

# First estimates of the effects of COVID-19 on young workers in Italy

*Italian younger workers – and women in particular – risk to be hit hard by the measures adopted to contrast Covid-19 epidemic.*

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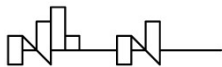
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## 1. Timeline and content of the interventions of the Italian Government

Italy has been among the first European countries to experience a widespread diffusion of the Covid-19 virus. With the aim of reducing the pressure on the overloaded healthcare system, several measures have been put in place under the guiding principle of social distancing to reduce individuals' exposure to Covid-19 in the workplace and in public spaces.

Economic and social activities were all immediately affected. Retail trade, accommodation, food and personal services were the first to be suspended on March 12<sup>th</sup>, apart from groceries, supermarkets and other essential retailers (pharmacies, newsstands, tobacco shops). On March 23<sup>rd</sup> all the industrial and commercial activities were suspended as well, except for essential sectors such as agriculture, food and pharmaceutical industries and ancillary industries, plus strategic sectors. The closure lasted up to May 4<sup>th</sup>, when a partial lift of the lockdown allowed for the re-opening of a few other manufacturing sectors. Retail trade as well as public spaces (museums, libraries) are planned to open on May 18<sup>th</sup> and the remaining food and personal services at the beginning of June.

This set of confinement measures has been one of the most restrictive in Europe. Parallel to that, various policy interventions aiming at supporting vulnerable individuals particularly affected by the Covid-19 emergency have been put in place. These policy tools include: income support to sick workers and their families, income support to quarantined workers who cannot work from home, helping dealing with unforeseen care needs, income support to persons losing their jobs or self-employment income, helping firms to adjust working time and preserve jobs, financial support to firms affected by a drop in demand, changes to dismissal regulation and helping economically insecure workers stay in their homes. See (OECD, 2020, sec. Policy table) which provides a comparative overview of policy tools introduced by a large set of countries.

## 2. Effect of Covid-19 measures on Young workers

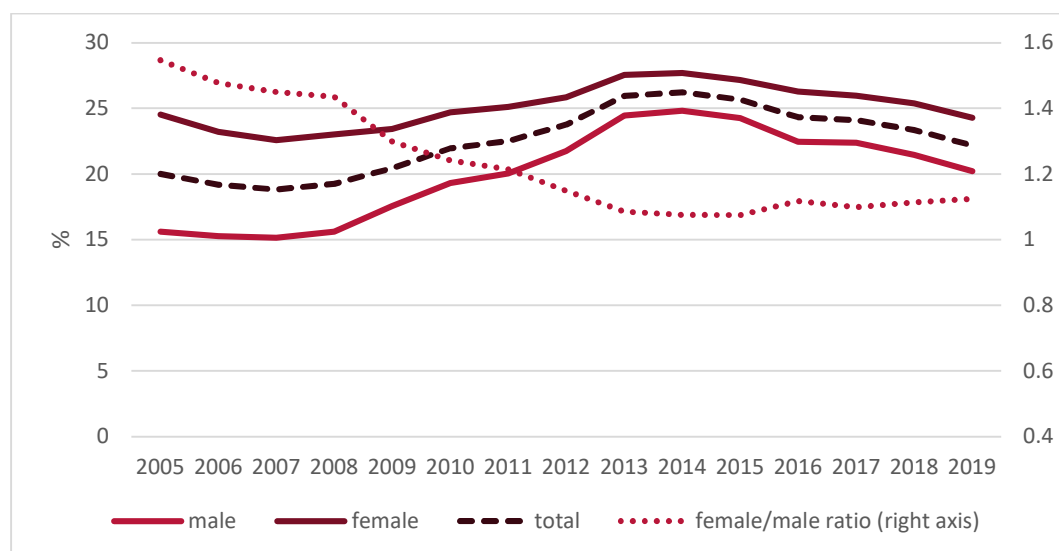
Young cohorts are likely to suffer short-term and long-term consequences on their careers from the measures adopted to halt the diffusion of the virus. The issue has been raised in Europe (Eurofound, 2020) and, with idiosyncrasies, in all countries (ILO, 2020).

Considering Italy, the reasons are manifold and lay in specific characteristics of most of the work relationships involving young workers.

**First, young workers have been hit strongly by the recent crisis in Italy, where in 2019 the share of NEETs among individuals aged 15-29 was 23%.** The increase has been more important in the male population: albeit the incidence is larger among women, the male-to-female ratio in the NEET category has been decreasing almost to parity over the years (Figure 1).

Low incidence of high educational attainment or specialised vocational skills interacted with repeated spells of unemployment impinges on human capital formation for young cohorts. The phenomenon, whose consequences are exacerbated for long-term unemployed, lead to consequences on future labour income and, indirectly, on the level of pensions in retirement age.

Figure 1 NEET population, overall and by gender (left axis) and male-to-female NEETs ratio (right axis)



Source: own calculation on LFS data (ISTAT)

**Second, young workers are mainly contracted under atypical contracts, which give access to limited social security rights and Covid-19 social measures. Moreover, they are the first work relationships to be ended in case of workforce reduction.**

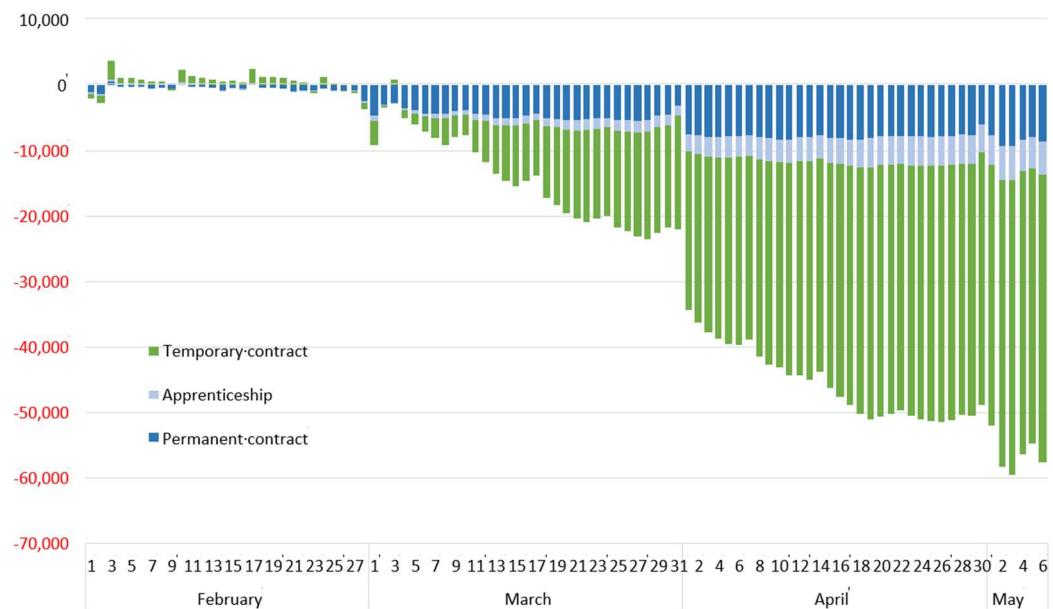
Young workers are largely hired under temporary contracts, which give right to lower unemployment benefits (NASpI), which are proportional in length to the tenure and in magnitude to the last wage, of the last work relations.

In a context of extended closure, once the contract is naturally expired, it is likely not to be renewed and the worker also loses the right to access to Covid-19 related income support measures. Moreover, internships, which are one of the most used contracts for

the first work experiences, are excluded from both ordinary and extraordinary income-support schemes.

A pronounced decrease of temporary contracts activations compared to the same period of 2019 has already been visible on regional data for the Veneto region in the first 4 months of 2020 (Anastasia et al., 2020; Veneto Lavoro, 2020), anticipating the dynamics for the rest of the economy (Figure 2). The results have been confirmed at the national level, with differences among regions related to the sectoral composition of the local economies (ANPAL, 2020).

Figure 2 Job flows in private sector in Veneto region by type of contract. Daily change between February 1<sup>st</sup> and May 6<sup>th</sup>, 2020 with respect the same period in 2019



Source: Veneto Lavoro (2020)

**Third young workers are over-represented with respect to older cohorts in sectors that have been defined “non - essential” and whose activity has been suspended by the Covid-19 measures.**

Estimates by the National Statistical Institute (ISTAT, 2020) on Labour Force Survey data from 2019 show that the incidence of the shut-down<sup>1</sup> effective from March 23<sup>rd</sup> and

<sup>1</sup>The data do not register as active the firms belonging to suspended sectors that obtained a special waiver to continue their activity.

enforced until May 4<sup>th</sup> on young workers are larger than for older cohorts (Table 1). The older the cohorts, the larger is the incidence of employees of active sectors on the age group, with a minimum of 49.7% active workers among those aged 15-24 to a maximum of 73.6% among the over 55.

Table 1 Estimate of the number of workers in active and suspended sectors, between March 26th and May 4th. Thousand individuals. LFS 2019.

Age class	Active	Suspended	Total	Active%
15-24	539	546	1085	49.7%
25-34	2526	1560	4086	61.8%
35-44	3904	2017	5921	65.9%
45-54	4815	2299	7114	67.7%
55-64	3306	1176	4482	73.8%
65+	487	186	673	72.3%
<b>Total</b>	<b>15576</b>	<b>7784</b>	<b>23360</b>	<b>66.7%</b>

Source: LFS data, 2019 average. Selection from Table 7 of ISTAT (2020, p. 30)

Table 2 shows that until May 4th the age composition of the active sectors during the shut-down period favours older cohorts particularly in the services. The share of youth employment (aged 15-29) in the active firms of the services is 55% compared to 71.3% for those aged 30-49 and 77.5% for the workers older than 50.

Table 2 Employed in active and suspended firms by age group and sector

Age and sector	Employed in active firms		Employed in suspended firms		Total		
	Employed	%Active	Employed	%Suspended	Employed	%	
15-29	Industry	229,764	44.3	289,097	55.7	518,861	100.0
	Services	807,919	55.2	654,838	44.8	1,462,757	100.0
	<b>Total</b>	<b>1,037,683</b>	<b>52.4</b>	<b>943,935</b>	<b>47.6</b>	<b>1,981,618</b>	<b>100.0</b>
30-49	Industry	1,025,529	40.2	1,527,154	59.8	2,552,683	100.0
	Services	3,242,431	71.3	1,303,139	28.7	4,545,570	100.0
	<b>Total</b>	<b>4,267,960</b>	<b>60.1</b>	<b>2,830,293</b>	<b>39.9</b>	<b>7,098,253</b>	<b>100.0</b>
50+	Industry	511,315	42.0	707,350	58.0	1,218,665	100.0
	Services	1,467,711	77.5	427,132	22.5	1,894,843	100.0
	<b>Total</b>	<b>1,979,025</b>	<b>63.6</b>	<b>1,134,482</b>	<b>36.4</b>	<b>3,113,508</b>	<b>100.0</b>
<b>Total</b>	Industry	1,766,608	41.2	2,523,601	58.8	4,290,209	100.0
	Services	5,518,061	69.8	2,385,109	30.2	7,903,170	100.0
	<b>Total</b>	<b>7,284,669</b>	<b>59.7</b>	<b>4,908,710</b>	<b>40.3</b>	<b>12,193,379</b>	<b>100.0</b>

Source: Centra et al. (2020, p. 8), data from ASIA Occupazione 2015 and ASIA Imprese 2017

A comparison of the age distribution of workforce of suspended firms between the first and the second phase of the intervention shows an unequal effect of the May 4th re-opening of selected sectors and an increase in the youth disadvantage. Younger workers, being largely employed in sectors which are not yet allowed to reopen their activities, will be the last who will get back to work. Table 3, that relies on the national registry of active firms which has wide coverage, by including autonomous workers as well as employees, shows that during the phase of the partial lift of the lockdown in the (still) suspended activities the share of workers aged 15-30, is 44% with respect to 32% of the previous period. Similar results are also provided by (Casarico & Lattanzio, 2020a, 2020b) using a different database.

Table 3 Employees of suspended sectors. By policies and age-group

	Activities suspended between <b>March 22<sup>nd</sup></b> and <b>May 4th</b>	Activities suspended after <b>May 4th</b>
<b>15-30</b>	32%	44%
<b>31-50</b>	49%	42%
<b>51+</b>	19%	14%
<b>Total</b>	100%	100%

**Source:** INAPP INPS (2020, p. 6) on Uniemens INPS data 2018. Private sector workers, excluding agriculture, domestic and self-employed workers.

The results of the analysis by cohort and gender, that are presented in Table 4, confirm that the cohort 15-29 experiences the highest incidence of suspended workforce. Only 54% of youth are employed in activities that were not affected by the lockdown measures, compared to 64% of adult and 71% of older workers. Moreover, the largest share is observed among women: almost one out of three young female workers are in sectors that continue to be suspended also at the beginning of the second phase of the Covid-19 measures (Figure 3). The duration of the consequences of the economic measures on the most affected cohorts will depend on the job content and the physical adaptability of the job process to the new legal requirements.

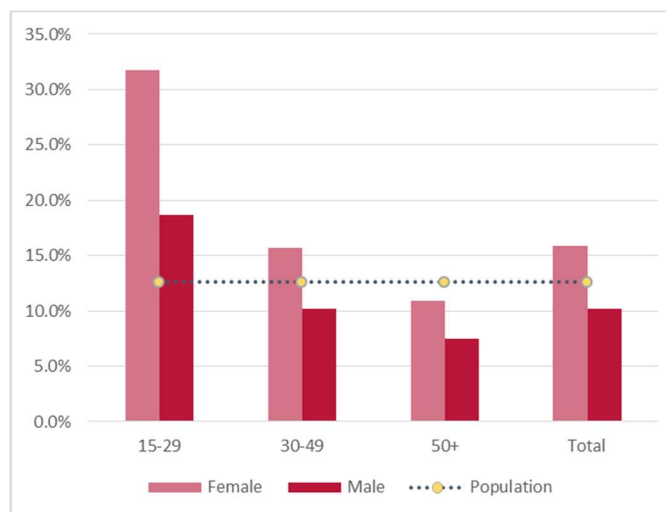
Table 4 Number of workers employed in suspended sectors. Shares by age group and gender.

Age class	Sex	Never close	%	Suspended March 23rd until May 4th	%	Still suspended	%
15-29	Female	664748	55.2%	157672	13.1%	382219	31.7%
	Male	896143	53.4%	467879	27.9%	313705	18.7%
30-49	Female	3580778	71.0%	673641	13.4%	789989	15.7%
	Male	4000091	59.3%	2060464	30.5%	684651	10.2%
50+	Female	2858887	78.8%	374178	10.3%	395019	10.9%
	Male	3281789	65.0%	1390290	27.5%	379921	7.5%
Total	Female	7104413	71.9%	1205491	12.2%	1567227	15.9%
	Male	8178023	60.7%	3918633	29.1%	1378277	10.2%
Total	All	15282436	65.4%	5124124	21.9%	2945504	12.6%

Source: own calculation on ISTAT 2019 LFS data.

**Fourth, young workers are mainly employed in sectors that will be structurally changed by the distancing measure.** Retail and food will require re-organisation of the physical space, which may increase the break-even point for small restaurant and shops, making them unprofitable. The sector has been proving one of the most dynamic in recent years and has been traditionally absorbing excess of young and unskilled labour force, due to low initial capital and skills requirements. Similarly, the live entertainment and art sector employs large shares of young cohorts.

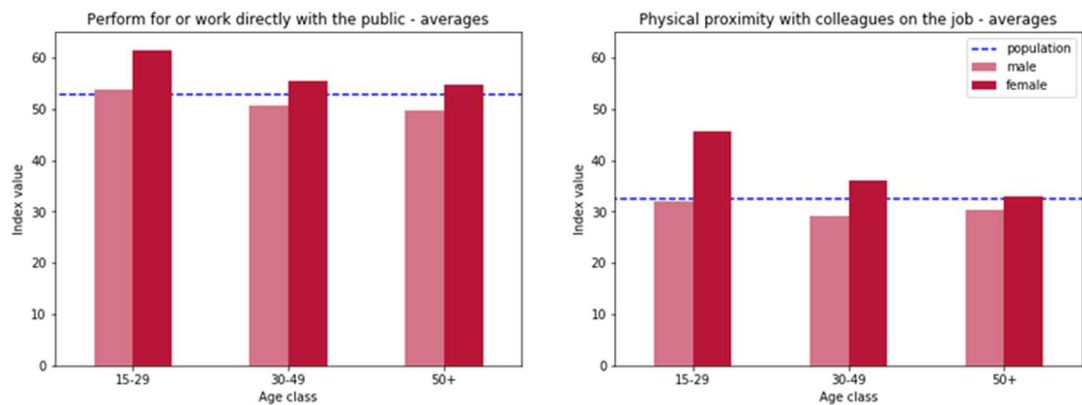
Figure 3 Workers employed in sectors still suspend at May 4<sup>th</sup> by age group and gender (group percentages)



Source: own calculation on ISTAT LFS data

Figure 4 shows that in Italy young workers, aged 15-29, are employed in jobs that require more contact with either customers or colleagues compared to older cohorts. This aspect is even more pronounced for young female workers. These workers will be, most likely, the last, if ever, who will come back to work, increasing inter-generational and gender inequalities.

Figure 4 Job characteristics by age group and gender.



Source: own calculation on LFS data (ISTAT) and ICP2011 data (INAPP)

As already reported above (Figure 1), during the years of the economic crisis the number of female NEET has been declining down to the number of male NEET but the asymmetric effects of the Covid-19 shown above may stop this trend and lead to an increasing gender gap. Inequalities are also set to rise, if we consider the low share of labour income compared to rents and the large accumulated wealth. Deprivation, especially for young cohorts, spurs inter- and intra-generational conflict and may causes social and political tensions (Bussolo et al., 2018)

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