

### **Youth, work and training. The Draghi government at the test of the Recovery Plan<sup>1</sup>**

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*One of the main bench tests for the Draghi Government will consist in its ability to design the so-called "Recovery Plan". To be more precise, this "National Recovery and Resilience Plan" seeks to use in the most efficient way possible the resources related to the extraordinary European program Next Generation EU. In this Policy Brief, we analyze the balances and limits of the current draft of the Recovery Plan drawn up by the previous executive Conte using evidence from the data. In particular, Professor Luciano Monti identifies some shortcomings on the policy front and in the allocations for future generations. Shortcomings that also emerge from an unprecedented compared analysis with the Recovery Plans of the other major European countries. Therefore, the Policy Brief offers useful guidelines to grasp the solicitations of the European institutions (especially on the youth policy) and in practice proposes a concrete evaluation criterion for the work of the current executive*

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<sup>1</sup> Translated into English by Anna Rita Ceddia. Original version in Italian available on LUISS School of Government website at the following link [https://sog.luiss.it/sites/sog.luiss.it/files/LUISS\\_SOG\\_policybrief%2012\\_21%20DEF.pdf](https://sog.luiss.it/sites/sog.luiss.it/files/LUISS_SOG_policybrief%2012_21%20DEF.pdf)

### **Mario Draghi and “intergenerational fairness”**

On February 3rd, in less than two and a half minutes of statements to the press in which he communicates he accepted the task assigned to him by the President of the Republic to form a new government, Mario Draghi made reference to the "extraordinary resources" of the European program Next Generation EU, adding immediately afterwards: "We have the opportunity to do a lot for our country, with a careful look at the future of the younger generations". This is yet another confirmation of the attention that the former central banker has always paid to the issue related to young people and the importance of their human capital for a society that has more than just economic development as its objective. "Which country will we leave to our children?" Draghi wondered in 2011, in his farewell speech as Governor of the Bank of Italy. A sacrosanct question, which in fact transforms "intergenerational justice" into a criterion on the basis of which to evaluate the work of governments. A question that today could be reformulated in the light of the most important innovation in European economic policy that has taken place in recent months, namely the Next Generation EU program: "Which country will we leave our children - here is the 'updated' question - once the extraordinary resources of the European Union based on the National Recovery and Resilience Plan (PNRR)?".

### **Young Italians and the legacy of previous governments**

To answer exhaustively, and therefore make a preliminary assessment of the work of the current executive, it is first of all necessary to reiterate that most of the European resources will in any case be obtained "as debt", increasing the considerable debt burden that is already heavy on the shoulders of future generations. Indeed, according to data from the International Monetary Fund (IMF), Italy's public debt has risen from 134.6% of GDP in 2019 to 157.5% in 2020. This year it will grow again reaching 159.7%, worsening that the estimates of last October provided by the same IMF.

Having said that, it should also be noticed that the draft of the Italian Recovery and Resilience Plan (PNRR), launched on 12 January 2021 by the Conte II government, did not take into due consideration the objective of youth policies. This draft was prepared before the publication of the updated version of the guidelines prepared by Brussels on the following 22 January and before the approval of the Regulation (EU) 2021/241 of 12 February 2021 which governed the new Recovery and Resilience device. The plan launched by the previous government did not include a pillar reserved for young people. Rather, it reserved to the latter an ill-defined "horizontal priority". However, recently the Italian MEP Irene Tinagli, member of the negotiating team of the Brussels Parliament in negotiations with the other institutions, publicly underlined: "What is the battle that the European Parliament has fought most forcefully? Surely the battle for the inclusion of the pillar concerning young people which, in the original proposal of Next Generation EU, was not present. We actually said to the Council: 'You cannot propose a plan called Next Generation EU while 90% of which resources are committed to an instrument that hardly even mentions young people'". Therefore, the aforementioned European Regulation, incorporating an amendment strongly desired by the European Parliament, introduced the pillar "policies for the next generation, children and the youth, such as education and skills" alongside green transition, digital transformation, sustainable and inclusive growth, social and territorial cohesion, resilience, and health. Even just for this reason alone, the Italian PNRR should be subject to an important reshaping – compared to the draft drawn up by the previous executive – to adapt to the most up-to-date European guidelines, as well as to the interest of future generations. Otherwise, the success achieved by our MEPs would have been vain.

## Youth policies, from words to financial resources

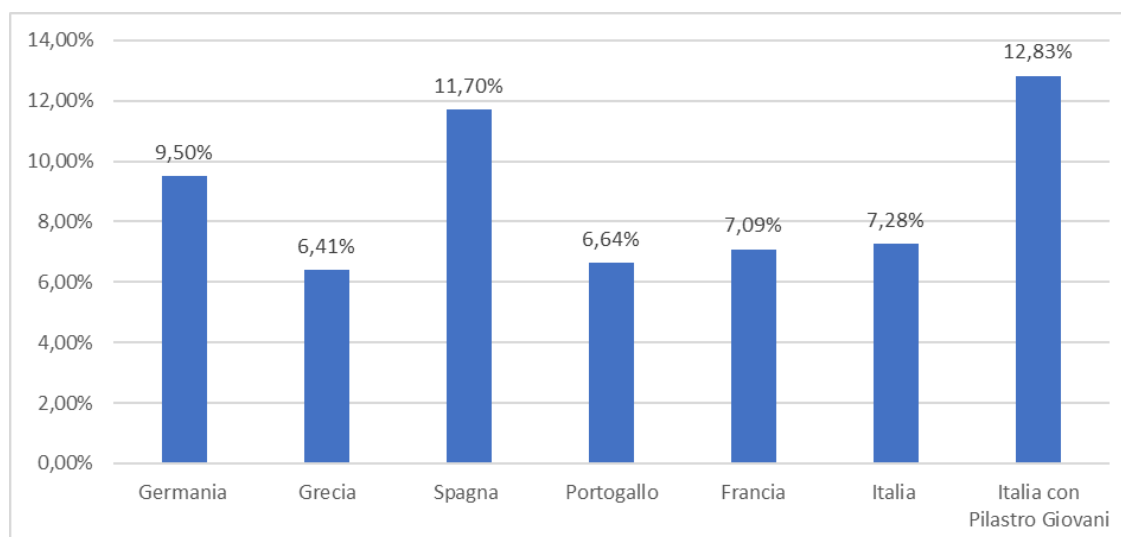
To evaluate the concreteness of a possible and desirable change of direction by the Draghi Government on the Next Generation EU, and in particular on youth policies, beyond the rhetorical promises and a necessary reformulation of the contents of the PNRR, it will be helpful to look at the expenditure items associated to each chapter of the PNRR. Where are we today?

From some estimates drawn up by the Observatory on Youth Policies edited by the Bruno Visentini Foundation ([www.Osservatoriopolitichegiovanili.it/](http://www.Osservatoriopolitichegiovanili.it/)), it emerges that the resources dedicated to young people within the draft of the PNRR of the previous executive are equal to 16.31 billion euro, of which 15.52 billion from the Recovery and Resilience Plan and 0.79 billion from the REACT-EU fund, identified in specific interventions present: in mission 1 ("Digitization, innovation, competitiveness and culture"), in mission 4 ("Education and research") and in mission 5 ("Inclusion and cohesion").

The incidence of these resources on the total allocation of Next Generation EU - envisaged in the January PNRR draft at € 223.91 billion, not taking into account the recent downward correction by the current Minister of Economy, Daniele Franco - is equal to 7.28%. In these resources, with unchanged overall balances, the Proposal of the National Youth Council (an advisory body which is entrusted with the representation of young people in dialogue with the institutions for any discussion on policies concerning the world of youth, established with law no. 145/2018) is also to include estimated commitment quotas for specific interventions to be allocated to young people equal to 12.41 billion, which can be found in missions 1, 4, 5 and 6, i.e. "Health". Thus, the Next Generation EU resources to be allocated to young people would thus reach 28.72 billion euros (with an overall incidence of the Youth Pillar that would rise to 12.83%).

If these are the dimensions, how does Italy figure in a possible European ranking that consider the allocation of resources of the Next Generation EU in favor of future generations? The answer can be summarized in the graph below.

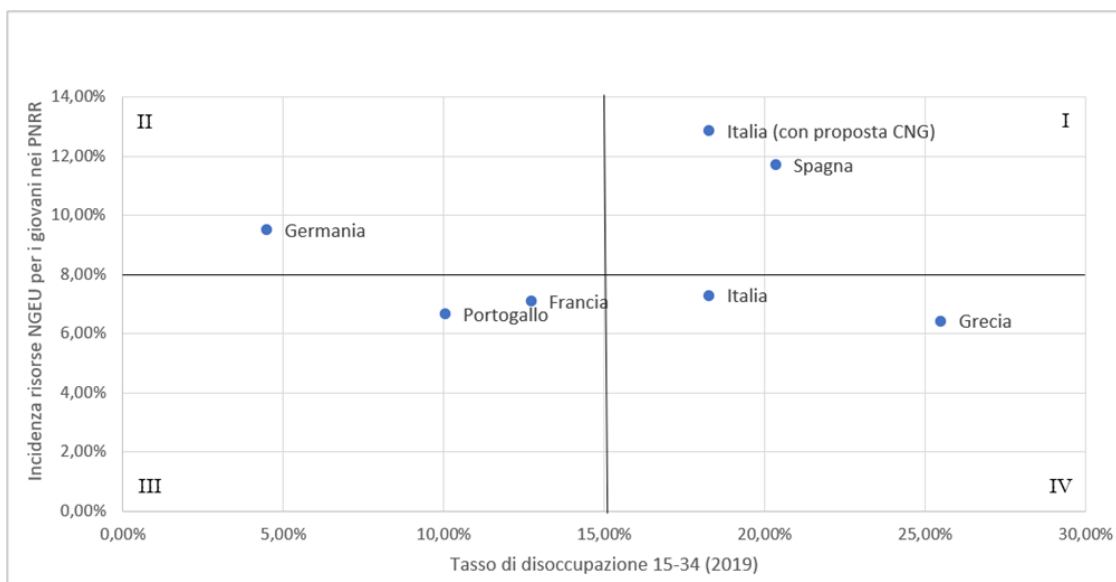
**Figure 1. Incidence (%) of interventions for young people on the total resources programmed by the NRPs (for Italy, the current incidence and the one that takes into account the CNG proposal are indicated)**



Therefore, on the basis of the current PNRR draft, Italy would slide behind Germany – for the incidence in percentage of resources dedicated to young people out of the total of those received from the EU – despite the fact that in the country-locomotive of Europe the youth situation is much rosier than ours. Instead, assuming that the government adopts the proposal of the National Youth Council, Italy would return in line with Spain, a country that shares as well as Italy a high rate of youth unemployment and a significant presence of ‘NEETs’ (short for Not in Education, Employment or Training – i.e. young people who do not study or work).

To make a more weighted and realistic assessment of the effectiveness of the NRP, it is also possible to draw connections between, on the one hand, the resources allocated and, on the other, the condition of young people in the various countries. As can be seen in Figure 2, virtuous countries (such as Germany) are positioned in quadrant II on the top left (resources proportionate to the low youth unemployment rate), while in quadrant IV (resources not proportionate to the youth unemployment rate) less virtuous countries are placed (Italy and Greece). By adopting the proposal of the National Youth Council, however, our country would be positioned in quadrant I with Spain (virtuous countries with resources proportionate to the high rate of youth unemployment).

**Figure 2. Resources for young people in the PNRR based on the 15-34 years unemployment rate**



Here is a clear and quantitatively verifiable criterion from which to express an opinion on the effectiveness and farsightedness of the Draghi government in the reformulation and then in the implementation of the PNRR in the coming weeks.

### **In depth - The numbers of the generational issue in Italy**

The imbalances between generations in Italy are macroscopic. Here are some summary data.

1. The Italian educational system fails to retain many of its young students in order to develop their knowledge: in the 18-24 age range, a good 13.5% of them have not completed upper secondary education.
2. For what concerns university education, 40% of Europeans between the ages of 30 and 34 have a university degree, a value that falls below 35% in all Italian regions (Eurostat data).
3. The same educational system does not even succeed, in many cases, in providing the skills required in the labor market by institutions and businesses (the so-called mismatch), therefore, neither guarantee employment for our graduates: in the European Union 81.6% of those under 35 with a diploma or a degree have a job; three Italian regions occupy the last places in this Eurostat ranking, in Sicily only 27.3% of those under 35 with a diploma or a degree are employed.
4. NEETs (an acronym that stands for Neither in Employment or in Education or Training) in 2019 stood at 2 million - according to Italian Institute of Statistics (Istat), all under 30, and in the third quarter of 2020 they have already increased by more than 100 thousand units. If we then also consider those under 35, the figure exceeds 3 million unit.
5. Italy's under-25 unemployment rate increased from 26.6 percent in August 2019 to 29.7 percent in December 2020. Three percentage points difference. And, mind you, we have to consider that the so-called layoff freeze is still in effect.
6. As far as income is concerned, according to the Extraordinary Survey of Italian Families carried out by the Bank of Italy last year, among the 18-34 years-old interviewed, 60% declared a consistent decrease in their income. Of these, 21.2% claimed to have lost more than 50% of their monthly income.
7. The Generational Gap Index, calculated by the Bruno Visentini Foundation, has not yet returned to the levels that preceded the economic and financial crisis of 2008. Monitoring 13 domains and 36 indicators, the Index in question measures how great are the obstacles to the personal development of young people. For example, it attempts to quantify the difficulty with which young people manage to cross three symbolic "doors": that of the parental home, left later and later; that of a job that guarantees employment with some security; that of a hospital in which to give birth to a son or daughter. If we make 100 the value of the Generational Gap Index in 2004, its value jumped to 134 in the aftermath of the long economic crisis that began last decade, and now it stands at 127 (2019 data, thus pre-Covid-19), but the risk is that from here on there will be another sudden increase.

A bleak situation for young Italians, which among other things is likely to worsen even further due to the pandemic, is the economic consequences that have more violently impacted the types of labor contracts and economic sectors in which young people are more present.