Miguel Ángel Malo
Almudena Moreno Mínguez *Editors*

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Problems and Policies

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Chapter 1
Introduction

Miguel Ángel Malo and Almudena Moreno Mínguez

1.1 Motivation

The transition from school to work is one the most critical periods in young people's lives. The entry in the labour market is dependent on individual decisions but is also shaped by opportunities and constraints produced by economic conditions and the socio-institutional context. The European labour market has undergone significant transformations in recent decades, particularly during the financial crisis, because of the widespread incorporation of women into the workplace, the rapid change in occupations resulting from the introduction of new technologies and—above all—the mass destruction of employment triggered by the crisis. Amidst this recession, labour market integration has been very difficult for young people, registering very high unemployment rates in many European countries.

The policy responses have been different across Europe, not only focusing on macroeconomic aspects but also on individual factors such as the decision on whether or not to continue studying, personal skills, family circumstances and their own motivation. In short, youth employment has been diagnosed as the result of multiple elements including macroeconomic causes, institutional systems, individual motivations and factors such as the family situation, gender, education and place of residence. This work is specifically concerned with analysing the state of different European work markets from a comparative macroeconomic perspective to identify some of the contextual factors that explain the differences in youth unem-

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ployment between countries. A detailed analysis of policies (mainly the Youth Guarantee) is a key part of many chapters.

This book presents scientific contributions from a range of disciplines that examine the comparative situation of the youth employment market in various European countries, with particular attention to some key factors that identify the specific problems of young people and the policy options to tackle youth employment problems.

The different chapters offer innovative findings about the key factors of the transition from school to work, the understanding youth unemployment, and a critical revision about the youth employment and compared policies to get better labour markets. The book provides potential avenues for improving the youth policy related to labour market. The great diversity in youth policies and youth employment indicators across Europe makes this proposal an important contribution to the debate, advocating a more inclusive understanding of how youth unemployment is impacted by the individual factors and policies. These analyses are essential to guide research, social policies, resource allocation and policy evaluation in different national contexts.

1.2 Outline of the Chapters

We selected contributions by academics from various disciplines, covering the fields of economics, sociology and youth labour policy. The book is arranged in three parts, organised around a set of interlinking issues that propose different questions. First, we introduce an international map and country analyses of youth labour markets. On the second part, we describe the problems of school-to-work transitions during the recession. Finally, we discuss interventions and policies that aim to promote successful transitions and improve the labour market prospects, especially the Youth Guarantee but also other initiatives.

1.2.1 International Comparisons and Country Analyses

In Chap. 2, a group of researchers of the ILO assesses the labour market and social consequences of a prolonged joblessness among youth and the role of labour market policies in addressing these challenges. This chapter documents recent labour market and social trends in Europe and discusses some of the policy efforts implemented by countries to respond to the youth employment crisis. In addition, this chapter discusses valuable lessons learned on the effectiveness of youth labour market policies based on existing empirical evidence.

In Chap. 3, the authors study the impact of economic downturn on the labour market situation of the youth in Southern European countries in comparison to Northern and Central European countries. In particular, they examine Youth

Guarantee programmes that were developed in Spain and Portugal following recommendations by the European Commission.

Cholezas in Chap. 4 describes findings on age unemployment gap in Greece between youth aged 15–29 and older individuals aged 30–64 into an explained and an unexplained component. His finding shows that the unemployment gap increased greatly during the crisis, due to the increase in the explained component and the decrease in the unexplained component. These seem to imply that active labour market policies and institutional interventions actually relieved youth unemployment.

Chapter 5 (by Rokicka, Unt, Täht and Nizalova) provides an inside look into youth labour market trajectories specific to countries of Central and Eastern Europe (CEE). Their findings show that the unemployment rate is already high in these countries where the overall group of economically disadvantaged youth is quite remarkable. The results suggest that although policies promoting the youth labour market participation would undoubtedly be very valuable, some evidence shows that active labour market interventions work better for prime-age workers than youth.

In Chap. 6, Olofsson and Panican illustrate the changed conditions for establishment of young people, a factor that may help to enhance understanding of why issues of apprenticeship training are so high on the political agenda in Sweden. The research highlights both benefits and risks connected to classical apprenticeship training. They conclude that Sweden does not have essential institutional conditions for a successful apprenticeship model; therefore, it will take time for apprenticeship training to take root.

1.2.2 Identifying Problems

The second part of the book describes differences in transitions from education to work across different countries. The five chapters of this part draw the problems of labour transition of young people regarding to the formation and structure of labour market during the recession.

Chapter 7 by Cebrián and Moreno assesses whether the path into permanent employment has been improved as well as the stability of jobs in the case of young people under 30 years old in Spain. Their findings show that incentives for permanent contracts in the case of young people have not contributed to improve neither the probability to access into a permanent employment nor their level of stability. They highlights that it would be interesting to know what is needed by Spanish companies and under which conditions they are willing to hire young people, given that they are not increasing stable employment under the incentives introduced by legislative changes.

Ule and Leskošek in Chap. 8 propose the question of how political changes, specifically Youth Guarantee policies, have affected the differences in young people's transitions from school to the labour market by considering the example of three Eastern European countries (Slovenia, Czech Republic and Latvia). Their findings

show that state and institutional measures designed to help young people should be directed more towards protecting transitions instead of defending statuses.

Chapter 9 (by Mussida and Sciulli) raises key issues regarding labour market transitions in Italy focusing the attention on the case of the NEET (Not in Education, Employment or Training). They study what has changed in the period 2008–2013, emphasising the role of the economic crisis, and provide subgroups analysis to identify heterogeneities at age, gender and territorial and educational levels. Their findings reveal the existence of relevant state dependence for individuals experiencing a NEET condition. This evidence suggests that NEETs are likely to persist in disadvantaging positions, which are associated to the loss of working skills, decreasing the chance of future employment.

Choi and Calero (Chap. 10) examine the evolution of early school dropout in Spain during the Great Recession. The chapter reviews the determinants and economic consequences of early school dropout and discusses the need for introducing policy reforms both in the education system and in the labour market. Their findings show that while education reform may reduce early school dropout rates, the improvement of the labour market situation of low-skilled workers not only depends on an improvement in their skills and educational endowment but also on a commitment to increasing coordination between the educational and production systems.

Chapter 11 by Ortiz and McGuinness explores the association between overeducation, on the one hand, and graduates' job dissatisfaction and satisfaction with the university, on the other hand. Their findings reveal a real and negative impact of overeducation on job dissatisfaction and satisfaction of education. The results reveal that graduates' overeducation is a truly constraining phenomenon. It implies a deficit in the return of graduates' human capital investment that cannot be explained either by a deficit in their actual skills or by the fact that they prioritise other job dimensions different from job match.

Parisi in Chap. 12 analyses the labour productivity, temporary work and youth unemployment in the Southern Europe. The paper shows that young temporary workers on average, in Southern Europe, actually have increased aggregate labour productivity, while adult temporary workers (between 25 and 54 years old) have not. The study evidences also a causality impact of labour productivity on youth unemployment. Thus, an increase in aggregate productivity within each country helps at reducing youth unemployment.

1.2.3 Policies

In the concluding part III, the authors discuss the youth policy implications for the work transition of young people. The main question of this part is which policies are most likely to succeed in facilitating the work transitions in the context of economic crisis. The four chapters provide insights about the best policies to improve the labour situation of young people through the analysis of opportunity structures on the macro level.

In Chap. 13, Eichhorst and Rinne draw lessons for future policy-making in order to promote youth employment in Europe based on the existing empirical evidence on different policy options. Taking into account the available findings regarding the effectiveness of active labour market policy programs and activation strategies specifically targeting young people, they question that active labour market policy and activation cannot solve massive youth unemployment alone—especially when the macroeconomic environment generates weak labour demand and when larger structural reforms are needed to revive the economy.

In Chap. 14, Buyanova and Bykova analyse the youth policy in two cases, Finland and Norway. They suggest that despite the two cases are similar, there is a difference between Europeanisation and EU-isation. In case of Finland, there are more parallels with the EU youth strategy: from adopting terminology, naming a youth-responsible ministry up to several direct references on European priorities in domestic strategies. They conclude that the EU membership creates 'goodness of fit' pressure for Finland, and it is less (or none) for Norway which is the EU non-member.

In Chap. 15, Hämäläinen et al. examine the Youth Guarantee programme introduced in Finland in 2005. They find that the Youth Guarantee moderately increased unsubsidised employment while having a negligible impact on unemployment in the age range of 23–24. Their results also show that the positive impacts of the Youth Guarantee only materialise among unemployed young persons with a vocational education. There are no signs that the guarantee improved the labour market prospects of young uneducated people.

In Chap. 16, Hardoy et al. study the initiatives to combat the labour market exclusion of youth in Northern Europe. The aim of the chapter is to revise the literature and find some common denominators for a broader understanding of the impact of youth programmes on labour situation of young people. They present results from a meta-analysis that compiles studies on youth labour market programs targeted at youth below the age of 30 in six countries: Denmark, Finland, Germany, Norway, Sweden and the UK. Their findings indicate that labour market training and wage subsidies have a positive impact on youth labour market prospects, but not work practice or public employment measures.

Chapter 2
Youth Labour Market Prospects and Recent Policy Developments

Verónica Escudero, Stefan Kühn, Elva López Mourelo, and Steven Tobin

2.1 Introduction

This chapter documents recent labour market and social trends in Europe and discusses some of the policy efforts implemented by countries in an effort to respond to the youth employment crisis. It begins by analysing the situation among youth in Europe in comparison to the rest of the world, noting that youth unemployment in Europe is among the highest in the world. The chapter then takes a closer look at the variation in a number of labour market and social indicators across European countries, with a particular focus on EU member states.

The chapter highlights that the youth labour market crisis has threatened to delay economic recovery and risks to put the European model of social well-being in danger. These risks in part explain the rather forceful policy response of EU member states, notably the introduction of the European Youth Guarantee (YG). The chapter then assesses the comprehensive package of measures of this programme aimed at addressing the challenges of youth employment. In particular, it looks at the range of measures proposed in terms of their scale and design in a cross-country comparative manner and points to areas where the effectiveness of interventions could be improved.

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2.2 Recent Labour Market and Social Trends Among Youth

Economic growth in Europe remains weak in comparison to other advanced economies for a number of reasons, including (1) the absence of fiscal stimulus, due to rather strict austerity conditions, (2) weak private consumption demand due to low employment and labour income growth and (3) subdued private investment, reinforcing the shortfall in aggregate demand, but also endangering future productivity and employment growth. Moreover, expectations about future gains in growth are being constrained by slowdowns in population growth, but also increased uncertainty surrounding the United Kingdom's decision to leave the European Union. The sustained slow growth continues to weigh on labour markets, with often disproportionate effects on youth.[1] Indeed, young people are especially vulnerable to labour market shocks as they tend to lack experience and tenure and thus are often the first to be affected by job loss.

2.2.1 Young Europeans Face some of the Highest Unemployment Rates Across Regions

Youth employment prospects across the globe were particularly hard hit by the global and financial economic crisis (Fig. 2.1). Since the onset of the crisis, Europe experienced one of the largest increases in youth unemployment rates: rising from just above 15% in 2008 to over 21% at its peak in 2013. Since that time, however, it has recovered modestly and is expected to fall to just under 20% in 2017. In 2017, it is anticipated that Europe will have the third highest youth unemployment rate globally, behind only Arab states and Northern Africa (around 30%) and well above the average global youth unemployment rate at approximately 13%.

Importantly, the aggregate trends in youth unemployment mask the large variations that exist within Europe (Fig. 2.2). In particular, Western and Northern European countries have weathered the crisis fairly well and in 2015, youth unemployment rates were comparatively low (the exceptions being Belgium, France, Finland, Ireland and Sweden, where youth unemployment rates in 2015 were above 20%).[2]

In Eastern and Southern European countries, youth unemployment rates remained elevated, notably in the latter. In Southern Europe, youth unemployment rates were, on average, 20 percentage points higher in 2015 than in 2008. The challenge in 2015 was particularly acute in Italy, Serbia, Croatia, Macedonia, Spain, Greece and Bosnia and Herzegovina, where youth unemployment rates were in the order of 40% or more.

[1] Youth, unless otherwise stated, refers to persons aged 15–24.

[2] In Northern Europe, the youth unemployment rose significantly (to above 20%) but has experienced a stronger recovery in recent years.

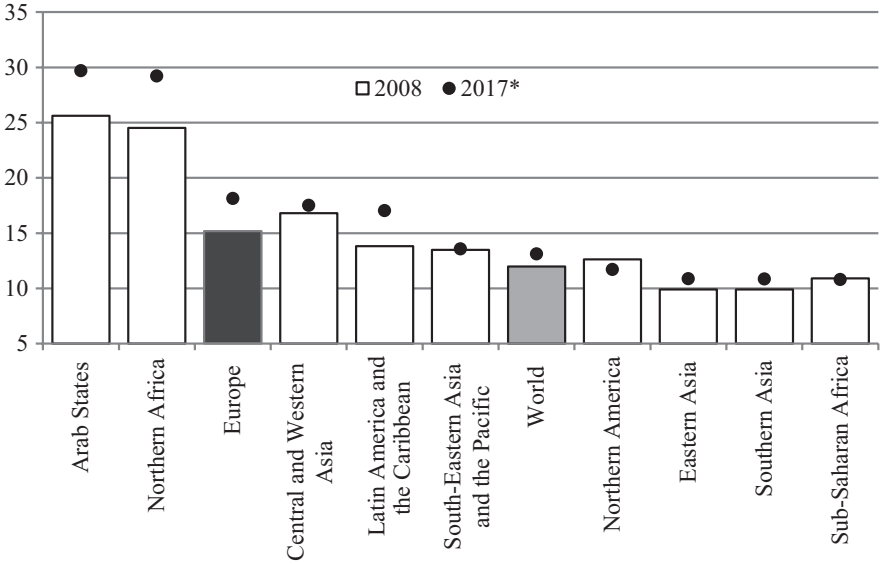

Fig. 2.1 Youth unemployment rates (15–24) by region, 2008 and 2017* (%) (Note: *refers to projections. Regions correspond to ILO classifications; Source: ILO Trends Econometric Models, April 2016)

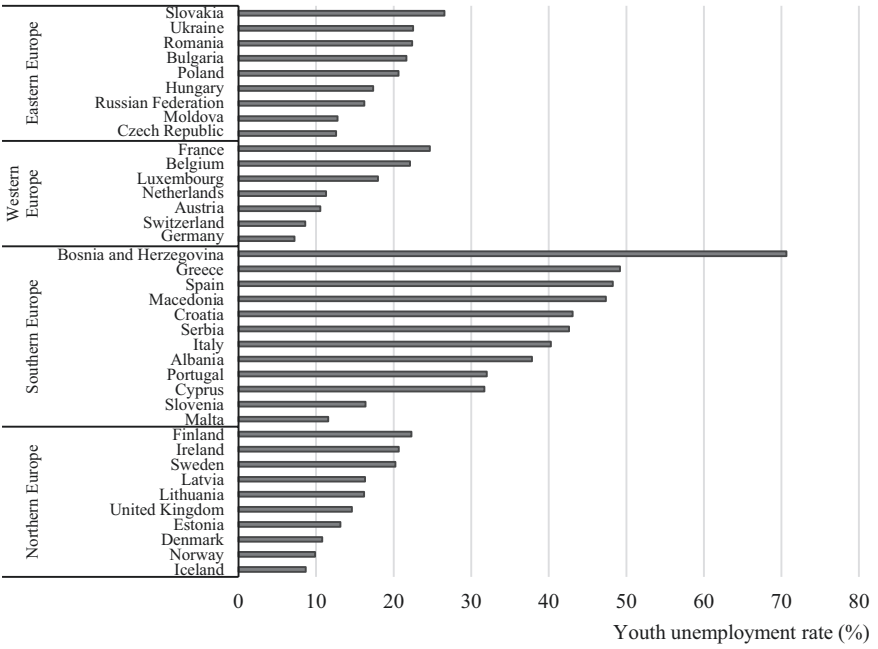

Fig. 2.2 Youth unemployment rates (15–24) in European countries, 2015 (%) (Source: ILO Trends Econometric Models, April 2016)

Going forward, across European regions, youth unemployment rates are expected to continue falling in the near future (with strong improvements anticipated in Southern European countries – albeit from rather elevated levels) but are unlikely to reach levels experienced before the financial crisis as the pace of economic recovery remains too slow.

2.2.2 *Risks of Social Exclusion Are Being Driven by a Lack of Quality Opportunities*

Some youth in Europe do have a job, but there is concern over the quality of employment and the extent to which it has deteriorated in recent years. In fact, in 2015 among EU-28 countries with available information, more than one-third of the youth employed with a temporary job were in temporary employment because they could not find a permanent job (Fig. 2.3). Similarly, among those youth with a part-time job, more than one-quarter were involuntary and would have preferred full-time employment. And while in some instances, part-time and temporary employment can serve as a stepping stone in one's career, the evidence that these jobs lead to more stable employment is rather limited (OECD and ILO 2014). Moreover, countries with high incidence of involuntary temporary and part-time employment have higher risks of youth being in poverty or socially excluded.

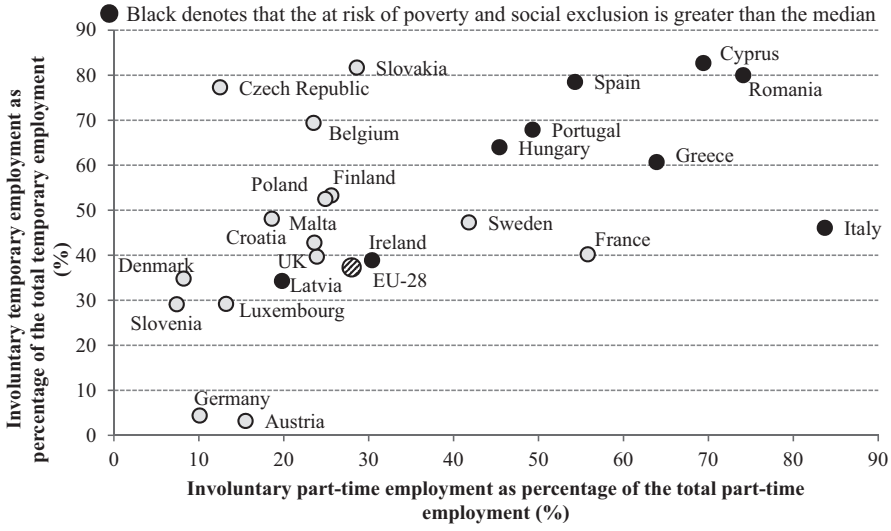

Fig. 2.3 Incidence of involuntary temporary and involuntary part-time employment (%) (Note: Data for involuntary temporary employment for the United Kingdom refers to 2014. Data for involuntary part-time employment for Latvia refers to 2014; Source: ILO calculations based on Eurostat)

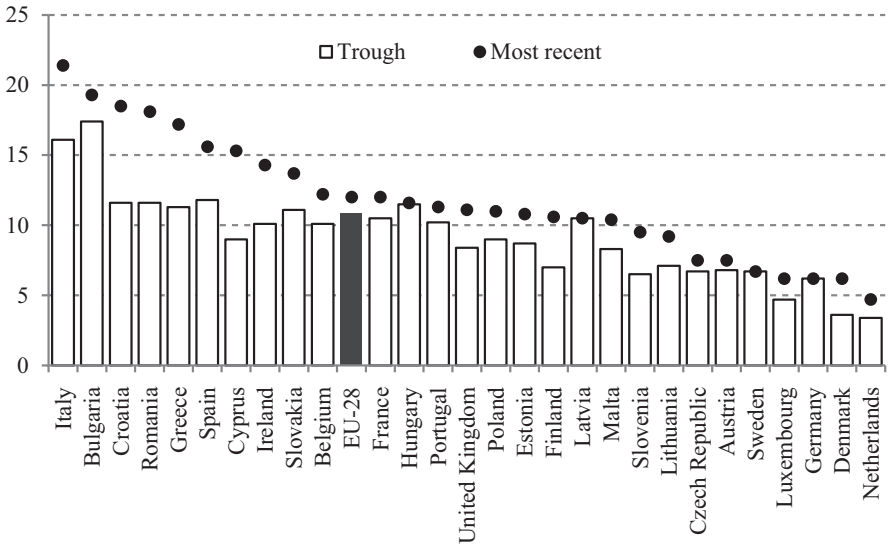

Fig. 2.4 Share of youth neither in employment nor in education or training (NEET) (percentage of the population aged 15–24) (Note: For countries where the incidence has increased, the trough refers to 2008 except for United Kingdom (2005); Denmark, Ireland and Spain (2006); Cyprus, Greece, Italy and Lithuania (2007); Luxembourg (2011); and Austria (2012); Source: ILO calculations based on Eurostat)

Moreover, in far too many cases, youth are neither in employment nor in education or training (NEET). Only in a few cases (Germany, Hungary, Latvia and Sweden) the share of youth NEET recovered to levels prior to the crisis (Fig. 2.4). On average, 12% of youth in the EU-28 are NEET, rising to more than 20% in the case of Italy. Extended periods of unemployment and inactivity, especially for young persons, can result in skills erosion and dampen efforts to gain relevant labour market experience, which, in turn, would result in growing discouragement or worse social exclusion and poverty. Left unaddressed, this can have long-lasting negative repercussions on not only the future employability and earning capacity of youth but also on societal well-being, aggregate productivity and economic growth. The following section will examine recent policy developments to address the challenges described in this section and assess the adequacy of policy efforts, notably the European YG scheme.

2.3 Recent Policy Developments

Against the backdrop of weak labour market prospects for youth, some important steps have been taken to tackle youth unemployment in Europe, the most significant being the European YG. Formally adopted by the Council on 22 April, 2013

(European Council 2013a), following a proposal made by the European Commission (EC) in December 2012 (EC 2012a), the YG aims to offer a good continued education, apprenticeship, training or employment opportunity to all unemployed young people within four months of their leaving employment or education. The YG is one of the most comprehensive and innovative labour market policies of the last few decades and has received strong support from all stakeholders. Successfully rolled out in Scandinavian countries, youth guarantees are a wide-ranging set of active labour market policies (ALMP), often accompanied by much needed reforms of vocational training systems, education systems and public employment services (PES), which are the entities responsible for offering work or education opportunities to candidates who meet eligibility criteria.

Given the comprehensive and innovative nature of the European YG, an analysis of its main features, implementation and challenges may shed light on the general effectiveness of youth labour market policies. With this in mind, the aim of the following sections is to examine the principal features of the European YG programme, with a particular focus on the key factors to its success and their presence in various European countries' implementation processes.

2.3.1 A Comprehensive and Innovative Labour Market Approach: The Youth Guarantee[3]

The idea of a youth guarantee emerged in the 1980s and 1990s in the Nordic countries. In particular, Sweden introduced the first youth guarantee in 1984, Norway established a similar programme in 1993, and Denmark and Finland implemented their first youth guarantees in 1996 (Mascherini 2012). Although these pioneering experiments differed in several respects, they had some common features: first, they shared the primary goal of reducing the time span that young people remained unemployed or inactive and, second, already at this time, PES played a crucial role, which was fundamental to the provision of a customized approach (Mascherini 2012).

The institutions of the European Union had already taken steps to establish a European YG even before the 2008 economic and financial crisis.[4] However, in 2010, when the youth unemployment rate in the European Union had reached an unprecedented high, only a few countries had programmes in place to address this challenge. For this reason, throughout 2010 the number of institutional efforts was multiplied, and there were a number of calls by the Parliament, the Commission and the European Youth Forum for the establishment of a European YG. However, more concrete steps towards its establishment were not taken until 2012. First, the EC launched an employment package insisting on the need for an EU-wide YG and put

[3] A more complete description of the implementation process of the European YG is presented in Escudero and López Mourelo (2014).

[4] Decision 2005/600/EC of 12 July 2005, OJ L 205, 6.8.2005, p. 21. See also EC (2012a).

forward a proposal for a Council Recommendation to be issued at the end of the year (EC 2012b); then the European Parliament insisted on the role of a youth guarantee programme, and finally the European Council supported this idea and affirmed that such measures could receive financial support from the European Social Fund.

At the end of 2012, the EC launched a youth employment package that included a proposal for a Council Recommendation on the establishment of a youth guarantee (EC 2012a). This proposal set out the principal elements of the YG and articulated six pillars that should underlie its establishment: (1) interaction with all stakeholders, (2) early intervention and activation, (3) support for labour market integration, (4) use of European Structural Funds, (5) monitoring and evaluation and (6) implementation of the national YG schemes as soon as possible. Furthermore, the proposal specified the mechanisms that the Commission would use to support the establishment of the YG in member states, namely, financial support, sharing of good practices, monitoring of measures adopted and support for dissemination and awareness-raising activities (EC 2012a). Finally, the Council adopted the proposal in April 2013 (European Council 2013a).

Throughout 2013, there were movements to provide financing for the YG programme, including the creation of the Youth Employment Initiative (YEI) with an endowment of 6,000 million euros to support its implementation. Importantly, the establishment of the European YG has had the ongoing support of the social partners, who also played an active role throughout the entire negotiation process (Bussi and Geyer 2013).

In its current form, the European YG is a commitment by member states to guarantee that all young people under the age of 25[5] receive, within four months of becoming unemployed or leaving formal education, a good quality offer of work to match their skills and experience or the chance to continue their studies or undertake an apprenticeship or professional traineeship (European Council 2013a). The comprehensiveness and inclusiveness of this scheme, as well as the wide support it has received from all stakeholders, make it a unique policy strategy. In addition, the YG scheme is also an innovative policy approach (e.g. relative to other ALMPs) particularly in two fronts: first, it includes a "guarantee" concept, whereby states and their institutions are committed to mobilize all the resources at their disposal to ensure that no unemployed young person is left behind (Bussi and Geyer, 2013), and, second, it establishes a maximum period of 4 months from when a young person becomes unemployed or leaves education, while other ALMPs generally do not include such timeframes (Besamusca et al. 2012; Bussi and Geyer 2013).

Although YG national programmes vary widely from country to country, their design and implementation share a number of common characteristics as they are based upon the European YG policy framework. For instance, all the programmes entail three kinds of measures: (1) education and training for employment, includ-

[5] The starting age of the YG is country specific and depends on the age at completion of compulsory schooling. In Austria, for example, initiatives to ensure early intervention and activation start already on youth in the last 2 years of compulsory schooling (compulsory schooling ends at 15) through activities related to youth coaching.

ing the provision of professional guidance and help for early school leavers to return to education; (2) employment intermediation services, such as job-search assistance and personalized follow-up of career plans; and (3) ALMPs affecting labour demand, such as hiring subsidies, public work programmes (e.g. in community services) and start-up incentives. Another common feature of many of these YG programmes is that they are run by PES. Efficiency of PES is therefore central to ensuring YG programmes' effectiveness. In fact, often, the management of the services offered by the YG is given over to PES at the regional or municipal levels. This being the case, implementation strategies vary according to local contexts.

As will be highlighted in this section, the different national youth guarantee programmes have become a coherent set of policy measures. This is an important endeavour as a number of those measures have their origin in pre-existing policies which had to be adapted – both in their design and delivery – to comply with the European YG recommendations, all while respecting national specificities. In fact, according to the EC (2016), following the implementation of the national YG programmes (2013–2015), member states adopted 132 labour market reforms targeting youth. Naturally there is great variation between countries depending on the extent of the reforms needed to comply with the EC recommendations and readiness/willingness to implement these reforms. As such, a number of countries leveraged well-established policies that were broadly in line with the recommendations, which they in turn scaled-up and reinforced (Austria, Denmark, Germany, Estonia, Finland,[6] Ireland, Luxembourg, Malta, Netherlands, Sweden and the United Kingdom). Meanwhile, other countries had to put in place substantial reforms as they faced major challenges to comply with the recommendations (Belgium. Bulgaria, Croatia, France, Hungary, Italy, Lithuania, Latvia, Poland, Portugal and Slovenia). Finally, some other countries would need to undertake important new policy developments to comply with the recommendations, as they have not yet managed to implement the necessary changes (Cyprus, Check Republic, Greece, Spain, Romania and Slovakia) (EC 2016).

2.3.2 What Makes Youth Labour Interventions Successful? A Look at the Youth Guarantee Country Programmes

A number of studies have analysed theoretically how measures to increase employability affect employment outcomes, particularly in the context of the OECD countries (Caliendo and Künn 2014; Card et al. 2010, among others).[7] However, due to their recent implementation, the impact of YG programmes in Europe has yet to be

[6] See Chap. 5 for a description of the implementation process of the YG scheme in Finland.

[7] Escudero and López Mourelo (2014) and Escudero (2015) describe in detail the effects that each of the interventions included in the YG (namely, training, labour intermediation services, hiring subsidies, public work programmes and start-up incentives) is expected to have according to economic theory.

systematically evaluated. This notwithstanding, the impact evaluations that were done in the countries that pioneered the enactment of youth guarantees show that these measures have had some success in facilitating young people's transition into the labour market (ILO 2012). For instance, Chap. 5 of this volume shows that the YG initiative introduced in Finland in 2005 had positive activation and employment effects among the skilled unemployed youth who had a vocational secondary education, while no effects were found among unskilled young people who had only completed compulsory schooling. The best outcomes, however, come from programmes that include a full range of different measures, as the proposal for the current YG programme does. Successful youth programmes include those implemented in Norway and England,[8] which have had excellent results in terms of employment and activation, in both the short and the long terms (Hardoy et al. 2006; Blundell et al. 2004; De Giorgi 2005). Moreover, data from countries such as Sweden indicate that youth guarantee plans are an efficient way to address youth labour market challenges if they are designed and implemented properly, as they can produce significant effects at a relative modest cost (ILO 2012).

Many of the main elements of youth guarantee programmes, as these are conceived today, have been studied in detail, providing insight into their likely outcomes. A number of studies show, for example, that job-search assistance and a personalized follow-up of career plans have positive effects on employment (Dolton and O'Neill 1996; and Micklewright and Nagy 2010). Similarly, conditioning benefits to job-search components promotes activation and increases employment rates (Graversen and van Ours 2008; van den Berg et al. 2009). Lastly, education and professional training are among the most effective measures, especially in the medium to long term, which is when the yields of investment in human capital tend to maximize (Card et al. 2010).

Although further work is needed to gain a deeper understanding of the specific effects of youth guarantee programmes, it is possible to highlight five prerequisites for their successful functioning (ILO 2014; Escudero and López Mourelo 2014):

- Firstly, interventions must be implemented early. Empirical evidence shows that youth guarantees should be implemented during the first months of unemployment, as prolonged unemployment spells weaken the effectiveness of activation measures. This is true, first, due to skills erosion, which becomes more pronounced the longer the period out of employment. Second, longer unemployment spells reduce job-search efforts, which make a transition to inactivity more likely. Importantly, the need for youth guarantees to be implemented in a timely manner has been widely recognized, as is demonstrated by the establishment of a maximum period of 4 months from the time when a young person becomes unemployed or leaves education within which this guarantee must take effect.
- Secondly, eligibility criteria must be clear and make it possible to identify specific sub-groups within the target group. Once the different target groups have

[8] The New Deal programme for young people in England is very similar to the Nordic guarantees.

been identified, a package of measures must be developed in line with the specific needs of each group. As such, the measures designed to help a young person who has just left education and has no work experience would not necessarily be the same as the support for another young person who has already had a job. In the same line, training and education measures should be tailored to match young people's skill levels.

- Thirdly, a useful combination of high-quality formal education and training is needed to enable young people to fully participate in the labour market. In this context, evidence shows that specific skills – particularly when they match labour market's demand – are as important as general skills, and that only through a combination of these two kinds of training can young people be prepared to meet the labour market's requirements. Furthermore, this combination of education and training can be complemented by policies that help young people to gain work experience (e.g. such as apprenticeships) in order to achieve a long-term integration into the labour market.
- Fourthly, the creation of appropriate institutional frameworks is crucial for programmes' effectiveness. In this regard, it is important to highlight the fundamental role played by PES. The success of youth guarantee programmes will depend on whether PES are well resourced and properly staffed (in terms of both numbers and competencies) to offer customized support to different groups and effectively manage the range of services offered under youth guarantee programmes. Similarly, social dialogue, as well as the participation of all social partners in the design and implementation of the measures, is fundamental.
- And, finally, ensuring sufficient resources is indispensable to the effective operation of these programmes. This requires accurate projection of the funds required, and also ensuring that the budget is flexible enough to enable programmes to effectively respond to economic cycles. Finland's experience of the recent economic crisis demonstrated the importance of this flexibility, when the rapid increase in the demand for measures to support the unemployed youth proved a challenge for the Finnish PES. In line with this, the experience of Sweden proved that youth guarantees can yield positive impacts at a relative modest cost. In 2010 (latest available figures), the estimated cost per participant of the Swedish youth guarantee plan was approximately 6,000 euros plus administrative costs (approximately 600 euros per participant), an investment that had a 46% success rate (ILO 2012).

2.3.3 Policy Developments Towards an Effective Response to the Youth Labour Market Crisis: The Implementation of the Youth Guarantee

In June 2013, the European Council urged member states to present their YG implementation plans by the end of 2013, with a view to putting these into action in 2014 (European Council 2013b). By May 2014, all the European countries had presented their YG implementation plans. Over the course of 2014, some countries – including

Belgium, Croatia, Hungary and Sweden – even submitted updated versions of the plans they had presented at the end of 2013.

Three years later, most of the European countries have already made encouraging progress in the implementation of their national YG schemes. Moreover, the recent availability of information about this implementation allows for an assessment of preliminary outcomes and successes to date, as well as an identification of remaining challenges. In particular, the EC has recently published a document that reviews steps taken by the European countries between April 2013 and July 2016 to implement the YG (EC 2016). In this context, this section examines published European countries' implementation plans, as well as the most recent documents of the EC on the progress made to date (i.e. July 2016) regarding the actual implementation of the national YG schemes (EC 2016). It presents a comparative analysis with regard to the application of the various measures, whether countries have considered the factors that have been identified as key to the success of this type of programme, and whether the implemented policies go on a similar path than planned in terms of the types of programmes deployed and resource allocation. Escudero and López Mourelo (2014) had already showed that countries have opted for early intervention in their YG implementation plans, fixing a maximum period of either three or four months for the provision of the YG. Likewise, they have all established clear eligibility criteria and created specific measures for the most vulnerable young people. In view of this, this section examines whether countries have outlined a combination of formal education measures and professional training policies (Sect. 2.3.3.1), and whether they have developed suitable institutional frameworks and have allocated sufficient resources (Sect. 2.3.3.2).

2.3.3.1 European Countries' Measures to Support Youth Employment

An examination of all the European countries' implementation plans reveals a wide variety of measures and initiatives included within the framework of the YG. Despite this diversity, measures can generally be divided into three broad categories: (1) training, which includes education and training for employment and also the provision of measures to reduce school dropout and provide assistance to the completion of studies; (2) employment intermediation services; and (3) ALMPs aimed to affect labour demand, such as direct employment creation, hiring subsidies, and start-up incentives.

As Table 2.1 shows, all European countries incorporate education and training for employment into their implementation plans (only Hungary and Italy have not yet taken steps to put in practice this planned initiatives). The principal goal of this measure is to improve young people's skills to enable them to better meet labour market demands. For instance, Austria has a Training Guarantee that ensures that all young people who completed compulsory schooling (15 years of age) and are younger than 18 (or 24 if they have any kind of disability) have access to an apprenticeship with a firm. In addition, it has established a training programme for apprentices that provides them support and advice throughout their training. Another

Table 2.1 Measures implemented as part of the national youth guarantee programmes by country

	Education and training for employment	Remedial education and school dropout	Employment intermediation services	Direct employment creation	Hiring incentives	Start-up incentives	Other measures
Austria	●	●	●			●	
	■	■	■				
Belgium	●	●	●	●	●	●	Financial help for young people in low income households
	■	■	■	■	■		
Croatia	●	●	●	●	●	●	Development of a system to identify young NEETs Adoption of a law on youth Development of a labour market monitoring and evaluation system
	■		■	■	■		
Czech Republic	●	●	●				System for evaluating and predicting necessary skills
	■						
Denmark	●	●	●		●		Encouragement of ethnic minority young people to pursue secondary and further education
	■	■					
Estonia	●	●	●		●		
	■		■	■	■		
Finland	●	●	●		●		Workshops on developing soft skills
	■		■				
France	●	●	●		●	●	
	■	■	■		■		

Germany	●	●	●		●	●	Use of online chats between counsellors and young people seeking employment intermediation services Promotion of regional and international mobility
	■	■	■				
Hungary	●	●	●		●	●	Amendments to laws concerning professional training Poverty reduction in isolated areas, particularly among gypsy/Roma populations
			■				
Ireland	●	●	●	●	●	●	Promotion of part-time employment
	■		■		■		
Italy	●	●	●		●	●	Promotion of regional and international mobility
		■	■			■	
Latvia	●	●	●		●	●	Reform of education systems Promotion of regional mobility
	■		■		■	■	
Lithuania	●	●	●		●	●	
	■		■			■	
Luxembourg	●	●	●	●	●	●	PES reform PFS-employer information meetings Promotion of international mobility
	■		■		■		
Netherlands	●	●	●		●		
	■	■			■		

(continued)

Table 2.1 (continued)

	Education and training for employment	Remedial education and school dropout	Employment intermediation services	Direct employment creation	Hiring incentives	Start-up incentives	Other measures
Poland	●	●	●		●	●	Amendment of the act on employment promotion and labour market institutions Promotion of regional mobility
	■		■		■	■	
Portugal	●	●	●		●	●	Promotion of international mobility
	■	■	■				
Romania	●	●	●		●	●	PES reform
	■	■	■				
Spain	●	●	●	●	●	●	PES reform Mobility programmes
	■	■	■		■		
Sweden	●	●	●		●		Promotion of regional mobility
	■						

Source: Compiled by authors based on Escudero and López Mourelo (2014), additional implementation plans available online and EC (2016)
Legend: ● = planned; ■ = executed
Note: This table only includes information of countries for which the YG implementation plans are available online. For this reason, there is no information on Bulgaria, Cyprus, Greece, Malta, Slovakia, Slovenia or the United Kingdom. The information on Belgium combines all the initiatives included in its four regional plans. Information on measures executed was gathered from EC (2016) that reviews steps taken by the European countries between April 2013 and July 2016 to implement the YG.

interesting measure of this type is the launch of a dual professional training scheme in Spain that combines training with work experience in a company, via a Training and Apprenticeship Contract. These contracts last between one and three years, with 75% of time spent working during the first year and 85% over the next two years, with the remaining time used for training.

Likewise, all European countries' implementation plans include measures to reduce school dropout and improve completion rates. However, only nine out of the 21 countries analysed have to date taken efforts to implement these measures. One example in this regard is Germany, which has implemented initiatives aimed at helping young people to get a secondary school diploma and reduce the risk of them leaving school without any qualifications. To this end, Germany's YG includes, among other things, coaching sessions to encourage the take up of training programmes; professional preparation programmes; and specific strategies to support the most vulnerable students.

The final category of measures that all European countries' implementation plans include is employment intermediation, such as job-search assistance and personalized follow-up of career plans. These measures aim to boost young people's individual efforts and increase the effectiveness of their job searches and to facilitate the matching of labour supply to demand. In practical terms, with the exception of the Czech Republic, Denmark, Netherlands and Sweden, all the countries have carried out reforms aimed at either reinforcing their PES or providing additional employment intermediation services. For instance, in an effort to improve labour intermediation services, Luxembourg undertook significant reforms of its PES in 2012, including a thorough review of all operations and the launch of new procedures. Furthermore, it has increased the number of staff in PES offices and provided each office with a person focusing exclusively on the implementation of the YG.

Regarding hiring incentives, almost all the countries include in their implementation plans these measures, with the exception of Austria and the Czech Republic. However, only half of them have already started to put them in place. Importantly, these hiring subsides generally take the form of employment subsidies or reductions in hiring costs through social security bonuses. For example, Ireland introduced an employment subsidy that allows employers that hire an unemployed young person to receive a lump sum of 7,500 euros.

On the other side of the spectrum, the least commonly found category of measures in the YG implementation plans is direct employment creation. Only Belgium, Croatia, Ireland, Luxembourg and Spain have considered implementing temporary public works programmes – and only Belgium and Croatia have made steps towards implementation. For instance, Croatia has established a community services public employment programme with a maximum duration of 12 months, targeting young people under the age of 30 who have been unemployed for at least six months.

Lastly, while the vast majority of European countries include programmes to encourage entrepreneurship in their YG implementation plans, only Italy, Latvia, Lithuania and Poland have in place start-up incentives of this nature. In general, these programmes offer financial support for the establishment of new businesses, as well as the training and advice necessary to increase their survival rate. For

example, Latvia has launched a programme to support young entrepreneurs (under 30 years), which includes guidance on their business proposals and a 3,000 euro grant if the PES deems that these proposals merit support. In addition, the programme also includes advice during the first year of an enterprise's operation and a wage subsidy for the first six months.

Importantly, in addition to these active labour market programmes included within the framework of the YG, national YG schemes also consist of other measures such as labour market and education system reforms, adoption of and amendments to laws concerning youth issues and initiatives aimed to promote poverty reduction and social development. Although a detailed analysis of this last component is beyond the scope of this chapter, the last column of Table 2.1 provides a list by country of these additional actions.

2.3.3.2 Existing Support Mechanisms for the Implementation of Youth Policies

The objective of this subsection is to determine whether member states have complied with the remaining key success factors, namely, to develop suitable institutional frameworks and the sufficient allocation of resources.

As regards the various institutions responsible for the YG's smooth operation, most countries have focussed on creating appropriate institutional frameworks with a wide range of different actors involved. In terms of public administration, the responsible body in most countries is the Ministry of Labour, although Ministries of Education, Social Affairs and Science and Research are also involved. Moreover, a number of states have incorporated plans for the modernization of their PES into their implementation plans, in order to ensure that the necessary requirements for the establishment of an effective YG can be met. Social dialogue and the participation of all the social partners in the design, implementation and execution of measures play an essential role. It is thus encouraging that, in the majority of countries, cooperation agreements have been forged with employers' organizations, trade unions, schools, training centres, and non-governmental organizations.

Regarding the allocation of resources, the submission of implementation plans was the central requirement for European countries to benefit from the 6,000 million euros that the European Council had mobilized through the Youth Employment Initiative (YEI) to fund the establishment of the different YGs, based on two requirements: first, countries had to have regions within their territories with a youth unemployment rate higher than 25% in 2012 and, second, countries had to match this grant with a contribution of at least the same amount from their European Social Fund allocation. Out of the 21 countries with information on YG implementation plans, 14 were considered eligible for YEI funding, but even those not eligible (Austria, Denmark, Estonia, Finland, Germany, Luxembourg and the Netherlands) planned the implementation of a national YG scheme.

Interestingly, information exists that allows for an initial assessment of the reported expenses countries foresaw for the launch of the YG in the implementation

plans, which can be compared with the actual spending of countries per beneficiary until April 2016. Table 2.2 shows the planned spending for the implementation of YG measures (during 2014 and 2015) in the 16 countries for which information is available. The first result that immediately stands out is the significant variation in the spending planned per eligible participant across the different countries. Germany, with an allocation of 20,765.3 euros (PPP) per eligible participant, is the country with the highest planned spending, followed by Hungary (13,384.8 euros, PPP) and Austria (11,081.3 euros, PPP). Meanwhile, with an over 10,000 euro-PPP difference per young NEET, countries with the lowest expenditure include Croatia (115.1 euros, PPP) and Belgium (797.4 euros, PPP). This outcome is not unexpected since German PES is well known to be well resourced. Indeed, in 2011 Germany had 44 PES staff for every 1,000 unemployed people, the highest among EU countries with available information (ILO 2014).

The second outcome of the analysis of reported expenditure by country emerges from a comparison with what could be considered a recommended spending based on the Swedish example discussed at the end of Sect. 2.3.2. It is important to remember that the interesting feature of the Swedish example lies in its positive effects at a relative modest cost. Based on this case, the estimated costs of a youth guarantee plan for the EU-28 would have been approximately 45,400 million euros (PPP) (or 0.69% of total general government spending) in 2014. This is the total budget that would have been needed to take into account the number of young NEETs in 2014. However, most of the European YG plans are targeted to different groups with varying eligibility criteria (Escudero and López Mourelo 2014). As such, a comparison of the recommended spending adapted to the particular eligibility criteria of countries with the amounts reported by countries in their implementation plans reveals that more than 60% of countries have submitted proposed expenditures that are below the recommended threshold. This divergence is greatest in the case of Croatia and Belgium, which point to a spending of 12 and 7 times, respectively, less than what was recommended. Conversely, some countries, including Germany and Hungary, have submitted budgets in their implementation plans that point to a spending of around three times the recommended amounts on YG initiatives.

2.4 Conclusions

Youth were particularly hard hit by the global financial and economic crisis. In Europe, youth unemployment rates climbed to over 20%. And although there have been some improvements in recent years, a number of challenges remain including high incidence of youth neither in employment nor in education or training and elevated risks of poverty and social exclusion due to limited job quality opportunities. In an effort to address these challenges, the European YG, an innovative approach in many regards, was launched in April 2013.

The European YG is a particularly interesting paradigm to study youth labour market policies, especially in view of the scale of the actions planned, but also given

Table 2.2 Planned spending on the national YG schemes by country

	Amounts reported in implementation plans (millions of euros PPP)	Number of eligible participants (thousands)	Amounts reported per eligible participant (euros PPP)	Estimated recommended spending (millions of euros PPP)	Resources gap (millions of euros PPP)
	(A)	(B)	(A/B)	(C)	(A−C)
Austria	644.9	58.2	11,081.3	347.7	297.2
Belgium	73.8	92.6	797.4	551.0	−477.1
Croatia	14.6	126.8	115.1	173.1	−158.5
Czech Republic	640.7	98.6	6,498.0	1,026.1	−385.4
Denmark	78.8	55.6	1,418.0	272.5	−193.7
Estonia	16.3	8.4	1,944.0	74.3	−58.0
Finland	184.0	64.6	2,849.9	342.8	−158.8
France	3,841.4	621.2	6,183.8	3,736.9	104.4
Germany	6,800.6	327.5	20,765.3	2,075.6	4,725.0
Hungary	2,044.2	152.7	13,384.8	788.5	1,255.7
Ireland	474.8	46.8	10,144.6	277.7	197.1
Italy	1,776.7	692.1	2,567.1	4,553.4	−2776.7
Latvia	40.5	16.9	2,394.8	162.7	−122.3
Netherlands	922.2	145.9	6,320.5	882.0	40.1
Poland	1,736.7	347.4	4,999.0	3,965.2	−2,228.5
Romania	416.2	384.7	1,081.8	1,111.8	−695.6

Source: Compiled by authors, based on the YG implementation plans available online
Note: Figures illustrate the cost of the implementation of YG measures for the period 2014–2015. This table includes only information on the countries that have YG implementation plans available online, and which include data on expected implementation costs. Estimated costs have been calculated based on the costs of the Swedish programme, which in 2010 amounted to 6,000 euros per participant. To calculate the total cost, administrative costs have been added, which in the case of Sweden were estimated at 600 euros per participant. These administrative costs represent the resources that would have been necessary for PES to assist all young people not in employment, education or training in 2014. However, in this table rather than NEET, figures illustrate costs based on the number of eligible participants, according to the eligibility criteria described in Escudero and López Mourelo (2014)

its comprehensiveness and inclusiveness. In fact, empirical evidence shows that the best outcomes are achieved when programmes incorporate a full range of interventions, as it is proposed in the European YG initiative. Moreover, some of the main elements of today's national YG schemes have been studied in much greater detail and have shown short- and long-term positive effects on both employment and activation. Importantly, as it is usual with labour market and social policies, effectiveness depends greatly on their design and implementation. In this regard, although the implementation process is still underway, this paper examines published European countries' implementation plans, as well as the most recent documents on

the actual implementation of the national YG schemes with views to examining whether the different plans include the elements identified as fundamental to the effective functioning of these programmes. The analysis shows that in the majority of European countries, national YG plans include at least three of the five elements, namely, identification of the right target groups, good institutional frameworks and high-quality programmes.

The remaining two aspects, i.e., sufficient resources and early intervention, deserve a little more discussion and also a closer look from implementing agencies. It is clear that countries have made significant economic efforts to activate the YG. In fact, some countries have planned a significant per capita expenditure that is even notably higher than what is recommended in this article. However, 60% of the countries analysed have submitted proposed expenditures in their implementation plans below the recommended levels, which amounts to an estimated gap of 7.3 billion euros (PPP). This means these countries will have to make greater financial commitments if the desired objective of reducing youth unemployment is to be achieved. In terms of the last point, it needs to be stressed that the scheme was not launched as early as it should have, which poses another threat to the YG's effectiveness. Indeed, extended periods out of employment have been proven to weaken the effectiveness of all activation policies.

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Chapter 3
Youth Employment in the Iberian Countries

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3.1 Introduction

Prior to any analysis of the Spanish and Portuguese youth labour markets, it seems necessary to know, or at least to have an idea about, the overall labour market performance in both countries. As a matter of fact, this has been an issue that has attracted some interest in economics. This is so because despite of sharing several cultural, political and institutional features the Spanish and Portuguese economies have important differences regarding their labour markets. Among the remarkable similarities between Spain and Portugal, we might highlight that these countries are neighbours (at the southwest corner of Europe), that they were ruled for much of the twentieth century by dictators (and both dictatorships ended in the mid-1970s) or that they joined what then was called European community in 1986. Moreover, and regarding labour market institutions, Spain and Portugal are apparently more similar in that respect than any other pair of European countries. However, Spain has had a much higher unemployment rate than Portugal in most of the years since their incorporation to the European Union.

Blanchard and Jimeno (1995), in what is perhaps the first paper addressing this issue, point out that differences in the unemployment benefit system between the two countries (more generous in the case of Spain) may have caused the gap (at least to some extent) in the unemployment rates through its effect on persistence. Other authors have delved into the issue of the Iberian labour market institutions. An example of this strand of literature is the work by Bover et al. (2000). These authors

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state that not only discrepancies in unemployment benefits but also differences in the wage-setting mechanism are behind the unemployment rate gap. Put in other words, collective bargaining features are key to understand why Spain has a much higher unemployment rate than Portugal. Blanchard and Portugal (2001) point to the same "usual suspects": unemployment benefits and union power (collective bargaining agreements). On the other hand, Da Silva-Lopes (2003) mentions two other different factors to account for the unemployment rate gap, namely, the faster GDP growth in Portugal (than in Spain) and a much more rapid expansion in the labour force in Spain (than in Portugal). From a political science perspective, Fishman (2010) gives credit to a set of alternative factors (different from labour costs) to better understand the Portuguese-Spanish unemployment rate puzzle. Among those factors, the author enumerates the degree of incorporation of women into the labour force, the availability of adequate financing for small and medium enterprises or the extent to which the two countries' welfare states are employment-friendly.

After this brief contextualization of the Iberian labour markets, we focus on the youngest worker as target group. Young people have been strongly affected by the recession and at risk of social exclusion (ILO 2013; O'Higgins 2012). To better understand this situation, international institutions employ different indicators. In addition to the youth unemployment ratio, the NEET (not in education employment or training) rate has acquired high relevance in recent years (Robson 2010; Eurofound 2012). In this respect, the European 2020 Strategy states two headline goals: 75% of the population aged 20–64 years should be employed, and the share of early school leavers should be under 10%, and at least 40% of the younger generation should have a tertiary degree. Also, the European Commission approved the initiative "Youth on the Move" to enhance the performance of education systems and to facilitate the entry of young people to the labour market. To this end, the informal European Council meeting held on January 30, 2012, agreed that each member state should adopt a strategy for youth employment. With this background, the paper analyses the problems of youth workers in Spain and Portugal and the policies that have been put in place to solve them.

In order to organise the chapter, we divide it into two broad blocks: on the one side, we identify the problems affecting young workers; on the other, we analyse some policies and programmes aiming to solve those problems, especially that related to the more recent recommendation from the European Union regarding the youth unemployment (the Youth Guarantee).

3.2 Problems of the Youth Labour Markets in the Iberian Countries

The first section presents an overview of the youth labour market problems in Spain and Portugal, and a comparison is made with other European countries. The main objective is to know the magnitude of the problem before presenting the policies that are put in place to deal with them. The first part focuses on issues related to the youngest unemployment, and the second part deals in detail with those related to education.

3.2.1 Youth Unemployment

In this section, we show some relevant figures regarding youth labour markets in the Iberian countries, and we compare them with those of other European countries, in order to identify any singular pattern and detect particular problems affecting Spain and Portugal. More precisely, we analyse the unemployment rate (defined as the unemployment to labour force ratio). We compare Spain and Portugal with four alternative sets of countries. A first group is made of Mediterranean countries (Italy, Greece and France). Secondly, we select three Nordic countries within the European Union (Denmark, Finland and Sweden). In the third place, we take into consideration some Central European countries (Austria, Germany, Belgium and the Netherlands). Finally, we also look at the two Anglo-Saxon countries of the European Union (the United Kingdom and Ireland). Our definition of youth comprises those who are between 15 and 29 years of age (or the 16–29 years old in those countries where the minimum working age is 16). The data source is the OECD database.

The issue we analyse in Table 3.1 is the youth unemployment rates in the Iberian countries. There are clear and significant differences between Spain and Portugal. According to the information included in Table 3.1, Spain is the country with the highest youth unemployment rate, with an average rate above 28%, and the second one after Greece as far as the variability in the youth unemployment rate is concerned. On the other hand, Portugal shows a much more moderate level in its youth unemployment rate. In order to be more precise, it has to be pointed out that the mean value of about 14% is half of the Spanish one. Nonetheless, it is also worth noting that Portugal displays a relatively high volatility (measured by the standard deviation) in its rate, only behind Spain, Greece and Ireland.

Table 3.1 Unemployment rates in the European Union (selected countries) 1986–2015

	Unemployment rate		
	Mean	(Max-min)	Stand. dev.
Spain	28.4	29.5	8.8
Portugal	13.8	22.4	6.1
France	17.2	7.7	2.3
Greece	23.7	32.5	8.9
Italy	23.1	17.1	4.4
Denmark	9.5	8.2	2.4
Finland	14.6	19.5	5.1
Sweden	12.4	15.2	5.1
Austria	6.7	4.9	1.9
Belgium	14.4	8.3	2.0
Germany	8.5	9.2	2.0
Netherlands	7.7	8.8	2.3
Ireland	14.2	19.0	6.7
United Kingdom	11.9	8.3	2.6

Source: OECD

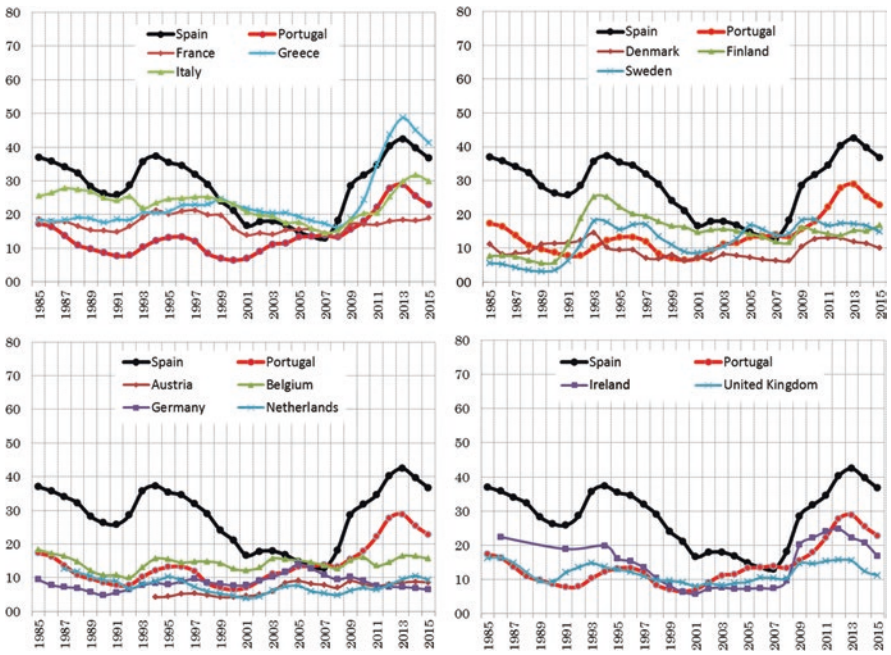

Fig. 3.1 Unemployment rates (15–29 years). European Union (selected countries) (Source: OECD)

Some additional remarks can be made by means of inspection of Fig. 3.1. Firstly, and as a general conclusion, the Spanish youth unemployment rate evolves above the rate of most of the countries in most of the years. Only during the first years of the twenty-first century the Mediterranean countries exhibit similar youth unemployment rates to those of Spain. It is also true that during the triennial period from 2005 to 2007 Spain shows youth unemployment rates comparable to the rest of the European countries. However, when the Great Recession starts, the Spanish rate rises abruptly, and only Greece and to a much lesser extent Portugal, Italy and Ireland experience a similar increase. The Portuguese case is quite different from the Spanish one until 2007. In fact, from 1985 to 2007, Portugal shows a youth unemployment rate undoubtedly low for the European standards, rather comparable to those of Nordic, Central European and Anglo-Saxon countries. Nonetheless, this good performance in terms of unemployment finishes with the Great Recession. From then onwards, the Portuguese youth unemployment rate looks much alike to those of the Mediterranean countries.

Once we have documented the evolution of Portuguese and Spanish youth unemployment rates, at this point we raise the following question: is youth unemployment an issue in itself in these countries or is it a consequence of high global unemployment rates? In order to answer this query, the ratio between youth to total unemployment rates is analysed for Portugal, Spain and the rest of the European

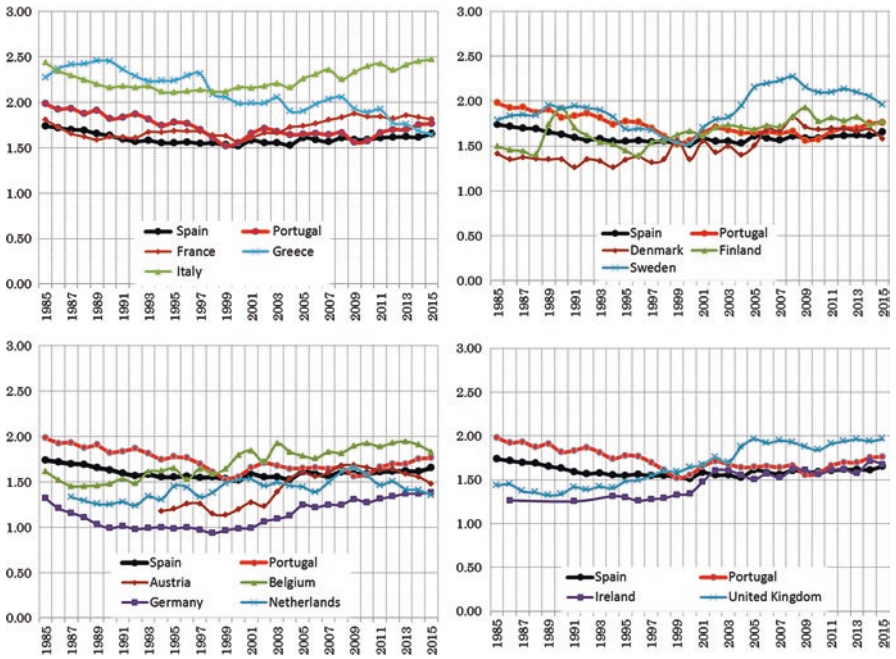

Fig. 3.2 Ratio youth to total unemployment rates. European Union (selected countries) (Source: Own elaboration)

countries. Figure 3.2 displays four panels in which the progress of such a ratio is depicted, for the same time period and the same set of selected European countries as in Fig. 3.1.

There are several appealing results for the Spanish case. Firstly, it is quite surprising the high stability of the analysed ratio over the whole time period, as compared to those of the rest of the countries. This is even more remarkable if we take into account the high volatility of the Spanish youth unemployment rate commented above. This ought to be interpreted as the whole Spanish labour market experiences sharp ups and downs, i.e. it is not only the youth labour market which exhibits great variability. As a matter of fact, there seems to be a high degree of synchronicity between youth and total unemployment rates in Spain. Finally, and despite the high levels of youth unemployment levels in Spain, this ratio shows similar levels as those of the Nordic and Anglo-Saxon countries in the last years, for example. Among the Mediterranean countries, Spain has occupied a relatively good position in the distribution of this ratio and, in any case, far from the levels observed in Italy. All this evidence makes us conclude that Spain has a problem of high aggregate unemployment, not a problem of high youth unemployment exclusively. On the other hand, it is worth pointing out that the ratio youth to total unemployment in Portugal practically mimics the Spanish ratio from 1999 onwards. Thus, some of the comments made for the Spanish case above apply also for the Portuguese labour market.

3.2.2 Education

Having outlined some of the problems that youth face in the labour market of Spain and Portugal, the next step is to identify some possible causes. One of the more important aspects when analysing the labour markets is the education level of the workforce. In order to see to what extent education may be behind the problems of the labour market, some indicators of educational achievement are used in the countries that make up the Iberian Peninsula.

A good indicator of the importance of educational outcome from the labour market standpoint is the fact that European 2020 Strategy (EE2020) sets out two very clear objectives in relation to education: the share of early school leavers should be under 10%, and at least 40% of the people aged 30–34 years should have a tertiary degree. These targets are also part of the Strategy for Entrepreneurship and Youth Employment 2013–2016 promoting the integration of young people in the world of work and improving their situation in the labour market.

In relation to the percentage of people aged 30–34 with tertiary education, the data show some differences between Spain and Portugal. On the one hand, Spain has already reached the target established by the EE2020 as can be seen in Table 3.2. In 2015 about 41% of the Spanish population aged between 30 and 34 had reached tertiary levels of education. These figures exceed the average of the 28 European Union (EU28) and also those of some countries of our surroundings like Italy or Germany. However, we are far from achieving the levels presented by the Nordic countries, the Netherlands, the United Kingdom or Ireland. Finally, if we compare current data with those recorded in the early 2000s, Spain exceeded by more than ten percentage points the EU28 average and was above almost all other community partners, with the exception of Belgium and Finland. These results show stagnation in absolute terms that have caused it to lose positions in relative terms.

The case of Portugal is quite different. In 2015, the percentage of Portuguese aged 30–34 with tertiary education was almost the lowest in the sample of countries in Table 3.2 (only ahead of Italy). The 31.2% is eight percentage points below the target set in the EE2020 and seven percentage points lower than the average of the UE28. However, the evolution of Portugal over the last few years has been positive. It has risen almost 20 percentage points in relation with the data presented in 2002, and the differences that existed with Spain at the beginning of the twenty-first century have been halved.

The second target that is stated from an educational standpoint in the EE2020 is that related with the early school leave. The official statistics define "early leavers" as the population aged 18–24 with at most lower secondary education and not in further education or training. This indicator reveals a problem for the biggest part of the *southern countries*, but it is especially important in the Spanish case.

Spain is the European Union country with the highest rate of early school leavers. In 2015, the 20% of the Spanish youth aged between 18 and 24 years had left the education system without completing the second stage of secondary education. These figures are much higher than the EU28 average and than the target

Table 3.2 Early school leavers and tertiary education for a sample of European Union countries

		2002	2004	2006	2008	2010	2012	2014	2015
Early leavers	*E U (28)*	*17*	*16*	*15.3*	*14.7*	*13.9*	*12.7*	*11.2*	*11*
	Spain	30.9	32.2	30.3	31.7	28.2	24.7	21.9	20
	Portugal	45	39.3	38.5	34.9	28.3	20.5	17.4	13.7
	France	13.4	12.3	12.7	11.8	12.7	11.8	9	9.3
	Greece	16.2	14.5	15.1	14.4	13.5	11.3	9	7.9
	Italy	24.2	23.1	20.4	19.6	18.6	17.3	15	14.7
	Denmark	9	8.8	9.1	12.5	11	9.1	7.8	7.8
	Finland	9.7	10	9.7	9.8	10.3	8.9	9.5	9.2
	Sweden	10	9.2	8.6	7.9	6.5	7.5	6.7	7
	Germany	12.5	12.1	13.7	11.8	11.8	10.5	9.5	10.1
	Austria	9.5	9.8	10	10.2	8.3	7.8	7	7.3
	Belgium	14.1	13.1	12.6	12	11.9	12	9.8	10.1
	Netherlands	15.3	14.1	12.6	11.4	10	8.9	8.7	8.2
	United Kingdom	17.6	12.1	11.2	16.9	14.8	13.4	11.8	10.8
	Ireland	14.6	13.1	12.2	11.4	11.5	9.7	6.9	6.9
30–34 years with tertiary education	*E U (28)*	*23.6*	*26.9*	*29*	*31.1*	*33.8*	*36*	*37.9*	*38.7*
	Spain	34.4	36.9	39.4	41.3	42	41.5	42.3	40.9
	Portugal	12.9	16.3	18.3	21.6	24	27.8	31.3	31.9
	France	31.5	35.6	39.7	41	43.2	43.3	43.7	45.1
	Greece	23.5	25.1	26.9	25.7	28.6	31.2	37.2	40.4
	Italy	13.1	15.6	17.6	19.2	19.9	21.9	23.9	25.3
	Denmark	34.2	41.4	43	39.2	41.2	43	44.9	47.6
	Finland	41.2	43.4	46.2	45.7	45.7	45.8	45.3	45.5
	Sweden	28.3	33.9	39.5	42	45.3	47.9	49.9	50.2
	Germany	24.2	26.8	25.8	27.7	29.7	31.8	31.4	32.3
	Austria	..	20.9	21.1	21.9	23.4	26.1	40	38.7
	Belgium	35.2	39.9	41.4	42.9	44.4	43.9	43.8	42.7
	Netherlands	28.6	33.6	35.8	40.2	41.4	42.2	44.8	46.3
	United Kingdom	31.5	33.6	36.4	39.5	43.1	46.9	47.7	47.8
	Ireland	32	38.6	41.3	46.3	50.1	51.1	52.2	52.3

Source: Eurostat

established by the EE2020. This situation is not new in Spain, since it is among the countries with the most early school leavers during the whole sample (only behind Portugal in the first years). A good example of the problems posed by the early leavers in Spain is the fact that the EE2020 has softened this target for Spain and placed it at 15%.

Portugal is also one of the EU28 countries with the highest early school leaving rate. It reached the highest levels at the beginning of 2000 but has been able to reduce it to less than a third. Its figures are still above the European average and exceed the EE2020 target by almost four points, but the great reduction experienced during the last years allows to be moderately optimistic.

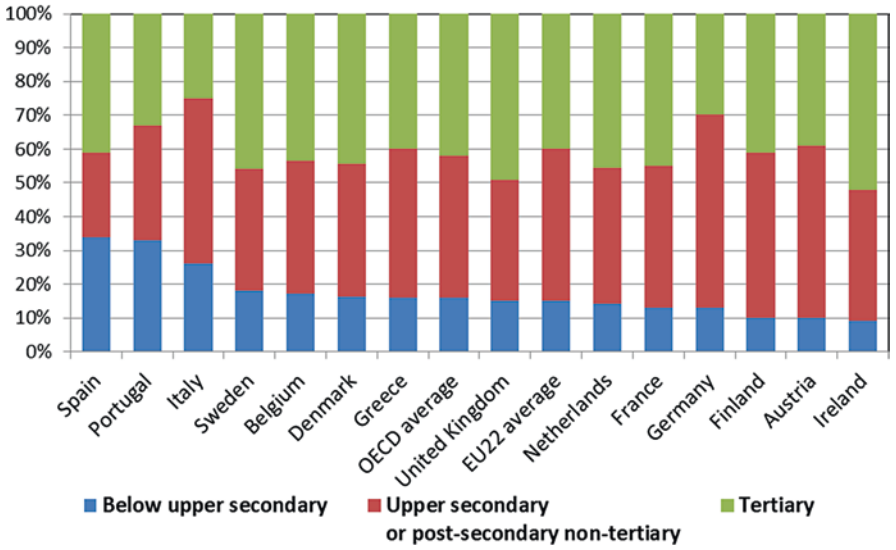

Fig. 3.3 Educational attainment in 2015 (25–34 years) (Source: OECD)

These figure data also have another implication. If we take a look at Fig. 3.3, it is clear that Spain and Portugal are the countries with the highest percentages of population aged 25–34 who have not completed secondary education. In both cases, this group exceeds the 30% of the whole population, which is two times higher than the European Union average (or OECD). These data are in line with the levels of early school living in the Iberian countries and reveal a problem of low-skilled workforce with little possibilities of labour insertion.

A conclusion that can be drawn from Fig. 3.3 is the small percentage of population with secondary education in Spain (and, to a lesser extent, in Portugal). The data are close to 25% in Spain, far from the European average of 45%. In the case of Portugal, the percentage exceeds 30%, but in contrast, it has deficits in the number of graduates. The composition of the population by educational level is very important to understand labour market behaviour. Employment rates increase with the level of education, especially if the worker has completed secondary school.

3.3 Policies for the Youth Labour Markets in the Iberian Countries

To solve the problems stated before and to meet with the targets of the European 2020 Strategy, Spain and Portugal adopted different strategies. The Spanish government launched the Strategy for Entrepreneurship and Youth Employment 2013–2016 in March 2012 as a way to promote the integration of youth into the labour

market, and the Portuguese government presented the Youth Impulse programme (Impulso Jovem[1]).

In the next paragraphs, it explained some of the policies applied taking special attention to the Youth Guarantee implementation in each country.

3.3.1 Youth Employment Programmes in Spain

The Strategy for Entrepreneurship and Youth Employment 2013–2016 is structured in four main objectives: to improve the employability of young people, to increase the quality and stability of employment, to promote equal opportunities for access to the labour market and to foster entrepreneurship. It contains 100 measures; among them, 15 are short-term measures, while the other 85 are medium- and long-term measures[2]. However, many of these measures are imprecise, and the lack of concision complicates the analysis (Gómez-Torres and Ordóñez-Sierra 2014). We will focus on the short-term measures because they are more specific. They can briefly summarise around three main issues: education and training, hiring incentives and entrepreneurship support.

There are two measures trying to extend training programmes leading to proficiency certificates and programmes which include a commitment to employ and to prevent early school leaving. Hiring incentives comprise incentives for part-time contracts including training; the elimination of Social Security contributions for permanent contracts for young people with micro-SMEs and self-employed persons; and specific contracts for young workers (a first job contract and work experience contracts).

However, the aim of the majority of the measures is to promote entrepreneurship (individual and collective) among the youth. The "flat rate for young self-employed workers" is a reduction in the minimum contribution to the Social Security System for those men under 30 and women under 35 entering self-employment since March 2013. There are changes in the unemployment benefit system to extend the possibility of capitalising the benefits and to make them compatible with the start of a business. The strategy also includes programmes to improve the access to finance for entrepreneurs, to provide advice in public employment services and incentives to employ people with experience in new business projects started by young entrepreneurs.

After 3 years of the launch of the strategy, it can be the moment to study the results. Regarding its evaluation, the government proposes a set of indicators to monitor and evaluate the achievement of the objectives, and there is a commitment to elaborate an annual report on the evolution of the main variables affecting young people. However, these indicators are useful to monitor the implementation of the strategy, but they do not allow an evaluation of the impact of the measures. In fact, the impact indicators are related to the evolution of macroeconomic situation of the

[1] http://www.poph.qren.pt/upload/docs/Newsletter_POPH/2012/07/Impulso_Jovem.pdf

[2] http://www.empleo.gob.es/ficheros/garantiajuvenil/documentos/EEEJ_Documento_en_INGLES.pdf

youth labour market (youth employment and unemployment rates, rate of entrepreneurial activity, etc.). Even more, as far as we know, there is no public information about the performance of the different measures.

Using the official statistics of the Ministry of Employment and Social Security, we can analyse the performance of some programmes. Probably, the most relevant measure is the "flat rate for young self-employed workers". Although there are no official statistics related to the number of beneficiaries of the programme, some press notes from the Ministry of Employment and Social Security inform about the number of recipients. In August 2016, the ministry announced that 365,225 young workers had benefited from the flat rate[3]. Given the figures about new inflows into the Special Regime for Self-employed Workers, this means that all potential beneficiaries have participated in the programme, a result that could be expected because the requirements are exclusively administrative and based on age.

The programme does seem to increase inflows into self-employment. In Table 3.3, we present inflows into self-employment by age groups and sex. The figures are quite similar in 2011 and 2012. Once the programme is launched, in 2013, the figures increased by 22.1% in the case of young men and by 14% in the case of young women. The economic situation improved in 2013 compared to the previous year, so it is not possible to conclude that the growth in the number of inflows into self-employment of young workers is exclusive because of the new programme. In fact, the rest of the workers also experience an increase, although smaller. Then, we can say that, at least, part of the increase in this growth can be due to the programme.

However, this type of programmes usually has a high deadweight effect. Therefore, many of the beneficiaries of the programme would have become self-employed even if they had not received the subsidy. Unfortunately, the available data do not allow us to evaluate the effect in terms of inflows into self-employment.

Regarding work experience contracts, they are an instrument already used in the Spanish labour market, and different reforms have tried to promote its use among firms. The economic downturn caused a dramatic drop in the use of this contract,

Table 3.3 Inflows into self-employment

		2009	2010	2011	2012	2013	2014	2015
Men	16–29	66,125	69,386	74,126	77,602	94,726	91,441	84,541
	Over 29	194,707	218,439	243,775	273,262	317,061	346,728	326,350
Women	16–34	80,573	86,179	91,097	90,250	102,902	102,957	92,726
	Over 34	104,270	113,495	122,371	131,683	144,510	165,830	161,810
Annual growth								
Men	16–29		4.9%	6.8%	4.7%	22.1%	−3.5%	−7.5%
	Over 29		12.2%	11.6%	12.1%	16.0%	9.4%	−5.9%
Women	16–34		7.0%	5.7%	−0.9%	14.0%	0.1%	−9.9%
	Over 34		8.8%	7.8%	7.6%	9.7%	14.8%	−2.4%

Source: Ministry of Employment and Social Security

[3] http://prensa.empleo.gob.es/WebPrensa/noticias/seguridadsocial/detalle/2874

Table 3.4 Subsidised contracts for young workers

	2012	2013	2014	2015
Young workers (16–30) in SME	26,015	15,835	11,478	10,457
Women 16–30, firms <50 workers	209	80	42	56
Individuals <30 in cooperatives		231	62	32
Individuals <30, exclusion risk, in integration firms		139	229	251
Open-ended contracts, first job, TWA		47	82	35
Open-ended contracts, conversion from apprenticeship contract (RDL-16/2013)			22	46
Youth Guarantee System			415	3817
Open-ended contracts to young workers	26,224	16,332	12,33	

with a minimum of 19,000 in 2009. After that year, it has increased, and, in 2015, figures are quite similar to those before the crisis (80,000 in 2015).

With respect to hiring incentives, they affect a small fraction of the population, as we can observe in Table 3.4.

3.3.2 Implementation of the Youth Guarantee in Spain

A part of the Strategy for Entrepreneurship and Youth Employment of the Ministry of Employment and Social Security approved in February 2013 is the Plan for Implementation of the Youth Guarantee contemplated in Law 18/2014. This plan is aligned with the Strategy for Entrepreneurship and Youth Employment, and it includes a common catalogue of actions to be carried out by the intermediate bodies of the Operational Programme for Youth Employment (POEJ) with the objective of reducing youth unemployment. This youth employment initiative is one of the most important financial instruments for the development of the Youth Guarantee in Spain to be articulated through the European Social Fund Operational Programme for Youth 2014–2020 (Ministry of Employment and Social Security 2016).

The objective of this programme is to promote training and employment opportunities for young people under 29, as well as their social inclusion and active citizenship. Public employment services are the institutions responsible for implementing the training and employment programmes defined in the Youth Guarantee, whose main objectives are:

– To improve training and education (general training, vocational training and training for work).
– To improve public employment services and programmes, such as those related to guidance, assistance, employment plans and employment subsidies.
– To implement other active employment measures such as increasing public job vacancies, entrepreneurship and start-up programmes. Some countries such as Finland, Denmark, Germany and Sweden offer a wide range of measures, while in other countries, these are more limited.

The programme also contemplates modernisation of labour market institutions, such as public and private employment services, and improving response to labour market needs through proposals that increase transnational labour mobility. Implementation of these actions is usually conducted through regional administrations whose objective is to meet the needs of the regional or local labour market.

In the case of Spain, the autonomous communities, in cooperation with local administration, are the institutions in charge of applying the Youth Guarantee measures. One of the main problems in implementing these measures is the limited participation of young people, due in part to the age limit that was in force until August 2015 (people under 25), and the limited visibility of the advertising campaigns among the young. The figure shows the limited participation of people under 29 up through August 2016. Although there has been a steady rise in the enrolment in this programme since 2015, the desired goal of channelling unemployed youths under 29 through this programme to promote their employability has not been achieved. In August 2016, 53% of the youths on the unemployment rolls at the public employment services (PES) offices had enrolled in the Youth Guarantee programme. In this regard it should be stressed that many unemployed young people do not go to these offices to enrol as job seekers, so this is a relative percentage. The data show greater involvement of men in the Youth Guarantee (Fig. 3.4).

Figure 3.5 shows the evolution of young people enrolled in the Youth Guarantee as well as young people enrolled in the public employment services as job seekers. The data show the parallel evolution of both indicators, with a sustained increase in enrolments since 2015. However, these figures represent the desired effectiveness of the Youth Guarantee to cope with youth unemployment. These data could be indicating a relative inefficiency of Spanish public employment services to adequately manage the purposes of the Youth Guarantee.

One of the explanations for the limited effectiveness of the Youth Guarantee could be that its implementation is essentially developed by the public employment services, which have a limited ability to reach young people due to their administrative,

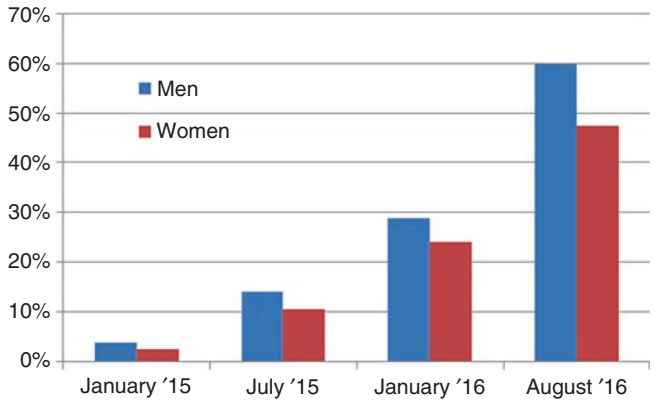

Fig. 3.4 Young people (16–29 years) in the Youth Guarantee by sex (% total young unemployed in PES) (Source: Ministry of Employment and Social Security)

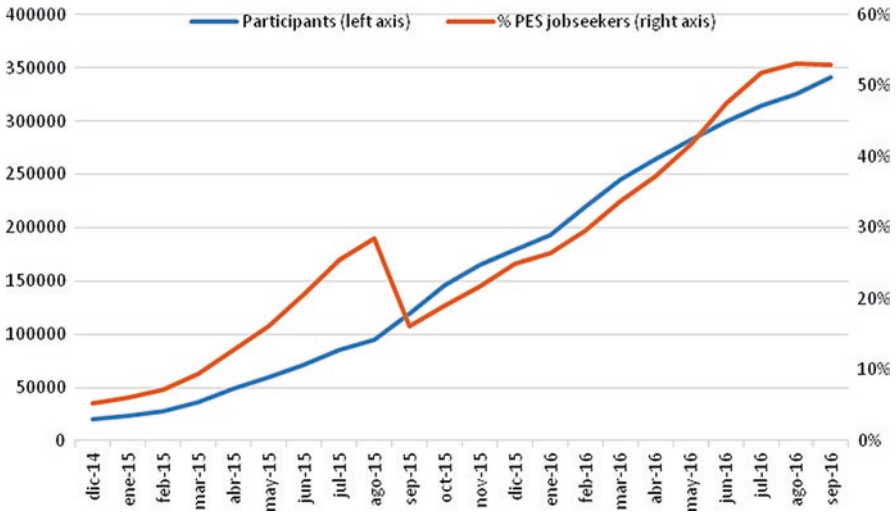

Fig. 3.5 Young people in the Youth Guarantee and PES jobseekers (%) (Source: Ministry of Employment and Social Security)

budgetary and staffing restrictions. Previous experiences in other countries conclude that implementation of a Youth Guarantee is based on the efficient functioning of public employment services (Pastore 2015). This is one of the main problems in applying the Youth Guarantee in Spain, given the inefficiency of these public services to address youth unemployment (Mandrone 2011). Another problem PES have is that they generally lack the resources to reach out to youths who have dropped out of the education system without earning a basic secondary education certificate, among other reasons, because they are not usually registered in these services.

In the case of Spain, one of the weaknesses of implementation of the Youth Guarantee is related to the lack of indicators to evaluate the effectiveness of the programmes (Cabasés et al. 2016; Dolado 2015). Although application of the Youth Guarantee entails evaluation and monitoring of its effectiveness, the instruments necessary to do so have not yet been designed, nor have those for the public employment services, which to a certain extent questions the effectiveness of the Youth Guarantee to achieve the objectives set. According to Cabasés et al. (2016), in order to be able to properly conduct an evaluation of the Youth Guarantee Implementation Plan in Spain, it would be necessary to provide the PES with resources to be able to identify possible future applicants for the guarantee. However, the plan does not contemplate this possibility. For monitoring purposes, it would also be necessary to establish a standard procedure for coordination of all social and institutional players involved in the implementation of the plan. In short, it would be necessary to define a series of precise indicators and a timeline for the evaluation, in order to control and monitor the effectiveness of the resources used, coming mostly from European funds. Although the European Social Fund Operational Programme for Youth 2014–2020, designed by the Ministry of Employment and Social Security, includes indicators based on the expected results for 2023, the tools defined for their evaluation are insufficient to

achieve the proposed objectives. It would be necessary to review comparative analyses of case studies from other European countries in order to identify success and failure factors when implementing the Youth Guarantee in other European contexts and adapt them to our national and regional situation by monitoring and evaluating the measures developed (IEG 2013).

3.3.3 Youth Employment Programmes in Portugal

At the same time that the Spanish Government launched the Strategy for Entrepreneurship and Youth Employment, the Portuguese government presented the Youth Impulse programme (Impulso Jovem[4]). The objectives were to promote youth employability and support small and medium enterprises. The programme is based on three main areas: internships, employment and self-employment incentives and investment support (Conselho Nacional Juventude 2013). This programme was in force during 2013, and it was substituted by the Youth Guarantee in 2014. The objective was to benefit 90,000 young people and support 4500 SMEs in 2 years (Coelho Moreira 2014). According to the European Commission (2013), by the end of May 2013, 9676, young people have been covered by the programme so far.

3.3.4 The Youth Guarantee in Spain and Portugal

The economic austerity measures carried out in Portugal with the European Central Bank, the European Commission and the International Monetary Fund have had an influence on the active labour market policies in this country in order to make them more effective for the creation of youth employment and youth training. Likewise, public employment services were reformed to make them more efficient. In 2015, Portugal adopted a new legal framework to manage public employment policy which introduced the principle of systematic evaluation of the various employment policies. In this context of reforms to address high youth unemployment and implementation of the Youth Guarantee, in 2013, the Portuguese government established the Strategic Plan for Promotion of Employment Initiatives and Youth Support for Small and Medium Businesses (Impulso Jovem) that rest upon three main pillars: traineeships, recruitment support and entrepreneurship based on investment support. In 2014, the Portuguese government created a new initiative unifying all the previous ones, which was called “Youth Guarantee”, containing a series of measures and reforms aimed at the employability of youths aged 15–29.

Portugal was one of the first European countries to have implemented the EU Youth Guarantee programme in 2014. The objective of the Youth Guarantee is to ensure that all young people under the age of 30 benefit from a good employment,

[4] http://www.poph.qren.pt/upload/docs/Newsletter_POPH/2012/07/Impulso_Jovem.pdf

training or internship offer within 4 months of becoming unemployed or having completed formal education. Its implementation relies on partnerships with several public and private entities.

According to United Nations Economic and Social Council (2015), The Youth Guarantee (YG) in Portugal was developed taking into account the following key ideas:

- Early activation and tackling cycles of inactivity – use of effective mechanisms for signalling these young people, diagnosis of their particular situation and referral to ensure rapid responses.
- Heterogeneity of responses – the quality of the responses that are offered under the YG relates mainly from the adjustment of each response to the characteristics and needs of each young person.
- Partnerships – the complexity of situations and paths of young people requires concerted action to ensure the necessary multidimensional responses and partnership working, not only among the State institutions but also among other strategic partners with interventions at different levels and areas.

The measures available for NEET less than 30 years old under the Youth Guarantee comprise the following:

- Education and vocational training – combining the measures, offers and paths, at a variety of skill levels, which contribute to improve the skills profile of each young person
- Traineeships – focused on creating on-the-job-training opportunities that lead to a lasting integration into the labour market
- Employment – direct placement in the labour market as well as measures that contribute to the creation of new jobs, like hiring incentives
- Support to entrepreneurship – including financial incentives for self-employment and start-ups and consultancy
- Support to mobility, inducing the development of soft skills and employability

According to Coelho (2016), the implementation of the Youth Guarantee started on January 1, 2014, and progress is underway. Between March and December 2014, 67,317 people aged under 30 and not in employment, education or training (NEET) took part in measures classed as a Youth Guarantee quality offer once they had been registered by the public employment services for a maximum of 4 months. As a result of the policies implemented by the end of 2014, more than 300,000 young people had been covered under the Youth Guarantee, waiting to reach about 400,000 young people in late 2016. However, in spite of these progresses, there are substantial challenges to be addressed. It is important to have effective skills anticipation and identified to nonregistered young people, in line with the objectives of a Youth Guarantee (Coelho 2016, p. 64). The challenge for Portugal is to continue ensuring that stronger links are built between the education system and the labour market, not only in a way that better prepares young people to enter the workplace but also in a way that makes work opportunities available to them through effective apprenticeship programmes and internships.

3.4 Conclusion

The objective of this piece of research is twofold. On the one side, we seek to show the problems that young Spanish and Portuguese people have to face in the labour market. On the other side, we analyse the policies implemented in order to fight those problems. Beginning with the problems, we focus here on the evolution of the unemployment rates from a comparative standpoint. To be more precise, we compare the Iberian countries to a set of European countries in four predefined areas: Mediterranean, Nordic, Central European and Anglo-Saxon countries. We also pay attention to the important differences detected in relation to educational outcomes between the Iberian countries and the rest.

In the first place, both Spain and Portugal share a high variability in unemployment rate; however, they present great discrepancies in the average levels. Spain is by far the European country with the highest mean youth unemployment rate, whereas Portugal shows levels totally comparable to those of the Nordic and Central European countries.

In our view, the most relevant result concerning the unemployment is found when we study the evolution of the youth to total unemployment ratio. That ratio displays similar levels for Spain and Portugal and very close to those of the Nordic and Anglo-Saxon countries. It also can be seen that despite the high volatility in the unemployment rates of the Iberian countries, the above-mentioned ratio remains relatively stable over the whole period. These results seem to indicate that the Iberian countries experience an overall unemployment problem and not so much a youth unemployment problem in particular.

From the educational point of view, the most significant results are the ones related to the indicators established in the European 2020 Strategy. With regard to tertiary education, Spanish indicators are over the target and above the European mean, whereas Portugal, together with Italy, is at the bottom of the ranking. Nevertheless, and without a doubt, the main concern may be found in the early school leaving figures. Both Iberian countries are far from the proposed goal, particularly Spain, which exhibits a rate exceeding the European average by a factor of about two.

In short, the reflection presented here on the effectiveness of the Youth Guarantee in Spain to tackle youth unemployment shows the bureaucratic and administrative problems that have the public employment services. The main problem is to monitor the unemployed young people and properly manage the enrolment of these young people in the programme of the Youth Guarantee to favour their formative itineraries and their employability.

The strategy to combat youth unemployment in Spain and Portugal has been similar in both countries. Before the implementation of the Youth Guarantee, programmes based mainly on subsidies to hire young workers were launched. These programmes seem to be an extension of previous policies with few innovations, following the inertia of focusing on employment incentives instead of training or job search assistance. In this sense, the Youth Guarantee, theoretically, means a change in the orientation of employment policies.

In spite of the advances made in implementation of the Youth Guarantee, one of the challenges facing Spain and Portugal in this respect is evaluation of the measures to monitor the effectiveness of the policies. This is one of the challenges in

applying the Youth Guarantee, since not all countries have considered a specific evaluation plan with effective indicators, as contemplated in the available Youth Guarantee Implementation Plans (YGIPs).

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Chapter 4
What Makes Greek Youth More Vulnerable to Unemployment?

Ioannis Cholezas

4.1 Introduction

Since 2008 Greece is trapped in a downward economic spiral. GDP shrunk by 27.3% since the beginning of the crisis,[1] and it still declines, despite views publicly expressed in the past that the economy would soon change course and growth would return.[2] Despite huge fiscal imbalances revealed in 2009[3] that triggered the fall, austerity policies dictated by the Troika (ECB, EC and IMF), after the 2010 bailout and the signing of the first Memorandum of Understanding (MoU), and implemented by successive Greek governments, certainly had their share of the mess. The main criticism is that they relied heavily on taxes and much less on targeted public spending cuts and, thus, they aggravated falling domestic demand. Coupled with weak international demand for Greek products, which suffered from low competitiveness, interventions towards internal depreciation proved inadequate to substitute external for internal demand[4] and, thus, revive the economy.

One of the most hurtful consequences of falling domestic demand and GDP was the increase in the unemployment rate that reached almost 28% in 2013, but then started to decline slowly: in the second quarter of 2016, the general unemployment rate stood at 23.1%. Given the lack of an adequate safety net against the risk of

[1] Data are drawn from ELSTAT and refer to current prices (in million €): 2008 = 241,990, 2016 = 175,888.

[2] In the winter 2013 forecasts' report, the European Commission predicted that Greece would grow by 0.6% in 2014 and 2.9% in 2015 along with a decline in debt to GDP ratio. The forecasts' report is available at: http://ec.europa.eu/economy_finance/eu/forecasts/2013_autumn/el_en.pdf

[3] The budget deficit was revised upward to 15.1% in 2009, according to Eurostat. Data available at: http://ec.europa.eu/eurostat/tgm/table.do?tab=table&plugin=1&language=en&pcode=teina200

[4] Europe-wide austerity policies that suppressed aggregate demand certainly did not help either.

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unemployment,[5] high unemployment rates led to increasing poverty rates (from 27.6% in 2009 to 35.7% in 2015[6]), and unemployment continued to be the most important poverty determinant.[7] Employment prospects are even worse for certain population groups, such as the youth. Note that the unemployment rate for youth (15–29) was 38.1% in the second quarter of 2016 compared to 20.3% for individuals aged 30–64. That rate is almost than 10 percentage points (pp) lower than the maximum recorded in the first quarter of 2013, i.e. 47.9%. Despite that decrease, employment prospects for youth continue to be considerably worse: in the second quarter of 2016, youth face almost double the rate of unemployment for older individuals (ratio: 1.87).

Although employment prospects of youth in Greece during the crisis deteriorated less compared to those of individuals aged 30–64, the picture would probably be very different, if it had not been for the implementation of specific labour market reforms and active labour market policies targeting youth. One such reform was the sub-minimum wage that was introduced in 2012.[8] The purpose was to make youth more attractive to employers by compensating for their lower productivity compared to older employees, due to very little or zero work experience. Examples of active labour market policies targeting youth involve wage subsidies for graduates with no work experience, subsidised training programmes to improve skills and adapt to labour market needs, subsidies for becoming self-employed, etc. Although there are no available data to assess the exact impact of these interventions on youth's employment prospects, they are expected to be considerable given that the unemployment differential between them and individuals aged 30–64 has narrowed, primarily due to youth's decreasing unemployment rate.

The importance of unemployment as a social and economic phenomenon is exacerbated when it comes to youth. To start with, unemployment has a scarring effect that translates to both worse future employment prospects and lower lifetime earnings (Nilsen and Reiso 2011; Bell and Blanchflower 2011). One reason for that involves human capital depreciation: skills and competences acquired in education, or through on the job training, become obsolete (Becker 1993). The longer one stays out of work – ceteris paribus – the more damage is caused, which is why long-term unemployment should be addressed urgently. Given that younger generations are

[5] According to the Labour Force Employment Organisation (OAED), in September 2016 approximately 14.4% of the unemployed were entitled to an unemployment benefit. The respective share in 2013, when unemployment reached its maximum rate, was 13.9%. Moreover, the unemployment benefit in Greece is constant at €360 monthly, irrespective of the wage earned when employed.

[6] Figures are drawn from ELSTAT's bulletin for the risk of poverty (Graph 1), which is available at: http://www.statistics.gr/en/statistics/-/publication/SFA10/-. Note that the risk of poverty and social exclusion is calculated based on previous year's income.

[7] Unemployed individuals have the highest probability of being poor or socially excluded after social transfers (44.8%), especially males (50.7%). Figures are drawn from ELSTAT's bulletin for the risk of poverty (Table 9), which is available at: http://www.statistics.gr/en/statistics/-/publication/SFA10/-

[8] Law 4047/2012 decreased the minimum wage for employees over 25 years old by 22% to €586 gross and introduced a sub-minimum for youth up to 25 years old, which equals €511 gross.

more educated than older ones, i.e. more resources are invested in them by the state, families and themselves, either directly or indirectly, the waste of resources is greater. Moreover, youth are more likely to emigrate[9] in search for a job and thus deprive their country from ripping the results of its investment in their education, realised, amongst others, through higher taxes paid, better informed and active citizens and more innovations. Note also that unemployment is the number one determinant of poverty and social exclusion in Greece, due to the lack of an effective safety net already mentioned. In addition, when the country manages to overcome the current adverse economic conditions and achieves positive growth rates, it will have to rely on a well-educated and trained labour force. Unless it makes sure that youth are kept attached to the labour market, there is a clear risk that there will not be enough human capital to support growth. Last but not least, there is evidence that high youth unemployment is associated with increased political instability (Azeng and Yogo 2013; Urdal 2006).

In this context, the chapter explores the micro determinants of the unemployment probability differential between youth (15–29) and individuals aged 30–64. Similar attempts could not be detected in the literature. The purpose is to determine which characteristics are mostly responsible for the age unemployment gap and then suggest interventions that will alleviate youth's unemployment. Discrimination against youth could be at play or perhaps youth's endowments differ markedly from those demanded by employers (mismatch). The following section discusses why youth are expected to suffer more from unemployment compared to older individuals and presents the Greek case in an attempt to prove that youth unemployment is not a Greek problem, but it is more pronounced there. The third section briefly presents the data and the methodology employed, both selected based on the nature of the research question that needs to be answered. The fourth section discusses the results and the last section concludes.

4.2 Youth Unemployment and the Case of Greece

Youth face higher unemployment rates compared to older individuals in many countries and this is true for Europe also. Economic theory provides some explanations for that. First, youth are often considered less productive compared to older individuals, despite their higher educational attainment on average which does not fully compensate for the loss of human capital in the forms of work experience and tenure (Becker 1964). Consequently, they have a disadvantage compared to older cohorts. During an economic downturn, that disadvantage is expected to be further strengthened, since demand for labour decreases, along with available jobs, and competition for available jobs becomes fiercer favouring more experienced individuals.

[9] The phenomenon is well known in the literature as *brain drain*, and it involves the cost for the country of origin associated with highly educated individuals emigrating. For a discussion see Commander et al. (2004).

Moreover, in an insider-outsider framework (Lindbeck and Snower 1988), youths are the outsiders. The introduction of a sub-minimum wage for individuals below 25 years of age in Greece a few years back or the numerous subsidised work programmes targeting youth aim exactly at strengthening employers' incentive to hire youth.

Youth also have insufficient information (Mortensen 1970) as far as the labour market is concerned and the mechanisms that could accommodate their transition from school to work. This is particularly true for Greece, where social networks are usually important in the job finding process. But, setting up a social network takes time and that can be an additional reason why it takes longer for Greek youths to find their first job. Speaking of networks, the Greek family as a social institution has been often criticised for protecting its offspring excessively, in order to provide time and space that will allow them to find a suitable job (Papadopoulos and Roubakis 2008). Such a practice probably increases frictions and, in a setup of limited labour demand like the one shaped by the economic crisis, heightens the problem of unemployment. Last but not least, youth who find a job are often employed under flexible forms of work contracts and/or in seasonally volatile industries (Doeringer and Piore 1971). That is probably because youth are more willing to accept precarious job offers, since they tend to consider them as a stepping stone towards better compensated and more stable jobs or it may be considered as part of the process of setting up their own social network. The repercussion is straightforward: at times of economic distress, youth are the first to be laid off, since the firing cost is lower compared to full-time and/or open-ended contract employees, i.e. older employees. Indeed, that seems to be the case in both Poland and Spain, where youth face a much higher risk of layoffs, especially at times of economic distress (Baranowska-Rataj and Magda 2013). The same finding is verified for a number of OECD countries (Jimeno and Rodrígues-Palenzuela 2003).

Therefore, it comes as no surprise that one of the consequences of the crisis that hit Europe in 2008 was the increase in the unemployment rate in most countries, especially for youth. Figure 4.1 depicts quarterly youth unemployment rates[10] since 2008 for European Union's 28 member states (EU-28) and selected countries that were hit by the crisis harder. After the initial increase, the youth unemployment rate in Ireland started decreasing in 2012, and it has almost completely converged to its pre-crisis level. The youth unemployment rate in Greece, on the other hand, was similar to that in Italy before the crisis, but it increased rapidly since 2008, it reached Spain's level and even surpassed it on several occasions. Interestingly, in both countries, the youth unemployment rate started to decline in 2013, when the Greek youth unemployment rate skyrocketed to 60%. Note that in Italy the youth unemployment rate shows only small signs of de-escalation, while it fluctuates considerably more compared to the rest of the countries examined.[11] The Europe-wide youth

[10] Typically, the definition for youth involves individuals aged 15–24.

[11] Throughout period 2008Q1–2016Q2, the distribution of youth unemployment in Greece exhibits the highest standard deviation, followed by Cyprus, Spain and, then, Italy. Therefore, the crisis has led to increased volatility along with high youth unemployment rates.

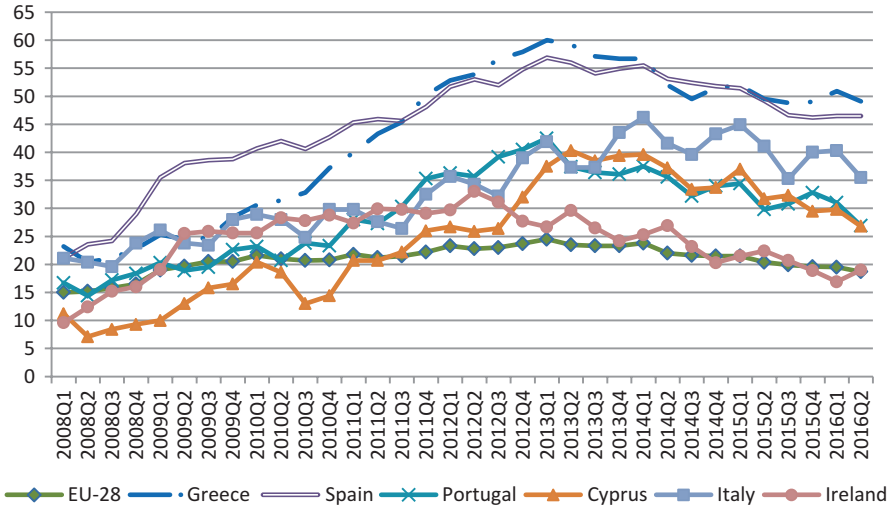

Fig. 4.1 Youth unemployment rate (%), 2008Q1–2016Q2 (Source: Eurostat)

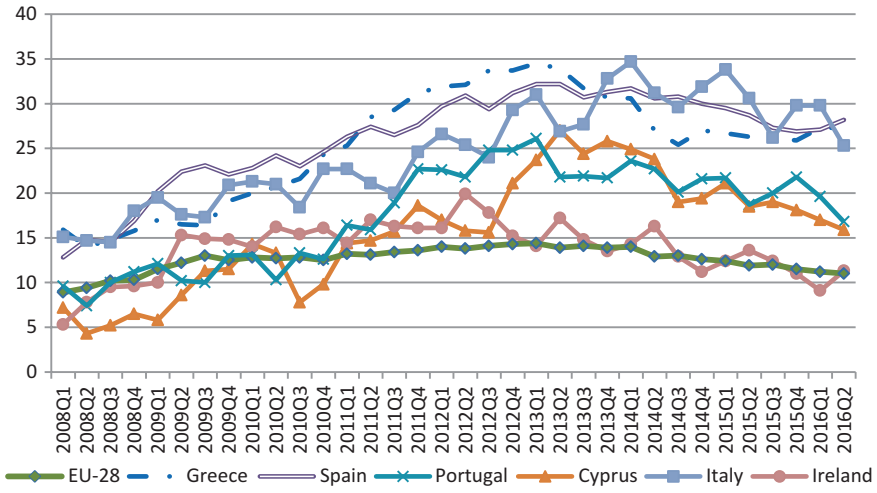

Fig. 4.2 Age unemployment rate differential (in pp), 2008Q1–2016Q2 (Source: Eurostat)

unemployment rate, reflected in EU-28 average, started to increase in 2008, but it remained close to its pre-crisis levels all the way, contrary to the experience of south European countries discussed.

High youth unemployment rates reflect the difficulties youth face to get a job. These difficulties take the form of significantly different employment probabilities for youth compared to the rest of the population. Figure 4.2 depicts the unemployment differential between youth and individuals aged 25–64 for the selected countries. The first thing to notice is that there was an age unemployment differential

even before the crisis which was considerable in some countries. For example, Greece, Spain and Italy had a wide differential of approximately 15 pp even before 2008. Although the differential increased during the crisis in all countries, the increase is more pronounced in those countries: it doubled in the following years. Cyprus, on the other hand, had a lower than average (EU-28) unemployment differential before the crisis, which grew by more than three times in period 2008Q2–2013Q2, followed by Spain and Greece. Interestingly, though, the differential declined faster in Cyprus compared to the rest of the selected countries, except for Ireland, which is probably linked to the different origins of the crisis, i.e. the banking sector, as opposed to Greece, i.e. public finances, and Spain, i.e. the housing bubble.

It follows from the above that Greece is not the only country facing an age unemployment differential nor is it a pure symptom of the crisis, although it was aggravated by it. Moreover, the unemployment differential appears to be quite persistent, given the amount of effort made to narrow it through active labour market policies targeting youth. Therefore, there must be indigenous factors that make it much more difficult for youth to find a job in Greece. This chapter investigates the microeconomic factors that may cause these differentials, in order to determine whether it is primarily a matter of personal attributes or whether other non-observable factors are at play, discrimination included.

4.3 Data and Methodology

The data used come from the Greek Labour Force Survey (LFS). Interviews are conducted on a quarterly basis, since 1998, throughout the country by the Greek Statistical Authority (ELSTAT). Since 2004 each member of the sample participates in the survey for six consecutive quarters ('waves'), and, thus, the survey has turned into a 'rotating panel'. The main purpose of this sampling survey is to collect detailed data on the employment and unemployment status of household members aged 15 or over. The LFS quarterly sample includes approximately 30,000 households, with 1/6 of it rotated (replaced) every quarter, which implies at least 120,000 interviews conducted each year. LFS data are chosen because they provide a rich dataset of personal information that range from educational attainment, place of residence and age to previous work experience, reporting efforts to find a job, type of current job, etc. The sample used contains all individuals aged 15–64 who are either employed or unemployed, but are actively looking for a job. It excludes, thus, students, pensioners, housewives, etc.

The question that needs to be answered is how determinants of unemployment probability (or inversely employment probability) differ between youth and individuals aged 30–64, both in terms of quantity, i.e. more years of education or work experience, and in terms of how they are perceived or valued by the labour market, i.e. the same personal attribute, e.g. educational attainment, is valued differently based on age. In order to do that, well documented decomposition techniques are

employed that were originally used to explain the gender earnings differential. Suitably adjusted, these techniques are also used to decompose the unemployment differential to an explained and an unexplained component, which is sometimes referred to as discrimination.[12]

The first thing needed is to model the choice of being unemployed or not for the two groups under examination separately.[13] Thus, the dependent variable takes the value of one, if the person is unemployed, and zero, if the person is employed. Then, in order to decompose the unemployment differential into differences due to observable attributes or their reward (unobservable attributes), an extension of the Oaxaca (1973) and Blinder (1973) decomposition for linear models proposed by Yun (2004) is used. In particular, probit equations for the probability of unemployment by age group are computed, and then the following decomposition is applied:

$$\Pr\left(Y_y = 1\right) - \Pr\left(Y_o = 1\right) = \Phi\left(\overline{\mathrm{X}}_y \beta_y\right) - \Phi\left(\overline{\mathrm{X}}_o \beta_o\right) \tag{4.1}$$

$$= \left\{\Phi\left(\overline{\mathrm{X}}_y \beta_y\right) - \Phi\left(\overline{\mathrm{X}}_y \beta_o\right)\right\} + \left\{\Phi\left(\overline{\mathrm{X}}_y \beta_o\right) - \Phi\left(\overline{\mathrm{X}}_o \beta_o\right)\right\} \tag{4.2}$$

Subscripts *o* and *y* indicate individuals aged 30–64 and youth, respectively; *Y* is their probability of unemployment, while *X* and β are vectors of observable characteristics (the bar over the *X* stands for mean) and their estimated coefficients and *Φ* is the standard normal cumulative distribution function. The first curly bracket stands for the part that can be attributed to differences in the coefficients and is usually called the unexplained part (U). The second curly bracket represents the part that can be attributed to differences due to characteristics or endowments and it is customary referred to as the explained part (E).

This decomposition can be further disaggregated to identify the contribution of each predictor to each component. Following Yun (2004), aggregate parts, i.e. square brackets, can be divided to smaller ones which represent the effect of the *k*th covariate. In particular, the construction of weights specific to each covariate in order to identify its contribution is suggested. The weighted sum of the covariates constitutes the aggregate component as follows:

$$\Pr\left(Y_y = 1\right) - \Pr\left(Y_o = 1\right) = E + U = \sum_{K}^{k=1} W_{\Delta x}^{k} E + \sum_{K}^{k=1} W_{\Delta \beta}^{k} C \tag{4.3}$$

The weights are obtained from a first-order Taylor linearisation of $X_y\beta_y$ and $X_o\beta_o$ and are not sensitive to the problem of path dependence, i.e. the sequential substitution of each group's variable with that of the other.

[12] For example, employers considering youth less reliable than individuals aged 30–64 is a form of discrimination, in a sense that it makes youth less attractive and, thus, less likely to be hired.

[13] Choice may not be the best word for it, since in an environment of high unemployment rates and a substandard safety net for the unemployed, staying unemployed is probably far from a choice, but rather an unpleasant consequence of insufficient demand for labour.

The weight for the explained component (E) is:

$$W_{\Delta k}^{k} = \frac{\beta_{f}^{k}\left(\overline{X_{y}^{k}} - \overline{X_{o}^{k}}\right)}{\sum_{k=1}^{K}\beta_{y}^{k}\left(\overline{X_{y}^{k}} - \overline{X_{o}^{k}}\right)} \tag{4.4}$$

and for the unexplained component (C) is

$$W_{\Delta x}^{k} = \frac{\overline{X_{y}^{k}}\left(\beta_{y}^{k} - \beta_{o}^{k}\right)}{\sum_{k=1}^{K}\overline{X_{y}^{k}}\left(\beta_{y}^{k} - \beta_{o}^{k}\right)} \tag{4.5}$$

Finally, it is worth mentioning that the detailed decomposition is not invariant to the choice of the reference category when sets of dummy variables are used (Oaxaca and Ransom 1994). In other words, when a set of dummy variables is included in the model, i.e. for the level of education, one will get different results, if lower education is chosen as a reference category, than the respective results, if higher education is chosen. An algorithm suggested by Yun (2005) is employed to account for this. The algorithm transforms the estimates of the probit equation so that the identification problem is resolved.[14]

The probability of being unemployed depends primarily on personal attributes, given that all individuals operate within the same economic and social environment,[15] or what is usually referred to as observed characteristics. Factors commonly considered[16] include personal attributes such as age, gender,[17] highest level of education attained, years since graduation, family status, migration status[18] and position in the household (i.e. head, spouse, etc.). Moreover, household characteristics matter in the decision of how much labour to supply,[19] such as the degree of urbanisation of the household's residence area or the household's composition, i.e. number of other employed and unemployed individuals in the household and the number of dependent members in the household. Finally, a set of variables reflecting individual's labour market status 1 year ago is also included, since it may act as a signal for potential employers.

[14] All econometric estimations were performed using STATA 14.2.

[15] This hypothesis can be considered quite bold, if one considers the existence of wide differences across regions. On the other hand, the general institutional framework does not change significantly across Greek regions.

[16] See, for example, Tsakloglou et al. (2010).

[17] Women in Greece traditionally have higher unemployment rates than men. See Cholezas and Kanellopoulos (2016).

[18] Cavounidis and Cholezas (2013) study the different labour market outcomes of natives and immigrants in Greece. Thus, a dummy variable accounting for those differences is considered useful.

[19] A household model of labour supply was first introduced by Mincer (1962).

Despite best intentions, all differences between youth and individuals aged 30–64 that may contribute to the unemployment differential cannot possibly be accounted for, due to the lack of suitable data. Such differences may be related to personality. For instance, youth might be more enthusiastic to undertake new responsibilities, while individuals aged 30–64 might be more stable and reliable. Another major distinction between youth and older individuals is the job search intensity or the compromises they are willing to make in order to get a job. The fact that youth are often employed in seasonal jobs and/or jobs that demand a lower skills' level than the one they embody is not a mere coincidence. A large enough pseudo R^2 is a sign that such unobservable traits should not be a major source of concern.

Differences in observable attributes cannot account for the entire age unemployment differential, just as they cannot account for the entire earnings gap. A major source of different unemployment probabilities is related to how individual attributes are rewarded by the labour market, i.e. potential employers, usually because of social norms or discrimination. For example, a tertiary education degree might be much more valuable for an individual aged 30–64 in getting a job compared to a young graduate. A possible drawback is that such differences may depend on potential employers' characteristics, for which there is no available information. Luckily, the sample spreads over several years and includes over one million observations, thus mitigating the lack of information. The big number of observations and the goodness of fit of our model seem to suggest that any difference that is not related to observed attributes is the result of employers' perceptions regarding youth.

4.4 Results

The results for the probability of being unemployed in the form of average marginal effects are presented in Table 4.1 for both periods explored and both groups.[20] A positive sign means increased unemployment probability, thus an unemployment disadvantage, while a negative sign means decreased unemployment probability, thus an unemployment advantage. Generally, the sign of the attributes' impact on the unemployment probability does not differ between youth and individuals aged 30–64. In other words, most attributes that have a positive/negative impact on the unemployment probability of youth also have a positive/negative impact on the unemployment probability of older individuals. Moreover, some attributes have a statistically significant impact on the unemployment probability of older individuals, but not on the unemployment probability of youth. Generally, the model fits older individuals better, thus there are more variables with a statistically significant impact. Recall that in most cases dummy variables are concerned, so statistical insignificance means that the impact does not differ from the reference group. In the case of educational attainment, for example, post-secondary non-tertiary education

[20] Due to space limitations, probit results are omitted, but they are available by the author upon request.

Table 4.1 Determinants of the probability of unemployment (average marginal effects)

	2004–2008				2009–2016			
	Youth		Old		Youth		Old	
Employed	−0.406	***	−0.523	***	−0.569	***	−0.676	***
Unemployed	0.155	***	0.167	***	0.125	***	0.124	***
Male	−0.057	***	−0.012	***	−0.038	***	−0.011	***
Primary or less	0.010	*	0.004	***	0.032	***	0.006	***
Lower secondary	0.006		0.003	**	0.011	**	0.007	***
Post-secondary non-tertiary	0.003		0.002		0.008		0.001	
ATEI	−0.015	***	−0.005	**	−0.015	***	−0.012	***
AEI	−0.015	***	−0.011	***	−0.012	***	−0.021	***
MSc and/or PhD	−0.030	**	−0.017	***	−0.023	*	−0.023	***
East Macedonia and Thrace	0.006		0.004	**	0.000		−0.006	***
Central Macedonia	0.010		0.000		−0.001		−0.001	
West Macedonia	0.027	***	0.010	***	0.018	*	0.000	
Epirus	0.028	***	−0.001		0.009		−0.007	***
Thessaly	0.008		0.000		0.009		−0.008	***
Ionian Islands	0.014		0.001		−0.034	***	−0.015	***
West Greece	0.021	***	−0.002		−0.003		−0.007	***
Sterea Ellada	0.010		0.001		0.010		−0.004	**
Peloponnese	0.012	*	−0.004	**	−0.004		−0.012	***
North Aegean	0.009		−0.004		−0.016		−0.006	**
South Aegean	−0.011		−0.005	**	−0.055	***	−0.011	***
Crete	−0.022	***	−0.007	***	0.002		−0.007	***
Married	−0.007		−0.008	***	0.015	**	−0.010	***
Head	−0.041	***	−0.008	***	−0.021	***	−0.001	
Sibling	0.005		0.007	***	0.032	***	0.020	***
Parent	−0.009		−0.003		0.019	*	0.000	
Urban	0.006	*	0.008	***	0.003		0.015	***
Immigrant status	−0.014	**	0.006	***	0.014	**	0.020	***
# of employed hh members	−0.017	***	−0.004	***	−0.025	***	−0.009	***
# of unemployed hh members	0.059	***	0.016	***	0.052	***	0.024	***
# of dependent hh members	0.002		0.001	*	−0.002		0.003	***
2004/2009	0.006		0.009	***	−0.091	***	−0.033	***
2005/2010	0.007	*	0.009	***	−0.062	***	−0.025	***
——/2011					−0.020	***	−0.010	***
2007/——	−0.002		0.000					
2008/2013	−0.004		−0.001		−0.006		−0.006	***
——/2014					−0.037	***	−0.019	***

(continued)

Table 4.1 (continued)

	2004–2008				2009–2016			
	Youth		Old		Youth		Old	
——/2015					−0.043	***	−0.019	***
——/2016					−0.042	***	−0.019	***
Quarter1	0.007	***	0.003	***	0.002		0.002	***
Quarter3	−0.003	**	−0.001	***	0.003	*	−0.001	**
Quarter4	0.006	***	0.002	***	0.010	***	0.001	

Note: *(**)*** stand for statistically significant coefficients at 1%(5%)10% probabilty

graduates seem to have the same unemployment prospects with upper secondary education graduates.

The fact that attributes impact on the unemployment probability differently depending on age is more pronounced in some cases. Educational attainment, which is often considered very important in getting a job, often impacts on youth unemployment chances more. With respect to higher education, it is worth noting that before the crisis young graduates had an unemployment advantage compared to upper secondary education graduates, much bigger than their elder counterparts, but their advantage shrunk during the crisis, while that of their elder counterparts increased considerably. Moreover, being employed a year ago, for instance, decreases the unemployment probability more for older individuals, both before and during the crisis. On the other hand, being unemployed a year ago increases the unemployment probability for both groups, but more so for elders, at least before crisis. Male youth seem to face fewer difficulties in getting a job than their older counterparts, but the situation seems to have worsened during the crisis for them. Other attributes, such as being the head of the household, seem to reduce the unemployment probability for youth more compared to older individuals. The same holds for the number of employed (unemployment advantage) and unemployed (unemployment disadvantage) in the household. Perhaps youth are more susceptible to role models than older individuals or more susceptible to household conditions.

In some cases the impact of youth's attributes on their unemployment probability has changed during the crisis. For example, being employed a year ago is more important during the crisis, perhaps because of strong path dependency, i.e. youth that have a job are less likely to become unemployed than it is for unemployed youth to get a job. Interestingly, the same holds for older individuals for whom the impact is even stronger. On the contrary, but not surprisingly, being unemployed has a smaller impact during the crisis for both groups, perhaps because as an information it has lost its signalling value due to the high unemployment rates prevailing for everyone and especially youth.

Having discussed the attributes that affect the unemployment probability, it is time to explore how their differences shape the unemployment gap. The results of the decomposition for the two distinct periods are reported in Table 4.2. A number of remarks could be made. The first one is that the age unemployment differential increased during the crisis by almost 60%, since the average probability of

Table 4.2 Aggregate age unemployment differential decomposition

	2004–2008		2009–2016	
Unemployment differential (pp)	0.125	***	0.201	***
Explained (pp)	0.166	***	0.229	***
Share of total (%)	132.8		114.0	
Unexplained (pp)	−0.041	***	−0.028	***
Share of total (%)	−32.8		−14.0	

***Statistically significant at 1%

unemployment for youth was 12.5 pp bigger before the crisis and is now 20.1 pp bigger compared to individuals aged 30–64. The second remark is that the explained part is consistently bigger than the unexplained part, and the differential itself for that matter. This means that employment chances are much more dependent on attributes than other unknown factors. The third remark is that the explained component is positive, which means that – ceteris paribus – individuals aged 30–64 are endowed with attributes that improve their chances of getting a job compared to youth. Moreover, it increased during the crisis, which means that the dependency just mentioned grew bigger. Note, though, that as a share of the total differential, it actually decreased during the crisis. The fourth remark is that the unexplained component is negative (i.e. it decreases the unemployment gap), which means that – ceteris paribus – employers value youths' attributes more. This is in sharp contrast to what was expected, since it is usually argued that youth are not preferred by employers on the grounds of lacking key attributes, such as responsibility, ability to work in groups, cooperation skills, punctuality, etc.[21] On top of that, the unexplained part decreased during the crisis. This observation coupled with the increase in the explained component of the unemployment differential seems to suggest that the labour market became more rational. Despite the fact that the unemployment gap increased, the already small unexplained component decreased even further.

In light of the evidence presented, the hypothesis that active labour market programmes targeting youth, which increased sharply during the crisis, or specific reforms to make youth more attractive to employers, such as the sub-minimum wage for individuals below 25 years of age already mentioned, may have led to the decrease in the unexplained component of the age unemployment gap certainly cannot be light-heartedly rejected.

The age unemployment gap increased during the crisis and that is due to the increase in the explained component of the gap and the decrease in the unexplained component. The question is which attributes are responsible for that increase, given that a different policy mix can be involved. In this context, Table 4.3 presents the results for the detailed decomposition of the unemployment gap as a share of the total unemployment gap. For ease of exposition, variables have been grouped by summing up several dummies' impacts.[22] For example, variable *Education* sum-

[21] See, for example, IOBE (2007).

[22] Fully detailed decomposition results, as well as estimation results, are not reported here, but are available in the appendix.

Table 4.3 Detailed age unemployment differential decomposition (shares in %)

	2004–2008				2009–2016			
	Explained		Unexplained		Explained		Unexplained	
Employed	57.1	***	174.5	***	54.4	***	48.3	***
Unemployed	18.5	***	−22.6	***	18.4	***	−12.7	***
Inactive	10.2	***	−12.3	***	9.4	***	−4.8	***
Male	1.2	***	−42.4	***	0.2	***	−8.0	***
Years since graduation	21.7	***	23.1	*	18.1	***	6.3	
Education	−2.7	***	−17.3	*	−3.2	***	−7.0	***
Region	0.0		−9.5		0.2	***	−0.3	
Married	11.3	***	6.9		5.1	***	4.3	***
Relation with head	14.7	***	−2.6		10.7	***	−1.9	
Urban	0.9	***	−37.0	**	0.4	***	−17.3	***
Immigrant status	0.4	***	−8.6	**	0.5	***	−2.1	***
Family	−1.5		−20.7	*	0.3		−7.2	**
Year	1.0	***	−2.5	***	−0.5	***	−1.0	*
Quarter	0.0	***	0.0		0.0	***	−0.3	***
Constant			−61.7	**			−10.3	

Note: *(**)*** stand for statistically significant coefficients at 1%(5%)10% probabilty

marises the impact of all education dummies and is expressed as a share of the unemployment differential, either the explained (differences due to observed attributes), which equals −3.2% during the crisis, or the unexplained (labour market's different treatment for the same group of attributes), which equals −7.0%. Both sign and size are important and should be considered. The sign shows whether differences in the specific group of attributes increase (+) or decrease (−) the age unemployment gap, while the size is a measure of the magnitude of that impact.

Differences in observed attributes seem to increase the age unemployment gap for the majority of the characteristics reviewed, i.e. youth have a disadvantage, both before and during the crisis. The opposite is true for the unexplained constituents, which in most cases decrease the unemployment gap. Labour market status a year ago seems to be the most important determinant of the explained component, especially being employed a year ago, and it increases the gap (note the positive sign). Notice that the unexplained component of being employed a year ago is also positive, i.e. it increases the unemployment gap meaning that it is more rewarding for a youth's employment prospects to be employed. The opposite is true for being unemployed or inactive a year ago. It is interesting that while the explained components change only slightly during the crisis, the unexplained components record big changes, especially in the case of being employed 1 year ago: the absolute impact is less than half in period 2009–2016 of what it was, while the percentage contribution is less than 1/3 of what it was. This could be the outcome of losing signalling power, since more and more people became unemployed during the crisis without bearing any responsibility, e.g. when a firm shuts down.

Being male means better employment prospects for both young and individuals above 30, but more so for the latter; hence, the difference increases the unemployment gap. On the other hand, the unexplained component seems to favour youth

considerably, although much less so during the crisis. Years since graduation also increase the unemployment gap between youth and individuals aged 30–64. The unexplained part is significant only before the crisis, which could mean that the crisis brought about some sort of rationalisation in this respect: previously not only youth had a disadvantage with respect to years since graduation, an attribute linked to work experience, they also faced an additional disadvantage by the way employers valued that attribute.

Moreover, differences in educational attainment decrease the unemployment gap, slightly less more the crisis. The unexplained component is also negative, but it decreases during the crisis as a share of the overall unemployment gap. This indicates that educational differences became wider during the crisis, but at the same time, education became less important for employers who seem to think less of it during the crisis. There are two forces at play with respect to education. On the one hand, it could be that low demand for labour and ample supply of educated individuals, especially youth, has caused an inflation of educational qualifications matched by a lack of similar jobs, a situation which caused education to lose some of its value as a factor of facilitating employment. On the other hand, any young individual can attempt to stand out as a well-educated individual in an environment of increased unemployment rates in order to have better chances to get a job.

Age differences in the rest of the attributes, such as marital status, relationship with the head of the household, type of living area (urban or not), household's composition, year and quarter of the interview, have similar signs before and after the crisis. Moreover, the unexplained components for all variables seem to have weaker impacts during the crisis, and in some cases, they even lost their statistical significance, which means that employers do not alter their views for those attributes according to age and that attitude seems to be strengthened during the crisis, again pointing towards a more rational behaviour on behalf of the employers.

4.5 Conclusions

This chapter explored the determinants of the probability of unemployment for youth aged 15–29 and older individuals aged 30–64, in order to decompose the wide age unemployment differential in Greece to two components, i.e. an explained component that is due to differences in the observed attributes of the two groups and an unexplained component that is due to unobserved differences. Probit estimations were originally performed, and then the Oaxaca decomposition technique coupled with Yun's detailed decomposition algorithm was implemented. The sample was drawn from the Labour Force Survey conducted throughout the country from the first quarter of 2004 until the second quarter of 2016. In order to account for the effects of the crisis that prevailed in 2009, the analysis divided the sample to two subsamples: one before the crisis, i.e. 2004–2008, and one during the crisis, i.e. 2009–2016.

The determinants of the unemployment probability have the same sign for youth and older individuals, but there are differences in their magnitude. The crisis changed the magnitude of the attributes' effect, but it did not change their sign. That is also true for youth and older individuals. The situation in the labour market a year before the interview seems to have the stronger impact amongst the attributes considered, which leads to the conclusion that there is a strong path dependence for everyone, but less so for youth. The unemployment gap increased significantly during the crisis, due to the increase in the explained component and the decrease in the unexplained component. These two taken together seem to imply that the labour market became more rational or perhaps that active labour market policies and institutional interventions actually relieved youth unemployment. The detailed decomposition suggests that differences in observed characteristics increase the age unemployment gap for the majority of the characteristics reviewed, while the opposite is true for the unexplained constituents. Years since graduation, which is an approximation of work experience, harms youth in two ways: not only youth have less years since graduation, but they also face an additional disadvantage by the way employers value that attribute, because they are younger. A possible explanation could be that the work experience of youth is less compatible with the kind of jobs they seek compared to individuals' over 30 work experience. Moreover, education as a determinant of the age unemployment gap is important and it decreases the age gap, but it appears to be less important during the crisis. The type and level of education required by new jobs could provide a reasonable explanation.

Given that the age unemployment gap is undesirable and we wish to narrow it, the analysis verifies the importance of previous labour market status. Thus, the main form of active labour market policies, i.e. subsidised employment and training programmes for youth, should be further improved, perhaps by becoming better targeted and tailored to the needs of the labour market, in order to increase youth's chances to get a steady job after completion of the programme. The lack of work experience mirrored in the strong impact of years since graduation only strengthens this argument. On the other hand, employers' views about youth could be addressed through communication campaigns and emphasis put on social responsibility, in order to further strengthen their favourable impact on the age unemployment gap.

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Chapter 5
Youth Labour Market in Central and Eastern Europe

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5.1 Introduction

Getting a foothold in the labour market (LM) represents a significant shift in young adulthood – labour market entry process affects further careers and tends to relate closely to transitions in other life domains (Kieselbach et al. 2001). However, life course is not anymore a predetermined sequence of first leaving school and then entering work, but rather a series of different activities where youth is growingly exposed to the phases of unemployment or jobs with precarious contract conditions which call for a dynamic view. Previous literature, focusing mostly on school-to-work transition in the Western societies, has established that individual agency is shaped by various institutional factors (Breen 2005): (1) education system, which determines the link and the pathways between the education system and the labour market; (2) the employment systems (employment protection), which shape the contractual possibilities of the youth entering labour market; and (3) the employment policies, which define and shape the possibilities to (re-)enter labour market through various measures, programmes, subsidies, trainings or benefits targeted at youth.

The current chapter aims at providing a comprehensive review of the youth labour market issues specific to countries of Central and Eastern Europe (CEE). The first part of the chapter presents an analytical framework how institutions frame the transitions outlining also transition regimes. Thereafter, it provides an overview of existing institutions relevant for youth labour markets and their variation across the CEE

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countries. In the second part, we offer a descriptive analysis of the microdata from the EU statistics on income and living conditions (EU-SILC) datasets, both with time dynamics and in comparison with selected EU benchmark countries – Finland, Austria, the UK and Italy – representing different transition regimes. In particular, we focus on labour market transitions of youth with different educational resources.

5.2 Institutional Features Framing Youth Labour Market Transitions

5.2.1 Educational and Training Systems

Education is the central resource for young people entering the labour market (LM). The role of educational qualifications in job allocation process relates to country-specific institutional structure of education and training system. Most theories about cross-country variation in school-to-work transition assume some type of clustering of education and labour market systems (Allmendinger 1989; Marsden 1990; Shavit and Müller 1998). However, it has been also suggested that the existing classifications may be too crude to capture the complexity of the institutional arrangements of modern education systems. Moreover, it may be more informative to analyse specific education system characteristics (Bol and van der Werfhorst 2011, 2013; Müller and Gangl 2003). The most commonly used characteristics of the education system that are relevant for explaining youth LM entry are the type of stratification,[1] standardisation[2] and organisation of vocational training and institutional linkages (Allmendinger 1989; Shavit and Müller 1998; Levels et al. 2014). For example, the educational systems in the traditionally vocation-oriented Germany and Austria feature extensive vocational training through large-scale apprenticeship programmes (Müller and Gangl 2003). In general, if the educational system provides standardised qualifications with occupation-specific skills and the job matching is based mainly on qualifications, young people have easier time entering the LM (Müller 2005). However, youth without secondary education are especially disadvantaged in such countries. If most youth graduate with general secondary education and acquire further training in the workplace, then job matching is more related to experience. Thus, the difference in the labour market chances between those with and without secondary education becomes less pronounced once the low educated have managed to obtain the first work experience. As job matching can be most successful in systems with high vocational orientation, shorter work periods and therefore higher mobility of youth would be expected in educational and training systems providing mainly general skills. At tertiary level, the smaller the group of graduates, the better

[1] *Type of stratification* refers to the number and type of transitions to the next educational level.

[2] *Standardization* is the degree to which the quality of education meets the same standards nationwide (Allmendinger 1989: 46).

chances they face in the labour market. However, in the context of expansion of higher education, the labour market chances of graduates become more heterogeneous (Shavit et al. 2007).

5.2.2 Labour Market Regulations

While the education system affects youth transition process to LM by shaping the supply of labour in terms of skill levels of the entrants and the role of educational certificates in labour allocation process, the structure of the labour demand in the labour market is affected by the labour market regulation, such as employment protection legislation (EPL). It sets the rules for processes of hiring and firing in any given country. The rigid EPL has been blamed as the main cause of youth labour market integration problems in Europe. For example, previous research has shown that stricter EPL tends to result in higher youth unemployment relative to that in adult population (Breen 2005; de Lange et al. 2014). However, vocational orientation of educational system may counterbalance this negative effect (Breen 2005; van der Velden and Wolbers 2003). Still, some research shows the lack of clear association between the youth labour market entry and the EPL (Müller and Gangl 2003; O'Higgins 2012), while others found that the association varies across educational groups. For example, in the study by Wolbers (2007), the EPL index has a significant positive association for upper secondary education level, whereas there is no effect for tertiary education level. This suggests that youth with different educational attainment might be affected differently by the institutional context. Confirming this, Gebel and Giesecke (2016) demonstrate that temporary contract deregulation increases the likelihood of temporary employment among youth but does not reduce the risk of unemployment risks for all educational groups. On the contrary, for low-educated young men, it increased the risk of unemployment.

5.2.3 Labour Market Policies

The institutional sphere, which relates most directly to cushioning the market effects, is the welfare state. The relation between the youth LM entry chances and the generosity of the unemployment benefits is not clear as youth is generally not eligible for the unemployment benefits due to their short work careers. However, active labour market (ALM) measures are claimed to play a positive role, especially for disadvantaged groups, in helping youth to get the foothold in the labour market (Card et al. 2015). A study by Russell and O'Connell (2001) demonstrates that the level of expenditure on active labour market policies has a strong positive effect on chances of getting a job for unemployed young people. Others have established that the introduction of fairly large-scale ALM programmes has affected the structure of the transition processes in many European countries due to the institutional lock-in effects (e.g. Ryan 2001), particularly among the less qualified and disadvantaged youth (Müller and Gangl 2003).

5.2.4 *Labour Market Entry Regimes*

For analytical purposes it is useful to distinguish different institutional dimensions affecting youth transitions; however, institutional setups form an interrelated 'institutional package'. One starting point for youth transition regimes by Walther (2006) has been the model of welfare regimes (Esping-Andersen 1990) but apart from different structures of welfare also including structures of education systems and youth policies.

Walther (2006) has distinguished four clusters of transition systems: the universalistic regime in the Scandinavian countries is characterised by an extended welfare provision combined with an inclusive schooling system. The focus is on education and activation. The liberal regime in the Anglo-Saxon countries is characterised by an adaptive and versatile education and training system combined with open, easy access to employability accompanied with high risk and low access to welfare. The employment-centred regime in the continental countries has more selective and standardised educational and training frameworks. The focus is mostly on vocational training. Access to social assistance is selective. The familistic or subprotective regime in the Mediterranean countries is characterised by a nonselective educational system combined with low-standardised training schemes. Access to the labour market is challenging, with high rates of informal and precarious jobs. The role of the family in these countries is prominent, with high levels of dependency among youth.

The model is limited as it does not include Central and Eastern European (CEE) transformation societies which could either fit to existing regime types or in the development of new ones. Saar et al. (2008) conclude in their analysis that the attempt to classify institutional patterns in the CEE countries into different institutional regimes so far indicated the contradictions and inherent dissonance of institutional rules operating in the educational system and labour market. The CEE countries have tended to borrow models and practices from different types on institutional packages, creating a certain inconsistency of new institutional packages. Due to the variety and inconsistency of institutional systems, it is hard to predict the way these systems will shape the process of labour market entry.

5.3 The Role of Institutions in the CEE Countries

Educational institutions in the CEE countries to a varying degree combine some of the features from the socialist past with some of the new developments. Research has demonstrated that the earlier students are directed towards different tracks, the higher the diversity of their knowledge and competences later (Kogan et al. 2008) which translates into different labour market outcomes. A first serious decision, selection of gymnasium is taken in Hungary, the Czech Republic and Slovakia at the age of 10–11 (ibid), in the other CEE countries, first tracking takes place in age 14–15 (see Table 5.1). At the secondary level, there is availability of vocational/technical and general tracks in all CEE countries, but clear differences emerge.

Table 5.1 Labour market characteristics of selected CEE and other EU countries, 2012–2014

		BG	SI	PL	HU	CZ	LT	LV	EE	UK	IT	FI	AT
	Early tracking	No	No	No	Yes	Yes	No	No	No	No	No	No	Yes
	Voc. sec. enrolment	Medium	High	High	Low	V high	Low	Low	Low	Low	Medium	High	V high
	EPL regular	1.77	2.60	2.23	1.59	2.92	2.45	2.69	1.81	1.10	2.68	2.17	2.37
	EPL temporary	0.88	1.81	1.75	1.25	1.44	2.38	0.88	3.00	0.38	2.00	1.56	1.31
	PLMP (as % GDP)	Na	0.61	0.22	0.26	0.23	Na	Na	0.39	0.31	1.53	1.82	1.41
	ALMP (as % GDP)	Na	0.37	0.49	0.86	0.37	Na	Na	0.19	0.23	0.36	1.07	0.80
	Average duration of different labour market status in months between 2012 and 2014												
Total	Work	19.2	25.5	25.9	21.8	27.8	24.3	24.4	22.7	26.6	20.3	23.9	26.1
	Unemployment	9.8	6.6	4.9	5.6	2.5	5.9	5.1	4.6	2.1	9.5	3.1	2.6
	Education	0.4	1.5	0.6	0.5	0.2	0.8	0.5	1.1	1.1	1.4	3.5	1.9
	Home	2.4	0.3	2.0	2.0	4.3	1.5	1.5	5.0	3.3	2.1	3.0	3.0
	Other inactivity	3.4	0.8	1.9	4.4	0.9	3.3	3.2	1.8	1.8	0.9	1.9	1.4
	N	535	859	1426	1079	666	308	500	594	725	1478	473	534
ISCED 3	Work	22.8	25.7	25.2	23.9	28.4	24.9	24.6	22.9	26.1	21.3	23.7	27.4
	Unemployment	8.8	6.6	5.5	5.5	2.5	6.5	5.3	4.0	2.2	9.1	2.9	1.8
	Education	0.3	1.9	0.5	0.4	0.2	1.2	0.6	1.2	1.5	1.3	4.5	1.6
	Home	0.7	0.1	2.3	1.4	4.1	1.8	1.3	5.4	3.3	1.8	2.6	3.1
	Other inactivity	2.5	0.4	1.9	2.9	0.6	1.2	2.5	1.6	1.5	0.7	1.9	1.2
	Volatility	1.3	1.8	1.6	1.3	2.2	1.6	1.5	1.4	2.1	1.3	2.4	1.9
	N	285	561	872	639	486	139	242	288	333	870	299	350

(continued)

Table 5.1 (continued)

		BG	SI	PL	HU	CZ	LT	LV	EE	UK	IT	FI	AT
	Relative duration of different labour market status in comparison to average duration in ISCED 3 (%)												
ISCED 0–2	Work	0.4	0.7	0.6	0.4	Na	0.5	0.7	0.8	0.7	0.7	0.7	0.8
	Unemployment	1.6	1.6	1.7	1.6	Na	1.8	1.7	2.0	2.1	1.4	3.0	3.3
	Education	1.6	0.6	4.1	1.2	Na	0.7	0.7	1.0	0.3	0.9	0.5	1.3
	Home	9.3	8.7	1.8	2.9	Na	1.8	1.9	0.7	1.9	1.7	1.0	0.9
	Other inactivity	1.6	8.3	2.7	3.6	Na	5.8	2.0	2.2	2.9	2.4	2.7	2.4
	Volatility	0.5	0.8	0.8	0.6	Na	0.7	0.8	0.9	1.0	0.9	0.9	1.2
	N	142	105	133	242	35	51	101	172	120	396	55	120
ISCED 4–6	Work	1.3	1.1	1.2	1.5	1.1	1.2	1.1	1.2	1.2	1.1	1.2	1.0
	Unemployment	0.3	0.7	0.4	0.2	0.3	0.4	0.4	0.4	0.4	0.6	0.3	0.4
	Education	1.1	0.5	0.6	0.5	1.4	0.2	0.6	0.7	0.7	1.6	0.3	2.3
	Home	0.2	0.9	0.4	0.0	1.0	0.3	0.9	1.0	0.5	0.6	1.7	0.7
	Other inactivity	1.1	0.5	0.3	0.0	0.5	1.6	1.4	0.0	0.6	1.4	0.2	0.3
	Volatility	2.3	2.52	3.13	2.46	3.18	2.8	1.98	2.17	3.25	1.73	2.16	2.88
	N	81	189	416	198	140	111	157	133	253	193	114	64

Sources: OECD database and EU-SILC, own calculations. Due to a small sample size, the statistics for youth with ISCED 0–2 level of education for the Czech Republic is not presented. Country

Some systems provide more places in general secondary schools, while others are more vocationally orientated. In the CEE countries that are geographically and historically closer to Germany or Austria, a vocationally oriented secondary education has maintained its dominance over a more general curriculum. In the Baltic countries, most pupils opt for general secondary education, whereas especially in the Czech Republic, but also in Slovenia, Poland vocational secondary education has high enrolment rates. Hungary used to have high enrolments into vocational secondary education till 2005, but it has decreased considerably. In terms of organisation of vocational education, the Czech Republic, Hungary and Slovenia have preserved or reintroduced the elements of enterprise-based apprentice training, whereas the Baltic states, Poland and Bulgaria have shifted to increasingly school-based vocational education (Kogan 2008: 30; Baranowska 2008: 276). The educational expansion is more prevalent in countries where general secondary education prevails. At least 40% of people aged 25–29 across all the Baltic states and Poland have tertiary education, which is above the average in the EU-28 (Rokicka et al. 2015: 21). Bulgaria differs from the above-mentioned countries. Its system of secondary education combines both general and vocational elements, whereas tertiary educational attainment lags behind the rest of the CEE countries and in Europe in general being at the same level as in Austria and Italy (ibid).

Specific features of the EPL aiming at protection of permanent workers against individual dismissal[3] do not allow drawing very clear country groups. Most of the CEE countries have introduced changes to the EPL after 2008 due to the last recession, which had led to an increased risk of dismissal of regular workers. Bulgaria, Romania, Hungary, Slovakia and Estonia have a weaker employment protection than the OECD average making it similar to the UK in 2013. A weaker EPL is usually associated with lower firing and hiring costs for employers, which in turn can promote youth LM mobility. In all the other CEE countries, Latvia, Lithuania, Poland and Slovenia, despite of a relative reduction in the protection, the EPL is still clearly stronger than the OECD average – at the same level as in Germany or Finland. The Czech Republic has not reformed its legislation during the last crisis and, therefore, has one of the toughest protective legislations towards regular workers in Europe, similar to Portugal. However, we have to note that in all CEE countries including the Czech Republic, trade union density is very low which makes it questionable if high protection in legislation translates to everyday reality as social structures supporting the voice of workers are weak.

While several Western European countries have opted for a partial deregulation lowering the protection of employees with temporary contracts, this has not been the case in the CEE countries. In general, since the introduction of temporary contracts, their regulation has been quite liberal, and most above-mentioned CEE countries have even increased the protection for temporary workers. Despite that, in all the CEE countries, with the exception of Estonia and Lithuania, temporary workers are on average less protected than in the OECD countries. However, most young

[3] OECD/IAB Employment Protection Database, 2013 update, see: www.oecd.org/employment/protection

workers in the region have permanent contracts. While on average 26% of young European employees held a fixed-term position in 2013, the corresponding number in Romania, Lithuania, Bulgaria, Ukraine, Latvia and Estonia was only around 10% and under 20% in the Slovak Republic, Hungary and the Czech Republic. The only exceptions are Slovenia and Croatia, where over 40% of the recent school leavers had a temporary job in 2013 (Rokicka et al. 2015: 53).

Labour market policies in the CEE countries receive a much smaller allocation of government spending as compared to the EU average both for passive and for active labour market measures[4] making the CEE countries similar to the liberal UK or to Italy. For instance, around 0.37% of GDP in the Czech Republic and Slovenia is spent on ALMP, similar to Italy (0.36% of GDP) which is characteristed by lowe investments into the ALMPs (see Table 5.1). Baltic countries and Slovakia spend even less on the ALMPs (0.17–0.24%). Poland[5] and especially Hungary spend more – 0.49% and 0.86% of GDP, respectively, similar to Germany and Austria, but lagging behind the Northern Europe where more than 1% of GDP is invested into the ALMPs. However, these investments are not necessarily youth specific as Walther (2006) has pointed out. Coverage of ALMP for long-term youth unemployment has been assessed high in three of our reference countries: the UK, Finland and Austria (ibid). In contrast, in Bulgaria, Poland, Romania and Slovakia, the coverage is assessed low similarly to Italy. The exception is Slovenia which stands out with higher coverage of ALMP. Unfortunately, youth-specific data is missing for Baltics, Hungary and the Czech Republic.

Despite all the institutional settings that shape the school-to-work transition process, the importance of economic situation of a country in the process of youth labour market entry cannot and should not be underestimated (Gangl 2002; de Lange et al. 2014; Wolbers 2007). During the economic downturn, the competition had tightened among the school leavers, making transitions to work more challenging and increasing the risk of dismissal due to the association with one of the least protected groups in the LM. In 2013 the Czech Republic had one of the lowest youth unemployment rates among the CEE countries together with Estonia (Rokicka et al. 2015: 22). While Baltic states had the worst situation with youth unemployment in 2010, it returned to lower than the EU average unemployment rate for 15–29-year-olds already by 2012. Youth unemployment is around the EU average in Hungary, Poland and Slovenia, still being alarmingly high (almost 20%). In Bulgaria and Slovakia, youth unemployment rate is slightly higher than 20%. The unemployment rate in the CEE countries exhibits a clear gradient in educational attainment (Fig. 5.1). Moreover, the visible differences in unemployment rates by educational attainment exist in majority of CEE countries: moderate variation in Baltic states is followed by much larger differences of labour market situation of youth from Poland, Slovakia and Bulgaria.

[4] OECD.Stat Database, 2014, see: https://stats.oecd.org/Index.aspx?DataSetCode=LMPEXP#, Active measures 10–70, Passive measures 80.

[5] Ibid, 2013 data as 2014 not available for Poland.

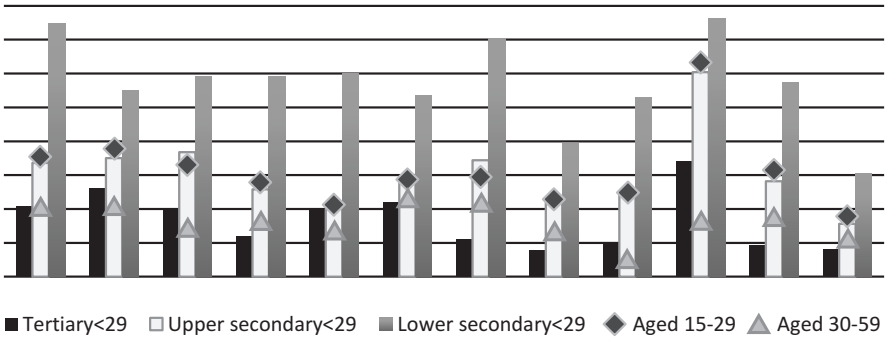

Fig. 5.1 Unemployment rate by educational levels and age groups (%, 2014) (Sources: Own calculations based on Eurostat (yth_empl_090), and EU-SILC cross-sectional UDB(ver 2014-1). Country code used: *BG* Bulgaria, *SI* Slovenia, *PL* Poland, *HU* Hungary, *CZ* Czech Republic, *LT* Lithuania, *LV* Latvia, *EE* Estonia, *UK* United Kingdom, *IT* Italy, *FI* Finland, *AT* Austria)

5.4 Analytic Strategy

5.4.1 Data and Sample

Our study is based on the most recent wave of the longitudinal data from the EU statistics on income and living conditions (EU-SILC), which is the only longitudinal dataset which allows for between-countries comparison, as the harmonisation and standardisation of the data is implemented centrally by the Eurostat. We rely on this longitudinal dataset to describe the path of youth labour market transitions between different forms of economic activities by reconstructing individual LM path during 36 months after entering LM first time. The main aim of this empirical analysis is to compare the individual labour market trajectory of youth from the CEE and the benchmarking EU countries. As the educational attainment is the central resource for young people, and it is an important determinant of the LM entry and school-to-work transition (Wolbers 2007), we also examine the labour market trajectories for groups across different educational levels.

The analysis is based on eight CEE countries, for which the data is available: Bulgaria (BG), the Czech Republic (CZ), Estonia (EE), Hungary (HU), Lithuania (LT), Latvia (LV), Poland (PL) and Slovenia (SI). As a benchmark, we use four, distinctive, EU countries as representative cases of different LM entry regimes: the United Kingdom (UK) for liberal, Italy (IT) for subprotective, Finland (FI) for universalistic and Austria (AT) for employment-centred.

As we are interested in the LM situation of youth who already completed education, we limit our sample to those aged 16–30 in 2012, which in the first reported

month were not in education, and to those who were present in at least three waves of the survey. We exclude those who were in compulsory military service, permanently disabled or unfit to work. Using these definitions our sample sizes for the CEE countries vary from 500 up to 1480 individuals (for a balanced sample). There is a minor overrepresentation of men (53% in the overall sample for the CEE) especially in Bulgaria (56%), the Czech Republic (55%) and Estonia (57%). However, as we are examining the trends among youth, who finished education (was not in education, while observed in January 2012), the lower representation of women can be related to their larger participation in education, which is a general trend in the CEE and the EU (OECD 2016a). The average age of the respondents from the CEE is 26 years; 25% respondents are younger than 25 and 50% are at least 27 years old. There is no significant variation in this respect among the CEE countries, yet in the sample of the benchmarking EU countries, the respondents are slightly younger.

5.4.2 Analysis

Empirical part of this chapter illustrates the labour market transitions and the most recent situation of youth in selected CEE countries. We distinguished between five labour market statuses. Each of the respondents in the given month could be either at work (employed or self-employed), unemployed, in education (except in the first observance) or in inactivity (fulfilling domestic tasks and care responsibilities, or in other inactivity). This information is used to construct the sequences of monthly labour market statuses between January 2012 and December 2014, similar to that provided for the other EU member states by Brzinsky-Fay (2007) based on the ECHP. A monthly labour market status is based on a retrospective question about the labour market situation in each month of the previous year. The sequence analysis, first developed for the genetics studies in medical and biological sciences, is now more commonly used in social research context in a life-course and time-use research. In this chapter we use it as a graphic tool for describing the order of labour market statuses (Graph 2) and also as a descriptive method for the analysis of LM transitions (Table 5.1).

We rely on the International Standard Classification of Education (ISCED) classification to distinguish between three educational groups, but due to data limitations, we cannot distinguish vocational qualifications. The first group consists of those with education no higher than the ISCED 2 level, lower secondary education (approximately 16% of the total sample); the second group ISCED 3, those with the upper secondary education (the most numerous group comprising around 60% of our sample); and the third group ISCED 4–6 consisting of university graduates (around 24% of our sample).[6] As mentioned above, a common distinctive feature of the CEE countries is the relatively low number of young people with the lowest level of edu-

[6] In our sample in comparison to the representative LFS data, there is a slight overrepresentation of those with upper secondary education and underrepresentation of youth with university degree.

cation – the proportion of youth with no more than lower secondary education is below the EU-28 average (respectively, 10% versus 17%). This characteristic has to be kept in mind when comparing the relative findings of CEE against benchmark countries in general and across educational groups.

As concerns labour market mobility, we use a volatility indicator (Brzinsky-Fay 2007) that depicts the share of the number of episodes in employment and education to the number of episodes in unemployment and inactivity. Higher values of this indicator are associated with more favourable labour market situation of youth.

5.5 Youth Labour Market Transition Patterns

The results of the sequence analysis show (Table 5.1) that between 2012 and 2014 young people spent most time in employment, and this is a common pattern for all observed countries. However, the aggregated employment indicator shows a considerable variation across the CEE countries – while in Bulgaria, during the observed period, youth spent on average 19 months at work, and their counterparts from the Czech Republic spent in employment almost 28 months. In the benchmark countries, in Austria and the UK, youth spend on average 26–27 months in employment during the first 3 years compared to 24 and 20 months in Finland and Italy. The countries having a high enrolment into vocational education at secondary level accompanied by a highly protective labour market for regular workers similar to Austria stand out from the CEE countries. Namely, Czech Republic, Slovenia and Poland are the most successful in terms of high average duration in employment. However, the less regulated labour market does not give a visible better employment chances for youth in the CEE countries differently from the UK. Compared to the EU benchmark countries, the figures place the other CEE countries somewhere in the middle, below the employability of youth in the UK or Austria, but better than in the Southern Europe.

As one could expect, there exists a considerable variation across educational groups in terms of employment chances, with the lowest educated being consistently worst and higher educated the best off in all countries. The school leavers having the secondary level education spent 26–27 months out of 36 in employment on average in Austria and the UK, while in Italy on average only 20 months. Those having lower education level (ISCED 0–2) spent in employment about one fifth times less (relative duration compared to ISCED 3 was 0.7–0.8) and those in higher education (ISCED 4), respectively, about 1.1–1.2 times more time.

The relative differences in employment between educational groups are very similar in the benchmark countries, but much more variety exists between the different CEE countries. The relative differences among school leavers with different educational resources are similar in Estonia, Latvia and Slovenia. However, educational resources play stronger role in some of the CEE countries, where low educated are especially at risk. In Bulgaria, Hungary and Lithuania, the situation of low-educated youth in comparison to medium-educated youth was almost twice as bad – in these countries relative duration of time spent in employment was half less than those with

secondary education. At the same time, tertiary educated were more advantaged in Bulgaria and Hungary compared to other countries indicating extremely high variability of labour market outcomes across educational levels in these countries.

The second most widespread youth LM status between 2012 and 2014 was unemployment. From EU benchmark countries, on average youth situation in the UK, Finland and Austria seems favourable as during 3 years youth look for job only for 2–3 months. The situation is much less favourable in Italy, where youth spent almost 10 months in unemployment yet educational differences are small there. At the same time, the low educated are especially disadvantaged at Finnish and Austrian labour market.

A considerable variation in unemployment spells can be observed also among CEE countries where on the one extreme are Bulgarian youth with an average of 9.8 months (similar to Italy) and on the other extreme the Czech Republic with 2.5 months (similar to Austria). On average, youth spent in unemployment considerable more time in the CEE countries than in benchmark countries (except Italy): around 5–6 months during the early career years. While the lowest average duration of unemployment in the UK is attributed generally to the high flexibility of labour market, the same does not seem to hold for the CEE countries with less regulated labour market.

When looking at the educational level, the higher educated are the best off in the Czech Republic and Hungary (0.2–0.3 times the ISCED-3 average). The difference in unemployment spells between highly educated and medium-educated youth is the lowest in Slovenia resembling in this respect the situation in Italy. Thus, between 2012 and 2014 the youth in CEE countries tend to spend on average more months in unemployment compared to their counterparts in benchmark countries except Italy, whereas differences between educational levels are smaller especially for low educated. It might be that low educated opt rather for inactivity if work chances are low or migrate to other countries where low-skilled jobs are better paid than in home countries.

For youth, who already entered LM, the returning to training and education is rather rare in the CEE region. While in Finland as an example of universalistic regime with extended welfare support, youth spent during the observed period on average 3.5 months in education or training (more than in unemployment or inactivity); this share was much lower in the CEE countries – on average 0.6 months, with the longest period observed in Slovenia (1.5). Also in other benchmark countries – Austria, Italy and the UK – the return to full-time training and education was much more common than in the CEE region. One of the explanations for this difference could be the average lower level of 'investment' into active labour market policy measures, which include education and training for unemployed or inactive, in the CEE countries compared to 'old' EU member states' (see Table 5.1 and also http://stats.oecd.org/). When looking at educational differences, not very clear pattern can be observed. On the one hand, in countries such as Poland and Bulgaria, but also Hungary, where the share of months spent in education among low educated is higher (1.2–4.1 times) compared to medium educated, and in other countries such as Slovenia, Latvia and Lithuania, the likelihood for low educated to return to

education or training is lower (0.6–0.7 times the ISCED-3 average). Higher educated tend to return more likely to education (compared to ISCED-3 level) in the Czech Republic and Bulgaria. One could argue that continuing education is one of the strategies how to avoid unemployment or inactivity status, but here no very clear educational pattern can be observed.

Another status to be observed in the sequence analysis was inactivity due to home and care reasons. Also here, a considerable variation can be observed between CEE countries – on the one extreme are Estonia (on average 5 months out of 36) and the Czech Republic (on average 4.3 months out of 36) and on the other extreme Slovenia (0.3 months out of 36). In the benchmark countries, home- and care-related status was around 3 months in average (in Italy somewhat less and UK slightly more). In this category, different from other statuses, there can be observed significant gender difference in terms of duration – women spent significantly more time in inactivity status caused by care responsibilities and fulfilling domestic tasks compared to men. Long average duration of care status could be related to the existing fertility behaviour and welfare benefits related to that. Although the fertility rates in the CEE region are low, the average age at birth of the first child tends to be lower compared to Western Europe,[7] and therefore it is plausible that many respondents in the observed age group entered parenthood during the observation window. Still, another argument could be that home and care responsibilities are a sign of 'hidden unemployment'. For example, in Bulgaria, Slovenia and Hungary, but also Poland, Latvia and Lithuania, home and care activities during the early career phase relate very much to youth with the lowest level of education (ISCED 0–2).

Another way of looking at the LM entry process is the general mobility and/or labour market flexibility level during the transition period, here characterised by a volatility measure. Higher values of volatility indicator are showing that positive transitions to employment or education and training are outnumbering the transitions to unemployment and inactivity. The Czech Republic, Slovenia and Poland stand out as the best and Bulgaria and Hungary as the worst. While compared against the EU benchmark, this indicator for all countries but the Czech Republic is again close to the value for Austria. Compared to Southern European counterparts, youth in CEE countries tend to be better off in terms of volatility. When looking at educational differences, in the CEE countries, the lowest volatility level characterises the ISCED 0–2 group (0.5–0.9 times the ISCED-3 average) and highest among higher educated (2.2–3.2 times the ISCED-3 average).

Thus, the largest disadvantage regarding labour market exclusion exists for those with the lowest levels of education. However, as could be also observed in Fig. 5.2, their chances differ depending on country. The unemployed youth with the lowest educational attainment in Latvia (ISCED 0–2) experienced more transitions to employment since 2012 than the youth with the same educational attainment in Hungary. In Bulgaria low-educated youth who were inactive due to domestic task and care responsibility in January 2012 remained largely inactive also in December

[7] https://www.cia.gov/library/publications/the-world-factbook/fields/2256.html

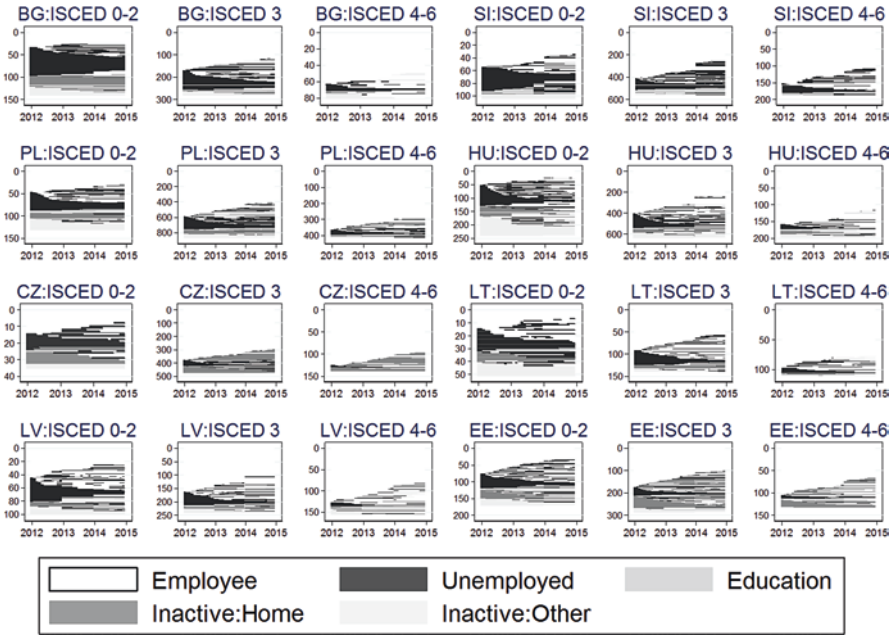

Fig. 5.2 Labour market trajectories by level of education in selected CEE (Sources: EU-SILC longitudinal data, own calculations. Graph CZ: ISCED 0–2 should be treated with caution due to low number of cases)

2014. At the same time, in Slovenia a lot of unemployed youth with lower level of education switched into employment, especially at the beginning of 2014.

Interestingly, the labour market situation of youth from majority of the CEE countries became more stable, once they have entered the labour market. For example, youth from Bulgaria and Poland who were employed in 2012 have more than 92% probability to remain employed also in 2014 regardless of their educational attainment. These figures are much higher than in the benchmark countries, especially in the case of low-educated people. This result can indicate that due to the relatively high unemployment rates youth with lower education are more likely to accept and try to keep the job. It could also be a sign of the hiring based on previous work experience; thus, once low educated manage to enter, their employability is not lower than of those with secondary education. The urge to accept any job and thus being continuously employed might also be enforced by the low coverage and low benefits of social welfare in the CEE countries.

Unfortunately, these two countries, Bulgaria and Poland, share another common pattern: low transition rate from unemployment into employment for low-educated youth – in which they differ from some Baltic states like Latvia and Lithuania but remain similar to Slovenia and Estonia. Only 18% of initially unemployed young people with lower education in Bulgaria and 19% in Poland were able to find a job in 2 years' time. This indicates the strong insider-outsider division reflected in low chances to enter employment. On the other hand, young unemployed from Hungary

and Latvia have the highest chance of transition into employment (respectively, 40% and 35%).

5.6 Summary and Discussion

While summarising the empirical part of the individual labour market trajectories, several findings are worth mentioning. First and foremost, we want to underline that it is not possible to treat the CEE countries as one homogenous LM entry regime. The CEE countries differ between each other not less than the benchmark countries Austria, Italy, the UK and Finland. Thus, it would be oversimplification to assume that the youth transitions would be similar inside the CEE countries as different countries have very different institutional setups. Also the results confirm that youth chances vary on great extent across the CEE countries.

The youth transitions in the Czech Republic, Slovenia and Poland resemble Austria where educational system has high vocational specificity and regular workers are well protected which seems to contribute to continuous employment in early career. For other countries, the differences in the employment protection legislation do not have clear-cut implications for youth labour market outcomes. The low employment protection in Hungary or Bulgaria is not reflected in the volatility of its labour market. In majority of the CEE countries, even in systems with vocational orientation, labour entry is crucial for youth as employed youth regardless of their educational resources is much more likely to be employed also in the future, indicating the role of work experience in the job matching process in the CEE countries. However, Bulgaria stands out from the rest of the CEE countries with a very low labour market participation of unskilled and low-educated youth and the lowest LM volatility.

Still, there are also some specific features of the CEE countries which are worth pointing out. First of all, the labour market inequality related to educational attainment is much more pronounced in the CEE countries that in the rest of Europe. The common distinctive feature of the CEE countries is the relatively low number of young people with the lowest level of education – the proportion of youth with no more than lower secondary education is below the EU-28 average (respectively, 10% versus 17%). However, the experience of unemployment is much harder for them as they have much lower chances to leave unemployment and find a job than their better educated counterparts. At the same time, youth with lower secondary education have rather high employment stability once they found a job. This suggests that there is a need for better tailored labour market policies addressing barriers to labour market entry and exclusion of low-educated and unskilled youth in the CEE. Understanding what is behind these barriers is crucial for developing effective policy interventions.

Secondly, in the majority of the CEE countries (except for Slovenia and Estonia), the episodes of education and training among youth who finished formal education are rare; thus, there are few opportunities to overcome the initial shortage of educa-

tional resources. This result fits into a broader context of low participation in lifelong learning activities in the CEE. According to the Eurostat[8] in the EU-28 on average, 50% of youth aged 25–34 participated in formal and non-formal education and training, while in the CEE region, this proportion was much lower and varied from 13% in Romania up to 64% in Estonia, which was exceptional in this regard. The analysis in this chapter reveals low transition rates from inactivity and unemployment into education in the CEE, which can be related to the size and direction of the expenditure on active labour market policies. While on average in the EU-28 0.46% of the countries' GDP was spent on active measures – training, employment incentives, etc. – in the CEE it was only around 0.24%.[9] Policies aimed at promotion of lifelong learning initiatives and providing training opportunities for the most disadvantaged, low-skilled and low-educated youth can boost not only their future labour market prospects but also prepare them to the challenges of rapidly changing economies.

While analysing the most recent labour market situation of young people from the CEE region, we cannot ignore the migration outflow, which occurred after the EU accession in 2004. Before 2004 the youth unemployment rates in the CEE countries were much higher than after it; the decline was mostly observed in Poland (from 40% in 2004 to 17% in 2008), in Slovakia (from 33% to 19%) or in Estonia (from 24% to 12%) (OECD 2016b). However, the EU accession was in parallel with economic upward trend in most countries that makes it hard to disentangle the different effects. This gradual improvement of the situation in the labour market was hindered by the recent economic crisis starting in September 2008, which was especially severe in the Baltic states and in Hungary. However, since then the macroeconomic situation in the majority of the CEE countries has improved, leading to a certain stabilisation of labour market situation of youth by 2014.

Finally, it is worth noting that employment per se in the CEE region does not always translate into favourable financial and economic situation. In Bulgaria, Romania and Hungary, more than 20% of working youth still live in severely materially deprived households, and more than 40% of working youth report difficulty in making ends meet (Rokicka and Kłobuszewska 2016). Given that the unemployment rate is already high in these countries, the overall group of economically disadvantaged youth is quite remarkable. Although policies promoting the youth labour market participation would undoubtedly be very valuable, some evidence show that active labour market interventions work better for prime age workers than youth (Martin and Grubb 2001). What seems to be essential for combating the youth labour market disadvantages are early educational interventions, which address the inequality at the very early stage, reducing school dropout rate, and ensuring that the young people leave education with skills and competences highly valued on the labour market. We should also remember that the youth labour market does not exist in isolation from the rest of the economy, so good macroeconomic conditions, and good business climate, are essential for youth employment prospects.

[8] Eurostat: participation rate in education and training by age [trng_aes_101], last update: 11-08-2015

[9] Eurostat: LMP expenditure (source: DG EMPL) [lmp_ind_exp], last update: 29-08-2016

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Chapter 6
Apprenticeship Training in Upper Secondary School: Motives and Possibilities from a Swedish and European Perspective

Jonas Olofsson and Alexandru Panican

6.1 A Background to the Growing Interest in Apprenticeship Training

The increased interest in apprenticeship training must be viewed against the background of the new challenges facing young people regarding both employment and earning a living. The established VET in many countries, such as Sweden, does not seem to tackle these challenges in an effective manner.

It is well known that unemployment has adverse effects for both individuals and society in general. Swedish and international research indicates that long-term unemployment increases the risk of social exclusion in terms of financial vulnerability, worsening living conditions, weak social networks and health problems. People who are unemployed in their youth are at greater risk of being unemployed later on in life (Nordström Skans 2004). Recurring and longer periods of unemployment at a young age cause a series of long-term adverse effects: knowledge and skills that are not used and maintained tend to erode reducing the individual's productivity and attractiveness on the labour market, negative effects on earned income for numerous years ahead, stress-related problems and mental ill health (Bell and Blanchflower 2009).

Opportunities for work and a consumption standard that does not deviate too greatly from the average have significant effects on the social status and self-image of the individual. The importance of a gainful employment for the personality development should not be underestimated either. It is a matter of combining the

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ambition of labour market policy to use skills-enhancing measures to reinforce the employability of the young individual and reinforce the individual's self-esteem and motivation to move forwards in life (Niemeyer 2007).

6.1.1 Young People Encounter More Significant Social Risks

The concept of social risks is of central importance in welfare research and relates to how living conditions are affected by structural changes which threaten the individual's social and economic security (Bonoli 2004; Taylor-Gooby 2004). One important question is whether the social risks encountered by young people during the establishment phase of their adult lives have grown and whether the institutions and welfare policy for facilitating young people's opportunities to find gainful employment and financial independence have become less effective over the last few decades; there is plenty of evidence pointing in this direction.

Young people from less privileged backgrounds with undeveloped social networks, who might have failed to complete a basic education (upper secondary education) and those with a foreign background, have found it increasingly difficult to establish themselves in the labour market; they are also overrepresented among people Not in Education, Employment or Training (NEET). It is estimated that 30–40% of the school dropouts in OECD member states have a higher risk of encountering difficulties in establishing themselves (Scarpetta et al. 2010).

Social conditions are increasingly varied within the group of youngsters. One explanation is the fact that young people with different resources, in terms of education and social networks, do not have the same prerequisites for dealing with the demands following by the economy's global market integration and the rapidly changing technology in the working life.

6.1.2 Increasingly Individualised Transitional Patterns

From another perspective on youngsters' conditions in entry of the labour market, we can conclude that the transition from education to work has become more protracted and varied. Reference is made to yo-yo patterns; the transition is characterised by individuals' own selection strategies, different educational choices, jumping between activities and periods in which people are neither employed nor in education. This individualised transitional pattern differs from the more collective and linear transitional patterns in previous years when young people had career paths that were defined in advance to a greater extent and that also led quickly to establishment in terms of permanent employment and a secure livelihood (Walther 2006).

The yo-yo pattern involves both opportunities and risks. Some youngsters experience greater degrees of freedom, while others find that they face greater social risks. This image of young people's transitions characterised by the post-modern

age, with increasing individualisation and fragmentation, does not need to be disengaged from a socio-economic understanding of the increased vulnerability of youth. Young people with greater resources and success in the education system generally have better chances of dealing with the uncertainty and increased demands characterising the transitional patterns of our age.

At the same time, the problems differ from the structural understanding in the sense that low demand for manpower is not viewed as a significant cause of extended and problematic establishment patterns. Young people experience difficulties when establishing themselves because they have individual-related attributes and personal qualities that impede the establishment process (Pohl and Walther 2007). They may have not completed their education or have completed an education that is not in demand, and they may have problems with the language or have attitudes and lifestyles that make it more difficult to get or keep a job.

The focus on individual shortcomings leads to greater emphasis on the individual's own responsibility. The breakthrough for activation policy in a number of European countries from the 1990s onwards can be viewed in this perspective. It involves transferring responsibility for social conditions to individuals. If the welfare policy developed over the decades following the Second World War was based largely on a notion that society bears collective responsibility for social problems, activation policy is an expression of a shift in emphasis, where the entitlement to society's support is made dependent on individual services in return and changes in behavioural patterns (Johansson 2006).

6.2 Increasing Welfare Policy Mismatch: Apprenticeship Training or Solution?

The situation whereby the modern economy changing the working life, and the fact that young people's transitional patterns are not following clear collective patterns as they used to be, is also creating new conditions at institutional and political levels. The welfare policy regimes with links to income security, education and labour market policy established in countries such as Sweden from the 1930s onwards, which reflected the establishment conditions in the industry-dominated economy with relatively standardised working conditions, no longer work as effectively. This new situation is connected to the fact that young people are heavily overrepresented among unemployed; that youngsters often have no education to match the demands, even though the education level is higher than it used to be; and that an increasing number of young people are not covered by income insurance systems.

This lack of adaptation among established institutions and the changed social conditions has led to political initiatives. A collective manifestation, as indicated above, was the activation line, i.e. greater demands on youngsters to take part in activation projects in order to qualify for benefits from society. The activation line was perceived as important given the risk of widespread "benefit

recipient mentality" and the passive mindset that was thought to follow on from long periods of unemployment. Benefits were no longer to be perceived as rights (Kuoddo 2012).

However, the most elementary form of activation policy is hardly advocated nowadays. Instead, a wider variety and customised initiatives are advocated, with emphasis on relevant qualifications for the labour market. Initiatives which reduce the distance to working life and which reinforce individuals' opportunities for mobility on the labour market are gradually being deemed as relevant. Apprenticeship training is one of the most advocated measures; this is because workplace learning is being ascribed increasing importance in a labour market characterised by adaptation and transition requirements.

6.2.1 Advantages of Apprenticeship Training

There are many advantages of apprenticeship training compared to a VET provided primarily in schools (see OECD 2010). *Firstly*, an apprenticeship system requires that employers make training places available which constitutes a guarantee that the training will focus on labour market areas where there is a significant demand for manpower. There are no corresponding guarantees in a school-based VET where students' own choices determine the composition of the education to a greater extent, as is the case in Sweden.

Secondly, the workplace is a strong learning environment. Students are able to use the latest technology and gain an insight into work organisation. This means that they acquire both "hard" and "soft" qualifications in a manner impossible in an artificial learning environment. Schools rarely have the opportunity to offer students opportunities to use the latest technology or gain an insight into the latest work processes. There is also a sociological and cultural aspect here. Apprentices become part of the community of practice in the workplace and within an occupational group (Wenger 2000). Learning is perceived as social practice. By becoming part of the community of practice, apprentices develop gradually broadening skills within their occupational field and also assimilate the culture and identity associated with the occupation.

Thirdly, apprenticeship training facilitates the recruitment of manpower. For employers, recruitment involves uncertainty and brings major costs. It is necessary to gain a view of individuals' reliability and capacity for work, given the various demands that may occur in a workplace and within a particular occupation. Apprenticeship training gives employers favourable opportunities to test individuals' capacity for work and makes it possible to equip individuals with the particularly desirable qualifications.

Fourthly, apprentices participate in work. This enables an economic contribution for the companies involved and for the economy in general, as well as for individual; apprentices receive pay while they are training. The value of the contributions of apprentices increases over time as their qualifications develop, and they can be entrusted with more advanced tasks.

6.2.2 Conditions for Apprenticeship Training

In theory, there are strong indications that VET with elements of workplace learning, in line with the apprenticeship training model, has advantages compared with primarily school-based VET. There has been a lot of interest in the apprenticeship training model due to the fact that comparisons of youth unemployment in different countries illustrate that the establishment seems to function more effectively in countries in which apprenticeship training is widespread. It has also been claimed that apprenticeship training should be particularly attractive in countries with far-reaching employment protection and limited pay differences. With such conditions in the labour market, recruitment of manpower is becoming a more delicate process compared with countries with inferior employment security and lower wages for youngsters. Given the fact that the recruitment procedure is a demanding and long-term commitment, apprenticeship training may act as an effective way in which employers can identify the manpower that they would like to employ.

However, the fact that there are no simple ways of transferring a learning model between countries with different institutional arrangements and traditions has also been emphasised. Apprenticeship training is based on specific institutional arrangements and regulations, linked in particular to conditions in the labour market (Soskice 1994; Ryan 2011). These conditions vary to a great extent between countries, indicating that apprenticeship training also works differently. Danish and German apprenticeship trainings, for example, are organised in different ways. The German model uses a dual system, while the Danish model uses an alternating learning model; both models are based on a developed system for recognised vocational qualifications in the labour market. This system has consequences for the recruitment of manpower and provides VET with a strategic role. The system is based on both legislation and collective agreements between labour market actors. The division between vocationally and nonvocationally trained manpower has not had the same significance in the Swedish labour market as it has in countries with strong apprenticeship training models.

There are tensions built into an apprenticeship training model which risk makes the training less fruitful for the individuals and less effective from a broader social perspective. Employers have a natural interest in adapting the content of the apprenticeship training according to the needs of the company, while the purpose of the training should be to offer occupational skills that are as broad as possible providing qualifications that can be used in different parts of the labour market. There is also a risk that less well-structured vocational training may function as a source of savings for schools by shifting the responsibility for the apprenticeships to the company without corresponding transfer of resources and without taking into account how the training time will enrich vocational training in general.

These examples indicate the need for regulation of apprenticeship training in order to guarantee that it's not reduced to a far too narrow company-specific training or to a way of facilitating savings for schools. If apprenticeship training is to work as qualified training, then there is a need for developing clear quality criteria and

learning targets in cooperation with schools and workplaces. The actors on the labour market have a particularly important part to play in guaranteeing high quality, in updating the content for the training and ensuring that the training is the same no matter where it is provided.

6.3 What Do We Know About the Significance and Effects of Apprenticeship Training?

Modern notions of the key social and educational functions regarding VET emerged around the turn of the last century; thinkers and innovators such as Georg Kerschensteiner and John Dewey laid the conceptual and practical foundation for the modern VET (Deissinger 2008).

Kerschensteiner perceived VET to be part of social initiatives necessary to alleviate social tensions and provide positive career as well as identification opportunities for youngsters with backgrounds in the industrial labourer environments of the big cities. John Dewey made an assault upon the old society's academic ideal turning its back on society. It is interesting to note that he formulated the significance of VET linked to notions of what educationalists now call situated learning and communities of practice in *The School and Society: Being Three Lectures*, a publication issued already in 1899. Dewey explained that learning linked with specific activities – and specific actions – has a different significance for the individual than classical "pulpit teaching". Vocational teaching focusing on practical skills encourages active and creative approaches: it appeals to "our impulses and tendencies to make, to do, to create, to produce, whether in the form of utility or of art" (Dewey 2007: 71).

6.4 Various Vocational Training Models

There are various vocational training models related to political and cultural traditions, as well as to labour market regulations and the institutional settings of the education system in each country (Greinert 2004). It is important to learn from experience in other countries, yet it is difficult to transfer elements from one vocational training model to another (Rauner and Wittig 2010). Three training models are identified: a school-based model, a regulated apprenticeship model and a voluntary model. These models have not only different institutional characteristics but also various didactic features. The school-based model is characterised by the fact that most of the vocational trainings take place in schools; teaching content and teaching forms focus more on academic considerations, while the scope for workplace learning has been limited. In this model, occupational regulations and occupational affiliation have a weak position. Sweden has traditionally been considered as applying this model.

The other two vocational training models place greater emphasis on workplace learning. The most well-known model is linked to the German-speaking countries and sometimes to Denmark and Norway; the regulated apprenticeship model or the dual system is characterised by elements of both school-based studies and organised learning in the workplace. Apprentices are employed but hold initially a student status. The apprenticeship contract is more of a student than an employment contract (Greinert 2004; Ryan 2011; Walden and Troltsch 2012). The training must provide transboundary knowledge and skills. The apprentice must be granted a formal occupational position providing access to work in a recognised occupational field. The training and learning process is established and controlled by education authorities and relevant actors from the labour market.

The third vocational training model has sometimes been described in terms of "voluntary" or "unregulated". The Anglo-Saxon countries – primarily the UK – are mainly referred to in this case. The vocational training and workplace-based learning have been seen as companies' concern, while elements of control via legislation and collective agreements have been weak. This reflects a different political culture and a less regulated labour market scheme. The spread of both school-based vocational training and apprenticeship training has also been relatively limited.

6.4.1 Impacts of Apprenticeship Training

High levels of youth unemployment and the growing number of NEETs have increased the interest in VET in general and apprenticeship training in particular. Reports from the OECD (2010) and EU (2013d) underline the importance of vocational training initiatives in order to reduce the number of unemployed as well as youngsters who have not completed upper secondary-level education and to improve matching in the labour market.

The impacts of vocational training are studied at three levels: micro, meso and macro. The micro level relates to effects on the individual; most evaluations relate to the effects of vocational training on employment (indirect unemployment risks) and income development. From a human capital perspective, it involves economic gains in terms of positive wage development. However, it involves further effects: an extended social network, greater cooperation skills, positive identification with society, less mental ill health and a reduced risk of abuse problems.

The regulated apprenticeship model in particular has positive effects on employment and wage development (Wolbers 2007). There are not many studies of the significance of apprenticeship training linked with young people's employment and the risk of ending up as NEET, but the ones that exist indicate that apprenticeship training is relatively beneficial. The transitional phase between school and work is less protracted and less characterised by recurring periods of unemployment (Quintini and Martin 2006). Countries with apprenticeship training systems demonstrate lower unemployment figures and have better employment patterns, particularly in terms of youngsters in qualified jobs and jobs with relatively high

salary (van der Velden et al. 2001; Ryan 1998). A study initiated by the European Commission (2013d), which covers most EU countries, indicates that a large number of young people (aged up to 25) involved in apprenticeship training lead to lower youth unemployment and higher levels of employment. However, econometric studies indicate that the positive effects of apprenticeship training are transient. Differences between young people who have completed apprenticeship training and those with other training backgrounds are reduced after the age of 25.

There are not many studies into the mesoeffects of vocational training; yet, the research overviews indicate positive effects for companies and labour organisations (Cedefop 2011). Given the fact that vocational training is of a high standard, that technology and instruments are updated and that students have close contact with the working life, companies' recruitment costs are reduced. Apprentices exchanging between vocational schools may give positive effects on innovation and development of companies' own working methods and work organisations. Old, less effective working methods can be reconsidered on a continuous basis, and learning among all employees is facilitated. Learning can thus contribute to innovations that enhance efficiency and reduce employee turnover (Michie and Sheehan 2003).

The macro level of vocational training sums up the effects distinguished at the micro- and mesolevel. If the transition between school and work is shortened and matching in the labour market is improved, this increases employment levels and reduces unemployment figures. Lower unemployment means less exclusion and lower social costs linked with ill-health, abuse and criminality. Productivity-enhancing effects at the corporate level and a higher innovation propensity make a positive contribution to economic growth.

It is important to point out that the positive effects are dependent on how well the vocational training is organised and the establishment of institutional conditions that facilitate extensive and quality-assured investments in VET; the latter dimension is the actual stumbling block because there are no obvious political recipes (Steedman 2012).

Initially, it is a matter of how to create interest among relevant stakeholders: companies, young people, trade unions, the state and municipalities. It is absolutely crucial, particularly in a country like Sweden that lacks stronger apprenticeship training traditions, to find companies that perceive the value of VET. However, experience shows that employers at the local, national and international level appreciate the value of apprenticeship training. At the same time, there are a number of uncertainties associated with involvement in the field of VET. Employers must feel secure that the youngsters recruited have sufficiently relevant knowledge from the compulsory education system. There must be educational support from society and developed systems for assessment and recognition of qualifications as well as financial support which diminish the risk of investments in training if apprentices choose to go to competing companies. It is a matter of building up a support structure for learning that minimises the market failures that may reduce companies' inclination to offer training opportunities.

The stakeholders must agree on a financial, legal and educational framework for training (Ryan 2011). In most countries, this takes place in the form of legislation relating to VET and via supplementary collective agreements at the sectoral

level. These agreements regulate reciprocal obligations and rights of companies and apprentices that include guidelines for training, rules on examination and on how costs are to be split. In the case of apprenticeship training, the low entry-level pay of apprentices is part of the finance for the training: the higher salary, the less training and the more employment-like conditions (Ryan et al. 2012). One main task for trade unions is to check that qualified training is given in return for low pay. Correspondingly, the public sector should be responsible for financing the general elements of the training that are not directly linked to the workplace. One primary rule is that the longer the vocational students are away from the labour markets – the less productive they are – the greater the need for public subsidies (Steedman 2011).

6.5 VET and Apprenticeship Training in Sweden

In Sweden, like in many other comparable countries, almost all students go directly from primary school to education at the upper secondary level. In Sweden, only 2–3% does not begin upper secondary studies immediately after elementary school.

Education programmes also tend to have a broader content, with increased elements of general theoretical and academic subjects. This is a result of the establishment of curriculum-based upper secondary school in 1971 and programme-based upper secondary school in 1994. The trend towards a broad education has also been reinforced that students do not select VET. The share of upper secondary students in vocational programmes was significantly higher during the era of curriculum-based upper secondary school than it is today. At the beginning of the 1980s, more than 70% of the students choose vocational curricula in upper secondary school; today, this share is lower than 30%. At the same time, VET in upper secondary school encounters problems with dropouts. Since the 1990s, the job market is highly limited for those without an upper secondary education.

The employment rate for young people (20–24 years) has dropped by 20 percentage points since 1990; instead, they are studying at a post-secondary level. The employment rate for those without an upper secondary education has dropped even more. At the same time, the Public Employment Service Office predicts an increasing shortage of upper secondary educated workforce in manufacturing, construction and healthcare; the number of employees should increase with hundreds of thousands by the year 2030 if the share of the population employed is to be kept at today's level. These aspects influenced the 2011 reform of upper secondary school system (Gy11). A new examination system was introduced together with apprenticeship alternatives for the school-based vocational programmes. There are, however, still rather few apprentices, and the interest shown from the stakeholders is still limited. The share of pupils from primary schools choosing vocational programmes has fallen even more after the reform, something that has been attributed to the fact that VET has lower status.

6.5.1 The Outcome of the Latest Reforms

The 1991 school reform included the introduction of 3-year training programmes (Government Bill 1990/91: 85). The intention was to expand the general theoretical elements of vocational training courses in order to give all students access to post-secondary education. The new training programmes were to have more general focus and provide greater scope for local adaptation and individual training choices. Academic and vocational programmes had the same general theoretical subjects; basic eligibility for higher education became an objective for all education. However, it became apparent that programme-based upper secondary education, and in particular vocational programmes, was suffering major problems with dropouts; one-third of the students fail to reach their education targets within 3 years (SOU 2016: 77).

Undesirable effects of the educational reforms of the 1990s led to new reforms. A range of changes at upper secondary-level education was introduced in 2011, the most significant involved the content of VET for achieving greater emphasis on vocational subjects (SOU 2008: 27, Government Bill 2008/09: 199); upper secondary education included 18 national programmes whereof 12 vocational. All programmes result in a degree. Students on the VET can select an apprenticeship training track. Apprenticeship training was tested already in 2008 and become a regular element of the education in 2011. The volumes are small and the apprentices are not employed. To be classified as an apprentice, at least half of the student's education must be organised in the workplace. The school and the workplace receive a rather generous organiser funding for each apprentice.

Schools are obliged to establish local programme councils for each vocational programme including representatives for companies and trade unions. At the national level, there must also be programme councils organised via the Swedish National Agency for Education. The intention with these programme councils is to give representatives for working life greater influence over the vocational programmes.

Another change with the reforms in 2011 was that VET no longer automatically led to basic eligibility for higher education; yet, since 2013, it has been possible to study for this competence within the scope of all vocational programmes without having to select an extended course.

The proportion of students on VET has fallen; in 2016, fewer than 30% of the students in Year 1 at upper secondary school were participating in vocational programmes. At the same time, companies have a great need to recruit individuals with vocational skills. Youth unemployment is high, but companies are finding it difficult to find applicants with the right skills. This mismatch is also related to the dimensioning of training courses. There is no link between the acceptance of students on various programmes and the demand for manpower with various training profiles. Until programme-based upper secondary education was introduced in the early 1990s, funding was distributed to the various vocational training courses according to assessments based on local and regional labour market requirements. The principle of free school choice reinforces the problems to a certain extent: schools offer programmes that students demand regardless the relevance for an establishment in the labour market.

6.6 The European Union and Apprenticeship Training

At the EU level, the interest for VET in general and apprenticeship training in particular has grown following the economic problems of the last few years and the challenges inherent in high levels of youth unemployment. As well as the problems with increased unemployment and social exclusion, the education system does not match the needs of the labour market. Despite high levels of youth unemployment, employers have problems in finding jobseekers with the right skills profiles. Thirty-six percent of the employers in the EU are reporting difficulties in finding jobseekers with right skills (EU Commission 2013b). There is much talk about the significance of learning from countries with established VET systems and low levels of youth unemployment, referring frequently to Denmark and the German-speaking countries.

6.6.1 Specific Initiatives for Apprenticeship Training

A special *European Alliance for Apprenticeships* was established by the EU Commission in 2013; an important aim is to enable for countries with less developed apprenticeship training to use special ambassadors in order to learn from countries with more experience in this field.

The member states adopted also principles for a special youth guarantee which aims to offer individualised support initiatives for all unemployed young people under the age of 25 within 4 months after becoming unemployed (EU Commission 2013a). One of the initiatives in this context is apprenticeship training. The member states should also strive to coordinate initiatives between actors and trade unions in creating opportunities for expanded and qualified apprenticeship training; information on financing these initiatives via ESF funding should be disseminated effectively (EU Commission 2013c).

The long-term consequences and costs linked with high unemployment and the exclusion of large numbers of young people are crucial challenges. At the same time, there are fears that the VET systems are not sufficiently effective and that the qualifications offered by vocational training at the upper secondary level do not match the demands of companies to a sufficiently high degree.

6.6.2 The Extent and Organisation of Apprenticeship Training in Europe

The institutional arrangements and prevalence of apprenticeship training systems differ between EU countries. In a report produced at the initiative of the EU Commission (2012), a heterogeneous pattern emerges, while some kind of apprenticeship training is represented in almost all member states. On the basis of data

from 2009, the number of apprentices within the EU was between nine and ten million. If we follow the classic definition of apprenticeship training, apprentices accounted for less than 35% of the total number of students in vocational training at the upper secondary level. In other words, classic apprenticeship training is not dominant. If we include students involved in upper secondary vocational training primarily held at workplaces, but not based on an apprenticeship contract with an employer, apprentices accounted for 85% of the vocational students.

The definition of apprenticeship training in the EU varies. However, the common denominator is that vocational training must include combined and related elements of workplace and school-based learning; the workplace-based elements should not be a too limited part of the overall education. Workplace learning must be regulated and controlled via well-defined target documents, and VET must result in nationally recognised vocational qualifications. The classic apprenticeship model differs from the broader definition; an apprenticeship contract and employment-like conditions throughout the training period are key conditions. Apprentices are not employed in the usual sense, but have defined rights linked to training elements and work requirements at the workplace/workplaces where most of the apprenticeship training takes place. Apprentices are usually offered statutory or collectively agreed wage during their training.

6.7 Summary and Conclusions

Apprenticeship training arouses great interest in Sweden as well as in other European nations. Within the EU, measures have been taken to strengthen the political interest in VET and especially apprenticeship training; there have also been several initiatives in Sweden in line with these aspirations. Due to educational reforms in 2011, apprenticeship training became a regular part of the upper secondary education system.

6.7.1 The Importance of Apprenticeship Systems

Apprenticeship systems are organised in different ways in the EU, but there are some common characteristics associated with a classic apprenticeship system. One fundamental characteristic is that apprenticeships are built on well-defined and recognised skills. It is not enough with periods of internship; apprenticeship training should be regulated according to a plan concerning both workplace training and school-based training. At the end of the educational period, the skills and ability to perform well in a profession are tested. Usually, some kind of qualification certificate is issued, and the apprentice receives a formal right to exercise the profession. The content and quality of the education are developed in close cooperation between authorities and relevant actors.

Training at workplaces is combined with education in trade schools. The exact way in which school-based and work-based learning is mixed varies, but at least half of the educational time should be conducted at workplaces. The status and conditions of apprentices are regulated in certain contracts covering the entire period of education. Apprentices are not employed in the usual meaning of the word but often receive some kind of remuneration regulated in collective agreements.

The research highlights both benefits and risks connected to classical apprenticeship training. One benefit is that the apprenticeship system requires training places in working life. This means that the education corresponds to immediate demands among employers. This in turn creates conditions for a better match between educational system and working life. Workplace learning also contributes in a positive way to young individual's skills and ability to learn. Workplaces can be viewed as strong learning environments, not only in view of specific work skills but also in view of generic knowledge and in connection to social skills. Participation in "communities of practice" often generates positive effects on identity development and possibilities for self-fulfilment. A developed apprenticeship system also makes it easier for employers to recruit new employees; apprentices contribute to the production and add an economic value already during the education period.

At the same time, there are risks with apprenticeship system. Unregulated apprenticeship training will be too narrow in its content. Low educated might be misused under the label of apprenticeship training. Apprenticeship training with a narrow content and with few connections to the educational system will obstruct social mobility and contribute to uneven social conditions. Questions raised in research and connected to EU initiatives are about how to guarantee a wide content of the training and quality assurance as well as how to make it possible for apprentices to go further to higher education.

Research results point at a few conditions for a functioning apprenticeship system. Firstly, there must be a regulation of forms and contents of the education based on a combination of law and collective agreements. Secondly, labour market organisation must be involved in the education; well-developed apprenticeship systems require established structures for the governance of the education in cooperation with relevant actors at the local, regional and national level. Thirdly, a lot of effort to guarantee the engagement of single employers must be placed; apprenticeship systems cannot be developed without interested and participating employers. This interest is not only a question of economic support from the public educational system, but schools and public authorities must also be prepared to offer regular pedagogic support and special structures for quality assurance at the local and regional level. The apprenticeship training system should build on a close cooperation between workplaces and schools. Fourthly, there should be well-developed guidelines and tools for quality assurance.

Comparative research concludes that the apprenticeship training has positive effects on youth employment and leads to favourable income development for youngsters as well as reduces the risks of unemployment. It is also obvious that

the positive effects decrease as young people get older (after 25 years of age) and the effects on youth connected to NEET seem to be weaker than on youth unemployment.

6.7.2 The Swedish Experiences

In Sweden, VET is developed in school-based direction during the twentieth century. The apprenticeship system never got any real attachment. Public investigations on upper secondary educations and political reforms strengthen the interest for school-based VET. Initiatives in recent years have marked a shift of interest, and questions concerning training at workplaces and apprenticeship training have been seen as important aspects.

There is a political interest to develop apprenticeship training in accordance with recommendations from the EU; yet, the experiences from recent years show that it has been difficult to get anchorage for the apprenticeship system in Sweden. There are still few apprentices in Swedish upper secondary schools. Investigations reveal shortcomings connected to equivalence and quality, especially in connection to workplace learning. Representatives from labour market organisations have criticised the workings of programme councils at national and local levels. These councils don't have an independent role in relation to public authorities and local schools. How can apprenticeship training in Sweden be improved?

It is important to reverse the waning interest for VET. The perceptions of VET programmes should change, and the status has to rise. Study and occupational counselling should get a more prominent position and a new subject, focusing on working life knowledge, and should be introduced in the last year of lower secondary school. To prevent effects of dropping out from primary as well as upper secondary school, some kind of education guarantee should be introduced.

Sweden has more to learn from the apprenticeship training systems from countries with similar regulations at labour market and welfare policy such as Denmark and Norway. In the Nordic countries, school-based education has a more prominent role in VET compared to Germany. It is likely that an apprenticeship system in Sweden even in the far future will be very school based compared to the countries on the continent. Maybe, apprentices should spend the first year at school and instead have more of workplace training during the second and third year. Closer cooperation between labour market actors and representatives for industry sectors should be encouraged also.

The influences of the programme councils at the national and local level should be strengthened. Programme councils at the national level should have a direct mandate to make decisions influencing the Swedish National Agency for Education. The local programme councils should be supplied with economic, administrative and pedagogical resources to fulfil the same functions as trade councils in countries with developed apprenticeship systems.

We conclude that Sweden does not have essential institutional conditions for a successful apprenticeship model; therefore, it will take time for apprenticeship training to take root.

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Chapter 7
Youth Employment in Spain: Flows In and Out During the Great Recession and Employment Stability

Inmaculada Cebrián and Gloria Moreno

7.1 Introduction

The recent economic crisis has had a very strong impact on the labour market globally, generating a rise in unemployment and its duration as well as affecting labour stability among the working population and the quality of their jobs (ILO 2014). These effects have not been the same or present in all European countries or in all groups. Although older workers are already established in the labour market, have more experience, and have jobs that are more durable, young people who enter the working world are more exposed to the negative effects of the recession. The crisis and the weak recovery have exacerbated the difficulties in accessing employment for young people seeking their first job. This generation is being forced to accept jobs that are very low quality, part-time or temporary or even in the informal sector as the only path to work integration. Accessing employment and transitioning to decent work have become a very difficult process for these young people, with stable jobs being very scarce and difficult to land. The global youth unemployment rate is estimated to reach a maximum of 12.6% in 2013, with 73 million unemployed youth (ILO 2013). On the one hand, the recruitment of young people has significantly decreased, and in many cases, they were the first to be terminated (Choudhry et al. 2012). It also noted that the transitions of young people have worsened since the beginning of the crisis, increasing the likelihood of moving from employment to unemployment. Additionally, the probability of access to stable employment once they have finished their training has decreased, and what is observed is that young people are forced to begin careers in part-time and temporary jobs, suffering episodes of frequent unemployment along their career path, entering and exiting the labour market (Verick 2011).

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In the case of Spain, the unemployment rate for the entire population reached a maximum of 27% in the first quarter of 2013 (Active Population Survey), well above the European Union (EU) average of approximately 11% (Eurostat). This rate rose in the same period to 43% in the case of those younger than 30 years of age, though with differences within this group, given that young people between 16 and 19 years of age had an unemployment rate of 73%, the group between 20 and 24 years of age 52% and those between 25 and 29 years of age 33%. Additionally, although recent data show a certain decline in the unemployment rate to 20%, the group of young people under 30 years of age still suffers rates above 35%. Undoubtedly, as in other countries, in Spain, young people are the group most affected by the crisis, and they have suffered a significant worsening of their situation due to the difficulty in accessing employment, the low quality of their jobs and the instability in their situation (Dolado et al. 2013; Cebrián and Moreno 2015, 2016).

The manner in which young people access the labour market is important because it can affect their subsequent career paths. Among the few young people who are employed, the temporary rate exceeds 50%. The fact that access to employment is temporary can be viewed as positive or negative. On the one hand, temporary employment can be a bridge to more stable employment and a desirable situation if the alternative is unemployment, which is known as "stepping stones" (Booth et al. 2002; Gash 2008). On the other hand, other theories and authors suggest that access to temporary employment can become a trap in which the worker is stuck without prospects for improvement; thus, the initial moments of the career path stigmatize the worker in later stages, which is known as "scarring effects" (The Economic Journal 2001; OECD 2014). The empirical evidence suggests that the majority of workers who access the labour market through a temporary contract end up achieving the worst results in terms of wages and job security. Even when the temporary work is voluntary, low rates of transition to a permanent contract generate inequalities that tend to persist (OECD 2014). A study by the European Foundation for the improvement of living and working conditions (Eurofound) for 2014 with data from several countries of the European Union concludes that, in Europe, workers with temporary employment have a greater rate of transitions to unemployment than older workers with an open-ended job. In addition, the crisis has increased the proportion of temporary workers who become unemployed. Specifically, the ratio has increased from 11.6 between 2006 and 2007 to 18.5% between 2009 and 2010. Thus, the crisis has affected young temporary workers more due to the increase in the probability of losing their job than the reduced opportunities of finding a stable job. This study also highlights the high negative correlation between the rates of temporary work in a country and the proportion of transitions from temporary to open-ended employment, particularly in the Mediterranean countries such as Spain, with high rates of temporary work.

Some studies that focus on the Spanish case suggest that many young people are trapped in temporary work and that only some manage to take an open-ended job after some period in temporary jobs (Guell and Petrongolo 2007; Toharia and

Cebrián 2007; Cebrián and Toharia 2008; Garcia Perez and Muñoz Bullon 2011; Garcia Perez et al. 2014; Garcia-Perez and Vall Castelló 2015).

According to the information from the Muestra Continua de Vidas Laborales (MCVL), young people who have had some employment between 2005 and 2013 had on average 7.4 episodes of employment, of which 5.9 were temporary. Similarly, according to the records of contracts in the Public Employment Service (Servicio Público de Empleo (SEPE)), during 2014 and 2015, approximately one-third of the contracts were also registered for workers under 30 years of age, of which only 7% were open-ended. This situation has been constant for the Spanish job market in recent decades, even though stability has been a priority objective of the various Spanish governments and successive reforms enacted.

Along these lines is the implementation by the Ministry of Employment and Social Security of a set of measures contained in the "Strategy for entrepreneurship and youth employment 2013–2016". Among these measures the implementation of the National Youth Guarantee System (Hernandez Ten and Gentile 2015) as a global and integrated system that allows young people to receive good offers of employment should be highlighted, continuing education, learning practices or apprenticeship training within 4 months from the time of ending their studies or becoming unemployed; it also rewards the open-ended employment of the young beneficiaries of this system. The number of contracts subsidized for this reason has been very small since its implementation and the effects and reach of the system have not been as wide as one might expect in a country with a very high youth unemployment rate. Other measures to boost recruitment and reward employment under 25 years of age have also been implemented (RDL 8/2014), such as the "first youth employment" contract (Law 11/2013), which is a modality of currently possible contracts whose cause is the absence of experience of the worker contracted (a subjective cause) and which encourages its transformation to open-ended, or open-ended contracts, known as "flat rate" contracts (RDL 3/2014, RDL 1/2015), which are rewarded with a flat rate or minimum extent (since 2015) of business contributions for common contingencies to Social Security. Special mention should be given to some specific programmes that promote youth employment, such as open-ended contracts that support entrepreneurs, the training linkage contracts or contracts made under the youth guarantee system. However, in quantitative terms, it does not appear that these incentives have had much impact on youth recruitment (Cebrián and Moreno 2016).

The objective of this study is to analyse how youth under 30 years of age in Spain access open-ended employment and how long they keep this type of employment. This is to detect whether entry into open-ended employment allows young Spaniards to start a path to work stability, given the importance that successive governments in Spain over the last decade have been placing on this issues.

The information that will be used is provided by the MCVL, in its panel version for 2005–2015. The MCVL is used, first, to study the probability that someone younger than 30 years of age will start an open-ended job and, second, to analyse the duration of this type of job, identifying the role played by motives that can

explain why an open-ended working relationship ends and leads the individual to be placed outside or inside employment, with or without a trace of stability.

Previous studies (Cebrián et al. 2011; Cebrián and Moreno 2015, 2016) have investigated the overall duration of episodes of open-ended employment, noting that approximately 60% of the episodes of open-ended employment last no longer than 2 years. Therefore, owing to the available data, which collected information on all episodes, the observation period for the analysis of access to open-ended employment through 31 December 2013 is established. This period ensures a 2-year observation window for all jobs begun in the period. The purpose of this window is to have a homogenous observation period to track each and every episode of open-ended employment during the same time period. With this information, we find that out of the young people accessing their first job, 2 years later, only 8% maintain the same employment, but approximately 60% of those who began in temporary employment remain in temporary work, and less than 50% who began with an open-ended contract remain in a stable path. When there has been a change in the employment situation in more than 80% of the temporary jobs, the relationship ended for causes unrelated to the worker, and this percentage decreases to below 60% if the job was open-ended; voluntary job losses account for 13% and 27%, respectively.

7.2 Youth Access to Employment

Between 2005 and 2015, in the SEPE, there were approximately 73 million contracts involving individuals younger than 30 years of age. This number of contracts represents approximately 10 million distinct individuals. During this period, contracts for young people accounted for 40% of the total registered contracts, though the proportion decreased from 50% in 2005 to 34% in 2015. A clear impact of the crisis was the expulsion of many young people from the labour market. If, during the precrisis years, young people could find a job even with little training, since 2008, the landscape has changed, and many of these many young who left the education system to work and who faced unemployment became inactive (Rocha 2012). The participation rate for those under 30 years of age experienced a significant decrease over the period, 10 percentage points, linked to the arrival of the economic crisis. In 2005, the participation rate for this group was 67% and fell to 57% in 2015. The same is true for the occupancy rate, which decreased from 58% to 35% in the period (according to the data from the Spanish Labour Force Survey). This drop in the employment rate is in line with the evolution of the recorded youth contracts, and it should be noted that throughout the period, the unemployment rate grew, despite the declining active population. The reason for this result is that, although some young people left the labour market or delayed their entry, those who remained or accessed the market are largely unemployed.

In Spain, access to employment mainly occurs through temporary contracts, and this is true for all people, not only for young people. According to the recorded contracts during each of the years of the 2005–2015 period, open-ended contracts

did not exceed 10% of all contracts registered each year for those younger than 30 years of age, with this figure decreasing to 6% in 2015. The latest Spanish labour market reforms have been aimed at promoting employment through various contractual modalities, as has already noted above.

With the goal of knowing which features lead to young people finding employment through an open-ended or temporary contract, a logit model can be estimated in which the dependent variable is having an open-ended or temporary contract. This estimate is performed by Cebrián and Moreno (2016) with the data for contracts recorded by the SEPE for the 2007–2014 period, controlling the probability of access to open-ended employment by a number of variables concerning the characteristics of the individual and the job that somehow can affect the probability. The estimate of this probability has been repeated, expanding the sample to all contracts recorded for young people between 2005 and 2015. The following explanatory variables are used: sex, age, level of education, the autonomous community of the workplace, the branch of activity, occupation, the size of the company, the type of shift, whether the contract has some type of subsidy, the variation in employment in the quarter and the quarter in which employment begins. The results of the estimates show a decrease in open-ended contracts. Only between the fourth quarter of 2006 and the first quarter of 2009 is there a greater probability of recording an open-ended versus a temporary contract. Expanding the period of analysis allows one to observe in the results obtained the possible favourable impact of the reforms of 2006, which lasted until the economic stagnation of 2009. There is also a seasonal trend of more stable employment, given that the relative probability that the contract is open-ended is greater in the first quarter of each year, though throughout the period observed, the probability tends to decrease. The relative probabilities of the variables included in the analysis confirm what the mean values of the distributions show. Thus, men are more likely to have an open-ended contract than women and older workers. The level of education also increases the likelihood of having an open-ended contract, and the relative probability is significantly greater in the case of university studies. For branches of activity, the extractive industry and manufacturing, trade and financial and insurance activities have a greater probability of an open-ended contract. The group of occupations with the greatest probability of accessing open-ended contracts is administrative as well as occupations associated with higher levels of training, such as management and technical and professional support. Those that are least likely to access open-ended contracts are in the occupations of catering services, those dependent on trade or unskilled workers. With regard to the size of the establishment, companies with less than four workers have a greater probability of open-ended contracts; this probability decreases as the size of the establishment increases. Madrid and Catalonia are the two autonomous communities with the greatest probabilities of open-ended contracts, and Andalusia has the lowest relative probability. The rest of the explanatory variables show that the probability of open-ended contracts increases in full-time contracts, in those who have some type of subsidy, and in the quarters when the variation in employment is greater, reflecting the favourable effect of the economic cycle.

To be able to study the duration of these jobs and their stability, the probability of access to an open-ended contract is estimated using data from the MCVL. The added value of this analysis is the ability to identify those who access Social Security for the first time and to compare the probabilities obtained with all recorded episodes for young people.

If all episodes of employment of those younger than 30 years of age between 2005 and 2013 are selected and, alternately, only those episodes constitute the first working relationship recorded by Social Security, then the probability is that these are open-ended contracts, given the variables included and the characteristics of the individual referenced; both cases are shown in Fig. 7.1. In the chart, the y-axis is the value of the relative probability that an open-ended contract versus a temporary contract has been recorded. On the x-axis, the abscissas are different quarters. Therefore, if, for a given quarter, the relative probability that an open-ended contract has been recorded is greater than the probability that a temporary contract has been recorded, then the value on the y-axis will be greater than 1. If the probability that a temporary contract has been recorded is greater than the probability of an open-ended contract, then the value on the y-axis will be less than 1. Finally, if the relative probabilities of open-ended versus temporary contracts, in a given quarter, are not significantly different, then the value will be equal to 1 (marked by the line that appears in black on the graph). The variables that are included as explanatory are sex, age, nationality, autonomous community, tax group, size of the establishment, time elapsed since the first relationship recorded by Social Security, branch of activity, type of business, type of shift, starting quarter and variation in employment in the starting quarter.

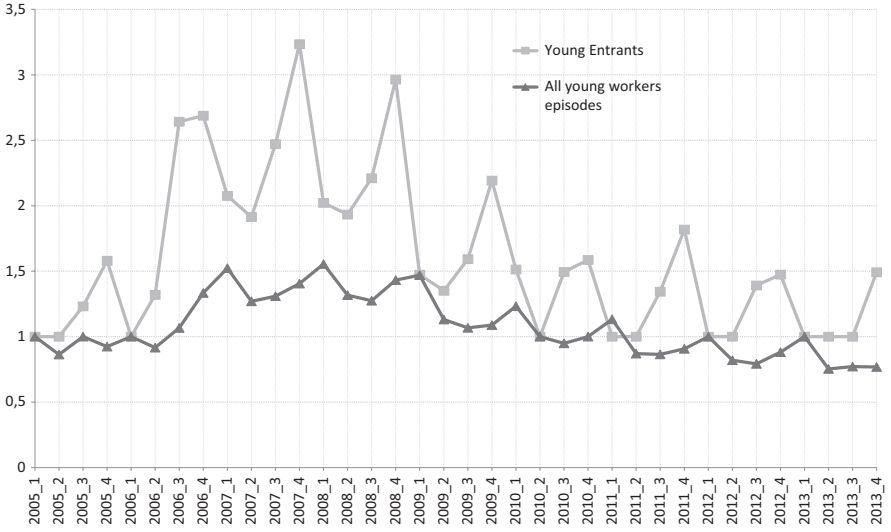

Fig. 7.1 Young people in Social Security records between 2005 and 2013: probability of having a permanent job, (Source: MCVL, 2005–2015)

The results obtained are very similar to those noted above from the estimate using the data from recorded contracts. The probability of accessing an open-ended contract is greater in the years before the economic crisis, perhaps reflecting the effect of the 2006 reform; then, the probability tends to decrease and becomes negative. Similarly, there are seasonality patterns in open-ended hiring. Men are more likely to have an open-ended contract than women, Spaniards are more likely to have an open-ended contract than foreigners and older workers are more likely to have an open-ended contract. The contributing group variable is an approximation of the level of training of the individual, and the coefficients of this variable show a higher probability of having an open-ended contract if the group is not peons. Andalusia is the autonomous community with the lowest probability of open-ended contracts. Considering all contracts, the branches of activity with the highest relative probability are the extractive industry and the financial sector; however, when the probability of first access to employment will be open-ended is estimated, the branches of activity with the highest probability are construction, trade, hotels, transport and public administration. The probability is higher in smaller companies.

7.3 Study of the Probability of Ending an Open-Ended Contract by Cause That Motivates Termination

As noted above, previous research by Cebrián and Moreno (2015, 2016) has studied the duration of open-ended employment when the worker is younger than 30 years of age. In such jobs, the effects of the characteristics of the worker and the job on the duration of employment are investigated. However, it is very easy to determine what is the cause that explains why employment ends and how the explanatory variables determine the probability that the termination of the working relationship occurs by the choice of the worker or by the decision of the company, either by contract termination or dismissal or by any other reason, such as leave or disability. Therefore, we next determine whether there are significant personal and labour differences that explain the termination of open-ended employment and the reason that prompt it during a 2-year observation period. The analysis is performed using the information provided by the MCVL, according to which there are various reasons for the termination of a contract. Using this information, it is possible to estimate competing risk models to assess why an episode that started between 1 January 2005 and 31 December 2013 remains in force 2 years after beginning or why it ended.

7.3.1 Specifying the Model According to the Causes of Terminating an Open-Ended Contract

The causes of termination have been grouped into four possible alternatives that identify the competing events. On the one hand, we consider the possibility that the employment remains active and, therefore, high in the Social Security system at the

end of 2 years, in which case, the episode is right censored. On the other hand, in those cases in which there has been a decline in the Social Security system, the reasons recorded by Social Security include the possibility of a voluntary decision by the worker or a compulsory drop, caused by either termination (individual or collective) or the end of the contract, in addition to other cases that cannot be classified as voluntary or as mandatory (leave, demotion by Social Security, disability, etc.). In all of these cases, it is assumed that there is independence between the unobservable factors that affect each risk, making it possible to estimate competing risk models.

The events in competition are defined as follows. The reason for the situation of right censoring is that at the final moment of observation, i.e. 730 days after the start of the episode with an open-ended contract, it remains active and, therefore, is registered as such in the Security Social system. If it is not, it is considered that the episode has ended due to some cause. Because there can be three different reasons that explain the termination, models are used with multiple exits.

The duration of the episode is calculated as the difference between the time of exit, identified by the date when the episode is lowered in the Social Security system, and the time when the contract started, i.e. the date it was high in the Social Security system over a 2-year observation window that begins the same day as the episode.

The explanatory variables related to the personal characteristics of the individual are the sex and age groups of individuals under 25 and over 24 years of age. The characteristics of the job include the autonomous community where the company is registered, the branch of activity, the size of the company, the tax group (as an approach to the level of occupation) and the type of open-ended contract, differentiating between a regular contract and an initially subsidized contract. Furthermore, a variable that indicates whether the individual had previous jobs registered with the system and the number of episodes that a worker had throughout the observation period has been included. Additionally included was the quarter of entry, to control for possible seasonal and cyclical factors and possible policy changes.

7.3.2 Results of the Estimated Model

The results of the estimated models show in the analysis of the duration of the episodes of open-ended employment what occurs in the final moment of observation, after 730 days since starting the contract.

This type of analysis provides evidence of how a young worker in open-ended employment progresses over time, identifying whether the loss of employment occurs with some frequency and what it depends on. It is important to determine whether open-ended contracts have a limited end in a relatively short timeframe, regardless of the cause that explains termination. This involves determining whether it makes sense to continue betting on these types of contracts without changing the system in which they are embedded and that may effectively be behind their instability.

These estimates include an estimate of the joint probability of exit, without differentiating the cause of termination, to compare the results with those obtained from the analysis of the duration of open-ended employment, considering the reason for the exit.

A risk rate greater than one means that it is more likely that the feature analysed has a positive effect on the exit rate, thereby reducing stability; conversely, a rate of risk of less than one indicates that the risk of ending the contract is lower, which favours stability.

The reference characteristics are being male, 16–24 years of age, working in a company based in a geographical area with an income level below the national average, having a regular contract, being an unskilled worker, working in the trade sector, working in a company with 1 to 49 employees when completing the MCVL and the beginning of the contract being in the first quarter of 2005.

First, it should be noted that there are no significant differences between men and women younger than 30 years of age, except regarding voluntary termination, which is 20% less likely among women. However, terminations for other reasons (e.g. leave) are 50% more likely among women.

However, a worker's age group is important because younger workers are more likely to exit for all reasons except for others. But there is a quantitative significant difference between voluntary (30% more) and compulsory (6% more). Similar results are obtained if the company is based in an autonomous community with an income level above the national average. In fact, this result confirms other analysis outcomes: those regions which create more employment on the contrary have lower employment duration as Madrid or Cataluña. Then, the volatility of open-ended contracts, despite everything, is lower among older young people and regions with lower income levels.

It is equally remarkable that the contracts receiving some type of subsidy are overall 11% more unstable, but if the worker quits is almost 20%. If the contract is part-time, the probability of exit increases to 45% for all the episodes, though it is twice more likely to quit than to be fired. The residual cause has an opposite effect being more probable to end if the contract is a full-time ordinary.

Studying the results obtained for the branch of activity or economic sector in which the company develops its production reveals some interesting findings. On the one hand, it is notable that construction or services to businesses and households show a level of greater stability than trade, regardless of whether termination is voluntary or compulsory, and instability increases if there is any other reason for termination.

However, industry is significantly different from trade only if the motive is neither voluntary nor compulsory. In the transport sector, there is always more instability, and the same is true in the hotel sector, though in this case, compulsory causes are not significantly different from trade. In the financial sector, voluntary causes increase instability; however, a compulsory exit is less likely, which is similar to the collective services sector. Agriculture is generally more unstable, particularly for compulsory reasons.

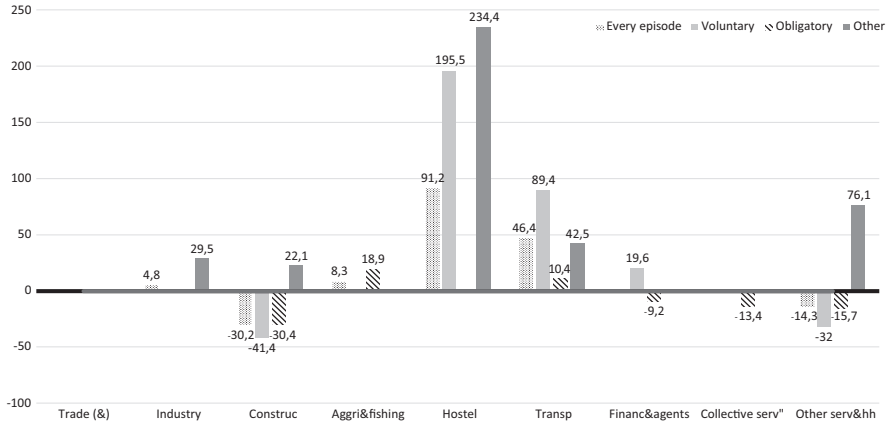

Fig. 7.2 Hazard rates: different reasons for leaving a contract by sector of activity (Source: MCVL, 2005–2015)

In summary, following the details in Fig. 7.2, we can say that dismissals are more likely in agriculture (19%) and transport (10.4%) and less likely in construction[1] (30%) and financial, collective and other services (15%). Voluntary exits are more likely in hostel (195%) and in transport (90%), perhaps as a solution to escape from the precarious employment conditions.

The contribution group for Social Security, which relates the qualification necessary to perform the task of the job, is a very significant variable that shows a surprising result upon analysing exits because it is more likely for the contract to terminate as the occupational level increases. Thus, it is surprising to find that for the group composed of those at the upper end of the scale, the probability of a voluntary departure decreases.

With regard to the size of the centre, there is, as expected, a very positive relationship in the case in which the company had closed at the time of the data extraction. Although the data do not represent the company size when the contract was signed, employees have a greater probability of exiting both voluntarily, before the approaching fact, and compulsorily. In addition, in larger companies, exits are more likely, particularly for voluntary or other causes, and compulsory exits are less likely (15%). These results add evidence in favour of what Cebrián and Moreno (2016) pointed out about the lower (higher) duration of contracts in small (large) firms.

The starting quarter is not very significant in general, except towards the end of the recessionary cycle. In Fig. 7.3 we can observe that since 2007 this is an average of the decline or the increase of the probability of voluntary and compulsory exits in all quarters, except during 2013 when these trends change.

[1] This percentage although it is high is not relevant because the proportion of open-ended contract in the construction sector for young people is very low (only 7%).

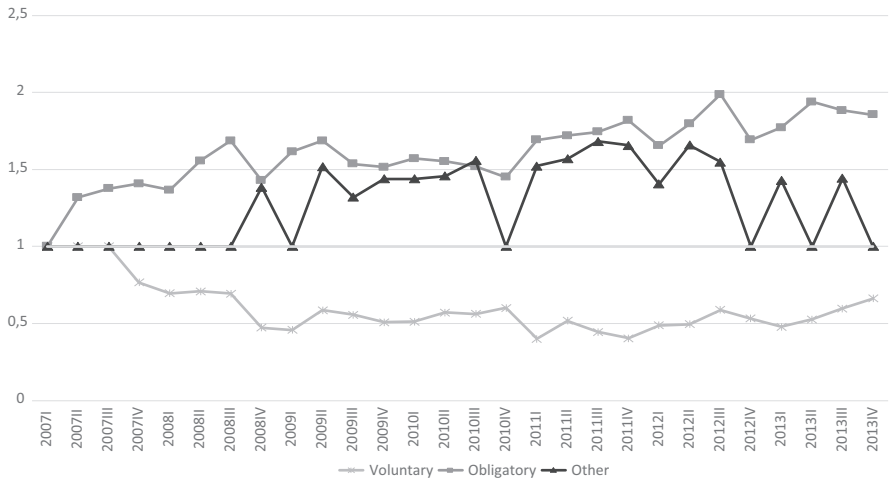

Fig. 7.3 Hazard rates: different reasons for leaving a contract by starting quarter of the contract (Source: MCVL, 2005–2015)

7.4 Conclusions

The promotion of youth employment is a current goal in the programmes of all governments. Therefore, over recent decades, measures have been enacted, ranging from long-term projects, such as reforms to the education system to improve the employability of young people, to measures intended to have an immediate impact on employment, such as incentives for open-ended hiring. The paradigms of stability are employment and, in particular, employment with an open-ended contract.

The goal of this study is twofold: on the one hand, to describe the paths to the employment for young people younger than 30 years of age, emphasizing those that facilitate entry into more stable employment, and, on the other hand, to analyse the duration of this employment and the reasons for its stability, identifying the reasons that may lead to termination. This analysis is based on 2005–2015 information from the MCVL.

The analyses performed lead to some important conclusions. First, it should be noted that despite the budgetary efforts to subsidize and encourage open-ended recruitment equalling the costs of the different types of hiring, the weight of open-ended contracts in the set of youth recruitment is very small: the episodes of employment collected in the MCVL for the period analysed do not even reach 10% of the total affiliations. However, the analysis of probability that young people will enter open-ended employment shows an increase during the years before the Great Recession of 2009, particularly in the case of the first access to employment. This finding may indicate that incentives with regard to first-time access work to some degree, but subsequent career paths do not guarantee stability. It could also be indicating the effectiveness of the measures introduced in promoting stability and limit-

ing temporary work by the reform of 2006 to combat the phenomenon known as the "culture of the temporary" that prevails among Spanish entrepreneurs (Toharia 2005). However, the arrival of the Great Recession itself combated temporary work, curbing hiring in all forms but particularly open-ended.

One possible explanation of why companies are not attracted to the modalities of incentivized hiring can be that they all carry the restriction that the company must maintain the net size of the template for at least 3 years or the duration of the subsidy. This rigidity can pose a greater cost for the company than having to bear the labour costs of entry and exit related to unsubsidized open-ended contracts.

Second, when studying the stability of open-ended jobs by analysing the duration and the causes of termination, it is clear that young people suffer a high degree of insecurity, given that 2 years after starting a contract, only approximately 40% remain active, a result obtained in prior analyses. In addition, a high percentage of young people, regardless of the type of contract, terminate their labour relationship due to a decision by the company. Estimates that differentiate the effect of the cause of exit from a job on its duration show that young women have a lower probability of abandoning employment voluntarily, though they are more likely to exit due to other causes, such as leave. Age has a positive effect on stability, as well as regular contracts, lower-income autonomous communities, large firms and higher occupational level. Trade, hostel and transport are sectors with a high proportion of young workers. The probability of ending a job because of dismissal is alike in three of them, although in hostel and transport sectors the probability of leaving the job is higher than in trade. This could be an evidence about young workers escaping from precariousness.

In summary, if open-ended hiring and its promotion are not being successful and temporary contracts remain high, how much longer labour market policies should continue to focus on the type of contract. Additionally, it would be desirable to divert part of the efforts and resources towards policies that encourage the creation of larger companies in sectors with more stable hiring, such as the industrial sector. Similarly, active policies should adapt the training of younger workers to the needs of the productive system, which requires improving channels of communication and information between the different actors in the labour market. Moreover, it would be interesting to know what is needed by Spanish companies and under which conditions they are willing to hire young people, given that they are not increasing stable employment under the incentives introduced by legislative changes.

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Chapter 8
Transition from Education to Employment: Comparative Assessment of Youth Guarantee Policies in Slovenia, the Czech Republic and Latvia

Mirjana Ule and Vesna Leskošek

8.1 Introduction

Eastern Europe is not a uniform historical, economic and cultural space even though it is often understood as such, chiefly by virtue of the shared experience of former socialism. The changes in the position of youth during the transition are certainly one of the key commonalities of post-transitional Eastern Europe. In the post-war decades, the ideal of growth and progress was, namely, one of the fundamental underlying conceptual notions in Eastern European countries, particularly in the ideological structures of youth. In this way, ideologies of progress and radical social change were a crucial factor in the social construction of youth; they were homogenising youth in a virtual embodiment of a societal future.

After the political twist in the 1990s, Eastern European countries quickly established a new socio-economic system characterised by a neoliberal economy. This system does not require any particular symbolic representation for its own legitimacy nor social movements representing the political will of the people. And, above all, there is no such need for these ideologies to express themselves through young people. Instead, ideologies have now acquired other representatives, such as capital, profit, national homogenisation, religion and family. Therefore, the hypothetical inherent link between youth and progress has been replaced by another, equally hypothetical inherent link, this time between youth and the individualisation of life (Ule 2012). It is this link that is initiating young people into the new privacy of the globalised consumer society.

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Our thesis is that the position of youth has changed from being a symbolic representative of societal change in post-war Europe, and especially in the socialist countries, to an ordinary age group in contemporary times, which holds no particular or significant societal importance or has even been reduced to a marginal group. We assume the biggest reasons for this are young people's weakened position in modern neoliberal societies and the new conditions of growing up, fostering youth's disengagement from the public space and favouring one's private space. Young people are no longer a critical voice or an important representative of society but an ordinary age group devoid of any particular or clear social role. Neoliberal policy supports the individual's autonomous participation in labour, knowledge and capital markets, without the institutions of the welfare state, which leads to the individualisation of responsibility for social and economic success or failure.

Social inequalities have a major impact on young people's personal aspirations as they are socially constrained and not just drawn upon personal characteristics and preferences (Baillergeau and Duyvendak 2016, 155). The processes of individualising responsibilities tend to ignore and neglect knowledge on how inequalities are (re)produced in order to transfer the responsibility from structural causes to individuals. This is especially important for analysis of the process of the transition from education to employment because inequalities affect the life course and create disadvantages that are difficult to overcome in later life periods. We will discuss this further in the empirical part of the chapter.

8.2 Transitions to Adulthood in a Neoliberal Context

The whole of Europe has been facing truly radical changes in the life trajectories of individuals, particularly in the transitions from youth to adulthood. Youth transitions to adulthood are neither linear nor emergent. On the contrary, they are contingent and linked to complex interactions between individual decisions, opportunity structures and social pathways with more or less institutionalised guidelines and regulations. In this perspective, youth is not a self-contained phase but a component of the life course which is impossible to clearly distinguish from adolescence and adulthood, except in terms of legal definitions of the age of maturity.

> The concept of transitions neither implies psychosocial or developmental assumptions or normative expectations regarding the correct timing and sequencing of becoming adult, it rather gains relevance in the life course framework which rests on the following five assumptions: each life phase affects the entire life course: life-span development, individuals actively construct their biography, the life course is embedded in historical events, social circumstances and events influence transitions, social relationships and networks contribute to the shaping of biographies. (Heinz et al. 2009, 4)

Core transitions to adulthood concern the matching of education and employment which is the backbone for implementing one's aspirations and for coordinating participation in the spheres of family life, consumption and citizenship.

Youth has been extended, and the patterns of transitions to adulthood have become more plural and no longer predictable. Increasing numbers of young people

are pursuing the kinds of life patterns that can be described as 'choice biographies' (Du Bois Reymond 1998). But, the so-called reflexive modernity also brings along 'manufactured uncertainty': individualisation is not a free choice but a compulsion to construct one's own biography in the conditions of a welfare state, with the help of one's own resources of all types. The fundamental controversy young people must nowadays resolve is the contrast between the growing ranges of options for individual managing and planning of life on one hand and the reduced predictability of and control over life courses on the other. Social and economic statuses continue to determine life courses, but their influence is less visible and less direct because collective traditions have been weakening and individualistic strategies are becoming dominant. The individual alone is compelled to take the necessary steps to avoid shouldering the burden of the consequences of the individualisation.

New information technologies and media offer elements of multiculturalism and global internationalism; they constantly inform young people of new cultures and lifestyles. All this results in a widening of young people's world and liberates them from traditional cultural ties and patterns. But, on the other hand, this same world is particularising and individualising their common problems and only offers substitutes and not solutions to real-life dilemmas and problems. While global digital networking is producing a new form of generational and cultural homogenisation of youth, the diversity and inequality of life situations and chances, which are all too visible, are producing great differences and gaps in the young generation, and that is precisely what is generating particular tensions and explosive forces.

The autonomy of young people has been considerably reduced since the process of the narrowing of the welfare state that has transferred the majority of the costs of the social reproduction of youth from the state back to the family. Young people are marginalised in the labour market, excluded from the essential flows of adult society and, consequently, deprived of the origins of power. This is the framework in which the social and political reconstruction of youth in Eastern Europe and elsewhere in Europe has taken place. An important factor in the social exclusion of youth is the narrowing of the 'space for youth', which has come to be limited to the spheres of privacy and leisure time. The private world of young people along with the help and support of their parents offers them shelter and a place to withdraw from the pressures of the increasingly complicated and unclear everyday world of adults.

These difficulties are especially acute in the 'transition countries' and exacerbate young people's social and psychological vulnerability. They also escalate difficulties and accumulate unresolved problems that tend to feed one another. Youth studies right across Europe indicate that the structural characteristics of social vulnerability (e.g. a disadvantaged starting position) as a rule become intertwined with cultural and interactive aspects (Helve and Evans 2013; Walther et al. 2016). Due to the mostly structural sources of problems and difficulties during youth, young people often experience them as an irresolvable vicious circle and sometimes try to resolve them by adopting various unreflective shortcuts (e.g. consumerism, addictions and escapism into pop youth lifestyles). These shortcuts at best only temporarily drive the problems out of the mind, while in reality they make them even worse.

As a result, attaining independence and personal growth are becoming more difficult than ever. It is true that young people are liberating themselves of traditional ties

and dependencies, but they are becoming ever more dependent on the pressures of other social institutions upon which they have no or very little influence. These institutions are mostly the labour market, education system, systems of social care and protection, systems of social security, etc. (Beck 1997). The prolongation of youth cannot solely be attributed to the prolongation of education or to the 'egoistic choice of free lifestyles'; in fact, due to structural reasons, many young people are unable to achieve the 'adulthood indicators' such as a regular job or independent housing. For example, young people have become a precarious workforce everywhere in Europe.

8.3 The Transition from Education to Employment: Challenges and Risks

The OECD's long-term interest in this particular transition has shown that the optimism built on efforts like building a youth-intensive sector and creating targeted labour market programmes, that in the 1970s succeeded to include the majority of young people in employment, was not justified by the developments of the following decades. Many young people faced difficulties being integrated into the labour market, and in the 1990s youth unemployment was still a big problem. It was also recognised that countries vary in the number of obstacles youth face in accessing the labour market and in the size and composition of at-risk groups (Bowers et al. 1999, 7). Results of the OECD research also show that the problem is successfully challenged if a coherent educational, labour market and social policy are created to help young people overcome obstacles on their way to employment. There is a need to approach specific groups with particular problems and not to build generalised policies that fit a limited number of young people and, finally, to provide conditions that will ensure good careers and good employment for young people (ibid.). Labour markets are not static, they change, and what was a problem in one period might disappear soon after. In a report from 2008, the OECD points to the high employment rate in the first decade of the new millennium but warns a significant part of the employment growth comprised precarious and/or low-paid jobs. Activation/obligation strategies increased labour market participation and made efforts to include under-represented groups, but labour demand for those groups is limited (OECD 2008, 12).

Young people are not a unanimous group. While some face labour market discrimination (like minority groups, women, disabled, etc.), others are well in advance due to skills and knowledge they acquired in education and elsewhere and because of the social capital they hold. Employment opportunities for early school leavers are much lower than for their better educated counterparts. Overall, young people are much better educated than older cohorts, and unemployment in the 15–24 age group was lower in the first years of the new millennium due to longer enrolment in education and the rise of precarious jobs (ibid., 28). Prolonging education, as mentioned, is also a personal strategy young people use to avoid the competitive and precarious labour market. The consequences of their rational behaviour in terms of prolonging living with their families are that families bear the financial burden and care for their children much longer than in the past.

In 2011, the ILO published a report on the impact of the economic crisis on young people's employment. The organisation calls for effective school-to-work measures because during the crisis the employment of young people was falling drastically, with disproportionate affects for women and disadvantaged groups.

> The main point is that young people who are caught by the crisis are more vulnerable to its effects than are adults and that these effects are likely to be more long-lasting. This is not just because young people will have more time to suffer the consequences of their current unemployment, but also because they are at a formative stage in their lives; they are more educated and trained than are older people, but also their patterns of behaviour are likely to be more affected by their experiences at an early stage in their working careers. (O'Higgins 2010, 1)

The author continues that the loss of work experience in one's early career also affects the loss of human capital, which can translate into a lower income over the entire life cycle (Elwood 1982 in O'Higgins 2010, 1). It was also found that young people, especially first-time jobseekers, are struggling more to enter the labour market after the crisis than other age groups. Youth are also more affected by the crisis 'because youth unemployment tends to be super-cyclical and it fluctuates stronger than adult unemployment' (Bejaković et al. 2015).

8.4 (Un)Employment and Educational Trends in Three Selected Countries

In our case, all three countries – Slovenia, Czech Republic and Latvia – were affected by the crisis, and youth unemployment has risen disproportionally compared to other age groups. There are several reasons for selecting these three countries. Slovenia was part of Yugoslavia that was not occupied by the Soviet Union, and it developed its own political system which differed from other countries of the 'Eastern Bloc'. Even inside the Soviet Bloc, there were differences between countries (Ferge 1992). The Czech Republic was occupied by the Soviet Union, and Latvia was annexed to the Soviet Union, what influenced differences in the development of their political systems before and after the break with socialism or communism. Slovenia developed a particular kind of welfare system that differed from both the Czech Republic and from Latvia. As Ferge claims (ibid.), there were also commonalities among socialist countries in the full-employment policies and in the dominance of the economy over social policy that was a consequence of the belief that a just social system would by itself do away with social problems. The aim of comparing these three countries is to explore the commonalities and differences in responding to the particular problem of youth unemployment. Successful strategies are important for all European countries that are facing a high level of youth unemployment.

In Table 8.1, we compare data across several years of the economic crisis. We selected 2010 since that was the year when the effects of the crisis clearly showed, and in 2013, some countries had already started to recover. The year 2015 is a time of economic growth, while the results of the targeted Youth Guarantee (YG) measures should already show some results.

Table 8.1 Data on (un)employment of young people in the 15–24 age group in the three selected countries, 2010, 2013 and 2015, in %

	Czech Republic			Latvia			Slovenia		
	2010	2013	2015	2010	2013	2015	2010	2013	2015
NEET population	8.8	9.1	7.5	17.8	13.0	10.5	7.1	9.2	9.5
Unemployment ratio[a]	7.7	6.0	4.1	14.4	9.1	6.7	5.9	7.3	5.8
Unemployment rate[b]	18.3	19.0	12.6	36.2	23.2	16.3	14.7	21.6	16.3
Long-term unemployment[c]	5.8	6.2	3.8	12.0	6.8	4.4	4.9	8.5	5.8
Youth employment rate	25.2	25.6	28.4	25.4	30.2	34.5	34.1	26.5	29.6

Source: Eurostat

[a]Unemployment ratio: Youth unemployment includes all youth (i.e. people between the ages of 15 and 24, inclusive) who are unemployed. The youth unemployment ratio is the share of unemployed young people compared to the total population of that age group (not only the active but also the inactive such as students)

[b]Youth unemployment rate (the youth unemployment rate is calculated by dividing the number of unemployed persons aged 15 to 24 by the total active population of the same age group. The indicator is based on the EU Labour Force Survey)

[c]Twelve months or longer

Data on NEET and the unemployment rate show that Latvia was affected the most but was also quite capable of reducing unemployment and the effects of the crisis. The NEET population fell from 17.8% in 2010 to 10.5% in 2015. Even though Slovenia experienced a deep and long economic crisis, it has positive economic growth in three consecutive years, but the NEET population is still rising. Latvia also succeeded in improving the unemployment ratio and reducing the unemployment rate. In fact, the percentage in 2015 is equal to that in Slovenia, although the Latvian figure in 2010 was almost three times higher than the Slovenian one. The Czech Republic also had a higher unemployment rate in 2010 than Slovenia, but in 2015 reduced it to 12.6% compared to the Slovenian figure of 16.3%. Latvia is also doing the best in cutting long-term unemployment, and again Slovenia is less successful, although the share has also dropped in this country. The employment rate in 2015 is higher than it was in previous years, and Latvia proved to be the most successful by having increased the level of employment since 2010 by almost 10 percentage points.

Employment rate data by educational attainment in the 15–24 age group are only somewhat comparable because in some countries tertiary education (levels 5–8) finishes at age 25 or 26 (e.g. in Slovenia). With the Bologna reform of education, the second cycle can even prolong this period, and therefore in Table 8.2 we include data on the 30–34 age group where the percentage refers to the total population in that age group. In Latvia and Slovenia, more than half the women in this age group graduated or finished the postgraduate level. The figure in the Czech Republic is much lower, even though women there are doing slightly better than men; more than 90% of young people in the Czech Republic and Slovenia completed upper secondary education, again more women than men. Latvia is slightly lagging behind but is very successful in reducing the NEET population. We can predict that it will converge to the same level as the two other countries in the next few years.

Table 8.2 Employment by educational attainment, age and sex, 2015

		Czech Republic			Latvia			Slovenia		
Level		0–2	3–4	5–8	0–2	3–4	5–8	0–2	3–4	5–8
Employment rate, age 15–24[a]	Total	7.9	83.6	8.5	17.8	62.1	20.0	16.2	74.7	9.1
	Fem.	6.2	79.2	14.6	10.3	59.7	29.8	13.3.	75.6	11.0
Tertiary ed., age 30–34[b]	Total			30.1			41.3			43.4
	Fem.			35.9			56.5			56.4
Upper secondary ed., age 20–24[c]	Total		90.4			86.1			90.9	
	Fem.		90.6			91.6			93.7	
On temporary contract, age 15–24	Total	11.8	76.6	11.6	31.9	52.9	n.d[d].	12.4	76.8	10.8
	Fem.	9.2	74.2	16.6	n.d.	n.d.	n.d.	11.3	76.9	11.7
Part-time job, age 15–25[e]	Total	15.8	65.2	19.0	22.0	60.2	n.d	14.1	77.6	8.3
	Fem.	12.1	71.3	16.6	n.d.	67.3	n.d.	13.0	79.1	7.9

Source: Eurostat

[a]The youth unemployment rate is calculated by dividing the number of unemployed persons aged 15 to 24 by the total active population of the same age group

[b]The indicator is defined as the percentage of the population aged 30–34 which has successfully completed tertiary studies (e.g. university, higher technical institution, etc.)

[c]The indicator is defined as the percentage of people aged 20–24 who have successfully completed at least upper secondary education

[d]No data

[e]Low reliability of data on temporary employment and part-time jobs

Data on precarious employment forms show that the start of the career path is unstable, and most young people receive temporary or part-time contracts, as also observed by the ILO. O'Higgins (2010, 18) points to the fact that impermanent contracts are more attractive to employers as there are almost no costs upon terminating them. While in many countries the number of temporary contracts dropped during the economic crisis, in the Czech Republic and in Slovenia, it increased. In Slovenia, temporary contracts were fairly widespread even before the crisis. In fact, the country's share of young people with such contracts was the highest among the EU countries in 2007. Of all contracts young women received, 78% were temporary (65% for males), while in the Czech Republic, less than 20% of young people worked on temporary contracts and slightly over 10% of young males in Latvia (ibid., 20).

8.5 Youth Guarantee Plans to Assist the Transition from Education to Employment

For the comparative analysis of youth guarantee plans we are using reports submitted to the European Commission, that is European youth report 2015 (2016), The National Youth Guarantee Implementation Plan, Latvia (2014), Implementation Plan for Czech Youth Guarantee Programme (2014), and Youth Guarantee Implementation Plan, Slovenia (2016). Slovenia, Latvia and the Czech Republic are

three former socialist countries that have experienced a change in the labour market participation of young people. Tables 4.1 and 4.2 show that the countries developed in different directions, reflecting differences in political developments after the break with socialism and in the particular arrangements concerning the economy and the issue of regulations. Data show that Latvia improved its youth employment by a great extent, while Slovenia was much less successful. The Czech Republic is a very stable country seeing limited effects of the economic crisis. We are particularly interested in how these three states assist young people to enter the labour market soon after they exit education.

The transition from education to employment is a major step towards independence, autonomy and adulthood. In order to successfully navigate the path to the labour market, young people need support on both the structural and personal levels. On the structural level, policies and measures should be created to ensure an encouraging environment to minimise risks significant for the transition from education to employment. On the personal level, services should be created in order to support young people's efforts to obtain employment that can provide them with enough resources to plan their own future and provide not just for them but also for their (future) family. As mentioned, that is the most important transition period that affects the whole life cycle of a person. The knowledge they learn and skills they acquire in the education process can be forever lost if they cannot apply them in practical situations as soon as possible.

The age limit to be eligible for Youth Guarantee (YG) is under 25. That might be an obstacle to effective inclusion in the labour market since young people are deciding to prolong education and enrol in the second cycle of education (master level) and finish their education at age 26. It is also important to shorten the period from the first employment to less than 4 months after being registered as unemployed, as is the aim of YG (Dhéret and Morosi 2015). The question is: how successful are these three countries in achieving this goal? In order to respond to the questions in focus, we assessed their Youth Guarantee Implementation Plans. Latvia submitted its plan for the period 2014–2018, the Czech Republic updated its plan in 2014 and Slovenia submitted its plan for the period 2016–2020.

Latvia identified the biggest obstacles in youth labour participation in a close relationship with the Ministry of Welfare and the Ministry of Education and Science and later on in intensive discussions with different stakeholders on the macro (ministries, agencies, etc.), mezzo (NGOs, social services, municipalities, etc.) and micro levels (youth centres). The main obstacles to a successful transition from school to work are the following:

- The provision of education that matches labour market needs
- The timely provision of qualitative measures, which help in gaining the first work experience
- The individual approach to young people's needs and the provision of targeted and sequenced measures and profiling
- Strengthening the cooperation with employers in order to provide timely first work experience

To overcome these obstacles, they created a set of measures:

- Profiling and job-search assistance and career counselling.
- Non-formal training programmes (language, IT, project management, etc.).
- First work experience (work for up to 12 months in newly created workplaces – wage subsidies for employers).
- First work experience for youth in NGOs. This is not formal employment, with a young person receiving EUR 90 for transport and similar costs for up to 6 months or until a newly created workplace becomes available.
- Supporting young people to commence self-employment.

The Czech Republic did not disperse responsibility for the implementation across different sectors and different agencies but did discuss the plan with stakeholders and include a broad number of organisations in promoting the Youth Guarantee. The greatest obstacles are as follows:

- Inconsistencies between the young people's skills and those needed in the labour market
- Lack of professional practice
- Lack of a possibility to acquire competencies for entering the labour market

The measures to tackle these inconsistencies include:

- Development of competencies required for long-term employability
- Addressing labour market disparities from the perspective of the educational process and predicting future labour market needs and adapting the content of education accordingly
- Introduction of an innovative way of individual further education through internships in companies
- The internship project for young jobseekers
- Professional experience for young people aged up to 30 (registered at the Labour Office for at least 4 months, whose previous work experience does not exceed 2 years since having completed education)
- Support for the creation of new jobs (community service + socially beneficial jobs), including young people

Slovenia is targeting youth aged 15–29 due to the high level of enrolment in tertiary education. The introduction to the measures in the Implementation Plan is short, without identifying any obstacles. The Employment Office is the chief provider of measures that were discussed by a working group of stakeholders. We learn that Youth Guarantee will focus on:

- Those who really need help to enter the labour market and have less opportunity and a longer period of unemployment.
- The measures are intended for young people registered as unemployed with the Employment Office and meeting the conditions prescribed for the target group. After 4 months of unemployment and/or after the completion of different forms of training, the person will be offered a more intensive service.

Measures include:

- Strengthening counselling to young jobseekers at the Employment Office (Youth Counsellors)
- Promotion of young people's international mobility via the EURES network
- Incentives for the employment of young people
- Support for youth entrepreneurship (provision of training to unemployed young people for business start-ups, assistance in drafting an entrepreneurial plan, provision of services to potential entrepreneurs and entrepreneurs at the start of their business career)
- Incentives for young enterprises
- Promotion of business cooperation and employment of young people in youth cooperatives etc.
- Projects for young people (implementation of various projects related to developing new employment opportunities and the self-employment of young people as a response to social challenges)

The similarities among the Implementation Plans partly reflect the instructions and forms provided to member states to fill in, which also predetermines the content and the measures. All three plans emphasise the common assumption that unemployment is a result of disparities between education and labour market demands. While Latvia and Slovenia stress the mismatch between educational programmes and the labour market, the Czech Republic emphasises the lack of skills and lack of practical learning in educational programmes. Even though we agree that education has to be responsive to the labour market's demands, we also note that labour markets change, as also confirmed during the recent crisis. For example, the construction industry was under great pressure, and the loss of jobs in construction was among the highest in some countries (e.g. Slovenia). Vocational training and education in building and construction did not serve the market's needs at all, despite the high demand a few years earlier. The Czech Republic plans early career counselling in elementary school, even though pupils are a decade or more away from entering the labour market. Such early profiling could also pose a major obstacle regarding the need to adapt to the fast changing and flexible labour market. Data also show that the biggest share of unemployed youth is actually those without education and drop-outs (Bejaković et al. 2015, 4).

The second common feature is the role of employment offices in career counselling, profiling, providing information on jobs available and to some extent also in controlling the 'activation' of jobseekers. These are obviously standard services provided by employment offices in all countries. Escudero and López Mourelo (2015, 6) point out the need for effective and responsive employment services because they are vital for implementing YG, which was copied from Scandinavian states with a particular tradition in job-search assistance that is expected to raise job search effectiveness. 'The success of these programmes will depend on whether public employment services are properly staffed (in terms of both numbers and competencies) to offer customized support to different groups: and on whether they are well resourced to effectively manage the range of services offered under youth guarantee programmes' (Escudero and López Mourelo 2015, 8). If this is not the case and it is merely activa-

tion control that is effectively performed, young people face more restrictions than support on their path to employment. Employment services also differ in their offers of training or workshops that should contribute to improving the skills needed to fit with job requirements. Offering useful training requires a very good overview of labour market expectations and a high level of responsiveness to such expectations.

The third feature is the financial incentives to employers or for self-employment, but here the countries differ. The Czech Republic does not include any measures on incentives, Latvia and Slovenia include a programme on youth entrepreneurship, and Slovenia provides a more standard set of incentives like wage coverage and hiring incentives. Incentives and wage subsidies are not new in employment policies and are not an invention of YG, and the discussion on the effectiveness of subsidies is ongoing (e.g. Kluve and Schmidt 2002).

There are also differences among the countries that can challenge the YG scheme itself. As we emphasised previously, it is important to include young people in paid labour as soon as possible after they finish education. The knowledge and skills they learn should be applied to concrete practical situations as soon as possible, otherwise they might be lost. It is also important to acquire experiences and understanding of how skills and knowledge are working in those situations, how they can be used, etc. YG rightly predicts that the period must not be longer than 4 months, which also implies that first-time employment must be supported and supervised by older and skilled workers who will mentor young people on their way to becoming able to take full responsibility for their performance. Not all states are aware of the importance of reducing long-term unemployment. In our sample, Latvia is strongly focusing on timely provision that will be offered as soon as possible within the first 4 months of being registered. The Czech Republic will introduce internship, which has proved to be an effective measure. Slovenia is an exception here. The sole eligibility condition for inclusion in YG is to have been registered with the employment office for at least 4 months. There is even a plan to reduce internship and intensify support after a year of unemployment, like inclusion in public works and offering an incentive to employers.

The crucial difference among the three states is how fast they are capable of including young people in the labour market after they complete their education. The assessment shows that Latvia is aware of the problem, has created measures to tackle it and in the last few years has succeeded in cutting youth unemployment by almost half. Slovenia is much less successful. Even though its problem was not so drastic, it is in a worse position than Latvia was in 2015.

8.6 Discussion

The data show significant differences in the processes of youth's transition to adulthood in Latvia, the Czech Republic and Slovenia in the period from 2010 to 2015, at a time when these countries were also affected by the consequences of the last Great Recession. The gathered data show the largest positive shift regarding youth employment in Latvia, which had the highest youth unemployment rate and managed to

halve it in the examined period. The Czech Republic has managed to somewhat reduce its unemployment level. In Slovenia, however, which had the lowest youth unemployment rate, unemployment has even increased. We assume these differences are the outcome of differences in the structural reform process in these three countries and the variations in their responses to the economic crisis of 2008–2010.

After independence in 1991, Latvia was forced to adopt radical and wide-ranging economic and social reforms, so it could cope with the large-scale collapse of its economy after the secession from the former USSR; nevertheless, Latvia always took care of the modernisation of its industry, education, science and technology. Since 1991, Slovenia and the Czech Republic had relied on their relatively developed economies, which were (in some areas) also comparable with developed economies in the EU in their good education system and entrepreneurial tradition. Slovenia, which began the transition as the most developed post-socialist country, then stalled in its development. It seems that, after joining the EU, Slovenia waived the independent management of politics and left the decision-making to the instructions of influential EU institutions. This deadlock can primarily be seen in its less competitive systems of education, science and technology that make it increasingly difficult especially for educated young people to find a way to secure employment suiting their education and qualifications. It is therefore not surprising that Latvia and the Czech Republic are today doing better than Slovenia regarding young people's transitions from education to work.

Further, there are also different circumstances regarding the institutional monitoring of young people's transition from education to work in the examined countries. In Latvia, for instance, there is a close relationship between the Ministry of Welfare and the Ministry of Education and Science for monitoring the youth employment problem. This cooperation is then also transferred to the lower levels of institutional functioning, which is why in Latvia there is the most systematic guidance and monitoring of YG's implementation among the three countries. In the Czech Republic and Slovenia, there is no such institutional cooperation. In the Czech Republic, they rely on a wide network of various organisations to implement YG, while in Slovenia they chiefly rely on the work and influence of the respective employment offices in local environments that have their own lists of measures to help young people find employment.

In all three countries, young people without an adequate education or drop-outs are the most vulnerable, and it seems that with schemes such as the Young Guarantee Implementation Plan, we can offer them only little or no help at all. Young people who for various reasons are unemployed for a longer time and dependent on precarious jobs are at risk of long-term social exclusion. This applies to all young people in the EU, not only those in the post-socialist countries.

8.7 Conclusions

Processes over the last three decades have seemingly ultimately diverted young people away from the 'grand themes' that formed the foundations of the social movements in Europe in the 1980s, such as human rights, social justice, gender equality

and autonomy of civil society as opposed to the state, although it is also true that these topics have disappeared from public discourse in general. The fundamental controversies young people of today must resolve are the contrast between the growing ranges of options for individual managing and planning of life on one hand and the reduced predictability of and control over life courses on the other hand.

Young people are incessantly facing new contradictions, making the attaining of independence and personal growth more difficult than ever. It is true that young people are liberating themselves from traditional ties and dependencies, but they are becoming ever more dependent on the pressures of other social institutions upon which they have no or very little influence. These institutions are mostly the labour market, the education system, the systems of social care in protection and the systems of social security and health.

The last economic crisis had hit young people particularly hard. It has expanded the gap between those with more and those with fewer opportunities. Accordingly, a limited number of young people from the privileged class have access to promising educational degrees, successful careers and good employment. Yet, on the other hand, more and more young people are facing increasingly uncertain and unpredictable working conditions with short-term jobs, coupled with prolonged economic dependency on their families of origin, thereby practically institutionalising their lower incomes.

It is difficult to convince ourselves that new and attractive opportunities for young people will emerge through a period of economic restructuring following the recession. The evidence points to a future in which job insecurity will become a defining feature of the life of young people in the 'new economy'. Youth itself is defined exactly by the ability to rise above the psychological and physical process of growing up, and in that way it becomes a socially, culturally and politically significant social group. If there is no future for these members of society, or if the roads to those futures are closed off, then we can no longer speak about 'youth' in the true sense of the word.

Our analysis points to the crucial importance of the state and its policies in young people's transitions from youth to adulthood, particularly with regard to the transition from education to employment. The state's role cannot only be to serve the economy, that is, to establish the conditions (involving a precarious labour market and reduced labour rights) which enable a profit to be made. It depends on state policies when and how young people acquire employment. The market is indifferent to these transitions, it does not distinguish between generations, and it does not run social policy. All of this needs to be run by the state. The state has to ensure special protection of vulnerable social groups such as the young, women and the elderly. The labour market in itself is unfriendly and exploits young people. The market is only interested in obtaining the best qualified and the cheapest labour force.

Therefore, young people's transitions from education to employment are not regulated by the market. This is where the state plays the key role: its measures of active policies should enable young people to make the transition as soon as possible and without breaks to be able to immediately use their acquired knowledge. Otherwise, we run the risk of losing both the knowledge and the young generation.

The state has to have an independent, targeted social policy that enables young people's sustainable and stable entrance to employment. This was also corroborated by our study in the three Eastern European countries. What our research shows is that countries where targeted efforts are made to address the problem of the transition from education to employment, namely, using measures that enable fast employment, have the largest drop in the share of unemployed young people. In our research, Latvia is an example of such good practice.

Some other countries are resolving the labour market problem by prolonging education. In our analysis, this is the case of Slovenia. In Slovenia, the unemployment of young people tends to be solved with longer education that, however, only postpones the problem of employment. The prolongation of education has been offered to young people by the Slovenian state as a solution without any further strategies to address the time of their transition to employment. It has even allowed the youth labour market to become precarious and has abolished apprenticeships that served as a soft measure for young people to become familiar with prospective employers. As a result, youth employment in Slovenia fell drastically during the economic crisis. Conversely, Latvia has ensured that safe employment is provided immediately after education has been completed, which is why the level of young people's unemployment in Latvia has been steadily decreasing.

Therefore, the primary finding of our analysis is that state and institutional measures designed to help young people should be directed more towards protecting transitions instead of defending statuses. It seems that state assistance needs even to extend beyond national borders. State systems of social assistance should become Europeanised, meaning that innovation should reach beyond state traditions and limitations.

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Chapter 9
Labour Market Transitions in Italy: The Case of the NEET

Chiara Mussida and Dario Sciulli

9.1 Introduction

The great recession hits Italian unemployment rate especially for the youth component of the labour force, and this characteristic of the Italian youth labour market raises important concerns. The overall Italian unemployment rate rose in 2008–2009, decreased in the first months of 2010 signalling a recovery but at the end of the year started to grow again reaching a historical high of 12.4% in 2013.

What is surprising is the different behaviours of the youth unemployment rate; the series for individuals aged 15–29 show that the youth unemployment rate increased by 10 percentage points between 2008 and 2012 from 15.4 to 25.4%, one of the highest rates in Europe[1], and the situation is even worst for youth aged from 15 to 24 years. The unemployment rate of older workers did not rise as much or even declined, raising the question of whether the pension reform enacted recently – which kept many older workers at work for longer – had any short-term impact on youth unemployment. Overall, the ratio of the youth-to-adult unemployment rate is particularly high in Italy. This fact, together with the fact that the inactivity rate and the proportion of NEETs among young workers are also very high, as discussed below, signals the presence of a youth-specific problem in the Italian labour market (Leonardi and Pica 2015) and in Europe as well. A number of institutions, indeed, argued that young people were additionally affected by the recession and classified at risk of social

[1] These figures are available online on the statistical portal of the Italian National Institute of Statistics (ISTAT) at http://dati.istat.it/

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exclusion and subsequently disengagement from society (ILO 2013; O' Higgins 2012). For these reasons, OECD and European Commission introduced valuable complementary indicators in addition to traditional unemployment statistics, to better describe the situation of the youth. One of these indicators, in addition to the youth unemployment ratio, is indeed the NEET rate. NEET as a statistical concept has acquired broader substantive and statistical meaning in recent years, especially after the recession (Robson 2010; Eurofound 2012), and it is now central to the European policy debate. The term is in fact explicitly mentioned in the Europe 2020 agenda as well as in the 2012 Employment Package (European Commission 2012).

One of the most important (structural) explanations of the divergence between youth and adult unemployment has to do with the weak, difficult and problematic school-to-work transition of Italian youths (Eichhorst and Neder 2014). The weak school-to-work transition is traditionally a handicap for the low-educated young. The NEET phenomenon concerns mainly, but not only, the low educated. College graduates, indeed, have also experienced long periods of unemployment and low entry wages recently. The difficulties of college graduates may be due to the excess supply of college graduates as a consequence of the university reform, which rapidly increased the number of college students (Bosio and Leonardi 2010). NEET is also considered a consequence of discouragement and informal occupation, widespread temporary employment opportunities (Eichhorst et al. 2013) and strong dualization of the Italian labour market between permanent and temporary contracts,[2] difficulties in finding work which depend not only on the traditional low level of labour demand for young people (Reyneri 2005) but on the low educational level and scant professional skills and on the inefficiency of the demand-supply matching offered by the employment service. The phenomenon is more significant in Southern Italy and also embraces the group of young workers aged 25–29 involved in the school-to-work transition.

For these and other reasons, Italy, the Italian National Institute of Statistics (ISTAT), uses a larger age range 15–29 than that used at European level (15–24). This has the advantage of including young adults still in transition to adulthood, which in Italy is postponed with respect to other European countries. The NEET[3] are also defined as the group of 'youth left behind' (O' Higgins 2010; Scarpetta et al. 2010). In addition, young people who are not able to come into employment or training are marked by the scars of this experience for their whole working life (Eichhorst et al. 2013; Schmillen and Umkehrer 2013). Those young people not employed and

[2] The successful transition to a stable first job is difficult in Italy as well as in all Mediterranean countries (Eichhorst and Neder 2014). The most important problem is the dualization of the labour market between permanent and fixed-term contracts. While permanent employment has strong dismissal protection, temporary employment reduces protection. Therefore, the transition to a permanent job is difficult because it is quite costly for the employer. It is indeed cheaper to renew fixed-term contract or to replace the worker by another temporary worker.

[3] The NEET definition was first used by OECD that thereafter introduced two new categories/groups: 'poorly integrated' (young people who do not find stable jobs but move between temporary employment, unemployment and inactivity) and 'left behind youth' (young people who face long-term joblessness).

in education, therefore, represent the weakest and most vulnerable group on the labour market and more strongly hit by the recession than older people.

Because of the economic crisis, the NEET rate, as the youth unemployment rate, is increasing (more in the North than in the South). The number of NEETs aged 15–29 increased between 2008 and 2013 to reach 2.5 million individuals or 27% of the population of this age group. It started from an already very high level (19.9% of the corresponding population in 2008),[4] a sign of a structural problem in the school-to-work transition. As for the composition of NEETs (inactive versus unemployed), the number of unemployed has risen more over time, signalling that the transition into work remains the main problem for the young unemployed in Italy.

Summing up all negative trends which exacerbated with the crisis, one observes enhanced risks for labour market exclusion, human capital depreciation, disengagement, social exclusion and demotivation among youth in Italy and, more in general, in the European Union (Bell and Blanchflower 2011; Eurofound 2012). There have been frequent discussions in Italy about the opportunity to follow the German model of a dual education system, which combines apprenticeships/work experience in a company and vocational education at a vocational school in one course. Nevertheless, no reform has been implemented in this direction, and experiences of the labour market during the education period both during high school and university remain very rare. Hiring through apprenticeship contracts represents in recent years only around 4% of the total. The recent labour market reforms in Italy have revolved around youth unemployment, but have mainly discussed entry contracts rather than structural reforms concerning schools and the university system, which might deal with the very slow transition from school to work (Leonardi and Pica 2015). Overall, the approach of the last decade to the youth unemployment problem and to the NEET phenomenon has been two-sided. First, there was substantial liberalization of fixed-term contracts, which have been proven in the past to increase the number (but not the quality) of accessions to the labour market. Second, there has been a promise to promote the substitution of fixed-term contracts with more stable open-ended contracts (Quintini et al. 2007; Cingano et al. 2016; Leonardi and Pica 2013).

This paper aims at bringing more evidence about the determinants of the labour market transitions of youth in Italy, especially looking at NEET condition. In particular we investigate the presence of state dependence and cross-state dependence, accounting for possible heterogeneity because of individual characteristics. Our analyses cover the period 2008–2013, giving us the opportunity to emphasize the impact of the economic crisis on such important transitions. We use longitudinal Labour Force Survey data gathered by the Italian National Institute of Statistics (ISTAT), which enables us to analyse annual gross flows of youth aged from 15 to 29 years (to analyse the overall age range at risk of NEET, see above) between the three states/conditions, namely, employed, student and not in employment, education or training (NEET) by adopting multinomial logit model pooled over time accounting for state dependence. Given the structural characteristics of the labour market in Italy (Schindler

[4] These figures are available online on the statistical portal of the Italian National Institute of Statistics (ISTAT) at http://dati.istat.it/

2009; Trivellato et al. 2005), especially important for youth, we also provide subgroup analysis to identify heterogeneities at age, gender, territorial and educational levels.

The paper proceeds as follows: Sect. 9.2 describes the data and the variables used. Section 9.3 provides a description of the econometric methodology used to estimate the determinants of labour market transitions of young people. Section 9.4 describes the estimation results. Section 9.5 concludes.

9.2 Data and Sample

The empirical analyses exploit longitudinal data (2007–2013) derived from the Labour Force Survey set up by the ISTAT. Each year, the survey collects information on almost 280,000 households in 1246 Italian municipalities for a total of 700,000 individuals. Because we implement a dynamic analysis, the 2007 data are used only to obtain the information about the labour market status of 2008 analysed individuals. Therefore, we analyse the situation of young individuals over the period 2008–2013.

The sampling design of the survey is composed of two stages, with a stratification of the unit at the first stage; the first stage units are municipalities, whereas the second stage comprises households.

Each household member is interviewed. The main difference between the two stages is that although for families a 2-2-2 rotation scheme is applied, the municipalities surveyed do not change over time.

More specifically, a household was interviewed for two consecutive surveys and, after being excluded from the sample for two quarters, was interviewed for another two consecutive quarters. This is defined as a (2-2-2) rotation scheme.[5] This rotation system makes it possible to maintain half the sample unchanged in two consecutive quarters and in quarters 1 year apart. In other words, the scheme implies a 50% overlapping of the theoretical sample to a quarter of the distance, a 25% overlapping to three quarters, a 50% to four quarters and a 25% to five quarters. Our analyses are based on yearly longitudinal data for the sample of youth from the age of 15 to the age of 29. The rotation scheme of the data allows analysing annual labour market transitions since each file contains information at 12 month-time distance. This fact has to be underlined, as other data, like the European Union Statistics on Income and Living Conditions (EU-SILC) used for investigations on labour market transitions allows for the reconstruction of labour market flows only retrospectively. This implies that individuals are asked to reconstruct their position in the labour market 1 year before. This fact, in addition to memory bias-related issues, typically causes an increase in the persistence rate, particularly in the unemployment state, thus determining biased results.[6]

The variables used are summarized in Table 9.1. The choice of variables was driven both by specific econometric tests and preliminary checks and by the rele-

[5] For details on the sampling design, see Discenza and Lucarelli (2009).

[6] OECD data confirm such evidence. These are available at http://www.oecd-ilibrary.org/employment/unemployment-rate_20752342-table1

Table 9.1 Descriptive statistics

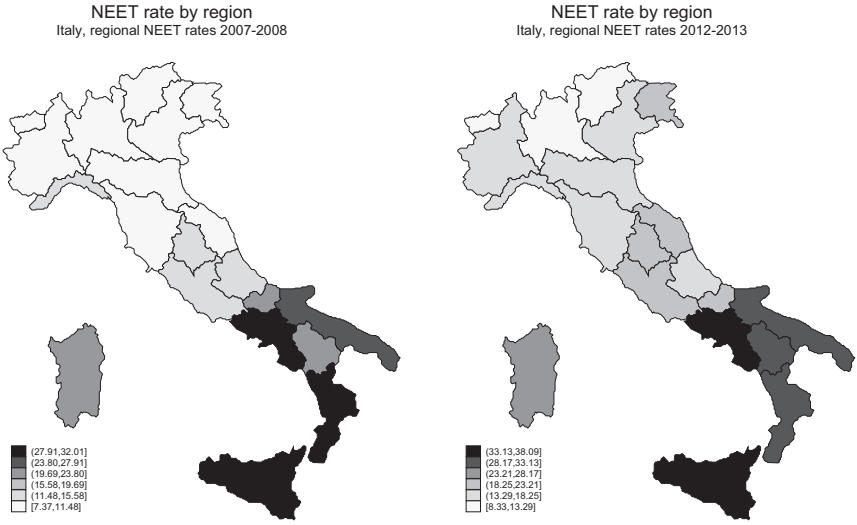
Variable	Mean	Std. dev.
Current status		
Employed	0.365	0.482
Student	0.425	0.494
NEET	0.210	0.407
State dependence		
Employed t-1	0.336	0.472
Student t-1	0.473	0.499
NEET t-1	0.191	0.393
Male	0.507	0.500
Age		
Aged 15–19	0.289	0.453
Aged 20–24	0.327	0.469
Aged 25–29	0.384	0.486
Education		
Primary	0.475	0.499
Diploma	0.427	0.495
Degree	0.098	0.298
Area of residence		
North	0.407	0.491
Centre	0.151	0.358
South	0.442	0.497
# of household members	3706	1146
Dependent children	0.829	0.376
Single	0.746	0.435
Married	0.107	0.309
Unemployment rate[a]	9830	4712
Yearly dummies		
Year 2008	0.184	0.388
Year 2009	0.188	0.390
Year 2010	0.168	0.374
Year 2011	0.172	0.377
Year 2012	0.146	0.353
Year 2013	0.142	0.349
Observations	58,648	

Source: Authors' elaborations on ISTAT LFS data
Notes: [a]Regional yearly unemployment rates

vance of the indicators, which are widely emphasized in the literature and in the aforementioned descriptive statistics.

The empirical results of our analyses are based on multinomial logit model estimates.[7] The dependent variable is the status of the youth. We have three outcomes, employed (base outcome), in education (student) and NEET. Table 9.1 shows the

[7] We also provide subgroup analysis to identify heterogeneities at age, gender, area of residence and educational levels.



Source: Authors' elaborations on ISTAT LFS data.

Fig. 9.1 Italian regional NEET rates, 2007–2008 and 2012–2013 (Source: Authors' elaborations on ISTAT LFS data)

average, through the overall 2008–2013 period, percentages of youth pertaining to each state. More than 40% of youth is in the schooling system, 36.5% is employed, while 21% is in the NEET category. NEET, according to the statistical definition which includes people not searching for a job and excludes youth engaged in training activities (Eurofound 2012),[8] are defined in our sample as youth from the age of 15–29 unemployed but not in education and/or training and inactive not searching for a job for reasons other than schooling and/or training. Those reasons include, for instance, waiting the results of past job search actions, child/elderly care, discouragement, not interested and/or don't need a job and other family reasons. The rich arrays of information in our data allow a precise definition of the NEET category. The average percentage of NEET in Italy, as explained above, is relatively high whether compared to other OECD countries. Figure 9.1 offers a visual inspection of the NEET rate across Italian regions at the beginning (2007–2008) and at the end of the analysed period (2012–2013). The period analysed therefore gives the opportunity to assess any (at least initial) impact of the crisis on the NEET phenomena. In general, an increase of the NEET phenomenon partly due to the recession was found in all Italian regions.

The phenomenon was and remained more significant in Southern Italy: the NEET rate was close to 30% in Campania, Calabria and Sicily at the beginning of

[8] The NEET definition, as explained above, was firstly introduced by OECD because traditional approaches to understanding the vulnerable position of young people in the labour market have become less effective, especially after the great recession.

the period and increased to approximately 40% in Sicily and especially in Campania at the end of the period. The other southern regions, i.e. Puglia, Basilicata and Sardinia, also experienced high and increasing NEET rate. The NEET phenomenon was relevant also in Central Italian regions, and a worsening of the NEET rates after the recession was found in almost all Northern regions (with the exception of Aosta Valley, Lombardy and Trentino Alto Adige which maintained relatively low rates also after the recession).

The characteristics of our data set enable us to set up an econometric framework, which explains employment, education and NEET outflows and inflows. Explanatory variables may be grouped into supply determinants reflecting individual characteristics, which are related to:

1. Previous state/condition of the youth
2. Gender
3. Age
4. Education
5. Geographical area of residence
6. Family features/household structure (family status, # of household members, dependent children)

In addition, the (yearly) regional unemployment rate captures the interaction between labour demand and supply factors at the relevant regional residential area and the presence of economic barriers, in order to assess the impact on overall labour market flows. Since we deal with pooled data for the period 2007–2013, we also include yearly dummy variables in our set of covariates.

We include dummy variables for the state of the youth in the previous year to account for state dependence. Given the composition of our sample, i.e. prevalence of student, there is also a relatively high percentage of youth student in the previous year (around 47%). The relevance of gender is emphasized both in past literature, which analyses aggregate data on the overall labour market (e.g. Baussola 1985, 1988; Leoni 1984), and in more recent studies using individual labour force data of the Italian labour market for the decade 1993–2003, such as Schindler (2009) and Trivellato et al. (2005).

The heterogeneity through the overall age range 15–29 is taken into account by introducing specific dummy variables for the age brackets [15, 19], [20, 24] and [25–29]. We consider three educational attainment levels,[9] primary, secondary and tertiary. Around half of our sample if youth attained primary education (47.5%), a slightly lower percentage attained secondary education (42.7%) and approximately one tenth achieved tertiary education (or above).

The geographical differential, which is a structural characteristic of Italian unemployment and more in general of the Italian labour market (Bertola and Garibaldi

[9] Educational dummy indicators refer to the highest and successfully completed educational attainment of the youth. The educational classification used to build these indicators is the ISCED 97. We have three categories: primary education (none, elementary or lower secondary educational level), secondary education (upper secondary attainment level) and tertiary education (postsecondary, tertiary or higher educational level).

2003; Ricciardi 1991), is also relevant for youth. The unemployment and NEET rates, as explained above, do show important regional differences. Three dummy variables for geographical area of residence classified according to the NUTS system were introduced[10], i.e. North, Centre and South. Roughly 85% of the youth aged 15–29 lives in the North (40.7%) and South (44.2), while the remaining 15% resides in the Centre.

Finally, indicators for family status (single or married), number of household members and the presence of dependent children are included in the model, as being likely to affect the labour market transitions examined.

9.3 The Econometric Analysis

We analyse the determinants of labour market status of young Italian people aged 15–29 for the period 2008–2013, paying particular attention to the situation of the NEET. Because the dataset is based on a 2-2-2 rotation scheme, we are able to control, for each wave, the role of past labour market status on the current one. In addition, because of the NEET definition, an individual may experience three alternative states (employment, education and NEET); therefore, we estimate a multinomial logit model (MNL) pooled over time accounting for state dependence. The MNL model relies on the assumption of independence of irrelevant alternatives (IIA), for which the odds of preferring a choice to another do not depend on the presence or absence of other 'irrelevant' alternatives. A critical implication of the IIA is that unobserved factors are assumed to be uncorrelated over alternatives and to have the same variance for all alternatives.

Let j denote the J possible status of a polynomial response variable and i denote the individual and t the year of observation. The multinomial probabilities associated with each response can be derived by assuming that an unobserved utility is associated with each alternative and that the alternative with the highest utility is selected. Therefore, the probability that the choice j is made is the following:

$$\theta_{ijt} = \Pr\left(Y_{it} = j\right) = \Pr\left\{\max\left(U_{i1t},,\ldots,,U_{iJt}\right) = U_{ijt}\right\} \tag{9.1}$$

The utility of choice j is modelled as follows:

$$U_{ijt} = \Omega_{i,t-1}\alpha_j + x_{it}\beta_j + \varepsilon_{it} \tag{9.2}$$

where j refers, in turn, to the employment, education and NEET status. $\Omega_{i,t-1}$ is a vector of binary variables accounting for the past individual status, while x_{it} is a vector of

[10] NUTS is the acronym of 'Nomenclatura delle unità territoriali statistiche'. Specifically, we refer to the first level of disaggregation, NUTS1, corresponding to the macro-region. According to this classification, there are four NUTS1 for Italy, North-West, North-East, Centre and South. For sample size-related reasons, we aggregated Northern regions we came up with three NUTS.

explanatory variables including individual and household characteristics as well as a macro-economic indicator; α_j is a vector of unknown state dependence and cross-state dependence parameters, and β_j is a vector of unknown parameters; finally, the ε_{it} is a time-varying i.i.d error term. If the ε_{it} follows the type I extreme value distribution, the probability of transition in status j at time t has a multinomial logit form. In particular:

$$\theta_{ijt} = \Pr\left(Y_{it} = j|,X|,\Omega\right) = \frac{\exp\left(\Omega_{i,t-1}\alpha_j + x_{it}\beta_j\right)}{1+\sum_{j=2}^{J}\exp\left(\Omega_{i,t-1}\alpha_j + x_{it}\beta_j\right)} \tag{9.3}$$

where $j = 1$ is selected as base category (the employment status) and the $\beta_1 = 0$ condition is imposed for identification purposes.

The model is estimated by maximum likelihood. Assuming that the observations are independent, and taking the log of the likelihood for N observations, the log-likelihood may be written as follows:

$$\ln L\left(\alpha,\beta\right) = \sum_{i=1}^{N}\sum_{j=1}^{J} y_{ij} \ln\left[\frac{\exp\left(\Omega_{i,t-1}\alpha_j + x_{it}\beta_j\right)}{1+\sum_{j=2}^{J}\exp\left(\Omega_{i,t-1}\alpha_j + x_{it}\beta_j\right)}\right] \tag{9.4}$$

In addition, because some omitted individual characteristics may cause observations within individuals to be correlated over time, the usual standard error may be incorrect. Thus, these errors are replaced in all standard estimations by robust standard errors (Huber–White sandwich estimator) with an additional correction for the effects of clustered data.

Finally, for each estimated coefficient, we calculate the corresponding average marginal effects (AME), that is, changes in the quantities of interest evaluated for each observation, and the reported marginal effects are sample averages of these changes. An advantage of calculating and referring to the AMEs lies in their lower sensitivity and, therefore, smaller bias in presence of uncontrolled unobserved heterogeneity.

9.4 Estimation Results

Table 9.2 reports the estimation results from the MNL model accounting for state dependence. Because the structure of the data, we are unable to control for unobserved heterogeneity and initial conditions problem, possibly determining that state dependence parameters are biased. With the aim of mitigating the impact of this bias on the interpretation of our estimation results, Table 9.2 reports the AMEs, which are less sensitive to the presence of unaccounted unobserved heterogeneity. Given these premises, we compare estimation results for different outcomes, providing special attention to the determinants of NEET. It is worth noting that the reported AMEs must be interpreted as differences with respect to the base category status, i.e. being employed at time t-1.

Table 9.2 MNL estimation results

	Employed		Student		NEET	
	AME	Robust s.e.	AME	Robust s.e.	AME	Robust s.e.
Student t-1	−0.317	0.002***	0.302	0.004***	0.015	0.004***
NEET t-1	−0.245	0.002***	0.033	0.004***	0.212	0.003***
Aged 20–24	0.051	0.005***	−0.085	0.005***	0.034	0.005***
Aged 25–29	0.096	0.006***	−0.137	0.005***	0.041	0.006***
Male	0.043	0.003***	−0.023	0.002***	−0.020	0.003***
Diploma	0.021	0.003***	0.021	0.004***	−0.041	0.004***
Degree	0.047	0.005***	0.001	0.006	−0.048	0.006***
North	0.022	0.004***	−0.009	0.004**	−0.012	0.005***
South	−0.028	0.006***	0.004	0.006	0.024	0.006***
Household size	−0.002	0.001**	−0.003	0.001**	0.005	0.001***
Dependent children	−0.021	0.005***	0.023	0.006***	−0.003	0.006
Single	−0.005	0.007	0.029	0.013**	−0.024	0.009***
Married	0.000	0.009	−0.116	0.014***	0.116	0.010***
Regional unemployment rate	−0.004	0.001***	−0.001	0.001	0.005	0.001***
Year 2009	−0.016	0.008**	−0.020	0.013	0.037	0.010***
Year 2010	−0.022	0.008***	−0.013	0.013	0.034	0.010***
Year 2011	−0.023	0.008***	−0.013	0.013	0.036	0.010***
Year 2012	−0.016	0.008*	−0.025	0.013*	0.041	0.010***
Year 2013	−0.031	0.009***	−0.012	0.013	0.043	0.011***
Observations	58,648					
Pseudo R^2	0.5125					
Wald χ^2 (38)	31024.02					
Log pseudolikelihood	−30290.50					

Source: Authors' elaborations on ISTAT LFS data

* Significant at the 10% level; ** significant at the 5% level; *** significant at the 1% level

Our estimations reveal the existence of NEET state dependence; being NEET at time t-1 increases by 21.2% the probability of being NEET at current time. This is particularly relevant as being persistent in a nonworking condition and, at the same time, not being involved in education, and training is very likely to be associated to the loss of theoretical and practical skills, decreasing the chance of future employment. Anyway, our estimation results also highlight the existence of cross-state dependence. In particular, once an individual leaves the NEET status, it is more likely he/she transits toward education (+3.3%) rather than toward employment (−24.5%, i.e. the complement of previous percentages). In sum, this suggests that a greater part of NEET is likely to persist in a marginalized position, while just one over six or seven of them, not finding a job, decide to go back to school.

Being in education at time, t-1 increases by 1.5% the probability of being NEET at current time, while it increases by 30.2% the probability of persisting in education and reduces by 31.7% the probability of being employed. This finding confirms

the difficulties that Italian students experience in the school-to-work transitions. State dependence, however, is likely to be heterogeneous across groups of individuals and possibly varies over years. With the aim of accounting for this variability, we provide supplementary estimations in which the lagged status is interacted with relevant individual characteristics. The NEET-interacted related AMEs are reported in Table 9.3 and will be described below.

Apart from the role of state dependence, a number of individual and household characteristics, as well as macro-economic conditions, however, affect being NEET.

First, the probability of being NEET increases with age. In fact, given the base category 'aged 15–19', being aged 20–24 and aged 25–29, increases by 3.4 and 4.1%, the probability of being NEET, respectively. This finding, in the light of the increasing impact of age on the employment probability and the decreasing one on

Table 9.3 NEET state dependence by subgroups

		Employed		Student		NEET	
		AME	Robust s.e.	AME	Robust s.e.	AME	Robust s.e.
Age	NEET t-1	−0.225	0.007***	0.027	0.007***	0.198	0.007***
	NEET t-1 × Aged 20–24	−0.007	0.007	0.009	0.008	−0.002	0.007
	NEET t-1 × Aged 25–29	−0.038	0.008***	0.015	0.009	0.024	0.008***
Gender	NEET t-1	−0.251	0.004***	0.026	0.006***	0.225	0.005***
	NEET t-1 × Male	0.011	0.007*	0.016	0.010*	−0.028	0.008***
Area	NEET t-1	−0.239	0.008***	0.045	0.012***	0.194	0.010***
	NEET t-1 × North	−0.012	0.010	−0.033	0.014**	0.045	0.012***
	NEET t-1 × South	−0.009	0.009	0.009	0.014	0.000	0.012
Education	NEET t-1	−0.235	0.004***	−0.058	0.006***	0.293	0.005***
	NEET t-1 × Diploma	−0.015	0.006**	0.145	0.008***	−0.130	0.007***
	NEET t-1 × Degree	−0.010	0.010	0.226	0.013***	−0.216	0.011***

(continued)

Table 9.3 (continued)

		Employed		Student		NEET	
		AME	Robust s.e.	AME	Robust s.e.	AME	Robust s.e.
Wave	NEET t-1	−0.242	0.007***	0.034	0.011***	0.209	0.009***
	NEET t-1 × Year 2009	0.020	0.010*	−0.025	0.015	0.004	0.013
	NEET t-1 × Year 2010	−0.008	0.011	−0.002	0.016	0.010	0.014
	NEET t-1 × Year 2011	−0.006	0.011	−0.016	0.016	0.021	0.013
	NEET t-1 × Year 2012	−0.012	0.012	0.012	0.018	0.000	0.014
	NEET t-1 × Year 2013	−0.019	0.012*	0.042	0.017**	−0.023	0.014*

Source: Authors' elaborations on ISTAT LFS data
* Significant at the 10% level; ** significant at the 5% level; *** significant at the 1% level

the probability of being student, suggests that those not finding a job, experience an increasing propensity to being NEET as the educational propensity decreases. By speculating, this is possibly guided by financial constraints, which prevent the access to the highest level of education for low household income individuals. Therefore, the investment in education as alternative to non-employment positions is likely to be more possible for high-middle income individuals.

When focusing on the role of gender, we find that males experience a probability of being NEET 2% lower than females, suggesting the latter ones are more at risk of exclusion. This is not surprising as NEET rates for women are particularly high (Quintini et al. 2007). In addition, as average qualification level rises, NEET rates tend to decrease and gender differences shrink. Moreover, while males are less likely to be involved in education (−2.3% than females), they are more likely to be employed (+4.3% than females).

Educational level is a relevant determinant of the probability of being NEET. The higher the educational attainment, the lower the probability of being NEET. In particular, having a diploma decreases by 4.1% the probability of being NEET with respect to those with lower educational level. The impact is stronger for those having a degree (−4.8%). This finding reflects the higher propensity to employment for those with higher educational level. In addition, this is consistent with results from other analysis, i.e. Quintini et al. (2007). In particular, in Eastern and Southern European

countries in 2003, they found that youth who leave school without qualifications are more likely to be NEET than more educated counterparts. Nevertheless, NEET rates remain high at least up to secondary education, and for some countries, Italy as well, NEET rates in excess of 10% on average across gender are still observed for individuals with tertiary education qualifications.

The Italian territorial duality is confirmed by the analysis of the NEET. Individuals living in the Northern regions experience a probability 1.2% lower of being NEET when compared with those living in the Central regions (the base category); on the contrary, individuals living in the South have a probability 2.4% higher to be NEET when compared to those living in the Centre of Italy.

We control the role of household by including four variables but, unfortunately, none of them informs if the individual lives in the birth household, which would be an important determinant of labour supply decisions. In any case, some of these variables are more likely to be associated to individuals living in the birth household rather than not. First, we find that the bigger the household size, the greater the probability of being NEET; in particular, an additional individual increases by 0.5% the probability of being NEET. Among others, this positive effect would be suggestive that individuals living in their birth households (which are more likely to be bigger than new households created by young individuals leaving birth households) would be more prone to be inactive, possibly because of a stronger non-labour income effect in birth households. The presence of dependent children is ineffective for the probability of being NEET, while being single decreases by 2.4% the probability of being NEET. The latter evidence matches with the interpretation for which individuals deciding to leave their birth households are less likely to be employed than those still living in their birth household. Uncontrolled endogeneity issues, however, may contribute to explain this result as, for example, individuals' choice of leaving their birth households would be conditional on employment status. Finally, married individuals are more likely to be NEET (+11.6%), possibly because of a non-labour income effect especially affecting labour decisions of married women.

The macro-economic indicator, i.e. the regional unemployment rate, shows the expected sign; in particular, one point more in regional unemployment rate increases by 0.5% the probability of being NEET, suggesting that the labour demand conditions may play a relevant role in defining NEET conditions. Finally, when considering the year dummy variables, we find that the Italian economic downturn has been accompanied by an increase of the probability of being NEET. In particular, with respect to the 2008 (the base category), the probability of being NEET has increased by 3.7% in 2009, when the Italian economy experienced a 5% GDP fall. In subsequent years, the impact remained negative and reached the maximum during 2012 and 2013 (+4.1% and +4.3%), when the Italian labour market conditions worsen.

Table 9.3 reports estimations from the model accounting for interacted NEET state dependence[11]. For each characteristic, the lagged NEET indicator is interacted with the aim of disentangling the state dependence among subgroups. The estimated

[11] Table 9.4 informs about the heterogeneity in state dependence for those in education at time t-1. AMEs related to control variables are available upon request.

interacted variable identifies the change in state dependence for the specific subgroup with respect to the base category group.

Looking at age subgroups, we find that being NEET at time t-1 increases by 19.8% the probability of being currently NEET among individuals aged 15–19. No differences emerge for the age group 20–24, while the state dependence parameter increases by 2.4% for those aged 25–29, suggesting older individuals persist more in that status, possibly because of greater skills loss and/or discouraging effects. Complementary evidence emerges when focusing on the role of past NEET status on the probability of being student or employed. Heterogeneity in state dependence also emerges at gender level; being NEET in the past period increases by 22.5% the probability of being NEET in the current time for females, while it is lower by 2.8% for males. Therefore, the disadvantaged position of females in the Italian labour market we described above would be also explainable in terms of a greater persistence in NEET status. With respect to the area of residence, we find that the state dependence parameter is estimated equal to 19.4% for individuals living in Central regions (our base category). Quite surprisingly, individuals living in the South of Italy do not experience a greater state dependence, while it is greater by 4.5% for those living in Northern regions. When focusing on state dependence among educational level groups, we find particularly relevant heterogeneity. In particular, the probability of being NEET is 29.3% higher for those individuals experiencing a NEET status in the past period and having a low educational level (our base category). This represents the greatest state dependence parameter among those analysed. Looking at individuals having a diploma, the state dependence parameter is smaller by 13%, being equal, therefore, to 16.3%. In addition, when focusing on individuals with a degree, the state dependence parameter is 21.6% smaller than the base category, suggesting that among highly educated individuals experiencing the NEET condition in the past period, the probability of being currently NEET increases by 7.7%. On the one hand, this suggests that the NEET condition is a transitory event for highly educated individuals. On the other hand, this finding is prevalently explained by transitions toward education, rather than greater chances of employment. Finally, when we focus on heterogeneity among analysed waves, we do not find relevant changes in state dependence. It has been estimated equal to 20.9% in 2008, and it does not show significant changes in subsequent years, with the exception for 2013, when NEET state dependence decreased by 2.3%.

9.5 Conclusions

The great recession affected the Italian labour market especially for the youth component, by raising the unemployment rate and bringing out the relevant phenomenon of NEETs, i.e. young individuals not in education, employment or training.

This paper aims at bringing more evidence about the determinants of the labour market transitions of youth in Italy, especially looking at NEET outflows and, then, what affects persistence in NEET status. The analysis is based on the longitudinal LFS data gathered by ISTAT, which enables us to analyse annual gross flows of youth aged from 15 to 29 years, for the period 2008–2013. The transitions among the three resulting conditions (employed, student and NEET) are analysed by adopting a multinomial logit model pooled over time accounting for state dependence.

Our findings reveal the existence of relevant state dependence for individuals experiencing a NEET condition. This suggests that NEETs are likely to persist in disadvantaging positions, which are associated to the loss of working skills, decreasing the chance of future employment. In addition, when leaving the NEET status, individuals are more likely to outflow toward the educational system than employment. At the same time, 1 year later leaving the educational system is more likely the individuals are observed in the NEET status than in the employment one. Our study also reveals the NEET state dependence is heterogeneous among subgroups. These differences, however, are relatively small in magnitude when considering age, gender and territorial heterogeneities. In particular, older individuals, females and those living in the Northern regions experience a stronger state dependence on the order of 2–4%. Conversely, when accounting for differences at educational level, we uncover relevant differences, for which those having a low educational level experience a NEET state dependence four times greater than that experienced by highly educated individuals. The heterogeneity in NEET persistence, however, is mainly explained by a different propensity in educational inflows rather than transitions toward employment. In addition, the NEET state dependence has remained relatively stationary during the analysed period, with the exception of a significant reduction in 2013.

Finally, we find and provide some evidence on the role of individuals and familiar characteristics on the probability of being NEET. In particular, the propensity of being NEET is higher for older individuals, females, low-educated individuals and those living in the Southern regions. This is consistent with standard analysis of youth labour market in Italy. In addition, we find some evidence that household characteristics play a role. By speculation, we infer that individuals living in their birth households would be more prone to be inactive, possibly because of a stronger non-labour income effect in birth households. Finally, we found the expected impact from regional macro-economic conditions and that the probability of being NEET has increased with the Italian economic downturn.

Appendix

Table 9.4 Education state dependence by subgroups

		Employed		Student		NEET	
		AME	Robust s.e.	AME	Robust s.e.	AME	Robust s.e.
Age	Student t-1	−0.303	0.005***	0.299	0.005***	0.004	0.006
	Student t-1 × Aged 20–24	−0.006	0.007	0.017	0.005***	−0.011	0.007
	Student t-1 × Aged 25–29	−0.030	0.009***	−0.015	0.007**	0.045	0.009***
Gender	Student t-1	−0.300	0.004***	0.283	0.005***	0.017	0.006***
	Student t-1 × Male	−0.031	0.007***	0.039	0.008***	−0.007	0.008
Area	Student t-1	−0.319	0.008***	0.293	0.009***	0.026	0.010***
	Student t-1 × North	0.015	0.010	−0.011	0.011	−0.004	0.012
	Student t-1 × South	−0.018	0.010*	0.039	0.012***	−0.021	0.012*
Education	Student t-1	−0.306	0.005***	0.228	0.004***	0.078	0.006***
	Student t-1 × Diploma	−0.017	0.007**	0.126	0.005***	−0.109	0.008***
	Student t-1 × Degree	−0.010	0.011	0.106	0.011***	−0.095	0.012***

(continued)

Table 9.4 (continued)

		Employed		Student		NEET	
		AME	Robust s.e.	AME	Robust s.e.	AME	Robust s.e.
Wave	Student t-1	−0.298	0.007***	0.302	0.009***	−0.004	0.010
	Student t-1 × Year 2009	−0.006	0.011	−0.018	0.013	0.025	0.013*
	Student t-1 × Year 2010	−0.030	0.011***	−0.002	0.013	0.032	0.014**
	Student t-1 × Year 2011	−0.026	0.011**	−0.012	0.013	0.038	0.014***
	Student t-1 × Year 2012	−0.026	0.012**	0.014	0.015	0.012	0.015
	Student t-1 × Year 2013	−0.043	0.012***	0.035	0.015**	0.008	0.015

Source: Authors' elaborations on ISTAT LFS data
* Significant at the 10% level; ** significant at the 5% level; *** significant at the 1% level

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Chapter 10
Early School Dropout in Spain: Evolution During the Great Recession

Álvaro Choi and Jorge Calero

10.1 Introduction

There is a general consensus among labour economists regarding the growing importance of skills and competencies in modern economies (OECD 2015), a situation that can be attributed to such factors as technology shifts, openness to trade and changes in the production structure (Abrassart 2015). Various channels are available for acquiring the skills demanded by the labour market, but formal education is probably the most important.[1]

Although workers with low educational endowments had poor labour market prospects before the Great Recession, their situation is now even more precarious, as low-skilled workers find themselves among the worst affected by the crisis (Anghel et al. 2014). In this context, reducing early school dropout rates is crucial for enhancing economic growth and social cohesion.[2]

One of the Europe 2020 Strategy headline indicators monitors the evolution of early school dropout rates and sets itself the target of reducing them to below 10% (European Commission 2014). Although the mean EU-28 dropout rate fell from 13.9 to 11% between 2010 and 2015, there is considerable variation across Europe. Thus, while the percentage of early school and training leavers in 2015 was already below 10% in 17 EU countries, the rate was still above 19% in such countries as

[1] However, the importance of the signalling role and the human capital theory of education are not easily disentangled here (Calero and Choi 2017).

[2] This chapter focuses specifically on monetary returns to education. However, nonmonetary returns to education, such as higher participation in democracy, better use of public services, lower reliance on social benefits, etc., may well surpass the former (Hanushek and Kimko 2000; Oreopoulos and Salvanes 2011). Gili et al. (2012), for example, show that more highly educated individuals were at less risk of mental health problems during the economic crisis.

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Romania and Malta. However, it was Spain that led this ranking: 20% of their 18- to 24-year-old population had completed at most lower secondary education and were not in education or training. Against a backdrop of economic crisis and high youth unemployment, early school leaving is arguably the most critical problem faced by the education systems of countries such as Spain.

Spain provides us therefore with a prime case for understanding the links between the educational attainment, competencies and labour market conditions of young, low-skilled workers. An analysis of the evolution, causes and consequences of early school leaving in Spain should enable us to identify the reforms needed in the education system and in the labour market to address this situation. However, the effectiveness of these policy reforms will be conditioned by the evolution of a set of labour demand factors and, as such, policymakers cannot simply consider early school leaving as being entirely attributable to the weaknesses of the education system. In this chapter we provide a descriptive analysis of a set of factors behind the high Spanish early school dropout rates.

The rest of this chapter is structured as follows: Sect. 10.2 provides an overview of the evolution of early school leaving in Spain and its determinants. The labour market situation of Spain's early school leavers is analysed in Sects. 10.3 and 10.4 discussing different policies aiming at tackling the problem.

10.2 Early School Dropout in Spain

In recent decades, the educational endowment of the Spanish population has increased at a rapid pace. Between 1970 and 2014, the average number of years of schooling[3] in Spain rose from 4.7 to 9.8 and the number of individuals with tertiary education is also high – Spain meets the EU-2020 target for tertiary education attainment. However, in 2015, the share of the population that had completed at most lower secondary education was still above 50%. While here there is a clear generation gap (the figure stands at around 70% for people over the age of 55), the proportion of the population aged 18–24 with at most lower secondary education and not in further education or training is still high (Fig. 10.1).

The high early school leaving rates recorded during the last decade led the European Commission to establish a higher specific threshold for Spain (15%) and, in relation to that threshold, there has been a marked reduction since 2008. Indeed, since the beginning of the century, the early school leaving rates in Spain seem to have followed a procyclical pattern: the number of early leavers increasing during periods of economic growth and falling during periods of economic depression (Petrongolo and San Segundo 2002; Guio et al. 2016). Figure 10.1 also shows a

[3] Figures retrieved from the UNESCO Institute of Statistics and referring to the mean number of years of schooling at primary school level or higher for the population over the age of 25. Years spent repeating an academic year are not considered in these figures.

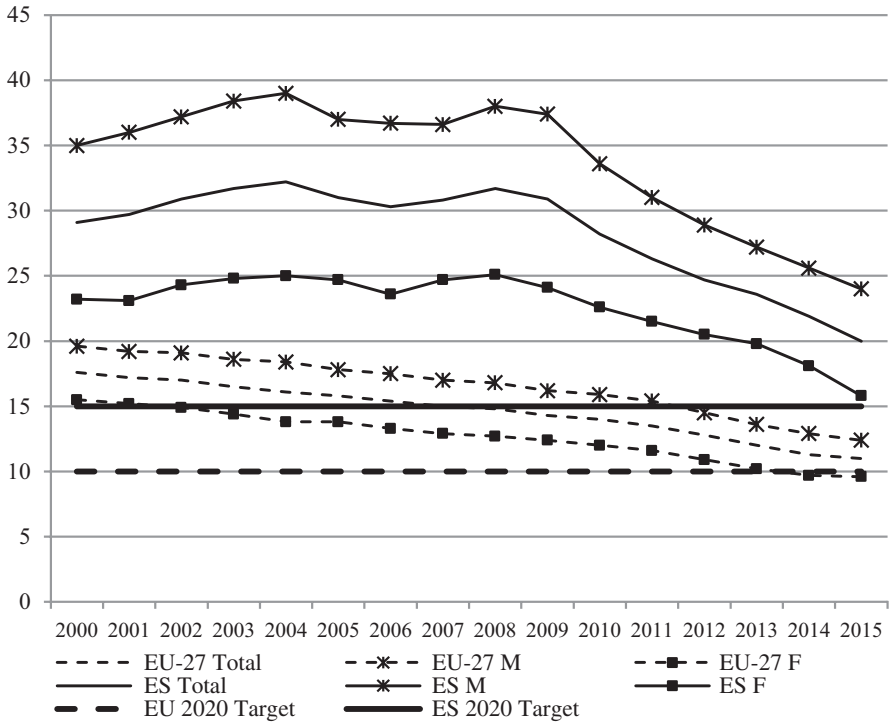

Fig. 10.1 Early education and training leavers by sex in Spain and EU-27 (%) between 2000 and 2015 (Source: Eurostat)

remarkable gender gap in the early school leaving rates, with the rates for men being consistently higher than those for women throughout the period.

Likewise, there are marked differences across Spain's regions (*Comunidades Autónomas*).[4] In 2015, the early school leaving rates were above the national average in all the Mediterranean Arch regions (most notably in Andalusia and the Balearic Islands – over 25%), where the tourism sector is especially important. In contrast, some of the northern regions, such as Asturias, recorded rates below 10%. Despite some fluctuation in these figures, regional differences have been largely maintained over the last two decades. These patterns would seem to strengthen the plausibility of the labour demand hypothesis, that is, that students drop out of education because of the relative ease of finding low-skilled jobs, given that the weight

[4] Spain is divided into 17 *Comunidades Autónomas*. Apart from other differences, these regions are heterogeneous in size (ranging from 4,992 to 94,000 km^2 – Balearic Islands and Castille-León, respectively), population (over 8 million in Andalusia, less than 320,000 in La Rioja), population density (809 inhabitants per km^2 in Madrid, 26.4 in Castille-La Mancha), GDP per capita (over 31,000 euros in Madrid, below 16,000 in Extremadura) and economic structure. All the figures refer to year 2016. The educational system has also been decentralised at the regional level.

of the tourism and construction sectors in relation to total activity is higher in the *Comunidades Autónomas* where early school leaving rates are highest.

The lack of longitudinal data limits our possibilities of analysing directly the causes of early school leaving in Spain. However, various studies have described the determinants of the risk of school failure and of early school dropout in Spain by drawing on international assessments (Choi and Calero 2013a). These analyses distinguish between individual, household and school level factors that affect the risk of early school dropout. Among the individual factors, they report that boys, students with learning difficulties – especially those who have repeated at least one school year – and first-generation immigrants are at greater risk of dropping out of school. Pre-school education seems to lower this risk. Additionally, students belonging to certain ethnic minorities (O'Hanlon 2016) and students with disabilities (Choi and Calero 2013b) are also at greater risk of dropping out.

Among the household level factors, the educational attainment of parents and the family's socio-economic and cultural environment are among the stronger determinants of early school dropout. The labour market situation of parents and their socio-professional category are also linked to the risk of dropout. This risk is also greater for children from monoparental families.

Some studies, including Guio and Choi (2014), highlight the importance of peer characteristics on the risk of early school dropout. In most analyses conducted in Spain, school ownership ceases to be a relevant determinant of academic achievement once the socio-economic background of the schools is taken into account (Cordero et al. 2013). Most of these studies do not identify a school's material resources as being a strong determinant of early school leaving.

Certain institutional characteristics of Spain's education system may also hinder a reduction in early school leaving rates. First, Spanish students can only access post-compulsory educational programmes – vocational or academic – if they obtain a lower secondary education (ESO) certificate. This requirement in itself creates something of an impasse in the education system, as students have to pass virtually all the subjects[5] in year 10 (compulsory education in Spain comprises 6 years of primary school and four of lower secondary education) in order to be able to continue studying. In practice, students who do not pass the required number of subjects are obliged to repeat the year. This rigidity means that students who might otherwise continue their education in the vocational track of the system are retained in the academic track. As a result, some inevitably dropout altogether. In an attempt to increase the system's flexibility, Spain's latest Education Act – passed in 2013 – advanced tracking between the vocational and academic paths by a year (from the age of 16 to 15).

Second, grade retention is widely applied in Spain. In 2014, 36.4% of Spanish students had repeated at least one school year by the age of 15. Recent studies stress the ineffectiveness and negative impact of grade retention on academic achievement and on students remaining in education (Allen et al. 2009).

[5] Students may fail up to two subjects in order to obtain their certificate.

Third, a final characteristic of Spain's education system that has been identified as a possible cause of early school leaving is its relative difficulty in academic terms (see Martínez 2009), given that there is something of an imbalance between the percentage of Spanish students who fail to complete ESO by the age of 16, and the percentage of Spanish low performers on the OECD's Programme for International Student Assessment (PISA) tests (taken at ages 15/16). This argument is controversial, however, and while it seemed appealing in 2009 when 23.7% of Spanish students scored below level 2[6] on the PISA-2009 mathematical competencies assessment but around 27.9% of students left ESO without obtaining their certificate, the respective percentages in year 2012 were 23.6 and 22%. These results seem to highlight the fact that changes in educational decisions may well be linked to factors that are external to the education system (note that the competencies of Spanish students – as measured by PISA – remained relatively constant across the period), such as shifts in labour market conditions, which sharply reduce the opportunity costs of staying on at school.

10.3 Early School Dropout and Labour Market Conditions in Spain

The most distinctive features of the educational structure of the Spanish population are the large number of individuals that have completed at most lower secondary education and the small number of workers that have completed at most upper secondary education or post-compulsory non-tertiary education[7] (Table 10.1). In 2015, the percentage of 25- to 64-year-olds in Spain that had completed at most lower secondary education nearly doubled that of the OECD average. More worrying was that these figures remained constant for the 25- to 34-year-old cohort across the period 2005–2015. Indeed, the educational structure of the youngest cohort included in Table 10.1 (25- to 34-year-olds) showed little change in Spain across the decade, in stark contrast to the changes experienced at the OECD level.

Two principal findings need to be highlighted at the next level of education: first, there is a 17-percentage point gap between the proportion of young Spanish individuals completing at most upper secondary education or post-compulsory non-tertiary education and the OECD average. Second, according to the OECD (2016), the distribution by programme orientation is different in Spain, where only 45% of 25- to 34-year-olds that finished at most upper secondary education followed a vocational programme (vs. 59% on average for the OECD).

The changes experienced by the labour market since the beginning of the Great Recession have had an especially negative impact on the labour market access of the

[6] PISA level 2 is usually considered to correspond to the degree of mathematical competencies needed to participate effectively in life as a citizen and worker. A score below level 2 has been associated with a higher risk of early school dropout (Schleicher 2007).

[7] This pattern is commonly referred to as an "hourglass structure".

Table 10.1 Trends in educational attainment between 2005 and 2015 in Spain and the OECD, by age group

	Age group	25–64		25–34		55–64	
		2005 (%)	2015 (%)	2005 (%)	2015 (%)	2005 (%)	2015 (%)
Spain	Below upper secondary	51	43	35	34	74	59
	Upper secondary or post-secondary non-tertiary	21	22	24	25	11	18
	Tertiary education	29	35	41	41	14	23
OECD	Below upper secondary	29	23	21	16	43	32
	Upper secondary or post-secondary non-tertiary	45	43	48	42	38	42
	Tertiary education	27	35	32	42	20	26

Source: Based on OECD data

Table 10.2 Trends in employment rates between 2005 and 2015 in Spain and the OECD, by age groups and educational attainment

	Age group	25–64		25–34		55–64	
		2005 (%)	2015 (%)	2005 (%)	2015 (%)	2005 (%)	2015 (%)
Spain	Below upper secondary	59	52	72	56	38	37
	Upper secondary or post-secondary non-tertiary	75	68	78	66	51	55
	Tertiary education	83	79	82	75	65	66
OECD	Below upper secondary	56	56	61	58	38	43
	Upper secondary or post-secondary non-tertiary	75	74	77	76	50	57
	Tertiary education	84	84	84	83	65	71

Source: Based on OECD data. Employment rate: percentage of employed adults among all adults in the same age group

least educated workers (see Table 10.2). Employment rates in Spain in 2015 were below the OECD average for all education levels, whereas this had not been the case in 2005. The largest drop was observed for those with the lowest levels of education. Indeed, the slump in employment rates between 2005 and 2015 was especially marked among young, low-skilled workers (where rates fell from 72% – well above the OECD average – in 2005 to 56% in 2015). Moreover, the probability of a low-educated Spaniard being a full-time, year-round earner was especially low: in 2015, the probability was barely half that of 25- to 64-year-olds that had completed tertiary education (33% vs. 63%). Finally, Spain is one of the European countries with the highest in-work at-risk-of-poverty rates (13% in 2014), that is, workers whose income does not provide them with sufficient revenue to escape the risk of poverty (European Commission 2016). Inevitably, the incidence of in-work at-risk-of-poverty is higher among the low educated. All in all, the risk of poverty and social exclusion among the low educated has increased during the crisis.

A further factor for understanding the position of low-educated individuals in the labour market is their lower skill levels (Hanushek et al. 2015). The OECD's Programme for the International Assessment of Adult Competencies (PIAAC) shows that low levels of education are strongly correlated with low levels of numeracy, literacy and problem-solving skills. Not surprisingly, in the 24 countries assessed in the first round of PIAAC (conducted in 2011 and 2012), the employment rates and salaries of high-skilled workers were consistently higher. Although the degree of correspondence between education and skills is not homogeneous across countries (Calero and Choi 2017), recent evidence seems to support the view that education not only improves labour market conditions through its signalling function but also through its role as a channel for acquiring skills. These skills can be acquired via different channels: at home, in formal and informal education, or at work. Thus, achieving only a low level of education should not necessarily condemn an individual to a low level of skills. However, low-educated workers have fewer labour market opportunities and are usually employed in jobs that involve the performance of simple tasks and, consequently, the acquisition of new skills is difficult. Eurostat data consistently report that highly educated workers, apart from enjoying enhanced access to the labour market – which prevents or delays the loss of skills – receive more on-the-job training than is received by low-educated workers. This situation progressively increases the skill gap by level of education.

Apart from higher levels of skills and productivity and the signalling role of education, the relatively better position enjoyed by highly educated workers during and after the Great Recession in Spain can be attributed to the combination of, at least, two phenomena. On the one hand, and as discussed in the next section, the destruction of jobs for low-educated workers was especially intense, above all in the construction sector; on the other hand, the incidence of overeducation is high in Spain and varies across occupations (Pascual Sáez et al. 2016). During the 2009–2012 period, the largest shares of overeducated workers were found among those engaged in elementary occupations and among service workers and shop and market sales workers. Indeed, Nieto and Ramos (in press) show that Spain is among the countries with the highest rates of overeducation and report that the wage penalty of overeducation is, in part, linked to the lower skills levels of overeducated workers.

Thus, in Spain, tertiary education has operated as an insurance against exclusion from the labour market, resulting in a socially suboptimal situation in which individuals choose to obtain a university degree, even when there is no demand for the specific programme they follow, as a strategy for reducing the risk of unemployment. This situation can be analysed in the framework of the prisoner's dilemma, in which rational individual decisions lead to a suboptimal social equilibrium, provided there is no consistent recovery in labour demand.

Naturally, this combination of weak labour market demand, a large stock of highly educated workers and the occupation of highly educated workers in low-skilled jobs has depressed the economic returns to education in Spain, which are below those of the OECD average (OECD 2016). If we focus solely on low-educated, full-time workers, their wage gap with full-time workers with upper secondary education increased during the 2004–2013 period. Here, in order to obtain a

complete picture of the negative situation in which low-educated workers find themselves in the labour market, we should not forget their limited probabilities of actually obtaining full-time employment. This situation is even more acute for women, given that the gender wage gap in Spain is greater among the low educated.

In the light of the negative labour market situation in Spain for those who choose to quit the education system before finishing their post-compulsory studies, the critical question is what makes them take this decision. Two non-exclusive answers may be a lack of information among Spanish families and the high costs of education, including in this case the direct, indirect and opportunity costs of education.

The lack of information hypothesis may indeed apply to the Spanish case. Choi and Calero (2013a) and Guio and Choi (2014) have shown that the socio-economic characteristics of a student's household have a marked influence on the risk of his or her dropping out. These characteristics – especially, the parents' educational level – may operate through their ability to offer a better understanding of the long-term effects of education. Should this be the case, then there is a need for the introduction of better family and student educational orientation programmes. However, family background may also affect a student's educational choices via the costs of education.

Education in Spain is compulsory until the age of 16. The direct costs of education, i.e. those linked strictly to educational services are relatively low, given that they are provided free of charge at public and public-funded, private schools. During their compulsory schooling, students are usually enrolled in schools close to their home and so any indirect costs are low.[8] However, educational costs become relevant in post-compulsory levels. Upper secondary education – academic or vocational – is free in public institutions, but indirect costs may increase. However, the main cost that has to be computed at this stage is that of the opportunity cost, that is, the cost associated with remaining in education. This cost may be of greater significance to households with a low socio-economic background and, indeed, it was especially high in Spain during the period 2000–2007 when the total number of workplaces increased by a third (Table 10.3). Around 55% of these new workplaces were represented by associate professionals, service and sales workers and elementary occupations, and they were linked to the Spanish real estate bubble. For a decade, these exceptional economic circumstances helped mask the trend occurring in the rest of the developed world, namely, the gradual destruction of low value-added employment affecting low-skilled workers.

Panel B in Table 10.3 shows a decline in the demand for low-skilled workers. This fall in demand is clearly sharper than that for skilled workers across all occupations – with the exception of service and sales workers – since the beginning of the Great Recession. More than 2 million workplaces occupied by low-educated workers in 2000 had been destroyed by 2015. It might be argued that, as the economic recovery gathers pace, some overeducated workers will quit their current jobs and

[8] In practice, many public-funded, private schools charge fees. Indirect costs also vary widely across schools.

Table 10.3 Growth rates of employment by occupation and educational level in Spain (%) between 2000 and 2015

	A. Total					B. ISCED 0–2				
				2000–2015					2000–2015	
Occupation	00–07%	08–12%	13–15%	%	×1.000	00–07%	08–12%	13–15%	%	×1.000
1	25.1	−44.8	−3.6	−36.1	−437.1	−5.2	−71.6	−4.2	−76.5	−468.6
2	45.3	14.0	3.1	75.3	1338.7	27.3	−57.5	261.1	−6.5	−0.9
3	67.0	−23.5	6.5	33.8	500.6	19.6	−16.0	−0.9	−17.8	−52
4	26.7	−3.5	7.3	20.8	315.8	13.1	−34.4	4.9	−29.5	−120.5
5	44.0	17.9	4.5	83.2	1833	19.5	14.0	−2.7	35.1	447.6
6	−27.2	−7.8	−2.8	−37.1	−258.4	−36.9	−16.9	−4.5	−50.7	−312.9
7	28.6	−36.9	6.2	−23.9	−625.4	11.8	−44.4	4.0	−44.7	−864.9
8	15.3	−29.3	4.4	−19.4	−318	−1.0	−28.8	0.2	−35.6	−440.0
9	38.2	−23.3	3.7	3.1	67.7	17.8	−25.5	2.5	−16.4	−301.1
10	10.0	0.0	3.0	11.3	9.1	53.1	−3.7	−0.4	25.1	4.5
Total	33.3	−13.9	4.2	15.7	2425.8	8.0	−25.9	0.5	−25.6	−2108.8

(continued)

Table 10.3 (continued)

	C. ISCED 3–4					D. ISCED 5–8				
				2000–2015					2000–2015	
Occupation	00–07%	08–12%	13–15%	%	×1.000	00–07%	08–12%	13–15%	%	×1.000
				−43.7	−121.2				47.7	152.8
2	19.4	8.7	9.3	5.5	2.9	46.3	14.5	2.7	78.1	1336.7
3	55.4	−24.5	9.8	22.4	105.6	93.9	−24.7	6.5	62.4	446.9
4	22.3	−7.0	2.8	1.6	9.2	41.6	19.0	10.9	78.7	427.1
5	77.4	14.8	7.0	128.4	779.8	78.3	35.0	16.4	189.0	605.7
6	39.5	14.3	−1.2	53.5	29.7	64.8	46.8	5.8	100.4	24.8
7	92.9	−29.1	13.8	37.8	140.7	55.9	−16.0	3.3	31.8	98.8
8	69.5	−28.9	10.6	31.5	80.4	58.0	−32.4	13.4	28.3	41.5
9	156.5	−19.3	6.6	114.2	283.6	95.9	−15.1	5.8	62.9	85.0
10	10.1	2.3	19.0	21.8	6.5	−13.3	1.2	−9.1	−5.8	−1.9
Total	64.9	−14.1	7.0	44.9	1317.2	60.4	1.3	5.9	75.5	3217.5

Source: Based on Eurostat data

Note: The last column for each educational subgroup indicates the absolute number of workplaces created/destroyed during the period 2000–2015. Occupation codes: (1) managers; (2) professionals; (3) technicians and associate professionals; (4) clerical support workers; (5) service and sales workers; (6) skilled agricultural, forestry and fishery workers; (7) craft and related trades workers; (8) plant and machine operators and assemblers; (9) elementary occupations; (10) armed forces occupations

allow unemployed, low-skilled workers to take their places. However, technology change, processes of labour mechanisation and the improbability of a new real estate bubble occurring in the next decade mean that many of the low-skilled jobs existing before 2008 are unlikely to be regenerated. Indeed, in addition to high unemployment rates, there has been a concentration of the occupations in which Spain's low-skilled workers are able to find employment. In 2015, 71% of low-skilled workers in Spain were employed in one of the following three occupational groups: service and sales workers, craft and related trades workers and elementary occupations. The comparable figure in 2000 was 10 points lower at 61%. As explained in the previous section, the early school dropout rates remained constant throughout the period 2000–2007 but fell in the following years, given the high rates of unemployment – above all among young people with a low educational endowment.

10.4 Tackling Early School Dropout in a Changing Environment

Spain faces two challenges if it hopes to address its historically high early school leaving rates: first, reducing the number of teenagers that drop out without completing at least post-compulsory secondary education; and, second, improving the labour market situation of a high proportion of low-skilled adults. The main aim, in both cases, is raising the skills attainment of the low-skilled, either through formal education, informal education or on-the-job training. Below we consider a range of measures addressed to tackling just these problems.

In facing up to the first challenge, educational reforms may be effective in reducing the early school leaving rates. An immediate measure required is that of increasing the flexibility of the educational system so that students are not caught between educational levels. The 2013 reform made some progress in that direction by advancing the choice that has to be made between following an academic or vocational path by one school year and by eliminating the need to obtaining a lower secondary school certificate before enrolling on vocational study courses. Closely related to this is the replacement of the current grade retention system with alternative, more individualised measures. If designed well, this reform should boost student motivation and performance and, so, reduce their disengagement.

A third policy reform would see measures introduced to increase the quality of vocational studies. Currently, the proportion of students in Spain that opt for the vocational track is comparatively low and many do so as a means to gain entry to university. Increasing the quality of vocational studies should help change the current opinion of vocational education, often seen as the second-best option catering for the more limited students.

Reducing both the direct and indirect costs of studying also needs to be considered. Expanding student grant programmes and implementing conditional transfer

programmes may reduce school dropout associated with purely socio-economic criteria. For example, in 2009, the regional government of Andalusia introduced the *Becas 6000* programme, whereby students from low-income families that opt to take post-compulsory, academic or vocational secondary studies receive 6000 euros each school year. Recent assessments seem to confirm the programme's effectiveness (Río and Jiménez 2014).

Finally, as most early school dropout decisions appear to be based on incomplete information, the Spanish educational authorities need to intervene in, at least, two ways. The soft approach would see the introduction of better educational orientation services in schools, whereas a more paternalistic approach might involve the extension of compulsory education to the age of 18, for example. These additional years of compulsory schooling could be provided as full-time schooling, as happens in Portugal, or part-time schooling, as in Germany and Belgium. In this latter case, extending compulsory part-time schooling requires close coordination with the labour market, as it typically necessitates the introduction of a dual education system that combines vocational education and in-firm apprenticeships. Such a system is barely developed in Spain today, where the share of vocational students enrolled on a dual programme stands at around 2% of the total. This can be accounted for by the fact that it has only recently been introduced (in operation since 2012) and by the predominantly small size of Spanish companies, a fact that hinders its further development (Echeverría 2016).

Creating a dual education system is closely linked to the second challenge – namely, improving the labour market prospects of the low-skilled. The development of a system that recognises skills and competencies[9] may enhance the labour market prospects of low-educated workers. However, this will only be effective if they can access jobs in which they are able to acquire new skills. But, as we have seen, this is unlikely in Spain, as low-educated workers are predominantly employed in elementary tasks and in low-added value service jobs. Against this backdrop, additional measures need to be introduced that can increase the skills levels of low-educated workers. Indeed, the fact that low-skilled workers cannot gain new skills in the labour market highlights the need to attract them back to formal education.

It is well documented that high-educated workers participate more frequently in L3 programmes (OECD 2013) and that public authorities need to work to increase the participation of low-educated workers in such activities. Increasing the supply of public-funded courses, introducing further fiscal incentives for companies to invest in the skills of their workers and conditioning the payment of public benefits to participation on training programmes are just some of the policies that have to be considered. All three policies – dual training systems, the introduction of L3 programmes and the recognition of competencies – call for an increase in cooperation

[9] The European Qualifications Framework and the European Skills Passport provide an effective framework for the development of a system for the recognition of skills and competencies at the national level. Member countries are expected to develop systems for the accreditation of non-formal and informal learning by 2018.

between public and private sectors. In the meantime, increasing the limited geographical mobility of Spanish workers should help reduce the unemployment gaps across regions.

To conclude, the combination of a period of intense economic growth followed by the Great Recession has highlighted the deep-rooted problems in Spain's education and production systems and the negative impact of what have been short-sighted decisions taken by the country's education authorities. While education reform may reduce early school dropout rates, the improvement of the labour market situation of low-skilled workers not only depends on an improvement in their skills and educational endowment but also on a commitment to increasing coordination between the educational and production systems. In short, there is a pressing need to improve the mechanisms available for (a) forecasting the future demand for competencies and skills[10]; (b) transferring this information and orienting young people and adult workers; and (c) increasing the permeability of the education system to the changing needs of the labour market.

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[10] Initiatives such as the *Mid-term skills supply and demand forecast*, drawn up by CEDEFOP, are interesting steps in this direction.

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Chapter 11
Overeducation Among European University Graduates: A Constraint or a Choice?

Luis Ortiz Gervasi and Seamus McGuinness

11.1 Introduction

The issue of educational and skills mismatch has received a vast amount of attention within the academic literature over recent years (see Quintini 2011; McGuinness 2006 for reviews). The bulk of the literature to date has focused on the issue of overeducation, which refers to the phenomenon whereby workers are employed in jobs for which they have more schooling than necessary, in terms of what is required to either get or do their current job. From a policy perspective, overeducation is considered important as it has potentially damaging impacts for individuals, firms and the economy. The research to date has consistently shown that overeducated workers earn substantially less than their counterparts with similar levels of schooling who are in matched employment (Allen and van der Velden 2001; Korpi and Tahlin 2009). Wage penalties for overeducation have been found consistently across many countries and for numerous time periods. Overeducation may also devaluate the abilities or skills acquired in formal education, since workers are not able to develop them (or built upon them) during the period they are overeducated (De Grip et al. 2008). From the perspective of firms, there is ample evidence that overeducated workers have a much higher probability of job separation, suggesting that firms employing such workers will tend to incur in higher recruitment and training costs (McGuinness and Wooden 2009; McGuinness 2003) Furthermore, if overeducation imposes productivity constraints on workers, due to restrictive job conditions

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lowering their level of output, it will also impose limits on the level of national income achieved within countries. Although some excess of skills or competences in the workforce can constitute a margin for future work productivity improvements in the economy, it may also become a waste of resources that could be allocated more efficiently, either to other goals within the realm of education or elsewhere. It is thus important to distinguish to what extent overeducation is just a temporary phenomenon (or even an excess of skill supply that could eventually favour the worker or the firm she works for) or a more constraining phenomenon. This chapter tries to explore this distinction.

Despite the large number of studies indicating that overeducation may be costly on a number of fronts, there is not much evidence that the issue is viewed with a high level of concern by policymakers. The trend within developed economies has been one of the continued expansions at higher education, with little evidence of any concerted efforts among policymakers to tackle the issue of educational mismatch. The current thrust of policy may be explained by a reticence among politicians to initiate policies that question the continued expansion of higher education places or improve the employment prospects of graduates, but an alternative explanation may rest in competing theoretical arguments of overeducation. While some theories see overeducation as a constraint, others dismiss it as a mere reflection of strategic behaviour, preferences or unobserved heterogeneity. Thus, despite the evidence relating to lower earnings among overeducated workers, there is much debate on the extent to which the phenomenon is really damaging for workers. This perhaps goes some way towards explaining the degree of policy inertia surrounding the issue. Although a number of studies have attempted to assess the relative merits of competing theoretical explanations of overeducation by identifying the degree to consistency between observed relationships and model predictions (Hartog and Oosterbeek 1988; Alba-Ramirez 1993; Groot 1996; Kiker et al. 1997; Sloane et al. 1999; McGuinness and Pouliakas 2017), the situation remains unclear. This study departs from the previous literature by measuring the policy relevance of overeducation by the level of *dissatisfaction* it generates with regard to both graduates' choice of degree course and their current job. Finding of a consistent link between overeducation and high levels of dissatisfaction with both previous human capital investments and current labour market status will provide a strong indication of the constraining nature of overeducation.

The remaining chapter is structured as follows. First, we will present the theoretical arguments in favour of considering overeducation as constraining or not for workers. We will also discuss job dissatisfaction and satisfaction with university programmes as touchstones for the study of overeducation as a constraining phenomenon. We will then formulate the subsequent hypotheses and present the data and methods for testing them. After discussing the results, we will retake the theoretical debate, to assess the degree to which overeducation is actually a constraining phenomenon or not.

11.2 Overeducation: Theory and Evidence

Theoretical explanations of overeducation can be classified into those that view overeducation as a constraining factor relevant to policy and those that suggest the opposite.

11.2.1 Overeducation as a Constraint Factor

Assignment Theory and the Job Competition Model Both theories stress the importance of job characteristics as a determinant of earnings. Assignment theory (Sattinger 1993) predicts that wages will be partially determined by both job conditions and workers' education. Workers' overeducation is conditional on the sector, occupation or job type they initially chose. Although choice is a factor underlying assignment theory, it can be viewed as a constrained choice because a lack of suitable matches will result in a proportion of workers failing to get a job that matches their acquired levels of education.[1]

Within the job competition model, worker choice is more fully constrained as their ultimate status depends solely on the distribution of available jobs and the workers place in the queue. Under the assignment theory, mismatched workers may still be able to exert some influence on job conditions and earning; however, under the job competition model, productivity rests entirely within the job. An alternative argument that earnings will be wholly determined by job requirements, with the level of worker's human capital largely irrelevant, is commonly known as the job competition model (Thurow 1975).

Both the assignment theory and the job competition model suggest that job characteristics will not automatically adjust to accommodate workers' human capital and that overeducation will emerge and persist in situations where the levels of human capital held by employees are in excess to those required for their current job given its characteristics. Overeducated workers that according to job competition model are involved in a process of credential inflation, and overeducate themselves as a way of being better positioned in a job queue for available vacancies, may easily become dissatisfied with either the job they attain, their previous educational programme or both. Similarly, the assignment theory suggests that while overeducated workers may be able to alter the productivity requirements of their job to boost earnings to some extent, this adjustment process will never be perfect, resulting in a wage penalty. Thus, overeducation may certainly become constraining as a consequence of inflexible job conditions under both frameworks.

[1] The framework also facilitates the situation whereby workers choose to be overeducated. However, a fundamental aspect of the model is that it does not assume a perfectly flexible labour market, thereby providing an explanation for the existence of overeducation in the context of imbalances between the supply and demand for educated labour.

11.2.2 Theoretical Frameworks That Disregard Overeducation as a Constraint

Overeducation may not be constraining if it does not reduce the value workers draw from both their human capital investment. This may happen if (a) their educational attainment conceals lower abilities or skills than the ones that would be required from a matched worker; (b) overeducation is a conscious strategy for further job promotion or improvement; or (c) the workers' main preferences are not related to job match, but to other utilities they draw from their jobs. The theoretical frameworks consistent with overeducation as a non-constraining factor are summarized below:

Human Capital Theory This framework assumes that labour markets are sufficiently flexible to allow workers to earn their marginal product (Becker 1964). As all workers earn a wage proportionate to their productivity, any pay gap resulting from overeducation simply reflects a productivity-related measure (that systematically varies with overeducation) that has not been appropriately captured in the data. Overeducation merely reflects that key aspects of human capital, such as innate ability and/or skills accrued through training, are not appropriately measured in studies with earnings and that such factors are likely to be correlated with overeducation (McGuinness and Pouliakas 2017).

The human capital approach to overeducation is thus relevant for the distinction between *overeducation* and *overskilling* often made by the literature. As mentioned above, overeducation is the situation whereby workers are employed in jobs for which they have more schooling than necessary, either in terms of getting of doing their job. Overskilling is the situation where their skills are *above* the skills actually required to optimally perform their jobs. This distinction implies that there may be situations where workers are formally overeducated but, since they lack skills that are necessary for doing their jobs, they are not actually *overskilled* (Green and McIntosh 2007; Quintini 2011). If overeducation does not actually correspond with overskilling (i.e. if it is just the result of a lack of skills relevant for worker's productivity), overeducation should not be a matter of policy concern either.

Career Mobility According to career mobility theory, workers may deliberately accept low-level jobs in order to acquire basic information, work-specific skills or experience related to their chosen profession (Rosen 1972; Sicherman and Galor 1990). Thus, following this theoretical explanation, overeducation is likely to be temporary in nature as such a strategy generally results in faster career progression.

Signalling Theory Under this framework, overeducation occurs because of asymmetric information and poor quality signals, i.e. the worker had inadequate information about the employer before accepting their current job and/or vice versa. This argument is consistent with the signalling (Spence 1973) and job search (Stigler 1962; McCall 1970) literatures in labour economics. Once the mistake is realized, the employment relationship will come to an end. Overeducated workers and their

employers will separate. The worker will then adopt search methods to ensure that subsequent jobs will not result in overeducation. Signalling theory implicitly entails that overeducation is necessarily short-lived.

Compensating Wage Theory This theory generally describes situations whereby workers accept higher wages as compensation for adverse job characteristics. Applied to job mismatch, this framework may explain that workers are willing to become mismatched and forgo earnings in return for certain positive job characteristics (McGuinness and Pouliakas 2017). People may choose jobs for which they are overeducated, accepting lower earnings as a result, if they are more than appropriately compensated by other aspects of the job such as intrinsic satisfaction, flexible working conditions, accessibility, etc. (McGuinness and Sloane 2011).

A number of studies have found evidence that the assignment framework describes the wage determination process more adequately than either human capital theory or the job competition model (Hartog and Oosterbeek 1988; Alba-Ramirez 1993; Groot 1996; Kiker et al. 1997; Sloane et al. 1999). The balance of evidence would tend to support the predictions of assignment theory over either the human capital model or the job competition model (McGuinness 2006). In a more recent study, McGuinness and Pouliakas (2017) used the European skills and jobs (ESJ) survey (whose data was published by CEDEFOP) to assess the overeducation wage penalty that could be attributed to the various theoretical explanations. McGuinness and Pouliakas (2017) reported that both the human capital and assignment/job competition frameworks were important contributing factors. They also found that asymmetry of information accounts for a significant part of the overeducation wage penalty for tertiary education but found little evidence to support theories of career mobility or compensating wage differentials.

In sum, while the academic literature tends to clearly show that overeducation has a negative impact on earnings, it is still unclear the extent to which the phenomenon actually constrains workers. In the current chapter, we want to further explore into this issue by using job dissatisfaction and satisfaction with previous education as tests for measuring the extent to which overeducation works as a constraint for workers. This is similar to the work Mavromaras et al. (2011) did for the Australian labour force. They combine overeducation and lack of job satisfaction as reflection of "involuntary under-utilization of skills", which in turn is regarded as a sign of "lower productivity and a welfare loss" (p. 31). However, this chapter is the first study to relate overeducation specifically to job dissatisfaction and to examine the extent to which overeducated workers are more likely to regret their educational choices.

11.3 Job Satisfaction and Satisfaction with Education

Following Kucel and Vilalta-Bufí (2013), we consider overeducation as a constraint if it fits in Locke's concept of job satisfaction. Locke's idea of job satisfaction is related to (a) what workers perceive in their jobs, (b) what they expect from them and (c) what they assess as the *discrepancy* between the former and the latter (Kucel

and Vilalta-Bufí 2013). Such a discrepancy is a good measure of the extent to which overeducation becomes a constraint.

Yet, the extent to which university graduates feel overeducation as a constraint could be assessed either by resorting to job satisfaction or to the satisfaction they express towards the educational programme that eventually led them to get these jobs. Overeducation as a constraint should – in our view – be measured by looking at both sides of the transition from education to work. If university graduates were happy with jobs for which they are overeducated (because they draw other utilities that are more important for them than job match), they would not only feel relatively satisfied with their current jobs; they would also assess positively the education that allowed them to get these jobs.

The association between job satisfaction and either overeducation or overskilling has been explored more in depth. Most studies find a negative association between both phenomena, which is even stronger for overskilling than for overeducation (Allen and van der Velden 2001; McGuinness and Sloane 2011; Kucel and Vilalta-Bufí 2013). The difference is possibly due to the fact that some overeducation may not actually correspond with workers having skills well above what is required for the jobs they hold. Other studies only find a negative effect for satisfaction in the case of overskilling, and no effect for overeducation, once the educational mismatch only attributable to overskilling is controlled for (Green and Zhu 2010; Mavromaras et al. 2013, p. 386). Thus, using data from the Household, Income and Labour Dynamics in Australia (HILDA), Mavromaras et al. (2013, p. 386) find that "overeducation (…) is clearly not associated with lower levels of job satisfaction. Average job satisfaction (…) appears to be largely associated with the presence of overskilling rather than overeducation".

The association between overeducation and satisfaction with previous education has not been as thoroughly studied as the association between overeducation and job satisfaction. In fact, there are very few studies dealing with it. Quite obviously, graduates' satisfaction with education could be a function of many other things, among them, the satisfaction intrinsically provided by the training received, or the assessment of its quality, independent on how much such training prepared the graduate for getting his/her job, or performing the tasks contained in it. Yet, we believe that overeducation or overskilling, if perceived by graduates as something that is not being compensated by other types of utility graduates derive from their jobs, could also be a source of dissatisfaction. Graduates may put the blame, not just on employers or the labour market but on the ineffectiveness of their graduate training for positioning themselves well in the labour market or marking their profile attractive to employers.

Furthermore, the existing literature (Allen and van der Velden 2001; Sanchez-Sanchez and McGuinness 2015) focuses exclusively on the measure of job satisfaction, where the reference category will contain individuals who have neutral levels of job satisfaction *or are dissatisfied*. If we examine the distribution of the job satisfaction variable (Table 11.2), the majority of the reference category[2] will have neu-

[2] This relates to the values 1, 2 and 3 with 3 denoting neutral job satisfaction.

tral levels of job satisfaction. Therefore, the measure used in the literature is not necessarily measuring the extent to which overeducation constrains workers' levels of job satisfaction. Here we focus on the link between overeducation and job dissatisfaction, which more accurately reflects the extent to which overeducated workers are more adversely affected in their current employment.

11.4 Data and Methods

The data for the study comes from the Flexible Professional in the Knowledge Society (REFLEX) and/or HEGESCO projects. The Flexible Professional in the Knowledge Society (REFLEX) project was financed as a specific targeted research project (STREP) of the European Union's Sixth Framework Programme covering 15 countries. It is limited to graduates in the 1999/2000 academic year, who were interviewed 5 years later in 2005. The HEGESCO survey collects the same information for an additional group of countries and consists of graduates received their awards in 2002/2003.

Measuring the impact of overeducation on job dissatisfaction or the regret of previous educational programme entails a clear risk that overeducation correlates with a series of adverse personal and job characteristics that will also simultaneously influence the outcome variable, making the identification of causal relationships difficult. For instance, overeducated workers may have lower levels of relative ability or they may be more concentrated in firm-size categories or sectors which, in turn, also correlate with educational regret. The presence of such non-random selection will generate biased estimates of the impact of treatment variables using a standard parametric estimation approach. Controlling such a possible selection bias connects with the idea that overeducation may be just a statistical artefact, as proposed by human capital theory (see above).

Given this, we estimate the impact of overeducation on educational regret by employing a propensity score matching (PSM) estimation framework (Rosenbaum and Rubin 1983), which explicitly controls the effects of sample selection. PSM is a two-stage estimation procedure. Stage 1 models the probability of being overeducated in current employment based on a range of observable characteristics including gender, migrant status, father's and mother's professional status, field of study, relative grade, hours worked, sector, firm size and country. Overeducated workers are then matched on the basis of their predicted probabilities, or propensity scores, with non-overeducated workers, and their rates of educational regret or job dissatisfaction are compared. More formally, the propensity score is defined as the conditional probability of receiving a treatment given certain determining characteristics:

$$p(X) = \Pr\left\{D = \frac{1}{X}\right\} = E\left\{\frac{D}{X}\right\} \tag{11.1}$$

where D is a binary term indicating exposure to the treatment, in this case overeducation, and X is a vector of determining characteristics. Rosenbaum and Ruben (1983) show that matching individuals on the basis of propensity scores is equivalent to matching on actual characteristics. In essence, the technique measures the difference in the rates of educational regret or job dissatisfaction between overeducated and matched workers with very similar observable characteristics,[3] thereby substantially reducing the impacts of selection bias such as those described above. To the extent that overeducation itself is correlated with observable characteristics that also determine educational regret or job dissatisfaction, such effects are removed from the data. The only observable characteristic distinguishing the control and treatment groups is the presence of overeducation, thereby allowing us to conclude more confidently that any substantial differences in the rates of educational mismatch between both groups are likely to be attributable to overeducation. In terms of the matching technique adopted, we apply nearest neighbour with replacement and common support.

The reliability of any propensity score matching estimate is dependent upon meeting the conditional independence assumption (CIA), i.e. that selection to the treatment is based solely on observables within the dataset and where all variables that simultaneously impact both the treatment and outcome variable are also observed. Given the rich nature of the data used and the range of controls used to describe overeducation, including measures of relative ability, educational provision and job characteristics, we can be relatively confident that the risk of bias derived from the omission of variables that simultaneously determine both overeducation and educational regret is likely to be limited.

Finally, as our estimated treatment effect is conditioned on the propensity score, we next check to ensure the assumption that matching on propensity scores is equivalent to conditioning on the individual characteristics was met by testing that all observable differences between the control and treatment groups have been eradicated post-matching. Our post-estimation check ensures that statistically significant differences within individual characteristics across the treated and untreated samples are eliminated post-matching. Before matching, differences are expected, but after matching, the covariates should be balanced in both groups, and hence no significant differences in covariate means should be found. This ensures that any additional conditioning on observable characteristics will not provide any new information on the treatment decision. Specifically, we measure the extent to which the pseudo R2 of the stage 1 probit falls towards zero when estimated on the matched sample, indicating that there remain no systematic differences in the distribution of the covariates between both groups (treatment and control).[4]

The three outcomes considered in our analysis are job dissatisfaction, regret (or lack of satisfaction with the educational programme taken at the university) and dissatisfaction with both. For job dissatisfaction, we took the first two scores in the

[3] Matching on propensity scores has been shown to be generally equivalent to matching on observable characteristics (Rosenbaum and Rubin 1983).

[4] Results are available from the authors.

five-score scale generated from the following question in REFLEX/HEGESCO: "How satisfied are with your current job"; for dissatisfaction with education, we built a dummy variable considering those who rejected the possibility of studying the same study programme again; finally, we built another dummy variable for those who scored positively in the two previous ones.

The variables considered for estimating graduates' propensity to overeducation in their current job (stage 1) are the following: gender, ethnic origin, father's and mother's professional status, years of higher education, average grade obtained at the end of the degree, field of studies, firm size, public or private sector, working in an innovative firm, number of employers in the graduate's prior labour trajectory and labour market experience. We then estimate a second specification that contains a range of variables that reflect respondents' motives for accepting their current job and the level of information they had about the job prior to accepting it. This approach allows us to assess the extent to which negative outcomes, on job satisfaction and university education, adjust when such preferences are controlled for. The respondents were asked separate questions to (a) rate the importance of various job characteristics to them personally and (b) the degree to which such job characteristics are present in their own job.[5] The following work dimensions were considered: work autonomy, job security, opportunity of learning new things, earnings, new challenges, career prospects, time for leisure activities, social status, the opportunity of doing something useful for society and the opportunity to reconcile work and family life. The dummy variables are based on the interaction of the two questions described above and indicate that the respondent highlighted that the job attribute was important to them "to a very high degree *and* that the attribute was present in their current job to "a very high degree". The variables identify the individuals who declared a good match between their own preferences and the degree to which their jobs satisfied them *and* who stated a strong preference for any one of these work dimensions or values. Thus, in the case of job security, the dummy variable would identify graduates who valued job security highly *and* declared that they found this value well satisfied in their job.

By building these variables we expect to capture the degree to which overeducation is not a constraint, but the result of a trade-off with any one of these work dimensions. If compensating wage theory is confirmed, we would find first that, once these values are accounted for, our treatment (overeducation) does not have an impact on either job satisfaction or educational regret; second, we would find that strong (and satisfied) preferences for job security, conciliation of work and family life and other work dimensions (values) increase the likelihood of overeducation: graduates would accommodate or accept jobs for which they are overeducated in return of a satisfaction of any one of these values for which they declare a strong preference. Therefore, our empirical approach assesses the extent to which the impact of overeducation on job dissatisfaction and satisfaction with university education is reduced when preferences around the job that potentially compensate for

[5] The rating scale for both questions ranged from 1 to 5 where 1 represented "not at all" and 5 "to a very high extent".

some of the negative impacts of overeducation are collectively accounted for. The stage 1 models also measure the degree to which preferences around the presence of particular job attributes have an important influence on the probability of overeducation.

11.5 Results

Tables 11.1 and 11.2 show the distribution of two of the three dependent variables considered in our analysis. Regarding course regret with university programme, this was based in the respondent reporting that, on reflection, they would have studied a different programme. Just over a third of respondents expressed course regret with 18 per cent (12) indicating that they would study a different programme at another (the same) institution, while just 2% indicated that, on retrospect, they would decide not to study at all (Table 11.1). With respect to job satisfaction, assuming that values of 4 and 5 equate to being job satisfied, 3 neutrality and 1 and 2 to dissatisfied, approximately two thirds of employees were satisfied in their posts, and 22% were neither satisfied or dissatisfied with just 10% reporting dissatisfaction. On average, approximately 5% of employees in the data indicated that they were both dissatisfied in their employment and regretted their course of study, demonstrating that levels of combined disadvantage tended to be rare (Table 11.3). Figure 11.1 plots the relationships by country, and it is clear that job dissatisfaction tends generally to

Table 11.1 Distribution of regret with university programme

Would you choose same study programme at same institute	Freq.	%	Cum.
No answer	880	3.63	3.63
1. Yes	14,067	57.96	61.59
2. No, a different study programme at the same uni	2893	11.92	73.51
3. No, the same study programme at a different uni	1682	6.93	80.44
4. No, a different study programme at a different uni	4289	17.67	98.11
5. No, I would decide not to study at all	459	1.89	100

Note: We take 2, 4 and 5 to create a binary variable

Table 11.2 Satisfied with your current work

	Freq.	%	Cum.
No answer	156	0.64	0.64
1. Very dissatisfied	716	2.95	3.59
2. –	2004	8.26	11.85
3. –	5483	22.59	34.44
4. –	9950	41	75.44
5. Very satisfied	5961	24.56	100

Note: We take 1 and 2 to create a binary variable

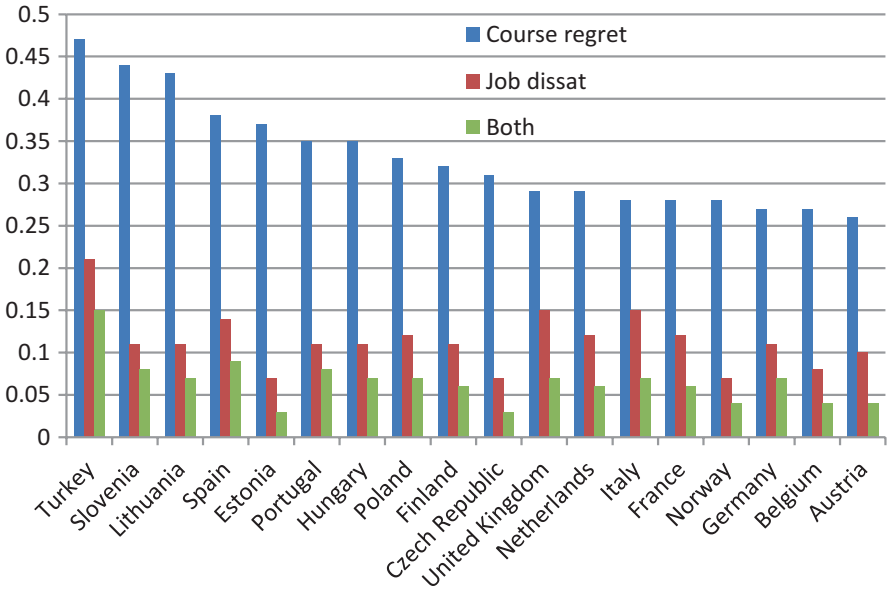

Fig. 11.1 Course regret, job dissatisfaction and both by country

be higher in countries with the greatest levels of course regret. The highest levels of disadvantage were found in Turkey, Slovenia and Lithuania and the lowest in Germany, Austria and Belgium.

Table 11.4 shows the estimates of the model aimed at generating the propensity scores of overeducation (propensity score model). Country dummies allow us to control for country-specific effects of the labour markets considered in the analysis. They also inform us that graduates' overeducation is more salient a phenomenon in some labour markets (i.e. Spain, Italy, UK, Hungary or Austria). Controlling for these country-specific effects, there are a number of factors that reduce the risk of overeducation among graduates: labour market experience, academic performance at university (grades), working in firms with high level of research and development (*rdfirm*) or working in the public sector. Some field of studies (i.e. engineering, science or health) also reduce the risk of overeducation. Quite interestingly, the professional status of the father also reduces the risk of overeducation, which confirms the effect of social origin on overeducation, above and beyond its indirect effect through choice of field of studies (Capsada-Munsech 2015). Opposite to that, we see that overeducation is more frequent among overeducates with permanent contracts (see Table 11.5), prior unemployment spells or who have experienced higher job rotation (high number of employers in the previous labour market trajectory). Gender and ethnic origin do not seem to have a statistically significant effect on the likelihood of overeducation.

Table 11.3 Distribution of the dependent variables by country

	Course regret	Job dissatisfaction	Both
Italy	0.28	0.15	0.07
Spain	0.38	0.14	0.09
France	0.28	0.12	0.06
Austria	0.26	0.10	0.04
Germany	0.27	0.11	0.07
Netherlands	0.29	0.12	0.06
United Kingdom	0.29	0.15	0.07
Finland	0.32	0.11	0.06
Norway	0.28	0.07	0.04
Czech Republic	0.31	0.07	0.03
Portugal	0.35	0.11	0.08
Belgium	0.27	0.08	0.04
Estonia	0.37	0.07	0.03
Slovenia	0.44	0.11	0.08
Turkey	0.47	0.21	0.15
Lithuania	0.43	0.11	0.07
Poland	0.33	0.12	0.07
Hungary	0.35	0.11	0.07

Table 11.5 adds graduates' preferences to the previous model. In this table we mostly find that graduates with a strong preference for any of the work dimensions considered in our analysis, and who find such preferences satisfied in their current jobs, do not work in jobs for which they are overeducated. For example, graduates who declare a strong preference for new challenges, learning new things or doing something useful for society, and who declare this preference satisfied in their current jobs are *less* likely to be overeducated, not more. In sum, jobs that allow this type of fulfilment for graduates are usually jobs *for* graduates. We may also say that it is unusual for graduates to *trade off* the fulfilment of these values *in return of occupying jobs for which they are overeducated*. Jobs for graduates are jobs that are *intrinsically* challenging or that give learning opportunities to the workers that occupy them. Some other preferences do not seem to be either positively or negatively associated to overeducation, even if such a trade-off could be more easily conceived or imagined. This is the case of leisure activities or conciliation of work and family life. Only in the case of job security and, to a lesser extent, time for leisure activities, we find a confirmation of compensating wage theory. Overeducated graduates seem to be more likely to value (and be) in jobs with higher levels of job security. Among the different values and preferences considered, it is job security and leisure activities that seem to be more likely to be *traded* with overeducation.

For each one of the countries considered in the analysis, Table 11.6 provides accurate estimates of the impact of overeducation on graduates' job dissatisfaction, regret with their educational programme and on the possibility that they state a lack of satisfaction with both their jobs and the educational programme they took at university. In most cases, we see that overeducation has a real and negative impact on job satisfaction and satisfaction with education. In other words, such a negative

Table 11.4 Overeducation model from stage 1 PSM

Overeducation	Coef.	Std. err.	z	P > z
Hegescoyr[a]	0.09	0.37	0.26	0.80
Male	−0.10	0.07	−1.37	0.17
Average grade	*−0.32*	*0.05*	*−7.04*	*0.00*
Years higher educ	*−0.36*	*0.05*	*−7.88*	*0.00*
FoS: (ref general, educ/ humanities)				
FoS: social sciences	*−0.28*	*0.09*	*−3.2*	*0.00*
FoS: science	*−0.49*	*0.12*	*−3.93*	*0.00*
FoS: engineering	*−0.73*	*0.12*	*−6.11*	*0.00*
FoS: agric/veterinary	−0.11	0.19	−0.6	0.55
FoS: health	*−0.99*	*0.14*	*−7.23*	*0.00*
FoS: services	0.28	0.17	1.67	0.10
Prior unemployment	*0.04*	*0.00*	*8.51*	*0.00*
Migrant	−0.28	0.22	−1.27	0.21
Hours worked	0.00	0.00	0	1.00
Public sector	*−0.86*	*0.08*	*−10.91*	*0.00*
High R + D firm	*−0.39*	*0.07*	*−5.7*	*0.00*
Firm size 50–99	−0.23	0.12	−1.84	0.07
Firm size 100–249	−0.14	0.11	−1.25	0.21
Firm size 250–999	0.03	0.10	0.34	0.73
Firm size 1000+	0.02	0.08	0.2	0.84
Labour experience	*−0.01*	*0.00*	*−4.53*	*0.00*
Num. of employers	*0.05*	*0.01*	*4.29*	*0.00*
Supervisory role	*−0.70*	*0.08*	*−8.95*	*0.00*
Indefinite contract	0.05	0.07	0.75	0.45
Mother professional	−0.11	0.11	−1.01	0.31
Father professional	*−0.28*	*0.10*	*−2.87*	*0.00*
Ref: Czech Republic				
Spain	*1.10*	*0.15*	*7.21*	*0.00*
Netherlands	*0.47*	*0.17*	*2.71*	*0.01*
Norway	−0.05	0.23	−0.21	0.84
Germany	*0.75*	*0.22*	*3.34*	*0.00*
Slovenia	*0.96*	*0.37*	*2.62*	*0.01*
Italy	*1.40*	*0.17*	*8.25*	*0.00*
Finland	*0.45*	*0.19*	*2.43*	*0.02*
UK	*0.97*	*0.18*	*5.32*	*0.00*
Turkey	0.44	0.38	1.18	0.24
France	−0.19	0.25	−0.78	0.44
Belgium	*−0.49*	*0.28*	*−1.72*	*0.09*
Hungary	*1.35*	*0.37*	*3.67*	*0.00*
Austria	*1.36*	*0.20*	*6.95*	*0.00*
Lithuania	0.64	0.41	1.56	0.12
Estonia	−0.34	0.48	−0.7	0.48
Portugal	0.08	0.32	0.26	0.80
Constant	0.86	0.34	2.51	0.01

[a]This is a dummy variable identifying the additional countries added in the second wave of the data

Table 11.5 Overeducation model from stage 1 PSM with preferences

Overeducation	Coef.	Std. err.	z	P > z
Hegescoyr[a]	0.08	0.36	0.24	0.80
Male	−0.12	0.07	−1.67	0.09
Average grade	*−0.30*	*0.04*	*−6.55*	*0.00*
Years higher education	*−0.35*	*0.04*	*−7.67*	*0.00*
FoS: (ref general, educ/humanities)				
FoS: social sciences	*−0.30*	*0.09*	*−3.44*	*0.00*
FoS: science	*−0.49*	*0.12*	*−3.96*	*0.00*
FoS: engineering	*−0.76*	*0.12*	*−6.35*	*0.00*
FoS: agric/veterinary	−0.17	0.18	−0.91	0.36
FoS: health	*−0.97*	*0.13*	*−7.02*	*0.00*
FoS: services	0.28	0.17	1.69	0.09
Prior unemployment	*0.03*	*0.00*	*8.18*	*0.00*
Migrant	−0.22	0.22	−1	0.31
Hours worked	0.00	0.00	0	1
Public sector	*−0.83*	*0.08*	*−10.41*	*0.00*
High R + D firm	*−0.31*	*0.07*	*−4.46*	*0.00*
Firm size 50–99	*−0.24*	*0.12*	*−2*	*0.04*
Firm size 100–249	−0.19	0.11	−1.68	0.09
Firm size 250–999	0.02	0.10	0.2	0.84
Firm size 1000+	−0.00	0.08	−0.1	0.92
Labour experience	*−0.01*	*0.00*	*−5.01*	*0.00*
Num. of employers	*0.05*	*0.01*	*4.56*	*0.00*
Supervisory role	*−0.65*	*0.07*	*−8.25*	*0.00*
Indefinite contract	*−0.26*	*0.13*	*−2.02*	*0.04*
Mother professional	−0.09	0.10	−0.88	0.37
Father professional	*−0.28*	*0.09*	*−2.84*	*0.00*
Autonomy	*−0.37*	*0.09*	*−3.89*	*0.00*
Job security	*0.64*	*0.14*	*4.48*	*0.00*
Learning new things	*−0.68*	*0.11*	*−5.97*	*0.00*
Earnings	0.01	0.20	0.05	0.95
Challenges	*−0.30*	*0.14*	*−2.11*	*0.03*
Career prospects	0.01	0.15	0.11	0.91
Time for leisure	*0.26*	*0.10*	*2.42*	*0.01*
Social status	*−0.55*	*0.22*	*−2.52*	*0.01*
Useful for society	*−0.37*	*0.12*	*−2.92*	*0.00*
Conciliation work family	0.11	0.11	1.02	0.30
Ref: Czech Republic				
Spain	*1.04*	*0.15*	*6.81*	*0.00*
Netherlands	*0.42*	*0.17*	*2.42*	*0.01*
Norway	−0.09	0.23	−0.38	0.70
Germany	*0.77*	*0.22*	*3.41*	*0.00*
Slovenia	*0.88*	*0.36*	*2.4*	*0.01*

(continued)

Table 11.5 (continued)

Overeducation	Coef.	Std. err.	z	P > z
Italy	*1.38*	*0.17*	*8.07*	*0.00*
Finland	0.35	0.18	1.89	0.05
UK	*0.93*	*0.18*	*5.02*	*0.00*
Turkey	0.42	0.37	1.12	0.26
France	−0.23	0.24	−0.93	0.35
Belgium	−0.52	0.28	−1.84	0.06
Hungary	*1.29*	*0.36*	*3.5*	*0.00*
Austria	*1.48*	*0.19*	*7.48*	*0.00*
Lithuania	0.69	0.40	1.7	0.08
Estonia	−0.34	0.47	−0.73	0.46
Portugal	0.08	0.32	0.26	0.79
Constant	1.00	0.35	2.86	0.00

[a]This is a dummy variable identifying the additional countries added in the second wave of the data

impact cannot be attributed to any of the observable characteristics of graduates that also determine educational regret or job dissatisfaction. It cannot be attributed to a presumable lower level of ability among those who are overeducated either (i.e. to the possibility that overeducation conceals an adequate level of skills), because the propensity scores have been generated also accounting for the level of skills of individuals in our sample. This comes as a further confirmation that not just overskilling but overeducation per se has a negative effect on workers' satisfaction.

Table 11.6 also shows that the effect of overeducation on job dissatisfaction or satisfaction with prior education does not disappear if the likelihood of becoming overeducated is estimated considering also graduates' values or preferences. Overeducation is a constraining effect in most countries, and there is hardly any country where, after considering the possibility that overeducation is explained by graduates' preferences different from job match, this constraining effect disappears.

11.6 Conclusions

Overeducated graduates' job satisfaction, or their satisfaction with the training previously received, could be affected by factors that are behind their educational mismatch. We should not assume that overeducated graduates are representatives of the whole population of university graduates. Therefore, if we want to have an accurate view of the effect of overeducation upon job satisfaction or satisfaction with education, we need to control this potential selection bias. We did so by applying propensity score matching to REFLEX/HEGESCO data on graduates who were interviewed in 2005. By estimating scores of graduates' propensity to become overeducated and

Table 11.6 PSM estimates with preferences

	Course regret		Job dissatisfaction		Both	
	Without preference	With preferences	Without preferences	With preferences	Without preference	With preferences
All countries	0.207***	0.184***	0.263***	0.247***	0.191***	0.174***
Spain	0.1654***	0.184***	0.310***	0.292***	0.207***	0.204***
Netherlands	0.15***	0.224***	0.212***	0.204***	0.146***	0.129***
Norway	0.2258*	0.225*	0.103	0.207**	0.137**	−0.034
Germany	0.303***	0.272**	0.110**	0.294***	0.181	0.181
Slovenia	0.237***	0.325***	0.185***	0.259***	0.237***	0.212***
Finland	0.298***	0.283***	0.169***	0.155**	0.149***	0.149***
Italy	0.194***	0.213***	0.201***	0.192***	0.196***	0.176***
UK	0.228***	0.307***	0.345***	0.336***	0.150***	0.212***
Turkey	0.071	0.071	0.483***	0.516***	0.428***	0.339***
France	0.5***	0.231***	0.259*	0.185	0.307***	0.34***
Belgium	0	0.176	0.412***	0.353***	0.118	0.059
Hungary	0.0	0.014	0.340***	0.250***	0.148**	0.162***
Austria	0.232**	0.214**	0.210***	0.245***	0.107	0.125*
Lithuania	0.0	0.208	0.32***	0.48***	−0.208**	0.167
Czech	0.098	0.084	0.208***	0.138**	0.141***	0.070

*P ≤ 0.05 ** P ≤ 0.01 *** P ≤ 0.001

matching graduates according to these propensity scores, we get an accurate assessment of the effect of overeducation over job satisfaction or satisfaction with education.

Relative to prior analyses of the association between overeducation and job satisfaction, our analysis does not put dissatisfaction and neutral levels of job satisfaction together; on the contrary, it strictly explores the effect of overeducation on job *dissatisfaction*. By doing so, it more accurately assesses the effect of overeducation on job dissatisfaction. Our results point to a real and negative impact of overeducation on either job dissatisfaction, satisfaction with prior educational programme or both. Such an effect cannot be attributed to any of the observable characteristics of graduates that also determine job dissatisfaction or course regret.

As regards the possibility that overeducation is the result of a trade-off between job match and the satisfaction of other preferences university graduates may have on their jobs, opposite to what compensating wage theory predicts, we find that overeducation is mostly and negatively related with most of these preferences (work autonomy, opportunity of learning new things, earnings, career prospects, etc.). Graduates' jobs tend to be jobs where these preferences may be fulfilled, and the opposite happens with jobs where graduates' are overeducated. Only in the case of job security, we find some evidence supporting compensating wage theory. There is some sign that job match could be traded off for security in employment. It would be interesting to reflect upon the reasons why this preference may conform to compensating wage theory and the others not.

In sum, our findings reveal that graduates' overeducation is a truly constraining phenomenon. It implies a deficit in the return of graduates' human capital investment that cannot be explained either by a deficit in their actual skills or by the fact that they prioritize other job dimensions different from job match. Looking at the *net* impact of overeducation on job dissatisfaction or lack of satisfaction with prior education may be a way of identifying the countries, sectors or occupations where overeducation deserves fully attention of the policymakers.

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Chapter 12
Labour Productivity, Temporary Work, and Youth Unemployment: The Experience of Southern Europe

Maria Laura Parisi

12.1 Introduction

Southern European countries with low and decreasing labour productivity, like Italy and somehow Spain, have seen also a high and persistent presence of youth unemployment in the past 20 years (see, e.g., Bardazzi and Duranti 2016; Dolado et al. 2013). The flow in and out of unemployment might have had an impact on aggregate labour productivity. Different labour market reforms at the end of the 1990s tried to solve the problem of "too high" unemployment (Melchiorre and Rocca 2013). To that purpose, European governments introduced a set of newly designed job contracts that allowed the extensive use of temporary work, e.g. fixed-term or apprenticeship contracts (Boeri 2011). At the same time, employment protection legislation (EPL) schemes encompassed temporary workers too, through further special rules (employment protection legislation for temporary work, EPLT).[1] Nonetheless, many temporary workers, at the end of their mandate, fell into the unemployed pool, such that the inflow and outflow of unemployment status became more frequent. Some of the consequences of this phenomenon could be resource misallocation, increasing divergence between required and effective on-the-job competences, and a faster deterioration of permanent workers' competences and abilities (Jin et al. 2016). Therefore, labour market institutions have long-run effect on youth unemployment (Kawaguchi and Murao 2014).

The latest crisis has even exacerbated these two negative macroeconomic phenomena, tainting also virtuous countries in terms of productivity growth, such as France, Portugal, and Greece – before the crisis. The size and persistence of youth

[1] EPLT includes regulation of types of work allowed and duration of fixed-term contracts as well as rules governing the establishment and operations of temporary work agencies and agency workers' pay (OECD 2013).

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unemployment have become unacceptable after 2010. Temporary jobs dropped massively, making young people bear a large portion of economic cost (Eichhorst et al. 2013). Youth unemployment is mainly due to labour market institutions, labour policy, and the education and training system, in a time of economic growth.

Stagnation in labour productivity goes back to the 1990s, but it has not improved since then and even worsened after the crisis. Most of the micro- and macroeconomic empirical literature on this topic attributes it to lack of innovation activities, research and development, and human capital accumulation. Yet, young age seems to improve productivity, at least at the firm level (Daveri and Parisi 2015) and at more aggregate level (Gordon and Dew-Becker 2008). Atypical work, on the other hand, has mixed effects on labour productivity at the firm level (Bardazzi and Duranti 2016).

This chapter analyses the two macroeconomic diseases, using aggregate data, in relation to some labour market characteristics of Southern European countries (France, Italy, Spain, Portugal, and Greece). The structural differences of the labour market might interact with reforms to increase or reduce youth unemployment and aggregate productivity. Notice that, in general, unemployment differs by gender, age, education, and other demographic characteristics of a country, as well as institutions and regulations, while labour productivity depends on inter- or intra-sector dynamics as well, beyond regional differences. Exploring these comparative dimensions, however, goes beyond the scope of this chapter.

The results show that the elasticity of youth unemployment to temporary work is statistically significant in the crisis period, but it was not significant before. The elasticity of labour productivity to youth unemployment was statistically significant and positive before the crisis and negative after 2007. Finally, the elasticity of labour productivity to temporary work, which is a combination of the first and the second effect, is statistically significant with opposite impact: it is significantly negatively correlated to adult temporary work. This latter impact is weaker (although significant) after the crisis. On the other hand, labour productivity is significantly positively correlated to temporary work of the youngsters. Nonetheless, the latter impact after the crisis is not significant. The reason for this result can be attributed to young workers bearing the biggest part of economic costs due to the recession. Interestingly, the impact of EPL is significant and negative for labour productivity, and it has significant negative impact on youth unemployment only after 2007.

12.2 Background

The five countries in Southern Europe, considered here, started already before the crisis years with a high and persistent level of youth unemployment. Cahuc et al. (2013) analyse the case of France, in comparison with Germany. France was one of the European countries with the highest level of youth unemployment in 2000, 21%, higher than the EU27 average, going up to 25.5% in 2012. It had also one of the highest inactivity rates for youngsters. Moreover, the youth-adult unemployment

ratio increased at more than three times after the crisis in France. The problem of school-to-work transition, especially for low-skilled youth, school dropout and the minimum wage setting, which is one of the highest of all OECD countries, make young French people not sufficiently prepared to enter the labour market. Labour market segmentation in terms of temporary and permanent positions is remarkable in France as well, with the effect of increasing the frequency of inflow and outflow unemployment status and raising uncertainty for future labour market outcomes, especially for the youngsters.[2] Dolado et al. (2013) provide evidence about the situation of Spanish youth labour market. Spain has suffered from youth unemployment rates above 40% on three separate occasions during the last 30 years – in the mid-1980s, in the mid-1990s, and today. After the latest crisis, the biggest portion of job losses was under a fixed-term contract, while average real wages failed to adjust until recently. The authors affirm that in order to decrease the level and volatility of unemployment in Spain, there should be a "stricter limit in the widespread use of fixed-term contracts". Like France, Spain suffers also from the problem of school-to-work transition and school dropout, thus having almost 24% of young people with a low level of education. At last, the authors recognize that while temporary work acts, in general, as a stepping-stone towards more stable work relationships, it does not so for Spanish youngsters. Italy's labour market is renowned to be rigid, on both the demand and the supply side. Too many regulations, barriers to entry, high taxes on labour, slow judicial system, and the widespread use of fixed-term contracts are associated to a high and persistent level of both general unemployment rate and youth unemployment rate, as explained in Melchiorre and Rocca (2013). Moreover, Italy has the second largest fraction of inactive population in Europe (almost 38% in 2011), mostly including discouraged workers, but it has a remarkable regional disparity. In Portugal, youth unemployment was particularly bad after the crisis, rising almost to 20% in 2009 and even over 42% in the first quarter of 2013, according to OECD data (Arnold and Farinha Rodrigues 2015). In the past, Portuguese government's welfare and labour market active policies, as well as education initiatives, were directed to the adult and elderly portion of the population. Scarce attention has been paid to the school dropout rate (20%) of young people, to sustaining income of young families with children, or to improving the education environment. More recently, the austerity measures imposed by the European Commission and IMF hit harshly the 15–24-year-old workers. Nonetheless, the share of population with secondary or tertiary degree grew by more than 50% in the past 10 years, making the young cohorts the best educated in the country in all

[2] However, if we compare the average share of temporary work in France and Spain (especially for adult workers), it has been always much lower in the former country (15% in the fourth quarter of 2011 in France versus 25% in Spain). Even if the next analysis considers the average of Southern countries, the negative effect of the crisis on labour productivity and youth unemployment in France was smaller than in Spain or Italy, due to this institutional difference, as well as other labour market differences (e.g. France has less stringent EPL regulation for permanent contracts in terms of collective dismissals). See Bentolila et al. (2012) for a wide discussion of the institutional differences of France and Spain from 1998 until 2009, which brought to different reactions to the economic crisis.

times. There might be, therefore, among others, a problem in employing all the supply of overqualified youngsters, who are pushed to migrate abroad (Gil 2013). In Greece, the youth unemployment rate is the highest in all Europe, and more strikingly, the largest portion of these young workers possesses a tertiary education degree. Women are much more affected than men are. This topic is discussed in Mitrakos et al. (2010) who identify in the school-to-work transition mechanism the main obstacle to youngsters' employment. However, young Greeks still rely on higher education because it is their only means to stabilize in the labour market later in life.

Labour productivity growth – measured as GDP per working person – between 1995 and 2004 (well before the economic crash) was on average equal to 0.3% in Spain, 0.5% in Italy, 1.2% in Portugal, 1.5% in France, and 2.8% in Greece. After the crisis, Greece and Italy's productivity growth went down to almost zero. In Spain, LP growth started to be negative already in 2003; it had an upward swing in 2009 (+2.9%) and then fell gradually down again, and in 2012 it was +1.5%, based on the Conference Board (2016) data and OECD (2015). The work of Bardazzi and Duranti (2016) includes an excursus of labour market policy reforms passed by the Italian government in the past 20 years. Its empirical results show that some forms of atypical contract may help at increasing labour productivity, especially for large firms in the service sector, that use temporary work to adjust production to cycles and as a screen device for selecting people for permanent positions. The opposite happens for small and medium firms, which do not invest too much in worker's training and motivation and use temporary work mainly as a cost-cutting strategy, thus lowering productivity growth. See also Cappellari et al. (2012) for a discussion.

At the aggregate level, this research shows that temporary work has different, in few cases opposite, effects on labour productivity, particularly before the crisis. Young people indeed appear to be more motivated and available to train than adult workers are, even if at higher risk of unemployment, and so they are more productive, on average.

12.3 Data and Descriptive Statistics

Macro-data on permanent and temporary work, employment protection legislation, and other control variables come from different OECD databases. Labour productivity in each country is calculated as the ratio between GDP in millions of US$ – at constant prices and constant PPP – and total employment.

The share of young temporary workers in age 15–24 over total dependent workers (*SHT*_1524) and the share of adult temporary workers over total dependent workers in age 25–54 (*SHT*_2554) come from OECD.Stat "Employment by Permanency of the Job" database. The OECD indicators of employment protection (*EPL*) are synthetic indicators of the strictness of regulation on dismissals and the use of temporary contracts (*EPLT*). For each year, indicators refer to regulation in

Table 12.1 Descriptive statistics of the main variables

1990–2012	France	Italy	Spain	Portugal	Greece	Average
Labour productivity	67172.2 (4384.3)	65834.7 (2947.1)	61692.8 (2911.8)	41864.0 (3995.9)	52059.9 (6301.1)	57675.9 (10445.9)
Youth unemployment	22.6 (3.6)	28.3 (4.1)	31.6 (10.0)	15.6 (6.9)	29.3 (7.3)	25.5 (8.9)
Young temporary work	48.7 (6.4)	29.1 (13.1)	67.5 (5.9)	41.8 (10.9)	26.6 (2.7)	42.7 (17.1)
Adult temporary work	9.8 (1.6)	8.4 (2.6)	27.3 (2.3)	14.8 (4.9)	10.4 (1.4)	14.1 (7.5)
EPL	2.4 (0.1)	2.8 (0.0)	2.6 (0.5)	4.5 (0.3)	2.7 (0.2)	3.0 (0.8)
EPLT	3.6 (0.1)	3.2 (1.3)	3.3 (0.3)	2.8 (0.5)	3.9 (1.0)	3.4 (0.9)
GDP growth rate	1.6 (1.5)	0.9 (1.9)	2.2 (2.3)	1.6 (2.5)	1.4 (3.7)	1.5 (2.5)
Inflation	1.8 (0.8)	3.1 (1.5)	3.4 (1.5)	4.1 (3.2)	6.6 (5.7)	3.8 (3.4)
Tertiary education	24.5 (2.9)	11.7 (2.2)	25.5 (3.9)	11.7 (2.6)	20.2 (2.9)	18.9 (6.6)
R&D (% of GDP)	1.4 (0.0)	0.6 (0.1)	0.5 (0.1)	0.3 (0.2)	0.1 (0.0)	0.61 (0.45)
Observations	23	23	23	23	23	115

Mean and standard deviations in parenthesis. *Labour productivity* (LP = *GDP/L*) is measured in US$ at constant prices and PPP. *Young temporary work* is the share of workers on a temporary contract in the 15–24 age group. *Adult temporary work* is the share of workers on a temporary contract in the 25–54 age group. Employment protection legislation (*EPL, EPLT*) are indexes in the [0, 6] interval. The lower the value, the lower the protection provided to workers. *Tertiary education* measures the percentage of population with tertiary education. Italy and Portugal have this information starting from 1998. *R&D* is the (constant prices, base year 2005, millions of US$) *Expenditure on Enterprise Research and Development* as a percentage of GDP

force on January 1. The indicators are measured on a 0–6 scale. Low values of the index are associated to low protection.[3]

The variables related to human capital are the percentage of adult population with tertiary education (*tertiary education*) and the percentage of population with secondary education (*secondary education*), both extracted from the OECD IPPStat database. R&D personnel per thousand total employment (*RDL*) comes from OECD "Skills for Innovation" database. General R&D expenditure and business expenditure on R&D, as a percentage of GDP, are gathered as well from the "OECD Main S&T Indicators" database.[4] Unemployment rates and youth unemployment rates are those from the IMF National Accounts.

Table 12.1 reports the mean and standard deviation of the main variables of interest, for each country and as an average of all Southern European countries, in the period 1990–2012. Notice that Spain has the highest average youth unemployment rate (31.6%), while Portugal has the lowest rate (15.6%). Italy and Greece come right after. In fact, in the most recent years, Italy and Spain reached astonishingly high youth unemployment rates: in January 2014, Spain and Italy had the highest

[3] For more information and full methodology, see www.oecd.org/employment/protection.

[4] *R&D* expenditure is measured in millions of 2005 dollars, at constant prices and PPP rate, and includes total intramural research and development and total funding.

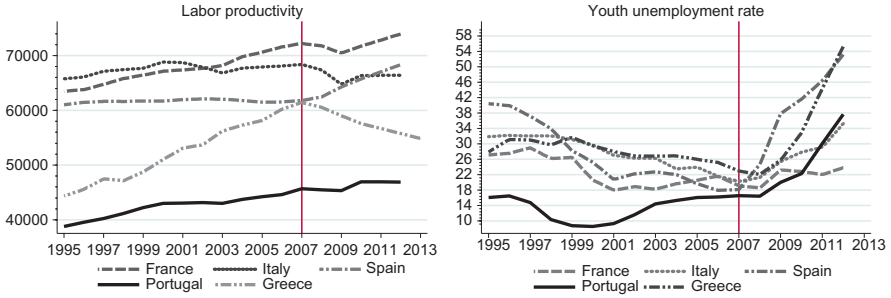

Fig. 12.1 Labour productivity and youth unemployment over time in Southern European countries (Source: Elaboration of the author on OECD and IMF data)

level of youth unemployment in all Europe. Italy's rate reached 43.5% (Boeri 2014) and Spain had a rate as high as 57.2% in 2012. Figure 12.1 illustrates the dynamics of aggregate labour productivity for each country. Italy and Spain had a stable or decreasing trend until 2008. All countries, apart from Spain, experienced a reduced level of productivity after 2008. Since the beginning of the economic crisis, nominal wage growth flattened in Spain, while productivity per employee rose, mainly through labour shedding in which less-productive jobs are typically cut first (Thimann 2015). For example, during the downturn, the higher rate of job loss among female immigrant workers can be fully explained by their lower endowment of human capital, typically associated to low productivity (Motellòn and Lòpez-Bazo 2015).[5]

The share of young workers (15–24 years old) on a temporary contract is almost 68% in Spain (two and a half times higher than adult temporary work rate) and 26.6% in Greece. Italy has a rate equal to 29%, three and a half times higher than adult temporary work. France's share of young temporary work is almost 49%, five times higher than its share of adult temporary work. Portugal has the highest value of EPL (4.5), while Greece has the highest value of EPLT (3.9). All those countries adopt quite a rigid protection legislation favouring their employees.[6] Finally, notice that Italy and Portugal suffer from a (much lower) level of education for their pool of employed workers: only 11.7% of them reached a tertiary degree of education, compared to France, Greece, and Spain where more than 20% of workers possess a tertiary degree.

[5] Yet Thimann (2015) focuses on comparing relative productivity to relative unit labour costs, as a measure of competitiveness. He argues that if competitiveness gains are based on the total labour force rather than on remaining employment, the improvement in Spain's competitiveness is no longer there. Indeed, measured in terms of real GDP per potential worker (i.e. employment plus unemployed), productivity would show a decline, and Spain would follow the remaining stressed countries (France, Italy, Greece, and Portugal).

[6] See Parisi et al. (2014) for comparison with other groups of countries, in particular Continental Europe, Anglo-Saxons (including non-European countries), Scandinavian countries, and East Europe. The authors conduct a similar analysis to different groups based on their welfare systems' differences.

An unconditional correlation matrix (not reported) between the main variables, over the panel, gives some raw taste of their possible relationship. The share of young temporary work is positively correlated to labour productivity. Adult temporary work appears to be negatively (even if not significantly) correlated to labour productivity. Both variables appear not to be significantly correlated to youth unemployment.

General employment protection (EPL) is negatively correlated to both productivity and youth unemployment and not at all to the two shares of temporary work. Employment protection index of temporary work (EPLT), however, seems not to be correlated to labour productivity or youth unemployment rate, but it is significantly correlated to the share of temporary work. Section 12.4 explores these relationships in more detail, giving them a structure and a method of estimation.

12.4 Econometric Framework and Results

We draw the econometric method from Parisi et al. (2014). We use aggregate data for Southern European countries from 1990 until 2012, and we estimate the model before and after 2007, the structural break of economic and financial crisis. We deal with caveat about estimations of labour productivity determinants and unemployment at the macro-level (i.e. reverse causality and endogeneity) and the potential residual autocorrelation for each member of the panel. Labour productivity (*LP*), in country *i* at time *t*, and the level of ln-youth unemployment (*YUR*) are determined by the system specification (1):

$$\begin{cases} \ln LP_{it} = \alpha_1 + \beta_1 SHT_{1524it} + \beta_2 SHT_{2554it} + \rho_1 \ln LP_{it-1} + \gamma_1 YUR_{it} \\ +\phi' X_{it} + c_i + \tau_t + \varepsilon_{1it} \\ YUR_{it} = \alpha_2 + \beta_1' SHT_{1524it} + \beta_2' SHT_{2554it} + \rho_2 \ln LP_{it} + \gamma_2 YUR_{it-1} + \delta \Delta \ln Y_{it} \\ +\lambda \pi_{it} + c_i + \tau_t + \varepsilon_{2it} \end{cases}$$

The error terms of this system are assumed correlated over time and uncorrelated across panels.[7] This means that country's specific positive shocks to labour productivity could induce as well a reduction in unemployment in general and youth unemployment in particular (e.g. when fast-growing firms expand their labour input). See Parisi et al. (2014) for a discussion on identification of the parameters of this system and estimation under different identification strategies. In particular, the first set of

[7] The error terms of the system are assumed to follow a stochastic within-panel-autocorrelated process, AR(1), with heterogeneous variance/covariance matrix. This means that, for example, the disturbance term of youth unemployment can be specified as $\varepsilon_2 = \mu\varepsilon_{2,-1} + \nu$ which implies $(1 - \mu L)\varepsilon_2 = \nu$ (a white noise term). The cross-equation covariance, instead, is a free parameter: $E(\varepsilon_{1it}\varepsilon_{2it}) = \omega$. The first set of regressions adopts an OLS estimation method with panel-corrected standard errors. The correction regards the AR(1) structure of the residuals in each equation and for each panel.

Table 12.2 OLS panel-corrected marginal effects before and after the crisis year (2007)

	Before		After		Total sample	
	LP	YUR	LP	YUR	LP	YUR
	(1)	(2)	(4)	(5)	(6)	(7)
Young temporary work	0.195[b]	0.034	0.040	0.057	0.150[a]	−0.016
	(0.0953)	(0.0442)	(0.1248)	(0.0678)	(0.0815)	(0.0472)
Adult temporary work	−0.282[c]	−0.023	−0.175[c]	0.012[b]	−0.179[b]	0.038
	(0.0714)	(0.0330)	(0.0556)	(0.0491)	(0.0594)	(0.0389)
EPL	−0.324[c]	0.033	−0.295[c]	−0.151[a]	−0.315[c]	−0.043
	(0.0587)	(0.0538)	(0.0619)	(0.0779)	(0.0475)	(0.0595)
Youth unemployment[#]	−0.015	0.951[c]	0.005	0.924[c]	−0.023	0.968[c]
	(0.0285)	(0.0477)	(0.0313)	(0.0634)	(0.0212)	(0.0429)
Labour productivity		−0.110[b]		−0.180[c]		−0.120[b]
		(0.0452)		(0.0614)		(0.0425)
GDP growth rate		−0.025[c]		−0.031[c]		−0.031[c]
		(0.0067)		(0.0042)		(0.0029)
Observations	85	80	30	30	115	110
R^2	0.99	0.99	0.99	0.99		0.98
#Test $X_{t-1} = 1$		[0.470]		[0.804]		[0.233]

Standard errors in parentheses. P-values in brackets. [a]$\alpha < 0.10$, [b]$\alpha < 0.05$, [c]$\alpha < 0.01$. OLS estimates with panel corrected for autocorrelation and heteroscedasticity standard errors. Tertiary education, the control variable in the LP equation, is always positive and significant. Inflation in the YUR equation is never significant. Time dummies are included

regressions in this chapter deal with the parameters constraint [$\rho_1 = 0$, $\omega = 0$, $\rho_2 \neq 0$], and the robustness checks allow $\omega \neq 0$. This situation depicts a shock to labour productivity causing a change to youth unemployment, but youth unemployment shocks might not reflect into concurrent movements in (aggregate) labour productivity (e.g. adopting regulation on atypical labour contracts). Finally, time dummies τ_t are included in all regressions.

Table 12.2 reports the results of the first set of estimates in terms of elasticities of the dependent variables to all the explanatory variables. The elasticity of labour productivity to the share of young work is positive and significant for the whole panel (0.15). This means that a 10% increase of the share of young temporary work (over total employment, i.e. about the increase in Italy between 2007 and 2012) can increase aggregate labour productivity by 1.5%. The elasticity of LP to the share of adult temporary work turns out negative and significant (−0.179), meaning that if the share of adult under temporary contracts increases by 8.5% (the actual increase in this variable for Spain in the 16 years before 2007), aggregate productivity may be reduced by about 1.5% (ceteris paribus). This result is important because young workers helped at sustaining productivity, although they suffer mostly from the risk of falling into unemployment. The estimated gap was even stronger before the crisis

(indeed, the net effect of an increase in total temporary work by 10% would reduce productivity by about 0.8%, a result consistent with the recent labour productivity trend in Southern countries). After the crisis, young workers were quite completely thrown to the unemployment status, and their aggregate productivity collapsed. Interestingly, the share of adults on a temporary contract has on the other hand a negative correlation to aggregate productivity, for the whole period, and after the crisis, this phenomenon has not changed. This could have policy implications (the comparison variable is the share of adult permanent workers), for example, by giving incentives to companies to transform a position from a temporary duration to a permanent one, when the worker acquired some degree of seniority or experience. In Italy, for example, the recent "JOBS Act", approved in December 2014, tried to undertake this direction, by simplifying the types of atypical contracts and introducing a new type of open-end contract with increasing protection provisions based on seniority (Italian Law 183/2014; see also Speziale 2014).[8] These results give an explanation to the result found in Bassanini et al. (2009), according to which regulations introducing temporary and atypical contracts have no effect on productivity, efficiency, and technological change. What they found can be explained by distinguishing workers by their age, as shown in the present chapter: because temporary young workers increase aggregate productivity, and temporary adult workers do not, the two effects almost cancel out, especially in the before-crisis period, to which Bassanini et al. are referring.

Notice that the share of adult workers under a fixed-term contract is slightly correlated to youth unemployment after the crisis, which indicates the fact that most unemployed people after the crisis were young. Employment protection has negative effects for productivity, both before and after the crisis year (on average its elasticity is equal to −0.3). This is in line with Bassanini et al. (2009) regarding the effect of dismissal regulation on productivity. The elasticity of youth unemployment to EPL is negative and significant after the crisis (only), while in general EPL has no significant impact on unemployment of the youngsters. The estimated coefficient $\gamma_1 = 0$ in all periods, while $\rho_2 \neq 0$. This means that youth unemployment appears not to have a direct impact on labour productivity, but the reverse is true: aggregate labour productivity does have an impact on youth unemployment. Higher productivity may help reducing youth unemployment. This result has important consequences for countries like Italy and Spain, whose productivity stagnated for so long. Nonetheless, as shown in the robustness checks, the latter effect is questionable and needs to undergo further exploration.

[8] However, although this has become quite popular in few months in 2015, the new permanent contract does not substitute the old temporary ones and receive fiscal benefits up to 3 years. It is not clear whether in 2018, when fiscal benefits will end, this will be again a common type of work relationship. Moreover, the law rules that fired workers may not be reintegrated on the job and receive a monetary payment in return. This provision applies only to young newly hired people. Economists fear that companies could use this regulation to substitute senior workers whose productivity has become lower than their wages. See, e.g., Esposito and Leonardi (2015) for a discussion.

The regressions included other control variables. For the YUR equation of system (1), the growth rate of real GDP and inflation are the control variables suggested by the literature on the determinants of general unemployment; see Caporale and Gil-Alana (2014). Inflation does not have a significant effect on youth unemployment in our results; thus it is not reported in the table. The other meaningful control variable for LP is the share of tertiary education in the country, which has always a positive impact on labour productivity, as expected.

12.5 Robustness Checks

Given the evident risk of unit root in the youth unemployment series, the equation of youth unemployment can be expressed in growth rates. Table 12.3, in columns (1) to (3), reports the elasticities derived from the new estimated coefficients. The estimates are in line with those of Table 12.2, with improved R^2. Another critical issue might come from the endogeneity of youth unemployment variable within the LP equation (and vice versa). OLS methods cannot solve for potential endogeneity. System (1) is, therefore, estimated using a 3SLS method, which takes reverse causality of endogenous variables into account. Unfortunately, this method has the caveat of not taking the panel structure of the data into account. To adjust this problem, time and country dummies are included in the set of exogenous variables.

The differences in elasticities when instrumenting both labour productivity and youth unemployment are (1) the positive and significant impact of the share of young temporary work after 2006 on LP (it was zero in Table 12.2), (2) the insignificant impact of the share of adult work and EPLG on youth unemployment after 2006, and (3) the significant positive elasticity of youth unemployment to LP before the crisis, turning insignificant after 2006. The results however reinforce our main conclusions: young temporary workers on average, in Southern Europe, actually have increased aggregate labour productivity, while adult temporary workers (between 25 and 54 years old) have not. Moreover, the presence of temporary work does not seem to impact on youth unemployment. Employment protection legislation has a detrimental effect on labour productivity overall, both before and after the crisis, while it appears not to be correlated to youth unemployment at least until the crisis year. Finally, whether an increase in aggregate productivity within each country helps at reducing youth unemployment is controversial in our results.

12.6 Conclusions

Southern European countries with low and decreasing labour productivity, like Italy and somehow Spain, have seen also a high and persistent presence of youth unemployment in the past 20 years (which is large in Spain). The recent economic crisis has exacerbated these phenomena, worsening also in those virtuous countries in

Table 12.3 Estimated elasticities of youth unemployment growth, LP, and YUR with 3SLS method

	ΔYUR			LP (3SLS)			YUR (3SLS)		
	Before	After	Total	Before	After	Total	Before	After	Total
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Young temporary work	0.034	0.057	−0.016	0.266[c]	0.363[c]	0.306[c]	−0.031	−0.192	−0.082
	(0.0442)	(0.0678)	(0.0472)	(0.0514)	(0.0622)	(0.0425)	(0.1225)	(0.3951)	(0.1031)
Adult temporary work	−0.023 (0.0330)	0.121[b] (0.0491)	0.038 (0.0389)	−0.193[c] (0.0400)	−0.212[c] (0.0393)	−0.218[c] (0.0321)	−0.011 (0.1109)	−0.148 (0.5075)	0.084 (0.0922)
EPL	0.033	−0.151[a]	−0.043	−0.353[c]	−0.538[c]	−0.402[c]	0.055	−0.462	0.043
	(0.0538)	(0.0779)	(0.0595)	(0.0644)	(0.0413)	(0.0484)	(0.1440)	(0.2760)	(0.1428)
Labour productivity	−0.110[b]	−0.180[c]	−0.120[b]				1.78[b]	1.55	1.03*
	(0.0452)	(0.0614)	(0.0425)				(0.6761)	(1.5646)	(0.5552)
Youth unemployment[#]	0.009 (0.0374)	−0.076 (0.0634)	−0.031 (0.0429)	0.183[c] (0.0481)	−0.018 (0.0580)	0.145[c] (0.0397)	0.720[c] (0.1078)	0.416[b] (0.1697)	0.802[c] (0.0891)
GDP growth rate	−0.029[c]	−0.031[c]	−0.031[c]				−0.044[c]	−0.041[b]	−0.030[c]
	(0.0039)	(0.0042)	(0.0029)				(0.0083)	(0.0136)	(0.0049)
Observations	80	30	110	80	30	110	80	30	110
R^2	0.57	0.39	0.77	0.79	0.93	0.81	0.95	0.97	0.95

Standard errors in parentheses. [a]$\alpha < 0.10$, [b]$\alpha < 0.05$, [c]$\alpha < 0.01$. Elasticities of youth unemployment growth are estimated with OLS panel-corrected estimator Columns (4) to (9) derive from estimating the system with 3SLS estimator, with time and country dummies. "Before" means before 2007; "After" means after 2006

terms of before-crisis labour productivity, like France, Portugal, and Greece. The labour market reforms of the end of the 1990s tried to introduce more flexibility in all these countries, allowing a number of internal (fixed-term or apprenticeship contracts) or agency-provided temporary labour supply. These reforms had on the aggregate different implications: by increasing flows in and out of unemployment, they increased the rate of unemployment and especially youth unemployment. They increased the rate of deterioration of acquired skills and diminished motivation and attachment of workers to the firm. On the other hand, this latter effect does not hold for all segments of the labour force. This paper shows that young temporary workers on average, in Southern Europe, actually have increased aggregate labour productivity, while adult temporary workers (between 25 and 54 years old) have not. Moreover, employment protection legislation has a detrimental effect on labour productivity overall, both before and after the crisis, while it appears not to be correlated to youth unemployment until the crisis year. After 2007, EPL's effect is significant and negatively correlated to youth unemployment too. With the crisis reducing dramatically the growth rate of real GDP, labour demand, and productivity in countries like France, Italy, and Greece, the stringency of employment protection – both for general provisions and for temporary employment – was not released meanwhile nor reformed. Finally, a causality impact of labour productivity on youth unemployment exists: an increase in aggregate productivity within each country helps at reducing youth unemployment. The opposite appears not to hold: the level (and the growth rate) of youth unemployment does not affect aggregate labour productivity. However, these latter results are controversial according to our robustness checks and should go under further exploration.

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Chapter 13
Promoting Youth Employment in Europe: Evidence-Based Policy Lessons

Werner Eichhorst and Ulf Rinne

13.1 Introduction

Young individuals are a particularly vulnerable group in the labour market. Their unemployment rate typically exceeds that of the adult generation (see, e.g., O'Higgins 1997),[1] which is, among other things, related to the fact that all youth face the critical barrier of entering the labour market. While youth unemployment has been increasing globally over the last years, the increase has been particularly strong in some (but not in all) European countries. Considering the impact that the Great Recession had on these labour markets, it is not surprising that youth unemployment rates increased. In fact, a fall in aggregate demand increases youth unemployment in a relatively similar way as it affects overall (or adult) unemployment (Eichhorst and Rinne 2015a).

Based on the existing empirical evidence, this chapter draws policy lessons to promote youth employment in Europe.[2] We mainly review relevant policy options in two broad fields: (a) the institutional framework governing the youth labour market, in particular the school-to-work transition regimes involving vocational training and the regulation of the labour market in the areas of employment protection and minimum wages, and (b) passive and active labour market policies and their combination via activation strategies targeted at young people.

In this context, school-to-work transition regimes are a major determinant of the relative ease or difficulty of labour market entry for young people when leaving school. While there are a number of measurement issues involved (see, e.g.,

[1] Throughout this paper, we use the UN youth definition (15–24 years) and the ILO unemployment definition (see, e.g., O'Higgins 1997, for a discussion of both issues).

[2] This chapter is based on earlier work by the authors, in particular Eichhorst and Rinne (2015a) and Eichhorst and Rinne (2015b).

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Matsumoto and Elder 2010), we focus below on the effectiveness of different types of vocational training on labour market outcomes as well as on two other important institutional factors (minimum wages, employment protection). The distinction between "passive" and "active" labour market policies relates to the fact that public resources can be spent on so-called passive measures providing income support (i.e. unemployment insurance and related welfare benefits) or on active measures that aim at reducing structural unemployment (e.g. training measures, wage subsidies). Historically, activation strategies used to imply a shift away from passive to active labour market policies, but this view has changed. Martin (2014) includes a brief history of the concept of activation and a detailed discussion. Accordingly, while there is no agreed definition of the concept, the OECD definition stresses the role of "work incentives" – both from the individual and institutional perspectives.

After reviewing the existing empirical evidence related to the relevant institutional framework and in terms of labour market policies, we conclude that one should not be overly optimistic by expecting any "quick fixes" to solve the problem of youth unemployment. Although effective policy tools are available, the most effective require forward-looking structural reforms as well as a macroeconomic environment that boosts labour demand. More attention should be paid to paving the way for a medium-term integration of young people into gainful and productive employment so that they can benefit from and contribute to a more dynamic economy. In this respect, we find that there are a number of promising strategies, but there are also quite a few approaches that lead to disillusioning effects.

13.2 The Institutional Framework

Important institutional settings and public policies influencing youth labour market outcomes are mainly found in four areas: (a) vocational education and training, (b) minimum wages, (c) employment protection and (d) activation measures and active labour market policies. While the remainder of this paper deals extensively with the fourth area, we give an overview about critical issues in the first three areas next.

13.2.1 School-to-Work Transitions and Vocational Education and Training

Vocational education and training – as well as general education – play a crucial role in preparing young people for the labour market. First, low-qualified youth face high risks of unemployment and exclusion. Their unemployment rates generally exceed those of their higher-qualified peers (see, e.g., Bell and Blanchflower 2011). Second, vocational education and training are core factors in smoothing the transition from school to work. In this context, the quality of the education system is very important in ensuring the skills of the labour force fit the needs of the labour market

and thus can help to avoid educational mismatch. Third, one should distinguish between general education and vocational training, where the latter can be further divided into school-based training, on-the-job training and dual apprenticeship systems (i.e. a combination of the former two).

What is the relative effectiveness of different types of vocational training on the labour market outcomes of participants? In general, the empirical evidence on this issue is rather scarce and almost exclusively refers to high-income countries, but existing studies are summarized in Zimmermann et al. (2013), Eichhorst (2015) and Eichhorst et al. (2015). Accordingly, cross-country studies typically find a comparative advantage in countries with a dual apprenticeship system (e.g. Quintini and Manfredi 2009) – although this relationship is not necessary causal. Country-specific studies also identify a relative advantage of dual apprenticeship training, in particular with respect to early labour market outcomes, as this initial advantage fades over time (e.g. Winkelmann 1996; Plug and Groot 1998; Bonnal et al. 2002; Parey 2009).

It thus appears that dual apprenticeship systems are most effective in smoothing school-to-work transitions of young individuals. Youth completing school-based vocational education and training do as well as (and sometimes better than) if they had instead remained in purely academic studies (Eichhorst et al. 2015). This is particularly the case when the occupation of the training matches the future career path. Rigorous studies evaluating the effectiveness of vocational education and training show that vocational training makes the transition to gainful employment easier and may improve wage and employment outcomes, in particular for low-ability youths and those working in low-skill jobs (Eichhorst et al. 2015). In several settings, an extension or prolongation of the academic schooling for these youth does not result in additional gains in terms of labour market entry but instead may entail an increased risk of dropout.

Comparing across types of vocational education and training, the dual system, which is very prominent in a number of continental European countries including Germany, is more effective than alternative academic or training education at helping youth transition into employment, though no wage differences are observed. Hence, it seems fair to say that vocational training elements generate some added value both to employers providing training and to the trainees, and they facilitate the timely entry into more stable and better-paid jobs at the beginning of the working life.

Yet, given that economic and institutional conditions are highly diverse across industrialized countries, when it comes to promoting vocational education and training, policymakers need to take into account the resources available and to build on them. The ideal type of a dual vocational education and training model relies on the support of important societal groups that are involved, namely, employers, young people and their families, trade unions and the government. Hence, while Germany's dual system may serve as a role model for other countries (see, e.g., Eichhorst et al. 2015; Zimmermann et al. 2013), it is generally not advisable to simply copy the German model. Establishing a dual vocational training model is a demanding task that requires a longer-term perspective. Structural reforms to revive

the economy and reduce entry barriers to employment are also needed. Since most countries already have some form of vocational training programme, they could start with existing elements to bring vocational education and training closer to employer and labour market needs.

13.2.2 Minimum Wage Legislation

Labour costs can be a substantial barrier in the transition from school to work – in particular for low-qualified young jobseekers as highlighted by Cahuc et al. (2013). A number of studies document the detrimental employment effects for young people when a minimum wage is set too high (e.g. Abowd et al. 2000; Kramarz and Philippon 2001; Neumark and Wascher 2008). As a general rule, studies on labour demand effects estimate that a 1% increase in labour costs reduces employment of the low-skilled, a group in which unemployed youths represent a large proportion, by 1% (Cahuc and Carcillo 2012).

Other studies, however, find that effects for young workers are not necessarily negative. For example, Portugal and Cardoso (2006) study the short-term impacts of a substantial minimum wage increase that specifically affected this population group in Portugal during the mid-1980s. They show that the share of teenagers among newly hired workers decreased – a somewhat expected result which is in line with standard theory. Second, and somewhat unexpected, they find that the share of teenagers in job separations strongly decreased after the minimum wage increase, and this increase even compensated the reduced share of hired young workers.

Similarly, Hyslop and Stillman (2007) document a positive labour supply response by teenagers in their study of a large minimum wage increase for this population group in New Zealand in the early 2000s. While they find no evidence of adverse effects on youth employment immediately following the reform, and only weak indications of such effects later, they find a substantial increase in teenagers' working hours, wages and total earnings. However, total employment effects were mitigated by increasing unemployment, inactivity and benefit receipt; in addition, educational enrolment also decreased after this minimum wage reform.

A way to circumvent or hedge potentially negative effects (or, more generally, any effects) of minimum wages for younger workers is to incorporate exemptions from minimum wages for this population group, such as age limits or reduced rates. This is, for example, the case in the Netherlands: a specific feature of the Dutch minimum wage system is that the minimum wage rate incrementally increases with a young worker's age (from 30% of the minimum wage at age 15 until the maximum at age 23). Kabátek (2015) analyses the impacts of this particular legislation on worker flows, and he shows that apart from potentially positive effects on the levels of youth employment (as documented in the two studies discussed above), the age dependency of minimum wages introduces completely new dynamics into the labour market flows of young workers.

In conclusion, the introduction or adjustment of minimum wages affecting young workers can lead to quantitatively important distortions. Although these distortions

do not necessarily lead to detrimental impacts on youth employment, they are very context-specific and may substantially change employment dynamics. It is thus very important to closely monitor and evaluate not just employment stocks and wage levels after a minimum wage reform but also employment flows and wage changes.

13.2.3 Employment Protection Legislation

The phenomenon of high and persistent unemployment, in particular in Europe, has often been attributed to labour market rigidities caused by high levels of employment protection. In response, and because employment protection for permanent jobs has proven difficult to change, many (European) countries have liberalized or deregulated fixed-term contracts in recent years. As a result, temporary jobs have emerged as a major form of employment in Europe, reaching more than 20% of total employment in countries such as Spain or Portugal and more than 15% in Sweden or France, even after a drop following the 2008/2009 recession (Eichhorst 2014).

The rationale behind the deregulation of fixed-term contracts was to create additional job opportunities and better employment prospects, in particular for labour market "outsiders" and entrants – such as young workers. Indeed, the segmentation of the labour market between permanent contracts and fixed-term contracts (and other forms of flexible or nonstandard employment) appears to affect young people more strongly than other population groups. But while reforms liberalizing temporary contracts have created additional entry options into the labour market, in particular for youths in many European countries, there is strong evidence that these policies generate a highly fragmented labour market with a secondary segment of jobs characterized by excess labour turnover and very limited possibilities of a successful transition from fixed-term to permanent positions. This is aggravated further if no systematic vocational training is involved.

For countries such as France, Spain, Italy or Portugal, studies have found a high risk of repeated spells of temporary employment and unemployment so that the process of liberalizing fixed-term contracts can in fact be seen contributing to severe youth unemployment (see, e.g., Cahuc and Postel-Vinay 2002; Blanchard and Landier 2002). An important function of fixed-term contracts is that they allow for the screening of workers in the presence of strict dismissal protection. However, their potential as a steppingstone to permanent employment is undercut if there is a strong degree of segmentation in labour markets. If that is the case, the labour flexibility motive of employers (i.e. the demand for temporary jobs with high turnover) ends up outweighing the screening function (Eichhorst 2014).

While the steppingstone hypothesis assumes that it should be rather easy and efficient to convert good job matches initially formed as fixed-term contracts into permanent positions, the empirical support for this argumentation is mixed. The alternative "entrapment hypothesis" has shown to be empirically relevant in this regard. It assumes that employers change their recruiting behaviour when fixed-term

contracts can be easily offered and become very reluctant to offer open-ended contracts. This would then lead to dead-end jobs, temporary contact work and high turnover rates. In a review of relevant and sometimes conflicting studies, Eichhorst (2014) concludes that the effect of the liberalization of fixed-term contracts is mixed. In particular, countries where the level of dismissal protection and other labour market regulations remains unchanged run a high risk of creating a dual labour market. In such a regime, many fixed-term workers, in particular the young, are trapped in a secondary segment of flexible jobs with low chances to move from temporary to permanent employment.

We thus conclude that the evolution of fixed-term contracts has to be closely monitored. In this context, the available evidence calls for reforms to ease the regulatory divide in national labour markets and to strengthen the vocational training content during fixed-term jobs – in particular when they are offered to young workers.

13.3 The Role of Labour Market Policies

One crucial area of institutional settings and public policies influencing youth labour market outcomes is the area of activation measures and active labour market policy. These types of instruments appear especially relevant because they are typically implemented within a given set of institutional and economic constraints and are thus independent of broad and comprehensive structural reforms. The role of activation measures – and active labour market policy – has been a core pillar and essential element in many governments' efforts to promote youth labour market integration in a situation of crisis.

13.3.1 Unemployment Benefits, Activation and ALMP Spending

Active labour market policy and activation measures were designed to promote labour market integration by reducing job-finding obstacles, thereby increasing the probability of entering employment successfully. Specific instruments include, for example, job-related training that improves skill levels and productivity of job searchers or hiring subsidies designed to compensate for lack of work experience and other deficits. Five main types of active labour market policy schemes can be distinguished:

1. Job search assistance
2. Training programmes
3. Subsidized employment with private employers (usually based on temporary contracts)
4. Direct job creation and public employment programmes
5. Start-up subsidies, self-employment assistance and support

In addition, it is important to take into account different country contexts. By adhering to the activation paradigm, most high-income countries such as OECD countries and EU member states link benefit receipt with participation in measures of active labour market policy. Hence, benefit receipt is made conditional upon active job search effort and the availability of the unemployed to participate in different measures of active labour market policy. This approach has emerged as a generally accepted method to avoid work disincentives stemming from unconditional benefit access. Rather, activation measures work to incentivize and support at the same time (Immervoll 2012).

Activation measures include the enforcement of rigorous eligibility criteria for benefit recipients along with the provision of effective re-employment services (Immervoll and Scarpetta 2012). Hence, participation in active measures is not voluntary, but it is required to maintain access to benefits and avoid sanctioning. This type of activation implies a systematic articulation and interaction of benefit systems and active labour market policy programmes following the lines recommended by the OECD Jobs Strategy and other advisory contributions. It requires both access to social benefits and an elaborate, efficient delivery of active labour market policy programmes. In such a system, the access to unemployment benefits, as well as minimum income support, works as a mechanism for the administration to remain in contact with young people after they have left the schooling system.

The advantage of an activation orientation of these policies is that it helps to mobilize jobseekers into employment and avoid benefit dependency. All countries with a well-developed system of income support for the unemployed can benefit from a strong employment-focused activation system which includes job search and matching assistance, reducing barriers to employment and implementing sanctions when recipients fail to comply with the requirements. However, although these form the key pillars of a strong system, there is no unique formula for effective activation, and the implementation has to be country-specific (OECD 2013).

The recent financial and economic crisis led to an increasing number of unemployed and therefore raised costs for unemployment benefits as well as escalated the need for jobseekers' support for reintegration into work services and other active labour market policy programmes. In general, activation strategies are implemented at the local level by the public employment service (PES), sometimes with support of private providers of job placement and training services. The PES targets people of working age who are unemployed but could work and are in receipt of unemployment benefits conditional on compliance with employment- and job search-related requirements (Immervoll and Scarpetta 2012).

Access for young people to unemployment benefits is, however, limited in most EU countries, both with respect to insurance and assistance benefits. Unemployment benefits are conditional on contributions to an unemployment insurance scheme for a minimum period of time and/or on a minimum period of working days. The amount of unemployment benefits depends on the age, the duration of the previous occupation and the overall unemployment insurance contributions of the unemployed person.

In most countries, the amount of unemployment benefits is dependent on previous earnings. In a number of countries, means-tested unemployment assistance

provides continued benefit entitlements once insurance benefits expire. Some countries also have an entrance age which varies from 15 to 17 years. In most cases, young people entering the labour market and having not made any contributions to unemployment benefit insurance are unlikely to be eligible for unemployment benefits. Some countries offer unemployment assistance for those who are not qualified for unemployment benefits.

To ensure receiving benefits, jobseekers have to be immediately available for work and accept suitable job offers. As part of job search assistance and monitoring, most countries follow a practice of intensive obligatory interviews between the jobseeker and an employment advisor. However, the frequency of such interviews varies. Beneficiaries are also required to report regularly on their job search effort, while the PES refers unemployed clients to vacant jobs (Immervoll and Scarpetta 2012).

The expenditure for active labour market policy varies significantly across EU countries, from less than 0.1% of GDP in Romania and the UK up to 1.4% of GDP in Denmark.[3] While the amount of expenditure on income support is strongly countercyclical, spending on active labour market policy programmes tends to react only moderately to business cycles in most countries (with the exception of Nordic countries). Because of the lack of strong responsiveness during a recession, the amount of spending on active labour market policy programmes per unemployed person has a tendency to decrease while unemployment is rising. It therefore becomes more difficult to service jobseekers effectively. When unemployment is high, independent job searching is more difficult, which implies that the unemployed may depend more on job search assistance and other labour market programmes (Immervoll and Scarpetta 2012).

Some countries pursuing an activation agenda have tightened conditions, reduced benefit durations or introduced more demanding behavioural requirements (see in particular Langenbucher 2015). The number of countries in which the unemployment benefit is conditional on certain requirements has grown significantly. But the degree of strictness varies and is country-specific. The eligibility requirements for young jobseekers are usually stricter than for adults. Also, the starting point of activation programmes begins earlier or immediately after becoming unemployed. At the same time, national Youth Guarantees stimulated by the EU approach to combat youth unemployment are especially designed to protect and ensure support for unemployed young people. Thus, under these programmes, unemployed youth have the duty and right to be employed.

Nevertheless, in many European countries, young unemployed people have no access to unemployment benefits, especially if they have never worked. Social benefits should be ensured where appropriate to provide social security. At the same time, effective and efficient activation measures and conditionality should ensure that benefits are only awarded if the young person is actively engaged in job search or in further education or training (Lahusen et al. 2013).

[3] There is no specific data for youth-related programmes.

13.3.2 Assessing the Effectiveness of ALMPs and Activation

Given the broad range of available active labour market policy schemes that could be part of activation strategies, a crucial question is to determine what kind of measures are most effective and, if so, in which contexts. For example, are programmes differently effective in times of crisis, or does their success depend on the institutional background? This section assesses the potentiality of different programmes (in different contexts). However, this exercise should be viewed as an interim assessment of potential and actual effects and is based on currently available evaluation studies. Moreover, the currently available evidence mainly assesses the effectiveness of a single measure, i.e. a given programme that is often part of a broader activation strategy.

Zimmermann et al. (2013) provide an overarching summary of the available empirical evidence which is in turn based on summaries included in different studies (e.g. Card et al. 2010; Martin and Grubb 2001; Quintini et al. 2007). However, the programme effects may not necessarily reflect the specific effects for the group of young individuals. In this context, Card et al. (2010) and, more recently, Card et al. (2015) and Kluve et al. (2016) note that most active labour market policy schemes that are specifically targeted at young unemployed individuals seem *less effective* than broader schemes targeted at the unemployed in general and that no general hierarchy of types of interventions can be established, at least in developed countries. However, they also point out that with proper targeting and in recessions, the effects of ALMP participation might be more positive (due to a different pool of participants). At the same time, there is compelling evidence pointing towards the important role of profiling, early interventions and following-up with those young people who are most vulnerable, both with respect to activation at an early stage of unemployment (e.g. Martin and Grubb 2001; Quintini et al. 2007) and early in life (e.g. Heckman 2000; Rodriguez-Planas 2012).

Hence, in order to draw more specific conclusions, in particular for the group of young unemployed individuals, it is useful to review available evaluation studies of specific programmes applied in specific contexts, i.e. mainly at the national level. This, of course, may have the disadvantage of only being able to draw conclusions that are not necessarily generalizable. On the other hand, it is likely more relevant to be able to rely on *specific* conclusions for a given context. The empirical evidence on the impact of youth interventions in is vast; thus, we focus on a limited number of selected studies below. This exercise should nonetheless allow us to draw a comprehensive picture – at least to some extent.

For example, Caliendo et al. (2011) analyse the effects of participation on subsequent labour market outcomes in various active labour market policy measures for unemployed individuals below the age of 26 in Germany. When using a random sample of young unemployment entrants in 2002, the authors are able to assess the effects on short-term as well as on long-term employment probabilities for participants relative to non-participants. Results are as follows: First, they find that participation in public sector job creation schemes is harmful for employment prospects in

the short run and ineffective in the long run. Second, for the remaining active labour market policy measures, effects are generally positive. However, the strongest effects in terms of long-run employment outcomes are found for participants in wage subsidy strategies. In terms of the heterogeneity of effects with respect to skill level, the authors report that almost all programmes improve the labour market prospects of high- and medium-skilled youth to a greater extent than those of low-skilled youth.

Similarly, Larsson (2003) investigates the effectiveness of two active labour market policy measures for youth in Sweden in the early 1990s, namely, a subsidized work programme in both the public and private sectors ("youth practice") and a training programme. Her results indicate zero or negative short-term impacts of both programmes on participants' subsequent labour market outcomes and mostly zero or slightly positive long-run effects. She also reports that treatment effects are more positive the better the business cycle. In a comparative perspective, the youth practice programme appears less harmful to participants than the training programme. Finally, rather than to infer from her results that participants would have been better off had there been no programmes at all, she points out that her results should be interpreted with the perspective that it was better to wait and postpone the decision to participate. As is the case in many countries (such as in Sweden or Germany), any individual can and probably will enter some active labour market policy measure after a sufficiently long unemployment spell.

Centeno et al. (2009) analyse the effects of participation in two different job search programmes that were implemented in Portugal in the late 1990s. In particular, one of the two programmes was specifically targeted at the younger unemployed (less than 25 years old) at an early stage of their unemployment spell (i.e. before they had been registered as unemployed for 6 months). This programme provided job search assistance to its participants, which in turn included mandatory participation in vocational guidance, counselling, monitoring and training. Results indicate that the programme targeted at the younger unemployed had negative effects, i.e. it prolonged the unemployment durations of participants compared to non-participants. The authors argue that this "modest" result could be explained by the lack of wage subsidies as an additional element of assistance.

Hohmeyer and Wolff (2012) analyse the effects of participation in the so-called one-euro jobs in Germany, a programme following a welfare-to-work or workfare approach to activate welfare recipients on a larger scale. When separately assessing effects for different socio-demographic groups, they find negative employment effects for welfare recipients younger than 25 years and welfare recipients whose last job ended during the year prior to programme start. In contrast, positive employment effects are found to be relatively strong for some older age groups and for people who were not regularly employed for more than 1 year. The authors conclude that this particular programme is effective for the longer term and older unemployed but appears harmful for other groups – including the youth unemployed.

In stark contrast, De Giorgi (2005) reports positive effects for a related programme in the UK: the New Deal for Young People, a major welfare-to-work programme. Explicitly targeted at 18- to 24-year-old unemployed youths, the specific

design of the mandatory programme – a combination of job search assistance, training, wage subsidies and job experience – increases the employment of its participants by about 5 %. The author argues that this specific programme is one of the few examples of an effective welfare-to-work policy because of the nature of its participants (which are not particularly disadvantaged), the incentives set through significant sanctions for noncompliers and the particular combination of different measures aimed at improving participants' human capital.

Finally, Caliendo and Künn (2011) study the effectiveness of two different start-up subsidies for unemployed individuals in Germany under different economic conditions by comparing the labour market outcomes of the programme participants with those of other unemployed individuals. While businesses run by participants in the first subsidy programme experience slightly longer firm survival, higher income and more job creation in favourable areas, businesses run by participants in the second subsidy programme experience a negative relationship between business success and economic conditions. The authors argue that limited job opportunities in areas characterized by deprived economic conditions probably encourage participants in the second subsidy to remain self-employed. Participants in the first subsidy programme appear quite similar to general business founders, while participants in the second subsidy programme are rather atypical and different from general business founders. Still, a regression analysis shows that both programmes are effective policy tools and increase future employment probabilities and earnings of participants. Hence, their results confirm the promising evidence of the effectiveness of start-up subsidies for the general population of the unemployed. In addition, they find that start-up subsidies are especially helpful for young and/or low-educated workers.

Taking into account the available findings regarding the effectiveness of active labour market programmes specifically targeting young people, we can clearly see that these instruments cannot solve massive youth unemployment alone – especially when labour demand is weak and when larger structural reforms are needed. Furthermore, not all active programmes are equally effective, and their effectiveness also depends on the general functioning of the labour market. Attention should also to be paid to paving the way for a medium-term integration of young people into gainful and productive employment. Here, evaluation findings that deal with subsidized temporary employment suggest that it is not necessarily a good path into regular employment as it can lead to repeated fixed-term employment – particularly in segmented labour markets and when training is underdeveloped. Subsidized employment, preferably located in the private sector, should be combined with substantial job-related training with employers to increase the employability and productivity of young people. Start-up support can be a useful tool to create jobs for young people and to contribute to a more dynamic development of the economy, particularly in a difficult economic environment. Structural reforms lowering institutional barriers to employment facilitate the working of activation policies.

When initial education has been completed, activation policies can play a certain role in promoting youth employment. Activation schemes in terms of job search assistance, monitoring and sanctioning should also not be suspended in a situation

of crisis and high unemployment when labour demand is weak. Even in such a situation, which can generate long-term benefit dependency that will be hard to overcome regardless of an improving economic environment, early intervention makes sense.

For example, job search assistance can be relatively effective in the short run, and it is often combined with monitoring and sanctioning. While monitoring and sanctioning certainly have to play a crucial role in any activation strategy as necessary ingredients of actual benefit conditionality, sanctioning should not be too excessive but well balanced and complemented with suitable supportive measures – in particular in the case of young people as they might otherwise leave the labour force (see also Caliendo and Schmidl 2016).

Monitoring and sanctions during periods of benefit receipt are central policy tools allowing public employment services to keep track of young people but also to check (and potentially react on) compliance or noncompliance of the unemployed through introducing obligations as part of activation policies. Such obligations can, for example, be defined in terms of accepting suitable job offers, participating in offered active labour market policy schemes, sending out a specific number of applications or being present at meetings with the caseworker. Noncompliance with any of such obligations may result in a sanction. This could imply, for example, that welfare benefits are reduced for a specific time period or even completely withdrawn. Sanctions therefore set incentives to comply with job search requirements, and they ultimately aim at increasing the transition rate from unemployment into employment (by combatting moral hazard).

Monitoring is a necessary tool to detect noncompliance of the unemployed with their obligations. However, the effect of monitoring alone is usually not analysed. Instead, the empirical literature mainly focuses on the effects of sanctions on various outcomes, most importantly on the transition from unemployment to employment. Additionally, the implementation of a system of monitoring and sanctions generally requires a specific level of capacity in the public employment service.

The available empirical evidence on the effects of sanctions can be summarized as follows (see van den Berg et al. 2014 and references therein): First, most studies detect a positive impact of sanctions on job-finding rates. Second, evidence also points towards an increased probability of leaving the labour force and welfare receipt. Third, some studies suggest negative impacts of sanctions on job match quality, i.e. wages are lower and/or jobs are less stable. Fourth, findings suggest that an increased use of sanctions reduces their effectiveness (van der Klaauw and van Ours 2013). Finally, although the vast majority of empirical studies do not explicitly focus on youth, some research indicates that the effectiveness of sanctions increases with age (at least up to a certain age; van den Berg et al. 2004; van der Klaauw and van Ours 2013).

A recent study, however, explicitly analyses the effects of sanctions for youth. Van den Berg et al. (2014) study the impacts of sanctions on transition rates into employment for the young unemployed in Germany. Based on an inflow sample of young male welfare recipients in Western Germany in 2007 and 2008, their results confirm the positive impacts of sanctions on the transition rate into employment. When distinguishing between mild and strong sanctions, they find that each type of

sanction leads to an increased transition rate to work but that this effect is higher for strong sanctions. However, as part of the sanctioning effect is due to the fear of intensified monitoring after the punishment, the authors argue that in the case of a first punishment during an unemployment spell, it is not necessary to give the maximum possible sanction. Finally, van den Berg et al. (2014) also find that the effects of sanctioning do not depend on their timing within the welfare spell, i.e. on the moment they are imposed.

13.4 Conclusions and Policy Issues

Youth unemployment has become a major issue in Europe with remarkable differences across EU member states, pointing to the fact that institutional features such as labour market regulation, minimum wages and vocational training systems but also benefit regimes and activation strategies play a major role in facilitating, or hampering, a smooth transition of young people into the labour market. This points at substantial cross-country variation in youth employment regimes.

In general, we can see that countries with more generous benefit systems tend to have larger active labour market policy programmes in general but also some specifically targeted for young people, as well as more systematic activation schemes that are implemented to make the receipt of benefits conditional upon proactive participation in activation measures and job searches. Access restrictions embedded in benefit systems tend to affect young unemployed people in particular, and in some countries, activation policies are stricter and more demanding for young people than for the prime-aged unemployed.

In general, and despite some variation in programmes and implementation, benefit conditionality is a generally accepted principle in the design of unemployment protection schemes in European economies, and requirements to access and remain within the benefit system are quite restrictive for young people in many countries. Where unemployment benefit systems are more limited or lacking, active labour market policy programmes usually have different intentions as they are often implemented as a means to transfer income to poor regions and groups in society.

Against this backdrop, and when taking into account the available findings regarding the effectiveness of active labour market policy programmes and activation strategies specifically targeting young people, we can clearly see that ALMPs and activation cannot solve massive youth unemployment alone – especially when the macroeconomic environment generates weak labour demand and when larger structural reforms are needed to revive the economy. Furthermore, not all ALMPs are effective, and their effectiveness also depends on the general functioning of the labour market.

Nevertheless, activation policies can play a certain role. First, activation schemes in terms of job search assistance, monitoring and sanctioning should not be suspended in a situation of crisis and high unemployment when labour demand is weak. Even in such a situation, early intervention makes sense. Access of young people to benefit systems also enables the public employment service to keep track of youth before they become long-term unemployed or inactive.

This has Janus-faced implications depending on the state of active and passive labour market policies. On the one hand, countries where benefit systems are limited in coverage and generosity should establish unemployment benefits that are also accessible and meaningful to young people. Such benefits do not only provide some level of income security but also act as a mechanism to interact with young people so that they can be supported when entering the labour market through activation programmes.

On the other hand, in countries with well-developed benefit systems, establishing operative delivery agencies is an essential contribution to the effective delivery of activation strategies. This, of course, also calls for an appropriate regional presence of agencies. They should not only monitor and sanction jobseekers but also organize suitable support programmes from the ALMP toolbox tailored to the needs of the target population. ALMP programmes, when used to test the availability of jobseekers for work, should always be designed in a way that they generate added value in terms of improved employability. Monitoring and sanctioning certainly have a crucial role in activation as they are necessary ingredients of actual benefit conditionality – however, sanctioning should not be excessive, but fair (and combined with supportive services), in particular in the case of young people as this could lead to a withdrawal from the labour market or entry into vulnerable labour market positions that do not offer much chance of professional development, a situation more prevalent in countries where young people are excluded from benefits and activation policies.

Rather, in the current situation, the focus should be placed on encouraging a medium-term integration of young people into gainful and productive employment so that they can benefit from and contribute to a more dynamic economy. As has been shown by the evaluation literature, temporary employment does not usually provide a smooth transition into regular employment, especially in segmented labour markets and when training is underdeveloped. Therefore, subsidized forms of preferably private sector employment should be combined with substantial employer-provided job-related training to increase the employability and productivity of young people. Furthermore, start-up support can provide a useful option for young people and help to contribute to a more dynamic development of the economy, particularly in a difficult economic environment. Of course, structural reforms lowering institutional barriers to employment facilitate the working of ALMPs and activation. This calls for reforms that will ease the dualization of labour markets (temporary vs. permanent contracts), will lower the barriers for self-employment and will create closer interaction between schools and employment, specifically via dual vocational training.

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Chapter14
Europeanization of Youth Policy: Case Study of Finland and Norway

Daria Buyanova and Olga Bykova

14.1 Introduction

Youth policy is not a new topic for European discourse. It appeared in the 1970s and existed as youth dimension in various political contexts. However, since 2001, it is gaining a certain relevance, especially within "youth as a resource" rhetoric. European youth dimension, with the help of OMC, various financially supported youth programmes and youth researches, prepares ground for further integrated European youth policy. At the same time, it is closely connected with economic, demographic, political European agendas. Effectiveness of European youth strategies and actions, primarily, considers positive changes in the most problematic areas. Meanwhile, states with more effective youth policy performing either should prioritize their domestic aims of European youth dimension or be more active in influencing it with their best practices. If not, adaptation to standards of European youth policy may cause less effective domestic policy.

The article considers two cases – Finland and Norway. They, on the one hand, have similar features of belonging to the Nordic states, with dominating universalistic models of policy, demographical similarities. On the other hand, they have different experience of European integration. Finland joined the EU, and Norway is only a partner. Through these two cases, we consider the questions "how European integration appears in the youth policy?" and "are there causal relations between European and domestic policy changes?"

The tools for identifying causal relations and answering the questions above are process tracing based on reconstructed narratives. The analysis dominantly traces

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"top-down" Europeanization, which is a limitation for manageability of the research. The article compares reconstructed narratives of the European, Finnish and Norwegian youth dimension (accordingly, independent and two dependent variables). It also accounts time and sequence of events. Such approach helps to discover what effects of Europeanization are fare for each case: both in conceptualizing "youth" and in policy performance.

14.2 Is There a European Youth Policy?

Conceptualizing "youth" is quite heterogeneous. Probably it is due to high degree of domestic independency. It is one of aspects where Nordic states differ from the European thinking. In general, the Nordic states can perform as one unity with a common "welfare states" label. Existing particular studies of the Nordic states compare models and policies within this unity of countries. At the same time, close cooperation between the European states (and especially – EU members) in terms of policies, actions and programmes and the common strategies of future development makes Nordic countries a part of a bigger unity.

Youth policies do not belong to urgent European and national agendas. We cannot ignore the fact that this is a very "liberal" topic where national states are only advised to follow the recommendations of the EU. Despite the fact that in youth studies researches speak about "European Youth Policy" (e.g. Siurala n.d.; Wallace and Bendit 2011), there is still no coherent policy at the European level (and illustrates this comparison to CFSP or Environmental policy). Nevertheless, tracing Europeanization in the field of youth is an extremely interesting example of "soft" domestic changes. When the national states are not obliged to adapt their policies, but only *advised*, it will let us see how Europeanization appears to them. Do the states voluntarily follow the recommendations? Are there signs of Europeanization at all? What are the interests of states when they cooperate in this field?

The background of this research and hypothesis refers to the Nordic states. It is puzzling how one policy/strategy (in the article – European youth dimension and the EU youth strategy) can be realized by the member states, especially so different in internal social care mechanisms. The Nordic welfare states are considered almost the most successful in social guarantees, and many problems that are actual for Southern Europe are not that urgent for the Nordic states. It seems that European standards are aimed to set all member states equally developed, whereas this optimal level is lower than in some of the member states. It raises a question of how Europeanization is appreciated – as a positive or negative trend – and, in that circumstances, what is the influence of it on the national youth policies.

In the case of Finland and its youth policy, Finland is a member state of the EU and thus does feel the influence of the Europeanization and particularly EU-ization. The second case is Norway. Though it is not an EU member state, Norway is a member of COE and takes part in sharing its best practices of youth policy through Open Method of Coordination (OMC). It participates in strategy implementation

and EU youth programmes. The latter evidences, besides the Nordic identity, unite these cases and create an interest towards them as to both Nordic states representatives and independent cases of European-domestic relations.

14.3 Europeanization of Youth Policy in Nordic States in Narratives

Youth policies and strategies can be conducted by groups, institutions and nations. They interpret political and social environment and agenda. Interpretations in forms of narratives affect perceptions of the others. Since Europeanization can be also viewed as representation of political reality, narratives are tools both for European integration bodies (to affect and distribute European values, policies, etc.), for the member states (f.i. when lobbying their interests) and for non-member states (who have to deal both with national states, the EU with its organizations, COE). All these actors make narratives and percept the narratives of each other. The negotiations between them result in diverse levels and degrees of interpretation (or analysis), with the best solution to keep a balance between over-interpretation and basic semantic level. It is essential to notice that the text is a written work of discourse, which endows it with particular characteristics such as being distanced and linear. These characteristics allow research the written texts by methods not applicable to speech (Eco 1995).

Thus, with Europeanization as a framework, we focus on the national states as the objects and youth policy evolution as a subject. This paper puts together the development of the EU youth strategy with the development of Finnish and Norwegian youth policies at the same period. European processes, key choices and cognitive models will serve as a "role model" of European youth field.

The first narrative is about the concept of youth and its needs. We start on the European level, as it functions as an independent variable. The narrative has been constructed with the help of primary sources, "European Commission White Paper. A New Impetus for European Youth", 2001; "Follow-up to the White Paper on a New Impetus for European Youth: Evaluation of Activities Conducted in the Framework of European Cooperation in the Youth Field [COM (2004) 694]"; "European Youth Pact", 2005; "European Parliament Resolution of 18 May 2010 on 'An EU Strategy for Youth – Investing and Empowering' (2009/2159(INI))"; and "EU Youth Report. Results of the First Cycle of the Open Method of Coordination in the Youth Field (2010–2012)":

*Once upon a time the European Union appeared. It was young and inhabited by serious economists and politicians; it lived among European States. The Union was growing, and soon children and adults started wondering where the states borders were disappearing. They looked for the borders: in the North and in the South, on the earth and in deep waters, looked in cabinets and institutions, papers and numbers. Nevertheless, they saw that all traditional borders were melting; and only people could create the new ones. Finally, people thought: '*the EU must take shape

with the people of Europe*'. They decided to teach young generation of 15–25 years old with this wisdom: democracy, closer links between peoples, and participation of all. It was hard, because relations grew complex, and gap between generations enlarged. Europe needed citizens, and the youth needed motivation to participate in public affairs at all levels, better learn about the Union and its European neighbors, trust its work, and have more autonomy. Almost 5 years passed, young people grew up, and the Union saw that the youth was very vulnerable: it learnt to be Europeans, but it lacked skills and training to achieve prosperous European future. Then the Union decided to help the youth get better work, live in society and family, study and learn. Many other policies decided to join, and help the youth, too. Europe did not forget about teaching young people how to live together in diversity and cooperate.*

Suddenly economic crisis hit Europe; it was scary and damaging. The Union was brave and defeated itself, and many dimensions of the Union offered their support to Economy (who was the main hero that time). The youth was offered to study and train abroad; Europe decided to invest in it and modernize youth work. Especially needed help those with fewer opportunities. To sum it up, when the European youth has good jobs and mobility, education is modernized, young people with fewer opportunities are socially included, Europe will become sustainable and welfare.

The European level narrative demonstrates a visible evolution of priorities. European integration here is very EU-centric in the beginning. Starting point here – "the EU must take shape with the people of Europe" ("European Commission White Paper. A New Impetus for European Youth" 2001) – became the key message of the first complex document in this field. It was a period when youth mobility, voluntary service and other areas were recognized at the EU level. Consequently, transparency and access to information were also on the list. Then focus was drawn to youth training and education. The European Youth Pact of 2005 openly speaks about a "better coherence across all policy areas that concern young people". Of course, in 2009 the crisis and economic challenges enhanced a "youth as a resource" conceptualization. More such terms as "investment", "smart" and 'sustainable' appeared in the youth discourse. Combating youth unemployment for many European states became a key task.

A different story was found in Finnish materials. Analysis and the construction of the narrative were based on youth policy documents: "Youth Work Act 235/1995 (Amendments up to 663/2002)"; "Youth work in Finland", 2004; "Finland Youth Policy Decree", 2006; "Child and Youth Participation in Finland", 2011; and "Youth Act 72/2006":

*In the year 1995, Finland joined the European Union. It was an important and responsible step, both for the authorities and for citizens. It was a year for revision of the Youth Act, too. The Finnish youth needed better living conditions and inspiration for civic activities. Finland also wanted them to learn '*equality between generations, genders and Finnish regions, tolerance and cultural diversity and to ensure sustainable exploitation of nature*'. Seven years passed, and some of youth workers decided to ask Finnish young people about their wellbeing. It appeared that social status, entrepreneurship and political engagement were not important for the majority of young people. Who were those young people? Little kids, children and young people*

under 29years old. Almost one third of the Finnish population! There were just few immigrants, and the population was dispersed in that Nordic country. Meanwhile youth unemployment reduced almost three times, young people wanted not just careers, but self-expression. They wanted more diverse education and training.

In 2005 another 10 years passed since the last Youth Act, and Finland had to update the document. It though what the youth needed, and created youth policy. It had to provide young people's growth and better living conditions. No young person was to be excluded from any sphere of society and policy. Even children – as a child's rights were very important. Youth (children and teenagers, and people under 29 years old) had opportunities to participate more.

Time passed, there was a crisis in Europe, and also in Finland, but the youth still had support. It was sad that with such dispersed population still many young people did not get more than basic education. School satisfaction rate was one of the lowest in Europe. What will be the measures of future youth work? Participation, non-discrimination and life management – these are the needs of the youth and objectives of youth policy makers nowadays.

The next narrative in this paragraph comes from the Norwegian youth agenda. The following documents led the analysis and narrative reconstruction (noticeably, three of them dated earlier than the European youth dimension is defined; however they are still relevant and hardly significantly reviewed): "The Children Act" 1981, "The Child Welfare Act" 1992, "Education Act" 2000, "Government's Report to the Stoerting No. 39" 2001, "The Child Welfare White Paper (Report No. 40)" 2001, "Youth Policy in Norway"2004, "Country Sheet on Youth Policy in Norway" 2008 and "Country Sheet on Youth Policy in Norway" 2012:

*In the North of Europe there lived the prosperous and co-operative Norwegians. They cared about their children: taught parents to complete their duties and functions towards children under 18 years old, provided secure environment for children and young people with all essential services, provided education. When children reached 18, measures for them could change, but young persons received social guarantees until they were 23 years old. What children needed was '*safe and meaningful everyday life*', and advancement of the rights of children. There was another important objective – to involve children, young people and their parents in the non-governmental sector (because many citizens lived in far regions and NGOs could report about local needs).*

When COE offered youth policy review, Norway decided to invite foreign experts. It asked them to check whether children and young people participated at local and national level in activities; how effective criminal justice was; life of immigrant communities. Finally, Norwegians thought that integration of different policies was essential to evaluate. When the experts came, they received a 'cold' welcome. Autonomy and welfare state tradition, decentralization of policies, and weather, too, played their role. Nevertheless, the country was thankful for the work of experts. It thought that for young people (especially for those with fewer opportunities) in Norway would be useful to know and participate in European programmes: strengthen civil engagement, international understanding and solidarity, European co-operation.

To sum up, Norway is very inclusive society. Any deviation is a problem, including youth margins.

The three narratives reconstructed from policy documents witness several parallels in the youth agendas, as well as core differences in the conceptualization of 'the youth', objectives of youth policy and consequent action choices.

First thing, which is noticed immediately, is that "the youth" is defined differently. The age of "the youth" in every country of Europe can be different. In Italy, for example, a person of 34 years old belongs to the youth, whereas in Norway it is always "children and young people" who are in the centre of youth policy (in some sense united with childcare). Following the analysed documents, at European level from the very beginning, the youth was defined as 15–29 years old people. Finland has taken a way of changes: in the beginning, there was not a clear border between a baby, a child and a youngster in policies; on the contrary, at the moment, the Finnish definition of who "the youth" is corresponds with the European one. Interesting, that in Finnish case, there are more references on the EU as particular level of European integration, accordingly, more references at the EU youth strategy.

The story of Norway is very different: it still pays more attention to childcare. In Norwegian documents there are more references on European integration without specifying whether it is the EU, COE or others. Moreover, Norway explicitly mentions European dimension of youth and state's active support of these debates and policies at European level.

Table 14.1 sums up the relevant objectives of the youth policies. The objectives in Finnish and Norwegian cases, which are close to the European ones for particular time, are bolded.

Whereas in Europe, youth employment seems to keep its "top-list" positions, it hardly has the same importance for the two Nordic states. Youth well-being and environment are mentioned by both Finland and Norway. It includes, probably, employment, too, but not so explicitly. Instead, the two Nordic states keep traditional priorities and, unavoidably, add new ones. Social involvement and participation, training and education seem to be quite common. Also in both cases, children's rights are mentioned. There are typical national priorities like criminal justice and health in Norway (very unusual for the other states in context of youth policy).

When we analyse narratives within time, we see a tendency towards more "correspondence" between the European and domestic policies. Again, in the case of European youth strategy, cooperation appeared among the priorities. Similarly, Norway defines national priority in European cooperation.

Thus, the youth policy agendas of Norway and Finland seem to be very similar in the beginning, perhaps due to a common Nordic identity and the welfare state background, but then, in the middle of the research period, Finland turned more towards the EU choices. The economic crisis does not seem to change domestic youth policies significantly (unlike at European level); there is no great shifts in priorities and no new strategies and actions appeared. The period of 2008–2010 seems to be witnessing the biggest gap between youth policy priorities of European youth dimension and the domestic ones in my cases. Nevertheless, approaching to the year 2014, the differences decrease. A kind of agreement in agendas emerges.

Table 14.1 "Keywords" of youth policy/strategy in the EU, Finland and Norway

Time periods	EU	Finland	Norway
Before 2001	N/a in this research	Living conditions, equality, tolerance, civic activities	Child rights, child welfare (living conditions, health), education
2001–2005	Participation, information, voluntary activities, a greater understanding and knowledge of youth, access to information in all member states	Education and *training* covering dispersed population, youth employment	Children's rights, education, *participation* and influence; involvement in NGOs' work to cover local level, criminal justice and healthy lifestyles; integration of immigrant communities, cohesion of childhood, youth and family policies
2006–2008	Training and education, employment, integration, social advancement, solidarity, tolerance, social cohesion, European cooperation	Active citizenship, independence, living conditions, *growth*	Secure living conditions, safe environment, criminal justice, healthy lifestyle, tolerance, information about European programmes, participation, crisis management
2009–2010	Youth employment, training and education, equal opportunities, social inclusion	Children's rights	N/a
2011–2014	Youth employment, social inclusion (particularly for those young people with fewer opportunities), health and well-being	Social guarantees for *well-being*, *participation*, non-discrimination and everyday life management	Women's rights, ethnic equality, training, *active citizenship*, European cooperation, *inclusion of youth with fewer opportunities*

The second narrative is focused on "actions". It is based on the stories of how actors plan to develop youth strategy/policy, which decisions they make and which mechanisms and institutions involve. This paragraph will include three stories, as the previous one; each story is accompanied with time line with the key dates when documents containing *plan of actions* appeared. Before passing to the cases, we start with a story about the EU youth dimension:

Once, when the European youth dimension had just appeared, someone asked: "How can the European Union tell its ideas to other countries? What if countries have better ideas and will not need ours?" The Union went thinking. The European Identity was very young, and there was a need to study youth agendas in different states better in order to understand who were European young people. Then the Open Method of Coordination was offered. Voluntarily, many states started to share their best practices and communicate. The Union thought again, and invented better information exchange. It also invited other policies through which to communicate about their youth policy ideas. Nevertheless, again, it was not enough; not all states participated, and few best practices were adopted. "Maybe I could add financial

support for states?" – The Union thought, and started various youth programmes. The EU continued telling states about the actions and financial opportunities they could have. Meanwhile, the EU monitored domestic youth policy changes.

When, after crisis, the Strategy Europe 2020 appeared, youth dimension also got attention. The Union decided to invest in the youth and included it in its programmes. The European youth could use more grans for learning, training and studying. At that time, more countries every year wanted to submit their national youth policy reports. The COE even offered to send its scholars to review domestic youth policy; and a few states agreed and financed the researches. In their turn, researchers offered recommendations for how to improve states' youth policies. No need to say, that more knowledge about the youth in Europe was accumulated. The Union had Youth Strategy; COE helped to form a collection of the best practices, and finally decided to unite all youth programmes into a big one. They left and expanded opportunities for grants and support for Member States; narrowed, but still left actions where non-member states could apply; and even invited socially responsible business. Then, the youth had more learning mobility, and states – more co-operation.

This narrative actually discusses instruments of the European level. They are the Open Method of Coordination with two directions of information flow; organizing youth information access for states; and financial support through the EU youth programmes.

The way the OMC operates in the youth dimension changes within time; it becomes more complex, with several parallel information flows. By that we mean four basic types of youth policy communications:

- "The EU to all states" direction (which presents common European Youth strategies, programmes' priorities and actions)
- "Volunteering states to the EU" direction (states submitting annually youth policy reports)
- "States to the EU research teams to the EU" direction (meaning complex youth policy reviews which are offered by the EU, financed by states and also used by the Union)
- "The EU to particular states" (recommendations of the EU research teams to participating states)

The second instrument that was found is organizing information access for the states. It might be a part of the OMC communications, but it is also a part of general information environment of the EU. It includes Internet resources, financing conferences and non-governmental sector and involvement of other policies. The third instrument that I determined is financial stimulation. Those actions, which are the priority of the EU, are supported by grants (basically) through youth programmes: academic ("Leonardo", "Erasmus", etc.), sportive, educational and training ("Youth in Action" (2007–2013)), providing experience ("Youth on the Move" (2010)), finally, uniting the majority of them, "Erasmus Plus Program" (2014–2020).

Further, we move to the Finnish youth policy:

In the Nordic lands, there was a state of Finland. Its citizens lived in big cities and tiny villages; they inherited different Nordic ethnicities and lived in a close

neighborhood with the other Nordic states. Local authorities, provinces and municipalities had much autonomy and cared about their children and youth. Regularly the government asked at local levels, consulted with NGOs, and renewed its Youth Work Act. In it, Government assigned funds to support youth work. In addition, to know better what their youth wanted, people started asking young Finns about their needs and concerns. At that time, there was no ministry or institution responsible for the youth policy, maybe there was not even youth policy as a term.

Finland was a good welfare state, but it also was a member of the EU and European state. When the EU asked, Finland among the first agreed to tell about its achievements in youth work to the other states and financed (among the very few) a Finnish youth policy review by COE. At the same time, it developed work on children's rights, hosted a UN conference. Cooperation with the European Union became stronger, Finland started taking part in the European programmes, submitted annually reports to the Union where told about European youth dimension. Finland was thankful for recommendations, and it tried to follow European advice in youth policy. Thus, it worked out the social guarantee measures for youth employment. Traditional decentralization and autonomy stayed, but "Youth Policy" appeared officially (right as the Union advised) and Ministry of Education became responsible for it. It coordinated efforts of other ministries and introduced democratic mechanisms into youth work at local levels.

Before making evaluations about causality and dependency of Finnish youth policy on the European one, the third narrative of the Norwegian case will be introduced.

In the Nordic lands, there was the Kingdom of Norway. Its citizens lived in big cities and tiny villages in severe environment. Nearby, in the similar environment, there lived their neighbors from the other Nordic states. Children especially needed protection and care, so the Kingdom controlled their parents, developed children's rights, cared about children's health and development at governmental and local levels. People in the Kingdom lived well, and it was important that no deviations appeared. To that end, Legislation Acts were passed and followed. Government cared about children from their birth until they became adults. Besides, as people lived through the large territory, the Kingdom asked NGOs to help and provide children and youth policy at the local level. Nevertheless, there were still problems!

When Europeans started talking about the youth in 1972, Norway immediately became a partner, contributor and driving force. In 2001, Norway thought about domestic changes of child welfare system. Maybe we should let the state, for example, 'taking over responsibility for institutional provision and the 27 local teams to work across municipalities' – *thought the Kingdom. Problems required solutions, deviations threatened to people's and Kingdom's welfare. To check the new action plans, Norway decided to listen to recommendation of European experts and invited them. Finally, action plans and strategies were launched, and they applied to working life and public services. Children and youth had long been one of priorities for Norway. For them there was infrastructure, protection and support. They also needed to know about European programmes, and Norway launched information*

portals and platforms about youth opportunities. Especially to build 'universal design' for youth with fewer opportunities, Norway supported 68% of the operating costs of 'Youth in Action Programme'. A responsible ministry appeared for youth, and youth policy was still supported by governmental funds.

The OMC defined the character of relations between states within European youth dimension. Both Finland and Norway voluntarily participate, submit reports and finance youth policy reviews. As European researchers themselves say, among 46 (that time) member states of COE, there were few countries that "consider policy on children and youth a priority for the whole government" (Wolf et al. 2004, p. 5). It is true, that initially child and youth policy is important in both analysed cases. This can be a feature of the Nordic welfare state model, characterized by a high degree of universalism, thus, considering deviations a problem and trying to prevent margins since early age.

At the same time, there is a different vision of European youth dimension and state's role in it. In Finland, there is a consideration of the EU choices (such as introducing social guarantees in accordance to the EU priority of combating youth unemployment). There seems to be a dependence between the EU Youth Pact, Finnish Youth Policy Development Programme 2007–2011 and Finnish revision of its Youth Act. The latter changed the terminology ("youth policy", e.g. appeared as a term). There is a direct reference to the European Youth Strategy in the Child and Youth Policy Programme in Finland for 2012–2015.

Norway associates less its actions to the European advice and less refers to the EU particularly. There is rather a sense of an opposite direction – that Norway introduces more actively its own practices to the European level including the EU. The fact that since 1972, when the youth field has just appeared in European discourse, Norway was a partner of initiatives and discussions, leader of ideas. One of the examples of Norway's practices adopted at the EU level is the institute of Child Ombudsman. Another thing that makes us state that Europeanization has another domestic effect on Norway: "Norway should reduce protection and prevention over the young people, so that they can build capacities themselves" – this is a conclusion of COE youth policy review for Norway. It witnesses a highly positive youth policy situation (especially comparing with the other COE and EU member states). At the same time Finland does not seen to be so different. Finnish case provides much more illustrations of youth policy changes closely after European acts or strategies appeared, that witnesses the EU-ization phenomenon. At the same time, there no such signs for Norway. It participated in "Youth in Action" and many other European programmes. However, it defined national priorities of such participation as better information of youth about opportunities, quality of training ("Country Sheet on Youth Policy in Norway", 2008) and "inclusion of young people with fewer opportunities who are youth with disabilities, school 'drop-outs' and unemployed youth, youth at risk because of drug abuse, psychological problems, socio-economic deprivation, and youth with a minority background" ("Country Sheet on Youth Policy in Norway", 2012). These are priorities, which are very typical for universalistic models. The EU initiatives then complete domestic youth priorities and do not make great changes in youth agenda.

It is remarkable, that Norway financed 68% of the operating costs for "Youth in Action Programme". I would rather explain it again by the fact that such common programmes become a good instrument not only to complete domestic youth policy tasks but also to develop cooperation with other states within Europe and outside it.

Both Finland and Norway supported the development of information exchange about opportunities of youth programmes. The Finnish Youth Research Network took part in an EU youth research project the same year when Youth Portal was launched in Europe. Norway, in its turn, created its own web resource, where it defined the EUs and national priorities of youth work. In addition, both countries have cooperation in youth field with other actors. There is a strong cooperation within Nordic Youth Committee, where youth research takes great role. Then both states mention a priority cooperation with other adjacent areas: Russia, Estonia, the Baltic Sea Countries and Barents region. This line stayed within the Nordic Dimension of the EU too. The aims of the EU youth strategy are similar: cross-sectorial cooperation for the youth aspects and taking youth into account in decision-making.

One of the main objectives for European youth strategy became youth unemployment, while two Nordic states do not pay it that much attention. Their rhetoric is more education-oriented, although it is almost about the same matters (training and education, experience, mobility). Instead, for Finland and Norway, concept of youth environment and children environment has an important role. They support European initiatives and take active part not exclusively because the EU recommended practices and actions are required at domestic level. Rather, it is European and international cooperation and additional financial support for prioritized youth with fewer opportunities.

For the EU relations with other states in youth field are defined by the OMC. This is the EU instrument for communication, sharing, control and introducing domestic changes. Finland and Norway participate even more than majority of other states, including financial support of youth policy researches. But there are unclear expectations of these states from the OMC. Finland, apparently, tries to implement changes recommended by the EU, even if there might be different prioritizing. It refers to the EU choices in domestic documents and adopts new terminology. Norway leaves an impression of prosperous state where youth leaves "too great". It seems not paying much attention to the EU advice. Instead, it tries to solve domestic youth problems but supports significantly European programmes explicating for them its national focuses.

14.4 Conclusion

The examined two cases belong to the welfare, historical models, which presumably have an influence on youth policy thinking as well. There is a mixture of Nordic identity, European identity and European Union identity (which I would like to set different from the preceding one). There are traditions of childcare, which "welcomes" a youngest citizen and brings a child up trying to avoid any marginalization

(in family, at school, at social life, etc.). Youth is a state of transition from child to adult; the youth is a resource for well-being of country. Of course, with such a background, the Nordic states look more advanced in youth work than average European countries. Their priorities in youth policy are different from the European general choices, and it is fare. I would argue that in both cases upside-down Europeanization is very natural. Best practices, already working in analysed states, can be useful to the other actors (although not always applicable). Moreover, the analysis of instruments proved such cases.

Despite the two cases are similar, they witness there is a difference between Europeanization and EU-ization. In case of Finland, there are more parallels with the EU youth strategy: from adopting terminology and naming a youth-responsible ministry up to several direct references on European priorities in domestic strategies. It lets me conclude that the EU membership creates "goodness of fit" pressure for Finland, and it is less (or none) for Norway which is the EU non-member. There might be a state's perception of rationality of the EU choices, growing European identity, foreseeing political benefits of cooperation, etc. In any case, the EU-ization process takes place within Europeanization and provokes domestic policy changes.

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Chapter 15
The Evaluation of a Finnish Youth Guarantee: Lessons for Europe?

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15.1 Introduction

The number of unemployed young people in the EU exceeds the population of Denmark. Youth unemployment brings about economic costs in terms of lost production and social benefit payments. The social costs are potentially even more alarming. There is a real possibility that unemployment at younger ages causes future unemployment and increases social exclusion. Against this background, the European Commission launched the European Youth Guarantee initiative in 2013 offering quality job offers, active labour market measures, better public employment services and apprenticeship schemes. Member states were requested to draw up a Youth Guarantee Implementation Plan by spring 2014. The stakes are high, since a total of 6 billion euros of additional EU financing was dedicated to the youth unemployment problem in 2014–2015, let alone the estimated total cost of 21 billion in national budgets prioritized for this youth initiative (ILO 2012).

The initiative sounds appealing but the question remains to what extent youth guarantees deliver something new to tackle youth unemployment. Existing evidence from Nordic countries indicates mixed results. Carling and Larsson (2005) examined the 1998 Swedish municipal youth guarantee targeted at unemployed persons below the age of 25. Hall and Liljeberg (2011) analysed the 2007 Swedish youth job

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guarantee implemented by the public employment services. Both studies report a positive employment effect prior to the activation period. Carling and Larsson found no overall improvement due to the locking-in effect during the activation measure, while Hall and Liljeberg report a positive employment effect after the activation period. Hardoy et al. (2006) report somewhat more positive effects for Norway. Their results show an increase in the transition rate from unemployment to employment of a magnitude of 4–11%.

Overall evidence is scarce, but some of the key elements embedded in youth guarantees have been studied in detail. Intensified counselling and increased monitoring have been found to have positive employment effects in, e.g. van den Berg and van der Klaauw (2006) and Micklewright and Nagy (2010). Any non-compliance before or during the activation period is bound to result in sanctions that are shown to enhance exits from welfare in Abbring et al. (2005), van der Klaauw and van Ours (2013) and van den Berg et al. (2014). Studies on mandatory activation emphasize that the mere threat of activation increases employment rates; see Black et al. (2003), Graversen and van Ours (2008) and van den Berg et al. (2009). Finally, the vast literature on the actual treatment effects of active measures has been summarized in recent meta-analyses by Card et al. (2010, 2015). These analyses show heterogeneous effects, varying from positive employment effects of employment subsidies in the private sector to zero effects from public sector placements.

This study contributes to the evidence on the overall impacts of youth guarantees by analysing the youth guarantee (YG) reform introduced in Finland in 2005. This reform is particularly interesting as the European Commission identified the Finnish youth guarantee as being best practice for other member states. Even though the Commission referred to the 2013 version of the Finnish YG, the principal elements were already introduced in the 2005 reform. The key elements include the target group being all inactive young persons under the age of 25, early intervention with a prescheduled procedure, stricter monitoring, job search plans in the early stages of unemployment and guaranteed activation. Since no changes were introduced among older age cohorts, we are able to use this age limit in identifying the impact of the youth guarantee.

The effects of the YG reform are analysed within a difference-in-differences (DiD) framework. Unlike in previous studies focusing unemployment durations, our analyses cover the whole target population – for two reasons. First, some of the affected young people may choose not to register as an unemployed jobseeker to avoid early intervention and stricter monitoring (see Dahlberg et al. (2008)). If they are mainly disadvantaged young people, the DiD results of survival analysis will be biased upwards. Second, the YG has a strong emphasis on preventing social exclusion. Without taking a stance on how to define or measure social exclusion, it is probable that unemployment spells are only partially correlated with it. To get some insight into the effects on both unemployment entry and marginalization, we explore several outcome variables. These include unemployment incidence, application for and enrolment in education, income, use of social assistance and mental health.

Our results show no compositional change in unemployment entry, a small 2 percentage point increase in the activation ratio and a positive employment effect of a magnitude of 7 days per year. Our primary finding is that the youth guarantee

reform affected skilled unemployed young persons who already had a vocational secondary education. We find no effects among unskilled young persons with only compulsory schooling. The most likely explanation arises from the fact that early activation was already used among uneducated youngsters before the introduction of the YG.

15.2 The Youth Guarantee

Finland has a history of high youth unemployment. A severe banking crisis together with the collapse of Soviet trade in the early 1990s raised the overall unemployment rate from 3% to 17% in just 3 years. The deep recession was especially harsh among young people, whose unemployment rate peaked at 35%. The recession was followed by a long period of economic growth, but the Finnish youth unemployment rate remained at a much higher level than the EU15 (and EU28) average until the 2009 financial crisis.

In order to tackle youth joblessness, the government introduced the youth guarantee programme on 1 January 2005. The YG scheme targeted under 25-year-olds, and the aim was to reduce youth unemployment and marginalization by early intervention and guaranteed activation. All activation is based on an individualized job search plan. Prior to the 2005 reform, the plan was drafted by the PES within 5 months of unemployment, and this schedule was the same for all unemployed jobseekers, irrespective of age. Prior to the YG scheme, the plan did not necessarily include any activation measures, nor was there any obligation for the local PES to arrange any activation.

The 2005 reform changed the services for young jobseekers in three important ways. First, a preparatory counselling meeting had to take place within 1 month of registering. In this meeting the caseworker assesses the individual service needs of the young jobseeker, explains the activation procedure and drafts a preparatory job search plan. Second, the completion of an individualized job search plan was brought forwards from 5 months to 3 months. To emphasize early intervention, the Ministry of Employment advised employment offices to be in regular contact with the under-25s also between these two time points. Third, the job search plan had to include the explicit activation measure agreed upon. The local employment authority is obliged to offer this activation measure within 3 months of signing the contract. At the same time, the job search plan obligates the young jobseeker, and non-compliance can be sanctioned.

The implementation guidelines of the YG divided unemployed young persons into two groups. For skilled young persons with vocational education, the main goal is regular employment, and the most employment-eligible skilled young persons are steered towards an independent job search. The active labour market programmes on offer for the skilled group are job coaching, work practice and subsidized employment. The second group consists of uneducated young persons to whom the main aim is to (re-)enter the ordinary education system. Services for this group include career planning and information on various educational possibilities. These are mere guidelines,

and the most common activation measure for both skill groups, representing more than half of all participants, is work practice. This is nonsalaried employment with compensation paid at the level of the minimum unemployment allowance. There are some differences in the distribution of activation measures between skill groups, the skilled receiving slightly more vocational labour market training and job placements in the private sector. The 2005 reform induced only minor changes in these differences.

The youth guarantee was gradually implemented after 1 January 2005. Implementation started rather slowly, possibly because the reform was carried out through a ministerial guidance letter to local authorities, not by new or amended legislation. According to the final report on the employment programme, over 37,000 young unemployed persons passed the 3-month unemployment spell limit in 2005, and only around 10,400 (28%) young persons had a signed job search plan at that time. In January–August 2006, 70% of 30,700 youths passing the 3-month time limit had a signed plan, and towards the end of 2007, the share had risen to 77%.

The statistics on the costs of the reform are incomplete. As the YG was implemented during a period of declining unemployment, the overall workload at employment agencies was simultaneously decreasing. A survey conducted to examine the effectuation of the reform reveals that employment agencies typically reallocated at least some of the freed resources to youth services and some agencies also recruited new caseworkers, especially vocational psychologists (Pitkänen et al. 2007). Thus, the number of caseworkers allocated to youth services appears to be increased, but there are no statistics to give us the exact number. To illustrate a potential magnitude of this, assume that every one of the 140 employment agencies added one caseworker for the youth services. A rough estimate for this would be around 7 million euros per year. The average cost price of one job search plan was 79 euros in 2003 (National Audit Office of Finland 2005) that gives an additional yearly cost estimate of 1.2 million euros if new plans were prepared for 15,000 youngsters. The reform also increased the number of active measures targeted to young persons. The cost of one additional participant ranges from 2200 to 10,000 euros per man-year depending on the type of measure (Ministry of Finance 2010). This results in additional costs around 2.2–10 million euros for every 1000 additional man-years in active measures. To cover additional costs of the YG, the government granted an additional 20 million euros for the implementation of youth guarantee in 2006. Otherwise, the expenses allocated to the YG are not separable from other expenses in government budgets.

15.3 Empirical Strategy

15.3.1 Identification

Our empirical approach is based on the age limit of the youth guarantee, which targeted extensive activation to young people under the age of 25. The age limit creates a quasi-experimental difference-in-difference design where the target group consists of young persons under the age of 25 while slightly older persons serve as

the control group. This setting allows us to estimate the causal effect of the YG reform with two assumptions, viz. individuals do not self-select into the treatment and control groups, and these groups share common outcome trends in the absence of reform. The first assumption holds as the selection is based on a predetermined age. The second assumption is trickier as individuals of different ages have different opportunities to respond to economic shocks. In what follows, we test the hypothesis of common trends by carrying out placebo tests for several pre-reform years.

In our application, we estimate DiD regressions of the form.

$$y_{it} = \alpha + \lambda_a + \gamma_t + \sum_{m}^{k=-l} \delta_k D_{it-k} + x_{it}^{'}\beta + \varepsilon_{it}, \tag{15.1}$$

where λ_a and γ_t are the main effects controlling for age and time, respectively. x_{it} includes individual-level characteristics, and D_{it-k} is an indicator variable equal to one if an individual i is under the age of 25 in year $t-k$. Our primary interest is the parameters δ_k which measure the relative change in outcome between the treatment and the control groups. These parameters allow for l leads, which we exploit in testing for any pre-reform differences between the age groups (see Autor (2003)). If our specification passes these pre-reform tests, we interpret the point estimates of m lagged treatment indicators as the intention-to-treat effects of the YG on outcome y.

The treatment consists of several ingredients, viz. intensified counselling and monitoring, threat effect, locking-in effect and actual effects of active measures. Our intention-to-treat results measure a combination of all these potential effects among the affected age groups. Alternatively, to explore the longer term effects, one could follow two groups of individuals, of which one group was younger and the other group was older than 25 in the beginning of 2005. We have not done any such analysis here as the number of observations is considerably smaller and the estimates less precise, especially when exploring heterogeneous effects.

15.3.2 Data

Our data was collected from several official registers. The actual linking of different data sources was carried out by Statistics Finland using personal social security numbers. The resulting data set is a 20% random sample of young people born in 1967–1990. All these individuals are followed over the years 1987–2010, and in each of these years, a 20% random sample of new entrants to the population register who and are born in 1967–1990 is added to our sample.

The data is primarily created for examining youth labour markets. It includes the usual background information from the population register, such as year, month and place of birth, gender, number of children, marital status, place of residence, education, etc. Detailed information on earnings and social benefits originate from the tax administration, the Social Insurance Institution of Finland and the National Institute for Health and Welfare. Information on the starting and ending dates of all

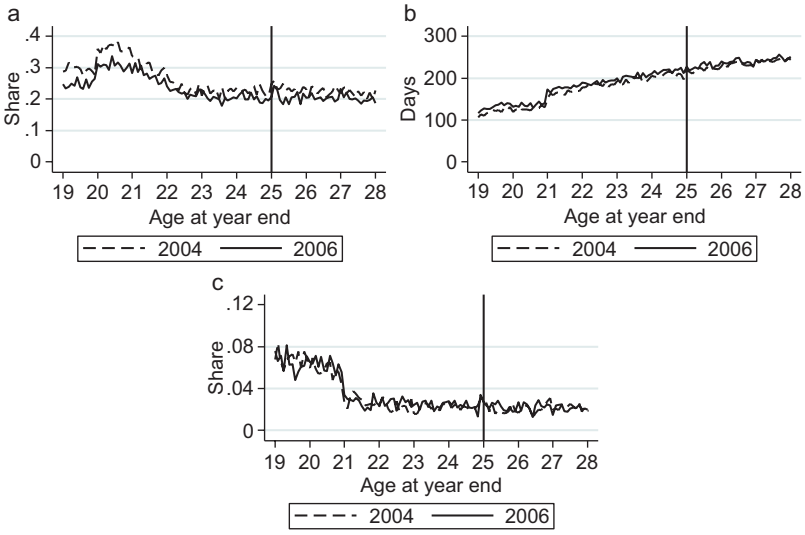

Fig. 15.1 Selected outcome variables: (**a**) unemployment incidence, (**b**) days in unsubsidized employment, (**c**) no taxable income

unemployment and active programme periods comes from the databases of the Social Insurance Institution of Finland and the Ministry of Economic Affairs and Employment. Analogous information on all job contracts come from the registers maintained by the Finnish Centre for Pensions. The data is of high quality as people's benefits and pensions are based on this information. Information on parents and their biological maternity/paternity status is added to our data by linking the social security numbers of adults living in the same household as a child to the child's social security number. We also know whether a young person has applied for further education, whether she has been accepted and whether she is in an educational institution. This information comes from the registers maintained by the Ministry of Education and Culture. Finally, outcome variables measuring psychotropic drug purchases originate from the Drug Prescription Register maintained by the Social Insurance Institution. The data in this register covers all pharmacies, and it is estimated to cover 97–98% of all reimbursed prescriptions.[1]

Figure 15.1 plots the means of three outcome variables for 1 year before the reform (2004) and 1 year after the reform (2006). Panel a displays the share of young people registered as unemployed jobseekers, panel b days spent in unsubsidized employment during a calendar year and panel c the share of young people who have no taxable income during a calendar year. In each panel, the lines refer to

[1] Psychotropic drugs refer to five Anatomical Therapeutic Chemical (ATC) classification subgroups: antidepressants (N06A, N06C), antipsychotics (N05A), anxiolytics (N05B), hypnotics and sedatives (N05C) and psychostimulants for ADHD (N06B).

averages by month of birth for individuals aged 19–27. The vertical line shows the age limit of 25 years set in the youth guarantee.

Figure 15.1 illustrates the limitations in assessing the impacts of the YG. All three outcome variables show a visible jump at the age of 21. Younger cohorts experience more unemployment and have fewer days in unsubsidized employment and less taxable income. The observed jumps follow from two things. The typical age for completing secondary education is 19, and the majority of boys attend military service soon after graduation. This effectively rules out the inclusion of younger age groups in our analyses.

In addition, there are evident differences in older age groups, as older individuals have more days in unsubsidized employment. These differences raise a question about the validity of our research setting where we use slightly older individuals as a control group for slightly younger individuals. The aspect of the data that is beneficial for our purposes is that we have several pre- and post-periods. This allows us to formally test the assumption of similar trends between different age groups that is vital for identification.

To ensure the validity of the common trend assumption, our working sample consists of young people between the ages of 23 and 27. To recall, the guarantee sets up a maximum waiting period of 6 months before a young person under the age of 25 starts an activation measure. This creates some ambiguity in determining who is actually affected by the reform. We do not know whether an employment agency considers a person whose age at the beginning of an unemployment spell is, e.g. 24 years and 10 months as belonging to the treatment group or not. For this reason, we do not include individuals who turned 25 during a calendar year in our analyses.

15.4 Results

Here we focus on the results based on the working sample consisting of young people who were unemployed during the first half of a year and who have either compulsory or vocational education. To recall, under the YG a young person has to be offered an activation measure before the sixth month in unemployment. By focusing on young people who have been unemployed during the first 6 months of a year, we want to make sure that they can be actually affected by the YG during that year.[2] The skill division follows from the explicit instruction given to employment offices to divide young people into different groups according to their educational level and from the Finnish educational system. The mean age of graduating from a Finnish university is over 28 years of age, which means that the majority of young people who attend tertiary education are still studying at ages 23–27.

[2] We estimated the same DiD regressions with the sample of young people who experienced unemployment during a year. The results are close to those reported and all of the conclusions remain the same.

There are several channels through which the youth guarantee may affect young peoples' lives. One aim was to encourage uneducated young persons to return to the ordinary educational system. We study this via two outcomes, viz. applying for education and actually being enrolled in an educational establishment. Potential income gains are explored via three outcomes: taxable income, the share of youngsters with no taxable income and the share of young people receiving social assistance. Social assistance is nontaxable income provided as a last resort, so it gives us a good indication of whether the YG reform affected youngsters who face the most severe difficulties in supporting themselves. Finally, we explore the impacts of the YG on mental health by examining the use of antipsychotic drugs. Here we have two outcome measures. The first explores purchases of any psychotropic drugs within a year in one of the five ATC categories. The second registers only purchases of antipsychotic drugs (N05A) that are prescribed for more severe mental health conditions. The causal effect of activation measures on mental health is relatively unstudied in economics, but occupational psychologists have some experimental evidence that active measures, such as a job search programme, reduce levels of depressive symptoms (see, e.g. Vinokour et al. (2000)). Provided that there is enough correlation between symptoms and psychotropic drug usage, these findings imply that an increase in activation measures might also show up as a reduction in the use of psychotropic drugs. At this point it is worth recalling that participation in an active labour market programme is only one part of the YG. Other parts of the YG, most notably early intervention and intensified monitoring, might also increase drug use if they result in the diagnosis of a previously hidden mental health problem that requires medication.

Table 15.1 reports our main results. Our three variables that assess the pre-reform differences between the age groups are in rows DiD2002–DiD2004. The reform effects for separate years are reported in rows DiD2005–DiD2007. These effects are summarized in the last row placed between the dashed lines (DiD2005–DiD2007), which corresponds to the specification with only one treatment dummy covering all reform years. The upper panel A reports the results for young unemployed persons with basic education and the lower panel B for unemployed young people with vocational education.

Almost all the point estimates for the pre-reform period in Table 15.1 are small and statistically insignificant, implying that the target and the control group experience similar trends before the reform. The only difficulties arise when exploring the employment days and activation ratios of young people with no further education. In the case of employment days, it would be possible to equalize the pre-reform trends by dropping the youngest and the oldest age groups from the analysis and by comparing 24-year-olds to 26-year-olds. Since the (unreported) post-reform effects remained insignificantly different from zero even in this case, we decided to report the results for the same age groups in both panels. We believe that this makes the analysis more transparent and helps comparisons between levels of education.

The results reveal substantial heterogeneity. Surprisingly, significant reform effects arise solely among unemployed young people who have graduated from a vocational secondary education institution. The parameter estimates reported in

Table 15.1 The effects of youth guarantee with respect to the level of education

Panel A – Basic education										
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	Days unemployed	Days employed	Activation ratio	Applied for education	Studying	Taxable income (€)	No taxable income	Social assistance	Psychotropic medication	Antipsychotic medication
DiD 2002	−0.92	10.64**	−1.44	n/a	0.009	−3	0.010	−0.022	−0.001	0.002
DiD 2003	9.42	8.27	−1.91	n/a	−0.004	−11	0.008	−0.006	−0.005	−0.017
DiD 2004	−2.24	13.12**	−2.68**	0.02	−0.004	81	−0.003	0.003	0.002	0.002
DiD 2005	7.88*	3.78	−2.46*	−0.01	−0.010	−33	0.031***	0.000	−0.018	0.008
DiD 2006	7.29	−0.31	−1.37	0.02	−0.007	−501	0.017	0.011	−0.006	0.000
DiD 2007	8.16	2.82	−1.51	−0.03	−0.007	−613*	0.001	0.022	−0.011	−0.009
DiD 2005–07	7.77	2.09	−1.79	−0.00	−0.008	−399	0.017	0.011	−0.011	−0.000
Adj. R^2	0.10	0.04	0.06	0.04	0.03	0.07	0.05	0.05	0.04	0.01
N	17,892	17,892	17,892	11,059	17,892	17,892	17,892	17,892	17,892	17,892
Time period	2000–07	2000–07	2000–07	2003–07	2000–07	2000–07	2000–07	2000–07	2000–07	2000–07

(continued)

Table 15.1 (continued)

Panel B – Vocational education										
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	Days unemployed	Days employed	Activation ratio	Applied for education	Studying	Taxable income (€)	No taxable income	Social assistance	Psychotropic medication	Antipsychotic medication
DiD 2002	1.11	−4.97	1.11	n/a	0.05***	−441	0.002*	−0.013	−0.004	0.005
DiD 2003	−4.53	6.68	0.45	n/a	0.02	481	0.002	−0.011	−0.005	0.002
DiD 2004	2.59	−1.99	1.10	0.03	0.01	113	0.003	−0.006	0.008	0.007
DiD 2005	−9.03**	4.44	2.09*	0.01	0.02	123	0.004	−0.012	0.006	0.004
DiD 2006	−5.73	10.19**	1.94**	−0.01	0.01	401	−0.002	−0.021*	−0.010	−0.009
DiD 2007	−6.27*	6.61*	2.85***	−0.04*	0.02	530	−0.003	−0.012	−0.028**	−0.001
DiD 2005–07	−7.06**	7.05**	2.27***	−0.02	0.02	343	−0.001	−0.015*	−0.009	−0.002
Adj. R^2	0.04	0.03	0.02	0.04	0.02	0.07	0.00	0.03	0.02	0.01
N	34,155	34,155	34,155	20,709	34,155	34,155	34,155	34,155	34,155	34,155
Time period	2000–2007	2000–2007	2000–2007	2003–2007	2000–2007	2000–2007	2000–2007	2000–2007	2000–2007	2000–2007

(i) Unemployment refers to open unemployment, and employment refers to unsubsidized employment. (ii) All estimations include the main effects for age groups and years, the set of explanatory variables consisting of personal information (gender, having a child under 7 years of age, marital status, regional unemployment rate), immigrant status (Russia/Estonia, EU, OECD, Yugoslavia/Iran/Iraq/Somalia, other country), mother's and father's information at the age of 14 (biological parent, employment, income, the level of education, a missing parent) and dummy indicators for place of residence measured at the NUTS3 level (20 regions). (iii) The standard errors are clustered with respect to residential areas created by combining NUTS3 place of residence, truncated NUTS2 unemployment rate and the degree of urbanization; (iv) *** $p < 0.01$, ** $p < 0.05$, * $p < 0.10$

panel A show no real improvements among unemployed young people with only compulsory education. The point estimates reported in panel B, however, show a statistically significant reduction in unemployment and an increase in both employment and activation ratio among unemployed young people with vocational education. Our findings show a fall of 7 days per year in unemployment, a similar rise in employment days and an increase of over 2 percentage points in the activation ratio. The rise in the activation ratio corresponds to an increase of over 5 days in active measures. In relative terms, this increase is by far the greatest as the affected group spent 34 days in activation measures before the reform. The corresponding figures for days in unemployment and employment were 149 days and 126 days, respectively.

Other impacts of the YG remain modest. Panel B shows some indications of reductions both in the need for social assistance and in purchases of psychotropic drugs. These findings coincide well with the results reporting improvements in employment prospects, but we do not want to push this interpretation too far for several reasons. First, the point estimates are relatively small, varying between 1 and 3 percentage points. Second, the point estimates are not very precise as three out of four marked point estimates reach only the 10% significance level. Third, the most convincing finding, according to which purchases of psychotropic drugs declined by 3 percentage points in 2007 (baseline being 11 percentage points), coincides with a change in the pharmaceutical reimbursement system introduced on 1 June 2006. One potentially problematic change introduced then was that cheap drugs costing less than 9 euros began to be registered in the prescription register. This resulted in an increase of almost 20% in registered psychotropic drug purchases. It is not totally evident why this increase should be relatively smaller among unemployed young people under 25 years of age with vocational education. However, as there seems to be a similar, albeit less evident, evolution in purchases of psychotropic drugs among uneducated young persons, we are cautious in attributing all of the observed effect to the YG.

Finally, there are some signs in panel B that the YG increased taxable income, but these estimates fail to be statistically significant. This finding might imply that improvements in employment happened in low-wage jobs since the net increase in taxable income obtained by deducting lost unemployment benefits from gained wages is statistically zero. This conclusion has to be considered with caution since a net increase in earnings caused by seven more days in employment may not be big enough to be measured accurately.

15.5 Robustness Checks

The difference-in-difference estimates in previous sections eliminate the age and time effects assuming that the outcome variables evolve similarly in the treated and control groups. We have already tested this assumption by including pre-reform DiD variables in our estimations. Our data enables us to do even more than that.

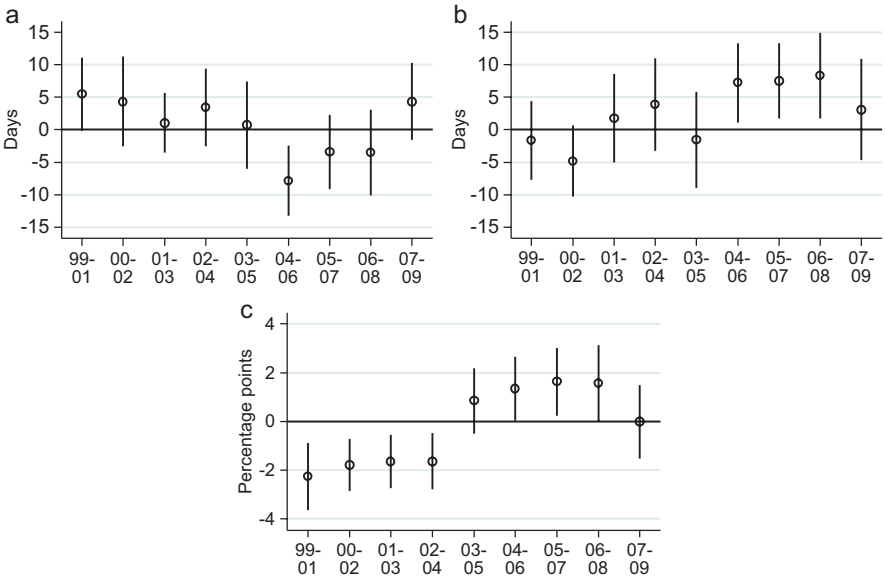

Fig. 15.2 The results of placebo tests: (**a**) Open unemployment, (**b**) Unsubsidized employment, (**c**) Activation ratio

Since our data starts from the year 1987, it is possible to repeat the above analysis for the years before the introduction of the guarantee. We carry out a number of these regressions by moving the 8-year estimation window forwards from the year 1994 and leaving the last 3 years for the placebo treatment. These placebo tests are reported in Fig. 15.2, in which the horizontal axis shows the years of the placebo treatments, the dots show the point estimates and the vertical lines indicate their confidence intervals based on clustered standard errors. We focus on three outcome variables for which we found significant reform effects above, so the results are comparable to panel B of Table 15.1, with one exception. The first year for which we have parental data is 1987, so the oldest birth cohort for whom we get parental information is only 21 years of age in 1994. Hence we had to drop parental information from our placebo regressions.

All the pre-reform placebo effects in panels a and b turn out to be statistically insignificant and oppositely signed to those reported in Table 15.1. Hence there seems to be no element in our empirical specification that systematically produces the reported YG effects on unemployment and employment.[3] Note also that it is unsurprising to see that the placebo effects disappear when entering the last placebo period of 2007–2009. After 2007, the control group consists entirely of young people who were in the treatment group during the first year of the YG. The only way

[3] We also estimated the DiD regressions without covariates. These (unreported) results show that the estimates reported in Fig. 15.2 are not sensitive to controlling for background characteristics.

that there could be significant effects in the placebo years 2007–2009 would be if the YG becomes more effective over time. There is no evidence for that.

If panels a and b pass all the placebo tests, panel c shows statistically very significant differences between the treatment and the control group before the actual YG reform. All the pre-reform estimates are found to be negative. Starting from the period 2003–2005, when the first actual reform year starts to affect the treatment dummy, the parameter estimates jump from negative to positive, which implies a change in the composition of activation. The highly significant pre-reform effects, however, cast serious doubt on the robustness of the previously reported reform effect on the activation ratio. To gain a better understanding of this, we plot the activation ratios for the two groups of unemployed young persons with vocational education in 1994–2010.

Figure 15.3 reveals that the negative pre-reform placebo estimates result from a sharp increase in activation among the control group during the years 1998–1999. This coincides with the reform of Finnish labour market policy that was introduced in the beginning of 1998 and gradually implemented during the next 2 years. The main change that affected the activation ratio was the introduction of job search training consisting of a short course lasting a week during which individuals were taught how to seek vacancies, update their CVs, write job applications, etc. Our placebo results pick up the effects of this reform as job search training was targeted more intensively for slightly older persons.

Unfortunately, the period 1999–2001, when the difference between the activation ratios of the treated and the controls was non-existent, coincides with the first 2 years in our DiD regressions. This would bias our preferred results if job search

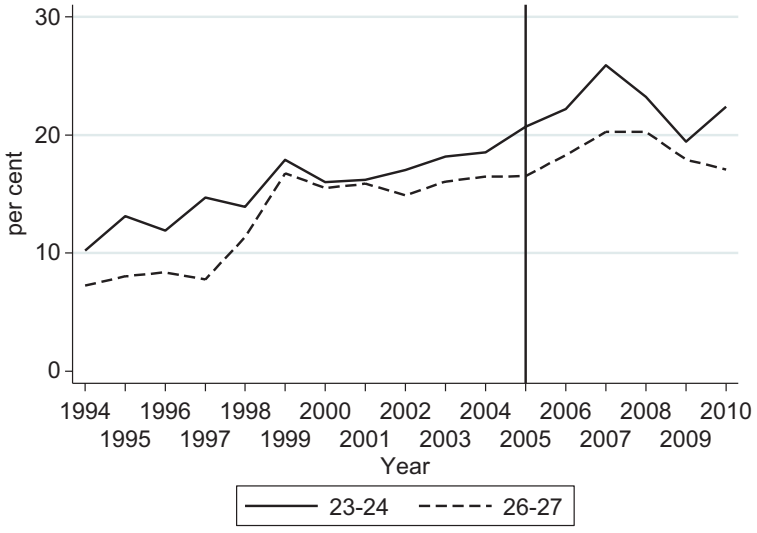

Fig. 15.3 Activation ratios for unemployed young persons with vocational education, 1996–2010

training affected the labour market prospects of the participants. If job search training has any effects, the most likely scenario would be that it improves the participant's possibilities to get a job. In this particular case, our results for the unemployment and employment effects would be biased downwards as participation in job search training was more common among the control group during the reference years. There is, however, fairly convincing evidence based on two randomized experiments according to which job search training has no impact on the further employment prospects of participants (see Hämäläinen et al. (2008)). This would imply that our results concerning the unemployment and employment effects of the YG are unaffected by the 1998 reform, but the activation results are likely to be upwards biased. To gain some insight into this, we re-estimated our DiD regressions using the estimation period 2002–2007. As there are only three pre-reform time periods before the 2005 YG reform, we did not include any pre-reform effects in these estimations. Our (unreported) point estimates are −6.88**, 7.19* and 1.38** for unemployment, employment and the activation ratio, respectively. To get a fair comparison point for these estimates, we re-estimated the previously reported models by excluding all pre-reform variables. This resulted in parameter estimates of −6.89**, 7.09** and 1.74***.

These results confirm that by maximizing the estimation period to explore potential pre-reform differences, we did not cause any bias in our employment and unemployment estimates but slightly overestimated the activation impact of the YG. However, the activation effect still remains statistically significant and positive. One additional piece of information is that in these re-estimations, we again failed to find any increase in the activation ratios of low-skilled unemployed young persons with no further education.

15.6 Conclusions

This paper provides new insight into the effects of activation guarantees offered to young people. Our contribution is twofold. First, we provide new evidence from Finland by analysing the 2005 youth guarantee which applied to young persons under the age of 25. Second, we broaden the analyses carried out in previous studies by examining educational effect, income effect and mental health effects of the YG.

The most surprising of our findings is that the 2005 youth guarantee only affected unemployed young people with vocational education. We find no increase in activation, or any change in other outcomes, among the most vulnerable group of youngsters consisting of unemployed and uneducated young people. In contrast, among unemployed young persons with vocational education, the activation ratio was increased by 2 percentage points and days in open unemployment reduced and days in nonsubsidized employment increased by 7 days per year. There are also some, albeit less convincing, implications that the YG reduced both the need for social assistance and purchases of psychotropic drugs among educated young persons. We attribute the heterogeneous effects to the activation rules that prevailed before the

2005 reform. Early intervention was already in place among uneducated jobseekers, so the new activation periods only affected educated jobseekers.

All in all, the 2005 youth guarantee strengthened the activation of young people under the age of 25, but it did not offer any subjective rights for activation measures. This has also been the case in other countries, as well as with the renewed version of the YG that was introduced in Finland in 2013. It is far from evident that the labour authority should offer an activation measure for every unemployed young person in the first place. But it is probable that more countries will intensify their activation of youth populations following the guidelines of the European Commission. Our results indicate that this would not necessarily lead to more intensified activation among young people who have the most severe difficulties in entering the labour market. One thing to bear in mind when introducing a youth guarantee scheme with prescheduled activation time points is to think about how it interacts with existing rules and practices for allocating activation measures to different groups of young people.

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Chapter 16
Initiatives to Combat the Labour Market Exclusion of Youth in Northern Europe: A Meta-analysis

Inés Hardoy, Knut Røed, Kristine von Simson, and Tao Zhang

16.1 Introduction

The high youth unemployment in Europe in recent years has called both for the implementation of more measures to enhance employability and a pressing need to better understand their impact. There is an extensive literature that studies the effects of active labour market programmes, for the population at large and for certain target groups, in particular, not only in Europe but also in the USA and in the rest of the world. However, it is difficult to synthesize, interpret and draw conclusions directly from the literature available because studies vary along many different dimensions: with respect to the type of programme, the target group, the economic conditions, the method of evaluation, etc.

A tool that can be used to compile and compare results from several empirical studies is so-called meta-analyses. It entails putting together evaluation studies in a synthetic database, establishing a common measure of performance, identifying factors associated with positive and negative impacts and then using standard regression techniques to analyse the various factors individually contributing to the estimated results. This enables the researcher to get clearer, more robust and more statistically significant results than can be obtained from each individual study.[1]

Meta-analyses have been widely used in medical and biological studies, where data is generated in controlled experiments/trials, and each single study often consists of a limited number of observations, diminishing the empirical predictive power of the estimates. Meta-analyses have also, gradually, been more used to

[1] For an introduction to meta-analysis, see, e.g. Stanley and Doucouliagos (2012).

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collect information across studies in the social sciences as well. More recently meta-analyses have been used to study the impact of labour market programmes as well.

An important conclusion in a meta-analysis covering more than 200 studies (Card et al. 2015) is that programmes that create incentives in the private sector, such as wage subsidies and assistance in job search, are usually associated with favourable effects. The same holds for training (both classroom courses and job training), while placement in the public sector has on average, a negative effect on employment. Both Card et al. (2015) and Kluve (2010) cover the population at large and programmes implemented both in Europe and in other countries. Both articles study the impact for young people in particular as well, by including youth programmes as a regressor, and conclude that youth is a particularly difficult group to assist. The meta-analysis of Greenberg et al. (2003), based on the US data covering the period until the end of the 1990s, arrives at similar conclusions. Puerto (2007) covers studies of youth programmes from around the world and also concludes that there are little or no positive effects of labour market programmes for youth. In contrast, a very recent study focusing exclusively on youth programmes is more optimistic. The meta-analysis by Kluve et al. (2016) systematizes 113 evaluations of youth measures from around the world and concludes that about one-third of the measures evaluated have statistically significant positive effects. However, the effects appear to be most positive for measures implemented in countries with medium and low income levels.[2]

Compared to the meta-analyses mentioned above, our aim is to go more thoroughly into a group of countries that are homogeneous in many respects and also draw from a larger selection of studies, both unpublished and published in referee journals, written in English or in the native language of the country. The countries included are Finland, Sweden, Norway, Denmark, Germany and the UK. We focus on initiatives/programmes that seek to improve the labour market prospects of unemployed youth below age 30. We aim to answer the following questions:

- How do the estimated effects vary with programme type and over time?
- How do impacts vary with programme-related characteristics, e.g. differences in target group, and with methods of evaluation?
- How do contextual factors, such as macroeconomic conditions and institutional differences affect the estimated effects?

The paper proceeds as follows: In the next chapter, we describe the data compiled and the methodological approach. Thereafter we present descriptive statistics followed by the results. We conclude with a summary and some closing remarks.

[2] The conclusions of Kluve et al. (2016) are consistent with a recent comprehensive study of youth measures in Europe conducted by Caliendo and Schmidl (2016), but note it is not a meta-analysis.

16.2 Data and Methodological Approach

The studies included in our database have undergone a careful scrutiny. We include only studies using reduced-form methods attempting to identify causal effects of interventions, taking into account selectivity in recruitment.[3] We take the results of the individual studies at face value. We do not require that the paper is written in English, i.e. we include studies written in the native language. We use different web search engines, including bibliographic databases such as IDEAS and Google search, as well as working paper series of institutions such as IZA, IFS, IFAU and NBER that publish high-quality working papers before their actual publication in a journal. The reason for the more liberal approach is an attempt to avoid potential publication bias in the sense that analyses showing effect are more likely to be published than those non-significant effects. To be included in our database, they must have been published from 1999 onwards, and we include only evaluations of measures implemented from the beginning of the 1990s to 2013. We do not require the studies to be published in refereed journals. The studies can be reports, working papers, own memo from a research institute, the EU/Nordic countries ministerial council publications, etc. In total there are 44 studies from the six countries included in our database. A full list of all studies is included in the reference list.

It is important to find a common measure and statistical method to analyse the estimated effects of programmes across studies and countries, over time. We follow the methods in Card et al. (2010), Kluve (2010) and Card et al. (2015), using a so-called "ordered probit" (OP) regression. The dependent variable in the meta-analysis is the estimated outcome effects of programmes. Now, different studies measure the success/failure of programmes differently, or they evaluate various outcomes of one and the same programme. Some focus on job probabilities while others measure the impact of an intervention on wage income. Some look at the impact on reduced welfare dependence, while others look at transitions to ordinary education. Different outcomes thus provide measures of different effects. To account for this diversity, we define a variable *outcome* to indicate which outcome measure is used to evaluate the impact of the programme. Possible outcomes are *employment*, *unemployment*, *wage income*, *welfare dependence* and *education*.

Since it is not possible to compare the sizes of the estimated effects of the different studies directly, we follow Kluve (2010) and define a latent outcome effect variable Y^*, which is a continuous normally distributed variable. We define a categorical variable Y which takes three discrete values: $Y = 1$ if the outcome effect is significantly negative, $Y = 2$ if the outcome effect is not statistically significant and $Y = 3$ if the effect is significantly positive. If a programme increases the probability of obtaining a job, it is regarded as having a positive effect. Likewise, if it reduces the likelihood of welfare dependency or unemployment, then the programme is also

[3] One key issue in evaluation studies is that the counterfactual, i.e. what would have happened in the absence of an intervention, is not observed. Had we had that piece of information, we could have just taken the difference and inferred that that is the impact.

regarded as having a positive effect.[4] OP is then used to estimate the effects of explanatory variables on the probability distribution function of Y^*. From these estimates we can derive the marginal effects of each of the explanatory variable on the probability of positive/negative programme outcomes.

We divide active labour market programmes targeting youth in six categories:

1. *Training* entails classroom courses and other off-the-job training programmes organized by labour offices or private agents.
2. *Work practice* is a group of programmes providing work experience and practical know-how and includes training provided while at work (on-the-job training).
3. *Wage subsidies*, primarily in the private sector.
4. *Public employment* measures that give practice/job opportunity in the public sector (in the case of youth with reduced work capacity in sheltered enterprises).
5. *Intensified activation* includes monitoring of search activity, mentoring/supervision and close monitoring but also the use of "threats" and sanctions. This category also includes the "youth guarantee", since this initiative is intended to provide early efforts to fight youth unemployment and preventing marginalization and reduce the proportion of youth "not in employment, education or training" (NEET)
6. *Other programmes* is a residual category comprising "outsourcing of employment services" to private providers ("decentralizing measures") and start-up subsidies for self-employment.

We distinguish between short-term and long-term effects. If the impact is evaluated within the first 12 months of completion, we define it as a *short-term effect*. When the evaluation covers a period beyond 12 months after the programme is completed, we define the effect as *long-term*.

We define a variable *method* to classify the method used in the evaluation. The method considered to be the gold standard for causal inference is *randomized control trials*. Experiments are conducted such that individuals are randomly assigned to a treatment and control group, and provided that everything works by the book, taking differences of outcomes between treated and controls give the causal impact of the treatment. Another category, labelled *diff-in-diffs*, includes studies that primarily rely on quasi-experimental methods such as difference-in-difference and regression discontinuity design, as well as instrumental variable methods and two-stage least square. These methods are used when an exogenous event occurs, such as a reform or intervention, which randomly splits the group of interest such that part of the group is affected by the intervention while the other is not. *Matching* involves establishing a comparison group of non-participants which resembles as much as possible an already established participant group, so that differences in outcomes can be attributed to the measure. In this category we also include studies which use a combination of matching and difference-in-differences. We also include

[4] Note that we use the terms "positive" and "negative" in a normative – and not a mathematical – sense throughout this paper.

a category for duration methods or *timing-of-event analysis* where what is modelled is the duration until a certain change, such as a transition from unemployment to employment occurs. Finally, we have a residual category with *other methods* including linear regression and structural models.

As mentioned above we include evaluations of measures implemented from the beginning of the 1990s to 2013, i.e. a relatively long period of time. Originally we wished to divide studies by periods. However, it turns out that many studies cover more than a 10-year period, and many studies overlap between periods making the creation of several intervals inappropriate. Hence we create a dummy variable that describes whether the period of programme implementation is *before* or *after 2004*. The year 2004 is chosen arbitrarily; it divides the period of analysis roughly in half.

Also there are some studies that evaluate measures for different groups of young people, for example, by evaluating effects separately for men and women, for those with health disadvantages or for those with unemployment benefits and/or on social assistance. We define dummy variables to indicate that evaluation is done for specific subgroups. This enables us to investigate whether focusing on specific subgroups gives rise to more positive or negative effects than analysing the entire population.

Several studies point to the close link between labour market institutions, such as hiring/redundancy policies and minimum wages, and youth unemployment (e.g. Jimeno and Rodrigues-Palenzuela 2003; Bertola et al. 2007). To capture macroeconomic conditions, we calculate the country-specific rate of *youth unemployment* (in percentage) averaged over the period that the programme being evaluated was implemented. In addition, we use three variables to characterize some important institutional differences between countries that can potentially affect both school-to-work transitions and youth employment conditions: (i) indices of the *strictness of employment protection* at the individual level, (ii) rigorousness of temporary employment regulation and (iii) total public expenditure on active labour market policies (ALMP) as percentage of GDP. The institutional variables are also measured at the country level as an average over the period the programme being evaluated was implemented.[5]

We define an observation (a data point) in the meta-database as a unique combination of programme type, evaluation method, country, if there is a short-term/long-term effect, etc. Each study may contribute with additional data points if several methods are applied, or different outcomes are investigated, or different programmes are evaluated, etc. Hence, the number of observations in our database is a lot larger than the number of studies in the database. Since observations from one and the same study cannot be perceived as totally independent from each other, we cluster by study.

Table 16.1 shows descriptive statistics for each of the countries and for all effect estimates taken together. As the last column shows, there are 44 studies and 425 observations in our database. Germany has the largest number of studies, followed by Sweden. Denmark has the largest share of observations indicating positive

[5] We follow OECD index http://www.oecd.org/employment/protection

Table 16.1 Descriptive statistics by country

	Norway	Denmark	Finland	Sweden	Germany	UK	Sum
# observations	72	39	30	46	217	21	425
# studies	5	7	3	9	15	5	44
Programme effect:							
Negative	18	5	9	11	60	6	109
No effect	39	15	4	28	87	2	175
Positive	15	19	17	7	70	13	141
Programme:							
Training	23	1	12	6	46	3	91
Other programmes	0	0	0	0	26	0	26
Wage subsidies	21	0	8	8	12	6	55
Work practice	23	3	8	9	60	0	103
Employment	0	0	0	0	54	6	60
Intensified activation	5	35	2	23	19	6	90
Method:							
Diff-in-diffs	3	0	1	13	14	8	39
Timing of events	9	5	1	0	1	1	17
Matching	24	9	28	21	202	12	296
RCT	0	25	0	12	0		37
Other methods	36	0	0	0	0	0	36
Effect period:							
Short-term	24	30	16	23	99	13	205
Long-term	48	9	14	23	118	8	220
Outcome measure:							
Wage income	1	1	6	11	17	2	38
Employment	43	18	12	17	111	9	210
Unemployment	12	3	6	11	24	9	65
Welfare dependence	4	7	0	3	41	1	56
Education	12	10	6	4	24	0	56
By gender:							
All	30	20	30	43	56	13	192
Women	21	9	0	0	73	2	105
Men	21	10	0	3	88	6	128
By welfare dependence:							
All	72	30	30	37	84	0	253
With UB	0	2	0	6	6	21	35
With social security/ other benefits	0	7	0	3	127	0	137
By health conditions:							
All	69	30	30	38	207	21	395
Limited work capacity	3	9	0	8	10	0	30

(continued)

Table 16.1 (continued)

	Norway	Denmark	Finland	Sweden	Germany	UK	Sum
Period of evaluation							
Before 2004	72	5	28	41	82	21	177
From 2004 onwards		34	2	5	135	0	142
Youth unemployment	8.53	7.37	16.04	7.70	7.49	7.28	9.07
Rigidity of EPL*	2.30	2.13	2.37	2.67	2.70	1.16	2.22
Rigidity of TEC **	3.09	1.40	1.44	1.49	1.21	0.44	1.51
ALMP in percent of GDP	2.12	3.51	3.87	2.73	2.99	0.73	2.66

NB: macro variables are calculated by country over the period the programme was implemented. "Youth unemployment" and "public expenditure on ALMP in percent of GDP" are measured in percent. "Rigidity of the employment protection legislation" (EPL) and "rigidity of temporary employment contracts" (TEC) are indexed from 0 to 6 with 6 as most rigid (see http://www.oecd.org/employment/protection). The rest of the variables are measured in absolute values

effects, while Sweden has more observations with negative effects than with positive or non-significant effects. Germany has a uniform distribution of estimated programme effects. Norway has as many negative as positive effect estimates, but most effects are non-significant.

Germany is the country with most observations of all types of programmes, while Finland and the UK have a limited range of programme types. Norway and Germany have mostly evaluations of individual measures (training, wage subsidies, work practice, etc.), while Denmark and Sweden have most studies that analyse the effects of intensified activation. Furthermore, the Danish, Finnish and British studies focus mostly on short-term effects, while Norwegian and German studies have placed more emphasis on long-term effects of measures. Swedish studies have as many analyses of short as of long-term effects. Employment is the most frequently used outcome measure. While Norwegian, Danish and German studies have emphasized the study of effects by gender, the Finnish and Swedish studies have rarely been concerned about this. Most studies evaluate measures without conditioning on whether participants receive benefits or not. Germany is an exception to this pattern.

As regards the institutional and macroeconomic context, Table 16.1 shows that the Finnish youth initiatives have been implemented in a situation of substantially higher youth unemployment than in the other countries. The Nordic countries and Germany have similar institutional arrangements, with respect to employment protection legislation (EPL), the regulation of temporary contracts and the share of public expenditure on active labour market programmes (ALMP) as a percentage of gross domestic product (GDP). Britain has the least rigid regulations, both with regard to EPL and temporary contracts and less public expenditure on active labour market measures compared with the other countries included in the meta-analysis.

Descriptive statistics (not shown) relating to the sign of the impact indicate considerable variation: 41 percent of the observations indicate no impact, while 33 percent report a positive impact, and 26 percent report negative effects. The type of programme which has been evaluated the most is training, followed by work

experience, employment measures and intensified activation, in that order. Together, they account for more than 80 percent of all observations. Training, wage subsidies and intensified activation are the measures in our database where the majority of studies have found positive effects. Work practice has almost as many occurrences of negative as of positive effects. Employment programmes is the one with poorest results, mostly non-significant or negative effects.

Matching is the predominant method used and constitutes two-thirds of the number of observations. Matching provides relatively evenly distributed effects, while timing-of-event analysis produces the most positive effects. The relatively little-used methods in the residual category (OLS, structural models) give almost exclusively non-positive effects. Randomized trial, which is considered to be the best and most reliable method of evaluation, often produces non-significant effects. Most studies use job opportunity/employment probability as the outcome of interest. There are about as many evaluations of short-term as of long-term effects. Short-term effects provide more positive estimates than long-term effects, which are often non-significant.

16.3 Results

As mentioned above, we use a so-called ordered probit model to study how the estimated results vary with characteristics of the measure being evaluated, the conditions under which the programme was implemented and the estimation method applied to identify the impact. Our estimation strategy is to gradually add explanatory variables: we estimate model (1) including only dummy variables indicating programme types as regressors. Then in the model (2), we add variables related to programme characteristics. In model (3), we introduce dummy variables for countries and country-/time-specific youth unemployment rates. Finally, in model (4), we add institutional factors.

Tables 16.2 and 16.3 present estimates of the average marginal effect of the explanatory variables on the probability for negative and positive outcomes, respectively. That is, marginal effects are evaluated at the observed values of covariates and obtained from the corresponding ordered probit regressions.[6] The interpretation of the estimates is that, for example, in Table 16.2, model (1), when the effect of *work practice* is estimated to be 0.16, it means that relative to the benchmark programme, which is t*raining*, *work practice* is approximately 16% more likely to produce a negative effect. And since the number is statistically different from zero (as indicated by the stars), it can be interpreted as evidence that *work practice* has a significantly more negative impact than *training*. Similar interpretations can be obtained from estimates of positive marginal effects in Table 16.3. It is expected that

[6] Average marginal effect should not be confused with marginal effect at the mean. The first calculates the marginal effect for each case/observation in the data and calculate the means thereafter, rather than just the marginal effects at the mean value of each variable.

Table 16.2 Estimated marginal effects for obtaining a negative outcome

	Model (1)		Model (2)		Model (3)		Model (4)	
Programme (ref: training)								
Other programmes	0.2273	**	0.2573	**	0.2705	**	0.2648	**
Wage subsidies	−0.0219		−0.0642	*	−0.0797	**	−0.0829	**
Work practice	0.1632	**	0.1578	**	0.1438	**	0.1395	**
Employment programmes	0.2829	**	0.3637	**	0.3888	**	0.3796	**
Intensified activation	−0.0125		−0.0504		−0.0603		−0.0402	
Method (ref: OLS, other methods)								
Diff-in-diffs			−0.1768		0.0002		−0.0399	
Timing of events			−0.4111	**	−0.2817	**	−0.2937	**
Matching			−0.2569	**	−0.1437	**	−0.1450	
Randomized control experiments			0.0084		0.1752		0.2210	
Effect period (ref: short term)								
Long-term effect			−0.0286		−0.0290		−0.0291	
Outcome measure (ref: wage income)								
Employment			−0.0515		−0.0685		−0.0666	
Unemployment			0.0318		0.0333		0.0329	
Welfare dependency			0.0491		0.0283		0.0299	
Education			0.0229		−0.0118		−0.0105	
Separately by gender (ref: all)								
Women			−0.0669		−0.0810	*	−0.0830	
Men			−0.0812		−0.0997	*	−0.1024	
Separately by welfare subsidy (ref: all)								
Unemployment benefits			−0.1124	**	−0.1369	**	−0.1434	**
Social assistance, other subsidies			0.1628		0.1653		0.1413	
Separately for disabled			0.0678		0.0727		0.0690	
Period of evaluation (after 2003)			−0.2160		−0.3417	**	−0.3006	**
Country (ref: Norway)								
Denmark					0.0531		−0.1929	
Finland					−0.2587	**	−0.5090	*
Sweden					−0.0420		−0.3633	
Germany					0.0534		−0.3112	

(continued)

Table 16.2 (continued)

	Model (1)		Model (2)		Model (3)		Model (4)	
Great Britain					0.0089		0.2442	
Youth unemployment rate					0.0569	**	0.0365	
Rigidity of employment protection legislation							0.3681	
Rigidity of temporary employment regulation							−0.0738	
ALMP in percent of GDP							0.0442	
Pseudo R2	0.0468		0.1152		0.1276		0.1289	
No. of observations	425		425		425		425	

** indicates 5% significance level and * indicates 10% level. The pseudo R2 is obtained from ordered probit estimation

the estimates of marginal negative effects (Table 16.2) have the opposite sign to the estimates of marginal positive effects (Table 16.3), yet they are not a reflection of each other just with the opposite sign since no (significant) impact is also a possible outcome (trinomial dependent variable).

One first thing to notice in Tables 16.2 and 16.3 is that programme type is highly correlated with how successful programmes are in improving the labour market prospects of young people. First let us look at the marginal effects by programme type in model (1), in Tables 16.2 and 16.3. Model (1) in Table 16.2 shows that both work practice and employment measures are more likely to yield a higher probability of negative treatment effects relative to training programmes (reference category), as expressed by the significant positive probabilities to produce negative marginal effects. The same picture can be seen in Table 16.3 In model (2) we add explanatory variables that control for programme-related characteristics. Interestingly, both the impact of wage subsidies and intensified activation programmes change considerably in size. However, it is only when we include country dummies and macro conditions that wage subsidies becomes the most successful of all programme types, with about 16% higher likelihood of producing a positive outcome compared to training programmes.

As regards the methods used in the estimations, we see that relative to the reference category (OLS and structural models), timing-of-event analysis and matching give positive effects (negative estimates in Table 16.2 and positive estimates in Table 16.3), while the use of quasi-experimental methods (mainly difference-in-differences methods) and experimental (randomized control trials) have no saying as to whether effects are positive or negative. This is robust to model specification. It is noteworthy that, when we include country dummies in model (3), the outcome varies dramatically with the method applied, reflecting that some countries have focused strongly in one particular method, like matching in Germany and experiments in Denmark.

Table 16.3 Estimated marginal effects for obtaining a positive outcome

	Model (1)		Model (2)		Model (3)		Model (4)	
Programme (ref: training)								
Other programmes	−0.2395	**	−0.2563	**	−0.2592	**	−0.2574	**
Wage subsidies	0.0367		0.1182		0.1495	**	0.1596	**
Work practice	−0.1898	**	−0.1826	**	−0.1666	**	−0.1640	**
Employment programmes	−0.2755	**	−0.3143	**	−0.3191	**	−0.3171	**
Intensified activation	0.0205		0.0892		0.1067		0.0682	
Method (ref: OLS, other methods)								
Diff-in-diffs			0.1362		−0.0002		0.0334	
Timing of events			0.5082	**	0.3750	**	0.3988	**
Matching			0.2255	**	0.1426	**	0.1425	*
Randomized control experiments			−0.0050		−0.1131		−0.1345	
Effect period (ref: short-term)								
Long-term effect			0.0316		0.0317		0.0317	
Outcome measure (ref: wage income)								
Employment			0.0604		0.0776		0.0754	
Unemployment			−0.0324		−0.0318		−0.0315	
Welfare dependency			−0.0487		−0.0273		−0.0288	
Education			−0.0236		0.0121		0.0108	
Separately by gender (ref: all)								
Women			0.0724		0.0858	*	0.0877	
Men			0.0901		0.1093	*	0.1121	
Separately by welfare subsidy (ref: all)								
Unemployment benefits			0.1848	**	0.2377	**	0.2461	**
Social assistance, other subsidies			−0.1633		−0.1634	*	−0.1412	
Separately for disabled			−0.0751		−0.0797		−0.0754	
Period of evaluation (after 2003)			0.2392	**	0.3747	**	0.3285	**
Country (ref: Norway)								
Denmark					−0.0549		0.1270	
Finland					0.5474	**	0.6047	**
Sweden					0.0506		0.3065	
Germany					−0.0553		0.2413	
Great Britain					−0.0099		−0.1031	

(continued)

Table 16.3 (continued)

	Model (1)		Model (2)		Model (3)		Model (4)	
Youth unemployment rate					−0.0624	**	−0.0398	
Rigidity of employment protection legislation							−0.4023	
Rigidity of temporary employment regulation							0.0807	
ALMP in percent of GDP							−0.0483	
Pseudo R2	0.0468		0.1152		0.1276		0.1289	
No. of observations	425		425		425		425	

** indicates 5% significance level and * indicates 10% level. The pseudo R2 is obtained from ordered probit estimation

The outcome studied, i.e. whether the dependent variable is income, employment or welfare dependence, does not seem to matter much for the finding reported. Nor does the time horizon of the effect of the programme, as shown by the non-significant differences in the probability of obtaining a more positive (or negative) outcome within the first years after completion of the programme relative to the impact more than a year later.

An interesting question is whether active labour market programmes are better for some groups than for others. Separate analyses by gender do not permit a clear interpretation; the estimand vary with the control variables included in the analysis. Programme effects also vary with whether the person receives unemployment benefits or not in the way that the effects seem to be more positive for unemployment benefit recipients, while there is an indication of the opposite when it comes to social assistance recipients. Needless to mention maybe, is that the limited number of studies by subgroup is likely to be causing low statistical power.

Another interesting result is that there seems to have been a learning process occurring over time. Results show that active labour market programmes seem to have a more positive impact in recent years than in the past, as expressed by a positive and significant estimate for programmes implemented during the last 10 years or so. This may indicate an improved efficiency in the way programmes are put together and implemented.

In model (3) we control for country-specific characteristics and indicators of economic/labour market conditions. We include dummy variables for each country and country-specific youth unemployment rates in the concomitant evaluation periods. Results indicate that, compared to Norway which is the reference category, Finland is the only country that has significantly more positive programme effects. However, this result needs to be interpreted with caution due to low number of studies from Finland. For the other Nordic countries, Germany and the UK there are no significant differences compared with Norway.

Results from model (3) also suggest that macroeconomic conditions matter. It turns out that when youth unemployment is high, programmes have less of a positive effect (more negative coefficients in Table 16.2 and less positive in Table 16.3). This is indicative that the effect of active labour market policies targeted at youth is procyclical: interventions work best during economic upturns, when the economy is recovering and there are available jobs for youth to take. This departs from findings in Card et al. (2015), which provides suggestive evidence that the effects of labour market programmes are better in recessionary markets. One potential reason is that our study focuses exclusively on countries where youth are differently affected by economic cycles than the population at large. Notably, when public expenditure on active labour market programmes is included, youth unemployment loses its explanatory power.

Finally, we include variables measuring institutional factors. We observe that there is no significant effect of institutional arrangements for how the active labour market programmes work. Such results are in line with findings in Kluve (2010). It should be noted, however, that there is little structural variation over time within countries such that the statistical uncertainty becomes large when all these variables are included simultaneously.

16.4 Summary and Discussion

We have conducted a comprehensive meta-analysis of youth labour market programmes based on a total of 44 studies, providing 425 observations, from six North European countries (Norway, Denmark, Sweden, Finland, Germany and the UK). An ordered probit method is used to estimate the importance of the factors that may affect the likelihood that youth improve their employability in the shorter or longer run. Our estimation results suggest that training programmes and wage subsidies generally give rise to more positive evaluation results than other measures. Work practice and employment in the public sector clearly underperform in quantitative evaluation studies.

The finding that evaluated effects of active labour market programmes do not depend on the outcome being evaluated is indicative that effects are robust in this respect. It is somewhat surprising that the timing-of-event analyses tend to produce more positive effects than other methods of analysis. One possible explanation is that timing-of-event analysis is a relatively new method that has been mostly used in recent years, mainly due to the increasing availability of comprehensive register data that permit the researcher to follow individuals over time in and outside the labour market. Because it is a relatively small sample of studies that use timing-of-event analysis, we believe that there may be some uncertainty associated with the interpretation of this result. On the other hand, traditional methods such as matching also show positive effects, while randomized control trials do not stand out from other methods. Since randomized control trials are regarded as the most reliable of all methods, and given that there are about as many studies from randomized trials

with significant positive and negative results, we conclude that programmes have actually both positive and negative effects. The fact that most findings are non-significant may to some extent reflect that the number of observations is often rather small in such controlled experiments.

Apart from Finland, where the active labour market policies seem to be more effective, there are not any significant differences across countries. We have not found any differences due to institutional factors either. These findings may be the result of small sample size and lack of variability between countries. It is noteworthy that Kluve (2010) found no impact of the institutional context either. Our results are in line with some of the findings in Card et al. (2010, 2015) and Kluve (2010) in other respects as well. Methodologically, they find that randomized trials do not give significantly different results than non-experimental methods. Our study reaches the same conclusion.

One weakness of meta-analyses often discussed is the so-called publication bias which is that studies that find significant results get more easily published. Since we do condition on the studies being published in scientific journals, the likelihood of publication bias is considerably reduced.

Ideally one would like to have more precise information than the sign of the effect. Impacts can be statistically significant but economically uninteresting if they are very small. Card et al. (2015) go to the great effort of calculating all impacts on employment in percent. If we were to pursue that line, the number of studies would be considerably reduced, since employment is only one of our measures. Nevertheless, it can be mentioned that they come to the conclusion that models based on the sign of the effect arrive at similar conclusions as those based on effect sizes.

It is challenging to perform a meta-analysis of this type. A caveat of our analysis is that there are relatively few evaluation studies of youth active labour market policies. This reduces the number of observations in our database. Thus, it becomes difficult to distinguish the importance of different factors from each other, such that the absence of statistical significance may be due to lack of data (degrees of freedom) rather than lack of "true" effect. For example, it is conceivable that the absence of significant differences in estimated effects related to institutional factors may be caused by too little variation in the institutional arrangements within each country. Thus, it becomes difficult to separate "country effects" from "institutional effects". Consequently, results must be interpreted with a degree of caution.

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