

**Measuring the impact of the Italian CFL programme on
the job opportunities for the youths.**

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Abstract: The CFL programme (contratto di formazione lavoro) as been introduced in 1985 to improve the youths occupational chances. It provides the employers incentive to recruit young workers by reducing both the labour and the firing costs relative to those they would bear by recruiting older workers. Following the literature, the expected impact of the programme is to increase the eligibles chance to work *during* the eligibility period as well as to improve their chance to work *after* the eligibility period thanks to the longer work experience obtained during the eligibility period. A substitution effect is observed between subjects no longer eligible who are replaced by younger still eligible workers. In order to measure the impact of the programme we exploit the variation over time and across geographical areas of the incentive to hire eligible workers induced by several reforms of the programme as well as its interaction with other incentive schemes.

Keywords: targeted wage subsidy, firing costs, substitution effect