

Promoting vocational learning and education

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Abstract

My contribution to the NEF debate depicts the Italian context of the labour market, in comparison with the other European countries, and analyses the main differences among the Regions even in the light of the recent economic crisis. Then, some indicators of skills mismatch in the Italian labour market are presented, extracted from the most recent literature.

The unemployment, especially in relation to young people, is indeed a problem the Govern has been trying to mitigate with the approval of the Jobs Act reform. The VET system is going to play its part in this strategy, even if the indicators of participation in the lifelong learning system in Italy are not so good in comparison with the other European countries (but improving).

The general context: Italy compared to other European countries

Of the 510.3 million inhabitants that make up the European population in 2016, Italy has 60 million, that is about 12%. It is a rather elderly population, second only to Germany in the European context if you look at the median age (45,5 years on an average of 42,6 in 2016). As other proof of a demographic structure that is leaning toward the older ages, the share of the working age population (15-64) is at the lowest position in the European ranking: on an EU average of 65,3%, Italy's share is less than one percentage point. The performance is even worse if you look at the younger working population, ie young people aged 15-24: with a EU average of 11.1%, Italy shows a 9.8%, slightly higher than the lowest rankings occupied by Spain, Bulgaria and Slovenia.

Italy within Europe: population and economy

Indicators 2016	Italy	EU
Population (mln inhab.)	60,7	510,3
Median Age	45,5	42,6
% of population 0-14	13,7%	15,6%
% of population 15-64	64,3%	65,3%
% of population 15-24	9,8%	11,1%
Gross domestic product at market prices (mln €)	1.672.438,3	14.820.476,0
% of EU GDP	11,3%	
GDP per-capita at market prices (in €)	27.600	29.000

Source: Eurostat database (May 2017extractions)

By widening the comparison with the European countries to the labor market, the share of Italian active population in 2016 is 64,9% of the total of 15-64 years and it is the lowest rate at European level. And all the other indicators on the labour market perform almost as badly in the European comparison: the Italian employment rate is lower than the EU-28 average by 8,1 percentage points and 5,1 points below the EU2020 target of 70% as a benchmark for a stable labor market.

The Italian landscape does not improve if the unemployment rate is considered: comparison with other European countries locates Italy at the fifth place in Europe after Greece, Spain, Croatia and

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Cyprus: on a European average of 8.5 %, Italy scores 11.7% in 2016. By 2016 the majority of European countries have almost recovered their employment levels before the economic crisis: in 2007 the European average was at 7.2%, at a slightly lower level than today. Italy, on the contrary, still has to recover a gap of more than 5 percentage points: the unemployment rate stood at 6.1% in 2007 and now stands at 11.7%.

It is the youth part of the population that, while being smaller than in other European countries, is paying more for labor market imbalances: the Italian youth unemployment rate is more than twice the average of other European countries (37,8% versus 18,7% of the EU28 average), better only in comparison with Greece and Spain. Moreover, the younger population has paid the highest price for the economic crisis, and the youth unemployment rate has more than doubled from 2007 (20.4%) to 2014 (42.7%), to show some signs of improvement over the past two years.

Labour market indicators: Italy and EU28

Indicators 2016	Italy	UE28
Activity rate (15-64)	64,9%	73,0%
Employment rate (15-64)	57,2%	66,6%
Unemployment rate	11,7%	8,5%
Long-term unemployment	6,7%	4,0%
Youth unemployment (15-24)	37,8%	18,7%

Source: Eurostat database (May 2017extractions)

Regional gaps

After analysing the placing of Italy in the European comparison, it is worth noting the wide territorial differentiations that characterizes the country and that affect the VET sector and the labour market. It is a differentiation that has ancient and historical origins, and which produces a clear distinction between the northern and southern parts of the country.

The first useful indicator to highlight this macro-areas disparity is the per-capita GDP value. If the average domestic product per-capita at market prices in 2015 was of 27.000 Euros per year in Italy, the same figure arises to 32.964 Euros for the Northern Regions; GDP in the central regions is smaller, but still above the national average (29.300 euros per year) and falls to 17,800 Euros in the south, with a distance from the northern area of almost 50%.

Other indicators can be cited to support this distance. I mention only one, that is, the absolute poverty index.

..... WHAT IS THE INDEX OF ABSOLUTE POVERTY

The absolute poverty threshold represents the monetary value at current prices of the basket of goods and services considered essential for each family, defined on the basis of the age of the members, the geographical breakdown and the type of the municipality of residence.

For example, for a pensioner with more than 65 years living only in a small commune, in the south the absolute poverty threshold is 523 euros per month, while for the same individual living in a small commune in the north the absolute poverty threshold It costs 703 euros.

With regard to individuals, in 2015 the incidence of absolute poverty is 6,7% in the North, falling to 5,6% in the Center and arising up to 10,0% in the Southern Regions. With regard to families, the incidence of absolute poverty counts for 5,0% in the North, in the Center it is closer to the northern value and even better (4.2%), while in the south it returns to 9,1%.

Distances in GDP and therefore in individuals' and families' income, which result into different levels of poverty, have a lot to do with the gaps in the labor market.

Regional differences: population and economy

Indicators 2015 and 2016	North	Centre	South
Population (%)	45,8	19,9	34,4
GDP per-capita at market prices (in €) 2015	32.964	29.320	17.787
Absolute poverty rate – individuals 2015	6,7	5,6	10,0
Absolute poverty rate – families 2015	5,0	4,2	9,1
Activity rate	71,4	69,4	54,2
Employment rate (15-64) 2016	65,9	62,0	43,4
Unemployment rate	7,6	10,4	19,6
Youth unemployment rate	27,1	37,1	51,7

Source: Istat, I.stat e Coesionesociale.Stat (May 2017 extractions)

Looking at the activity rate for example in the northern area it is much nearer to the EU average and higher than the EU2020 benchmark; in the southern part, on the contrary, it is almost 20 percentage points lower than the EU average and 16 points from the EU 2020 benchmark. Deeper analyses show that it is the feminine part of the population that accounts for such a low participation rate. All the other indicators show similar differences in the performance of the different areas. Particularly noteworthy is the youth unemployment rate: in the southern Regions almost one young person out of 2 cannot find a job.

The trend of regional employment rates over the last seven years shows an increase in territorial gaps between the Northern and Southern regions. Even though the northern regions have experienced appreciable contraction in the proportion of occupied population, they have, however, shown a greater relative capacity to contain job losses while the Mezzogiorno recovered only about a third of the decline seen since 2008. Moreover the highest proportion of temporary employment is recorded in the southern regions. Firms located in the Mezzogiorno, albeit also affected by the recovery, continue to be characterized by worse structural conditions, especially in relation to the average size, capitalization and labor productivity.

Skills mismatch and shortages through different indicators

The imbalances on the labour market are not only a problem of quantity; a lot of problems of quality are reported from some international surveys, related to skills mismatch and skills shortages.

There are different approaches to the calculation of skills mismatch. The one I'm presenting here comes from the following documents:

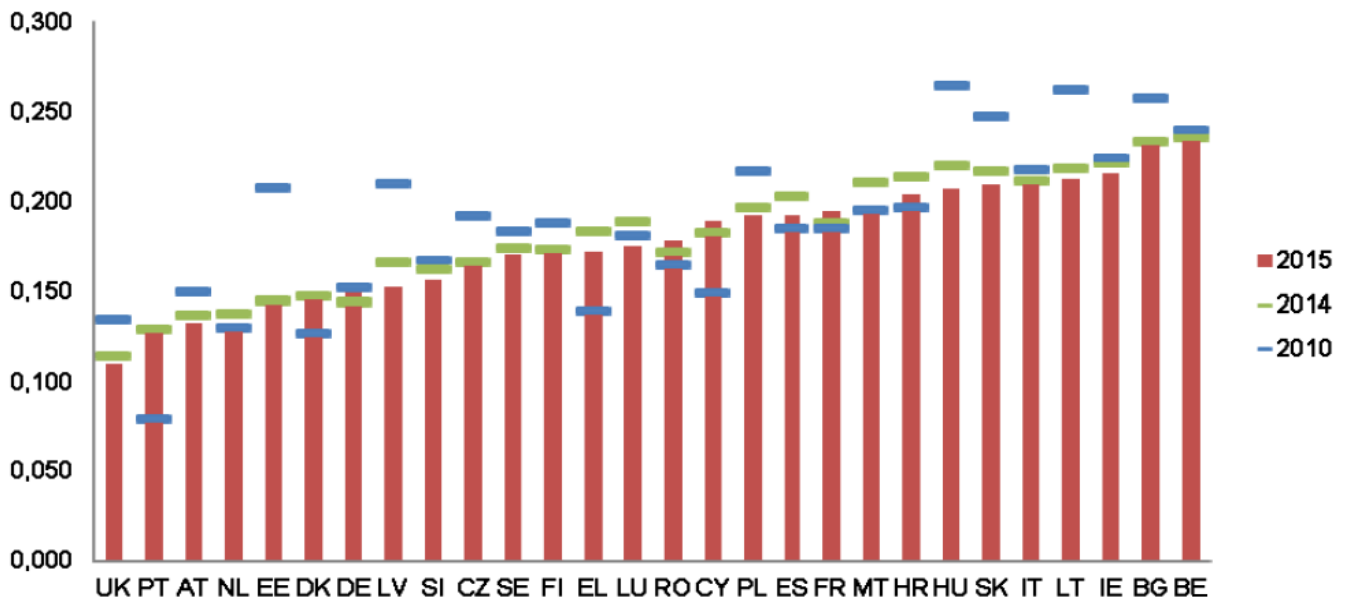
Kiss, A. and Vandeplas, A. (2015) Measuring Skills Mismatch. Analytical Webnote 7/2015, DG EMPL

EU, Skills for the labour market, 2016

This skills mismatch indicator is the **relative dispersion of employment rates across three main skill groups**: the high-skilled, medium-skilled and low-skilled. The indicator is calculated as the sum, over the three skill groups, of the absolute difference between the share of a skill group in employment and its share in population. The relative dispersion quantifies the discrepancy between the supply of skills (proxied by the skills composition of the working-age population) and the demand for skills (proxied by the skills composition of people actually in employment).

As the following Figure shows, the employment rate dispersion is especially high in Italy, that together with Belgium and Ireland counts for the “old” Member States with the highest skills mismatch. High skills mismatch is related with a relatively low employment rate of low-skilled workers, coupled with a relatively high share of these workers in the working-age population

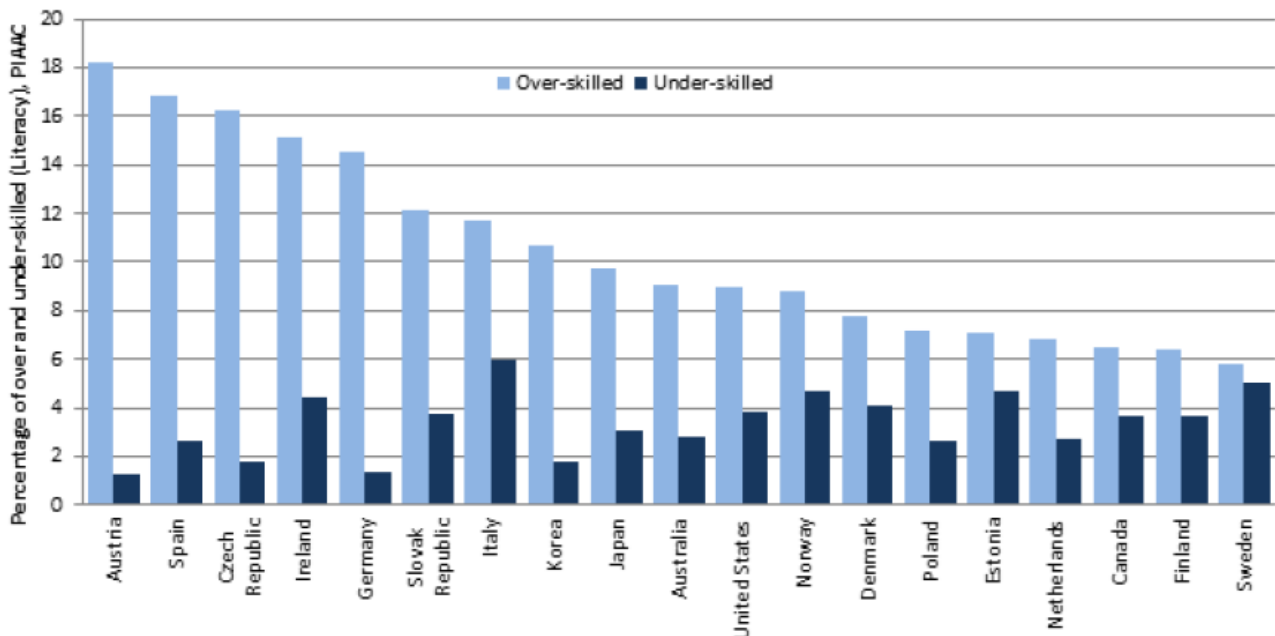
Relative dispersion of employment rate by education level



Source: EU, Skills for the labour market, 2016

Evidence from the Survey of Adult Skills (PIAAC) shows that the incidence of skills mismatch in Italy (17.7%) is above the average of countries participating in PIAAC (13.8%). Around 12% of Italian workers are over-skilled and 6% are, instead, under-skilled. Under-skilling appears to be especially worrisome in Italy as this is the highest share among all the countries participating in the Survey of Adult Skills. Moreover, great disparities across regions emerge in the extent of both over and under-skilling.

Percentage of workers who are over-or under-skilled



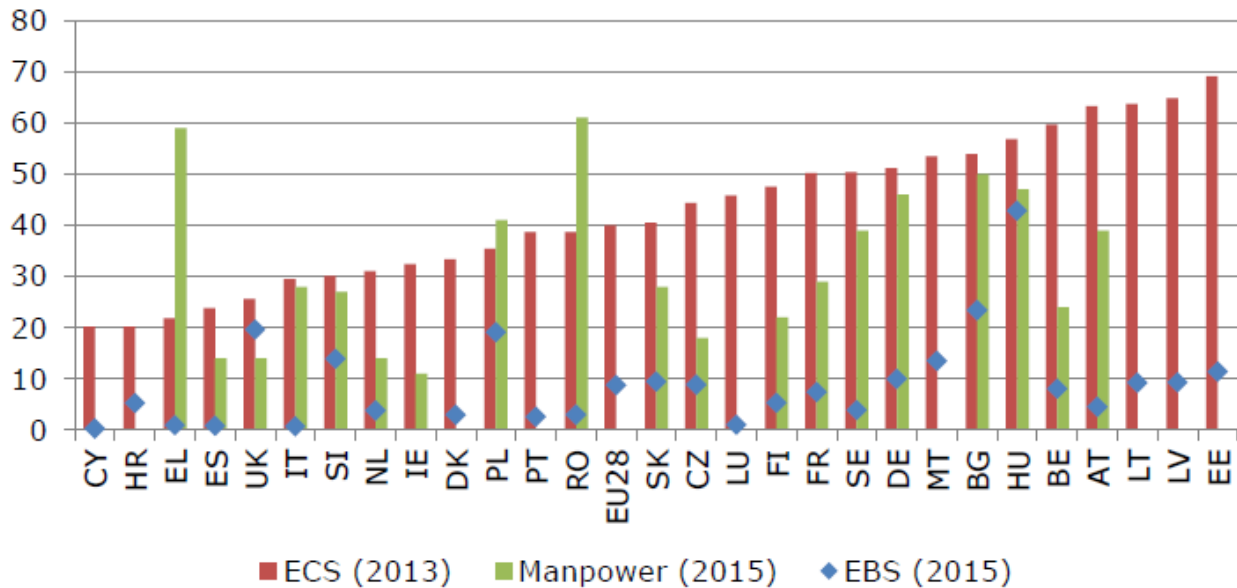
Note: Over-skilled workers are those whose proficiency score is higher than that corresponding to the 95th percentile of self-reported well-matched workers – i.e. workers who neither feel they have the skills to perform a more demanding job nor feel the need of further training in order to be able to perform their current jobs satisfactorily – in their country and occupation. Under-skilled workers are those whose proficiency score is lower than that corresponding to the 5th percentile of self-reported well-matched workers in their country and occupation.

Source: OECD Survey of Adult Skills, PIAAC (2012).

To quantify **skills shortages**, analysts usually need to rely on employer surveys on skills and/or labor shortages. The three surveys most commonly relied on are the European Business Survey (EBS, with quarterly rounds of data collection), the Manpower Talent Shortage Survey (with annual data) and the European Company Survey (ECS, carried out by Eurofound every 4 years). Empirically, the results from different surveys tend to be inconsistent, leading to different rankings of EU Member States.

Despite such a high unemployment rate, in Italy around 28% of firms report facing difficulties in finding employees with the required skills according to the Manpower Talent Shortage Survey (2015) and a similar figure comes from the ECS (2013).

Skills shortages reported by employers, various surveys

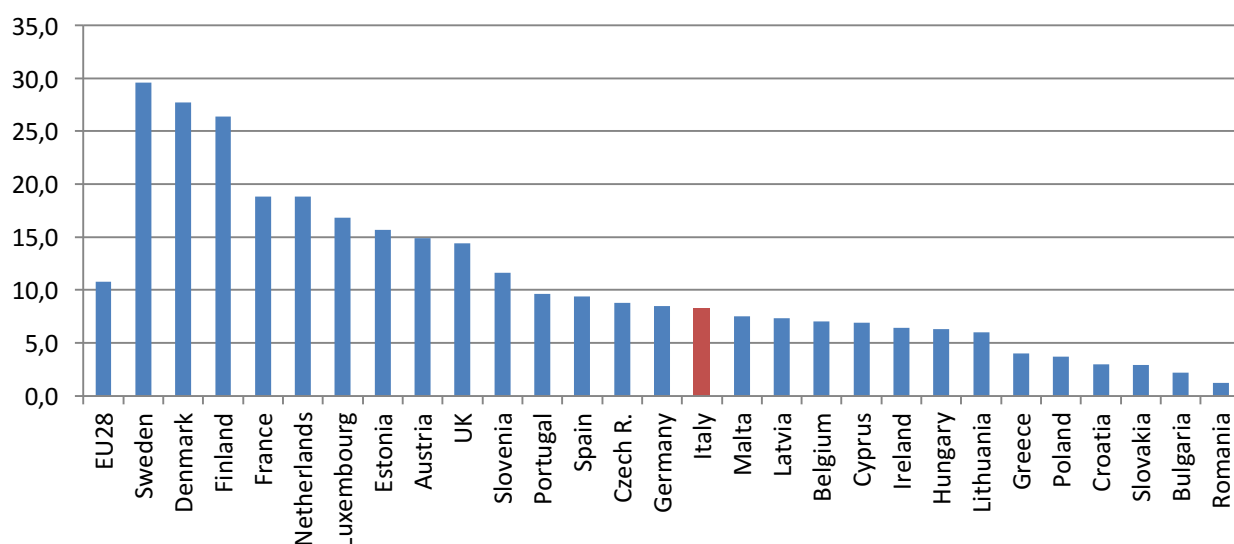


Notes: Countries sorted by ECS indicator. The European Company Survey (ECS) indicator reflects the share of employers who answer affirmatively to the question "Do you encounter difficulties in finding employees with the required skills?". The Manpower Talent Shortage Survey indicator measures the share of employers responding affirmatively to the question "How much difficulty are you having filling jobs due to lack of available talent?". The European Business Indicator considers the share of employers in the industry reporting that labor shortage is a major factor limiting production [Eurostat variable ei_bsin_q_r2, averaged over 4 quarters of 2015].

Education and training gaps

The differences in the labor market previously mentioned and the reported skills mismatches and shortages are related to different levels of qualification and skills available, considered both in the European comparison and in the national comparison.

Participation rate in education and training (last 4 weeks) (25-64)



If we look at the ET 2020 indicators, the Italian performance is always worse than the EU average: the early school leavers rate – considering only young people from the age of 18 to 24 – for Italy stays at 13,8% while the EU28 is at 10,7%. The tertiary education attainment level is improving rapidly in the recent years, even if the distance from the EU average remains of almost 13 points; and the difficulties higher education graduates are facing in entering the labor market don't support a faster growth. The adult participation to CVET is increasing as well in the last years, shifting Italy in the middle part of the European ranking, but the figure remains lower than the EU average.

Education and training indicators

Indicators 2016	Italy	EU28
Early school leavers 18-24	13,8%	10,7%
Tertiary education attainment	26,2%	39,1%
Participation rate in education and training	8,3%	10,8%

PISA Survey	Oecd	Italy					
		Total	NE	NW	Centre	South	Islands
Science	493	481	523	499	482	458	433
Reading	493	485	515	503	488	461	451
Maths	490	490	525	505	497	468	446

PIAAC Survey	Oecd	Italy					
		Total	NE	NW	Centre	South	Islands
Literacy	273	250	261	248	261	241	241
Numeracy	269	247	273			245	

Even for Education and Training, the problem is not only related to quantities, but to the quality of the skills acquired as well. If we look of the results from two international surveys that compare Italy to the other most developed countries – namely PISA and PIAAC, the former involving young people of 15 years, the latter adult people from 25 to 64 years – the Italian performance is generally lower than the average of the participating countries (except for Numeracy) and reproduces the same gaps in the different macro-areas as we faced in analysing the previous indicators.

Promoting VET

Which can be the role of VET in promoting a better and fairer labor market and what have we been

doing?

Firstly it is to be pointed out what we intend for VET when we conduct such international comparisons, so that it is clearer who the actors of the innovations can be. As for IVET, in Italy we have a stronger vocational education sector, located within the national education system and managed at national level by the Ministry of Education. This sector is developed all over the country, sharing the same standards and almost the same organization (in the curricula there is a part autonomy that is managed by the schools themselves). Next to this vocational education sector, there is a smaller vocational training provision, that is managed and funded by the Regions. This provision has a limited impact in the younger population from 15 to 18 years old; for example in the enrolment to the upper secondary education, the regional VT counts only for 3,9% for the next school year 2017-18, while 16,5% have chosen a vocational education course.

So Italy has a complex governance at the level of IVET as different authorities are in charge for the provision.

INAPP deals mainly with the vocational training offer from the Regions, where we register a lot of disparities among the Regions; INAPP is acting at the national level, supporting the Ministry of labour in defining some common minimum standards which are the same for all the Regions and are adequate to ensure the quality of the system.

In such a complex system, the main process of modernizing VET years goes through two pathways, with features and objectives very similar to those found in other European countries:

- a) the development of work-based learning as a mandatory part of the curricula in all the upper secondary programs and through the implementation of an "Italian dual" system. The first action comes from the most recent reform of the Education system approved in 2015, and stating that all young people enrolled in the last three years of upper secondary education pathways are entitled to experience a WBL period of at least 400 hours (for Technical and vocational courses) and of 200 hours for the Lyceums. In the first year of implementation of the law the schools succeeded in finding places in the companies for 91% of the pupils, counting for almost 450.000 places.

The implementation of an Italian dual system arises from the convergence between two branches already present in the current LLL offer, namely:

- On the one hand the vocational education and training pathways aimed at young people who completed the first cycle of 8 years of compulsory education. These are two-tiered courses aimed at achieving a three-year qualification and / or a four-year vocational diploma, based on nationally-defined standards with the aim of ensuring homogeneity in the territory but under the regional competence;
- On the other hand, a new form of apprenticeship aimed at young people of at least 15 years and up to 25, who have not yet achieved any secondary education qualifications. This form of apprenticeship is the attempt - yet another - to introduce a dual system very close to the German one, with the hope of succeeding in facilitating the transition paths for young people and hence reducing the youth unemployment rate, which in the third quarter of 2016 is 34.5% for the population 15-24 and 26.7% for the 15-29 year class.

The construction of the Italian dual system aims to strengthen the initial training provision for young people, expanding existing options, consolidating existing initiatives through the availability of more resources and supporting the spread of apprenticeship.

But above all, the Italian dual system is based on a strong relationship between training and work, between training centers and companies, strengthening the "work-based learning" component. In the institutional configuration it has assumed, this dual system is based on a limited register of qualifications: 43 qualifications, articulated on levels 3 and 4 of the EQF,

defined according to European language and hence with "competence-base" curricula e the identification of "learning outcomes".

The experimentation that wants to support the Italian dual system has been started with the 2016-2017 training year and is backed by a monitoring system developed by INAPP.

- b) The second VET modernization pathway is based on the implementation of a national certification system aimed at enabling the recognition of all learning, not-formal and informal included, and hence based on a process of harmonization between the various sectors of the "lifelong learning" system, based on the definition of a unitary language that - in line with the European strategies - can only be the language of competences.

The first impetus to this process has come from the establishment of the lifelong learning system under Law 92/2012; this is a law aimed at reforming the labor market, as this lifelong learning system is identified as an infrastructure necessary to support the good functioning of the labor market and the economic system. To achieve this goal, the lifelong learning system must be based on a solid infrastructure that can communicate the world of work with that of education. This principle is based on the Atlas of Work and Qualifications, the tool that INAPP has built together with other institutional actors, enhancing a more than ten-year work that has seen a broad involvement of social partnership.

The Atlas of Work and Qualifications is divided into two information pillars, one looking more at the world of work and the other at that of training, reunited through the link between activities - or rather, areas of activity - and skills:

- The Work Atlas is a representation of the world of work, in terms of activities and potentially deliverable products and services. The jobs' contents are represented by a 23-Economic and Professional Sectors (SEP) scheme and a Common area, referenced to the ISTAT classifications of economic activities (ATECO 2007) and professions (CP 2011). For each sector, the main work processes are identified, divided into Process Sequences and Areas of Activity (ADAs). For each ADA, the list of constituent activities, expected products and services (expected results), as well as the references to the statistical codes of the ISTAT classifications are listed. In fact, the language of activities is the language of the world of work, the one on which dialogue with the enterprises is possible, and it is the different aggregation of activities that define the boundaries of occupations.
- The Qualification Directory collects in the same framework the qualifications awarded in the following areas of the national system of lifelong learning: school, university, vocational education and training, regional vocational training, qualifications acquired through apprenticeship defined by collective labor contracts, regulated professions. For work is still underway, about 6,500 qualifications have already been included in the Directory, which are the result of various consolidated experiences and stratified over the years in various areas of the system, and which are now being reordered, harmonized, modernized and mainly based on recognized standards at the level national. Each qualification is referenced to the statistical codes of the ISTAT ATECO and CP classifications - and this link allows direct access to qualifications data and information from a variety of surveys conducted by INAPP or other institutes of the national statistical system; And each qualification refers to an Activity Area (ADA), to a process, and to an Atlas of Work, thus achieving the direct link between work activities and skills needed to accomplish it, a link that has a third dimension with the expected result.

Born mainly to ensure the national recognition of regional qualifications, promote the recognition of

training credits / debts for further formal training experiences and validating skills acquired in informal and non-formal contexts, the Atlas supports the carrying out of a number of other functions:

- programming of the training offer, also because of quantitative data potentially usable given the precise reference to the main statistical sources on education and training and labour market;
- Formative design of both paths of access to the labor market and for the development, retraining and conversion of workers;
- work orientation, counselling and budgeting expertise;
- a tool for aligning the occupation needs expressed by the labor market with the provision of skills in qualification systems, reducing mismatch, improving pre-selection of supply-demand matching, promoting professionalization, specialization, retraining processes . It is no coincidence that a project for the use of the Atlas is in the process of defining a suitable offer for those who lose a job and perceive social shocks in the meantime.