



# European Employment Observatory Review: Autumn 2005

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European Employment Observatory Review: Autumn 2005



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# European Employment Observatory

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# Executive summary

## Introduction

Young people's transition into the labour market poses considerable challenges. In Europe, the youth unemployment rate is more than double that of the overall working-age population. In 2005, the youth unemployment rate was 18.5% in the EU-25, compared with the overall unemployment rate of 8.7% <sup>(1)</sup>. This huge difference in unemployment rates has been a repeated pattern over the last few years. For example, in 2004, the EU-25 youth unemployment rate was 18.9%, compared with the overall unemployment rate of 9.1% <sup>(2)</sup>.

Youth employment rates are significantly lower than overall employment rates. In 2004, the youth employment rate was 36.8%, compared with the overall employment rate of 63.3% <sup>(3)</sup>. This was similar to the situation in 2003, when the youth employment rate was 36.9%, compared with the overall employment rate of 62.9%.

EU Member States have therefore been experiencing deterioration in respect of young people's labour market situation, although this trend has to be seen in the context of increasing participation rates in general and tertiary education <sup>(4)</sup>.

Large variations are, however, apparent at the level of individual Member States, with employment rates for young people ranging from 20% in Lithuania to 66% in the Netherlands in 2004 <sup>(5)</sup>. In EU accession and candidate countries (Bulgaria, Romania and Turkey), youth employment rates are low: 21.5%, 27.9% and 31.6% respectively in 2004.

Policy-makers have increasingly recognised the need to better integrate young people into working life and society. This is expressed in terms of addressing the vulnerability of young people, developing solidarity between the generations in the context of an ageing society, and equipping young people with knowledge and skills appropriate for future economic and labour market needs.

In spring 2005, the European Council adopted the European pact for youth <sup>(6)</sup>. The pact calls for action in three areas:

- Employment, integration and social advancement;
- Education, training and mobility;
- Reconciliation of family and working life.

The *EEO Autumn Review 2005* reports on the main measures implemented to promote youth employment and education (especially vocational education) in the countries covered by the European Employment Observatory. The information below provides a summary of the main actions taken in the various countries. The full country articles that follow give a more detailed overview of youth employment trends and policies.

## Employment, integration and social advancement

### **Policies implemented to sustain the integration of young people into the labour market and increase young people's employment**

In **Belgium**, a key recent policy development has been the adoption of the 'Generation pact' (October 2005). A number of policy initiatives are envisaged, including economic incentives for young people who want to combine school with work experience and who follow special training programmes, and early school leavers if they find a job within a certain period of time.

<sup>(1)</sup> Eurostat, *Labour force survey*.

<sup>(2)</sup> Eurostat, *Labour force survey*.

<sup>(3)</sup> Eurostat, *Labour force survey*.

<sup>(4)</sup> European Commission, *Employment in Europe 2005*.

<sup>(5)</sup> European Commission, *Employment in Europe 2005*.

<sup>(6)</sup> Annex 1 of Presidency Conclusions of the European Council, Brussels, 22-23 March 2005 (7619/05).

One policy measure in **Cyprus** is aimed at young graduates of secondary schools where only general education is provided. The scheme involves a personalised assessment of an individual's skills and interests and leads to a personalised action plan intended to promote training and employment opportunities. At the same time, general seminars and training schemes will be run and young graduates will be placed in public and private organisations to gain work experience. The scheme covers any training fees and pays an allowance to participants.

Another policy move in Cyprus has been to help young people who are new entrants to the labour market to access occupations with significant labour shortages. These programmes last from 12 to 24 weeks and include practical training in industry. They are offered by the public employment service (PES) in collaboration with relevant industry bodies.

**Finland** introduced a social guarantee for young people in 2005. All young people out of work are offered an education, training or workshop place after no more than three months of unemployment. This is a much more ambitious target than the previous EU-level target that every young unemployed person should be offered a new start before six months of unemployment.

In **Hungary**, an unemployment insurance system is being introduced to promote job searching. For the first three months of unemployment benefit, its level will depend on the recipient's last salary. In the following six months, the benefit is standardised. People who find work during these six months will receive half of the unpaid benefit as a bonus. The benefit is only available to those who actively seek work, and labour offices will assist them with this more effectively.

In **Latvia**, youth-specific employment policies started to evolve on receipt of European Social Fund money. The national Lisbon reform programme for 2005-08 lists measures such as the provision of training places for unemployed young people, subsidies for employment measures for unemployed young people (training practice), and the provision of work placements during the summer holidays for young people aged 15-18.

In the **Netherlands**, the youth unemployment task force offers regional initiatives to create jobs, internships and apprenticeship places for young people, as well as action days to bring together regional actors. The Netherlands offers 'JOB', a job-creation scheme for young people unemployed longer than six months, for personal development and work experience. Also, unemployed people requesting benefits are given work in low-paid subsidised jobs as an incentive to find regular work, in the 'Work first' programme.

**Poland** introduced the 'First work' programme to prevent graduate unemployment. All registered graduates participate

in active measures to find employment within six months of registering as an unemployed person. Young unemployed people can access all labour market services (employment agency, EURES (European employment services), vocational guidance and information, support in active job-search, the organisation of training), and additionally – within the framework of the programme – can attend group training and information classes. In addition, the 'Alternative II' programme is aimed at unemployed young people aged up to 25, and at university graduates aged up to 27.

In **Portugal**, the 'New opportunities' initiative is intended to provide new solutions for young people to access the labour market, by raising compulsory education from 9 to 12 years of schooling and engaging 50% of the secondary school population in vocational and technological courses. As part of this, a 'science and technology voucher' offers loans to students willing to engage in science and technology university courses, partially subsidised by the state. The initiative aims to enable students interested in science and technology to get higher education qualifications.

In **Slovakia**, work experience/graduate practice is available to jobseekers aged under 25 to help them acquire professional skills and practical experience with an employer. In the first nine months of 2005, labour offices concluded 8 923 agreements with employers on 17 556 jobs for 22 732 young jobseekers. A further active labour market policy (ALMP) measure implemented in Slovakia is the training or retraining of young jobseekers through education and training programmes, which are tailored to individual needs. Jobseekers aged 15-24 accounted for 20% of all retrained unemployed people.

Also in Slovakia, the Labour Code introduced a new type of employment agreement called the 'Agreement on temporary jobs for students', which enables students to work up to half the weekly working time.

In **Slovenia**, a system subsidising school leavers' first jobs is available, but only in regions with the highest unemployment rates. Unemployed young people and first-time jobseekers can attend motivation and orientation programmes, education and training programmes, and public initiatives such as 'Programme 10 000+'.

The school workshops and employment houses in **Spain** are work and training centres where unemployed people aged 16-25 receive vocational training combined with practical work to improve their opportunities for entering the labour market.

In **Sweden**, programmes specifically designed for young people have become more common. They mostly focus on work experience, and local government plays a significant part in a number of such schemes. However, evaluation of training that



took place in the 1990s generally found few positive effects on earnings and employment. In the 2006 budget, the Swedish government announced the establishment of an additional 3 000 apprenticeships for unemployed people aged 20-24 who lack a completed upper secondary education. During 2006, the employment offices will continue to use general employment support (recruitment subsidies) for young unemployed people aged 20-24, starting as soon as they have been unemployed for six months (compared with 12 months for adults).

The **UK** government has enthusiastically pursued active labour market policies. Primarily, it has focused on supporting unemployed young people into work through the 'New deal' programme (which provides additional support to young people) alongside the network of Jobcentre and Jobcentre Plus offices. Set against the drive to get unemployed young people into paid employment, the government has also been trying to ensure that employees in the lowest-paid jobs are not exploited, by introducing a minimum wage and recently extending it to include (at a lower rate) 16-17-year-olds.

### Acceding country

In **Bulgaria**, youth employment measures focus mainly on subsidised employment for periods between 6 and 12 months, and in-house vocational training. Measures include apprenticeships and internships, hiring young people aged up to 29, and hiring disabled young people. The number of young people who are employed on completion of the subsidised employment period is slightly decreasing. The main problem is that labour market demand is for young people with low vocational qualifications, which is a disincentive for young people to complete higher levels of education.

### Candidate country

In **Turkey**, the most significant initiative in ALMPs has been the launch of an active labour market strategy in January 2005. Within this, a grant scheme called the 'New opportunities programme' has been developed. Around EUR 32 million has been allocated to deliver extensive training and retraining to target groups. The aim is to increase skills and boost employment at local level. Unemployed young people are one of the seven target groups in the most significant ALMP programme in Turkey to date.

## Improving the apprenticeship system

In **Austria**, the single most important pathway to employment for young people is the apprenticeship system. In recent years, however, demand for apprenticeships has significantly exceeded the number of places offered, causing widespread concern. It is likely that young people who do not get an offer of an

apprenticeship will abandon education altogether. A reform is therefore being undertaken to make the apprenticeship system more inclusive and to attract students of different academic abilities. The reform process also includes the intention to work more with social partners.

Providing apprenticeships is a key aim and emphasis of national skills policy in **France**. The now well-established apprenticeship system goes beyond the traditional sectors of crafts and construction. Indeed, post-apprenticeship employment outcomes are often better than those achieved through traditional education routes, while also providing young people with financial autonomy. The current objective is to double the number of apprenticeship entrants within five years. Apprenticeships are to be developed within large-scale companies and sectors that have not traditionally used them. In the public sector, a new scheme aims to recruit 100 000 young people on a combined work and training scheme. Additionally, the government has suggested opening up access to apprenticeships to pupils aged 14.

The largely positive employment trends in **Ireland**, including those for young people, mean that recent employment policies have not been age-specific. There are, however, examples of policies with direct relevance to youth employment, such as the development of the apprenticeship system, which targets younger age groups. Ireland has about 23 000 registered apprentices. On successful completion of their apprenticeship, apprentices receive a national craft certificate recognised in other countries as well as in Ireland. The modular structure allows for flexibility and cross-skilling, and helps to update apprenticeships for future economic and business demands. The apprenticeship system is generally considered to be highly effective in developing young people's skills.

In **Italy**, the number of apprenticeships grew from 284 000 in 1996 to 465 000 in 2003. The 'new' apprenticeships are regulated and implemented regionally. Inter-professional funds have been established for continuous training. These are financed from a compulsory levy on businesses, which is proportional to payroll costs. Vouchers have been successfully introduced in some regions to finance individual training, particularly for atypical or autonomous workers.

## The role of the public employment services

In **Belgium**, a comprehensive approach offers tailor-made counselling and job-search plans for young unemployed people before they have been out of work for six months. Recent evaluation showed that this approach covers around 80% of young unemployed people. It can, however, extend the period of unemployment. Although ultimately the effect might be positive because people find better jobs as a result of their increased

skills, the evaluators recommended concentrating the approach on those who are at risk of becoming long-term unemployed, rather than involving unemployed people generally.

**Denmark** has a two-tier benefit system for unemployed people, differentiating between those who are insured and those who are not. Administrative responsibility for unemployed people, including their participation in ALMP programmes, is divided. The public employment service deals with insured unemployed people, while non-insured unemployed people are handled by local social service branches. During 2006-07, the Danish public sector will be restructured and the PES and parts of the local administration will be placed together in job-centres. Differences will remain in income support systems and the rules concerning participation in ALMPs.

In addition, **Denmark** has extended its 'Youth unemployment programme'. Originally, the scheme was only for young unemployed people without a vocational education. After six months of unemployment, they were given a (mandatory) offer of 18 months' education, with benefits equivalent to 50% of normal unemployment benefits. This programme has now been extended to include all young unemployed people aged under 24.

In **Estonia**, the Labour Market Services and Benefit Act 2006 offers intensive job-search assistance to young people. Case workers assess the skills and competences of unemployed people, including their job-search ability. Case workers can also develop an individual job-search plan. For disadvantaged groups, including young unemployed people, more intensive counselling is offered at the start of unemployment.

In **Italy**, the majority of active labour market measures have been decentralised, especially apprenticeship programmes and other training initiatives. The regions have maintained strategic planning responsibilities, provinces manage the actual activities, and public employment centres are responsible for special training programmes for young unemployed people. Regions and provinces have started to collect data on the demand for skills and to monitor the transition of young people from school to work.

In **Lithuania**, young people entering the labour market for the first time are treated as a special group in need of additional support, which takes the form of special employment programmes. Young people are given priority to participate in vocational training, supported jobs and other labour market policy measures. Local labour exchanges arrange special measures focused on improving the vocational skills of this group. Graduates of vocational schools, colleges or universities are offered the programme, called the 'Intensive integration into the labour market and employment plan', within seven days of registering with the labour exchange. In 2004, 83.5% of young unemployed people were offered 'a new start' in the

form of training or other employment measures within six months of their registration.

In **Luxembourg**, reforms are underway to modify existing measures for stimulating youth employment. For example, the newly proposed 'employment support contract' will be signed directly between the young person and the public employment service, giving the PES more direct influence over matching candidates to employers. The new measure will also place greater emphasis on the role of mentoring for young people.

**Malta's** PES offers a variety of short, competence-based training programmes for young people, such as the 'Active youth scheme' (supporting work in the community), 'Basic employment passport scheme' (providing training in basic skills), 'Bridging the gap scheme' (oriented to those at greatest risk of social exclusion) and others.

In **Portugal**, targets have been set to ensure that unemployed people are offered a training opportunity before they reach six months of unemployment. For those aged under 23 who have not completed 12 years of education, training is offered before three months of unemployment. Highly qualified young unemployed people will also get support from the PES to produce a personal employment plan, which will soon become mandatory for all unemployed people.

In **Spain**, SISPE (*sistema de información de los servicios públicos de empleo*) is a new tool provided by the national system of employment. It assists the central and regional public employment services to share basic and coordinated information on active employment policies and unemployment benefits. SISPE promotes a higher level of mobility among jobseekers, equal opportunities and dissemination of information on job vacancies. It also enables the national employment service to share labour market information, manage and coordinate the PES, and collate data.

## Improving the situation of the most vulnerable young people

The countries covered by this report are implementing a number of policy measures to tackle the employment and educational needs of vulnerable people, and young people in particular. Issues arise for young people living in poverty, those who left school without qualifications, young people in long-term unemployment, those from minority ethnic communities, and young migrants and refugees.

In **Denmark**, the 'New chance for all' policy seeks to integrate unemployed people from ethnic minorities into the labour market. It includes compulsory participation in general or

vocational education for all young recipients of cash benefits (aged between 18 and 25). If this offer is declined, recipients lose their entitlement to receive benefits. Special programmes (production schools) assist young people under 25 who have not completed a youth education programme. The programmes also provide young people with qualifications that can lead to completion of a vocational qualification.

In **Estonia**, wage subsidies are available for disadvantaged groups in the labour market, among them young people aged 16-24. PES programmes focus on providing basic education and training programmes for young unemployed people in specific regions. To ensure access to education for children from disadvantaged families, free learning materials, school meals and student accommodation are provided. In 2002, a boarding school facilities programme was introduced for children from disadvantaged families. The school curricula and learning time have been extended for children with special educational needs.

In **France**, individualised careers support for young people began to develop significantly with the 'Road to employment' scheme introduced in 1997. This scheme targeted young people who left school without qualifications or with very low qualifications. It offered them personalised job-search support over 24 months through socialisation, training and vocational qualification initiatives. Its distinctive feature was a holistic approach to getting young people into employment (employment, training, accommodation, health). An evaluation five years later revealed that the scheme helped 7 out of 10 young people to move into employment. However, it was found to favour those who were better qualified. The scheme ended in 2002 and was relaunched under a different format.

In **Germany**, 15% of young people have no vocational training, are living on low incomes and have poor career perspectives and a risk of high unemployment. Considerable efforts have been made through the provision of additional training places, school-based training and individual advice. For example, disadvantaged young people are offered programmes of social work, preparatory measures for vocational training, integrated vocational training, and extension of the number of places for dual training (a combination of company-based training and schooling).

In **Slovakia**, the Ministry of Labour, Social Affairs and Family links child allowances to school attendance. Pre-school facilities and primary schools can obtain subsidies for meals and school aids for children from families who are dependent on assistance. Pupils from primary schools may also receive merit scholarships. Secondary school scholarships are available to students whose parents are receiving assistance; the scholarships cover costs related to their school attendance. 'Zero classes' have been established for children who do not enter the first grade. The creation of teacher assistant posts

attracted many Roma assistants, and their support decreased truancy and drop-out rates. The government office for Roma communities provides financial support to secondary schools, individuals and university students to facilitate the education of Roma students from disadvantaged households.

In **Spain**, the national Lisbon reform programme is committed to providing specific employment, training and retraining to any young person who has been unemployed for more than six months. The 'Social guarantee programmes' are training programmes aimed at unskilled young people aged 16-22 who face disadvantages. Programmes are also available to offenders and young people with special educational needs. The guaranteed minimum wage has been increased from EUR 451 per month to EUR 513 per month in 2005, and is specifically aimed at improving wages for young people.

### Acceding countries

In **Bulgaria**, a special programme assists the transition into work of young people without parents. It includes a series of complex measures on vocational motivation and counselling, vocational training and employment, and the provision of housing for this target group.

In **Romania**, the Ministry of Education has introduced 'Second chance' programmes for people who want to return to learning.

### EEA country

In **Norway**, labour market measures specifically target young people and immigrants to encourage their entry into the labour market. About one third of participants in active labour market measures are 24-year-olds or younger. Introductory benefits and a targeted induction programme are aimed at immigrants and refugees. The aim is to help young people with employment and to assist their integration into the country.

## Encouraging employers and businesses to display social responsibility for the vocational integration of young people

Governments across Europe are using a variety of measures to encourage employers to participate more fully in integrating young people into the labour market. These measures take the form of financial incentives, subsidies, tax breaks and contributions to social security payments and wage costs. Moreover, some countries have signed high-level strategic agreements on providing training places, or are encouraging a more widespread programme of placements in enterprises.

As part of reforming the apprenticeship system in **Austria**, employers are given subsidies to recruit more apprentices than has previously been the case. This should help to expand the number of apprenticeship places on offer to young people.

As part of the 'Generation pact' (October 2005), the government in **Belgium** will offer to reduce social security taxes if employers engage poorly qualified young people.

**Denmark** has introduced a campaign to motivate small and medium-sized enterprises (SMEs) to employ graduates by offering wage subsidies to employers.

In **Estonia**, the Labour Market Services and Benefits Act 2006 offers apprenticeship schemes targeted at unemployed people whose access to employment is restricted because of their lack of work experience. Many young people fall into this category. Private- and public-sector employers will supervise people participating in this scheme, and will receive a financial incentive for doing so. Apprenticeships can last for up to four months and are restricted to eight hours per day and 40 hours per week.

The government in **France** created a 'Youth at work contract' in 2002. State aid combined with tax breaks were given to companies recruiting poorly qualified young people. However, as with the 'Road to employment' initiative (see above), the scheme primarily benefited higher-qualified young people in the eligible group. The scheme was subsequently revised in 2005 to provide greater incentives for less-qualified candidates. The one-off financial aid was adjusted to levels of qualification, and the scheme was opened up to young people aged 16-25.

In **Germany**, employer associations, together with the Federal Ministry for Economics and Labour, the Federal Ministry for Education and Research and the Federal Labour Agency, signed a national training pact in 2004. Employers promised to offer 30 000 additional dual training places every year until 2006 and an additional 25 000 entry qualifications. It was announced in September 2005 that the promised 2005 figures had been achieved, though the number of trainees searching for a training place was also significantly higher than in the previous year. Nonetheless, these activities were not strong enough to compensate for weak labour demand and the disengagement of business from dual training.

**Greece** offers an employment subsidy programme for young unemployed workers. The scheme targets 7 800 young people aged up to 30. Firms recruiting these workers are entitled to subsidies for 21 months. Employers are obliged to continue employing the subsidised person for at least three months following the expiry of subsidies. Evaluation studies of the subsidy programmes indicate that a significant proportion of participants (46%) continue to work with the same employer

after the end of the subsidy period. However, serious problems associated with deadweight and substitution were revealed.

Another policy measure in **Greece** has been a programme of placements in private- and public-sector enterprises. In the private sector, the programme targets 5 000 young unemployed people (up to age 30), helping them to acquire work experience. The majority of the posts are earmarked for young unemployed women. Placements last for six months and employers receive a subsidy.

In **Hungary**, legislative changes in 2005 targeted the reduction of the tax burden for new entrants to the labour market, to increase their employment prospects. Employers of new labour market entrants receive a tax reduction for two years for entrants under 25 who were not previously employed (for graduates, the equivalent age limit is 30). If an employer takes on a new entrant in a job appropriate to the entrant's qualifications, the state will pay 50-100% of the entrant's salary for a maximum period of 360 days. The employer must agree to employ the entrant for a period of at least 360 days. Businesses employing a new entrant where the entrant has undertaken an apprenticeship with the enterprise can receive a subsidy up to half of the minimum wage.

**Italy** has introduced incentives such as tax cuts and social contribution reductions to businesses that hire workers from disadvantaged groups. The measures include part-time hiring, incentives to normalise atypical work contracts, incentives for contracts that include training, and region-specific incentives to address the employment needs of 15-24-year-olds.

In **Malta**, enterprises are entitled to fiscal incentives if they create full-time jobs for young people who have been unemployed for more than two years. Enterprises may claim deductions ranging from 65% to 200% of the wage cost. The higher wage-cost reductions depend on whether the enterprise trains the new worker. Over 70 employers and 3 300 trainees have benefited from the scheme since 2002.

In the **Netherlands**, information centres and reporting of problems concerning internships, apprenticeship places and jobs have been initiated at employer organisations and the Centre for Work and Income. Information centres also target young people and their parents, giving advice on internships and apprenticeship places. Fiscal incentives are available to employers offering apprenticeship places. A recent measure offers employers a subsidy of EUR 1 500 when they hire an unemployed person without any starting qualifications, on condition that they provide training. The 'O&O youth model' prepares unemployed young people for an apprenticeship place and guarantees them a job afterwards.

**Portugal** has strong incentives for companies to recruit young unemployed people, with social security exemptions and wage

subsidies. The new traineeship programmes ('Inov-Jovem' and 'Inov-Contact') include wage subsidies which allow companies to integrate highly qualified young workers at low cost.

In response to the high rates of temporary employment in **Spain**, the national Lisbon reform programme is considering offering employers a discount scheme to increase fixed-term contracts for young people. Additionally, the replacement contract encourages businesses to recruit young people. Under this scheme, a semi-retired worker is replaced by another person who is either unemployed or working under a fixed-term contract. Once the worker has fully retired, the relief contract expires and the person holding the vacancy may work for the company for as long as the vacancy exists. This initiative has tax incentives for businesses.

### Acceding country

In **Romania**, employment subsidies aimed at young graduates are available to employers. The Unemployment Insurance Act of 2002 turned the focus back towards young people (15-24-year-olds) by including a series of ALMPs specifically aimed at increasing their employability. Many of these measures are subsidies granted to employers that recruit young graduates, young people belonging to groups defined as 'marginalised', or young people who have completed the national service.

## Encouraging young people to develop entrepreneurship and promoting the emergence of young entrepreneurs

Several countries covered by the EEO have reported measures to encourage entrepreneurship among young people, including provision of counselling and coaching activities, training, start-up grants, subsidies and other support measures.

As part of the 'Generation pact' (October 2005), the government in **Belgium** will encourage young people to become self-employed. Young people will receive counselling and coaching over a period of two years. During this time, they will receive an allowance. If they want to start a business, they can apply for an interest-free loan.

The government in **Cyprus** is running a programme to encourage self-employment among young people. The scheme is aimed at people aged 20-39 not previously self-employed. It provides training in setting up and running SMEs. Special emphasis is given to SMEs in manufacturing, e-commerce and tourism.

In **Estonia**, business start-up grants are available to people wishing to start a business, and an employment/wage subsidy is available to employers who take on unemployed people.

In **Italy**, measures aimed at encouraging entrepreneurship and self-employment include legislation to support business creation for young people in disadvantaged areas.

In 2004, only 3.6% of young people in **Lithuania** were self-employed. A 'National programme to promote self-employment for young people' is now in progress, implementing education and training measures to promote young people's self-employment, including giving advice and other support. The programme has the capacity to provide additional financial resources for young people starting their own business.

**Malta** has an entrepreneurship scheme to generate economic growth through self-employment. The first group of participants was admitted in September 2005. The PES provides training, finance, mentoring and marketing support for participants. Each client group is assisted through a specific tailor-made programme. Participants are supported by mentors who offer one-to-one business counselling, sharing of expertise and networking. The subsidy to each participant is intended to help in starting the business.

In **Portugal**, bureaucratic processes have been amended to facilitate entrepreneurship, making it possible to formally start a new company within a 24-hour period.

In **Poland**, the 'Programme of professional activation for graduates: first work – first business' was launched in 2005 to promote business start-ups. Graduates are encouraged to start their own business by applying for exemption from retirement insurance contributions. In addition, the 'Work for youth' programme includes granting preferential loans from commercial banks for financing the costs connected with starting a business by young unemployed people, as well as preferential loans for employers to create additional jobs for unemployed young people.

In **Slovakia**, would-be entrepreneurs can apply for assistance to regional advisory and information centres, entrepreneurial innovation centres and first-contact centres, organised by the national agency for SMEs. Regional advisory centres and innovation centres provide advice on business legislation, draft business plans, assist in partner searches, and organise workshops and seminars. First-contact centres operate in regions with insufficient access to business infrastructure and provide information to would-be entrepreneurs. Support for self-employment and entrepreneurship are integral parts of retraining programmes organised by labour offices.

In **Spain**, young people's self-employment is encouraged through regionally based tax deductions for people under 35. There is also the 'Seedbed' initiative, promoted by the youth institute, to foster and support the creation of enterprises among young entrepreneurs and to spread entrepreneurship and the creation of further employment. The Self-employment



Statute aims to improve working conditions for self-employed people. A free counselling service is also available to young entrepreneurs under 35.

### Acceding country

In **Romania**, business start-up grants are available to students.

## Education and training policies

### Ensuring that knowledge matches the needs of a knowledge-based economy

In **Austria**, the public employment service is responsible for developing the skills of the 20% or so of young people who leave the education system with too few skills to start a proper career. Support services start immediately when students leave the education system, and can take the form of subsidies, special courses, advice and guidance or other measures. Evaluations have shown that such services have raised the rate of young people's labour market participation.

As well as traditional general secondary school programmes, **Denmark** offers students general upper secondary programmes that also include specialised vocational study (teaching, health and agriculture). Initiatives have also been introduced to help academic graduates to find employment, such as including private-sector service providers in counselling unemployed graduates, extra jobs for young researchers, opening more positions for job training in the public sector, and campaigns to motivate graduates to look for jobs in the private sector.

In **Estonia**, state-commissioned study places are planned and the emphasis is on strengthening links between educational institutions and employers. The development of new curricula will be in consultation with employers, who will also be involved in managing schools through school boards and the grading of final professional exams. To ensure that higher education systems meet the qualification demands of the labour market, the government is planning to launch doctoral schools. These will concentrate the resources of higher education and research institutions within Estonia, and will establish stronger links with foreign institutions and industry.

The government in **Finland** launched the social guarantee for young people in 2005. It aims to increase the proportion of

those moving to higher education (upper secondary school, vocational training or voluntary additional basic education) from 94.5% in 2003 to 96% in 2008. The targets will be pursued by improving the content of basic education, tutoring and counselling, developing student selection procedures and introducing an online joint application system for secondary-level education.

In **France**, 80 000 young people enter sixth grade not knowing how to properly read, write or count (around 10% of the annual intake). For several years, numerous measures attempted to remedy this situation. A plan to combat illiteracy was launched in September 2002, tackling children's illiteracy at the point of moving to secondary school. Diversified training in secondary schools was introduced, with education routes alternating between vocational training, work placements and general education. Assistance is offered to young people at risk of dropping out. The measures include pupil referral units (which take in pupils whose relationship with education is broken) and open schools (which accept young people who are unable to go on holiday outside term-time).

In **Ireland**, measures exist to link education and work experience. The FAS (national training agency) 'National traineeship programme' aims to develop occupational skills, tailored to the needs of Irish industry and local businesses. Traineeships combine off-the-job training in FAS or FAS-approved training centres with workplace training in the company. This dual system provides the opportunity to apply skills and knowledge learned in the training centre to the workplace. Traineeships are aimed at new labour market entrants and unemployed people.

In **Poland**, grants are available to develop communal information centres, graduate careers offices and school careers centres. There are also **mobile vocational information centres**. **The mobile centres use** two-person teams of vocational counsellors supported by employment agency employees. They provide an outreach service to young people in rural locations.

The government in **Portugal** has several programmes to promote the better integration of young university graduates into working life. These programmes encourage innovation and entrepreneurship by creating jobs for qualified young people through traineeships in companies. A wage subsidy is available to employers. An additional goal is to place young people in strategic areas for the competitive development of SMEs. These programmes should involve 25 000 young graduates by 2009.

Policies in **Slovenia** aim to increase the level of educational attainment and modernise the curricula. New forms of vocational and professional education are planned, including a system of national vocational qualifications. This includes dual system (apprenticeship) programmes – which only partially



existed before – in secondary vocational education, and new two-year post-secondary (non-university) professional schools.

In **Slovakia**, the pilot project 'Completion of primary school' for young jobseekers identifies the relevance of curricula and study techniques alongside labour market or further education requirements. School counsellors also have a role in providing vocational guidance through assessing the relevance of school profiles to the requirements of the labour market. In 2002, enterprises regained the option to affiliate with vocational education and training (VET) schools. Larger companies, typically with foreign investment, show greater interest in VET tailored to their needs, in comparison with small enterprises.

In **Sweden**, the 2006 budget includes several new measures to better adapt the education system. They include closer integration of pre-schools in the overall education system, and the introduction of individual study plans and modern upper secondary apprenticeship training. Several measures are also planned to better match vocational training to the demands of the labour market, including closer collaboration at local level in developing the content and orientation of vocational training.

The education system in the **UK** is on course for extensive reform. In particular, emphasis is placed on changing the delivery of education to support the social inclusion of learners, encouraging longer participation in learning and reducing the skills gap through better-quality work-based skills learning. Taking account of the differences in education systems across the UK nations, this current education reform concerns primarily the English education system.

### Acceding countries

One of the main problems in vocational training in **Bulgaria** is a mismatch between the supply of and demand for skills. This is being addressed by decentralising vocational training and education. A significant role is being given to tripartite regional employment councils. A recently extended network of organisations also favours the decentralisation of vocational training.

In **Romania**, the National Adult Training Board has structured its activities to provide recognition in the workplace for all the knowledge and skills acquired by people throughout their working lives. The important point is that recognition takes place irrespective of the way in which knowledge and skills have been acquired. Modular approaches to vocational training are also encouraged.

### Candidate country

The vocational and technical education system in **Turkey** has a strong organisational infrastructure and regional reach. Being free, it is attractive to lower-income families.

Weaknesses are the lack of strategic planning by authorities, the need to increase the efficiency of vocational training provision, and the need to build further institutes.

## Addressing the problem of drop-outs from the school system

**Estonia** has developed apprentice training programmes to assist young people and early leavers into the labour market. The focus is on young people without professional skills but with general secondary education. Training includes work experience in a company; this can amount to up to 65% of a young person's time, depending on the sector and profession.

In June 2005, the government in **Estonia** gave people without a general education, and above school-leaving age, the right to attend vocational education institutions. Several possibilities for flexible study have been developed (e.g. e-study) and will be extended to disadvantaged groups in the labour market. An extra year has been provided for basic school graduates with non-satisfactory results. A vocational counselling and guidance system has also been implemented to help prevent early school leaving and to support the smooth transition from education into employment.

In **Greece**, various measures have been adopted to combat school failure and restrict the number of drop-outs, such as the establishment of all-day schools, support classes, evening schools and second-chance schools. These measures introduce flexibility into the school system and target young people who need additional support.

In **Ireland**, an important recent measure to prevent early school leaving has been the setting up of the National Education Welfare Board (NEWB), a national agency with responsibility for encouraging and supporting regular school attendance. Specifically, the NEWB was established to ensure that every child attends school regularly, or otherwise receives education or participates in training. Other relevant initiatives include the 'School completion programme', 'Home school community liaison scheme' and the 'Early school leavers programme'.

In **Italy**, a comprehensive reform of the school system has been undertaken. The aim is to reduce the number of early leavers by improving the choices available to them and by linking education more effectively to employers' needs.

Policies to improve educational outcomes in **Spain** include a focus on combating early school leaving, to ensure that every citizen achieves the highest level of competence. Specific training programmes will be available to people unable to complete mandatory education, to help them enter the labour market.

Access to regular vocational training will be improved, as will the links between regular vocational training and providers.

In the **Netherlands**, account managers from the youth unemployment task force support regional centres with responsibility for reporting and coordination regarding youth unemployment. The aim is to prevent early school leaving by drawing up plans for improvements in the region. A further policy initiative for reducing the number of early school leavers is financial support for employers if they train such workers.

In **Slovenia**, policy measures focus on both preventing premature exit from secondary education and helping young people who leave school without any qualifications. There is an emphasis on vocational guidance, raising awareness among teachers and placing the responsibility on schools to detect potential early drop-outs. Employment policy measures intended for young people without any qualifications include offer-

ing them a second educational chance, or providing training to better prepare them for job-search activities. There are also specific projects for immigrant children.

To limit the negative effects of early drop-out from the education system in **Sweden**, the government provides opportunities for young long-term unemployed people to complete their upper secondary studies.

#### **Acceding country**

Overcoming the problem of early school leavers in **Bulgaria** includes policies to improve the quality of school education, enhancing access to secondary education, providing material and social stimuli to attend school, and achieving a better match between education and employers' needs. To increase the attractiveness of school education, the content of curricula and textbooks is being improved.

National reports  
on youth employment – 2005



# Member States





# The transition from school to work in Austria: do labour market policies make a difference?

## 1. Introduction

Given the wide range of issues in the topic of youth employment, this article concentrates on the following three in the Austrian context.

- Do all young people leave school well-equipped for their working lives?
- Is a fairly stable transition from school to employment ensured in Austria?
- Do labour market policies make a difference in integrating Austrian young people into employment?

This article deals with both trends and policy responses to the challenges that have arisen in the area of youth employment in Austria.

## 2. Are Austrian young people well-equipped for working life when they leave the education system?

The top quarter of Austrian students do very well when leaving school, the apprenticeship system or institutions of higher education. However, the bottom quarter does not, and it is easy to identify reasons for this. The results of the Pisa 2003 study <sup>(7)</sup> showed that one in five Austrian students does not reach a proficiency level in reading, mathematics and problem-solving which could be considered the minimum needed

to cope with the demands of a modern working life. It would, indeed, be a miracle if these 15-year-olds could progress smoothly into further education or a stable job.

This problem is not new. A recent Unesco report <sup>(8)</sup> put the number of adult Austrians considered 'functionally illiterate' at 300 000. Another 300 000 are close to being functionally illiterate. Even if these figures contain an element of guesswork, no independent education specialist has challenged the order of magnitude of these figures in Austria.

When confronted with the Unesco illiteracy figures, the Ministry of Education pointed out that there is a budget allocation for remedial courses for illiterate young people <sup>(9)</sup>. However, this annual allocation is EUR 650 000, which amounts to around EUR 1 per illiterate person in a year.

Debates on education are very interested in best practices for educating students considered to be potential high flyers and in making the education system more cost-effective. In contrast, it recently took strong public protests to ensure that the number of teaching assistants who help immigrant students with language problems was not cut for financial reasons. The recent political debates on the poor PISA survey results for Austria show that there is little political will to ensure that Austrian young people do better in education than just the OECD average.

It seems that the Austrian government does not see education as the single most important pathway towards working life. In Austria, the duration of schooling a five-year-old can expect is 16.1 years. In contrast, it is 19.7 years in Finland and 20.4 years in the UK. The proportion of graduates of post-secondary institutions in the age group 25-64 is 15% in Austria, 28% in the UK and 33% in Finland.

Education is not at the top of the political agenda in Austria. So it is not surprising that the expenditure on education as a share of gross domestic product has actually been declining over the years, from 2.7% in 1997 to 2.4% in 2005.

<sup>(7)</sup> <http://www.pisa-austria.at/pisa2003>

<sup>(8)</sup> <http://derstandarddigital.at/?url=/?page=ArchivSuche>

<sup>(9)</sup> Press release: <http://www.bmbwk.gv.at/ministerium/pm/20050907.xml>

### 3. Is a fairly stable transition from school to employment ensured in Austria?

A recent study of the birth year 1983 gives interesting insights into the pathways to employment for Austrian young people<sup>(10)</sup>. This study covered around 108 000 women and men who were aged 21 in 2004. About 92 000 of them were engaged in labour market activities (employed or unemployed) in 2004. Only 16 000 were inactive for the whole of 2004, and of these only 2 600 had never entered a properly documented employment relationship.

Thus, by the age of 21, nearly every Austrian person has been in contact with the labour market. These contacts vary in frequency and intensity. Some young people start working full-time after leaving school at 15. Others take up apprenticeships. Many young people just work during the summer break to enhance their standard of living.

The single most important pathway to employment is the apprenticeship system. About 4 out of 10 young people enter an apprenticeship where work at the employer's firm is combined with formal schooling. Boys are more likely than girls to become apprentices; the gender ratio among apprentices is one girl to two boys.

Young people who enter apprenticeships rarely drop out prematurely. They tend to stay within the system (not necessarily with the same employer) as long as required. Several collective bargaining agreements acknowledge the fact of having completed the required apprenticeship years – but not necessarily taken the final exams – to claim a 'skilled' status on pay scales.

Although completion of an apprenticeship confers a specific status of having occupational skills, young people frequently cannot put their recently acquired knowledge to immediate use. Fewer than half of those who complete their apprenticeship stay in the industry where they completed it.

This imbalance between supply and demand of graduates from the apprenticeship system does not appear to concern stakeholders. Neither employers (who offer the apprenticeships), nor trade unions (who represent the apprentices as employees), nor the state (which runs the occupational training schools apprentices have to attend) seem to be concerned with the high degree of occupational mobility of recent graduates, caused by the lack of demand for their specific skills.

Instead, it is the imbalance between supply and demand for apprenticeships that has raised concerns. At the end of each school year, the number of young people interested in entering an apprenticeship exceeds by far the number of apprenticeships offered by employers, resulting in an apprenticeship gap. The gap is bigger during the summer months, but does not disappear during the winter months. During the third quarter of 2005, some 7 200 more young people were looking for an apprenticeship than there were places offered.

This gap worries parents and policy-makers alike, since it is likely that the young people who do not get an apprenticeship offer will abandon education altogether. They may well join the ranks of those who, after dropping out of schooling, start work as labourers without any specific occupational skills. Their pay is low, and so is the stability of their job. Unemployment will be recurrent during their careers.

The birth-year study mentioned above showed that, among the 20-year-olds, about 3 100 (i.e. about 3%) had never achieved employment, although they were registered as unemployed. About 32 000 worked fewer than 182 days a year. Of these young people, 7 400 had acquired an apprenticeship certificate. The figures for the 15-19 age group were similar. About 16% in this age group had dropped out of labour market activities altogether, one sixth were unemployed and only half were employed (though not well-integrated).

Against such evidence, it is possible to conclude that, for about one in five young people, a stable transition from education to working life is not ensured. This, incidentally, matches the figure derived from the Pisa study in 2003, which showed that about 20% of 15-year-olds had not achieved the level of competence required to succeed in the knowledge society.

<sup>(10)</sup> <http://www.ams-forschungsnetzwerk.at/> Synthesis Research (2005) *In Beschäftigungsfähigkeit investieren. Orientierungsdaten für die österreichische Arbeitsmarktpolitik Berichtsjahr 2004.*

## 4. Do labour market policies make a difference in integrating young people into the employment system?

The evidence cited above shows that about 20% of young people in each birth year leave the Austrian education system with too few skills to start a proper career <sup>(11)</sup>. In Austria, the public employment service (PES) (Arbeitsmarktservice Österreich) has taken responsibility for this group. The PES concentrates a large share of its resources on the 15-24 age group.

The birth-year study mentioned above shows that nearly half of those aged 21 (i.e. birth year 1983 in 2004) had received services from the PES in preceding years. Nearly one in four of these young people had received documented services, support or subsidies during four or more years since entering the labour market. This shows that the PES considers support for such people a task to be continued, if necessary, for a long time.

The services offered start immediately when students consider leaving the education system. Social networking is sufficient for half of all the young people (and their parents) to find an appropriate offer when looking for an apprenticeship place. The other half register with the PES, with firm expectations that the PES will find a suitable place.

Whenever the PES fails to place an apprenticeship seeker, it offers a special occupational course in which participants earn credits for their prospective apprenticeship career proper. This guarantee is called the safety net. It was conceived at the same time as the European employment strategy.

As the number of participants in safety net programmes kept rising, it became clear that the public guarantee of an occupational education place for all early school leavers had to be complemented by a more general approach. The government created the highly visible position of Apprenticeship Commissioner. The first commissioner, Mr Blum, proved very effective in building coalitions among social partners and the government in order to speed up reform and raise funds.

Rejuvenation of the Austrian apprenticeship system has evolved from several strands of thinking:

- The apprenticeship system has to be inclusive rather than exclusive. It must offer a variety of options to integrate even those who start from a very disadvantaged position.
- As much as the apprenticeship system should attract early school leavers, it should also attract participants with a substantial potential for academic learning. This can be achieved by offering a special apprenticeship option for those who want to pass the standard university entrance exams ('matura') along with their occupational education exams. Reaching out to very able students is an important part of the strategy to avoid negative perceptions of the apprenticeship system.
- To maintain a high social and occupational status for the apprenticeship system, it is necessary to encourage employers to offer as many apprenticeships as possible. Only if employers see themselves as providing an important contribution to the community they live in will the apprenticeship system engage their attention.
- At the same time, economic incentives should help the system to expand. Starting in autumn 2005, employers will get a special subsidy when taking on more apprentices than last year. The subsidy amounts to EUR 400 per month for the first year, EUR 200 for the second and EUR 100 for the third year. This subsidy is expected to give 2 000 school leavers an additional chance to enter an apprenticeship.

This apprenticeship scheme is only one of many programmes offered by the public employment service to young people who face difficulties in managing the transition from school to work.

Since half of young people in each birth year receive a documented service by the PES, it is worthwhile asking whether this service makes a difference. A recent study looked into this issue for the birth year 1984 (which means that these results are directly comparable to the study mentioned above) <sup>(12)</sup>.

The evaluation study used a control-group approach to analyse the impact of the different measures applied by the

<sup>(11)</sup> <http://www.ams-forschungsnetzwerk.at/> Synthesis Research (2005) *In Beschäftigungsfähigkeit investieren. Orientierungsdaten für die österreichische Arbeitsmarktpolitik Berichtsjahr 2004.*

<sup>(12)</sup> Synthesis Research (2005) *Trägt das Arbeitsmarktservice zur Gleichstellung von Frauen und Männern bei?*

public employment service. It came up with several encouraging results, particularly the following:

- The PES services and support system increased the labour market activity of participants (compared with the control group). This effect was strongest for those who did not even start an apprenticeship programme. At the age of 21, about 90% of the PES clients had documented labour market activities, compared with about 17% of the control group.
- Strong effects on social inclusion and gender mainstreaming are discernable in the whole portfolio of youth-oriented measures by the public employment service.

To sum up, labour market policies do make a difference in integrating young people into employment and in compensating for failures in the education system. The public employment service has become a major organisation for implementing youth-related programmes. This is a telling fact about the importance of labour market policies in Austria.

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Synthesis Research (2005) *Trägt das Arbeitmarktservice zur Gleichstellung von Frauen und Männern bei?* (on behalf of the public employment service, Austria)

Home page of the Apprenticeship Commissioner:

<http://www.egon-blum.at/>

For information on the range of programmes offered by the PES:

<http://www.ams.or.at/neu/wien/7695.htm> (Vienna)

<http://www.ams.or.at/neu/noe/3276.htm> (Lower Austria)

<http://www.ams.or.at/neu/ooe/4131.htm> (Upper Austria)

<http://iamskurse.ams.or.at/amskurse/index6.jsp> (Styria)

<http://iamskurse.ams.or.at/amskurse/index2.jsp> (Carynthia)

[http://www.ams.or.at/neu/tirol/AMS\\_Kursprorammm\\_Fruehjahr\\_2005.pdf](http://www.ams.or.at/neu/tirol/AMS_Kursprorammm_Fruehjahr_2005.pdf) (Tyrol)

# Youth employment in Belgium

## 1. Main trends

### 1.1. Employment

In Belgium, the employment rate of younger people (28%) is considerably lower than that of the overall rate for those aged 15-64 (60%). The overall employment rate increased slightly between 2000 and 2004 for the 15-64 population (Table 1). For the 15-24 age group, the opposite tendency was the case: the proportion of employed people decreased from 29% to 27.8%. This was because of a decrease in employment rate for men under 25, from almost 33% to 30%. The number of working young women has increased slightly since 2000.

In Belgium, part-time work is much more widespread among young women than among young men (Table 2). Temporary work is also more widespread among young women, though the gender difference is less prominent.

Figure 1 shows that the employment rates for young people who are no longer in education increase with the level of education.

Overall, there are important sectoral differences in younger people's employment compared with the whole active population. Table 3 shows that the tertiary sector is the most important employer of young people. More than half of them work in this sector, compared with 42% of the entire population. Young employees, and particularly women, are mostly employed in retail, a sector with a significant turnover of employees and relatively low wages <sup>(13)</sup>.

**Table 1: International Labour Organisation (ILO) employment rates by sex and age in Belgium**

		2000	2004
15-64	Females	50.8	52.6
	Males	69.3	67.9
	<b>Total</b>	<b>60.1</b>	<b>60.3</b>
15-24	Females	25.2	25.4
	Males	32.7	30.1
	<b>Total</b>	<b>29.0</b>	<b>27.8</b>

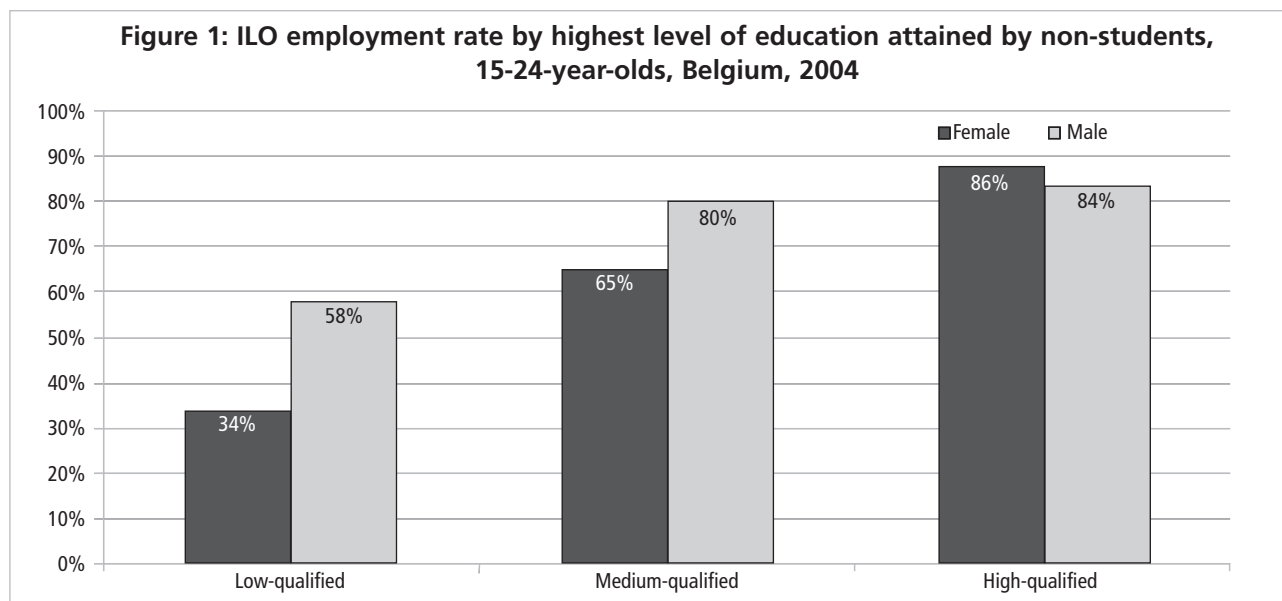
Source: NIS EAK (processing Steunpunt WAV).

**Table 2: Part-time work among employed people aged 15-24, Belgium, 2004**

	Share of part-time work	Reasons to work part-time			
		Cannot find full-time work	Combination work/study	Combination work/private	Other reasons
<b>Females</b>	30.1	51%	10%	13%	25%
<b>Males</b>	11.6	27%	37%	–	31%
<b>Total</b>	19.9	44%	19%	11%	27%

Source: NIS EAK (processing Steunpunt WAV).

<sup>(13)</sup> Vermandere C. (2004) in Steunpunt WAV-SSA, *Reeks de arbeidsmarkt in Vlaanderen, Jaarboek editie 2004*, Leuven.



Source: NIS EAK (processing Steunpunt WAV).

**Table 3: Employees by sector, sex and age (18-64), Belgium, 2004**

	18-24			18-64
	M	F	Total	Total
Primary sector	2.0	0.7	1.4	0.8
Secondary sector	34.6	9.3	23.2	25.1
Tertiary sector	51.6	58.2	54.6	42.3
Quarternary sector	11.9	31.8	20.8	31.7

Source: RSZ 2004, processing Steunpunt WAV.

## 1.2. Unemployment

The unemployment rate for people aged under 25 is considerably higher than that for the overall active population aged 15-64 (Table 4). During 2000-04, the rates increased for both groups, but particularly for young people. The most significant growth in the unemployment rate was for men under 25. Their rate of unemployment increased from 15.3% in 2000 to 20.2% in 2004, and is approaching the figure for women. The unemployment rate for young women has increased by two percentage points since 2000.

Figure 2 shows monthly fluctuations in the number of unemployed jobseekers aged 18-25 registered with the public

employment services (PES). The graph shows a considerable increase in numbers in 2004. However, this trend declined in the last months of 2004. This decreasing trend continued in 2005, but until June 2005 the numbers still remained above the 2003 level. From June 2005, the number of unemployed people dropped below the level of the previous two years.

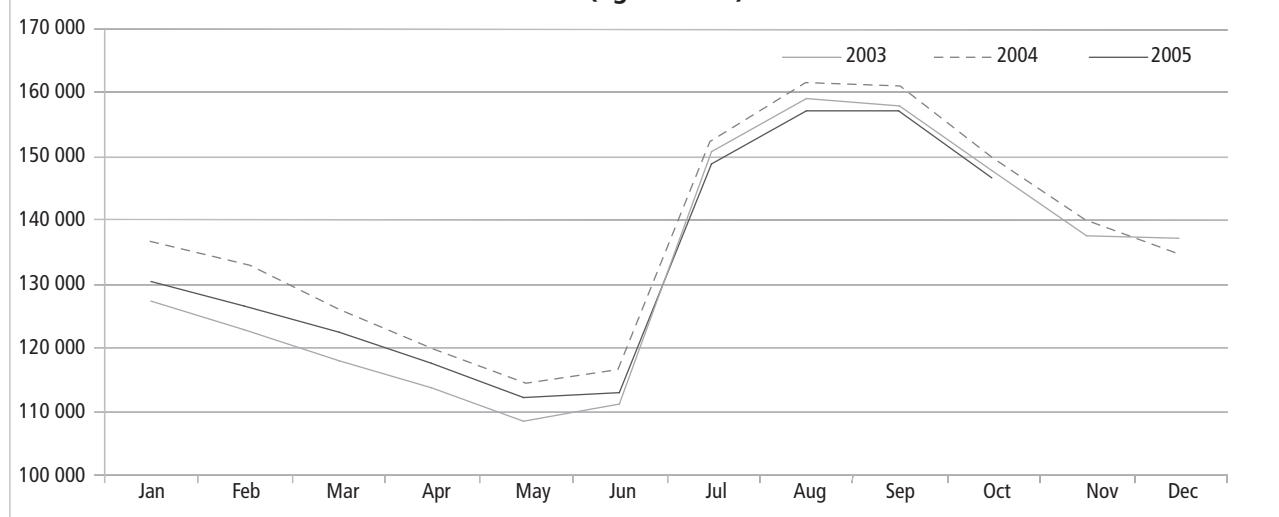
In 2004, an average of 136 968 unemployed jobseekers in the 18-25 age group was registered. This was 5 351 more than in 2003. In 2005, the number of unemployed jobseekers dropped to 133 156, a decrease of 3 812 compared with 2004.



**Table 4: ILO unemployment rates by sex and age, Belgium, 2000 and 2004**

		2000	2004
15-64	Females	8.8	9.6
	Males	5.8	7.6
	<b>Total</b>	7.1	8.5
15-24	Females	20.4	22.4
	Males	15.3	20.2
	<b>Total</b>	17.5	21.2

Source: NIS EAK (processing Steunpunt WAV).

**Figure 2: Number of unemployed jobseekers in Belgium registered with the PES (aged 18-25)**

Source: Belgostat, Nationale Bank van België.

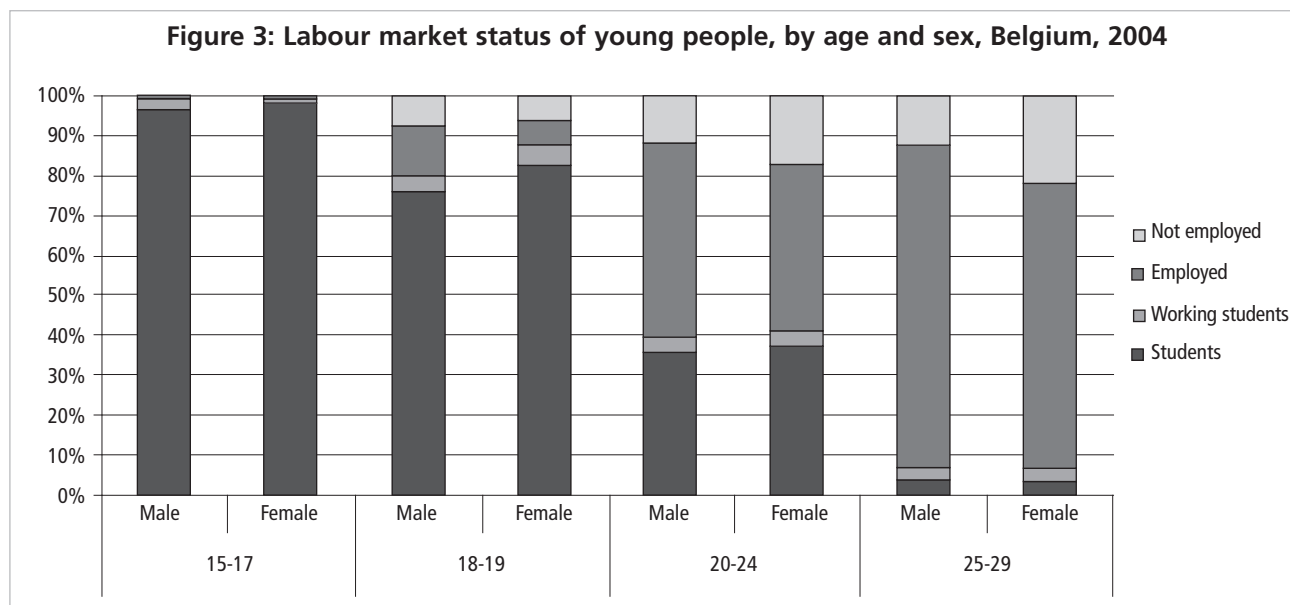
### 1.3. Transition from school to labour market

Figure 3 shows that until the age of 19, most young people participate in some kind of regular education. This is not surprising, since education is compulsory in Belgium until the age of 18. Once over 18, young people's participation in education decreases significantly, especially for men. For most young people, the transition to the labour market occurs around the age of 20. At the age of 25, only a fraction of young people are

still studying, and the difference between the sexes is negligible. The chances on the labour market, especially for women, are strongly influenced by the level of educational attainment.

Figure 3 also shows that Belgian young people hardly ever combine their studies with a paid job. In an international context, Belgium has been classified as a 'country with a mean duration in education, not frequently combined with work' <sup>(14)</sup>.

<sup>(14)</sup> OECD, *Education at a glance 2005*, Table C4.2a, figures from 2003.



Source: NIS EAK (processing Steunpunt WAV).

**Table 5: Early school leavers (aged 18-24) in Belgium, 2000-04**

	2000	2001	2002	2003	2004
Females	11.0	11.3	11.0	11.6	10.8
Males	16.4	16.2	17.1	16.9	15.4
<b>Total</b>	<b>13.8</b>	<b>13.8</b>	<b>14.1</b>	<b>14.3</b>	<b>13.1</b>

Source: NIS EAK (processing Steunpunt WAV).

## 1.4. Early school leavers

Education is a significant determinant of young people's performance in the labour market. An important indicator for this is the proportion of early school leavers – the number of people ending their studies without graduating in upper secondary education. Men face a higher risk of leaving the education system without qualifications, compared with women (Table 5).

Recent research <sup>(15)</sup> shows that early school leavers need much more time (16 months) to become integrated into the labour market than their qualified peers (seven months). Early school leavers do not participate in further training courses, which means that they do not succeed in eliminating their educational deprivation in the long term.

## 1.5. Current debate

The youth unemployment situation is the focus of ongoing debate about the 'Generation pact' policy initiative. The fundamental question is why older workers should be obliged to work longer if so many young people are still unemployed and condemned to become long-term unemployed. In their protest against the 'Generation pact', trade unions explicitly criticised the lack of serious initiatives to fight youth unemployment and create employment for young people.

<sup>(15)</sup> SONAR studies the transition from education to the labour market. It relies on the collaboration of researchers from different disciplines, and the administrative and scientific coordination is done by Steunpunt WAV.

## 2. Measures taken to promote youth employment

### 2.1. Education and training policies

In Belgium, the communities are authorised to organise education and training policies. The Flemish Minister for Work, Education and Training started a campaign ('Accent on talent') to reorganise secondary technical and vocational education. The private industrial and service sectors are encouraged to cooperate closely with schools to reassess the appeal of technical and vocational training programmes at secondary school level.

The Walloon and Flemish governments are aware that competences are more and more important for entering and remaining in the labour market. Hence they are working to certify knowledge and competences acquired both formally and informally (e.g. on-the-job training) and ensure that these are recognised in a formal way, described in an individual competence portfolio and taken into account in the process of job counselling, finding employment and recruitment at company level. The public employment services, organised regionally, have built competence training centres and are working out job profiles where the relevant formal and informal competences are clearly described. Together with the social partners, they are trying to translate these job profiles into educational profiles that can be used in technical and vocational training programmes at secondary and high school level.

### 2.2. Labour market and employment-related policies

To promote and enhance the employment of young people, the Federal Minister for Work has asked the social partners to consider whether combating unemployment should be added as a new reason and ground for companies to hire people through temporary work agencies.

In compliance with the European employment strategy (EES), the regional employment services started a comprehensive approach that offers tailor-made counselling and job-search plans for young unemployed people before they reach six months of unemployment. Recently, this approach has been evaluated<sup>(16)</sup>. The evaluation estimated that around 80% of unemployed young people are now covered by the compre-

hensive approach. This means that of 100 new unemployed young people, 20 become long-term unemployed (after six months) without having been offered a special action. The evaluation considered this to be a good result. It also made clear, however, that the comprehensive approach is a means to an end – to have less people in long-term unemployment.

The evaluation also assessed the success of the approach in combating unemployment. It concluded that participation in the comprehensive approach usually extends (instead of shortening) the period of unemployment. This might not necessarily be a negative effect. If someone finds a better job because of the training they have undertaken, it has been worthwhile. The evaluators recommended using the approach more selectively, as large-scale active labour market policies are hardly ever efficient. They proposed first selecting those unemployed people who are at risk of becoming long-term unemployed, rather than involving everyone in a comprehensive approach. Regarding young unemployed people, the evaluators explicitly criticised the Flemish rule of starting counselling for those aged under 25 within their first three months of unemployment. Since young people are highly likely to return to work quite quickly, the evaluators advocated raising the three-month period to 12 months.

In July 2005, the federal government decided to make temporary student work more flexible. In July and August, when schools and universities are closed, students can do temporary work for 23 days maximum. For that period, the student and the employer pay lower social taxes. Students may now also work an extra 23 days during the school year, after school hours, with a similar lower social taxes arrangement.

To improve and increase the employment of young, low-skilled people, the recently announced 'Generation pact' (October 2005) contains a number of different measures:

- Young people who want to follow 'alternating learning'<sup>(17)</sup> will receive a start bonus. After the first and second year, they will receive a bonus of EUR 500; after the third year, if they complete their yearly apprenticeship successfully, they will receive EUR 750. Employers who create apprenticeships for these young people will also receive a bonus (comparable with the start bonus).
- Young people who follow the so-called 'seventh year' of vocational training at secondary school level are also allowed to receive an educational allowance when they take 'Individual professional training', a special six-month shop-floor training programme organised by the PES. Employers receive a subsidy in exchange for employing

<sup>(16)</sup> <http://www.meta.fgov.be/news/EvaluatieVI.ppt>

<sup>(17)</sup> A combination of half-time courses at school and half-time work placements.

the young people if they have successfully completed the individual training.

- Early school leavers will receive a special subsidy (the equivalent of six months' unemployment allowance for school leavers) when they find a job within 21 months of leaving school.
- The 'standard' reduction of social security taxes that employers receive when they engage low-qualified young people is being increased from January 2006. The reduction of EUR 1 000 will be granted for 16 quarters instead of eight. After 16 quarters there will be a reduction of EUR 400 until the age of 26. This reduction is also granted if young immigrant workers and young disabled workers are engaged.
- The proportion of 'start jobs' (also called 'Rosetta plan' jobs) will be doubled from 1.5% to 3% of the total employment in private enterprises. In addition, government bodies will raise their efforts to achieve the 3% 'Rosetta' commitment. For this purpose, 10% of all vacancies in government bodies should be filled through 'Rosetta jobs'.
- Within the non-profit sector, 1 500 extra jobs will be created for low-qualified young people.
- Young people will also be encouraged to become self-employed. They will be counselled and coached over a period of two years. During this time, they will receive their 'waiting allowance' (a special form of unemployment benefit) and an allowance for expenses of EUR 375 a month. If they want to start a business, they can apply for an interest-free loan of EUR 4 500 (maximum).

The Walloon government has launched a major economic reform programme, the so-called 'Marshall plan' for Wallonia. Stimulating youth employment and improving the quality of education and training are among the plan's priorities.

The Flemish government has launched a programme to tackle youth unemployment in those cities where unemployment rates are extremely high (more than 20%), such as Antwerp, Gent, Mechelen and Leuven – 13 in total. The Flemish government has made available a total budget of EUR 6.1 million to encourage specific, targeted, tailor-made job counselling to

low-skilled unemployed people. EUR 4.5 million is available to invest in jobs in the social economy. All the actions will be specified in a contract (a covenant) between local authorities, local social partners, the local PES and the government.

### 3. Roles of the labour market actors

Educational policy and labour market policy are both regionalised in Belgium. This means that the regional governments are responsible for the public employment services. The social partners are represented at the PES board, and play a role in organising the process of finding employment. Regional consultation bodies between the government and social partners have been established; employment and labour market policy matters are discussed and negotiated. Trade unions and employers' organisations are also strongly involved in discussions concerning the EES and Lisbon reform plan objectives at federal and regional level. Social partners have also been strongly involved in discussions on the recognition and certification of acquired competences.

### 4. Conclusions

The employment rate for younger people (28%) is considerably lower than that for the overall working-age population (15-64) (60%). Over recent years, it has also decreased slightly.

It is doubtful whether the proposed measures to boost youth employment will be successful. Some measures, like the start jobs (also called 'Rosetta plan' jobs), are repetitions of previous policy measures. Until now, the 'Rosetta plan' has not been successful in either private enterprises or the government. The government has now promised to increase its own efforts, as it could not meet the target rate of having 1.5% of 'start jobs' (under the Rosetta plan) in the total employment in private enterprises. It is questionable as to whether the incentive of a start and successful completion bonus in the apprenticeship system will entice young people. Finally, it is also questionable whether support for self-employment is the appropriate way to engage 'the average youngster' to make a successful start in the labour market.

# Youth employment in Cyprus

## 1. Introduction

Youth unemployment in Cyprus has not been a problem of the magnitude experienced in other EU countries. One reason for this is the tremendous investment in human capital that has been occurring in Cyprus. The fact that youth unemployment is not an enormous social and economic problem means that relatively few government programmes are directed specifically at young people.

## 2. Trends

The Republic of Cyprus <sup>(18)</sup> has, for a number of years, enjoyed a strong record of economic growth. The annual real growth rate in gross domestic product in the period 1979-96 was 5.7%. More recently, growth rates have been lower, but nevertheless remain higher than in the rest of the EU. In the light of this record, employment rates have been high and the 2006 national targets are higher than the Lisbon 2010 employment targets. The actual employment rates are very close to the Lisbon targets.

A consequence of this strong economic performance has been a generally satisfactory record of employment and unemployment rates, including those of young people.

Education up to the age of 15 is compulsory, and 99.7% of graduates of compulsory education (the 'gymnasium') continue to further studies: 86% to general education and 14% to vocational and technical education. Furthermore, 80.1% of people aged 20-24 have completed a 'lyceum' or equivalent (upper secondary education to the age of 18). The comparable EU figure is 75.5%. There is very little interest in apprenticeships – only 1.5% of the upper secondary population. Some two thirds of upper secondary graduates go on to tertiary education, two thirds of them abroad and the rest in Cyprus. Nearly one third of the labour force has tertiary education <sup>(19)</sup>, while the comparable figure for the EU is about one fifth. However, the percentage of people aged 25-64 who participate in further training is, at 9.3%, lower than the EU average of 9.9%. It is clear that interest in education has been very high, and this is particularly the case for general or professional education.

Table 1 in the Annex to this article shows harmonised unemployment rates for young people. The rate is roughly twice as high as for the labour force as a whole. However, given that the unemployment rate in Cyprus has been generally low, young people's experience has not been as difficult as that of their peers in other EU countries. The unemployment rate for Cypriot young people was 11.3% in 2004, compared with 18.7% in the EU-25 and 31.7% in the 10 new Member States (NMS-10). The 2004 unemployment rate for Cypriot young men and women was 10.3% and 12.3% respectively, compared with 4.1% for men and 6.5% for women in the labour force as a whole.

Table 2 (see Annex) presents seasonally adjusted harmonised unemployment rates by age on a monthly basis. The harmonised unemployment rate for young people in Table 1 hides an important adverse trend. During 2004 and 2005, the unemployment rate of Cypriot young people increased continually: 10.7% in January 2004 and 13.4% in January 2005. It rose further during the summer months of 2005 (despite being seasonally adjusted), and in October stood at 13.4% (compared with 12.3% in October 2004). By contrast, the unemployment rate for the EU-25 has been steady or falling, and has been falling in the NMS-10.

Table 3 (see Annex) provides monthly data for young people by gender. For both men and women in the EU-25, and in the new Member States in particular, unemployment rates have generally been declining, whereas in Cyprus they have been increasing. This record of rising unemployment has been taking place while the labour market has been absorbing very large numbers of foreign workers from third countries and the EU, and Turkish Cypriots from the north. Legal foreign workers now amount to about 15% of gainfully employed people, while legal and illegal workers together amount to about 25% of gainfully employed people.

Young workers in Cyprus are highly educated and have benefited from the generally low unemployment rate that has prevailed until recently. While their unemployment rate is higher than that of older workers – as in the rest of the EU – this has not been seen as a major labour market problem. There are few people with low skills, and they can easily be employed.

A more serious problem exists for those with high qualifications who search longer for a suitable job. This adverse

<sup>(18)</sup> Figures below refer to the government-controlled area in the south. Since 23 April 2003, when the administration in the north allowed Turkish Cypriots to work freely in the south, economic growth in the north has been even higher than that in the south, and considerable convergence in per capita income has occurred.

<sup>(19)</sup> This does not apply to older generations.

experience is softened by the fact that interim employment can generally be found, and strong social and family networks support young people during the job-search process. Government policies encourage reorienting the service sector towards the provision of high-skilled services (such as education, medical services, business consulting). The trend of rising unemployment is too recent to fully explain, and policy design has not as yet taken it on board <sup>(20)</sup>.

The trends described above have conditioned the focus and design of labour market policies aimed specifically at young people.

## 3. Measures to promote youth employment

### 3.1. Formal education and initial training

The government is strongly involved in the provision of compulsory (primary and gymnasium) and further secondary (lyceum or technical schools) education in Cyprus. A number of private primary and secondary education schools also exist.

Technical schools offer a range of vocational specialisations. They, in association with the Human Resources Development Authority (HRDA) <sup>(21)</sup>, also run the apprenticeship scheme designed for 15-year-olds. Apprentices are employed in industry and receive general education and vocational training, on a day-release basis, for two years. Employers participating in the scheme are refunded the wages paid to trainees during the apprenticeship period. The programme combines technical training with practical experience in industry, and aims to facilitate the transition from schooling to the workplace. The scheme is facing problems in that it is not considered a good professional choice and is shunned by young people and by young women in particular.

Tertiary education institutions are run both publicly and privately. Students at these post-secondary institutions, and students studying abroad, are entitled to a government subsidy which is paid regardless of income or need. It is estimated that the annual cost of this subsidy is in the region of CYP 35 million (about EUR 60 million).

### 3.2. Further training and labour market schemes

Beyond the help provided to young people through formal education and initial training programmes, a number of other schemes are in place.

Since July 2004, the Ministry of Trade, Industry and Tourism has been running a programme to encourage self-employment among young people. In 2005, it was budgeted to cost CYP 400 000 – about EUR 680 000 (National Action Plan for Employment 2004-06, pp. 16-17). The scheme is aimed at people aged between 20 and 39 not previously self-employed. It provides training in setting up and running small to medium-sized enterprises (SMEs). Special emphasis is given to SMEs in manufacturing, e-commerce and tourism.

Another scheme aimed at young people will run over the period 2005-08. It is expected to involve about 600 individuals and to cost HRDA some CYP 600 000 (about EUR 1 020 000). The scheme is aimed at young graduates of secondary schools where only general education is provided. Graduates are not supposed to have had work experience of more than nine months. The scheme will involve a personalised assessment of an individual's skills and interests, leading to a personalised action plan for information, training and employment opportunities. At the same time, general seminars and training schemes will be run. Young graduates will be placed in public- and private-sector organisations to gain work experience. The scheme will cover any training fees and will pay an allowance to participants.

Another set of programmes helps new entrants into the labour market to access occupations with significant labour shortages. These programmes last from 12 to 24 weeks and include practical training in industry. They are offered by HRDA in collaboration with the Higher Hotel Institute and the Cyprus Productivity Centre.

HRDA also offers programmes aimed at facilitating the transition into the labour market for students of the Higher Technical Institute, the Higher Hotel Institute, and the hotel sections of technical schools. Funding for certain accelerated programmes covers the cost of training, a weekly allowance to trainees and subsidies for enterprises employing the trainees. Financial assistance is provided to employers during students' practical training, depending on the programme and the branch/sector attended.

<sup>(20)</sup> It is conceivable that Cypriot young professionals are now facing increasing competition from EU colleagues, who are free to work in Cyprus (since 1 May 2004). There is insufficient statistical information to assess this.

<sup>(21)</sup> The HRDA is a semi-governmental organisation financed by contributions made by all private and semi-governmental organisations, amounting to 0.5% of their payroll. It is the main actor in the field of training beyond the formal educational system.



## 4. Problematic features of youth employment

Although adequate statistical information is not available, it is likely that the higher unemployment rate of young people relative to other workers is due to the extended search required to find a good match between their post-secondary training and the needs of the labour market. In many EU countries the term 'over-education' has crept into public discussion, but this has not been the case in Cyprus, for several reasons. First, recent Cypriot history has increased perceptions that human capital is portable while physical capital is not. As a result, more investment in human capital has occurred than would otherwise have taken place. Secondly, the strategic reorientation of the service sector away from cheap tourism to higher value-added activities makes investment in human capital sensible. However, there is a tendency for students to flock into certain areas of specialisation, with a resulting oversupply; for instance, a number of young people have been preparing themselves for careers in finance when the financial sector has been shrinking. Thirdly, the increasing unemployment rates noted earlier are very recent and have not as yet been assessed.

Issues relating to social stigma also discourage young people, particularly young women, from trade professions. Electricians, plumbers, carpenters and other trade people tend to be men in most EU countries, but this is particularly so in Cyprus. The apprenticeship system and vocational qualifications need to be revamped and given more prestige.

In Cyprus, flexible forms of employment which are sometimes synonymous with low-quality jobs are not widespread. This means that young people are not 'trapped' in such jobs. In fact, the absence of flexible forms of employment may be pushing young graduates from tertiary education into a longer search for difficult-to-attain but sought-after positions. More flexibility would probably help young people, allowing them to be at least partially employed while they search for a job.

## 5. Conclusions

In Cyprus, youth unemployment has not been the problem experienced in some EU countries. However, over the last year or so, the youth unemployment rate has been increasing.

Though good statistical information is not available, the fact that one in four or five gainfully employed people is an unskilled foreign worker suggests that the amount of youth unemployment experienced by Cypriots may be due to the prolonged search by post-secondary graduates for suitable jobs that match their skill levels. The extraordinary interest in investing in human capital, combined with delayed responses to changing labour market needs for personnel in certain fields, is consistent with this hypothesis. It is also likely that Cypriots with post-secondary qualifications are facing increasing competition from similarly qualified EU nationals. This may explain the recent rise in youth unemployment.

A better ex-ante assessment of training needs might therefore be beneficial. The planned reorientation of the service sector towards high-skilled services justifies continued attention to investment in human capital, but also calls for more careful decisions on tertiary training. It is also the case that good livelihoods can be enjoyed in vocational areas if these can be made more attractive to young people.

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## Annex

**Table 1: Harmonised unemployment, yearly averages**

Region	Age	2000			2001			2002			2003			2004		
		Total	Males	Females	Total	Males	Females	Total	Males	Females	Total	Males	Females	Total	Males	Females
EU-25	Total	8.6	7.3	10.2	8.4	7.3	9.9	8.7	7.7	10	9	8	10.2	9	8.1	10.2
	0-24	17.3	15.9	19	17.6	16.3	19.2	18.1	17.2	19.1	18.6	18.1	19.2	18.7	18.2	19.3
NMS-10	Total	13.6	12.6	14.8	14.5	13.7	15.5	14.8	14.2	15.5	14.3	13.7	15.1	14.2	13.5	15
	0-24	28.7	28.2	29.3	31.4	30.9	32	32.2	31.6	33	32	31.1	33.2	31.7	31	32.5
Cyprus	Total	5.2	3.2	7.8	4.4	2.9	6.4	3.9	3	4.9	4.5	3.9	5.2	5.2	4.1	6.5
	0-24	11.5	7.1	15.3	10.3	7.6	12.8	9.7	9.3	10	10.7	10.4	11	11.3	10.3	12.3

Source: Eurostat: harmonised unemployment annual data, updated 7 November 2005.

Table 2: Harmonised unemployment rates, monthly data (SA), by age

		Total			0-24			25+		
		EU-25	NMS-10	Cyprus	EU-25	NMS-10	Cyprus	EU-25	NMS-10	Cyprus
2002	Aug.	8.8	14.8	3.8	18.2	32.2	9	7.4	12.3	3.1
	Sept.	8.8	14.8	3.8	18.2	32.3	9.3	7.4	12.3	3.2
	Oct.	8.8	14.8	3.9	18.2	32.3	9.5	7.4	12.3	3.3
	Nov.	8.8	14.7	4	18.1	32.3	9.4	7.5	12.3	3.3
	Dec.	8.9	14.6	4	18.2	32.3	9.5	7.5	12.2	3.3
2003	Jan.	8.9	14.5	4	18.3	32.3	9.8	7.5	12.1	3.4
	Feb.	8.9	14.4	4.1	18.3	32.3	10	7.5	12	3.4
	Mar.	8.9	14.4	4.3	18.3	32.2	10.3	7.5	11.9	3.6
	Apr.	8.9	14.4	4.5	18.5	32.2	10.9	7.5	11.9	3.8
	May	8.9	14.3	4.6	18.4	32.1	10.8	7.5	11.9	3.9
	June	9	14.3	4.6	18.8	32	10.4	7.5	11.9	3.9
	July	9	14.3	4.6	18.7	32	10.6	7.5	11.9	3.9
	Aug.	8.9	14.3	4.7	18.6	32	11	7.5	11.9	4
	Sept.	9	14.3	4.7	18.5	31.8	11.2	7.6	12	4
	Oct.	9	14.3	4.8	18.7	31.8	11.2	7.6	12	4
	Nov.	9	14.3	4.8	19	31.7	11	7.6	12	4
	Dec.	9	14.3	4.8	18.8	31.7	10.8	7.6	12	4.1
2004	Jan.	9.1	14.4	4.9	18.6	31.9	10.7	7.7	12.1	4.2
	Feb.	9.1	14.4	4.9	18.8	31.9	10.5	7.7	12.1	4.3
	Mar.	9.1	14.3	5	18.7	31.9	10.8	7.7	12.1	4.3
	Apr.	9	14.3	4.8	18.8	31.9	10.7	7.6	12	4.1
	May	9.1	14.2	4.7	19.1	31.8	10.3	7.6	12	4
	June	9	14.2	4.9	18.6	31.7	10.7	7.7	12	4.2
	July	9	14.2	5	18.6	31.7	11.2	7.6	11.9	4.3
	Aug.	9	14.1	5.2	18.7	31.6	11.3	7.6	11.9	4.4
	Sept.	9	14.1	5.3	18.8	31.6	11.8	7.6	11.8	4.6
	Oct.	9	14	5.5	18.7	31.5	12.3	7.6	11.8	4.7
	Nov.	8.9	13.9	5.8	18.4	31.4	12.7	7.6	11.7	5
	Dec.	8.9	13.9	6.1	18.8	31.3	13.2	7.5	11.7	5.3
2005	Jan.	8.9	13.8	6.2	19	30.9	13.4	7.4	11.6	5.3
	Feb.	8.9	13.7	6.2	18.9	30.7	13.6	7.5	11.6	5.3
	Mar.	8.9	13.7	5.8	19.2	30.9	13.5	7.4	11.5	4.8
	Apr.	8.9	13.6	5.5	18.9	30.9	13.6	7.5	11.5	4.6
	May	8.8	13.5	6	18.4	30.8	14.5	7.4	11.4	4.9
	June	8.7	13.4	6.2	18.6	30.7	14.7	7.4	11.3	5.1
	July	8.7	13.4	6.1	18.1	30.5	14.3	7.4	11.3	5.1
	Aug.	8.6	13.3	6.2	18.3	30.3	14.3	7.3	11.3	5.2
	Sept.	8.6	13.3	6.3	18.2	30.2	14.1	7.3	11.2	5.4
	Oct.	N/A	N/A	6.3	N/A	N/A	13.4	N/A	N/A	5.4

Source: Eurostat, monthly unemployment data, 16 November 2005.

**Table 3: Harmonised unemployment rates, monthly data (SA), by gender**

		Total			Males			Females		
		EU-25	NMS-10	Cyprus	EU-25	NMS-10	Cyprus	EU-25	NMS-10	Cyprus
<b>2002</b>	Aug.	18.2	32.2	9	17.4	31.6	9	19.1	33	9.1
	Sept.	18.2	32.3	9.3	17.5	31.6	9.1	19	33.1	9.4
	Oct.	18.2	32.3	9.5	17.5	31.6	9.3	18.9	33.3	9.7
	Nov.	18.1	32.3	9.4	17.5	31.5	9.1	18.8	33.4	9.6
	Dec.	18.2	32.3	9.5	17.5	31.3	9.4	18.9	33.5	9.6
<b>2003</b>	Jan.	18.3	32.3	9.8	17.7	31.3	9.7	19	33.6	9.9
	Feb.	18.3	32.3	10	17.8	31.2	9.8	18.9	33.7	10.1
	Mar.	18.3	32.2	10.3	17.8	31.1	10.2	18.9	33.7	10.5
	Apr.	18.5	32.2	10.9	17.9	31.2	10.9	19.1	33.6	11
	May	18.4	32.1	10.8	17.9	31	10.5	19.1	33.5	11.1
	June	18.8	32	10.4	18.2	30.9	10	19.6	33.3	10.8
	July	18.7	32	10.6	18	31.1	10.3	19.5	33.2	10.9
	Aug.	18.6	32	11	18.3	31.1	10.9	18.8	33	11.1
	Sept.	18.5	31.8	11.2	18.2	31.1	11.2	18.9	32.8	11.2
	Oct.	18.7	31.8	11.2	18.1	31	10.8	19.4	32.8	11.7
	Nov.	19	31.7	11	18.5	31	10.2	19.5	32.7	11.8
	Dec.	18.8	31.7	10.8	18.4	30.9	10	19.2	32.6	11.6
<b>2004</b>	Jan.	18.6	31.9	10.7	18.2	31.2	9.8	19.2	32.8	11.6
	Feb.	18.8	31.9	10.5	18.4	31.3	9.6	19.2	32.7	11.4
	Mar.	18.7	31.9	10.8	18.1	31.3	9.7	19.3	32.7	11.8
	Apr.	18.8	31.9	10.7	18.3	31.3	9.5	19.4	32.7	11.9
	May	19.1	31.8	10.3	18.5	31	9.1	19.8	32.7	11.5
	June	18.6	31.7	10.7	18.1	31	9.6	19.2	32.6	11.9
	July	18.6	31.7	11.2	18.2	31	10.1	18.9	32.6	12.3
	Aug.	18.7	31.6	11.3	17.9	30.9	10.3	19.7	32.5	12.3
	Sept.	18.8	31.6	11.8	18.1	30.9	10.8	19.5	32.4	12.8
	Oct.	18.7	31.5	12.3	18.5	30.9	11.3	19.1	32.4	13.4
	Nov.	18.4	31.4	12.7	18.1	30.8	11.8	18.8	32.2	13.7
	Dec.	18.8	31.3	13.2	18.2	30.8	12.3	19.5	32	14.1
<b>2005</b>	Jan.	19	30.9	13.4	18.6	30.6	12.5	19.5	31.4	14.3
	Feb.	18.9	30.7	13.6	18.3	30.2	12.7	19.6	31.2	14.5
	Mar.	19.2	30.9	13.5	18.8	30.5	12.5	19.5	31.4	14.5
	Apr.	18.9	30.9	13.6	18.5	30.5	12.7	19.3	31.5	14.6
	May	18.4	30.8	14.5	18.2	30.1	13.9	18.6	31.7	15.1
	June	18.6	30.7	14.7	18.2	30	14	19	31.5	15.5
	July	18.1	30.5	14.3	17.7	29.9	13.4	18.6	31.3	15.3
	Aug.	18.3	30.3	14.3	18	29.7	13.4	18.7	31.1	15.3
	Sept.	18.2	30.2	14.1	17.9	29.5	13.2	18.6	31	15
	Oct.	N/A	N/A	13.4	N/A	N/A	12.5	N/A	N/A	14.4

Source: Eurostat, monthly unemployment data, 10 November 2005.

# Youth employment in the Czech Republic

## Abbreviations

### (Czech version in brackets)

ALMP (APZ)	Active Labour Market Policy
DLO (ÚP)	District Labour Office
EU	European Union
GDP	Gross Domestic Product
MoL (MPSV)	Ministry of Labour and Social Affairs
MoS (MŠMT)	Ministry of Schooling, Youth and Sports
NÚOV	National Institute of Vocational Education
OECD	Organisation for Economic Cooperation and Development
ÚIV	Institute for Information in Education

Figure 1 shows the age structure of the Czech population in 2005. The most pronounced decline in the size of youth cohorts occurred in the early 1990s. It is not surprising that this decline in cohort size led to improvements in educational enrolment rates. The Czech Republic already had extraordinarily high enrolment of young people in upper secondary schooling in the late 1980s. Declining cohort sizes during the 1990s opened even wider access to upper secondary education. As a result, the Czech Republic boasts one of the highest upper secondary school completion rates of OECD countries.

## 1.1. The level and structure of education

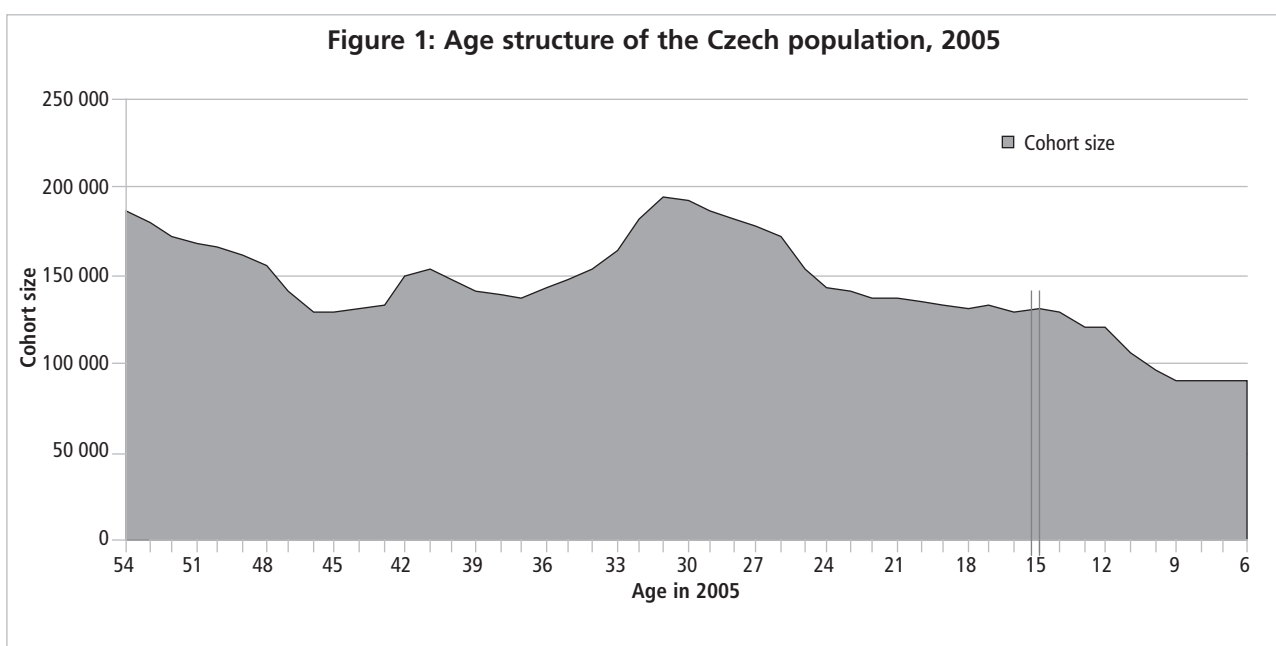
While overall enrolment rates are high in the Czech Republic, the structure of secondary education is unusual in the OECD context. Fewer than 20% of pupils enter academic secondary programmes ('gymnasia'), compared with 47% in a typical OECD country. Most enrol in vocational and technical programmes – about 40%. Compared with the EU-15 (pre-enlargement countries), the Czech upper secondary system generates more graduates in technical, social and economic areas.

The general policy of the MoS has been to keep the number of pupils enrolled in gymnasia stable during the rapid demographic decline. Technical schools have increased enrolment at the expense of the shrinking size of vocational

## 1. Trends

Czech youth employment is rapidly declining. In 2004, the employment rate of people aged 15-19 stood at 12% of the 1994 value. The declining trend in youth employment is driven by dramatic demographic changes and the equally dramatic improvement in access to formal education.

Figure 1: Age structure of the Czech population, 2005



programmes. A very small proportion of the Czech population attains tertiary education (about 12%).

About 60% of each cohort of 19-year-old graduates from secondary education take a school-leaving 'maturita' exam, which is a prerequisite for tertiary education.

## 1.2. Labour market outcomes

Aggregate labour market participation in the Czech Republic was already high in the early 1990s. Despite a steady decline during the last 15 years, it remains relatively high today and is comparable with the average EU-15 rate. However, between 1994 and 2004, the labour market participation rate of young people declined steeply. For the age group 15-19 it declined from 30% to a mere 9% (comparable figures for the 20-24 age group were 72% down to 61%). The decline continues, but is slowing down. The decline in participation rates has been more pronounced for young men. As a result, the size of the labour force of 15-19-year-olds has dropped from 250 000 to 57 000, while the size of the inactive population has stagnated, against the background of decreasing cohort sizes.

The key factor behind this decline in participation has been the increasing demand for education, accompanied by improving access to formal education. The employment rate of the age group 15-19 (and 20-24) declined hand in hand with the decline of the labour market participation rate, from 30% (67%) in 1994 to 5% (50%) in 2004. The sizeable decline in the figure for the 20-24 age group can be attributed mainly to widening access to tertiary education. The decrease has been higher for men.

Long-term unemployment rates have increased rapidly. During the last decade, the youth unemployment rate tripled, while the aggregate rate only doubled. According to Festová and Vojtěch (2005), the youth unemployment rate

(15-24 years) in 2004 was about 2.6 times greater than the aggregate rate. However, this is only slightly more than the EU-15 average. The unemployment rate of 15-19-year-olds (and 20-24-year-olds) reached its maximum of 42% (18%) in 2004 and is now declining <sup>(22)</sup>. Festová et al. (2005) report that long-term unemployment <sup>(23)</sup> among recent school graduates ranges between 38% and 61% (April 2005), and is highest among graduates from vocational schools.

The incidence of low educational attainment and unemployment remains extremely high among young Roma pupils, though quantitative information is not available. According to a recent case study (Navrátil, 2002), about 70% of young Roma attain only nine years of education or fewer.

## 2. Measures taken to promote youth employment

Unemployment rates and the incidence of long-term unemployment of recent school graduates have been far higher in apprenticeship education. This reflects the changing structure of labour demand. Yet the shift from apprenticeship and vocational schools has been slow and has occurred mainly because of shrinking incoming cohorts <sup>(24)</sup>. Hence, the high unemployment rates of recent graduates with apprenticeship degrees <sup>(25)</sup> are to a large extent the outcome of the policy of the MoS, which has restricted the structure of the state-controlled part of secondary education.

The highest numbers and the highest growth in vacancies posted at the DLOs are for workers with vocational education. Since vacancies requiring a higher education qualification are rarely posted through DLOs, this contributes to a widespread belief that vocational education is in greatest demand. It is also

<sup>(22)</sup> Most statistics for the last year indicate a decline in registered unemployment in age groups below 30. The absolute size of this decline resembles the overall decline in unemployment (26 000) experienced during the period October 2004-October 2005. A recent study by Festová et al. (2005) uses autumn statistics instead of annual averages and reports that recent school graduates' unemployment has declined for two years in a row.

<sup>(23)</sup> Recent school graduates are considered to be long-term unemployed after six months of unemployment.

<sup>(24)</sup> A non-negligible adjustment in the upper secondary sector came from private (tuition-charging) secondary schools, which now cover about one fifth of all secondary education.

<sup>(25)</sup> In 2003, the incidence of unemployment (as a proportion of graduates from the last two years) for apprenticeship programme graduates reached 23%. It was 14.9% for technical schools with a final comprehensive exam, 6.3% for general programmes (gymnasia), 10.6% for higher professional schools, and 6.7% for college graduates. The corresponding incidence of unemployment duration exceeding six months was 60.3%, 56.4%, 45.5%, 51.9% and 49.5% respectively.

shaping schooling policies at national and regional level, generating a high proportion of vocational school graduates <sup>(26)</sup>.

The educational and labour market outcomes of specific vocational (apprenticeship) programmes are not systematically evaluated. This is a significant problem since vocational graduates constitute almost 40% of all graduates at secondary level. It is also notable that boys are more likely to enrol in vocational programmes. A recent study (Matějů and Straková, 2006), based on the OECD Pisa 2003 survey of 15-year-old pupils, found that a disproportionate number of boys end up in vocational programmes, although their study aptitude is comparable with girls of the same age, who enrol in upper secondary schools.

Further, according to Trhliková et al. (2004), under 50% of employed young people with upper secondary education are working in an occupation reflecting their field of study.

Graduates from higher education have few problems in finding jobs.

### 3. Labour market and employment-related policies

Opinion surveys suggest that the most common reasons for being unemployed reported by young workers are low wages and the local mismatch of labour supply and demand. The prevalence of low wages would seem to be contradicted by a large number of blue-collar vacancies posted at DLOs. This may suggest important employment disincentives as a result of the social support system. Mismatch of supply and demand is partly supported by the government's policy of extending an extreme version of rent control, limiting mobility.

#### 3.1. ALMPs

By international comparisons, the scale of ALMPs in the Czech Republic, measured by the proportion of expenditure of GDP or total employment policy budget, remains rather limited. No evaluations of ALMPs are available.

There are two traditional major ALMP programmes for young workers: retraining programmes (16% of the total ALMP budget) and job subsidies for recent school graduates (14%). Recently, in line with EU employment guidelines, DLOs have been offering individual action plans to all young people under 25 before they reach the sixth month of unemployment.

Most retraining consists of short-term coursework. It appears that most of those who take part in retraining courses are the most employable short-term unemployed people. A great deal of retraining is provided to unemployed people with average levels of education, not those with very low skill levels. Subsidised jobs, aimed at providing work experience to recent school leavers, cover a small number of unemployed people (7 170 in 2004). In any case, the programme was being phased out during 2005.

From January 2004, DLOs should target young unemployed people (under 26) within six months of being registered unemployed, and offer everyone individual assistance and an individual action plan. This intention has been supported since October 2004 by the new Employment Code. The MoL planned to use this policy tool with 22 000 unemployed people during 2005.

The MoL is currently in the process of implementing a system that provides vocational training and retraining courses leading to vocational certificates. The programme, based on a partnership with regional social partners, should be available to young unemployed people with low formal education. Training should be provided on both a part-time and a full-time basis.

#### 3.2. Labour market legislation

Marginal effective tax rates on earned income as well as the total tax take are very high in the Czech Republic for low-wage workers. This is a key issue for the employability of low-wage young workers.

A welcome move is that Parliament is about to approve modifications in personal income tax, which should have a positive impact on youth employment. The key changes are:

- A lower tax rate in the bottom two tax brackets;
- The introduction of an inflation adjustment of tax brackets;
- Replacement of tax base deductions by tax bonuses.

<sup>(26)</sup> A similar mistake sometimes occurs in unemployment measures for graduates by field of study. Unemployment statistics by subject are sometimes taken as relevant measures of labour market success, as opposed to unemployment rates.

## 4. Problematic features of youth employment

There is little evidence about the extent of undeclared work. However, anecdotal evidence has prompted recent policy action in this area. Until recently, fixed-term contracts and employment through temporary work agencies were subject to lower payroll contribution rates compared with those for the salaries of full-time regular employees. These reductions of labour costs are no longer available. This policy change was aimed at eliminating tax evasion. As a result, the costs of temporary student labour increased by almost 50%.

## 5. Roles of the labour market actors

There appears to be a lack of strategic and project coordination between the MoL and the MoS. The involvement of social partners at regional level is in its early stages since the responsibility for schooling has only recently been transferred to regional governments. The framework of collaboration and coordination is being developed within the framework of human resource strategy development.

EU-funded projects should help to develop a system of certification in continuous training.

## 6. Conclusions

A booming economy, shrinking cohort sizes and a rapid expansion in enrolment have so far largely kept the Czech youth unemployment problem off the policy radar. However, the lack of adjustment of secondary education and the lack of competition at tertiary level may lead to rapid increases in unemployment if overall economic conditions become less favourable. So far, the policy response to the existing problems has been minimal. The school system continues to produce non-employable apprentices and secondary school graduates with little English or IT knowledge. Once recent apprenticeship degree holders arrive at the DLOs, they receive somewhat limited help in finding jobs. However, perhaps the most pressing long-term problem of Czech youth unemployment, which has so far escaped measurement and public attention, is the extremely low level of education and employment among the large group of Roma young people.

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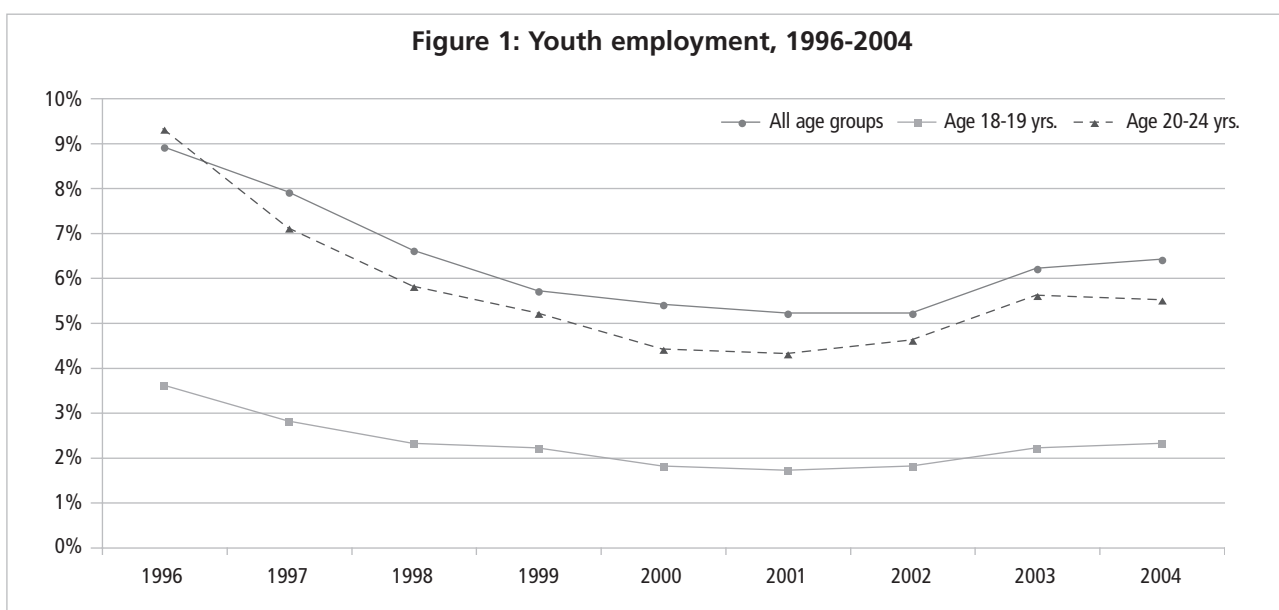


# Youth employment in Denmark

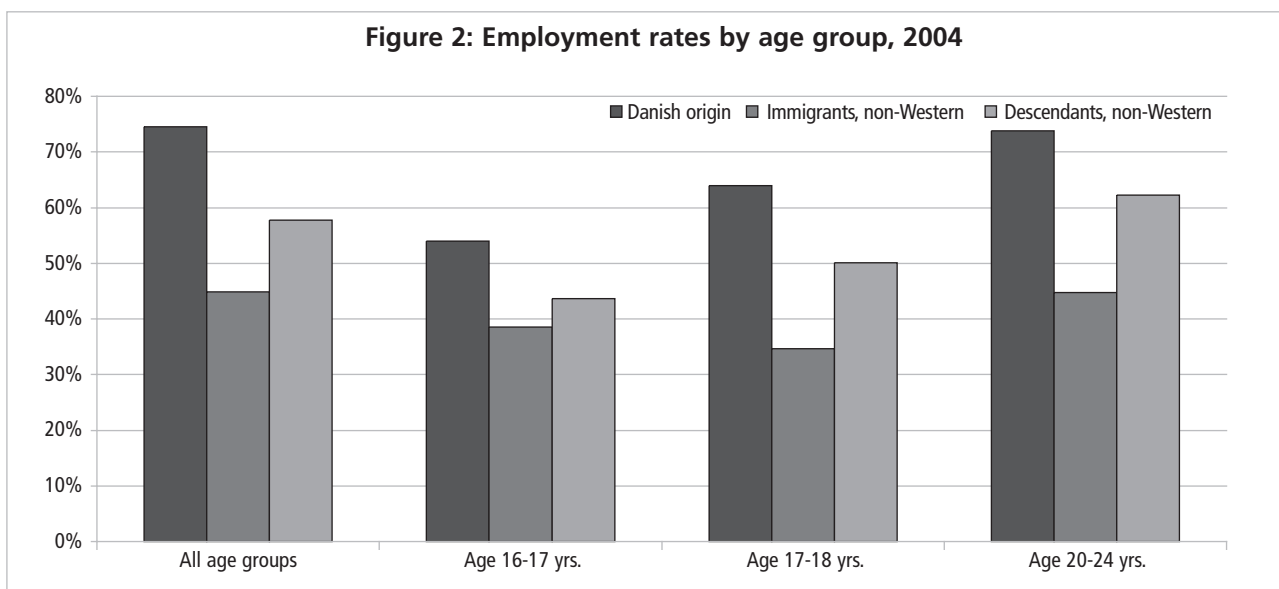
## 1. Trends

Danish youth unemployment is low, compared both with other groups in the Danish labour market and internationally. Figure 1 shows the trend in the number of registered young unemployed people relative to the workforce from 1996 to 2004.

For 2004, data from the unemployment register showed a level of unemployment for 18-19-year-olds of 2.3%, while unemployment for 20-24-year-olds was 4.8%. The average for all age groups was 5.9%. There were no substantial gender differences in youth unemployment. For people aged under 18, registered unemployment was almost nil.



Source: Statistics Denmark.



Source: Statistics Denmark.

When compared with other EU Member States, Danish youth unemployment is low. Based on data from the labour force survey for 2004, the Danish unemployment rate for young people aged under 25 was reported by Eurostat as 8.4%, compared with an EU average of 18.7%.

Employment rates for young people reflect a norm for 'the working young', where the majority of students aged 15 and over have a part-time job while studying. Over 50% of 16-19-year-olds work and the employment rate for 20-24-year-olds is similar to the population average. This puts the employment rate for young Danes among the highest in the EU.

As shown in Figure 2, the situation is less positive for young immigrants and young descendants of immigrants from non-western countries. This indicates the difficulties for ethnic minorities in entering the Danish labour market.

The low level of unemployment is related to the active programmes targeting youth unemployment that have developed in Denmark over the last decade, as well as the demographic changes taking place. In 1995, 16-24-year-olds amounted to 12.3% of the population; in 2005, the figure was 9.8% (Velfærdskommissionen, 2004).

Issues affecting policy-makers with regard to young people include the following:

- Quality of education – educational standards for reading and science skills are estimated to be below the OECD average. Mathematical skills are above the OECD average, but still below the level of the other Nordic countries (Ministry of Education, 2005, Table 5.7).
- The residual group – around 29% of men and 21% of women from each cohort do not receive a formal vocational education, although about one third get some form of further study qualifications (Ministry of Education, 2005, Table 5.2).
- Long-time students – the time spent in education for 15-29-year-olds in Denmark is 8.1 years, among the highest in the OECD. A reflection of this phenomenon is the fact that the average (median) age of a student in higher education is 26 in Denmark, and only about 22 in the EU as a whole (Arbejderbevægelsens Erhvervsråd, 2005, p. 13).
- Higher unemployment for graduates – while the unemployment rate of newly qualified graduates has been falling recently, there are still problems related to the transition from education to work, manifested in the higher than average unemployment rates for this group (Ministry of Education, 2005, Table 5.3).

- Employment situation of ethnic minorities – the rate of employment is lower and unemployment is higher for young immigrants and descendants of immigrants from a non-western background.

## 2. Measures taken to promote youth employment

Measures promoting youth employment are integrated with general labour market and employment programmes, avoiding separate programmes for special target groups. Special activities for specific target groups as part of overall programmes can be established, but the overall legal and economic framework will be the same.

### 2.1. Education and training policies

After nine years of compulsory education, most pupils continue to upper secondary education which is academically or vocationally oriented or both. The normal duration of a youth education programme is three years.

General secondary programmes comprise traditional programmes (i.e. gymnasium) and also more vocationally oriented general upper secondary programmes. These programmes are intended to prepare students for admission to higher education.

Secondary education also includes specialised vocational upper secondary programmes such as commercial and technical vocational education and training programmes (social and health education programmes, the basic teacher training programme, and agricultural and maritime programmes). These provide qualifications which are formally recognised and are in demand by the labour market.

Higher education programmes are divided into levels according to duration, namely short-cycle higher education programmes, professional bachelor programmes, other medium-cycle higher education programmes, and bachelor and candidates programmes at universities. There are also PhD programmes. Some higher education programmes include practical placements. About 45% of a year group complete a higher education programme, and this figure has been rising (Ministry of Education, 2005).

In addition to grants, a number of efforts are made to stimulate youth participation in vocational and further education.

- The youth guidance system functions at municipal level and tracks all young people from basic education into further education until the age of 19.
- Special programmes (production schools) operate in many municipalities to assist young people under 25 who have not completed a youth education programme.
- Traineeships in vocational education – the system is based on students applying individually to employers for a traineeship. This has been especially difficult for students from ethnic minorities, and their drop-out rate has been higher than average. The problem has been partially addressed by establishing in-house training at the vocational schools and by putting political pressure on social partners.

Employment difficulties for academic graduates were especially severe from 2002 to 2003. In response to this, several initiatives totalling EUR 9 million were launched by the government between 2003 and 2004.

## 2.2. Labour market and employment-related policies

The Danish 'Youth unemployment programme' (YUP) is an integrated part of active labour market policies, but a number of special rules apply to young people, as described below.

### 2.2.1. Two-tier system of economic support

Income support for unemployed people works on a two-tier system. Those who are members of an unemployment insurance fund receive unemployment benefits calculated at the rate of 90% of their previous earned income, up to a monthly maximum of EUR 1 845 (2005). Unemployment benefits may be claimed from the first day of unemployment up to a total of four years, including periods of activity. The level of unemployment benefits is not age-dependent, but age determines when an unemployed person has to take part in one of the mandatory active programmes.

Unemployed people who are not members of an unemployment insurance fund ('non-insured' unemployed people) receive means-tested social security cash benefits. For adults with a family these are EUR 1 530 per month, or around 80%

of normal unemployment benefits. For unemployed young people, the amount of cash benefits is EUR 743 per month. A special low level of cash benefits (start-help) was introduced in 2002 for newly arrived immigrants.

The state-run public employment service (PES) handles insured unemployed people, while non-insured unemployed people are taken care of by the social service branch of local municipalities. After restructuring in 2006-07, the PES and parts of the local administration will be placed together in jobcentres.

### 2.2.2. The 'Youth unemployment programme'

The main differences between insured and non-insured unemployed people of different age groups are as follows (Beskæftigelsesministeriet, 2005a):

- Adult unemployed people (30-60-year-olds), both insured and non-insured, undertake mandatory activities after 12 months of unemployment and each subsequent six months. They continue to receive full unemployment benefits or cash benefits during this time.
- Insured unemployed people aged under 30 undertake mandatory activities after six months of unemployment and each subsequent six months. Non-insured unemployed young people must undertake activities within 13 weeks of unemployment, and in some municipalities immediately after applying for cash benefits.
- Unemployment benefits or cash benefits paid to unemployed people aged under 25 are lower after six months than for older unemployed people. For insured unemployed people, benefits are reduced – in some cases down to 50% of normal benefits – while the recipients of cash benefits may have their benefits reduced to a level similar to state education grants. However, the exact level of cash benefits also depends on family circumstances.

For non-insured unemployed young people, the special action and benefit regime was introduced in 1990, requiring young recipients of cash benefits to work 20 hours per week and introducing a special low level of cash benefits for young people.

In 1996, the YUP for all unemployed young people was introduced. Originally, the scheme was only for unemployed young people without a vocational education. After six months of unemployment they were given a (mandatory) offer of 18 months' education at a benefit level similar to 50% of normal unemployment benefits. In 1999, the target group was extended to all unemployed young people aged 24 and under.

Only 7% of recipients of unemployment benefits for insured unemployed people are under 25, while 47% of recipients of cash benefits for unemployed people are under 25. The comparable figures for 30-49-year-olds are 53% and 35% respectively (Beskæftigelsesministeriet, 2005a, p. 8). The reason for this is that eligibility for unemployment benefits depends on at least 52 weeks of employment within the last three years. Only employment periods while a member of an unemployment insurance fund are included. This makes it harder for younger people to qualify for unemployment benefits.

The YUP is often taken to be a main factor behind the relatively low youth unemployment in Denmark, because the lower levels of benefits after a certain period of unemployment are assumed to motivate people to look for work or return to education (Beskæftigelsesministeriet, 2005a).

### 2.2.3. Evaluations of the YUP

The YUP was first evaluated by the Danish National Institute for Social Research (Nord-Larsen, 1997, 1998). Results showed that only about one third of young people were still unemployed at the point when they would have to start the programme.

Participants who shifted from unemployment to employment were younger men without children and from a weak educational background. A shift to education was more typical for young unemployed people who had a longer basic education, no previous attempt at vocational training, and a relatively low income as an unemployed person. Those who found employment were in jobs similar to normal unskilled work, and young employed people were positive as far as their future employment prospects were concerned. Although young people may be more mobile in the labour market, there are many indications that the programme has acted as an independent factor in taking participants off unemployment benefits.

A large-scale evaluation was published by the Ministry of Labour (Arbejdsministeriet, 2000). This showed that active programmes reduced the dependency of young participants, measured by the time they spent as recipients of some form of transfer income. The estimated effects were lower for young participants than for those aged 25-49. This evaluation also identified motivational effects when comparing the outflows from unemployment before and after implementation of the YUP in 1996.

A study published in 2003 (Jensen et al.) found that the transition rate from unemployment to schooling was significantly raised by the programme. There were also somewhat weaker effects on the transition from unemployment to employment.

The Ministry of Employment has published an analysis of the effects of active measures on different groups, including different age groups (Beskæftigelsesministeriet, 2005b). This study concludes that the proportion of participants in employment and self-supporting after leaving the various programmes is higher for those aged 29 and under.

### 2.2.4. Recent developments

The most recent development in programmes targeting young unemployed people is the reform of policies to integrate ethnic minorities into the labour market. 'A new chance for all', which is still being implemented, will introduce mandatory participation in education for all young recipients (aged 18-25) of cash benefits. If this offer is rejected, the person will lose the right to cash benefits.

## 3. Conclusions

Youth unemployment is low in Denmark, compared both with overall unemployment and with most other EU Member States. This can be attributed to the Danish labour market in general and also to a set of targeted policy interventions developed during the 1990s under the 'Youth unemployment programme'. This programme motivates young unemployed people to participate in vocational education or find employment. A number of challenges are still on the policy agenda, including the large number of young people who do not gain formal vocational qualifications, and the lower participation rates of young immigrants and their descendants.

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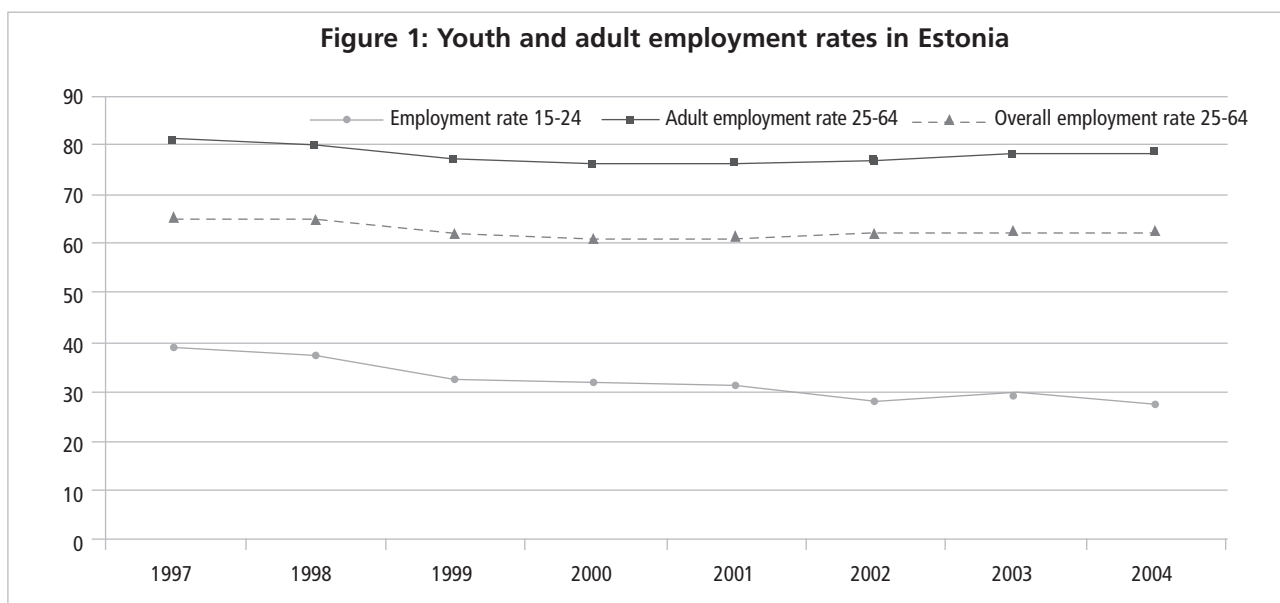
# Youth employment in Estonia

## 1. Trends

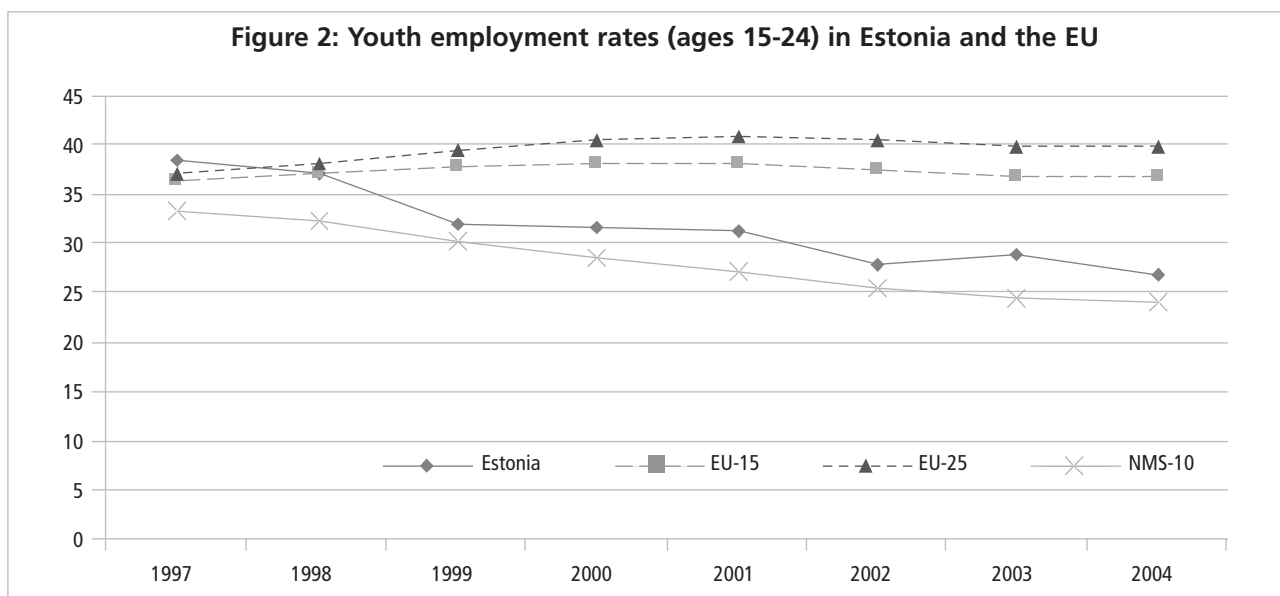
The labour market participation and employment of 15-24-year-olds in Estonia has been falling in recent years, while participation rates in education have increased.

In 2004, there were 204 900 young people aged 15-24 in Estonia, of whom 26.7% were employed, 7.4% unemployed and 64.8% inactive. The participation rate has decreased over recent years: in 1997, 45.2% of 15-24-year-olds were active in the labour market; in 2004 only 34.2% were active.

Compared with the adult and overall employment rates in Estonia (see Figure 1), youth employment is much lower. While adult and overall employment rates have increased since 2000, the youth employment rate only increased in 2003, and fell thereafter to 26.8% in 2004 – the lowest level since 1997. The employment rate fell slightly more for women than for men and was notably lower for women than for men in 2004 (21.5% and 31.8% respectively). While the overall employment rate follows business developments, with some time-lag, youth employment follows a different pattern.



Source: Statistical Office of Estonia.



Source: Eurostat.

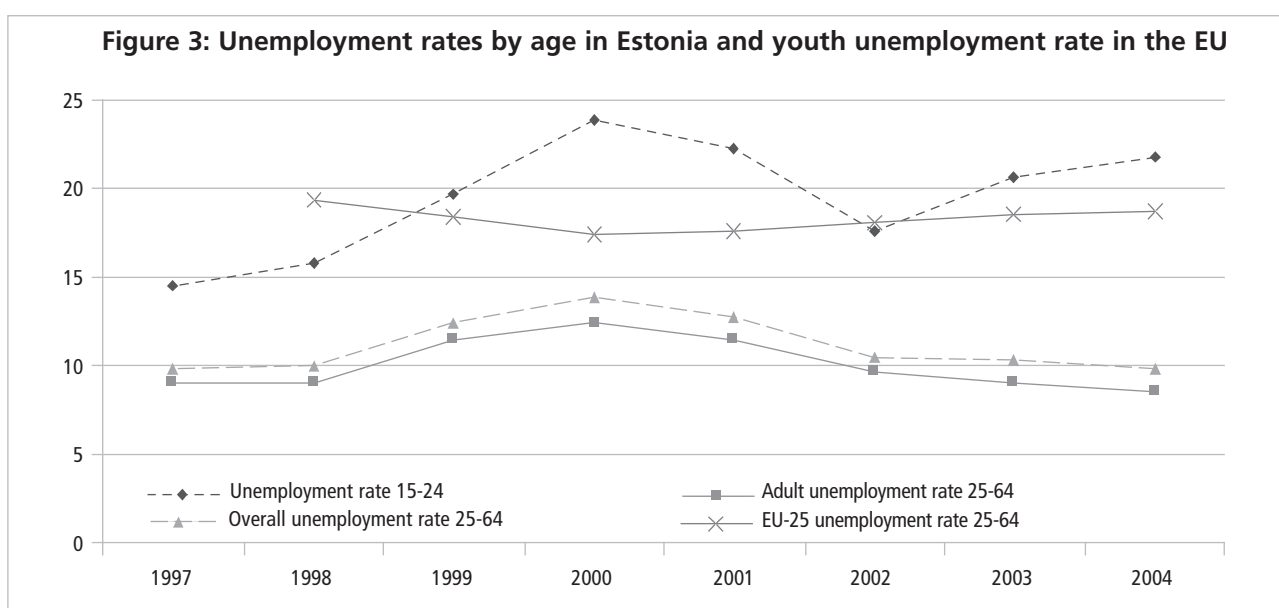
Figure 2 shows youth employment rates in Estonia and the EU. In 1998, employment rates for 15-24-year-olds in Estonia were at the same level as in the EU, whereas by 2004 the rate was below the EU level. Compared with the average of the new Member States (NMS-10), the employment rate for young people is slightly higher in Estonia.

Youth unemployment in Estonia is higher than the overall unemployment rate, and is above the rate for the EU-25 (Figure 3). In 2004, youth unemployment was 21.7% while the overall unemployment rate was 9.9%. Unemployment is equally high for young women and men (22.4% and 21.1% respectively in 2004). Until 2002, the trend in unemployment rates for all age groups followed the same pattern and was

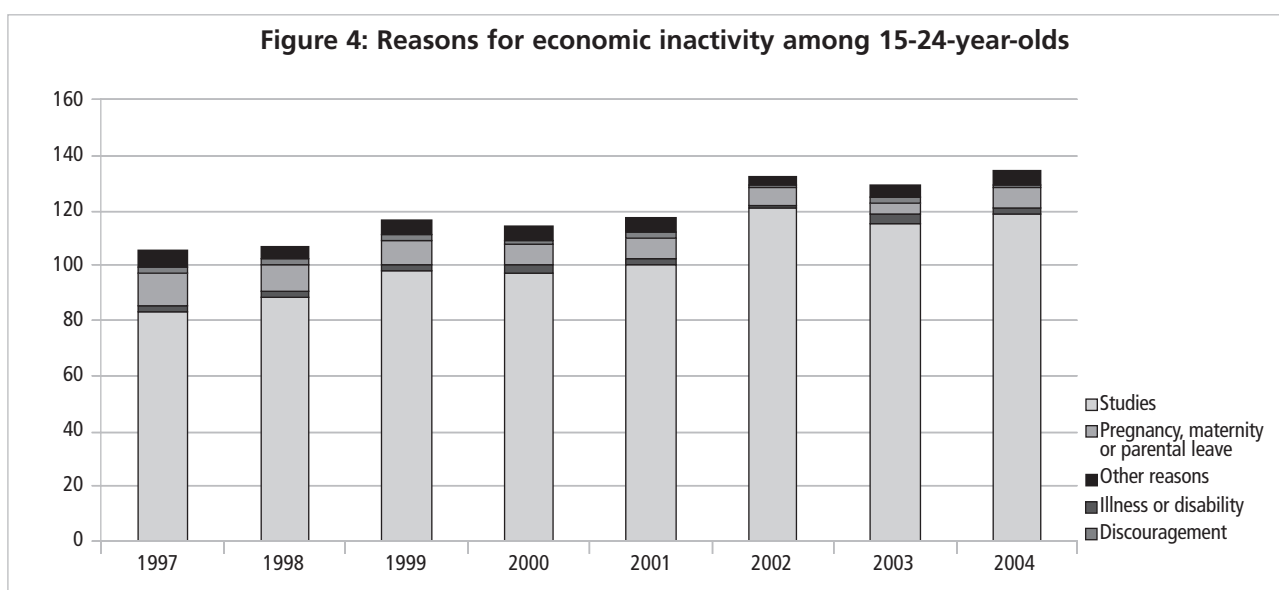
related to the business cycle. However, since 2002 the overall unemployment and adult unemployment rates have decreased while youth unemployment has increased.

The majority of young people in Estonia do not participate in the labour market. The number of inactive 15-24-year-olds has increased from 54.9% in 1997 to 65.8% in 2004. The main reason for inactivity is studying (see Figure 4). The proportion of young people who are inactive because of studying has increased from 42.8% in 1997 to 58% in 2004.

Increasing participation of young people in education could be considered a positive trend. This should increase their employment prospects in the future. However, a high proportion of



Source: Statistical Office of Estonia, Eurostat.



Source: Statistical Office of Estonia.



students in the total population can be accompanied by high employment rates. Such proportion is high in the Netherlands and UK (62.4% and 55.2%, compared to 62.5% in Estonia, 15-24-year-olds, 2003), where youth employment rates are also remarkably higher than in Estonia. This suggests that promoting flexible work (such as part-time work) is important for raising youth employment in Estonia.

Early school leaving can lead to unemployment and marginalisation of those affected.

In 2003 in Estonia, 931 students (0.6% of the total number in basic schools) dropped out of basic education and 858 dropped out of secondary education (2.4% of the total number of students in secondary schools). The majority of these drop-outs occurred during the last three years of primary school and the first year of secondary school. Girls are less likely to drop out of school than boys. The drop-out rate is especially high in vocational education: 18% of the total number of students in 2004 (Statistical Office of Estonia).

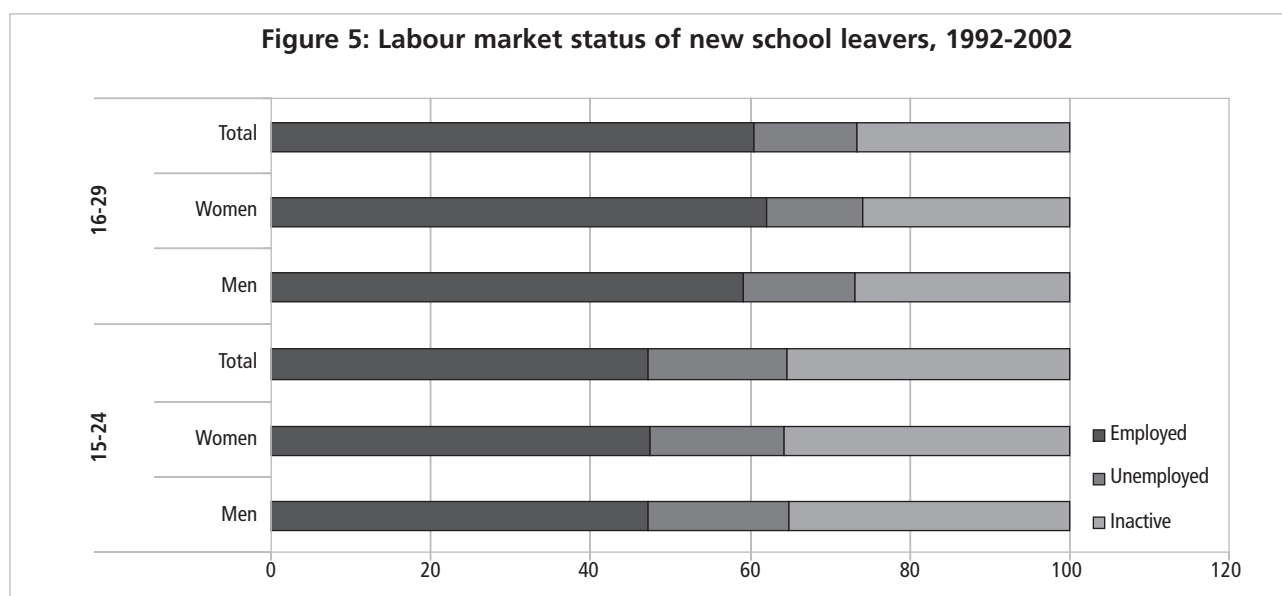
Figure 5 shows the labour force status of school leavers in 1992-2002, one year after exiting the education system <sup>(27)</sup>. The approach is different from the analyses presented above as it focuses on school leavers rather than all young people.

Figure 5 shows that 60% of 16-29-year-olds were employed one year after leaving the education system, 13% were unemployed and 27% were inactive.

Comparison of the labour force status of graduates and drop-outs (see Figure 6) reveals that employment rates are higher for graduates. In 1992-2002, 62% of graduates, compared with 48% of drop-outs, were employed one year after leaving the education system. Of those who were employed, most found jobs during the first six months after leaving education.

Only few studies are available on transition from education to the labour market in Estonia. Täht (2004) has analysed the impact of different socioeconomic variables on the employment probability of school leavers <sup>(28)</sup> in Estonia, using the labour force survey data. The findings showed that previous work experience and education levels are the most important factors in the transition to employment.

An analysis of the income tax payments of graduates and drop-outs from higher education 2000-03 by Kraut (2005) showed that the proportion of income tax payers was higher among graduates than drop-outs (87% and 72% respectively, 2003). This proxy indicator showed that, compared to all school leavers, employment rates are much higher for higher education graduates.



Source: Estonian labour force survey, 2002.

<sup>(27)</sup> School leavers are defined as those who graduated or dropped out of the education system during 1992-2002. Their labour force status is noted one year after exiting the education system. 'Employed' is defined as the proportion of those who worked during their studies and continued working after exiting the education system, and those who found work and started working one year after exiting. 'Unemployed' is defined as the proportion of people who looked for a job but did not find one during the first year after exiting. 'Inactive' is defined as the proportion of people who did not look for a job and did not start working during the first year after exiting education. The labour force survey 2002 youth module was used for the analysis.

<sup>(28)</sup> One month after leaving the education system.

## 2. The role of labour market institutions

In Estonia, responsibility for employment policy lies with the Ministry of Social Affairs (MoSA). The National Labour Market Board (NLMB) and a network of local employment offices, where unemployed people can collect benefits and receive labour market services, were established in 1991. The NLMB works under the governance of MoSA.

The Ministry of Education and Research (MoER) is responsible for coordinating the implementation of education policy. Youth employment issues are addressed under the jurisdiction of MoER – for example, basic education, vocational education, lifelong learning – and more specifically under youth affairs. Responsibility for organising youth work lies with local municipalities.

The activities of these different institutions have been addressed in national employment action plans prepared by MoSA in cooperation with other relevant institutions. In addition, employment policy priorities have been highlighted in the national development plan for 2004-06. Furthermore, various pieces of legislation and sectoral strategies relevant to employment policy regulate the activities of the different institutions. More details of the topics covered by these documents and their relevance to youth employment are given below.

## 3. Labour market and employment-related policies

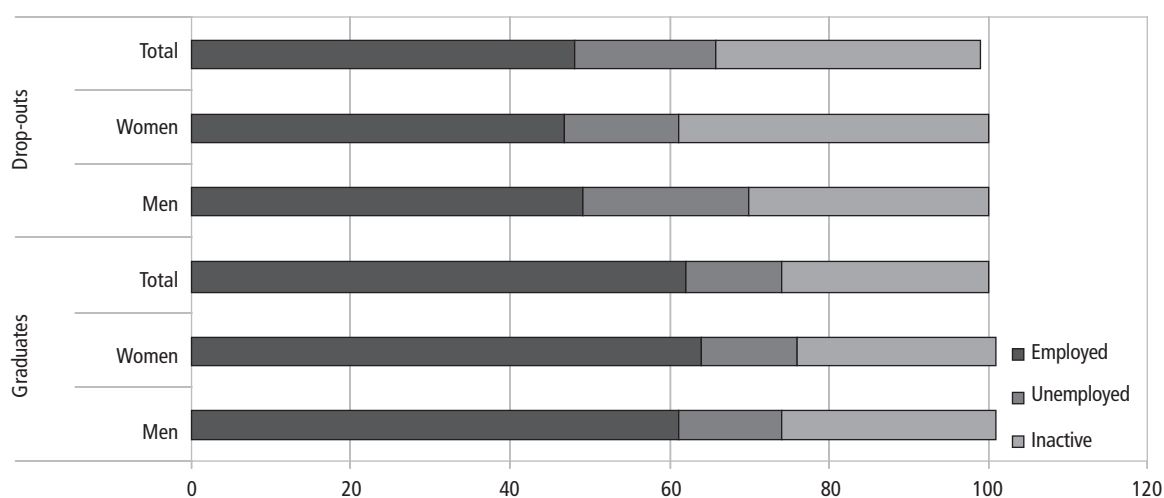
Legislation regulating the provision of labour market services in Estonia dates back to 1995, when the Social Protection of Unemployed People Act came into force. The Act defined young people aged 16-24 as a disadvantaged group in the labour market. This definition has been maintained in the new Labour Market Services and Benefit Act.

In general, expenditure on active labour market policies in Estonia has been very low, amounting to 0.08% of gross domestic product during the last decade, which is less than a tenth of the amount spent in EU countries with comparable or lower unemployment rates. Only a small number of the 9% registered unemployed people participate in these programmes. Unfortunately, there are no data available on labour market programme participants by age (Leetmaa, 2005).

Labour market services in Estonia can be classified as follows (Labour Market Service Act):

- Job-search assistance;
- Labour market training, including general and vocational courses;

**Figure 6: Labour force status of graduates and drop-outs (aged 16-29) 1992-2002, one year after exiting the education system**



Source: Estonian labour force survey, 2002.

- Wage subsidies, including business start-up grants for the unemployed and wage subsidies to employers;
- Direct job-creation schemes.

All registered unemployed people can receive services; there are no special measures targeted at different age groups. The only exception is the provision of wage subsidies, which can be offered only to disadvantaged groups in the labour market as defined by law. The list of disadvantaged groups includes young people aged 16-24, disabled people, pregnant women and women who are raising children under six, people who will be retiring within five years, and people who have been released from prison.

The Labour Market Services and Benefit Act came into force in January 2006. The most important changes brought about by this law with respect to youth employment include intensive job-search assistance to young people and a new apprenticeship scheme. From 2006, case workers will assess the skills and competences of unemployed people and their job-search ability, and can develop an individual job-search plan. For disadvantaged groups, including young unemployed people, more intensive counselling will be offered when unemployment begins.

Apprenticeship schemes are targeted at unemployed people whose access to employment is restricted because of their lack of work experience (e.g. young unemployed people). Private and public-sector employers are able to supervise those participating in this scheme and receive a financial incentive for doing so, according to the terms set by the law. Apprenticeships can last for up to four months and are restricted to eight hours per day and 40 hours per week.

As Estonia's active labour market policies have not been accompanied by scientific evaluations, there is no evidence as to whether they have been successful in terms of increasing the employment prospects of young people. The only available evaluation study (Leetmaa and Vörk, 2004) showed that labour market training increased the chances of employment for all participants. However, compared to other age groups, young people (aged 16-29) benefited the least.

In addition to the labour market policies, several pilot projects aimed at increasing the employment prospects of young people have been underway. Data are not available on the number of participants and amounts of expenditure, nor any project evaluation data.

Young people's job prospects are also dependent on institutional factors such as the minimum wage, employment

protection legislation, and the unemployment benefit replacement ratio. In some countries these factors are dependant on age – for example, a lower minimum wage for young people (e.g. in France). In Estonia, the rules are not dependent on age and their impact is probably insignificant.

## 4. Education and training policies

Policies aimed at young people are related to links between schools and the labour market. The aim of these policies is to develop a smooth transition between education and employment. Hence, educational systems are crucial in determining labour market outcome.

After regaining independence in 1992, Estonia established a legal framework for its education system. The Republic of Estonia Education Act <sup>(29)</sup> (March 1992) established the principles of the Estonian education system:

- Pre-school education (up to seven years of age) provided in pre-school childcare institutions.
- Basic/first-level education (up to 17 years), which is the minimum level of compulsory general education in Estonia. After completing basic education, students have the right to continue their studies to acquire secondary education. Basic schools offer first-level education.
- Secondary-level education, which is divided into general secondary education and secondary vocational education. General secondary education provides the prerequisites and grants the right to continue studies in higher education. Secondary vocational education can be acquired after basic education or general secondary education. After completing secondary vocational education, students can start working or continue their studies in higher education. Secondary education can be acquired in upper secondary schools or vocational educational institutions.
- Higher or third-level education, which is provided by institutions of professional higher education and universities.

Around 70% of students continue their studies in general secondary education, while only about 29% choose vocational education. Increasing to 50% the proportion of students who choose vocational education after basic education was one of

<sup>(29)</sup> For a detailed overview of the legislative framework for the education system, policy structure and governance in Estonia, see for example Chapter 2 of *Reviews of national policies for education: Estonia*, OECD, 2001.

the aims of the vocational education action plan for 2001-04. However, this increase has not been achieved.

In Estonia, the majority of students choose general secondary education after basic education and continue afterwards in higher education. After graduating from general secondary education, 72% of students continue in higher education and around 16% in secondary vocational education. The proportion of students continuing in higher education has increased by 20 percentage points compared with 1997. The reason behind this rise could be wider access to higher education, which is mainly the result of more study places in public universities. The number of students in higher education has almost doubled (from 25 500 in 1997 to 48 000 in 2004). Only a small fraction of secondary vocational education graduates continue in higher education.

The development of Estonian education policy has been in line with the Lisbon strategy and the Copenhagen and Bologna processes. The common objectives of the reforms have been higher-quality education, improved access and more effective use of resources (European Commission, 2005).

Reducing the number of early leavers is an aim of the Estonian government. An important policy tool for preventing early school leaving and supporting a smooth transition from education to work life is a vocational counselling and guidance system.

In June 2005, in order to widen opportunities in vocational education, the government gave those without a general education, and no longer obliged to attend school, the right to attend vocational education institutions.

To ensure that vocational education matches the needs of the knowledge-based economy, state-commissioned study places are planned (on the basis of long-term economic forecast). The emphasis is on strengthening links between educational institutions and employers. The development of new curricula takes place in cooperation with employers. There is no dual system (work experience combined with study) in Estonia comparable to that found in Germany. However, workplace training is a compulsory part of the curricula, and projects to pilot apprenticeship schemes are ongoing (European Commission, 2005).

In higher education, the legislative changes required for the Bologna process have been implemented in Estonia, which adopted the bachelor-master degree system in 2002.

Estonia has an EU objective to increase the number of students in science and technology. The proportion of state-commissioned study places in these areas will be increased to 42%. Several activities aimed at increasing the popularity of science and technology professions are also planned.

Encouraging the mobility of students and researchers is one of the aims of the European youth pact. Mutual recognition of qualifications and quality assurance systems are important prerequisites for promoting mobility. The required legislative amendments in higher education have already been completed, but the process is continuing in vocational education. In 2004, approximately 10% of Estonian general education schools participated in EU Comenius programmes. However, participation in Leonardo programme transnational mobility projects has been low in Estonia. In 2004, less than 1% of students took part in these projects. The main reason is the low reputation of vocational schools in Estonia (European Commission, 2005).

## 5. Conclusions

The labour market participation and employment rates of young people in Estonia have decreased recently and are below the EU average; this is because of increased participation in education. Youth unemployment is notably higher than the overall unemployment rate in Estonia and the EU average. Another worrying trend is the relatively high number of early school leavers in Estonia compared with other EU countries.

Educational attainment and previous work experience are the most important factors determining labour market outcomes for young people. Only a small fraction of young people work part-time during their studies. This suggests that promoting flexible work forms, which support working and studying, is an important challenge for Estonia.

Responsibility for labour market policy in Estonia lies with the Ministry of Social Affairs. Sectoral policies such as education policy, industrial and innovation policy and tax policy are tackled by other ministries. Development of a coherent labour market policy has therefore proved a difficult task for Estonia.

In recent years, various activities have been carried out to improve the situation of young people in the labour market. Numerous pilot projects and various legislative changes aimed at promoting youth employment, reducing school drop-outs and building stronger links between the education system and the labour market have been implemented. Several activities are planned in different strategies for forthcoming years.

It is difficult to assess the impact of labour market and education policies on youth unemployment in Estonia, as these policies are not regularly evaluated and there is a lack of reliable data. Some of the reforms and pilot projects are ongoing and their impact will be evident only in the future. However, building up good-quality databases and a policy evaluation culture remains an important challenge for Estonia.

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# Youth employment in Finland

## 1. Trends

Since the mid-1960s the employment rate of young people (aged 15-24) has declined by over 20 percentage points in Finland. It reached its lowest level of 27% in 1994, as a consequence of deep recession in the early 1990s. The youth employment rate rose to 41.8% in 2001, but has since been on a slight decline, reaching 39.4% in 2004. The employment rate of young people in Finland is around the EU-15 average (40% in 2004) and well above the EU-25 average (36.8 in 2004) <sup>(30)</sup>. Overall, the number of employed young people aged 15-24 rose by 72 000 between 1994 and 2004 <sup>(31)</sup>.

The increase in overall youth employment is closely linked with an increase in atypical forms of employment. During the last 15 years, fixed-term employment has risen among young people more than in the population as a whole <sup>(32)</sup>. In 1989, about 27% of employed people aged 15-24 had a fixed-term job contract, while in 2004 this was as many as 44% <sup>(33)</sup>. In terms of new employment (less than 12 months' duration), about 62% of young people aged 15-24 had a fixed-term job contract in 2004 <sup>(34)</sup>.

Furthermore, part-time employment among young people has risen markedly during the last 15 years. In 1989, about one fifth

of those aged 15-24 had a part-time job; the figure in 2004 was 39%. Young women have a higher propensity to work part-time than young men. About 50% of young women as opposed to only 28% of young men worked part-time in 2004. In the 15-19 age group, part-time employment is the most common type of employment. In 2004, nearly 60% of young people worked part-time.

The deep recession of the early 1990s left a clear mark on the youth unemployment rate. In 1994, the unemployment rate of 15-19-year-olds rose to 41% and among 20-24-year-olds to 31%. Youth unemployment rates have been declining since. In 2004, the unemployment rate of those aged 15-19 was 30.1%, and for the age group 20-24 it was 16.5%. These figures are more than three times and twice as high as the overall unemployment rate of 8.8%.

According to a 2001 study <sup>(35)</sup>, excluding full-time students from the labour force makes a marked difference to youth unemployment rates and unemployment ratios (Table 1). The proportion of unemployed young people aged 15-19 dropped from 10.2% to 3.2% when full-time students were excluded. In the age group 20-24, the decrease was from 11.5% to 7.6%.

**Table 1: Unemployment in Finland according to different definitions in 2000**

Age group	Official unemployment rate (%)	Population share of unemployed people (%)	Unemployment rate excluding full-time students (%)	Population share of unemployed people excluding full-time students (%)
15-19	30.5	10.2	12.1	3.2
20-24	16.9	11.5	11.8	7.6
25-64	8.1	6.5	7.7	6.1

<sup>(30)</sup> European Commission (2005) *Indicators for monitoring the 2004 employment guidelines, 2005 compendium*, updated 11.07.2005.

<sup>(31)</sup> *Labour force statistics*, Statistics Finland.

<sup>(32)</sup> Järvinen and Vanttaja (2005).

<sup>(33)</sup> As many as 50% of young women and 41% of young men had a fixed-term job contract in 2004.

<sup>(34)</sup> *Labour force statistics 2004, Results of the labour force survey from the years 1995-2004*, Statistics Finland, Labour Market 2005: 17.

<sup>(35)</sup> Hämäläinen (2001).



## 2. Measures taken to promote youth employment

### 2.1. Education and training policies

According to a 2001 survey, over 90% of people aged 18-24 in Finland had completed at least basic-level education or were studying, while the average figure for EU countries was 81% <sup>(36)</sup>. In Finland, the percentage of early leavers aged 18-24 is well below the EU average. In 2004, the figure for early leavers in Finland was 8.7%, while the EU-25 and EU-15 averages were 15.7% and 17.8% respectively <sup>(37)</sup>.

The Finnish government launched a social guarantee for young people in 2005. It aims to increase the proportion of those moving directly from primary education to further education <sup>(38)</sup> from 94.5% in 2003 to 96% in 2008. A committee appointed by the Ministry of Education has suggested that this objective should be revised upwards <sup>(39)</sup>. The targets should be pursued by improving the content of basic education, tutoring and counselling, developing student selection procedures and introducing an online joint application system for secondary-level education <sup>(40)</sup>.

Since many Finnish full-time students work, study times have been prolonged. The government made a decision in August 2005 to increase the maximum level of state guarantees for university student loans and to improve housing supplements for students. Furthermore, a new support mechanism to speed up study times was introduced. Students are granted a tax deduction on study loans if their studies are completed within the time limits indicated. Students enrolling in autumn 2005 and thereafter will be eligible.

As many as 10% of students in Finnish vocational training drop out <sup>(41)</sup>. Reducing this figure has been singled out as a priority

target in Finland. According to the government, tuition, learning processes and tutoring have been improved at all levels of education to reduce drop-out rates and support faster graduation.

The government also plans to strengthen apprenticeship training and workshop activities for young people. The aim is to increase the numbers from the current level of 7 000 to 8 000 by 2008. In 2006, a system of vocational skills demonstrations will be introduced in vocational basic education. One of the aims is to facilitate the transition to working life. New measures are also being planned to secure access to training or employment for underachievers in basic education.

### 2.2. Labour market and employment-related policies

According to the Finnish labour administration, the biggest problems in youth employment are the difficulty of securing the first job, short-term employment and, for some young people, a lack of training and/or motivation for training <sup>(42)</sup>.

The social guarantee for young people introduced in 2005 also aims to prevent the marginalisation of young people. All young people out of work will be offered an education, training or workshop place no later than after three months of unemployment. This is a much more ambitious target than the previously used EU-level target of offering every young unemployed person a new start before six months of unemployment. Furthermore, the Ministry of Labour aims to ensure that 90% of young unemployed people have a tailored job-seeking plan before they have been out of work for three months <sup>(43)</sup>.

Early intervention is balanced with the fact that long-term unemployment is much rarer among young jobseekers than among older age groups. In 2004, the average duration of unemployment was six weeks in the 15-19 age group and nine weeks in the 20-24 age group, while the overall average was 16 weeks. However, the risk of repeated spells of unemployment is twice as high among young jobseekers <sup>(44)</sup>.

<sup>(36)</sup> *The social situation in the European Union 2003*, p. 124 (*The Lisbon strategy for growth and jobs – the Finnish National Reform Programme, 2006-08*, Section 2.4.1.1).

<sup>(37)</sup> European Commission (2005) *Indicators for monitoring the 2004 employment guidelines, 2005 compendium*, updated 11.07.2005.

<sup>(38)</sup> Higher education refers here to upper secondary school, vocational training or voluntary additional basic education.

<sup>(39)</sup> Ministry of Education (2005) *Report of the committee on the transition from basic to upper secondary education and training*.

<sup>(40)</sup> *The Lisbon strategy for growth and jobs – the Finnish National Reform Programme, 2006-08*.

<sup>(41)</sup> This figure refers to 2003. The figures for polytechnics are around 6% and for universities 5%.

<sup>(42)</sup> Ministry of Labour (2004) *Employment report 2004*, p. 39.

<sup>(43)</sup> *The Lisbon strategy for growth and jobs – the Finnish National Reform Programme, 2006-08*, Appendix 6: Employment indicators, Table 9.

<sup>(44)</sup> Sauramo (2002) p. 45.



**Table 2: Active and preventative measures for unemployed and inactive people <sup>(45)</sup>**

	Year	Under-25s	Over-25s
Unemployed people who were unemployed after 6/12 months <sup>(46)</sup> and for whom no personal job-search plan was made	2000	1.0	1.4
	2001	0.5	0.6
	2002	0.8	0.6
	2003	1.0	0.8
	2004	1.4	1.0
Long-term unemployed people for whom no job-search plan was made	2000	10.9	14.1
	2001	6.2	6.4
	2002	9.6	6.1
	2003	12.6	8.6
	2004	18.5	11.2
Long-term unemployed people who did not take part in measures	2003	28.8	37.2
	2004	27.5	37.3

Table 2 shows how the labour administration has met the six months' intervention target for under-25s (and the 12-months' target for over-25s). Overall, the results have been good. The proportion of jobseekers for whom no job-search plan was made within the intervention period is very small – only 1.4% of under-25s in 2004.

However, the situation for the smaller group of long-term unemployed young people is less favourable. In the under-25s age group, the proportion of long-term unemployed people without a job-search plan has been increasing. In 2004, the figure was 18.5%. Furthermore, 27.5% of this age group did not take part in active labour market measures in 2004. This clearly does not accord with the government's aim to prevent the marginalisation of young people in Finland.

In 1994, means-tested support was introduced, covering unemployed jobseekers who had not fulfilled the length of time at work condition before becoming unemployed (making them ineligible for earnings-related and basic unemployment allowance). Most young labour market entrants, who are searching for a job for the first time, are covered by this new support. In 1996 and 1997, legislative changes were introduced,

with strict eligibility conditions for labour market support for young unemployed jobseekers. These changes meant that if young jobseekers refused to participate in labour market programmes they risked losing their labour market support for relatively long periods.

For young unemployed people, placement in youth practical training has largely displaced other forms of active programmes.

A recent study exploring the long-term effects of active labour market programmes on young unemployed jobseekers (aged between 16 and 30) suggested that job placements and labour market training improves young people's prospects in the labour market. However, youth practical training, the most common active measure among young jobseekers, does not seem to improve participants' employment prospects. Youth practical training is the least expensive of active programmes offered to young unemployed people, but also seems to be the least effective <sup>(47)</sup>.

In addition to the labour market measures targeting unemployed jobseekers, several initiatives to improve the position of young people in the Finnish labour market have been

<sup>(45)</sup> *The Lisbon strategy for growth and jobs – the Finnish National Reform Programme, 2006-08.*

<sup>(46)</sup> Long-term unemployment is defined for under-25s as unemployment that has lasted continuously for more than six months; for over-25s it is defined as having lasted continuously for more than 12 months.

<sup>(47)</sup> Hämäläinen and Ollikainen (2004).

introduced. The 'Youth participation project' was launched in 2003 and consists of 39 municipal or regional projects involving a total of 72 municipalities. The National Board of Education is coordinating the projects together with Finnish Youth Cooperation Allianssi<sup>(48)</sup>. The objective is to promote youth participation in education, society and working life.

'Youth workshop activity' aims to support young people's social growth and reinforce their skills in life, thus preventing exclusion and guiding young people into education and the labour market. Young people most often work in the workshops for six months. They can also follow practical training or apprenticeship training in a workshop.

In 2004, there were 220 workshops accommodating 7 000 young people. Of these young people, 52% lacked vocational education and about 2.5% did not have a comprehensive school-leaving certificate. About half of the workshop participants in 2004 got a place in education or working life after the workshops. The young people felt that this period had helped them to better manage their lives, increase their educational and working-life skills and clarify their future goals.

### 3. Problematic features of youth employment

Atypical employment contracts are widespread among young people. This is not necessarily problematic if young people choose such contracts. In 2004, as many as 71% of young part-time employees (aged 15-24) had a part-time job because they were studying. Around 20% of the part-time employees would have liked a full-time job instead. Among young men, 16% worked part-time because they could not find a full-time job; 22% of young women had this problem<sup>(49)</sup>.

In 2004, about half of young women and 41% of young men aged 15-24 had a fixed-term job contract. About 43% of these had a fixed-term job because they could not find a permanent job. This was the case for 38% of young men and 46% of young women. In the 25-29 age group, as many as 78% of

women in fixed-term job contracts could not find a permanent job; among men, the figure was 68%.

Some observers have noted that the Finnish system, which allows parents to take childcare leave until the child is three and still have full employment security, may be a partial reason for the extensive use of fixed-term job contracts for young women. Parental leave rights can make employers prefer less costly fixed-term job contracts. The costs of family leave are feared to have contributed to the existing gender wage gaps and less favourable careers for women. The government is looking for ways to support employers<sup>(50)</sup>.

## 4. Roles of labour market actors

The Youth Work Act defines the principles to improve young people's living conditions and create favourable conditions for young people's own action. Under the Act, the overall direction and development of youth service and work are the responsibility of the Ministry of Education and its Youth Policy Division. The aims of the division are to support young people's active citizenship, enhance social empowerment and improve living conditions<sup>(51)</sup>. The division supports, among other things, the development of youth workshops. The partners in youth workshop activities at regional level include the regional social and health departments of the state provincial offices and 15 employment and economic development centres under the Ministry of Labour and Ministry of Trade and Industry.

In addition, 33 education committees with tripartite representation support the education administration in the task of forecasting education needs. Further to this, in 2005 a high-level tripartite Council for Labour and Training Affairs<sup>(52)</sup> was appointed to look into the key challenges and strategies for employment and education policy.

In 2003, the government launched a five-year project to prevent young people's exclusion. The target group is young people finishing their compulsory schooling<sup>(53)</sup>.

<sup>(48)</sup> Allianssi provides services for young people. Its aim is to support young people's growth with a view to realising civil society, enhancing civic responsibility and improving young people's living conditions. It has some 100 member organisations.

<sup>(49)</sup> *Labour force statistics 2004, Results of the labour force survey from the years 1995-2004*, Statistics Finland, Labour Market 2005: 17, p. 115.

<sup>(50)</sup> See Ministry of Social Affairs and Health (2005) *Government action plan for gender equality 2004-07*.

<sup>(51)</sup> Youth Policy Division (2004) *Youth in Finland*.

<sup>(52)</sup> Its task is to address key labour policy challenges and strategies as well as educational policy challenges and strategies essential to working life.

<sup>(53)</sup> Youth Policy Division (2004) *Youth in Finland*.

Over the years, important labour market issues relevant to young employees have been revised in tripartite income-policy settlements <sup>(54)</sup>.

## 5. Conclusions

It is necessary to extend labour market careers as the number of people of working age continues to decrease. The government has introduced various measures allowing young people to enter the labour market earlier. The major problems lie in delays in admission into education, prolonged study times, drop-out rates from education, and delays in finding work upon completing education.

The government's budget proposal supports the employment of young people. In 2006, an expenditure of EUR 25 million is being reserved for this purpose. It comprises EUR 1.5 million for the development of youth workshop activities, and EUR 23.5 million for active labour market policy measures. Youth practical training has been the most common active measure among young unemployed jobseekers. It is the least expensive of active programmes offered to young people, but also the least effective in terms of promoting youth employment. This suggests that appropriate labour market policy for young people needs to be re-evaluated in the near future.

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<sup>(54)</sup> See, for example, SAK (2004) *Incomes policy agreement for the years 2003-04*.

# Youth employment in France

## 1. Trends

The labour market situation of 16-25-year-olds remains problematic in France. It has further deteriorated in recent years because of slower economic growth.

The economic activity rate is particularly low among young people: 30.4% in France compared with the European average of 36.7% in 2004. Between 1975 and 2001, with a longer time spent in education the activity rate of young people dropped substantially. Mass higher education influences young people's activity rate.

While 780 000 young people leave the education system each year, the unemployment rate of young people is almost twice the average of the active French population as a whole (Table 1) <sup>(55)</sup>.

While education has raised the level of initial training of young people entering the labour market, many of them leave education without any qualification. Since 1994, a stable 7-8% of young people have left education without qualifications: 60 000 young people per year.

A key deficiency lies in providing careers guidance <sup>(56)</sup>. Moreover, the training offered is seen as not sufficiently aligned to market needs. Studies recognise the need to better match initial training to qualifications demands across the labour market <sup>(57)</sup>. Finally, the national education authority is very large and faces internal difficulties in adapting to changes.

France's post-baccalaureate intake to higher education doubled in 30 years until 2003. However, France still lags behind other industrialised nations, with only 60% of students obtaining a qualification when leaving higher education. Despite good infrastructure and teachers, the rate of failure stands above the average rate for OECD countries. In France, only 27% of a generation gain a higher education qualification.

Young people are more exposed to unemployment when training levels are low. The risk of unemployment depends on the degree, qualifications and the nature of training received.

Within the 1998 cohort, those with higher education qualifications and higher technical degrees benefited most from the economic upturn. Similarly, young people of the 2001 cohort have not all been equally affected by the economic turnaround. Nearly 40% who left higher education without qualifications in 2001 were unemployed in 2004 (Table 2). In times of mass unemployment, higher qualified young people take up employment measures and thereby push the least qualified people to the end of the queue. Moreover, unqualified young people suffer the effects of more highly qualified candidates accepting jobs below their skills levels <sup>(58)</sup>.

It is easier to enter employment after shorter-term vocational training courses covering dynamic sectors such as services, health or social welfare. Prior occupational experience through combined work and training, work placements, apprenticeships or even student work is a significant asset <sup>(59)</sup>.

**Table 1: Unemployment rate in France**

Unemployment rate as a % of:	2002	2003	2004
<b>Total active population</b>	8.8	9.7	9.9
<b>15-29 age group</b>	14.6	16.5	17.4

Source: Enquête Emploi, 2002, 2003 and 2004, French National Statistical Institute (INSEE).

<sup>(55)</sup> France is among the worst performing European countries.

<sup>(56)</sup> A report to the Prime Minister by the deputy for the Doubs, Irène Tharin, makes suggestions for reforming the French careers guidance system: *Orientation, réussite scolaire: ensemble, relevons le défi* (Careers guidance, educational success: together, let us meet the challenge).

<sup>(57)</sup> However, a report by the Revenue Court (Cour des Comptes) pointed out that initial training has a role to play in preparing students for their entire active working life, not just their first job. The immediate needs of companies should not be given too much priority.

<sup>(58)</sup> In 2004, 4 in 10 young people were in an unskilled job, if only for a few months, within the three years following their leaving education.

<sup>(59)</sup> Young people who work for at least six months during their studies are less likely to be unemployed.

**Table 2: Rate of unemployment by level of qualification, three years after leaving the education system, assessed by qualification level when leaving the education system (%)**

	1998 cohort	2001 cohort
Unqualified	29	39
Vocational training certificate or BEP level, without diploma, year 10 or 11	20	31
Vocational training certificate or BEP	12	14
Baccalaureate level, without diploma	11	17
Vocational or technological baccalaureate	6	11
Bac+1 or Bac+2 level, without diploma	9	18
Bac+2	4	8
Bachelor/Masters degree (2 <sup>nd</sup> cycle of higher education)	7	9
Postgraduate training (3 <sup>rd</sup> cycle) or grandes écoles	4	9
Overall	10	16

Sources: Cereq surveys, 'Generation 98' and 'Generation 2001' (2004).

**Table 3: Active population by employment status and age group (%)**

2004	15-29	30-49	50 and over	Total
Not employed	3.3	10.2	18.1	10.8
Employed	96.7	89.8	81.9	89.2
<b>Private sector <sup>(1)</sup></b>	<b>81.7</b>	<b>69.8</b>	<b>60.5</b>	<b>69.8</b>
Temporary agency workers	5.2	1.5	0.6	2.0
Apprentices <sup>(4)</sup>	6.2	0.0	0.0	1.2
Fixed-term contracts	11.7	3.6	2.0	4.8
Trainees and assisted contracts	3.6	0.6	0.5	1.2
Other employees	55.0	64.1	57.4	60.6
<b>Public sector <sup>(1)</sup></b>	<b>15.0</b>	<b>20.0</b>	<b>21.4</b>	<b>19.4</b>
Fixed-term contracts <sup>(2)</sup>	4.6	1.6	0.9	2.0
Trainees and assisted contracts <sup>(3)</sup>	1.5	0.5	0.4	0.7
Other employees	8.9	17.9	20.1	16.7
Total	100	100	100	100
Total employment (1 000)	4 822	13 885	6 021	24 727

Source: Insee, Employment survey, 2004.

<sup>(1)</sup> Compared with INSEE's previous publications, determining paid employment in the public sector was improved by comparing spontaneous declarations of surveyed employees with the legal category of the establishment they worked in, as shown in administrative directories.

<sup>(2)</sup> Excluding trainees and assisted contracts.

<sup>(3)</sup> Fixed-term or open-ended.

<sup>(4)</sup> The apprenticeship contract is available only for young people under 26.

The fluctuating impact of the economic situation is also significant. Fluctuations in youth unemployment can be explained by the labour market concentrating on the 30-49 age group. This puts young people in a position of being 'shock absorbers'.

Young people are more affected by job insecurity and flexibility, and are more often found in atypical forms of employment. The proportion of people under 30 in temporary agency work, fixed-term contracts or assisted contracts is generally two to three times higher than for other age groups (Table 3). Among the 2001 cohort, temporary agency work constituted 19% of first jobs<sup>(60)</sup>.

## 2. Youth employment policies

### 2.1. Education and training policies

In addition to 60 000 young people leaving education without qualifications each year, 80 000 enter sixth grade not knowing how to properly read, write or count – around 10% of the annual intake.

For several years, numerous measures have aimed to remedy this situation<sup>(61)</sup>. A plan to combat illiteracy was launched in September 2002, tackling children's illiteracy when entering secondary school. Diversified training in secondary school was introduced, with education routes alternating between vocational training, work placements and general education. Assistance is offered to young people at risk of dropping out through pupil referral units (which take in pupils whose relationship with education is damaged) and open schools (which accept young people who are unable to go on holiday outside term-time).

In 2005, an emergency plan for youth employment – a public guidance service – was established to inform students of career prospects offered by courses in which they have engaged.

The Ministry for Employment has revamped various schemes through two major programmes:

- The Social Cohesion Law, January 2005, with a strand dedicated to young people;

- The law of 4 May 2004, subsequent to the 2003 'Inter-professional agreement between the social partners on vocational training'.

For over a decade, public authorities paid particular attention to apprenticeships<sup>(62)</sup> with the result that apprenticeships are now established beyond traditional areas of crafts and the construction sector. Indeed, post-apprenticeship employment outcomes are often better than those achieved in traditional education routes, while providing young people with financial autonomy.

The Social Cohesion Law again placed apprenticeships at the top of the government agenda. The current objective is to double the number of apprenticeship entrants within five years. Apprenticeships are to be developed within large-scale companies<sup>(63)</sup> and sectors that have not traditionally used them.

In the public sector, a new 'PACTE' scheme aims to recruit 100 000 young people on a combined work and training scheme. Additionally, the government has suggested opening access to apprenticeships to pupils aged 14. Other combined training and work schemes have been developed over the past decade.

A new combined training and work scheme called 'Defence, second chance' was announced in the 2005 emergency youth employment plan. It targets those who leave education without qualifications. The measure, known as 'customised military service', has shown very positive employment results. Recent events in the French suburbs have led the government to speed up this scheme, implemented by the Ministry of Defence.

### 2.2. Employment policies

Policies to tackle youth unemployment began in the early 1980s. Over the past 25 years, young people under 26 have benefited from a number of different measures. Two policies have developed strongly over the past few years: assisted contracts and support policies.

Assisted contracts specifically targeting young people are more recent compared with wider support policies. The 'Youth employment programme' established in 1997 enabled almost 400 000 young people to enter employment in the voluntary sector, local authorities and the national education system.

<sup>(60)</sup> The average age of temporary agency workers is 29, which shows a substantial presence of young people in this category of employment.

<sup>(61)</sup> These measures were incorporated into law in 2005.

<sup>(62)</sup> Apprenticeships were extended to cover students in higher education in 1997.

<sup>(63)</sup> The government has entrusted the president of the Schneider Electrics international group with promoting apprenticeships.



The impact of this expensive scheme was more positive during a period of economic upturn. Moreover, it only targeted the not-for-profit sector and involved the more qualified candidates <sup>(64)</sup>.

The new government created a 'Youth at work contract' in 2002. State aid combined with tax breaks were given to companies recruiting poorly qualified young people. However, the scheme again primarily benefited higher qualified young people in the eligible group <sup>(65)</sup>. The scheme was subsequently revised in 2005 to provide greater incentives for less-qualified candidates. The one-off financial aid was adjusted to levels of qualification, and the scheme was opened to young people aged 16-25 <sup>(66)</sup>.

Individualised careers support for young people began to develop significantly with 'TRACE' ('the road to employment') introduced in 1997. It targeted young people leaving school without qualifications or with very low-level qualifications, and offered them personalised job-search support over 24 months through socialisation, training and vocational qualification initiatives. Its distinctive feature was a holistic approach to getting young people into employment (covering employment, training, accommodation, health). An evaluation of 'TRACE' five years later revealed that it helped seven out of 10 young people to move into employment. However, the scheme was found to be more favourable to those who were better qualified <sup>(67)</sup>. 'TRACE' ended in 2002 and was re-launched under a different format under the social cohesion plan (PCS) <sup>(68)</sup>.

The PCS has reinforced the role of support structures in employment provision. It has done so by:

- Creating a right to employment for young people;
- Providing new resources;
- Strengthening personalised support through the development of 'CIVIS' <sup>(69)</sup>, which includes payment of a state benefit and initiatives to assist with literacy training. Today, 'CIVIS' covers 18 600 unqualified young people.

More recently, an incentive was introduced for young people to take up employment within the 2005 summer emergency

plan. It offers a tax credit of EUR 1 000 to young people taking a job in sectors facing labour market difficulties.

### 3. Actors involved in youth employment policies

In France, the integration policy for young people falls within the remit of an interdepartmental delegation. Given that difficulties in entering work often reflect social inclusion issues relating to housing, health and personal banking, employment schemes tend to treat problems associated with youth unemployment as part of a more general battle against social exclusion.

The Ministry for National Education continues to play a major role, not least through the general integration mission, which has offices throughout the country and is responsible for offering suitable training to young people over 16 with no immediate prospect of employment. It also offers preparatory integration measures.

The Ministry of Defence has set up a support scheme for the social and occupational integration of young people. Young people aged 18-23 identified as facing educational and social marginalisation benefit from a training period of 6 to 12 months. They also receive an allowance.

The French sub-regions (départements) are also involved in youth employment policies, particularly in managing the youth aid funds.

A law of 1993 consolidated areas of responsibility in the French regions. The regions were given a prominent role in vocational training and apprenticeship policies. Regions are also more heavily involved in employment integration policies for young people. In addition, the regions are now co-piloting a mapping exercise of training provision leading to vocational qualifications. In reinforcing the local dimension, PAIOs receive over 50% of their funding from local and regional government <sup>(70)</sup>.

<sup>(64)</sup> Only 20% of beneficiaries had no qualifications.

<sup>(65)</sup> Less qualified, however, than in the 'Youth employment programme'.

<sup>(66)</sup> The contract scheme has, up to now, targeted young people between 16 and 22, whose level of education is below baccalaureate.

<sup>(67)</sup> The employment situation of young people who have been on the 'TRACE' programme is less favourable where the level of training received is lower.

<sup>(68)</sup> Plan de cohésion sociale (social cohesion plan).

<sup>(69)</sup> *Contrat d'insertion dans la vie sociale* (Integration into social life contract).

<sup>(70)</sup> Public funding as follows: state and public bodies 35%, European Social Fund 10%, regions 20%, départements 6%, communes 29%.



The establishment of employment centres (Maisons de l'Emploi) has reinforced regional partnerships. Employment centres coordinate actions carried out through the public employment service.

## 4. Conclusions

Structures supporting young people into employment are numerous, yet the integration process remains long and problematic. The sustainability of these structures poses questions, in particular regarding local initiatives since the establishment of employment centres. In fact, even if the employment centres are meant to match training provision more appropriately with young people's needs, their results remain limited in providing access to employment. Indeed, the treatment of groups facing difficulties in integration cannot be confined to training initiatives. For young people who leave the education system without qualifications, a return to education and training is not necessarily the most appropriate approach.

The developments in employment regulations reflect a general trend towards increasing flexibility in the economically active population. Young people are the first to feel the effects of increasing flexibility, because they are just entering the labour market. This is even more the case given that current reforms are moving towards linking employee protection to seniority.

The employment insecurity that young people are facing is accompanied by strong financial insecurity, as the basic integration income benefit is not accessible to young people under 25. Furthermore, given that unemployment benefit is based on length of contribution, young people are often not entitled to it. There are calls to develop ways for young people to receive such replacement income. However, the development of apprenticeships and combined work and training schemes could be a preferred solution to replacement incomes, which carry a risk of welfare dependence.

# Youth employment in Germany

## Introduction

In relation to youth employment, Germany performs very well by European and international standards. The unemployment rate of around 11% for the 15-24 age group is below the EU-25 average. This is mainly because of the comprehensive dual training system, which gives an opportunity to enter a professional career <sup>(71)</sup>.

Nevertheless, youth employment policies in Germany face a series of challenges:

- The dual training system is gradually eroding, because of declining employment in manufacturing and changes in skills needs.
- A persistent proportion of young people (15%) do not adequately participate in training and are therefore highly vulnerable to unemployment. People with an immigration background are particularly at risk.
- The general training system performs rather poorly because of outdated and highly centralised schooling in the 16 German *Länder* (provinces).

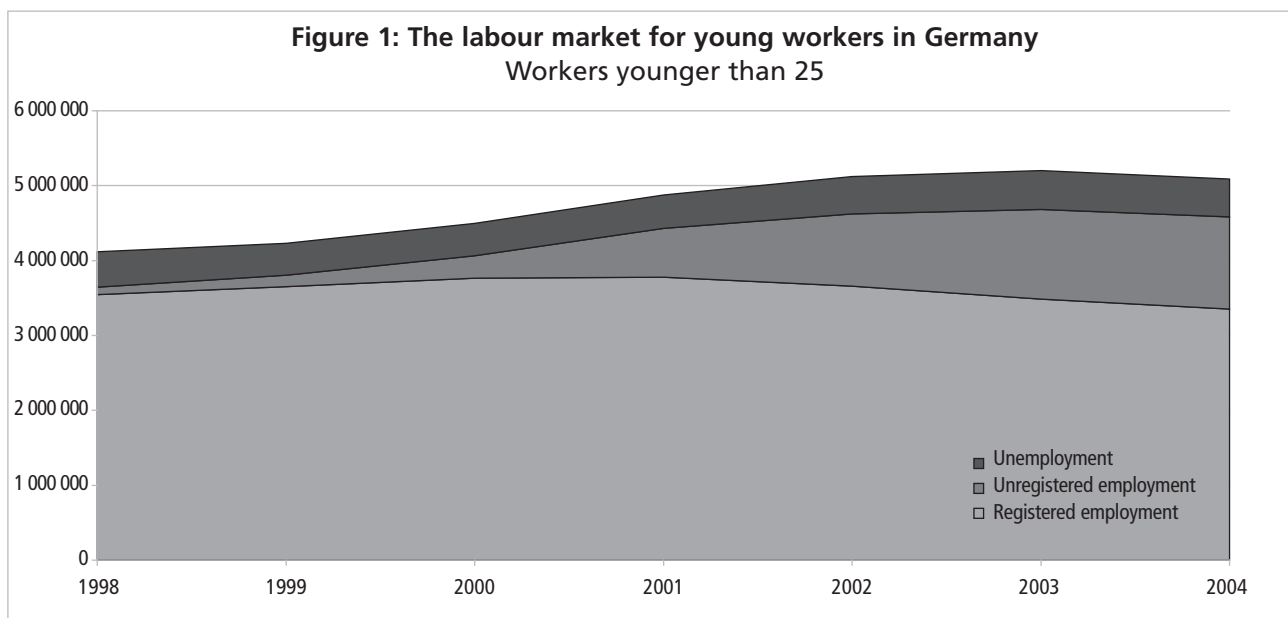
These challenges are the focus of the current political debate. A series of reforms have been undertaken in education and

training to modernise the systems and to adjust to changes in the labour market. Further steps are planned and experts in vocational training are gradually becoming more optimistic about the adaptability of the German training system (BMBF, 2005, p. 149).

## 1. Trends in the youth labour market

While overall employment among under-25s increased between 1998 and 2003, the situation for young workers has deteriorated since then (Figure 1). Employment decreased by 100 000 to 4.6 million in 2004. This decrease was compensated by the rise of non-registered employment (marginal jobs and internships). This trend, however, changed in 2003 when non-registered employment began to decline.

Standardised unemployment rates increased from 9% to 11% in 2005. This was only slightly below the German average of 12%. Many young unemployed people had no adequate training (42% compared with 34% among all unemployed people); 22% were unemployed for more than six months; 10% left school without qualifications; and 25% dropped out of vocational training (2003).



Source: Bundesagentur für Arbeit.

<sup>(71)</sup> The German dual training system provides vocational training to young people through a combination of company-based training and schooling in 350 occupations. Training courses take two to three and a half years, with compulsory curricula. Certificates are given on the basis of exams passed at the Chambers of Trade and Commerce or the Chambers of Crafts.

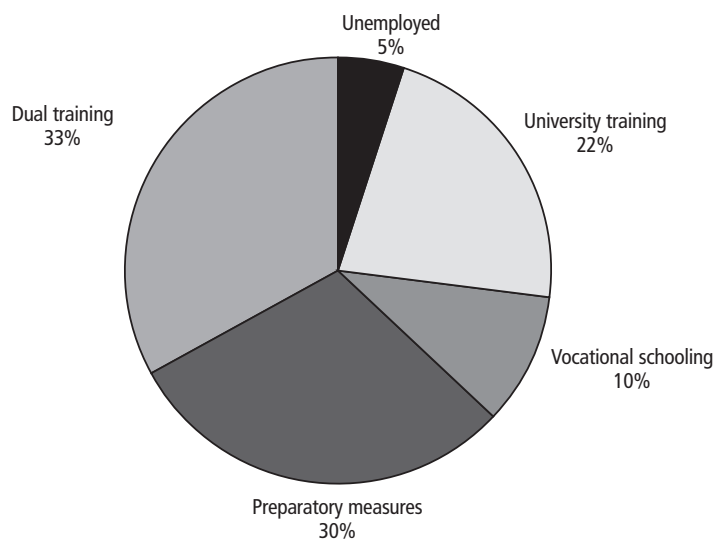
## 2. Education and vocational training

In Germany, dual training is more important than any other labour market route for young people. Some 1.6 million young workers are involved in dual training, comprising 20% of the population aged 15-24 (or 4.6% of total employment). Dual training provides an important entry into working life, giving access to qualified jobs. It is the major source of skilled workers for companies, and craft-related companies in particular.

One third of all entrants into vocational training in 2003 chose dual training, while 10% went to vocational schools and 22% to universities (Figure 2); 30% started preparatory measures to access regular training in the future, and 5% were unemployed after leaving general school education.

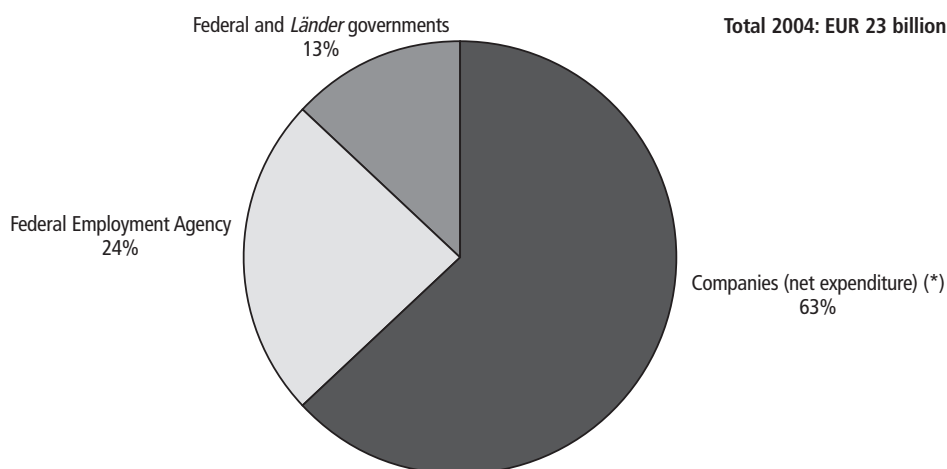
Dual training is largely financed by companies (Figure 3). Even if the productive output of apprentices is deducted, the net contribution of companies was 63% of the total EUR 23 billion expenditure in 2004. Around 24% of the expenditure was financed by unemployment insurance (Federal Labour Office), and 13% by the federal government.

**Figure 2: Entrants into vocational training, Germany 2003**



Source: Bundesministerium für Bildung und Forschung 2005.

**Figure 3: Expenditure for dual training, Germany**



(\*) Training costs minus product value.

Source: Bundesministerium für Bildung und Forschung 2005.

Around 30% of German companies provide dual training. A further 31% do not participate in dual training, though they are eligible to offer training places. The remaining 39% are not eligible. Small firms are slightly more involved than large companies. The construction business, agriculture, restaurants and hotels, healthcare and the education sector provide a higher share of dual training places.

Annually, around 600 000 new individual training contracts are signed. As Figure 4 shows, the difference between demand for and supply of training places has increased. The difference grew to 30 000 training places at the end of September 2004. Preliminary figures indicate a slightly decreasing gap in 2005. In 53% of the 176 German labour market districts, the balance of dual training markets was adequate or even favourable from the demand perspective. In 27% of districts, the situation was unfavourable or even very unfavourable (less than 88 training places per 100 applicants). The balance was particularly unfavourable in the eastern *Länder*, but also in parts of western Germany. As the regional economy dominates training markets, all occupations involved in dual training were affected in similar ways. Applicants with lower grades from formal education were disadvantaged.

Faced with these difficulties, two approaches have been discussed and implemented:

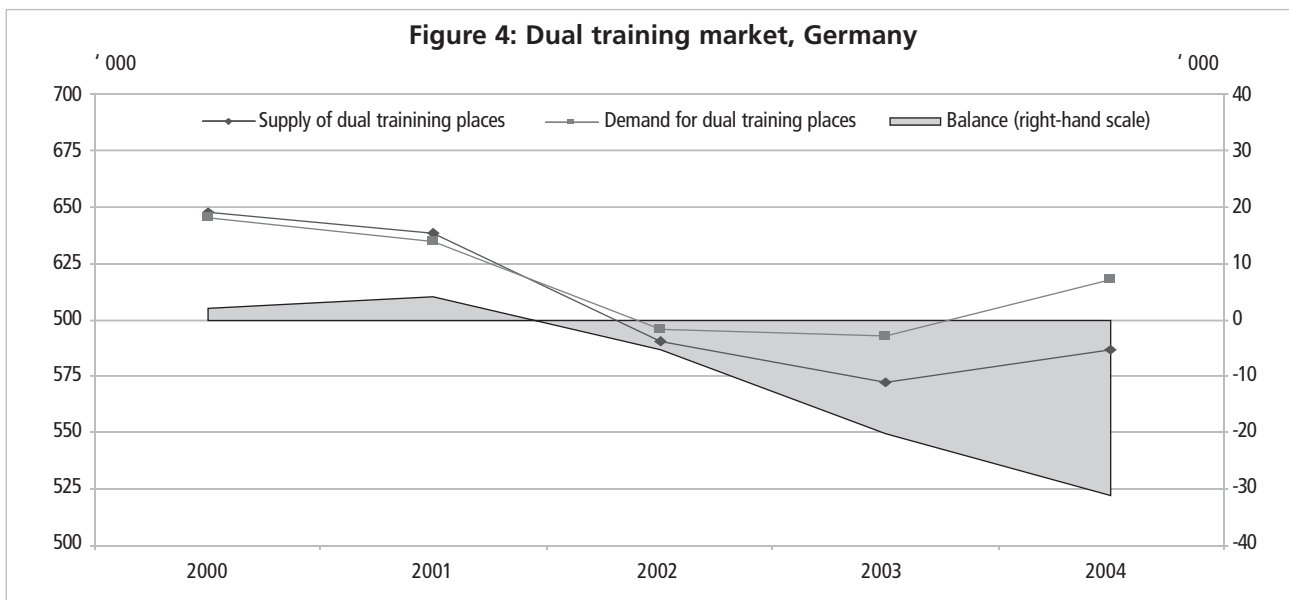
- A training tax (*Ausbildungsplatzabgabe*) for those employers not providing a sufficient number of training

places, which should force them to offer training places. The required ratio of training places in relation to size of staff and the appropriate level of the tax were to be determined by the government. The law was passed in May 2004, but allowed voluntary commitments by employers to increase training and thus avoid the tax. So far, this alternative is being practised. The reasons for choosing the voluntary alternative were not just political. The training tax was difficult to administer in practice.

- Together with the Federal Ministry for Economics and Labour, the Federal Ministry for Education and Research and the Federal Labour Agency, the employers associations BDA BDI, DIHK and ZDH <sup>(72)</sup> signed a 'national training pact' in 2004. The employers promised to offer 30 000 additional dual training places every year until 2006 and an additional 25 000 entry qualifications.

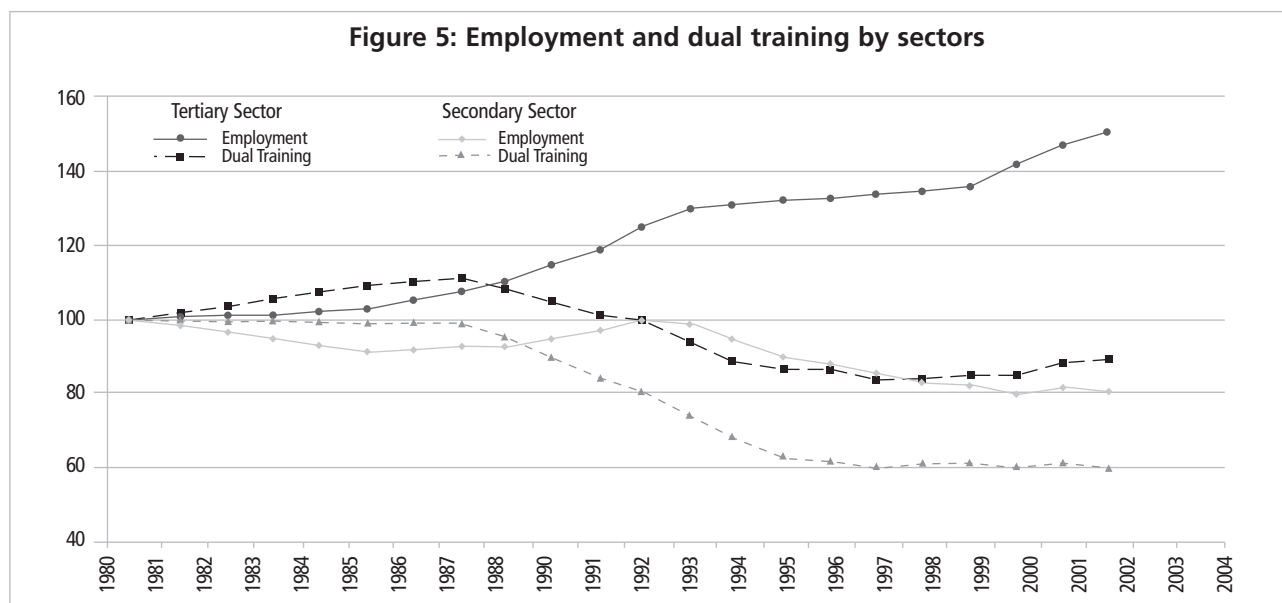
It was announced in September 2005 (Federal Ministry for Economics and Labour et al., 2005) that the promised figures for extra training places had been achieved. Additional companies offered new training places. As Figure 4 indicates, the number of training places offered by companies increased in 2004. However, the number of trainees searching for a training place was also significantly higher than in the previous year.

As indicated in the Lisbon reform plan assessment report (Vogler-Ludwig, 2005), it is difficult to declare this as a success



Source: Bundesministerium für Bildung und Forschung, 2005.

<sup>(72)</sup> Bundesverband der deutschen Arbeitgeberverbände (BDA), Bundverband der deutschen Industrie (BDI), Deutscher Industrie- und Handelskammertag (DIHK), Zentralverband des deutschen Handwerks (ZDH).



Source: Bundesministerium für Bildung und Forschung (2005).

of the 'national training pact', even if business associations have been able to activate a certain number of companies and offer some compensation for the decline of apprenticeship training. The activities have not been strong enough to compensate for weak labour demand and the disengagement of business from dual training. Dual training is under-represented in several growing branches of the tertiary sector (Figure 5). While employment in the tertiary sector grew by 50% between 1990 and 2002, the number of training places declined by 10% by 2002. Moreover, the decline of employment in the secondary sector was accompanied by a disproportionate reduction of dual training places.

Thus, both the change of employment to a greater number of service jobs and the retreat of companies from dual training since the middle of the 1990s has reduced the demand for trainees in dual training. This phenomenon indicates a fundamental change of skill needs for which the dual training system has gradually become inadequate.

The rising demand for a highly flexible labour force with theoretical knowledge and technical skills is responsible for this change (Büchtemann and Vogler-Ludwig, 1997). Formalised dual training is in many cases too slow and inflexible. Most importantly, it is a training system which provides highly specialised initial training rather than a broad skills basis for future specialisation. Transition to a knowledge-based economy can hardly succeed with this concept.

Young people have increasingly chosen higher education and training and thus contributed to the erosion of the dual training system. The number of entrants to universities increased by 35% between 1993 and 2003. Preparatory measures for vocational training increased by 77%. The number of entrants to

the dual system, however, decreased by 2% (BMBF, 2005, p. 86). As a result, competence levels among new entrants to dual training have decreased.

Efforts to modernise the system of dual training are positive but insufficient. By August 2005, five new training curricula had been implemented and 18 (out of 350) updated. Through these small reform elements the dual system is adjusting to specific problems. But this does not make it more attractive to employers.

### 3. Support for disadvantaged young people

The screening process for entrants to the dual training system is strict, and the non-selection of less competitive young people became a considerable problem. Some 15% of young people are left without vocational training, living on low incomes, with poor career prospects and a high risk of unemployment.

The widening gap between supply and demand for dual training places forced federal and *Länder* governments and municipalities to offer training, or at least preparation for training, to young people. Considerable efforts were made through the provision of additional training places, school-based training and individual consulting.

- Work-oriented social work – programmes to integrate young people at risk of missing vocational training.

- Preparatory measures for vocational training (*Berufsvorbereitung*) – programmes to provide basic working abilities and knowledge about specific professions through one-year schooling (*Berufsvorbereitungsjahr, Berufsgrundbildungsjahr*), or individual preparation for vocational training (*Neues Fachkonzept der Bundesagentur für Arbeit*). Moreover, entry qualifications provided by companies for disabled young people can be publicly supported (*Einstiegsqualifizierung*). Preparatory measures are based on competence modules (*Qualifizierungsbausteine*) which are derived from the curricula of dual training and adjusted to the abilities of the target groups. Individual consultation is a principle of preparatory measures.
- Integrative vocational training – programmes which lower the entry barriers to vocational training by shortening or simplifying training courses, and in particular by addressing lack of knowledge. This is done through the introduction of two-year dual training courses.
- Extending the number of dual training places – the quantitative limitations of dual training markets forced federal and *Länder* governments to extend the number of training places.

Evaluation of work-oriented social work and the preparatory measures showed that individualised pre-training approaches are particularly successful since they take into consideration the capabilities and preferences of young people. Good results could be achieved at the first threshold to dual training. The creation of school-based dual training places, however, did not perform sufficiently well, because of missing links to practical work in the companies rather than participants' lack of knowledge (ISG and Economix, 2005).

## 4. The new German government's plans

Education and training is one of the central areas for political action in the recent coalition treaty signed by the CDU/CSU and SPD (2005, p. 30). The government therefore plans to modernise the education and training system.

In the area of dual training, the government intends to revise the recently passed Dual Training Act. The concept of competence modules will be strengthened through certification and acceptance as part of dual training. Particular attention will be given to young people with an immigration background.

Continuing training will be promoted through the development of certification standards for courses and the improvement of guidance for trainees through the complex system of continuing training.

University training should be extended. The target is that 40% of school leavers should start university studies. The federal government is offering support to the *Länder* governments in improving quality standards, promoting young teachers and scientists and internationalising universities. A nationwide ranking of universities should be introduced. Women should be promoted in their university careers.

## 5. Conclusions

For a long time, education and training was an asset for Germany. The specific duality of practical work in companies and school-based education provided a broad skills basis for the economy. Unemployment remained low among young people, and so there was little reason to change such a successful approach.

But Germany's competitive environment changed. Many of the industrialised and industrialising countries invested significantly in human capital, developed alternative concepts for vocational training and thus extended their skills. This challenged the rationale of the dual training system. Gradually, Germany had to realise that the competitive advantages from dual training are vanishing.

A number of challenges have resulted from this situation.

- The dual training system will have to develop into a flexible vocational training system. This means that competence modules will be the basis of training.
- The rising demand for theoretical competences in combination with professional knowledge calls for an extension of school-based training in professional schools or colleges.
- A substantial proportion of disadvantaged young people do not have a realistic prospect of entering regular training and getting a skilled job.
- The legislative division of responsibilities for education and training in Germany is complicated. While a variety of educational approaches appears to be an advantage, the centralised approaches implemented by the *Länder* governments restrict innovation. A basic reform of general education is therefore required to decentralise responsibilities. In particular, primary education needs reforms, as disadvantaged young people come from these schools.

The task in tackling these challenges is clearly huge. Nevertheless, a broad political consensus about the necessity for reform has been achieved among the political parties and social partners.

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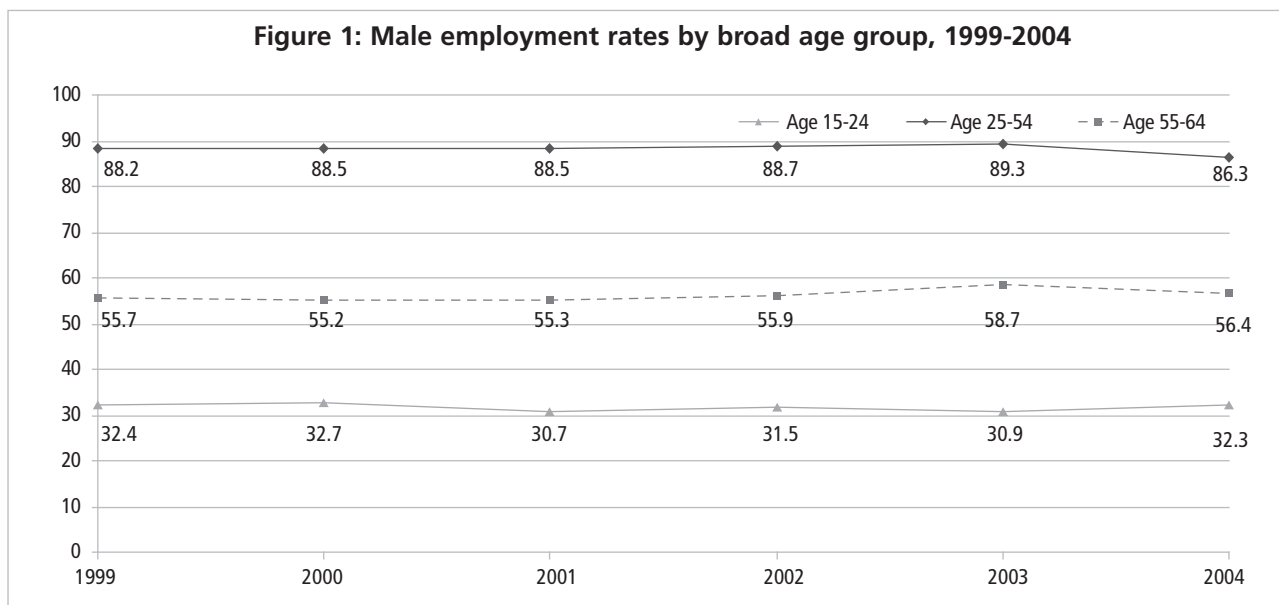
# Youth employment in Greece

## 1. Trends

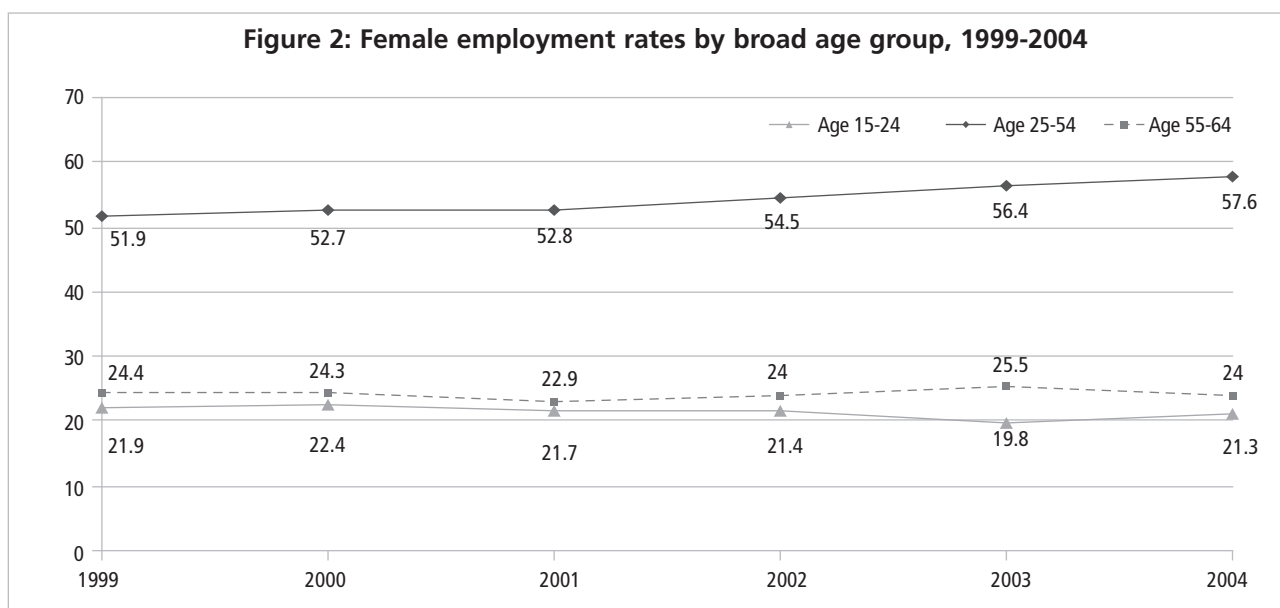
Employment rates, particularly youth employment rates, have traditionally been low in Greece <sup>(73)</sup>. In 2004, the overall employment rate was 59.4% (the EU-25 average was 63.3%). By comparison, the youth employment rate was just 26.8% (EU-25 average 36.8%). Between 1999 and 2004, the overall

employment rate increased by 3.5 percentage points (from 55.9 to 59.4%). But the youth employment rate dropped slightly from 27.2% in 1999 to 26.8 in 2004, while in 2003 it was 25.3%.

Decreasing youth employment rates reflect developments in labour-force participation rates, as activity and employment rates are closely related to each other.

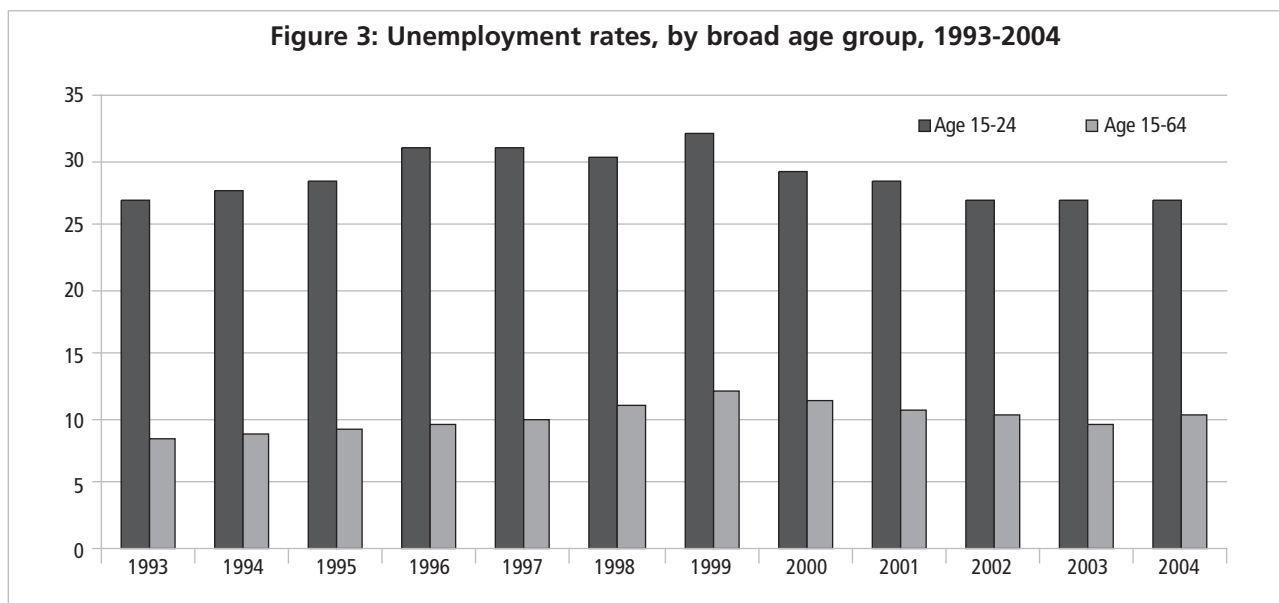


Source: Eurostat, Labour force survey (LFS) results.



Source: Eurostat, LFS results.

<sup>(73)</sup> In Greece, the term 'youth' generally refers to 18-30-year-olds. For reasons of comparability, the definition of young people adopted in this report is the 15-24 age group.

**Figure 3: Unemployment rates, by broad age group, 1993-2004**

Source: Eurostat, LFS results.

Employment rates by age and sex are shown in Figures 1 and 2. The difference between the employment rates of young men and young women is insubstantial. Indeed, the employment gender gap by age appears to be smaller among young people (10.9% in 2004) than among those aged 25-54 (31.8% in 2004).

Figure 3 compares the unemployment rate of young people (ages 15-24) and the labour force as a whole (ages 15-64). Young people have much higher unemployment rates than the rest of the working-age population. The unemployment rate of young people in Greece (26.9% in 2004) was among the highest recorded in the EU-25 (average 18.7%). In addition, the youth unemployment rate resembles the overall unemployment rate. The youth unemployment rate tends to increase following increases in the overall unemployment rate and, conversely, tends to decrease when the overall rate drops.

The risk of unemployment is by no means spread evenly among young people. Women (regardless of age) face higher unemployment rates than men. Figures 4 and 5 show the youth unemployment ratios for men and women in Greece and the EU-25. Young women face much higher unemployment rates than men, and this problem is particularly serious in comparison with the EU average.

Finally, irrespective of sex, the youth unemployment ratio appears to be declining in Greece. The relative gains have been more substantial for young women (the ratio declined by 3.5 percentage points between 1999 and 2004) than for young men (down by 2.1 percentage points). This is an encouraging development, as young women face a higher risk of unemployment than young men.

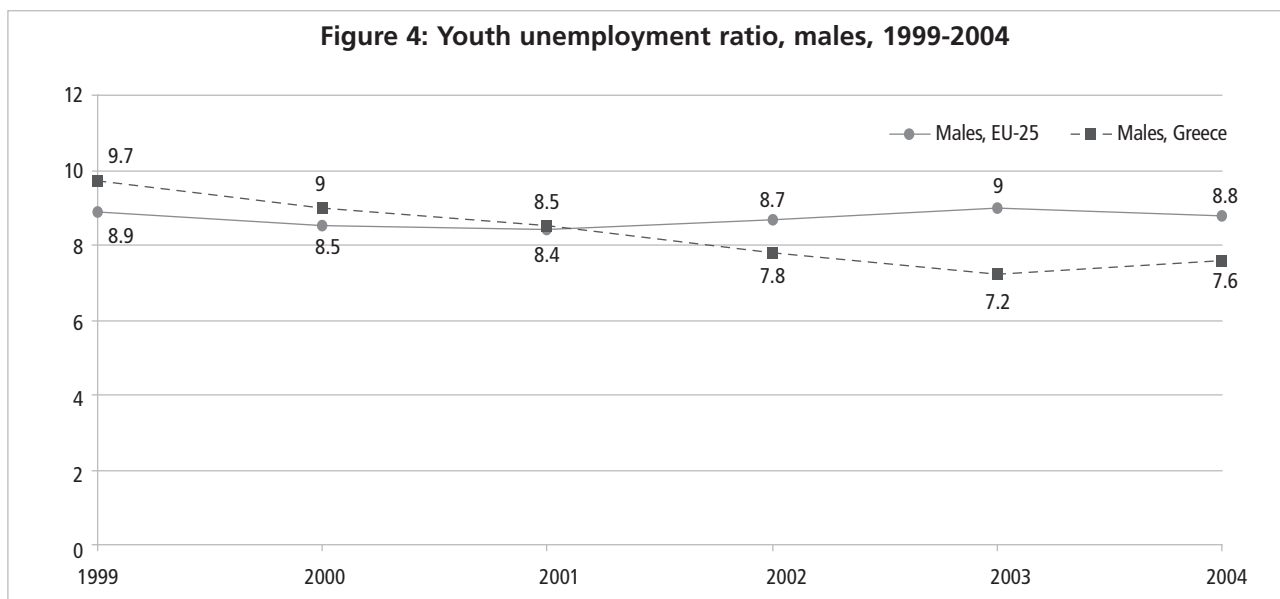
Regions with high adult unemployment rates also tend to have high youth unemployment rates. In addition, the highest unemployment rates are of young people with intermediate education qualifications (i.e. secondary school and higher vocational school graduates).

To sum up, Greece is facing a serious problem of youth unemployment. This has aroused the interest of the media, the wider public, politicians and academics. The discussion so far has revolved around the reasons for the high youth unemployment rates.

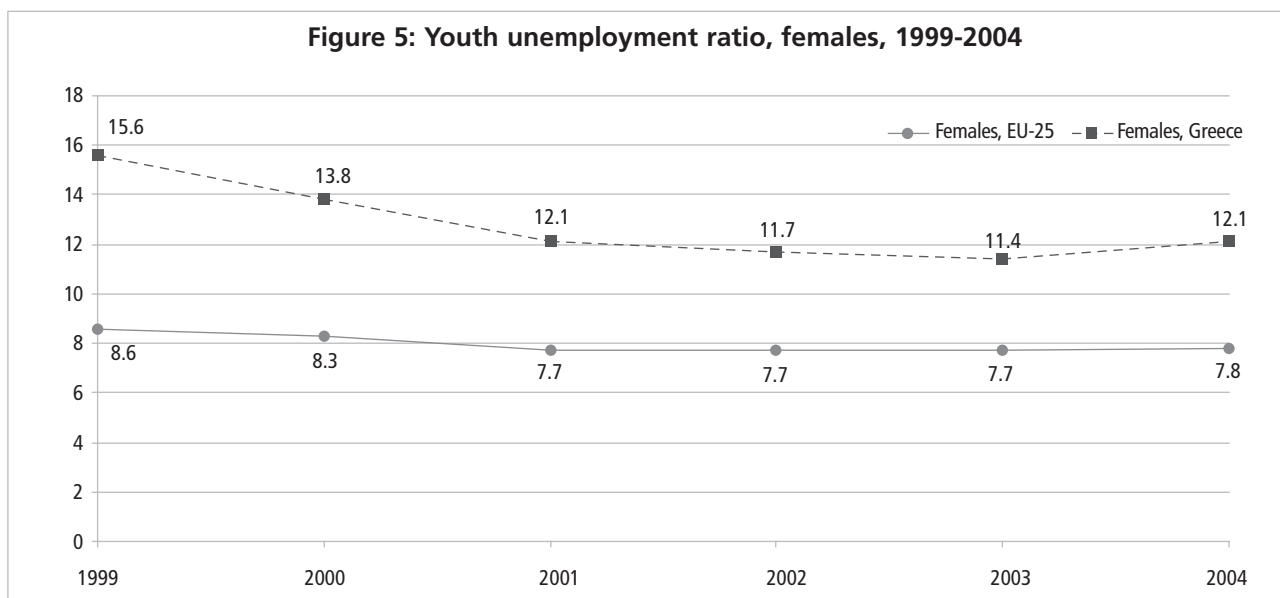
One explanation is that aggregate demand is insufficient. An increase in aggregate demand would lead to an increase in the demand for labour in general, benefiting young people as well. It appears that variations in youth unemployment are related to variations in adult unemployment. Opponents of the aggregate-demand explanation point to the situation of economic immigrants, since Greece has been able to employ a large number of them. Hence, it is unlikely that a deficit in employment opportunities exists in reality.

Those in favour of institutional explanations for youth unemployment suggest that existing employment legislation protects insiders and creates a 'periphery' of outsiders, comprising mostly young people and women. Admittedly, employment protection legislation in Greece is among the strictest in the EU, discouraging early entry into employment. However, more flexible labour market regulations might alter the demographic profile of unemployed people, but would be unlikely to affect the volume of unemployment.

Finally, those focusing on the links between education and the labour market suggest that young people's skills do not

**Figure 4: Youth unemployment ratio, males, 1999-2004**

Source: Eurostat, LFS results.

**Figure 5: Youth unemployment ratio, females, 1999-2004**

Source: Eurostat, LFS results.

correspond to the needs of employers. In 2000, the incidence of job mismatches was 40% in Greece, the second highest in the EU <sup>(74)</sup>. Further aligning the skills mix from the education and training systems to the needs of the labour market would prove beneficial for new entrants to the labour force.

<sup>(74)</sup> Eurostat.

## 2. Measures taken to promote youth employment

### 2.1. Education and training policies

Various measures have been taken to combat school failure and restrict the number of drop-outs:

- All-day schools, which are viewed as one of the most successful innovations introduced in the education system during recent decades. They started in 1998 and according to the latest available figures there are currently 2 528 all-day schools and 1 542 all-day kindergartens. Most are financed by the state budget.
- Support classes, established in all lower and upper-secondary schools and primary schools. They offer supplementary teaching in a variety of school subjects, free of charge, to help students to improve their school performance. Since the introduction of the scheme in 1997, more than 230 000 students have benefited.
- Evening schools for young people aged 14-18 who have not completed lower secondary education (compulsory education); 28 000 young people attend evening schools.
- Second-chance schools targeting young people and adults (18-30) who have quit school and wish to complete compulsory education to improve their labour market prospects or return to normal education. There are currently 43 such schools in operation. The number of students attending them has almost doubled within one academic year.
- Vocational education at secondary level, provided in technical vocational schools (TEEs). TEEs were first introduced in 1998 and have since succeeded in attracting an ever-increasing share of the student population.
- Initial vocational training at post-secondary level, provided by the Organisation for Vocational Education and Training. The duration of training ranges between two and four semesters.
- Continuing vocational training, provided by vocational training centres (KEKs), which are public and private training organisations. KEKs target unemployed people as well as employed workers of all ages and educational background and offer short, usually job-specific training in different subjects.

### 2.2. Labour market and employment-related policies

Although most active labour market policies do not target young people exclusively, they can facilitate the transition from school to work. The most important measures are:

- Preventative services provided by the Manpower Employment Organisation's centres for employment promotion. Individualised assistance is now well-established, and a large number of registered unemployed people already have personal action plans drafted by job counsellors.
- An employment subsidy programme for young unemployed workers. The scheme targets 7 800 young people aged up to 30. Firms recruiting such workers are entitled to subsidies for 21 months. Employers are obliged to continue employing the subsidised person for at least three months following the expiry of subsidies.
- 'STAGE' programmes in the fields of health and welfare, social security, the environment and local authorities. Unemployed people are placed in public organisations to obtain work experience. The scheme is open to young registered unemployed people under 40. Placements last from nine to 18 months.
- A 'STAGE' programme for private-sector enterprises, targeting 5 000 young unemployed people (up to age 30) and helping them to acquire work experience. The majority of the posts are earmarked for young unemployed women. Placements last for six months and employers receive a subsidy. The subsidy is granted for 18 months, and employers are obliged to continue employing the subsidised worker for another six to 12 months.

A full-scale evaluation study of the measures outlined above or, more generally, an evaluation of current youth policies is lacking. From a variety of evaluation reports, often generated in connection with operational programmes and EU resources, the following (general) points can be made.

The measures taken since the latest educational reform (1998) have reduced early school-leaving rates. According to Eurostat, the proportion of 18-24-year-olds achieving lower secondary education (International Standard Classification of Education (ISCED) level 2) or less and not attending further education or training has declined from 18.6% in 1999 to 14.9% in 2004. This estimate compares favourably with the EU-25 average, which was 15.7% in 2004.

In the field of employment and training policies, however, success appears to have been more modest. Evaluation studies of the employment subsidy programmes indicate that a significant proportion of participants (46%) continue to work with the same employer after the end of the subsidy period. However, serious problems associated with deadweight and substitution were revealed. Besides, other reports on the effectiveness of continuing training for unemployed people indicate that, in the six months after training, only 17% of participants secure employment<sup>(75)</sup>. As a result, young people continue to face serious problems in the transition from school to work<sup>(76)</sup>.

### 3. Roles of the labour market actors

Certain features of the Greek education and training system hinder the optimal use of resources. General education, vocational education, initial training and further adult education (all under the Ministry of Education) are organised in distinct and mutually isolated pathways. These pathways exist alongside continuing training, on-the-job training and active labour market programmes, which are separate and governed by the Ministry of Employment and Social Protection and the Manpower Employment Organisation.

A new Framework Law (3191/2003) established a national system for combining vocational education and training with employment. When fully implemented, this law will rationalise vocational education and training, accreditation of professional qualifications and training outcomes, counselling and vocational guidance and employment-related assistance. It is also expected to exploit synergies and promote collaboration among the various stakeholders in training and employment-related activities.

A new Law on Lifelong Learning (3369/2005) has also been introduced. Finally, during 2005, progress has been made in implementing the national action plan to establish a single training accreditation system.

### 4. Conclusions

Greece is facing a serious problem of youth unemployment. Employment rates among young people are low by both European and national standards, and have remained fairly

constant over the last five years. Unemployment rates, on the other hand, are high. Policy response has focused on the regulatory and organisational aspects of service provision in the fields of education, training and active measures. Various schemes have also been launched, aimed at promoting youth employment. Although it is too early to assess the results, these new measures are expected to increase the effectiveness of interventions and lead to a more employment-friendly education system, placing greater emphasis on labour market outcomes.

### Useful websites

Employment Observatory  
<http://www.paep.org.gr/>

Eurostat  
<http://europa.eu.int/comm/eurostat/>

General Secretariat for Adult Education  
<http://www.gsae.edu.gr>

General Secretariat for Youth  
<http://www.neagenia.gr>

Institute of Labour  
<http://www.inegsee.gr/>

Manpower Employment Organisation  
<http://www.oaed.gr/>

Ministry of Development  
<http://www.ypan.gr/>

Ministry of Economy  
<http://www.ypetho.gr/>

Ministry of Education  
<http://www.ypepth.gr>

Ministry of Employment and Social Protection  
<http://www.ypakp.gr/>

National Accreditation Centre  
<http://www.ekepis.gr>

National Statistical Service of Greece  
<http://www.statistics.gr>

<sup>(75)</sup> This estimate is from a 2005 study conducted for the mid-term evaluation of the regional operational programmes of the current Community support framework (2000-06).

<sup>(76)</sup> According to national estimates (from the National Statistical Service of Greece) for 2000, the average time between completion of studies and first job ranges from 22 to 39 months, depending on the educational field (<http://www.statistics.gr>).

# Youth employment in Hungary

## Introduction

In 2004, the average unemployment rate of people aged 15-25 in the EU was 18.7%. Despite the low overall unemployment rate in Hungary (6.1% in 2004), the proportion of economically active young people who did not have a job was more than twice as high, at 15.4%. It is of even more concern that this figure has increased from a rate of 11.1% in 2001 (Eurostat).

## 1. Youth unemployment in figures <sup>(77)</sup>

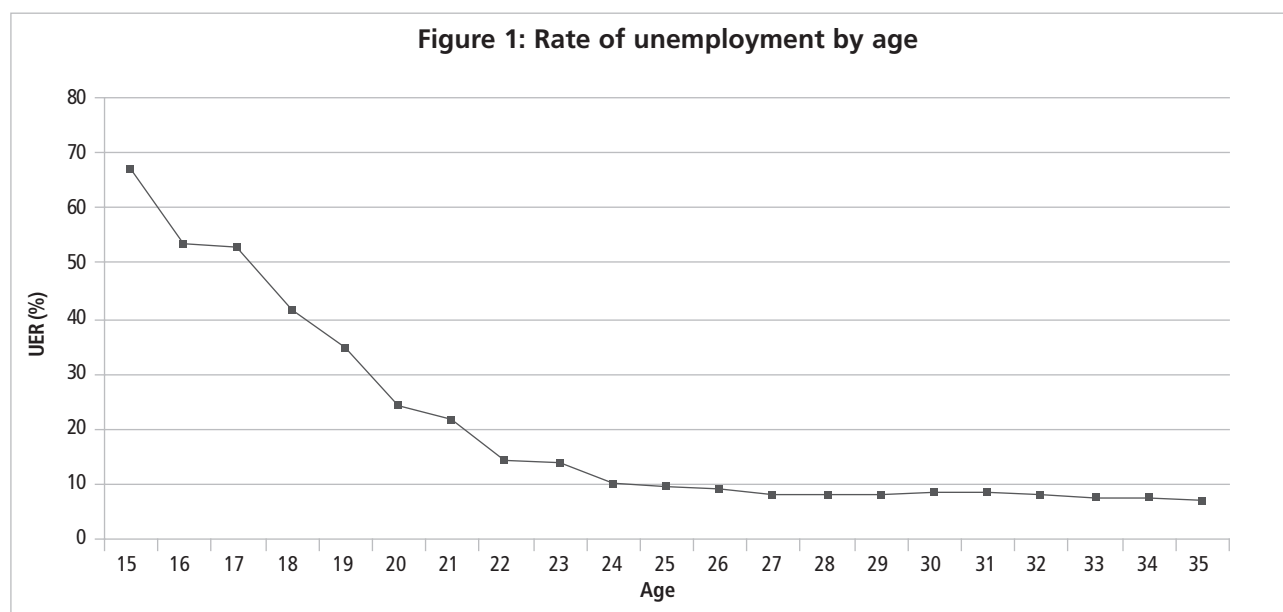
Despite Hungary being a country of low unemployment, the data make it clear that youth unemployment is a serious problem. Among the youngest cohorts of the economically active population (aged 15-25), the unemployment rate (as defined by the International Labour Organisation) was 15.4% in 2004. Figure 1 gives the unemployment rate by age cohorts, and

shows clearly that the younger the cohort, the higher its unemployment rate <sup>(78)</sup>.

These figures are a cause for concern, but in comparison with other EU countries, they are not particularly high. The EU average youth unemployment rate was 18.7% in 2004, which is much higher than the Hungarian figure. Youth unemployment in Hungary, however, has shown an increasing trend in recent years. It reached its lowest level in 2000 (12.7%), but has been rising ever since.

Unemployment rates do not vary much by gender, but women generally tend to have higher unemployment rates than men, as Figure 2 shows.

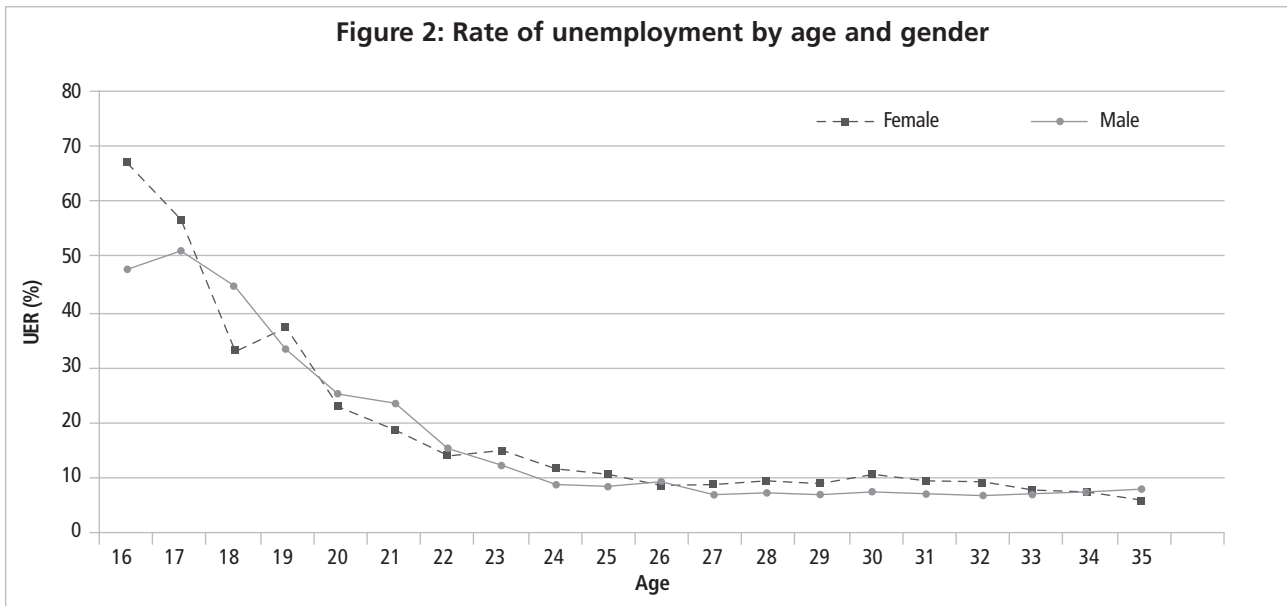
By contrast, the unemployment rate of individuals with different educational attainment varies widely. Figure 3 shows unemployment rates by age profiles for four educational categories: eight completed years (classes) or fewer, vocational training, high school graduates and higher education graduates. The differences are dramatic, showing that the most important way of combating unemployment is to invest in education.



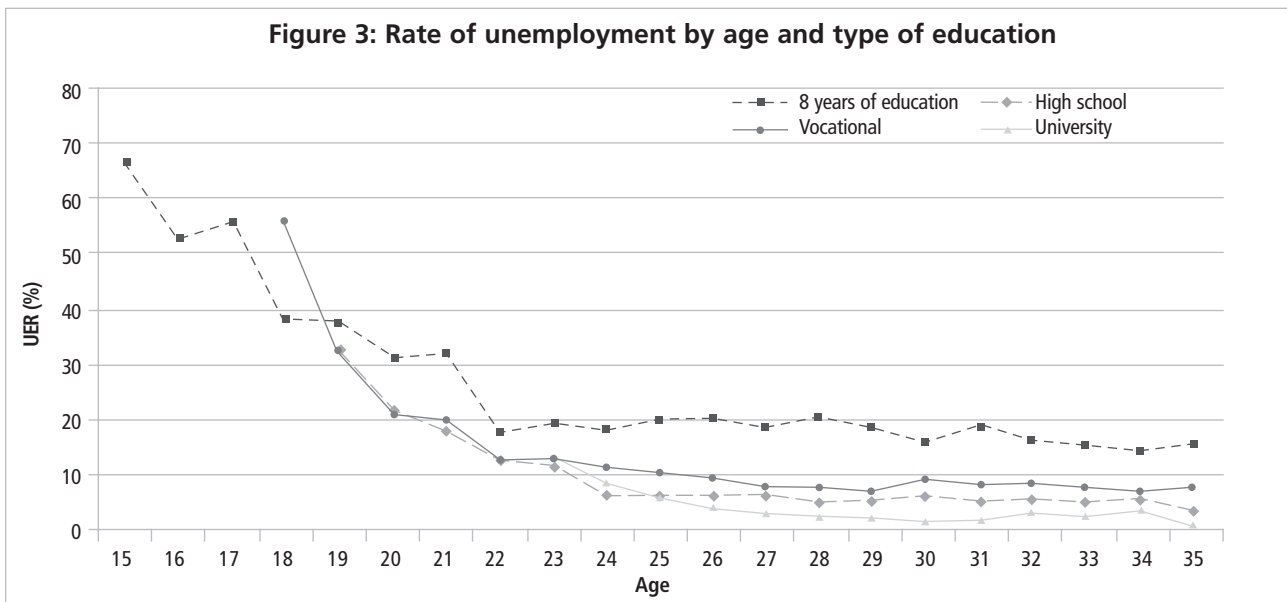
Source: Hungarian LFS, 2004.

<sup>(77)</sup> The figures presented here are drawn from the 2004 Hungarian labour force survey (LFS), a database of a representative sample of Hungarian people aged over 15, containing information on about 80 000 people in each quarter of the year. I thank Judit Máthé for her careful assistance.

<sup>(78)</sup> The official definition of youth is up to 25 years old. Nevertheless, unemployment rates for the cohorts up to age 35 are shown, because this includes graduates from tertiary education. This group may have its own problems and can also be useful as a comparison group. If education increases the chances of employment, it is useful to look at the figures of the highest-educated group.



Source: Hungarian LFS, 2004.



Source: Hungarian LFS, 2004.

Unemployment among the youngest group (under 18) is very high: over 30%. Needless to say, these young people have very low educational levels – vocational school at most. Unemployment rates for vocational school graduates drop rapidly, reaching 20% by the age of 20. Under the age of 23, vocational school and high school graduates have the same unemployment rate (12% for the oldest cohort), while those with only eight completed years of education have an unemployment rate of around 20%. The chances of this latter group becoming unemployed do not decrease much by age. Between the ages of 22 and 35, 15-20% of the active population are unemployed. Vocational school graduates' unem-

ployment rate drops steadily up to the age of 27, when it stabilises at around 7% and stays relatively stable, in some cohorts reaching 9%. The chances of being unemployed are always lower for high school graduates at these ages. Their unemployment rate drops to 5% by the age of 28, and remains at this level for older age groups. Graduates of tertiary education have the lowest unemployment rate.

In summary, it seems that the most important differences in unemployment rates arise from young people's level of educational attainment.



## 2. Policies affecting youth unemployment

Several policy measures influence unemployment, most obviously the unemployment insurance system and special programmes concerning young people's employment opportunities, but also other factors such as job protection, the childcare system and education.

**Unemployment insurance** – starting in 2006, the unemployment insurance system has changed in order to promote active job-seeking. Under the current regime, the level of benefit is flat-rate and not tied to the wages that unemployed people received in their last job. The new regime is designed to reduce disincentives and motivate unemployed people to actively search for a job.

In the first three months that unemployment benefit is received, the level will depend on the recipient's last salary. Then in the following six months the benefit is flat-rate and the same for everyone. As an additional incentive, people who find a job during those six months will receive half of the unpaid benefit as a bonus. To separate jobseekers from non-jobseekers, the government is going to increase the monitoring of unemployed people, and provide the benefit only to those who actively search for work. In addition, labour offices will assist them more effectively.

**Policies for new entrants to the labour market** – new entrants to the labour market usually have great difficulties in finding a job, partly because they have no job experience. Another problem they face is that they are not entitled to any benefit, as the eligibility condition is one year of employment.

Legislative changes in 2005 targeted the reduction of the tax burden for new entrants, to increase their employment prospects. Employers of new entrants will benefit from a reduction of the payroll tax for a period of two years. This advantageous treatment applies to people under 25 who have not previously had a job. For tertiary education graduates, the equivalent age limit is 30.

In addition to the reduction of taxes levied on new entrants' wages, several other active labour market policies concern the employment of new graduates <sup>(79)</sup>:

- If an employer takes on a new entrant in a job that is appropriate for the entrant's qualifications, the state budget pays 50-100% of the new entrant's salary for a maximum period of 360 days. The condition for this

subsidy is agreement to employ the new entrant for a period of at least 360 days.

- Labour offices can suggest free-of-charge retraining programmes for new entrants.
- Those enterprises which employ a new entrant who has done an apprenticeship with the firm can receive a subsidy of up to half of the minimum wage. The conditions for this subsidy are that the new entrant must have graduated not longer than 90 days ago, and that after the subsidy expires the employment contract is prolonged by at least 90 days.

**Childcare policies** – maternity allowances are fairly generous in Hungary. Firstly, a mother can receive 80% of her previous monthly salary (maximum HUF 83 000) up to the second birthday of her child. The allowance is conditional on not being in employment. Secondly, those who did not work in the period prior to the birth of their child are entitled to HUF 24 700 monthly until the third birthday of their child (GYES is the Hungarian acronym for this allowance). (Those who worked can get the GYES between the second and third birthday of their child.) During the first year, the mother is not allowed to work. After that she can work part-time, or full-time if the work can be done from home. Thirdly, until their children are aged 22, practically all families are entitled to a subsidy called family allowance, which varies between HUF 5 100 and 8 400 per child, depending on the number of children and whether the parent is single or not.

These child subsidies have the effect of reducing substantially the labour supply of mothers, especially until their children are three years old.

To decrease the negative labour-supply effect associated with maternity benefit, grandparents are also entitled to the GYES. Moreover, from 2006, women will be allowed to work full-time after their child's first birthday. Allowing parents to work while receiving the benefit will certainly have beneficial effects on the labour supply, but will also be quite costly. Everyone who works will receive the benefit, including women who intended to work even at the cost of losing the benefit. Only a survey and careful analysis would be able to predict the costs and benefits of this policy change; such analysis has not yet been done (at the time of writing).

Another factor that affects the labour-supply decisions of young parents – and through it their prospects of employment – is the degree of development of childcare in Hungary. State-provided daycare and kindergartens are very inexpensive, but are not available everywhere. To enhance labour market

<sup>(79)</sup> For reference, see Government Ordinance 68/1996.

participation, the government has announced the creation of a daycare centre in every town above 10 000 inhabitants, and family-run daycare centres in smaller settlements.

**The effects of employment protection on youth unemployment** – regulation that may have an important, albeit indirect, effect on youth unemployment concerns job protection. In Hungary, severance pay is not very high and can be received only after three years of tenure, when it is equal to one month's salary. The value of severance pay increases with tenure, reaching as much as the equivalent of six months' wages after 25 years of service <sup>(80)</sup>. For fixed-term contract employment, however, if there are layoffs the employer has to pay all the employees' foregone wages, with a maximum payment of one full year of wages for contracts longer than a year. Thus, if a firm employs a worker for a fixed term, it is very expensive to lay off that employee. As fixed-term contracts are usually used in the case of young employees, the high costs of layoff may decrease their employment chances.

**Education as insurance against joblessness** – as noted above, unemployment is determined to a large extent by individuals' level of education: the higher the level, the lower the unemployment rate.

So what is the level of education in the Hungarian labour force? Is it high or low in comparison with other OECD countries? Kertesi and Varga (2005) observe that the answer depends on how vocational education is categorised. If it is considered to be higher secondary education – as is the case officially – then the average level of education in Hungary is high in comparison with the OECD average. The authors provide a large amount of evidence, however, that this type of education should be classified as lower secondary, which puts Hungary at the same level as Italy (with only Spain and Portugal lagging behind).

To summarise, despite official optimism regarding the high accumulation of human capital, the level of average education in Hungary is low in comparison with other European countries <sup>(81)</sup>.

However, it should also be noted that there was an unprecedented expansion of education during the 1990s, and a shift towards higher-quality education. Between 1990 and 2002, the number of students in 'gymnasiums' increased from 24 100 to 33 500, and graduations from higher education increased from 24 100 to 50 500 (Lannert, 2005). The effect of this expansion can be measured, for example, by an increase in the literacy index, which rose strongly during the last decade. But, on the other hand, the popularity of lifelong learning in Hungary is lagging behind the EU.

Looking at teenagers (aged 15-20) with eight completed years of education at most, one third do not take part in any supplementary education. With the same educational attainment and aged 21-30, about 97% do not take part in any formal education. These figures are very similar for people who have graduated from vocational schools. In contrast, about 20% of those who graduate from higher education take part in some other type of education by the age of 30 (Varga, 2005).

In conclusion, perhaps the most important educational policy that Hungary should employ is the upgrading of vocational education, to provide a larger amount of general human capital and skills that are demanded by the labour market.

### 3. Conclusions

Despite the low average unemployment rate, youth unemployment is a concern in the Hungarian economy. The rate is over 15%, and the trend has been upward. The figures in this article show that the biggest problem is the inadequate or very low level of education received by a large proportion of the population. The unemployment rate declines strongly with the level of education, the most vulnerable being the least educated and those who graduate from vocational schools. Therefore, the key policy would be to retain people as long as possible in the education system, and secondly to improve vocational training in order to provide skills that are valued by the labour market.

Measures taken this year will hopefully help to reduce unemployment in general and unemployment among young people in particular. The most important of these policies is the reorganisation of the unemployment benefit system, linking it to unemployed people's last salary while also gradually reducing the benefit level according to duration of unemployment. Secondly, special programmes supporting firms employing new entrants to the labour market have been created, which will hopefully facilitate the employment of this category of young people.

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<sup>(80)</sup> Collective contracts can, however, set the severance payment at a higher level.

<sup>(81)</sup> In addition, vocational school graduates have a lower wage premium than secondary school graduates.

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# Youth employment in Ireland

## 1. Trends

The sustained period of high economic growth in Ireland over the last decade has led to nearly full employment. The youth unemployment rate in Ireland (15-24-year-olds) stood at 8.3% in the second quarter of 2005. Although youth unemployment is significantly higher than in other age categories (the national unemployment rate for the same period was 4.2%), it remains below the EU-25 average which was 18.5% in the second quarter of 2004. The small gap between youth and other unemployment in Ireland can be attributed to the natural time period between leaving secondary and higher education and securing employment. Table 1 provides an analysis of recent trends in youth unemployment.

Table 1 highlights the lower levels of unemployment among the older age group. Those aged 20-24 would be expected to have left a higher education institute or been of working age for four to eight years, allowing them to gather sufficient experience to access more employment opportunities.

Table 2 shows that the employment rate increased for both 15-19-year-olds and 20-24-year-olds between the second quarter of 2004 and the second quarter of 2005. Again, the significant difference in employment rates between the older and younger age groups is apparent. Perhaps the most striking feature is the substantial variations in youth employment rates during the year. This is a result of the often temporary and transient nature of youth employment, with much higher rates apparent in the summer months (June-August).

**Table 1: International Labour Organisation (ILO) quarterly (Q) unemployment rate (%)**

	Age 15-19			Age 20-24		
	All	Male	Female	All	Male	Female
2004 Q1	10.5	10.9	9.9	7.0	7.3	6.7
2004 Q2	12.1	12.1	12.2	6.9	7.5	6.1
2004 Q3	14.4	13.8	15.1	8.5	8.4	8.6
2004 Q4	13.4	14.3	12.2	7.1	7.7	6.6
2005 Q1	10.2	11.1	9.1	6.7	7.4	6.0
2005 Q2	11.0	11.3	10.6	7.4	8.4	6.3

Source: Central Statistics Office (CSO), Quarterly National Household Survey (QNHS), 2005.

**Table 2: Employment rates (ILO) for people aged 15-24, by sex and age**

	Male		Female		Total	
	15-19	20-24	15-19	20-24	15-19	20-24
Dec. to Feb. 2004	25.3	70.6	19.6	63.2	22.5	66.9
Mar. to May 2004	23.8	70.3	17.6	62.0	20.7	66.2
June to Aug. 2004	32.3	76.7	26.1	67.6	29.3	72.1
Sept. to Nov. 2004	24.9	71.7	21.1	66.8	23.1	69.3
Dec. to Feb. 2005	24.9	71.0	20.3	64.5	22.7	67.8
Mar. to May 2005	24.7	69.4	20.5	64.2	22.7	66.8

Source: CSO, QNHS 2005.

**Table 3: Youth employment by sector (third quarter of 2005)**

	All people 15-64		15-19		20-24	
	2005 Q3	%	2005 Q3	%	2005 Q3	%
All sectors	1 989.8	100.0	90.4	100.0	250.5	100.0
Agriculture, forestry and fishing	119.6	6.0	4	4.4	5.2	2.1
Other production industries	294.6	14.8	8.1	9.0	33.6	13.4
Construction	252.1	12.7	16.9	18.7	44.4	17.7
Wholesale and retail trade	286.6	14.4	30.2	33.4	50.1	20.0
Hotels and restaurants	120.4	6.1	15	16.6	24.2	9.7
Transport, storage and communications	118.5	6.0	1.6	1.8	10.8	4.3
Financial and other business services	263.3	13.2	3.8	4.2	35.2	14.1
Public administration and defence	101.0	5.1	0.8	0.9	7.1	2.8
Education	119.8	6.0	0.8	0.9	6.7	2.7
Health	191.5	9.6	1.9	2.1	15.2	6.1
Other services	122.4	6.2	7.4	100.0	18.1	7.2

Source: CSO, QNHS 2005.

The issue in Ireland is not generally considered to be the lack of employment opportunities for young people, but that such opportunities are concentrated in low-quality jobs.

This is reflected by an analysis of trends in employment by sector. Table 3 shows high levels of concentration of employment in the wholesale and retail trade, hotels and catering, and construction sectors in both the younger age groups. These sectors involve a high number of low-paid, low-skilled jobs. Together they account for nearly half of employment in the 20-24 age group, and over two thirds in the 15-19 age group. Access to occupations in these sectors is obviously easier for young people, as opportunities are more likely to be short-term or part-time in nature and fit around educational activities.

The National Youth Council of Ireland (NYCI) has recognised the concentration of youth employment in economic sectors with a high number of low-paid, low-quality jobs. The NYCI also highlights the fact that many young people 'are working extremely long hours for below the minimum wage' <sup>(82)</sup>, and identifies the need to enforce the Protection of Young People (Employment) Act 1996.

## 2. Measures taken to promote youth employment

### 2.1. Education and training policies

A primary policy concern in Ireland is reducing the extent of early school leaving in the country. An important recent measure has been the setting up of the National Education Welfare Board (NEWB). The NEWB is the national agency with responsibility for encouraging and supporting regular school attendance.

In combination with this, the 'School completion programme' has been introduced. This programme aims to have a significant impact on pupil retention in primary and secondary schools, and on the numbers of pupils who successfully complete the senior cycle. The 'School completion programme' has subsumed the previous 'Early school leaver initiative' (for the 8-15 age group), and the 'Stay in school' retention initiative.

<sup>(82)</sup> <http://www.youth.ie>

A further initiative, targeting young people's basic skills, is the 'Home school community liaison scheme'. This scheme is targeted at students who are at risk of not reaching their potential in the education system because of economic or social disadvantage.

These policy developments are encouraging, and highlight the focus on early school leaving. It is too early to judge the effectiveness of such initiatives. Central Statistics Office figures indicate that more than 85% of people aged 20-24 in 2004 had attained at least a leaving certificate or equivalent (an increase of 3% from 1999). However, this growth is because of the increasing numbers of students participating in second-chance further education and training programmes. Ireland's early school leaving rate, at 12.3% in 2005, still lags behind several other EU Member States (8.6% in Sweden, 8.5% in Denmark and 9.1% in Austria).

Alongside these new developments, the 'Early school leavers programme' is a long-established policy intervention. Some early school leavers enter out-of-school programmes, such as the 'Community youth training' programme or FÁS (National Training and Employment Authority) mainstream courses, but most find it impossible to compete with more qualified candidates. 'Youthreach' is an initiative which aims to provide education, training and work experience for young people aged 15-18 with no formal education or training qualifications.

In addition, significant policy attention has also been devoted to ensuring that young people have the requisite skills to allow them to flourish and progress in the labour market. Measures exist to link education and work experience. The FÁS 'National traineeship programme' is an occupational skills development programme, tailored to the needs of Irish industry and local businesses. Traineeships combine off-the-job training in FÁS or FÁS-approved training centres with workplace training in the company. This dual system provides young people with the opportunity to apply skills and knowledge learned in the training centre in the workplace. Traineeships are aimed at new labour market entrants and unemployed people.

Also available is the 'Vocational training opportunities scheme', which provides second-chance education and training for adults aged 21 and over who have been receiving an unemployment payment or signing for credits for at least six months. The programme lasts one to two years, and participants may choose from a range of options. Trainees receive an allowance in lieu of welfare entitlements. The scheme is designed for those who have completed upper second-level education and want vocational training to enhance their employment prospects.

A recent report (July 2004) by the Enterprise Strategy Group, *Ahead of the curve: Ireland's place in the global economy*,

which is now exerting a significant impact on national policy-making, also raised a number of issues relating to education and training. The report recommended that the higher education sector needs to adapt to the changing needs of business. It also stated that the proportion of graduates in Ireland should be such as to place it within the top decile of OECD countries, and that the quality of awards from the Irish higher education sector should be benchmarked internationally.

*Ahead of the curve* also highlighted the disadvantage to the economy and to individuals of the drop-out rate of almost 17% from secondary education, and suggested a target completion rate for the leaving certificate of 90%. It also recommended training for a range of occupations, focused on those who do not complete the leaving certificate, through new work-study programmes relevant to the needs of the labour market. The 'One step up' initiative will pay particular attention to those with low levels of qualification and in low-level occupations. The focus will be on raising skill levels rather than re-skilling, and on transferable rather than company-specific skills.

A further educational resource to help young people to secure training and employment opportunities is the network of youth information centres, established by the Department of Education and Science.

## 2.2. Labour market and employment-related policies

The largely positive trends in employment in Ireland, including for young people, mean that recent employment policies have not been age-specific. They have generally focused on meeting skills gaps and the future skill requirements of the economy. There are, however, examples of policies with direct relevance to youth employment, such as the development of the apprenticeship system targeting younger age groups.

The national training agency, FÁS, is responsible for the provision of apprenticeship schemes. Apprenticeship is the recognised means to become a craftsperson in Ireland, and is organised by FÁS in cooperation with the Department of Education and Science, employers and unions. There are about 23 000 registered apprentices in the country. On successful completion of their apprenticeship, apprentices receive a national craft certificate, recognised both in Ireland and in other countries. This nationally and internationally recognised certificate will become the requirement for craftsperson status. Through the systematic development and assessment of skills and competences, apprentices will become more productive and reach effective worker standards more quickly. The modular structure allows for flexibility and cross-skilling, and helps



to update apprenticeships for future changes. The apprenticeship system is generally considered to be highly effective in developing skills in young people.

Ireland also has numerous active labour market programmes (ALMPs). Although young people benefit from them, they are not specifically targeted youth employment initiatives. One potentially negative development in relation to youth employment in recent years has been the changes to ALMPs. These schemes of subsidised training and employment for unemployed people have helped thousands back into work. Prior to 1999, all young people under 25 who had been unemployed for six months were referred to FÁS for an interview. However, from 1999 this was changed to all people under 25 who had been listed as unemployed for 18 months. A report from the Economic and Social Research Institute, *Profiling the unemployed: an analysis of the Galway and Waterford live-register surveys*, suggests that such intervention should occur at an earlier stage. It also proposes a profiling system for identifying those at risk of becoming long-term unemployed.

The National Youth Council for Ireland has also recently released recommendations for youth employment policy in its pre-budget submission, *Time to invest in youth*. The submission proposes targeting attention on young people who wish to become self-employed. A measure should be introduced to encourage young entrepreneurs to establish businesses for a period of up to three years and be allowed to claim certain tax-free allowances.

### 3. Problematic features of youth employment

The previous sections of this article highlighted a significant focus on issues such as early school leaving and the upskilling of young people in the labour force. Although facilitating young people to move from unemployment is still targeted, it is no longer a major priority. This development reflects the healthy nature of the economy in general, with most individuals able to find some type of employment. However, it should not disguise some problematic features of youth employment in Ireland. In particular, concern has been expressed about the low-quality, low-skilled and low-paid employment that characterises a significant proportion of youth employment, and the poor working conditions faced by young people in these jobs.

The prevalence of low-skilled, low-paid employment among young people was confirmed by analysis. The resulting policy responses are attempting to limit the flow of early school leavers into jobs at the bottom end of the labour market by

encouraging young people to stay on and develop their skills further, so they can secure better jobs after completing their education. The skills-based initiatives also focus on enabling young people to progress from poor-quality jobs into higher-paid and higher value-added occupations.

Alongside these interventions, however, there is a need to tighten the application of existing laws to ensure that young people in Ireland are protected from the worst working conditions. There is a law to counteract these problems: the Protection of Young People (Employment) Act 1996, yet the concern is that a substantial number of employers are ignoring it. The Protection of Young People (Employment) Act 1996 states that young workers are entitled to certain rights, such as rest periods, time off and limits on the number of hours worked. All firms employing people aged under 18 should display a poster detailing the rights of young people in the workplace. They must also keep a register containing the details of each person employed.

As a result of concern from social partners, there was a commitment to evaluate implementation of the Protection of Young People (Employment) Act. However, as yet, such an evaluation has not been undertaken. The NYCI has reaffirmed the need for this evaluation to be conducted. It also advocates more funding for this area, so that young workers' rights can be better publicised.

A final problematic area of youth employment, also relating to the quality of work, is the rate of pay for young workers. The minimum wage in Ireland is EUR 7.65 per hour. However, this does not apply to people under 18, a person employed by a close relative, or those in statutory apprenticeships.

Clearly, the lower minimum wage rates for those under 18 facilitate lower-paid, lower-quality employment. However, the pay rate is certainly not the primary cause of the concentration of employment in low-quality work among 16-18-year-olds, rather it is directly attributable to low skill levels. Nevertheless, it raises the issue that lower pay rates for young people are implicitly accepted.

### 4. Roles of the labour market actors

A number of actors are involved, either directly or indirectly, in influencing the nature and extent of youth employment in Ireland:

- The Department of Enterprise, Trade and Employment is responsible for employment policy and hence youth employment policy.



- The Department of Education and Science is responsible for education policy.
- FÁS, the national training agency, is responsible for delivery of a number of programmes accessed by young people to facilitate their entry into the workforce or to enhance their skills while they are in employment.
- The National Youth Council of Ireland, a major representative body for young people, is a significant lobbying organisation.
- The private sector also has a key role in determining the nature of youth employment in the future. It was noted above that non-adherence to laws may be resulting in poor working conditions for young people. The private sector's involvement in employment policy-making, formalised in the enterprise action plan, is a welcome development and will hopefully help to direct youth education and training, and subsequent employment, towards higher value-added occupations.

## 5. Conclusions

This article has highlighted a number of issues in youth employment. While unemployment is higher in the younger age bands, absolute levels are relatively low. However, although securing employment does not seem to be a significant problem for young people, such employment is heavily concentrated in sectors characterised by low-paid, low-quality employment. This is especially the case for workers aged 15-19.

This serious issue has contributed to a shift in employment policy in recent years away from an emphasis on access to employment for young people towards up-skilling to make use of better employment opportunities. Education policy is also important, with the drive to reduce early school leaving crucial in reducing the trend of low-paid, low-quality employment. The improvement of work quality will also be facilitated by tighter control of implementation of the Protection of Young People (Employment) Act 1996 in the workplace. An evaluation has been planned for some years now, and should be a priority.

# Youth employment in Italy

## 1. Trends

In 1996, the unemployment rate of people aged 15-24 was 30.4%, and 36.2% for women (see Table 1); both rates were almost three times higher than the corresponding rate for the whole population. In southern regions, the situation was dramatic, with unemployment reaching 55% among young women (45.3% among all young people). Education data showed that 21.7% (26.4% in the south) of people aged 14-18 did not attend secondary schools; the majority left school early and got only low-skilled labour.

Since then the situation has improved: the unemployment rate of people aged 15-24 decreased in 2004 to 23.5% (27.2% for women). However, the activity rate fell from 39.8% to 35.6% (36.3% to 31.7% among women). In the same year, the decrease in the south was greater than the national average, reaching a historic minimum of 44.6% among young women (37.6% overall). The percentage of 14-18-year-olds not attending secondary schools decreased to 7.9% in 2004 (8.6% in the south), and the percentage of 18-24-year-olds who neither finished secondary school nor continued education decreased from 33.3% in 1996 to 23.7% in 2003.

These positive results may have been produced by: (i) the shift from passive to active labour market measures in Italian employment policies in this period; and (ii) very poor demographic trends, which have reduced the proportion of young people in the population to levels lower than those of other EU Member States.

Despite these positive unemployment results, the employment rate of 15-24-year-olds increased slightly from 27.7% in 1996 to 28.9% in 2003 (reconstructed ISTAT series) before decreasing again, to 27.2% in 2004, 25.4% in the first quarter of 2005, and 25.9% in the second quarter <sup>(83)</sup>. Furthermore, data on long-term unemployment shows that, in 2004, the percentage of young people unemployed for a year or more was 9.9%, more than twice the overall average for Italian workers (3.8%).

## 2. Measures taken to promote youth employment

### 2.1. Italian employment policies in the last decade

Since 1995, a change has taken place in Italian employment policies. Traditional passive labour market measures – generous unemployment benefits, early retirement – started to be replaced by active labour market policies (ALMPs). These encouraged greater participation in the labour market by improving human capital and better matching labour supply and demand.

Despite different employment policies under the last two governments, the shift to ALMPs has been the unifying feature of recent employment measures. The main differences between the two approaches have been the provision of incentives for workers with basic skills/education and, in the second phase, a tendency to let the market determine matters.

In the first period, the focus of employment policies was to:

- Widen the extent of contractual norms, making labour contracts more flexible (Law 196/1997);
- Increase the financial resources allocated, to sustain hiring and stabilise jobs;
- Improve the match between labour demand and supply through the development of the public employment service (PES) (Law 59/1997, Legislative Act 469/1997 and subsequent regional laws).

In the second period, activities widened labour market flexibility through flexible contracts (Law 30/2003 and Legislative Act 276/2003) as well as reform of school and training systems (Law 53/2003 and Legislative Act 59/2004).

<sup>(83)</sup> Further details on youth employment by gender are provided in Table 1.

## 2.2. Education and training policies

Educational attainment of 22-year-olds to upper secondary education increased from 66.3% to 72.9% between 1999 and 2004 (from 54.1% in 1993), but is still below the EU-15 average (73.8%). Although the percentage of early school leavers has decreased in recent years, in 2004 it was 22.3%, still above the EU-15 average (17.8%). Despite introduction of the 'training obligation' (*obbligo formativo*) up to 18 years of age, a wide gap in the number of drop-outs from school persists between the south and the centre-north. In southern regions, the lack of adequate monitoring makes it difficult to address suitable measures for early school leavers. In 2004, the percentage of 25-34-year-olds with tertiary level qualifications was 13.5%, compared with the EU-15 average of 29.6%.

A comprehensive reform of the school system has been undertaken in recent years (Law 53/2003). This reform aimed to reduce the number of early leavers by improving the choices available, and by better linking education and training to employment needs. It is not certain, however, that the higher education system will produce graduates with qualifications in demand in the labour market.

In 2004, the participation rate in education and training was 6.8% (10.6% EU level), which is lower than the EU-15 average for any age bracket. After the 1997 revisions, apprenticeships grew from 284 000 in 1996 to 465 000 in 2003. The 'new' apprenticeship, outlined in DL 276/2003, is regulated and implemented by the regions. Inter-professional funds have been established for continuous training. They are financed from the revenues of a compulsory levy on businesses, proportional (0.3%) to payroll costs. Vouchers have been successfully introduced in some regions to finance individual training, particularly for atypical or autonomous workers.

Most active labour market measures have been decentralised, specifically those regarding apprenticeship and training. The regions have maintained strategic planning, provinces manage activities, and public employment centres (PECs) are responsible for special training programmes for young unemployed people. Attempts to ensure that vocational training targets young people with only basic education have not been pursued at national level<sup>(84)</sup>. Regions and provinces have started to collect data to provide indications of the demand for skills and to monitor the transition of young people from school to work.

<sup>(84)</sup> In recent years, there has been a decline in the number of people enrolled in the PECs, from a peak of 5.5 million in 1998 to 3.4 million in 2003. Of these, 40% were unemployed and 15% were employed; only 100 000 received a job offer and around 69 000 received guidance or training. Among those not enrolled in the PECs, about 372 000 received a job offer and 50 000 training or guidance. These figures show much needs to be done to increase counselling services.

## 2.3. The growing role of active labour market policies

Measures undertaken to promote and stabilise employment can be grouped under four main headings, and the effects on young people in 1996 (prior to policy reform) and 2003 (latest data available) compared.

1. Incentives (tax cuts/social contribution abatements) to firms hiring/stabilising workers belonging to disadvantaged groups. The measures can be categorised according to the nature of the incentives offered and the workers targeted:
  - Workers unemployed for 24 months or more, or who belong to another disadvantaged category (Law 407/1990, Law 223/1991, Law 381/1991 and Legislative Act 223/1991). The number of workers involved has increased from 180 802 in 1996 (50 476 (27.9%) aged 15-24) to 434 384 in 2003. However, the percentage of younger workers who obtained such benefits decreased to 14.1%, amounting to 61 383 individuals, almost half of whom were women.
  - Incentives for part-time hiring (Laws 223/1991 and 53/2000). In 2003, 53 040 workers were affected by these measures (27 752 (52.3%) of whom were 15-24-year-olds), compared with the 4 708 workers who benefited from these measures in 1996 (2 995 of whom (63.2%) were aged 15-24).
  - Incentives for businesses to stabilise the position of workers hired with atypical labour contracts. Most of these are regulated by Law 56/1987, which provides fiscal benefits to firms which transform apprenticeship contracts into contracts with unlimited duration. The majority of workers who benefit from this law are young. In 1996, the percentage of workers aged 15-24 affected by this law was 97.3% (49 015 people out of 50 375); in 2003, the number of workers affected by this law increased to 79 504, and the number of younger workers among them increased to 58 247 (but was down to 73.3% of the total).
  - Other incentives to stabilise job positions and favour the transformation of contracts with a training content into contracts with unlimited duration (Law 451/1994

and Legislative Act 299/1994). In 2003, these incentives stabilised 15 328 contracts, 13 037 of which (85.1%) concerned younger workers. Under Law 223/1991, 15 934 workers (of whom 13 298 (83.5%) were under 25) who were registered as having lost a job and were looking for another one were hired by firms receiving fiscal abatements. In 2003, these incentives led to the stabilisation of 110 776 workers, 67 809 of whom (61.2%) were under 25.

- Two further incentives are: (i) to create jobs in the southern regions (Law 510/1996), which has involved 3 148 workers, 400 of them (12.7%) aged between 15 and 24; and (ii) job creation through 'socially useful jobs' – 3 317 new jobs of this kind were created in 2003, of which 208 were taken by workers under 25. The two sets of measures involved 659 815 workers in 2003, 24.4% of whom (160 928 people) were under 25. In 1996, the workers benefiting from these incentives only amounted to 343 807, 108 814 of whom (31.6%) were young people.
2. A second group of policies provide incentives through social contribution abatements to firms providing apprenticeship contracts (giving apprentices some sort of training), and contracts with a training content. In 2003, 493 912 apprenticeship contracts were approved, a large majority of which (439 199 (i.e. 88.9%)) were held by younger workers, compared with 284 286 contracts in 1996. The number of contracts with a training content has decreased recently, from 373 698 workers in 1996 to 190 104 in 2003. The number of young people working under such contracts has decreased more sharply: from 196 573 to 66 927 (35.2% of the total).
  3. The third group of labour contracts providing social contribution abatements are those settled on a part-time basis. In 2003, 1 541 331 workers were affected by these incentives, compared with 859 144 part-time workers who received incentives in 1996. Only 129 225 of these contracts (8.4%) involved younger workers.
  4. The last group of measures includes those aimed at encouraging entrepreneurship and self-employment. Law 185/2000 supports business creation for young people in disadvantaged areas. In 2003, financial support amounting to EUR 568 631 511 assisted 12 753 applications and employed 15 848 people (94.3% of them in southern regions). Applications by women have steadily increased over the years, reaching 48% in 2003.

Despite serious regional disparities, no measures have been taken to promote the mobility of young people, at either national or transnational level.

### 3. Problematic features of youth employment

In several countries, including Italy, young people entering the labour market benefit from flexible forms of employment, even though flexible contracts make employment less stable. The percentage of workers under 25 who are employed part-time and/or with fixed-term contracts is twice that for all workers (27.3% against 13.6% in 2003). Recently, job stability has been achieved through changes in the forms of employment and also encouraged by the measures detailed above. However, this applies only to official work. In Italy, hidden economic activity is widespread. People employed in the black economy are likely to suffer from job insecurity and unstable forms of employment, but data are not readily available. The statistics on the extent of the population at risk of poverty (i.e. incomes lower than 60% of the average income) show that the percentage of workers aged 15-24 who are in such conditions decreased from a peak of 26.9% in 1998 to a minimum of 22.8% in 2002.

The wage gap between older and younger workers is not only much wider in Italy than in other European countries, but in recent years it has also increased considerably.

### 4. Roles of the labour market actors

In Italy, continuing vocational training has been carried out with social partners, who have established joint bodies at different levels and with different aims (sectoral, geographical, professional groupings). Training courses take place to upgrade trade union representatives' ability to bargain and counsel in training. Observers argue that bilateral organisations should control and plan, but not deliver training.

Despite trade union awareness, little attention is paid by the government to the new needs resulting from 'atypical' labour contracts, and employers' involvement in employment schemes remains rather limited. As some good practice in this direction starts to be recorded, implementation of the PES could increase dialogue between policy-makers and social actors at local level.

### 5. Conclusions

The labour market reforms since the mid-1990s may have reduced the period of inactivity between school and work, and

from unemployment/inactivity to employment. The effects of the reforms on young people are significant. The shift from passive to active labour market policies may have helped to reverse unemployment before the mid-1990s, but it has also worsened job stability and some other labour conditions of many younger workers. After a decreasing trend, employment rates have again worsened.

The effects of the reforms undertaken in 2003-04 – the labour market reform known as Legge Biagi and the reform of the school and training system – cannot be fully evaluated, as data are still insufficient. However, as the extension of social benefits to workers with flexible contracts has not yet taken place, the risk of precariousness for workers operating under these contracts remains high. This includes a significant number of young people.

**Table 1: Main labour market indicators**

Period	Activity rate		Employment rate		Unemployment rate	
	15-64	15-24	15-64	15-24	Total	15-24
<b>Men and women</b>						
1993	58.8	41.8	53.1	30.3	9.7	27.6
1994	58.5	40.6	52.2	28.7	10.6	29.1
1995	58.4	40.1	51.8	27.9	11.2	30.3
1996	58.8	39.8	52.1	27.7	11.2	30.4
1997	59.0	39.8	52.3	27.8	11.3	30.2
1998	59.8	40.4	52.9	28.3	11.3	29.9
1999	60.4	40.1	53.7	28.5	10.9	28.7
2000	61.0	40.3	54.8	29.4	10.1	27.0
2001	61.6	38.8	55.9	29.5	9.1	24.1
2002	62.1	37.8	56.7	29.1	8.6	23.1
2003	62.9	37.8	57.5	28.9	8.4	23.7
2004	62.5	35.6	57.4	27.2	8.0	23.5
<b>Men</b>						
1993	73.8	45.1	68.4	34.5	7.3	23.5
1994	73.1	44.0	67.0	32.7	8.3	25.6
1995	72.6	43.4	66.2	32.0	8.6	26.1
1996	72.5	43.1	66.2	32.0	8.7	25.8
1997	72.4	43.2	66.0	32.2	8.7	25.4
1998	73.0	44.0	66.5	32.8	8.8	25.4
1999	73.2	43.2	67.0	32.6	8.4	24.7
2000	73.6	43.3	67.8	33.3	7.8	23.1
2001	73.7	41.9	68.4	33.4	7.1	20.4
2002	74.1	41.5	69.1	33.4	6.7	19.4
2003	74.9	41.6	70.0	33.0	6.5	20.5
2004	74.5	39.3	69.7	31.2	6.3	20.6
<b>Women</b>						
1993	43.9	38.4	37.8	25.8	13.8	32.6
1994	43.9	36.9	37.4	24.5	14.6	33.6
1995	44.3	36.6	37.5	23.6	15.4	35.6
1996	45.1	36.3	38.1	23.2	15.2	36.2
1997	45.6	36.2	38.5	23.1	15.3	36.2
1998	46.7	36.6	39.4	23.6	15.4	35.5
1999	47.6	36.7	40.5	24.3	14.8	33.8
2000	48.5	37.1	41.8	25.3	13.6	31.9
2001	49.5	35.6	43.4	25.4	12.2	28.7
2002	50.2	34.0	44.4	24.5	11.5	27.8
2003	50.9	34.0	45.1	24.6	11.3	27.6
2004	50.6	31.7	45.2	23.1	10.5	27.2

Source: ISTAT.

# Youth employment in Latvia

## 1. Trends

Recent rapid economic growth in Latvia has been reflected in rising employment figures. In 2004, employment reached 62.3% (working-age population 15-64), up from 57.5% in 2000. Nevertheless, the employment rate still lags behind the EU-15 average of 63.3%.

Young unemployed people have historically been regarded as a key problem group in Latvia, but Figure 1 shows a 30% decline in the number of young unemployed people between 1998 and 2004. It appears that young unemployed people shared the positive effects of recent economic growth.

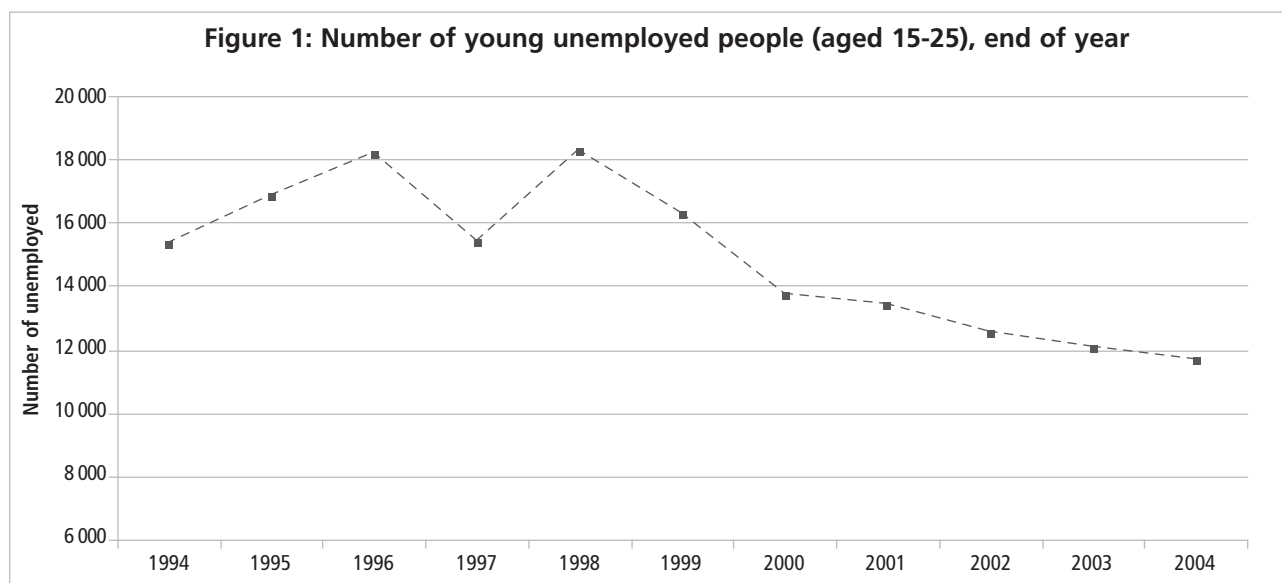
However, the population in this age group has also been shrinking. The actual youth unemployment rate compared with the EU-25 is shown in Table 1.

Not only has the Latvian economic boom led to a falling youth unemployment rate, but Latvia's youth unemployment rate has also fallen relative to the EU-25 average. Nevertheless, the Latvian rate is just above the EU-25 average. Youth unemployment also differs by gender: 21% of young women were unemployed in 2004, compared with 18% of young men.

Table 2 shows recent developments in the unemployment ratio<sup>(85)</sup> in Latvia, compared with the EU.

The Latvian youth unemployment ratio has also followed a downward path, reflecting the economic boom. The ratio is currently lower in Latvia than in the EU-25 and lower even than in the EU-15. Also, young women showed a ratio of 6.6% in 2004, marginally better than young men (6.9%).

This difference between unemployment ratio and unemployment rate reflects the fact that relatively more young Latvians are in



Source: Central Statistical Bureau of Latvia.

**Table 1: Unemployment rate of people aged 15-24 (%)**

	1998	1999	2000	2001	2002	2003	2004
EU-25	19.2	18.4	17.4	17.7	18.2	18.7	18.7
Latvia	26.8	23.6	21.4	23.1	23.9	17.9	19.2

Source: Eurostat.

<sup>(85)</sup> In contrast to the unemployment rate, which measures unemployment as a share of the economically active population in the age group, the unemployment ratio measures the proportion of unemployed people in the total population of the given age group.

**Table 2: Developments in the youth unemployment ratio (%)**

	1999	2000	2001	2002	2003	2004
<b>EU-25</b>	8.7	8.4	8.0	8.2	8.4	8.3
<b>EU-15</b>	8.5	7.7	6.9	7.2	7.6	7.6
Latvia	10.2	8.5	8.2	8.1	6.9	6.8

Source: Eurostat.

**Table 3: Early school leavers <sup>(86)</sup> (%)**

	2002	2003	2004
<b>EU-25</b>	16.6	16.1	15.7
<b>EU-15</b>	18.6	18.2	17.6
Latvia	19.5	18.1	15.6

Source: Eurostat labour force survey.

higher education than in other countries, and therefore not seeking work. This is also probably a reason for the gender difference, since relatively more young women are in higher education.

It also points to the main problem underlying the youth unemployment rate – inadequate or insufficient education to meet the needs of the labour market. A major factor influencing young people's employability is their education and human capital for meeting labour market needs.

- Provision of training places for unemployed young people, with state and ESF financing of LVL 2.5 million (nearly EUR 3.6 million);
- Subsidies for employment measures for unemployed young people (training practice), with state financing of LVL 1.3 million (just over EUR 2.1 million);
- Provision of work placements during the summer holidays for young people aged 15-18, with state financing of LVL 1 million (just over EUR 1.4 million).

## 2. Measures taken to promote youth employment

While Latvian policy-makers have frequently acknowledged the problem of high youth unemployment, so far no major policy initiatives have been designed to tackle the problem. However, with the Structural Funds and especially the European Social Fund (ESF), more specific measures focusing on reducing youth unemployment have been included in the national Lisbon reform programme (NLP) of Latvia for 2005-08. The main measures are:

### 2.1. Education and training policies

#### Ensuring acquisition of basic skills and preventing early school leaving

The problem of early school leavers is important because people who leave school without qualifications face a much more difficult time re-entering education later in life. Table 3 shows Latvian performance in comparison with the EU.

Even without explicit policy measures, Latvia's performance has improved in the last three years. The percentage of early school leavers is now lower than in both the EU-25 and EU-15.

<sup>(86)</sup> In the EU, early school leavers are defined as the percentage of 18-24-year-olds having achieved lower secondary education (International Standard Classification of Education (ISCED) level 2) or less and not attending further education or training.



The improvement in the Latvian figures is probably because of growing enrolments in tertiary education.

However, the Latvian Ministry of Education has different data on the number of secondary school pupils who do not graduate from school (i.e. leave without a diploma). This indicator shows a different picture. The latest data for the 2003-04 school year show that drop-outs were higher than in the previous six years (Figure 2).

The NLP for 2005-08 states the aim of improving the availability of education at all levels, and to reduce the number of students expelled from educational establishments. This issue is to be tackled by integrating young people into the education system, especially young people from socially excluded risk groups. To this end, the NLP envisages the creation of remedial programmes (2005-07), with EU funds amounting to LVL 0.1 million (EUR 0.14 million).

Another policy initiative has been the reform of secondary schools that use minority languages as the main instruction language. The reform is to limit the numbers of lessons conducted in minority languages (Russian in most cases) in favour of the state language (Latvian). The introduction of a bilingual education system is intended to increase young Russian speakers' competitiveness in the Latvian labour market and facilitate their integration into Latvian society.

However, the reform has faced strong resistance from potential beneficiaries, who claim that their competitiveness (together with the quality of knowledge gained during their studies) is actually decreasing because they have to express themselves in a complex non-native language. Several studies conducted by independent non-governmental organisations

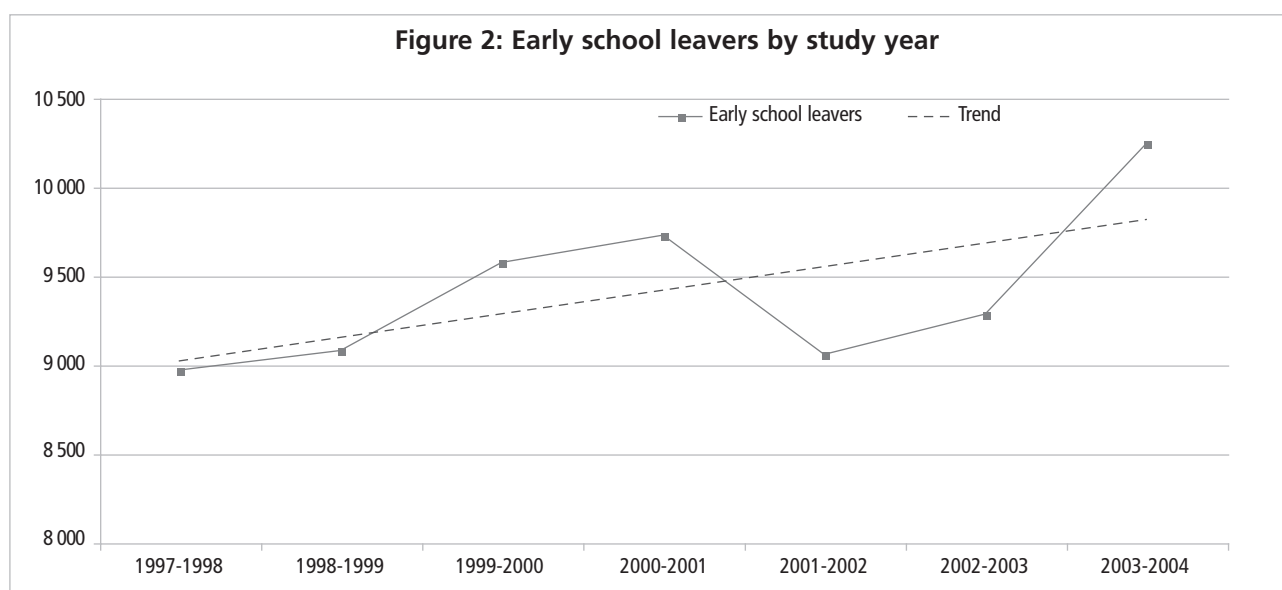
and Russian-oriented political parties have agreed, pointing out the underdeveloped methodology of bilingual education and lack of suitable textbooks. Moreover, the professional skills of teachers and their opportunities for further education are insufficient. Official assessment of the ongoing reform is not yet available.

### Vocational training system

According to current policy, the vocational education system must ensure that vocational education and skills acquired in Latvia and abroad should be mutually comparable and compatible, and that graduates of Latvian institutions should be able to continue their vocational education abroad, competing successfully in the international labour market. However, actual cooperation between education institutions and professional organisations, including trade unions, is minimal. As a result, it is difficult to set requirements for employee competences and develop vocational education programmes. Moreover, unified criteria and methodologies for assessing initial and further vocational education programmes are not yet established in Latvia. Thus, there is an absence of real monitoring of vocational education. This is one of the priorities in the NLP.

In the third quarter of 2005, the Ministry of Education and Science approved 51 professional education projects to improve education programmes for workers such as mechanics, carpenters, computer specialists and machinists. The total funding for all projects is just over LVL 3 4 million (nearly EUR 4.9 million).

Orientation is another key area for promoting the matching of skills with labour market needs. The main institution here is the network of Professional Career Counselling State Agency (PCCSA) offices. The number of people receiving PCCSA services



Source: Ministry of Education and Science.

increases every year. A large part of them are young people choosing a profession for the first time. In cooperation with the private sector, PCCSA conducts surveys on the professional orientation of primary and secondary school graduates on a regular basis. The most recent survey showed that most respondents plan to continue their education after graduating from school. The NLP for 2005-08 also envisages the introduction of professional orientation measures directly in schools.

### **Ensuring that the higher education system meets the demands of the labour market**

The Ministry of Education and Science has proposed significant amendments to Latvian higher education legislation, which are now in the process of public consultation. The main emphasis in the proposed new legislation is on processes (study programme, courses, modules), procedures (accreditation, licensing, registration) and final results (qualifications, academic degrees). In addition, it is proposed to change the management system of higher education institutions, to separate academic issues from financial and administrative matters. A new Higher Education Council will be established, consisting of representatives from higher education institutions, the Latvian Employer's Confederation and various other partners. The proposed legislation is based on the experience of other EU countries, but education experts have already expressed concern as to whether it will make the education system more competitive.

Another initiative within the NLP 2005-08 involves conducting an analysis of labour market demand and updating the classification of professions and fields of studies. This should inform more potential students about the various fields of studies. The aim is to ensure the supply of labour in areas necessary for the economy, and to increase the supply of further vocational education programmes.

## **2.2. Labour market and employment-related policies**

### **Linking education with work experience**

The State Employment Agency (SEA) has organised summer internships for students of general and vocational secondary educational institutions, to introduce young people to the world of work. Jobs are often low-skilled, with the intention of encouraging students to continue with further education and the possibility of obtaining higher-skilled and better-paid jobs. The duration of these internships is three months. In 2005, around 9 000 young people took part in the programme. It is funded by the state with a budget of LVL 450 000 (EUR 0.64 million). The

programme is expected to receive LVL 1 million (EUR 1.42 million) in 2005-06.

Another initiative is to provide training places for unemployed young people, with total state and ESF financing of LVL 2.5 million (EUR 3.6 million) in 2005-08. This project is based on an SEA survey of recently graduated unemployed people, which showed that lack of work experience was their main reason for unemployment. The internship period is expected to last for six to nine months. In 2005, a total of 9 228 students and 753 employers took part in this programme.

### **Active labour market policies**

The State Employment Agency is the major implementation agency for active labour market policies (ALMPs) in Latvia. In all, 12 641 young unemployed people have taken part in the ALMP measures described below.

SEA organises subsidised short-term social jobs or work placements for unemployed people. In 2004, the total funding devoted to this programme was LVL 1.8 million (EUR 2.6 million), and 14 894 unemployed people took part. According to the Welfare Ministry, the programme will continue over the next two years with 52 projects aimed at employment-facilitating measures for young unemployed people and people at risk of poverty and social exclusion. Of these projects, 27 provide internships for young unemployed people (mentioned above), and 25 provide subsidised job placements for people at risk of poverty and social exclusion. In 2004, a total of 1 311 young unemployed people took part in these measures, exceeding the SEA estimate by 68.1%.

Modular training and measures to promote competitiveness are available to all registered unemployed people. The programme consists of 21 modules, providing contemporary literacy skills (English, German, Latvian languages, computer literacy, project management) and specialised professional skills (e.g. for barbers, accountants, joiners). The content of specific modules is derived from analysis of demand for certain skills and qualifications, from labour market studies. In 2004, 976 young people aged 18-25 (22.3% of all participants) took part in the modular training programme.

According to consultations with officials, there is a significant risk of merely postponing or diverting unemployment as a result of these educational measures. It is often the case that those who go through SEA training programmes then squeeze out those with less competitive skills in the labour market, rather than taking up newly created jobs. This is clearly the case in Latgale, where the unemployment situation is the worst in Latvia. Surprisingly, no new jobs appear to have been created, despite the resources spent by SEA on promoting entrepreneurship and skills development.

### 3. Conclusions

The youth unemployment situation in Latvia has steadily improved in recent years. However, some of the most important issues, such as the development of high-quality vocational education, or the difficulties faced by young people from disadvantaged backgrounds, have yet to be tackled. Some measures are mentioned in the 2005-08 NLP. Increased funding from the ESF will help, but core problems will be hard to eradicate.

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Ministry for Children and Family Affairs

[http://www.bm.gov.lv/lat/jaunatnes\\_politika/jaunatnes\\_politikas\\_jomas/nodarbinatiba/](http://www.bm.gov.lv/lat/jaunatnes_politika/jaunatnes_politikas_jomas/nodarbinatiba/)

National Youth Council of Latvia

<http://www.ljp.lv/index.php?id=projects&l=LV>

Youth International Programme Agency

<http://www.jaunatne.gov.lv/lv/jspa/jaunatne/>

Central Statistical Bureau of Latvia

<http://data.csb.lv/EN/Database/annualstatistics/05.%20Employment/05.%20Employment.asp>

Miscellaneous press sites:

<http://www.delfi.lv>

<http://www.tvnet.lv>

# Youth employment in Lithuania

## 1. Trends

Recent economic growth in Lithuania has been accompanied by a growing demand for labour, decreasing unemployment and increasing labour productivity. However, the overall employment rate has been growing rather slowly.

The main data on youth employment are presented in Table 1. The situation of young people (aged 15-24) is different in the labour market compared with other age groups. The rate of employment of young people has been decreasing recently. The youth unemployment rate has remained relatively high, and is nearly double the average national unemployment rate.

The youth activity rate is not high, because most people in this age group are studying and not seeking a job. Between 1999 and 2004, the proportion of young people in education grew from 59% to 73%. In 2004, the percentage of 20-24-year-olds having achieved at least upper secondary education (International Standard Classification of Education (ISCED) level 3) was 86.1% – nearly 10% higher than in the EU-25.

The main problems and challenges for youth employment are:

- A high proportion of children not attending school;
- Insufficient interaction between the education system – initial vocational education and training (VET) and higher

education – and employers, and consequently a lack of practical skills and working experience among graduates;

- The slow reaction of higher education institutions to changes in the labour market;
- Increasing emigration of young people.

## 2. Measures taken to promote youth employment

### 2.1. Education and training policies

#### Current developments

Lithuania is undertaking a reform of its national education policy. The major strategic documents are 'Provisions of the national education strategy, 2003-12', and the 'Strategy for lifelong learning'.

'Provisions of the national education strategy, 2003-12' aims to develop a flexible and open structure of education, uniting general education, VET, and formal, non-formal and informal education.

**Table 1: Main characteristics of young people (aged 15-24) in the labour market**

	1999	2000	2001	2002	2003	2004
Labour force (1 000)	1 705.5	1 671.5	1 635.8	1 630.3	1 641.9	1 620.6
<b>15-24 labour force (1 000)</b>	<b>208.2</b>	<b>180.2</b>	<b>162.4</b>	<b>155.7</b>	<b>156.3</b>	<b>137.9</b>
Employed (1 000)	1 456.5	1 397.8	1 351.8	1 405.9	1 438.0	1 436.3
<b>Employed young people (1 000)</b>	<b>151.6</b>	<b>126.1</b>	<b>111.9</b>	<b>119.9</b>	<b>117.5</b>	<b>106.9</b>
Activity rate (15-64)	72.1	70.5	69.4	69.3	69.7	69.0
<b>Youth activity rate</b>	<b>42.1</b>	<b>36.3</b>	<b>32.6</b>	<b>30.7</b>	<b>30.0</b>	<b>26.2</b>
Employment rate	61.4	58.7	57.2	59.6	60.9	61.1
<b>Youth employment rate</b>	<b>30.6</b>	<b>25.4</b>	<b>22.5</b>	<b>23.6</b>	<b>22.6</b>	<b>20.3</b>
Unemployment rate	14.6	16.4	17.4	13.8	12.4	11.4
<b>Youth unemployment rate</b>	<b>27.2</b>	<b>30.0</b>	<b>31.1</b>	<b>23.0</b>	<b>24.8</b>	<b>22.5</b>
Youth in education (% of 15-24 population)	59.4	62.2	64.7	68.1	71.1	72.6

The 'Strategy for lifelong learning' aims to:

- Improve access to education;
- Strengthen the coordination of lifelong learning;
- Improve the financing of continuous learning by establishing special funds and involving employers and employees;
- Upgrade the skills of teaching and vocational counselling staff;
- Carry out differentiated development of the regional structure of lifelong learning.

### Early school leaving

To assist early school leavers to return to education, a network of youth schools was established in 1993. These schools are geared primarily to 12-16-year-olds who lack motivation to learn, and provide an alternative way for them to complete compulsory education. In 2005, there were 25 youth schools, attended by 2 000 students.

During the last four years, the following measures to prevent early school leaving have been taken:

- Introduction of the position of 'social pedagogues' (teachers) in general education schools;
- Free meals for children entitled to social support;
- Reform of the financing of general education (comprehensive) schools, launched at the beginning of 2002 and applying the principle of 'money following the pupil';
- Implementation of a national programme to make it easier for rural children to reach schools.

To create an effective approach to solving the problem of early school leavers, the 'Return of early school leavers' project (supported under the single programming document 2004-06) began in March 2005. It aims to increase access to pedagogical-psychological assistance and improve its effectiveness and quality, along with staff qualifications and facilities.

### Matching vocational education and training to labour market needs

In 2003, the vocational guidance strategy was approved. The aim is to develop a vocational guidance system and vocational guidance services to meet the needs of economic and social development and individuals. A pilot version of the open

information, counselling and guidance system (AIKOS) was created in 2003. It is a comprehensive, regularly updated internet website of the Ministry of Education and Science (MES) in Lithuanian and English<sup>(87)</sup>.

In order to adapt the education and training system to labour market needs, sectoral studies are conducted to evaluate training needs, including assessment of the skills required in the next five years. Such studies provide specific recommendations to address issues of training policy, vocational guidance and counselling, and the VET curriculum.

### Higher education system

Every year, the MES analyses demand for highly qualified specialists in the labour market. However, the demand for such specialists changes more quickly than people take to finish a course in higher education institutions. Such analysis is therefore oriented more towards forecasting the demand for highly qualified specialists and launching new study programmes.

To increase the responsiveness of the higher education system to the demands of the labour market, research on the competitiveness of university/college graduates in the labour market has been carried out since 1998. However, every year Lithuanian universities and colleges produce a large number of professionals who are not needed in the Lithuanian labour market. These individuals either go abroad to work, or take jobs not commensurate with the degree acquired at university or college.

## 2.2. Labour market and employment-related policies

### Active labour market policies

Lithuanian laws specify that people under the age of 18 can participate in the labour market or the vocational training system only after having acquired basic general education. Yet many young people who have failed to acquire basic education get a job as soon as possible; 3-5% of young people registered with the Lithuanian Labour Exchange do not have even basic education.

In Lithuania, young people (aged 16-25) entering the labour market for the first time – including graduates of vocational schools, colleges and universities – are treated as a special group requiring additional support. This support comes in the form of special employment programmes, priority to participate in vocational training, supported jobs and other labour market policy measures.

<sup>(87)</sup> <http://www.aikos.smm.lt>

Local labour exchanges arrange special measures focused on improving the vocational skills of this group. The programme 'The first step to the labour market' is to train and integrate into the labour market people who are starting employment for the first time. Graduates of vocational schools, colleges or universities are offered the programme 'Intensive integration into the labour market' and an employment plan within seven days of their registration with the labour exchange. In 2004, 83.5% of young unemployed people were offered 'a new start' in the form of training or other employment measures within six months of their registration.

The website of the Lithuanian Labour Exchange has a special 'bank of talents', designated for young people<sup>(88)</sup>. The aim is to create wider job opportunities for skilled professionals and students as well as to help employers in finding employees. Since 2004, the website of the Lithuanian Labour Market Training Authority has been providing interactive counselling and guidance services in real time, along with computerised vocational guidance tests<sup>(89)</sup>.

Implementation of the 'Programme for employment increase' 2001-04 resulted in an expanding network of youth employment centres (YECs). By the end of 2004, there were six such centres. In YECs, advanced technologies are used to search for employment and training opportunities.

Active labour market policy measures have positive outcomes for unemployed young people, particularly when they participate in vocational training programmes. The policy of the Lithuanian Labour Exchange is directed towards ensuring permanent and adequate jobs for young people. Difficulties with this include the insufficient variety of measures and their inaccessibility in rural areas.

### Tax systems and labour market legislation

There are very few fiscal measures encouraging the employment of young people, such as special tax privileges or decreased social contributions (e.g. a lower minimum wage).

In November 2005, the government approved a draft law which proposed that all students of vocational schools, colleges and universities, as well as people assigned to vocational

training by local labour exchanges, shall be insured from public funds during their vocational practice, from 1 January 2006. Compensation insurance and occupational health social insurance from public funds should reduce employers' expenses.

The situation is similar with measures intended to promote self-employment for young people. The only measure is inclusion of a module on the fundamentals of self-employment in vocational training.

According to data from 2004<sup>(90)</sup>, most employed young people in Lithuania (96%) were hired employees – only 3.6% were self-employed. One of the measures in the government programme 2004-08 is to increase the self-employment of young people. The 'National programme to promote self-employment for young people' is in progress, implementing education and training schemes promoting self-employment for young people, information and other promotion measures. The programme may also provide for additional financial resources for young people starting their own business.

### Regional disparities and mobility

Big regional differences lead to the migration of young people, who are one of the most mobile social groups. They often leave less economically developed regions for bigger cities or towns, or go abroad. Unfortunately, there has been no strategy so far to tackle youth emigration. According to data from the Institute of Labour and Social Research, the number of young people who are determined to leave and work abroad has been growing regularly since 2000. Active youth migration not only reduces the supply of skilled labour in the national labour market, but also contributes to the ageing process of the Lithuanian population.

To tackle these youth-related problems, Lithuania is forming a municipal network of coordinators of youth affairs. The 'Programme of improved activities of municipal coordinators of youth affairs' is in progress. The Ministry of Social Security and Labour (MSSL) plans to increase funds in 2006 to maintain coordinators of youth affairs in municipalities. This increased funding is expected to contribute to improvement in the competences of coordinators of youth affairs.

<sup>(88)</sup> <http://www.ldb.lt/eng/>

<sup>(89)</sup> <http://www.darborinka.lt/english/?pid=600>

<sup>(90)</sup> *Research into the youth situation*, State Council for Youth Affairs (2004).



### 3. Problematic features of youth employment

In general, the issue of integrating young people into the labour market constitutes one of the key employment problems in Lithuania <sup>(91)</sup>. On the one hand, young people do not have the experience and skills required by employers, but usually have high education qualifications and thus expect relatively high earnings. On the other hand, young people are one of the most mobile socioeconomic groups and tend to switch jobs. As a result, employers are not interested in investing in young people. This creates very unfavourable conditions for integrating young people into the national labour market.

There is also still a prevailing problem of low wages (characteristic of Lithuania's entire economy), which leads to external migration by young people. In addition, youth employment is negatively influenced by insufficient transparency of pay and career development in many Lithuanian companies and organisations.

### 4. Roles of the labour market actors

Currently, Lithuanian youth policy is undergoing important changes. The Law on Youth Policy Framework, adopted in 2003, defined Lithuanian youth policy, its principles and fields of implementation, and the state and municipal institutions and agencies implementing youth policy. Definitions of youth organisations and councils of youth organisations were enshrined in law for the first time. Informal education was also acknowledged in the law.

In November 2005, parliament adopted amendments to this law to better define the functional distribution of state institutions and organisations, and to enshrine the Department for

Youth Affairs at the MSSL as the main institution for implementing measures of national youth policy. The State Council for Youth Affairs (SCYA) had been established in 1996 to take responsibility for implementing national youth policy. Its role increased considerably in 2005, and it was decided to transform the SCYA into the Department for Youth Affairs at the MSSL, from 1 January 2006.

Though established in 1992, the Lithuanian Council of Youth Organisations was more actively involved in tackling employment policy issues in 2000-02.

Youth centres or units have been established in three major trade union organisations. These centres try to share information on tackling young people's employment problems, and initiate public campaigns to attract attention to young people's social problems. By contrast, the main employer organisations do not have a targeted youth policy.

### 5. Conclusions

Certain problems remain for young people in the labour market in Lithuania, in parallel with positive trends. Economic growth has facilitated employment growth and increased the employment of young people. The variety of measures for integrating young people into the labour market is increasing. The mobility of young people is growing, as is the level of young people's vocational preparedness. However, the number of those who drop out remains high. Young people do not tend to study blue-collar professions. Youth emigration is high, as is the level of their employment in foreign countries.

The government has taken a number of measures to increase youth employment. Yet the absence of a multi-faceted approach to youth employment policy has been the major problem in Lithuanian youth policy to date. The decision to establish the Department for Youth Affairs at the Ministry of Social Security and Labour (from January 2006) is expected to change the situation.

<sup>(91)</sup> *Research into the youth situation*, State Council for Youth Affairs (2004).



# Youth employment in Luxembourg

## 1. Main trends <sup>(92)</sup>

Table 1 provides a snapshot of the youth employment situation in Luxembourg.

The table shows an increase in jobseekers between September 2004 and September 2005. Most affected by unemployment were young people under 25, those aged 31-40 and those aged 41-50. Young people aged between 26 and 30 and older people were the least affected. Furthermore, men were more affected by unemployment than women.

Table 2 shows that the lower the level of qualification, the higher the number of jobseekers. However, this mostly applies to people with intermediate-level qualifications, rather than those with the lowest level of qualifications. Lack of training thus seems to be a key factor for youth unemployment in Luxembourg.

Table 3 shows that long-term unemployed people <sup>(93)</sup> constitute 29.9% of jobseekers. The under-26 age group moves more

rapidly from jobseeker status into employment. But that same age group is also strongly represented among long-term unemployed people.

## 2. Youth employment measures since the 1999 National Action Plan for Employment

The first National Action Plan for Employment (NAP) established measures to promote employment for young people under 30:

- Temporary auxiliary contracts (TACs) in the public and private sectors;
- Company insertion traineeships (CITs).

**Table 1: Distribution of jobseekers by sex and age in September 2004 and 2005 <sup>(94)</sup>**

	Age	Under 26	26-30	31-40	41-50	51-60	60+	Total	%
<b>Aug. 05</b>	<b>Total</b>	1 740	1 177	2 462	2 452	1 621	80	9 532	
	<b>%</b>	18.3	12.4	25.8	25.7	17.0	0.8	100	100
<b>Sept. 05</b>	Men	1 097	598	1 349	1 399	988	49	5 480	54.2
	Women	932	657	1 211	1 114	681	29	4 624	45.8
	<b>Total</b>	<b>2 029</b>	<b>1 255</b>	<b>2 560</b>	<b>2 513</b>	<b>1 669</b>	<b>78</b>	<b>10 104</b>	
	<b>%</b>	<b>20.1</b>	<b>12.4</b>	<b>25.3</b>	<b>24.9</b>	<b>16.5</b>	<b>0.8</b>	<b>100</b>	<b>100</b>
<b>Sept. 04</b>	<b>Total</b>	1 872	1 109	2 288	2 123	1 329	62	8 783	
	<b>%</b>	21.3	12.6	26.1	24.2	15.1	0.7	100	100

<sup>(92)</sup> Administration de l'emploi (Employment Administration) (2005) *Bulletin luxembourgeois de l'emploi*, No 9, September, pp. 6-8.

<sup>(93)</sup> On the unemployment register for more than one year.

<sup>(94)</sup> Figures presented for September are representative of the year's generally stable situation.

**Table 2: Young jobseekers <sup>(95)</sup> by level of training and type of employment, September 2005 <sup>(96)</sup>**

	A <sup>(97)</sup>	B	C	D	E	F	G	H	I	J	K	L	Total
<b>LL <sup>(98)</sup></b>	18	0	24	151	48	20	0	200	212	59	104	23	859 42.3%
<b>AL</b>	116	1	260	150	33	14	0	165	94	41	66	70	101 49.8%
<b>HL</b>	74	4	36	3	0	2	0	0	2	2	4	11	138 6.8%
<b>NS</b>	1	0	0	1	0	0	0	1	0	0	3	16	22 1.1%
<b>Total</b>	<b>209</b>	<b>5</b>	<b>320</b>	<b>305</b>	<b>81</b>	<b>36</b>	<b>0</b>	<b>366</b>	<b>308</b>	<b>102</b>	<b>177</b>	<b>120</b>	<b>2 029</b> <b>100%</b>
<b>%</b>	<b>10.3</b>	<b>0.3</b>	<b>15.8</b>	<b>15.0</b>	<b>4.0</b>	<b>1.8</b>	<b>0.0</b>	<b>18.0</b>	<b>15.2</b>	<b>5.0</b>	<b>8.7</b>	<b>5.9</b>	<b>100</b>

**Table 3: Jobseekers by age and time spent on unemployment register, September 2005**

	Age	Months on register						Total
		Less than 1	1-3	3-6	6-9	9-12	12+	
<b>Sept. 05</b>	<b>Under 26</b>	724	455	232	155	122	341	2029
	<b>26-30</b>	262	248	187	170	115	273	1255
	<b>31-40</b>	404	394	473	342	264	683	2560
	<b>41-50</b>	256	350	399	348	275	885	2513
	<b>50-60</b>	123	165	218	180	182	801	1669
	<b>60+</b>	5	9	6	8	7	43	78
	<b>Total</b>	<b>1 774</b>	<b>1 621</b>	<b>1 515</b>	<b>1 203</b>	<b>965</b>	<b>3 026</b>	<b>10 104</b>
<b>%</b>	<b>17.6</b>	<b>16.0</b>	<b>15.0</b>	<b>11.9</b>	<b>9.6</b>	<b>29.9</b>	<b>100</b>	

<sup>(95)</sup> 'Young jobseekers' refers to unemployed people under 26, available for work and seeking an appropriate job, who are not on an employment scheme, compensated or otherwise, and fulfil the obligations of ADEM.

<sup>(96)</sup> Only the first preference of each jobseeker is taken into consideration.

<sup>(97)</sup> Type of employment sought, by occupational sector:

A: Professionals, technicians/engineers and equivalent; B: Administrative and managerial workers; C: Office workers; D: Sales staff; E: Agricultural workers, foresters, quarrying, miners and similar; F: Transport workers; G: Communications workers; H: Craft workers, manual workers (precision trades, watchmaking, mechanical/electrical engineering, woodworking and building); I: Craft workers, manual workers (food/chemical sectors, production, machinists); J: Hotels, catering; K: Other services; L: No preference expressed.

<sup>(98)</sup> Levels of training, without indication of qualifications actually gained:

LL: Lower level, compulsory schooling (nine years of study); AL: Intermediate level, 10<sup>th</sup> to 13<sup>th</sup> grade of secondary technical education, 3<sup>rd</sup> year to 6<sup>th</sup> form, general secondary education; HL: Higher level, post-secondary education; NS: Not specified.

**Table 4: TACs (public and private sector), by sponsors and by gender in 2003 and 2004**

Sponsors	2003				2004			
	TACs		Men	Women	TACs		Men	Women
Administrations	870	44.3%	394	476	863	41.4%	436	427
Communes	140	7.12%	88	52	140	6.7%	105	35
Not-for-profit organisations	393	20%	280	113	426	20.5%	286	140
Commune representatives	8	0.4%	8	0	3	0.1%	2	1
Private sector	553	28.2%	358	195	651	31.3%	408	243
<b>Total</b>	<b>1 964</b>	<b>100%</b>	<b>1 128</b>	<b>836</b>	<b>2 083</b>	<b>100%</b>	<b>1 237</b>	<b>846</b>

**Table 5: TACs (public and private sector), 2003 and 2004**

Sponsors	2003		2004	
Administrations	94	19.2%	102	19.0%
Associations/Not-for-profit organisations	42	8.6%	54	10.1%
Communes	32	6.6%	38	7.1%
Private-sector companies	320	65.6%	342	63.8%
<b>Total</b>	<b>488</b>	<b>100%</b>	<b>536</b>	<b>100%</b>

## 2.1. Temporary auxiliary contracts

Temporary auxiliary contracts between employers and young jobseekers provide practical work experience to ease the transition to employment. The Employment Administration (ADEM) offers TACs to private-sector employers and public-sector organisations. ADEM targets people under 30 who have been registered as jobseekers for at least one month.

## 2.2. Company insertion traineeships

Since 1999, ADEM has offered a company insertion traineeship (CIT) to jobseekers under 30 who have been registered with ADEM for at least one month. The CIT comprises alternating periods of practical and theoretical training.

## 2.3. Outcomes <sup>(99)</sup>

The rise in unemployment observed in 2004 has had an impact on youth unemployment. This rise explains, at least partly, the increase in young people benefiting from youth employment measures in 2004 (see Table 4). In 2004, 2 083 TACs were signed, for 846 young women and 1 237 young men (the total was 1 964 in 2003); 68.7% of these contracts were in the public sector (3.1 percentage points less than in 2003).

The overall distribution of sponsors is shown in Table 5.

In 2004, 448 young people, 65 of whom were women, benefited from CITs (292 in 2003). Also in 2004, 17 new framework conventions on CIT arrangements were signed with 17 companies.

<sup>(99)</sup> Luxembourg Ministry of Labour and Employment (2005) *Rapport d'activité 2004*.

### 3. Towards a reform of youth employment measures

A new law <sup>(100)</sup> will introduce changes to active employment measures and standardise certain conditions of employment measures <sup>(101)</sup>. The proposed modifications should stimulate early action for those on the unemployment register, to avoid long-term unemployment – particularly for young people. Proposed legislative changes were discussed with social partners within the Tripartite Coordination Committee <sup>(102)</sup>.

The new bill will reduce the number of measures. In future, the public-sector TAC will be known as the employment support contract (ESC). The private-sector TAC and the CIT will be replaced by a single initiation into employment contract (IEC).

#### 3.1. From the TAC to the employment support contract

Under planned reforms, young people will sign a contract with ADEM. This will give ADEM more direct influence over beneficiaries. The reform emphasises the essential role that mentors will play in communicating and carrying out post-contract assessments. Mentors will have a wider responsibility to assist beneficiaries throughout the process.

The ESC will be signed by the jobseeker and ADEM. The young person will now be referred to the sponsor through ADEM. This should enable ADEM to maintain its influence. Previously, young people were less inclined to look for work once they were beneficiaries of an employment measure.

The ESC further aims to reduce sponsors' tendency to use such contracts to build a back-up workforce and circumvent standard recruitment procedures. It gives ADEM more flexibility to deal with sponsors, especially when they do not meet their obligations towards jobseekers recruited on ESCs.

The length of the new ESC has been reduced from 12 to 9 months, including the renewal period. Whatever their qualifications, beneficiaries receive an allowance amounting to 80% of the minimum wage of unskilled workers for a 32-hour

working week. This is to maintain incentives to enter/re-enter the labour market as quickly as possible.

The reduction in working hours (from 40 to 32) should also allow time for job-searching and participating in training (or other initiatives) offered by ADEM. Responsibility for ESCs is given to sponsors on the basis of their training plan. In addition, special training is given to mentors to ensure that they fully understand the importance of their supervision role.

The Employment Fund covers 85% of the allowance that non-governmental sponsors are required to pay to young people on ESCs.

#### 3.2. From the CIT to the initiation into employment contract

The law reforming employment measures for young people proposed replacing the CIT with a new initiation into employment contract. An IEC will bind a private or voluntary-sector employer, ADEM and the young unemployed person.

Contractual arrangements are similar to those for the ESC. However, the following arrangements are different:

- The young person receives an allowance amounting to 100% of the minimum wage for unskilled workers. The Employment Fund covers 60% of this allowance, and the employer's social security contributions. This coverage increases to 75% for employing a person of under-represented gender.
- In private companies, the length of the IEC is limited to nine months. In not-for-profit organisations, an extension of a further nine months can be granted.

The new IEC will see sponsors and ADEM playing an important role in integrating young people into the labour market. ADEM's aim is to ensure that young people are not simply used as cheap labour. This means stressing the sponsors' role in integrating young people into the labour market.

Financial assistance will be provided for sponsors who take on young people as employees at the end of their IEC. In addition, if companies are recruiting, young people on an IEC receive priority.

<sup>(100)</sup> No 5501.

<sup>(101)</sup> The bill was adopted on 27 May 2005 by the Council of Government (Cabinet) and brought before the Chamber of Deputies on 13 October 2005. These arrangements could still be subject to parliamentary debate before being finalised.

<sup>(102)</sup> The committee comprises four members of government, four representatives nominated by trade unions at national level (one of whom is a representative of the civil service), and four representatives of employer organisations.

### 3.3. Greater responsibility for all stakeholders

The new youth employment measures are intended to give greater responsibility to all parties involved contractually, as outlined in Table 6. When the reforms are implemented, young people will be better supervised, sponsors will see their financial contributions reduced, the state will intervene more substantially, and young people should be encouraged to take greater responsibility in the process.

## 4. The public employment service <sup>(103)</sup>

ADEM further intervenes in youth employment through the jobseekers' personalised support service (SAPDE). SAPDE has a long-term intervention strategy for young jobseekers. Implementation of the NAP gave rise to a conceptual, analytical

approach. From 2002 onwards, a research programme was initiated to examine young people's approach to the labour market and employment. Results showed that patterns of thinking strongly influence mechanisms for adapting to the world of work after leaving school. This analysis enabled identification of stereotypes of young people, posing obstacles to integration into employment.

In 2003, an assessment was developed targeted at young people with little work experience and facing problems in managing their labour market integration. The suitability of the absorption into employment assessment (AEA) quickly became apparent. SAPDE introduced the AEA systematically in 2004.

## 5. Conclusions

Youth employment measures in Luxembourg are being implemented with a high degree of collaboration among various agencies. Existing and new measures are the result of joint

**Table 6: Proposed youth employment measures**

	<b>From the TAC (public sector) to the ESC</b>	<b>From the TAC (private sector) and the CIT to the IEC</b>
<b>Contract</b>	The contract is signed directly with ADEM to give ADEM more influence. This will ease assessment and encourage job-searching.	The contract is signed between ADEM, the young person and the sponsor.
<b>Duration</b>	The contract is shortened from 12 to 9 months. Hours of work are reduced from 40 to 32 hours per week. This is to encourage training and time given to job-searching.	Idem. However, not-for-profit organisations can recruit for a maximum of 18 months.
<b>Payments</b>	Young people receive 80% of the minimum wage instead of 100%. This is to encourage rapid entry into the labour market.	Idem
<b>Training</b>	A training plan is required from employers. Mentors also receive special training	Idem
<b>Refunding employers' costs</b>	85% of employers' costs are reimbursed (previously 80%). Employers pay less and the state intervenes more.	50-60% of employers' costs are refunded (75% in some cases), plus employers' social security contributions. The sponsor pays less, receives assistance for employing a young person at the end of the scheme, and the state intervenes more. Young people on IECs benefit from priority in recruitment.

<sup>(103)</sup> Luxembourg Ministry of Labour and Employment, *Rapport d'activité 2004*, April 2005.

working between social partners and the government. The implementation of these measures is bringing public authorities to work together – through ADEM – with a host of other actors in the private and public sectors. The government is making substantial financial interventions and strongly supports these actors in encouraging young people into the labour market.

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Law of 12 May 1987 creating an Employment Fund and amending: (1) the amended law of 30 June 1976, (i) creating

an Unemployment Fund and (ii) regulating the allocation of full unemployment allowances; (2) Articles 14, 16, 19 and 19 bis of the amended law of 27 July 1978 on various measures in favour of youth employment; (3) Article 32 of the law of 21 February 1976 on the organisation and operation of the Employment Administration and creating a National Employment Commission, A, 37, 30 May 1987.

Law of 12 February 1999 on implementation of the National Action Plan for Employment 1998, A, 13, 23 February 1999.

Draft law No 5501 amending: (1) the amended law of 30 June, (i) creating an Employment Fund and (ii) regulating the allocation of full employment allowances; (2) the amended law of 24 December 1996 introducing a reduction of income tax in cases of recruitment of unemployed people; (3) the amended law of 23 July 1993 introducing various measures to promote employment; (4) the law of 12 February 1999 introducing various measures to promote youth employment.

# Youth employment in Malta

## 1. Trends

The 15-24 age group in Malta constitutes 18.7% of all the employed population (National Statistics Office (NSO), April-June 2005) (Table 1).

The youth unemployment rate stands at a high 17.5%, compared with the average unemployment rate of 7.8% (NSO, April-June 2005); 46.5% of all unemployed people are aged between 15 and 24 (NSO, April-June 2005). The figure decreased by 6.6 percentage points from the previous year (from 53.1% in April-June 2004). There is no significant discrepancy between the number of unemployed men and women in the 15-24 age group (Table 2). However, the figures equate to 36.5% of all unemployed men and 63.1% of all unemployed women. The higher female figure is because of the low economic activity rate of older women.

A survey carried out by the Employment and Training Corporation (ETC, Malta's public employment service) among unemployed people aged between 16 and 24 revealed that 18.6% of respondents did not complete compulsory schooling. The main reasons for leaving school were to find work or being bored at school. Early school leavers managed to find full-time employment, but their jobs consisted of manual work. If they

did not find work immediately, they were more likely to remain unemployed for a year or more than other young people.

By 2010, the EU aims to have more than 90% of students staying on at school after the age of 16. Malta aims to have 65% of young people studying beyond compulsory schooling by 2010 (up from 51.5% in December 2003). While the EU aims to have 85% of all 22-year-olds with upper secondary qualifications by 2010, Malta aims to increase its rate from 47.5% in 2003 to 65% in 2010. While Malta's targets are less ambitious, they are more realistic.

## 2. Measures taken to promote youth employment

### 2.1. Education and training policies

#### Preventing early school leaving

People with low or inadequate skill levels are much more likely to be excluded from the labour market. A number of policies

**Table 1: Employed people (April-June 2005)**

	Men		Women		Total	
	No	%	No	%	No	%
<b>15-24</b>	14 516	14.2	13 176	28.5	27 692	18.7
<b>Others</b>	87 592	85.5	33 049	71.5	120 641	81.3
<b>Total</b>	102 108	100	46 225	100	148 333	100

Source: NSO, 209/2005.

**Table 2: Unemployed people by age (April-June 2005)**

	Men		Women		Total	
	No	%	No	%	No	%
<b>15-24</b>	2 885	36.5	2 982	63.1	5 867	46.5
<b>Others</b>	5 011	63.5	1 748	36.9	6 759	53.5
<b>Total</b>	7 896	100	4 730	100	12 626	100

Source: NSO, 209/2005.



are being implemented to prevent young people from leaving school early. The government is seeking to enhance guidance for young people in their educational and career decisions, to motivate them to continue beyond compulsory schooling.

The national minimum curriculum (NMC) includes several subjects – personal and social education and social studies – to orient students towards work. The NMC is complemented by guidance and counselling services, whose objectives include providing personal and career guidance and counselling. However, there is no proper quality assurance system to ensure that the guidance objectives are being met. In 2005, the government set up a working group on career guidance to formulate a cohesive career guidance policy in compulsory schooling.

The government has implemented campaigns to encourage young women to continue schooling and also to take up science, engineering and information technology (IT) subjects. The campaigns included the use of role models to inspire female students to further their education in these areas.

Despite the efforts to prevent young people from leaving school after compulsory schooling, a substantial number still terminate their studies and look for work. In response to their needs, ETC organises various short courses to help them find employment and satisfy their immediate skill needs, to provide job motivation and basic functional literacy and numeracy.

ETC seeks to strengthen existing courses and improve their quality by ensuring that they are certified, accredited and cost-effective. Furthermore, courses are reviewed according to labour market needs through research conducted among Maltese employers. In general, ETC programmes have proved effective in helping unemployed young people.

### **Ensuring that vocational training facilitates entry to the labour market**

Malta College of Arts, Science and Technology (MCAST) is the largest provider of vocational education and training in Malta. It provides vocational and professional training responsive to the needs of individuals and the economy. MCAST and other educational institutions work with government ministries to facilitate the school-to-work transition.

The Institute of Tourism Studies (ITS) also offers youth vocational training that incorporates work experience. ITS is responsible for supplying the tourist industry with personnel trained to international standards.

### **Special training programmes for young people**

ETC also provides training for unemployed people. ETC offers a variety of short, competence-based training programmes.

The following are its main programmes:

- The 'Active youth' scheme helps young people to develop their talents while contributing to the community. ETC pays every participant a weekly subsidy for six months.
- The 'Basic employment passport' scheme is a 12-week programme that gives school leavers training in applied literacy and numeracy, basic IT skills, technology and social skills.
- The 'Bridging the gap' scheme trains groups who are particularly vulnerable to unemployment and social exclusion. These include people with disabilities and ex-substance abusers.
- The 'Employment training placement' scheme assists employers to provide the necessary training to newly recruited people, and is particularly beneficial to unemployed young people. ETC subsidises 50% of the national minimum wage and assists single parents by paying them childcare allowance.
- Job clubs take participants on orientation visits to employers.
- The 'Job experience' scheme combines in-house training and work experience to help young people to gain experience, self-confidence and self-esteem. Participants are attached to a company for a maximum of 13 weeks.
- Job-search seminars inform young jobseekers about the services offered by ETC and teach them about job-search and labour market developments.
- The 'Youth outreach' programme provides training in job-searching skills to young people living in deprived areas.
- The 'Jobseeker direct freephone' is a telephone service to keep unemployed people up to date with the latest vacancies and help them find suitable jobs.
- The 'Supported employment' scheme aims to increase the successful participation of registered unemployed people with disabilities in competitive employment.

Social partners emphasise that the government should develop more links between education and work experience. Some schemes have been successful in this, including the two national apprenticeship schemes organised by ETC.

### **Ensuring that higher education meets labour market demands**

The University of Malta has developed several courses to increase relevance to Maltese economic needs. These include health and safety, translating and interpreting, IT and

advanced courses in psychology. University departments are also becoming more conscious of adapting their existing courses to current demands. The recently established MCAST has been praised by employers' associations for its practical courses and strong links with the world of work.

In the national Lisbon reform programme 2005-08 (NRP), the government committed itself to ensuring that formal, informal and non-formal qualifications and skills are certified, to ensure a better match between all educational levels and the labour market. The Malta Professional and Vocational Qualifications Awards Council was set up in 2000, but did not standardise the Maltese certification system. The government has therefore allocated funding to improve the certification system.

## 2.2. Labour market and employment-related policies

ETC seeks to strengthen existing schemes and improve their quality and cost-effectiveness. However, little is known about the review process of such schemes. In examining the success of its schemes, ETC needs to focus more on the number of job placements rather than the number of participants in such schemes. Overall, ETC seems to be quite effective. Between October 2004 and September 2005, it made 4 000 job placements.

The government's emphasis on reducing early school leaving postpones entry to the labour market. This might be viewed as a manoeuvre to postpone unemployment at a time when many graduate and technical jobs are becoming saturated. However, education increases employability. While ETC schemes do not always achieve the desired results, they tend not to postpone unemployment. In fact, several schemes are carried out while registering for work.

Enterprises are entitled to fiscal incentives if they create full-time jobs for young people unemployed for more than two years.

ETC has reintroduced an entrepreneurship scheme to generate economic growth through self-employment. It admitted the first group of participants in September 2005. ETC provides training, finance, mentoring and marketing support. Each client group is assisted through a specific, tailor-made programme.

ETC tries to facilitate the transition from education to work by assigning an employment adviser to unemployed young people if they are registered for more than three months. In-depth interviews are carried out, and young people are then referred to the guidance unit for further assistance. After four months of unemployment, youth registrants are asked to participate in a work motivation course and in the job club. Subsequently, all young people who need further assistance are helped to develop personal action plans.

## 3. Problematic features of youth employment

Young people tend to experience more part-time and temporary work. A high proportion of 16-24-year-olds are in part-time work, especially men; 47% of all male part-timers are in this age group (Table 3).

Most people on temporary contracts are aged 16-24 (3 667 people – 48%) (Table 4). More young men tend to work on temporary contracts than do women. For many young people, part-time work and temporary contracts are the obligatory first step to more stable employment.

Young people, including those with tertiary education, tend to earn less than older workers with similar qualifications. The minimum wage for workers aged 16 and 17 is less than for those aged 18 and over. Also, though no data are available, it is widely known that many young people do undeclared work, especially in the hospitality industry. The government has vowed to protect young people from exploitation at work.

## 4. Roles of the labour market actors – a coordinated policy approach to youth employment

The main responsibility for youth policy lies with the Ministry of Education, Youth and Employment (MEYE). MEYE reviews the national youth policy every three years in collaboration with the National Youth Council, the University of Malta's Programme of Youth Studies, governmental organisations and public authorities. Implementation of the national youth policy is carried out by several ministries and government departments.

Both ETC and MCAST have employers' representatives on their boards. The two organisations have established good relationships with employers to assist in workforce development programmes and reduce skill gaps in the labour market.

The National Action Plan for Employment, and subsequently the National Reform Programme have defined the role of ETC in young people's education-to-work transition. The NRP 2005-08 specifically mentions the need to revise ETC's youth strategy and provide personalised employment paths for unemployed young people.

**Table 3: Part-time work (including full-time with reduced hours), employed people (January-March 2005)**

	Men		Women		Total	
	No	%	No	%	No	%
<b>16-24</b>	1 841	47.2	2 205	20.8	4 046	27.9
<b>25-34</b>	440 (*)	11.3	2 363	22.3	2 803	19.3
<b>35-54</b>	860 (*)	22.0	5 201	49.0	6 061	41.8
<b>55-64</b>	519 (*)	13.3	844 (*)	8.0	1 363 (*)	9.4
<b>65+</b>	244 (*)	6.3	0 (*)	0.0	244 (*)	1.7
<b>Total</b>	3 904	100.0	10 613	100.0	14 517	100.0

(\*) Under-represented because of small sample size.

Source: NSO.

**Table 4: Employed people on a temporary contract (January-March 2005)**

	Men		Women		Total	
	No	%	No	%	No	%
<b>16-24</b>	2 241	53.0	1 426 (*)	41.4	3 667	47.8
<b>25-34</b>	557 (*)	13.2	755 (*)	21.9	1 312 (*)	17.1
<b>35-54</b>	1 083 (*)	25.6	1 160 (*)	33.7	2 243	29.2
<b>55-64</b>	241 (*)	5.7	100 (*)	2.9	341 (*)	4.4
<b>65+</b>	107 (*)	2.5	0	0	107 (*)	1.4
<b>Total</b>	4 229	100.0	3 441	100.0	7 670	100.0

(\*) Under-represented because of small sample size.

Source: NSO.

## 5. Conclusions

Considering the limited resources, a variety of measures are undertaken to increase young people's participation in the labour market. Wide-ranging reforms within the education sector may, in the medium and long term, improve young people's employment possibilities.

The government needs to enhance assessment of the various initiatives that are meant to help young people in their careers.

At present, there is insufficient regular and transparent evaluation of the schemes and projects. The Employment and Training Corporation tends to emphasise the numbers of participants in schemes, rather than the schemes' usefulness to employers and in getting good, stable jobs. ETC should also start refocusing on unemployed young people with higher education.

It is hoped that the government, in collaboration with other important actors, will continue strengthening existing youth policies to improve young people's lives through, among other things, better employment opportunities.

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# Youth employment in the Netherlands

## 1. Youth employment trends

During 1996-2004, the Dutch youth unemployment rate was roughly twice as high as the overall unemployment rate (Table 1). In addition, the ratio between the youth rate and the overall rate increased during this period. In contrast, the proportion of long-term unemployment was much lower for younger people than for the population as a whole. Furthermore, the ratio declined during the period 1996-2004.

Table 1 indicates that youth unemployment is not a major problem. It also suggests that long-term unemployment does not often occur among young people. However, data on the share of long-term unemployment are only available for unemployed people registering at employment offices. For

those who are not entitled to unemployment benefit, the incentive to register is limited. For young people in particular it has become more difficult to get unemployment benefit or social assistance. Therefore, the decrease in long-term unemployment may be partially because of an increase in those not registering.

As Table 2 shows, in addition to the 97 000 unemployed young people in 2003, 53 000 were neither in the labour force nor at school. About one quarter of this group were disabled. Of the remainder, it is quite possible that a considerable number were in hidden unemployment. Only one third of this group indicated that they did not participate in the labour market because they were full-time family carers.

Table 3 shows the different categories of young unemployed people, using various definitions available. There is little evidence of a slowdown in the growth of youth unemployment.

**Table 1: Unemployment rate and share of long-term unemployment: ages 15-24 and 15-65 (1996-2004)**

	Unemployment rate <sup>(a)</sup>			Share of long-term unemployed people <sup>(b)</sup>		
	15-24	15-65	Youth rate divided by overall rate	15-24	15-65	Youth share divided by overall share
2004	13.3	6.4	2.1	11.6	35.7	0.32
2003	10.6	5.3	2.0	9.4	29.8	0.32
2002	8.5	4.1	2.1	4.8	32.4	0.15
2001	7.4	3.4	2.2	10.0	35.6	0.28
2000	6.7	3.8	1.8	13.0	43.6	0.30
1999	7.5	4.3	1.7	18.8	50.2	0.37
1998	8.6	5.1	1.7	22.5	54.0	0.42
1997	10.2	6.6	1.5	24.1	52.0	0.46
1996	12.7	7.5	1.7	22.7	50.2	0.45

<sup>(a)</sup> Includes unemployed people registered and not registered with the public employment service (PES).

<sup>(b)</sup> Based on unemployed people registered with the PES. Long-term unemployed are those unemployed for more than one year.

Source: Central Bureau of Statistics (CBS).

**Table 2: Young people (15-24) not in employment and not in school (2003)**

Category	Number	% of population
Population	1 316 000	100%
Employed	818 000	62%
In school and no job	348 000	26%
Unemployed	97 000	7%
Inactive	53 000	4%

Source: Labour force survey.

**Table 3: Categories of young unemployed people (15-24), 2002-04**

Category	Official definition	Registered unemployment	Number of unemployment benefits	Number of people without a job according to the CWI
2004	119 000	43 000	48 250	53 000
2003	97 000	32 000	46 870	37 000
2002	79 000	21 000	34 700	27 000

Sources: CBS, Social Security Agency (UWV), Centre for Work and Income (CWI).

Table 4 shows unemployment rates for various groups of young unemployed people. Unemployment rates are particularly high for those of non-western origin. There is also a marked difference in unemployment rates between the 15-19 and 20-24 age groups. Among the younger group, unemployment is twice as high as in the older group. On the whole, Table 4 confirms that the lower the level of educational attainment, the higher the unemployment rate.

In 2002, more than half of unemployed people (56%) in the 15-22 age group had not attained the minimum qualification

level. Furthermore, 47% of employed people in this age group had not attained this level <sup>(104)</sup>. The proportion of employed people in the 25-64 age group without this minimum level is around 20%.

Among OECD countries the Netherlands had the lowest youth unemployment rate in 2003 (Table 5). The table also shows a clear link between the overall unemployment rate and the youth unemployment rate.

<sup>(104)</sup> Part of this group may be students in secondary education with a part-time job who will eventually finish initial education at a higher level. This could somewhat distort the low level of education of this group.

**Table 4: Unemployment rates (%) for various categories of young people, 2003**

	Women	Men	Total
<b>Education (°)</b>			
Low education	11.1	11.1	11.1
Secondary education	6.3	6.1	6.2
High education	5.2	14.5	8.9
<b>Ethnic origin</b>			
Dutch	9.6	8.6	9.1
Foreign, western	12.8	14.6	13.8
Foreign, non-western	16.5	24.3	20.6
<b>Age</b>			
15-19	17.8	14.0	15.7
20-24	8.0	9.2	8.6

(°) 2002.

Source: Labour force survey.

**Table 5: Youth unemployment rates (2003)**

	Overall unemployment rate (%)	Youth unemployment rate (15-24) (%)	Share of young unemployed people > 6 months unemployed (%)
Belgium	7.7	19.0	47
Denmark	5.5	9.8	28
Germany	9.4	10.6	NA
Finland	9.3	21.6	29
Greece	9.1	25.1	67
Great Britain	4.9	11.5	25
Hungary	5.9	13.4	45
Ireland	4.5	7.6	NA
Italy	8.7	26.3	70
Netherlands	3.6	6.6	34
Norway	4.5	11.7	14
Austria	4.7	7.5	NA
Poland	20.0	43	61
Portugal	6.8	14.6	43



**Table 5: Youth unemployment rates (2003) (cont.)**

	Overall unemployment rate (%)	Youth unemployment rate (15-24) (%)	Share of young unemployed people > 6 months unemployed (%)
Spain	11.4	22.7	41
Czech Republic	7.8	17.6	51
Sweden	5.8	13.8	18
Switzerland	4.2	8.6	N/A

Source: OECD; in combination with data on young people unemployed more than six months, Eurostat data (4<sup>th</sup> quarter 2003).

## 2. Policies

### 2.1. Long-term plan to tackle youth unemployment

During the 1980s, when youth unemployment reached well over 20%, the fear was that starting as a long-term unemployed person would have negative effects on job opportunities later. So when youth unemployment began to rise again after 2000, the government took action to prevent massive youth unemployment. In 2003, an action plan was developed to tackle youth unemployment. In line with the European employment strategy, the Dutch government aims to offer each young person a job or training position before six months of unemployment. Furthermore, according to the Lisbon target, by 2010 the number of young people leaving school without a minimum qualification level should be halved.

### 2.2. Youth unemployment task force

#### Objectives

The youth unemployment task force was established in October 2003 to implement the action plan. At that time, the task force had to ensure that:

- The youth unemployment rate did not exceed twice that of total unemployment;
- Within six months of the first day of unemployment, each unemployed young person was either working or back at school.

#### Activities

Improving cooperation between (local) actors is a key objective of the task force. This is important, as in nearly all of the action areas other actors are involved or already working on these issues. Examples of such activities are as follows:

- There are regional initiatives to create jobs, internships and apprenticeship places for young people.
- Task force account managers support regional centres for reporting and coordination to prevent early school leaving in drawing up plans for improvement for their region.
- Central points for information and reporting of problems with internships, apprenticeship places and jobs have been initiated at employer organisations and the CWI.

#### Results so far

It is too early to draw conclusions about the success of the task force. However, some information is available about the results obtained so far. Initially, the task force aimed to create an extra 40 000 youth jobs in four years. About 25 000 extra jobs for young people had been created by November 2005. Together with the employers' organisation for small and medium-sized enterprises, the task force has created about 7 000 apprenticeships.

Several initiatives have suffered from the fact that no young people could be found for jobs available. In addition, young people did not attend special activity days organised by the task force. According to research by the task force, there is a group of young people who do not seem to be fully aware of the difficult situation they find themselves in.

In the beginning, the task force had a reactive approach to youth unemployment. However, experience has provided new insights and more recently a preventive approach has been adopted, in particular to tackle early school leaving.

### 2.3. Active labour market policies

Active labour market policies (ALMPs) specifically aimed at reducing youth unemployment date back to the 1980s. However, the gradual tendency has been to apply general measures to all age groups, though a number of specific policies for young people exist.

### 2.4. Earlier youth measures

Table 6 presents some earlier Dutch policies, the majority of which were job-creation measures. The results of these job-creation schemes for young people seem to have been more positive than the international experience. These types of measures, if successful at all, are probably most suitable for this target group.

## 2.5. Current measures

Although the tendency is towards general measures, there are some measures specifically developed for young people (shown in Table 7). Most of these are in the experimental phase and have started with the support of the youth unemployment task force. As the majority of these actions have only started recently, it is far too early to provide assessments.

Recently, a measure has been enacted to offer employers a subsidy of EUR 1 500 when they hire unemployed people without any starting qualifications and provide them with training to reach this level. However, so far only 39 companies have used this scheme, for around 300 workers in total. Although most of these workers are young, the number is too small to make a difference in the labour market.

Many of the reintegration funds have been decentralised to municipalities (see Table 7).

**Table 6: Previous ALMPs specifically aimed at young people**

Measure	Content	Period	Evaluation
Job creation in the public sector	Wage subsidy for employers for hiring long-term unemployed young people for temporary (6 to 12 months) additional work	1983-90	Displacement effects were relatively small (probably less than 25%). Approximately 50% of the employers and young people involved thought that participants' future labour market opportunities were improved (De Koning and Stolk, 1984).
Subsidised temporary work ('JOB' scheme)	Wage subsidy for employers for hiring long-term unemployed young people through a temp agency (maximum hiring period of one year)	1984-90 (on a national scale: 1988-90)	About 50% of 'JOB' scheme jobs were additional employment for the target group. More than half of the participants had a regular job afterwards. About half of the participants expected 'JOB' to have improved their chances of finding work in the future (De Koning et al., 1988 and 1989)
First phase of 'Activating labour market policy for the young' (AAJ)	Counselling and preparation activities to help young unemployed people (less than six months' unemployed) to find a job or training place	1992-97	A very small part of the target group was reached. For those reached, only a small proportion attributed their finding a job to the AAJ activities. Net effect was 3% (Koning et al., 1994).
Youth guaranteed jobs plan	Job-creation scheme for young people unemployed longer than six months. Later included in a general job-creation scheme (WIW)	1992-97 (in 1998, included in WIW)	The scheme only succeeded in reaching about two thirds of the target group; 60-70% of ex-participants had a job afterwards. Net effects estimated at about 18% (Olieman and others, 1996).

**Table 7: Examples of current active (experimental) measures specifically aimed at young people**

Measure	Content	Period	Evaluation
Youth development and experience-raising ('JOB')	Job-creation scheme for young people unemployed longer than six months	Experiment running until 1 January 2007	No results available
'Work-first pathways'	Increasingly, unemployed people asking for social assistance benefits are put to work in low-paid subsidised jobs. Simple, low-paid work is intended to be an incentive to look for a regular job	Started recently in a number of municipalities	Some municipalities report successes with the work-first approach
Subsidy for practical component of apprenticeship training	Since 1996, employers have received a tax deduction for providing contracts for apprentices	1996 to now	Stimulating effects of the fiscal facility are low (EIM, 1997)
'O&O' youth model	Pathways for unemployed young people in which they are prepared for an apprenticeship place, including guarantee of a job afterwards (cooperation between various actors, including municipalities and sectoral training funds)	Started in September 2004	No results available
Projects subsidised by the European Social Fund	Employment and training projects, often in cooperation with social partners	Current programme period: 2000-06	No results available

## 2.6. Policies to tackle early school leaving

The higher people's educational attainment, the better they fare in the labour market (Gelderblom and De Koning, forthcoming). More education also pays off in terms of higher pay and higher productivity. It is therefore crucial to ensure that young people leave education with a qualification. To improve institutional awareness and procedures, regional reporting and coordination centres for early school leavers have been established. A recent evaluation of these centres (Glaude and Verbeek, 2004) showed that they have contributed to the availability and efficient use of monitoring and signalling information and cooperation among regional actors.

Another policy initiative for reducing the number of early school leavers is the financial support to employers if they train such workers. However, there still remains a group of young people for whom the starting qualification will be too difficult to achieve.

## 3. Conclusions

The problem of Dutch youth unemployment should not be exaggerated. The youth unemployment rate is still relatively low, especially in the international context. On the other hand, significant numbers of young people leave school without a starting qualification. They are at high risk of unemployment at a young age and throughout their lives. Therefore, it is positive that a comprehensive policy is being developed to combat youth unemployment and reduce early school leaving.

Experiences with labour market policies in the past show that training measures seem to be less effective for young people. Job-creation schemes are more positive. However, the move to a regular job afterwards must be a central focus. Although experiments with new types of ALMPs have begun, most of the activities of the youth unemployment task force focus on streamlining and supporting initiatives by bringing together (local) actors.

Even if policies are intensified and made more effective, some early school leaving will be unavoidable. This group of young people will be vulnerable and will remain in danger of becoming unemployed. Experiences with financial support for training costs for employers who recruit such people are not encouraging. Sending these young people back to school is not always a logical solution. An alternative could be to start an apprenticeship, where attending school is limited. However, apprenticeship places are very sensitive to business cycles. So when youth unemployment rates are high, the supply of places will be limited. Experiences with (fiscal) stimulation of apprenticeship places also show that these tools have limitations in increasing the number of places. An alternative would be to (re)install a specific training infrastructure like the former training centres, which offered practical courses with strongly individualised learning pathways. Further development of the competences required in practical work is another alternative.

Better targeting of youth policies is also important as a means of reaching young people. Early identification of groups facing the highest risks is crucial for such targeting.

In several instances, no evaluation results are yet available for recent youth policies. These conclusions generally apply to current labour market policies in the Netherlands. The Ministry of Social Affairs and Employment has acknowledged this omission, and is going to nominate an advisory commission to suggest a new programme for evaluation research.

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# Youth employment in Poland

## 1. Trends

In Poland, in 2004, there were 2 093 000 economically active people aged between 15 and 24. Between 1992 and 2004, the number of economically active young people (including short-term fluctuations) decreased (Table 2, Annex to this article). A significant decrease in the number of economically active young people was observed among those aged 15-17 (by 69.1%), and 18-19 (by 7.4%) (Table 1, Annex). Two parallel processes contributed to this change:

- The growing participation of young people in education;
- The postponement of entry to the labour market by young people born during the population boom of 1975-1983.

Between 1992 and 2004, there was also a decrease in the number of employed young people aged 15-24 – from 1 657 000 to 1 312 000, i.e. 20.8% (Table 1, Annex).

The number of unemployed young people increased by 15.1% between 1992 and 2004 (Table 1). This was less than the equivalent figure for all unemployed people, which was 28.7%. Furthermore, data on registered unemployment also indicate a decrease in youth unemployment in recent years, especially in 2002-04 (Table 2).

The activity rate of young people decreased steadily from 1993 to 2004 (from 44.5% to 35.4%) (Table 3, Annex). In relative terms, the greatest decrease was seen among those aged 18-19. Moreover, the employment rate of young people also decreased, from 30.4% to 22.2%. Once again, the greatest rate of decrease was observed among those aged 18-19.

The decrease in activity rate and employment rate was seen in the total population of unemployed young people aged 15 and over. However, the decrease of both rates among young people was somewhat faster than in the population as a whole. In other words, the process of economic deactivation among young people was faster than for other age groups.

The youth unemployment rate in Poland is extremely high. In the period 1992-2004, the highest level was registered in 2002 (43.6%), and the lowest in 1997 (23.2%). The highest level of youth unemployment occurred among people aged 18-19 (Table 3).

## 2. Measures taken to promote youth employment

### 2.1. Education and training policies

From the point of view of the labour market, the shortcomings of the Polish education system are:

- Inequality of access – young people living in rural areas have less access to education, as do young disabled people;
- The limitations of practical vocational training and vocational apprenticeships, leading to a lack of qualified workers;
- The lack of education profiles and programmes adjusted to prospective labour market demands (currently, no particular methodology of forecasting labour demand according to qualifications is practised, and research is not systematic and long-term, even though many institutions carry out research <sup>(105)</sup>);
- A current lack of efficient mechanisms to coordinate the education system and labour market demands;
- Insufficient quality of teaching;
- Under-development of continuous education systems.

To meet the employment demands of young school leavers, it would be reasonable to:

- Implement a dual education system and acknowledge vocational training as the fundamental element facilitating the transition from education into work;
- Ensure coordination of the education system with labour market demands, using results from monitoring of deficit and surplus professions (in terms of labour supply) and their impact on regional and local labour markets, and monitoring of graduates' progression;

<sup>(105)</sup> The system of labour-demand forecasting in Poland was only set in motion at the end of 2005. There will be unique, credible and disaggregated (local and regional level) labour-demand forecasts according to qualifications.



- Ensure future coordination through implementation and practical usage of the long-term forecasting system for labour demand by qualifications;
- Improve the quality of education, especially in schools in rural areas and in vocational schools (both teaching and equipment);
- Undertake actions to increase opportunities to access higher levels of education for young people living in rural areas, and for disadvantaged young people and communities;
- Improve access to foreign language teaching and information technology education through the development of continuous learning systems and distance learning.

Basic measures that would ensure opportunities for increasing young people's access to the labour market include flexible education pathways and programmes, and continuous education.

## 2.2. Labour market and employment-related policies

Actions to limit youth unemployment have concentrated on programmes developed within the framework of labour market policy <sup>(106)</sup>. All other solutions have been fragmented in nature.

### Labour market programmes for young people

In 2002, the Polish government developed an economic strategy of 'Entrepreneurship – development – work', including the 'First work' programme. The fundamental objective of 'First work' is to prevent graduates from becoming and remaining unemployed. Increasing graduates' opportunities for gaining their first vocational experience is regarded as essential, including the target of getting all registered unemployed graduates into active measures not later than six months after registration <sup>(107)</sup>.

Young unemployed people can make use of all available labour market services (employment agency, EURES (European employment services), vocational guidance and information,

support in active job-search, the organisation of training), and additionally – within the framework of the programme – can attend group training and information classes.

Young unemployed people can also benefit from other labour market tools, such as employment in public works, grants of resources for starting a business, and – for employers who take on unemployed people – refunds of equipment and additional equipment costs.

Apart from the directly measurable employment effects of 'First work' in terms of young people accessing permanent jobs, the programme has other benefits:

- Young people are not left isolated with their vocational problems.
- The programme helps to overcome employers' unwillingness to employ young people because of their lack of professional experience.
- The programme motivates young people towards closer cooperation with employment services.
- Many organisations are involved, as well as public employment services, in the economic activation of young people.

Other measures include the following:

- The 'Professional activation for graduates: first work – first business' programme was launched in 2005, to promote business start-ups.
- The 'Talent' programme <sup>(108)</sup>, developed in 2005, aims at the economic activation of unemployed graduates of art schools and universities, and at graduates of faculties connected with culture.

In 2005, within the framework of 'Human resources development – PHARE 2003':

- The 'Jobs in the culture sector' programme was launched, targeting people aged 20-26 who have graduated from art schools.

<sup>(106)</sup> On the basis of the Promotion of Employment and Institutions of the Labour Market Act 2004 (*Journal of Laws*, No 99, item 1001), unemployed people aged up to 25 have been recognised as being in a special labour market situation.

<sup>(107)</sup> Ministry of Labour and Social Policy (2002) *First Work: vocational activation of graduates programme*, Warsaw; 1 *Work Offer* <http://www.mpips.gov.pl/index.php?gid=501>.

<sup>(108)</sup> Within the framework of 'First work' and the 'International programme for cultural debut support and development of art schools – Maestria'.



- A decision was made to continue the 'Alternative II' programme aimed at unemployed young people aged up to 25 and university graduates aged up to 27.
- Young people are more often offered shift work (25.3%, compared with 19.9%), which is treated by employees as more burdensome.

### Other measures oriented towards youth employment

Reducing pay to below the legal minimum wage for employees entering the labour market was a measure intended to increase work for young people. During the first year of work, pay could be decreased to 80% of the minimum wage, and to 90% in the second year <sup>(109)</sup>.

However, young people were encouraged to start their own business, by applying for exemption from retirement insurance contributions in the case of graduates wanting to start a business <sup>(110)</sup>.

One feature of the Polish labour market is the existence of unregistered labour, often called 'shadow economy' labour <sup>(112)</sup>. The results of recent research <sup>(113)</sup> show that, between January and September 2004, unregistered labour was carried out by 1 317 000 people (9.6% of the total number of employed people <sup>(114)</sup>). As many as 270 000 people carrying out unregistered labour were aged 15-24 (20.5%) <sup>(115)</sup>.

Generally, the Polish labour market does not offer stable, well-paid jobs which guarantee full realisation of people's aims. Most often, the result is high fluctuation of young employees, who are made to constantly search for a job meeting their aspirations, and/or undertake economic activity in the shadow economy.

## 3. Problematic features of youth employment

A problematic feature of youth employment is the increased participation in some atypical forms of employment and in unregistered labour than among the working population as a whole. This suggests over-representation of young people in the so-called 'secondary labour market' (according to the theory of the dual labour market). At the same time, it proves young people's adjustment capabilities to Polish labour market conditions.

The conclusion of recent research <sup>(111)</sup> is that atypical forms of employment are more frequent among young people than in the total working population (Table 5, Annex):

- People aged 15-24 work part-time far more frequently than the employed population as a whole (23.2%, compared with 10.5%).

## 4. Roles of the labour market actors

The problem of high youth unemployment in Poland can be solved through active, coordinated cooperation by all the labour market actors. These comprise <sup>(116)</sup>:

- The public employment services;
- The voluntary work corps (Ochotnicze Hufce Pracy, OHP), which plays a significant role in tackling youth unemployment in Poland;
- Employment agencies;
- Training institutions;

<sup>(109)</sup> Minimum Wages Act 2002 (*Journal of Laws*, No 200, item 1679). This measure was in force until 2005.

<sup>(110)</sup> Change of the Act on the Facilitation of Graduates Employment Act 2002 (*Journal of Laws*, No 112, item 957).

<sup>(111)</sup> Modular research carried out in the second quarter of 2004 within the framework of BAEL (Polish labour force survey).

<sup>(112)</sup> Unregistered labour means:

- hired work without any contract between employer and employee; the employee does not get social security, while unregistered labour is exempt from personal taxes,
- self-employment where no obligations towards the state (e.g. taxes) are realised.

<sup>(113)</sup> Modular research, *Unregistered labour*, conducted in the fourth quarter of 2004 within the framework of BAEL.

<sup>(114)</sup> The total of people working in the shadow economy divided by the average number of employed people in the first three quarters of 2004 (BAEL).

<sup>(115)</sup> Central Statistical Office (2005) *Unregistered labour in Poland in 2004*, Warsaw: CSO.

<sup>(116)</sup> Act of 28 July 2005 on the Change of the Act on the Promotion of Employment and Labour Market Institutions, and on the Changes of Other Acts (*Journal of Laws*, No 164, item 1366).

- Social dialogue institutions;
- Local partnership organisations.

Projects within the framework of the 'First work' programme – undertaken by the public employment services and labour market partners – are good examples of cooperation by labour market institutions to reduce youth unemployment. These projects include the following <sup>(117)</sup>;

- The 'Work for youth' programme, which features preferential bank loans for young unemployed people to help with the financing costs connected with starting a business, and preferential loans for employers to create additional jobs for unemployed young people;
- The 'Junior' programme, in cooperation with the State Fund for Rehabilitation of Disabled People (Państwowy Fundusz Rehabilitacji Osób Niepełnosprawnych);
- Grants for creating communal information centres;
- Grants for developing graduate careers offices;
- Contests for the creation of school careers centres;
- The creation of mobile vocational information centres <sup>(118)</sup> under the aegis of the voluntary work corps.

What is more, organisations and institutions whose operations are aimed at young people have been invited to cooperate in realising the 'First business' programme. The programme is being carried out by the public employment services, academic organisations (e.g. students' forum BCC), non-governmental organisations (e.g. the economic education development forum), employers unions (e.g. the Polish Confederation of Private Employers, Lewiatan), and local and regional governments.

In all the projects, public employment agencies focus mostly on stimulating operations – rarely on the support in their

organisation – and always on financial support. This last is extremely important because it rarely determines the scope and scale of the activity of particular social dialogue institutions or legal partnerships. Donations for 'academic entrepreneurship incubators', granted by the Ministry of Economy and Labour on the basis of analysis of applications, serve as a good example <sup>(119)</sup>. Another example is the support for creating and running social economy loan funds <sup>(120)</sup>.

Solutions to the youth unemployment problem in Poland are possible only with the cooperation of labour market institutions and non-governmental organisations. Moreover, the diverse circumstances of various groups of young people need to be taken into consideration: school pupils, graduates, students, young people living in rural areas, disabled young people, young people from neglected and poor regions, and young people who are outside the education and labour system.

## 5. Conclusions

During recent years, the level of youth unemployment in Poland has been decreasing more quickly than the level of unemployment generally. However, it is still alarmingly high. The arrival of the population boom (1975-83) in the labour market is a key influence on the high rate of youth unemployment. Moreover, the low capacity of the economy to create jobs and the mismatch between the education system and the needs of the labour market are also of key importance.

The prolongation of education and postponement of labour market entry have resulted in lower rates of economic activity among young people. Currently in Poland, only around 40% of young people are economically active, i.e. employed or looking for employment.

The main problems with the Polish education system are the lack of developed coordination between the education system and current and forecast labour market needs, the relatively low quality of education, and limited practical training.

<sup>(117)</sup> Ministry of Economy and Labour (2005) *Projects realised within the framework of 'First work'*, press information, Warsaw.

<sup>(118)</sup> Mobile vocational information centres have two-person teams of vocational counsellors supported by employment agency employees, with computer equipment and vocational information resources and tools. They target young people outside big cities, using specially labelled buses. The centres also have stationary bases, which operate irrespective of away visits. Between October 2004 and March 2005, over 101 000 young people used the centres' services, over 70 000 of them during the outreach sessions (Ministry of Economy and Labour (2005) *'First work' in the voluntary work corps*, press information, Warsaw).

<sup>(119)</sup> Applications for donations for 'Academic entrepreneurship incubators' <http://www.mgip.gov.pl/Przedsiębiorcy/Wsparcie+dla+MSP/inkubatory.htm>

<sup>(120)</sup> Social economy loan funds: <http://www.mgip.gov.pl/Praca/Rynek+Pracy/Partnerzy/Spoldzielczosc/Fundusze+Pozyczkowe+Ekonomii+Spolecznej.htm>

Decreasing youth unemployment is one of the basic tenets of labour market policy, and several programmes have been developed in this area. Their effectiveness and the correctness of choice of tools need to be evaluated positively. Although their influence on employment cannot be fully quantified, it is nevertheless clear that the programmes have contributed to the reduction of youth unemployment.

In labour market policy, significant stress has been placed on incorporating social dialogue into the process of reducing youth unemployment, involving non-governmental organisations, employees, employers and youth organisations as well as local partnership institutions.

The decrease of the unemployment rate in Poland – including youth unemployment at a greater rate, more visible than in any other group – allows us to expect further improvement of young people's situation in the labour market. The forecast decrease in the number of people aged 15-24 will also be conducive to further reductions. Population forecasts by the Central Statistical Office indicate that, between 2002 and 2015, the number of people in this age group will decrease from 6 428 200 to 4 356 000 (a drop of 32.2%) (Figure 1, Annex). This phenomenon will, however, trigger further problems, of a completely different nature.

## Annex

**Table 1: Economically active population, employed people and unemployed people in Poland, 1992-2004**  
(1992-99 status in November; 2000 to 2004 status in fourth quarter) (1 000)

Population	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	Change 1992-2004 (%)
Total	17 529	17 367	17 122	17 004	17 064	17 052	17 162	17 214	17 300	17 229	17 097	16 991	17 139	- 2.2
<b>Economically active population</b>	<b>2 331</b>	<b>2 291</b>	<b>2 265</b>	<b>2 249</b>	<b>2 261</b>	<b>2 291</b>	<b>2 261</b>	<b>2 428</b>	<b>2 324</b>	<b>2 291</b>	<b>2 159</b>	<b>2 158</b>	<b>2 093</b>	- 10.2
15-17	181	97	63	64	66	66	52	66	74	67	47	49	56	- 69.1
18-19	465	470	465	428	397	366	334	357	330	308	268	265	227	- 51.2
20-24	1 685	1 724	1 737	1 757	1 798	1 859	1 875	2 005	1 920	1 916	1 844	1 844	1 810	7.4
Total	15 135	14 772	14 747	14 771	15 103	15 315	15 335	14 573	14 540	14 043	13 722	13 718	14 058	- 7.1
<b>Employed people</b>	<b>1 657</b>	<b>1 567</b>	<b>1 546</b>	<b>1 555</b>	<b>1 668</b>	<b>1 758</b>	<b>1 734</b>	<b>1 641</b>	<b>1 531</b>	<b>1 349</b>	<b>1 218</b>	<b>1 271</b>	<b>1 312</b>	- 20.8
15-17	158	84	55	54	56	57	45	57	67	60	41	45	53	- 66.5
18-19	253	240	234	221	244	238	207	174	167	139	116	123	126	- 50.2
20-24	1 246	1 243	1 257	1 280	1 368	1 463	1 482	1 410	1 297	1 150	1 061	1 103	1 133	- 9.1
Total	2 394	2 595	2 375	2 233	1 961	1 737	1 827	2 641	2 760	3 186	3 375	3 273	3 081	28.7
<b>Unemployed people</b>	<b>676</b>	<b>724</b>	<b>718</b>	<b>694</b>	<b>592</b>	<b>532</b>	<b>526</b>	<b>788</b>	<b>792</b>	<b>942</b>	<b>941</b>	<b>883</b>	<b>778</b>	15.1
15-17	24	12	8	10	10	9	7	9	7	7	6	0	0	- 100.0
18-19	212	231	231	207	152	128	126	184	162	168	152	142	101	- 52.4
20-24	440	481	479	477	430	395	393	595	623	767	783	741	677	53.9

Sources: National data, BAEL (labour force survey); people aged 15 and above, Central Statistical Office (2002) *Labour force survey in Poland in the years 1992-2001*, Warsaw: CSO.  
Central Statistical Office (2003, 2004, 2005) *Labour force survey in Poland IV quarter 2002, 2003, 2004*, Warsaw: CSO.

**Table 2: Registered unemployment in Poland, 1995-2004 (end of year) (1 000)**

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
<b>Unemployed – total</b>	2 628.8	2 359.5	1 826.4	1 831.4	2 349.8	2 702.6	3 115.1	3 217.0	3 175.7	2 999.6
<b>Unemployed up to 24 years old</b>	909.0	734.5	561.9	566.7	729.5	823.5	918.0	895.8	825.5	728.2
<b>% of unemployed people aged up to 24 among total unemployed</b>	34.6	31.1	30.8	30.9	31.0	30.5	29.5	27.8	26.0	24.3

Source: Central Statistical Office (2002, 2003, 2004, 2005) Registered unemployment I-IV quarter 2001, 2002, 2003, 2004, Warsaw: CSO.

**Table 3: Activity, employment and unemployment rates in Poland, 1992-2004**  
(1992-99 status for November; 2000-04 status in fourth quarter) (%)

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Total	61.7	61.2	59.2	58.4	57.9	57.4	57.1	56.6	56.4	55.8	55.0	54.8	54.9
<b>Activity rates</b>													
15-24	–	44.5	42.3	40.9	40.2	39.9	38.6	40.6	38.5	38.2	36.2	36.0	35.4
15-17	10.4	5.7	3.7	3.7	3.8	3.7	2.9	3.6	4.0	3.8	2.8	3.0	3.5
18-19	45.2	43.2	40	36.6	33.8	30.6	27.4	30.0	26.8	24.2	20.9	20.5	18.5
20-24	73.7	73.0	70.4	68.3	67.1	67.2	66	68.1	64.7	64.5	61.2	60.7	58.7
Total	53.3	52.1	51	50.7	51.2	51.5	51.0	48.0	47.4	45.5	44.1	44.2	45.1
<b>Employment rates</b>													
15-24	–	30.4	28.9	28.3	29.7	30.6	29.6	27.4	25.4	22.5	20.4	21.2	22.2
15-17	9.1	4.9	3.2	3.1	3.2	3.2	2.5	3.1	3.7	3.4	2.5	2.7	3.3
18-19	24.6	22.1	20.1	18.9	20.7	19.9	17	14.6	13.6	10.9	9.0	9.5	10.3
20-24	54.5	52.6	50.9	49.7	51.1	52.9	52.2	47.9	43.7	38.7	35.2	36.3	36.7
Total	13.7	14.9	13.9	13.1	11.5	10.2	10.6	15.3	16	18.5	19.7	19.3	18.0
<b>Unemployment rates</b>													
15-24	29.0	31.6	31.7	30.9	26.2	23.2	23.3	32.5	34.1	41.1	43.6	41.1	37.3
15-17	13.3	12.4	12.7	15.6	15.2	13.6	13.5	13.6	9.5	10.4	12.8	–	–
18-19	45.6	49.1	49.7	48.4	38.3	35	37.7	51.5	49.1	54.5	56.7	53.6	44.5
20-24	26.1	27.9	27.6	27.1	23.9	21.2	21.0	29.7	32.4	40.0	42.5	40.2	37.4

Sources: National data, BAEL (labour force survey); people aged 15 and above, Central Statistical Office (2002) *Labour force survey in Poland in the years 1992-2001*, Warsaw: CSO.

Central Statistical Office (2003, 2004, 2005) *Labour force survey in Poland IV Quarter 2002, 2003, 2004*, Warsaw: CSO.

Central Statistical Office (1992-2005) *Statistical yearbooks of the Republic of Poland 1991-2004*, Warsaw: CSO.

**Table 4: Early school leavers in Poland and EU**

	2001	2002	2003	2004
EU-25	16.9	16.6	16.1	15.7
EU-15	18.9	18.6	18.3	17.8
<b>Poland</b>	<b>7.9</b>	<b>7.6</b>	<b>6.3</b>	<b>5.7</b>

Source: Eurostat Population and social conditions, education.

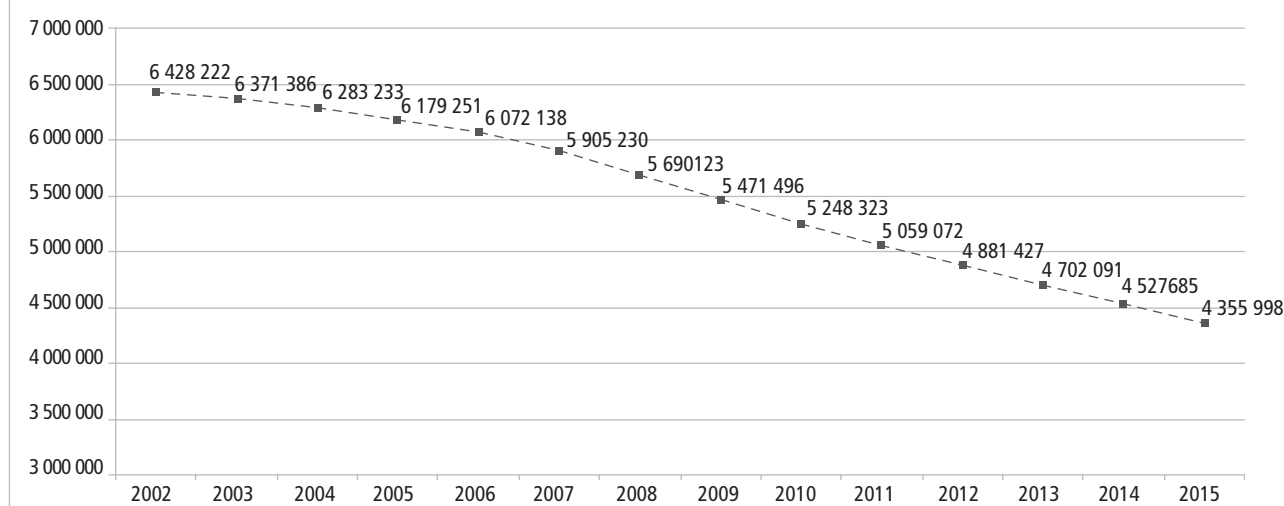
[http://epp.eurostat.ec.eu.int/portal/page?\\_pageid=1996,45323734&\\_dad=portal&\\_schema=PORTAL&screen=welcomeref&open=/yearlies/C/C4/C42&language=en&product=EU\\_yearlies&root=EU\\_yearlies&scrollto=283](http://epp.eurostat.ec.eu.int/portal/page?_pageid=1996,45323734&_dad=portal&_schema=PORTAL&screen=welcomeref&open=/yearlies/C/C4/C42&language=en&product=EU_yearlies&root=EU_yearlies&scrollto=283)

**Table 5: People employed in atypical jobs and at atypical times in Poland, second quarter of 2004**

	Total employed	Employed aged 15-24	Total employed	Employed aged 15-24
	No (1 000)		%	
<b>Total</b>	<b>13 682</b>	<b>1 059</b>	<b>100</b>	<b>100</b>
Including:				
Part-time employed	1 440	246	10.5	23.2
Employed people who normally work: <sup>(*)</sup>				
at home	382	12	2.8	1.1
on shifts	2 716	268	19.9	25.3
in the evening	1 797	127	13.1	12.0
at night	728	51	5.3	4.8
on Saturdays	3 554	298	26.0	28.1
on Sundays	1 844	121	13.5	11.4

(\*) The data should not be added, because one individual might work in more than one untypical form (at untypical times) during the week.

Source: National data, BAEL (LFS); people aged 15 and above. Central Statistical Office (2005) *Typowe i nietypowe formy zatrudnienia w Polsce w 2004 r.*, Warsaw: CSO.

**Figure 1: Projected numbers of people aged 15-24 in Poland up to 2015**

NB: 2002 – actual data.

Source: Population projections for Poland, 2003-30 ([http://www.stat.gov.pl/dane\\_spol-gosp/ludnosc/prognoza\\_ludnosci/index.htm](http://www.stat.gov.pl/dane_spol-gosp/ludnosc/prognoza_ludnosci/index.htm)).



# Youth employment in Portugal

## Introduction

The Portuguese government has dedicated a full chapter to 'New social policies' in its policy programme. The last of these eight policies is dedicated to 'Youth policies: to educate for citizenship and promoting democratic participation'. Not surprisingly, the first policy on the list is 'More and better education'. Combining these two policies highlights current thinking among policy-makers and stakeholders on what is needed to achieve better results for youth employment.

Youth unemployment is perceived as a two-dimensional problem:

- a. Under-qualified premature employment;
- b. Over-qualified unemployment.

The first dimension is commonly associated with early school leavers, and the second with the difficult transition from school to work.

## 1. Early school leavers

Of the EU-25 Member States, Portugal has by far the highest rate of early school leavers (ESL). According to latest Eurostat information, the Portuguese ESL percentage is 2.6 times above the EU average.

In six years (2000-05), despite heavy public investment in education, the gap between Portugal and the EU-25 average percentage of ESL has been narrowed by just 1.6%. The figure is slightly better for women (2.5%) and, conversely, worse for men (1.1%).

If this trend continues, Portugal is not likely to reach the average EU level in the short or medium term. However, after a strong improvement in 2003, the convergence trend has slowed down and was actually at a standstill in 2005.

Despite all the efforts and heavy investments made by Portugal in its education system, early school leaver rates, particularly amongst young men, are still very high and causing concern. A great deal of effort has been invested in the new education pathways, particularly at the secondary level, to prevent young people from leaving school with no qualifications.

However, these efforts have not translated into results and a significant percentage of young people prefer to enter the labour market sooner. The levels of poverty in Portugal are still considerable and young adults (mostly men) are under pressure to contribute to family budgets.

On the positive side, the ESL rate continued to drop for the third year in a row (since 2003) for both men and women, with greater impact for the latter. Further tables and graphs are presented in the Annex to this article, and should be consulted in order to better understand the evolution of ESL statistics in Portugal.

## 2. Youth unemployment ratio

Historically, Portugal has been known for very low unemployment levels, including unemployment rates for very young people. However, this situation is changing. Portugal is very rapidly approaching unemployment rates close to the EU-25 average and, moreover, a contrasting and negative trend when compared with the majority of Member States.

Figure 2 (see Annex) illustrates this point. For the first time since Portugal joined the EU, the youth unemployment ratio is higher than the EU-15 average (end of 2005).

## 3. Overqualified unemployment

Unemployment is also growing significantly among young university graduates. The transition from the academic environment to work is becoming more difficult for a large number of graduates aged 22-24. This has contributed to the trends shown in Figure 3 (see Annex).

These transition problems are caused by many factors, from oversupply in some traditional courses (law, social sciences in general, management and economics), to low-quality teaching by some universities. The government is encouraging young people to invest more in science and technology (S & T) courses, together with other measures to tackle these transition issues.

## 4. Measures taken to promote youth employment

Several plans, pacts and measures have been adopted recently to promote employment in general and youth employment in particular.

### 4.1. Education and training policies

#### National youth plan

In early March 2006, the Portuguese government presented the 2007-13 national youth plan (NYP) <sup>(121)</sup>. NYP 2007-13 reflects national priorities defined in the next 2007-13 budget.

NYP aims, learning from experiences of other EU countries, to focus and concentrate public interventions to ensure better efficiency in the use of resources in a country where young people still require extensive support.

NYP is articulated as a step-by-step development framework, highly participative and decentralised, with particular attention to the following actions:

- Assessment of the youth situation in Portugal – an informative statistical study will be undertaken;
- Creation and management of an interactive and informative NYP website <sup>(122)</sup>;
- Organisation of thematic seminars and national and international ‘youth journeys’;
- Organisation of the national youth congress in the city of Braga <sup>(123)</sup> in October 2006.

The government’s flagship measure to promote youth employment is the ‘New opportunities’ initiative. This is part of the National Reform Programme (NRP) 2005-08 defined under the scope of the Lisbon strategy.

#### The ‘New opportunities’ initiative

‘New opportunities’ is aimed at both young people and adults, and is intended to provide new solutions for young people in accessing the labour market. Its main purposes are to:

- Raise compulsory education from nine to 12 years of schooling;
- Engage 50% of the secondary school population in vocational and technological courses.

The initiative is very recent, which makes it impossible to evaluate the impact thus far. Nevertheless, the policy intentions are good, and ambitious goals have been set.

On a more negative note, however, it is questionable how feasible these objectives are, since much early school leaving occurs before the end of current compulsory education (nine years of schooling). Also, Portuguese society generally perceives vocational and technological secondary courses as second rate.

Vocational and technological educational pathways represent the engagement of 650 000 young students until 2010, which illustrates the ambitious nature of the new policy goals.

#### The ‘Technological plan’

Another flagship measure (and long-awaited) by the government is the ‘Technological plan’ <sup>(124)</sup>. This plan actually includes the ‘New opportunities’ initiative as one of the measures within its first area of raising the knowledge levels of the Portuguese population. This first area currently comprises 27 measures. Of these, eight (almost 30%) are directly or indirectly related to youth employment. This article highlights one of the most innovative: the ‘science and technology voucher’.

This measure will create special loans for students who are willing to engage in S & T university courses. The loans will be granted by financial institutions and partially subsidised by the state. This approach represents direct financing for students, who will be responsible for choosing their university. The aim is to ensure that no capable student interested in S & T fails to get higher qualifications for economic reasons.

<sup>(121)</sup> <http://programanacional.juventude.gov.pt/principal.aspx>

<sup>(122)</sup> Already available at: <http://programanacional.juventude.gov.pt/principal.aspx>.

<sup>(123)</sup> Braga must have been chosen for symbolic reasons, as it is one of the youngest cities in the country in terms of the age of population.

<sup>(124)</sup> <http://www.planotecnologico.pt>

### Traineeship programmes

Also related to the transition issue mentioned above, the government has already launched several programmes to promote the better integration of young university graduates into working life. They include 'Inov-Jovem', 'Inov' and 'Contacto'. These programmes are intended to encourage innovation and entrepreneurship by creating jobs for qualified young people through traineeships in companies. An additional goal is the insertion of young people in strategic areas for the competitive development of small and medium-sized enterprises. These programmes should involve 25 000 young graduates up until 2009.

The success of the Inov-Jovem programme should be noted, in terms of young university graduates involved, but also because of the great demand from firms of all sectors to join the initiative. It is inevitable, as Portugal moves into the knowledge society, that a highly qualified labour force will find it easier to enter the labour market. Inov-Jovem has been proving to be very successful in terms of demand from employers and young graduates. The initiative had the merit of being integrated in a clear way in an overall strategy to modernise Portuguese companies. Inov-Jovem can be described as an 'orientation-training-integration' solution to promote innovation in companies. Inov-Jovem promoters develop these three dimensions in an articulate way in order to achieve better results in terms of employability of the young graduates.

### Higher education and the labour market

Finally, in order to better align higher education systems and outputs and qualification demands, completion of the Bologna process has been adopted as a key measure in the 2005-08 Portuguese NRP. The key issue is to ensure that higher education is relevant for the labour market. The main goals are to improve quality and success in higher education, to stimulate international mobility of students and teachers, to promote postgraduate advanced education and lifelong training for staff, and to ensure a stronger link to the labour market's requirements.

## 4.2. Labour market and employment-related policies

'New opportunities' is the key labour market measure proposed by the Portuguese government. Goals have been set to ensure that each unemployed person is given a new opportunity (vocational training, conversion training, a traineeship, or any other initiative that promotes employability). This opportunity is to be offered before completing six months of unemployment, or three months in the case of unemployed people under 23 who have not completed 12 years of education.

For qualified young unemployed people (graduates from universities), the public employment services (PES) will have to define a personal employment plan, and a new employability opportunity will have to be presented between October and December of each year.

These schemes have also been adopted very recently. Once more, the intentions are good and the content of each measure seems satisfactory.

The risk that these measures might merely postpone unemployment appears greater for less-qualified young unemployed people. As long as the employability opportunities provided are aligned with labour market demand, the risk of this should diminish considerably.

This approach oriented to target groups is likely to generate better results than a more global one, since employability problems have multiple and very different causes among various categories of unemployed young people.

## 5. Tax systems and labour market legislation

There are already strong incentives for companies to recruit young unemployed people (mainly social security exemptions and wage subsidies). All the new traineeship programmes mentioned above include wage subsidies that allow companies to integrate highly qualified young workers at very low cost. The problem is that the Portuguese economy shows no sign of recovery, making it very difficult for companies to recruit, despite all these support measures.

In terms of self-employment, the NRP 2005-08 and the 'Technological plan' include several measures to promote higher rates of entrepreneurship among young Portuguese people. Unfortunately, very few of them are tax-related and the legislative framework in Portugal is still not sufficiently business-friendly. Considerable progress has, however, been achieved in some bureaucratic aspects of business creation, making it possible to formally start a new company within 24 hours.

Finally, in terms of the mobility of young people, some of the measures in the 'Technological plan' and the NRP 2005-08 address this issue. These measures are mostly related to education and vocational training, and the transparency of competences and skills recognition.

## 6. Problematic features of youth employment

The most problematic feature of youth employment is the economic dilemma which underpins Portuguese society. The new policy by the government has yet to show concrete results, although in theoretical terms most of the political decisions and actions are sound. Typically, young workers are more likely to be employed on the basis of non-permanent contracts, receive low wages and be engaged in some undeclared work.

Another problem is the effect on companies of all the support and incentives to employ young people. This, inevitably, generates habits of low wages and low investment in human capital, even when firms integrate highly qualified young unemployed people.

## 7. Roles of the labour market actors

A similar process to the NRP 2005-08 has been adopted for the policies discussed above, whereby stakeholders tend to be involved only at the implementation stage once the government has formulated policies and measures. So far, the response from these stakeholders (particularly social partners) has been a mix of reluctance but also acknowledgment of the satisfactory character of most of the initiatives.

A good example was the 'Technological plan'. After a long delay, reactions from social partners when the plan was finally presented were more positive than negative. However, a passive 'wait and see' attitude could also be detected.

A more direct approach has been adopted with respect to the PES role in youth employment issues, including the transition from education to work. The Minister of Labour and Social Security has shown strong commitment in reforming the PES so that they can better fulfil their mission. The challenge for the PES of developing a personal employment plan for each unemployed person is generating high expectations, since the Portuguese PES have always been criticised for not being able to provide this kind of assistance.

With unemployment levels growing rapidly and recruiting restrictions imposed on all ministries, the minister is facing a very demanding productivity challenge.

## 8. Conclusions

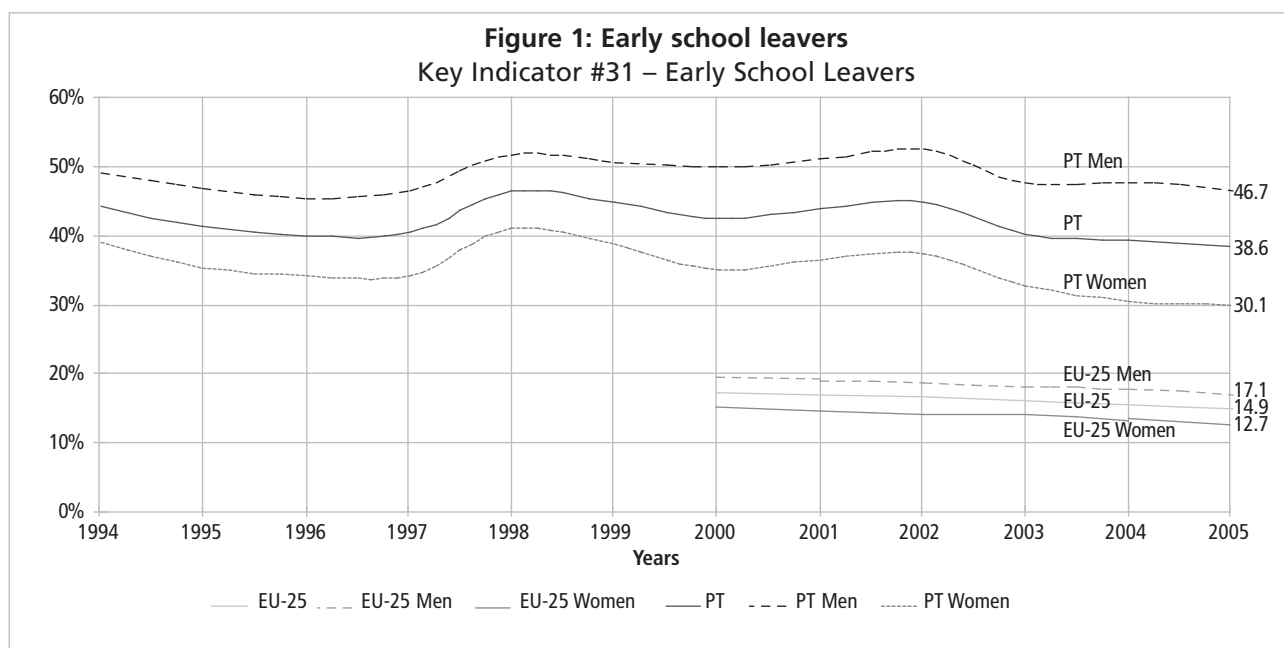
Youth employment is an increasing concern in Portugal. Economic growth is still not convincing, and unemployment continues to grow in all population categories, including young people.

Recent employment policies and measures seem well targeted and designed, and ambitious goals have been set. Economic growth is not, however, sufficient to achieve employment growth on a scale that can impact on young people. Economic growth depends on many factors, not all of them within the control of the Portuguese government.

The recent approval of the EU overall budget for 2007-13 has resulted in a very positive negotiation for Portugal. Perhaps this will be the country's last opportunity to rejoin convergence with its European partners.

## Annex

Table 1: Early school leavers and youth unemployment ratio														
#	Title	Evolution												
		1998	1999	2000	2001	2002	2003	2004	2005	1Q	2Q	3Q	4Q	Year
	<b>KEY INDICATOR #31 Early school leavers</b>													
<b>31</b>	<b>EU-25</b>			17.3	16.9	16.6	16.1	15.7						
31.1	EU-25 Men			19.4	19.1	18.9	18.1	18.0						
31.2	EU-25 Women			15.2	14.7	14.3	14.1	13.4						
<b>31</b>	<b>EU-15</b>		20.5	19.4	18.9	18.6	18.2	17.8						
31.1	EU-15 Men		22.6	21.7	21.3	21	20.4	20.3						
31.2	EU-15 Women		18.5	17.1	16.6	16.1	16.1	15.3						
<b>31</b>	<b>PT</b>	46.6	44.9	42.6	44.0	45.1	40.4	39.4						38.6
31.1	PT Men		50.8	50.1	51.2	52.6	47.7	47.9						
31.2	PT Women		38.9	35.1	36.7	37.5	33.0	30.6						
	<b>CONTEXT INDICATOR #9 Youth unemployment ratio</b>													
<b>9</b>	<b>EU-25</b>		8.7	8.4	8.0	8.2	8.4	8.3						
9.1	EU-25 Men		8.9	8.5	8.4	8.7	9.0	8.8						
9.2	EU-25 Women		8.6	8.3	7.7	7.7	7.7	7.8						
<b>9</b>	<b>EU-15</b>		8.5	7.7	6.9	7.2	7.6	7.6						
9.1	EU-15 Men		8.5	7.7	7.1	7.6	8.1	8.0						
9.2	EU-15 Women		8.5	7.8	6.8	6.8	7.0	7.3						
<b>9</b>	<b>PT</b>		4.3	4.1	4.4	5.5	6.6	6.7	6.8	6.5	7.2	6.9	6.9	6.9
9.1	PT Men		3.8	3.4	3.8	5.2	6.1	6.5	6.1	6.4	6.3	6.3	6.3	6.3
9.2	PT Women		4.8	4.8	5.1	5.9	7.0	6.9	7.7	6.6	8.1	7.5	7.5	7.5



**Table 2: Early school leavers convergence projections I**

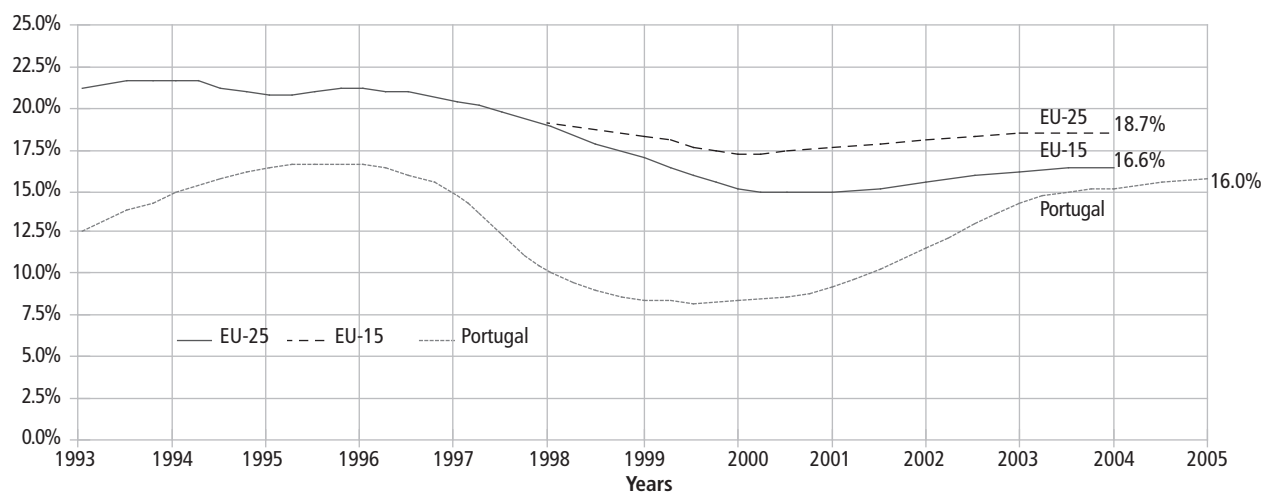
	Early School Leavers 2000-2005 Evolution					
	Gap between EU % Portugal			Convergence		
	2000	2005	Diff.	Average convergence	Years needed	Conv. Year
<b>Total</b>	<b>25.3</b>	<b>23.7</b>	<b>-1.6</b>	<b>0.27</b>	<b>89</b>	<b>2094</b>
Men	30.7	29.6	-1.1	0.18	161	2166
Women	19.9	17.5	-2.5	0.42	42	2047

This is the statistical data used to support Section 1 of this article on early school leavers.

Table 3 provides more detailed assumptions to project convergence between the EU-25 and Portugal. Average convergence is calculated only between 2002 and 2005, thus ignoring previous years where convergence decreased. In this scenario, convergence is achieved sooner.

**Table 3: Early school leavers convergence projections II**

	Early School Leavers 2000-2005 Evolution									
	Gap between EU % Portugal						Convergence			
	2000	2001	2002	2003	2004	2005	Difference 2002-2005	AV. Conv	Years needed	Target
Total	25.3	27.1	28.5	24.3	23.7	23.7	-4.8	1.60	15	2020
evolution		1.8	1.4	-4.2	-0.6	0.0				
Men	30.7	32.1	33.7	29.6	29.9	29.6	-4.1	1.37	22	2027
evolution		1.4	1.6	-4.1	0.3	-0.3				
Women	19.9	22.0	23.2	18.9	17.2	17.4	-5.8	1.93	9	2014
evolution		2.1	1.2	-4.3	-1.7	0.2				

**Figure 2: Youth unemployment ratio**  
Context Indicator #9 – Youth unemployment ratio**Figure 3: Unemployment rate of population aged under 25**

Source of all data: Eurostat.  
Statistical analysis: Re-Start Consulting.



# Youth employment in Slovakia

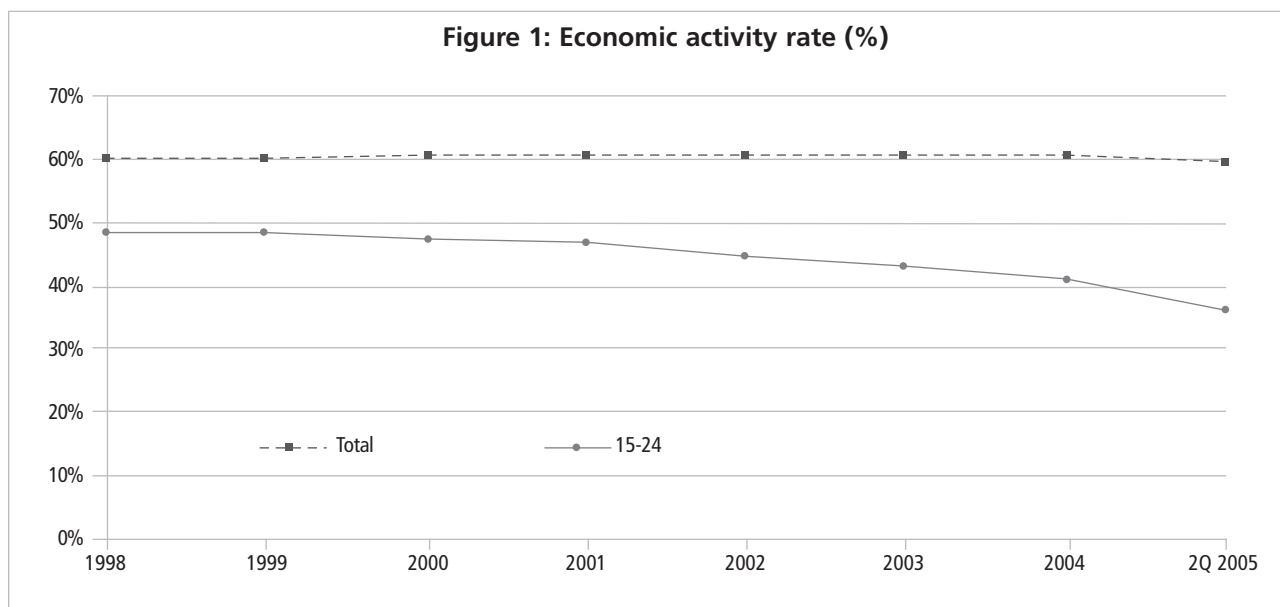
## 1. Trends

Slovakia, along with Poland, reports the highest share of jobless young people, both as a proportion of the economically active population of 15-24-year-olds and as a proportion of the total population in that age group (youth unemployment ratio) <sup>(125)</sup>. Figures 1-4 display the trends in four labour market indicators for young people aged 15-24.

The figures suggest that:

- Young people are more vulnerable to negative change. This is evident in the increase in unemployment among young people (Figure 3) – especially for 20-24-year-olds – which lags behind overall employment growth <sup>(126)</sup>.
- In 2001, the unemployment rate was 19.2% for the overall active population, and 37.5% for the 15-24 age group. Since then, there has been a moderate improvement across all age groups. Unlike the overall unemployment rate, which is higher for women than for men, youth unemployment affects relatively more young men than young women <sup>(127)</sup>.
- Long-term unemployment remains high. Although the increase in long-term unemployment rates came to a halt in 2002, the number of long-term unemployed people among the total unemployed population is growing. Among 15-19-year-olds, one in five is unemployed for longer than 12 months.
- Demographic aging is manifested in a gradual decrease of the active population in the 15-24 age group. A positive message is the growing number of students in this age group, which suggests a prolongation of schooling years <sup>(128)</sup>.
- The proportion of self-employed young people is half the rate for the 25-64 age group (6.7% and 13.5% respectively) <sup>(129)</sup> suggesting that young people find it more convenient to start their careers as employees, or that entrepreneurship is insufficiently promoted by the education system and families.

**Figures 1-4: Economic activity, employment, unemployment and long-term unemployment trends for 15-24-year-olds**



<sup>(125)</sup> According to Eurostat, the youth unemployment rate in Slovakia was 32.7% in 2004; the corresponding figure for the 25 EU Member States (EU-25) was 18.7% (Poland 40%). The youth unemployment ratio was 13% in Slovakia and 8.3% in the EU-25 (Poland 14.2%).

<sup>(126)</sup> Employment grew by 2.1% in the second quarter of 2005 compared with the same period in 2004. However, the number of young people employed decreased by 3.4% during the same time (- 1.1% for the 20-24 age group).

<sup>(127)</sup> In the second quarter of 2005, youth unemployment was 28.9% for men and 26.1% for women.

<sup>(128)</sup> Transition from school to work occurs at age 18 on average, which is very low compared with Europe.

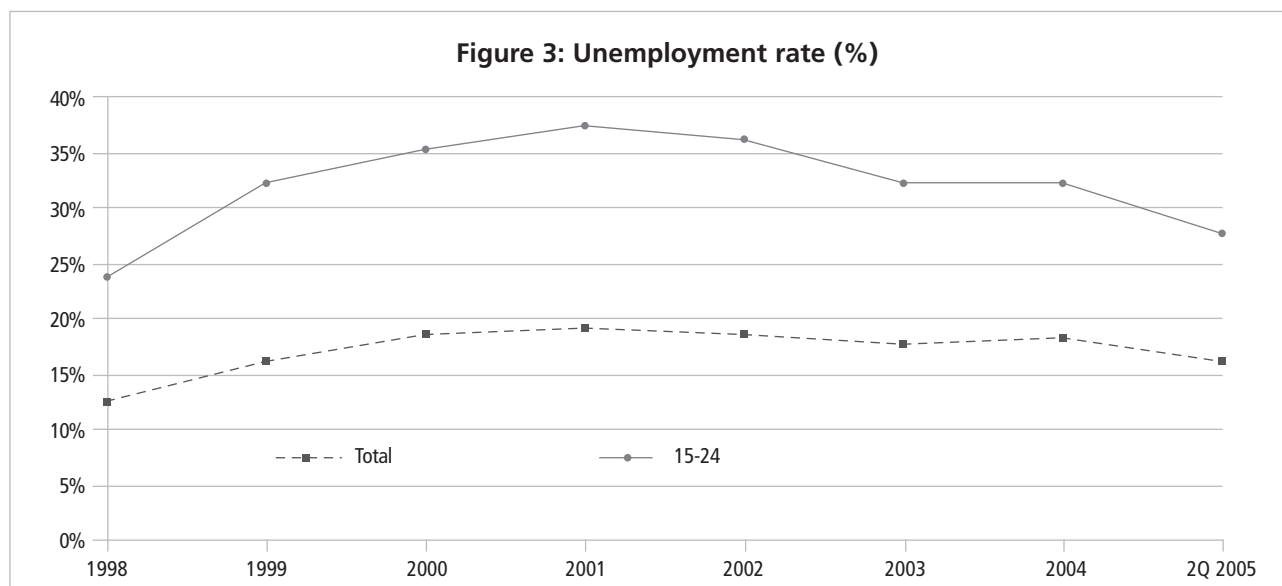
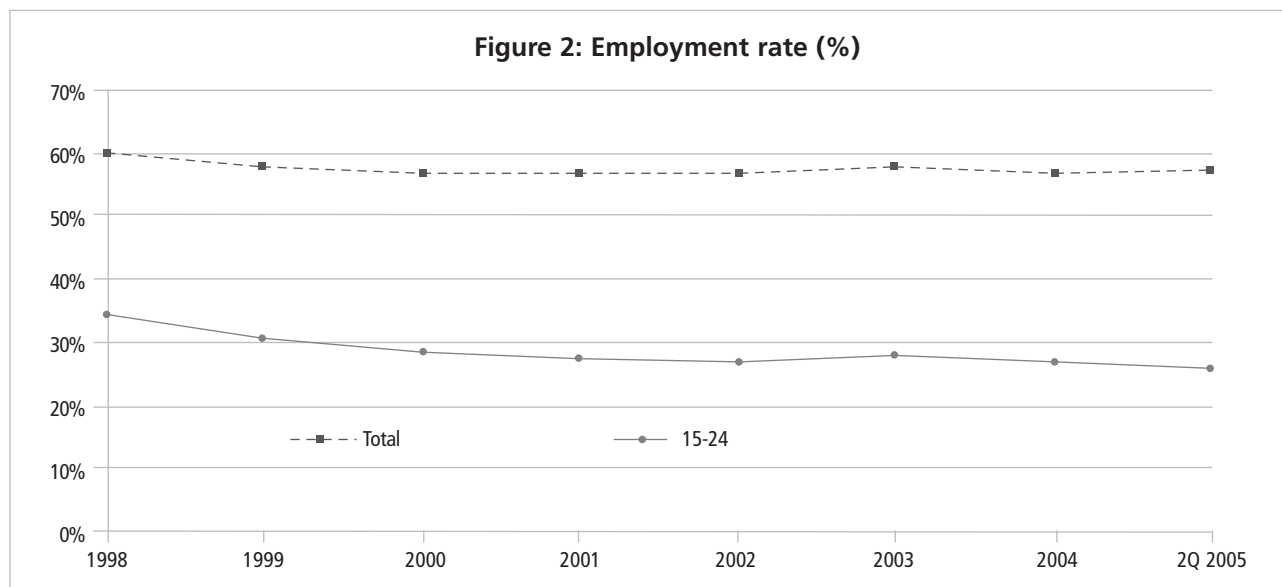
<sup>(129)</sup> Source: Labour force survey (LFS), Statistical Office of the Slovak Republic.

- Wages for young people are below the average, and the decreasing ratio of 'juvenile' wages to the average wage is somewhat unusual (see Table 1). Since the younger generation's educational attainment is improving comparably with the overall active population, the decreasing remuneration of young people most likely reflects inappropriate qualifications and skills.

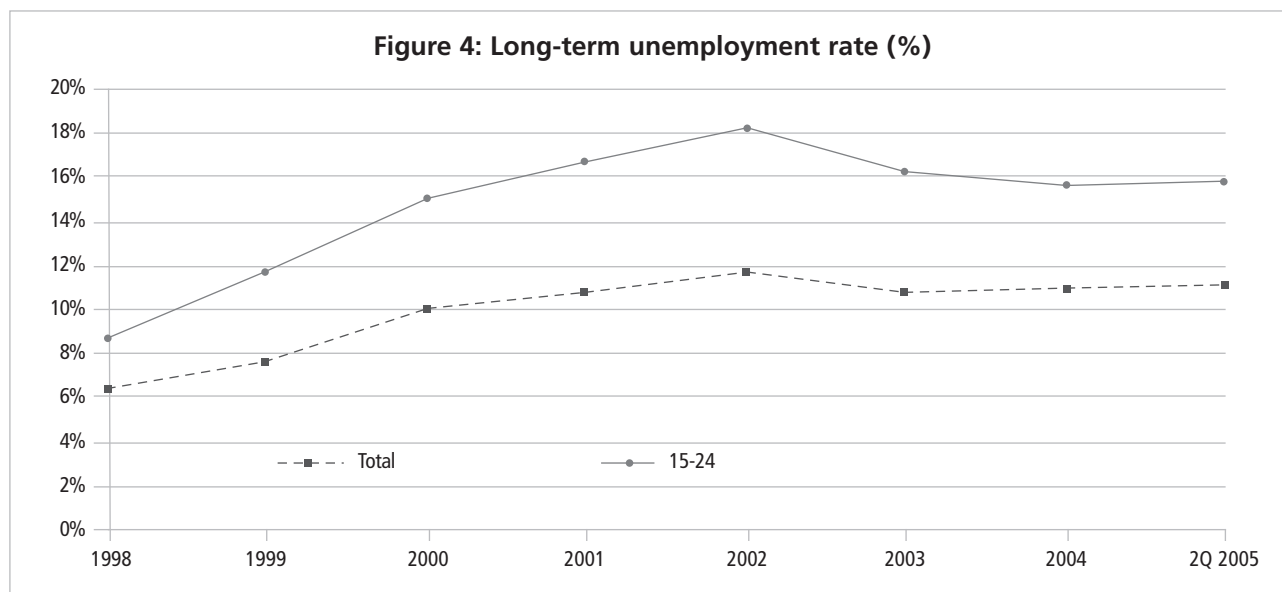
Employers, job-broking agents, analysts and policy-makers agree that young people are insufficiently prepared for the

labour market. Lack of skills or inappropriate skills are the main reasons why so many young people fail to manage the transition from education to work.

In 2005, the proportion of registered jobseekers aged 15-24 in the total of jobseekers ranged between 17.2% and 20.7%, while the proportion of school leavers/graduates ranged between 4.1% and 8.0% <sup>(130)</sup>. Table 2 shows recent developments in unemployment rates for school leavers and graduates by type of schooling completed.



<sup>(130)</sup> The proportion of young jobseekers peaks in September after the summer holidays, when the highest inflow of school leavers into the register is reported. The school year officially closes on 31 August, when parents of secondary school leavers are no longer entitled to receive child allowances. The highest inflow of university graduates into unemployment takes place in June with the ending of the summer term.



**Table 1: Average nominal monthly wage (breakdown by selected age groups)**

Average monthly gross wage	1998	1999	2000	2001	2002	2003
Total (SKK)	10 117	10 593	11 638	12 542	14 597	15 359
15-19 (as % of total)	66.5	63.0	62.1	56.2	60.7	56.0
20-24 (as % of total)	82.8	79.4	77.6	74.7	78.7	75.7

Source: Statistical Office of the Slovak Republic.

Secondary vocational school leavers had the highest unemployment rate during the period surveyed (23.8%). The worst results were achieved by leavers from schools in agriculture, forestry, mining and certain social services. Studies in electronics and

telecommunications, culture and art, machinery and construction produced below-average unemployment and a better absorption rate for school leavers. University graduates were the most successful in entering the labour market.

**Table 2: Unemployment rate of school leavers/graduates, by type of school (%)**

Month	University graduates	Secondary specialised school leavers	Secondary grammar school leavers	Secondary vocational school leavers (with matura)	Secondary school leavers (without matura)	Graduates/school leavers total	Ratio to overall unemployment rate
6/04	15.78	7.40	2.22	12.53	11.29	10.43	0.75
7/04	15.19	7.10	2.09	11.93	10.72	9.98	0.73
8/04	12.64	8.21	2.29	12.70	11.26	9.78	0.74
9/04	8.92	17.94	4.97	23.80	21.86	15.06	1.15
10/04	6.80	16.31	4.71	21.81	20.43	13.48	1.06
11/04	6.03	15.70	4.73	20.76	20.22	12.93	1.03
12/04	5.64	15.53	4.67	20.98	20.25	12.81	0.98
1/05	2.64	13.68	4.32	18.21	18.56	10.76	0.80
2/05	2.20	12.81	4.17	16.87	17.58	10.03	0.77
3/05	1.81	12.08	4.24	15.55	16.13	9.30	0.73
4/05	1.50	10.74	3.99	13.36	14.37	8.21	0.69
5/05	3.26	7.91	3.06	8.85	13.04	7.00	0.62
<b>Average</b>	6.87	12.12	3.79	16.45	16.31	10.81	0.84
<b>AB index (*)</b>	0.90	0.56	0.38	0.63	0.40	0.54	–

NB: The unemployment rate for school leavers is calculated as the proportion of registered unemployed school leavers in the number of students leaving school in a period of two years. When disaggregated to different types of schools, the numbers of school leavers are adjusted accordingly.

(\*) AB index gives the labour market absorption rate of unemployed school leavers/graduates.

Source: Institute of Information and Prognosis in Education (2005) Position of school leavers in practice (2004/05).

## 2. Measures taken to promote youth employment

### 2.1. Education and training policies

In Slovakia, school attendance is mandatory for nine years of primary and one year of secondary education. Nobody is exempt, which means that disabled or otherwise disadvantaged children must receive guaranteed adequate education in schools or individually. Parents must enrol their child at

age six in first grade, but there is no system of confirming registration each subsequent year. Therefore, data on drop-outs are not available. Data on pupils/students who finish mandatory school attendance without achieving basic education are collected, but too late to undertake preventive measures. Furthermore, since schools are financed per student, they tend to overlook truancy in order not to lose funds.

Official data show a rising trend in the number of pupils failing in primary schools. For secondary education, the drop-out rate is relatively low, although secondary vocational streams (without matura) show an increasing rate of drop-outs. Early school leaving is more widespread among the Roma population <sup>(131)</sup>.

<sup>(131)</sup> According to estimates, the probability of a Roma child finishing schooling without basic education is 30 times higher, and repeating of classes 14 times higher, than among children from the majority population. As a result, only 1% of the Roma population has completed secondary education. Source: Centre for Educational Policy (2005) *Early school leaving – causes and consequences*.

Several measures have been adopted in the last three years to reduce the number of young people leaving school without qualifications. The Ministry of Labour, Social Affairs and Family (Molsaf) has linked the payment of child allowances to school attendance. If a pupil is unjustifiably absent for 15 lessons per month, the payment is redirected from parents to the local self-governing office. From 2002, the School Act has provided for 'zero classes' for children who do not enter first grade. Teacher assistant posts were introduced and attracted many Roma assistants. The measures have been effective in decreasing truancy and drop-out rates, but face organisational and financial problems <sup>(132)</sup>.

Molsaf has enabled pre-school facilities and primary schools to obtain subsidies for meals and school aids for children from families dependent on assistance. Pupils from primary schools may also receive merit scholarships. In 2004, the Ministry of Education (MOE) introduced secondary school scholarships for students whose parents receive assistance.

The labour market status of young Roma is a matter of concern in Slovakia, and is characterised by low educational attainment. Long-term unemployment and permanent unemployment are widespread among the Roma population, resulting in poverty, poverty cycles and unemployment traps <sup>(133)</sup>. The Government Office for Roma Communities provides financial support to secondary schools, individuals and university students in order to improve access to education for Roma students from disadvantaged households <sup>(134)</sup>.

At present, pupils with an incomplete primary education may continue their studies in two-year blocks at secondary vocational schools. This programme, however, does not lead to a certificate of apprenticeship, which means that these pupils leave school as unqualified workers. Certificates are issued after completion of a three-year study programme, open only to students who complete basic education. Primary and secondary schools can organise courses for individuals who fail to complete basic education, but financing these courses is problematic since municipalities do not provide financial support for such activities. Furthermore, the curricula are not tailored to individual needs and are identical for all courses, regardless of how many schooling years students have missed.

Retraining programmes allow young unemployed people to acquire new skills to improve their opportunities for entry into the labour market. These programmes do not substitute formal school education, nor do they supplement basic education. A pilot project, 'Completion of primary school' for young job-seekers (National Institute for Education in cooperation with Molsaf and MOE) has been extended; 240 people aged 30 or under will be educated in 15 schools in regions with above-average unemployment rates.

Vocational guidance and counselling services are provided in schools and at counselling facilities in local administrative centres. There are eight regional and 79 district pedagogical and psychological counselling centres for students, parents and teachers. School counsellors are teachers, usually without any special training; some schools have appointed school psychologists.

There are 290 training firms registered with the Slovak Centre for Training Firms (SCTF), which was established within the State Institute of Vocational Education and Training. SCTF provides information and guidance on the Business register, the Trade Licensing Office, the tax authorities, banks and social and health insurance agencies. SCTF also organises international annual fairs for training firms. The effectiveness of such project-based and experience-based training is well-proven, and good-quality entrepreneurial training is provided for all segments of the Slovak education and training system <sup>(135)</sup>.

The responsiveness of vocational education and training (VET) to the needs of the labour market is constrained by the lack of relevant labour market data. As a consequence, the development of core skills, competence-based qualifications and skills upgrading in schools is driven by input standards rather than by output standards which are in line with labour market requirements. This situation contributes to the continuing skills mismatch <sup>(136)</sup>.

In 2002, enterprises regained the possibility to affiliate with VET schools, but the situation is still far from a functioning dual system because of financial arrangements and the lack of incentives.

<sup>(132)</sup> Source: Centre for Educational Policy (2005) *Early school leaving – causes and consequences*.

<sup>(133)</sup> LFS data from 2001 indicate an almost fourfold unemployment rate for Roma compared with the overall rate (Roma 72.6%, SR total 19.2%; 1998 data: Roma 83.2%, SR total 12.5%).

<sup>(134)</sup> A number of non-governmental organisations and civil initiatives have been set up since 1990 with the aim of improving the education of young people and of young Roma in particular. Many projects have produced positive results, but only a few have introduced systemic changes and become institutionalised.

<sup>(135)</sup> Source: <http://www.siov.sk/siov/dokhtm/5sccf/sccfuv.html>.

<sup>(136)</sup> Source: European Training Foundation (2002) *Vocational education and training and employment services in the Slovak Republic*. Monographs Candidate Countries.

## 2.2. Labour market and employment-related policies

The year 2003 saw the reform of several labour market and social policies aimed at removing disincentives to work, by redirecting the emphasis towards activation and motivation to work. The Employment Services Act <sup>(137)</sup> introduced active labour market policy (ALMP) tools to reward activity and mobility in trying to find and retain employment. Young jobseekers aged up to 25 are included in the target groups of disadvantaged jobseekers (long-term unemployed people, people aged 50+, disabled people, single parents, parents with large families), ensuring positive discrimination in all ALMP measures.

The ALMP tools include a specific measure for young people: work experience for school leavers, known as 'graduate practice' <sup>(138)</sup>. The objective of the measure is for jobseekers under 25 to acquire and improve their professional skills and practical experience with an employer. The results show positive participation rates (13% of the total of young jobseekers during January to September 2005) <sup>(139)</sup>, but the numbers finding employment as a direct result are low (one in 20 participants). In 2005, labour offices received 9 996 requests from employers for graduate practice, and concluded 8 923 agreements with employers on 17 556 jobs for 22 732 young jobseekers <sup>(140)</sup>.

Education and re/training of unemployed people is an important measure for young jobseekers' job preparation and flexibility. Created within a national project <sup>(141)</sup> and co-financed by the European Social Fund, this measure seeks to support jobseekers' employability through specialised education and training programmes tailored to individual needs. Retraining is perhaps the most efficient ALMP tool for unemployed people, but the ratio of retraining participants to the total number of unemployed people is low: less than 1% of registered young jobseekers were involved in education and training programmes during the first nine months of 2005. Jobseekers aged 15-24 accounted for 20% of all retrained unemployed people. Table 3 depicts the participation rate of young jobseekers in various ALMP tools in the first half of 2005.

There are 65 labour clubs established at local labour and social affairs offices, and eight information and consulting centres at regional labour offices, which focus on improving young people's employment chances. The clubs provide information on job vacancies and employers' requirements. Young people make up the largest group of clients of temporary employment agencies.

Small and medium-sized enterprises (SMEs) play a vital part in the economy in terms of employment and gross domestic product, although schools and training pay little attention to promoting entrepreneurship. Potential entrepreneurs can

**Table 3: School leavers in ALMP measures (first half of 2005)**

Measure	Number of placed jobseekers	of whom school leavers
Education and training	10 250	805
Contribution for self-employment	5 323	259
Contribution for employing a disadvantaged jobseeker	2 010	62
Graduate practice	11 291	7 592
Activation works	135 378	5 115
Contribution for moving	35	3
Contribution for creation of protected workshop/workplace	132	3
Contribution for self-employment for a disabled person	129	1

Source: Central Office of Labour, Social Affairs and Family.

<sup>(137)</sup> Effective since 1 February 2004.

<sup>(138)</sup> This measure was analysed in the 2005 *EEO spring review on innovative policies and practices*.

<sup>(139)</sup> Apart from the symbolic financial contribution, young jobseekers appreciate the opportunity to improve their qualifications and thus raise their chances of finding a permanent job.

<sup>(140)</sup> Recent experience with a similar ALMP measure designed for young jobseekers completely failed to attract employer interest. This measure was the creation of fixed-term job opportunities (2002).

<sup>(141)</sup> The measure is realised under the sectoral operational programme human resources (projects throughout Slovakia except the Bratislava region) and the single programming document NUTS II Objective 3 (projects in the Bratislava region).

apply for assistance to the regional advisory and information centres, entrepreneurial innovation centres and first-contact centres, organised by the National Agency for SMEs.

The new Labour Code (July 2003) brought greater flexibility into employment relations, notably in working time, overtime work, recruitment and retention. The new legislation supports entrepreneurial activities. The Labour Code introduced a new type of employment agreement, the 'Agreement on temporary jobs of students', enabling students to work up to half of the weekly working time.

### 3. Roles of the labour market actors

Employment policy is coordinated by Molsaf together with the Central Office of Labour, Social Affairs and Family, other ministries, representatives of employers and trade unions, and self-governing units. Youth employment is not subject to specific policy or coordination. The nature of problems faced by young people in the labour market underlines the necessity for closer cooperation between education and labour departments. The interministerial approach is supplemented by cross-sectoral cooperation with social partners, professional associations, chambers of commerce, guilds, non-governmental organisations, research and academia. Employers should play a more significant role in defining standards, curricula and school-leaver profiles in the education system.

### 4. Conclusions and challenges

- The high proportion of young people who do not manage the transition from education to work indicates a mismatch between the skills acquired in education and training and those demanded by the labour market.
- The structure of initial education – and vocational education in particular – is inflexible regarding changing labour market conditions.
- There is a lack of cooperation between schools, businesses and labour offices. This is because of schools' limited appreciation of the changing needs of the labour market,

a lack of labour market data, and new businesses lacking confidence in the quality of training in schools<sup>(142)</sup>.

- Reform of the education system is needed to align qualifications to labour market needs, reduce the number of early school leavers and increase access to higher education.
- Strengthened cooperation is needed among key partners to develop vocational education and training, particularly between schools and employers regarding course content and the scope of education (e.g. development of a dual system).
- An integrated system of career research, advisory and consultancy services (public and private) would raise student and parental awareness of changing requirements and demand for individual professions.
- Employment services need modernising towards a client-oriented and individualised approach, to facilitate young jobseekers' entry and re-entry into the labour market.

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<sup>(142)</sup> Source: European Training Foundation (2002) *Vocational education and training and employment services in the Slovak Republic*. Monographs Candidate Countries.



# Youth employment in Slovenia

## 1. Trends

Over the past 15 years, the Slovenian youth labour market has experienced the same changes and challenges, sometimes even on a larger scale, as the Slovenian labour market as a whole. Economic crisis at the beginning of the 1990s contributed to a dramatic fall in activity rates as well as an increase in unemployment rates for the whole population, and for the younger population in particular.

With the stabilisation of the economic situation and some economic growth, the overall activity rate has improved somewhat, while the youth activity rate has continued to fall, to 31.8% in 2005 (Table 1).

On the other hand, in 1993 when the overall unemployment rate peaked at 9.1% (labour force survey), the youth unemployment rate (ages 15-24) was much higher, at 24.2% (Table 2). As Slovenian companies virtually stopped hiring new workers during this period and were trying to get rid of excess staff (mostly older, poorly qualified people), the real losers in the transition period included young people.

Since the improvement of the economic situation in the second half of the 1990s, the situation has changed. Employers

are now hiring a mostly younger labour force – who are considered to be more educated and more flexible, and therefore more employable – especially in more flexible forms of employment <sup>(143)</sup>. The youth unemployment rate fell to 13% in 2005, and the ratio between overall and youth unemployment decreased from 2.7 in 1993 to 2.2 in 2005.

Gender differences, which have been increasing in recent years, are significant in youth employment. The youth unemployment rate ratio between men (18.1%) and women (19.7%) was 1.1 in favour of men in 1995. But by 2005, when the lowest youth unemployment rate in recent years was recorded at 13%, the ratio was 1.4: the unemployment rate of young men was 11.2%, compared with 15.4% for young women. Slovenian employers are often hesitant in employing young women (even though they are more educated than young men), because of the possibility of pregnancy and subsequent maternity leave (one year).

Of the total of registered unemployed people aged up to 26 in 2004, 53.8% were women, while 56.6% of registered first jobseekers were women (Employment Service of Slovenia (ESS), 2005). Other empirical data show that young women have a longer average duration of unemployment and are employed for temporary periods more often than men (ESS, 2005).

**Table 1: Activity rates in Slovenia for the period 1993-2005**

	1993	1995	1997	1999	2001	2002	2003	2004	2005
Overall activity rate	57.7	57.6	59.1	58.3	57.8	58.1	56.5	59.0	58.7
Youth (15-24 years) activity rate	41.6	41.5	47.6	41.5	36.5	36.7	33.8	39.6	31.8

Source: Statistical Office of Republic of Slovenia (SORS), 2005.

**Table 2: Unemployment rates in Slovenia for the period 1993-2005**

	1993	1995	1997	1999	2001	2002	2003	2004	2005
Overall unemployment rate	9.1	7.4	7.1	7.4	5.9	5.9	6.6	6.1	5.8
Youth unemployment rate	24.2	18.8	17.4	18.2	16.1	15.0	15.4	14.2	13.0

Source: SORS, 2005.

<sup>(143)</sup> Of all job vacancies in August 2005, 83.6% were fixed-term contracts (Institute of Macroeconomic Analysis and Development (IMAD), 2005).

**Table 3: Characteristic groups of registered unemployed people**

Year/month	Average number of registered unemployed people	Average % of characteristic groups of registered unemployed people					
		Aged under 26	First jobseekers	Women	Unemployed for over one year	Without vocational qualifications	Aged over 40
1993	129 087	37.4	19.0	43.8	54.8	45.3	28.2
1995	121 483	32.2	19.7	46.7	61.9	46.6	34.0
2001	101 857	24.1	18.8	50.8	58.9	47.0	50.5
2002	102 635	24.0	19.6	51.2	54.4	47.0	49.4
2003	97 674	26.1	23.2	52.8	48.6	44.2	44.1
2004	92 826	26.2	25.2	53.1	46.2	41.6	42.8
October 2005	94 224	26.1	26.4	54.5	46.6	39.9	42.3

Source: ESS, 2005a.

The data for registered unemployed people show a decreasing proportion of young unemployed people aged under 26 – down from 37.4% in 1993 to 26.1% in October 2005 (Table 3). This figure is consistent with the above-mentioned higher employment of younger jobseekers. On the other hand, one noticeable trend in recent years is the growing proportion of first-time jobseekers among registered unemployed people. This is accounted for by jobseekers aged 26-30 seeking a first job after graduating from university. Their share of all registered unemployed people increased from 11% in 2000 to 17% in October 2005, and is the direct consequence of the prolongation of education.

cohort participation in tertiary education to 50%. The most recent reform of the education system consisted of modernising the curricula in primary and secondary schools, and introducing new forms of vocational and professional education. The latter included dual system (apprenticeship) programmes (which only partially existed before) in secondary vocational education, and new two-year post-secondary (non-university) professional schools.

At individual level, more and more young people have high educational aspirations and are prolonging their education, resulting in the lower economic activity rates among the younger population.

## 2. Measures taken to promote youth employment

### 2.1. Education and training policies

In the mid-1990s, Slovenia adopted new national education policies for increasing educational attainment. The emphasis was on increasing the proportion of people with completed tertiary educational level to 25% by 2005, and increasing

There are two major consequences of these developments. Firstly, there is the polarisation of job options, which is closely connected to individual educational attainment. Young people with higher educational attainment have fewer problems in finding jobs (even first jobs) than less educated young people. Secondly, in recent years the proportion of unemployed university graduates has started to grow. Reasons for this growing unemployment are at least twofold: the high concentration of graduates in certain fields of study produces greater competition; and the labour market alone cannot produce as many vacancies as needed in certain areas of the economy.

One of the issues frequently related to the transition from school to work is the problem of drop-outs and early school

leavers. Latest data show the highest drop-out to be in vocational education, leaving these young people without basic qualifications and barely employable <sup>(144)</sup>.

From 1995 onwards, great emphasis has been put on further implementation of changes in the education system. These include building the system of national vocational qualifications, which would enable greater flexibility in the education system, greater responsiveness to the needs of the labour market, and occupational qualifications that give greater competitiveness to individuals in the labour market.

## 2.2. Labour market and employment-related policies

In the past, young people without any employment record (first-time jobseekers) were never entitled to unemployment benefit.

When new employment opportunities almost ceased in 1991, greatly affecting young school leavers, the government responded by introducing a measure to subsidise first-time employment. This measure was very popular (it covered up to 88% of all first-time labour market entrants), since it was at that time practically impossible for a young person to get a job without support from the employment office. However, the measure was gradually abandoned and replaced in the second half of the 1990s with other employment measures intended not only for young unemployed people. In the late 1990s, unemployed young people were defined as one of the priority target groups within the 'active labour market policy measures' programme. Subsidising school leavers' first jobs currently only occurs in areas with the highest unemployment rates, though they have been increasing in the past few years (ESS, 2005).

Today, unemployed young people and first-time jobseekers are most often included in motivation and orientation programmes, education and training programmes, and public works such as 'Programme 10 000+'.

## 3. Problematic features of youth employment

The Slovenian labour market is still perceived as somewhat rigid and labour laws still offer relatively high employment security for permanently employed people. Current policies concerned with the flexibility of the labour market have been mixed. On the one hand, the legal framework and active employment policies have been designed to make the labour market somewhat more flexible, while on the other hand there are still policies focused on job preservation (Kanjuro-Mrčela and Ignjatović, 2004). Consequently, increased flexibility of employment mostly affects newcomers, especially first-time jobseekers.

However, the increase in fixed-term contracts is a sign of an increasing flexibility of the labour market, especially on the demand side (employers). This type of flexibility primarily affects the younger generation.

Another issue regarding the younger generation's participation in increasing the flexibility of the labour market is the existence of student work and student service agencies, which provide advice on work only to students who are in need of work or are willing to work as well as studying.

## 4. Roles of the labour market actors

There is no specific national programme in Slovenia focused on young people's transition from school to work, but several elements of transition are covered by general education and employment policies.

In education, the participation of employers proved to be essential for developing dual system vocational programmes.

<sup>(144)</sup> The numbers of young people prematurely leaving secondary education decreased during the 1990s. Policy measures already focus on preventing premature exit from secondary education and helping young people who leave school without achieving any qualifications. Vocational guidance is emphasised, as well as teachers' awareness and the responsibility of schools in early detection of potential drop-outs. There are employment policy measures intended for young people without any qualifications (offering them a second educational chance or training to prepare them for job-search), and other projects initiated and carried out by non-profit organisations and associations (e.g. 'Project learning for young adults', 'Street-projects' for young people in some urban neighbourhoods, projects for immigrant children).

The Chamber of Crafts was an important actor in shaping the dual system. However, young people's interest in enrolling on vocational programmes has remained relatively low, for various reasons (raised educational aspirations, occupations that are not attractive to young people, parallel existence of similar school-based vocational programmes, lack of opportunities for continuing education after completing such a programme).

## 5. Conclusions

The strategy of encouraging more young people into higher education proved quite helpful for a time in avoiding high youth unemployment. In addition, graduates could be retrained more easily than people with lower educational attainment. But higher education institutions are releasing more and more graduates into the labour market, and the result is high supply-side pressure on certain segments of the labour market at times when demand is limited. As a consequence of declining labour market opportunities, more and more young people have to face uncertainty, insecurity and greater risks. Their inexperience and the shortage of permanent jobs mean that they are stuck in unstable, often low-paid jobs that do not provide economic independence, social security or an independent life. As a consequence, not only are qualified young people in an extremely disadvantageous situation, but the numbers of frustrated and unemployed highly qualified young people are also increasing.

Research on young people's response to such challenges (e.g. Ule, 2002) points out some of the consequences of the increased social vulnerability of young people:

- The economic autonomy of young people becomes very limited. Family support and social networks become very important in the crucial transitions that young people face.
- Some youth groups show greater political passivity. Instead of collective actions, young people increasingly seek individual solutions to their problems and life.
- Worsening social status and increasing individualism adversely affect identity-building.

On the other hand, research on demographic trends shows that there will be no dramatic deterioration in the labour market situation of young people, thanks to changes in the demographic structure – i.e. low fertility rates and the ageing of the Slovenian population. Both trends are working towards reducing the size of the Slovenian labour force (Kraigher, 1995), which should bring about more opportunities for younger job-seekers to find jobs in the Slovenian labour market from 2015 onwards.

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# Youth employment in Spain

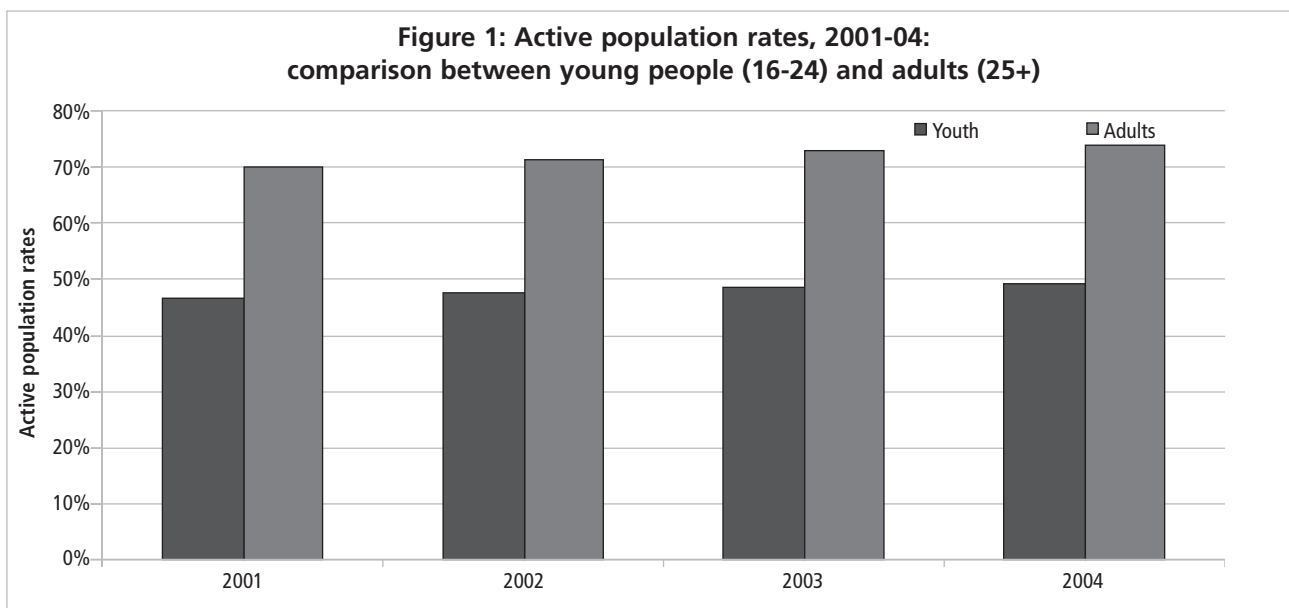
## 1. Trends

There are 4.84 million young people aged 16-24 in Spain; 13.5% of the total working-age population. In 2004, the economic activity rate of young people in Spain was below 50% (49.2%), despite a steady increase from 46.6% in 2001 (Figure 1). The gap between youth and adult rates widened from 23.6% in 2001 to 24.7% in 2004.

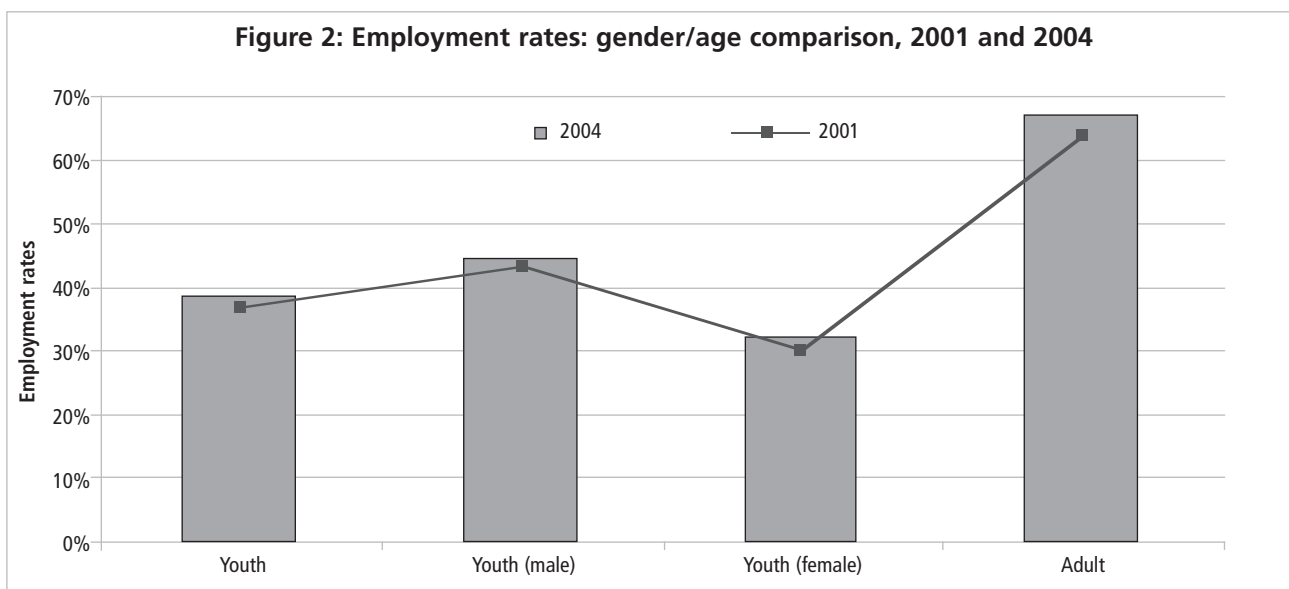
A low active population rate may reflect longer periods of education, i.e. the difference between rates for 16-19-year-olds

and 20-24-year-olds. In Spain, the rate is 25.5% for 16-19-year-olds and 64.3% for 20-24-year-olds. Male activity rates (55%) are higher than the female rate (43.6%). The gap between young and adult male active population rates is higher than for women.

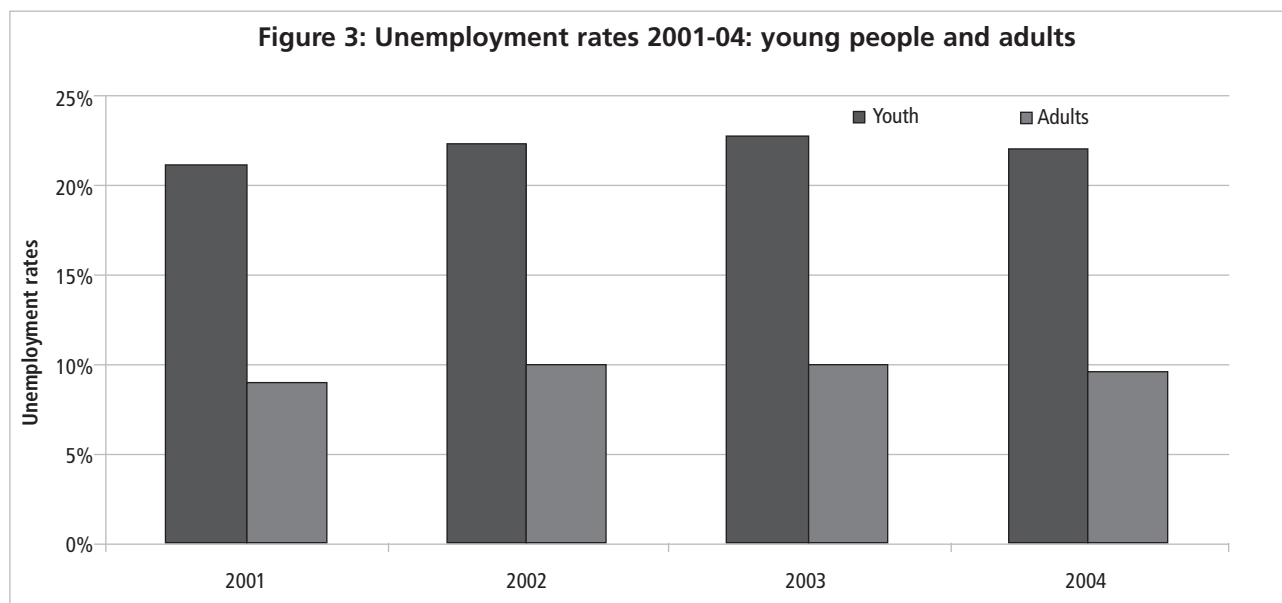
Figure 2 shows that employment rates for young people in 2004 were 38.4% compared with the adult rate of 66.9%. Male employment rates were almost 12% higher than female employment rates. The 2004 figures show a slight rise for all groups compared with 2001, with the highest rate of increase being for young women.



Source: Coyuntura Laboral No 74, Ministry of Employment and Social Affairs.



Source: Coyuntura Laboral No 74, Ministry of Employment and Social Affairs.



Source: *Coyuntura Laboral* No 74, Ministry of Employment and Social Affairs.

The wide gap between youth and adult employment rates may be because young people join the labour market at an older age after longer periods in education and training; there is almost a 34% difference between the rates for 16-19-year-olds and 20-24-year-olds.

Figure 3 shows that unemployment is hitting young people harder than the average. In a labour market where average unemployment rates are almost 11%, youth rates are almost double that. The difference is even more significant when comparing youth and adult unemployment, as in Figure 3. Unemployment for women is also higher, reaching 26.4% in 2004.

Unemployment rates differ in the regions, but regions where unemployment is widespread also report high youth unemployment rates: Andalusia (27.11%) and Extremadura (29.06%), compared with Navarre (12.4%).

A very recent impact on the Spanish labour market is the inflow of foreign labour and its effect on youth employment; the active population rate for young people is almost 11 percentage points higher than the average, even though the gap fell between 2001 and 2004.

The need to implement policies that will impact on youth employment rates is evident:

- Education and training policies are crucial to address the current mismatch between employers' demands and the skills offered by the current education system. The mismatch is particularly pronounced in higher education institutions.

One consequence of this is the lack of Spanish technologists and engineers, which is aggravated by weak incentives to promote innovation. This problem is being tackled by the national Lisbon reform programme, which the government launched in October 2005 with a commitment to provide specific employment/training/retraining to any young person who has been unemployed for more than six months.

- The division between permanent workers, who are protected by high severance payments, and the large number of temporary workers with little employment stability, is one of the most pronounced features of the Spanish labour market, and particularly affects young people. Current thinking stresses the role of the long overdue task of reducing labour market segmentation by lowering the cost and uncertainty of employment protection for permanent workers and applying legal limits for the renewal of temporary contracts, which are abused in practice. The subsidies for many new permanent contracts are expensive, as they incur high losses and should be seen only as a temporary solution (OECD, 2005).
- In response to the high rates of temporary employment, the national Lisbon reform programme has considered implementing a reform of the discount schemes on employers' social security contributions to promote young workers' permanent contracts. The proposal is to include discounts for people aged under 30.
- Labour mobility is to be increased by promoting work and training opportunities in other EU Member States.

## 2. Measures taken to promote youth employment

### 2.1. Education and training policies

Education and training outcomes in Spain need improving, as indicated by the high percentage of early school leavers. In 2004, Spain had the third highest rate of early school leavers in the EU (31.1%), behind Portugal (39.4%) and Malta (45%). This rate is considerably worse than EU-15 (17.8%) and EU-25 (15.7%) levels (Table 1). Table 1 shows that the situation in Spain is getting worse, as the percentage of early school leavers has been steadily rising over the years.

The OECD 'Pisa 2003' report shows Spain ranked 26<sup>th</sup> out of 41 countries in areas such as mathematics, science and reading.

Educational flaws are also visible in higher education. Spanish universities suffer from a lack of competition across departments, and trends in specialisation have overlooked science-based competences. As a result, higher education institutions are experiencing difficulties in meeting the challenges and needs of the labour market.

Regular vocational training is still underdeveloped in Spain and suffers from a certain lack of prestige. Nevertheless, some improvements have been made over the last few years, as a result of which both the image/prestige and resources devoted to vocational training have increased. The Spanish vocational training system has undergone a profound process of change since the 1990s, aimed at defining and setting the institutional, legal and managerial framework since the first 'national programme for vocational training' was implemented.

The 'national programmes for vocational training' have focused on the following aspects:

- A perception of vocational training as an important human capital investment;
- A gradual stronger connection of vocational training programmes with European-based active labour policies;
- The participation of the central administration (government), the social partners and autonomous communities in a vocational training board;
- Setting up a national system of qualifications.

The objectives are to implement policies compatible with the specific competences and skills most needed in the labour market. Legislation to improve education outcomes comprises

**Table 1: Early school leavers in the European Union (EU-25 and EU-15) and in particular countries, 1999-2004**

Total	1999	2000	2001	2002	2003	2004
EU-25	–	17.3	16.9	16.6	16.1	15.7
EU-15	20.5	19.4	18.9	18.6	18.2	17.8
France	14.7	13.3	13.5	13.4	13.7 (b)	14.2
Italy	27.2	25.3	26.4	24.3	23.5	22.3
UK	19.7	18.3	17.6	17.7	16.7	16.7 (p)
Netherlands	16.2	15.5	15.3	15	14.5	14.5 (p)
Germany	14.9	14.9	12.5	12.6	12.8	12.1
Sweden	6.9	7.7	10.5 (b)	10.4	9.0 (b)	8.6
Spain	29.5	28.8	28.8	29.5	30.8	31.1
Hungary	13.0	13.8	12.9	12.2	11.8 (b)	12.6

NB: (b) break in series (p) provisional.

Source: Eurostat, Labour force survey (LFS).



the Organic Law on Education (*Ley Orgánica de la Enseñanza (LOE)*), which is still the subject of parliamentary debate, and the University Organic Law (*Ley Orgánica de Universidades (LOU)*). The main priorities of the LOE are the following:

- The promotion of a high-quality education system for everyone. Education has been made compulsory for under-16s, and efforts now need to concentrate on combating early school leaving, to ensure that everyone can achieve the highest level of competence.
- Effective involvement of all agencies involved in education, as well as students.
- A commitment to European education objectives to meet the Lisbon agenda.

Achieving higher levels of flexibility seems to be the key factor in the reforms. The measures aim to link education with work more effectively, promoting better links between different education providers and giving greater autonomy to educational institutions to improve decision-making. To combat early school leaving, specific training programmes will be put in place to help those unable to complete mandatory education to enter the labour market. Greater flexibility is expected through improved access to regular vocational training, and by improving the links between regular vocational training and providers making up the vocational training systems (occupational and lifelong vocational training), or by emphasising the importance of evaluation practices (mainly through the Institute of Evaluation). Teacher commitment needs to be supported with continuous training to keep skills and knowledge up to date.

One of the main pillars of the LOU reform is the commitment to quality in terms of both teaching and research activity. This undoubtedly requires additional funding.

Initiatives to link education with work experience have been undeveloped in Spain to date. Nevertheless, some progress has been made. In the case of young workers, this has mainly been through implementation of the following measures.

- School workshops and employment houses (*escuelas taller y casas de oficios*) – work and training centres where unemployed young people (16-25-year-olds) are given vocational training, combined with hands-on work, to improve their opportunities for entering the labour market.
- Social guarantee programmes (*programas de garantía social*) – training programmes aimed at unskilled young people aged between 16 and 22 who fall into the following categories:

- those still at school but at serious risk of early leaving,
- those unable to complete primary studies or those who, in spite of having completed them, have failed to complete first-level vocational training,
- those in prison,
- those with special educational needs.

The programmes last for one year (720-1 800 tuition hours) and consist of training that combines theoretical and practical tuition. The aim is to:

- Improve youth training, in order to boost entry rates to the labour market or help people to resume their studies (vocational training);
- Qualify young people to a professional standard;
- Build self-confidence through skills acquired.

## 2.2. Labour market and employment-related policies

This section looks at key Spanish labour market policies focusing on youth employment. Two types of measures are reviewed: active labour market policies (ALMPs), and tax systems and labour market legislation oriented policies.

Employment Law 53/2003, which contains the main guidelines on ALMPs, opted for a comprehensive policy approach. In line with the European employment strategy, it adopts a preventive vision to fight long-term unemployment. It also promotes activities intended to boost employment for specific groups, including young people.

The policies implemented may be classified under four headings:

- ‘Prevention-activation’ policies, which are intended to improve labour market entry for unemployed people: such policies focus mainly on providing training, employment or global counselling;
- Specific training policies;
- Policies to reduce inequalities: certain groups, including young people, who are more likely to suffer from social exclusion are targeted by specific programmes;

- Policies to boost employment, by attempting to promote stable employment and self-employment.

According to the report on the evaluation of the European employment strategy in the Spanish regions (Saez et al., 2004), evaluation of ALMPs reveals that their impact is far from being homogeneous for different groups. Jobseekers were classified in one of three categories: young people unemployed for less than six months; adults unemployed for less than 12 months; and people of any age unemployed for more than 12 months. Analysis showed that the best results in terms of labour market entry were achieved by the first group, reporting an entry rate during the first year of 73.6%. Long-term jobseekers were the worst-performing group (54.7%).

However, if the results for each group are compared with the same age group not participating in the initiatives, i.e. with a control group, the conclusions are different. Long-term jobseekers had the highest entry rate (54%), whereas young jobseekers unemployed for less than six months showed an entry rate lower than that reported by non-participants. Consequently, it may be deduced that the policies had no positive impact on young people.

Evidence indicates that the best results for young people have been achieved in specific programmes: 'Prevention-activation' and some individual programmes such as the 'Income guarantee programme', directed at agricultural workers, which provides a certain amount of income conditional to some participation in the labour market. However, when comparing these results with the respective group of non-participants (control group), no significant or positive results are reported.

Tax systems and labour market legislation oriented policies are further measures to improve opportunities for young people, as well as self-employment.

The main measure to encourage businesses to recruit young people is the 1998 replacement contract (*contrato relevo*) whereby a semi-retired worker is replaced by another person who is either unemployed or working under a permanent contract. Once the worker has fully retired, the relief contract expires and the person holding the vacancy may work for the company for as long as the vacancy exists. This initiative is attractive for businesses because it carries tax incentives. Workers holding the vacancies are usually young.

Promotion of self-employment among young people is through several measures.

- Regionally based tax deductions: in Andalusia, for example, the annual deduction amounts to EUR 150. To be eligible, the taxpayer must be under 35, be registered with the business census and be developing economic activity in Andalusia.
- The 'Seedbed' initiative, promoted by the Youth Institute, has been very successful in Alava (Basque Country): in 2004, more than 24 businesses were set up as a result of the 'Ajobask seedbed'.
- The Self-Employment Statute, which is expected to be passed shortly, will improve the conditions under which self-employed people work, and so will increase incentives for young people to become self-employed.

It is worth emphasising that no major initiatives have been taken at national or regional level specifically to promote the mobility of young people, which according to INEM (National Institute of Employment) data amounted to 6.9% in 2002 <sup>(145)</sup>. One exception is the 'Work camps' initiative, promoted by the Youth Institute. This consists of a period of voluntary work to be undertaken by young people (aged under 30) in Spain, Europe, North America or Japan in exchange for a free accommodation in a work camp.

The most outstanding measures currently come from the EU; the Leonardo programme (vocational training) and the Erasmus programme (higher education) are popular in Spain as effective tools to promote the mobility of young people.

### 3. Problematic features of youth employment

Young people in Spain seem to be particularly vulnerable to certain features of the Spanish labour market, such as high levels of temporary employment, unskilled jobs and low wages. Table 2 summarises the main indicators, comparing youth figures in relation to total figures.

Temporary employment is undoubtedly one of the most problematic features for young people in the labour market. As may be seen from Table 2, youth temporary contracts in 2004 (second quarter) amounted to nearly two thirds of total contracts, which is in sharp contrast to the whole population (32.3%). In comparison to Europe, Spain has the highest rate of temporary

<sup>(145)</sup> This is an indicator of inter-provincial labour, geographical mobility, which accounts for the share of contracts signed by persons whose province of work differs from the province of residence. This means that the person has to commute every day or change residence. Spain is administratively divided into 51 provinces.

**Table 2: Problematic features of the youth labour market in Spain**

	Total population (over 16)		16-19-year-olds		20-24-year-olds		Youth population (16-24)	
	1996	2004	1996	2004	1996	2004	1996	2004
Temporary contracts	33.7%	32.3%	86.2%	82.2%	72.6%	61.2%	75.1%	64.7%
Permanent contracts	66.2%	67.9%	13.8%	17.8%	27.2%	38.8%	24.8%	35.2%
Unskilled workers	14.8%	16.2%	20.5%	27.2%	19.0%	20.8%	19.4%	22.1%
	<b>1995</b>	<b>2002</b>	<b>1995</b>	<b>2002</b>	<b>1995</b>	<b>2002</b>	<b>1995</b>	<b>2002</b>
Wages per annum (average), EUR	16 763	19 802	4 716	9 686	7 630	12 107	7 030 <sup>(1)</sup>	11 162 <sup>(2)</sup>

NB: Figures always refer to the second quarter.

<sup>(1)</sup> and <sup>(2)</sup> own calculations using working population relative shares.

Source: CEET (Centro de Estudios Económicos Tomillo) based on INE (National Statistics Institute) *Labour force Survey and wages survey*.

work, exceeding the European average by almost 30%. Temporary work particularly affects 16-19-year-olds. Despite these discouraging results, the rate has been decreasing – youth temporary contracts amounted to over 75% of total contracts in 1996.

Permanent contracts are less frequent among young people; in 2004, they accounted for 35.2% of total contracts (67.9% for total population). Nevertheless, this was still an increase from 24.8% in 1996.

Low skill levels are another negative feature of youth employment in Spain. As shown in Table 2, the proportion of unskilled workers is considerably higher among young workers (22.1% compared with 16.2% for the total population, 2004). Low skill levels particularly affect the youngest workers (27% in 2004).

Low wages are a further concern for Spanish youth (Table 2). The average youth wage in 2002 was EUR 11 162 per annum <sup>(146)</sup>, compared with EUR 19 802 per annum for the population overall. This means that young people's wages are 77% lower than the average for the total population. Despite these figures, the gap has reduced over the period 1995-2002.

The welfare at work survey 2004 attempted to measure workers' job satisfaction against several variables (e.g. wages, labour stability, working hours). According to the survey, the average level of work satisfaction for the total working population was 6.84 (on an index ranking between 1 and 10). The index barely reached 6.6 for those aged 16-19 – the lowest among all groups – and 6.7 for those aged between 20 and 24.

As a result of these issues facing young people, there is an awareness of the need to implement policy measures to address the problems. Two significant measures have been implemented so far:

- An increase in the guaranteed minimum wage over the past two years, from EUR 451 per month in 2003 to EUR 513 per month in 2005: the government has a formal commitment to reach the threshold of EUR 600 per month by the end of its term of office;
- The introduction of the replacement contract in 1998 (see above).

<sup>(146)</sup> Own calculations using 16-19 and 20-24 working population relative shares.

## 4. Roles of the labour market actors

Coordination of policies at national, regional and local level is carried out by SISPE (*sistema de información de los servicios públicos de empleo*). SISPE is a new tool from the national system of employment. It allows the central and regional public employment services to share basic data and coordinated information on active employment policies and unemployment benefits. SISPE was implemented in May 2005 as a response to the need for better integration and information-sharing among public service offices. SISPE does the following:

- Promotes a higher level of mobility among jobseekers;
- Favours an equal opportunities policy for access to employment;
- Gives employers information about recruitment possibilities for current vacancies by providing information about available jobseekers; this is an important step to get employers involved in the actions developed by SISPE.

The added value of SISPE is mainly based on an improved service to customers, homogeneous and integrated information, and the effective management of national action plan programmes.

In order to respond effectively to youth employment issues, the Ministry of Labour and Social Affairs established the Youth Institute in 1996. Its main activities, which are organised under programmes, are as follows:

- Sectoral, information and mobility programmes;
- International cooperation;
- Internal cooperation;
- Training, cultural promotion and documentation.

Sectoral programmes contain the measures most linked to labour market issues. The main activities carried out by sectoral programmes include:

- Counselling – a free counselling service to young entrepreneurs aged under 35;
- The 'Seedbed' initiative to foster and support new enterprises among young entrepreneurs;

- Training and entrepreneurial promotion;
- Youth housing programmes.

## 5. Conclusions

Youth employment is one of the key issues for the Spanish labour market and is characterised by temporary employment, lack of labour mobility and a high rate of accidents in the workplace.

The national Lisbon reform programme has set a clear-cut target of reducing youth unemployment from the current 22.1% to the average EU-25 level (18.6%) by 2010, with an intermediate target of 19.3% in 2008.

In order to reach this target, some measures have been proposed in line with the European pact on youth employment guidelines, such as a reform of the discount schemes on the employers' social security contributions for permanent contracts to include young people (aged under 30) as an eligible group, specific training/retraining/employment actions for unemployed young people, and the promotion of working and training on a part-time basis in other EU countries.

Most of the policies discussed in this article must be analysed within the framework of the Employment Law 56/2003, which was the milestone for reforms. The law recognised the importance of implementing actions and programmes specifically to improve employment for specific groups, such as young people. This approach was reinforced by the declaration for social dialogue, October 2004, which advocates facilitating entry into the labour market for disadvantaged people.

The wide scope of the issues addressed by the employment law and the actions of the central government and autonomous communities require effective monitoring as far as the design and implementation of such policies are concerned.

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# Youth employment in Sweden

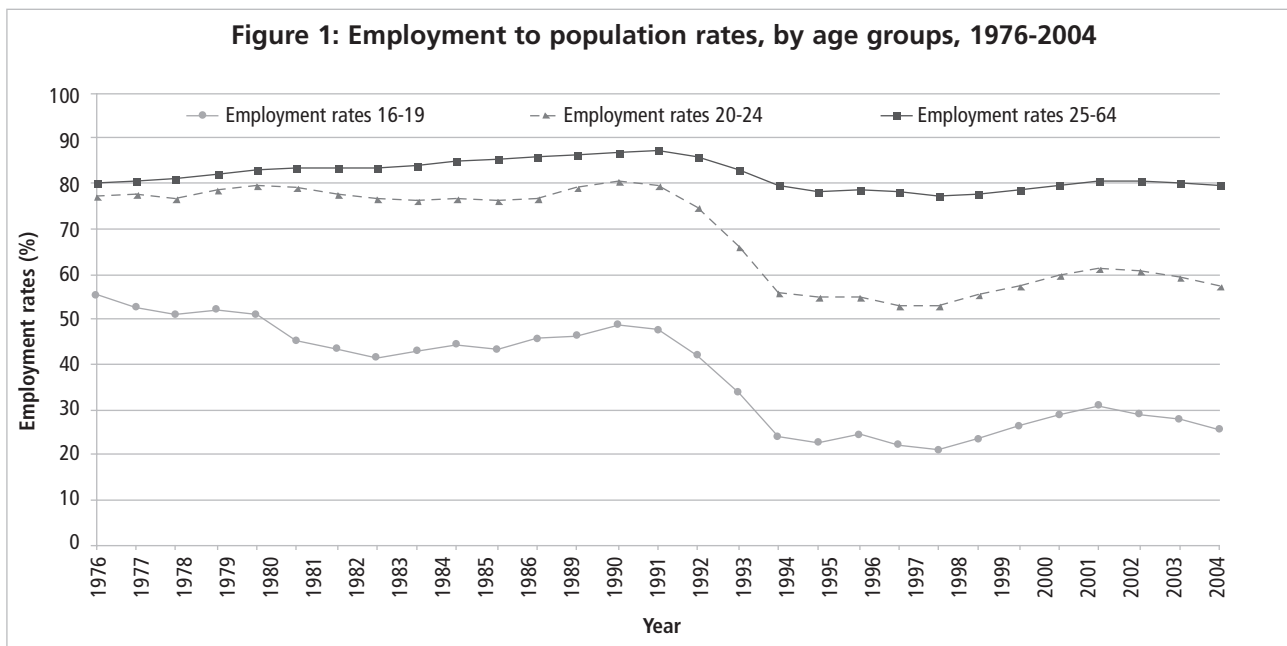
## 1. Major trends

Until the late 1980s, Sweden was remarkably successful in combining low unemployment with high and growing employment rates<sup>(147)</sup>. But in the early 1990s, Sweden entered its deepest recession in the post-war period. The employment crisis became dramatic.

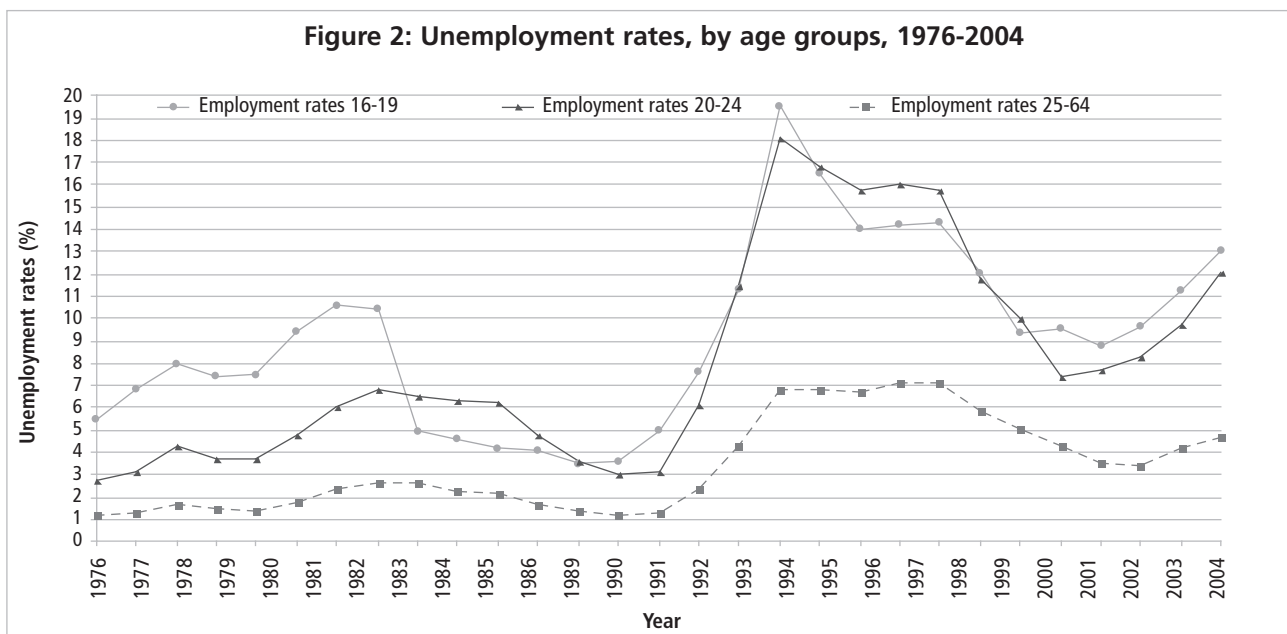
During this period, the drop in the employment to population ratio was particularly prominent among young people

(Figure 1). This can be ascribed to increased participation in upper secondary schools, a notable increase in university places, and increased participation in training activities as part of active labour market policies (ALMPs) (Figure A2 in the Annex to this article).

As shown in Figure 2, the deep economic and employment crisis in the early 1990s was also associated with a dramatic increase in youth unemployment, which reached its post-war highest level in 1993<sup>(148)</sup>.



Source: Labour force surveys, Statistics Sweden (2005).



Source: Labour force surveys, Statistics Sweden (2005).

<sup>(147)</sup> Unless indicated otherwise, the data in this article are from Statistics Sweden.

<sup>(148)</sup> It should be noted that the employment crisis affected all age groups; see Holmlund et al. (1999) and Holmlund (2003).

Educational attainment and improved labour market conditions tend to decrease unemployment frequency and duration among young people. Although a recurrence of short periods of unemployment is a major feature among young people, unemployment spells are generally shorter than among adults <sup>(149)</sup>.

Since many young people are still participating in education, the youth unemployment rate tends to be high, especially among teenagers. There is reason to believe that early school leavers who enter the labour market have relatively low skills and low educational attainment <sup>(150)</sup>.

## 2. Main features of youth employment

One of the major features of youth employment is a gradual postponement of entry into the labour market. The average age <sup>(151)</sup> for labour market entry in 1990 was 20; by 2000 it was 26 (Ungdomsstyrelsen, 2005).

The last decade has also seen a steep increase in fixed-term contracts (Holmlund and Storrie, 2002). This may have led to increased unemployment through higher labour turnover. Fixed-term contracts have been particularly prevalent among young people. In 2000, almost 60% of women and 40% of men aged 16-24 were in temporary work. A recent study (Larson et al., 2005) found positive effects of short-term contracts on future employment prospects.

Young people, particularly young women, are over-represented among part-timers. In 2004, around 40% of 16-24-year-olds worked part-time (fewer than 35 hours). Young people represented more than 15% of part-timers. According to a recent study (Ungdomsstyrelse, 2005), 60% of students worked part-time in 2004 (one to 20 hours).

## 3. Measures taken to promote youth employment

The fact that unemployed young people get jobs much faster than older people could suggest that youth unemployment is a transitory state requiring little attention from policy-makers.

Nordström Skans (2004) analysed the long-term consequences of unemployment following graduation from Swedish high schools, and found that experiences of unemployment after graduation have long-term negative effects on both employment and earnings. On average, it increased unemployment probability by three percentage points and reduced annual earnings by 17% after five years. These results suggest a long-lasting negative effect from unemployment at the time of labour market entry, implying that policy initiatives to combat youth unemployment are justified. Growing awareness of the long-term detrimental consequences of youth unemployment has led the Swedish public authorities to adopt policy measures.

### 3.1. Education and training policies

A comprehensive reform of the Swedish schooling system was implemented during the early 1990s. The administrative and financial responsibilities of primary and secondary education were transferred to the municipalities. A direct consequence of the reforms was an increase in cross-municipalities variation in educational expenditure. The decentralisation of the Swedish school system coincided with an emphasis towards goal-steered self-evaluation of schools.

**Table 1: Enrolment rates into education by age; median age of entry to tertiary education, 2000**

	0-4	5-14	15-19	20-29	30-39	40+	Median entry age to tertiary education
Sweden	70.5	97.8	86.4	33.4	15.0	3.4	22.7
OECD	63.8	97.9	77.3	21.4	4.9	1.3	20.2

Source: Björklund et al. (2004).

<sup>(149)</sup> In 2004, average unemployment duration among young people (16-24) was around 80 days, compared with 160 days for adults (25-54).

<sup>(150)</sup> In 2004, the youth unemployment ratio was around 4% among Swedish teenagers (Figure A1 and Table A1 in the Annex). The youth unemployment ratio is defined as the share of unemployed young people (15-24) in the total population of the same age bracket.

<sup>(151)</sup> Statistics Sweden defines the average age for labour market entry when 75% of a cohort is employed.



During the 1990s, enrolment rates for upper secondary schools increased significantly. Around 95% of each cohort was enrolled in upper secondary schools <sup>(152)</sup>.

During the late 1980s, the university enrolment rate started to increase. Tertiary education was regarded as a better alternative to unemployment or participating in ALMP programmes (Björklund et al., 2004). The objective of the current government is to reach a 50% enrolment rate to tertiary education for each cohort. In the academic year 2003-04, almost 45% of young people aged 19-26 were enrolled in tertiary education.

### 3.2. Labour market and employment-related policies

Sweden has a long tradition of active labour market policies. The 1990s saw a reorientation of Swedish labour market policy from programmes oriented to labour demand towards supply-oriented measures.

Many Swedish ALMP programmes are accessible irrespective of age. However, programmes specifically designed and restricted to young people have become more common. Their main purpose is to increase the skills and employability of unemployed young people by providing general or specific work experience/training. In 1994, more than 10% of the youth population (18-24) were enrolled in various ALMP programmes. In 2004, the figure had fallen to less than 3% (Figure A2 in the Annex).

While youth programmes have mainly focused on work experience schemes, there are almost no ALMP programmes providing certifiable occupational training. This could be one factor behind the negative results from the evaluations of such programmes (Schröder, 2004).

Since the 1970s, labour market training has been the responsibility of educational authorities and local government (Wadensjö, 1987). Unemployed people aged under 20 participate in 'Municipal youth programmes'. The content of these programmes is generally decided jointly by the public employment service and local government and consists of full-time activities, mainly training.

In 1998, the 'Youth guarantee' was introduced for young people aged 20-24. If the employment office is unsuccessful in placing the jobseeker in employment, regular schooling or appropriate labour market measures within 90 days, the municipality can assume responsibility and arrange a motivational, developmental full-time programme. This consists of

vocational training, work schemes and, to a lesser extent, on-the-job training. The programme differs from traditional youth labour market programmes. It implies a guarantee for some form of activity within 100 days of unemployment and is run by the municipalities instead of the National Labour Market Board (AMS), which is traditionally responsible for ALMPs (Ackum Agel et al., 2002).

The last decade has seen a growing number of evaluation studies in Sweden (Calmfors et al., 2002). Studies of youth-targeted ALMP programmes, however, remain scarcer (Table A2 in the Annex). Although the results vary, some conclusions can be drawn.

The estimated effects of labour market training for young people differ between the 1980s and 1990s. Evaluation of training during the 1980s suggested positive effects on young participants' employment and/or earnings development (Edin and Holmlund, 1991) and insignificant effects on employment duration (Korpi, 1994). Evaluation of training that took place in the 1990s generally found negative effects on subsequent employment probability and earnings development (Larsson, 2003).

Larsson (2003) evaluated the impact of two youth programmes ('Youth practice' and 'Labour market training' (LMT) for 20-24-year-olds). The results suggest that both programmes have had negative short-term effects on earnings and employment, while the long-term effect is unclear. Although workplace practice appears to be more effective than pure training, neither of the youth programmes seems to have worked as expected. The negative results for 'Youth practice' might be explained by insufficient planning and low-skilled tasks which did not provide any personal development. One tentative explanation for the negative results of 'LMT' is that it did not fit employers' requirements. Training, thus, has both professional and regional locking-in effects on participants.

Carling and Larsson (2005) evaluated the overall impact of the 'Youth guarantee programme' on subsequent labour market outcomes. The results showed a weak decrease in unemployment duration. However, this was too small to indicate a more stable transition from unemployment. On average, the first unemployment spell was not significantly shorter in the group accessing the 'Youth guarantee'.

It is also unclear whether these programmes have had much positive effect on employment. Youth programmes seem to have involved substantial displacement (between 75% and 95%, Table A2). On the other hand, the displacement effects of labour market training seem to be more limited.

<sup>(152)</sup> An increase of 15 percentage points compared with the 1980s.

## 4. Recent policy developments

In the light of current trends, the government is making vigorous efforts to prevent and combat youth unemployment. In the 2006 budget, it has announced the establishment of 3 000 apprenticeships for unemployed people aged 20-24 who lack completed upper secondary education. During 2006, employment offices will continue to use general employment support (recruitment subsidies) for young unemployed people aged 20-24, starting as soon as they have been unemployed for six months (compared with 12 months for adults). To limit negative effects of early drop-out from the education system, the government will provide opportunities for young long-term unemployed people to complete their upper secondary studies.

In the 2006 budget, the government also announced that higher education will further expand by 17 500 places by 2007. At the same time, there will be major investment in raising the quality of higher education. Furthermore, advanced vocational training programmes will expand by 1 000 places in 2006 and 2007.

The 2006 budget includes three measures to better adapt the education system:

- Proposed reform of the pre-school education system, aimed at closer integration of pre-schools into the overall education system;
- An earlier national test for young pupils, combined with the introduction of individual study plans (from 2006) to identify deficiencies in basic knowledge and prevent early drop-out from the education system;
- The introduction of modern upper secondary apprenticeship training in 2007 as an alternative to a vocational programme.

Since the latest recession, the number of unemployed higher education graduates has also increased. The government has

recently proposed reducing their unemployment levels by introducing trainee positions in small businesses.

Several measures are planned to improve the quality of vocational training and better adapt it to the demands of the labour market. Closer collaboration at local level between high school authorities and other local actors (employers, trade unions) on the orientation and content of vocational training is a government priority. In 2005, the government set up a tripartite vocational training commission to enhance the quality of vocational training by promoting closer collaboration at local level. To improve the certification process, a commission has also been created to assess the conditions for enhancing the legitimacy, quality and evaluation of occupational certification.

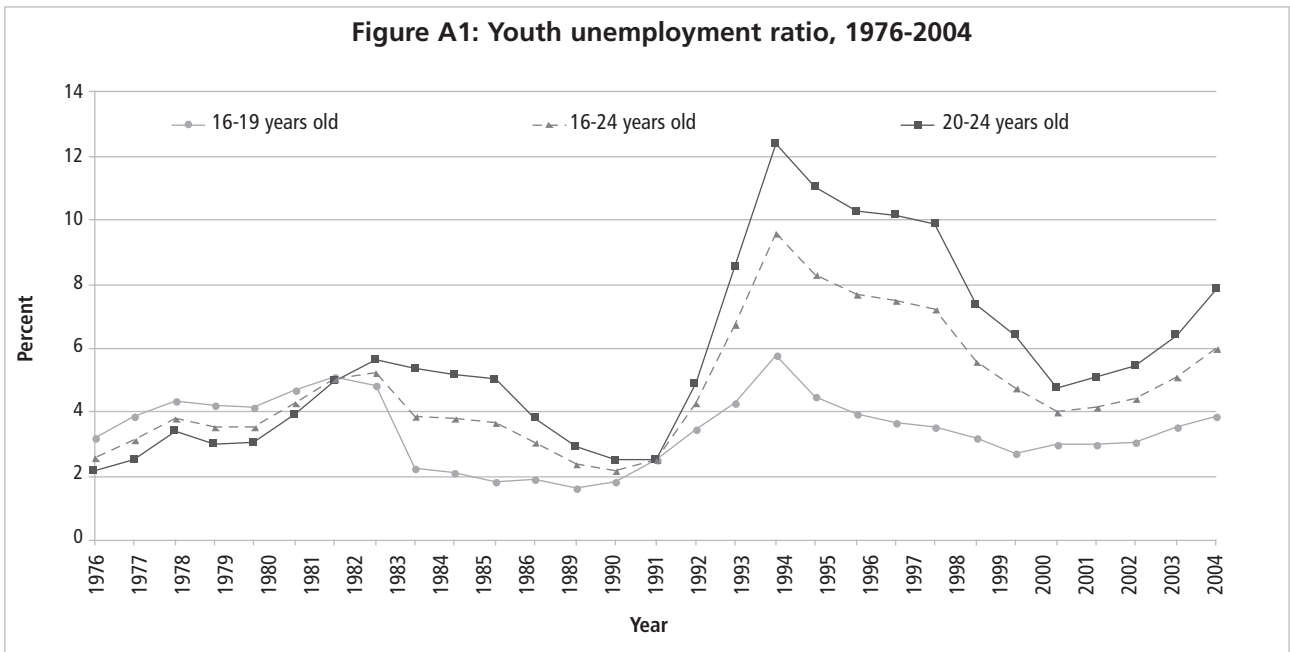
## 5. Conclusions

The youth labour market in Sweden has changed significantly during the last 15 years. The dramatic upsurge of youth unemployment during the recession of the early 1990s was accompanied by a sharp decline in employment rates, closely related to the expansion of secondary and tertiary education and the large enrolment in youth-targeted ALMP programmes.

Sweden has an unfavourable combination of relatively strict labour market regulation and weak links between the education system and the labour market, implying that the barriers to labour market entry for young people are relatively high. This explains the high proportion of young unemployed people engaged in youth programmes in Sweden. Youth programmes constitute an important component of the transition between the education system and the labour market. However, evaluation studies suggest a rather low efficiency of youth programmes, associated with large displacement effects, while their effects on participants' labour market prospects remain uncertain.

Recent policy developments, in particular the proposed measures aimed to prevent early school leaving and enhance the quality of vocational training by closer local-level collaboration, seem to be going in the right direction.

# Annex



NB: The youth unemployment ratio is defined as the total of unemployed young people (15-24 years) as a share of total population in the same age bracket.  
 Source: Labour force survey, Statistics Sweden.



Source: Labour Market Board, Statistics Sweden.

**Table A1: Non-employment rates by categories (% of population)**

	1990			1995			2004		
	16-19	20-24	16-64	16-19	20-24	16-64	16-19	20-24	16-64
Unemployed	2.5	2.6	1.4	4.0	10.3	6.0	3.9	7.8	4.3
Students	46.4	11.1	6.4	64.9	21.7	9.3	59.8	23.5	9.1
Household work	0.4	2.1	2.2	0.2	1.6	1.6	0.1	2.9	0.9
Other (*)	2.9	5.0	6.9	6.6	10.8	10.8	10.6	10.0	12.2
Total non-employment	52.3	20.2	16.9	75.7	45.1	27.8	74.3	42.6	26.5

(\*) Includes individuals receiving early retirement pensions and other pensions as well as those with long-term sickness.

Source: Labour force surveys, Statistics Sweden.

**Table A2: Evaluation of youth-targeted labour market policy programmes in Sweden**

Study	Programme and timing	Sample	Dependent variable	Results
<b>LABOUR MARKET TRAINING</b>				
Edin and Holmlund (1991)	'Labour market training' ('LMT'), 1981-84	Register and survey data on 800 unemployed 16-24-year-olds in the Stockholm area, 1981	Re-employment probability in subsequent unemployment spells	Significant, positive effect
Korpi (1994)	'LMT', 1981-84	Register and survey data on 800 unemployed 16-24-year-olds in the Stockholm area, 1981	Duration of employment	Insignificant effect
Larsson (2003)	'LMT', 1992-93	Register data on 600 participants aged 20-24. Non-participating comparison group through propensity score matching	(i) Yearly income and probability of (ii) obtaining a job or (iii) proceeding to regular education one to two years after programme	Significant, negative effects

Table A2: Evaluation of youth-targeted labour market policy programmes in Sweden (cont.)

Study	Programme and timing	Sample	Dependent variable	Results
<b>RECRUITMENT/WAGE SUBSIDIES</b>				
Sehlstedt and Schröder (1989)	Recruitment subsidies and relief work, 1984	Register and survey data on unemployed 20-24-year-olds, 1984	Labour market situation, 1987	Significant, positive effect of recruitment subsidies if part of an action plan. No significant effect of relief work
Edin and Holmlund (1991)	Relief work, 1977-84	Register and survey data on 800 unemployed 16-24-year-olds in the Stockholm area, 1981; register data on 300 displaced workers in northern Sweden, 1977	Job-finding probability in (i) contemporary and (ii) subsequent unemployment spell(s)	Significant, negative effect on contemporary unemployment spells; significant, negative effect on subsequent unemployment spells
Korpi (1994b)	Relief work, 1981-84	Register and survey data on 800 unemployed 16-24-year-olds in the Stockholm area, 1981	Duration of employment	Significant, positive effect
Larsson (2000)	'Youth practice', 1992-93	Register data on 600 participants aged 20-24. Non-participating comparison group through propensity score matching	(i) Yearly income (ii) employment (iii) regular education one to two years after programme	Significant, negative effect on yearly income and employment; no significant effect on education
<b>SURVEY STUDIES ON DISPLACEMENT EFFECT</b>				
Sehlstedt and Schröder (1989)	Recruitment subsidies for youth	Interviews with participants and supervisors		Participants: 49% Supervisors: 23%
AMS (National Labour Market Board) (1997, 1998)	'Municipal youth programme'	Questionnaires to participants		Participants: 3% to 14%
Löfgren and Wikström (1997)	Youth programmes	Econometric studies based on a panel of Swedish municipalities, 1990-94		94%
Edin, Forslund and Holmlund (1999)	Youth programmes	Econometric studies based on a panel of Swedish municipalities, 1990-94		76%

**Table A2: Evaluation of youth-targeted labour market policy programmes in Sweden (cont.)**

Study	Programme and timing	Sample	Dependent variable	Results
<b>SEARCH INTENSITY</b>				
Sehlstedt and Schröder (1989)	Relief work, 1984-85	Register and survey data on 500 unemployed 20-24-year-olds, 1984	Search activity and number of search methods	Significant, negative effect
Edin and Holmlund (1991)	Relief work, 1977-84	Register and survey data on 800 unemployed 16-24-year-olds in Stockholm area, 1981	Search activity and number of search methods	Significant, negative effect

Source: Calmfors et al. (2002).

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# Youth employment in the United Kingdom

## 1. Trends

The UK labour market as a whole is extremely healthy. In January 2005, unemployment among under 25s in the EU-25 was 18.7% <sup>(153)</sup>. The UK figure was 12.0% <sup>(154)</sup>. This figure, however, conceals some deep-rooted challenges for the UK. Skills are a major factor and youth employment, education and training are clearly vital to becoming a successful high-wage, high-skill economy.

Data for 2000-05 indicate that in the UK, as elsewhere, the 16-25 age group is consistently at a disadvantage from lower employment rates and higher unemployment than the working-age population as a whole.

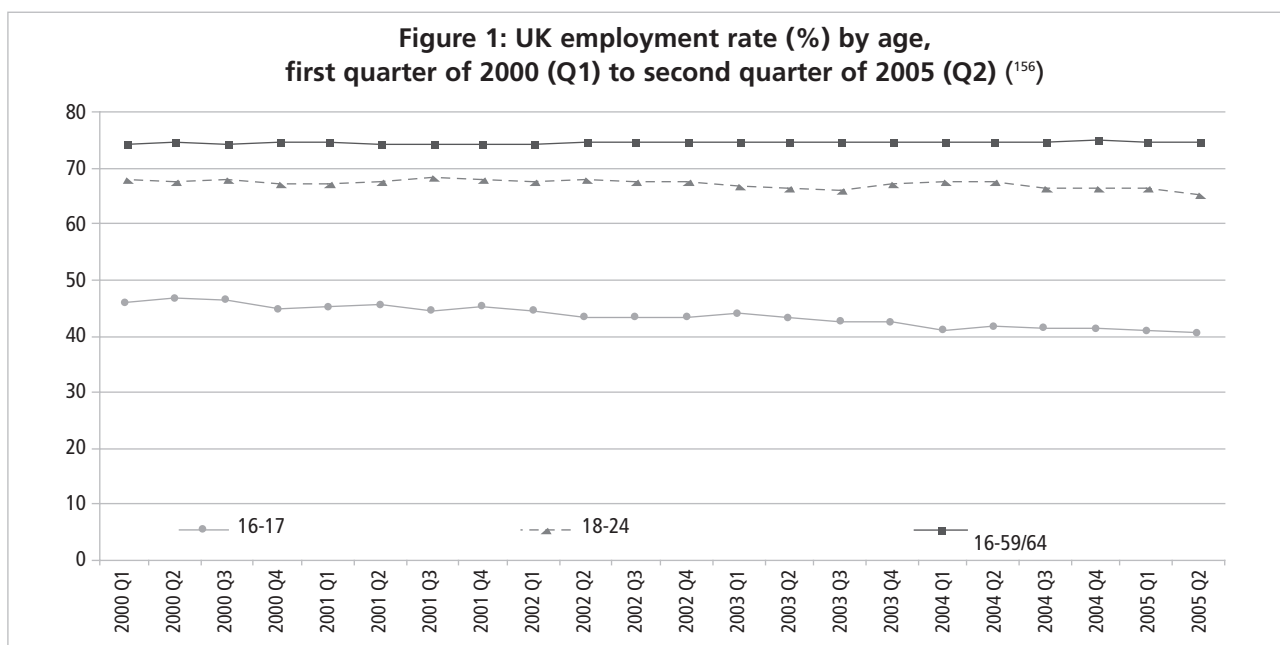
Figure 1 shows that, while the employment rate has been flat for the working-age population overall, it has declined for both younger age groups. This may, however, be explained positively by the increase in participation in post-16 education and training. Figure 2 shows that there has been a slight decline in unemployment among the working population overall, but the rate has increased marginally for younger groups.

Note, individuals in education are defined as economically inactive. If they are also seeking employment and have not found work, they are counted as unemployed.

There exist inequalities within the 16-24 age group in terms of gender, region and socioeconomic background. The decline in the employment rate since 2000 has affected both sexes (Figure 3). Among 16-17-year-olds, women enjoy a higher rate of employment, but the situation is reversed for 18-24-year-olds. Conversely, the unemployment rate among 16-24-year-olds has increased among men and decreased among women. Moreover, among both 16-17 and 18-24-year-olds, unemployment rates are higher for men (Figure 4).

In the UK, socioeconomic status has a particularly strong effect on educational attainment (Figure 6), which in turn has a significant impact on employment rates (Figure 7). At worst, this can mean that cycles of disadvantage are created in which successive generations achieve less well in education and are less likely to find employment. A further factor adding to this effect is the relatively high level of inequality in the UK – rated 12<sup>th</sup> out of the EU-15 in terms of the Gini coefficient in 2001 <sup>(155)</sup>.

**Figure 1: UK employment rate (%) by age, first quarter of 2000 (Q1) to second quarter of 2005 (Q2) <sup>(156)</sup>**



<sup>(153)</sup> infoBASE Europe (<http://www.ibeuropa.com/Factfile/78unemp.htm>).

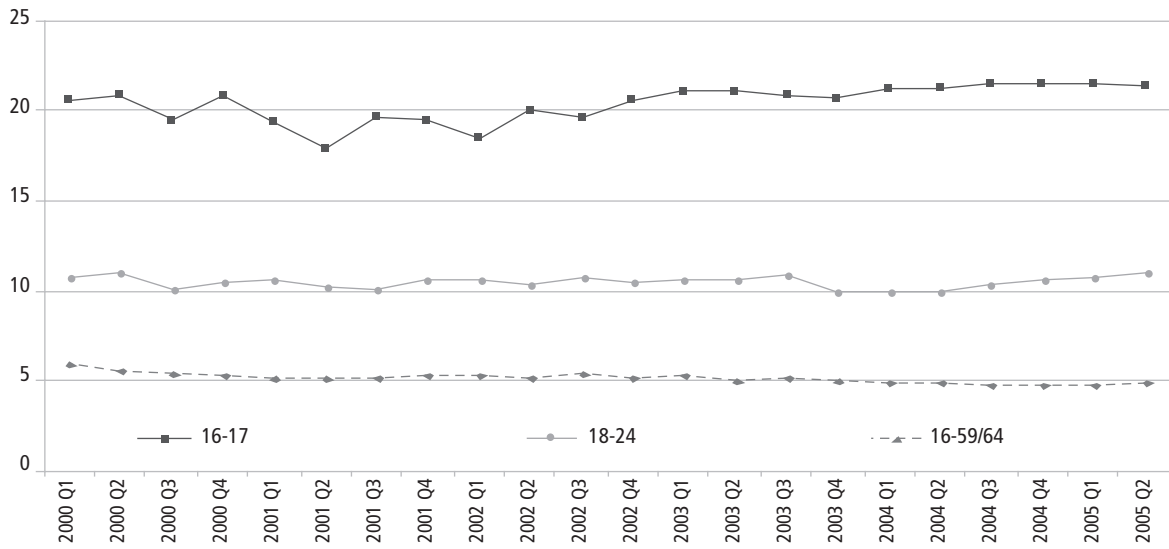
<sup>(154)</sup> Office for National Statistics.

<sup>(155)</sup> Townsend, I. (2004) *Income, wealth and inequality*, House of Commons Research Paper.

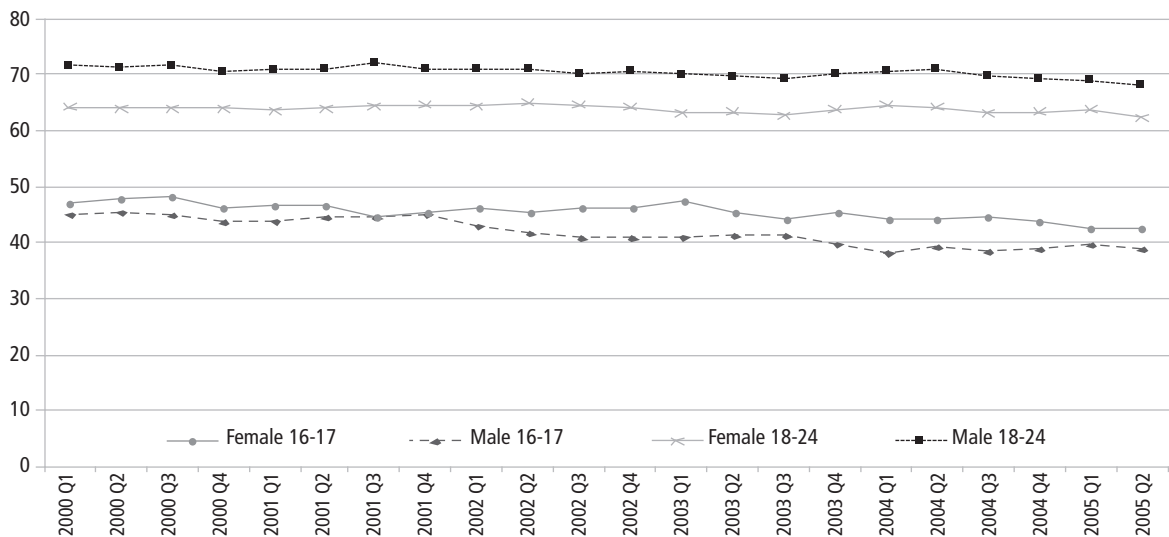
<http://www.parliament.uk/commons/lib/research/rp2004/rp04-070.pdf>

<sup>(156)</sup> Unless stated otherwise, data for all figures are from the Office for National Statistics.

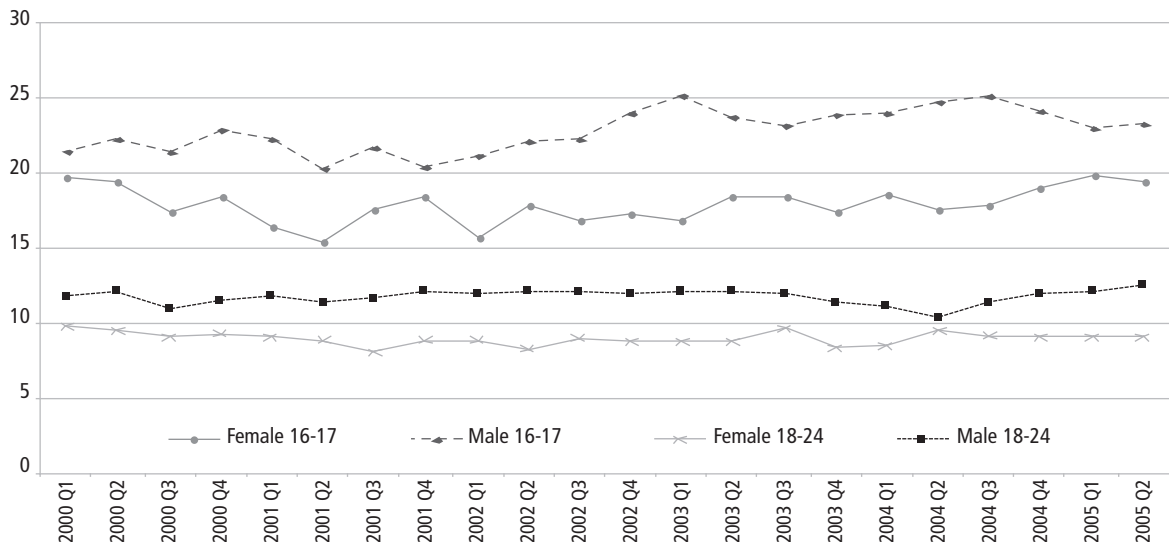
**Figure 2: UK unemployment rate (%) by age, 2000 Q1 to 2005 Q2**

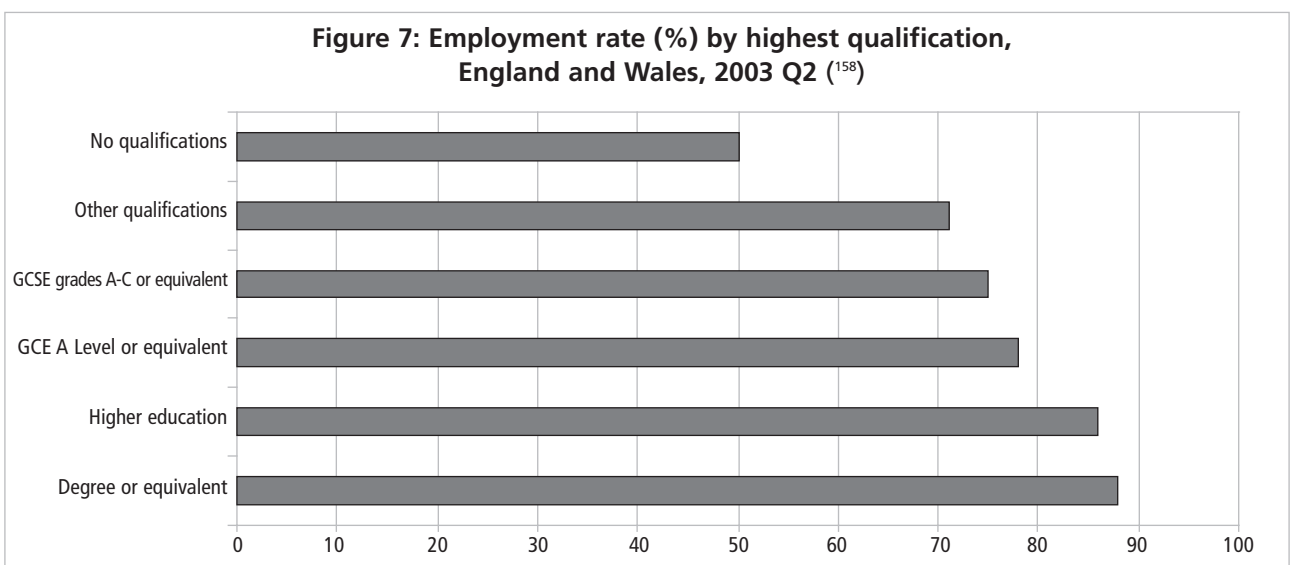
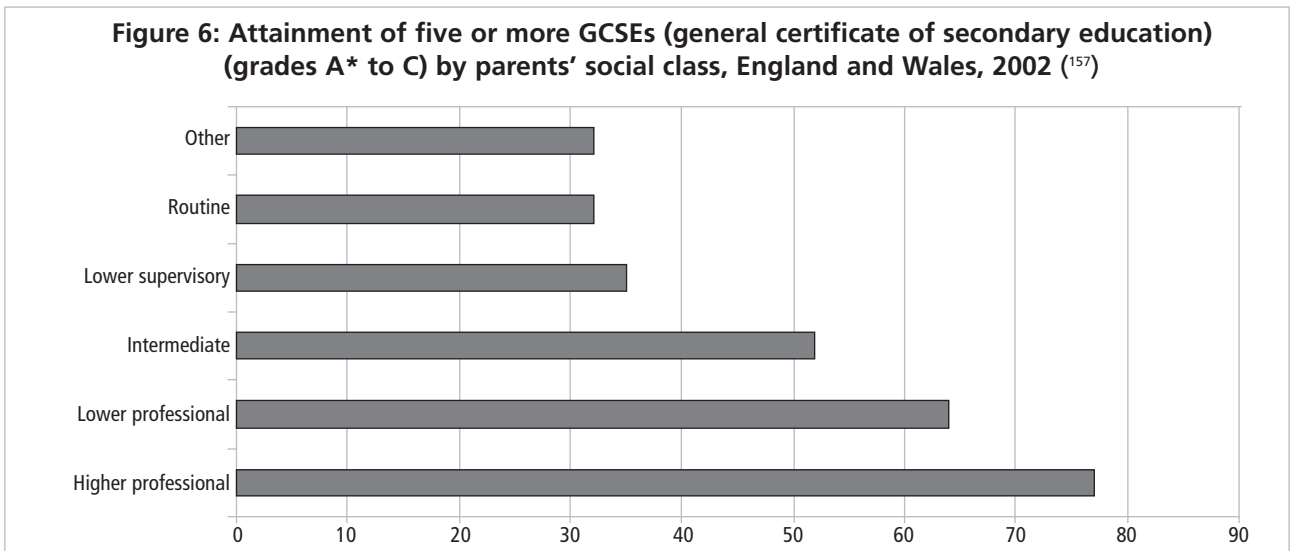
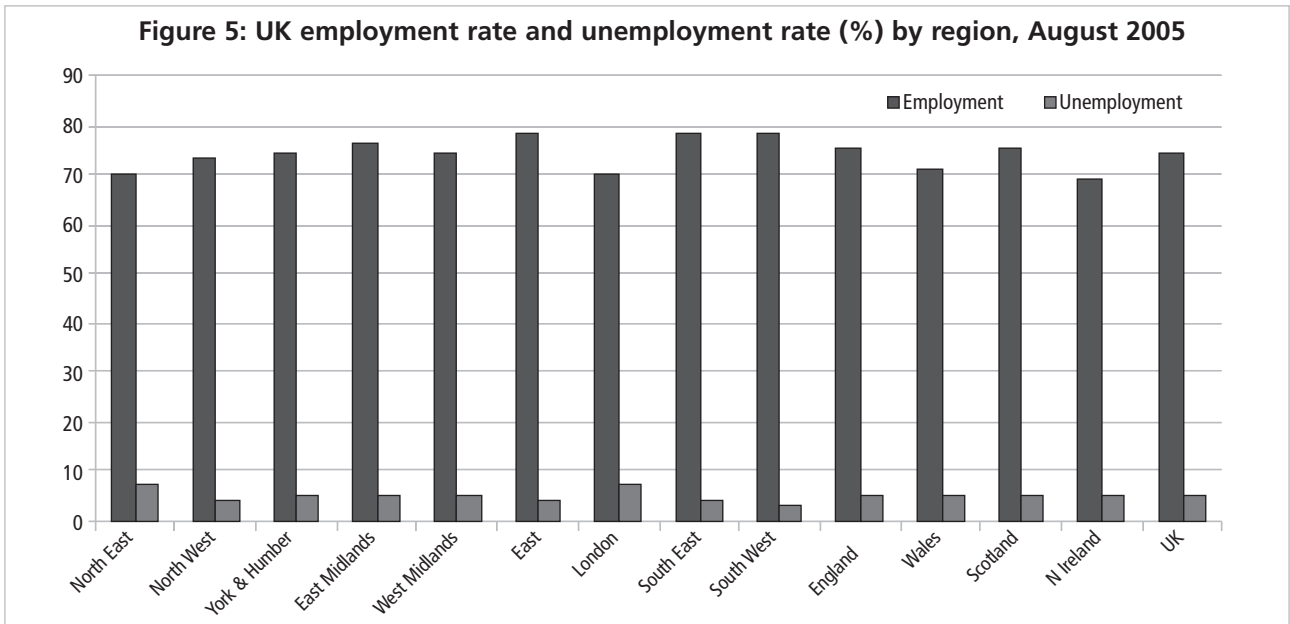


**Figure 3: UK employment rate (%) by gender, ages 16-24, 2000 Q1 to 2005 Q2**



**Figure 4: UK unemployment rate (%) by gender, ages 16-24, 2000 Q1 to 2005 Q2**





<sup>(157)</sup> Office for National Statistics (2005) *Focus on social inequalities*.

<sup>(158)</sup> Office for National Statistics (2005) *Focus on social inequalities*.

## 2. Education policies

### 2.1. Introduction

The Department for Education and Skills (DfES) in England has recently mapped out a course of extensive reform. Alongside its overarching five-year 'Strategy for children and learners' <sup>(159)</sup>, the 'Skills strategy' <sup>(160)</sup>, '14-19 education and skills' <sup>(161)</sup> and 'Higher standards, better schools for all' <sup>(162)</sup> White Papers and the 'Every child matters: change for children' Green Paper <sup>(163)</sup> have defined the policy terrain. In particular, these policy documents address changing the delivery of education to support learners more inclusively, lengthen participation in education, and reduce the 'skills gap' through work-based skills learning.

### 2.2. Social inclusion

The 'Every child matters' Green Paper sets five broad outcomes to be achieved for all children: be healthy; stay safe; enjoy and achieve; make a positive contribution; and achieve economic well-being. As a result, social inclusion and success in education have become closely aligned in UK national policy <sup>(164)</sup>.

Alongside the large overall increase in UK spending on education, a substantial amount of funding has been targeted specifically at groups of pupils who tend to achieve below the average. This has predominantly been aimed at urban areas of disadvantage. The 'Excellence in cities' ('EiC') programme provides grants for 2 400 schools in 58 deprived areas. The programme has had an important impact: the proportion of 16-year-olds gaining five or more GCSE grades A\* to C has increased at twice the rate in schools involved in 'EiC' compared with those not involved <sup>(165)</sup>.

### 2.3. Changing service delivery

The nature of service provision is also changing for all young people in education. In England, local authorities are being asked to deliver integrated children's services. This quite radical reform will not be complete until 2006, but signals a new direction for how young people receive education and other services relating to their needs.

<sup>(159)</sup> DfES, September 2004.

<sup>(160)</sup> DfES, July 2003.

<sup>(161)</sup> DfES, February 2005.

<sup>(162)</sup> DfES, October 2005.

<sup>(163)</sup> DfES, September 2003.

<sup>(164)</sup> Office for National Statistics (<http://www.dfes.gov.uk/rsgateway/DB/SFR/s000604/SFR43-2005.pdf>), *Sure Start national evaluation*, June 2002.

<sup>(165)</sup> Toynbee, P. and Walker, D. (2005) *Better or worse? Has Labour delivered?* Bloomsbury.

<sup>(166)</sup> DfES Statistical First Release (<http://www.dfes.gov.uk/rsgateway/DB/SFR/s000587/SFR27-2005.pdf>).

<sup>(167)</sup> Foster, A. (2005) *Realising the potential: a review of the future role of further education colleges*, DfES.

<sup>(168)</sup> DfES (2005) *Evaluation of education maintenance allowance pilots: young people aged 16-19 years, final report of the quantitative evaluation*.

In contrast, however, the most recent White Paper, 'Higher standards, better schools for all' (October 2005), aims to give schools more independence from local authorities as well as strengthening competition through enhanced choice for parents.

### 2.4. Increasing post-compulsory participation

Post-16 participation in education is very low in England, Wales and Northern Ireland, compared with other similarly affluent countries in the EU-25. The proportion of 16-18-year-olds in England in education and training was 75.4% at the end of 2004 <sup>(166)</sup>. While the absolute number of people in education and training is the highest ever seen in the UK, the proportion is down from 77.6% in 1994. The proportion of 16-18-year-olds not in education, employment or training (NEET) has always been relatively high and currently stands at 10%. The trend has remained broadly flat since 1994, when the proportion was 9%. The NEET issue is common across all nations in the UK and is recognised as an ongoing challenge.

The DfES is attempting to create a more coherent curriculum for the 14-19 age group. In further education (FE), the Learning and Skills Council (LSC) has announced its 'Agenda for change', which aims to improve the quality and responsiveness of provision. The Foster Report on the future role of FE colleges <sup>(167)</sup> supports the LSC's agenda and argues for greater clarity of purpose and importance attached to FE provision, with the learner at the heart of policy and delivery.

There are also a number of underpinning measures to support individual learners. The government pays some learners to remain in education once it is no longer compulsory. The education maintenance allowance (EMA), introduced nationally across the UK in 2004, pays each young person up to GBP 30 per week. This is the main policy strand for encouraging participation and retention in education. Evaluation findings suggest that EMA has increased the proportion in full-time education at age 16-17 by 6.1%. Indeed, the largest effect has been on young people from semi-skilled and unskilled workers, and those from a not-in-work background <sup>(168)</sup>.

In higher education (HE), the government set a national target for 50% of 18-30-year-olds to experience HE by 2010. 'AimHigher' is the main policy focus for the UK, primarily targeting 13-19-year-olds (particularly those in groups that may not typically aspire to attend HE). Between 2002 and 2003, where 'AimHigher' applied, the programme increased applications from target areas by 4.2%, compared with a 1.6% rise elsewhere<sup>(169)</sup>. However, while the long-term impact is unclear, so far it appears to have been a case of limited, incremental improvement without a major impact on overall participation rates. The rate in 2003-04 in England was 43%, the same figure as in 2002-03<sup>(170)</sup>.

Wales and Northern Ireland face very similar problems to England in terms of increasing participation in further and higher education from a low base. Scotland, however, has a different structure and significantly greater participation in HE. While the UK participation rate (45%) is below the OECD average (47%), Scotland boasts a particularly high rate of 51%. This may be related to the different structure of further and higher education in Scotland, where compulsory education lasts until 17 years of age.

## 3. Policies to increase employability skills

### 3.1. Introduction

The DfES 'Skills strategy' White Paper (2003) is candid about the problems associated with the productivity gap between the UK and other major competitor nations. It also makes clear the government's belief that this is in large part down to the lower skills base of the UK labour force. While not exclusively targeted at young people, the White Paper contains significant initiatives affecting them. Three areas deserve particular mention: basic skills (including literacy, numeracy and information and communications technology (ICT)); the qualifications framework; and apprenticeships and vocational training.

### 3.2. Basic skills

There is a widespread concern among businesses that school leavers lack basic literacy and numeracy. The government has

also recognised the lack of ICT literacy, as well as the low level of basic skills for employability.

Some measures have been taken to address these issues. The DfES intends to strengthen the role of English and maths at key stage 3 (age 11-14), and to ensure that students have achieved at least level 2 in both subjects by the age of 16, with added support for those who fail to do so. In the proposed new qualifications framework (see below), achieving a diploma at level 2 (GCSE level) will require functional English and maths at that level.

The government's 'Digital strategy' and 'eStrategy' are intended to embed ICT into education and training. In addition, there are a number of measures for youngsters who are no longer at school, for example Entry to Employment (E2E) is aimed at 16-18-year-olds not participating in any form of post-16 learning. These young people learn basic and key skills, vocational development and personal and social development. The network of union learning representatives aims to encourage low-skilled people to engage in training. Any adult without a good foundation of employability skills is entitled to free tuition to achieve a level 2 qualification. A new form of adult learning grant, offering weekly support for adults studying full-time, will be extended to young adults studying for their first level 3 qualification. The 'Skills for life' programme is targeted at helping adults to gain ICT skills.

### 3.3. Qualifications framework

Traditionally, the qualifications framework in England, Wales and Northern Ireland has divided academic qualifications from vocational and skills-based training qualifications in a way which has made comparison between the two spheres difficult.

The Tomlinson working group's main recommendation was the creation of a unified diploma framework, recognising a whole programme of learning through a single qualification. This would correspond with GCSE (entry/foundation), AS (intermediate) and A-level (advanced), and would link in modern apprenticeships (see below) with clear progression routes before being fully integrated into the reformed framework. A core component of the framework, the group argued, would be to raise the status of vocational education and establish parity between vocational and academic programmes.

<sup>(169)</sup> Toynbee, P. and Walker, D. (2005) *Better or worse? Has Labour delivered?* Bloomsbury.

<sup>(170)</sup> DfES statistical first releases (<http://www.dfes.gov.uk/rsgateway/DB/SFR/s000572/SFR14-2005v3.pdf>).

It would also provide more accessible information about learners' achievements and their development of knowledge, skills and attributes.

These recommendations were, however, rejected by the government in the '14-19 education and skills' White Paper, leaving GCSEs and A-levels in place. The DfES has, though, attempted to create a more coherent 14-19 learning and skills agenda, and has introduced a much more limited version of the kind of diploma suggested by Tomlinson. In addition, the Qualifications and Curriculum Authority is revising the national qualifications framework such that it will become more easily comparable with mainstream curriculum qualifications in further and higher education (such as GCSE, A-level and degree level). While falling far short of the Tomlinson proposals, this is likely to have a positive impact by making comparison more transparent.

### 3.4. Apprenticeships and vocational training

Increasing participation in post-compulsory education is a policy priority. Initially, the priority was primarily to get young people into work (a 'work first' approach), but the emphasis is now on the importance of skills training (a 'skills first' approach) <sup>(171)</sup>.

The government has given significant support to apprenticeships, with the LSC setting an ambitious target of 175 000 new apprentices between August 2004 and July 2005. The target for 2008 is for 320 000 starters each year. The apprenticeships task force was launched in 2003 to make apprenticeships more demand-led and to boost the number of apprenticeships offered by employers. Sector Skills Councils are an important additional portal for employers to shape the conditions surrounding apprenticeships. It is hoped that this demand-led approach will have the added benefit of better reflecting the needs of the market.

Yet there are significant problems. The apprenticeship completion rate in England was just 31% in 2003. Completion rates in Denmark, the Netherlands and Germany are between 60% and 75% <sup>(172)</sup>. It also appears that, far from being demand-led, apprenticeships are typically based on the increase in government funding. Despite an expensive GBP 12 million advertising campaign by the LSC to convince businesses to hire more apprentices, the apprentice situation remains largely

supply-oriented. It is partly in response to this failure that the government is now outlining plans to establish national skills academies to be funded by the private sector. These will build on the national centres of vocational excellence (CoVEs) already in place. Characterised by partnerships between businesses and FE providers, with a particular focus on helping workers to reach level 3 qualifications, CoVEs have been relatively successful.

## 4. Labour market policies

### 4.1. Introduction

The government has enthusiastically pursued active labour market policies. Primarily, it has focused on supporting unemployed people into work through the 'New deal' programme (which provides additional support to young people) alongside the network of Jobcentre and Jobcentre Plus offices. Set against the drive to get unemployed young people into paid employment, the government also introduced a minimum wage to try to ensure that employees in the lowest-paid jobs are not exploited, and recently extended it to include (at a lower rate) 16-17-year-olds.

### 4.2. Supporting young people into work

Introduced nationally in 1998, the UK's 'New deal' programme continues to be at the heart of supporting unemployed people into work and accessing appropriate training. The 'New deal for young people' ('NDYP') is a sub-component which covers 18-24-year-olds. 'NDYP' starts after just six months on job-seeker's allowance. A personal adviser at a Jobcentre or Jobcentre Plus office provides tailored help. Benefits are effectively time-limited, however, as young people who are still unemployed at this point must choose between a wage subsidy, full-time education and training, public employment or work in the voluntary sector.

Evaluations of 'NDYP' have painted a positive picture. 'NDYP' has reduced unemployment by 35-40 000, and boosted national income by around GBP 500 million per annum <sup>(173)</sup>. In addition, it has helped to tackle the gender gap in unemployment, as men were found to be about 20% more likely to enter a job

<sup>(171)</sup> See Centre for Economic and Social Inclusion (2005) *Inclusion: a UK youth allowance?*, policy paper (<http://www.cesi.org.uk/>).

<sup>(172)</sup> Kingston, P. (2005) 'Lack of apprentices causes concern', *The Guardian*, 11 October.

<sup>(173)</sup> Findings from the Policy Studies Institute and National Institute of Social and Economic Research studies (summarised at: <http://www.dwp.gov.uk/asd/asd5/168summ.asp>).

during the first phase of support <sup>(174)</sup>. Overall, however, the effect has been incremental rather than transformative, failing to end the disadvantages faced by young people. 'NDYP' has also only been evaluated in the context of an extremely strong labour market and its effectiveness is untested in periods of greater slack.

### 4.3. Financial support and incentives

Education maintenance allowances (discussed above) reflect the government's commitment to using financial incentives to encourage young people to stay in education. Additionally, the government has set out to simplify the financial support system for 16-19-year-olds by <sup>(175)</sup>: achieving minimum pay levels for apprentices in England at GBP 70 a week; removing the distinction between education and unwaged training in child benefit, child tax credit and income support; extending financial support for 19-year-olds to finish courses; and joining up the delivery of education and benefits advice through co-locating Connexions and Jobcentre advisers.

The national minimum wage (NMW) is also central to the government's package of financial support and incentives. Increased in October 2005 to GBP 5.05 per hour, the impact of the NMW on employment remains fiercely contested. International comparison suggests that the UK's NMW is set quite low relative to full-time median earnings. This might explain why studies have found that there has not been an adverse effect on employment <sup>(176)</sup>.

The NMW was extended in October 2004 to cover 16-17-year-olds, but was set lower at GBP 3 per hour so as not to incentivise paid employment at the expense of further education or training. This was important in order not to adversely affect the government's drive to increase post-16 participation in education. It reflects a subtle balance of priorities between encouraging greater learning and giving young people incentives to enter work.

## 5. Conclusions

The general contextual picture of the UK is one of significant strengths, based mainly on the overall health of the labour market. But important weaknesses also affect youth employment. In education, there has been some success and a quite radical agenda, particularly in England, to enhance social inclusiveness. Outside Scotland, the participation rate in post-compulsory (further and higher) education is increasing too slowly and remains a major obstacle. The low base of employability skills has been a key problem in the UK. Significant extra provision is being made available to support basic skills learning and higher-level vocational training for young people, though the overall impact on such a deep-rooted problem is unlikely to be marked in the short-term. Active labour market policies and financial support have helped more young people into work, though the directly attributable effect is unclear and policies are yet to be tested in more adverse economic and labour market conditions.

<sup>(174)</sup> Findings from the Policy Studies Institute and National Institute of Social and Economic Research studies (summarised at: <http://www.dwp.gov.uk/asd/asd5/168summ.asp>).

<sup>(175)</sup> HM Treasury, Department for Work and Pensions and DfES (2004) *Supporting young people to achieve*.

<sup>(176)</sup> See Stewart, M. *The impact of the introduction of the UK minimum wage on the employment probabilities of low-paid workers* (<http://www2.warwick.ac.uk/fac/soc/economics/research/papers/twerp630.pdf>).



# Acceding countries



# Youth employment in Bulgaria

## 1. Youth employment and unemployment

Since 2003, the growth in youth employment has become more marked. This was achieved because of expanding labour market policies and a certain increase in demand<sup>(177)</sup>. In the third quarter of 2005, the employment of young people (15-24) reached 23.0%, and the unemployment rate was 20.5%. This parallels the rates in the overall labour force. But the employment and unemployment rates for young people still differ from the overall population (Table 1).

The unfavourable position of young people in the Bulgarian labour market is prominent compared with the EU-25 (Table 2). A positive development primarily concerning young women is a decrease in the difference compared with the new Member States<sup>(178)</sup>. An encouraging fact also is that the share of unemployed young people in the respective age category is lower than in the EU-25.

## 2. Problematic features of youth employment

Fluctuations in youth employment reveal the influence of seasonal factors. Seasonal and part-time employment of young people is popular in Bulgaria.

Similar male and female employment indicators show that both men and women find it equally difficult to get their first job. But since 2000, men's employment rate has increased more rapidly than women's. This could be explained by special measures to increase men's employability after the privatisation and restructuring of some enterprises.

Analysis of educational attainment shows that the proportion of young people with primary education is the highest (45.9% in the third quarter of 2005). Almost 70% of the labour force in the 15-24 age group has secondary education qualifications

and 80% found employment. Young people with secondary vocational education are in highest demand.

About 40% of unemployed young people remain unemployed for longer than 12 months, and about two thirds for more than 24 months<sup>(179)</sup>. This is an unfavourable starting point mainly for young people with low level of education.

Most Bulgarian young people start at a low administrative/technical level. The highest proportion of young people is employed in services, security and trade (27.4% in the third quarter 2004). The majority of them have secondary or higher education. Some 18% of young people have incomplete secondary education and low vocational qualifications, and work as unskilled workers.

Young people mostly work in the processing industry, trade and repairs, services, hotels and restaurants (Table 3).

Salaries paid in the hotels/restaurants and trade/repairs sectors are the lowest, at 64.7% and 75.0% of the national average level<sup>(180)</sup>. Given that many young people are employed in these sectors, this means that they receive relatively low salaries.

## 3. Labour market actions for youth employment

The number of young people covered by measures and programmes is increasing (Table 4).

In 2003-05, young people constituted around 20% of participants in large-scale national programmes such as 'From social assistance to employment'; 30% of those who received loans for micro-credits for the first nine months of 2005 were young people. In the same period, 49% of new participants in literacy, vocational qualification and employment programmes were also young people.

<sup>(177)</sup> According to the Employment Agency, the demand for young people (19-23) registered at labour offices was the highest. Also, because of high demand in 2004, the biggest decrease in registered unemployment was among young people aged 15-24.

<sup>(178)</sup> In 2000, the employment rate in Bulgaria was 9.6% lower than in the new Member States, but only 2.4% lower in 2004.

<sup>(179)</sup> Employment Agency.

<sup>(180)</sup> NSI Q3/2005.

Table 1: Youth economic activity, employment and unemployment (%)

Coefficient of:	Total				Men				Women			
	Economic activity	Employment	Unemployment	Relative share of unemployed within economically active population	Economic activity	Employment	Unemployment	Relative share of unemployed within economically active population	Economic activity	Employment	Unemployment	Relative share of unemployed within economically active population
<b>2000 (*) Total</b>	<b>48.8</b>	<b>40.6</b>	<b>16.9</b>	<b>8.2</b>	<b>54.0</b>	<b>44.8</b>	<b>17.1</b>	<b>9.2</b>	<b>44.0</b>	<b>36.7</b>	<b>16.6</b>	<b>7.3</b>
15-64	60.1	49.9	17.0	10.2	64.8	53.6	17.2	11.1	55.5	46.3	16.7	9.3
15-24	29.1	18.8	35.3	10.3	31.8	19.9	37.3	11.9	26.2	17.7	32.7	8.6
15-19	9.9	4.7	52.9	5.2	7.5	3.0	60.5	4.5	12.4	6.4	48.1	6.0
20-24	47.0	32.0	31.9	15.0	54.4	35.6	34.4	18.7	39.2	28.2	28.2	11.1
<b>2003 Total</b>	<b>49.2</b>	<b>42.5</b>	<b>13.7</b>	<b>6.7</b>	<b>54.5</b>	<b>46.9</b>	<b>14.1</b>	<b>7.7</b>	<b>44.3</b>	<b>38.4</b>	<b>13.2</b>	<b>5.9</b>
15-64	60.9	52.5	13.9	8.4	65.4	56.0	14.2	9.4	56.5	49.0	13.3	7.5
15-24	28.8	20.7	28.2	8.1	31.5	21.7	28.1	9.7	26.1	19.6	24.8	6.5
15-19	7.5	4.0	46.8	3.5	6.9	3.2	54.5	3.7	8.2	4.8	41.0	3.4
20-24	51.2	38.3	25.3	13.0	57.2	41.1	28.1	16.1	45.1	35.4	21.7	9.8

Table 1: Youth economic activity, employment and unemployment (%) (cont.)

Coefficient of:	Economic activity	Employment	Unemployment	Relative share of unemployed within economically active population	Economic activity	Employment	Unemployment	Relative share of unemployed within economically active population	Economic activity	Employment	Unemployment	Relative share of unemployed within economically active population
	<b>Total</b>				<b>Men</b>				<b>Women</b>			
<b>2004 Total</b>	<b>49.7</b>	<b>43.8</b>	<b>12.0</b>	<b>6.0</b>	<b>55.3</b>	<b>48.3</b>	<b>12.5</b>	<b>6.9</b>	<b>44.6</b>	<b>39.5</b>	<b>11.5</b>	<b>5.1</b>
15-64	61.8	54.2	12.2	7.5	66.4	57.9	12.8	8.5	57.2	50.6	11.6	6.6
15-24	28.9	21.5	25.8	7.5	31.8	23.2	27.0	8.6	25.9	19.6	24.2	6.3
15-19	7.7	4.1	47.6	3.7	6.7	3.4	49.9	3.3	8.8	4.7	45.7	4.0
20-24	52.4	40.8	22.2	11.7	58.6	44.4	24.3	14.2	45.9	37.0	19.4	8.9
<b>2005 (**)</b>	<b>49.7</b>	<b>44.7</b>	<b>10.2</b>	<b>5.0</b>	<b>55.4</b>	<b>49.7</b>	<b>10.4</b>	<b>5.7</b>	<b>44.5</b>	<b>40.1</b>	<b>9.9</b>	<b>4.4</b>
15-64	62.1	55.7	10.3	6.3	66.8	59.8	10.5	7.0	57.4	51.7	9.9	5.7
15-24	27.8	21.6	22.2	6.2	31.0	23.8	23.1	7.1	24.6	19.4	21.0	5.2
15-19	7.5	7.7	38.0	2.8	7.2	4.6	36.8	2.7	7.9	4.9	38.1	3.0
20-24	51.3	41.2	19.6	10.0	58.2	45.9	21.1	13.3	44.0	36.3	17.4	7.7

(\*) The data for 2000 is incomparable with that after 2002 because of certain methodological changes in its collection introduced by the National Statistical Institute (NSI).

(\*\*) Q1, Q2 and Q3 (average per quarter).

Source: NSI.

**Table 2: Employment and unemployment of young people in Bulgaria and the EU-25 (%)**

	2000	2001	2002	2003	2004
<b>Bulgaria, employment rates</b>					
<b>Total</b>	<b>18.8</b>	<b>18.3</b>	<b>18.9</b>	<b>20.7</b>	<b>21.5</b>
Men	19.9	18.5	19.4	21.7	23.2
Women	17.7	18.1	18.4	19.6	19.6
<b>Differences between Bulgaria and the EU-25</b>					
<b>Total</b>	<b>- 19.3</b>	<b>- 19.8</b>	<b>- 18.6</b>	<b>- 16.2</b>	<b>- 15.3</b>
Men	- 21.5	- 19.8	- 21.1	- 18.1	- 16.6
Women	- 17.1	- 22.9	- 16.1	- 14.3	- 14.2
<b>Bulgaria, relative proportion of unemployed young people (15-24) per total population of young people in the same age group</b>					
<b>Total</b>	<b>10.3</b>	<b>12.5</b>	<b>10.8</b>	<b>8.1</b>	<b>7.5</b>
Men	11.9	13.7	12.6	9.7	8.6
Women	11.1	11.0	9	6.5	6.3
<b>Differences between Bulgaria and the EU-25</b>					
<b>Total</b>	<b>1.9</b>	<b>4.5</b>	<b>2.6</b>	<b>- 0.3</b>	<b>- 0.8</b>
Men	3.4	5.3	3.9	0.7	- 0.2
Women	2.8	0.0	1.3	- 1.2	1.5

Source: Indicators for monitoring the 2004 employment guidelines, 2005 Compendium, European Commission, 11 July 2005; NSI Bulgaria.

Several programmes are targeted at addressing youth employment problems. The 'Career start' programme provides employment to young people with higher education in the public sector for nine months. It facilitates a career start for young people and helps to improve the capacity of public administration. A national programme of student internships aims to reduce mismatches between the skills and knowledge taught at universities and the competences demanded by employers. It also helps to improve relations between businesses and universities.

A programme offering computer skills training has been quite popular during 2004 and 2005. Internship opportunities are guaranteed for 10% of the best-performing trainees. By the end of September 2005, 1 628 young people had participated in the programme – three times more than in 2004.

The 'Employment promotion' project aims to improve capacity and cooperation at local level <sup>(181)</sup>. It also has other elements, such as internships, vocational education, subsidised employment, self-employment and provision of employment. It provides training in the skills people need to start their own business, as well as subsidised employment.

A special programme, 'CLIP' <sup>(182)</sup>, assists the transition into work of young people without parents. It includes complex measures on motivation, counselling, vocational training and employment, and also provides housing arrangements for the target group.

Youth employment measures mainly focus on subsidised employment for periods of between 6 and 12 months and in-house vocational training. There are measures for apprenticeships

<sup>(181)</sup> Project BG 0202.01 financed by PHARE.

<sup>(182)</sup> Financed by the government of Switzerland.

and internships, hiring young people up to 20 years old and hiring disabled young people.

The number of young people who are employed upon completion of the subsidised employment period is decreasing slightly. Employers' interest in hiring young people varies. Unfortunately, the highest demand is for young people with low vocational qualifications <sup>(183)</sup>. This could discourage some young people from attaining higher-level education. At the same time, it is well recognised that people's probability of finding employment increases as their level of educational attainment grows, including among the Roma minority <sup>(184)</sup>.

In summary, actions to improve youth employment are comprehensive. Employers are given financial incentives to hire young people (subsidies and tax reductions). Measures to increase youth employment are integrated with national policy and strategies for human resource development. Yet these measures have not so far led to the desired increase

in employment levels. This raises the need to improve the efficiency of the initiatives by reviewing and revising their goals and targets.

## 4. Vocational training

The number of unemployed people on different vocational training programmes increased by nearly 1.5 times during 2002-05 (Table 5). Most numerous among them were young people with basic education. Widening access to vocational training is important for young people. An important positive achievement has been an increase in young people who have attended vocational training in the total number of unemployed people from the same age group (Table 5).

Since 2002, the number of young people signing preliminary contracts with employers upon completion of vocational training

**Table 3: Structure of employment by industry (%)**

	Q3/2000		Q3/2002		Q3/2004		Q3/2005	
	Total	15-24	Total	15-24	Total	15-24	Total	15-24
Total (1 000)	2 837.2	227.2	2 803.7	220.7	3 024.6	232.7	3 098.1	240.3
Total (%)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Agriculture, forestry and fishery	11.8	12.5	10.5	10.1	11.0	9.2	10.1	9.3
Mining industry	1.6	1.0	1.3	0.5	1.2	0.9	1.1	–
Processing industry	23.4	23.9	23.8	27.2	23.3	24.8	24.0	23.8
Electricity, gas and waters	2.1	0.7	2.1	0.7	2.2	0.9	2.2	0.5
Construction	5.8	4.5	5.2	4.5	5.9	5.5	6.6	8.2
Trade and repairs	14.8	21.0	14.8	20.5	14.4	21.8	14.6	22.2
Hotels and restaurants	5.1	14.0	4.8	13.1	5.2	13.0	5.7	15.1
Transport and communication	7.8	7.0	7.9	5.0	7.1	4.4	7.0	4.2
Services	27.6	15.4	29.7	18.4	29.7	19.6	28.6	16.5
Not mentioned	0.3	0.3	0.1	0.3	0.0	0.1	0.1	0.2

Source: NSI.

<sup>(183)</sup> Half of young people are hired for positions that do not require any particular vocational qualification. In January to September 2005, 43% of young people hired did not have a vocational qualification. Source: Employment Agency.

<sup>(184)</sup> See the national representative survey of the ethnic Bulgarian and Roma population, carried out by the Agency for Social Analyses (2004) *Roma – the other dimension of changes*, Partners – Bulgaria Foundation.



**Table 4: Coverage of the registered unemployed young people by labour market programmes and measures (\*)**

	2005 (**)	2004	2003	2002
Total number of included young people (1 000)	45.6	50.6	39.4	23.1
Relative share of the included young people within the total number of the included registered unemployed	26	27	22.1	21.3
Relative share of the included young people within the included registered unemployed from the same age group	3.6	3.4	2.2	1.0

(\*) Monthly averages.

(\*\*) First nine months of 2005.

**Table 5: Vocational training (\*) of registered unemployed young people**

	2005 (**)	2004	2003	2002
1. Total number of young people (***) in vocational training	1 098	1 156	1 166	626
2. Relative share of the included young people within the total number of included unemployed in vocational training	47.3	44.1	36.6	39.3
3. Relative share of the included young people in vocational training within the total number of registered unemployed from the same age groups	1.0	0.9	0.8	0.3

(\*) Vocational training covers all types of training, excluding motivation.

(\*\*) First nine months of 2005.

(\*\*\*) Monthly averages.

courses has grown almost threefold. This shows the increasing efficiency of vocational training, achieved through the following measures:

- A comprehensive list of professions has been developed <sup>(185)</sup>, officially approved and introduced in vocational education and adult training courses. At the same time, the development of framework programmes for vocational education and training (VET) and standards for professions needs to be accelerated. A newly established agency at the Ministry of Education should take these matters further.
- One of the main problems is a mismatch between the demand for and supply of skills. This is being addressed through decentralisation of VET, with a significant role given to tripartite regional employment councils. A recently extended network of organisations also favours the decentralisation of vocational training. It includes local labour mar-

ket providers and licensed VET centres, advisory bodies <sup>(186)</sup> and specialised organisations such as NAVET (the national agency for VET).

## 5. The problem of early school leavers

In the school year 2003-04, the rate of student drop-out increased because of the growing number of people leaving school between grade 5 and grade 13. Tackling the drop-out of pupils in grades 5-8 is very important, as school attendance for young people aged 7 to 16 is compulsory <sup>(187)</sup>. Another important issue is the prevention of very early drop-out from school (at the start of schooling <sup>(188)</sup>), more typical among children from minority groups.

<sup>(185)</sup> It follows the levels of the International Standard Classification of Education (ISCED) 97.

<sup>(186)</sup> For example, the National Vocational Training Consultative Council.

<sup>(187)</sup> The net coefficients of enrolment of children and young people aged 7 to 15 decreased from 98.7% in 2002-03, to 98.4% in 2003-04.

<sup>(188)</sup> See United Nations Development Programme (2003) *Millennium development goals*, pp. 12-13, UNDP: Sofia.

Policies to overcome the problem of early school leavers include improvements to the quality of school education, enhancing access to secondary education, providing material and social stimuli to attend, and a better match between educational content and employers' needs. The content of the curricula and textbooks is being improved. The learning of a first foreign language starts in grade 2 and of a second in grade 5. Free textbooks have been given to students from grades 1-3. Free meals can be provided for all students from grades 1-4. The municipalities with daily commuting students are granted buses. Pre-school instruction (one year) in specialised classes became obligatory since 2003. Special measures for Roma children integration into educational system and against segregation of schools have been undertaken. The Ministry of Education approved a strategy for the integration of children from ethnic minorities and for enhancement of their participation in the educational process (2004) and a plan for its implementation. The legal regulations stipulate that parents are not entitled to receive social assistance benefits for raising children who do not attend school.

## 6. Conclusions

The main youth employment indicators are improving and unemployment is decreasing. Numerous labour market policies

and measures are being implemented to promote youth employment. However, young people remain a risk group on the labour market.

A comprehensive solution to youth employment issues will be reached if the demand for a qualified labour force increases and a nearly full employment rate is achieved at national level. However, youth employment should be given priority in the short to medium term. The transition of young people from school to the labour market should become a permanently monitored process.

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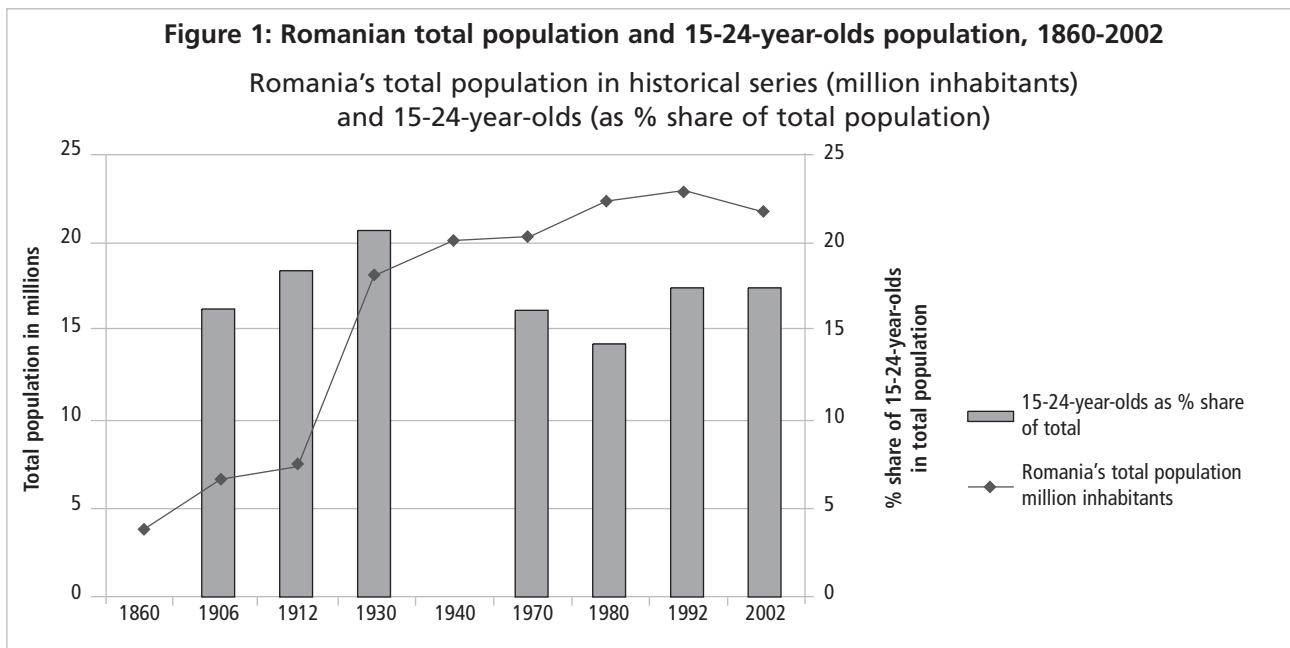
# Youth employment in Romania

## 1. Trends

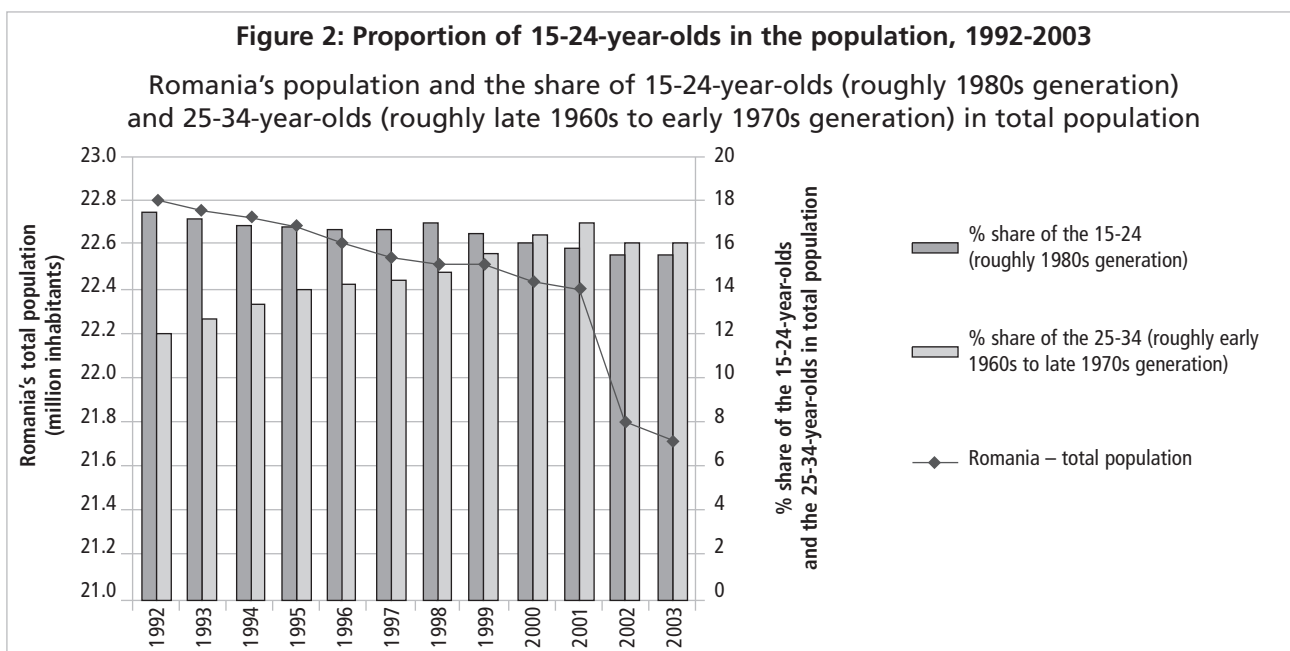
Figure 1 provides population data for 15-24-year-olds in Romania from 1860 to 2002. Figure 2 shows the proportion of 15-24-year-olds in the population from 1992 to 2003.

Romania's current 15-24 population is quite large, which makes it a good reservoir for the labour market. But as Roma-

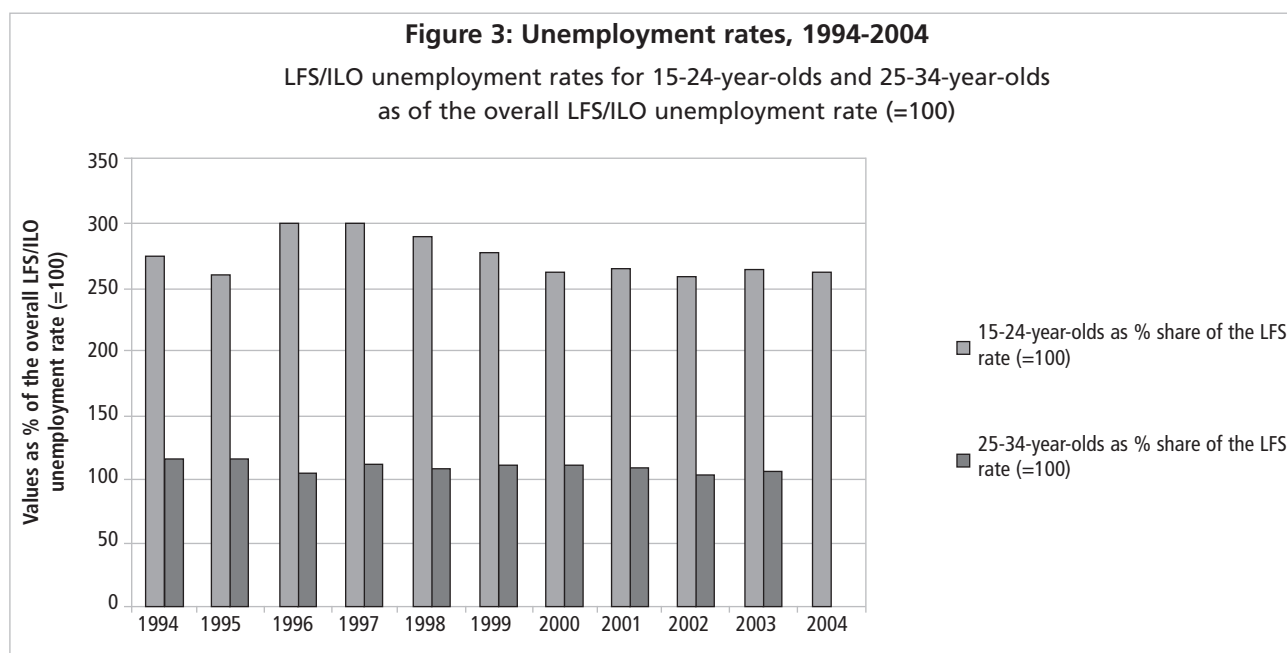
nia approaches 2010, the population will start to diminish. Most of the large cohorts born in the 1980s will have passed the upper end of this age group. This will give the country a respite of some 20 years, a period when the adult working-age population (25-50) will be at its height. However, in economic terms this respite is not long. It is essential to put measures in place to improve labour market participation, and above all employment for 15-24-year-olds.



Source: Historical statistical data, processed by Dr C. Ghinararu.



Source: Data from the National Institute of Statistics of Romania, processed by Dr C. Ghinararu.



Source: Data from the National Institute of Statistics of Romania, processed by Dr C. Ghinararu.

Labour market evolutions throughout the transition years have not been particularly favourable for the 15-24 age group, but neither have they been faring worse than others.

However, these young people will find precious few jobs to match their knowledge base. Thus the proportion of underemployed people, defined as those who are employed in jobs below their formal level of education and qualification, is bound to grow for the period to come.

This poses serious problems for Romania. The large mass of working-age people will slowly start to grow older. If new generations either start their working life late, or at low income levels, or outside formal social security nets, the picture will be bleak. Current commitments to public provision of health services, education and especially social security in old age will become hard to maintain.

## 2. Measures taken to promote youth employment

### 2.1. Education and training policies

At the end of the 1980s, Romania's labour force had one of the lowest educational and qualification levels in Europe (Figures 4 and 5).

The choice of policies was obvious. Priority should have been given to training more people in the liberal professions, but not on a mass scale, and ensuring that the workforce attained good basic training and, in particular, practical training in key industries.

Exactly the opposite was done. Highly trained teachers and professors took the first opportunity of the newly found economic and labour market freedom to flee a system that offered them no chance at all. Many individuals who were laid off from large state enterprises filled the vacuum, in spite of inadequate skills and training. In the meantime, the state embarked on a massive development that led to an inflation of public-funded universities.

The number of students increased markedly throughout the entire period spanning 1990 onwards. Against this background, a host of private universities also sprang up. Some of these boasted a reasonable quality of educational process, but most of them were simply 'diploma-factories', irrespective of their formal status of accredited or non-accredited universities.

So while enrolment in higher education and in 'lycées' has grown steadily throughout the transition period, thus preventing a rise in youth unemployment early on, there is now a large mass of graduates facing difficulties in finding a job.

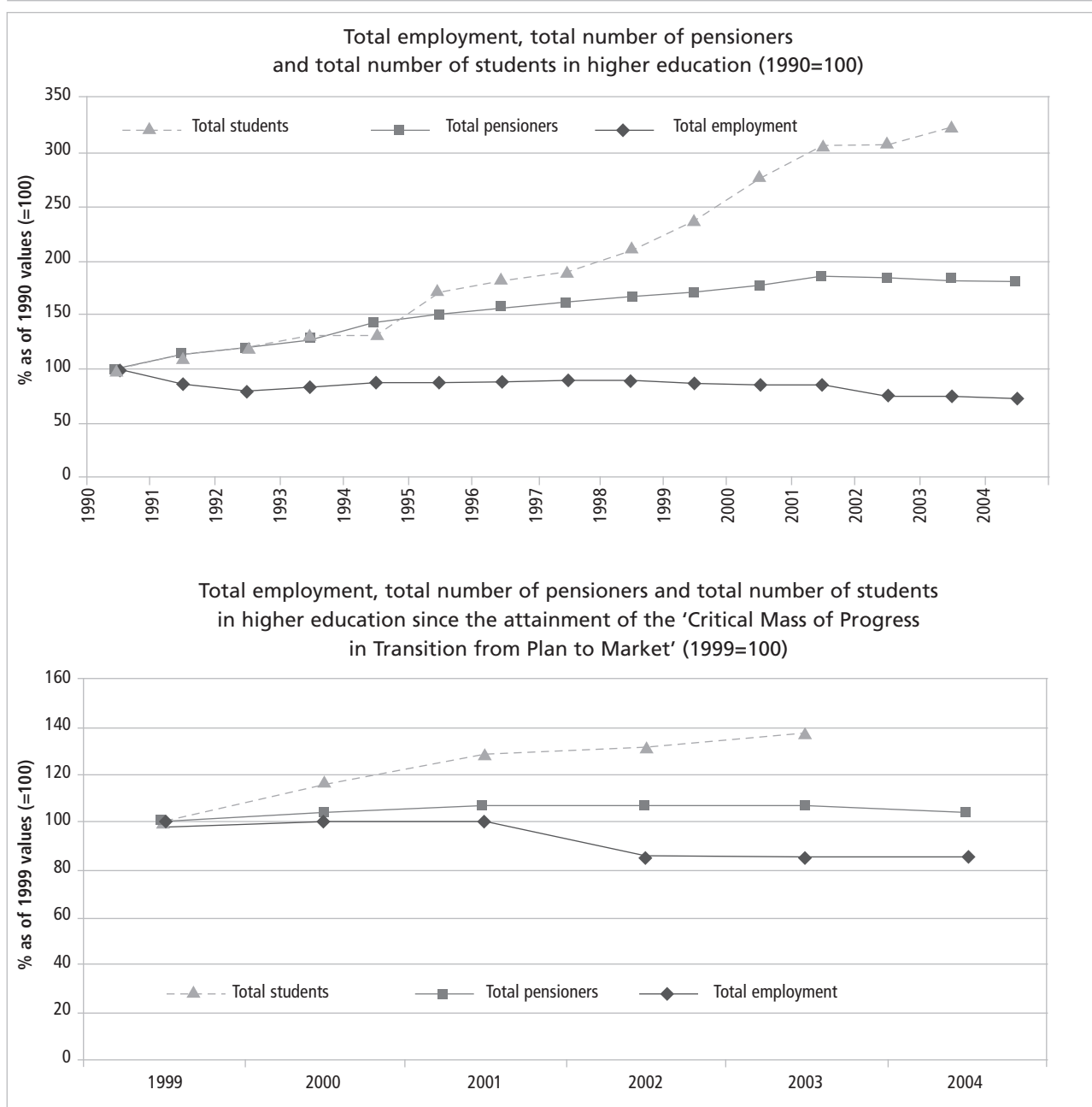
Second-chance programmes have been a recent innovation by the Ministry of Education, though it is still rather early to assess their 'real' results. Meanwhile, the National Adult Training Board has restructured its activities. This provides for recognition in the world of work of all knowledge and skills

acquired by people throughout their working life, irrespective of the way in which they have been acquired. Modular approaches to vocational training are now encouraged.

The amended version of the Labour Code, trying to be more employer-friendly than the original one, lessens employers' obligations with respect to vocational training, especially the small and medium-sized enterprises currently accounting for

the bulk of employment. As such, there is a manifest tendency to avoid the private sector as an employer, especially for people living in small or medium-sized provincial towns where large private-sector employers (i.e. multinationals) are in scarce supply. Thus, the absence of career possibilities in most private companies creates a disproportionate and unfortunate driver for young people towards the public sector, even if the jobs they can get there are below their qualification levels.

**Figures 4 and 5: Total employment, pensioners and students in higher education**



Source: Data from the National Institute of Statistics of Romania, processed by Dr C. Ghințaru.

## 2.2. Labour market and employment-related policies

The Romanian labour market suffers from a serious imbalance between supply and demand. The supply of labour is more than ample, and is sometimes over-qualified for the requirements of the demand, which is still insufficient and sometimes very unattractive. Figure 6 shows comparative unemployment rates for two age groups.

Moreover, most employers, with the few exceptions of some multinationals and the public services, do not seem particularly interested in investing in human resources. Young people also do not value training and development opportunities in the workplace, and do not consider these as characteristics of a good job.

Young people's career prospects therefore turn into switching from one job to another, in an eternal search for a better salary.

To alleviate these problems, a series of active labour market policies (ALMPs) have been developed. The Romanian Ministry of Labour has initiated a system of employment subsidies, aimed at young graduates. Prior to this, ALMPs directed towards promoting youth employment had taken a backseat. The top priority was, at the time, measures directed towards dealing with the mass displacement of workers and the alleviation of social effects stemming from much-needed but nevertheless painful restructuring.

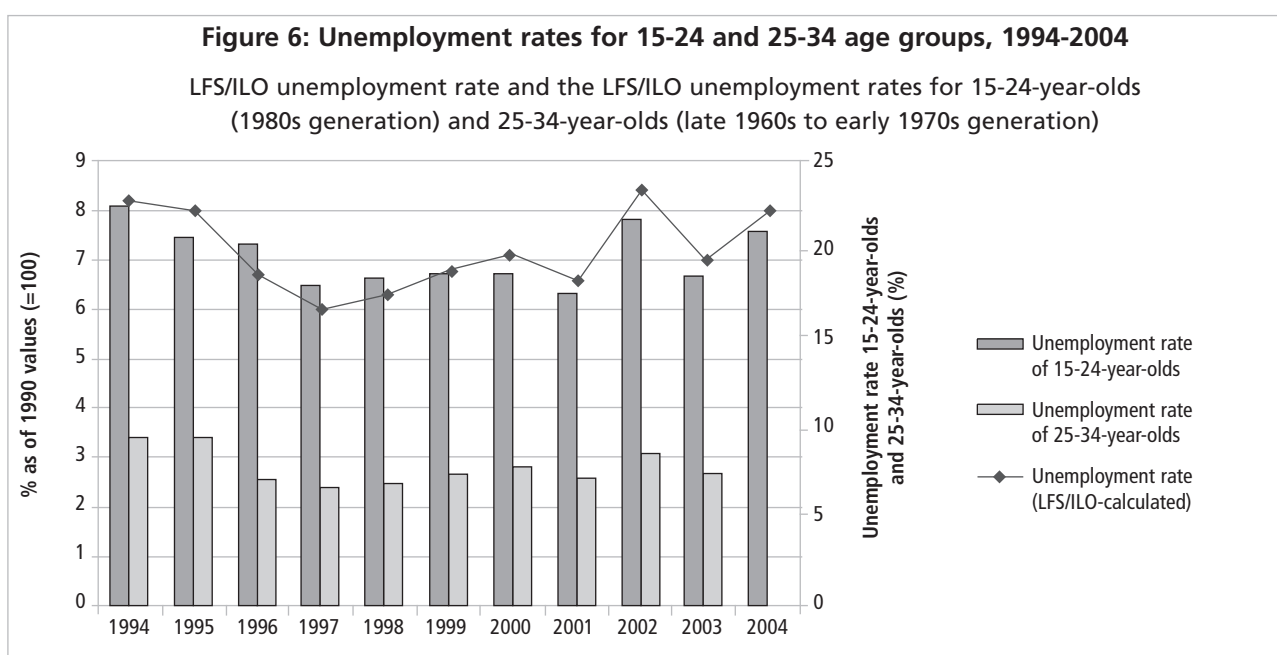
However, as mass restructuring processes were gradually drawing to an end, the new Unemployment Insurance Act, adopted

in 2002 (Law No 76/2002), once again turned the spotlight on young people (aged 15-24). The Act includes a series of ALMPs specifically directed towards increasing the employability of a group acknowledged as being at a disadvantage in the labour market. A series of measures seek to increase young people's employability and therefore their attractiveness to employers. Most of these are subsidies granted to employers taking on young graduates, young people belonging to groups deemed as marginalised, or young people who have fulfilled their mandatory military service (the conscription system).

The provisions of Law 116/2002 (The Anti-Marginalisation Act) are specifically aimed at marginalised groups of young people. Another subsidy that addresses young people is enshrined in the Apprenticeship Act (Law No 279/2005) recently passed by the Romanian parliament.

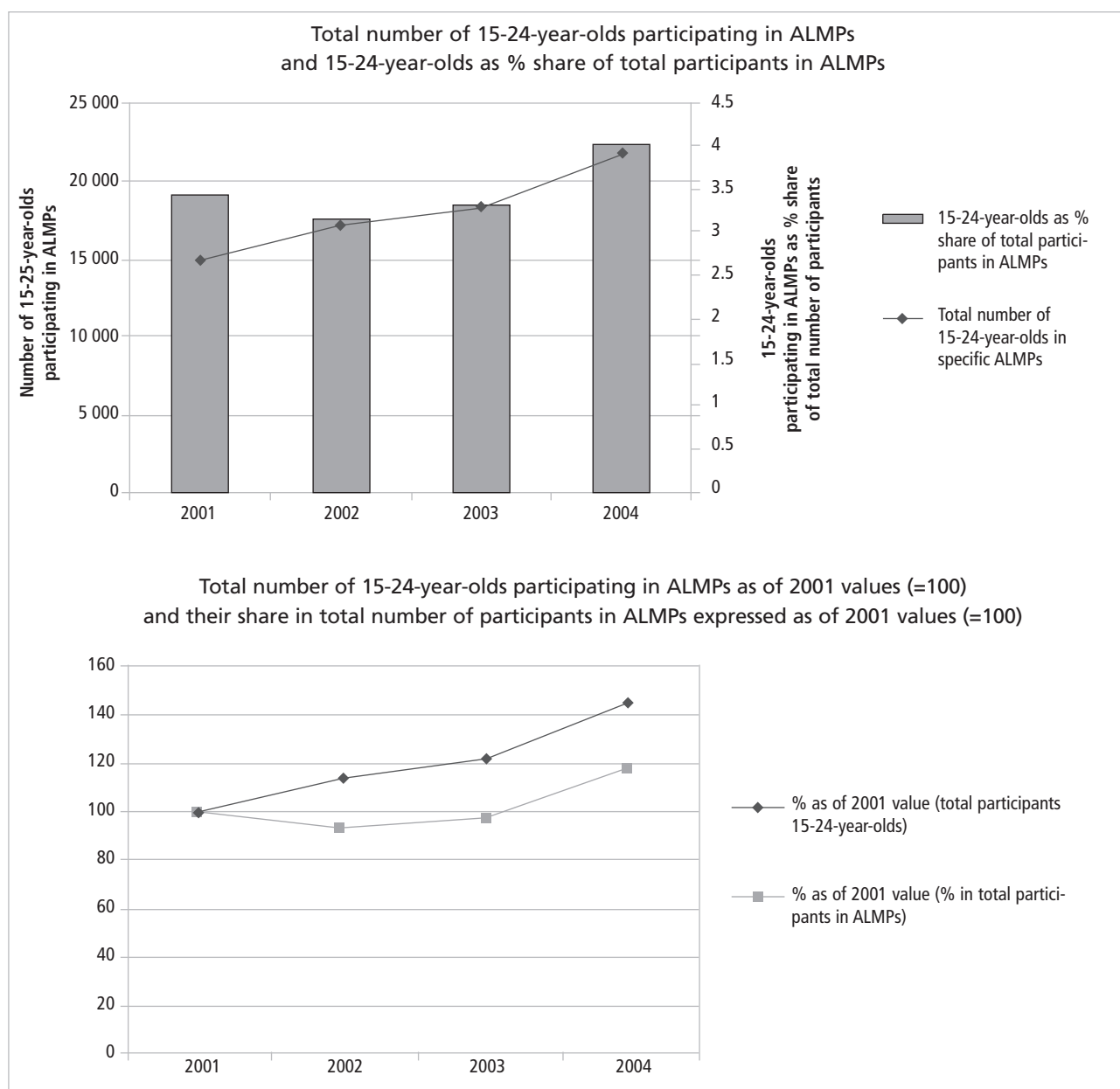
Although most of these measures are and must be hailed as innovative policies, the problematic issue is the actual take-up rate, both by employers and by young people. Neither side seems very keen to sign up and see the measures through. Moreover, the public employment services (PES) have shunned them, favouring instead the so-called 'temporary public works contracts', which do little to improve employability. Business start-up credits are also available to students. Figures 7 and 8 show participation in ALMPs from 2001 to 2004.

In addition, Romania introduced from January 2005 a 16% flat-rate income tax. Apart from its role as an investment booster for the economy and a tool for increasing overall employment, it is seen as a way of increasing the appetite of the Romanian workforce – and notably its youngest members – for taking up second or even third jobs and thus increasing income.



Source: Data from the National Institute of Statistics of Romania, processed by Dr C. Ghinararu.

**Figures 7 and 8: 15-24-year-olds participating in ALMPs**



Source: National Agency for Employment data, processed by Dr C. Ghinararu.

### 3. Problematic features of youth employment

The single most important issue relating to youth employment in Romania is that of massive migration abroad for employment. This means that young people’s education and training is incomplete. In the case of migrants already holding a university degree, the loss is proportionally greater for the economy

as well as for the state budget. A further channel for migration is studying abroad.

For university graduates and for students in Romania, there also remains the problem of over-qualification, taking into account the current and immediate future needs of the Romanian economy. Universities need to take more care with respect to career orientation.



## 4. Roles of the labour market actors

After several years of reform, most Romanian labour market institutions now have considerable involvement by social partners and other labour market actors who take an active role in shaping their decisions at all levels. Both the National Agency for Employment (the Romanian PES) and the National Adult Training Board are tripartite in nature, with representatives of trade unions and employers' federations sitting on their boards at national, regional (*judet* – county) and even at local level.

In the realm of education, more autonomy has been given to local authorities since the mid-1990s. Local and regional consortia involving a large number of stakeholders have been assembled, with the main task of elaborating and subsequently revising regional and local action plans for the vocational and technical education (VET) systems.

In the meantime, action has been intensified on the improvements to the VET system, taking into account the newly gained autonomy of school action plans. For the first time ever, the revised plans have been substantiated by skills forecasting carried out by the National Labour Research Institute, undertaken with Phare financing. The forecasting period is similar to that for the draft of Romania's first national development plan as a European Union (EU) member: 2007-13.

The weakest links in the whole chain are social partners and their organisations. If social partners are really to be involved in tackling issues of youth employment, they need to undergo a massive overhaul. Romania needs to build up 'coalitions of the willing'. Through these coalitions, the involvement of labour market actors will deepen and thereby become rooted in the real needs of the economy and society.

## 5. Conclusions

Romanian young people face a host of challenges in both the near and distant future. Some of these issues will be resolved as the country enters the EU but, conversely, EU integration will also bring new problems following accession in 2007.

Some of these issues, such as the ones pertaining to the role and development of higher education and the role of the PES and their measures, are for the state to resolve. The public authorities will need to curb the unhealthy ballooning of public higher education and dismantle small universities that fail to deliver. They will also have to encourage clustering around

the larger, more efficient universities that can develop both economies of scale and scope.

Additionally, public authorities have to encourage more competition by opening the market as much as possible to new entrants, and by dismantling monopolies where they exist and continuing the drive towards deregulation. This will help to counter the imbalance between domestic demand for and supply of labour, which has led to unprecedented levels of migration abroad for employment, disproportionately affecting young people. This will ensure uninterrupted economic growth at a high rate and thus trigger job creation.

Public employment services have to admit that subsidised employment has been a failure. This policy has to be abandoned as it only encourages those who shun investment and use public money to further cut their costs. It should be replaced by a policy of incentives for a proven record in human resources development.

Migration abroad for employment will remain a characteristic and problematic issue for youth employment. This issue needs to be handled with care. The state will have to relinquish its role as an actor in the market for job placement abroad. Instead, it should focus on creating a system of migration statistics and establishing jointly with operators in the field a set of minimum operational criteria for job-placement agencies.

Although much has been done to promote the agenda of youth employment during recent years, more still needs to be done. Action in the sphere of public services – including education – as well as in opening markets and building 'coalitions of the willing' at community level will enable the nation to harness its potential to the maximum. This can only be done if young people, who are the most dynamic segment of the workforce and the population as a whole, are drawn into the labour market on a massive scale, and preferably through formal channels.

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# Candidate country



# Youth employment in Turkey

## 1. Trends

### 1.1. Main employment indicators

In Turkey, the labour market situation of young people remains difficult (similarly to the EU). The urban youth unemployment rate in Turkey rose from 22.4% in 2001 to 25.2% in 2003 and 2004 (corresponding figures in the EU-25 were 17.5% in 2001 and 18.3% in 2003) <sup>(189)</sup>.

Unlike in the EU, however, the situation is worrying for young urban women in Turkey. Their unemployment rate rose from 27.8% in 2001 to 29.6% in 2004 (overall urban female unemployment rates were 16.6% in 2001 and 17.9% in 2004). The male urban youth unemployment rate in Turkey rose from 20.1% in 2001 to 23.3% in 2004 (overall urban male unemployment rates were 10.3% in 2001 and 12.5% in 2004). The youth unemployment ratio <sup>(190)</sup> stagnated at a high level of around 9% from 2002 to 2004 (8% in the EU-25).

Labour market participation rates are also low for urban youth: only 21.3% for women and 49.5% for men in 2004 (the overall youth participation rate was 35.2%). These figures suggest that the crucial step of transition from education to the labour market is not easy for young people. The 15-24 age group has the most unfavourable participation and unemployment rates compared with the rest of the population. Close to 40% of unemployed young people are first-time jobseekers. This ratio has been constant in the past few years.

There is no quantitative evidence to suggest that youth employment is more affected by low wages or temporary contracts, which are general labour market problems. The main problem in youth employment is the transition from education to work.

### 1.2. Education and migration

Turkey has a low average level of human capital; six years of formal education is the median in the general population. The situation is gradually improving, however, since the change to

eight years of compulsory schooling. A declining rural population and subsequent access to urban schooling opportunities will also help. However, the majority of jobs in the near future will be in the low-paid personal services and retail sectors.

Youth employment will become an even more urgent issue in Turkey. This is because labour-force participation rates (LFPR) for urban youth, especially women, are likely to increase from their current low levels.

Turkey will probably experience a process of faster urbanisation. As agricultural subsidies are phased out, this will increase the rate of migration to urban areas. Furthermore, as indicated above, the level of education is growing, with an increase in the length of compulsory schooling. Higher educational attainment levels lead to increased LFPR for both sexes.

Judging by the trends in employment growth, the job-creation rate (less than 1% per year during the 1990s; Ercan, 2003) may not match this influx of participants. So far, the working-age population has increased by 2.2% per year since the late 1980s (Ercan, 2003) and unemployment rates have been steadily creeping up.

## 2. Current thinking among policy-makers: no direct action

Turkish policy-makers recognise the need to create more jobs, especially for urban youth. This has not been a priority so far because of fragile and volatile economic conditions. Recently, the restructuring and stabilisation programme has brought more stable economic growth and low inflation. The cost of economic success, however, has been employment performance. Unemployment has crept up and stagnated until recently. Jobs created were predominantly in the informal sector.

However, the quality of basic and vocational education and youth employment is still not a political priority. At the moment, it is hoped that a new economic initiative in the

<sup>(189)</sup> Turkish labour economists prefer to use figures for the urban labour market to make meaningful comparisons with the EU. Of a total labour force of 24.3 million in 2004, 10.6 million (43.5%) lived in rural areas (defined as a population of under 20 000). About one third of total employment is in agriculture, mostly in rural areas. All data in this article are from the Turkish Statistical Institution website (<http://www.die.gov.tr>).

<sup>(190)</sup> Youth unemployment ratio is defined as the proportion of unemployed young people (aged 15-24) among the total population in the same age group.

construction sector will have beneficial side effects on urban youth male employment. Stimulating a rise in construction activity should increase the number of young unskilled men gainfully employed for some years.

### 3. Measures taken to promote youth employment

Although there are no specific measures to promote youth employment, young people may participate in general measures for education, training and active employment.

#### 3.1. Education and training policies

Compulsory education is very short in Turkey (eight years). The reason for this is the high proportion of agricultural employment, where young people are expected to work in farming families.

Early school leaving does not appear to be a serious problem in Turkey at the level of compulsory schooling. However, anecdotal evidence and the results of nationwide university entrance examinations strongly suggest huge regional discrepancies in the quality of education.

##### Vocational system

A review of the Turkish vocational education and training (VET) system pointed out that 'a clearer link between the requirements of the labour market and the skills acquired by graduates of vocational schools is needed' <sup>(191)</sup>. The review recommended increasing the efficiency of vocational training provision, building institutional capacity and improving continued training, in particular, for small and medium-sized enterprises. Later reports (Akpinar and Ercan, 2003; Corradini et al., 2004) have repeated these recommendations, but not much progress can be reported. This is partly because of the institutional set-up of the Turkish education system.

Religious vocational high schools are part of the Turkish vocational school system. Although female enrolment was initially very limited in these schools, they have opened up to women. Female enrolment in these schools has now reached the same levels as in general high schools (Ercan, 2003). They have

practically become general high schools, with a strong religious component in the curricula.

From 1999 to 2000, however, new regulations for nationwide university entrance examinations made it next to impossible for vocational school graduates to further their education in subjects unrelated to their vocational high school background. In 1996-97, religious schools had over 68 000 students and accounted for 27.5% of students in vocational and technical schools. By 2000-01, the numbers were down to 18 000, around 7% of the total.

The technical and vocational education system currently has 36% of secondary education students. This figure has been constant since 2000. Although development plans anticipated a share of 65% for the vocational and technical component in the secondary school system, this target has not been reached.

The Turkish vocational and technical education system has a strong organisational infrastructure and regional reach (Akpinar and Ercan, 2003). It is free, and lower-income families favour the system for their children to acquire marketable skills quickly. A weakness is a lack of strategic planning by the authorities (Ercan, 2003; Corradini et al., 2004) <sup>(192)</sup>. The Ministry of National Education (MoNE) does not use labour market projections or skills-needs analyses in curricular development.

However, the transition to work is problematic. There are more unemployed graduates compared with the general unemployed population (13.5% against 11.4% in 2002, Tunali et al., 2004). This reflects the fact that graduates' qualifications do not meet the demands of the labour market.

##### Linking education with work experience

The Turkish apprenticeship system is well-established. It consists of theoretical and practical training for young people who work with employers to learn a vocation after completing compulsory education. Between 1997 and 2001, 620 000 young people received training in courses organised by MoNE. In 2001, there were about 250 000 students in the entire VET system, roughly half of whom were in apprenticeship training (Tunali et al., 2004).

Enterprises and social partners are involved in the VET system. Businesses are responsible for the practical training of apprentices. Firms employing apprentices are legally required to have a master trainer. Moreover, if the business is training 10 or more apprentices, it has to establish a training unit. There are no special support mechanisms for employing graduates of the apprenticeship system.

<sup>(191)</sup> European Training Foundation, 1999.

<sup>(192)</sup> The main authority is the Ministry of National Education, which is responsible for the training of skilled workers, technicians, apprentices and others in industry, tourism and trade. In the tertiary education sector, the Council for Higher Education is responsible for technician training centres set up as part of universities throughout the country.

The only follow-up study on the employment of those completing their apprenticeship training was conducted in 1997 by MoNE. In this study, 89% of respondents stated that they were gainfully employed after graduation or certification. A significant proportion (40%) continued their employment in the workplace that provided their training. Informal networks of friends and acquaintances led to jobs for 36% of respondents.

### 3.2. Labour market and employment-related policies

Considering the size of the Turkish labour market (24.3 million; 10.4% overall unemployment rate), the institutional capacity of the Turkish Employment Agency (ISKUR) is inadequate. At the time of writing, ISKUR had 3 062 staff, and 80% of its budget goes on salary payments to its staff.

Within the 'Active labour market strategy' programme, some ISKUR offices are being modernised. Another aim is to enable ISKUR to develop a national employment strategy and a national action plan. Currently, Turkey does not have either.

There are no tax or legislative incentives to encourage companies to recruit young people or create additional jobs for them. Employment subsidies are provided in selected provinces where per capita incomes are less than EUR 1 200 per year, mostly in the east and south-west of Turkey.

#### Active labour market policies

Active labour market policies (ALMPs) in Turkey equate to training programmes. The most significant ALMP initiative was the launch of the 'Active labour market strategy' programme in January 2005. The EU and ISKUR are funding 245 projects under this programme. It has developed since 2003 in response to the unemployment problem in Turkey <sup>(193)</sup>.

Within the programme, a 'New opportunities programme' grant scheme has been developed <sup>(194)</sup>. Around EUR 32 million has been allocated to deliver extensive training and retraining to target groups in order to increase their skills and boost employment at local level. The target groups are unemployed young people, women, long-term unemployed people, people registered with ISKUR, migrants from rural areas, ex-offenders, and all other unemployed people. Unemployed young people thus form one of the seven target groups in this most significant ALMP programme in Turkey to date.

Another significant ALMP programme by ISKUR targets workers who become unemployed after privatisation. They are eligible for generous unemployment benefits for 10 months. During this time, they are retrained in programmes of their choice.

Preliminary qualitative assessment of the ALMPs is mixed. On the positive side, Turkey now has an institution like ISKUR, which is well-regarded by social partners. ISKUR has been involved in two major training programmes. Social partners' awareness has been raised with respect to unemployment and youth unemployment issues. However, as noted above, ISKUR's institutional capacity is inadequate, given Turkey's sizeable unemployment problems.

Furthermore, Turkey has still not completed its joint assessment paper and National Action Plan for Employment, and does not have an employment strategy. Without these, ALMP efforts will be ineffective and isolated.

## 4. Roles of the labour market actors

Without an employment strategy, it is difficult to talk about a coordinated policy approach to youth employment involving social partners. Nonetheless, Turkey has a long tradition of open communication between labour market actors and the government. Both formal (the Economic and Social Council) and informal (frequent conferences, panel meetings) channels of communication are open.

In addition, important labour market policy documents are usually prepared in consensus. A coordinated policy approach to youth employment needs to be developed by all stakeholders. European Social Fund resources will encourage social partners to contribute to or design significant ALMP projects. Delegating work to local committees with local ISKUR and provincial resources might ensure a rapid response to changing needs.

Turkish employers have a long tradition of involvement in employment schemes through the widespread apprenticeship system. Apprentices and senior apprentices who have been trained in the workplace may choose to complete remedial education provided by MoNE's technical VET system and receive a vocational school diploma. According to MoNE, 38 200 people received senior apprentice (journeyman) certificates and 31 000 received master craftsmen certificates in 2002-03.

<sup>(193)</sup> <http://www.iskurabprojesi.org>

<sup>(194)</sup> <http://www.iskurabprojesi.org>



## 5. Conclusions

Turkish youth employment prospects are not positive. The Turkish situation is different from the EU in that it is harder for young Turkish women to be formally employed.

Turkish policy-makers acknowledge the severity of youth unemployment, but there are no specific actions to tackle the problem. It may soon become a priority, however, as other macroeconomic problems are disappearing.

Low levels of human capital in Turkey could stress the importance of ALMPs for target groups, including young people. However, this may not be the most efficient use of available resources. Uneducated, unskilled workers may not be the best beneficiaries of ALMP projects since they must first cover remedial basic education.

In any case, strategic decisions on allocating funds to target groups will be made by politicians and social partners, who have a long history of working together in Turkey.

The most important priority for the moment should be to finalise an employment strategy. Targeting youth employment can only make sense within the framework of a national action plan.

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EEA country



# Youth employment in Norway

## 1. Trends

### Employment

From 2001 to 2004, the employment rate <sup>(195)</sup> for young people was about 56% for both men and women. The majority of pupils attend school up to the age of 18, so participation in the labour market is much lower for 16-18-year-olds than for 19-24-year-olds. About one third of 16-18-year-olds are employed and about two thirds of 19-24-year-olds. Employment figures include both full-time and part-time workers. Youth employment fell from 57.1% in 2002 to 54.4% in 2004 (Figure 1). This was a greater decrease than that for the adult working population (25-64).

Young employed people work predominantly in services and in retail and market sales; these occupational groups have increased over recent years. About 13% work in craft and related trades, and 12% in 'elementary' occupations.

About half of employed young people work part-time, compared with 22% of employed adults (25-64). About 60% of part-time workers are employed in services and retail and market sales, and about 17% in 'elementary' occupations. Among 16-18-year-olds, about 85% work part-time (a combination of work and education). Part-time work among young people has increased from 48.7% in 2001 to 53.7% in 2004, notably

among the 19-24 age group (up from 39.4% to 45.1%) and for women in this age group (up from 50.8% to 59.2%) (Figure 1).

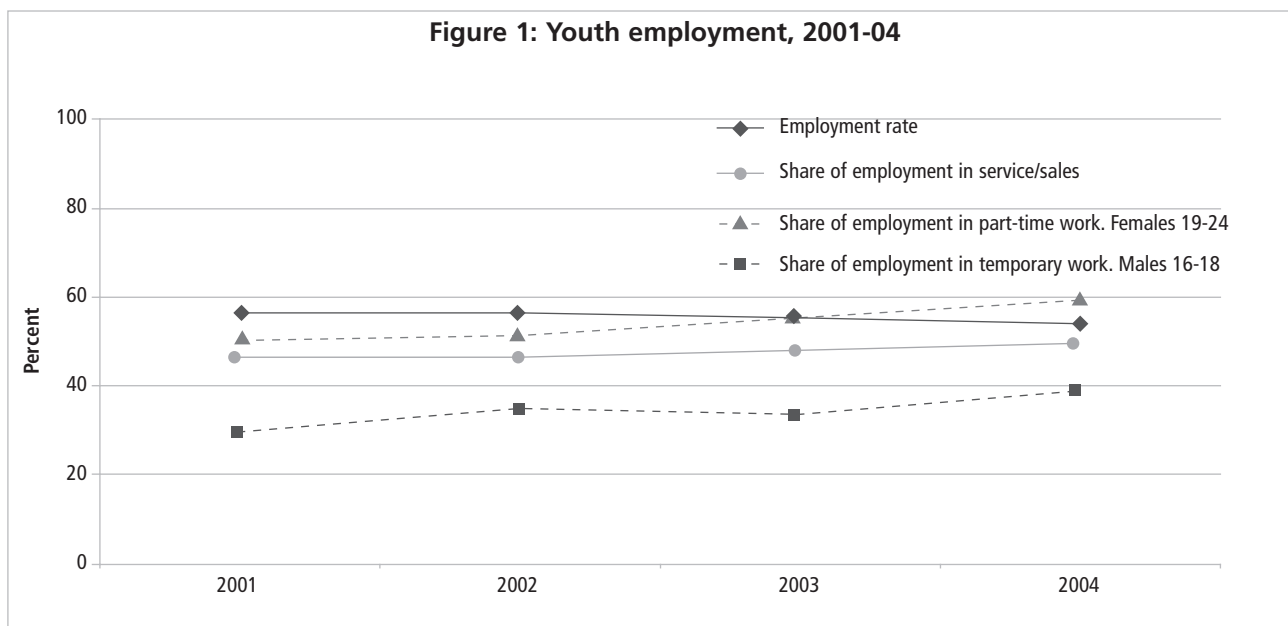
Almost 30% of employed young people have a fixed-term contract, compared with 7% of employed adults.

### Unemployment

According to registrations at employment offices, between 2001 and 2004, the unemployment rate <sup>(196)</sup> for young people increased from 3.8% to 5.4% (Figure 2). The labour force survey (LFS) shows an increase from 10.6% to 11.6%. The differing levels reflect the fact that young people are less inclined to register with the employment office when they experience difficulty in finding work. Many of them are looking to combine employment with education, and most of them are not entitled to unemployment benefit.

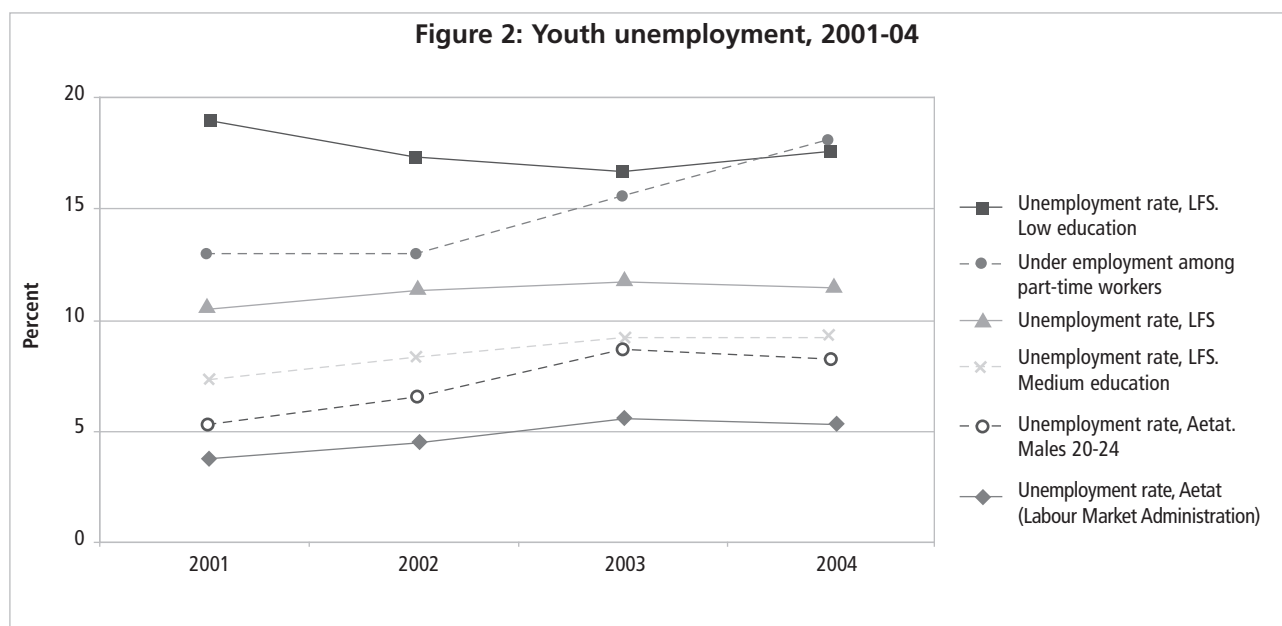
Among 16-18-year-olds, the LFS unemployment rate is around 20% for both men and women. Registered unemployment has increased among men aged 20-24, from 5.3% in 2001 to 8.3% in 2004. The LFS recorded a similar trend, though the increase was smaller.

The unemployment rate decreases as education levels rise. For young people with a basic education (less than upper secondary), the unemployment rate was 19% in 2001. For those who have completed upper secondary education, but not upper tertiary, the rate was 7.4% in 2001 and increased to 9.2% in 2003 and 2004.



<sup>(195)</sup> The employment rate is the proportion of employed people as a share of the population.

<sup>(196)</sup> The unemployment rate is the proportion of unemployed people as a share of the labour force.



The youth unemployment ratio increased from 6.7% in 2001 to 7.1% in 2004. It is higher for men than for women. Long-term unemployment (12 months or more) is lower for young people than for adults. In 2004 and 2005, only 0.3% of young people under 19 or younger were long-term unemployed; for 20-24-year-olds the figure fell from 4.8% in 2003 to 2.7% in 2005.

Among young people in part-time work, the incidence of underemployment has increased from 12.9% in 2001 to 17.7% in 2004. This trend has affected all age groups. In the 25-64 age group, the rate has increased from 11.9% to 16.8%.

### Wages

Hourly earnings are lower for young employees (16-24) than for adults (25-64). In 1999, the average hourly wage for young people was 75% of that for adults; in 2000-02 the figure was 72%. In 2000-02, hourly earnings of 16-18-year-old employees were around 60% of the adult wage.

In 1999, 2001 and 2002, hourly earnings of young employees in part-time work were lower than those of young people overall. Young employees in fixed-term jobs have higher wages than those in part-time employment, but a lower wage than young people overall. Compared with the situation for adults, wage differences for young people between all jobs, part-time jobs and temporary jobs are small (Figure 3).

### Mobility

About 70% of young people in a permanent job in 2002 were still in a permanent job one year later. Around 10% of them had a fixed-term contract; 17% had left employment. Of those

in 2002 with a fixed-term contract, 42% had a permanent contract one year later. Almost 30% still had a fixed-term contract one year later, and 23% had left employment. These results remained the same in 2003.

Among young people without employment in 2002, 21% had a permanent contract one year later, about 15% had a fixed-term contract and 64% were still outside employment. Of those who had entered employment, more than 40% had a fixed-term contract. Fixed-term contracts therefore seem to be a typical route for young people to enter the labour market.

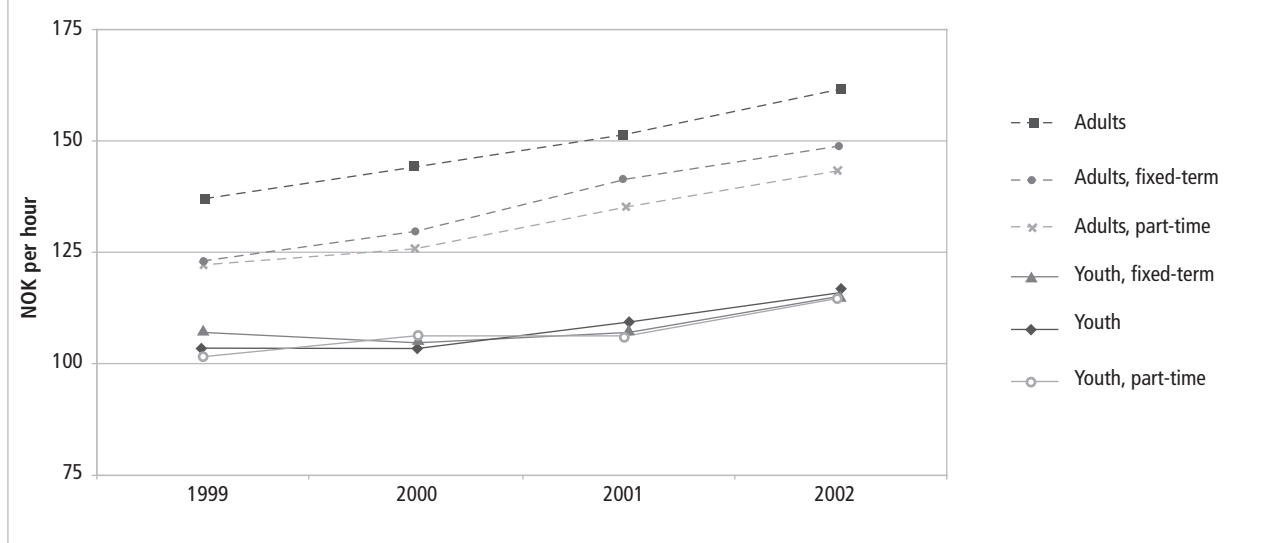
Half of unemployed young people in 2002 found employment one year later, 18% were unemployed but may have had short-term jobs during the year, and 33% were outside the labour market. Compared with the total working-age population (16-64), young people's transition rate into employment is very low (49.3% compared with 92.2%). However, the transition from the labour force is high (32.7% compared with 6.0%); this is to a large extent because of transition into education. The tendency to be unemployed after one year is also high (18.0% compared with 1.9%).

### Gender equality

Among young employees, female hourly earnings are about 90% of the male wage. This gap reduced between 1999 (87%) and 2002 (95%). The earnings gender gap is smaller for young people than for adults. Female hourly earnings for adults are about 85% of the wage of male adults.

The employment rate in 2001 was 2.7 percentage points higher for men than for women. Young men had a higher

**Figure 3: Hourly earnings of employees, young people (16-24) and adults (25-64), part-time or fixed-term, 1999-2000**



unemployment rate than young women for the years 2001-04, as measured by both registered unemployed and the LFS.

### Immigrants

Registered unemployed immigrants as a percentage of the corresponding labour force vary between countries of origin. Immigrants aged 16-24 from Africa have the highest unemployment rate in Norway. In the fourth quarter of 2001, the rate was 12.1% and had increased to 17.1% in the same quarter of 2004. Immigrants from South and Central America experienced an increase from 11.0% to 12.0%. For eastern European immigrants, the figures were 8.5% and 10.5%. Corresponding figures for immigrants from Asia were 9.1% and 11.8%. For immigrants from Nordic countries, the figures were 3.0% and 5.3%.

The figures for immigrants aged 19-24 show that, in the fourth quarter of 2001, the unemployment rate for immigrants from Africa was 13.5%, increasing to 18.1% in the same quarter of 2004. Immigrants from South and Central America experienced an increase from 11.6% to 12.8%. For eastern European immigrants, the figures were 9.3% and 11.4%. Corresponding figures for immigrants from Asia were 9.9% and 12.7%. For immigrants from the Nordic countries, the figures were 2.9% and 5.5%. The figures for all immigrant men in this age group (19-24) were worse than for women.

One reason behind the differences is the length of time that particular minorities have been in Norway. Africans make up a higher percentage of recent refugees than other non-western groups, in particular refugees from Somalia.

## 2. Measures taken to promote youth employment

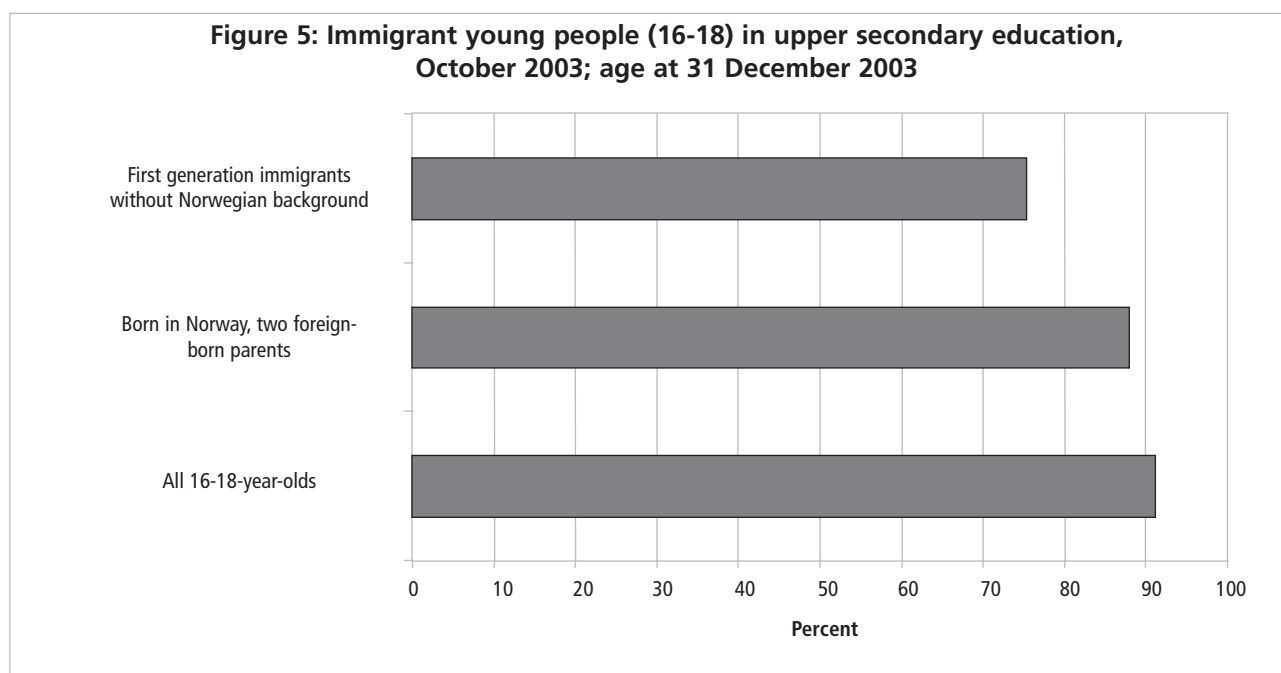
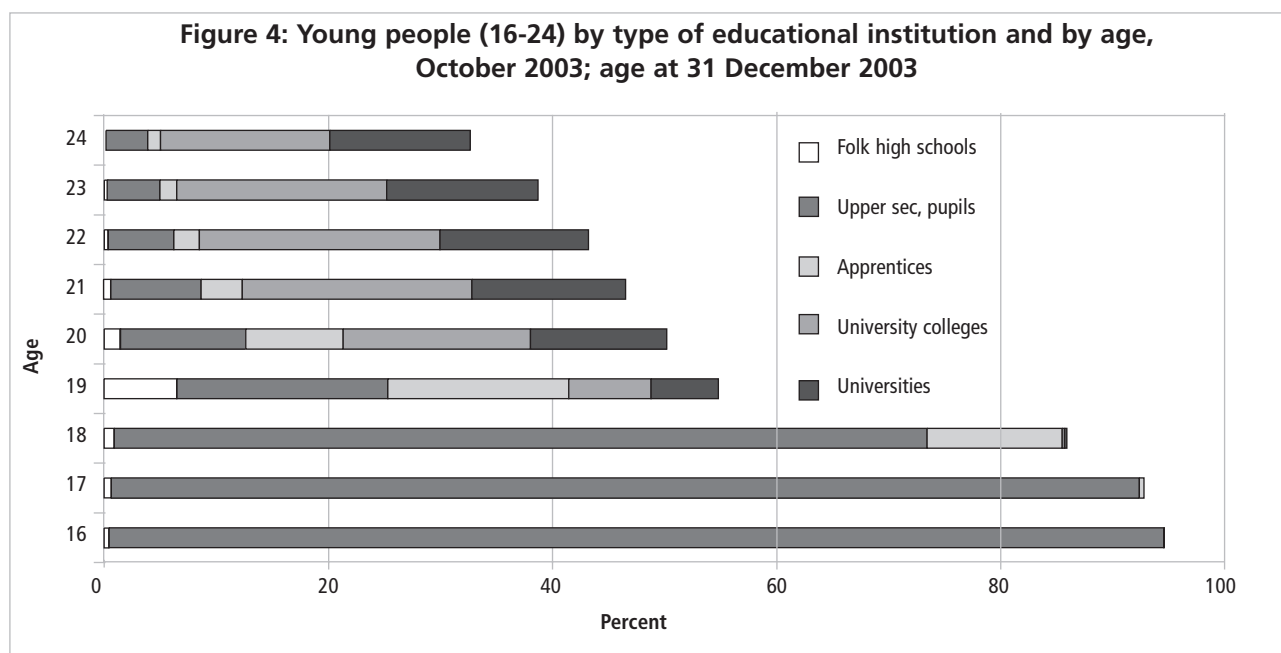
### 2.1. Education and training policies

Around 90% of 16-18-year-olds were in upper secondary education in autumn 2003 (Figure 4). About 95% of all 16-year-olds continue their education after completing lower secondary education. The education system is the main measure for preparing young people for the labour market.

Young people with two foreign-born parents attend upper secondary education at almost the same rate as all 16-18-year-olds. First-generation immigrant young people have a lower participation rate of about 75% (Figure 5).

Young people who do not begin upper secondary school or drop out of it have a higher risk of employment problems. The proportion of 18-24-year-olds with lower secondary education or less and not attending further education and training was about 5% in 2001, almost 8% in 2002 and 2003, and 6% in 2004. Men are over-represented in this group (by 10% in 2002 and 2003). The unemployment rate of this group was 15% in 2001 (13% between 2002 and 2004), and higher for men than for women.

To prevent young people from leaving upper secondary schooling early, a follow-up service has been developed to help young people to find suitable education, training or work.



## 2.2. Labour market and employment-related policies

Extensive labour market measures specifically target young people and immigrants to help them enter the labour market.

About one third of participants in active labour market measures are 24-year-olds or younger. Measures include introductory benefits and a targeted introduction programme aimed at immigrants and refugees, to help with employment and to integrate them into Norwegian society. Young people constitute about 11% of all registered disabled jobseekers.



### 3. Possible problematic features of youth employment

Among 16-18-year-olds with part-time work, about 95% consider being a student as their main activity; among 19-24-year-olds, the equivalent figure is about 65%. A continuing problem, though not widespread, is employed young people in part-time work who have employment as their main activity, but are underemployed. These young people amounted to about 2.7% of young employees in 2001, increasing to 3.8% in 2004.

To reduce involuntary part-time work, the previous government proposed giving priority to part-time workers to take up vacant positions with more hours. The new government alliance brought into power by the September 2005 general election will honour this change in the newly revised labour law.

Between 2001 and 2004, among the 30% of young people with fixed-term contracts, 27-31% were substitutes and 15-18% were apprentices and trainees (including recipients of scholarships). About 30% of substitutes would like a permanent contract, which is not possible if the person for whom they are substituting returns to work.

After one year, about 42% of young people on fixed-term contracts have a permanent contract. The previous government proposed easing the restrictions on temporary work in order to increase employment opportunities for those with little work experience, immigrants and disabled people. The new government plans to reject this. General permission for fixed-term contracts will be withdrawn, but strengthened employment protection for temporary work will remain. Workers on fixed-term contracts will, after an initial period, have the right to a permanent contract. Workers on temporary project contracts will have the right to the same dismissal protection as those on ordinary permanent contracts.



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