methodologies, the negotiations are slow and the progress of implementation cumbersome. For example, the preparation of the Plan to Strengthen Employment Services and Measures started in 2016 and was agreed upon at the end of 2017. Most importantly, the additional hiring and training of the staff for the CPIs, which was extremely crucial and what the

Regions looked forward to the most, had not started yet by summer 2018.[34] As the progress of reforming the system is thus slow, the contributions of ANPAL are less evident for the other stakeholders and its credibility is harmed.

Moreover, there is a clear disconnection between the multiple and diverse tasks that the law assigns to ANPAL and the tools that are provided to ANPAL to fulfil its role. For example, financial incentives depending on the achievements of set objectives could be used successfully to encourage effective provision of employment services in a decentralised system [see OECD (2005[43]) and Weishaupt (2014[44])]. Encouraging co-opetition at a local level with a performance management system and appropriate incentives is crucial in any system of public employment services. Yet this becomes even more critical in a decentralised system where the local units have more flexibility to define their business model. For example, performance of employment services has been successfully improved by performance transparency and financial incentives in the decentralised systems of Denmark and Spain (see also Box 2.5). In Denmark, the state reimburses parts of the unemployment benefits that municipalities pay to jobseekers, but the reimbursement rate decreases over time, incentivising municipalities to help jobseekers find employment quicker. In Spain, the regional performance of employment services is measured by a complex commonly agreed framework enabling to reward improvement in the performance as increased budget for the following year. An incentive system rewarding an increase in performance (i.e. not the absolute level of performance) could be potentially feasible also in Italy, for example through the budget for operating costs of local employment services from the state budget.

Box 2.5. Examples of accountability in decentralised systems of employment services

Denmark – Financial incentives for municipalities

Performance management has a central role in the Danish decentralised system of employment services. The state reimburses the costs of unemployment benefits that the municipalities pay to jobseekers. Within the reformed performance management framework applied since 2016, the reimbursement rate decreases over the unemployment period, incentivising job centres to provide prompt support to jobseekers for transitions to employment and education. Thus, municipalities are encouraged to introduce active labour market policies without the central level dictating how these policies should be implemented in practice. The main function of the central organisation is to gather knowledge on what works and for whom (or what does not work) and disseminate this knowledge to the jobcentres. In addition, the central organisation provides technical assistance to the jobcentres to build their local capacity, e.g. gaining budget for active labour market policies.

Spain – Financial incentives for autonomous regions

In Spain, providing active labour market policies is the responsibility of 17 regional PES. Since 2013, a performance management system called the Assessment Framework is applied following a mutual agreement between the stakeholders of the system of employment services. The Assessment Framework consists in total of 13 strategic (general political) and 48 structural (PES tasks related) indicators. The performance of regional PES are compared using the aggregated scores of the Assessment Framework and an improvement in the results triggers an increase in the regional budget. The performance management system is complemented by mutual learning seminars to share good regional practices on critical topics such as profiling, implementing training voucher schemes or certifying competencies. Some of these seminars have involved also external partners, such as OECD.

Switzerland – Benchmarking and peer pressure

The performance management in the system of public employment services in Switzerland is set in the framework of allowing local differences in implementation and no over-steering form the central level (by the ministry). The central performance management system consists of four overall targets – integrating jobseekers rapidly, preventing and reducing long-term unemployment, preventing and reducing exhaustion of benefits and preventing and reducing re-registrations. To enable comparison between cantons, exogenous factors stemming from the local labour market situation, seasonality, nationality of jobseekers, the incidence of frontier workers (people working in Switzerland, but living abroad) and agglomeration are taken into account through regression analysis. The comparable indicator results are published every year to encourage competition and improve performance. Though the initial aim of setting up such a performance management system was to make funding of cantons dependent on their results, this has not been done due to the resistance of cantons. Nevertheless, the current system does encourage performance through providing cantons with performance data to manage their employment offices and creating peer pressure.

The Netherlands – Customer satisfaction and manager bonuses

The Dutch public employment service (a centralised PES in a partly decentralised service delivery model) uses a set of 12 objectives for local employment offices to assess performance. A key indicator is the customer (jobseekers and employers) satisfaction with the services, particularly focusing on accessibility of the services and fit to customer needs. The system encourages the managers of local offices to focus on customer needs by publishing the results of customer satisfaction surveys across the PES and by implementing bonuses (5% additional payment) for managers in case of positive customer feedback.

Source: STAR (2018[45]), *Performance management in the Danish employment system*, https://star.dk/en/about-the-danish-agency-for-labour-market-and-recruitment/performance-management-in-the-danish-employment-system/; Graversen, P. (2018[46]), *Economic incentives for municipalities to reduce the time it takes to return people to employment*, http://ec.europa.eu/social/BlobServlet?docId=19257&langId=en; Weishaupt, T. (2016[47]), *Establishing and Operating Performance Management in PES*, http://dx.doi.org/10.2767/166351; de la Rica, S. (2015[48]), *A New Strategy for Employment Activation (SEA)-Spain 2014*, http://ec.europa.eu/social/BlobServlet?docId=14564&langId=en; van Zutphen, M. (2016[49]), *Improving PES by measuring customer satisfaction and implementing manager bonuses*, http://ec.europa.eu/social/BlobServlet?docId=15337&langId=en; Nussbaum, O. (2013[50]), *Performance management in PES Some aspects of the Swiss system*, http://ec.europa.eu/social/BlobServlet?docId=11014&langId=en; OECD (2016[51]), *Employment and Skills Strategies in Poland. OECD Reviews on Local Job Creation*, https://doi.org/10.1787/9789264256521-en.

However, in the case of Italy, so far also the budget laws regulating the funding of the system of employment services have been passed without making funding of CPIs conditional on their performance.

A comparability of the entities (e.g. Regions or local offices) should be aimed at before applying ranking and/or assigning targets. In Italy, where there is a high number of local offices present, a clustering methodology can be successfully applied, similarly to what is done for example in Germany (see Box 2.6) where the 156 local employment offices are grouped into 12 clusters based on local labour market conditions [defined by a regression analysis on the variables affecting labour market integration rates, (Sottung, 2016[52])]. Alternatively, the local labour market situation can be taken into account by controlling for variables of local labour market situation in a regression model and not clustering the subjects, but adding a corrective component to the performance indicators, such as is

done in Switzerland (for cantons) or even in the EU Network of Public Employment Services (for public employment services in member countries).

These kinds of exercises such as clustering or correcting for local economic situation make it possible to compare the performance of local employment offices in a fair way and assign them appropriate performance targets. This system could be a first step in developing accountability in Italy, involving publishing the performance results to encourage peer pressure such in the Dutch and Swiss performance management systems (see Box 2.5). The second step would be linking the achievement of performance targets to financial incentives. An underlying fair benchmarking enables rewarding when improvement in performance is achieved, instead of rewarding good results in absolute terms, which might lead to even poorer financing of those employment offices that are already in worse circumstances. Finances that are allocated from the State budget to the Regions can be this way conditional on improvements in performance. This performance conditionality becomes even more applicable and crucial if the funding of public employment services from the State budget will be increased as has been announced by the new government in 2018.

Box 2.6. Assigning performance targets in the German public employment service

To assess the performance of local employment offices in a fair way, the German public employment service applies a clustering method on its 156 offices. A regression analysis is conducted to identify which variables indicating the local labour market conditions (unemployment rate, seasonality, regional migration, structure of economy, relative level of employment opportunities, qualification level of labour force, size of enterprises, etc.) influence labour market integration rates of customers. The variables identified in the regression analysis are feeding into the cluster analysis that helps to group the local offices into clusters containing most similar offices. Currently, there are 12 clusters, but the exercise is repeated every few years to take into account the changing economic environment.

The targets for the indicators in the performance management system are set through a bottom-up approach, where the local employment offices propose their target levels themselves at first. The process of setting the targets uses an iterative approach as the proposed targets are then discussed between the regional level and the local offices as well as the national level and the regional level until consensus is reached and fixed in target agreements at all management levels. Clustering supports setting benchmarks, helps to identify potential for improvement, motivates performance and encourages peer learning, but it also helps to reach fair target agreements across the local offices. In addition, the performance monitoring and assessment is fairer due to clustering.

Source: Sottung, S. (2016[52]), *Local PES office clusters*, EC, https://ec.europa.eu/social/BlobServlet?docId=15352&langId=en; OECD (2016[51]), *Employment and Skills Strategies in Poland. OECD Reviews on Local Job Creation*, https://doi.org/10.1787/9789264256521-en.

Nevertheless, the law does provide ANPAL with some tools, such as the authorisation to monitor and evaluate the management of active labour market policies and the results achieved by public and accredited private providers of employment services. In addition, ANPAL has the right to manage labour market programmes directly in case the minimum service standards are not being respected, and to support the Regions in case there is a risk that the minimum service standards are not guaranteed, by managing these employment

offices directly. Thus, by law ANPAL can intervene in the management of the CPIs in case of low performance. However, the minimum service standards and the indicators for monitoring the CPIs were agreed upon only in December 2017 in the Triennial Strategy for the Action on Active Policies (approved by ministerial decree in early 2018), and the IT systems to gather the monitoring data are not yet fully functional as of summer 2018. In addition, such an intervention needs an application of the subsidiary principle, meaning how the intervention process in case of low performance should be conducted (e.g. a task force from ANPAL assisting the respective local office). The prerequisites for the subsidiarity principle were laid down by a ministerial decree in the beginning of 2018, but the process is not fully defined yet or agreed upon.[35] This means that ANPAL has not been able yet to use these tools to coordinate and harmonise the system of employment services. Evidently intervening in the management of local offices is also seen as a last resort, an extreme intervention, and milder support actions are preferred.

Furthermore, even when the appropriate infrastructure and methodologies will be eventually developed and imposed, these do not guarantee co-operation between the stakeholders. Trust, the key for the success of a system with many actors, is currently missing and conflicts are visible. For example, the number of disputes between the State and the Regions in the constitutional court has grown. Although many of the stakeholders share their views about which are the main challenges facing the Italian labour market, the ways to solve them are not always shared. The differences in the level of provision of employment services among the Regions make it harder to reach agreements on harmonisation of services satisfying all counterparts.

To be successful in its role as the coordinator of employment services, ANPAL should build trust among stakeholders through its activities to encourage collaboration in the system. Its objective should not be harmonising the system at any cost, but to offer methodologies and tools which would benefit all the Regions. The key is to find good working methods that could be delivered in all the Regions while making it possible to accommodate best practices already in use and possibilities to develop and innovate. The development of these kinds of tools is possible only if the Regions are incorporated in the development processes and cannot be imposed by ANPAL alone. ANPAL has put great effort in discussing good common methods with the regional representatives above all in the Committee of Active Labour Market Policies, but progress depends a lot on the willingness of the Regions to co-operate. The co-operation of the Regions is critical, particularly as the resources are very limited and thus developing nation-wide tools is more efficient, saving funds for staff and active policies.

For example, the Spanish decentralised system of employment services has significantly improved their services through co-operation between the stakeholders. Among other improvements, a common functional "integrated information system for the vocational training for employment system" in addition to the nationwide IT system of public employment services was established recently in co-operation between SEPE (the State Public Employment Service), regional offices of public employment services and regional training institutions (Dorenburg and Haaland-Wittenberg, 2016[53]), (SEPE, 2015[41]). A good example of fruitful co-operation is also the Benchlearning exercise taking place between the 28 EU countries, Norway and Iceland supported by the European Commission in the framework of the European Network of Public Employment Services. As the countries participating in the network have different legal and institutional contexts and the employment services are applying different business models, the co-operation does not involve developing necessarily common tools and infrastructure. However, a common performance measurement system is agreed upon which identifies best practices (see also Box 2.3) enables mutual learning through sharing good practices between countries and

provides technical assistance from peer employment services to those most in need. All of these forms of co-operation to create mutual improvements can be even more easily applicable in the case of the Italian Regions where the institutional context is much more similar than across European countries.

2.3.3. Building the IT infrastructure

A well-functioning and supportive IT infrastructure is an integral part of a modern public employment service, the backbone for the tasks that it performs. A well-developed IT infrastructure and digitalisation have the potential not only to increase the efficiency (doing more with less) and effectiveness (targeted measures, better matching of vacancies and jobs, data supported decision making) of the public employment services, but also customer satisfaction and transparency can be enhanced (Pietersen, 2016[54]). The highly fragmented division of responsibilities for employment services in Italy over the past decades has led to an abundance of IT systems and databases on provincial and regional levels. Due to this fragmentation it has never before been possible to have an overview of the number of clients registered with the public employment services, monitor the activities of local employment offices or evaluate the effectiveness and efficiency of employment services provided across Italy. Before the reform there were no unique online platforms available for the jobseekers or employers facilitating the communication with the system of employment services and supporting the matching of jobseekers and vacancies across the Regions.

IT infrastructure is one of the key areas that the reform in the system of employment services targets. The Jobs Act and the related strategic documents assign ANPAL several tasks related to digitalisation, the IT infrastructure and data exchange. Most importantly, ANPAL is expected to develop and manage an integrated single IT system of active labour market policies (SIU). This system should serve as the basis for monitoring the activities and effectiveness of the Regions and the CPIs allowing introducing performance management in the system.

SIU should have an application that allows integrating data from the existing regional IT systems. It will have also functionalities to exchange data with other organisations such as providing data on activation conditionality on benefit recipients to INPS and receive data about the jobseekers from the databases concerning education information, income and income tax returns data, land and real estate data. Data exchange is envisaged also with INAPP to enable it to evaluate training activities and active labour market policies. SIU should also benefit the jobseeker clients and citizens to integrate data from the online registration platform (data about jobseekers declaring their availability to work, DID) and proving them a “worker’s dossier” i.e. generating a file containing the information about them available in the system. Employers should be able to not only insert their vacancies, but also gathering information concerning recruitments and terminations of employment relationships will be facilitated. When fully implemented, the administrative burden in the CPIs should be reduced significantly, for example when it will become possible to exchange data about the status of unemployment with other organisations. Hence, effectiveness, efficiency and customer satisfaction should be significantly increased when the IT development plans will be fully realised.

ANPAL has already made a number of steps in the right direction when developing the concept of a common IT infrastructure. It should be kept in mind that it takes time to develop an appropriate IT infrastructure that supports the business model, particularly in the case of Italy where there is a legacy of a number of regional IT systems that many of the Regions aim to maintain in use.

The first version of SIU became effective in December 2017 making it possible for the first time to gather data of all registered jobseekers and the services provided. Nevertheless, the data quality is not high enough yet to serve as a reliable input in the decision making process and performance management system. The first checks of the data have indicated errors and highlighted incomparability of Regions and local offices, possibly due to different regional practices, but also due to a lack of built-in data controls. Also, the process to use the data is too cumbersome as the IT system is using an external infrastructure (under the Ministry of Labour and Social Policies). Additionally, as SIU aims to integrate 21 different regional IT systems, errors have often occurred during the initial year of its effectiveness and thus the system is frequently down whether unexpectedly or in a short notice for maintenance works. Furthermore, as the development of different parts of the infrastructure is still in the initial phase, many of the applications are not yet integrated, such as a tool to gather vacancies, the jobseekers' online registration platform, etc. The tools to exchange data with other organisations are not yet built, notably the tool to send data to INPS on activation conditionality is not yet functional.

However, there have been already some first experimental attempts to exchange data. For the first time, in 2017, INAPP received registry data about jobseekers and their benefits to conduct policy evaluations. Also the possibilities to use registry data have improved for the National Institute for Statistics (ISTAT). These data exchanges are necessary conditions for the use of linked register data for the evaluation of labour market programmes which help to improve the effectiveness and efficiency of public interventions.

In this initial period of setting up the new IT system and during periods when the IT infrastructure is not working, the amount of administrative tasks in the CPIs has increased and thus the efficiency has declined. Especially the front-line staff in the CPIs have witnessed an increase in their workload since the start of the reform and the introduction of the new IT applications. Given the reluctance from many of the Regions to trust and co-operate with ANPAL already before the introduction of the new systems, these first IT applications have further deteriorated this co-operation. Moreover, CPI staff have not received training on how to use the new systems and are not aware of the strategic plans regarding IT developments. This unawareness encourages resistance to the reform and puts the credibility of ANPAL at risk. For that reason, it is important to communicate regularly the development plans and the different stages of the developments to the end-users, creating awareness about the objectives of the different new tools and features and building know-how about their use.

ANPAL has decided to abandon the new IT system only a few months after it was launched and to develop a new system from scratch. The main reason for this is that the first version used the underlying infrastructure from the Ministry of Labour and Social Policies, which did not enable a direct access to the data for ANPAL and was thus not a good set-up for performance management and monitoring or data management and analysis in general. ANPAL's decision to build this new system should lead to improvements in data collection and availability of information, especially if it overcomes the limitations identified in the previous system. Although it will have financial implications in the short-run, an improved version might be cheaper, more effective and efficient in the longer term. However, the development of the new system will delay the use of data to support the monitoring, evaluation and performance management, and may also delay the implementation of the Jobs Act in general (applying activation conditionality, etc.).

Practitioners and end users have a crucial role to play in the development of the new version. They should be tightly involved in the development process to ensure the fit in the business

model and processes and the modules should be thoroughly tested by end users before launches. Moreover, the development plans and progress should be communicated continuously to the Regions, CPIs and staff. The launches of modules should be accompanied by training for the staff and every CPI should have a technical support continuously available (e.g. a staff member from the CPI receiving more thorough training or a local ANPAL Servizi staff member is more thoroughly trained and supporting the CPIs; a support unit in ANPAL is continuously available to support the CPIs in case of more complicated questions). Good examples for developing IT infrastructures to support the public employment services are for example in Estonia, Flemish PES in Belgium (see Box 2.7) and the Netherlands. In all of these practices, the IT tools aim at supporting the users, the practitioners are tightly involved in the development and testing the IT tools and the users are provided with training and technical support.

Box 2.7. Principles to develop IT infrastructure supporting the business model

The transformation of Flemish PES (Belgium) to apply Digital Era Governance

Within the past years, IT has become a key enabler in the Flemish PES in Belgium (VDAB) leading to more integrated and holistic processes taking full advantage of digitalisation. Six principles were laid down to support this transformation:

- From digital support to **digital first** – Intelligent digitally-enabled services accessible 24/7 through self-service as well as proactive and flexible individualised services.
- From service provision strategy to **ecosystem strategy** – VDAB as the labour market conductor building partnerships with other actors and providing innovative digital solutions to advance labour market transparency and matching demand and supply.
- From offering services to **co-ordinating dynamic service journeys** – Providing a wide range of services to labour demand and supply side supported by a digital platform that monitors customer behaviour, analyses it and dynamically adapts the service.
- From "have to" to **"want to" partner involvement** – Developing services that labour market agents want to use.
- From plan-driven to **agile projects** – Transparent and flexible development methodology to match increasingly dynamic and complex labour market needs.
- From "ad hoc" initiatives to developing **organisational capabilities** – An integrated view on innovation projects to achieve VDAB's objectives.

The four cornerstones of the Digital Strategy in the Estonian PES

- **Efficiency**, i.e. doing more with less using digital technologies. For instance, a fully automated process for unemployment benefits was developed decreasing processing time per application from 10 minutes in 2003 to less than a minute in 2018.
- **Multi-channelling**. Customers are provided with a choice of channels to contact the PES – Face-to-face, phone (including Skype), online, Facebook groups and personal chats, chat on PES web.
- **Agile development methodology**, i.e. the infrastructure is developed in cross-functional teams involving end users leading to continuous improvement and

fast and flexible response to changes. The development teams involve not only people with IT competencies, but also people who know the business model and the services as well as people who know the legal environment.

- **Business-led service design process**. IT development processes are led by the business side of the PES, not by IT. Every process has a designated owner, who takes time to participate in IT analysis meetings and contributes to defining data needs, process charts, etc. Also, the IT developer creates demos/prototypes after every meeting for which the project owner must give feedback.

Monthly IT developments are tested by the staff in the PES, providing feedback for the developers before the release. Every release is followed by a retrospective review where the PES staff and the IT developer provide feedback for the last process in order to improve the process in the next cycle. End-user training supports the application of new IT releases.

Source: Kõrreveski, K. (2018[55]), *The Role of Digitalisation in the Delivery of PES Services*, http://wapes.org/en/system/files/en_karolin_korreveski_wwc_2018.pdf; Danneels, L. and S. Viaene (2015[56]), "Simple rules strategy to transform government: An ADR approach", http://dx.doi.org/10.1016/j.giq.2015.09.006; Struyven, L. and L. Van Parys (2016[57]), *How to Act? Implementation and evolution of the PES conductor role: The Belgian PES in Flanders as a case study*, http://dx.doi.org/10.2767/527014.

The quality of the systems developed by ANPAL is of ultimate importance regarding its credibility among the stakeholders. The development process should be planned to minimise negative side-effects to the staff in the CPIs, above all the integration of different applications and their fit to the processes should be given more consideration.

An additional issue that needs attention from the Regions is that in order to use the IT systems, the local offices need to be equipped with modern IT hardware and internet connection. According to a study by ANAPL (2018[32]), 46% of local employment offices in 2017 did not have an adequate IT equipment for using modern IT systems while this share reached 70% in the Southern regions. Moreover, 36% of the employment offices did not have a sufficiently good internet connection (about 55% in the Southern regions).[36] None of the functionalities and benefits of the common IT infrastructure (including data exchange with INPS about activation conditionality) can be realised unless the Regions allocate their budgets to update the IT equipment in the employment offices and provide them with adequate internet connection.

2.3.4. Supporting the local employment offices

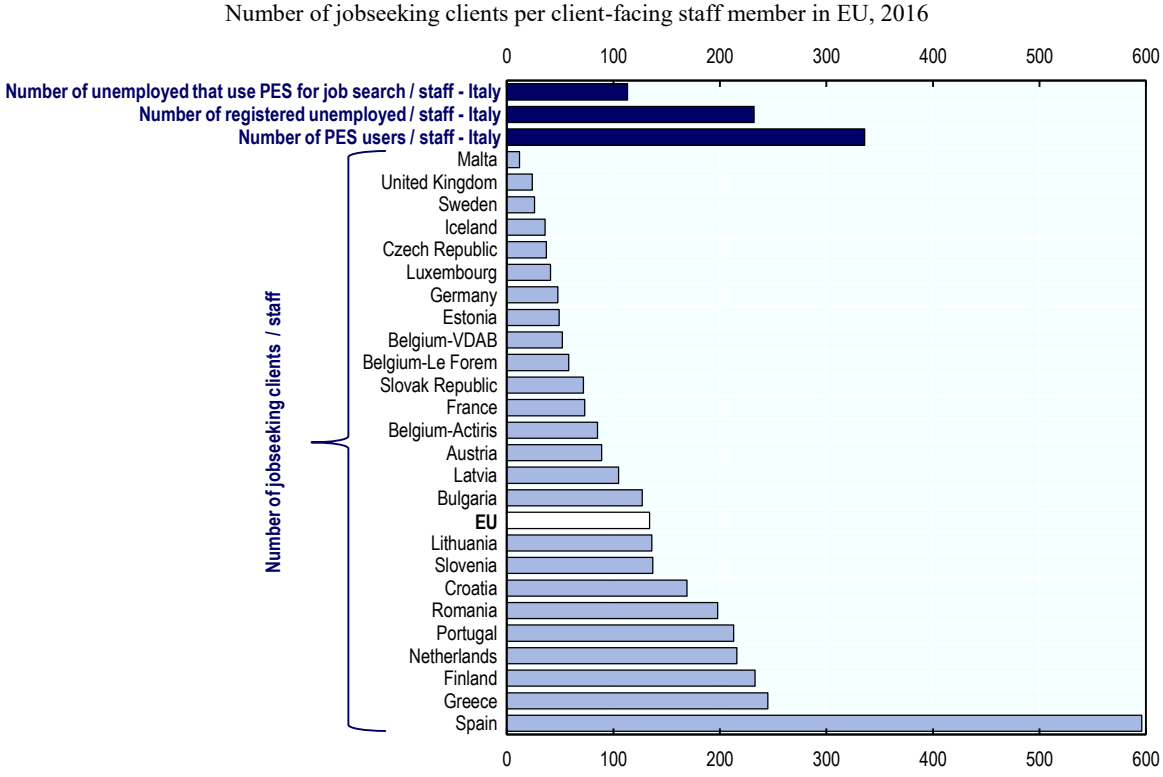
The decrees and strategic documents laying down the plans how to reform public employment services in Italy are elaborate and aim to improve the situation significantly. However, the implementation of these plans depends heavily on the resources to carry out the changes and activities. As the services are delivered to customers by the staff in the local employment offices, adequate front-line human resources are vital to make the changes in the service concept foreseen in the strategic plans. Italy has made some steps towards securing more human resources for the delivery of ALMPs, but these do not seem yet to fully respond to the growing and changing needs.

The number of staff is modest

Figure 2.6 depicts the caseloads in the public employment services in the EU countries using administrative data for jobseeking clients and staff members servicing these clients. This figure provides only a very general idea of the level of staff used to serve jobseekers

and thus gives a hint of how intensively are the jobseekers supported in their job search and how intense the job-search monitoring can be. Nevertheless, the institutional context and business models across employment services differ (e.g. which client groups the employment services are ought to serve or which benefits they are ought to provide, etc.), implying that this indicator has to be interpreted with caution.

Figure 2.6. The number of staff in the Italian system of employment services is comparatively low



Note: EU: European Union. PES: Public employment service.

i) No sufficient data available for Denmark, Ireland, Hungary, Norway and Poland. Belgium is presented by its three main public employment services – VDAB (Flanders region), Le Forem (Walloon region) and Actiris (Brussels).

ii) Only these staff members taken into account that serve clients (excluding those servicing employers), in the Italian data those staff members who work in the front office of local employment offices (83.5% of all staff in the local offices).

iii) For all countries except Italy, administrative data sources are used for calculating the number of jobseeking clients. Italian data about jobseekers: Number of unemployed who use PES for job search – unemployed who contacted public employment service for seeking work during the past four weeks i.e. unemployed who declared having used this method as one of the channels to seek work (an unemployed person might use several methods at once). Number of PES users – unemployed who have contacted public employment services at any point in the past regardless of the reason (only half of the users contacted public employment services in 2016 for active job search). Number of registered unemployed – unemployed who are registered with the public employment services, regardless of when and for what reason was their last contact. This is likely the most comparable figure with the data presented for public employment services in the other countries.

iv) There are no data included for the Autonomous Province of Bolzano in the Italian data for staff number nor for the number of jobseekers/unemployed.

v) The presented data should be compared between the employment services with caution as the institutional context, business models and tasks of the staff are different – i.e. some public employment services are in charge of different benefits while others not, some have staff members working simultaneously in the front and back office while others not, some have outsourced certain services while still providing some services to the clients themselves, some have outsourced the job placement entirely (and the client is not in the caseload of the public system any longer) and some provide a thorough service package by the public system, etc.

Source: OECD estimates using Italian data for staff numbers and front-office ratio from ANPAL (2017), *Piano di rafforzamento dei servizi e delle misure di politica attiva del lavoro*, http://bancadati.anpalservizi.it/bdds/download?fileName=e7a12b3a-a0be-450b-9ce5-ab6543378847.pdf&uid=e7a12b3a-a0be-450b-9ce5-ab6543378847; number of PES users from ANPAL (2017), *Gli operatori dei Centri per l'impiego (dati al 31/12/2016)*; number for registered unemployed and unemployed who use PES for job search from the *European Union Labour Force Survey* (EULFS) *Database*, http://ec.europa.eu/eurostat/web/lfs/data/database. Data for other countries are from Peters, M. (2016), *Assessment Report on PES Capacity 2016*, European Commission in co-operation with ICON Institute that uses responses to the EU PES Capacity Report questionnaire for 2016 and data gathered within the EU PES Benchlearning initiative, http://dx.doi.org/10.2767/861018.

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Moreover, the data sources used in this Figure for Italy differ from those used for the other countries. As there have not been any functioning national IT system for registering jobseekers in Italy so far, there are no administrative data available for the number of jobseekers registered with the PES. Instead, the following data from the Italian Labour Force Survey are used to develop caseload indicators for Italy: i) unemployed registering with public employment services, ii) unemployed who have contacted public employment services during the past four weeks for seeking work, iii) unemployed who have contacted at some point the public employment services (regardless of the reason). The caseload indicator using all jobseekers contacting public employment services is most likely overestimating the indicator available for other countries as the contact might have occurred long time ago and for any other reason than looking for a job. The indicator using jobseekers who contacted public employment services in the past month might underestimate the indicator for Italy as the contact does not necessarily take place that often. The indicator using the number of registered jobseekers is likely the most comparable one with the other public employment services.

Regardless of the indicator used, the caseloads in Italy are high in comparison with other EU countries which makes it difficult to provide appropriate support for the jobseekers and apply activation conditionality on benefit recipients. Indeed, 83.5% of local employment offices feel that they lack human resources, on average about 11 employees per office (ANPAL, 2018[32]).

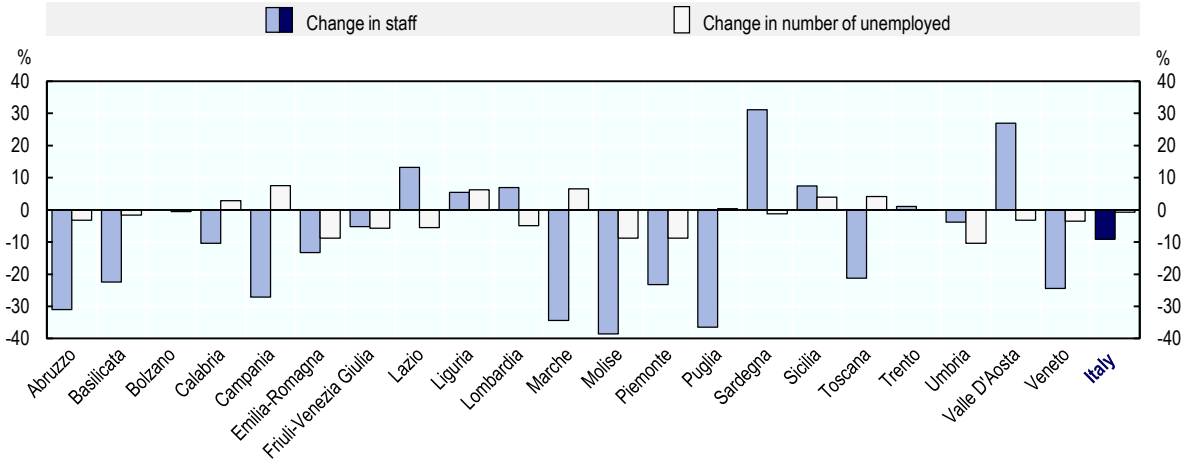
Although the Jobs Act aims at enforcing the employment services, the total number of staff in the system of public employment services has in reality declined since the beginning of the reform. In 2016, there were 7 934 staff members employed in the local employment services [end of 2016 excluding the autonomous province of Bolzano (ANPAL, 2017[58])], 10% less than the year before [data from ISFOL (2016[59])]. In 2017 the declining trend continued, reaching 7 503 employees by the end of the first quarter (ANPAL, 2017[60]). This decline in the number of CPI staff does not reflect a mild decline in the number of unemployed persons, which was only 1% between 2015 and 2016 (Figure 2.7).

The decline in staff numbers is due to the decline in the number of additional staff on temporary contracts (from about 750 people in 2015 to 450 in 2016) and the retirement of employees on permanent contracts who were not replaced by new hires. With the reform, hiring additional staff members on temporary contracts is not available anymore to local offices as a tool to increase their human resources. These employees on temporary contracts

were not only a source of additional workforce, but even more importantly a source of staff with more specialised skills, which helped the employment offices to provide more easily specific active services corresponding to the needs of jobseekers, such as psychologic counselling. This calls even more for strengthening employment services.

Figure 2.7. The number of staff shrank severely while the number of unemployed not

Change in staff and in the number of unemployed, 2015-16

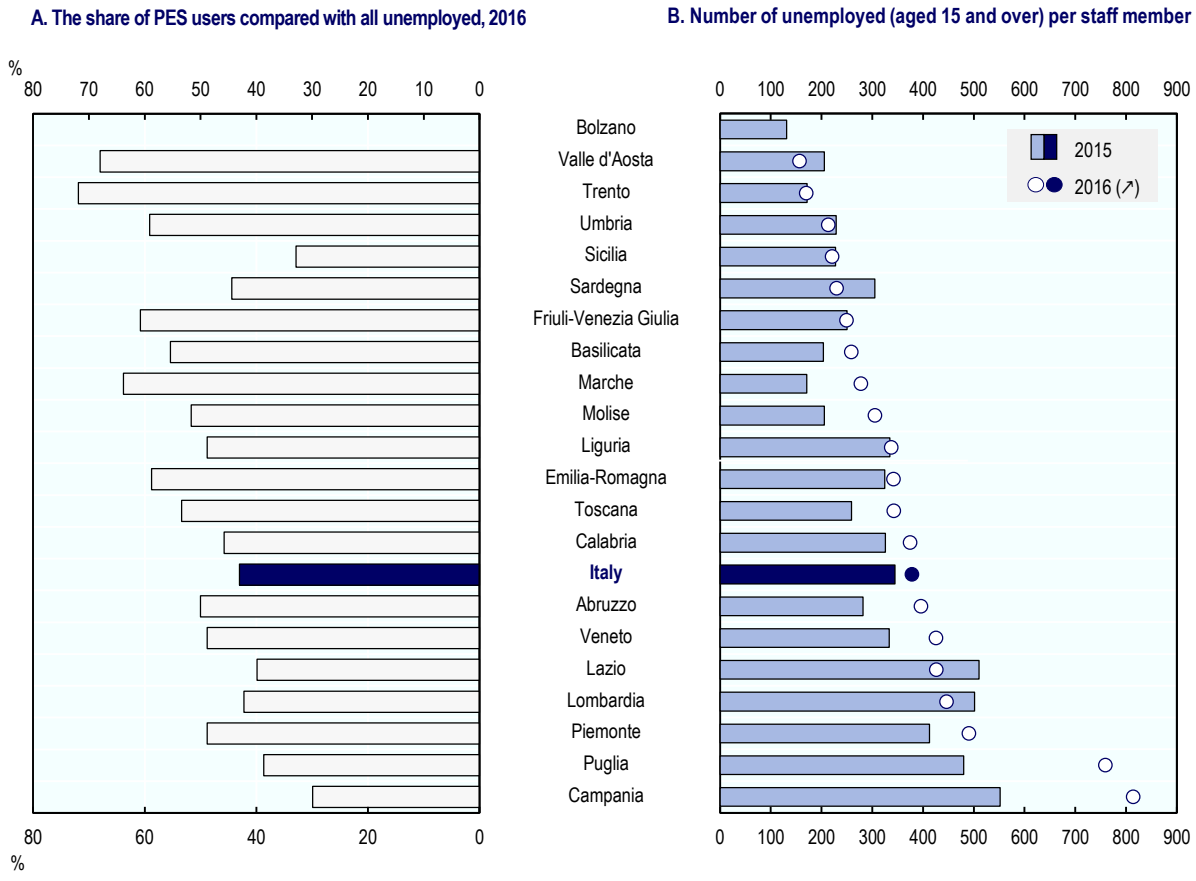


Note: Weighted averages for Italy. No data available for staff numbers in the Autonomous Province of Bolzano in 2016.
Source: OECD estimates on the basis of staff numbers for 2016 from ANPAL (2017), *Piano di rafforzamento dei servizi e delle misure di politica attiva del lavoro*, http://bancadati.anpalservizi.it/bdds/download?fileName=e7a12b3a-a0be-450b-9ce5-ab6543378847.pdf&uid=e7a12b3a-a0be-450b-9ce5-ab6543378847; staff numbers for 2015 from ISFOL (2016), *Rapporto di monitoraggio sui Servizi per il lavoro 2015*, http://bw5.cineca.it/bw5ne2/opac.aspx?WEB=INAP&IDS=20724; and the number of unemployed from I.Stat, http://dati.istat.it/.

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In addition to the declining number of CPI staff, the regional disparities in terms of human resources available in the system have increased after the reform. Some Regions with originally low numbers of CPI staff experienced further losses (such as Campania, Puglia, Piedmont), whereas other Regions with relatively higher numbers of staff were able to hire additional employees (such as Valle d'Aosta, Trento, Sicily, Sardinia (Figure 2.8). This has led to larger differences in the capabilities to provide active measures between the Regions, but also within the Regions.

Figure 2.8. The recent changes in PES staff numbers have added to the regional disparities



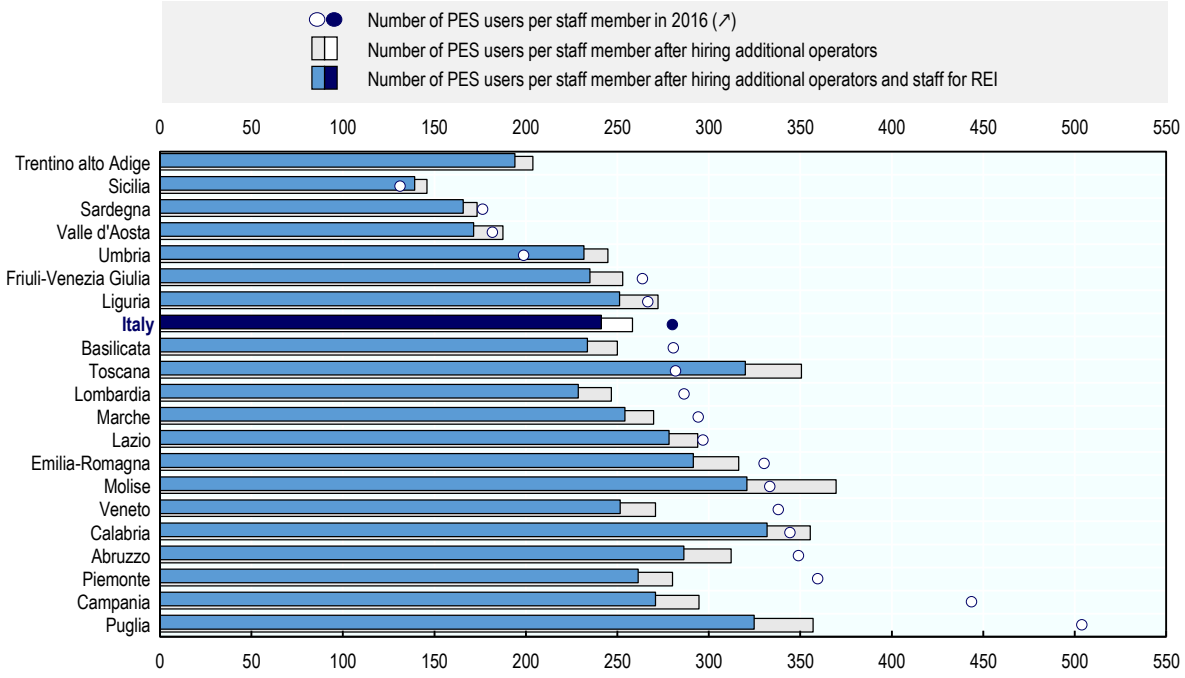
Note: PES: Public employment service. Weighted averages for Italy. Regions are ranked in increasing order of the number of unemployed (15-year-olds and over) per staff in 2016.
Panel A: Share of unemployed who have contacted the PES at any point in the past regardless of the reason (only half of the users contacted the PES for active job search). The indicator for Trento represents Trentino alto Adige (Trento and Bolzano Autonomous Provinces together).
Panel B represents the potential caseload per staff member, not the real caseload as not all unemployed register in the PES. In this panel, there is no data available for staff numbers in the Autonomous Province of Bolzano in 2016.
Source: OECD estimates on the basis of staff numbers for 2016 from ANPAL (2017), *Gli operatori dei Centri per l'impiego (dati al 31/12/2016)*; staff numbers for 2015 from ISFOL (2016), *Rapporto di monitoraggio sui Servizi per il lavoro 2015,* http://bw5.cineca.it/bw5ne2/opac.aspx?WEB=INAP&IDS=20724; the share of PES users from ANPAL (ANPAL, 2017), *Piano di rafforzamento dei servizi e delle misure di politica attiva del lavoro*, http://bancadati.anpalservizi.it/bdds/download?fileName=e7a12b3a-a0be-450b-9ce5-ab6543378847.pdf&uid=e7a12b3a-a0be-450b-9ce5-ab6543378847; and the number of unemployed from I.Stat, http://dati.istat.it/.

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While there are large differences between the Regions in the indicator of the number of unemployed per staff member, the actual caseloads of front-line staff are somewhat more similar across the Regions. On the one hand, the processes are set up differently, thus freeing more resources for the front-line counsellors in some offices than in others. On the other hand, the share of potential clients (unemployed) who actually use the services from local employment offices varies (Panel A, Figure 2.8). When taking into account that the share of clients among the total number of unemployed tends to be lower in those Regions where the potential clientele is higher, the differences between the Regions become smaller

(Figure 2.9). However, the question arises then whether the share of jobseekers using the help of public employment service has declined in those Regions because the public employment service does not have enough resources to attend to them. In addition, there are disparities not only between the Regions but also within the Regions as the local offices previously steered by the provinces have developed different business models and hence some local offices are more capable of providing active measures than others.

Figure 2.9. The plan to hire additional staff will harmonise the caseloads



Note: PES: Public employment service. REI – *Reddito di Inclusione* "Inclusion Income" (unemployment benefit). The number of PES users in 2016 is used for all three indicators depicted in the graph. PES users are defined as unemployed who have contacted the PES at any point in the past regardless of the reason (only half of the users contacted the PES for active job search). Regions are ranked in increasing order of the number of PES users per staff member in 2016.
The baseline for staff numbers is as of 15/03/2017 as in ANPAL (2017), however the number of staff might be lower by the time the additional employees will be hired (and thus, the caseloads will remain higher).
No data available for staff numbers in Trentino alto Adige in 2016.
Source: OECD estimates on the basis of staff numbers for 2016 from ANPAL (2017), *Gli operatori dei Centri per l'impiego (dati al 31/12/2016)*; number of PES users and the planned number of employees from ANPAL (2017), *Piano di rafforzamento dei servizi e delle misure di politica attiva del lavoro*, http://bancadati.anpalservizi.it/bdds/download?fileName=e7a12b3a-a0be-450b-9ce5-ab6543378847.pdf&uid=e7a12b3a-a0be-450b-9ce5-ab6543378847.

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The Plan to Strengthen Employment Services and Measures (ANPAL, 2017[60]) foresees 1 000 additional front-line staff members for the local offices to reinforce the provision of active labour market policies. These additional staff members are expected to conduct similar tasks and have similar skills as the existing front-line officers. Additionally, 600 people are expected to be hired in local offices for the implementation of REI (income for active inclusion) targeted to particularly disadvantaged groups to combat poverty. These 600 recruits are expected to have a more advanced and specialised set of skills to be able to provide social support such as psychological counselling and to network with the

providers of social services for an integrated service provision. Hiring the additional 1 600 officers will increase the number of staff in local offices back to the pre-reform level, but will not provide additional support.[37] Nevertheless, the additional recruitments will help harmonise the resources between the Regions (Figure 2.9), also with respect to the level of specialised officers.

The additional 1 600 staff will be hired using financial resources from the European Social Fund, which however is only a temporary solution considering the programming period being up to 2020. Yet, any more permanent additions of employees to the system are hindered as the number of employees in the Italian public sector is capped. It means that any addition of staff to the public employment services would have to take place simultaneously with a decrease or relocation of staff in the other segments of the public sector. As the civil servants in Italy have very high job protection and strong trade unions, this solution is difficult and would require a much wider agreement on reorganising the public sector in Italy.

Nevertheless, the new Italian government (from 2018) has declared it a priority to strengthen active labour market policies. The budget law for 2019 foresees a substantial additional funding for public employment services. Indeed, the CPI need additional staff beyond the 1 600 additional employees regardless of possible improvements in the business model to use the staff more efficiently. Simultaneously, there are other areas regarding employment offices that need additional investments (staff skills, IT systems, software, hardware, internet connection; see the next two subsections). However, the details and conditions for the additional funding have not been specified yet by the government as of autumn 2018. In order to truly increase quality in active labour market policies, the additional funding should follow an agreed accountability framework, rewarding the Regions and local employment offices which improve their services (see also Subsection 2.3.2).

Despite the high caseloads in Italy, there are ways to improve service provision and activation of jobseekers with the same level of resources. For example, several other public employment services in Europe such as in Finland and in the Netherlands have similarly high caseloads and have developed strategies to cope with that. The Dutch public employment service has implemented a tool to profile jobseekers according to their needs for more or less intensive support, directing those jobseekers that are closer to the labour market to use online tools rather than receiving face-to-face counselling (see also Box 3.3 in Chapter 3). Additionally, they are co-operating actively with other actors in the labour market such as municipalities, employers and temporary employment agencies to provide employment services. Services for jobseekers with disabilities are outsourced to private service providers. Thus, there are different ways also in Italy to make a more efficient use of existing CPI staff, such as the use of a supportive IT infrastructure and online services to free up the time of CPI staff for more specialised services (or those services which need a face-to-face channel) and a greater use of private service providers. The development of the quasi-market for employment services, jobseeker profiling tools to assign more self-reliable jobseekers to use online-tools and IT infrastructure supporting demand-side services are discussed in detail in Chapter 3 of this report.

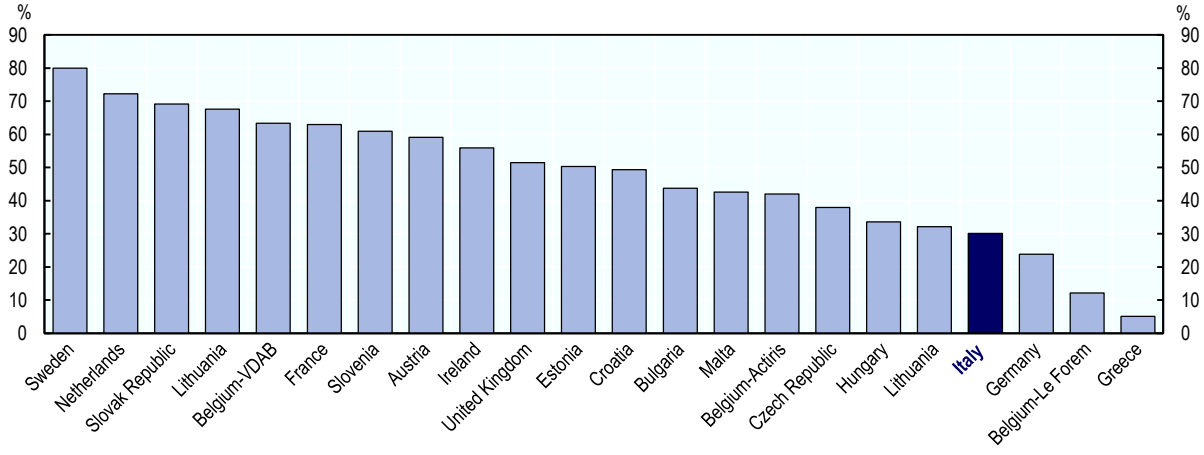
The set-up of processes does not support efficient use of human resources, yet

Italy would benefit from a more efficient allocation of its scarce resources in the area of ALMPs. The share of PES staff dedicated servicing jobseekers (i.e. employment counsellors) is only 30% (Peters, 2017[61]), which is low in comparison with that in the other public employment services in the European Union (Figure 2.10). A large share of personnel

is overwhelmed with administrative tasks, leaving very limited capacity to serve jobseekers. As the number of staff members is scarce to begin with, the set-up of processes leaves basically no capacity for counselling and activating jobseekers or reaching out to employers. The focus on administrative tasks rather than counselling jobseekers stems partially from the organisation culture and the mentality in the CPIs (the priority has been historically on administrative duties in the Italian public sector). This is something that ANPAL cannot influence directly as it does not manage the CPIs in the new set-up. Yet, ANPAL plays a role how the central processes and systems are set up. These, however, currently do not support an efficient business model either. For example, the processes concerning the new IT tools such as the online registration platform and the central system to collect jobseeker data are not presently supporting front-line staff to provide counselling and activation services, which should be the core of the business model.

Figure 2.10. Relatively low share of staff are dedicated to servicing jobseekers in the Italian employment offices

Share of staff in PES dedicated to servicing jobseekers in the European Union, 2017



Note: ALMP: Active labour market policy. EU: European Union. NEET: Neither in employment, nor in education or training. PES: Public employment service. Data for only these PES which deploy staff members servicing jobseekers. No sufficient data available for Denmark, Finland, Latvia, Poland, Portugal and Romania. The data for Spain refers to benefit officers only (excluding staff in charge of ALMPs).
The indicator in the figure is calculated as the number of staff in PES dedicated to jobseekers (special employment counsellors to deliver tailored support to jobseekers, targeting jobseekers in general or some specific group such as NEET) divided by the overall of number of staff in the PES.
Belgium – VDAB: The PES in Flanders (Belgium).
Belgium – Actiris: The PES in Brussels (Belgium).
Belgium – Le Forem: The PES in Wallonia (Belgium).
Source: Peters, M. (2017), *Assessment Report on PES Capacity 2017*, EC in co-operation with ICON Institute using data from responses to the EU PES Capacity Report questionnaire, http://doi.org/10.2767/880082.

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One of the examples of inefficient resource management is the current set-up for the process of registering unemployed. Jobseekers are required first to register online through a tool developed by ANPAL. However, jobseekers get their status as registered unemployed only after physically visiting a local employment office and confirming their Statement of Immediate Availability ("*Dichiarazione di immediata disponibilità*", DID). The forms filled in online are printed in the office, signed and then archived. This is merely an administrative act and does not involve counselling. This activity absorbs most of the capacity of the front-line officers and is viewed by them even more inefficient than

the system before the additional online tool was implemented. A simplification of this system could save resources while potentially not creating grounds for abuse. This online tool and the process of using it should be developed further so that the online process should not be duplicated physically in the office. Online channels as such are an efficient way for both the employment service as well as the clients to register jobseekers, particularly if the tool is able to use other administrative registers for data sources as much as possible (e.g. for previous employment records) to minimise the information that needs to be collected. Cross-using other administrative data helps also the employment service to receive more accurate data and prevent fraud. The scarce resources of staff in the employment offices should be used as much as possible to provide actual support for jobseekers, minimising their administrative obligations. So, a face-to-face meeting with the jobseeker after online registration should take place especially if the person is deemed to require more support from the employment service, but the time should be allocated to counselling the jobseeker on the next steps to be integrated to the labour market.

Other administrative activities in the employment offices involve for example certifying that the jobseeker is indeed registered with the public employment service to be eligible for benefits and services from other institutions. This is at the moment time consuming due to the lack of data exchange between the different organisations. However, there are plans to develop the necessary tools for data exchange and a freely accessible worker's dossier that should eliminate these administrative tasks in the future. In this case, the other organisations could get access to the administrative data about registered jobseekers directly, without any involvement by the staff in the public employment service.

Another example of excess administrative burden is a side-product of the transition of powers to the Regions. Under the steering of provinces, some databases were developed on the provincial level, but the data have not been always successfully migrated to the regional/national databases creating additional administrative burden for the CPI staff to re-collect the necessary data. Thus, some inefficiency stems from the transitional period to the new system and will remain unless the previously collected data are migrated successfully into the new system.

Nonetheless, besides the new IT tools not being fully developed (parts of processes not covered), they are also prone to breakdowns and not yet fully integrated with each other (multitude of different applications) or with other processes. For example, a new application developed by ANPAL and implemented since 4 December 2017 aims at gathering the data about the jobseekers in the same manner across Italy and at assuring that the information would be centrally available for all registered jobseekers (see also Subsection 2.3.3). However, due to the strong focus on the validity of the data, it has not yet had any efficiency gains which would normally emerge in the form of reduced paperwork for local employment offices. This in turn adds to the low buy-in to the reform and the undertakings of ANPAL by the local level staff decreasing their morale to contribute to the change. Though data validity and strict procedures are important to detect fraud and avoid abuse, it should not be the central aim of building the IT structures. The main purpose of the IT system should be to serve the CPIs and facilitate their tasks. Their needs, together with those of the jobseekers and employers have to be kept in mind when thinking about the design and architecture of the ICT infrastructure.

In addition, the set and division of tasks in the CPIs should be analysed as some of the responsibilities and processes might be more efficiently executed if centralised to the regional or the national level, freeing up more resources for the core responsibilities. Duties such as accounting, personnel management or archiving are for example among the responsibilities of the staff members in the local offices, sometimes carried out by the

same people in charge of servicing jobseekers and employers. The consolidation at the regional or national level could involve not only the "back-office" activities, but also some of the administrative activities regarding jobseekers. The local offices should focus above all on those tasks that are needed for their customers at place (such as face-to-face counselling jobseekers and co-operating with local employers), while more general services and particularly services via online tools and telephone do not have to be physically close to the customer.

A call centre (a unique phone number supported by chat and e-mail option) set up by ANPAL in November 2016 is thus a good initiative. It provides information for jobseekers and employers, but also to the staff in the CPIs and private service providers concerning mainly the IT tools (ANPAL's portal, DID) and active labour market policies (reintegration voucher, employment incentives, Youth Guarantee) (ANPAL, 2018[62]). Considering that during the first year of its operation the call centre was contacted about 3 000 times a month which is only about 0.1% of the average number of CPI users, there is still some room for developing its activities further, reaching more clients and respectively decreasing the administrative burden in the CPIs. The marketing of this option to the potential customers could be enhanced by communicating the call centre contacts in the local offices (e.g. posters and leaflets) and on the respective regional webpages (e.g. the webpages of regional agencies for employment services). The call centre could include an overview of the regional measures (the Regions should then provide it with the details of their measures such as the eligibility criteria, potential duration, etc.) in addition to the national schemes. Furthermore, it could be considered whether the call centre could provide services in addition to providing general information, for example fulfilling simpler administrative tasks such as providing certificates of registered unemployment on request.

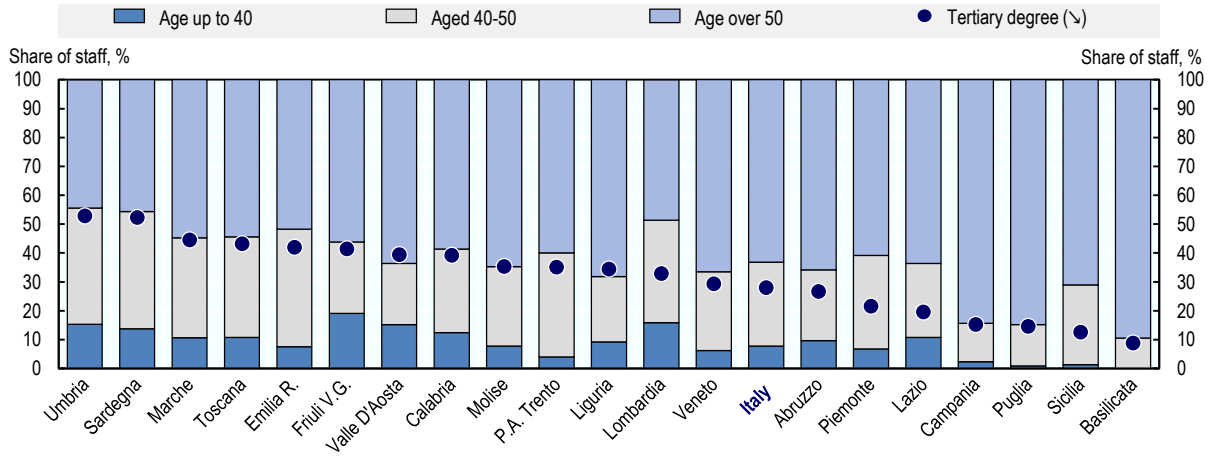
The qualification of staff is low undermining the potential for service quality

The education level and skills of the employees in the local employment offices is currently insufficient to deliver employment services of the quality needed to implement the Jobs Act. Just over a quarter of staff (27.9%) has tertiary education while the majority has an upper-secondary degree and a substantial part of staff has lower secondary education or less (12.3%).[38] The structure of staff by education level has improved very slightly over the past few years not because of new hires with higher education, but due to the retirement of staff members with lower education levels[39] and the reduction in temporary contracts which were held by persons with higher education than those on permanent contracts hired a long time ago.[40] Indeed, there is a strong reverse correlation between age and the level of education in employment offices (Figure 2.11).

There are large variations in the education level across the employment offices. While in Umbria and Sardinia more than half of the staff members have tertiary degrees, the share of staff with high educational attainment in Basilicata, Sicily and Puglia is less than 15%. As the education level tends to be lower in the Regions where also the number of employees in the CPIs is relatively lower, it further exacerbates the lack of sufficient human resources and hence the delivery of adequate services there. Noteworthy is also the blend of Regions in the two ends of the scale, diverging from the traditional South-Italy versus North-Italy narrative. There is a mix of Regions from the South and North having staff with very low qualification.

Figure 2.11. Age and education level in public employment offices

Share of staff with a tertiary degree and staff by age groups in the Italian Regions on 31 December 2016



Note: Out of 7 934 employees, age was missing in the data for 11 people and education level for 238 people. Additionally, data is entirely missing for the Autonomous Province of Bolzano. Regions are ranked in decreasing order of the share of staff with a tertiary degree.
Source: Data from ANPAL collected by the monitoring survey, ANPAL (2018), *Monitoraggio sulla struttura e il funzionamento dei servizi al lavoro*, http://www.anpal.gov.it/Dati-e-pubblicazioni/Documents/Rapporto-monitoraggio-spi-2017.pdf.

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Low education level is accompanied by low level of competencies among the staff working in the local offices, making any implementation of activation policies currently doubtful. A survey among the local employment offices in 2017 (ANPAL, 2018[32]) showed that lack of competencies is a problem in over a third (35%) of employment offices in supporting jobseekers to draw up a career development plan and the associated individual action plan. Almost a third (31%) of offices consider their low competencies to be problematic to provide career counselling. Every fourth to fifth employment office recognises lack of competencies in identifying user needs, mapping the social and occupational characteristics, supporting jobseekers in receiving information on occupational, job and training opportunities, interviewing jobseekers and defining individual action plans, providing services related to matching jobseekers to vacancies and providing services for jobseekers with disabilities.

Despite the evidence of limited skills of CPI staff, there have not been systematic training programmes during the past years to advance the necessary skills. Staff from 58% of employment offices participated in some form of training recently (during the past 12 months before the survey in 2017), with considerable differences among the Regions [46% in the Southern Regions to 72% in The North-Western Regions, (ANPAL, 2018[32])]. Centrally, training sessions have been provided so far only to a limited number of staff on specific topics [e.g. preparing some staff members to conduct the testing of the PIAAC tool on jobseekers (see Chapter 3)]. Training has not been systematically provided for the front-line staff even in the cases when new processes, measures or IT systems have been implemented, hindering homogeneous application.

Thus, 90% of employment offices feel that their staff needs additional training and this demand is homogenous across the country. The most urgent training needs concern updates on legislation such as about the Jobs Act and the Youth Guarantee, their implications on

CPIs' work and processes, how to implement the changes and how to inform the customers (28% of all requests for training). Training need is high also on jobseeker services, particularly on supporting jobseekers in labour market integration i.e. counselling (20% of all requests), services for employers and self-employed (12%), IT (12%) and communication and marketing (9%) (ANPAL, 2018[32]).

The Plan to Strengthen Employment Services and Measures will help to some extent by hiring 600 new CPI employees with specific competencies to help the jobseekers furthest from the labour market. Nevertheless, the specialised staff members will constitute only a small fraction of the total staff being able to deliver also a fraction of the services.

Second, the plan foresees training for the existing employees. ANPAL Servizi, the in-house body of ANPAL, is expected to develop a methodology for the training to target the skills the staff is lacking. The aim of the training is to harmonise the knowledge and use of the newly developed tools and instruments thus harmonising the level of service provision. In particular, this training will target the use of IT tools and databases, skills to match vacancies and jobseekers and the skills to analyse the training needs of the jobseekers. This training has to reach all employees of the CPIs, requiring non-negligible investments of time and financial resources. Additionally, a plan for a continuation of the training has to be drawn up to keep the skills of the staff continuously up to date along with improvement in the methodologies, developments of the IT infrastructure and new recruits. At the moment, the existing plans do not cover these aspects yet sufficiently.

CPI staff should be given the motivation and tools to contribute to the reform

In general, CPI staff tend to feel unsatisfied with their jobs and might not motivated to contribute to the system. The underlying causes are the lack of human resources, their insufficient skills and limited training as well as the inefficient processes and support structures leading to high workloads. In addition, the low level of feedback about the work performed is degrading motivation. Thus, further developments in the performance management system are necessary to overcome that. The reform in the system of employment services has to be implemented with the help of existing human resources and requires a communication plan of the reform agenda and the strategy of ANPAL to inspire commitment among the front-line staff. The regional units of ANPAL Servizi should be utilised to implement the communication plan.

The systems of public employment services often go through changes and reforms. Gaining the support of PES staff is of primary importance for the success of such reforms. Nevertheless, regardless of the shortage of resources and the disruption from change, staff members in employment services usually find motivation to do their job, because they feel that they are helping the jobseekers. In the Italian system on the contrary, this aspect of the job tends to be missing in many of the Regions. Front-line employees perceive their tasks to be more administrative in nature, not necessarily as assisting the jobseekers to get back to employment. In general, they do not get the feedback when a person gets employed, neither through the tasks they are fulfilling nor through a statistical overview, report or performance management system. The exceptions are local employment offices in a few Regions where performance monitoring does take place such as in Piedmont (see Box 2.8) and Lombardy. For example in Piedmont, the staff in a local office visited during the preparation of this review, has a lot of administrative tasks similarly to offices in the other Regions. Yet, the mind-set of the staff is quite different. The client is in the centre of attention and the staff are able to think beyond their bureaucratic duties and feel motivated to perform their job because of its nature, i.e. the social aspects of it.

Box 2.8. Performance monitoring in Piedmont region

The Piedmont Work Agency (*Agenzia Piemonte Lavoro*) manages and co-ordinates local employment offices in the Piedmont region and supports them with labour market research and analysis. Performance management is an integral part of the Agency as it has set itself a thorough Performance Plan for 2018-20, establishing its mission, strategic objectives, operational activities to reach the objectives and indicators to measure progress. However, there is no performance management in place, which would set objectives and targets also for the individual local employment offices.

Nevertheless, the regional labour market performance is monitored enabling the staff to get an understanding of the situation and progress. The Agency publishes regular labour market overviews called the Chronicles of Work (*Cronache del lavoro*) that uses above all data from the regional labour market information system. This IT system is used by the local employment offices and contains data about unemployment, employment, enterprises and labour market policies.

The Chronicles of Work provides and overview of general trends concerning population, employment and unemployment in Piedmont and in the municipalities. In addition, it analyses different aspects of labour demand (statistics by contracts used, sectors, qualifications, occupations, statistics on new internships, trends in job placements of disabled people, etc.) and labour supply (jobseekers registered with the local employment offices).

Source: Agenzia Piemonte Lavoro (2018[63]), *Cronache del Lavoro. Rapporto dei Centri per l'Impiego in Piemonte*, www.agenziapiemontelavoro.it/index.php?option=com_remository&Itemid=230&func=fileinfo&id=597; Agenzia Piemonte Lavoro (2018[64]), *Piano performance 2018-2020*, http://www.agenziapiemontelavoro.it/images/ammtrasp2016/PianoPerformance-2018-2020-complessivo.pdf.

The motivation of front-line staff will also increase in the other Regions if the usefulness of their job will be more evident. On the one hand, it requires a change in the nature of tasks to shift the focus away from administrative activities to more support to and counselling of jobseekers and employers. This change of focus is also planned within the reform of the employment services. On the other hand, a performance management system including indicators and targets showing the value added of the public employment services (such as indicators for labour market integration rates and vacancies filled) would make the contributions of the staff more evident. The indicators should be broken down at least at the level of local employment offices (if employee level is not possible due to e.g. trade union resistance or data protection rules) to create a feeling of ownership among the staff and encourage them to take responsibility for the labour market outcomes of jobseekers. These indicators and the respective break-downs were proposed by ANPAL within the Triennial Strategy for the Action on Active Policies and agreed on by the Regions in December 2017. As of now, none of the monitoring activities has taken place, because the necessary integrated IT system (SIU) has not been fully developed, yet.

The performance management systems in Estonia (employee level break-down) and Austria (local office level break-down) could serve as good practices in encouraging employee engagement to further improve the performance management in the Italian system of employment services (see Box 2.9). An existence of the necessary data is the key precondition for the establishment of such a performance management system. The performance results should be transparent and disseminated across the system of public

employment services, ideally through an easily understandable and visualised dashboard (a management information system), accessible to both managers and front-line staff.

Box 2.9. Performance management system to engage employees in the Estonian and Austrian public employment services

Feedback on performance on employee level in the Estonian PES

The performance management system in Estonia consists of three types of indicators – outcome indicators (jobseekers entering employment), input indicators (quantity of services provided) and quality indicators (customer satisfaction, quality of services, timeliness of processes). The set of indicators on outcome is deemed to be the most crucial regarding performance and is thus charged with higher weight than the other two sets (as of 2018, outcome weighs 70%, quality 30% and input is only monitored, but not scored) when calculating the overall performance index on the regional level. The overall performance index feeds into incentive pay (one of the three components of incentive pay together with the individual level performance results and organisational level performance results). The overall index as well as individual indicators help also to detect and share good practices as well as areas for improvement.

A constant monitoring and feedback system is in place to give insights about the progress. As exit to employment is considered to be the most critical indicator to fulfil the PES mission, engaging employees to achieve these targets is a particular focus. The PES register data is linked with tax data to monitor labour market integration rates, enabling to get a fair and accurate understanding on performance. As the linking process with the tax register data is feasible twice a year only, additional monthly indicators are generated based on the PES register to provide a more timely (though slightly less accurate) insight into performance progress. This statistics is generated on the job search counsellor level to provide management input for managers of local offices. The top ten counsellors by each of the three customer groups by labour market integration difficulties are published monthly across the PES to create positive examples and motivation. In addition, top counsellors in each local office are announced to encourage employee engagement in each local unit.

Feedback on performance on employment office level in the Austrian PES

The Austrian PES uses a Balanced Scorecard for performance management, incorporating indicators for outcome, quality and output of employment services. The 100 local offices are grouped into six clusters when benchmarking performance, taking into account differences in budgets, staffing and local labour market.

The information on the indicators, target levels, benchmarks and results of the Balanced Scorecard are published in a data warehouse, accessible for all PES staff through a dedicated easily-understandable dashboard. The performance information is published at the regional level and local office level, together with the information on clusters. Publishing the data enhances the clarity and transparency of the system, encouraging employee engagement to performance.

Rewards to acknowledge good results

Both the Austrian and the Estonian public employment services implement non-monetary incentives in the form of rewards to further encourage employee engagement beyond

the monetary incentives connected to their performance management systems. The best offices (Austria) and case workers (Estonia) are honoured at a yearly event acknowledging their achievements. In addition, other rewards such as for the best initiatives, the best practices (introducing or sharing of practices), the best new digital tools or the best campaigns are announced. These non-monetary incentives further motivate staff engagement when the rules set for the rewards are fair and transparent.

Source: Lauringson, A. (2015[65]), *Recent developments and experiences of reviewing performance management system in Estonian PES*; Lauringson, A. (2013[66]), *Performance management system in the Estonian PES*, http://ec.europa.eu/social/BlobServlet?docId=9976&langId=en; Lauringson, A. (2013[67]), *Continuous learning as a central feature of performance management in the Estonian PES*, http://ec.europa.eu/social/BlobServlet?docId=10984&langId=en; Weishaupt, T. (2016[47]), *Establishing and Operating Performance Management in PES*, http://dx.doi.org/10.2767/166351; Adamecz, A. (2013[68]), *Performance management in Public Employment Services: Benchmarking, clustering and individual performance management*, http://ec.europa.eu/social/BlobServlet?docId=11015&langId=en; Knab, C. (2016[69]), *Implementing non-monetary incentives by awards*, https://ec.europa.eu/social/BlobServlet?docId=17896&langId=en; Wilk, M. and S. Putz (2016[70]), *AMS Balanced Scorecard (BSC)*, EC, https://ec.europa.eu/social/BlobServlet?docId=15215&langId=en.

In addition to providing information on the value-added of work in the local offices, a performance management system helps to motivate staff with financial as well as non-financial incentives by rewarding these in case of good performance. The mechanism for financial incentives is provided with the Jobs Act by applying activation conditionality on benefit recipients allowing to allocate half of the costs saved as financial rewards for the local offices. Yet, this mechanism is unlikely to be fully operational in the near future and there are no other means to implement financial incentives.

Non-monetary incentives are not widely used among the Regions. Only six Regions use some forms of non-monetary incentives (Friuli-Venezia-Giulia, Lombardy, Marche, Trento, Tuscany, Umbria), mostly as training possibilities for the staff (data from a survey conducted by OECD in May-June 2018). In this situation, non-monetary incentives like recognition and awards such as "best performing employment office", "best new practice", etc. could be much more extensively used to encourage motivation and performance. These rewards can be implemented at the national level (such as in Austria and Estonia) as well as at the regional level.

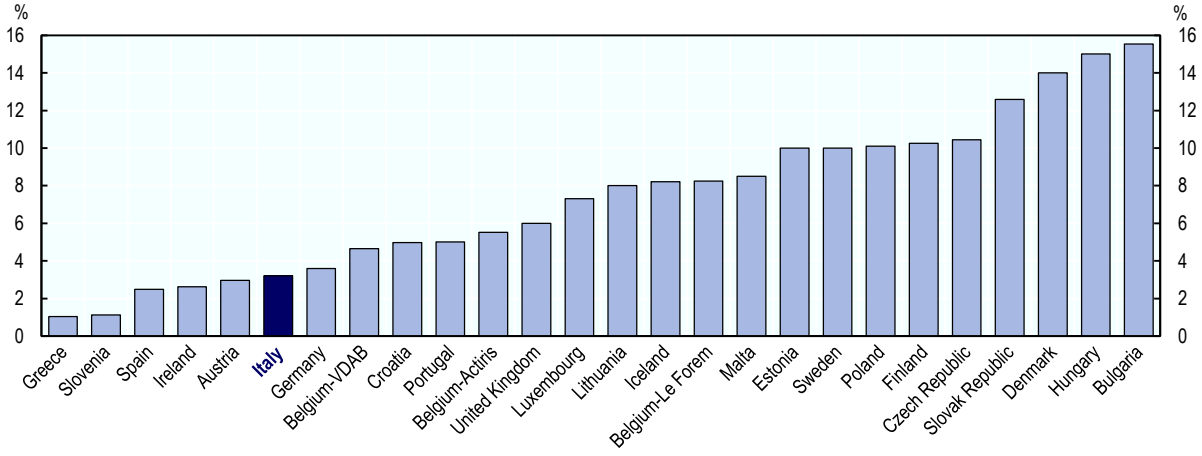
Besides the scarcity of information about performance among the staff in the CPIs, there is also a scarcity of information regarding the reform and the prospective changes. This situation creates uncertainty, which is demotivating for the staff. One of the most demotivating cases in this respect has been the ill-design of the reform of transferring responsibilities for employment services from provinces to the Regions in 2014 without transferring the corresponding budget. This has had severe repercussions on the already problematic implementation process. In addition, confusion and unease among the front-line officers increased due to the unwillingness of different government levels to take responsibility for them. In July 2015, an agreement between the State and the Regions established the costs for the local offices to be shared (2/3 by the State and 1/3 by the Region), although the negative outcome of the referendum at the end of 2016 put this agreement in jeopardy. This situation was permanently resolved only with the budget law for 2018 which established a continuous transfer from the State budget to the Regions.

Despite all the above challenges CPI staff face, the overall staff turnover was one of the lowest among the European public employment services in 2016 (see Figure 2.12). Basically, employees leaving the employment offices comprise mainly retirees and

employees on fixed-term contracts when their contracts expire. The motivation to stay in the system is high irrespective of the motivation to contribute to the system being probably low. Employees do not leave their jobs due to the bad labour market situation in Italy and scarce job opportunities. In addition, it is not easy to fire incompetent employees on open-ended contracts. Thus, the new business model of the system of employment services has to be implemented with the help of the existing staff and the necessary changes have to be implemented to make this work.

Figure 2.12. The staff turnover in the Italian system of public employment services is low

The proportion of staff leaving the organisation in the public employment services in the EU in 2016



Note: EU: European Union. No data available for France, Latvia, the Netherlands and Romania. All reasons for leaving the organisation included (retirement, redundancy, etc.).
Source: Peters, M. (2017[61]), *Assessment Report on PES Capacity 2017*, EC in co-operation with ICON Institute using data from responses to the EU PES Capacity Report questionnaire, http://doi.org/10.2767/880082.

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However, it will not be possible to deliver the activation policies for jobseekers and provide services for employers with staff unwilling to commit to the new tasks and exhibiting a negative mind-set towards the reform. Hence, much more should be done beyond the training increasing the skills foreseen in the Plan to Strengthen the Employment Services and Measures to provide activation policies with the support of existing staff.[41] A communication plan of the reform agenda and the strategy of ANPAL should be drawn up (see also Subsection 2.3.2) to mobilise staff in local offices. It has to be systematic and reach all offices and front-line staff and aim at encouraging support for the reform. It has to provide an overall vision of the system and create the feeling of common mission contrary to providing fragmented pieces of information only on specific activities as it has happened so far. Additionally, the staff of ANPAL Servizi situated physically in the regional level should be utilised as advocates for the reform, communicating directly and face-to-face with the local offices and front-line staff and not only via regional authorities. The staff of regional ANPAL Servizi can serve as a contact point and mediator between ANPAL and the local employment offices to inspire commitment to the reform in the local offices and provide feedback on the challenges and needs for adjustment to the reform agenda to ANPAL. Regional ANPAL Servizi has to co-operate with regional authorities to fit the change agenda provided by ANPAL to the regional plans.

A staff satisfaction survey should be used to monitor the situation in the local employment offices. This is a common practice in many public employment services in OECD countries which helps to collect information on how to improve the motivation and performance of staff members. Alternatively, a survey targeting specifically employee engagement can be designed such as in the German public employment system (see Box 2.10) to focus more on the staff performance rather than their job satisfaction.

Box 2.10. Employee Engagement Index in the German public employment service

Employee Engagement Index was introduced in the German public employment service in 2013 aiming at promoting and securing work ability and motivation in response to challenges stemming from staff ageing and increasing diversity and from demographic change and the extension of working life.

Employee Engagement Index combines the notions of employees' willingness to perform and ability to perform. The survey for employee engagement is currently conducted every two years comprising of 19 questions related to 5 dimensions – willingness to make an effort, identification with employer objectives, psychological contact (balance of expectations between employee and employer), work ability and ability to communicate effectively.

The results of Employee Engagement Index are made available by each management level (central, regional, local) and are inputs to performance related payments to managers. Furthermore, the results are followed up by dialogue-based activities such as workshops where managers and employees discuss how to address the less developed dimensions of employee engagement and decide on the actions to be taken.

The data from German experience indicate that the Employee Engagement Index has a significant impact on the results of customer satisfaction surveys, even when controlling for other factors (e.g. characteristics of employees). Thus, employee engagement affects the performance of public employment service. In addition, the results of Employee Engagement Index have shown slight positive trend since the implementation of the survey and follow-up measures.

Source: Behrens, B. (2015[71]), *Strengthening leadership capabilities of public sector organizations for improved employee engagement*, Presentation at the OECD conference; Behrens, B. (2016[72]), *Employee Engagement Index*, EC, http://ec.europa.eu/social/BlobServlet?docId=15340&langId=en.

A critical aspect of employee engagement in a major reform is employees' feeling of ownership. A good way to achieve ownership as well as to generate effective change is to involve a wider range of staff in the development of change agenda. The so-called "co-creation" is an innovative way to design reform process involving staff affected the most by the change in the design of the reform, practiced usefully for example in the public employment services of Belgium-Wallonia and France (Dorenburg and Haaland-Wittenberg, 2016[53]). In the context of Italy, it means that ANPAL could try to involve more staff from the local offices (managers and front-line staff) in designing and testing new methodologies and tools. In addition to developing more applicable tools in this way, the staff engagement and commitment to the reform agenda would increase.

2.4. Conclusions

The Jobs Act has had some positive effects on the Italian labour market by enhancing labour market flexibility and harmonising unemployment benefits. However, the third major pillar of this reform which aims at strengthening the system of employment services has been the most cumbersome to implement.

There are a number of challenges that need to be addressed to implement the reform and make the system of employment services more effective and efficient. A monitoring and accountability system has to be put in place to initiate co-operation between the stakeholders and harmonise the fractured system. The National Agency for Active Labour Market Policies has to establish itself further as the coordinator of the network of employment services and as a strong support unit for the local employment offices. The local employment offices are vital in making the changes in the service concept and they need more support such as more training to apply the new concepts, updating of business processes focussing relieving administrative burden and IT infrastructure supporting their work. Developing appropriate IT infrastructure and linking it with other registers is also critical to link active and passive labour market policies.

The subsequent chapter (Chapter 3) discusses some of the specific approaches that the Italian system of employment services is developing to improve the provision of active labour market policies. In particular, the regional practices and the national initiatives are presented concerning the use of jobseeker profiling tools to target active labour market policies, enhancing quasi-market for employment services to increase the quality and capacity of employment services and advancing demand-side services to meet the employers' needs and support matching jobseekers to vacancies.

Notes

[1] In case of companies with at least 15 employees, the employee had to be reinstated. Companies with less than 15 employees could choose between reinstatement and paying a severance-payment depending on worker's seniority (2.5 to 6 monthly salaries) (Sestito and Viviano, 2016[8]).

[2] A provincial tripartite committee chaired by the representatives of the Ministry ultimately decides on granting CIG following negotiations with unions, and negotiates also possible extensions, on a case-by-case basis.

[3] This scheme was introduced in the early 1990s by Law 223/1991. It was also a very generous scheme, particularly in terms of benefit duration. It could be considered to be an integral scheme of CIGS as it was paid either at the end of CIGS provisions or when the firm was not able to include some of its workers in CIGS, and put them in these "mobility lists" (after authorisation). It was subject to the same authorisation procedures by public authorities like CIGS.

[4] The extension was regulated by regional tripartite agreements, conditional on the availability of resources in the regional budgets, where resources were assigned to the Regions following negotiations with the Treasury Ministry.

[5] The system of unemployment insurance included at the same time a variety of ad-hoc schemes (e.g. unemployment benefits for agricultural or construction workers).

[6] For the first 12 months, there will be a 9% increase of the wage lost by the worker, which will rise to 12-15% once the 12-month threshold of use is exceeded.

[7] Concerning CIGS, commitments towards unions regarding preventive communications have also been abolished.

[8] Contributions are paid by employers in the share of 1.61% of gross wage on permanent contracts and 3% on fixed-term contracts (2018).

[9] The amount of the benefit is calculated as gross wage of the last four years divided by the number of contribution weeks and multiplied by a factor of 4.33.

[10] For ASPI, this threshold was established at EUR 1 180.

[11] This threshold is revalued annually using the consumer price index from the year before.

[12] In the intentions of the government, this scheme corresponded originally to an experimental and temporary measure, since most of this kind of contracts ("project collaborations" – *collaborazioni a progetto*) have been abolished by the Jobs Act, being transformed into the new permanent contract type from 1 January 2016. Instead, "continuative coordinated collaborations" (*collaborazioni coordinate e continuative*) contracts are being used in cases of some categories. The government decided to confirm DIS-COLL as a stable measure after the Decree 81/2017, addressing the benefit to those workers paying the threshold of 34% of unemployment benefit contribution for a "separate insurance" of INPS ("*gestione separata* INPS"), a fund for specific and residual categories of self-employed workers.

[13] The amount of this unemployment benefit was equal to 75% of the NASPI, and it was due for a maximum duration of six months after the period of unemployment insurance benefit if the worker remained in a situation of particularly difficult conditions: yearly household income not higher than EUR 5 000, being close to the retirement age (at least 55 years old) or having children. In addition, the recipient had to fulfil an individual "service pact" conditioning the benefit to active job search.

[14] This scheme combined ASDI and "Sustainment for the Active Inclusion" (*Sostegno all'Inclusione Attiva* – SIA), introduced in 2016, a social assistance scheme to address poverty based on households' income and managed by municipalities.

[15] In order to obtain the benefit, a household has to include at least one member, who is an unemployed person over 55 years of age, a child, a pregnant woman or a disabled person.

[16] The household's income not exceeding EUR 6 000. This threshold is accompanied by the provision of ISRE (income indicator in relation to the composition of nuclear family) up to EUR 3 000, real estate not exceeding EUR 20 000 and assets up to EUR 10 000 (EUR 6 000 for singles, EUR 8 000 for couples). The amount of the benefit is not anymore related to the previous wage, but its rate is fixed depending on family composition, up to a maximum of about EUR 500 in case of five people in a household. Therefore, REI assigns an allowance lower than ASDI on a monthly basis, but for a longer duration (up to 18 months).

[17] Along with similar intentions to reform the division of powers between the State, the Regions, and administrative entities concerning other fields.

[18] However, as of summer 2018, there have been no meetings organised for the whole network of employment services. Only meetings between the Regions and ANPAL (the Committee of Active Labour Market Policies) take place regularly.

[19] These bilateral agreements are signed additionally to the two strategic documents, which all the Regions sign (the Triennial Strategy for the Action on Active Policies and the Plan to Strengthen Employment Services and Measures).

[20] Nineteen regions, i.e. not considering the two Autonomous Provinces where the centralisation does not take place. Results via a questionnaire among the Regions by the OECD in May to June 2018.

[21] http://ec.europa.eu/social/main.jsp?catId=1163&langId=en, http://ec.europa.eu/social/main.jsp?catId=1206&langId=en.

[22] For example, who can register with employment offices, which measures can be provided to them, which job search requirements have to be satisfied in order to be able to remain registered with the employment offices and receive activation measures, how the service provision should be arranged, etc.

[23] The set of indicators agreed in the Triennial Strategy for the Action on Active Policies in December 2017 contain some indicators related to this area (e.g. number of active measures provided and the share of participants in employment after 3, 6 and 12 months). However, as of summer 2018, neither a target for these indicators has been set nor are there any data available, yet.

[24] Besides the concept of service pacts, also individual action plans have been used by the Italian Regions. Even though the Decree 150/2015 provides only the concept of the service pact, some Regions/CPIs sign two different agreements with the jobseeker, the service pact targeting more the services to be provided and the individual action plan targeting more the pathways to work. However, the provision of services and the pathways to work should be complementary and integrated into one administrative activity to decrease administrative burden in the offices.

[25] Data for 2010-15 (i.e. before the Work Ability Reform that added additional client group). Data for jobseekers from https://www.tootukassa.ee/content/tootukassast/peamised-statistilised-naitajad, data for appeals from https://www.tootukassa.ee/content/tootukassast/majandusaasta-aruanded. Appeals related to participation in active labour market policies, sanctions on benefits, but also to granting unemployment benefits, i.e. the number of appeals strictly related to activation conditionality is even somewhat lower.

[26] As there are no data available to have an overview of the current level of the indicators, let alone the level these indicators should be reaching in the coming years.

[27] ANPAL was supported in that through a Mutual Assistance Program of the EU PES Network and the European Commission.

[28] These are also set out in the organisational regulations (ANPAL, 2018[76]).

[29] ANPAL outlines its key activities in a greater detail also annually in the budget planning process.

[30] Additionally, ANPAL states its objective in the annual plan for budget, which is similar to the mandate in its statute: "ANPAL, through interventions and services to improve the efficiency of the labour market, coordinates the network of the services for labour policies, promoting the effectiveness of the employment, training and professional elevation rights and the right for each person to access free placement services." (ANPAL, 2017[75]), (ANPAL, 2018[62]). ANPAL also communicates its main objective on its website, though somewhat differently, stating that "the main objective of ANPAL is the coordination of labour policies in favour of jobseekers and the reintegration of the unemployed in NASPI (new social insurance for employment), in DIS-COLL for employees and precarious workers or in ASDI (unemployment allowance), through the preparation of tools and methodologies to support public and private operators in the labour market." (ANPAL, 2018[73]).

[31] See more on: http://ec.europa.eu/social/BlobServlet?docId=18516&langId=en.

[32] Results via a questionnaire among the Regions by the OECD in May to June 2018.

[33] Another common concern involved the development of a functional IT framework, highlighted by six Regions.

[34] Only one Region (Emilia-Romagna) had started hiring additional staff.

[35] A general process for implementing subsidiarity principle was agreed after the current analysis was conducted, during the Committee of Active Labour Market Policies in December 2018.

[36] The problems with hardware involve for example that there are not enough computers in the office, the computers are too old and slow, and the printers are not functioning. The internet functioning is sometimes compromised also by malfunctioning telephone lines. Furthermore, some offices lack software (in addition to lacking IT systems for core functions).

[37] In fact, it is lower than the number of personnel in local employment offices during the previous years as the number of personnel has continued a decrease already through several years [see for example Mandrone and D'Angelo (2014[77])].

[38] It means that a non-negligible part of the staff have not even completed the compulsory part of the education system.

[39] Data for 2016 from ANPAL (2017[58]) compared with data for 2014 from ISFOL (2016[59]).

[40] In the end of 2016, 26.1% of employees on permanent contracts had tertiary degree, while this share was 75.1% among employees on fixed-term contracts (ANPAL, 2018[32]).

[41] So far, the communication of the change agenda has been fragmented, involving webinars about the legislative changes, but not reaching all local offices or front-line staff. Additionally, trainings on specific measures such as reintegration voucher have been conducted, but again not reaching all staff. A structured and systematic communication of the strategy of ANPAL and the overall change agenda has not taken place.

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Chapter 3. Approaches to deliver active policies in Italy

This chapter discusses regional practices and national initiatives to deliver active labour market policies in Italy. First, it presents the jobseeker profiling tools that are used to outsource employment services and to target active policies in general and it looks at the testing of PIAAC online tool as a method to profile jobseeker skills. Secondly, it discusses the attempt to develop a quasi-market for service providers, covering the co-operation models with private providers, the accreditation process of service providers and the national initiative to outsource job placement services (the reintegration voucher). Thirdly, it analyses the approaches to co-operate with employers, including the new national strategy for employers.

3.1. Introduction

This chapter analyses three specific approaches that are currently being developed in Italy to improve the provision of employment services – profiling jobseekers, outsourcing employment services and reaching out to employers.

Due to the decentralised system of employment services, the practices of service provision vary a lot across the country leading to very unequal access to services and diverse service quality. The National Agency for Active Labour Market Policies (ANPAL) has made good progress to improve the situation by developing jobseeker profiling tools to better target active measures, by enhancing the quasi-market for employment services to involve private providers in the service provision to support the limited resources in the public employment services, and by drafting a strategy for employers to strengthen demand-side services. Nevertheless, all of these approaches need to be developed further, which implies that ANPAL must take an even more assertive role in elaborating the national strategic view on how the system of employment services should function and support the system with modern IT tools, knowledge and training. For example, critical IT tools such as online tools for uploading vacancies and to match jobseekers to vacancies are currently practically missing, leading to inefficient use of resources in local employment offices.

The chapter proceeds as follows. The following section presents the jobseeker profiling tools, including the profiling tools to outsource employment services and to profile jobseeker skills. The third section discusses the attempts to develop a quasi-market for service providers, including the issues with accreditation of services providers and the experience in outsourcing job placement service at the national level. The fourth section provides an overview on employer outreach and demand-side services, including the new national strategy for employers. The final section concludes the chapter.

3.2. Targeting active labour market policies to jobseekers using profiling tools

Most of the Regions and Autonomous Provinces (hereinafter referred to as the Regions) have not developed profiling tools to target active labour market policies and thus national profiling models have been provided centrally. The first national quantitative profiling model was developed by the initiative of the Ministry of Labour and Social Policies to target measures under the Youth Guarantee that was launched in 2015. In 2016, the same profiling model was improved further to apply to all jobseekers registered with the public employment service. During 2017-18 a qualitative profiling model was worked out by ANPAL together with the Regions to complement the quantitative profiling models.

In addition, ANPAL has been working on a tool to map jobseekers' skills, which could add value to the information used for targeting active measures such as training, but could also improve matching jobseekers with suitable vacancies. The online tool of the PIAAC survey developed by OECD has been tested by the system of employment services in Italy to fill this gap.

3.2.1. Regional profiling tools are not systematically used

Efficient allocation of resources for active labour market policies is especially crucial when the financial resources for the measures as well as resources for counselling are very limited, such as is the case in Italy. In order to provide active labour market programs effectively and efficiently, every program should be targeted to these jobseekers that benefit from it the most. On the one hand, this requires the public employment service to

be aware of the effects of the programmes it offers, i.e. what works for whom. On the other hand, the public employment service has to be able to identify the characteristics of the jobseekers to assign them to the programs accordingly. Over the years many different approaches have been developed across Italy to tackle this issue, yet the solutions vary in their successfulness. ANPAL has proposed nationwide tools to improve the targeting of active policies, yet the process is still in a preliminary phase.

These targeting methods – or profiling – can involve a rules-based approach where eligibility criteria to programs are set by some observable characteristics such as age or disability. Jobseekers can be targeted to active programs also based on a caseworker's discretion. This means that the caseworker needs to have profound knowledge about which measures suit for whom and has to master the interviewing techniques to map all the relevant boundaries and opportunities of a jobseeker for a successful labour market integration (also called qualitative profiling). Another method to target active measures is statistical profiling, which is based on statistical/econometric methods using registry and/or survey data to allocate jobseekers across a number of categories according to their needs of support (also called data-based profiling or quantitative profiling). In most OECD countries a mix of these approaches is used to target active labour market policies (see for example OECD (2015[1]), OECD (2018[2]) and Loxha and Morgandi (2014[3]) for overviews of profiling methods used across the OECD countries).

Given that until recently provinces were in charge of employment services, very different approaches have emerged across Italy when it comes to targeting active measures to jobseekers. In total, nine Regions have developed regional profiling tools.[1] Three Regions have developed data-based profiling methods to target regional measures to jobseekers. The Veneto region uses them to target programs for jobseekers aged 50+ (*la garanzia adulti*) and 35+ (*l'assegno per il lavoro*), the Umbria region to target regional training measures and employment incentives and the Lombardy region to target a regional labour market integration programme (*dote unica lavoro*[2]). The Emilia-Romagna region uses a tool mixing quantitative and qualitative approaches to target measures for vulnerable groups. Qualitative tools to target regional measures and/or support intensity are used in Basilicata, Friuli-Venezia Giulia, Sardinia, Trento and Tuscany. More specifically, the Autonomous Province of Trento has developed an advanced tool that tries to quantify qualitative data into a quantitative employability index (see Box 3.1).

In more than half of the Regions no distinct profiling/targeting methods have emerged. Thus either the operator/ case worker makes a decision based on her or his personal experience/opinion or a self-selection to programs takes place, e.g. training is provided to a jobseeker who is interested in participating in it, but no additional criteria are set. This, however, will not likely target the policies to these jobseekers that need them and could benefit from these the most, leading to an inefficient use of resources.

Box 3.1. Jobseeker profiling in Trento

The Autonomous Province of Trento uses a profiling tool that measures difficulties of re-employment and is used to target services (such as supported job search or training) according to the specific needs of the jobseeker. The tool is supported by the local IT system and specific training for the counsellors and it takes only 15-20 minutes to fill in the necessary information at the local office.

The profiling tools uses in total 34 variables grouped in six areas:

1. **Personal data** – Gender, age, education, employment status;
2. **Professional resources** – Past work experience, degrees and positions, qualifications and licences, expertise;
3. **Job search motivation** – Suitability of the CV, jobseeking tools, job search intensity, number of interviews during the past 6 months;
4. **Job search constraints** – Willingness to relocate, driving licence, readiness for business trips, caretaking responsibilities;
5. **Self efficacy** (self-assessment of the jobseeker) – Managing job interviews, planning professional goals, overcoming professional barriers;
6. **Expert opinion** (opinion of the counsellor) – Professional capabilities, difficulties in filling in the questionnaire, needs for services to increase employability.

Each variable is assessed on a 10-point-scale in the six groups. The average over the six groups defines an index (also a 10-point-scale), which in turn derives four categories of employability: low, medium, high and very high.

In 2016, an evaluation of the tool was carried out indicating that the parts on self-efficacy and expert opinion contribute particularly to the model's ability to predict employability.

The output (score) of the profiling tool is used to determine the value of the local job-placement voucher (*titolo di acquisto*) in the province that the jobseeker can use either with public or private service providers. The individual categories of the tool give additional information for the case worker about the personal needs for services. For example, if the motivation to look for a job is low, an additional support for job search can be offered. If the item "professional resources" is lacking, a training might be suggested.

Source: Chiusole (2018[4]), *Profiling Index by Employment Agency. Autonomous Province of Trento.*

3.2.2. The success of the national quantitative tools depends on the IT infrastructure

As the models to target active policies to jobseekers in the Italian Regions are of various complexity, quality and effectiveness, additional profiling models have been proposed at the national level. The first initiative to develop a national quantitative jobseeker profiling tool was launched in 2013 to target measures under the Youth Guarantee program. INAPP (then still under the name of ISFOL) developed the model on the request of the Ministry of Labour and Social Affaires using cross-sectional data from the Labour Force Survey

from 2011-13. For this, a multilevel logistic model with random intercept was estimated predicting whether a person aged 15-29 is in NEET status or not. This model has been applied to young jobseekers since January 2015 (Ministero del Lavoro e delle Politiche Sociali, 2015[5]).

In 2016, following the Jobs Act, the profiling model was developed further to cover all jobseekers and provide an input for the provision of the new measure called the reintegration voucher (replacement voucher, see Section 3.3). A longitudinal approach was used in the new model (also a multilevel logistic model with random intercept) predicting whether a person aged 15-64 will remain in unemployment in one year using data from the Labour Force Survey from 2011-15 (ANPAL, 2016[6]). The new model introduced additional variables concerning unemployment duration and the enrolment into vocational education programmes by type of programme, in addition to the variables for gender, age, nationality, education level, academic discipline, labour market status in the previous year that were used already in the model for the Youth Guarantee. Although the outputs of this tool are used at the moment only for the national reintegration voucher, the local employment offices can optionally use it also to target other active measures.

Both of these quantitative models use only data from the Labour Force Survey for the individual characteristics of jobseekers as this information is not yet available in any national register nor is there a specific survey collecting information from jobseekers, contrary to the case in many other OECD countries (see OECD (2018[2])). The data availability limits the information used by the tools and undermines their accuracy. For example, as the models do not include data about benefit receipt, the tool does not capture the benefit disincentive effects (less motivation to look for a job when income during unemployment is provided) that can be significant even in a bad economic situation [see for example Lauringson (2012[7])]. Also, the effects of active measures are not taken into account. Only formal education level is included in the model and not upskilling through the system of public employment services. In addition, the data for previous work experience is limited to the labour market status a year ago. The models currently neither include variables indicating medical conditions, caring responsibilities, drug abuse, access to transport, and others, which can strongly impact the probability of transition to employment. Moreover, they do not include behavioural information about the jobseekers' motivation and expectations. This information is often not available in registry data, but could be retrieved potentially from survey data, such as is the case in the Australian jobseeker profiling tool (see Box 3.2).

Box 3.2. The Job Seeker Classification Instrument in Australia – A questionnaire to cover relevant factors of labour market integration

Australia implemented its Job Seeker Classification Instrument (JSCI) already 20 years ago to target its efforts to those that need the most support, being one of the first countries to develop such a quantitative tool. Although employment services are fully outsourced in Australia, the government still needs a way to identify jobseekers' barriers to employment so that providers can invest appropriate time and resources in helping them find work.

The JSCI is based on a model that predicts a jobseeker's likelihood to remain unemployed for another year after commencing in employment services. The information for relevant factors is collected through a combination of administrative data (data from income support application) and a questionnaire for the jobseeker. The JSCI calculates a score for each jobseeker that will help allocate the jobseekers to the different service streams providing

them the level of support they need to find and keep a job. In addition to determining servicing levels, the JSCI also includes "triggers" that indicate a need for an additional assessment (the Employment Services Assessment) to identify if the jobseeker has complex or multiple barriers to employment. These "triggers", such as medical barriers or alcohol abuse, may result in a specialist more closely reviewing the jobseeker's circumstances and work capacity to determine if they are better suited to one of the main service streams (the most complex of them) or to an additional service stream dedicated for jobseekers with disabilities.

The JSCI questionnaire includes 18 to 49 questions. Generally, a jobseeker with a higher level of disadvantage will have to answer more questions. The main 18 factors involve: age and gender, work experience (e.g. paid seasonal or irregular work), jobseeker history (e.g. duration of income support), educational attainment, vocational qualifications (e.g. not useful vocational qualifications), English proficiency, country of birth, Indigenous status, Indigenous location, geographic location (e.g. extreme disadvantaged employment region), proximity to a labour market (e.g. remote area), access to transport, possibility to contact them by phone, disability/medical conditions, stability of residence, living circumstances (e.g. lone parent with young child), ex-offender status, personal factors (anger issues, caring responsibilities, domestic violence, drug treatment programme).

The JSCI relies on self-disclosure of jobseekers in answering the questions and so the quality of the data is in large part dependent on their honesty and objectivity. Yet, some more sensitive questions are voluntary and the jobseeker can decline to answer them (Indigenous status, refugee status, disability and medical conditions, criminal convictions and personal factors). Nevertheless, the government invests a lot of time and effort to ensure fulsome disclosure by using behavioural-economics techniques, guidance for interviewers and user-centred design of the questions themselves. Jobseekers are encouraged to fully disclose their circumstances to ensure they receive the most appropriate employment services and support.

Source: The Australian Government (2018[8]), *Job Seeker Classification Instrument. Overview and Factors. Version 2.0*; The Australian Government (2018[9]), *Assessments Guideline – Job Seeker Classification Instrument (JSCI) and Employment Services Assessment (ESAt)*, https://docs.jobs.gov.au/system/files/doc/other/assessments_-_job_seeker_classification_instrument_jsci_and_employment_services_assessments_esats_1.pdf; The Australian Government (2018[10]), *Job Seeker Classification Instrument (JSCI)*, https://www.jobs.gov.au/job-seeker-classification-instrument; Kidd (2018[11]), *The Job Seeker Classification Instrument – Using evidence to service job seekers in Australia*.

In addition, as the model for all jobseekers uses at present only data from a period characterised by weak labour market conditions (2011-15), it is questionable whether it would be valid still in the current period, when the economy is improving. For the vast majority of the observations in the sample used for developing the profiling tool, the model predicts that they will more likely remain in unemployment after one year than enter employment. For about two thirds of the observations the probability to remain in unemployment is estimated at 70-90% (ANPAL, 2016[6]). As the variation in the outputs of the model is very low, it is questionable how much it helps in targeting the measures and thus how much value added it provides for the process of service provision. Hence, it is necessary to fine tune the profiling tool by including additional variables as well as updating it with data from more recent years.

As the register of jobseekers is not yet fully functional and it is not linked with other registers, jobseekers have to provide the information that is necessary to conduct profiling

(age, gender, educational attainment, academic discipline, employment history, etc.) by themselves when registering with the public employment services. As a result, profiling becomes burdensome for the client and the caseworker and the data submitted by the clients might suffer from inaccuracies.

The current national quantitative tools are not perceived to be highly useful by the Regions, but the attitude towards the need for these kinds of tools is rather positive. The tools do not seem to provide good input for service provision as it is not always clear for the counsellors why very similar jobseekers are assigned to different clusters. It would be useful for a counsellor to know which are the main features of the specific jobseeker that drive the result coming out of the model. More explanatory information could be provided about the main challenges and opportunities of the jobseeker (considering the information provided for profiling) to aid the counsellor to suggest the actions for re-integration into the labour market.

Furthermore, the tool is only used for newly registered jobseekers, whereas it could be also useful for those who have been registered for some time and have received employment services. Most of the jobseekers in Italy are currently long-term unemployed (59% in 2017) and the profiling tool could potentially help counsellors also target the active measures to this group of jobseekers.

Moreover, the quantitative profiling tools are currently used for a very limited range of measures only. As the resources for face-to-face counselling are at present extremely restricted in Italy, a quantitative profiling tool could be used also for channel management referring those jobseekers to face-to-face counselling who would benefit from that the most and direct other jobseekers to other channels such as online tools. In addition, such a model could provide input for counselling intensity. Such model would be similar to the one used in the Netherlands (see Box 3.3). The Dutch Work Profiler estimates the probability of jobseekers to resume employment within a year based on a wide array of characteristics, including soft factors such as job search motivation. Jobseekers who have higher probability to enter employment soon are offered initially only online channels for job search support, while jobseekers with greater difficulties receive face-to-face counselling.

Making more use of the individual level data provided for profiling could be used more extensively also at the aggregate level to produce labour market information. Statistics (also at the regional level) showing the trends in the probability of longterm unemployment of the newly registered jobseekers as well as by their main characteristics (e.g. by education level, academic discipline etc.) could give some additional insight about the labour market situation for the stakeholders of the network of employment services as well as for other parties.

Box 3.3. The Work Profiler in the Dutch public employment service to manage counselling channels

The Work Profiler in the Dutch public employment service was first implemented nation-wide in 2014 as a response to budget cuts requiring to channel the majority of the unemployment benefit recipients to e-services (Digital First policy). As in 2016 a new service model was implemented aiming at evidence-based blended services rather than prioritising e-services, the tool has been adapted accordingly.

The Work Profiler is an instrument that indicates a jobseeker's probability of work resumption within a year determining which channels are offered for the jobseeker (face-to-face or online channels only). In addition, it offers a quick diagnosis of the jobseeker's obstacles to return to work, feeding into the decision, which services could benefit the jobseeker. Such services can be offered both in face-to-face format and in an online environment.

The profiling model takes into account 11 hard and soft factors: age, job tenure on the previous post, understanding the national language, confidence in finding a job, health situation, previous job search intensity, job search intention, believing that finding a job depends on job-search intensity, general work ability, physical work ability and mental work ability. These factors describe the probability to be integrated to the labour market in a year with 70% accuracy.

The jobseekers with a probability below 50% to return to work in a year are invited for an interview after 7 weeks, others after 6 to 7 months. Nevertheless, those with higher scores can be invited to an interview earlier if the counsellor thinks they need more attention or if these jobseekers themselves wish so. Digital services are offered from the start of the unemployment to everybody (online tips, online training, webinars, online tests, etc.).

An advantage of the tool is that the share of jobseekers provided with face-to-face services is adaptable according to resources available (current cut-off point at 50% probability, but this can be changed in the future).

The next version of Work Profiler will have more advanced input for counsellors regarding the choice of measures – thoroughly described factors of job resumption regarding the specific jobseeker matched with suitable effective (evidence-based) services.

Implementing a profiling model for channel management could be desirable in the system of Italian public employment services as it would help manage the scarce resources for face-to-face counselling more effectively. As the system becomes more efficient due to advancements in IT infrastructure and work processes, more resources will be freed up for face-to-face counselling. The profiling model could be then adapted gradually to take into account these additional resources. Nevertheless, when developing a profiling model for channel management, it should be taken into consideration that the factors that contribute to unemployment length might not be always the same as those which define whether face-to-face counselling method is effective and efficient. That is why the current quantitative models already in place or a model similar to the one used in the Netherlands might not introduce quick benefits for the labour market. An evaluation of face-to-face counselling effects across characteristics of jobseekers would be advisable before implementing a tool for channel management. See for example Maibom et al. (2017[12]) and the respective online appendix (2017[13]) for the effects of face-to-face meetings early on in the unemployment spell and the effects of frequent meetings in van den Berg et al. (2014[14]).

Source: Wijnhoven, M. and H. Havinga (2014[15]), "The Work Profiler: A digital instrument for selection and diagnosis of the unemployed", *Local Economy*, Vol. 29/6-7, https://doi.org/10.1177/0269094214545045; and Breedveld, M. (2018[16]), *The Work Profiler*.

3.2.3. The new qualitative profiling tool complements the quantitative tools

In spring 2018, following consultations with a number of Regions, ANPAL proposed guidelines for employment offices with the aim to harmonise the process of drawing up personal service pacts and the targeting of ALMPs by using a combination of quantitative and qualitative profiling tools. These guidelines propose extending the use of the quantitative tool to all registered jobseekers (not only those eligible to the reintegration voucher and the Youth Guarantee measures) and supplementing it with more qualitative information gathered by case workers. All this information should help the case worker to tailor an appropriate personal service pact (individual action plan) that should contain the actions corresponding the best to the jobseeker's needs and potential.

The new model proposes the following seven steps to target active policies to jobseekers: i) providing initial information to jobseekers regarding registration and services available; ii) registering jobseekers via online tools; iii) quantitative profiling based on the data provided through the online tools; iv) acquisition of additional documentation for people with disabilities to provide targeted placement services; v) interview with the jobseeker to understand and analyse job opportunities, labour market integration constraints and appropriate active measures to conduct qualitative profiling [accompanied by additional tests (physical-psychological-social capabilities) in case of disabled jobseekers]; vi) an additional in-depth interview to profile the conditions more specifically in case of a more disadvantaged / vulnerable jobseeker (i.e. "an in-depth qualitative profiling"); vii) concluding the individual service pact taking into account the results from quantitative and qualitative profiling; viii) providing active labour market policies accordingly.

The guidelines by ANPAL provide a set of questions that the interview between the case worker and the jobseeker should cover to conduct the qualitative profiling, mostly aiming at understanding the job-search capabilities and practices of the jobseeker and the motivation to look for a job. The questionnaire for the in-depth qualitative profiling for vulnerable jobseekers has not been fully developed yet. As stated in the guidelines, it should cover more specific obstacles such as language barriers, economic conditions, work ability related to disabilities, ability for self-care, etc.

Additionally, the guidelines propose a sample personal service pact indicating the topics it should cover. These topics stem mostly from the law and include among others job-search activities and deadlines, frequency of contact with the employment office, job-search monitoring activities, obligations of the jobseeker to look for a job, participate in a training measure if needed, accept a suitable job offer, sanctions on benefits in case obligations are not fulfilled and commitment by the employment office to provide the agreed services.[3]

However, the guidelines do not provide any explanation about how the qualitative information collected in the interview with the jobseeker should translate into qualitative profiling and the personal service pact. This might become indeed a major obstacle for putting the qualitative profiling tool into practice. A training of the case workers in the local offices is required in a number of areas. *First*, training should create an understanding of how the qualitative tool should be applied in practice, and highlight how it helps the caseworker to better understand the obstacles and opportunities of the jobseekers and to assign the best corresponding active policies and job-search activities. In addition, an application of such a qualitative tool requires furthermore interviewing skills (mastering the appropriate techniques), skills of creating a trustful relationship with the jobseeker and skills to gather relevant information. The skills of operators in the employment offices are usually weak in these areas as they have generally not had to conduct such tasks in the past.

The application of the qualitative profiling tool would be further facilitated once it is included in the IT system (the integrated single IT system of active labour market policies called SIU). Contrary to the quantitative profiling, the qualitative profiling is not yet supported by the IT system as this tool is fairly recent and as the development of the new IT system has proved to be problematic in general (see Chapter 2). The tool's practical application remains questionable until it is fully supported by the IT system (a questionnaire in digital format enabling features such as pop-ups of correct sub-questions, easier use of classifications e.g. for occupations and sectors of desired jobs, guidelines for the counsellor triggered by specific answers, a possibility to have the profiling data available for next meetings with the jobseeker to support counselling process, etc.).

In addition, IT-support would make it feasible to gather the respective data in a structured way, enabling using the data for labour market information (to produce statistics on it supporting decision-making processes, to use the data for evaluating policies, etc.). Furthermore, collecting the survey data within the qualitative profiling tool digitally creates the possibility to use that data in the future to refine the quantitative tool. Topics such as practices and motivation for job search suggested to be covered by the qualitative tool could potentially increase the accuracy of the quantitative tool as well.

Another obstacle to put qualitative profiling into practice lies in the perspective resistance from those Regions which did not participate in the working group to develop the tool and which might be thus less convinced by its usefulness. Those Regions might need even more encouragement and technical assistance to implement it.

Nevertheless, the proposed set of guidelines for the operators in the employment offices is a good initiative towards harmonising the targeting of active policies and the application of activation conditionality via the service pact. If the proposed principles were put into practice nationwide, it would have the potential to increase the effectiveness of ALMPs. Yet at the moment it is still to be considered a light approach to qualitative profiling as the topics covered are fairly general, the supporting skills and infrastructure are missing, and above all, it is not a mandatory tool. Whether the Regions will make use of the tool and whether it leads to more harmonisation of service standards will depend on how ANPAL will be able to facilitate its adoption and communicate its usefulness. Thus, ANPAL needs to communicate the objectives of the tool and provide technical assistance for implementation to the local employment offices through the regional staff of ANPAL Servizi (the in-house entity of ANPAL which has a regional outreach).

3.2.4. A recent attempt to map jobseekers' skills using the PIAAC online tool

The recent testing of the PIAAC online assessment tool on the Italian jobseekers showed that it proves to be too cumbersome to map the skills of the jobseekers and that it does not fulfil the needs of the public employment services completely. A tool covering cognitive and non-cognitive skills in a "common language" for jobseekers and employers should be developed to provide input for targeting training and providing matching services.

In addition to the quantitative and qualitative profiling tools developed in Italy, ANPAL has tested the PIAAC Education & Skills Online Assessment tool developed by the OECD as a tool for profiling the jobseekers' skills. The Education & Skills Online Assessment tool provides individual-level results for cognitive skills – literacy, numeracy and problem solving in technology-rich environment – similarly to the OECD Survey of Adult Skills named PIAAC (OECD, 2018[17]). More recently, non-cognitive assessments have been added to this tool involving skill use, career interest and intentionality, subjective well-being and health and behavioural competencies (so-called soft skills). Unfortunately, the behavioural competencies module was not included in the testing implemented in Italy.

The testing was launched in June 2017. It was expected to involve 211 local employment offices across the country (about a third of all public employment offices) to test 4 566 jobseekers (unemployment period at least 6 months and enrolled in active measures) by February 2018. The exact selection of the jobseekers and the employment offices as well as the integration of the assessment tool in the business model and the use of its results was left up to the regional authorities. The aim was to investigate if the local offices would see an added-value in the assessment tool as well as to gather feedback about satisfaction among the participating jobseekers. As the assessment tool proved to be more time consuming than expected (also due to inadequate internet connection, inadequate hardware and lack of dedicated space in some offices) and as the staff numbers in the offices were too limited to absorb the additional workload, it was possible to assess only 3 704 jobseekers from 181 local offices by June 2018. 3 351 jobseekers completed the assessment fully (353 jobseekers did not finish the assessment).

In general, a third of jobseekers (32.4%) that took part in the test, considered the PIAAC online tool to be very useful in setting the job integration plans with the Public local employment offices – *Centri per l'Impiego* (CPI), and a half (48.8%) thought it to be rather useful (ANPAL, 2019[18]). Above all, the jobseekers thought the tool helped them to understand their strengths and weaknesses and target their skills better. Also, most of the jobseekers (95.3%) considered the post-assessment support from the CPI counsellor to be useful or even very useful to understand the results.

The feedback from the counsellors that implemented the PIAAC online tool, indicated that a majority believed that the tool could be useful for jobseeker activation and skill profiling (about two thirds of the counsellors regarding both activities). Profiling the problem solving skills was deemed to be particularly useful (75.1% of the counsellors). However, the majority of counsellors (72.9%) did not suggest to start using this tools regularly in its current form.

In general, the PIAAC tool maps well literacy, numeracy and problem solving skills, enables some reflection on jobseeker's potential to be integrated in the labour market and gives some general input for training needs. Thus, this assessment tool could be potentially used for targeting active measures, particularly targeting some forms of training. However, the value added for a public employment service would be higher for a tool that covers a wider array of skills, particularly soft skills. Hence, it is a missed opportunity that the part on behavioural competencies of the tool was not tested at all in Italy.

If the current test were to be retained, it should be shortened to minimise the time jobseekers spend on it. The current duration of the test [on average 2 hours and 20 minutes fill in the test (ANPAL, 2019[18]) and an additional half hour to analyse and interpret the results[4] with the case worker] is too long if the test were to be taken by all jobseekers. Alternatively, the PIAAC online tool could be offered on a voluntary basis to jobseekers and could be filled in at home. In addition, the jobseeker could focus on these fields where the skill mapping could potentially provide most useful information for the service provision (not all jobseekers have to go through mapping literacy and numeracy skills). Its results could provide some complementary input to the main skill profiling tool used by the case workers.

It is more useful to develop a skill profiling tool that feeds better into mapping training needs and simultaneously into matching jobseekers to vacancies (for examples tools used by the public employment services in Belgian Flemish part (VDAB, see Box 3.4), Germany or France could be seen as good practices). In this case the skills (generic, technical as well as non-cognitive skills) could be mapped by the jobseeker as a self-assessment during on-line registration (and validated if necessary by the case worker, designated career counsellors or even by former employers) and the same easily understandable (i.e. in "common language") classification should be used by

employers when inserting a vacancy for job mediation. For example, the French public employment service uses for jobseekers and vacancies a classification of more than 400 skills and competencies (i.e. beyond the essential skills like literacy and numeracy in PIAAC, and including 14 soft skills). It is crucial that the skill profiling tool is bi-directional to map the skills of jobseekers as well as the skills needed for the vacancies.

Box 3.4. Skill profiling and matching in the Flemish public employment service

The Flemish public employment service in Belgium (VDAB) uses COMPETENT, a classification built on the ROME v3 classification of competences (*Répertoire Opérationnel des Métiers et des Emplois*) originating from the French public employment service. VDAB adapted this classification to respond to the needs of the Flemish labour market, allowing for sufficient detail and comprehension to produce accurate matching of jobseekers to vacancies.

Jobseekers indicate their level of competences as a self-assessment during registration, for example using a list of competences associated with a specific occupation. Alternatively, jobseekers can create a tailored profile without considering an explicit occupation. The competences are updated when the jobseeker completes a training programme. The competences can be validated by accompanying them with competence certificates and references form previous employers and with training course certificates from the respective register.

Employers use the same classification of competencies to upload their vacancies in the VDAB's system. Similarly to jobseekers, employers are provided with a list of competencies (along with skills and capabilities to clarify the competencies) that are usually connected to the specific occupation, from which the employer can choose the relevant ones to the vacancy at hand. The employer can also set for each competency whether it is required for the job or desired. The employers can add necessary competencies for the job beyond the list that is usually associated with that occupation, contributing to the accuracy of matching.

The matching system called "ELISE" matches job interests with vacancies. The employer can see in real time how many jobseekers fit the profile accompanied by the share of requirements met. In this way, the employer gets information also about these jobseekers that are not a perfect match, but could still potentially be a fit. Similarly, a gap between a jobseeker's profile and the set of competencies usually required for the desired job feed into drawing up jobseekers' individual action plans and potential training programmes. This tool providers counsellors also with a screening device to focus on the customers that need more support.

Vacancies with high matching quality are automatically sent to the jobseeker, though jobseekers can explore also vacancies that are not matching perfectly. In addition, VDAB has implemented a Recommender system using Big Data to improve its matching service further. Based on individual user interests (feedback to specific vacancies, clicking and time spent on looking at vacancies) and comparing to the interest of other similar jobseekers, the system makes recommendations to the jobseeker which other vacancies could be of interest to him or her.

Source: VDAB (2015[19]), *Dotting the I's in IT. VDAB innovates with information*, http://wapes.org/en/system/files/dotting_the_is_in_it_1.pdf; Pieterson, W. (2017[20]), *Being Smart With Data, Using Innovative Solutions. Practitioner's Toolkit*, http://dx.doi.org/10.2767/797031; EC (2017[21]), *The VDAB's Innovation Lab. Summary Report*, EC, http://dx.doi.org/10.2767/688999; Blazquez, M. (2014[22]), *Skills-based profiling and matching in PES*, http://ec.europa.eu/social/BlobServlet?docId=14108&langId=en.

A straightforward way to implement an effective bi-directional skill profiling in the Italian system would be to analyse if a classification of skills used in Belgium or France (which essentially use the same ROME classification[5] as the basis) fits in the labour market needs in Italy (whether all relevant skills are there, whether there are some rudimentary skills in the classification, whether the classification is detailed enough) and adapt it if necessary. Alternatively, possibilities to use the European Classification of Skills/Competencies, Qualifications and Occupations [(ESCO)[6] could be examined (for instance the public employment services in Ireland and Iceland have recently started using it to improve services for employers and jobseekers (EC, 2018[23])]. The chosen and adapted classification should be built in the IT systems relevant for vacancy insertion, jobseeker registration and matching jobseekers to vacancies, accompanied by guidelines for the users and training for staff in the local employment offices.

3.3. Developing a quasi-market for service providers

Outsourcing employment services to private service providers can be an effective way to provide the services while minimising the costs (OECD, 2015[1]). Introducing competition between private service providers and possibly with public service providers will reduce the service delivery costs and stimulate new innovative solutions. The system of employment services would have potentially access also to additional capacity and specialist skills by expanding the pool of service providers beyond the public ones. On top of that, this additional resource can be managed in a flexible way as it does not require an increase in public sector employment (PARES, 2016[24]). As the Italian system of public employment services lacks staff, skills, and efficient processes and as the number of employees in the public sector is capped, outsourcing employment services to private providers could potentially be the way to address many of the challenges in the delivery of employment services in Italy. Currently, the market for service providers is not yet well developed in Italy and the approaches tend to be very fragmented across the country. The funding model chosen for contracting out, the market management as well as the selection of service providers and their performance measurement are crucial aspects determining whether an outsourcing model is successful [PARES (2016[24]), OECD (2015[1])]. Lessons could be learned from other OECD countries which rely on private providers for a variety of employment services.

3.3.1. The approaches towards co-operating with private service providers are mixed

Though the legal system allowed private providers to deliver employment services already before the Jobs Act was passed, this approach is not yet well rooted in Italy. In addition, as the system did not used to be nationally co-ordinated, the extent of market open to private providers differs considerably among the Regions. In addition to the differences across the country regarding how discriminatory the market is, there are some services that are always provided by the public offices and which currently delay the process of service provision for clients regardless which provider is chosen.

The provision of employment services was formally opened to private providers in Italy during the late 1990s and thoroughly reformed in the early 2000s (with the so-called Biagi Decree, Legislative Decree No. 276/2003) and strengthened again with the Jobs Act (Legislative Decree No. 150/2015). The Jobs Act basically repeats what was already set by the Biagi Decree, but additionally entrusts the newly created ANPAL the role of promoting, regulating and monitoring the quasi-market for employment services at the national level as an alternative to regional level markets managed by the regional authorities.

Despite the insufficiencies regarding staff and skills in the public employment offices, the Regions have been slow in developing the systems to outsource some of the tasks to private providers. Even 20 years after the first legal provisions to open the market, not all of the Regions and Autonomous Provinces have a fully functioning system in place. For example, as of 2017 the Autonomous Province of Bolzano does not have an accreditation system in place and the accreditation registers are not activated in Apulia, Emilia Romagna, Calabria, Molise and Liguria.

The methods adopted vary considerably between the Regions. For example, the approaches differ regarding whether and how the quality of services is aimed at (e.g. whether and how large parts of the fees and for which kinds of services base on performance, are the labour market integration results monitored at all). For example, in case of a job placement service package called *ricollocami* in Campania, the fees are higher in case of longer employment contract as a result of services provided.[7] Job-placement service package for particularly disadvantaged groups called *buono per servizi al lavoro* in Piedmont region does not aim at performance, but rather that the services are indeed for the jobseekers provided. In Abruzzo region, no similar set-up to outsource job placement services from private providers exists. In the Sardinia region an initiative to measure performance and make the results available for jobseekers has been implemented to encourage better results (see Box 3.5).

Box 3.5. Publishing performance indicators of private providers in Sardinia to achieve better quality

Sardinia has developed a system to rank the providers of regional job placement services to encourage competition between providers and thus to increase service quality. The results of the ranking are made available for jobseekers who can access these via online tools before choosing the provider.

The ranking of service providers is based on a performance index that takes into account the share of jobseekers integrated successfully to the labour market relative to their difficulty to be integrated (based on the profiling results of the jobseeker), the duration of the employment contracts for successful job placements (including different scores for fixed-term and open-ended contracts) and the satisfaction of the jobseekers participating in the service. Data about the satisfaction of jobseekers is collected by service providers via a questionnaire covering different aspects of the service. Service providers have to put effort in this exercise as if the input about jobseeker feedback is missing, the final score cannot be published.

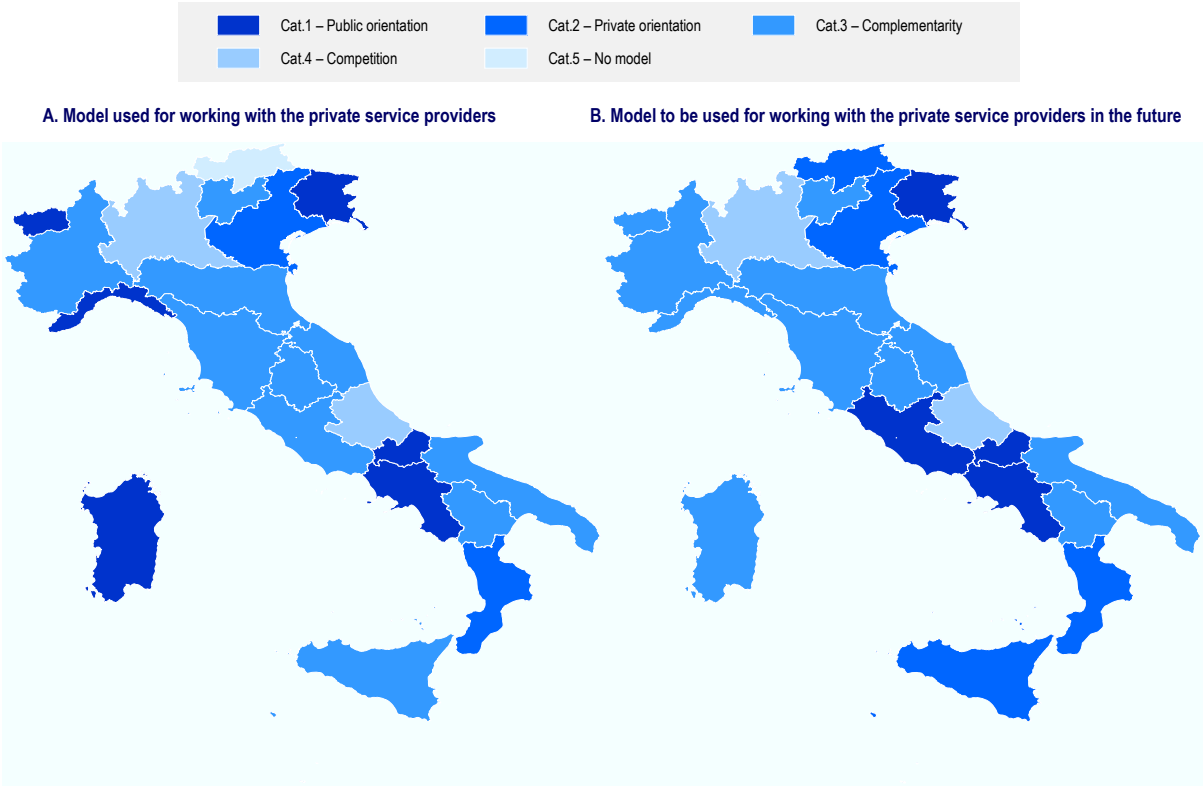
The ranking is made available for jobseekers by sector of activity and by regional areas. Nevertheless, jobseekers might not always choose the highest ranking providers as others suit better e.g. because of their location.

Source: Boy, G. (2018[25]), *Esternalizzazione dei Servizi per il lavoro.*

In addition, the regional approaches differ particularly in terms of which employment services are open for private providers and to what extent the services are outsourced. All of the Regions reserve some services to be provided only by the public employment offices, particularly the administrative activities such as certification of the unemployment status, etc. Thus, the first contact point for the jobseeker is always the public employment office where the first activities are carried out such as confirming the availability to work and providing the preliminary information on obligations and services. Most of the Regions, with the exceptions of Campania, Calabria, Lombardy, Piedmont, Sardinia and Veneto, reserve also the profiling activities only for the public system. Thus, the market for private providers is in some Regions more discriminatory than others.

As of spring 2018, about half of the Regions use the complementarity approach, where some services are delivered only by the public employment offices and some others only by private providers (Figure 3.1). Six Regions consider their model of working with the service providers to be oriented towards public providers, with a restricted range of services being outsourced and a wider range of services being delivered only by the public offices. Two Regions use a private providers oriented service model, where a wider range of services is outsourced and a restricted range of services is delivered only by the public offices, while two Regions use a model of competition between public and private providers. The Autonomous Province of Bolzano does not have a clear model developed yet.[8] Several Regions are planning to change their approach to outsourcing services, but the changes are taking place in opposite directions and thus no convergence will take place (4 will use a public oriented model, 4 a private oriented model, 2 a competition model and 11 a complementary model).

Figure 3.1. Regional models to work with private providers



Note: CPI: *Centri per l'Impiego* – Public local employment office. **Category 1:** A public providers oriented service model (accreditation model with a restricted range of services in outsourcing and a wider range of services delivered only by CPIs). **Category 2:** A private providers oriented service model (accreditation model with a wider range of services in outsourcing and a restricted range of services delivered only by CPIs). **Category 3:** A complementary model (accreditation model with some services delivered by CPIs and some others by private providers). **Category 4:** A competition between public and private providers (accreditation model involving competition between public and private providers). **Category 5:** No unique concept.
This map is for illustrative purposes and is without prejudice to the status of or sovereignty over any territory covered by this map.
Source: Authors' own compilation based on the data gathered via a questionnaire among the Regions by the OECD in May to June 2018.

StatLink http://dx.doi.org/ 10.1787/888933922747

As such, although the resources are limited in all Regions, the willingness to develop a market for private providers and contract services out is not high in all of them. Thus, the capacities to provide different labour market services are quite limited and discriminating private providers in many of the Regions. In addition, as some administrative tasks are always provided by the public offices (especially related to the data about jobseekers) and as these tasks are not currently efficiently organised (see Chapter 2), these inefficiencies affect also the workflow of the private providers. After a jobseeker registers online his/her availability for work, this has to be confirmed in the local public employment office (which takes time) and only after the eligibility to receive a specific service that is open for private providers is confirmed (e.g. job placement in some Regions), can the jobseeker contact the private provider for service provision. As a result, access to services provided by either public or private service providers takes too long time. This is likely to prolong unemployment duration and reduce the effectiveness of the services and measures provided.

Hence, in addition to improving efficiency in the public employment offices, more homogeneous and open markets for the private service providers should be considered to improve the overall performance of the system of employment services. A good example of how to achieve high performance in a fully open market can be found in Australia (see Box 3.6). The Australian system determines the fees on the basis of results achieved, publishes performance outcomes to enhance competition, ensures that the minimum standard of quality certification is in place and allows for adjustments in market shares according to the results. These are aspects that the Italian system should aim at to increase effectiveness and quality of services. Though in the Australian case largely private providers compete for delivering employment services, the model can as well allow competition between public and private providers in Italy.

Box 3.6. Outsourcing employment services in Australia – Encouraging competition between service providers to improve performance

Employment services in Australia moved from a public sector monopoly to a procured market in 1998. Unlike most other countries around the world, Australia outsources all its employment services to not-for-profit and for-profit employment services providers. This transition was undertaken *first* to improve performance – to harness market competition and contestability to achieve a more efficient and cost effective employment services model. And *second*, to make employment services more responsive to the individual needs of jobseekers, to provide all eligible jobseekers with the help they need, when they need it.

Jobactive is the largest programme through which employment services are delivered. It is a network of 42 non-government providers contracted by the Australian Government to deliver employment services in 51 employment regions operating from over 1 700 locations. The government regulates the number of providers that operate in each employment region and determines their market share. Providers are selected through a competitive process and compete to service jobseekers. Providers cannot choose the jobseekers they serve (jobseekers can choose a provider or are allocated automatically if they do not choose a provider).

Under current arrangements, the government determines the price and mix of services that employment providers will deliver. The services are not delivered in a complete "black box" model as the government needs to monitor that the jobseekers fulfil their obligations (e.g. requirements for job search).

There is a strong focus on results (job integration and job retention) by linking the service providers' fees with outcomes. Outcome payments reward providers when jobseekers reach 4 weeks, 12 weeks and 26 weeks in employment. Outcome payments are also dependent on the jobseekers' characteristics: they are higher for jobseekers with higher barriers to employment and who have been unemployed for longer time. Further, the fee structure recognises the additional challenges and costs faced by Jobactive providers in regional (i.e. remote) areas as the fees are there 25% higher than in non-regional areas. Providers are paid a flat service fee in addition to the outcome payment.

To further ensure disadvantaged jobseekers receive the support they need, jobseekers who have been assisted by a single provider for an extended period of time without a positive employment outcome, are automatically transferred to a new provider. This approach seeks to offer jobseekers a different service provision to improve their prospects of getting a job. To deter providers from using the policy as a mechanism to have their least job-ready jobseekers transferred, providers' market shares are adjusted quarterly to account for the net gain or loss of transferred jobseekers.

The performance of providers is monitored through a Quality Assurance Framework (the minimum standard of quality) certification process and a "star rating" system. Star ratings are allocated by comparing the provider's performance scores to the average scores for all Jobactive providers to determine the relative differences (taking into account jobseeker characteristics and local labour market conditions). These differences or "star percentages" are then allocated to the five performance bands to award the star rating. Hence, providers cannot simply maintain a constant level of performance to achieve a constant rating, because the ratings are a relative performance measure. In order to maintain or improve their rating, their performance across outcomes and measures must improve continuously in line with or better than the national average [see OECD (2014[26]) and Australian Government (2017[27]) for further details about the star rating system]. In cases where a provider suffers from consistently poor performance, the Government may reallocate some (in extreme cases the whole) of a provider's market share to its competitors.

Source: Kidd, M. (2018[28]), *The Australian Experience – Outsourcing Employment Services.*

3.3.2. Accreditation process of private service providers is fragmented

The step of accrediting service providers in the processes of contracting out employment services has been slowly implemented in Italy. While most of the Regions have finally a system in place by now, the rules tend to be quite heterogeneous, leading to a fragmented market and therefor to unequal access and quality of services for the clients. A national strategic view has to be developed and the regulations should be adopted accordingly to improve the system.

The selection of private providers eligible to provide employment services follows a three-step-model which was established already in the early 2000s and relaunched in 2015 with the Jobs Act:

1. The private providers have to be authorised by ANPAL (previously by the Ministry of Labour and Social Policies) based on technical requirements, such as the size of share capital, number of employees and logistic arrangements. The requirements are different depending on whether the provider is a temporary work agency, provides job mediation services or job placement services. Some not-for-profit

organisations and public entities are entitled to provide employment services by law and do not need additional authorisation (trade unions, universities, schools, municipalities, etc.).

2. The service providers are accredited by applying additional qualification requirements which are determined by every Region. Overall, the regional accreditation systems include legal and financial requirements as well as structural and professional requirements.[9]

3. Service contracts are concluded with authorised and accredited service providers to specify the volume of the services and the fees. Alternatively, the third step is skipped in a model where service vouchers are provided to the jobseekers who can then choose a service provider freely among all the accredited service providers. As of 2018, this approach has been implemented only in the Lombardy region, while all other Regions where accreditation systems have been developed, apply tendering process and contractual agreements with the service providers.

Prior to the Jobs Act, the Regions could decide on their own how these three steps would be implemented in practice. However, for example by 2010 only five Regions had developed a regional accreditation system and even these were not yet all fully operational. Over the years the number of regional accreditation systems has increased, partially also because of the implementation of the Youth Guarantee program in 2015. Nevertheless, by the time that the Jobs Act was passed, still five out of 21 Regions and Autonomous Provinces had not implemented an accreditation system. It is still missing in Autonomous Province of Bolzano and not fully functional in several other Regions as of the beginning of 2018 (ANPAL, 2018[29]). To overcome this issue, the Jobs Act added a national level to the system. The private service providers can be now accredited by ANPAL in case the Region where service providers want to operate has not got an accreditation system in place. Additionally, ANPAL can accredit these service providers which wish to operate across different Regions. ANPAL developed the criteria for national accreditation as one of its first activities in 2016.

The service providers have to be registered in the regional registers of accredited employment service providers in order to access public funding controlled by the regional authorities. Additionally, ANPAL has set up a national register of accredited service providers as was required by the Jobs Act. This is a publicly available register on ANPAL's website,[10] which contains i) providers of employment services which wish to provide general employment services and job mediation services at national level and are accredited by ANPAL; ii) providers of employment services at regional level accredited by the Regions according to their requirements (though not yet all these providers are in the national register yet); iii) providers of employment services which wish to provide services at regional level, but where the regional system is not functional and that are thus accredited by ANPAL.[11]

Thus, in addition to differences in which employment services are outsourced, also the criteria limiting the access to service provision and thus public funding vary across Italy. A distinctive region in this respect is Lombardy, where even the public employment offices have to be accredited in order to provide employment services. Nevertheless, the criteria for accreditation vary also among the rest of the Regions leading potentially to diverse capacity and quality of the service providers across Italy. In addition, the abundance of diverse rules (national and regional level, different regional rules) and their changes over time are also often not clear to the service providers, eroding any stability of the market and its growth further. Thus, as a whole, the market for employment services is far from being homogeneous and fully functional.

ANPAL has attempted to homogenise the system,[12] but due to a lack of co-operation by some of the Regions, particularly if the proposed system seems either inferior to theirs or unachievably difficult to implement, fragmentation still exists. More regulation from the national level is needed for positive effects of an open market to emerge.

The United Kingdom has the most experience in large-scale outsourcing of employment services in Europe, having had time to learn from its mistakes and take corrective actions (see Box 3.7). The principles of the functioning of the quasi-market developed in the United Kingdom could be taken into consideration when building the system in Italy. ANPAL cannot determine the operation of the quasi-market for regional measures, which is up to the Regions, but it can apply and follow these principles and guidelines for the national measures, i.e. the reintegration voucher and the Youth Guarantee. In addition, ANPAL should develop a national strategic view on how the quasi-market of employment services should function in Italy and then support this framework on the national level. This strategy should aim at enhancing coopetition between service providers, but also between the Regions, developing a management information system that supports performance monitoring by the Regions, but also supports the Regions to monitor the providers.

Box 3.7. Outsourcing employment services in the United Kingdom – The strategic principles and lessons learnt

The United Kingdom has been outsourcing employment services using quasi-market arrangements already since the 1980s, covering increasingly more client groups over time. The Department of Work and Pensions (DWP), which is responsible for employment services in the United Kingdom, applies performance-based contracts for outsourcing employment services, providing strong incentives for the providers to deliver the desired outcomes.

Contracting out employment services is one element of DWP's overall package to support benefit claimants in finding employment and it is linked closely with the work of the network of public employment services (Jobcentre Plus). Employment services are contracted out when:

- A group of claimants is identified which would benefit from additional support that cannot easily be provided through Jobcentre Plus (e.g. jobseekers with disabilities).
- There is a need to quickly expand the capacity of service provision (e.g. economic downturns) using private investment.
- It is beneficial to transfer the financial risk of scaling operations up and down.
- There is a clearly defined outcome DWP wants to achieve (e.g. sustained job outcomes) for which providers can be paid predominantly by their performance.

Although DWP has long experience in contracting out employment services, the system has not run perfectly. The Work Programme introduced in 2011 suffered first from unrealistic targets, the funding level was insufficient to help jobseekers further from the labour market, the market was dominated by only a few contractors, the profiling system did not incentivise providers adequately and the performance measurement system was not serving its purpose. However, DWP has learnt from its mistakes and continuously improves the functioning of the quasi-market arrangement having taken several actions

during the past years (see Table 3.1), which can serve as sound principles for other public employment services to develop a quasi-market for employment services, such as the one in Italy. Of course, a continuous improvement process is necessary to further enhance the functioning of the system in the United Kingdom. For example, the rating of providers by their performance could be still made fairer and the contracts with bad performers could be terminated more decisively.

Table 3.1. Lessons learned in the DWP to achieve a well-functioning quasi-market of employment services

Learning	Action taken
Build strong, strategic relationships with providers and be a good customer to improve the functioning of the quasi-market.	– Worked with providers to avoid setting unrealistic targets. – Regular senior meetings between the DWP and providers. – Worked with providers to remove unnecessary barriers stemming from the outsourcing system.
Link what you want (outcomes, i.e. sustained employment) with what you pay for to achieve the results.	– Payment by results principles extended across programmes. – Amended sustainment validation process, only paying for valid outcomes.
A clear, transparent view of performance drives performance.	– Developed comprehensive management information system across all service provision. – Use a measure to rank providers and report it through the management information system. – Introduced cohort-based performance measures across programmes (performance measured and managed by cohorts of participants defined by the participation starting month).
A central single source of information has to inform discussions.	– Performance information issued in advance of all monthly review meetings by the DWP.
Robust and consistent action against providers who do not deliver, in order to increase the quality of services.	– Taken early intervention action, for example through issuing Management Letters and issuing Performance Improvement Notices. It is necessary to terminate contracts if early intervention does not produce results.
The DWP needs to centrally co-ordinate and facilitate learning across the market of employment services to enhance competition.	– Produced top performers reports. – Facilitated best practice workshops where better performers share their experience with those performing less well.
Check that providers are focusing on shared priorities.	– Analyses led by performance managers in DWP to identify provider strengths and/or areas for improvement.

Source: OECD (2014[26]), *Connecting People with Jobs: Activation Policies in the United Kingdom*, http://dx.doi.org/10.1787/9789264217188-en; Butler, N. (2018[30]), *Contracted Employment Provision in the UK.*

3.3.3. The reintegration voucher to outsource services needs some redesign

To develop the quasi-market for employment services and overcome the regional fragmentation of contracting out employment services, the Jobs Act introduced the reintegration voucher (*assegno di ricollocazione*),[13] a new active labour market measure at the national level. This measure was designed also as a backdoor to harmonise the employment services and strengthen ANPAL's power anticipating the negative outcome of the constitutional referendum which would limit the possibilities to centralise the responsibilities for employment services to the national level. ANPAL was put in charge to design, implement and monitor this new measure.

The reintegration voucher is in essence a job-placement service involving drawing up an individual action plan[14] for job search and support from a job-search coach. It targets unemployment benefit (NASPI) recipients who have already completed a 4-month job-search period. As the jobseeker can choose a service provider for this service her/himself, it is meant

to encourage competition between public and private service providers and thus improve the quality and timeliness of the services provided. The fees for service providers depend on how close a jobseeker is to the labour market (the outputs of the quantitative profiling tool, see Subsection 3.2.2) and on the results of the service (whether the jobseeker finds a job and the type of employment contract signed).[15]

This measure was implemented in 2017 first as a pilot where close to 30 000 benefit recipients were chosen randomly and were invited to participate. However, only 9.6% of the invitees had applied for the reintegration voucher by November 2017. One reason for this low take-up rate was that many NASPI recipients exhausted their benefits soon during the following months and were no longer eligible for the reintegration voucher (almost 40% of the invitees to the measure had exhausted NASPI by the beginning of November 2017). A few (6%) of the jobseekers had also found a job without the voucher (ANPAL, 2017[31]).

Another reason for the low take-up rate is the activation conditionality which is imbedded in the design of the voucher. The voucher recipients are obliged to carry out the activities in the individual action plan agreed with the service provider and accept a suitable job offer. As activation conditionality has not been implemented in practice in general for the jobseekers so far, the additional obligations accompanying reintegration voucher can be intimidating for the jobseekers. It means that the current design of the voucher in the context of no general activation conditionality on benefit recipients might have adverse effects on labour market outcomes as jobseekers have an incentive to extend their unemployment period until the end of benefit receipt before turning to a job placement service.

Indeed, many of the jobseekers did let their benefit exhaust without applying for this new measure and most of the jobseekers who did apply, were close to benefit exhaustion. For example, 14.3% of those NASPI recipients whose potential end of benefit was in June 2017 applied by November 2017, but only 6.5% of those whose benefit end was in June 2018 (ANPAL, 2017[31]). On the other hand, jobseekers during the first four months of NASPI cannot access the reintegration voucher even if they were interested in it. In the context of virtually inexistent other job-search counselling services means that there is no support available for jobseekers during the beginning of their unemployment spell.

Possibly, the main reason for the low take-up rate is that similar regional measures exist in many Italian Regions [for example in Lombardy, Autonomous Province of Trento, Veneto, Emilia-Romagna, Tuscany, Marche, Lazio, Campania, Sardinia, see ANPAL (2017[31])]. These are in essence job placement services which may have somewhat different target groups [such as long-term unemployed and people over 50 years of age in the Adult Guarantee (*la garanzia adulti*) in Veneto], different set of measures included in the package [training, internships, employment incentives in addition to job integration service in *ricollocami* in Campania; attendance benefit for jobseekers without income support as well as employment incentives in the Integrated Employment Plan (*il piano integrato per l'occupazione*) in Tuscany] or different set of service fees (not necessarily focusing on performance). Despite some differences in design, these regional measures compete with the national reintegration voucher. The local employment offices might tend to offer rather the regional measures to the jobseekers as these are believed to correspond better to the local needs. Indeed, the limited service package of the reintegration voucher is highlighted by the local offices as its downside. For example, although the individual action plan developed in the framework of the reintegration voucher should include a path for occupational retraining if necessary, the voucher does not cover the training programme itself. Such additional service should then be outsourced by the employment offices. In addition, the duplication of measures offered at the regional and national levels tends to be confusing for the jobseekers.

There are three types of selection and accreditation procedures to find eligible service providers under the reintegration voucher: i) some public employment offices are selected by the regional authorities as eligible to provide the reintegration voucher; ii) private service providers are accredited according to the regional accreditation systems; iii) private service providers are accredited at the national level by ANPAL (ANPAL, 2017[32]). By November 2017, there were 354 public employment offices (about three quarters of the primary offices), 1 151 private providers accredited on national level and 262 private providers accredited on regional level approved to provide services under the reintegration voucher. Although there were many more private than public service providers eligible to provide the service, jobseekers preferred the private providers only slightly over the public ones [52.1% of jobseekers received the service from private providers and 47.9% from public providers (ANPAL, 2017[31])]. This indicates that the reintegration voucher has fulfilled its purpose at least to some extent, as both private and public providers are well represented in the service provision and some level of competition is likely to take place. Nevertheless, the decision of jobseekers to get enrolled in the measure and the choice of a service provider might be to some degree determined by the geographic location of service providers and the access to their offices as jobseekers from remote and rural areas are less likely to get enrolled in the reintegration voucher.

The reintegration voucher was implemented in 2017 first as a pilot in order to conduct a thorough evaluation before rolling it out. The evaluation plan involved a process and implementation analysis, an evaluation of the effectiveness of the measure, an analysis of the efficiency and quality of the services provided and a cost-benefit analysis of the reintegration voucher (ANPAL, 2017[33]). However, a proper evaluation of the effects can be in practice conducted only after some time has passed after the measure has been provided as immediate effects often differ from medium and longer-term effects. As such, it was possible to conduct only preliminary estimations in the end of 2017 that did not provide yet a solid understanding of the true effects of the reintegration voucher. Regardless, the programme was extended to all NASPI recipients unemployed at least four months (*plus* some groups of employees going through collective redundancies) in 2018.

The evaluation results on the effectiveness of the reintegration voucher were ready early 2019 (ANPAL, forthcoming[34]). The local average treatment effect for those NASPI recipients who were randomly assigned to be eligible for the reintegration voucher and who then applied for the voucher in the piloting period in 2017 (2 464 people out of 25 456 assigned in total)[16] was estimated using the NASPI recipients who were not assigned to the experiment (298 519 people) as the comparison group. This estimation set-up allows to draw conclusions only on those NASPI recipients who applied for the voucher (average treatment effect on the treated), but not to potentially extend it on those, who were assigned to be eligible, but decided not apply for the voucher.

The estimations on the effects of the reintegration voucher on different indicators of employment showed all statistically insignificant results – on employment status one year after the start of the pilot, on employment stability, on waiting period for entering employment after the start of the pilot and on the share of employed days during the first year after starting the pilot. One of the reasons, why the estimations do not show significant positive results, is that the data used for the analysis does not include information about other services and measures that either the people in the treatment or the comparison group received. It is likely that the NASPI recipients in the comparison group received more often regional measures similar to the national reintegration voucher (having no accessibility to the national measure), which dissolves the effects of the national reintegration voucher in the estimation results. Additionally, as a relatively low share of NASPI recipients applied for the

voucher, the number of observations might be too low for producing statistically significant results. Indeed, the estimation results regarding effects on employment status one year after and the share of employment days within a year indicate that the results for North-Eastern regions have a potential to be statistically significant if the number of observations in the treatment group were higher. In addition, this indicates that the effects of the reintegration voucher might depend on the regional practices in place and how developed the regional market for contracting out employment services is (the capacity and quality of public and private service providers).

As the evaluation results of the reintegration voucher did not show positive effects in general, it indicates that the capacity and quality may be issues not only for public service providers, but also for private ones.

To achieve better results, the activation conditionality on reintegration voucher recipients should be aligned better with these of the other unemployment benefit recipients and the package of services should be widened to accommodate other necessary services such as training for upskilling. The regional measures need to be aligned better with the national reintegration voucher to avoid duplication and confusion among the jobseekers. For example, regional measures could target those not on unemployment benefits and thus further from the labour market and in need of more in depth interventions than job placement and training. In this way, the national measure would target those jobseekers that are closer to the labour market providing them job placement services and training measures. The regional measures would target more difficult clients as the specific needs depend more on the local conditions, and offer them more diverse service package aiming to eliminate area-specific boundaries on job integration.

The fee structure encouraging performance is already in place in the case of the reintegration voucher and ANPAL collects data on performance results. In addition, the labour market integration rate of recipients of the reintegration voucher by Regions, provinces and public employment offices has been agreed within the Triennial Strategy. However, this indicator has not been published yet, nor does it provide performance results by private providers. As a first step, performance results could be published by groups of jobseeker profiling scores (indicating the distance from the labour market). Further on, this "rating system" could involve also data about jobseeker satisfaction with the services. For instance, jobseekers who register online (jobseekers declaring their availability to work, so-called DID) can use the same account to rate and comment the service providers online.

3.4. Employer outreach and demand-side services

Public employment services have to attend to the needs of both labour supply and demand to fulfil their tasks successfully. However, the demand side has been largely neglected by the Jobs Act as well as by the regional (and provincial) practices in place so far. A new national strategy for employers drafted by ANPAL attempts to serve the needs of employers better.

3.4.1. The Jobs Act fails to address the services for employers

The realisation that a successful system of employment services has to address both the labour supply and the demand side has gained more and more recognition across countries during the recent years. In spite of that, this approach is neither well rooted yet in Italy nor has been strengthened by the Jobs Act.

Active labour market policies have traditionally focused more on the labour supply side often neglecting the demand side entirely. Over the past two decades a shift in this paradigm has slowly taken place thanks to the understanding that a successful system of employment services has to attend to the needs of both the jobseekers as well as the employers. In the early 2000s this approach started emerging due to the prevalence of skill mismatches and skill shortages (Spoonley, 2008[35]). During the Great Recession, the realisation that employers are crucial partners for the public employment services took hold as the number of vacancies to be mediated to the jobseekers fell and the employment services which reached out to the employers to understand their needs better and to support them in job creation and recruitment, achieved better results in placing the jobseekers. Thus, many of the advanced public employment services such as the ones in Germany, Austria, Estonia or Belgium (Flanders and Wallonia) have in the recent past strengthened their services to employers or even changed their business models from jobseeker-led to employer-led [see for example HoPES (2013[36]), Koning and Gravesteijn (2012[37]) and Sowa et al. (2015[38])]. Outreach to employers is not only important to improve skill match on the labour market, but also to place disadvantaged jobseekers [see Bowman and Randrianarisoa (2018[39]), and OECD (2015[1])], a service that used to be considered solely a measure targeting the supply side.

However, in Italy this paradigm shift has not taken place, yet. The employment services' outreach to employers is weak and thus the market share of vacancies remains extremely low. Only 1.5% of employers use mainly the system of public employment services for finding employees and only 2.5% of newly employed people had the public employment services in some way involved in finding their job (see Figure 1.17 in Chapter 1).

In addition, strengthening the labour demand-side policies has not been part of the Jobs Act. The implementing decree of the Jobs Act lists only supply-side measures as active labour market policies that the Regions have to provide (Decree No. 150 from 2015, Article 18, see Annex 1.C in Chapter 1). One of the tasks set for the new network of employment services is to introduce actions and services aiming to satisfy the skill needs of employers, but this objective is not given any further content. The only measures dealt with in the decree mentioning employers are the employment incentives for which this decree lays down the general principles and calls for creating a national repository, focusing on avoiding misuse of these measures by the employers. In this context, the employers are not viewed as crucial clients of the system of public employment services.

As the Jobs Act leaves demand-side services and outreach to employers without any adequate attention or regulation, it will be up to the network of employment services and even more particularly for ANPAL and the Regions to realise the importance of these services and strengthen them. In fact, most of the services by the public employment services should consider simultaneously the needs of jobseekers as well as those of employers.

3.4.2. Regional outreach to employers is modest

The generic matching and pre-selection services are the most commonly provided services in the Italian Regions and available in most of the local employment offices, yet the selection of additional services tends to be limited. Employers are dissatisfied with the local employment offices as the services do not match their needs well and tend to be of low quality. Dedicated employers' counsellors are present in half of the Regions, but their tasks are not supported by appropriate tools and infrastructure, limiting active out-reach to employers. Company visits which (the most effective channel to communicate with employers) as well as online channels (the most efficient channel) are both underused in the Italian Regions.

The statistics in this subsection on the services offered to employers by the Regions and local employment offices is received via a questionnaire among the Regions by the OECD in May to June 2018 (if not stated otherwise).

Basic services to employers are offered in most Regions

In countries where the public employment services are in good contact with the employers, the core day-to-day services concern current and prospective vacancies (filling vacancies, providing benefits to encourage recruiting, enabling jobseekers and employers meet through job fairs, speed dating, etc.), training provision matching employers' needs and support in case of lay-offs (Koning and Gravesteijn, 2012[37]). These can be considered as the services regarding the employers' most imminent needs.

With regard to Italy, the most common services provided for employers are summarised in Table 3.2.[17] The function of matching jobseekers to vacancies takes place in the system of public employment services in all the Regions and in most of the local offices with only some exceptions. In addition, most Regions also offer services for pre-selecting candidates (so only one or a small number of the most suitable jobseekers are selected).[18]

Table 3.2. Matching services and candidate pre-selection are available in most local employment offices

Services for employers by Regions and service points

Service Region	Matching vacancies and jobseekers	Pre-selection of candidates	Job fairs and alike	Training subsidies	Tailor-made training for company needs	Help with large-scale redundancies
Abruzzo	All CPIs	All CPIs	Other bodies	Other bodies	Other bodies	Other bodies
Aosta Valley	All CPIs	All CPIs	All CPIs	Other bodies	Other bodies	Other bodies
Apulia	All CPIs	All CPIs				Other bodies
Basilicata	All CPIs	All CPIs	All CPIs			All CPIs
Bolzano	All CPIs	All CPIs				
Calabria	All CPIs	Some CPIs	Some CPIs	Other bodies	Other bodies	Other bodies
Campania	All CPIs	All CPIs	Some CPIs	Other bodies	Other bodies	All CPIs
Emilia–Romagna	All CPIs, other bodies	All CPIs				All CPIs
Friuli-Venezia Giulia	All CPIs	All CPIs	All CPIs, other bodies	Other bodies	All CPIs, other bodies	All CPIs, other bodies
Lazio	Some CPIs	All CPIs	All CPIs			
Liguria	All CPIs	Some CPIs	Some CPIs	Other bodies	Other bodies	Some CPIs
Lombardy	All CPIs, other bodies	All CPIs, other bodies	Some CPIs, other bodies	Some CPIs, other bodies	Other bodies	Some CPIs, other bodies
Marche	All CPIs	All CPIs	Some CPIs	Other bodies	Some CPIs	Other bodies
Molise	All CPIs	All CPIs				
Piedmont	All CPIs, other bodies	All CPIs, other bodies	Some CPIs, other bodies			Some CPIs, other bodies
Sardinia	Some CPIs	All CPIs	Other bodies	Other bodies	Other bodies	Other bodies
Sicily	All CPIs					
Trento	All CPIs	All CPIs	Some CPIs	All CPIs	All CPIs	All CPIs
Tuscany	All CPIs	All CPIs	Some CPIs			All CPIs, other bodies
Umbria	All CPIs	All CPIs	Some CPIs	Other bodies	Other bodies	All CPIs
Veneto	Some CPIs	Some CPIs	Some CPIs		Other bodies	Other bodies

Note: All CPIs – all local employment offices are providing the service; some CPIs – the service is available in some local employment offices, but not in all of the offices in the Region; other bodies – the service is offered through some other regional entity/structure than the network of public employment offices.
Source: Responses to a questionnaire among the Italian Regions conducted by the OECD in May to June 2018.

Job fairs and similar events to facilitate the meetings between employers and jobseekers are organised by the system of public employment services in two-thirds of the Regions (14 Regions). For example, the Autonomous Province of Trento organises events for high-skilled workers and youth (see Box 3.8). Additionally, in Abruzzo and Sardinia, where these events are not organised by the public employment offices, other regional structures dedicated to servicing employers are in place to fill this gap. Other regional structures contribute to organising job fairs in addition to the local employment offices also in Friuli-Venezia Giulia, Lombardy and Piedmont.

Support for employers and their workers in case of larger-scale redundancies is provided in the vast majority of Regions (except in Bolzano, Lazio, Molise and Sicily). However, this service is provided fully or partially by the public local employment offices in ten Regions and in others by other regional structures for employers.

Other services, such as providing subsidies for conducting training or tailor-made training for specific company needs, etc., are relatively rare. Also, these services are provided rather by other structures than the system of public employment services, if at all.

Box 3.8. Initiatives to facilitate employers and jobseekers meet in Trento

Career Day – Targeted to specific sectors or skill groups. The local offices select a list of jobseeker profiles targeting specific skills and invite companies to meet these jobseekers. Before the meeting takes place, the counsellors in local offices prepare the jobseekers on how to introduce themselves to the employers (recruiters and HR managers) during the meeting. For seasonal sectors such as tourism, the event takes place before the season starts.

Focus Lavoro – Carried out together with youth organisations and employers targeting youth. These events allow companies introduce themselves to young people, e.g. through guided visits to their production plants. Companies can make themselves more known among the prospective employees (advertise themselves as employers), promote internships, talk about current and prospective vacancies.

Source: Wildmann, L. (2018[40]), *I servizi per i datori di lavoro erogati dai Centri per l'impiego della Provincia Autonoma di Trento*.

Service package for employers is limited and of low quality

In a survey conducted by ANPAL among employers mainly in the tertiary sector in November 2017, 70% of the respondents had used services of the local employment offices before. More than half of the ones that had not used these services did not believe that they would receive necessary support. Only 44% of all respondents considered contacting local employment offices in the future. Employers are reluctant to turn to employment offices mainly due to the low quality of the services received previously and because there are no services available that would meet their needs (accordingly 39% and 26% of the ones that would not contact employment services in the future).

The quality and spectrum of services tends to be limited indeed. While 97% of local offices perform at least some tasks related to employers, only 53% perform the eight main tasks identified by ANPAL[19] (ANPAL, 2018[29]). Even these eight tasks do not cover all the needs of employers, either, as these relate only to administrative tasks, providing information on active measures on offer and matching and pre-selection tasks. The more elementary tasks such as providing information on active measures on offer and conducting general matching services are performed by most of the offices, while tasks requiring attending to more specific needs of the employers and supporting them in filling more demanding vacancies are less common.

Employers consider support with matching services as the main priority from the public employment services. Half of the respondents in the survey conducted by ANPAL considered the service for filling the vacancies to be most useful, while other services were considered somewhat less important. For example, 22% of employers considered tailor-made training useful, 22% appreciated support following recruitment, 14% services for self-employment, 15% support for hiring foreign citizens and 19% tax advice and incentives for recruitment.[20]

Overall, there is a lot of room for development for the system of employment services regarding the quality and spectrum of demand-side services to accommodate the employers' needs and gain credibility among the labour market stakeholders.

The organisational structures for counsellors serving employers are in place, but the supporting structures are missing

International practices show that having counsellors dedicated to employers' needs tends to be a more effective approach than having only general counsellors who serve mainly jobseekers and only occasionally employers. In half of the Italian Regions, there are counsellors dedicated to serving employers. However, these counsellors are not supported by appropriate tools and infrastructure, thus failing to actively reach out to employers. It should be the task for ANPAL to develop the online tools for vacancy intake and for matching jobseekers to vacancies, so that the employers' counsellors could dedicate their resources to proactively contacting employers and promoting their services.

The majority of public employment services in Europe use counsellors dedicated exclusively for employers to be able to provide the tailored support that employers need. In fact, the use of dedicated counsellors has been a growing trend over the years (Peters, 2016[41]). The increasing popularity of this approach stems from the indication that the more personal contacts with employers improve co-operation between employers and public employment services and thus make the demand-side services more effective. Nevertheless, even though the tasks of serving employers and jobseekers are separated in this approach, the co-operation of these two types of counsellors is crucial to facilitate the labour demand and supply to meet. For that, different models are used. In some cases, the counsellors for employers and the counsellors for jobseekers work in small teams (e.g. the Flemish public employment service in Belgium) specialised on a specific geographic area or a business sector (Oberholzner, 2018[42]). In other cases the co-operation between the counsellors (or teams of counsellors) for employers and the counsellors (or teams of counsellors) for jobseekers are facilitated by frequent regular meetings (e.g. public employment services in Austria and Estonia) or meetings taking place in a needs-based format (e.g. public employment services in Germany and Slovenia). The key factor for a successful model is that employers' counsellors undertake tasks beyond passive registration and filling of vacancies, to actively create and sustain contacts with employers for new job offers, targeted placement of disadvantaged jobseekers and facilitate meetings between employers and jobseekers.

In Italy, there is a plethora of models that have emerged over the years regarding the services for employers, which differ across the Regions. Half of the Regions have dedicated counsellors for employers in the local offices (Apulia, Campania, Emilia-Romagna, Liguria, Marche, Molise, Sardinia, Trento, Tuscany, and Umbria). In some of these cases the counsellors for employers work in teams with other employers' counsellors, sometimes with counsellors for jobseekers and sometimes without a specific team. Seven Regions (Abruzzo, Aosta Valley, Basilicata, Bolzano, Calabria,

Piedmont and Sicily) have no counsellors dedicated specifically for employers, but some counsellors deal simultaneously with employers and jobseekers. In the Lombardy region, there are dedicated employers' counsellors in some public employment offices (with high variation how teams are set up), but not in others. Similarly, in Veneto and Lazio only some local offices have staff members that deal with employers, whereas in the Friuli-Venezia Giulia region the services to employers are provided mainly by dedicated units not situated in the local employment offices.

Even in the Regions where there are dedicated employers' counsellors, there are several factors which might hinder their effectiveness. The lack of specialised skills, the limited available time (number of counsellors) as well as the absence of supportive structures limit their role.

The tasks that the staff in charge of services for employers have to perform are generally not well supported by the IT tools. This means for instance that the staff members in charge of matching and pre-selection search manually in the databases for those candidates whose characteristics and competencies match the criteria set for the vacancy. In addition to the inexistence of automated matching tools, the list of characteristics and competencies of the jobseekers in these databases is very limited and often it is not known whether the person is actually still interested in accepting a job since the activation conditionality is not applied and up-to-date information about the jobseekers is often missing. For that reason, the local offices generally try to contact the otherwise suitable candidates to understand if the person is at all interested in the available job before making a referral to the employer. Moreover, some local offices conduct additional interviews with the suitable candidates to assess the competencies that are not listed in the database, but are required by the employer (for example soft skills). In total, the lack of appropriate tools makes the service provision unnecessarily cumbersome and resource-intensive and is currently manageable only because of extremely low vacancy inflow which of course is a problem of its own and partly also a consequence of exactly the low quality of matching service.

Very common reasons why employers contact the public employment services are administrative and bureaucratic in nature, not necessarily related to the core demand-side services. In a survey conducted by ANPAL among employers in 2017,[21] 42% of the respondents who had contacted public employment services previously, had contacted local offices in administrative matters,[22] 38% to receive information about employment services[23] and 50% in relation to filling vacancies or to get support in identifying business needs. As a result, a great part of work of the system of public employment services is devoted to administrative activities in relation to both jobseekers and employers leaving only marginal resources for the core activity of matching demand and supply. This decreases the offices' credibility as a job broker.

Therefore, it is crucial to develop tools which facilitate the communication with employers (online tool for inserting vacancies to be mediated by the system of employment services) and which improve the efficiency and the quality of the services provided to employers (matching tools allowing automated matching and enabling more elaborate matching criteria). The development of these tools would be more efficient if these were developed at the national rather than the regional level. National tools would serve the interest of both jobseekers and employers better, allowing for matching across the provincial and regional borders[24] and would also promote convergence of service quality across Italy. Thus, it should be the task for ANPAL to provide this support structure for the Regions.

Once the support structure for the employers' counsellors is in place, the system of public employment services has the potential to provide quality services for employers and

increase its credibility as a job broker. In half of the Regions the dedicated employers' counsellors are already present in the local offices and in several others it is the case in some of the offices. This provides a good launch pad for the local offices to start actively reaching out to employers.

More interactive channels should be used to increase contacts with employers

Experience with channels used to communicate with employers across countries indicate that company visits is the most effective channel (Koning and Gravesteijn, 2012[37]), while online channels often are the most efficient (particularly for automatable services). In line with this evidence, face-to face communication is one of the communication channels that most public employment services use for their services for employers, even though other channels such as online channels and telephone (placement officers and call centres) have gained more importance over the years.

Both the face-to-face and online channels are underused in the Italian Regions. Visits to employers are only used by local employment offices in 14 Regions, while the online channels (internet portals) are even less common as there is no national tool in place. Thus, only 12 Regions have been able to provide a regional online channel for employers (Aosta Valley, Basilicata, Bolzano, Campania, Emilia-Romagna, Liguria, Lombardy Sardinia, Trento, Tuscany, Umbria and Veneto). Five Regions have taken up the use of social media to provide an additional channel for communicating with employers (Apulia, Friuli-Venezia Giulia, Lombardy, Marche and Veneto), thus in some of the cases providing a substitute for the more traditional online tools.

Other relatively common channels internationally are e-mails and regular mail, the latter losing popularity very fast in many countries [see for example IDB/WAPES/OECD (2015[43])]. In Italy, e-mail contact is by far the most common channel that public employment offices use to communicate with the employers (for example for vacancy intake or for sending newsletters about employment services). This channel is used practically in all the Regions with the exception of the Molise region. Information exchange on the phone is also a popular communication tool. For example, the Tuscany region has dedicated a free-of-charge phone number providing information regarding employment services for employers.

Overall, the channels for reaching out to employers and communicating with them are not very well developed and are rather passive, meaning that these are used when an employer contacts a local office. The tasks of the employers' counsellors should be supported by well-functioning IT tools, so that they could allocate their time for using the more active channels to reach out to new employers (see also the previous subsection).

Given the multiple and different needs employers have, it is useful to combine different outreach strategies and tools. Face-to-face contact could be used to initially create a trustful relationship with a new employer and subsequently some other channel can be used for specific services (such as online channel for uploading vacancies). Face-to-face contact might be needed also when providing more complex and employer-specific services (Dietz, Bähr and Osiander, 2014[44]). Such more interactive channel might be necessary for example when providing training considering specific needs of employers, which needs mapping the needs and designing the course also involving a training provider (e.g. conducted in the Slovenian public employment service); or advising employers on training needs of their staff in general (e.g. German and Austrian public employment services). A face-to-face channel might be effective also when placing particularly

disadvantaged jobseekers to jobs, in which case the employers' counsellor and/or the case worker can assist the meeting between the employer and the jobseeker.

Digital channels can be more efficient than other channels for many services, which explains the trend of an increased use of these channels in recent years. Also, even if an online tool is chosen as the main channel for some specific service, it might need also an additional online and telephone support to back it up (Tubb, Roberts and Metcalfe, 2014[45]). For example, if an online tool for uploading vacancies is set up, employers should have possibilities to contact public employment services and get prompt technical assistance in case difficulties are encountered such as problems with understanding the fields to be filled in, errors in functionalities, etc. Providing support through online helpdesks (e.g. chats) and/or call centres is a common feature of public employment services using online channels for service provision.

3.4.3. A new national strategy for employers

ANPAL has drafted a new strategy for employers in 2018 aiming to strengthen demand-side services. By and large, the strategy maps the gaps in the system of public employment services regarding serving employers well. Nevertheless, ANPAL could take more responsibility to help the local offices to close these gaps in all the three functions assigned to the local offices – in providing labour market information, in matching labour supply and demand and in linking the employment services with the life-long learning system.[25]

The new national strategy for employers is well developed

To strengthen the demand-side services across the Regions, ANPAL proposed a national strategy of public employment services for employers in 2018 (not adopted yet as of autumn 2018, hence the draft proposal is discussed as following). The strategy aims at closing the gaps between the expectations of the employers and the current situation of service provision by the local employment offices. Moreover, it tries to create a common vision of employment services across the local offices and to encourage all Regions and local offices to work in the same direction. More specifically, it defines three main functions for the local employment offices in their engagement with the employers: i) providing information on employment services, ii) matching labour supply and demand and pre-selecting suitable candidates, and iii) linking the employment services with the life-long learning system. To improve these functions, the strategy calls for further training of employers' counsellors in local employment offices, further development of demand-side services to respond to employers' needs and investments in IT tools. ANPAL's role is to help strengthen the system of employment services, enhance the methodological and digital support, contribute to improve the skills of staff in the local offices and disseminate timely information to companies using its own tools as well as ESF resources.

The development of the strategy involved many of the Regions as well as the employers through a survey mapping their needs and their current relationship with public employment services, in line with good practices from other countries [see Oberholzner and Hughes (2018[46])]. It identifies three clear functions that can be easily communicated to all stakeholders and it recognises the different needs for support that companies have according to their size. The next step should be to make it more specific about its objectives as well as which key actions to conduct to achieve the objectives, how and by whom.

The role of ANPAL could be strengthened

Within the draft strategy to employers, ANPAL should take an even more active role as a supporter of employer outreach going beyond what is already set in the legal decrees. ANPAL's commitment to building partnerships with large companies and trade associations is welcome as it will likely increase the visibility of the system of employment services and hopefully contribute to building trustful relationships with smaller companies. Yet, ANPAL could take also a bigger role in developing digital tools to support the local offices, such as national tools for uploading vacancies and matching these with jobseekers (see details in next subsections).

In addition, ANPAL can play a role in supporting the upskilling of counsellors in local offices entrusted to engage with employers. More specifically, ANPAL should provide them with specialised and continuous training to build their sales and marketing skills, labour law knowledge, negotiation skills, interviewing skills, skills to analyse job vacancies, etc. This training does not have to use traditional training methods in the local offices. For example, Slovenian public employment service provides its employers' counsellors training via e-learning courses, coaching and workshops. E-learning courses are more flexible and easier to fit in the counsellors' working schedules than traditional classroom training. Workshops, on the other hand, enable counsellors to exchange their experience, learn from each other and develop new approaches. Coaching is useful to support putting theoretical knowledge gained in a workshop or e-learning course into practice, supporting the counsellor's individual challenges at the workplace. The Slovenian public employment service has an internal unit (Education Centre) to map the training needs and prepare and organise relevant courses. The training courses for employers' counsellors have involved using external experts, including experts from private employment agencies. In Italy, ANPAL Servizi could play the role of co-ordinating such training provision, by mapping training needs, preparing e-learning courses (e.g. on labour law) and finding external trainers for more specific topics (e.g. sales and marketing, negotiating).

The needs to improve IT infrastructure and invest in employers' counsellors skills are stated now only generally in the draft strategy and rather as responsibilities for the Regions and local offices themselves. Yet, ANPAL has also an important role to play here. A national strategy for employers in a decentralised system (as is the Italian case) could outline priorities for local employment offices and supportive tasks for the authorities at the national level. Setting broad priorities for the local offices creates a common vision across the country about the main elements to meet employers' needs, while leaving a lot of flexibility for the local level to set their actions fitting into the specific local situation. Denmark offers a good example of such organisation (see Box 3.9). The national level organisation in Denmark sets itself a clear mission to support local jobcentres to improve their employer services by providing them with relevant models and methods, competence funds and IT tools for matching jobseekers to vacancies. Also, the national level commits to sharing best practices, organising network meetings, measuring customer satisfaction and monitoring. The clarity of responsibilities and strong support from the national level while keeping flexibility to meet the local needs are elements that the Italian system could strengthen in its strategy for employers as well.

As soon as the Employer Strategy has been agreed with the Regions, it is important to communicate it across the different levels of the system of employment services (Regions, local offices, staff in the local offices). In this function, ANPAL through its sister Agency, ANPAL Servizi, will have to raise awareness of the objectives of the strategy and the steps ahead and create support for the strategy among the staff in local offices.

Box 3.9. National strategy for employers in Denmark

In Denmark, the 94 local jobcentres in the 98 municipalities are responsible for organising the employer services. The national level (the Danish Agency for Labour Market and Recruitment together with the Danish Ministry of Employment) is responsible for the national strategy for employers.

The current strategy sets four focus tracks for the local jobcentres:

Employer contact – The jobcentres need to have broad outreach-based contact with businesses that covers both the businesses' strategic and the operational needs.

Contact with jobseekers – Jobseekers need information about the local labour market to match or upskill their competences with the needs of businesses.

Internal collaboration – The jobcentres' internal collaboration chain is crucial for making good matches between jobseekers and businesses. Employees consulting jobseekers have to also have businesses in mind and employees consulting businesses have to know the competences of the jobseekers.

Co-operation between municipalities – In order to provide a good service, jobcentres should have good transversal collaboration with other jobcentres, training providers, unemployment insurance funds, businesses, and professional and sector-based networks.

The task for the Danish Agency for Labour Market and Recruitment at a national level is to help jobcentres improve their employer service through: 1) models and methods for employer service, 2) best practise sharing, 3) network meetings, 4) competence funds, 5) IT tools for digital matching, 6) customer satisfaction measurement and monitoring.

To fill this supportive role, the Danish Agency for Labour Market and Recruitment has published for example a methodology manual for local jobcentres on how to develop good employer services. It encourages local level to draw up their own strategies towards employers, providing them with recommendations on what aspects to consider and lists of tools and methods that could be useful. The manual presents also good practices from different parts of Denmark, such as a practice from Fredrikshavn where the jobcentre is determined to focus on employers new to the jobcentre and for which there is for instance a contact script prepared which the employers' counsellors can easily base their introductory conversation on.

The national agency conducts a yearly survey on how the 94 jobcentres organise their employer services for monitoring reasons, but also to receive input for good practices to share across country.

Source: Johansen, L. (2018[47]), *Engaging with employers. An introduction to Danish employer service*; Kühnell Gautier, K., A. Møbjerg Stevnhoved and L. Hansen (2017[48]), *Business Service – Inspiration for Jobcentre Managers. Methodology Manual*, https://www.star.dk/media/3352/methodology-manual.pdf.

Moreover, other strategic documents, such as the Triennial Strategy for the Action on Active Policies (particularly the minimum service standards and monitoring indicators), should be adjusted to accommodate the strategy for demand-side services. A regular customer satisfaction survey should be designed to support the monitoring of the strategy implementation as well as to enable updating the strategy according to the employers' needs.[26] The practice of the German public employment service could be used

as a template to design an effective survey of employer satisfaction. In Germany, a phone survey is conducted by an external provider of customer surveys involving 100 employers on a random basis for each employment office. To get good information on the quality and impact of the counselling services, the survey is conducted two weeks after the first consultation and again in six months after the consultation. The results of the employer satisfaction survey feed into a customer satisfaction index (together with jobseeker satisfaction, youth satisfaction and the satisfaction of people in the rehabilitation programme), which is one of the key performance indicators to monitor the results of employment offices. Thus, the reliability of the results is of utmost importance, which is why the survey is outsourced and the survey method (including semantics, order of questions, etc.) is thoroughly analysed beforehand. Besides being a tool for monitoring performance, the satisfaction survey enables the employment service to identify needs for adjustment in the procedures, gives insight whether the matching services meet employers' expectations and whether suitable applicants are proposed and the vacancies filled as well as the reasons for not meeting employers' needs.

Public employment services as information providers

The first function of the local employment offices identified in the draft strategy is providing information to the employers. This concerns information on the services available in the employment offices or in other relevant structures in the Region and information related to administrative processes the employers have to adhere to. Thus, the strategy proposes more passive channels such as providing information on webpages, webinars available online and newsletter via e-mails, rather than active outreach to contact employers, who do not use the services of the local offices, yet. The strategy underlines that the digital services and tools to provide information to the employers are currently not adequate and calls for investments in these as well as in the training of staff dedicated for employers. Additionally, it suggests dedicated desks for employers to be set up in the Regions for which ANPAL takes a responsibility to develop a more specific proposal together with ANPAL Servizi.

Nonetheless, it is necessary that the public employment services take a more active role in providing information and marketing their services. It means more networking and building relationships with employers by visiting them, organising meetings and round-tables (also to receive their input for designing services), etc. At the same time, as already discussed in the previous subsection, ANPAL should take a more active role in the development of this function – for example by helping training the staff in the local employment offices dealing with employers, providing information to employers at the national level and by designing national online tools to support the staff in local offices.

Furthermore, a public employment service can only assist and advise its customers well when it has a good overview of the labour market situation. The counsellors in the local offices should have good labour market information to help their customers the best and to support their customers to make better decisions as well. In the strategy for employers, ANPAL takes a responsibility to carry out sector analyses to identify skill needs and future skills gaps. ANPAL should think how to disseminate and communicate this information the best (as well as other relevant information, e.g. concerning the plethora of different skill assessment anticipation exercises conducted by other organisations [see for example OECD (2017[49])] to the staff serving customers in a comprehensible format.

There are various methods used by public employment services in OECD countries to collect data on needs for skills and occupations. Some public employment services

in Europe (e.g. Sweden or Austria)[27] conduct regular surveys among employers to study outlook on labour demand (which hiring trends employers see and which qualifications/skills these concern) which is an input for the counsellors within the organisation as well as useful for external partners (educational institutions, career counsellors, employers, employees, jobseekers, policy makers, etc.).

Another approach is to use the knowledge that accumulates naturally within the public employment services themselves by being in contact with both jobseekers and employers, a method used for example in Sweden,[28] Finland,[29] Estonia[30] and Poland[31] (the latter being a system where the responsibilities are on regional level for employment services similarly to Italy). The methodology of this so-called occupational barometer involves gathering input from employers' and jobseekers' counsellors for surpluses, balances and shortages of labour by occupation both at present and in the near future (e.g. six months) at the regional/local level. This approach uses relatively low amounts of resources, but provides valuable information, particularly for understanding the regional labour market situation and the situation of neighbouring regions. This information is used to counsel jobseekers (to encourage occupational and geographical mobility, to refer jobseekers to training) and to advise employers (in which regions to look for labour for specific occupations). Furthermore, the occupational barometers are published online to inform educational institutions, youth making their career choices, career counsellors, policy makers, etc. In case this would be conducted in Italy, ANPAL should take the co-ordinating role to harmonise the methodology and ensure the comparability of estimations between the Regions. This input could also serve for geographical and occupational mobility.

Public employment services as job brokers (matching and pre-selection)

The second main function of local offices defined in the draft strategy is providing recruitment services. The strategy underlines the necessity to improve the quality of this service, to modernise its approaches, to enhance the ability to mediate high-skilled specialists and to introduce practices that enable taking into account the soft skills of the jobseekers when matching them with vacancies. It highlights rightfully that SMEs need often even more support from the local offices in defining their recruitment needs [see for example Oberholzner and Hughes (2018[46])].

Yet the strategy fails to point out that there is currently no online tool to facilitate an efficient uploading of vacancies for the employers, no adequate tool to support matching jobseekers to vacancies and no possibilities to match jobseekers to vacancies across the Regions to facilitate regional mobility.

Online tools that make vacancy registration more efficient are gaining popularity in the public employment services internationally, being the most important channel in Europe and Asia-Pacific (IDB/WAPES/OECD, 2015[43]) and in most of the OECD countries (OECD, 2015[1]). The national tools for vacancy registration are developed and successfully applied even in countries which otherwise have a decentralised provision of employment services such as Denmark and Canada (see Box 3.10). Furthermore, many public employment services make these databases open to the public (not only for using within the local offices), in which case also the jobseekers who are not registered can apply to vacancies and upload their CVs and employers can search for suitable candidates (OECD, 2015[1]). This extends the benefits of these databases for society. Many such online tools are also publishing job openings from other job mediation websites to further facilitate job search. For instance, the online tool of the French public employment service publishes vacancies of 110 partner online sites in addition to its own. The key is that the data about a

vacancy has to be inserted in a structured way (e.g. classifications for occupations and skills as easily understandable for the labour market agents as possible), concerning all the characteristics that facilitate the subsequent matching process. *Second*, the tool should have built-in controls that help to avoid mistakes in insertion (e.g. wage below minimum wage in countries where minimum wage is set) and discrimination (e.g. discrimination by age or gender). Usually, a staff member in the local, regional or national level of the public employment service approves the vacancy before uploading it (e.g. in Canada, Slovenia, Estonia, etc.) and contacts the employer in case of errors. The quality approval process takes only a very little level of resources in the public employment service and the process in total is more efficient (faster and less administrative burden) than getting the input about vacancies through other channels and then inserting it in the database.

Box 3.10. National online platform for vacancy mediation in Canada – The Job Bank

Canada's Job Bank online platform (https://www.jobbank.gc.ca) is an employment service that helps employers find suitable workers and workers find jobs. Though the responsibilities for employment services in Canada lie generally on the provincial/territorial level, the Job Bank has exceptionally a federal government mandate, i.e. it is a national tool. It is delivered in collaboration between the federal and provincial/territorial governments.

The Job Bank consists of five interconnected tools and services:

1. **Job Search** (including a mobile app) – A service for jobseekers to look for job vacancies applying general filters such as area, job title, type of contract, etc.
2. **Job Alerts** (including a mobile app) – Allows jobseekers to receive notifications of new job postings by email up to twice a day (filtered by area and job title).
3. **Job Match for Jobseekers** – Allows jobseekers to create a profile (including skill profile and a well-organised résumé) and to be matched to suitable current job openings. It also increases a jobseeker's visibility to employers as they can see his/her profile and invite to apply to their jobs.
4. **Explore Careers and Trends** – Disseminates labour market information gathering input from 30 different sources and generating more than 32 000 unique reports by occupation and location covering job opportunities and outlook, wages, skill and job requirements in a targeted and comprehensive format (OECD, 2015[50]).
5. **Job Bank for Employers** provides a free online posting platform:
    - The Job Bank for Employers allows Canadian employers to post their job openings (after internal validation that these are legitimate and real) in a standardised format. In May 2018, there were 110 000 active employer accounts using the platform and posting 34 506 vacancies.
    - After posting a vacancy, employers receive a list of suitable jobseeker profiles, which they can invite to apply to their vacancy.
    - When using the tool, employers are invited to signal new skills, knowledge and job types that they want to use in job adverts, which provides input for the development of the tool as well as for research on changing skill needs and nature of work.

- If employers cannot fill the vacancy in 30 days, local governments provide them with additional support such as advice on local employment measures and services (pilot project in Ontario and Newfoundland and Labrador).
- Employers can market their vacancy to a specific disadvantaged group of jobseekers (newcomers, indigenous, students, seniors, etc.).
- As the service is free for employers, it helps particularly SMEs, which tend to have more constrained resources for recruitment procedures. 42% of vacancies in the Job Bank are from firms with up to 4 employees, 52% from firms with 5 to 99 employees, 4% from firms with 100 to 499 employees and 2% from firms with 500 and more employees.

Source: Roberts, G. (2018[51]), *The Changing Nature of Work: Recent Canadian Initiatives to Improve Services for Employers*; OECD (2015[50]), *Back to Work: Canada: Improving the Re-employment Prospects of Displaced Workers*, http://dx.doi.org/10.1787/9789264233454-en; and Government of Canada (2018[52]), *The Job Bank*, https://www.jobbank.gc.ca.

The vacancy registration tool and database have to be complemented by a tool to match these vacancies to the jobseekers in the databases of public employment services. The current manual methods conducted by the staff in the local offices (see Subsection 3.4.2) are very labour intensive and do not provide necessarily a result of high quality. IT-based matching tools can have a functionality to match jobseekers to vacancies when initiated by the employers' counsellor (e.g. to further select from the suitable candidates, conduct additional tests, etc.), by the counsellor for jobseekers (when counselling the jobseeker and referring him or her to apply to some specific vacancies) as well as by the employers and jobseekers themselves in the public online environment. In addition, such tool could perform automatic matching, for example by automatically matching all vacancies and jobseekers every working day and sending new matches to the jobseekers by e-mail (like in Estonia) or via SMS (like in Lithuania). In case of more elaborate matching tools like the one in the public employment service of Belgium-Flanders, the matching tool enables to see also less than perfect matches indicating the divergence. This is particularly important when the skills of jobseekers do not correspond well to existing vacancies in the economy, revealing missing skills and thus necessary training programmes. Additionally, an employer might be willing to employ a person with slightly lower match than initially expecting, training the employee at the workplace or adapting the tasks. If these digital tools for registering and matching vacancies are in place, the staff in local offices who are currently manually dealing with vacancies, could devote their resources to actively communicate with the employers, promote the demand-side services, stimulate vacancy inflow for job mediation, solicit employers to hire disadvantaged jobseekers, etc.

A successful application of a digital matching tool requires improvements also in the jobseeker registration tool and databases to provide accurate, sufficiently elaborate as well as comparable data across the Regions as inputs for matching function. As already discussed in Subsection 3.2.4, it would be beneficial to develop a skill profiling tool that feeds into matching processes as well as into mapping training needs, ideally aiming to go beyond qualifications and cover also generic, technical and non-cognitive i.e. soft skills. It is crucial that the skills covered by this tool use the same classification as the vacancy registration tool for employers and that this classification is easily usable and understandable for jobseekers as well as employers providing examples and additional definitions when necessary. Developing a tool to profile the skills of jobseekers well would induce better matches and

also be a form of outreach to employers, as it would increase the benefits of co-operating with the public employment system and hence would enhance the credibility of the public employment services as a job broker. For example, the satisfaction survey among employers conducted by the Tuscany region indicated that the too general profiles of jobseekers matched to vacancies is the main reason for the employers' dissatisfaction with the services provided by the local employment offices.

It is crucial to develop these tools nation-wide to use the scarce resources in the system of employment services in Italy efficiently and to assure high quality services for employers and jobseekers across the country. The development of these tools at the national level would also enable matching jobseekers and vacancies across the Regions and provinces, encouraging geographical mobility of jobseekers and enterprises and contributing to a better skill match. Thus it is critical that setting up such national tools would be part of the strategy for employers and that ANPAL would take the responsibility to develop these.

Public employment services as supporters of up-skilling

As local employment offices have an overview of the skill needs and supply, the draft national strategy expects them to play a fundamental role in providing support and advice in the design of training programmes. Employment offices are expected to promote training programs at workplaces for employed people, help and encourage employers to contribute to designing training courses for their employees and help to define the role of organisations offering training programs. These training programs should serve the purpose of unemployment prevention by skilling the employees up to match the changing economic structure and needs due to technological change, digitalisation and globalisation.

The training programs for employed people are financed by dedicated funds in Italy (the Inter-Professional Funds),[32] which gather their funds through a levy on employers. They are run by social partners and are supervised by ANPAL. ANPAL establishes guidelines defining the role and responsibilities of the Inter-Professional Funds and monitors that the funds' activities would meet the set requirements. These funds have contributed significantly to lifelong learning in Italy over the past 15 years. Nevertheless, they could aim even more at aligning the training offered with labour market needs (e.g. ICT-related skills, clerical knowledge) and at covering SMEs and disadvantaged groups of workers (older people, women, lower-skilled and low-wage workers), (OECD, 2019[53]). Hence, the promotion by the public employment service to reach disadvantaged groups and to design training programmes matching the labour market needs could improve the operation of Inter-Professional Funds.

This role of counsellors would be facilitated by strengthening the information sharing and job broker functions of employment services discussed in the previous subsections. Improving the support structures for job brokering would enable the local offices to have resources for counselling employers and direct them to upskill their employees. Improvements in disseminating knowledge by ANPAL to the local offices and possibly co-ordinating skill assessments in the Regions (e.g. the "occupational barometer) would improve the abilities of the employers' counsellors to advise employers.

In addition to promoting and advising employers on skilling up their existing staff, public employment service should provide training also for unemployed persons in case of skill shortages. Currently, training programs by the Italian system of employment services for adults over 30 years of age are very scarce. The few existing programs are not well linked with employers' needs, the customer satisfaction is relatively low and there is no information available about their effectiveness (see Chapter 1).

The new strategy for employers does not address the issue of up-skilling for unemployed persons with the view to meet employers' needs. ANPAL should take the responsibility to evaluate training programmes (involving external partners if necessary) and to disseminate the knowledge on the effectiveness and efficiency of the programs as well as on the studies of employers' needs. The Regions and local offices should be encouraged to devote resources to decrease skill mismatch between jobseekers and vacancies, including offering tailor-made training if needed. For instance, the Slovenian public employment service addressed the skill mismatch by elaborating a tendering scheme for tailor-made training programmes. Several new programmes were designed and implemented (e.g. for butchers and choppers) based on monitoring skill needs and in co-operation with employers and training providers (Pirher, 2016[54]).

3.5. Conclusions

As the system of public employment services is decentralised in Italy, very different methods and approaches are practised throughout the service provision. This concerns targeting active measures to jobseekers, co-operating with the private providers and reaching out to employers and has led to unequal access to services and diverse service quality.

ANPAL has proposed national methods to homogenise and improve employment services across the country. There are now quantitative jobseeker profiling tools in place that are used to administer national measures and could potentially be used for regional measures as well. ANPAL has proposed a qualitative jobseeker profiling tool that in general helps to target active policies by understanding the individual needs of jobseekers and by applying activation conditionality. In addition, a test of the PIAAC online tool has been conducted to start profiling skills in order to better target training measures for jobseekers. A national register of accredited private service providers has been created and a national job placement service (reintegration voucher) has been tested with the aim to enhance the quasi-market for employment services and to use private service providers in order to overcome the limitations in the public system. A national strategy for employers has been drafted aiming at strengthening demand-side services by mapping the gaps between what the employers need and what the employment offices are delivering, and how to overcome these gaps. ANPAL has succeeded to develop these methods and approaches in its first years of activity, involving the Regions and at times other parties in the process.

Nevertheless, all of these fields of service provision have to be further developed and the limitations should be addressed. Above all, ANPAL should advance its strategic views such as on how the quasi-market should be applied across Italy, and take a more assertive role in supporting the Regions when implementing the strategies and methods. For this support, ANPAL should develop the relevant IT tools (online tools for uploading vacancies, tools for matching jobseekers to vacancies, tools to profile skills that feed into matching, tools to support qualitative profiling, tools to gather data necessary to advance quantitative profiling, etc.) and provide knowledge and training on the strategies and approaches themselves as well as on the use of the tools that put these approaches into practice.

Notes

[1] Results via a questionnaire among the Regions by the OECD in May to June 2018.

[2] http://www.regione.lombardia.it/wps/portal/istituzionale/HP/DettaglioServizio/servizi-e-informazioni/Enti-e-Operatori/Occupazione-e-formazione-professionale/Dote-Unica-Lavoro/ser-dote-unica-lavoro-operatori-IFL.

[3] There are also some additional requirements stemming from the law that a personal service pact has to include such as information about the designated case worker, the statement about the employability profile, etc.

[4] Potentially concluding whether the jobseeker needs further training to be integrated to the labour market and which career choices might be fitting the most.

[5] This is the French national classification of occupations – *Répertoire Opérationnel des Métiers et des Emplois*.

[6] https://ec.europa.eu/esco/portal.

[7] The service provider receives for job placement activities EUR 3 000 for permanent employment contract, EUR 2 000 for fixed-term contract of at least 12 months and EUR 1 000 for a contract of at least nine months, http://www.lavorocampania.it/ARLAS/pages/it/homepage/1_10_1/1_10_1_2/1_10_1_11/.

[8] Results via a questionnaire among the Regions by the OECD in May to June 2018.

[9] The Regions have developed diverse accreditation systems for employment service providers. Generally, the service providers have to meet the following requirements:

– Legal and financial requirements (corporate purpose, audited financial statements, share capital, separate accounting system, employment contract application, absence of convictions of managers, absence of overdue taxes and fees, etc.);

– Structural requirements (registered office, availability of operational offices located in several provinces, facilities complying with safety regulations, weekly opening hours, rooms distinct from those of other parties, etc.);

– Professional requirements (characteristics and presence of professional staff members such as the Head of Unit, Reception Officer, Tutor, etc.).

[10] http://www.anpal.gov.it/Operatori/Albo_nazionale_dei_soggetti_accreditati_ai_servizi_per_il_lavoro/Pagine/default.aspx.

[11] Service providers such as public and private universities, vocational education providers, municipalities, chambers of commerce, employers' associations and trade unions do not have to be listed in the register in order to provide employment services.

[12] Also for example, the Ministerial Decree 3/2018 sets new common principles for accrediting service providers that the Regions should start taking into account.

[13] This measure was first developed and taken into use by Lombardy Region, later developed further by the ANPAL Servizi predecessor Italia Lavoro, before it was included in the Jobs Act and implemented by ANPAL.

[14] When a person registers as a jobseeker first with a local employment office, a personal service pact (an individual action plan) should be drawn up and agreed with the jobseeker. If the jobseeker then applies for a reintegration voucher, another personal service pact (individual action plan) should be drawn up by the chosen service provider abolishing the former service pact.

[15] In case of permanent employment contract, the fees for service providers were set between EUR 1 000 and EUR 5 000 depending on the employability profile, which meant that the majority of the cases the voucher has a value around EUR 3 000 to EUR 4 000. In addition, the measure foresees fees for services also in cases of no success in job integration, but only if the performance of the service provider reaches at least a certain minimum level. The minimum thresholds for the fees for services depend on the local labour market situation (in general in between 20% to 40% of cases are expected to achieve an employment contract for at least 6 months within 6 months of service provision).

[16] Some observations from both the treatment and the comparison groups were excluded from the analysis, e.g. when data was missing for their employment history.

[17] The statistics of services offered to employers by the Regions in this subsection is received via a questionnaire among the Regions by the OECD in May to June 2018 (if not stated otherwise).

[18] These results are similar to the ones received by ANPAL in 2017 in the survey among the local offices (ANPAL, 2018[29]), in which 8.8% of local offices said they do not provide matching and pre-selection services and 21.0% said they do not carry out interviews for pre-selection of candidates.

[19] 1) Reception and assistance of companies in the search of information; 2) Execution of administrative practices; 3) Providing information on the services offered; 4) Identification of the needs of the company; 5) Supporting the drafting of a recruitment request; 6) Identification of suitable candidates (pre-selection); 7) Management of preselection / selection interviews; 8) Support in recruitment of specialists that are more difficult to find.

[20] Survey conducted in November 2017 among employers (in total 246 respondents, mostly SMEs in the tertiary sector out of whom 70% had previously used services from the local employment offices).

[21] Survey conducted in November 2017 among employers (in total 246 respondents, mostly SMEs in the tertiary sector out of whom 70% had previously used services from the local employment offices).

[22] To get support in administrative procedures or to comply with the legal obligation to hire people with disabilities.

[23] To receive information on the services offered or to receive help or information on specific active measures (internships, employment incentives, the Youth Guarantee).

[24] For example, some location in a neighbouring region might be easier for a jobseeker to get to than some locations where he or she lives; some jobseekers might be willing to change the location where they live to be able to do the work that matches their skills well.

[25] The draft employers' strategy as of July 2018 is analysed in this chapter. The final strategy agreed by the Committee of Active Labour Market Policies in December 2018 (ANPAL, 2018[55]) was improved in many aspects – the responsibilities for ANPAL were strengthened (including with regard to developing matching functions in the integrated IT system and providing CPIs with tools to create awareness of local labour market situation), the responsibilities for the Regions were clearly emphasised, the monitoring framework was added and the need to communicate the employers' strategy was highlighted.

[26] The final strategy adopted in December 2018 lays out also a monitoring framework including an indicator for employers' satisfaction with employment services.

[27] http://bis.ams.or.at/qualibarometer/index.php.

[28] https://www.arbetsformedlingen.se/For-arbetssokande/Valj-yrke/Yrkeskompassen.html#/.

[29] https://www.ammattibarometri.fi/?kieli=en.

[30] https://www.tootukassa.ee/eng/baromeeter.

[31] https://barometrzawodow.pl/.

[32] There are in total 19 Inter-Professional funds as of 2018. Enterprises pay 0.3% tax on their payroll in these funds, which is used then to provide lifelong learning for employed people.

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