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Investing in Our Future? What Comparing the Gap Between Total And Youth Unemployment in Italy And the United States Teaches Us About the Socioeconomic Consequences of Raising A Generation of Disadvantaged Youths

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Abstract

Recent literature on the rampancy of youth unemployment in Europe has consistently blamed the long-lasting impacts of the 2008 Financial Crisis for the high number of youths who are unable to find work. Nevertheless, in the United States, which was also impacted by the Financial Crisis, youth unemployment has largely returned to pre-crisis levels. This paper therefore seeks to identify alternative explanations for the high youth unemployment levels in Europe, which are consistently higher than total unemployment levels. This paper specifically compares Italy, the European country with the widest gap between youth and total unemployment, to the United States, which possesses a narrow gap between youth and total unemployment compared to Italy and Europe as a whole. In order to account for variations between total to youth unemployment gaps in Italy and the United States, this paper shows that governmental policies play a significant role in affecting how many youths are able to find employment. In particular, this paper addresses three areas of national economic policy that have major implications for youth unemployment rates: hiring and firing policies, startup policies, and gig economy policies. Overall, this paper demonstrates that the flexibility of a nation's economy as determined by economic policies, particularly when it comes to technology and social media fields that youths are especially talented in, have a profound impact upon the gap between youth and total unemployment rates.

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INTRODUCTION

Youth unemployment creates rampant poverty and social exclusion among the younger generations of a nation. Youths who are unemployed twelve months or more have "lower life satisfaction, lower trust in government and public institutions, reduced mental well-being, and a higher risk of social exclusion" (Higgins 2018). Over time, this reduced mental well-being manifests into a chronic sense of low self-worth (Ibid.). This low self-worth produces dangerous consequences, as unemployed youths are more likely to gravitate towards destabilizing and violent political movements in order to restore meaning to their lives. For instance, in Italy, an absence of job opportunities and the resulting disenfranchisement of the youth population has allowed reactionary populist movements to capture a substantial portion of the youth vote (Higgins 2018). Lastly, youth unemployment is extremely problematic in regard to population demographics. High unemployment forces youths to wait until they can afford to get married, buy their own homes, and begin families, which is a phenomenon that produces "slower economic growth and lower tax receipts" (Podesta 2013). Thus, in the long run, countries that experience consistently high levels of youth unemployment risk social instability (Ibid.).

In order to gain an increased understanding of the variables that create youth unemployment, it is useful to compare countries with low levels of youth unemployment to countries with high levels of youth unemployment. By making this comparison, it is possible to analyze the differences in the political, economic, and social structures of these countries, and then determine whether aspects of these differences promote youth unemployment. Thus, I am choosing to compare the United States, a country with relatively low youth unemployment rates, to Italy, a country with relatively high unemployment rates. In both the United States and Italy, young adults were adversely impacted by the Global Financial Crisis of 2008. College graduates struggled to find employment, while adolescents were pushed out of part-time work by more experienced adults who had lost their jobs. However, in the decade following the crisis, youth unemployment rates in the United States and Italy have taken different trajectories. In the United States, youth unemployment peaked at 18 percent in 2010, and then dropped to 9 percent by 2017 (Statista 2019). In comparison, in Italy, youth employment peaked at 42.7 percent in 2014, and has failed to decrease significantly since then (Statista 2019). In the past three years, youth unemployment in Italy has remained stubbornly high, fluctuating between 30 and 34 percent (Statista 2019).

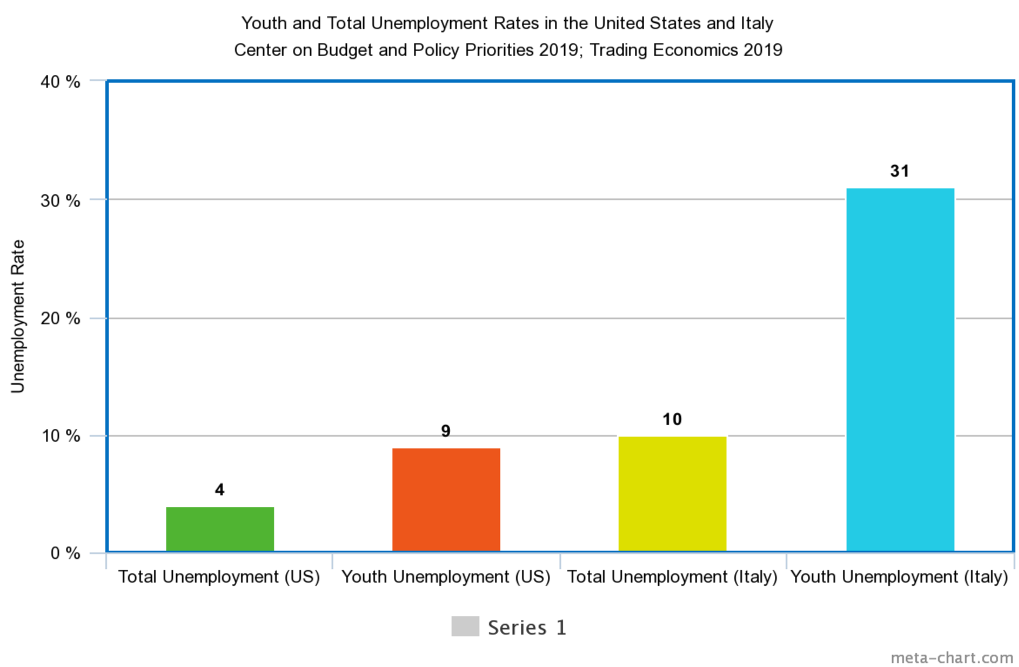
It is easy to assume that the differences in the overall economic performance of the United States and Italy account for the disparity between these two countries' youth unemployment rates. The United States economy has grown by an average of 2.3 percent annually since 2009, and American employers have added an average of 195,000 jobs a month to the economy from March 2010 through January 2019 (Center on Budget and Policy Priorities 2019). In contrast, Italy's economy is currently shrinking. Italy's economy shrank by 0.2 percent in January 2019, down from a growth rate of 0.5 percent in 2017 (Trading Economics 2019). Many economists predict that Italy will experience another recession in 2019, its third recession since the crisis (*Fortune* 2019).

However, when one compares the total to youth unemployment gaps of both countries, it is apparent that other variables are at play. If the American economy's strength versus the Italian economy's weakness were the only factor that determined the difference between the two countries' youth unemployment rates, the gap between total and youth unemployment rates in both countries should be small. However, this is not the case. In the United States, there is a 5 percent gap between total and youth unemployment rates (Center on Budget and Policy Priorities 2019), while, in Italy, there is a 24 percent gap (Trading Economics 2019; see Figure I). Furthermore, Italy's youth unemployment rate is the highest among all EU Member States, demonstrating that it is an anomaly in Europe as well (Annunziata 2018). It is therefore necessary to examine additional independent variables that influence disparities between total and youth unemployment, such as government policies.

In my paper, I will argue that three independent variables of economic policy primarily provide an answer to my central question: Why is the disparity between youth unemployment and total unemployment so much higher in Italy than in the US? These three policy areas are: hiring and firing, startup creation, and gig economy policies. Within these three areas, Italian policies make it difficult for youths to find employment. In contrast, American policies in these areas promote youth employment by enabling youths to create new businesses and find job opportunities in emerging industries.

The paper proceeds as follows. Section two summarizes the existing literature on this topic, where there is not much precedent regarding the comparison of total and youth unemployment gaps between Italy and the United States. I will then discuss the differences between areas of American and Italian economic policies in this order: hiring and firing, startup creation, and gig economy policies. I will then conclude with a discussion of how these two diverse economic policy approaches in these three areas account for the dependent variable of differences in total and youth unemployment gaps between the United States and Italy.

Figure I.



LITERATURE REVIEW

Much of the general literature that has been written on youth unemployment in the past decade discusses youth unemployment in the context of the aftermath of the 2008 Financial Crisis. While empirical evidence suggests that youths are more exposed to the consequences of recessions than the general population, discussions of the financial crisis do not answer my question regarding why youth unemployment in America significantly decreased after the crisis, while youth unemployment in Italy did not (European Parliament 2016). Nevertheless, literature of this nature provides valuable insights regarding how the job market for young people has changed following the crisis. In regard to works that make more specific youth employment policy comparisons between Italy and the United States, academics have compared Italian and American unemployment policies on topics such as youth vocational programs. Though this literature pertains to my discussion of governmental policies, these works focus upon traditional economic sectors. Thus, there is a gap in literature when it comes to discussions of new economic sectors, namely startups and the gig economy.

Regarding literature that analyzes the impact of the financial crisis upon young Europeans, Scarpetta et al. discuss the current environment of weak labor markets in Europe. These academics declare that weak labor markets, where “job offers are scarce and competition among jobseekers is fierce”, have become the norm in Europe following the 2008 Financial Crisis (Scarpetta 2010, 4). Furthermore, in many European countries, namely France, Italy, and Spain, Scarpetta et al. explain that many youths hold temporary jobs in cyclically-sensitive industries, such as construction (Ibid.). This information is valuable because it may be used to substantiate the claim that youths are more sensitive to financial shocks.

Nevertheless, this source leaves many of my questions regarding youth unemployment in Italy unanswered. For instance, Scarpetta et al. found that “the employment rate of youth aged 15-29 having left education with a tertiary diploma is higher than the employment rate of those with an upper secondary diploma, which is in turn higher than that of those with no diploma, except in Italy” (Scarpetta 2010, 16). However, these authors fail to explain what factors render Italy to be the outlier. Furthermore, these authors claim Italy has a high number of “new entrants”. New entrants are defined as youths who “tend to lack a diploma and/or come from an immigrant/minority background” (Ibid., 19). These new entrants are described as disadvantaged, but there is no sustained discussion that details how these individuals are discriminated against in the job market. Therefore, this paper leaves holes that I intend to fill regarding the comparison of how young Italians and Americans are treated during hiring processes.

Another source that discusses the 2008 Financial Crisis is Iva Tomić’s paper “What Drives Youth Unemployment in Europe?”. This article identifies variables that spurred youth unemployment from 2002 to 2014. Overall, Tomić finds that youth unemployment is most rampant in European countries with poor GDP growth, a low share of construction, and high public debt, which fits the profile of Italy (Tomić 2018, 11). However, Tomić compares EU countries by dividing them into high youth unemployment and low youth unemployment groups. She does not compare gaps between total and youth unemployment. Therefore, though it is useful to know that poor GDP growth, a low share of construction, and high public debt promote youth unemployment, these factors do not necessarily contribute to widening the gap between total and youth unemployment.

In regard to sources that discuss youth unemployment in the United States and/or Italy in specific detail, it is evident that there are key differences between youth employment policies in both countries. For example, in "Youth unemployment and youth employment policies in Italy", Caroleo and Mazzotta discuss how over 50 percent of public spending in Italy is dedicated towards social security and the pension and welfare systems (Caroleo 1999, 1). They declare that this type of public spending "has caused many problems for the Italian economy and the labor market in particular" (Ibid.). In my opinion, this argument holds weight, given that spending the majority of public funds on elderly retirees and neglecting youth employment programs creates economic instability. If youths are unemployed, they will not be able to pay taxes that will be diverted towards the social security, pension, and welfare systems. Thus, the Italian government will be forced to take on more debt in order to fund these expensive systems, which only further damages the Italian economy by making it too risky for Foreign Direct Investment.

This article is therefore useful in that it explains how Italian public spending benefits the elderly and punishes youths, which is a factor that widens the gap between total and youth unemployment. However, the unemployment trends that it discusses are outdated. For example, the article mentions the phenomenon of "growth without employment" that occurred during the 1980s and 1990s, when the Italian economy grew but unemployment rates remained high due to the concentration of industry in the North (Caroleo 1999, 73). Nevertheless, now, the Italian economy is shrinking and has experienced three recent recessions. It is therefore necessary to conduct further research regarding how a state of almost constant recession has changed the nature of youth unemployment in Italy.

Another work that directly compares Italy and the United States is "Patterns of Public Intervention in Training and the Labor Accords in Italy and the United States", where Garonna and Edwards discuss policies designed to combat youth unemployment in both countries. These scholars identify vocational training as the optimal public-sector solution to youth unemployment (Garonna 1990, 150). The two also discuss the weak training content of Italian vocational programs (Ibid., 151). Nevertheless, while this work provides a policy history regarding youth unemployment in Italy and America, significant policy changes that have been made since 1990 must be analyzed. In particular, virtual tools such as apps have vastly changed the nature of the type of vocational training that would be most useful to provide. Thus, my paper aims to analyze the training that youths have the possibility to receive in the Digital Age.

Overall, literature that discusses youth unemployment consistently neglects the impact of new economic sectors, such as the technology sector, upon job opportunities for youths. Furthermore, literature published recently largely attributes youth unemployment to the economic crisis. Thus, previous literature fails to account for many of the variables that impact youth unemployment today. I attempt to remedy these gaps in literature by discussing areas of economic policy that greatly influence youth unemployment trends in Italy and America.

HIRING AND FIRING POLICIES

The labor markets of the United States and Italy are fundamentally different from one another. The American labor market is classified as "dynamic and flexible" (Nickell 1997, 55). "Flexibility" refers to the fact that there is minimal government legislation that regulates the labor market. In contrast to the United States, Italy possesses many labor regulations, which has resulted in a strict and inflexible labor market environment. For instance, Figure II compares OECD countries across five categories: employment protection, labor market standards, benefit replacement rate, benefit duration, and active labor market policies. As this table demonstrates, Italy imposes the highest employment protection standards out of all OECD countries, while the United States imposes the lowest. Italy, along with Spain and Sweden, also imposes the highest labor standards, while the United States imposes the lowest. In sum, to provide a brief overall comparison of the American and Italian labor markets, the American labor market possesses few employment protection and labor standards, while the Italian labor market possesses many strict employment protection and labor standards.

Figure II.

Features of OECD Labor Markets I, 1989–1994

	Direct Rigidities		*Treatment of the Unemployed*		
	1 *Employment Protection*	*2* *Labor Standards*	*3* *Benefit Replacement Rate (%)*	*4* *Benefit Duration (years)*	*5* *Active Labor Market Policies*
Austria	16	5	50	2	8.3
Belgium	17	4	60	4	14.6
Denmark	5	2	90	2.5	10.3
Finland	10	5	63	2	16.4
France	14	6	57	3	8.8
Germany (W)	15	6	63	4	25.7
Ireland	12	4	37	4	9.1
Italy	20	7	20	0.5	10.3
Netherlands	9	5	70	2	6.9
Norway	11	5	65	1.5	14.7
Portugal	18	4	65	0.8	18.8
Spain	19	7	70	3.5	4.7
Sweden	13	7	80	1.2	59.3
Switzerland	6	3	70	1	8.2

Nickell, "Unemployment and Labor Market Rigidities: Europe vs. North America."

How does labor market flexibility impact youth unemployment? As empirical evidence suggests, an increase in the number of inflexible, rigid national employment protection regulations reduces employment flows (Sesito and Viviano 2015, 3). In regard to Italy, the incomplete overhaul of hiring and firing policies that occurred under the Renzi Administration in 2015 demonstrates both how the rigidity of the Italian labor market is reducing employment flows, particularly for youths, and how labor market reforms improve youth employment prospects (Ibid., 4). In particular, recent studies indicate the detrimental impact that rigid hiring and firing policies have upon youth employment prospects in Italy and how the partial liberalization of these policies that occurred under a 2015 law created employment growth.

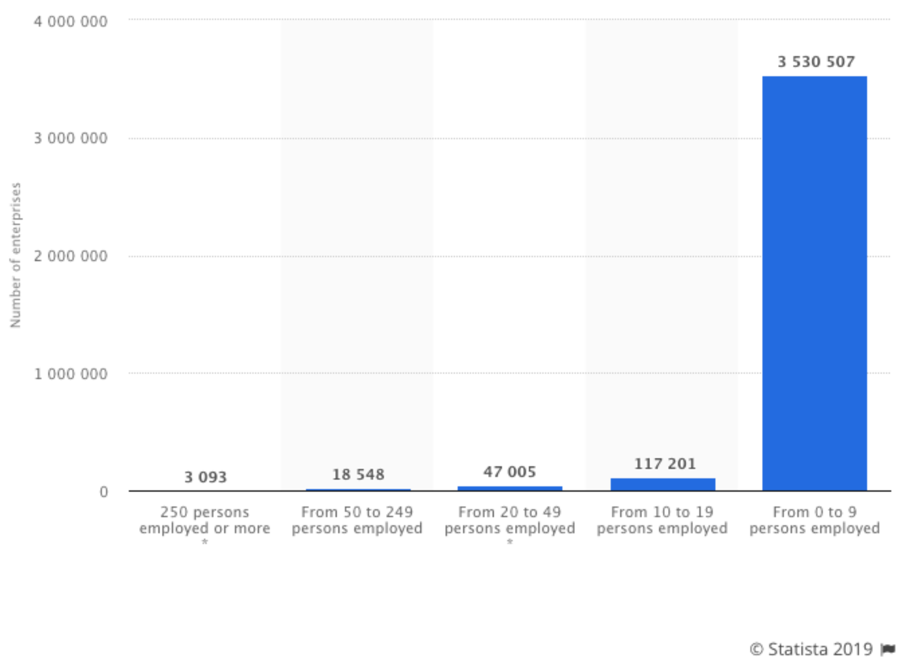
The law, known as the 2015 Jobs Act, reduced the firing costs imposed upon firms that employ more than 15 people. Before 2015, if an employee at a firm of over 15 people was fired and legally contested that the dismissal was unjust, a judge who ruled in favor of that employee could impose severe fines upon the firm and require the firm to reinstate that employee. Furthermore, the fines were not set, causing firms to endure fear-inducing uncertainty regarding the amount of money that they may be forced to pay (Sesito and Viviano 2015, 5-6). Thus, given the negative impacts of the 2008 Financial Crisis, firms avoided hiring before 2015 because they did not have the capital to risk taking on a new employee who they may have had to fire. Overall, the Italian regulatory system, "characterized by firing costs whose main feature was their uncertain and potentially high amount", made firms unwilling to take on new hires and reluctant to fire underperforming employees (Ibid., 6). This system disproportionately impacted young people, as university graduates were unable to break into the job market because firms were not hiring and because underperforming employees who would have been fired under a less regulated market were occupying valuable employment positions.

The Jobs Act intended to reform these firing policies by reducing firing costs and eliminating reinstatement requirements in cases of dismissals for economic reasons (Pinelli et al. 2017, 9). As another measure intended to support the youth population, the government granted an exemption from social security contributions paid by employers for three years on all new permanent work contracts given to "young people who have just completed their education and previously taken part in traineeship in the same firm" (Ibid., 12). One study demonstrates the benefits that these reforms have provided to Italy's hiring economy. According to this 2015 study that examines the economy of the Veneto region before and after the Jobs Act was implemented, from January to June 2015, 45% of the increase in permanent posts offered to workers may be directly attributed to Jobs Act reforms (Sesito and Viviano 2015, 21). Furthermore, 40% of the total net flow of permanent workers that the Jobs Act produced may be attributed to this law's hiring and firing reforms, while employment protection regulations that this law also implemented accounted for the remaining 5% (Ibid.). This contrast serves to further demonstrate that an increase in the labor market flexibility, rather than an increase in labor regulation, produces a rise increased permanent job opportunities for youths.

However, the implementation of the Jobs Act was incomplete in that it does not apply to firms employing less than 15 people. The contracts of employees who work at a firm with less than 15 people "remain covered by the previous law arrangements", which discourage hiring and firing (Ibid., 7-8). As the majority of firms in the non-financial business economy employ 0 to 9 people, this indicates that youths who do not work in finance will continue to struggle to find work at small businesses that are not impacted by the Jobs Act reforms (Statista 2014; See Figure III). These small companies will continue to avoid hiring because they still risk incurring heavy fines if they fire a new employee.

In addition to being subjected to the unreformed firing system, these small firms are severely impacted by hiring costs. Employers in Italy must pay numerous benefits to their employees. For instance, Italian firms must pay their employees an extra USD 15,544 in social security costs on top of a salary of USD 30,000 (55% of gross salary) (UHY 2019). As small businesses do not generate the income that large firms do in order to offset these costs, they are reluctant to hire new employees. Furthermore, these small businesses are unable to benefit from exemptions for hiring young people that were offered under the Jobs Act. Overall, the Jobs Act demonstrates how an increase in labor market flexibility produces a rapid increase in the number of employees that firms hire. However, as long as the reforms of the Jobs Act do not apply to small businesses, Italy's rigid hiring and firing policies will continue to promote high youth unemployment. As a population that is attempting to break into the job market, youths are disproportionately affected by employers' unwillingness to hire and fire.

Figure III.



Statista, "Total number of enterprises in the Italian non-financial business economy in 2014, by size class of employment."

In contrast to Italian policies, in the United States, there are few legal exceptions to the traditional American 'employment at will' doctrine. Under the 'employment at will' system, companies are able to fire and hire employees at their discretion (Maló and Perez 2002, 6). Furthermore, "there are no public regulations on dismissal costs, allowing firms to dismiss at a low or no cost" (Maló and Perez 2002, 6; see Figure IV). As Figure 3 demonstrates, American firing procedures are therefore different from Italian and other European firing procedures, as there is no system that mandates that employers who lose unjust dismissal cases will be forced to pay severe penalties. Workers who believe that they have been fired unjustly may contest their dismissal in court, but there is no guarantee that they will be granted a large severance package by a judge, meaning that they are more willing to settle with their former employer outside of court (Ibid., 20). Overall, the ‘employment at risk’ system is less risky and less costly than Italian firing procedures. As a result, American firms are more comfortable hiring and firing, as they may easily dismiss workers who they believe are underperforming, meaning that hiring new employees is less risky.

Figure IV.

Table 1. Rules governing compensations related to unfair dismissal in some European countries and in the United States

Austria	There is a rigid formula to estimate the severance pay for unfair dismissal in terms of the length of service.
Denmark	The compensation for unfair dismissal can not exceed an amount equal to the wage of 52 weeks. This amount is a maximum, and the Tribunal is free to determine a lower compensation considering all circumstances of the case.
France	In the case of unjustified dismissal and when parties refuse reinstatement, the employer is obliged to pay to the employee a compensation not lower than the previous six months' earnings. When formal requirements have not been fulfilled there is an additional compensation of one month's wages (at most).
Germany	The maximum sum payable in compensation for unfair dismissal is 12 months' pay in general, 15 for workers aged 50 and over with at least 15 years of service and 18 for workers aged 55 and over with at least 20 years of service.
Ireland	In the case of unfair dismissal the Tribunal can impose a compensation to the employer up to 104 weeks' pay when the employee's financial loss is attributable to the dismissal, otherwise the compensation may not exceed 4 weeks' pay.
Italy	For unjustified dismissal the sanctions consist of reinstatement and compensation equal to at least 5 months pay. Besides the employee has the right to choose to compensate (15 monthly payments) rather than reinstate.
Netherlands	There are no statutory requirement on severance pay nor legal provisions on penalties for unfair dismissals. However, severance payments may be awarded in the court as compensation for unfair dismissal following this formula (in general, although there are other formulae): (years of service) x (pay) x (correction factor). The formulae were created by the judges themselves. The average severance pay of these calculations is one month's pay per year of service.
Spain	For unfair dismissal there is a rigid formula to calculate severance pay: 45 days' wages per year of service, with a maximum of 42 months wages. In the new permanent contracts introduced in 1997, the severance pay for unfair dismissal (when the cause alleged by the firm was economic) is 33 days wages per year of service, with a maximum of 24 months wages.
United States	Under the federal legislation employees are provided with specific remedies against unlawful dismissal, and among them it is the traditional remedies of damages

Source: Annex C of Bertola *et al*. (1999).

In addition to being less risky, American employees are less costly. Though employers and employees both pay for Social Security, workers pay 6.2 percent of their earnings up to a cap, while employers "pay a matching amount for a combined contribution of 12.4 percent of earnings" (National Academy of Social Insurance 2015). For example, in 2015, the average American worker earned $48,099. Therefore, the average American worker and his employer each paid $2,982 toward Social Security (Ibid.). This amount is significantly less than the amount that Italian employers pay in social security benefits, which hovers around 40 to 50 percent of an employee's gross compensation (PWC 2019). Furthermore, while American employers and employees pay matching amounts toward Social Security, in Italy, the employer shoulders the burden. Employers pay 30 percent of a social security rate, while employees pay 10 percent (PWC 2019). Thus, employees in the United States are significantly less costly to their employers than they are in Italy, meaning that American companies are more willing to take on new hires.

In sum, how do the hiring and firing policies of the United States and Italy impact young people? In Italy, young people are disproportionately impacted because they are disadvantaged compared to older individuals who are already employed. In the United States, competition is fierce, and it is not uncommon for a middle-aged employee to be dismissed and replaced by a recent college graduate with more qualifications. In "...an increasingly competitive economy, the idea of replacing older workers with younger ones has come to seem self-evident to Wall Street and public policymakers" (Gosselin 2018). This is particularly true in the case of technology companies, given that youths tend to be more technologically savvy than their older counterparts. For instance, from 2008 to 2013, IBM fired over 20,000 American employees who were age 40 or older, replacing them with younger workers (Claburn 2018). While this phenomenon is also problematic, it is clear that American young people have the opportunity to take the place of older employees if they are more qualified.

In contrast, in Italy, because of the penalties for firing an employee, an underperforming older employee is unlikely to be dismissed for a younger one because of the risk of this dismissal being deemed as an "unfair firing". Furthermore, even if it would be advantageous for employers to hire a qualified college graduate, they are unlikely to do so, given that the costs of taking on an additional employee are so high that they outweigh the benefits. Overall, the obstacles that young people face when they seek to get hired become apparent when one examines the number of youths that leave Italy to find employment. In 2006 alone, 11,700 Italian college students, a number that amounts to 1 out of every 25 Italians who graduated that year, left Italy to take a position abroad (Faris 2010). Furthermore, 61.5% of recent graduates feel they need to leave Italy in order to take advantage of their education (Ibid.). To conclude, it is clear that the differences in the efficiency and costliness of hiring and firing procedures between Italy and the United States is a significant factor that accounts for the variation in these countries' total and youth unemployment gaps.

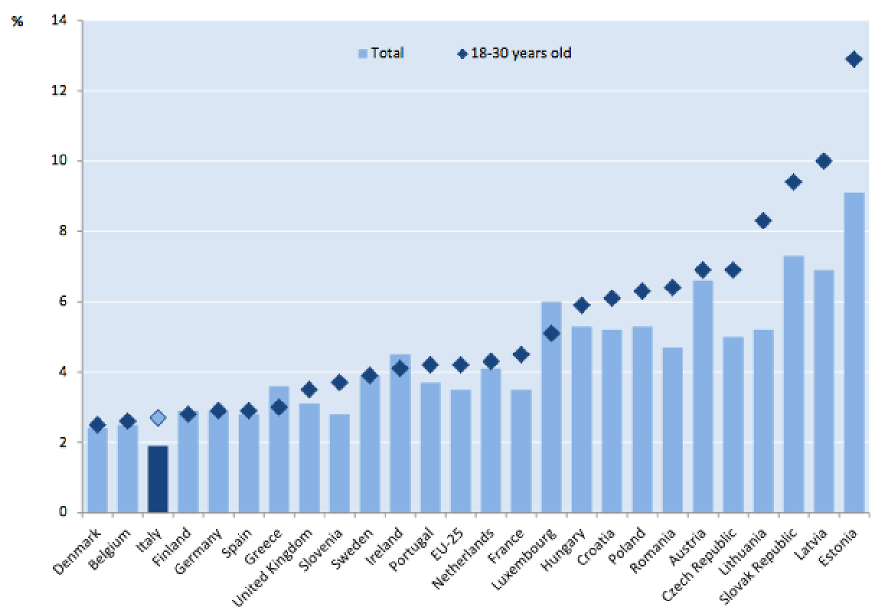
STARTUP POLICIES

Startups are increasingly being seen as attractive business opportunities for young entrepreneurs in Europe and the United States. Firstly, young firms "disproportionately employ young workers, controlling for firm size, industry, geography, and time" (Ouimet 2013, 1). This means that young people are more likely to be hired by a startup than they are by a traditional firm. Thus, an increase in the number of startups that exist in a given nation will be likely to lead to an improvement in job prospects for the young people of that nation. Secondly, startups pay young workers a higher salary than they would earn at a traditional firm. On average, "young employees in young firms earn higher wages than young employees in older firms" (Ibid.). Lastly, startups, especially technology startups, appeal to the risk-taking and social media skillsets that young people typically specialize in, meaning that young people will be more likely to succeed in this industry (Ibid.). In sum, startups are a valuable addition to a nation's economy because they offer lucrative, rewarding career opportunities to young people when compared to traditional business models.

In Italy, the startup industry is growing, particularly in Rome and Milan. For example, a "public registry of 4,000 plus startups [in Italy] includes hundreds of agencies, consulting firms, and SMBs [small and medium-sized businesses]" (Kollman et al. 2015, 9). However, these startups are facing numerous obstacles due to the rigidity of the Italian economy. Over-regulation has been cited as a major factor that is preventing Italian startups from developing and succeeding as much as they could be (Ibid., 9-10). For instance, though 44 percent of Italians would prefer self-employment over working as an employee, fewer than 3 percent of youth in Italy were actively trying to set up a business during the period between 2009 and 2013 (OECD 2016, 19). Furthermore, during this period, only 2 percent of youth were running a new business, which is the lowest rate of youth running new businesses in the EU (Ibid.; see Figure V). Italians identified regulatory and administrative barriers as the key factors that are preventing startup entrepreneurship in Italy from growing, despite Italian youths' high interest in self-employment (Ibid. 21).

Figure V.

Figure 1.6. Youth nascent entrepreneurship rates, 2009-2013 (combined)



Source: GEM (2014), Special tabulations of the 2009-2013 adult population surveys from the Global Entrepreneurship Monitor

Why does Italy's regulatory atmosphere make it difficult for youths to start their own businesses? Compared to the United States and other EU member states, Italy's regulatory atmosphere is characterized by a high number of regulations that impose high entry costs. Italy imposes 16 entry regulations upon founders of new businesses, meaning that, along with Romania, it has established the most regulations upon startups compared to all other EU member states. The "average direct cost associated with fulfilling [these] bureaucratic regulations for registering a new corporation in Italy is 20% of per capita GNP compared to 10% of per capita GNP on average for other G-7 European countries" (Klapper et al. 2016, 593). These costs are particularly unfeasible for Italian young people, as college graduates who are attempting to create their first business have simply not accumulated enough capital to pay these entry fees.

Furthermore, while many youths in other countries rely on microcredit provided by the microfinance industry in order to secure the initial amount of capital that is needed to start their businesses, in Italy, "microfinance is a recent development and lags behind other regions in Europe" (OECD 2016, 59). Few Italian microcredit programs directly target youth, and microcredit programs are highly regionalized (Ibid., 61). For instance, in 2013, only 14 out of 20 regions in Italy were running ongoing microcredit initiatives, and only 10 of these 14 regions had local initiatives targeted at self-employment (Ibid., 62). Given that microfinance initiatives "can provide a small amount of credit to young entrepreneurs that would otherwise be rejected by the credit scoring systems of commercial banks", which tend to deny young people loans due to their lack of experience and capital, would-be young Italian entrepreneurs are left particularly vulnerable. Faced with high entry costs, discriminated against by the credit scoring systems of central banks, and left without the alternative option of choosing microcredit, Italian youth simply do not have access to the capital that is necessary for them to start their own businesses unless they are extremely wealthy.

In comparison, in the United States, youths are both more confident and able to start their own businesses. In regard to confidence, only 30 percent of Italians believe that they are capable of starting a business, compared to 56 percent of Americans (Ibid., 5). American youths are, on average, more confident than their Italian peers because America's labor market is more conducive to the creation of startups. In particular, "US citizens are on average more risk tolerant than Europeans, and it appears that there are fewer problems with administrative complexity, insufficient information, and financial support" (Der Zwan et al. 2013, 811). Thus, given that Americans face far fewer roadblocks to starting a business when compared to their European counterparts, Americans are more likely to switch from 'never considering' to ‘thinking about’ starting their own business compared to citizens of all European nations (Ibid., 816). Overall, while the system of Italian entrepreneurship policies discourages young people from starting their own businesses, in the United States, young people are encouraged to do so. Confidence is key when it comes to taking a risk and starting one’s own business at a young age, and the absence of barriers in the American startup process promotes higher levels of confidence among young people.

Furthermore, American young people who wish to create a startup are more able to access microcredit when compared to their Italian peers. Microlending is at an all-time high in the United States (Walker 2011, 386). The federal government has heavily invested in microfinance, as the government views self-employment as a growing industry that has the potential to provide jobs to workers who continue to be laid off from America’s shrinking manufacturing industry. For instance, as a way to stimulate job creation in 2009, President Obama signed the American Recovery and Investment Act (ARRA) into law. This act designated 50 million in federal funds towards microloans for small businesses. In the two years following ARRA, the average total of microloans nationwide reached $3.1 million (Ibid.). Furthermore, traditional banks, such as Citibank, have increasingly viewed microloans as a “core business opportunity” because of the government’s endorsement (Ibid.). In comparison, traditional banks remain wary of the microfinance industry in Italy.

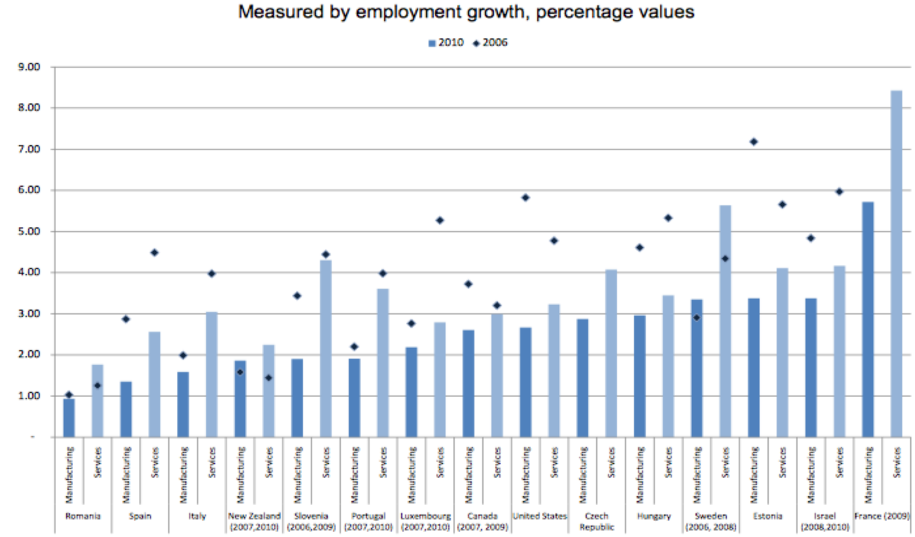
In addition to American banks, American colleges have taken note of the federal government’s emphasis upon self-employment and microfinance. Many American colleges now offer courses, competitions, and scholarships that specifically target would-be young entrepreneurs. For instance, the Massachusetts Institute of Technology (MIT) hosts a business plan competition every year that awards over $350,000 USD to students with the best ideas (Crimson Education 2017). Currently, over half of American colleges offer at least one course about entrepreneurship (Ibid.). In comparison, in Italy, there “is a need to scale up ongoing experiments so that youth learn about what entrepreneurship is, its potential as a career option, and acquire some basic entrepreneurship skills” (OECD 2016, 8). Overall, teachers and other staff currently do not have the training that is necessary to educate Italian young people about entrepreneurship (Ibid.).

In sum, American startup policies have succeeded in giving youths the confidence to start their own businesses, and the capital and the education to succeed in doing so. In contrast, Italian young people are dissuaded by restrictive and expensive startup policies, and often do not have access to the capital and education that is needed to start their own businesses. Factors such as these account for why 13 percent of the United States population is actively involved in starting a business, while only 4 percent of the Italian population is (OECD 2016, 55; see Figure VI). Therefore, the increased possibilities for American youths to become self-employed by starting their own businesses, compared to limited possibilities for Italian youths, is another main factor that accounts for the divergence between the youth and total unemployment gaps of Italy and the United States.

Figure VI.

Figure 2.12. High-growth firms in selected OECD countries, 2010 and 2006

Measured by employment growth, percentage values



Note: Data presented refer to the whole population of employer enterprises, with the exception of Canada, for which data for 2006 refer to employer enterprises with less than 250 employees. Employment data are based on the number of persons employed, with the exception of Israel where the number of employees is used. 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.

Source: OECD (2013), *Entrepreneurship at a Glance 2013*, Paris. http://dx.doi.org/10.1787/entrepreneur_aag-2013-en.

THE GIG ECONOMY

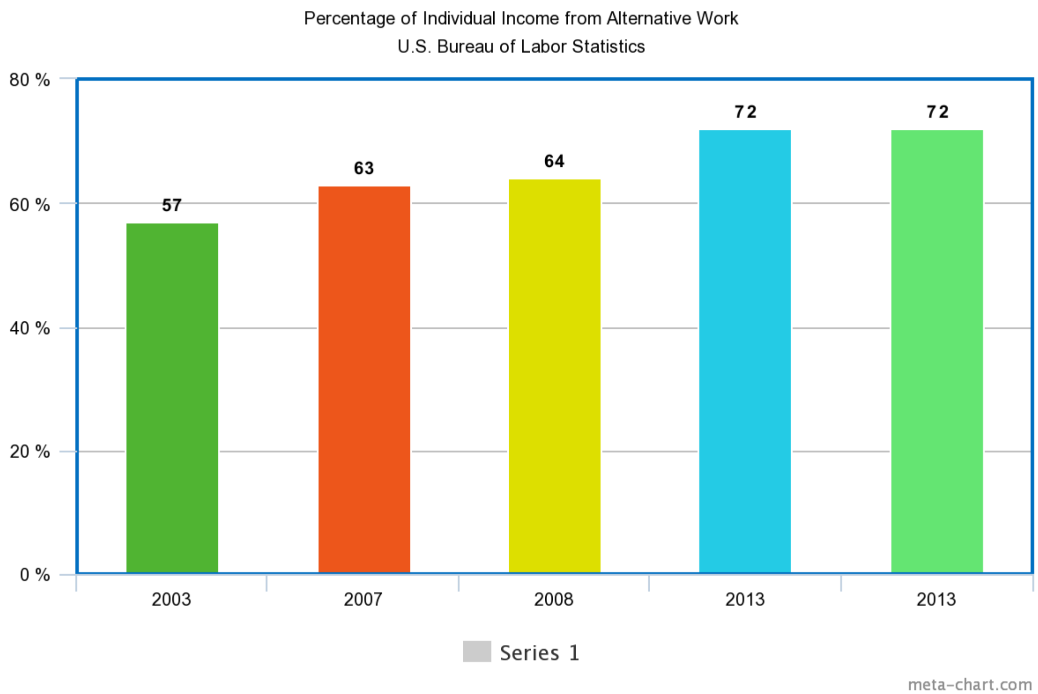
Currently, it is estimated that 9 million European and United States citizens are employed in the gig economy (Giorgiantonio 2018, 5). The 'gig economy' is commonly defined as "the collection of markets that match providers to consumers on a gig (or job) basis in support of on-demand commerce" (Donovan et al. 2016, 1). Under the basic model of the gig economy, "gig workers enter into formal agreements with on-demand companies (e.g. Uber) to provide services to the company's clients" (Ibid.). The most common types of services include transportation and food delivery. The gig economy has the potential to reduce youth unemployment, given that gig work has proven to be attractive to younger demographics worldwide. For instance, 82 percent of the world's contingent workers aged 18 to 26 would prefer to be engaged in the type of flexible employment that characterizes the gig economy (Adecco 2016, 3). Meanwhile, over half of the world's unemployed youths aged 18 to 26 have considered entering into the gig economy, and 76 percent of these unemployed youths view the gig economy positively (Ibid.). The gig economy's flexible, unstructured working hours offer youths the opportunity to engage in flexible, part-time work to earn money while having the free time to generate plans for a startup or to pursue a passion for art or music that has not yet developed into a career. However, given the differences in policies that address the gig economy between Italy and the United States, Italian youths have less opportunities to participate in the gig economy when compared to American youths.

In Italy, gig economy apps, such as Uber, are subject to competition laws. For instance, when Uber operated in Italy, Uber drivers were not subject to the costly safety standards mandated by Italian law (such as medical exams and car inspections) that taxi drivers were. Thus, Uber drivers were able to "save costs and offer their services at a better price through predatory conduct" (DiAmato 2016, 178-179). On these grounds, the High Court of Milan banned Uber because Article 41 of the Italian Constitution stipulates that human safety, which taxi drivers were addressing and Uber drivers were not, takes priority over the value of the free market (Ibid.). Thus, the gig economy is another area in which high regulatory costs and stringent labor protection standards have prevented young people from being employed. This has particular implications for young new entrants in Italy, who tend to lack a higher education and come from an immigrant/minority background (Scarpetta 2010, 19). In other countries where Uber is permitted, new entrants who are discriminated against in the traditional labor market, including the traditional taxi industry, have turned to Uber. For instance, in London, the majority of traditional taxi drivers identify as being white and British, whereas the majority of Uber drivers identify as being non-white immigrants (Ghosh 2017). Thus, the banning of Uber removed a potential employment opportunity from the limited options available to young new entrants.

Though Uber remains banned, food delivery is another popular gig sector that has increasingly employed workers in Italy. In Italy, the majority of food delivery couriers are youths. According to Italy's Ministry of Labor, the average age of food deliverers in Italy is 25, which is 10 years less than the average age of workers in Italy's communications and warehouse labor industries (Giorgiantonio 2018, 25). Further, youths without a college degree are increasingly taking advantage of the opportunities offered by delivery apps; four out of every five couriers in Italy have not completed university (Ibid., 26). Nevertheless, the structure of the labor market has created numerous obstacles for delivery apps, causing some apps to leave the country. For instance, in 2018, the company Delivery Hero decided to sell its Foodora Italia app to Glovo and leave the country in order to focus on markets with "higher growth" in the food delivery sector (AGI 2018). Delivery Hero claimed that its app clashed with Italian labor regulations and that it could not succeed in making a profit or breaking even in Italy (Ibid.). Currently, Glovo is negotiating with Labor Minister Luigi DiMaio regarding the creation of labor protection standards for couriers. If these standards prevent apps from profiting, these apps will also leave the country, thus further limiting gig employment opportunities.

In contrast, in the American labor market, an absence of restrictions has led to an enormous growth in employment opportunities related to the gig economy. 16.5 million Americans are currently employed in the gig economy, compared to the 80,000 Americans that are employed in the coal industry (Gayle 2018). By 2020, 42 million workers are expected to be employed in the gig economy, and 42 percent of this population is expected to consist of youths in their 20s (Monahan 2018). The percentage of individual income from alternative work as compared to traditional labor has also increased from 57 percent in 2003 to 72 percent in 2015 (Ibid.; see Figure VII). This dramatic increase is largely attributed to a shift to self-employment under the gig economy that occurred after workers were let go from the traditional workforce during the financial crisis (Ibid. 2018). As traditional labor sectors such as the manufacturing and auto industries have continued to shrink, many young Americans have taken up permanent positions in the gig economy (Ibid. 2018). Overall, the gig economy has provided valuable job opportunities to young Americans who otherwise would be unemployed in the wake of the financial crisis.

Figure VII.



CONCLUSION

In conclusion, the rigidity of Italian labor policies in regard to hiring and firing, startups, and the gig economy adversely affects the number of youths that are able to find employment. The strictness of Italian labor standards has caused firms to be reluctant to hire and fire, youths to be unable to raise enough capital to found businesses, and gig apps to leave the country because they are unable to profit. These consequences limit job opportunities for Italian youths. In contrast, the flexibility of American labor policies has caused firms to hire and fire freely, youths to found startups while avoiding financial obstacles through microloans, and gig economy apps to hire increasing numbers of young workers.

Overall, the American economy is more well-suited to the technology startups and gig jobs that are increasingly replacing traditional manufacturing jobs. In both countries, manufacturing and traditional job industries have continued to shrink following the financial crisis, a phenomenon that previous works of literature fail to mention. American youths suffer less from this phenomenon because they turn to technology startups and gig work, whereas, in Italy, labor restrictions have prevented youths from pursuing these alternative jobs. Overall, my research was limited in that many Italian delivery apps hide employee data. However, in the future, it remains to be seen whether the Italian government and delivery apps will reach a compromise that preserves Italian labor standards while allowing the gig economy to profit.

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