Jobs for Youth

GREECE

Des emplois pour les jeunes

OECD

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(*Des emplois pour les jeunes*)

Greece 2010

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

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FOREWORD

The OECD's Employment, Labour and Social Affairs Committee has decided to carry out a thematic review of policies to facilitate the transition from school to work and improve the employment prospects of youth. This review is a key part of the implementation of the Reassessed OECD Jobs Strategy.

Sixteen countries (Australia, Belgium, Canada, Denmark, France, Greece, Japan, Korea, Netherlands, New Zealand, Norway, Poland, Slovak Republic, Spain, United Kingdom and United States) have agreed to participate in the review, which began in 2006 and is now complete. Drawing from all the country reviews, a synthesis report will be prepared highlighting the main issues and policy recommendations which will be discussed subsequently by OECD Employment and Labour Ministers.

In this thematic review, the term youth encompasses "teenagers" (*i.e.* in statistical terms, youth aged 15/16-19), as well as "young adults" (aged 20-24 and 25-29).

This report on Greece was prepared by Glenda Quintini, with the statistical assistance of Sylvie Cimper and Thomas Manfredi. It is the 16th and final country report prepared in the context of this thematic review supervised by Stefano Scarpetta (Head of Division) and Anne Sonnet (Project Leader). A draft of this report was presented at a seminar held in Athens on 18 December 2009. The seminar, which was organised by the Employment Observatory (PAEP) for the Ministry for Employment and Social Security, brought together representatives of the public authorities and the social partners, as well as academic experts.

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SUMMARY AND MAIN RECOMMENDATIONS

Note that the analysis included in this report was mostly conducted before the unfolding of the current major fiscal crisis and before the Greek government announced what policies it was going to undertake to respond to the crisis.

The labour market performance of young people

In recent months, the labour market conditions facing Greek youth have deteriorated markedly. Between the third quarter of 2009 and the corresponding quarter of the previous year the youth unemployment rate rose by 3 percentage points. The OECD's latest projections at the time of writing (published in November 2009) show Greek GDP contracting by over 1% in 2009, with a further decline of 0.7% in 2010. As a result, the labour market performance of Greek youth will worsen further in the short-term.

This represents a turning point to the improvements recorded until 2008. Between the late 1990s and 2008, the youth unemployment rate fell from over 30% to 21%, the incidence of long-term unemployment among youth declined from 52% to 39% and the share of youth neither in employment nor in education or training (NEET) decreased from 18% to 13%. Over the same period, the youth employment rate declined by 4 percentage points to 24%, but this primarily reflected more time spent in education and the small share of Greek youth combining work and study.

Despite these improvements, in 2008, Greek youth still lagged behind most of their OECD counterparts in terms of their labour market performance. According to several indicators of youth labour market outcomes, Greece was still among the worst performers across the OECD: youth unemployment was 7 percentage points above the OECD average; the incidence of long-term unemployment was twice as high as the OECD average; and the youth employment rate was 20 percentage points below the OECD average. In addition, transitions from school to work continue to be long and difficult in Greece, even for the most qualified. Greek youths take

on average two years to find their first job after leaving education, well above the European average of 17 months and four times as long as their counterparts in the United States. Also, their entry jobs are often low-paid, *i.e.* jobs that pay less than two-thirds of the median wage. In 2006, low pay affected 57% of working youth – the highest incidence across the OECD countries for which this statistic is available – and it was hard for them to move to higher-paid employment, particularly for the least qualified. Many Greek youth also worked in temporary jobs.

However, as in many other OECD countries, the average labour market outcomes of Greek youth hide significant variation across socio-demographic groups. Young Greek women, teenagers and youth living in rural areas perform very poorly on the labour market. Greek women take longer to find their first job after completing education and their labour market outcomes are significantly worse than those of their male counterparts, which is mostly due to their higher likelihood of withdrawal from the labour force. The picture across qualifications is somewhat unusual. Upon leaving education, the unemployment rate of tertiary-educated youth is higher than that of youth without any qualifications, and it takes two to three years for this situation to invert. In addition, the phenomenon of so-called "over-qualification" – *i.e.* people working in jobs for which they are over-qualified – is widespread, with many tertiary graduates working in retail as sales personnel. On the other hand, out-of-school youth with no or few qualifications are more likely to withdraw permanently from the labour force.

Addressing the challenges outlined above is hampered in the Greek context by several structural issues spanning the domains of education and labour market policy. First, the links between the education system and the labour market are too weak and work-based learning opportunities are limited. Moreover, many youth leave education without adequate qualifications: in 2007, 12% of 15-24-year-old Greek youth had left education without an upper secondary qualification which is regarded as the minimum level of basic skills to integrate in today's labour market. Second, the combination of relatively high minimum wages, taxes on labour and dismissal costs discourages employers from hiring inexperienced youth. Finally, despite some recent initiatives, labour market measures available at the public employment service for unemployed youth are not subject to the mutual-obligations principle and their effectiveness is unknown.

Recent initiatives

In October 2009, the newly-elected Papandréou government announced a number of measures aimed at sustaining youth labour market outcomes in the context of the ongoing economic crisis. The announced

actions included cuts in social security contributions, tax exemptions, work-experience programmes and more generous unemployment benefits. The Papandréou government is proposing to cut social security contributions for each new employee aged 30 or younger hired by an SME, provided the firm does not fire any worker to take advantage of the subsidies. The subsidies would last four years and would amount to 100% of social security contributions for the first year, 75% for the second year, 50% for the third year and 25% for the fourth year. The government also plans to introduce a 5-year tax exemption for small businesses owned by young people in rural and semi-rural regions. In addition, an overhaul of work-experience programmes is envisaged so that the new programmes are six-month long, focused on practical learning, limited to the private sector, offered only once per beneficiary and targeted on post-secondary graduates. Finally, the current government has announced that unemployment insurance will be increased gradually from the current 55% of the minimum wage to 70%, for all age groups.

Earlier in 2009, under the Karamanlis government, two other programmes targeted on youth had been launched. The *special programme for the promotion of youth employment* targets 18-30-year-old unemployed youth with at least an upper secondary qualification and is aimed at fostering their employment in small firms through a wage subsidy. The subsidy is paid for 21 of the 24 months of employment and is equivalent to approximately 25% of the average wage of a Greek worker. The *A start an Opportunity* programme targets NEET youth aged 16-25 who have completed compulsory education and hold at most an upper secondary qualification. The programme allows youth to choose among the following options: fully subsidised work experience for five months, training in information and communication skills and integrated counselling including vocational guidance and job-search training.

In early 2009, the Karamanlis government had also introduced or strengthened some measures not targeted specifically on youth but to which youth have access. Notably, the conversion of unemployment benefit payments into wage subsidies launched in 2004 was extended to public sector employment in order to offset very weak job creation in the private sector in the context of the economic slowdown. Also, training programmes in tourism, so-called "green jobs", construction and ICT were launched.

These recent policies to sustain youth employment during the crisis and beyond should be seen in the context of earlier reform efforts. Indeed, a set of activation initiatives were introduced between 2006 and 2008 to help youth find work more swiftly. These included entrepreneurial training, vocational guidance and job-search training available at the

public employment service, as well as financial support and counselling to start a business or open a private practice.

In the education domain, efforts to reduce early school leaving and ensure that youth leave education better prepared for the labour market have been stepped up over the past few years. Starting from the school year 2007/08, the government mandated preschool attendance for 5-year-old children. In 2006, upper secondary education was reformed with the aim of strengthening vocational education. In addition to a General Lyceum imparting academic education, the new framework includes: a Professional Lyceum providing vocational education with emphasis on theoretical knowledge and giving access to tertiary education; and Vocational Schools providing vocational training with emphasis on practical learning and laboratory practice. Moreover, a number of Vocational Schools under the supervision of the public employment service provide apprenticeship training. Although the excessively-theoretical focus of the Professional Lyceum needs to be addressed, this new framework ensures that youth wishing to attend vocational education have the option of doing so within the upper secondary system which could help raise the image of vocational learning.

In 2005, the Greek government also launched a tertiary education reform focused around two key changes. First, the reform created the Hellenic Quality Assurance Agency charged with evaluating tertiary education institutions. An *internal* evaluation exercise is being carried out for the first time in 2009 and non-performing institutions will be required to rectify problems within four years. In addition, a few departments have already undergone an *external* evaluation which will be unrolled shortly in all tertiary institutions. However, it is not yet clear how funding will be revised in line with evaluation outcomes. Second, limits were placed on study time for new tertiary entrants in the hope of reducing the large share of youth who take longer than the required time to complete their studies. In addition to the reform, the government has recently increased the test score required to enter tertiary education with the aim of restricting access to tertiary studies to students who have the basic knowledge required to graduate. This move has the potential to reduce drop-out rates at tertiary vocational institutions where most of the lowest-performing students are enrolled.

Suggested recommendations in response to the remaining challenges

The recent initiatives go in the right direction. Strengthening support available to unemployed youth is essential in view of the likely repercussions of the unfolding recession on youth labour market performance. However, the emphasis must be put on well-structured,

comprehensive measures of proven effectiveness. Over the coming year, school-leavers will face very difficult labour market entry conditions. As a result, even more youth, particularly among the least qualified, are likely to drift into long-term unemployment or prolonged inactivity and, in the absence of effective preventive measures, many will ultimately become disconnected from the labour market. Minimising this long-term "scarring" effect must be a major government objective. In addition, recent reforms to the education system require stricter enforcement and need to pave the way for more radical changes.

Many of the reforms call for more public spending but the Greek government is currently confronting a major fiscal crisis, with a public deficit estimated at 12.7% of GDP in 2009 and debt above 110% of GDP. As a result, additional public spending on labour market policies, education and training must be shown to be fully cost-effective. An imperative is to rigorously evaluate any new initiative and spend only on measures that pass a positive benefit-cost test. However, given the urgency of action and the long delays involved in undertaking rigorous evaluations, current additional spending should be guided by rigorous evaluations in other countries.

To address these challenges, the government should focus on three areas: *i)* ensuring that youth leave education with the skills required in the labour market; *ii)* reducing labour demand barriers to the hiring of youth; and *iii)* implementing a comprehensive activation strategy for non-employed youth.

Ensuring that youth leave education with the skills required in the labour market

Reducing the share of youth with no qualifications is key to addressing the challenges facing Greek youth. While the share of early school-leavers has declined significantly from 17% in 1997 to the current 12%, it is still unclear whether Greece can meet the Lisbon objective of 10% by the end of 2010. In addition, drop-out rates are much higher than average among vocational education students, immigrant youth, minorities and youth living in the island regions.

Some structural issues are likely to be behind these poor outcomes. First, very few Greek children participate in early-childhood education and care compared with other OECD countries for which data are available. The recent measure making attendance of preschool compulsory for 5-year-old children is a welcome development but still leaves Greece behind some European countries – notably France, Italy and Spain – where participation in preschool is universal among 3-5-year-old children. In fact, there is evidence that participation in high-quality early-childhood education and care improves retention rates and labour market outcomes after school leaving, particularly

for children with a disadvantaged background. The most effective interventions are those including support during the delicate transition from preschool to primary education. As far as programmes targeted on low-income families are concerned, several US early-childhood initiatives, such as the Chicago Child-Parent Centres (CPC), provide examples of good practice. The CPC provide free centre-based early-childhood services for disadvantaged families, including education, family and health counselling and school-age services in linked elementary schools.

Second, education in Greece is only compulsory until age 14½ compared with a median age of 16 across the OECD. In addition, there is evidence that the compulsory education requirement is badly enforced. In fact, about 3.3% of children do not enrol in lower secondary education after completing primary education and another 3.2% enrol but leave without fulfilling the remaining three years of compulsory education. With several OECD countries planning to raise the age of compulsory education to 18 or tying school-leaving to the acquisition of an upper secondary or vocational qualification, Greece risks falling further behind. In this respect, the current economic downturn could provide a suitable backdrop for a move to raise the compulsory education requirement. Indeed, as labour market opportunities decrease, particularly for youth without qualifications, drop-out rates are likely to fall, making it easier to gather political consensus and to enforce the new measures. However, any reform aimed at raising the school-leaving age should be accompanied by efforts to ensure that a longer period in school leads to the acquisition of a valued qualification and there is sufficient capacity in the schooling and training system to meet the increased demand. In addition, this reform would involve significant public spending and the expected returns would need to be compared with competing claims on scarce public funds, *e.g.* from expanding early-childhood education and care services.

Third, *secondary vocational* education suffers from a very bad image in Greece, which depresses enrolments. Moreover, employers are rarely involved in the design of vocational curricula limiting the links between what is taught and (local) labour market needs. Improving the profile and quality of this learning route is essential to engage youth who have become disaffected with academic learning and are at high risk of dropping out, particularly if the compulsory education requirement is raised. The Greek government has recently strengthened the vocational guidance framework. However, counselling in schools is mostly provided by teachers with little specific expertise and the lack of local labour market data makes it difficult to provide appropriate guidance to students and their parents on post-graduation employment opportunities in each area of study.

The 2006 reform of upper secondary education raised vocational education to the rank of academic upper secondary education and now allows

entry *via* this route to tertiary education. Unfortunately, none of the vocational routes currently available within the Greek education system combines class-based learning with work-based training despite this being regarded internationally as the most effective learning method in vocational education. Indeed, evidence from other European countries, such as France, shows that too-theoretical vocational education pathways – such as the Professional Lyceum – fail to provide their graduates with good labour market opportunities. At present, only apprenticeships run by the public employment service include a sizeable on-the-job training component. The programme lasts for two years and includes off-the-job training alongside work practice. Apprentices are paid a fraction of the basic wage which increases with seniority. However, few apprenticeship places are available and opportunities for expansion, notably beyond the traditional trades, have not been explored.

Fourth, remedial education opportunities for youth who have left school without completing compulsory or upper secondary education are available through various programmes. However, no outreach activities are carried out to encourage drop-outs to enroll in these remedial courses. As a result, only the most motivated youth benefit from these initiatives.

The Greek tertiary education system has also many problems. In the early stages of their career, many tertiary graduates face higher unemployment than their least-qualified counterparts, although their employment prospects and several aspects of job quality improve as they accumulate labour market experience. Returns to tertiary education are low by international standards and mismatch between work and field of study is common and persistent. Completion rates and hourly wages after graduation are particularly disappointing for *tertiary vocational* students. These poor outcomes can partly be blamed on the current entry system to tertiary education which has created significant distortions. In particular, available places at tertiary institutions reflect neither students' preferences nor labour demand. As a result, many students attend courses they are not interested in or decide to study abroad and many graduates face significant difficulties when looking for work. Moreover, the widespread recourse to *frontistiria* – private classes in preparation for the tertiary admission examination – has transformed upper secondary education into a mere transit point towards access to tertiary studies and one which favours students from better-off families.

Finally, very few Greek students work compared with their OECD counterparts in spite of evidence that combining work and study has the potential to improve labour market outcomes. Existing studies suggest that more efficient university offices for job placements and more internship programmes may help inform students about available work opportunities and encourage them to work.

To improve the opportunities for secondary and tertiary students to acquire the skills needed in the labour market, the following measures could be envisaged:

- *Expand existing early-childhood education programmes and emphasise sustained intervention.* The primary focus of the expansion should be children aged up to three because acting early is key and only 7% of children in this group are currently served compared with 70% of their preschool counterparts. Particular attention should be paid to ensure that early-childhood education services reach children from low-income families and/or with an immigrant/minority background. Also, children and their parents should be supported during the transition to primary education to ensure that the benefits of preschool interventions are sustained.

- *Envisage making education compulsory until age 18 or until a qualification is obtained, whichever is earlier.* Greece could enact this change gradually in order to minimise the transitional costs, raising the age of compulsory schooling to 16 first and then to 18 in a second step. It could also allow youth who wish to work to fulfil the new requirement by combining employment with training, as is the case in England. In addition, enforcement efforts to ensure school-attendance should be stepped up through: *i)* better information flows between primary and secondary schools to monitor enrolments; *ii)* monitoring of school attendance; *iii)* tracking of students who change school and/or move; and *iv)* clear responsibilities for schools, social services and the law enforcement authorities in the event of persistent non-attendance. Finally, for a move in this direction to be successful, it is essential that the profile and quality of vocational education are improved.

- *Create a single vocational route in upper secondary education combining class-based and work-based learning.* The single route should bring together the curricula of existing Professional Lyceum and Vocational Schools and provide basic skills, vocational knowledge and opportunities for laboratory *and* work-based practice. A tighter link with *local* labour market needs should be pursued through better measurement of such needs and a more active involvement of employers and trade unions in setting vocational curricula. The thorough assessment of local labour demand for vocational skills should play a key role in improving vocational guidance.

- *Expand apprenticeship training to include more professions and encourage employers, particularly SMEs, to take on more apprentices.* Greece could learn from the experience of a number of

countries that have recently committed to enlarging their apprenticeship programmes through: more involvement of social partners in the design and management of apprenticeships; appropriate financial subsidies to compensate employers for their training efforts; and the certification of the competencies acquired. In addition, SMEs should be encouraged to join forces at the local level to train apprentices, particularly in rural/isolated areas. Group Training Associations in the United Kingdom have this function and have been rather successful.

- *Undertake outreach activities to encourage participation in remedial education.* Second-chance schools should contact school drop-outs as early as possible and encourage them to enrol. These schools cater for students who have become disaffected with mainstream education by providing essential basic skills through interdisciplinary and more practical learning methods, but enrolments need to be encouraged and early action is key. One way to do so would be to offer youth without qualifications who have been NEET for some time a small allowance in exchange for the commitment to attend education, training or some form of work-based learning. A scheme along these lines – the Activity Agreement – is currently being piloted in the United Kingdom and this could serve as a model for Greece.

- *Change the university entry system.* Current reform proposals aimed at upgrading the upper secondary education curricula and creating a preparatory year before tertiary education entry go in the right direction. A similar system exists in the Canadian province of Québec where students attend colleges known as *Cégeps* (*Collèges d'enseignement général et professionnel*) to prepare for post-secondary education. In Greece, a *free* preparatory year would help to disconnect upper secondary education from the tertiary entry exams and would reduce the excessive reliance of students on *frontistiria* classes which currently generates significant disparities across income levels. However, such initiatives need to be accompanied by a change in the system of entering higher education. One option in this regard would be to have one national exam based on an improved curriculum at the end of upper secondary education, leading to the final school certificate. The selection for entering tertiary education could then be left to universities themselves.

- *Link the evaluation of tertiary institutions to funding.* Strengthening the quality of tertiary institutions is essential to improving the labour market prospects of their graduates. To encourage and reward high

quality teaching and research among tertiary institutions, part of the funding these institutions receive should be linked to the outcomes of the assessment exercise.

- *Improve the labour market relevance of tertiary vocational institutions*. In addition to the reforms recommended for tertiary education overall, some specific measures are required to improve the earnings prospects of tertiary vocational graduates. Local labour market needs should inform the supply of places in each field of study and local employers should be involved in setting the curricula. Measures of this type have been successfully applied in Finland and are being introduced in New Zealand.

- *Promote students' work, particularly at the tertiary level.* This could be done by extending the requirement of a period of compulsory practice in a real labour market environment, as presently used in some areas such as medicine (in hospitals) and education (in schools). This work practice should be validated by the university and the employer and participating students should be rewarded with credits towards the completion of their degree. There is also scope for broadening the role played by placement/career offices at tertiary institutions to provide support and information to students wanting to combine study and work. Finally, a Summer Jobs scheme targeted on at-risk students – like the one that the US government has recently re-introduced – may provide important work opportunities for students with limited family networks.

Reducing labour demand barriers to the hiring of youth

During this economic downturn, youth labour market conditions are deteriorating rapidly and the short-term outlook is grim. Given current OECD projections of GDP growth in Greece, the youth unemployment rate could reach 28% in 2010. In this context, measures supporting labour demand are essential to prevent the crisis from wiping out the progress made since the mid-1990s. In addition to policies aimed at stimulating economic growth, the hiring of youth could be boosted by removing some existing structural barriers.

In Greece, national minimum wages negotiated by social partners relative to the median wage are high by international standards even when the lowest rate applicable to a single blue-collar worker without experience is used in the assessment. In addition, no special provisions apply to youth or trainees. In 2007, a Greek 17-year-old on the lowest minimum-wage rate earned 51% of the median wage compared with just 36% in countries where a sub-minimum wage for youth existed. Premia applicable to married workers, white-collar workers and based on work experience would widen the difference between

Greece and the OECD average. Available econometric evidence from other countries suggests that this high minimum-wage rate can have serious negative effects on the youth employment rate, particularly in the context of the current economic downturn. In addition, it may encourage the youngest to leave education prematurely for work.

Two solutions could be envisaged to reduce the cost of hiring youth for employers. First, social partners should be encouraged to discuss the introduction of a sub-minimum wage for youth coupled with training obligations for these employees. Second, a reduction in non-wage labour costs could be envisaged for youth employed at or around the minimum wage. This option could be particularly interesting for Greece where non-wage labour costs are high by OECD standards and the relative cost of hiring a minimum-wage worker is above the OECD average. In this respect, the cuts in social security contributions recently announced by the Greek government would reduce non-wage labour costs but would cause significant deadweight losses unless they are narrowly targeted. Finally, a reduction in social security contributions around the minimum wage would be costly to the public finances and, if the fiscal balance were to remain unchanged, would imply increased contribution rates for higher earners, hence disemployment effects among them.

The employment opportunities of Greek youth are also hampered by one of the strictest sets of employment protection regulations in the OECD. White-collar workers are protected against dismissal by notice periods and severance payments which are several times more generous than the OECD average. These firing costs along with complex dismissal procedures play a key role in depressing hiring rates on permanent contracts of new labour market entrants, such as youth. In addition, very short trial periods are likely to discourage the hiring of young people whose productivity is difficult to judge *ex-ante*. Finally, the use of fixed-term contracts and temporary-work agencies is highly regulated although loose enforcement translates in their frequent use. This strict protection of formal workers may be one factor behind the spreading of informal employment and disguised self-employment whereby an employee-type relationship is masked as independent work for a single client/employer.

As a result, the following actions are recommended:

- *Introduce a sub-minimum wage for youth or reduce labour costs for minimum-wage earners.* Special minimum-wage provisions for youth should be linked to training provision in the workplace. An alternative would be to cut labour costs for minimum-wage workers by reducing employer social security contributions on earnings around the minimum wage.

- *Move towards a* single *contract of work with moderate protection against dismissal.* This *single* contract would entail moderate protection against dismissal that rises with tenure and no distinctions between blue- and white-collar workers or between permanent and temporary workers. Because some groups may see their protection against dismissal reduced by such a reform, the change should be accompanied by more effective re-employment services and more generous unemployment benefits within a mutual-obligations framework.

- *Lengthen the trial period in permanent contracts.* The current trial period of just two months is among the shortest in the OECD. Raising it – for instance, to about ten months as in Denmark – would make employers less reluctant to hire inexperienced youth under permanent contracts and could prove a crucial boost to hiring.

Implementing a comprehensive activation strategy for non-employed youth

The deterioration in the labour market performance of Greek youth over the course of 2009 calls for additional financial support coupled with effective re-employment efforts. The initiatives launched in 2009 go in the right direction but much remains to be seen as to their implementation and effectiveness. Moreover, a number of additional measures are needed urgently to upgrade activation measures managed by the Greek public employment service.

Greek youth with sufficient work-experience are entitled to unemployment insurance. However, given current eligibility conditions, only about 6% of unemployed youth receive unemployment insurance, compared with a European average of 17%. On the other hand, Greece is one of only a few countries where unemployment assistance is available to youth without any work experience. However, only 20-29-year olds who have been registered unemployed for at least one year are eligible and the allowance is small, at just EUR 73 per month for a maximum duration of five months. These two benefit schemes leave the vast majority of unemployed youth uncovered and make it difficult to mandate participation in re-employment programmes. Given current coverage levels, the planned gradual increase in the generosity of unemployment insurance will benefit a very small number of unemployed youth.

In 2006, Greece spent the equivalent of 0.14% of its GDP on active measures – including training, subsidised employment and financial support to self-employment – compared with 0.41% in the OECD on average. This accounted for about one fourth of total expenditure on labour market programmes. Although data are not available by age group, programmes for

youth tend to concentrate in the same three areas as for the unemployed as a whole. Also, active labour market measures put in place to address the current economic crisis amount to an additional 0.18% of GDP per year for the years 2009-11.

Two key limitations affect the Greek activation framework. First, labour market programmes in Greece do *not* apply the mutual-obligations principle by which jobseekers must actively seek work in exchange for targeted actions to help them find a job. Job-search requirements on benefit recipients are rarely enforced and existing sanctions for non-compliance have never been applied. Similarly, participation in targeted re-employment actions is not compulsory and the unemployed are *advised* but not *required* to participate in the programmes that are judged most suited to their needs. However, the application of the mutual-obligations principle to young programme participants is complicated by the fact that many registered unemployed youth do not receive benefits, invalidating the threat of benefit cuts. Second, no rigorous evaluation of activation programmes has been carried out in Greece and even performance measurement – *i.e.* the recording of participants' outcomes after they have completed a programme – rarely takes place.

Among training programmes, entrepreneurship training is the most popular one with Greek youth, reflecting the availability of subsidies to start a new business and a higher share of self-employed youth in total youth employment than in most other European countries. On the other hand, very few unemployed youth choose to participate in job-search training despite empirical evidence suggesting that this is one of just a few training measures that are effective. Employment subsidies have been extensively used in recent years and have been the main focus of the measures introduced in 2009 as a response to the economic downturn. Their amount varies from 25% of the average wage to full coverage of wage and non-wage labour costs. A number of rules apply to ensure that these subsidies result in net job creation. However, evidence shows that employment subsidies also incur significant deadweight losses if they are not narrowly targeted on the neediest groups. In Greece, a large share of beneficiaries in existing subsidies schemes is likely to be short-term unemployed young adults holding upper secondary qualifications, *i.e.* youth who could have been hired even in the absence of the subsidies. Indeed, at least 67% of participants in the *special programme for the promotion of youth employment* have to be short-term unemployed. Also, while *A Start an Opportunity* is also open to youth aged 16-17, no outreach efforts are foreseen to encourage participation of NEET youth who are not registered with the public employment service. As mentioned above, the recently announced cuts in social security contributions make no exception to this practice.

In order to improve the effectiveness of its activation strategy for disadvantaged youth, the Greek government could look at some examples of good practice from other OECD countries. In the United Kingdom, through the New Deal programme, the unemployed are gradually guided towards actions that are increasingly focused on their specific needs and NEET youth are fast-tracked into the programme. France, New Zealand and the United Kingdom have set up one-stop information/counselling services aimed at making contact with NEET youth and directing them to available training and employment programmes. The United States has extensive experience with programmes aimed at the hard-core group of youth at high risk of labour market and social exclusion. Job Corps – the longest-standing federal initiative aimed at this difficult group – is one of only a few interventions across the OECD that has yielded promising outcomes for this group of highly disadvantaged youth. The programme combines learning, employment assistance and adult mentoring in a residential setting. However, such an initiative would be costly: Job Corps slots cost approximately USD 25 000 each. But the social benefits can be significant: some, but not all, evaluations have shown positive benefit-cost ratios for participants.

To ensure the effective activation of non-employed youth in the context of the current major economic slowdown and beyond, the following actions are recommended:

- *Temporarily relax unemployment benefit eligibility conditions for unemployed youth but apply stricter job-search requirements.* Given the severity of the current economic downturn, a temporary reduction in the contributory history required to qualify for unemployment insurance would help prevent some youth from disconnecting from the labour market. Alternatively, the Greek government could extend the allowance paid to long-term unemployed youth without work experience to include the short-term unemployed and 16-19-year olds. If this were to occur, it should be matched by stricter job-search requirements backed by the threat of moderate benefit sanctions in order to avoid benefit dependency.

- *Envisage the application of the mutual-obligations principle to unemployment benefit recipients.* The application of this principle would provide an opportunity to direct unemployed youth to the employability programmes best suited to their needs, particularly if eligibility for unemployment benefits was extended to more youth. It would also align practice in Greece to that prevailing in several other OECD countries. Completing the merger of offices responsible for benefit payments with those in charge of re-employment measures is a necessary condition for the effective application of the mutual-obligations principle in Greece.

- *Set up rigorous evaluations and performance measurement of services provided by the public employment service.* Experimental evaluations are the best way to assess whether activation programmes work, *i.e.* whether participants achieve better outcomes than those they would have achieved had they not taken part in the programme. This is done by comparing programme participants with a control group of non-participating youth with similar characteristics. In addition to rigorous evaluations, the recording of post-programme outcomes – such as employment rates, job characteristics and earnings – upon completion and at several intervals after completion, is essential to evaluate and incentivise public employment offices.

- *Require participation in job-search training of all unemployed youth after a period of independent search.* To date, most evaluations of the effect of training programmes on re-employment rates of unemployed youth have been quite disappointing. Job-search training is the only measure that has been shown to work. Unfortunately, only about 1 000 unemployed Greek youth choose to participate in such a measure each year. Job-search courses should be the top priority in individual action plans drawn with the help of personal advisers and participation should be mandatory after a period of unfruitful independent job search. However, mandating participation would only be credible if eligibility requirements to unemployment benefits for youth were relaxed making moderate benefit sanctions possible.

- *Target employment subsidies on unemployed early school-leavers and long-term NEET youth and limit their use to jobs with training.* Deadweight loss from employment subsidies should be minimised through narrow targeting on the most disadvantaged youth. The focus should be put on supporting employment opportunities for long-term NEET youth and unemployed youth without upper secondary qualifications who are at high risk of withdrawing from the labour force. Employers should be required to provide training in exchange for the subsidy. For the short-term unemployed, early action should take the form of job-search support rather than the intensive and expensive interventions – notably, subsidised employment – used at present.

- *Revise the structure of* A Start an Opportunity *along the lines of more comprehensive programmes available in other OECD countries.* One example of good practice is provided by the New Deal in the United Kingdom. In the programme, clients are directed

to job-search training and monitoring, intensive counselling and direct placement assistance after 6 months of unemployment. Those who are still unemployed after 12 months are referred to specialist return-to-work providers for more personalised actions. A personal adviser accompanies participants from the day when actions start to when they become re-employed or are moved on to even more focused follow-up such as targeted training and/or subsidised employment. Participation in the programme is mandatory on the pain of a benefit sanction.

- *Set up outreach services for NEET youth.* The services could be modelled on those existing in other OECD countries. Their mission should be to pursue contact with youth who are disconnected from the labour force and from education and training and to direct them to available re-employment measures.

- *Consider the introduction of a residential-type programme to provide intensive support for the hardest-to-place young people.* This hard-core group is likely to include youth with complex needs who are very difficult to mobilise. For this group, a residential programme with a strong focus on remedial education, work experience and adult mentoring may well represent a new start in a proactive environment. A programme of this type would be particularly suited for long-term NEET youth. Outreach efforts should focus on enrolling at-risk youth who are not registered with the public employment service.

RÉSUMÉ ET PRINCIPALES RECOMMANDATIONS

* * *

Il faut noter que l'analyse présentée dans ce rapport a été réalisée avant la crise budgétaire actuelle et avant que le gouvernement grec n'annonce les mesures prévues pour y faire face.

* * *

Les jeunes et le marché du travail

Ces derniers mois, les conditions rencontrées par les jeunes Grecs sur le marché du travail se sont sensiblement détériorées. Entre le troisième trimestre 2008 et le troisième trimestre 2009, le taux de chômage des jeunes a augmenté de 3 points de pourcentage. Les estimations de l'OCDE les plus récentes au moment de la rédaction de ce rapport (publiées en novembre 2009) montrent une réduction du PIB de la Grèce de 1 % en 2009 suivie d'une baisse ultérieure de 0.7 % en 2010. La situation des jeunes Grecs sur le marché du travail continuera donc à se dégrader à court terme.

Cette évolution marque un renversement par rapport à la tendance positive observée jusqu'en 2008. Entre la fin des années 90 et 2008, le taux de chômage des jeunes est passé de plus de 30 % à 21 %, la part du chômage de longue durée chez les jeunes a chuté de 52 % à 39 % et la proportion de jeunes ni en emploi ni en formation a baissé de 18 % à 13 %. Parallèlement, le taux d'emploi des jeunes a reculé de 4 points de pourcentage pour s'établir à 24 %, ce qui tenait toutefois principalement à un allongement de la durée des études et à la faible proportion de jeunes conjugant études et travail en Grèce.

En dépit de ces améliorations, en 2008, les jeunes Grecs accusaient toujours un retard par rapport à la plupart de leurs homologues de la zone OCDE en termes de situation sur le marché du travail. Selon

plusieurs indicateurs relatifs à la situation des jeunes sur le marché du travail, la Grèce figure toujours en bas du classement de l'OCDE : le taux de chômage des jeunes y est supérieur de 7 points de pourcentage à la moyenne de l'OCDE ; l'incidence du chômage de longue durée est deux fois plus élevée que la moyenne de l'OCDE ; et le taux d'emploi des jeunes est inférieur de 20 points de pourcentage à la moyenne de l'OCDE. Par ailleurs, le passage de l'école à la vie active reste long et difficile en Grèce, même pour les jeunes les plus qualifiés. Les jeunes Grecs mettent en moyenne deux ans avant de décrocher leur premier emploi une fois leurs études achevées, ce qui est largement supérieur à la moyenne européenne de 17 mois et quatre fois plus long que leurs homologues aux États-Unis. En outre, leur premier emploi est souvent peu rémunéré, avec un salaire correspondant à moins des deux tiers du salaire médian. En 2006, l'emploi à faible rémunération concernait 57 % des jeunes actifs – soit le plus haut niveau des pays de l'OCDE pour lesquels cette statistique était disponible – et il leur était difficile de trouver un emploi mieux rémunéré, particulièrement pour les moins qualifiés. De nombreux jeunes Grecs occupaient en outre des emplois temporaires.

Toutefois, comme dans de nombreux autres pays de l'OCDE, les résultats moyens sur le plan professionnel des jeunes grecs masquent d'importantes variations entre les différentes catégories sociodémographiques. Les jeunes femmes, les adolescents et les jeunes habitants des zones rurales sont confrontés à une situation particulièrement difficile sur le marché du travail. Les femmes mettent plus de temps à trouver leur premier emploi après leurs études et leurs résultats sur le marché du travail sont largement inférieurs à ceux de leurs homologues masculins, ce qui tient principalement au fait qu'elles sont plus susceptibles de se retirer du marché du travail. S'agissant des compétences, la situation est relativement inhabituelle : à l'issue de leurs études, le taux de chômage des jeunes ayant suivi des études supérieures est plus élevé que celui des jeunes sans aucune qualification et cette situation ne commence à s'inverser qu'après deux à trois ans. Par ailleurs, le « déclassement » des diplômés – c'est-à-dire le travail dans des emplois nécessitant un niveau de compétences inférieur au leur – est répandu, de nombreux diplômés de l'enseignement supérieur travaillant dans le commerce de détail comme vendeurs. En revanche, les jeunes non scolarisés n'ayant peu ou pas de qualifications sont plus susceptibles de se retirer définitivement du marché du travail.

Pour remédier aux problèmes décrits ci-dessus, il est nécessaire de surmonter des obstacles structurels tenant à la fois du domaine de

l'enseignement et de celui de la politique du marché du travail. Tout d'abord, les liens entre le système éducatif et le marché du travail sont trop faibles et les possibilités de formation en entreprise sont limitées. Par ailleurs, de nombreux jeunes quittent l'école sans qualifications adéquates : en 2007, 12 % des Grecs âgés de 15 à 24 ans avaient abandonné leurs études avant d'être diplômés du deuxième cycle du secondaire, ce qui est considéré comme le niveau minimum pour intégrer aujourd'hui le marché du travail. Ensuite, le niveau relativement élevé du salaire minimum, du coût de la main-d'œuvre et des coûts de licenciement décourage les employeurs d'embaucher des jeunes sans expérience. Enfin, en dépit d'initiatives récentes, les mesures actives du marché du travail proposées par le service public de l'emploi aux jeunes chômeurs ne sont pas soumises au principe d'obligations réciproques et leur efficacité est inconnue.

Initiatives récentes

En octobre 2009, le gouvernement Papandréou nouvellement élu a annoncé plusieurs mesures visant à soutenir les jeunes sur le marché du travail dans le contexte de la crise économique. Les mesures annoncées incluaient notamment une baisse des cotisations de sécurité sociale, des exonérations d'impôt, des stages et des allocations de chômage plus généreuses. Le gouvernement Papandréou propose d'abaisser les cotisations de sécurité sociale pour chaque nouveau salarié de 30 ans ou moins embauché par une PME, à condition que l'entreprise ne procède pas à des licenciements pour tirer profit de ces aides. Ces aides seraient maintenues pendant quatre ans, à hauteur de 100 % des cotisations de sécurité sociale la première année, de 75 % la deuxième année, de 50 % la troisième année et de 25 % la dernière année. Le gouvernement envisage aussi d'instaurer une exonération d'impôt de cinq ans pour les petites entreprises créées par des jeunes dans les régions rurales ou semi-rurales. Il est en outre prévu de remanier les programmes de stage, qui dureraient six mois, seraient axés sur la formation pratique et limités au secteur privé, ne pourraient être suivis qu'une fois par bénéficiaire et cibleraient les diplômés de l'enseignement supérieur. Enfin, le gouvernement a annoncé que l'assurance-chômage serait progressivement relevée de 55 % du salaire minimum à 70 % pour tous les groupes d'âge.

Auparavant la même année, sous le gouvernement Karamanlis, deux autres programmes ciblés sur les jeunes avaient été introduits. Le *Programme spécial pour la promotion de l'emploi des jeunes* est destiné aux chômeurs âgés de 18 à 30 ans ayant au moins un diplôme du

deuxième cycle du secondaire et vise à favoriser leur embauche par les petites entreprises *via* une subvention salariale. Cette subvention est versée pendant 21 des 24 mois du contrat et correspond à 25 % environ du salaire moyen d'un travailleur grec. Le programme *Premier départ Première opportunité* cible les jeunes non scolarisés sans emploi âgés de 16 à 25 ans qui ont achevé leur scolarité obligatoire et sont diplômés au mieux du deuxième cycle de l'enseignement secondaire. Ce programme offre à ces jeunes la possibilité de choisir l'une des options suivantes : expérience professionnelle entièrement subventionnée pendant cinq mois, renforcement des compétences en matière d'information et de communication ou services de conseil incluant orientation professionnelle et formation à la recherche d'emploi.

Début 2009, le gouvernement Karamanlis avait également instauré/renforcé certaines mesures qui ne ciblaient pas les jeunes en particulier mais auxquelles ils avaient accès. Ainsi, la conversion des prestations de chômage en subventions salariales introduite en 2004 a été étendue à l'emploi dans le secteur public afin de compenser la faiblesse des créations d'emploi dans le secteur privé sous l'effet du ralentissement économique. Par ailleurs, des programmes de formation dédiés aux secteurs du tourisme, des « emplois verts », du BTP et des TIC ont été mis en place.

Ces initiatives récentes visant à soutenir l'emploi des jeunes pendant et après la crise doivent être analysées dans le contexte des efforts préalables de réforme. Ainsi, plusieurs mesures d'activation ont été adoptées entre 2006 et 2008 afin d'aider les jeunes à s'insérer plus rapidement sur le marché du travail, comme la formation à l'entrepreneuriat, l'offre de services d'orientation professionnelle et d'aide à la recherche d'emploi par le service public de l'emploi et l'aide financière et le conseil pour la création d'entreprise ou le démarrage d'une activité libérale.

Dans le domaine de l'enseignement, les efforts visant à réduire le taux d'abandon scolaire et à veiller à ce que les jeunes quittent l'école mieux armés pour entrer sur le marché du travail se sont intensifiés ces dernières années. Depuis l'année scolaire 2007/08, le gouvernement a rendu obligatoire la fréquentation de structures préscolaires pour les enfants dès l'âge de 5 ans. En 2006, le deuxième cycle de l'enseignement secondaire a été réformé dans l'objectif de renforcer la formation professionnelle. Outre un lycée d'enseignement général, la nouvelle structure prévoit : un lycée professionnel qui assure une formation professionnelle mettant l'accent sur le savoir théorique et donnant accès à l'enseignement supérieur, et des écoles professionnelles

qui mettent l'accent sur l'enseignement pratique. Par ailleurs, sous l'autorité du service public de l'emploi, plusieurs écoles professionnelles proposent un apprentissage en alternance. Si l'orientation très théorique de l'enseignement dispensé dans les lycées professionnels pose problème, cette nouvelle structure garantit que les jeunes souhaitant suivre une formation professionnelle ont la possibilité de le faire au sein du deuxième cycle du secondaire, ce qui pourrait contribuer à améliorer l'image de la formation professionnelle.

En 2005, le gouvernement a également lancé une réforme de l'enseignement supérieur reposant sur deux piliers. Tout d'abord, cette réforme a conduit à la création de l'Agence grecque pour l'assurance qualité, chargée d'évaluer les établissements d'enseignement supérieur. Une évaluation *interne* a été menée pour la première fois en 2009 et les établissements aux résultats non satisfaisants seront invités à prendre les mesures nécessaires dans un délai de quatre ans. Par ailleurs, quelques départements ont déjà fait l'objet d'une évaluation *externe* qui sera mise en œuvre prochainement dans tous les établissements d'enseignement supérieur. Toutefois, il est encore difficile de savoir comment les financements seront ajustés en fonction des résultats de l'évaluation. Ensuite, le gouvernement a instauré des limites à la durée des études pour les étudiants commençant leurs études supérieures, dans l'espoir de réduire la forte proportion de jeunes qui mettent plus de temps que nécessaire pour terminer leurs études. Outre cette réforme, le gouvernement a récemment revu à la hausse la note requise pour être admis dans l'enseignement supérieur, en vue de restreindre l'accès aux études supérieures aux seuls étudiants ayant les compétences de base indispensables pour obtenir leur diplôme. Cette mesure pourrait permettre de diminuer les taux d'abandon dans les établissements d'enseignement professionnel supérieur où sont inscrits la plupart des étudiants aux résultats les plus faibles.

Recommandations proposées au vu des difficultés qui demeurent

Les initiatives lancées dernièrement vont dans la bonne direction. Il est essentiel de renforcer le soutien offert aux jeunes chômeurs compte tenu des conséquences probables de la récession actuelle sur les résultats des jeunes sur le marché du travail. Cependant, il convient de privilégier des mesures bien conçues et complètes, à l'efficacité prouvée. Au cours des douze prochains mois, les jeunes sortis du système scolaire seront confrontés à des conditions très difficiles pour accéder au marché du travail. De ce fait, de plus en plus de jeunes, surtout les moins qualifiés, pourraient sombrer dans le chômage de

longue durée ou l'inactivité prolongée et, en l'absence de mesures efficaces de prévention, nombre d'entre eux se couperont totalement du marché du travail à terme. Les pouvoirs publics doivent se fixer comme priorité d'atténuer le plus possible ces effets de stigmatisation. Par ailleurs, les réformes menées récemment dans le système éducatif doivent être appliquées de manière plus stricte et ouvrir la voie à des changements plus radicaux.

Nombre de ces réformes supposent une hausse des dépenses publiques mais les autorités grecques doivent actuellement faire face à une crise budgétaire majeure, avec un déficit public estimé à 12.7 % du PIB en 2009 et une dette supérieure à 110 % du PIB. Dans ces conditions, les dépenses publiques supplémentaires consacrées aux politiques du marché du travail, à l'éducation et à la formation doivent faire la preuve de leur rapport coût-efficacité. Il est crucial d'évaluer rigoureusement toute nouvelle initiative et de ne dépenser que pour les mesures passant avec succès le test du rapport coûts/avantages. Toutefois, compte tenu de l'urgence de l'action à mener et des délais très longs nécessaires à une évaluation rigoureuse, la hausse des dépenses publiques devrait s'appuyer sur les évaluations rigoureuses réalisées dans d'autres pays.

Pour relever ces défis, le gouvernement doit se fixer trois objectifs : *i)* veiller à ce que les jeunes quittent l'école en ayant acquis les compétences requises sur le marché du travail ; *ii)* réduire les obstacles à l'embauche des jeunes ; et *iii)* mettre en œuvre une stratégie d'activation d'ensemble pour les jeunes sans emploi.

Veiller à ce que les jeunes quittent l'école en ayant acquis les compétences requises sur le marché du travail

Il est essentiel de réduire la proportion des jeunes qui n'ont pas de qualifications afin de résorber les difficultés auxquelles les jeunes sont confrontés en Grèce. Si la proportion de jeunes quittant prématurément le système scolaire a sensiblement reculé, de 17 % en 1997 à 12 % actuellement, il n'est pas encore certain que la Grèce puisse atteindre l'objectif de Lisbonne fixé à 10 % d'ici fin 2010. Par ailleurs, les taux d'abandon sont plus élevés que la moyenne parmi les élèves suivant des cursus professionnels, les jeunes issus de l'immigration, les minorités et les jeunes vivant dans les régions insulaires.

Plusieurs obstacles structurels sont responsables de ces mauvais résultats. Tout d'abord, peu d'enfants grecs fréquentent des structures d'accueil et d'éducation des jeunes enfants par rapport aux autres pays

de l'OCDE pour lesquels des données sont disponibles. S'il faut saluer la mesure récente rendant obligatoire la fréquentation de structures préscolaires pour les enfants dès l'âge de 5 ans, la Grèce demeure néanmoins en retard par rapport à certains pays européens – notamment l'Espagne, la France et l'Italie – où l'éducation préscolaire concerne tous les enfants de 3-5 ans. L'expérience a montré que des services d'accueil et d'éducation de qualité pour les jeunes enfants améliorent les taux de poursuite des études et les résultats sur le plan professionnel après les études, particulièrement pour les enfants issus de milieux défavorisés. Les interventions les plus efficaces sont celles qui prévoient un soutien au cours de la phase délicate de transition entre l'éducation préscolaire et l'enseignement primaire. S'agissant des programmes ciblés sur les familles à faibles revenus, plusieurs initiatives menées aux États-Unis auprès des jeunes enfants, comme les *Chicago Child-Parent Centres* (CPC), offrent des exemples de pratiques exemplaires. Le CPC propose des services gratuits autour de la petite enfance pour les familles défavorisées, comme des conseils pour l'éducation, la famille et la santé et des services dans des écoles élémentaires partenaires.

La scolarité n'est obligatoire en Grèce que jusqu'à l'âge de 14 ans et demi, contre un âge médian de 16 ans au sein de la zone OCDE. En outre, il est avéré que le principe de la scolarité obligatoire n'est pas appliqué efficacement. En fait, 3.3 % environ des enfants ne poursuivent pas leurs études dans le premier cycle de l'enseignement secondaire après avoir terminé le primaire et 3.2 % supplémentaires s'inscrivent dans le secondaire mais abandonnent leurs études avant d'avoir terminé leurs trois années restantes de scolarité obligatoire. Plusieurs pays de l'OCDE envisagent de relever l'âge de la scolarité obligatoire à 18 ans ou de subordonner l'âge de fin de scolarité à l'obtention d'un diplôme du deuxième cycle du secondaire ou de l'enseignement professionnel et la Grèce pourrait donc creuser encore son retard. Dans ce contexte, la crise économique actuelle pourrait offrir l'occasion de relever l'âge de fin de scolarité obligatoire. En effet, au fur et à mesure que les perspectives du marché du travail s'assombrissent, particulièrement pour les jeunes sans qualifications, les taux d'abandon des études devraient reculer, ce qui permettra de dégager plus facilement un consensus politique et de faire appliquer plus efficacement les nouvelles mesures. Néanmoins, toute réforme visant à relever l'âge de fin de scolarité devrait s'accompagner de mesures veillant à ce que l'allongement de la scolarité se traduise par l'acquisition d'une qualification reconnue et à ce que le système scolaire et de formation dispose des capacités suffisantes pour répondre à la hausse de la demande. Par ailleurs, cette réforme

impliquera d'importantes dépenses publiques, dont les bénéfices escomptés devront être comparés à ceux d'autres mesures prévues – notamment le développement de l'offre de services d'accueil et de garde des jeunes enfants – compte tenu d'un budget public limité.

L'*enseignement professionnel secondaire* pâtit d'une très mauvaise image en Grèce, ce qui a une incidence négative sur les inscriptions. Par ailleurs, les employeurs sont rarement impliqués dans l'élaboration des programmes des filières professionnelles, ce qui limite les liens entre la formation et les besoins du marché du travail (local). Il est indispensable d'améliorer l'image et la qualité de ces filières pour attirer les jeunes déçus par l'enseignement général et tentés d'abandonner leurs études, d'autant plus si l'âge de fin de la scolarité obligatoire est revu à la hausse. Le gouvernement grec a récemment renforcé le cadre d'orientation professionnelle. Toutefois, dans les écoles, les élèves sont principalement conseillés par des enseignants ayant peu de connaissances spécifiques et il est difficile, en l'absence d'informations sur le marché du travail local, de conseiller efficacement les élèves et les parents sur les débouchés professionnels dans chaque filière.

La réforme du deuxième cycle de l'enseignement secondaire lancée en 2006 a hissé l'enseignement professionnel au même niveau que l'enseignement secondaire général et a ouvert des passerelles entre les filières professionnelles et l'enseignement supérieur. Malheureusement, aucune des filières professionnelles actuellement proposées par le système éducatif grec ne conjugue apprentissage théorique et formation pratique en entreprise, alors que cette méthode est reconnue à l'échelle internationale comme la plus efficace dans le domaine de la formation professionnelle. Ainsi, l'expérience d'autres pays européens, comme la France, montre que des filières professionnelles trop théoriques – comme le lycée professionnel – n'offrent pas aux élèves de débouchés solides sur le marché du travail. À l'heure actuelle, seul l'apprentissage géré par le service public de l'emploi prévoit un important volet de formation en entreprise. Ce programme dure deux ans et conjugue formation théorique et pratique en entreprise. Les apprentis perçoivent une rémunération correspondant à une fraction du salaire de base, qui augmente avec l'ancienneté. Toutefois, les places d'apprentis sont rares et les possibilités d'expansion, notamment hors des secteurs d'activité traditionnels, n'ont pas été étudiées.

Parallèlement, divers programmes proposent un enseignement de soutien pour les jeunes qui ont quitté l'école sans avoir achevé leur

scolarité obligatoire ou le deuxième cycle du secondaire. Cependant, aucune campagne de sensibilisation n'est menée pour encourager ces jeunes à suivre ces cours de remise à niveau. De ce fait, seuls les jeunes les plus motivés tirent profit de ces initiatives.

Le système d'enseignement supérieur grec doit également faire face à de nombreux problèmes. Au début de leur carrière, de nombreux diplômés de l'enseignement supérieur sont confrontés à un taux de chômage plus élevé que leurs homologues moins qualifiés, même si leurs perspectives d'emploi et plusieurs aspects de la qualité de leur emploi s'améliorent au fur et à mesure qu'ils acquièrent de l'expérience. Le rendement de l'enseignement supérieur est bas par rapport à la moyenne internationale et il existe un mauvais appariement entre le contenu des études suivies et l'emploi décroché. Les taux de réussite et les salaires horaires après la fin des études sont particulièrement décevants pour les étudiants des *filières supérieures professionnelles*. Ces résultats médiocres sont en partie attribuables au système actuel d'admission dans l'enseignement supérieur qui est à l'origine d'importantes distorsions. Les places disponibles dans les établissements supérieurs, en particulier, ne reflètent ni les préférences des étudiants ni la demande de main-d'œuvre. De nombreux étudiants suivent donc des cours qui ne les intéressent pas ou décident de partir étudier à l'étranger, tandis que nombre de diplômés rencontrent d'importantes difficultés dans leur recherche d'emploi. Par ailleurs, le recours très répandu aux *frontistiria* – écoles privées de préparation à l'examen d'entrée du supérieur – a fait du deuxième cycle de l'enseignement secondaire un simple passage vers l'accès aux études supérieures, passage qui privilégie les étudiants issus de familles favorisées.

Enfin, peu d'étudiants grecs travaillent par rapport à leurs homologues des autres pays de l'OCDE, en dépit de l'expérience ayant montré que la conjugaison d'une activité professionnelle et des études offre de meilleurs débouchés sur le marché du travail. Les études existantes donnent à penser que des bureaux de placement plus efficaces dans les universités et un plus grand nombre d'offres de programmes de stages pourraient contribuer à informer les étudiants des possibilités d'emploi disponibles et à les inciter à travailler.

Pour améliorer les possibilités offertes aux élèves de l'enseignement secondaire et supérieur d'acquérir les compétences requises sur le marché du travail, les mesures suivantes pourraient être envisagées :

- *Étendre les programmes existants d'éducation des jeunes enfants et mettre l'accent sur les interventions soutenues.* L'extension des programmes devrait en priorité concerner les enfants jusqu'à l'âge de 3 ans, étant donné qu'il est essentiel d'agir le plus tôt possible et que seuls 7 % des enfants de ce groupe suivent actuellement ces programmes contre 70 % de leurs homologues préscolarisés. Il faudrait particulièrement veiller à ce que les services d'enseignement pour les jeunes enfants soient accessibles aux familles à faibles revenus et/ou issues de l'immigration ou des minorités. En outre, les enfants et leurs parents devraient être soutenus au cours de la transition vers l'école primaire, afin de pérenniser les bénéfices tirés de la préscolarisation.

- *Envisager de repousser l'âge de fin de scolarité obligatoire à 18 ans ou selon les cas, jusqu'à l'obtention d'un diplôme.* La Grèce pourrait mener cette réforme progressivement de manière à limiter au maximum les coûts de transition, en relevant l'âge de fin de scolarité obligatoire à 16 ans dans un premier temps, puis à 18 ans. Elle pourrait aussi permettre aux jeunes qui souhaitent travailler de remplir cette nouvelle obligation en combinant emploi et formation, comme c'est le cas en Angleterre. Par ailleurs, les efforts menés pour garantir la fréquentation scolaire doivent être renforcés par les mesures suivantes : *i)* amélioration des flux d'information entre les établissements primaires et secondaires pour contrôler les inscriptions ; *ii)* contrôle de l'assiduité ; *iii)* suivi des élèves qui changent d'école et/ou déménagent ; et *iv)* définition claire des responsabilités entre les écoles, les services sociaux et les autorités chargées de faire respecter la loi en cas d'absences répétées. Enfin, pour que cette réforme soit couronnée de succès, il est essentiel d'améliorer l'image et la qualité de l'enseignement professionnel.

- *Créer une seule filière professionnelle dans le deuxième cycle du secondaire, associant enseignement théorique et apprentissage en entreprise.* Cette filière unique devrait réunir les programmes des lycées professionnels et des écoles professionnelles existants et proposer l'enseignement des compétences de base et des connaissances spécialisées, ainsi que des possibilités d'application pratique en laboratoire *et* en entreprise. Il faudrait renforcer les liens avec les besoins du marché du travail *local*, en les quantifiant mieux et en

impliquant de manière plus active les employeurs et les syndicats dans l'élaboration des programmes d'enseignement professionnel. L'évaluation précise de la demande locale de compétences professionnelles sur le marché du travail devrait jouer un rôle déterminant dans l'optimisation de l'orientation professionnelle.

- *Étendre l'apprentissage afin de couvrir davantage de professions et inciter les employeurs, particulièrement les PME, à accueillir plus d'apprentis.* La Grèce pourrait s'inspirer de l'expérience de plusieurs pays qui se sont récemment engagés à étendre leurs programmes d'apprentissage en adoptant les mesures suivantes : participation plus active des partenaires sociaux dans l'élaboration et la gestion des contrats d'apprentissage ; aide financière appropriée pour indemniser les employeurs pour les efforts consentis en matière de formation ; et validation des compétences acquises. Par ailleurs, les PME devraient être incitées à unir leurs forces à l'échelon local pour former les apprentis, particulièrement dans les régions rurales ou isolées. Au Royaume-Uni, les *Group Training Associations* jouent ce rôle et obtiennent d'assez bons résultats.

- *Mener des activités de sensibilisation pour encourager la participation à l'enseignement de soutien.* Les écoles de la deuxième chance devraient contacter les jeunes qui abandonnent leurs études dès que possible afin de les inciter à s'inscrire. Ces établissements s'adressent aux élèves déçus par l'enseignement général et leur permettent d'acquérir les compétences de base à l'aide de méthodes d'apprentissage interdisciplinaires et davantage axées sur la pratique. Néanmoins, il est essentiel de promouvoir les inscriptions et d'agir rapidement. Pour ce faire, il pourrait être possible de proposer aux jeunes sans qualifications, sans emploi et non scolarisés depuis un certain temps une petite allocation sous réserve qu'ils s'engagent à suivre des cours, une formation ou une forme d'apprentissage en entreprise. Un programme de ce type, baptisé *Activity Agreement*, est actuellement à l'essai au Royaume-Uni et pourrait servir de modèle à la Grèce.

- *Modifier le système d'admission à l'université.* Les projets de réforme actuels qui visent à relever le programme du deuxième cycle du secondaire et à créer une année préparatoire avant l'admission dans l'enseignement supérieur vont dans le bon

sens. Un système semblable a été adopté dans la province canadienne du Québec, où les élèves suivent leur formation dans les *Cégeps* (*Collèges d'enseignement général et professionnel*) pour préparer leur entrée dans l'enseignement supérieur. En Grèce, une année préparatoire *gratuite* contribuerait à cloisonner le deuxième cycle du secondaire et les examens d'admission dans l'enseignement supérieur, et à réduire la dépendance excessive des élèves *vis-à-vis* des *frontistiria*, à l'origine de disparités significatives en fonction du niveau de revenu. Cependant, ces initiatives doivent s'accompagner d'un changement du système d'admission dans l'enseignement supérieur. Dans cette optique, il serait envisageable de mettre en place un examen national fondé sur un programme amélioré à la fin du deuxième cycle du secondaire, qui aboutirait à un diplôme de fin d'études. La sélection pour l'accès à l'enseignement supérieur serait alors confiée aux universités elles-mêmes.

- *Établir un lien entre l'évaluation des établissements supérieurs et leur financement.* Il est impératif d'améliorer la qualité des établissements supérieurs pour offrir aux diplômés de meilleures perspectives sur le marché du travail. Pour encourager et récompenser un enseignement et une recherche de haute qualité au sein des établissements supérieurs, une partie du financement qu'ils reçoivent devrait être liée aux résultats des évaluations.

- *Améliorer la pertinence de l'enseignement supérieur professionnel par rapport aux besoins du marché du travail*. Outre les réformes recommandées pour l'enseignement supérieur dans son ensemble, certaines mesures spécifiques sont nécessaires pour améliorer les perspectives de rémunération des diplômés de l'enseignement supérieur professionnel. L'offre de places dans chaque filière devrait être conditionnée aux besoins du marché du travail local et les employeurs locaux devraient être impliqués dans l'élaboration des programmes. Des mesures similaires ont été appliquées avec succès en Finlande et sont actuellement lancées en Nouvelle-Zélande.

- *Promouvoir le travail des élèves, notamment dans l'enseignement supérieur.* Pour ce faire, on pourrait envisager d'étendre l'obligation de stages pratiques dans des conditions

réelles de travail comme c'est le cas aujourd'hui dans certaines disciplines telles que la médecine (hôpitaux) et l'enseignement (écoles). Ces stages devraient être validés par l'université et l'employeur, tandis que les étudiants qui y participent devraient être récompensés par des unités de valeur pour l'obtention de leur diplôme. Il faudrait aussi élargir le rôle des bureaux de placement/d'orientation au sein des établissements supérieurs, en vue d'aider et d'informer les élèves souhaitant conjuguer études et travail. Enfin, un système d'emplois d'été ciblé sur les élèves à risque – à l'image de celui qui a été récemment repris par les autorités américaines – pourrait offrir des possibilités d'emploi importantes aux élèves dont le réseau familial est limité.

Réduire les obstacles à l'embauche des jeunes

Compte tenu de la récession économique, la situation des jeunes sur le marché du travail s'est rapidement détériorée et les perspectives à court terme sont plutôt sombres. Selon les estimations actuelles de l'OCDE pour la croissance du PIB en Grèce, le taux de chômage des jeunes pourrait atteindre 28 % en 2010. Dans ce contexte, il est impératif de prendre des mesures visant à soutenir la demande de main-d'œuvre, de manière à éviter que la crise n'annule les progrès accomplis depuis le milieu des années 90. Outre des politiques destinées à stimuler la croissance économique, l'embauche des jeunes pourrait être relancée par la suppression de certains obstacles structurels.

En Grèce, le ratio du salaire minimum national négocié par les partenaires sociaux au salaire médian est élevé en comparaison avec les moyennes internationales, même si l'on se fonde sur le taux le plus bas applicable à un travailleur manuel sans expérience. Par ailleurs, aucune disposition spéciale ne s'applique aux jeunes ou aux stagiaires. En 2007, un jeune Grec de 17 ans employé au salaire minimum gagnait 51 % du salaire médian, contre 36 % seulement dans les pays ayant adopté un salaire minimum plus faible pour les jeunes. Les primes applicables aux travailleurs mariés, aux travailleurs non manuels et en fonction de l'expérience professionnelle creusent le fossé entre la Grèce et la moyenne de l'OCDE. Selon les données économétriques disponibles pour d'autres pays, ce taux salarial minimum élevé peut avoir d'importantes conséquences négatives sur le taux d'emploi des jeunes, particulièrement sur fond de crise économique. En outre, il peut inciter les plus jeunes à abandonner prématurément leurs études pour travailler.

Deux solutions peuvent être envisagées pour réduire le coût d'embauche des jeunes supporté par les employeurs. Tout d'abord, les partenaires sociaux devraient être incités à débattre de l'instauration d'un salaire minimum plus faible pour les jeunes, associé à des obligations de formation. Ensuite, une baisse des coûts de main-d'œuvre non salariaux pourrait être envisagée pour les jeunes qui perçoivent une rémunération équivalente au salaire minimum. Cette solution pourrait s'avérer particulièrement pertinente pour la Grèce, où les coûts de main-d'œuvre non salariaux sont élevés par rapport à la moyenne de l'OCDE et où le coût relatif de l'embauche d'un travailleur rémunéré au salaire minimum est supérieur à la moyenne de l'OCDE. À cet égard, la baisse des cotisations de sécurité sociale annoncée récemment par le gouvernement grec se traduirait par une baisse des coûts de main-d'œuvre non salariaux mais entraînerait également des effets d'aubaine importants si elle n'est pas précisément ciblée. Enfin, une baisse des cotisations de sécurité sociale proche du salaire minimum grèverait les finances publiques et, si l'équilibre budgétaire restait inchangé, elle impliquerait de relever les taux de cotisation des travailleurs les mieux rémunérés, ce qui aurait un impact négatif sur leur taux d'emploi.

Les opportunités d'emploi des jeunes Grecs sont également limitées par l'une des réglementations les plus strictes de l'OCDE en matière de protection de l'emploi. Les travailleurs non manuels sont protégés contre les licenciements par des délais de préavis et des indemnités bien plus généreuses que la moyenne de l'OCDE pour ces employés. Ces coûts élevés de licenciement, associés à des procédures complexes, pèsent lourdement sur les taux d'embauche en contrat à durée indéterminée pour les nouveaux arrivants sur le marché du travail, comme les jeunes. De surcroît, la durée très courte des périodes d'essai décourage probablement l'embauche des jeunes, dont la productivité est difficile à évaluer *a priori*. Enfin, le recours aux contrats à durée déterminée et aux agences d'intérim est fortement réglementé, même si l'application relativement laxiste de cette réglementation se traduit par une utilisation fréquente de ces formes de travail. Le degré de protection relativement strict des travailleurs formels pourrait expliquer en partie l'essor de l'emploi informel et du pseudo-emploi indépendant, qui masque souvent un travail régulier pour un seul client ou employeur.

Les mesures suivantes sont donc recommandées :

- *Instaurer un salaire minimum plus bas pour les jeunes ou réduire les coûts de main-d'œuvre pour les travailleurs qui perçoivent le salaire minimum.* Les dispositions relatives à un salaire minimum spécifique pour les jeunes devraient être liées à une obligation de formation au travail. L'alternative consisterait à baisser les coûts de main-d'œuvre pour les travailleurs percevant le salaire minimum, en diminuant les cotisations patronales de sécurité sociale sur les rémunérations proches du salaire minimum.
- *Adopter un contrat de travail unique assorti d'une protection modérée contre les licenciements.* Ce contrat *unique* s'accompagnerait d'une protection modérée contre les licenciements augmentant avec l'ancienneté et ne ferait aucune distinction entre les travailleurs manuels ou non manuels ou entre les contrats à durée indéterminée ou à durée déterminée. Une telle réforme pourrait réduire la protection dont bénéficient certains groupes contre les licenciements : elle doit donc s'accompagner de services de réinsertion plus efficaces et d'allocations de chômage plus généreuses dans le cadre du principe d'obligations réciproques.
- *Allonger la période d'essai des contrats à durée déterminée.* La période d'essai actuelle de deux mois en Grèce figure parmi les plus courtes de la zone OCDE. Son allongement – par exemple à 10 mois comme au Danemark – inciterait davantage les employeurs à recruter des jeunes sans expérience en contrat à durée indéterminée et pourrait stimuler efficacement les embauches.

Mettre en œuvre une stratégie d'activation d'ensemble pour les jeunes sans emploi

La détérioration de la situation des jeunes sur le marché du travail grec en 2009 implique un soutien financier supplémentaire, couplé à des mesures efficaces de réinsertion. Les initiatives lancées en 2009 vont dans le bon sens mais elles doivent encore faire leurs preuves en termes d'application et d'efficacité. Par ailleurs, il est urgent de prendre des mesures supplémentaires pour améliorer les programmes d'activation gérés par le service public de l'emploi en Grèce.

Les jeunes Grecs ayant une expérience professionnelle suffisante ont droit à l'assurance-chômage. Toutefois, compte tenu des conditions ouvrant droit aux allocations de chômage, seuls 6 % environ des jeunes chômeurs en bénéficient, contre une moyenne de 17 % en Europe. À l'inverse, la Grèce est l'un des rares pays où les prestations de chômage

sont accessibles aux jeunes sans expérience professionnelle. Toutefois, seuls les jeunes âgés de 20 à 29 ans inscrits au chômage depuis un an au moins peuvent y prétendre et l'allocation reçue est modeste, puisqu'elle s'élève à 73 EUR par mois pendant une durée maximum de cinq mois. Ces deux régimes de prestations laissent de côté la grande majorité des jeunes chômeurs et compliquent l'application de l'obligation de participation aux programmes de réinsertion. Compte tenu des niveaux de couverture actuels, l'augmentation progressive prévue de la générosité de l'assurance-chômage ne devrait bénéficier qu'à un très petit nombre des jeunes sans emploi.

En 2006, la Grèce a consacré l'équivalent de 0.14 % de son PIB à la politique active du marché du travail – formation, emploi subventionné et aide financière pour les travailleurs indépendants – contre 0.41 % en moyenne dans la zone OCDE. Ces mesures représentaient environ un quart du total des dépenses consacrées aux programmes du marché du travail. En dépit de l'absence de données par tranche d'âge, les programmes destinés aux jeunes tendent à privilégier les mêmes domaines que les programmes ciblés sur les chômeurs dans leur ensemble. Par ailleurs, les mesures de politique active du marché du travail adoptées pour faire face à la crise économique correspondent à 0.18 % supplémentaire du PIB par an pour la période 2009-11.

Le cadre d'activation de la Grèce comporte deux obstacles majeurs. Tout d'abord, les programmes du marché du travail en Grèce n'appliquent *pas* le principe d'obligations réciproques, selon lequel une stricte obligation de recherche d'emploi (sous la menace d'une réduction modérée des prestations en cas de non respect) est accompagnée de services de réinsertion efficaces. Les obligations de recherche d'emploi sont rarement imposées aux bénéficiaires des allocations et les sanctions existantes en cas de non respect de ces obligations n'ont jamais été appliquées. De la même manière, la participation aux actions ciblées de réinsertion n'est pas obligatoire et les chômeurs sont *invités* mais non *tenus* à participer aux programmes considérés comme les plus adaptés à leurs besoins. Cependant, l'application du principe d'obligations réciproques aux jeunes participants au programme est compliquée par le fait que de nombreux jeunes inscrits au chômage ne perçoivent pas d'allocation, ce qui rend inopérante la menace d'une baisse des prestations. Ensuite, aucune évaluation rigoureuse des programmes d'activation n'a été réalisée en Grèce et la mesure des résultats, à savoir l'enregistrement des résultats des participants à l'issue du programme, est rare.

Parmi les programmes de formation, la formation à l'entrepreneuriat est celle qui rencontre le plus grand succès chez les jeunes Grecs, ce qui témoigne de la disponibilité d'aides à la création d'entreprise et d'une proportion plus élevée de travailleurs indépendants chez les jeunes actifs que dans la plupart des autres pays européens. En revanche, très peu de jeunes chômeurs choisissent de participer à la formation à la recherche d'emploi, en dépit d'études démontrant qu'elle est l'une des rares à être efficace. Le recours aux aides à l'embauche a été conséquent ces dernières années et elles constituaient le principal pilier des mesures annoncées en 2009 en réponse à la crise économique. Leur montant varie de 25 % du salaire moyen à une couverture totale du salaire et des coûts de main-d'œuvre non salariaux. Plusieurs règles s'appliquent pour veiller à ce que ces aides aboutissent à une création nette d'emplois. Cependant, les données montrent que les aides à l'embauche entraînent également d'importants effets d'aubaine si elles ne sont pas précisément ciblées sur les groupes qui en ont le plus besoin. En Grèce, une grande part des bénéficiaires des subventions existantes sont de jeunes chômeurs récents diplômés du deuxième cycle du secondaire, c'est-à-dire des jeunes qui auraient pu être embauchés même en l'absence d'aide. En effet, 67 % au moins des participants du *programme spécial pour la promotion de l'emploi des jeunes* doivent être récemment inscrits au chômage. Par ailleurs, si le programme *Premier départ Première opportunité* est aussi ouvert aux jeunes de 16 à 17 ans, aucune initiative de sensibilisation n'est prévue pour encourager la participation des jeunes ni en emploi ni en formation qui ne sont pas inscrits auprès du service public de l'emploi. Comme nous l'indiquons ci-dessus, les baisses des cotisations de sécurité sociale annoncées récemment ne font pas exception à cette pratique.

Pour améliorer l'efficacité de sa stratégie d'activation à destination des jeunes défavorisés, le gouvernement grec pourrait s'inspirer des exemples de bonnes pratiques fournis par d'autres pays de l'OCDE. Au Royaume-Uni, le programme *New Deal* guide progressivement les chômeurs vers des actions qui sont de plus en plus ciblées sur leurs besoins spécifiques, tandis que les jeunes ni en emploi ni en formation bénéficient d'un traitement spécial au sein du programme. La France, la Nouvelle-Zélande et le Royaume-Uni ont établi des guichets uniques d'information/de conseil visant à entrer en contact avec les jeunes sans emploi non scolarisés et à les orienter vers les programmes de formation et d'emploi disponibles. Les États-Unis ont une solide expérience des programmes ciblés sur le noyau dur des jeunes les plus exposés au risque d'éloignement du marché du travail et d'exclusion

sociale. *Job Corps* – l'initiative nationale la plus ancienne ciblée sur ce groupe difficile – est l'une des rares actions menées dans la zone OCDE à avoir obtenu des résultats prometteurs pour ces jeunes particulièrement défavorisés. Le programme associe apprentissage, aide à l'emploi et encadrement par des adultes dans un contexte d'internat. Toutefois, une telle initiative pourrait s'avérer coûteuse : les places dans *Job Corps* coûtent environ 25 000 USD chacune. Mais les bénéfices peuvent être importants sur le plan social : certaines évaluations (mais pas toutes) ont en effet montré des rapports coûts/avantages positifs pour les participants.

Pour garantir le retour à l'emploi des jeunes chômeurs dans le contexte du ralentissement économique actuel et au-delà, les mesures suivantes sont recommandées :

- *Assouplir temporairement les conditions ouvrant droit aux allocations de chômage pour les jeunes, tout en appliquant des obligations de recherche d'emploi plus strictes.* Étant donné la gravité de la crise économique actuelle, une réduction provisoire de la durée de cotisation ouvrant droit aux allocations de chômage contribuerait à empêcher certains jeunes de s'éloigner du marché du travail. Le gouvernement grec pourrait également étendre l'allocation versée aux jeunes chômeurs de longue durée sans expérience professionnelle aux jeunes récemment inscrits au chômage et aux jeunes âgés de 16 à 19 ans. Dans ce cas, ces allocations devraient s'accompagner d'un durcissement des obligations de recherche d'emploi et de la menace d'une baisse modérée des prestations afin d'éviter tout phénomène de dépendance.

- *Envisager l'application du principe d'obligations réciproques aux bénéficiaires d'allocations de chômage.* L'application de ce principe offrirait la possibilité de diriger les jeunes chômeurs vers les programmes d'employabilité les plus adaptés à leurs besoins, surtout si les conditions ouvrant droit aux prestations de chômage étaient étendues à davantage de jeunes. Cette mesure permettrait également d'aligner les pratiques en vigueur en Grèce avec celles de plusieurs autres pays de l'OCDE. Il est indispensable de fusionner les administrations responsables du paiement des prestations et celles en charge des mesures de réinsertion pour pouvoir appliquer efficacement le principe d'obligations réciproques en Grèce.

- *Entreprendre des évaluations et introduire des mesures de performances rigoureuses pour les activités du service public de l'emploi.* Les évaluations expérimentales constituent le meilleur moyen de déterminer si les programmes d'activation fonctionnent, c'est-à-dire si les participants obtiennent de meilleurs résultats que ceux qu'ils auraient obtenus sans participer au programme. Pour ce faire, on compare les participants aux programmes avec un groupe témoin composé de jeunes partageant les mêmes caractéristiques. Outre des évaluations rigoureuses, le pointage des résultats obtenus dès la fin du programme – taux d'emploi, caractéristiques des emplois et rémunération – et à plusieurs reprises par la suite est essentiel pour évaluer et motiver les agences publiques pour l'emploi.

- *Imposer le suivi d'une formation à la recherche d'emploi à tous les jeunes chômeurs après une période de recherche indépendante infructueuse.* Jusqu'à présent, la plupart des évaluations de l'impact des programmes de formation sur les taux de réinsertion des jeunes chômeurs se sont avérées relativement décevantes. La formation à la recherche d'emploi est la seule mesure dont l'efficacité est démontrée. Malheureusement, seuls 1 000 jeunes chômeurs environ choisissent de suivre cette formation chaque année en Grèce. Les cours d'aide à la recherche d'emploi devraient figurer en tête des priorités des plans d'action individuels élaborés avec l'aide des conseillers et la participation à ces programmes devrait être obligatoire après une période de recherche d'emploi indépendante infructueuse. Toutefois, l'obligation de participation ne serait crédible que si les conditions ouvrant droit aux prestations de chômage pour les jeunes étaient assouplies de manière à rendre possibles les sanctions appliquées sur les prestations.

- *Cibler les aides à l'embauche sur les jeunes chômeurs sans qualifications et sur les jeunes ni en emploi ni en formation de longue date, tout en limitant leur application à des emplois comprenant une formation.* Les effets d'aubaine liés aux aides à l'embauche devraient être minimisés en ciblant précisément les jeunes les plus défavorisés. La priorité devrait consister à soutenir les possibilités d'emploi des jeunes sans emploi et non scolarisés de longue date et des jeunes chômeurs n'ayant pas terminé le deuxième cycle du secondaire, qui sont les plus

exposés au risque d'exclusion du marché du travail. Les employeurs devraient être tenus d'assurer une formation en échange des aides à l'embauche. Pour les chômeurs récents, l'action initiale devrait prendre la forme d'une aide à la recherche d'emploi plutôt que des interventions lourdes et coûteuses (comme l'emploi subventionné) utilisées actuellement.

- *Revoir la structure du programme* Premier départ Première opportunité *en s'inspirant de programmes plus complets mis en œuvre dans d'autres pays de l'OCDE.* Le programme *New Deal* adopté au Royaume-Uni est un exemple de bonne pratique. Dans le cadre de cette initiative, les clients sont dirigés vers des services de formation à la recherche d'emploi et de suivi, de conseil et de placement après 6 mois de chômage. Ceux qui n'ont toujours pas trouvé un emploi après 12 mois sont orientés vers des spécialistes du retour à l'emploi pour bénéficier de mesures plus personnalisées. Un conseiller personnel accompagne les participants dès le début du programme jusqu'à leur retour à l'emploi ou à leur orientation vers une action de suivi encore plus étroit comme la formation ciblée et/ou un emploi subventionné. La participation au programme est obligatoire sous peine d'une baisse des prestations.

- *Mettre en place des services dédiés aux jeunes ni en emploi ni en formation.* Ces services pourraient être fondés sur ceux qui existent déjà dans d'autres pays de l'OCDE. Leur mission devrait être de nouer un contact avec les jeunes exclus du marché du travail et du système scolaire et de les diriger vers les programmes de réinsertion disponibles.

- *Envisager la création d'un programme d'accueil en internat afin de venir en aide aux jeunes les plus difficiles à réinsérer.* Ce noyau dur est composé de jeunes aux besoins complexes qui sont très difficiles à mobiliser. Pour eux, un programme d'internat mettant fortement l'accent sur les cours de remise à niveau, l'expérience professionnelle et l'encadrement par des adultes pourrait représenter un nouveau départ dans un environnement constructif. Un programme de ce type conviendrait particulièrement aux jeunes sans emploi et non scolarisés de longue date. Les efforts de mobilisation devraient cibler les jeunes à risque qui ne sont pas inscrits auprès du service public de l'emploi.

INTRODUCTION

Improving the performance of youth in the labour market is a crucial challenge in OECD countries. Population ageing is looming, but this is not a magic pill to solve young people's problems. While smaller youth cohorts are likely to create more job opportunities for youth, it is crucial that young people possess the skills required in today's and tomorrow's labour market.

Over the past decade, the labour market performance of Greek youth improved significantly. The youth unemployment rate, the incidence of long-term unemployment among youth and the share of youth neither in employment nor in education or training all declined between the late 1990s and the late 2000s. However, as the current economic downturn caused Greece to enter recession in 2009, some of these gains have been wiped out. In addition, the barriers to further improvement observed prior to the current crisis remain. The performance of Greek youth on the labour market is still well below the OECD average. Transitions from school to work are long and difficult, even for the most qualified, and some sub-groups of the youth population perform much worse than average.

Starting in 2006, a number of initiatives have been launched to respond to the challenges faced by Greek youth on the labour market. The education system has been the object of a number of reforms aimed at ensuring that youth leave school with the skills required in the labour market. In addition, a number of labour market programmes have been launched to help unemployed youth find work. While the thrust of these reforms is in the right direction, some of them have only just started to operate in the country and their effects on participants' labour market outcomes are still unknown and need to be assessed.

The purpose of this report is to point to areas where further change or improvement is necessary and possible. Chapter 1 presents basic facts on the situation of youth in the Greek labour market. The role of education and training in shaping the transition from initial learning to the labour market is analysed in Chapter 2. The demand-side barriers to youth employment are explored in Chapter 3. Finally, Chapter 4 analyses the role of welfare benefits and public employment services in helping non-employed youth get a job.

CHAPTER 1

THE CHALLENGES AHEAD

Before the onset of the current economic crisis, a decade of healthy economic growth in Greece brought about a significant improvement in the employment prospects of youth. However, much still remained to be done to bring the labour market performance of Greek youth in line with the OECD average, and the current global economic crisis has inverted the recent positive trends.

The purpose of this chapter is to draw a picture of the challenges facing youth in Greece using aggregate indicators of labour market performance and measures describing school-to-work transitions. The aggregate labour market performance of youth over the past decade is examined in Sections 1 and 2. Section 3 presents standard labour market indicators by socio-demographic characteristics. Section 4 focuses on the key steps in the transition from school to work while the final section examines the quality of jobs held by youth.

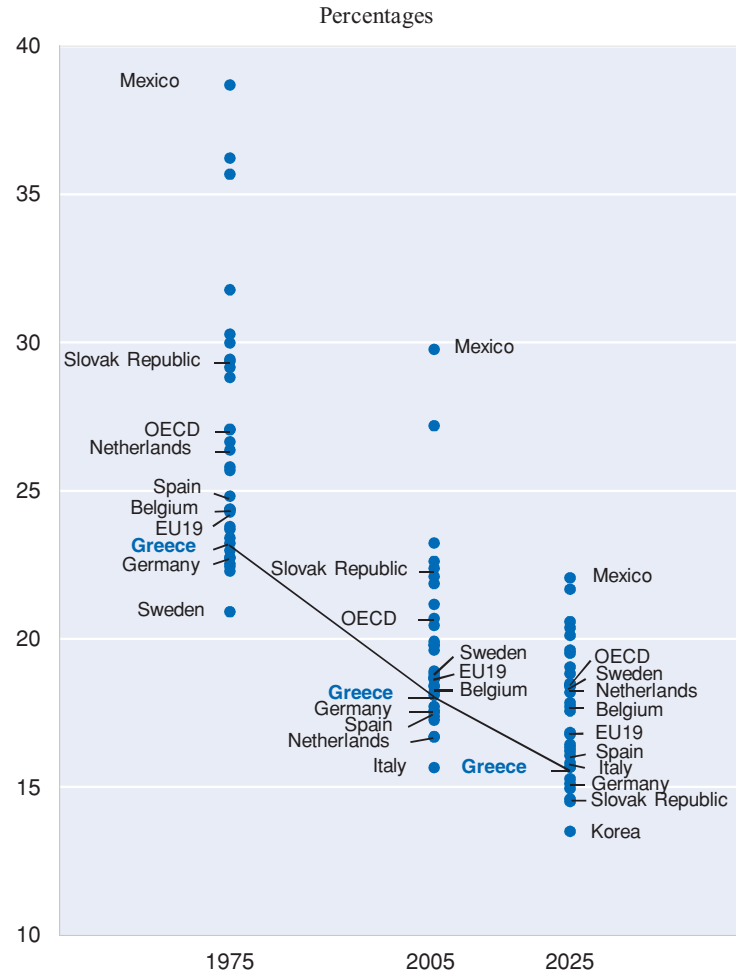
1. Demographic projections

A. The share of youth in the working-age population is very low by OECD standards and expected to decline further

Since the mid-1970s, Greece has experienced a process of population ageing. In 2005, youth aged 15-24 accounted for just 18% of the working-age population, down from nearly a fourth in 1975. A further reduction in the size of the youth cohort – steeper than that projected for the OECD on average – is expected to take place over the next two decades. By 2025, youth could account for only 16% of the working-age population, one of the lowest shares in the OECD (Figure 1.1).[1]

1. Projections are based on the medium United Nations variant for each country with respect to fertility, life expectancy and migration rates. For Greece, the fertility

Figure 1.1. **Share of youth in the working-age population in OECD countries, 1975-2025**[a]



a) Ratio of the population aged 15-24 to the population aged 15-64.

Source: National projections and United Nations projections for 2006 for Australia, Denmark, New Zealand and Spain; 2004 for Luxembourg; and 2005 for all the other countries.

rate is assumed to rise from 1.4 in 2006 to 1.7 in 2050. Over the same period, life expectancy is assumed to rise from 77.1 to 83.3 years for men and from 82 to 86.9 years for women and net migration is assumed to decline from 41 550 to 30 000.

2. Youth labour market outcomes

A. Youth employment rates are extremely low by OECD standards

Over the past 20 years, the *employment rate* of 15-24-year olds in Greece has remained approximately 20 percentage points below the OECD average (Figure 1.2, Panel A). If anything, this difference has increased since the early 2000s. In 2008, just 24% of Greek youth worked compared with 44% in the OECD on average and 39% in the EU19 on average. In the same year, the youth employment rate in Greece was the third lowest in the OECD after Hungary and Korea (Figure 1.3). The long-term downward trend in the youth employment rate reflects primarily more time spent in education and the low share of Greek youth combining work and study. However, the global economic crisis caused a significant worsening of job opportunities for youth and the youth employment rate is expected to worsen further over the coming quarters.

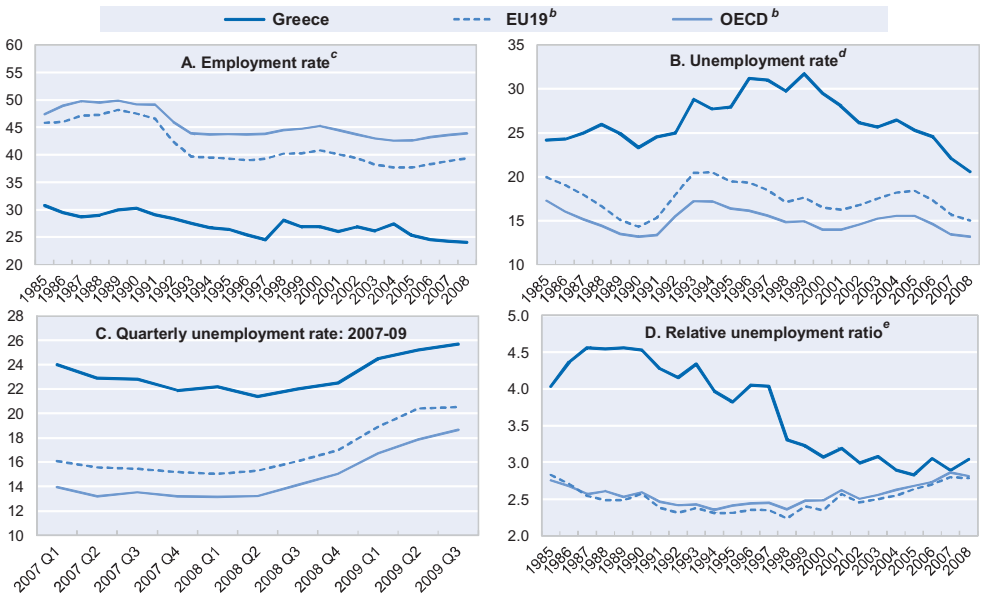
B. After several years of continued improvements, the youth unemployment rate has risen markedly as a result of the economic crisis

In the third quarter of 2009, the *unemployment rate* of Greek youth was 25.3%, 3 percentage points higher than a year earlier (Figure 1.2, Panel C). This represents a reversal of the significant improvements recorded until 2008. In fact, between 1999 and 2008 the youth unemployment rate fell from 32% – 17 percentage points above the OECD average – to 21% (Figure 1.2, Panel B).

Nonetheless, even before the ongoing economic slowdown and despite the undeniable improvements achieved over the previous decade, in 2008 Greece was the third worst performer across OECD countries as far as the youth unemployment rate is concerned (Figure 1.3). Greece ranked slightly better when the unemployment to population ratio was used to measure joblessness suggesting that, compared with their OECD counterparts, fewer youth combine work and study and/or that more withdraw from the labour force altogether.

Figure 1.2. **Youth[a] employment and unemployment indicators, Greece, Europe and OECD, 1985-2008**

Percentages and ratios



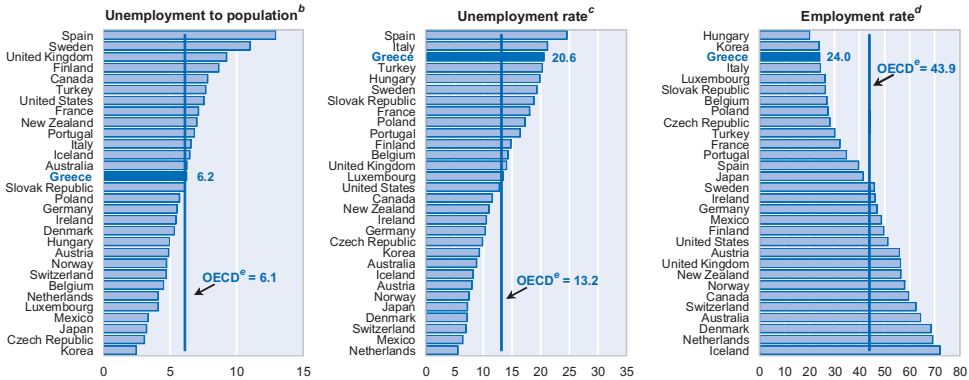
a) Youth aged 16-24 for Iceland, Norway (until 2006), Spain, Sweden, the United Kingdom and the United States; youth aged 15-24 for Greece and all other countries in the EU19 and OECD averages.
b) Unweighted averages.
c) Employed as a percentage of the population in the age group.
d) Unemployed as a percentage of the labour force in the age group.
e) Unemployment rate of youth (15/16-24)/unemployment rate of adults (25-54).

Source: National labour force surveys.

Because the youth unemployment rate is highly affected by the business cycle, the ratio of youth to adult unemployment rates conveys a clearer picture of changes over time. In the late 1980s, the youth unemployment rate was 4.5 times higher than the adult unemployment rate, well above the OECD average. However, the ratio declined steadily over time to the OECD average of 3 in 2008 (Figure 1.2, Panel C).

Figure 1.3. **Youth[a] unemployment and employment indicators, OECD countries, 2008**

Percentages



a) Youth aged 16-24 for Iceland, Spain, Sweden, the United Kingdom and the United States; youth aged 15-24 for Greece and all other countries.
b) Unemployed as a percentage of the population in the age group.
c) Unemployed as a percentage of the labour force in the age group.
d) Employed as a percentage of the population in the age group.
e) Unweighted average.

Source: National labour force surveys.

C. One in eight young people were neither in employment nor in education or training in 2006

The proportion of youth neither in employment nor in education or training (NEET) provides another key indicator of labour market performance for youth. Indeed, this is a group at high risk of labour market marginalisation and social exclusion. In Greece, in 2007, 13% of 15-24-year olds were NEET, above the OECD average of about 11% but down markedly from 18% in 1997 (Figure 1.4).

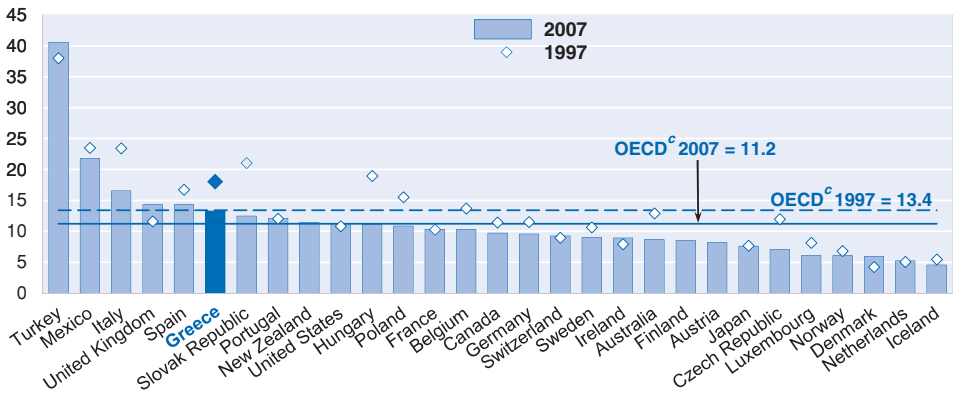
Because the first few years on the labour market are characterised by significant mobility, it is normal for youth to experience some NEET spells – particularly unemployment spells between jobs – after leaving education. In addition, not all youth who become NEET are at risk of social exclusion: some choose to take time off, for example to travel; others, notably young women, may withdraw from the labour market temporarily for childbearing and childrearing.[2] However, there is a risk that some youth who become NEET find it difficult to exit this status and remain *trapped* in it. In Greece,

2. Greek youth complying with their military service obligation are excluded from the indicator shown in Figure 1.4.

youth who experienced a NEET spell[3] in 1997, spent on average 3.2 years in NEET over a five-year observation period, a long duration compared with other OECD countries for which this statistic could be computed (Figure 1.5). For many youth, this was the result of a single long spell of NEET. Indeed, only 32% of youth who were NEET in 1997 had returned to employment or education the following year. Compared with several other European countries and with the United States and Australia,[4] data for Greece showed significantly less turnover in NEET status.

Figure 1.4. **Share of NEET youth,[a] OECD countries, 1997 and 2007[b]**

Percentage of the population in the age group



a) Youth aged 16-24 for Iceland, Norway (for 1997 only), Spain, Sweden, the United Kingdom and the United States; youth aged 15-24 for Greece and all other countries.

b) Data refer to 2004 for Mexico instead of 2007; to 1998 for Italy instead of 1997; to 1999 for Ireland instead of 1997; and to 2000 for the United Kingdom instead of 1997. Data for Korea are not available.

c) Unweighted average of countries shown.

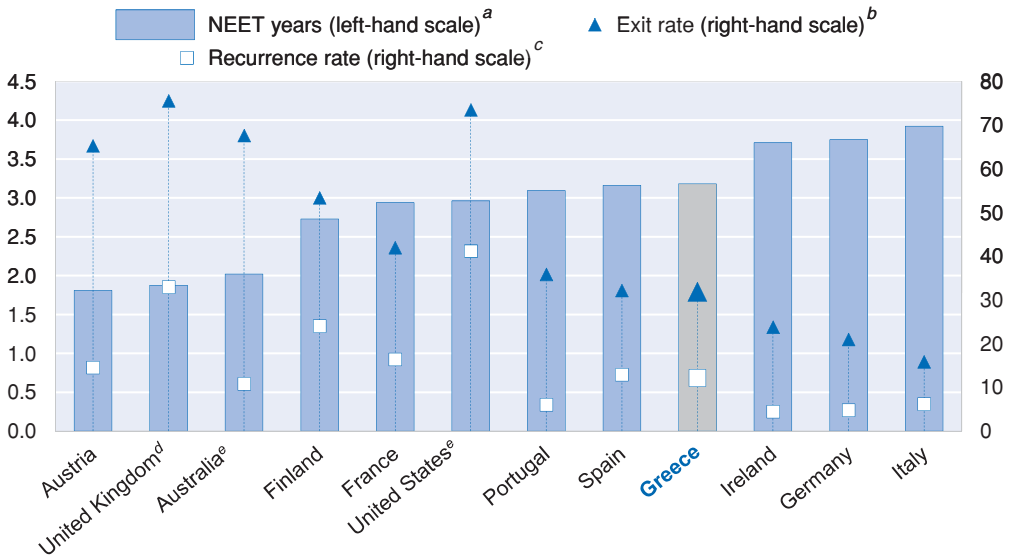
Source: OECD Education database.

3. Only spells lasting at least four weeks are counted to identify youth who experience NEET during the year after leaving education.

4. The comparison has to be made with care because of differences in the data used for the analysis of NEET persistence. For Australia and the United States, Figure 1.5 is based on school-leaver cohorts while for European countries, including Greece, it is based on 15-24-year olds between 1997 and 2001. In addition, for Australia, the United Kingdom and the United States calculations are derived from a calendar detailing activity status during the year while for European countries, including Greece, they are based on yearly activity status.

Figure 1.5. **NEET dynamics, selected OECD countries, late 1990s to early 2000s**

Percentage of the population in the indicated cohort who was NEET during the year after leaving education



a) Situation between 1997 and 2001 of youth aged 15-24 who were NEET in 1997.
b) Share of youth/adults who were NEET in 1997 and exited in 1998.
c) Share of youth/adults who were NEET in 1997, exited in 1998 and experienced a repeated spell of NEET at some point between 1999 and 2001.
d) For the United Kingdom, definitions *a* to *c* but using the period 2001-05.
e) For Australia and the United States, the indicators refer to the NEET status over a five-year period among youth who experienced a NEET spell lasting at least four weeks during the year *after leaving education*. For the United States, the cohort includes youth who were 14 or 15 in 1997. For Australia, the cohort includes youth who were 14 or 15 in 1998.

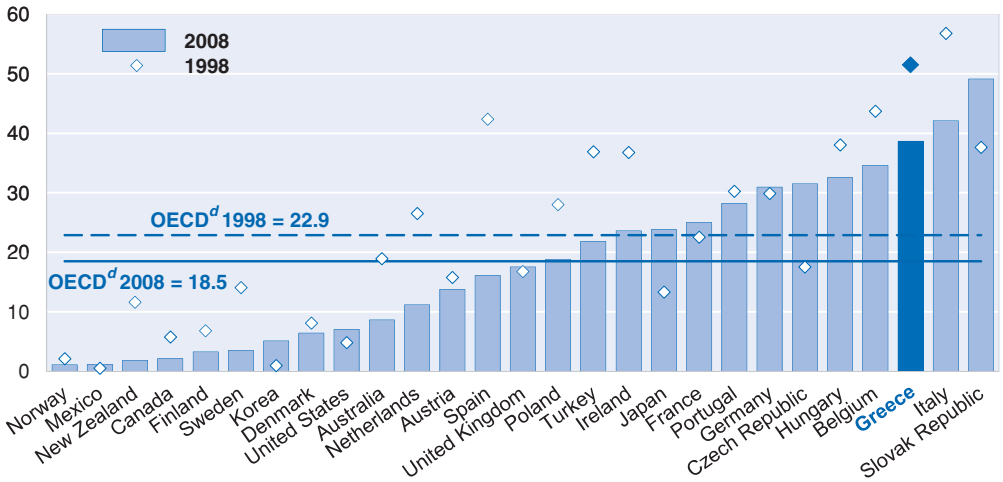
Source: OECD estimates based on the European Community Household Panel, waves 4 to 8 (1997-2001), the British Household Panel Survey, waves from 11 to 15 (2001-05), the US National Longitudinal Survey of Youth 1997, and the Longitudinal Survey of Australian Youth 1998.

D. The incidence of long-term unemployment is close to 40%

In 2008, the incidence of long-term unemployment among 15-24-year olds in Greece was the third highest in the OECD after the Slovak Republic and Italy. Two in five unemployed youth had been unemployed for a year or longer in 2008, more than twice as high as the OECD average (Figure 1.6). Although the incidence of long-term unemployment in Greece has fallen over time from over 50% in 1998, the recent major economic slowdown may cause it to rise again in the coming months.

Figure 1.6. **Incidence of long-term unemployment[a] among youth,[b] OECD countries, 1998 and 2008[c]**

Percentage of unemployed youth



a) Twelve months and over.
b) Youth aged 16-24 for Iceland, Norway (for 1998 only), Spain, Sweden, the United Kingdom and the United States; youth aged 15-24 for Greece and all other countries.
c) Data for Ireland refer to 1999.
d) Data for Iceland and Luxembourg are not statistically reliable; for Switzerland, they are not available. Unweighted average of countries shown.

Source: National labour force surveys.

3. Labour market performance of specific socio-demographic groups

The youth labour market indicators presented above are likely to hide significant variation across socio-demographic characteristics. Available data for Greece allow disentangling such differences to understand the roles that gender, qualifications, age and geographical location play in youth labour market performance.

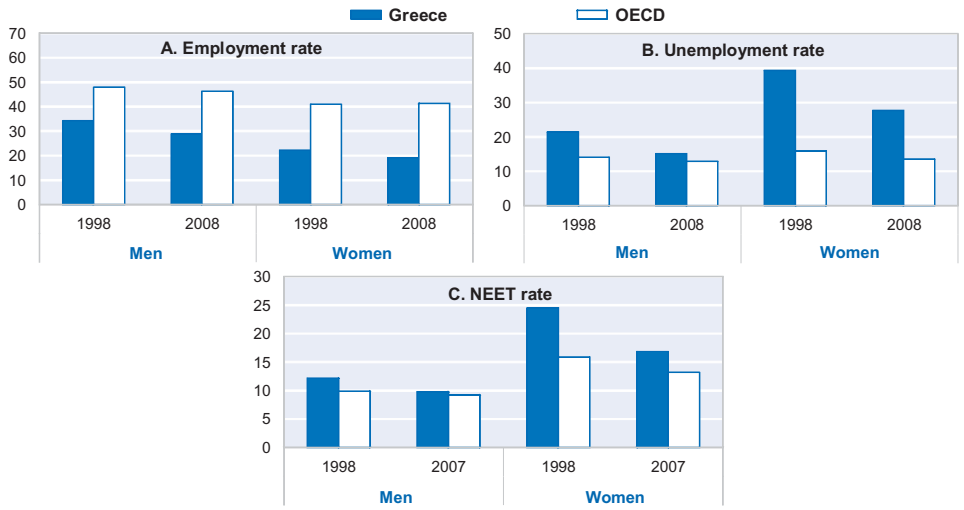
A. Young women perform very poorly in the Greek labour market

In 2008, young Greek women aged 15-24 performed less well than their male counterparts in terms of employment, unemployment and NEET rates. While this was also the case in the OECD on average, the gender gap in employment and unemployment rates was significantly larger in Greece.

In 2008, only about 20% of young Greek women were employed compared with about 30% of young men and little improvement had taken place over the previous decade (Figure 1.7). On the other hand, the youth unemployment rate fell significantly for both genders between 1998 and 2008 but, in 2008, the unemployment rate of young Greek women, at 32%, was still about twice as high as that of young Greek men.

Figure 1.7. **Youth[a] labour market indicators by gender, Greece and OECD,[b] 1998 and 2008[c]**

Percentages



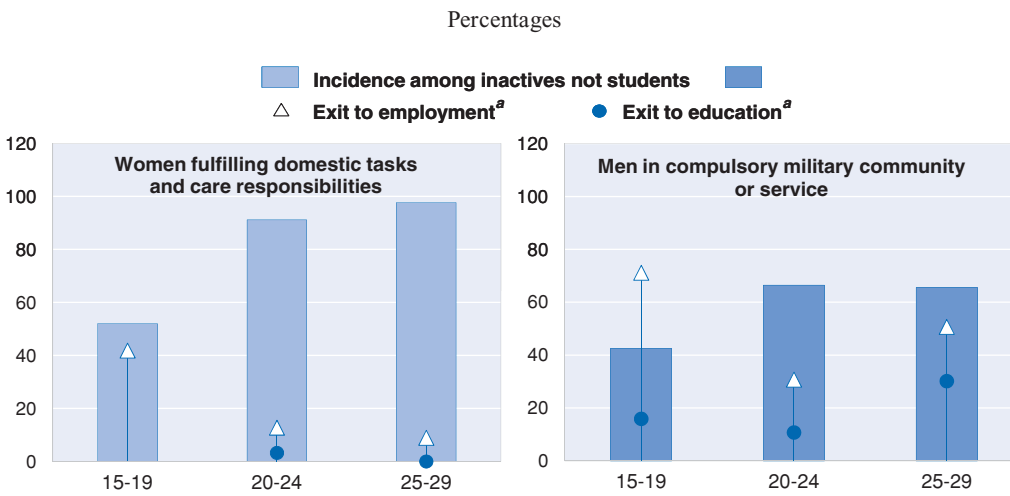
a) Youth aged 16-24 for Iceland, Norway (for 1998 only), Spain, Sweden, the United Kingdom and the United States; youth aged 15-24 for Greece and all other countries in the OECD average.
b) Unweighted average of the 30 OECD countries.
c) NEET rates refer to 2007.

Source: OECD Labour Force Statistics database, and *OECD Education database*.

NEET rates also reflect large differences in labour market behaviour between young men and young women in Greece. In 2007, the latest year for which this indicator was available, 17% of young Greek women were NEET compared with about 10% of young Greek men. However, improvement in this indicator between 1998 and 2007 brought Greece closer to the OECD average.

These findings are in line with those of Karamessini (2009) who studies gender difference in labour market outcomes among Greek university graduates and finds a significant disadvantage of women compared with their male counterparts. In addition to differences in employment and unemployment rates, the author shows that Greek graduate women are more likely to work for the public sector and less likely to work full-time and on permanent contracts. The author also finds a large earnings gap.

Figure 1.8. **Main reasons for inactivity among out-of-school Greek youth and exit rates to education and employment, by gender, 2004-05**



a) Share of inactive individuals in 2004 who were employed/in education in 2005.

Source: OECD estimates based on the European Union Survey of Income and Living Conditions.

Karamessini (2009) finds that family formation choices and the domestic division of labour to be among the causes of this significant gender gap in labour market performance.[5] Figure 1.8 showing the main reason for inactivity among Greek young men and women not in school and exit rates towards employment and education confirms this finding.

5. Karamessini (2009) also cites discrimination as a reason behind the differences in labour market performance by gender. This is consistent with findings by Papapetrou (2008) who decomposes the wage gap between genders and finds that only a minor part of it is explained by employees' endowments while the remainder is due to unexplained factors.

In 2004, almost all 20-29-year-old women not in education reported fulfilling domestic tasks and care responsibilities and very few had exited to employment or education a year later. On the other hand, inactive 20-29-year-old men not in education were mostly fulfilling their military service duty and many had exited to education and employment by the following year.[6]

B. Having a qualification does not always help in the Greek labour market

In Greece, the labour market outcomes of out-of-school youth across qualification levels yield an unusual pattern.[7] In 2007, contrary to the pattern observed in most other OECD countries, unemployment rates were lower for youth with no qualifications than for youth who had completed upper secondary or tertiary education (Figure 1.9). Moreover, differences in employment rates across qualification levels were also very small compared with a marked increase as qualifications rise in the OECD on average.

On the other hand, out-of-school youth with no or few qualifications were significantly more likely than their more educated counterparts to withdraw from the labour market. Also, while the incidence of NEET among out-of-school youth without qualifications is close to that of tertiary-educated youth, the latter exit NEET much more quickly. About 70% of tertiary-educated out-of-school youth who were NEET in 2004 had left the NEET status in 2005 compared with just 21% for youth without qualifications.[8]

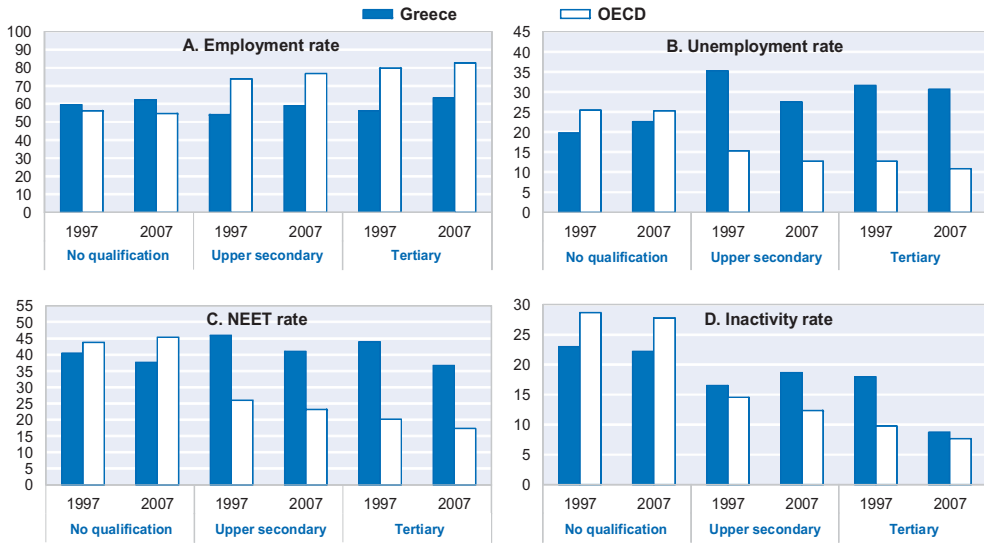
6. Besides, family responsibility and military service obligations, the other main categories of inactivity are disabled and the residual category other. Among men, the "other" category is the second largest after military obligations with relatively large exit rates to employment.

7. The analysis on the labour market status of youth by qualification is conducted on out-of-school youth. This is to ensure that the reference groups exclude youth who are still in school working towards a higher qualification than the one they hold.

8. National Statistical Service of Greece calculations based on the European Union Survey of Income and Living Conditions.

Figure 1.9. **Labour market indicators for out-of-school youth,[a] by qualification, Greece and OECD,[b] 1997 and 2007**

Percentages



a) Youth aged 16-24 for Iceland, Norway (for 1997 only), Spain, Sweden, the United Kingdom and the United States; youth aged 15-24 for Greece and all other countries in the OECD average.

b) Unweighted average of the 30 OECD countries.

Source: OECD Education database.

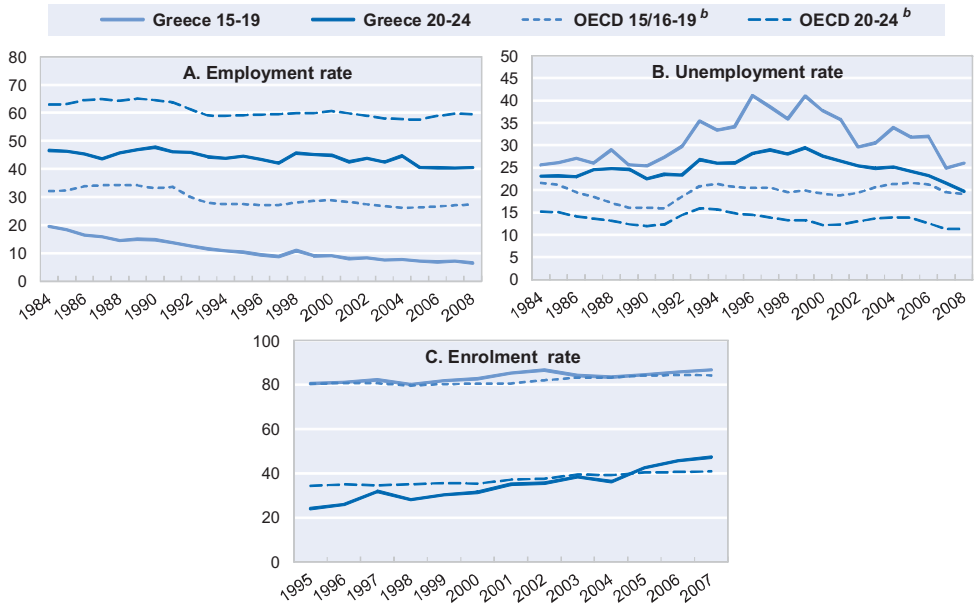
C. Teenagers face worse labour market prospects than young adults

Youth aged 15-24 are also an heterogeneous group as far as age is concerned. A larger share of teenagers – 15-19-year olds – are still enrolled in school, fewer combine work and study and fewer can count on welfare benefits if they become unemployed (Figure 1.10).

In Greece, the difference in employment rates between teenagers and young adults has increased over time as a result of the more rapid decline in employment rates among teenagers since 1985. For both age groups, the fall in employment rates has been accompanied by a rise in school enrolments.

Interestingly, the teenage unemployment rate rose by 1 percentage point in 2008 as the current economic crisis unfolded while the unemployment rate of young adults continued to decline.

Figure 1.10. **Youth[a] labour market and education indicators for teenagers and young adults, Greece and OECD, 1984-2008**



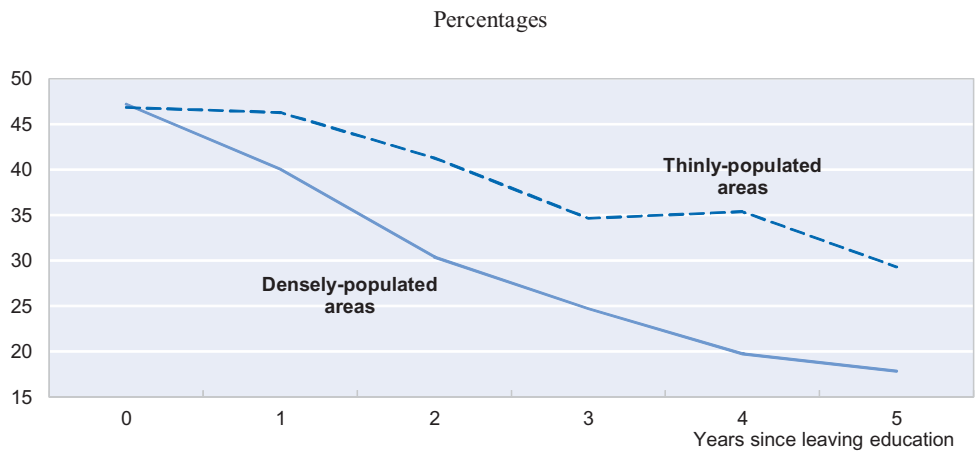
a) Youth aged 16-24 for Iceland, Norway (until 2006), Spain, Sweden, the United Kingdom and the United States; youth aged 15-24 for Greece and all other countries in the OECD average.
b) Unweighted averages of the 30 OECD countries.

Source: National labour force surveys, and *OECD Education database*.

D. School-leavers in rural areas face more difficulties finding work

In 2007, just after leaving school, the unemployment rate of Greek youth living in thinly populated areas was identical to that of their counterparts living in cities. However, the unemployment rate of urban youth declined much more rapidly than that of youth living in rural areas, resulting in a difference of over 10 percentage points 5 years after the end of schooling (Figure 1.11). This was the largest difference observed among European countries and was well above the average European difference of less than 3 percentage points (Figure 1.12).

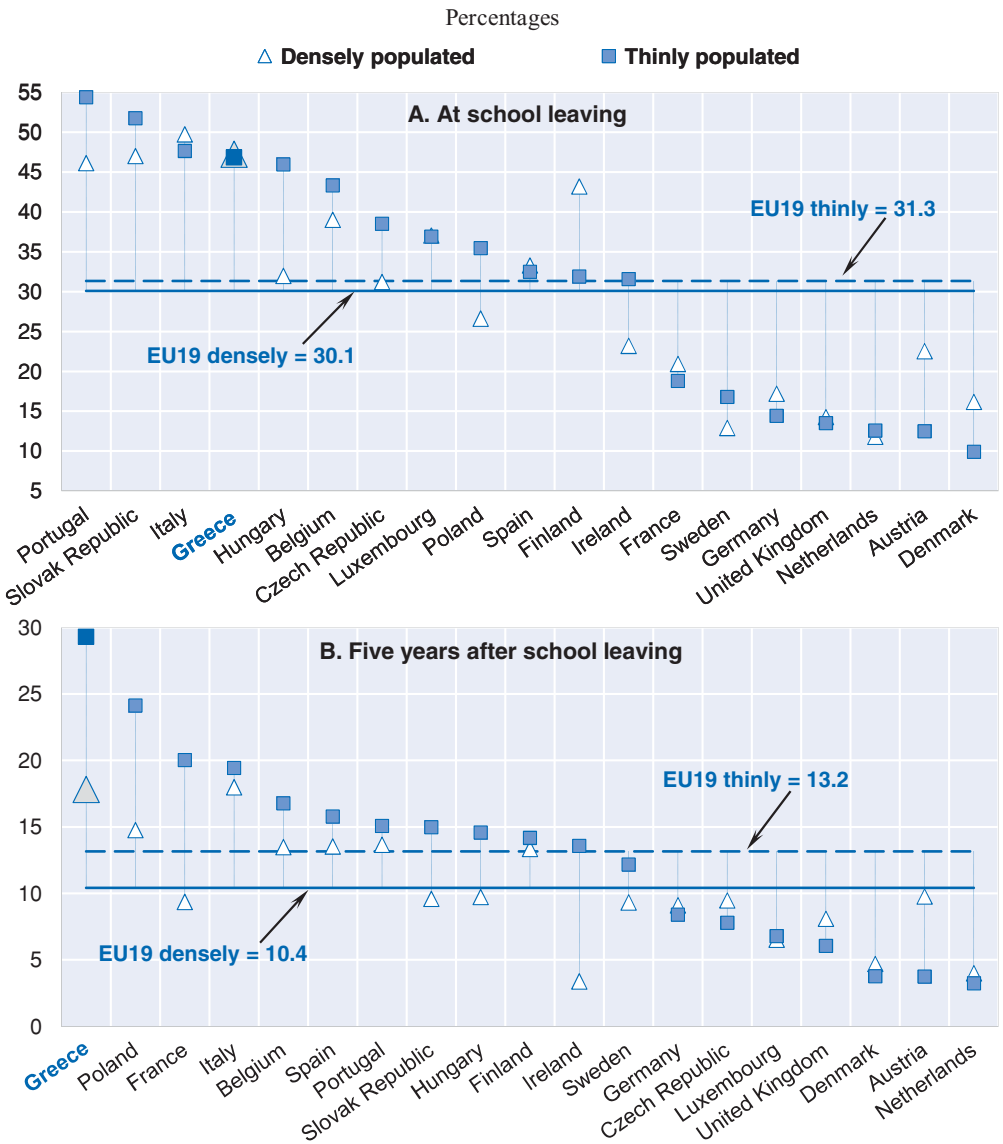
Figure 1.11. **Unemployment rate of youth aged 15-29 by years since leaving education and population density in the area of residence, Greece, 2006-07**[a]



a) Data for 2006 and 2007 are pooled to increase sample size. Pseudo cohorts are constructed from a cross-section of youth reporting their labour market status and the year when they left education.

Source: OECD estimates based on the European Union Labour Force Survey.

Figure 1.12. **Unemployment rate of youth aged 15-29 by population density in the area of residence, Europe, 2006-07[a]**



a) Data for 2006 and 2007 are pooled to increase sample size. Pseudo cohorts are constructed from a cross-section of youth reporting their labour market status and the year when they left education.

Source: OECD estimates based on the European Union Labour Force Survey.

4. Key steps in school-to-work transitions: leaving education and finding the first job

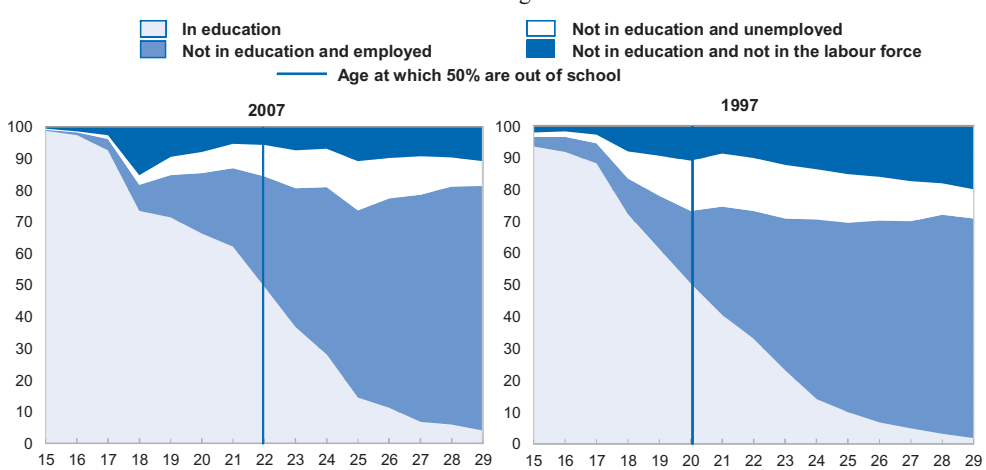
The standard labour market indicators presented above offer an overall picture of youth labour market performance and of its changes over time. However, more in-depth analysis of school-to-work transitions requires understanding what happens to youth, year after year, between when they leave education and when they settle into the labour market.

A. By age 22, half of youth have left education in Greece

Figure 1.12 shows the activity status of youth by single year of age in 2007 and in 1997 for Greece. In 2007, the *median* age of leaving education – *i.e.* the age at which 50% of youth have left the education system – was 22, up from 20 in 1997 (Figure 1.13). Of the 50% of 22-year olds who had left education in 2007, 32% were employed, 7% were unemployed and 11% were inactive.

Figure 1.13. **Activity status of youth aged 15-29, Greece, 2007 and 1997**

Percentages



Source: Greek national labour force survey.

Table 1.1 shows that the median age of school leaving was high in Greece compared with the other OECD countries for which this statistic was available. In 2007, Greek youth spent 4½ years longer in education than youth in Australia and New Zealand and about 5½ years longer than youth in Turkey. On the other hand, at the median age of school leaving, Greece had the fourth largest share of unemployed youth, after Turkey, Italy and Poland.

Table 1.1. **Activity status of youth aged 15-29, summary indicators, selected OECD countries, 2007[a]**

	Age at which 50% of youth (15-29) are out of school	Labour market status at the median age out of school		
		Employment rate	Unemployment to population ratio	Inactivity rate
	Years	%	%	%
Iceland	23.7	41.5	5.5	2.9
Poland	22.9	31.2	9.9	8.9
Luxembourg	22.3	39.9	3.8	6.2
Netherlands	22.2	43.1	4.7	2.2
Greece	**22.0**	**34.5**	**9.8**	**5.7**
Hungary	21.9	33.3	9.4	7.2
Korea	21.9	34.8	4.0	11.5
Norway	21.8	42.6	4.2	3.1
Germany	21.4	35.8	6.9	7.3
Belgium	21.0	34.0	7.7	8.4
Czech Republic	20.9	39.6	5.1	5.4
France	20.8	32.5	6.1	11.4
Slovak Republic	20.7	33.8	5.5	10.7
Canada	20.5	39.3	5.1	5.7
Ireland	20.4	38.1	7.0	4.9
Switzerland	20.4	39.9	5.6	4.5
Italy	20.3	26.4	15.1	8.6
Spain	20.2	34.7	7.4	7.8
United States	20.0	35.0	5.0	10.2
Portugal	19.9	34.4	7.3	8.2
Austria	19.3	38.5	5.4	6.1
Sweden	18.9	36.6	5.6	7.9
United Kingdom	18.8	32.8	8.3	8.9
Australia[b]	17.8	42.8	6.3	
New Zealand	17.5	38.9	4.3	6.3
Turkey	16.6	11.1	35.0	3.9
EU[c]	**20.8**	**35.3**	**7.4**	**7.4**
OECD[c]	**20.5**	**35.6**	**7.6**	**6.8**

Countries are ranked in decreasing order of the age at which 50% of youth (15-29) are out of school.

a) Values for Australia, Canada and the United States refer to 2006; for New Zealand they refer to 2005.

b) Data for Australia are not available separately for unemployed and inactive youth. In the OECD average, it is assumed that 3.15% of youth are unemployed and the other half are inactive.

c) Unweighted average of European/OECD countries shown.

Source: National labour force surveys for Australia, Canada, Korea and New Zealand; October Supplement of the Current Population Survey for the United States; and the European Union Labour Force Survey for European countries.

B. After leaving education, finding a first job takes over two years

Greek youth take two years on average to find a first job after leaving education (Table 1.2).[9] Across European countries for which this statistic can be calculated, only in Italy do school-leavers take longer to find their first job. Durations of around six months are found in Austria, Denmark, Germany, the United Kingdom and the United States, and even shorter durations are observed in Australia, Canada and New Zealand (OECD, 2008a; OECD, 2008b and 2009a).

Table 1.2 also presents key moments of the distribution of time needed to find a first job after leaving school for a number of OECD countries for which longitudinal data are available. While the median time between leaving school and finding a job is zero for many of the countries included in the table – *i.e.* at least 50% of youth already had a job at school leaving – in Greece it is 12 months, the second highest median together with Spain after Italy. Also in Greece, the 10% of youth who take the longest to find their first job take close to six years compared with approximately one year in Austria, Germany and the United Kingdom.

Overall, while in some countries long average transition times are due to the combination of very short transitions for the best school-leavers and extremely long ones for a small group of youth – notably, this is the case in Belgium, France, Luxembourg and Portugal – in Greece transitions appear to be long across the board.

9. As an indicator of the *speed* of school-to-work transitions, the time needed to find a first job suffers from some limitations. First, it only captures a key event – the *first* employment spell observed after the end of full-time education – of a process unfolding over a relatively long period of time. Changes in labour force status between employment, unemployment and labour force withdrawal are more frequent among youth than adults (Freeman and Wise, 1982; and OECD, 1984). As a result, for many youth, the *first* job does not represent a firm foothold in the labour market and does not rule out further spells of NEET. In addition, the indicator ignores jobs held while the individual is still studying full-time. It could be argued that some of these jobs are important milestones in school-to-work transitions, even before leaving full-time study.

Table 1.2. **Length of school-to-work transitions, key moments, European countries and United States, youth who left school in the late 1990s[a]**

Months needed to find first job after leaving education

	Mean	Median	75th percentile	90th percentile
Europe	**16.9**	**3**	**23.0**	**59.0**
Austria	5.7	0	12.0	14.6
Belgium	17.5	3	23.0	67.4
Denmark	6.3	0	5.0	17.1
France	14.4	2	21.0	54.0
Germany	5.0	0	3.0	14.0
Greece	**24.4**	**12**	**38.3**	**71.0**
Ireland	8.3	0	6.0	25.8
Italy	33.1	24	53.0	95.0
Luxembourg	21.6	3	18.8	95.0
Portugal	15.6	3	17.0	61.8
Spain	22.1	12	31.0	73.4
United Kingdom	5.8	0	2.0	12.0
United States	**5.6**	**0**	**4.4**	**18.8**

Source: OECD estimates based on the European Community Household Survey (1994-2001) for European countries, and the National Longitudinal Survey of Youth 1997 for the United States.

Table 1.3 shows that Greek young women take nine months longer to find their first job after school leaving than Greek young men (31 months compared with 22 months). This finding is in line with other studies on the gender gap among Greek youth. Smyth (2002) exploits the ad-hoc module on school-to-work transitions attached to the European Union Labour Force Survey in 2000. The author shows that, controlling for the time elapsed since leaving education, Greek women were less likely than Greek men to have found their first significant job[10] at the time of the interview. Smyth (2002) attributes this to gender differences in withdrawal from the labour force and in unemployment rates. On the other hand, Greece was found to have the lowest indices of educational and occupational gender segregation among European Union countries, excluding that educational choices could be at the origin of the large gender gap observed.

10. The European Union Labour Force Survey ad-hoc module defines the first significant job after leaving education as the fist job that lasts at least six months and involves at least 20 hours of work per week.

Table 1.3. **Length of school-to-work transitions by gender and qualification, Europe and United States, youth who left school in the late 1990s**

Months needed to find first job after leaving education

	Men	Women	ISCED < 3	ISCED >= 3
		Mean		
Greece	**21.5**	**30.7**	**38.4**	**19.4**
Europe[a]	17.9	21.6	25.2	10.5
United States	6.6	6.0	11.3	3.5
		Median		
Greece	**12.0**	**18.0**	**23.0**	**12.0**
Europe[a]	3.0	3.0	6.0	1.0
United States	0.0	0.0	2.5	0.0

a) Unweighted average of the following countries: Austria, Belgium, Denmark, France, Germany, Greece, Ireland, Italy, Luxembourg, Portugal, Spain and the United Kingdom.

Source: OECD estimates based on the European Community Household Survey (1994-2001) for European countries, and the National Longitudinal Survey of Youth 1997 for the United States.

Differences in the time needed to find a first job across qualifications are also marked. Youth without qualifications take on average 38 months before starting work after leaving education while youth with at least an upper secondary qualification take 19 months.[11] However, even qualified youth in Greece take almost twice as long as their European counterparts to find their first job and nearly 1½ years longer than their American counterparts.

5. The quality of entry jobs

Although finding work after leaving school is important and the time needed to do so is an indicator of the smoothness of transitions, the *quality* of the job found is key. Some entry jobs afford very little job security so youth who are hired in these positions move to NEET fairly soon

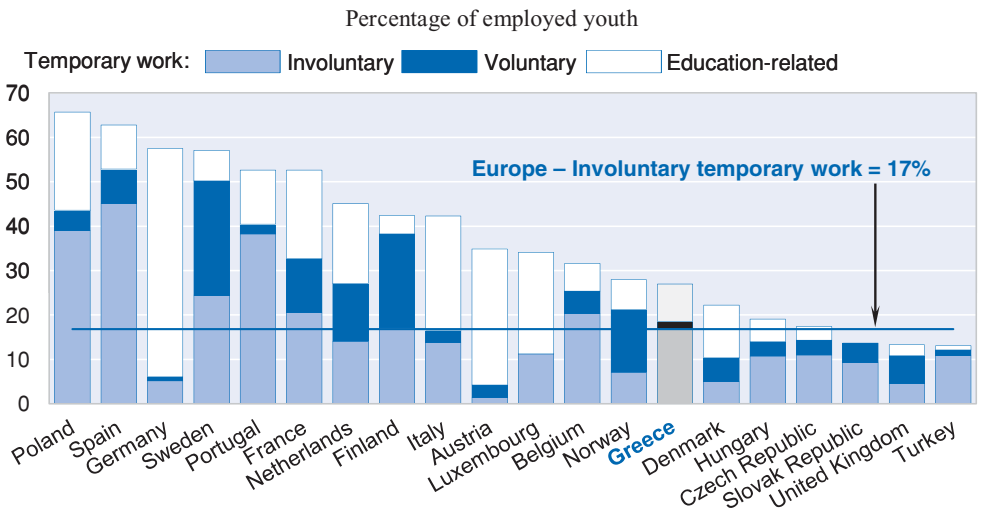
11. This finding is not inconsistent with data presented in Figure 1.8 which showed that the unemployment rate of Greek tertiary graduates was higher than that of youth with no qualification in 2006. In fact, the calculations in Table 1.3 are based on the population of school-leavers, some of whom may spend time in inactivity before finding their first job. On the other hand, the unemployment rates presented in Figure 1.8 are based on youth in the labour force. As mentioned earlier, youth with no qualifications are more likely to withdraw from the labour force than their more qualified counterparts.

afterwards. Entry jobs may also pay too little per hour or force some youth to work more or fewer hours than desired. Finally, some young people have difficulties finding a job that matches their qualifications.

A. Three out of ten Greek youth hold a temporary job and most would prefer a permanent job

Close to 30% of Greek youth were working on a temporary contract in 2007 (Figure 1.14). Two thirds of them – *i.e.* 17% of employed youth – would have preferred a permanent job but could not find one. In 2007, the share of involuntary temporary work in Greece was close to that observed on average in the European countries for which data were available.

Figure 1.14. **Incidence of temporary work among youth aged 15-24 by reason,[a] selected European countries, 2007**

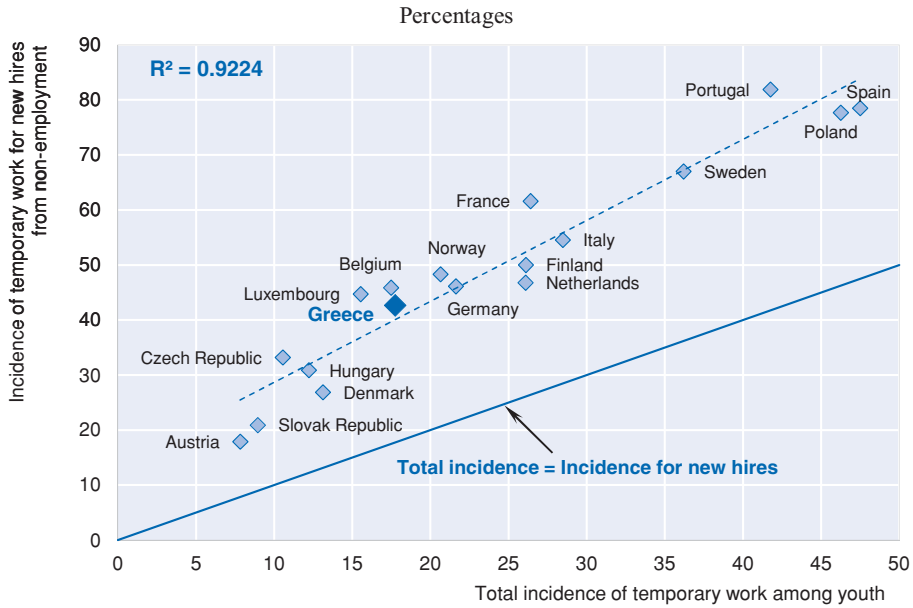


a) *Involuntary temporary work* refers to the share of youth who say they have a temporary contract of limited duration because they "could not find a permanent job"; *Voluntary temporary work* refers to the share of youth who say they have a temporary contract of limited duration because they "did not want a permanent job"; and *Education-related temporary work* refers to the share of youth who: *i)* are on a training contract (apprenticeships, trainees, research assistants, etc.); or *ii)* are on a stage.

Source: OECD estimates based on the European Union Labour Force Survey.

Although many young people would prefer permanent employment, temporary work has the potential to provide a key entry port to the labour market. Indeed, across European countries, the incidence of temporary employment among new hires from non-employment – unemployment or inactivity including education – is much higher than the overall incidence of temporary work among youth (Figure 1.15).

Figure 1.15. **Incidence of temporary work among new hires[a] and overall, selected European countries, 2007**

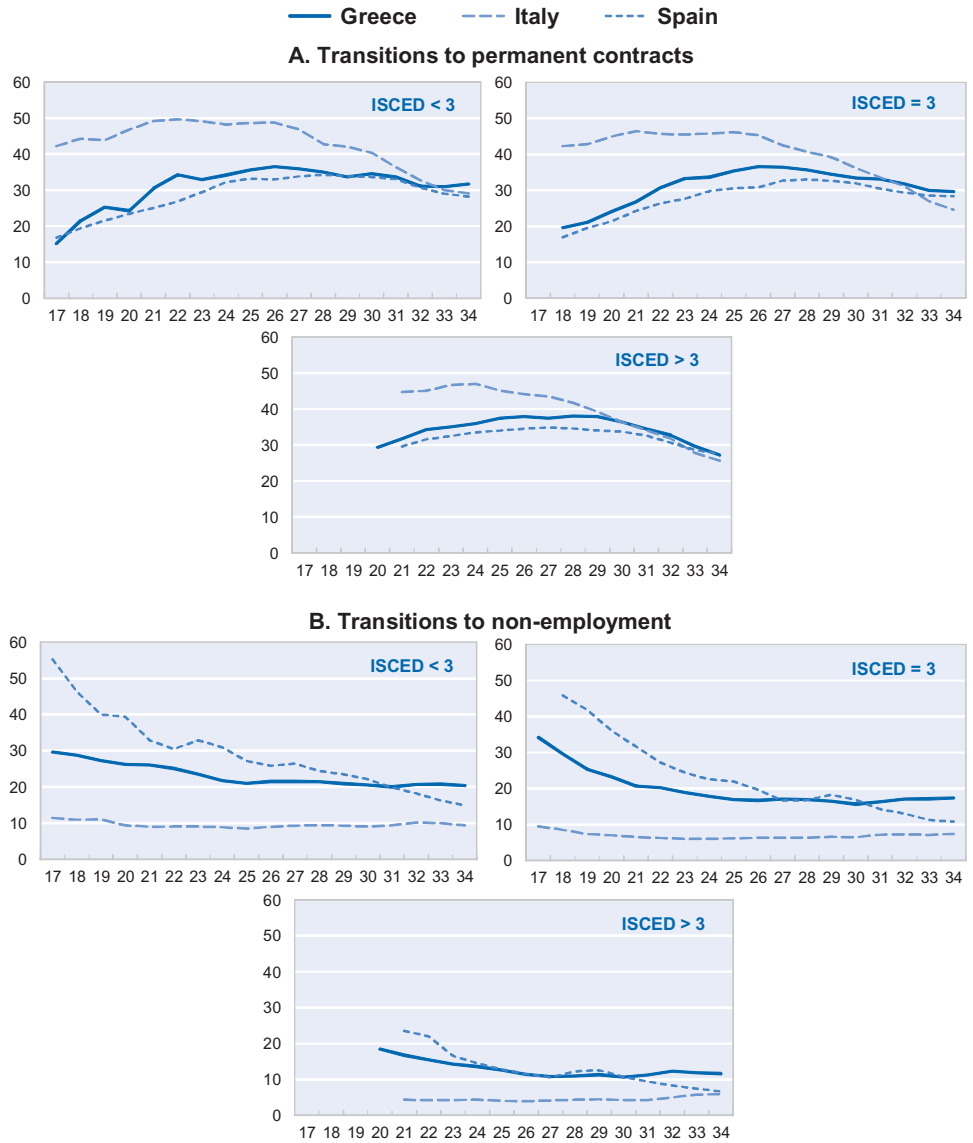


a) New hires in 2007 are 15-29-year-old youth who were not employed in 2006, *i.e.* they were either unemployed or inactive (including students).

Source: OECD estimates based on the European Union Labour Force Survey.

On the other hand, some youth may become trapped in temporary jobs and find it difficult to move on to more stable employment. The transition from temporary to permanent work can be analysed in several ways. First, it is possible to derive year-on-year transition rates from cross-section data that include information on prior labour market status. Figure 1.16 shows these transition rates from temporary work in 2004 to permanent employment in 2005, by age and educational attainment, in Greece, Italy and Spain. In Greece, as well as in the other two countries, the probability of leaving temporary work for permanent work within a year does not vary much across educational attainment but it rises with age until the mid-twenties and tends to decline for older youth, particularly among the best qualified. At age 25, Greek youth without qualifications have a probability of about 35% of moving from temporary to permanent work within one year. The same probability is only slightly higher, at 37%, for tertiary-educated Greek youth while it is significantly lower, at 17%, for 17-year olds without qualifications. Transition probabilities in Greece and Spain are very similar while they are significantly higher for Italian youth.

Figure 1.16. **Transition probabilities[a] from temporary work, by age and educational attainment, Greece, Italy and Spain, 2004-05**



a) Probability of being on a permanent contract conditional on having a temporary contract a year earlier, estimated using a multinomial logit model controlling for socio-demographic characteristics (gender, age and age squared, marital status and disability status) and occupation, and including interactions of country dummies with all the regressors.

Source: OECD estimates based on the European Union Survey of Income and Living Conditions.

Figure 1.16 also shows the share of youth who move from temporary work in 2004 to non-employment in 2005. Variation across qualification levels is more marked than in transitions to permanent work: tertiary graduates have a significantly lower probability of leaving employment across all age groups than youth without qualifications or upper secondary graduates. In Greece, at age 25, youth without qualifications have a probability of about 21% of moving from temporary work to non-employment while the same probability for tertiary-educated youth is just 13%. On the other hand, variation across age is less marked, except for Spain.

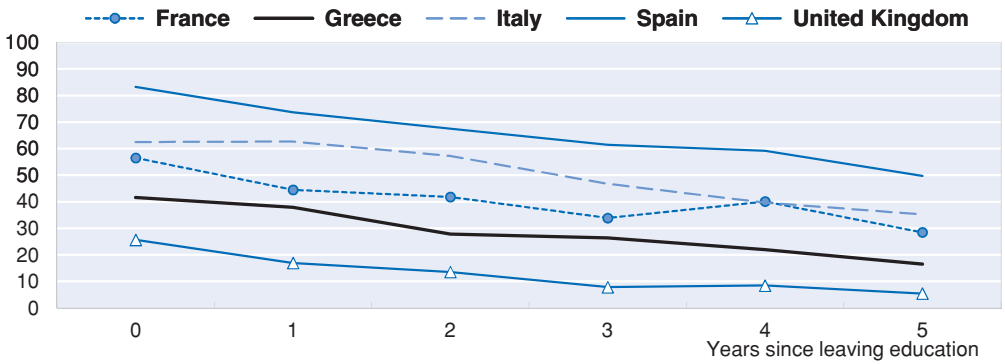
Another way of measuring transitions from temporary to permanent work is to exploit longitudinal data, particularly if persistence over a longer span than just two years can be obtained. Unfortunately, relatively recent longitudinal data for Greece only allow following youth for three years. These data[12] show that about a quarter of Greek youth in temporary jobs in 2004 failed to exit to permanent employment over the following two years and that about a third alternated between temporary work and non-employment. The data also suggest that the probability of transition from temporary to permanent work is duration-dependent – *i.e.* it declines with the time spent in temporary work. Indeed, between 2004 and 2005, about a third of young temporary workers exited to a permanent job while only about 17% of those still in temporary work exited to permanent employment between 2005 and 2006.

Finally, to get a sense of longer-term transitions from temporary to permanent work, it is possible to construct a so-called *pseudo-cohort* by exploiting cross-section data that include information on when the young person left education. Figure 1.17 shows that the incidence of temporary work declines over time. In Greece, in 2007, the incidence of temporary work among youth who had left education three years earlier was 10 percentage points lower than among youth who had graduated in 2006. Five years after leaving education, only 16% of 15-24-year-old Greek youth were on temporary contracts. The rate of decline was similar to that experienced in Italy and Spain, although the incidence of temporary work was significantly lower.

12. Greek National Statistical Institute calculations based on the European Union Survey of Income and Living Conditions.

Figure 1.17. **Incidence of temporary work by years since leaving education, 15-24-year olds, Europe, 2007**

Percentage of employed youth



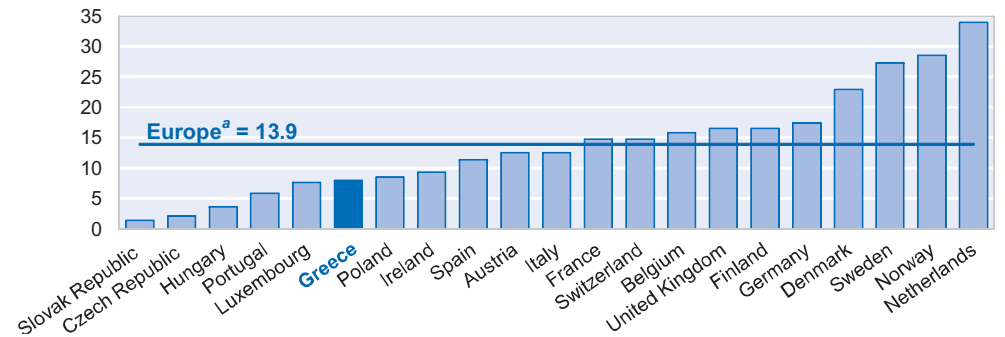
Source: OECD estimates based on the European Union Labour Force Survey.

B. Part-time work is not common among out-of-school Greek youth

In 2007, only 8% of employed out-of-school youth in Greece held a part-time job (Figure 1.18). This compared with a European average of 14% and with rates of over 25% in the Netherlands, Norway and Sweden. Not only does the limited availability of part-time work opportunities harm the labour market prospects of young women who want to combine work and childbearing/childrearing, but it also reduces the options available to youth who want to combine work and study.

Figure 1.18. **Incidence of part-time work, 15-24-year olds, selected European countries, 2007**

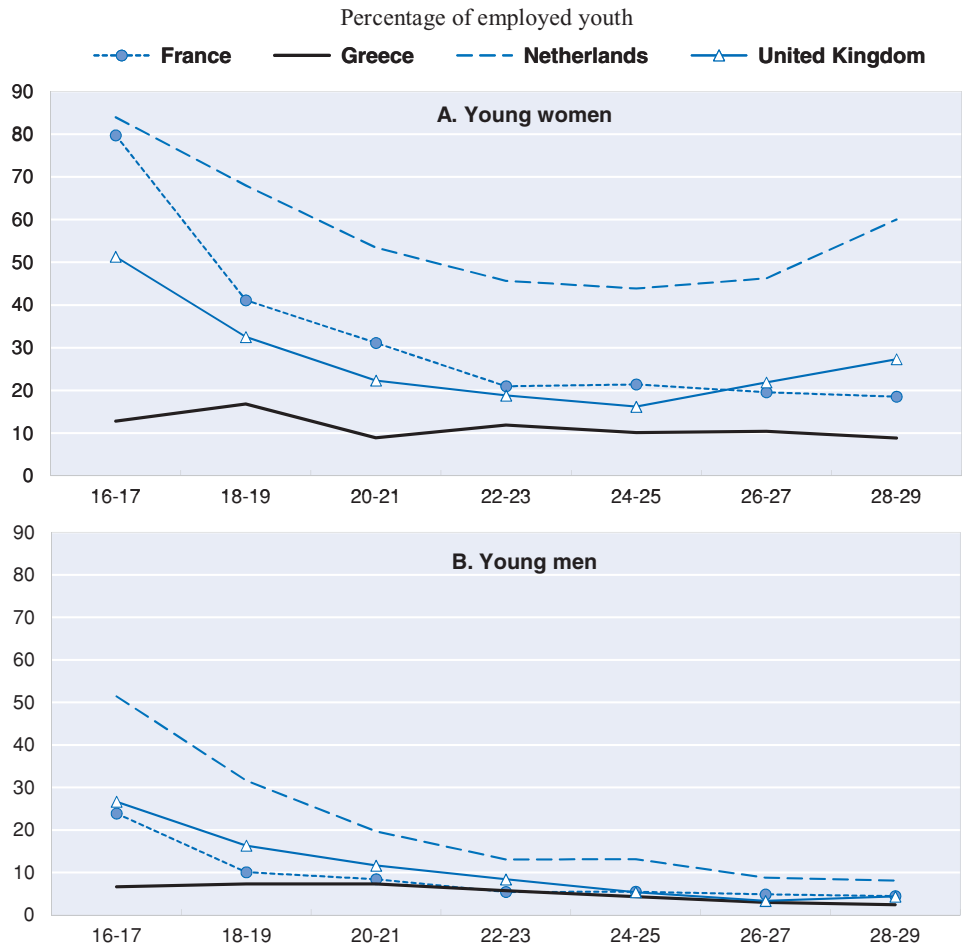
Percentage of employed out-of-school youth



a) Unweighted average of European countries shown.
Source: OECD estimates based on the European Union Labour Force Survey.

The incidence of part-time work tends to decline with age for both young men and women (Figure 1.19). In most European countries, it is highest between 16 and 19 and declines thereafter.

Figure 1.19. **Incidence of part-time work by age and gender, selected European countries, 2007**



Source: OECD estimates based on the European Union Labour Force Survey.

Cross-country differences in the incidence of part-time work among young women persist well into the late twenties and Greek women are the least likely to work part-time – on average, just 20% of them do in their

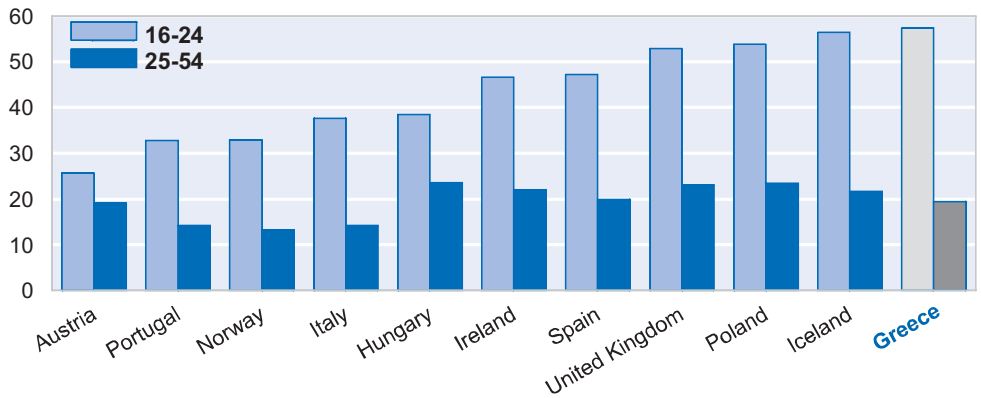
twenties – across all age groups. On the other hand, the incidence of part-time work among young men tends to converge with age across Europe, including in Greece. As a result, the incidence of part-time work among 28-29-year-old Greek men is close to that of their European counterparts.

C. *Low pay affects more than half of Greek youth*

In Greece, in 2006, 57% of 15-24-year olds were employed in low-paid jobs – *i.e.* they were paid less than two-thirds of the median wage – compared with just 20% of 25-54-year olds (Figure 1.20). In that year, the incidence of low pay among youth in Greece was the highest across the European countries for which this indicator could be calculated. Differences across qualifications were marked: 73% of Greek youth without qualifications were in low pay in 2006, compared with 71% of youth who completed upper secondary education and 52% of youth with a tertiary qualification.

Figure 1.20. **Incidence of low-paid work[a] by age, selected European countries, 2006**

Percentage of employed youth



a) Workers are considered to be in low-paid employment if they work at least 15 hours per week and receive an hourly wage of less than two-thirds the median wage in their country.

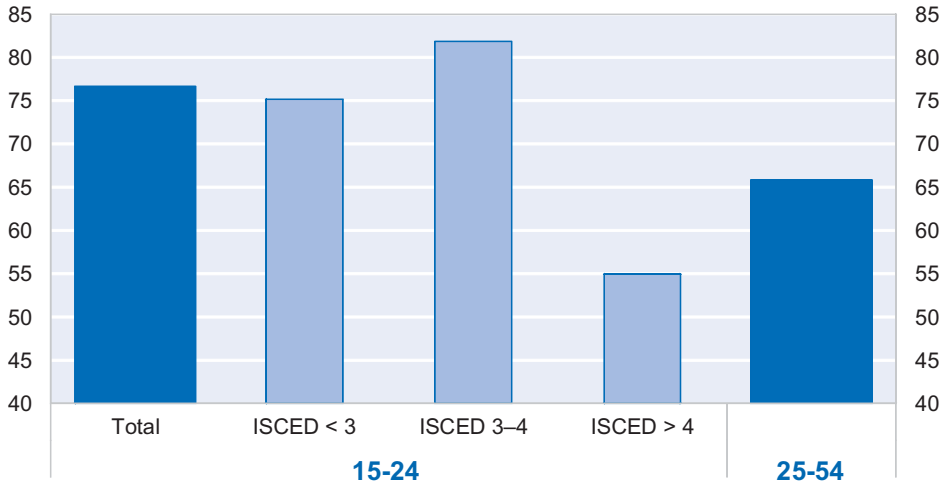
Source: OECD estimates based on the European Union Survey of Income and Living Conditions.

While low starting wages can be justified on grounds that young people need training, progression on the pay scale could be used as a measure of successful labour market inclusion. Figure 1.21 shows that almost 80% of Greek youth who were low-paid in 2004 failed to exit to higher-paid employment over the following 2 years compared with 65% of 25-54-year olds. Youth with a tertiary qualification were less likely to be

observed in low pay in all three years (55%) than youth with an upper secondary qualification (82%) and youth without qualifications (75%). Earlier data, exploiting the European Community Household Panel survey between 1997 and 2001, showed less persistence over a five-year span but ranked Greece as the worse performing country across Europe and the United States according to this indicator (Quintini *et al*., 2007).

Figure 1.21. **Low-pay[a] persistence by educational attainment, Greece, 2004-06**

Percentage of low-paid workers in 2004 who remained low paid until 2006



a) Workers are considered to be in low-paid employment if they work at least 15 hours per week and receive an hourly wage of less than two-thirds the median value in their country.

Source: OECD estimates based on the European Union Survey of Income and Living Conditions.

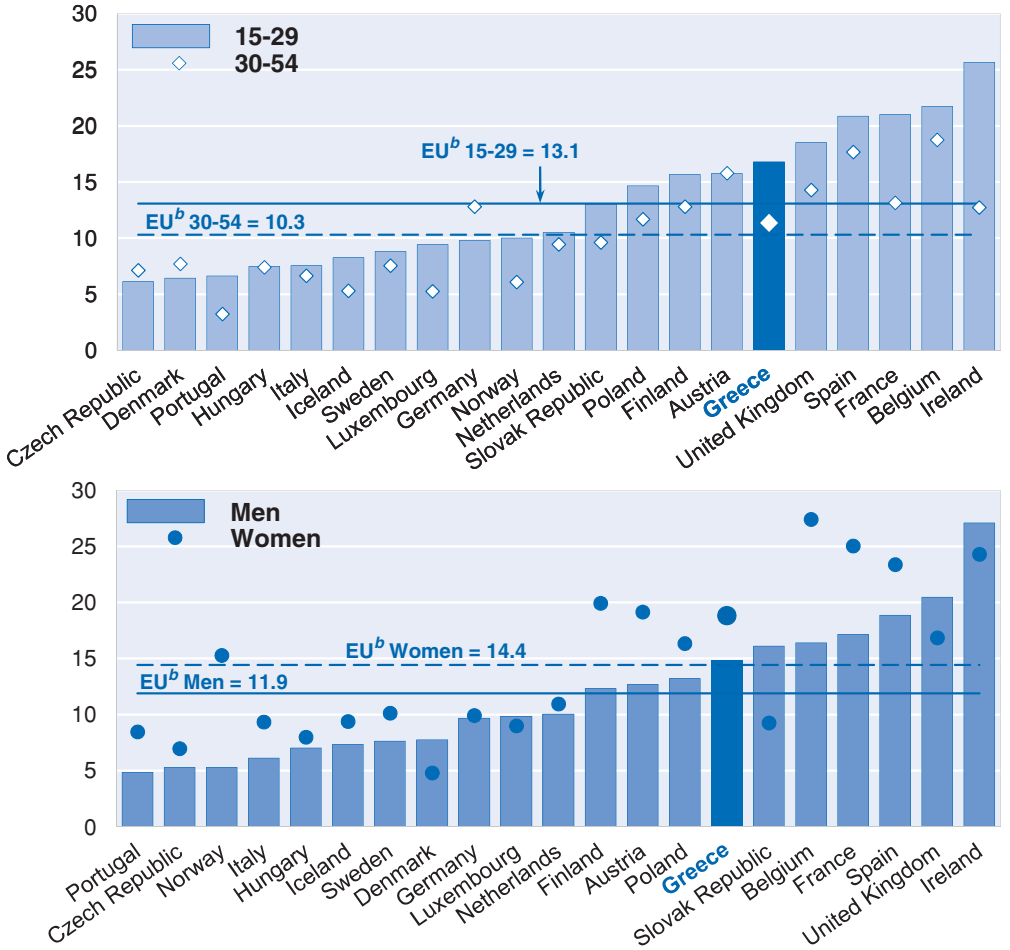
D. About one in five youths are over-qualified for their job

In 2007, 17% of employed Greek youth were over-qualified for their job – *i.e.* they performed a job which required lower qualifications than they had acquired in education – compared with 13% of their European counterparts (Figure 1.22, Panel A). Both in Greece and in Europe the incidence of over-qualification was much higher for youth than for adults.

Panel B of Figure 1.22 shows that, in 2007, young Greek women were more likely to be over-qualified in their jobs than young Greek men. This pattern across gender was similar to that observed in most other European countries.

Figure 1.22. **Over-qualification[a] by age and gender, selected European countries, 2007**

Percentage of employed youth



a) Young people are classified as *over-qualified* if they hold a qualification that is higher than the qualification required by the occupation they carry out. The qualification required by each occupation is the same as that used in OECD (2007a). According to this methodology, the following individuals will be classified as over-qualified: *i)* those who have completed tertiary education but are working in an occupation that requires a medium or low qualification; and *ii)* those who have completed upper secondary education only but are working in an occupation that requires a low qualification.

b) Unweighted average of European countries shown.

Source: OECD estimates based on the European Union Labour Force Survey.

The higher incidence of over-qualification among youth than adults could be the result of two phenomena: *i)* the incidence of over-qualification may decline with age as youth move up the career ladder or move between jobs to find a good match for their qualifications; or *ii)* the incidence of over-qualification may have increased over time, hence it is lower in the older cohort. Studies focusing on over-qualification in Greece lend little support to the idea that mismatch declines as experience on the labour market accumulates (Karamessini, 2008). On the other hand, Kikilias (2008) shows that the share of over-qualified tertiary graduates has doubled between 1993 and 2007, irrespective of the source/method used to assess over-qualification.

Over-qualification translates in tertiary graduates working in jobs that would typically employ youth with lower qualifications. In Greece, 26% of tertiary graduates work in retail trade, the largest share across industries. Also, 24% of tertiary graduates are employed as shop and sales workers, the largest share across occupations. This is often used as evidence of job displacement whereby the least-qualified youth being driven into unemployment or out of the labour market by their more qualified counterparts.

6. Key points

Over the year to September 2009, the unemployment rate of Greek youth rose by 3 percentage points, reversing some of the gains achieved in terms of youth labour market performance over the previous decade. Between the late 1990s and the late 2000s, the youth unemployment rate fell from over 30% to 21%, the incidence of long-term unemployment among youth declined from 52% to 39% and the NEET rate decreased from 18% to 13%. Over the same period, the youth employment rate declined but this fall reflected more time spent in education.

The unfolding economic and public finance crisis is certain to cause further negative developments in the labour market performance of youth over the coming quarters. In addition, while the gains of the previous decade were significant, in 2008 Greece was still among the worst performers across the OECD in terms of youth labour market outcomes (Table 1.4). In 2008, the youth unemployment rate was 7 percentage points higher than the OECD average and the youth employment rate was 20 percentage points lower. Also, transitions from school to work are long and difficult, even for the most qualified. Greek youths take on average two years to find their first job after leaving education, well above the European average of 17 months and four times as long as their counterparts in the United States.

Table 1.4. **Scoreboard for youth aged 15-24,[a] Greece, Europe and OECD, 1998 and 2008**

	1998			2008			2009 Q3[b]		
	Greece	EU[c]	OECD[c]	Greece	EU[c]	OECD[c]	Greece	EU[c]	OECD[c]
Employment rate (% of the age group)	28.1	40.1	44.5	24.0	39.4	43.9	23.0	36.0	39.8
Unemployment rate – UR (% of the labour force)	29.7	17.1	14.8	20.6	15.0	13.2	25.3	21.2	18.9
Relative UR youth/adult (25-54)	3.3	2.2	2.4	3.0	2.8	2.8	2.9	2.9	2.8
Ratio unemployed to population (% of the age group)	11.9	7.7	7.1	6.2	6.4	6.1	7.7	8.5	8.2
Incidence of LTU (% of unemployment)	51.5	28.6	21.8	38.7	23.9	18.8	..	..	..
Incidence of temporary work (% of employment)[d]	24.7	29.8	28.8	29.2	37.8	35.7	..	..	..
Incidence of part-time work (% of employment)	8.7	17.1	20.5	11.2	21.3	24.8	..	..	..
NEET rate (% of the age group)[e]	18.0	13.1	13.4	13.3	10.2	11.2	..	..	..
School drop-outs (% of the age group)[f]	17.4	14.6	17.0	11.6	11.7	14.4	..	..	..
Relative UR low skills/high skills(<ISCED 3)/(>ISCED 3)[e]	0.6	2.5	2.4	0.5	2.1	2.2	..	..	..

.. Data not available.

ISCED: International standard classification of education; LTU: long-term (more than one year) unemployment; NEET: neither in education nor in employment or training; UR: unemployment rate.

a) Youth aged 16-24 for Iceland, Norway (for 1998 only), Spain, Sweden, the United Kingdom, and the United States; and 15-24 for Greece and all other countries.

b) Seasonally adjusted data; employment rate data for European countries refer to the second quarter 2009 instead of the third.

c) Unweighted averages for the 19 OECD and EU countries and for the 30 OECD countries.

d) 2007 instead of 2008; and estimates for Greece are based on the European Union Labour Force Survey.

e) 1997 and 2007.

f) Share of youth not in education and without an upper secondary education (youth holding qualifications at ISCED levels 0, 1, 2 or 3C); 1997 and 2007.

Source: National labour force surveys, and *OECD Education database*.

Even when they find work, Greek youth often start with low-quality jobs. In 2006, the incidence of low pay was the highest among the OECD countries for which this statistic was available and many youth – particularly the least qualified – found it hard to move to better-paid jobs. In 2007, about 30% of Greek youth held a temporary job, most did so involuntarily and some found it difficult to move to permanent work. In the same year, about 17% of Greek youth worked in jobs that required lower qualifications than those they held and there is evidence that this share has increased significantly over time. On the other hand, part-time work was very uncommon in Greece compared with other European countries limiting labour market opportunities for young women and students wishing to combine work and study.

Finally, some sub-groups of Greek youth – notably, young women, teenagers and youth living in rural areas – perform even more poorly than the national average on the labour market. Greek women take longer to find their first job after completing education and their labour market outcomes are

significant worse than those of their male counterparts, which is mostly due to their higher likelihood of withdrawal from the labour force. The picture across qualifications is somewhat unusual. Indeed, in 2006, the unemployment rate of tertiary-educated youth was higher than that of their less-qualified counterparts and over-qualification was widespread, with many tertiary graduates working in retail as sales personnel. However, youth with no or few qualifications were more likely to permanently withdraw from the labour force and from education, possibly because of job displacement from tertiary-educated youth holding jobs below their qualifications.

CHAPTER 2

INITIAL EDUCATION AND LEARNING ON THE JOB

The quality of initial education is a key factor in facilitating the transition from education to employment and putting youth on a promising career track. The purpose of this chapter is to assess whether the current education system in Greece gives youth a good start in the labour market.

Section 1 discusses the performance of students in Greece compared with other OECD countries. Sections 2 to 4 focus on reducing school failure. Section 5 addresses the main challenges faced by tertiary education, and the final two sections review students' work and young workers' participation in on-the-job training.

1. Performance of the Greek secondary education system

A. Key features of Greek secondary education

Education in Greece is compulsory during a primary-school cycle lasting six years and a lower secondary cycle lasting an additional three years. Since 2006, youth who wish to continue studying at the upper secondary level can choose between:

- Academic-type education provided at the *Geniko Lykeio* (General Lyceum);
- School-based vocational education with emphasis on theoretical knowledge at three-year *Epagelmatiko Lykeio* (Professional Lyceum);[13]

13. Between 1997 and 2006, the two upper secondary education options were Technical Vocational School (TEE) and the Integrated Lyceum (Eniaio Lykeio). Before 1997, four upper secondary routes existed ranging from entirely vocation to entirely academic. To this date, all available studies on vocational education refer to this earlier structures.

- School-based vocational training with emphasis on practical learning at two-year *Epagelmatikes Scholes* (Vocational Schools) managed by the Ministry of Education and apprenticeships at *Epagelmatikes Scholes* run by the public employment service; and
- One-year initial vocational training in areas covered by the Institutes of Vocational Training (IEKs).

Table 2.1 summarises a number of features of the education system in Greece and in other OECD countries which are likely to affect education outcomes. First, Greece is one of the countries in the OECD with the lowest age of compulsory schooling. In Greece, youth are required to stay in school until 14½ – *i.e.* for nine years of schooling starting as early as 5½ – while the median age of compulsory schooling in the OECD is 16.

Preschool attendance became compulsory for all 5-year olds in the 2007/08 school year and few children attend before the obligation comes into place. As a result, the first year for which at least 90% of children are enrolled in education is at age 5 in Greece compared with three in Belgium, Denmark, France, Iceland, Italy and Spain.

B. Greek 15-year olds perform very poorly in reading, mathematics and science by OECD standards

According to the 2006 survey of the OECD Programme for International Student Assessment (PISA), 15-year olds in Greece performed significantly below the OECD and EU19 averages in reading, mathematics and science and their performance in reading and science has worsened since 2003 (Figure 2.1). Under all three areas of knowledge, Greece ranks far behind Finland – the best-performing country in the OECD according to PISA.

Between 25% and 32% of 15-year olds do not possess the mathematics, reading and science skills needed for success in future life. This figure is only about 5% in Finland and 20% in the OECD and EU19 on average. Greece also has a much lower share of students scoring at the highest level of each proficiency scale than its OECD counterparts. This poor performance at the higher end of the proficiency scale is particularly striking in mathematics and science.

Table 2.1. **Key features of education systems in OECD countries, 2007**[a]

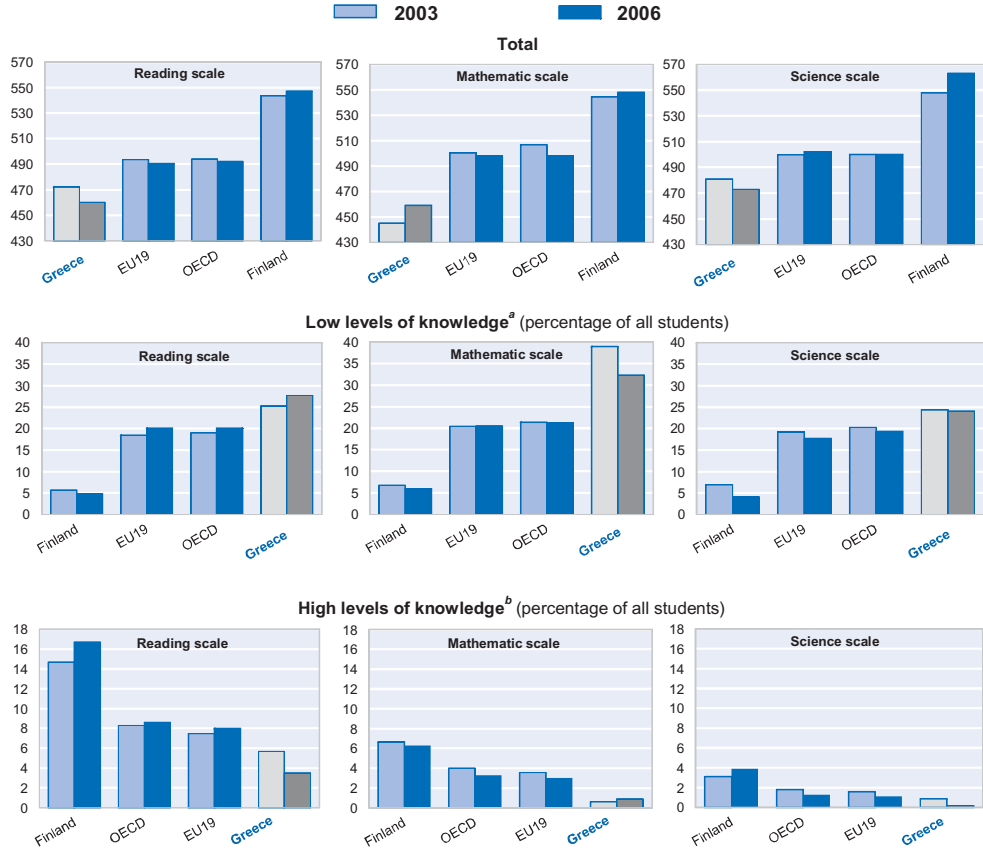
Years

	End of compulsory schooling	First year of age of 90% enrolment[b]	Last year of age of 90% enrolment[b]
Australia[c]	15	5	16
Austria	15	5	16
Belgium[c]	18	3	17
Canada[c, d]	16	6	17
Czech Republic	15	5	17
Denmark	16	3	16
Finland	16	6	18
France	16	3	17
Germany[c]	18	4	17
Greece[e]	**14.5**	**5**	**15**
Hungary	18	4	17
Iceland	16	3	16
Ireland	16	5	18
Italy[f]	16	3	16
Japan	15	4	17
Korea	14	6	17
Luxembourg	15	4	15
Mexico	15	5	14
Netherlands[g]	18	4	17
New Zealand	16	4	15
Norway	16	4	17
Poland	16	6	18
Portugal	14	5	16
Slovak Republic	16	6	17
Spain	16	3	16
Sweden	16	3	18
Switzerland	15	5	16
Turkey	14	7	12
United Kingdom	16	4	16
United States[c]	17	6	16
OECD median	**16**	**5**	**17**

a) Data refer to 2007 unless otherwise stated.
b) First/last year of age when at least 90% of the relevant population is enrolled.
c) Average across regions/states.
d) Figures for Canada refer to 2006.
e) Preschool attendance became compulsory for all 5-year olds in the 2007/08 school year.
f) The end of compulsory schooling was raised to 16 in 2007.
g) Since 2007, schooling is compulsory until age 18 or until a qualification is obtained, whichever is earlier.

Source: OECD (2009b), *Education at a Glance 2009: OECD Indicators*.

Figure 2.1. **Greek students' performance, based on PISA 2003 and 2006**



a) Data refer to the percentage of students scoring up to Level 1 in the proficiency scales. For the reading, mathematics and science scales, they refer to students scoring below 407, 420 and 410 points respectively.

b) Data refer to the percentage of students scoring above 625 points on the reading proficiency scale, above 669 points in the mathematics scale and above 707 points in the science scale.

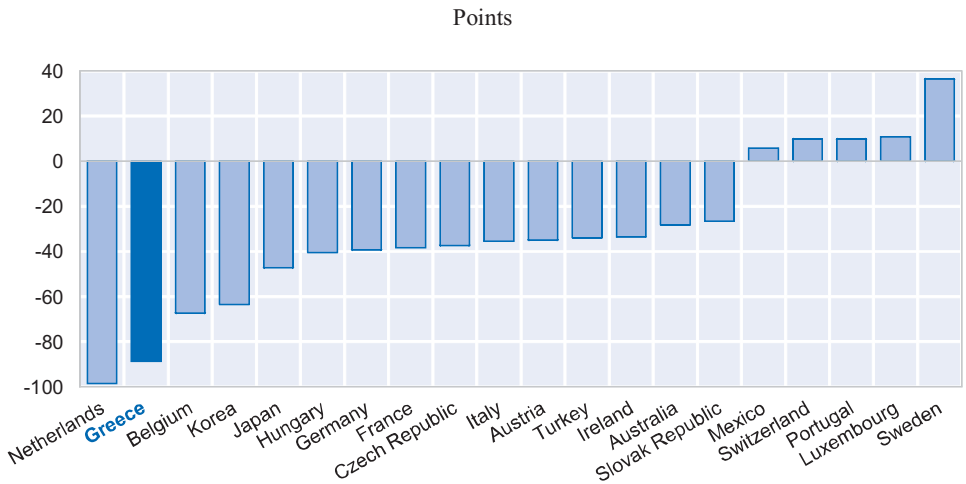
Source: OECD PISA 2003 and *2006 database*.

Figure 2.2 measures the difference in PISA scores – averaged across the three areas of knowledge – between students in vocational and non-vocational streams after controlling for gender and a number of family characteristics.[14] In most OECD countries, youth who attend vocational

14. Raw differences – *i.e.* unadjusted for individual and family characteristics – give a similar country ranking.

education tend to perform less well according to PISA 2006 than those attending non-vocational streams.[15] In Greece, the difference in performance is the second largest after the Netherlands, suggesting that failure in general education is likely to be a major driver of educational choices among lower secondary students.

Figure 2.2. **Estimated[a] difference in performance between vocational and academic students in selected OECD countries, 2006**



a) Performance in mathematics, reading and science scores in PISA 2006 is regressed, separately for vocational and non-vocational students, on the following controls: gender, parents' educational attainment, parents' occupation, immigration status, language spoken at home, an index of home possessions (as a proxy for household wealth) and country dummies. For each area of knowledge, the difference in the residuals of vocational and non-vocational students is calculated. The figure presents the average difference across areas of knowledge.

Source: OECD estimates based on the *OECD PISA 2006 database*.

C. One in eight Greek youth leaves school without a qualification

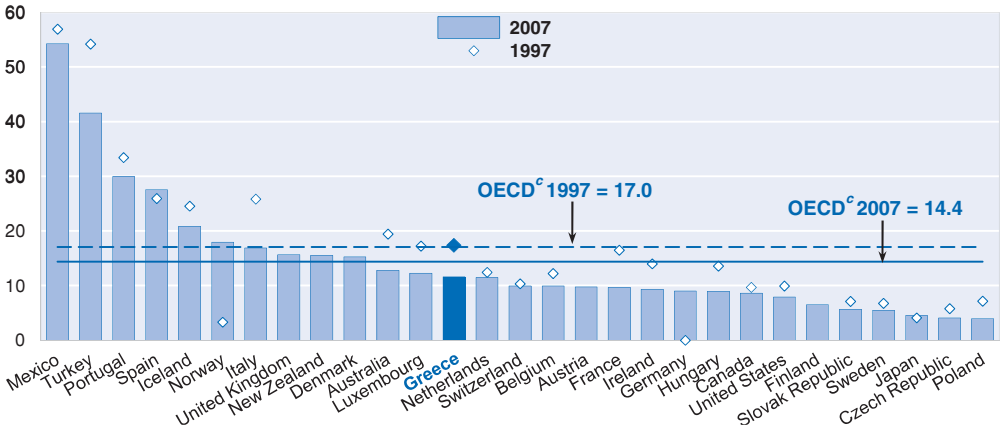
In 2007, 12% of 15-24-year-old school-leavers in Greece did not hold an upper secondary qualification which is regarded as the minimum level of basic skills required to integrate in today's labour market (Figure 2.3).

15. Performance is based on mathematics, reading and science scores and no account is taken of vocational skills. Hence, students attending the vocational stream may well have other skills that will allow them to excel on the labour market but which are not tested under PISA.

Although this share is high compared with many other OECD countries, the corresponding OECD average in 2007 was higher, at 14%. In addition, Greece has made significant progress since 1997 when the share of school drop-outs stood at 17.5%.

Figure 2.3. **School drop-outs[a] in OECD countries, 1997 and 2007[b]**

Percentages



a) School drop-outs include all youth who have left education and only hold qualifications at ISCED levels 0/1/2 or 3C. Youth are those aged 15-24.
b) Data refer to 2003 for Japan; and 2004 for Mexico.
c) Unweighted average of countries shown. Data for Korea are not available.

Source: OECD Education database.

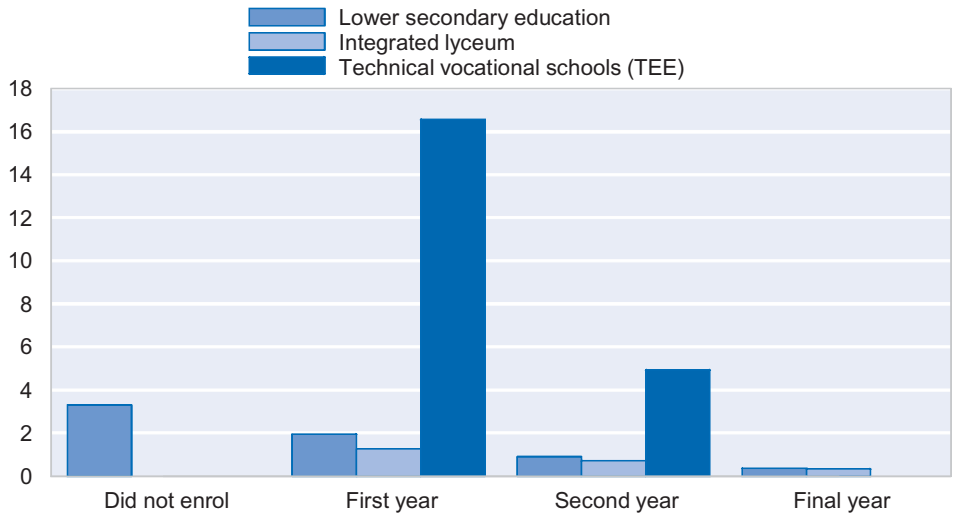
The Drop-out Survey carried out by the Transition Observatory[16] sheds some light on early school leaving in Greece. Several cohorts of students – the latest of which includes students entering either lower secondary or upper secondary education in 2003/04 – are followed over time to investigate how many youth drop out and at what stage. Data show that 6.5% of surveyed youth left education without completing the lower secondary cycle. Of these, about half, did not even enrol after completing primary education and another 2% dropped out after the first year of lower secondary education (Figure 2.4). Dropping out before completion of

16. The Transition Observatory of Educational and Employment Pathways of Secondary Education Students is part of the Pedagogical Institute attached to the Ministry of Education. It is charged, among other things, with collecting information on drop-out rates and on the transition from secondary education to the labour market and with supporting educational policy.

compulsory education was most common in the island regions – where youth work in tourism from an early age – among Muslims and some itinerant minorities – notably, Roma people – and in high-poverty sectors of urban areas such as Athens and Thessaloniki.

Figure 2.4. **Level and timing of early school leaving in Greece, by educational stream, 2003 cohort**[a]

Percentage of youth in the cohort who drop out of school without a qualification



a) The survey follows the cohort of youth who enrolled in each cycle of education in the 2003/04 school year.

Source: Transition Observatory, Drop-out Survey 2003/04.

As far as upper secondary education is concerned,[17] the drop-out rate of youth attending the Integrated Lyceum was only 2.3% in total over the three years of study and declined between the first and third year. The largest share of drop-outs was observed among upper secondary students taking the vocational route. In this upper secondary stream, 22% of students dropped out without completing and about 80% of them did so in the first year of study.

The survey allows disaggregating drop-out rates further, notably by rural *versus* urban areas and by gender. Results show that lower secondary drop-out

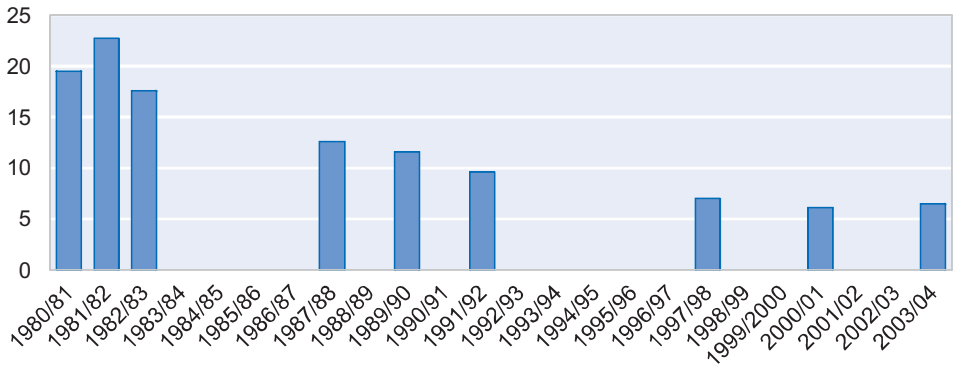
17. The latest cohort of the Drop-out Survey still refers to the structure of upper secondary education predating the 2006 reforms.

rates are higher in rural areas while TEE drop-out rates are higher in urban regions. Also, girls are less likely to drop out than boys at all levels and in all types of schooling. OECD (2009b) also shows that 30% of immigrant youth drop out of school without completing upper secondary education, the third highest rate across European countries after Portugal and Italy.

Finally, because the Drop-out Survey has been conducted for several student cohorts in the past, it is possible to monitor changes over time. In particular, the lower secondary drop-out rate calculated using the same cohort method can be traced back to the early 1980s. On the other hand, because upper secondary education has been reformed several times over the past two decades, the latest TEE and Integrated Lyceum drop-out rates can only be compared with those obtained using the 2000/01 youth cohort. Figure 2.5 shows that the lower secondary drop-out rates have declined significantly since the early 1980s, despite a recent slight increase. Drop-out rates in the Integrated Lyceum fell by 1 percentage point between the 2000/01 cohort and the 2003/04 cohort – from 3.3% to 2.3% – while drop-out rates in TEE increased slightly between the two cohorts – from 20.3% to 21.5%.

Figure 2.5. **Lower secondary drop-out rates in Greece, 1980-2003**[a, b]

Percentage of youth in the cohort who drop out of school without a qualification



a) Youth who enrolled in lower secondary education in the school year shown on the horizontal axis. The survey is not conducted yearly.

b) Education became compulsory until completion of lower secondary education in 1979, and it became *illegal* to leave education before the end of compulsory schooling in 1985.

Source: Transition Observatory, Drop-out Survey 2003/04.

2. General measures to improve outcomes of Greek secondary education

Reducing early school leaving is key to improving the labour market prospects of youth. Within its National Strategic Reference Framework for 2007-2013, the Greek government has set the objective of reducing school drop-outs to 12.5% by 2010 and to 10% by 2013.[18] Several actions can help ensure that this objective is met: *i)* higher participation in early-childhood education and care; *ii)* strengthening support classes for weak students; and *iii)* raising the age of compulsory schooling and improving its enforcement.

A. Improving education outcomes through quality early-childhood education and care

Several studies have shown that attendance of high-quality early-childhood education and care (ECEC) programmes has positive effects on participants' school achievement and grade repetition, particularly for children from immigrant and disadvantaged backgrounds (Box 2.1). Sustained interventions, such as those providing support in the transition from preschool to primary education, have proven to be the most effective (Campbell *et al.*, 2002).

In Greece, only 7% of children aged under three participated in ECEC in 2003 compared with close to 30% in Australia and the United States (Figure 2.6). Participation in preschool was also low in Greece compared with other OECD countries for which data were available. Only 70% of Greek children aged 4 and 5 participated in preschool education in 2003 compared with universal participation in France, Italy and Spain. Although more recent figures are not available, attendance rates among these older children have most likely increased since preschool attendance was made compulsory for 5-year olds in the 2007/08 school year.

In 2008, legislation was enacted for the development of infrastructure and the provision of childcare services for working mothers. The programme will cover the entire cost of childcare services and is estimated to be offering services to 16 000 children annually. Although the policy is mostly aimed at supporting women's work, it is likely to increase the number of children benefiting from ECEC.

18. This is a slightly longer timeframe that the one set by the Lisbon agenda whereby the drop-out rate should reach 10% by 2010.

Box 2.1. The role of early-childhood and preschool programmes in reducing school difficulties of children from disadvantaged families

There is growing recognition that quality ECEC services provide young children, particularly from low-income and immigrant-background groups, with a good start in life. In particular, there is evidence that ECEC programmes can help reduce school failure and improve school performance (see OECD, 2001 and 2006a).

In the United States, many authors have analysed the early academic and labour market impact of preschool programmes but three rigorous studies in particular shed light on the long-term effects of high-quality centre-based preschool programmes targeted at disadvantaged children: the High/Scope Perry Preschool Study (Schweinhart *et al.*, 2005), the Chicago Child-Parent Centers (Reynolds *et al.*, 2001), and the Carolina Abecedarian Early Child Development initiative (Campbell *et al.*, 2002). The three programmes targeted low-income and disadvantaged families and provided childcare and other family-support services. Longitudinal data from all three programmes showed improvements in children's cognitive outcomes (higher IQ and academic achievement), educational outcomes (fewer special education placements, less grade repetition and fewer drop-outs), and labour market outcomes (higher employment rates and greater employment stability). All three studies also found the positive effects of ECEC to last well into the participants' twenties and, in the case of the Perry Preschool programme, well into their forties. Additional evidence is provided by the randomised evaluations of the Head Start and Early Head Start federal programmes which revealed gains in children's reading, writing and vocabulary (Zill *et al.*, 2006; and Love *et al.*, 2002).

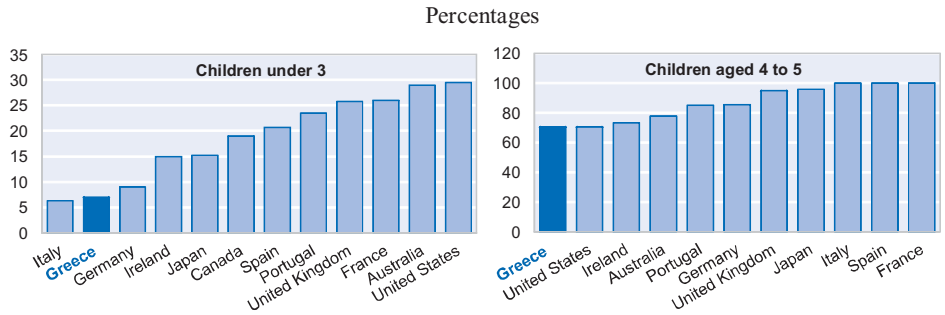
Moreover, the study by Campbell *et al.* (2002) suggests that *sustained* interventions are more effective. The authors showed that participants of the Chicago Child-Parent Centers who had received additional support when transitioning from pre-primary to primary school were less likely to fail a grade and had better reading scores than children who did not.

These US studies also highlighted a number of positive social outcomes for participants such as lower crime involvement and lower rates of juvenile and violent arrests. The positive social and educational outcomes ensure that the benefits of the High/Scope Perry Preschool Study, the Chicago Child-Parent Centers and the Abecedarian project exceed their costs (Karoly *et al.*, 1998; Barnett, 1996; Masse and Barnett, 2002; and Reynolds *et al.*, 2001).

For Europe, positive effects of preschool education on school failure and grade repetition have been found in France, where preschool is almost universal among 3-5-year olds (see Caille and Rosenwald, 2006). Finally, Boocock (1995) reviews childcare in Sweden and concludes that participation in preschool has benefits in terms of cognitive development and school success, and that these are more significant for children of low-income families.

However, disappointing results in some other countries (see Lapointe *et al.*, 2005 for Canada; and Boocok, 1995, for a survey of several international programmes) point to the importance of programme quality. The most effective programmes require considerable financing, well-trained ECEC personnel and diversified intervention actions.

Figure 2.6. **Enrolment rates in early-childhood education and care programmes by age, selected OECD countries, 2004[a]**



a) Data refer to 2004 except for Greece where they refer to 2003, Canada and Germany to 2001, France to 2002, and the United States to 2005.

Source: OECD Family database.

B. Support classes for weaker students

Teaching support for students at risk of dropping out of education is available in primary/lower secondary education, as well as in upper secondary education. In primary and lower secondary education, Complementary Reinforcing Classes were launched in 1998 to help weaker students through an individualised approach and special teaching material. Extra tuition is provided in the students' free time and priority is given to geographical areas with the highest drop-out rates and to special groups of at-risk students, such as Roma and immigrants. The share of schools offering this programme has increased over time, from 78% in 1998/99 – the school year when the programme was introduced – to 90% in school year 2008/09. On the other hand, the share of participating students has declined from 34% to 25% over the same period.

In upper secondary education, the Additional Teaching Support programme consists of additional classes of 5-10 students experiencing learning difficulties or suffering from serious knowledge gaps. The aim of the programme is to minimise early school leaving and improve the educational level of upper secondary students in view of easier access to tertiary education or the labour market. The classes involve a total of 12 additional teaching hours a week in the core subjects and affect about 25% of students (approximately 36 000 students per school year). Training for teachers on the scheme, as well as for school advisors and administrative personnel, was provided when the programme was launched.

These programmes play a particularly important role for students with an immigrant background.[19] According to data from the Ministry of Education, in 2008, this group accounted for approximately 10% of the overall student population in primary education and for 7% of the overall student population in secondary education.

C. Making education compulsory for longer has the potential to eliminate drop-outs altogether but enforcement needs to be strict

As Figure 2.3 suggests, the challenge of reducing school drop-outs is not unique to Greece. In order to address school failure, a number of OECD countries have committed to raise the age of compulsory schooling until completion of upper secondary education or 18 years of age, whichever is earlier (Box 2.2). Reforms of this type have the potential to eliminate early school leaving altogether but they need to be strictly enforced.

Both strict enforcement and the availability of a high-quality vocational route would be key to the success of a policy initiative of this type in Greece. Many Greek youth leave school even before completing compulsory education, signalling some difficulty in enforcing the current compulsory education requirement. In addition, as shown above, high drop-out rates are observed among upper secondary students pursuing vocational studies. Finally, the current age of compulsory schooling in Greece, 14½, is below the OECD average. Hence, raising it to 18 in a single step may put excessive pressure on the Greek education system.

The current major economic slowdown may provide a suitable backdrop for the launch of a reform of compulsory education. As labour market opportunities are reduced, particularly for youth who lack work-experience and/or have little or no qualifications, enrolment rates are likely to increase and drop-out rates to fall. As more youth choose to stay in school longer, it may be easier to gather political consensus on raising the age of compulsory education and to enforce the new measures.

19. As mentioned above, these students are at high risk of dropping out of education without a qualification.

Box 2.2. Raising the age of compulsory participation in learning in England

The Education and Skills Act, approved in late 2008 in England, raises the age of compulsory participation in learning but does so in two steps and allows significant choice in the activities that can be undertaken to fulfil the learning obligation. The changes will come into force gradually, requiring youth to participate until they turn 17 from 2013 and until they turn 18 in 2015. Youth will be able to leave before they reach the new age requirements if they acquire an A-level qualification or equivalent. Learning will be either at an educational institution, with a private training provider, in work-based learning, or in accredited training provided by an employer. Also, young people working full time – defined by the bill as those who work more than 20 hours per week – will be allowed to participate in training one day a week, with their employer or with an external provider.

In the coming years, available learning options will be broadened to ensure that every young person finds a learning pathway that suits him/her. This so-called *14-19 Strategy* comprises various initiatives, particularly in the area of vocational learning:

- The ***apprenticeship entitlement***: from 2013, all suitably qualified 16-19-year olds who wish to enter an apprenticeship will be entitled to a placement. In early 2008, the government also launched a two-month consultation phase on new legislation to expand the use of apprenticeships in the United Kingdom. Proposals included: *i)* the creation of a national apprenticeship service to lead the expansion; *ii)* targets for increasing apprenticeships in the public sector; and *iii)* a pilot wage-subsidy programme to make apprenticeships more attractive for small businesses; and

- The ***Diplomas***: 17 new Diplomas – composite qualifications combining theoretical and practical learning and designed to bridge the gap between academic and vocational programmes of learning – will be rolled out between 2008 and 2013 and will be available as an entitlement from 2013 on. Although significant emphasis is put on literacy and numeracy, the Diplomas represent an attempt to create higher-quality vocational qualifications.

3. Raising the profile and quality of vocational education and work-based learning

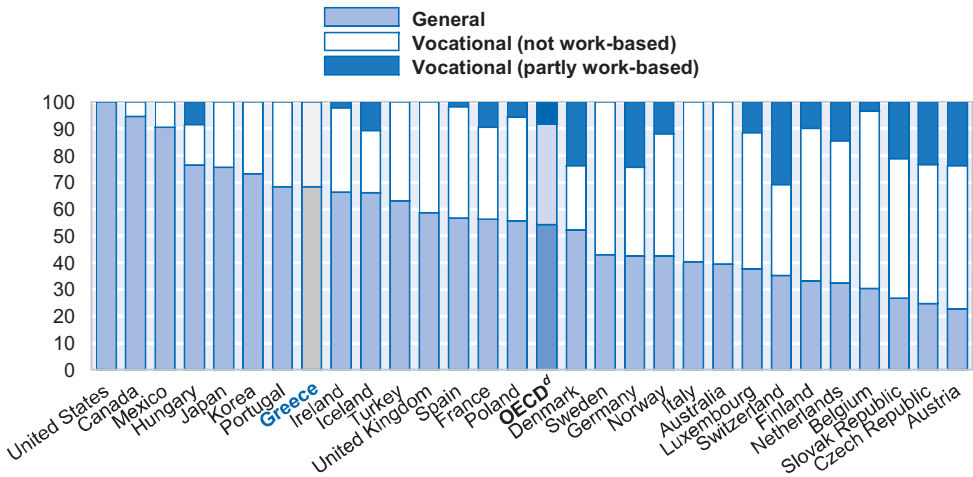
A high-quality vocational education stream is essential to retain students who become disaffected with academic education and ensure that they complete their studies and enter the labour market successfully. In addition, good-quality guidance is key to raise the profile of vocational learning with students and their families. The latter is particularly important in Greece where the preference for academic learning is stronger than in most other OECD countries.

A. Few Greek youth enrol in vocational education and work-based learning

Only about a third of Greek youth enrolled in upper secondary education attend vocational education compared with almost half of their OECD counterparts and work-based learning is rare (Figure 2.7).

Figure 2.7. **Share of enrollees in general and vocational education,[a] OECD countries, 2007[b]**

Percentage of all youth enrolled in upper secondary education[c]



a) Vocational education includes pre-vocational and vocational courses. Vocational (partly work-based) refers to vocational courses that combine class-based instruction with work-based experience.
b) Data for Canada refer to 2005.
c) Data for Turkey exclude enrollees in short upper secondary courses (ISCED 3C) while data for the United Kingdom includes post-secondary non-tertiary enrollees.
d) Unweighted average of 30 OECD countries.

Source: OECD (2009b), *Education at a Glance 2009: OECD Indicators*.

In addition to low enrollment rates, the poor performance of Greek vocational students in OECD PISA 2006 and their high drop-out rates compared with non-vocational students all point to the need for improving the image and quality of vocational courses in the eyes of potential students, their parents and employers.

B. The labour market prospects of vocational students are fairly good

A recent survey shows that vocational education has the *potential* to provide a key labour market entry route for Greek youth. The latest Graduate Survey carried out by the Pedagogical Institute (Transition Observatory) sheds some light on employment outcomes, seven years after graduation, of youth who graduated from upper secondary vocational or general education in the school year 2000/01 (Rouseas and Vretakou, 2008).[20] According to the survey, in 2007, the employment rate of TEE graduates was 73% while that of their Integrated Lyceum counterparts was just 57% (Figure 2.8).[21] This difference is particularly striking considering that some Integrated Lyceum graduates would have obtained an additional tertiary qualification by the time the survey was conducted. In fact, the difference between TEE and Integrated Lyceum graduates was even larger when only graduates who did not enter tertiary education were included in the analysis. For this group, TEE outcomes were virtually unchanged while the employment rate of Integrated Lyceum graduates was smaller at just 52.1% and their unemployment rate was 22%. In addition, TEE graduates found work more rapidly than Lyceum graduates and were more likely to be in full-time, permanent, better paid jobs. Rouseas and Vretakou (2008) link these positive labour market outcomes for vocational education students with the higher share of youth combining work and study compared with general education students. Previous work by Paleocrassass *et al.* (2002) reached similar conclusions.[22]

Better labour market outcomes of TEE compared with Integrated Lyceum graduates could be explained by two factors. First, the Lyceum curriculum is designed to prepare students for university enrollment and its graduates are likely to be ill prepared for labour market entry upon graduation. On the other hand, the TEE vocational curriculum was better suited for youth who wanted to look for work immediately after graduation. Second, youth with academic qualifications

20. The latest Graduate Survey still refers to the structure of upper secondary education predating the 2006 reforms.

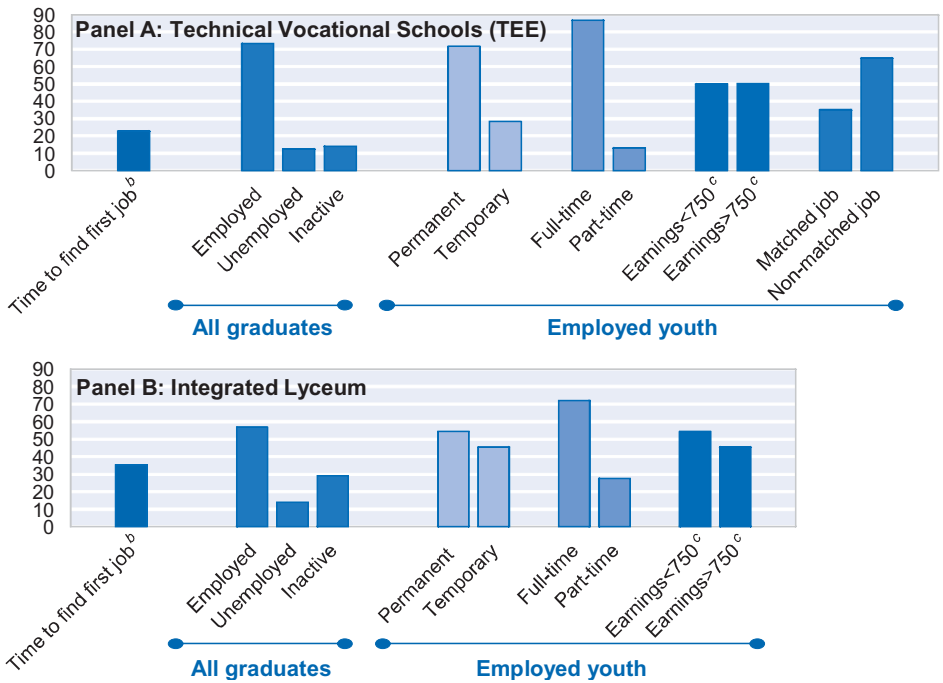
21. It is noteworthy that the high rates of inactivity for Integrated Lyceum graduates reported in Figure 2.8 were mostly accounted for by graduates who were still studying. Only 45% of TEE graduates were enrolled in tertiary education compared with 95% of Integrated Lyceum graduates.

22. The Pedagogical Institute (Transition Observatory) had conducted an earlier Graduate Survey of students who graduated from high school in school year 1988/89 and did not enrol in tertiary education. The employment situation of these youth was assessed nine years after graduation. Although upper secondary education had a different structure at the time, results were fairly similar to the Graduate Survey discussed above.

can expect to catch up after a few more years and outperform youth holding an upper secondary vocational qualification. When the survey was conducted, seven years after high-school completion, Lyceum graduates who had enrolled in university studies would have just completed their degrees[23] and it may take them a while longer to settle in the labour market. In this regard, Karamessini (2008) analyses labour market outcomes for tertiary graduates five to seven years after completing university and finds that the average employment rate was 84%, significantly higher than the employment rate of 57% found seven years after graduating from high school using the Graduate Survey.

Figure 2.8. **Activity status seven years after graduation, by upper secondary stream, Greece, 2007**[a]

Percentage of graduates and months between graduation and first job[b]



a) Surveyed youth graduated in the school year 2000/01 and were interviewed again in 2007.
b) Only for youth who entered the labour market after graduation.
c) *Net* monthly earnings: EUR 750 correspond to approximately 60% of the average net monthly wage in Greece.

Source: Transition Observatory, Second Graduate Survey.

23. Many Greek youth take significantly longer than the required eight semesters to complete university studies (see Section 5 of this chapter).

Figure 2.8 also shows that just 30% of employed TEE graduates worked in a field related to what they had studied.[24] While mismatch signals a major weakness of Greek vocational education, according to Rouseas and Vretakou (2008) it can only be partly attributed to the quality of vocational education – *i.e.* a mismatch between school curriculum and labour market requirements for the relevant trade. Indeed, three out of four students claim that what they learnt in school was useful for their current work. On the other hand, the authors argue that the offer of vocational places in each trade/specialisation does not match (local) demand in that trade/specialisation and call for better projections of labour market needs for the country as a whole and, in particular, at the local level.

C. Recent reforms aim to address some of the challenges faced by vocational education

In 2006, to respond to some of the challenges faced by vocational education graduates on the labour market, the government reformed the upper secondary education system. As mentioned earlier, in the current framework, vocational education has been raised to the rank of Lyceum (the Professional Lyceum) and its students are now allowed to access tertiary education in the same way as General Lyceum students.

The Professional Lyceum imparts substantial general knowledge, as well as broad vocational education and basic vocational skills. On the other hand, it does not provide specialised practical training. Compared with its predecessor (TEE), the Professional Lyceum includes fewer specialisations – 17 rather than 42 – and, since 2007, the government has intensified efforts to link vocational education provision with local labour market needs. Indeed, a recent study conducted by the Pedagogical Institute (Transition Observatory, 2008) confirms that employers view the vocational curriculum as inadequate for their needs.[25] However, a tighter link with local labour market needs is currently hampered by the lack of labour market data at the prefecture and municipality level.

To provide more job-specific skills, the 2006 reform created two-year Vocational Schools. Some of the schools are placed under the supervision of the Ministry of Education while others are managed by the public employment service. The curriculum at Vocational Schools supervised by

24. These findings are also in line with those derived from the earlier Graduate Survey conducted by the Transition Observatory. In this respect, it is noteworthy that Paleocrassass *et al.* (2002) found that mismatch was also lower among youth who combined work and study.

25. While the social partners are in principle involved in the process of drafting the vocational curriculum, their involvement tends to be only marginal.

the Ministry of Education has limited theoretical content and the accent is put on technical vocational subjects and laboratory practice to facilitate direct labour market entry upon graduation. To attend these Vocational Schools, prospective students must have completed one year at a Professional or General Lyceum. This should ensure that students have the minimum general knowledge needed to move straight to practical courses.

Neither the Professional Lyceum nor Vocational Schools supervised by the Ministry of Education include a work-based module which is regarded internationally as the best way of acquiring vocational skills. In addition, work-based learning is essential to ensure that the skills taught correspond to what is required on the job. Overall, while it is too early to assess whether the 2006 reform has been successful or not, international evidence from countries with a similar upper secondary education structure shows disappointing outcomes. In this respect, Besson (2008) focuses on upper secondary vocational education in France and shows that apprenticeships provide better employment opportunities than the *Lycée Professionnel* – very similar to the Greek Professional Lyceum. Abriac *et al.* (2009) show that, in France, this advantage is long lasting after graduation.

The creation of the National Resource Centre for Vocational Guidance (EKEP) in 2000 represents another key development in the government's efforts to raise the profile of vocational education and to increase enrolments. EKEP supervises vocational guidance activities and provides training for counsellors. Guidance is provided at Career Counselling Offices (GraSEP) and at Career Counselling Centres (KeSyP) in secondary schools and at Academic and Career Information Services in tertiary institutions. Although the current system is well designed, it suffers from a number of limitations: *i)* counselling in schools is often carried out by the teachers themselves who have little specific expertise;[26] *ii)* the lack of local labour market data makes it difficult to provide guidance on post-graduation labour market opportunities in each area of study; and *iii)* Greece "suffers" from a strong pro-university culture making non-academic routes difficult to promote.

D. Expanding apprenticeship training is key but even harder in the current context

Vocational Schools managed by the public employment service (OAED) serve as platforms for the provision of apprenticeship training. These

26. Although EKEP offers training opportunities, teachers only act as counsellors for one or two years so the expertise they acquire thanks to experience and training is periodically lost.

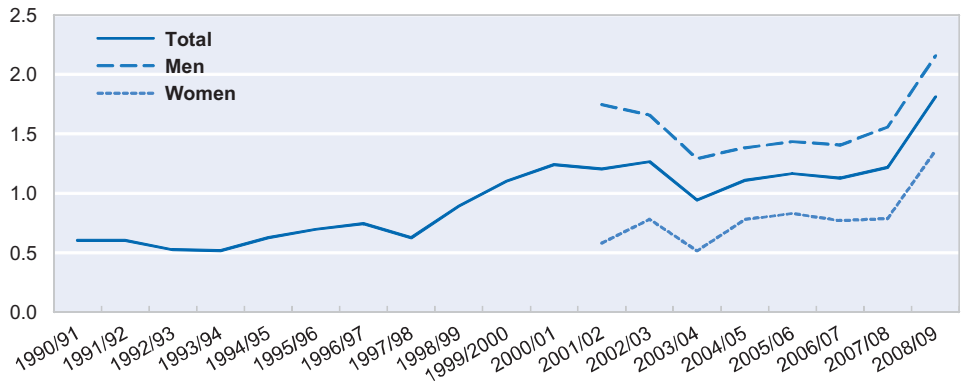
apprenticeship courses combine class-based learning with work-based experience and are open to 16-23-year-old youth who have completed at least one year of upper secondary education, either general or vocational. In the school year 2008/09, OAED operated 53 Vocational Schools providing apprenticeship training in 41 specialisations.

An apprenticeship takes two years to complete and instruction includes off-the-job afternoon courses in the area of vocational specialisation – no general/basic knowledge courses are taught – and on-the-job learning for 4-5 mornings per week. Students are paid a fraction of the basic wage of an unskilled worker in the same industry. Their wages increase with seniority from just 50% of the basic wage in the first semester of the apprenticeship, to 60% in the second semester, 80% in the third and 100% in the fourth and final semester.

In 2008/09, 6 300 students enrolled in an apprenticeship, slightly less than 2% of youth in the labour force. The share of enrollees has increased over time from just 0.6% in school year 1990/91 (Figure 2.9). Young men are more likely to enroll than young women, which is partly a reflection of the fields in which most apprenticeships are available. Indeed, 43% of apprentices are training to become plumbers, electricians and mechanics and less than 0.5% of trainees in these areas are women. Only hairdressing – accounting for 19% of apprenticeships – is dominated by women (90% of apprentices in this field are female). Unfortunately, no information is available on completion rates or on the labour market outcomes of youth who complete apprenticeship courses.

Figure 2.9. **Inflows into apprenticeships by gender, Greece, 1990-2009**

Newly enrolled apprentices as a percentage of the youth[a] labour force



a) Youth aged 15-24.

Source: Administrative data provided by OAED.

Employers receive subsidies that cover approximately half of wage costs for their apprentices. Despite this financial support, placements are hard to find which makes it difficult to envisage the expansion of the programme in its present format, particularly in the current weak economic context. The reasons behind this limited number of placements are difficult to pinpoint in the absence of employers' surveys and of data on apprenticeship costs and on the destination of apprentices upon completion.[27]

Greece is not the only country in the OECD confronted with the difficulty of expanding apprenticeship training. Australia, the United Kingdom, the United States and even Germany – a country with an historical tradition of apprenticeship training – have taken recent actions to improve and expand apprenticeships. Based on the experience of these countries, the key components of successful apprenticeship systems appear to be the following: *i)* the involvement of social partners in the design and management of apprenticeship schemes, as it is done in Germany; *ii)* the expansion of apprenticeships to occupations in the service sector with particular attention paid to the quality of service apprenticeships, as it is currently being pursued in the United Kingdom and the United States; *iii)* the expansion of apprenticeships to SMEs through outreach efforts and larger financial subsidies, as it is planned for the United Kingdom; *iv)* appropriate financial subsidies to compensate employers for their training efforts and to encourage them to retain young apprentices in times of economic difficulty, as it is done in Australia; and *v)* the certification of the competencies acquired during the apprenticeship.

4. Drop-out remedy strategies

Preventing early school leaving is key but remedial strategies for youth who have already dropped out of the education system are equally important. In Greece, they range from the provision of remedial general education allowing participants to get back on track in the education system to the provision of vocational education and training allowing participants to acquire certified skills needed for labour market entry.

27. Data on the destination of apprentices upon completion could shed light on whether employers' fear poaching, *i.e.* they fear that, after spending significant resources on training, apprentices will go to work elsewhere.

A. Second-chance and evening schools play a key role for youth and adults without qualifications

Second-chance schools provide remedial education for 18-30-year-old out-of-school youth who have not completed compulsory education.[28] The schools are part of a European network of second-chance institutions[29] and started operating in Greece in the school year 2000/01 with the objective of fighting social exclusion. In the school year 2008/09, 57 second-chance schools operated in Greece, 6 of them in correctional facilities. The schools provide intensive primary and lower secondary education as well as vocational guidance, using innovative inter-disciplinary methods. Courses last 18 months and include 21 teaching hours and 4 workshop hours per week, held in the evenings. Graduates are issued with a leaving certificate which entitles them to enroll in upper secondary education – either general or vocational – and in vocational training courses and apprenticeships.

Evening high schools, established in 1964, provide both initial and remedial education to working students aged 14 or older. In school year 2007/08, 83 evening schools at the lower secondary level operated in Greece with close to 7 500 students (2.3% of lower secondary students). Moreover, in the same year, a total of 128 schools operated at the upper secondary level with about 19 500 students (5.4% of upper secondary students), a majority of whom were studying towards a vocational qualification.[30] Graduates of evening schools can access tertiary education and they benefit from a 1% quota for university entry. Anecdotal evidence suggests that evening schools represent a highly-valued remedial opportunity for youth and adults without qualifications but no evaluation of the programme has been conducted so far.

Unfortunately, no outreach activities are carried out to encourage drop-outs to enroll in remedial education. As a result, only the most motivated youth and adults benefit from these initiatives.

28. In addition to this general requirement, the following groups are given priority: individuals with poor levels of literacy and numeracy; roma; religious minorities; prison inmates; immigrants; and individuals with disabilities.

29. The schools are funded by the European Social Fund.

30. Of the upper secondary evening schools, 73 focused on academic learning and had approximately 7 000 students (3.2% of lyceum students) while 55 focused on vocational learning, with about 12 500 students (15% of upper secondary vocational students).

B. Post-compulsory vocational education and training are provided through IEKs

OAED and the Ministry of Education provide initial vocational education and training through the Institutes of Vocational Training (IEKs).[31] IEKs operate at the post-compulsory[32] and post-secondary[33] level and provide both basic skills and vocational skills.

IEKs provide an opportunity to acquire vocational skills outside the education framework, particularly for those who have dropped out of school. Unfortunately, with few exceptions, teaching is entirely class-based. In 1996, the government introduced an optional six-month "practical exercise" allowing students to take part in an additional work-based module at public and private sector firms, but little is known of take-up rates and participants' outcomes. The lack of a compulsory work-based module is all the more worrying as the key objective of IEKs is to provide skills that allow *immediate* access to the labour market. In fact, because IEKs are not part of the education system, graduation does not grant access to tertiary education.

In the school year 2008/09, 124 IEKs operated under the supervision of the Ministry of Education offering training to approximately 20 000 students and 27 IEKs operated at OAED with a total of over 2 000 students. In 2008, at IEKs supervised by the Ministry of Education, 80% of students were aged 16-24. Because demand for IEKs places tends to exceed supply,[34] the number of specialisations will increase to 66 in 2010.

A study conducted by PAEP (2009) investigates the labour market outcomes of IEK graduates. The authors find that, in 2006, 76% of IEK participants who graduated in 2000 were in paid work and 14% were unemployed. Significant variation in employment outcomes was observed across areas of training with the traditional trades offering the best work prospects.

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31. IEKs placed under the responsibility of the Ministry of Education are supervised by the Organisation for Vocational Education and Training (OEEK).

32. Prospective students must have completed at least compulsory education.

33. IEKs at the post-secondary level do not issue tertiary qualifications, hence they correspond to level 4 on the ISCED scale.

34. At present, only about 70% of candidates are accepted and selection is based on grades, age, professional experience in the desired area of study and other socio-demographic characteristics.

Since 2007, the government has intensified efforts to ensure that IEK courses are more work-oriented and more closely related to the demands of the labour market. Courses are now designed and managed in cooperation with Trilateral Counseling Committees – including social partners and local government representatives – operating in each municipality and focusing on local labour market needs. The social partners also actively participate in the accreditation procedure of IEKs certificates.

Similarly to second-chance and evening schools, no outreach activities are carried out to encourage drop-outs to attend IEKs courses. As a result, while IEKs have the potential to help youth who have left school after completing compulsory education, they tend to benefit mostly older youth who already hold an upper secondary education qualification.

5. The main challenges facing the tertiary education system

In Greece, tertiary education is provided in two parallel sectors: the university sector comprising Universities (AEI), Polytechnics (Engineering Universities), the Fine Arts School, the Military Academies and the Police Academy; and the tertiary vocational sector which includes Technological Education Institutes (TEI) and the Higher School of Pedagogical and Technical Education.

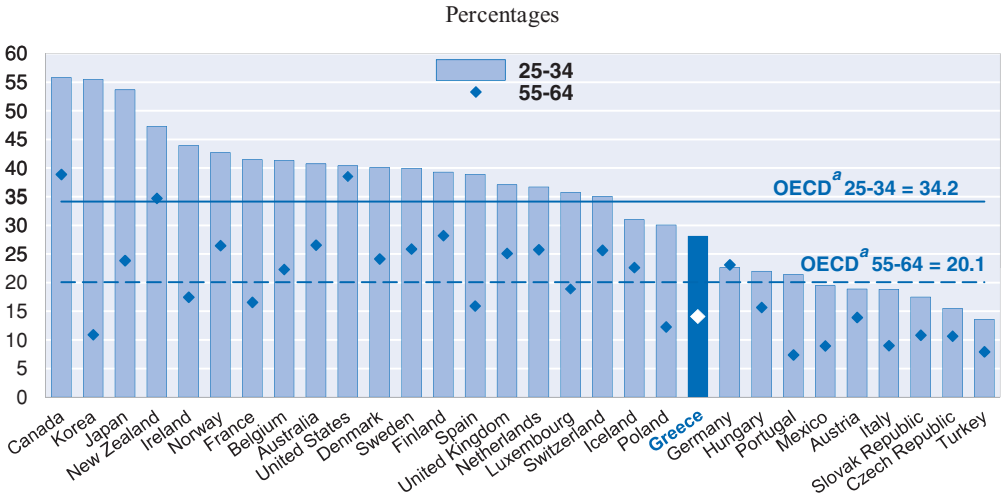
Despite a growing share of youth holding tertiary qualifications, significant challenges exist in all sectors of tertiary education. Notably, the current entry system to tertiary education has created significant distortions in higher education provision. In addition, tertiary education is not sufficiently linked to labour market needs. Partly as a result of these factors, the labour market prospects of higher education graduates are poor compared with their counterparts in other OECD countries.

A. The share of youth holding tertiary qualifications is growing but still low by OECD standards

In 2007, in Greece, 28% of 25-34-year olds held a tertiary qualification, below the OECD average of 34% (Figure 2.10). However, this share reflects a significant improvement over the past three decades. In 2007, only 14% of Greek 55-64-year olds had completed a higher education qualification.[35]

35. Changes over time in the tertiary attainment rates of a country can be approximated by comparing the attainment rates for older and younger age groups.

Figure 2.10. **Tertiary educational attainment rates in OECD countries, 2007**



a) Unweighted average of 30 OECD countries.

Source: OECD (2009b), *Education at a Glance 2009: OECD Indicators*.

Graduation rates are high in Greek universities but low at TEIs

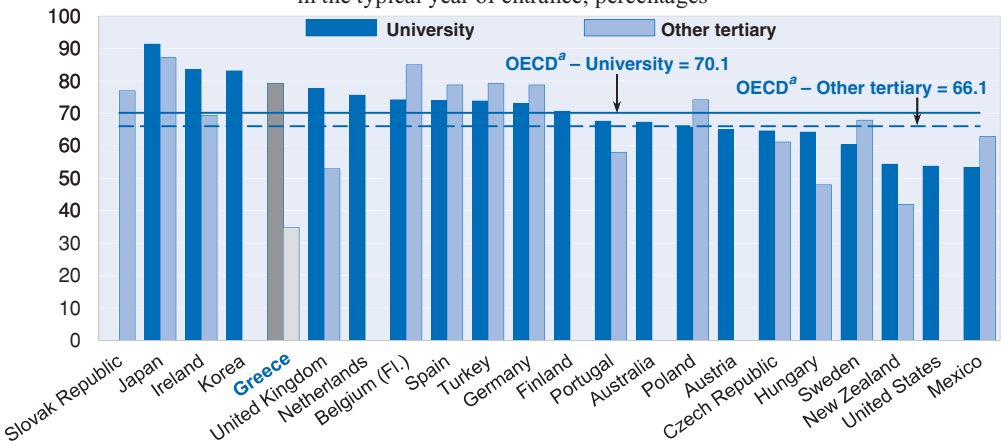
Graduation rates[36] from university are, at close to 80%, among the highest in the OECD (Figure 2.11). This figure combined with very high net enrolment rates[37] suggests that the share of university graduates in the working-age population is likely to rise in the near future. On the other hand, fewer than 35% of tertiary vocational students graduate, the lowest completion rate among OECD countries for which this figure can be computed.

36. Graduation rates are measured as survival rates, *i.e.* by dividing the number of graduates from a programme by the number of new entrants to the programme in the typical year of entrance.

37. The net entry rates represent the proportion of persons of a synthetic age cohort who enter a certain level of tertiary education at one point during their lives. The net entry rate is defined as the sum of net entry rates for single ages. In Greece, in 2006, the net enrolment rate at university was 49% and the net enrolment rate at tertiary vocational institutions was 31%. As a result, the total net enrolment rate in tertiary education was above the OECD average of 70% (OECD, 2009b).

Figure 2.11. **Survival rates in tertiary education, selected OECD countries, 2004**

Number of graduates from a programme divided by the number of new entrants to the programme in the typical year of entrance, percentages



a) Unweighted average of countries shown.

Source: OECD (2007b), *Education at a Glance 2009: OECD Indicators*.

Most students take longer than four years to graduate

Courses at most tertiary-level institutions last at least eight semesters but many youth take significantly longer to complete their studies.[38] Exploiting data from a survey of Greek university graduates, Karamessini (2008) finds that only 15% of university students who graduated between 1998 and 2000 completed their studies within the official duration of their course. Another 33% took one year longer than expected to graduate and the remaining 52% took two or more years longer than expected. The average delay of graduation in excess of the official duration was 1.5 years. The author found significant variation across discipline and gender: only about 60% of male students complete their studies within six years[39] compared with 75% of female students. Rouseas and Vretakou (2008) study completion time of a more recent cohort of university

38. Greece has yet to adopt the Bachelor's/Master's/Doctorate (BMD) framework for higher education applied in most European countries in an attempt to harmonise European qualifications. Within the BMD framework, a Bachelor's degree is obtained after one to three years of higher education, a Master's degree is awarded after four to five years and a Doctorate is acquired after six to eight years.

39. About 30% of male and 48% of female students complete within less than five years but these data may be biased by the type of discipline chosen as some disciplines have an official duration of five or six years.

and TEIs students. The results obtained for university students are consistent with the analysis by Karamessini (2008), with 66% of students who enrolled in 2001 graduating 6.5 years later. In addition, the authors show that late completion is even more of an issue at TEIs where only 47% of students who enrolled in 2001 had completed within 6.5 years.

B. The entry system to tertiary education causes significant distortions

Article 16 of the Greek Constitution establishes that "higher education is free and can be provided exclusively by state institutions". As a result, there are no private institutions recognised as universities in the country[40] and places available in free public universities and TEIs are allocated through a competitive examination. The current framework has created a number of distortions in the provision of higher education.

Secondary education is perceive by most as preparation for university entry

Secondary education students often start preparing for university entry examinations in their first year of Lyceum. To do so, they follow preparation classes at so-called *frontistiria* (private schools) in parallel to public secondary education classes. Public school is perceived by most general education students as an obligatory step to acquire the right to sit the higher education entry examination while learning happens in expensive *frontistiria*. In this regard, Rouseas and Vretakou (2008) show that virtually all general education students sit the university entry examination: 80% take it once and the remaining 20% sit it more than once. On the other hand, 37% of TEE students do not even try to enter higher education.

Youth can be allocated to university courses in which they are only mildly interested

The number of places available in each discipline is decided at the government level and does not reflect labour market needs or students' preferences. When sitting entry examinations, prospective students are asked to specify several disciplines and higher education institutions where they wish to study ranked in order of preference. They are then allocated to one of their choices based on the exam's outcomes and the number of places

40. Some institutions calling themselves universities exist in Greece but the qualifications they provide are not recognised as higher education qualifications. While private employers value qualifications regardless of their official status, this lack of recognition represents a barrier to employment in the public sector.

available in the disciplines chosen.[41] Using the survey of Greek university graduates, Karamessini (2008) finds that 27% of university students who graduated between 1998 and 2000 had not been allocated to one of their first five choices and that about 20% of students in the cohort were not interested in the university course they had been allocated to. It is also noteworthy that 44% of students had to move to attend university.

The number of higher education places has increased, particularly in TEIs

To accommodate rising demand for higher education over the past decade, the Greek government has drastically increased the number of places available, particularly at TEIs. Between 1999 and 2009, enrolments at tertiary institutions rose by 17% and TEIs accounted for over 70% of the rise (Table 2.2).

Table 2.2. **Annual state-allocated tertiary education entry places, Greece, 1999-2009**

Year	Universities and Polytechnics	TEIs	Total
1999	36 727	34 538	71 265
2000	40 205	42 020	82 225
2001	38 670	41 150	79 820
2002	37 240	40 880	78 120
2003	36 010	40 305	76 315
2004	36 695	41 550	78 245
2005	36 045	40 850	76 895
2006	36 765	42 390	79 155
2007	37 200	41 430	78 630
2008	39 210	43 430	82 640
2009	40 180	43 460	83 640
1999-2009 share[a]	28% *(9.4%)*	72% *(26%)*	100% *(17%)*

TEIs: Technological Education Institutes.

a) Rise in University and Polytechnic and TEI places as a share of total rise. The percentage increase in the total number of tertiary places available is reported in parenthesis.

Source: Psacharopoulos and Tassoulas (2004) and figures provided by the Greek Ministry of Education.

Many Greek youth attend undergraduate courses abroad

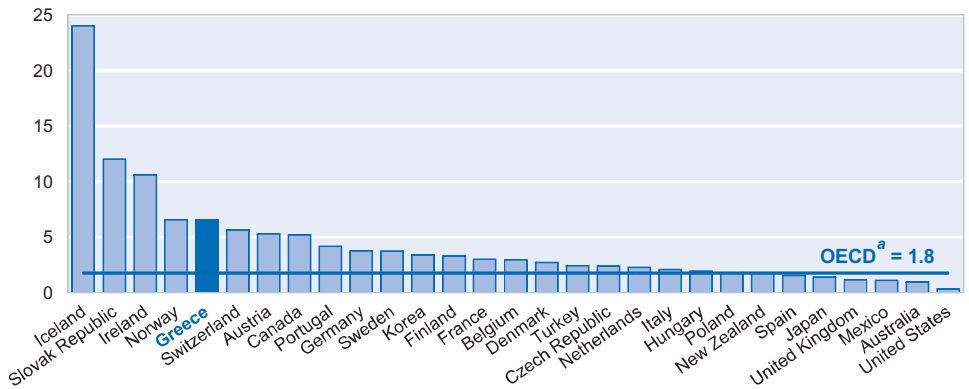
In 2007, 6.5% of Greek students studied abroad, significantly higher than the OECD average of just 1.9% (Figure 2.12). This is motivated by a number of issues arising from the current framework to access tertiary education: *i)* some youth want to avoid sitting the higher education entry

41. For instance, Psacharopoulos (2003) shows that, in 2001, there were about 21 000 applications for courses in informatics and telecommunications while the government offered just 125 places.

examination; *ii)* some youth do not pass the entry examination; and *iii)* some youth prefer to study abroad than to move to a university in another Greek region.

Figure 2.12. **Share of university students studying abroad,[a] OECD countries, 2007**

Students enrolled abroad as a percentage of total tertiary enrolment



a) Excluding advanced research programmes in Germany. Data for Luxembourg are not available. Weighted average of countries shown.

Source: OECD (2009b), *Education at a Glance 2009: OECD Indicators*.

C. Labour market outcomes of tertiary graduates are mixed

As shown in Chapter 1, having a higher-education qualification does not protect Greek youth from labour market entry difficulties. While some youth find work relatively easily after graduation and some aspects of job quality improve as they progress in the labour market, returns to education are low in international comparison and mismatch between work and field of study is common and persistent.

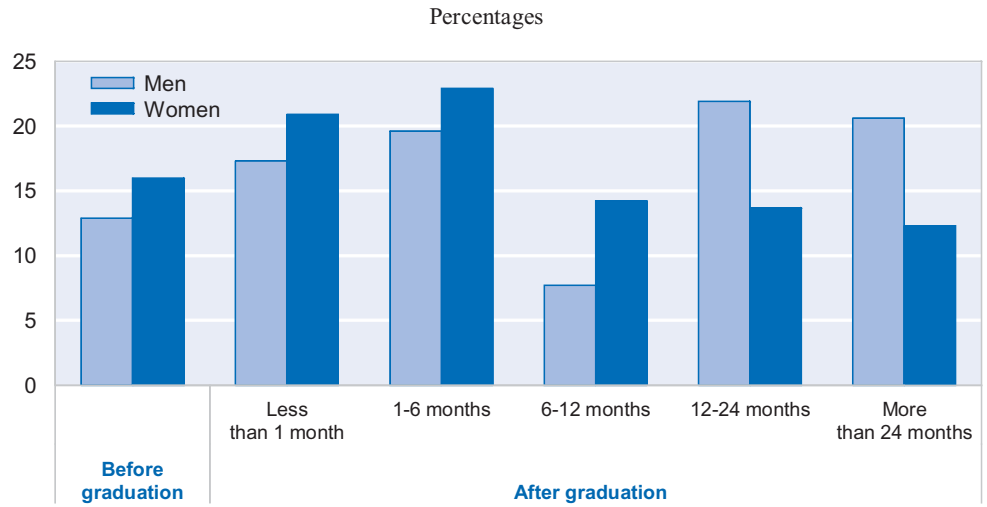
The distribution of the time needed to find a first significant job is very wide

While many higher-education graduates find a job immediately after graduation, others take a long time to settle in work. Using the survey of Greek university graduates, Karamessini (2008) shows that while 56% of graduates find their first significant job[42] in less than six months, 32% take

42. In the survey, youth are asked about their first "significant job" and the definition of "significant" is left to their own assessment.

over a year to do so. Large differences exist by gender – women with a university qualification take much less time to find their first significant job than their male counterparts (Figure 2.13) – and across fields of study.

Figure 2.13. **Time needed to find the first significant job,[a] Greece, 1998-2000 graduates**



a) First self-defined "significant" job since graduation or started before graduation but continued afterwards.

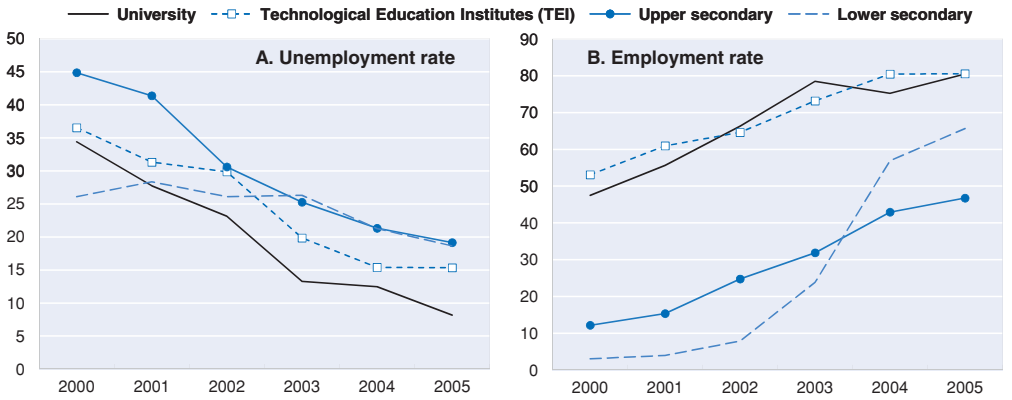
Source: Karamessini (2008), survey of Greek university graduates 1998-2000.

The labour market performance of tertiary graduates is poor but improves over time

The unemployment rate of Greek youth holding higher education qualifications a year after graduation is about 35%, 10 percentage points higher than for youth who only completed compulsory education. However, pseudo-cohort data suggest that things improve significantly over time: in 2005, only 8% (15%) of youth holding a university (TEIs) qualification acquired five years earlier were unemployed, compared with about 19% for both upper and lower secondary graduates (Figure 2.14).

Figure 2.14. **Youth employment and unemployment rates, by time since graduation and qualification, Greece, 1999 graduates**

Percentages



Source: Karamessini (2006), based on the Greek labour force survey (2000-05).

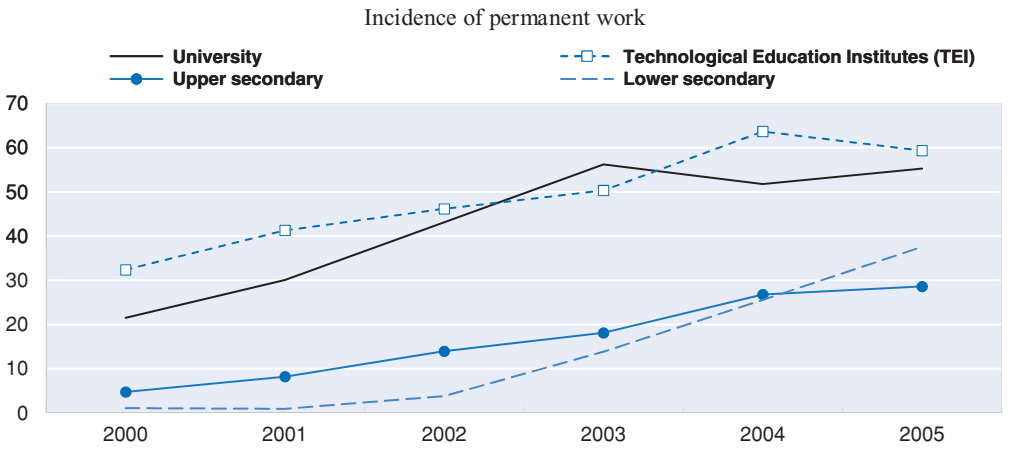
Employment rates show similar improvements over time after graduation. While just about half of youth with higher-education qualifications have a job a year after graduation, this share rises to 80% for both university and TEIs graduates five years after their graduation date. It is noteworthy that while TEIs graduates are much more likely to be unemployed than university graduates, there is little differences between the two tertiary routes when it comes to employment rates, suggesting higher labour force participation rates among TEIs graduates.

Longitudinal data from the survey of Greek university graduates of 1998-2000 (Karamessini, 2008) show employment rates of approximately 85%, five to seven years after graduation and unemployment to population ratios of 5.3%. The remaining 10% of university graduates who report being inactive declare that they are doing their military service (male graduates only, 36%), are inactive for family reasons (female graduates only, 39%) or are pursuing further studies (both male and female graduates, 48% and 38%, respectively).

Job stability and pay of tertiary graduates improve over time

In many ways, the quality of jobs held by tertiary graduates improves with time since graduation. In 2005, five years after graduation, 55% of university graduates and 59% of TEIs' graduates held a permanent job compared with just 22% and 32%, respectively, one year after graduation. In addition, at all stages since graduation, the incidence of stable employment is significantly higher than for upper and lower secondary graduates (Figure 2.15).

Figure 2.15. **Job stability, by time since graduation and qualification, Greece, 1999 graduates**



Source: Karamessini (2006) based on the Greek labour force survey (2000-05).

The improvement in job stability is also visible in Table 2.3 which compares the characteristics of the first significant job after graduation – for 1998-2000 university graduates – with those of the job held in 2005. The share working on a temporary contract declined from 60% in the first significant job to just 29% in the job held at the time of the survey.

Table 2.3 also shows how university graduates' wages progress between the first and current job. The median monthly wage stands at around EUR 650 in the first significant job and rises to about EUR 1 000 in the job held at the time of the interview.

Table 2.3. **Comparison between first and current job, Greece**

1998-2000 graduates interviewed in 2005

	First significant job[a]	Current job
Share of total employed graduates (%)		
Job type		
Employed in the public sector	55.8	38.4
Employed in the private sector	10.3	34.6
Contract worker in public sector	13.0	6.3
Contract worker in private sector	15.2	11.0
Self-employed without employees	4.4	7.5
Self-employed with employees	0.5	2.1
Working in family business	0.8	0.0
Share of employees and contract workers (%)		
Job stability		
Civil servant	2.2	25.1
Permanent worker in private sector	37.1	37.0
Contract worker in stable position	0.7	9.1
Fixed-term contract	28.4	17.1
Contract worker in unstable position	31.6	11.8
Hours worked		
Full-time worker	80.3	87.6
Part-time worker[b]	19.7	12.4
Net monthly wage		
EUR 500 or less	29.9	7.4
EUR 501-700	24.6	8.9
EUR 701-900	21.0	14.8
EUR 901-1 100	13.8	35.1
EUR 1 101-1 300	5.8	19.2
EUR 1 301 and over	5.0	14.6
Match between job and studies		
None	15.0	13.2
Little	13.0	12.8
Some	25.5	23.8
Very good	46.4	50.2

a) First self-defined "significant" job since graduation or started before graduation but continued afterwards.

b) Part-time work is defined as "usual work lasting less than the regular weekly working time in the industry where the graduate is employed".

Source: Karamessini (2008), Survey of Greek university graduates 1998-2000.

Mismatch between work and field of study is significant and persistent

Many university graduates work in jobs that are unrelated to their field of study. Using the survey of Greek university graduates of 1998-2000 Karamessini (2008) shows that 29% of female and 27% of male university graduates hold a job that is completely unrelated or only marginally related to what they studied.

The mismatch between the job held and the field of study is not just a characteristic of entry jobs. Table 2.3 shows that mismatch does not improve as youth progress on the labour market. On average, across gender, 28% of university graduates' report little or no relation between their first significant job and their field of study and this share only declines to 26% when graduates are questioned about their current job. Comparable figures from other OECD countries are difficult to find. In 2004, 38% of Spanish graduates reported that their first job was unrelated or very little related to their field of study (OECD, 2007c). Di Pietro and Urwin (2006) found that a similar proportion of Italian youth used none or little of the skills acquired at university in their job. On the other hand, Allen and van der Velden (2001) found that only 20% of Dutch graduates were working in jobs for which their field of education was not appropriate.

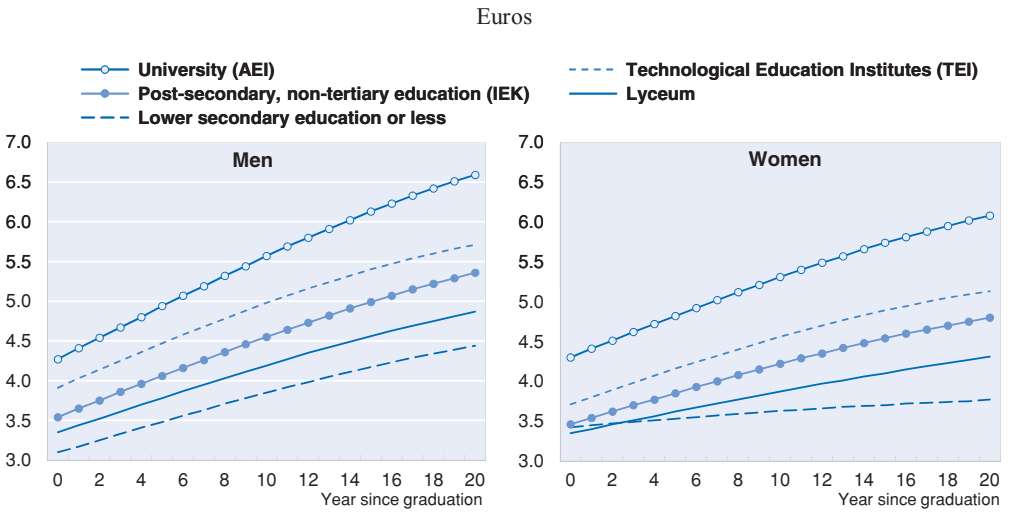
Various studies have shown that the extent of mismatch between studies and work varies across fields of study and is highly correlated with over-qualification. Lianos *et al.* (2002) study over-qualification and mismatch among Greek youth who graduated outside Greece but returned after their studies. The authors find that both mismatch and over-qualification are wide-spread in Greece. Mismatch is particularly common among youth who graduated in humanities and youth in mismatched jobs are significantly more likely to be over-qualified than youth whose work matches their field of study – 81% and 18%, respectively. However, there is evidence that students who perceive that their qualifications are higher than their job requires have found their first job much earlier.

Tertiary graduates earn more than less educated youth but returns are low in international comparisons

Five years after leaving education, university graduates earn about a third more than Lyceum graduates and their advantage increases with work experience (Figure 2.16; and Mitrakos *et al.*, 2008).

The earnings advantage of TEIs graduates over youth holding an upper secondary qualification is smaller than for university graduates, at about 18% for men and 15% for women five years after leaving education. In addition, the advantage of TEIs graduates is even smaller – 10% for men and 8% for women, five years after graduation – when they are compared with graduates of post-secondary IEKs.[43]

Figure 2.16. **Hourly wages by gender and qualification, Greece, 2004-07**



Source: Mitrakos *et al.* (2008), based on the Greek labour force survey (2004-07).

While comparisons of hourly wages are useful to assess the earnings advantage of tertiary-educated graduates compared with their less-educated counterparts, more precise measures are needed to estimate the returns to tertiary education. In this respect, the private internal rate of return to tertiary education is a comprehensive measure of incentives to attend tertiary courses. It shows the discount rate that equates the future benefits with the costs of education.[44] Boarini and Strauss (2007) show

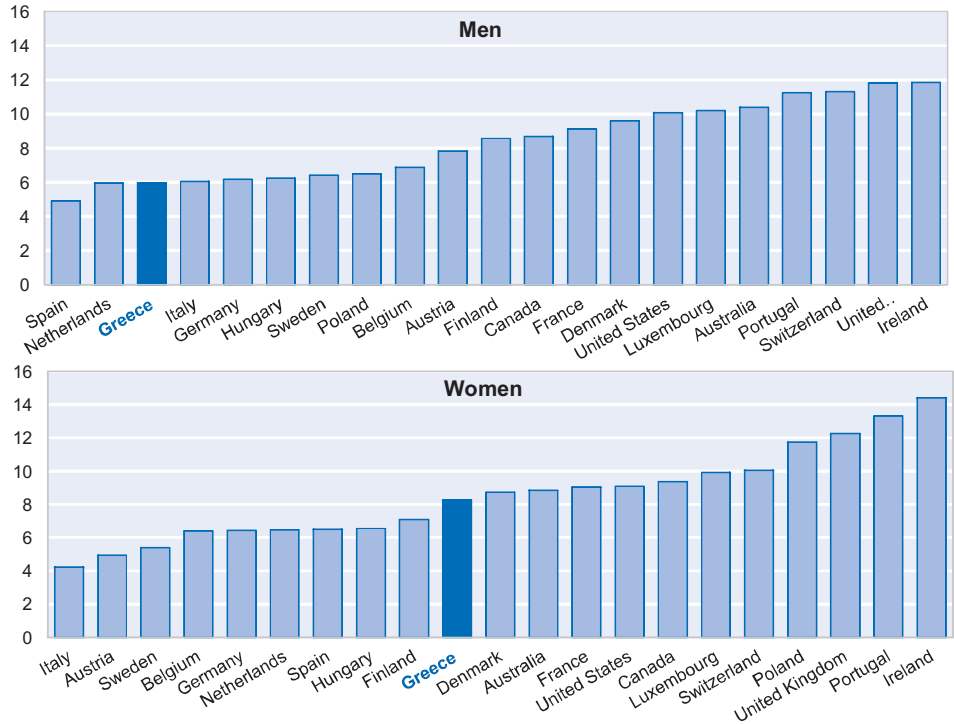
43. Mitrakos *et al.* (2008) show that these earnings gaps are only slightly larger when hourly wages are corrected by the likelihood of being employed.

44. The higher life-time earnings of a tertiary-educated individual reflect various benefit and cost components – higher wages and pensions and a higher probability of being employed which are offset to some extent by higher taxation, the direct costs of education, the length of study and the opportunity costs of not being able to work much during the study time.

that, in Greece, the internal rate of return to tertiary education is low for men and just average for women by international standards (Figure 2.17).[45]

Figure 2.17. **Internal rate of return to tertiary education, by gender, selected OECD countries, 2001**[a]

Percentages



a) Data refer to 1997 for Hungary, and to 2000 for Poland and Switzerland.

Source: Boarini and Strauss (2007).

Mitrakos *et al.* (2008) calculate internal rates of returns separately for TEIs and university graduates and across fields of study. They show that, on average, internal rates of return are slightly higher for university graduates – about 7% on average – than for TEIs – about 6%. However, they find significant variation across fields of study. For instance, among male university graduates, returns are extremely low – around 4% – for Agronomy and Social

45. Prodromidis and Prodromidis (2008) and Mitrakos *et al.* (2008) obtain similar estimates and also find that the internal rate of return to tertiary education is higher for Greek women than for Greek men.

Science graduates and very high – exceeding 10% – for Foreign Languages graduates. A similar degree of variation is observed for female graduates and across TEI fields. Interestingly, in some fields of study, internal rates of return for women graduates are higher at TEIs than in their less applied university version. For instance, women graduating in Mechanics and Information Technology at TEIs can expect an internal rate of return exceeding 7% while for those studying the same course, albeit with a more theoretical orientation, at university the internal rate of return is below 6%. A similar difference is observed among women studying Economics and Business.

D. The picture for tertiary vocational graduates is mixed with some good news but several challenges

As Table 2.2 showed, 70% of the rise in tertiary education enrolments over the past 10 years was accounted for by an increase in TEI places. However, despite being raised to the status of tertiary education institutions in 2001 and experiencing employment rates comparable to university graduates, TEIs graduates face a number of challenges.

TEI completion rates are low and internal rates of return are disappointing in most disciplines

As shown in Figure 2.11, completion rates at TEIs are extremely low and compare poorly with tertiary vocational courses across OECD countries. In addition, the earnings advantage of TEIs compared with upper secondary graduates is about half of the earnings advantage of university graduates (Figure 2.16).

TEIs are no longer focused on tertiary vocational education

Historically, TEIs have had a stronger vocational content with a narrower general curricula and a greater focus on training and practice than universities. However, since their inclusion into the higher education system this has changed somewhat. Many TEIs now offer more general, university-like courses but are unable to match the quality of those offered by universities. To deal with a similar problem arising in its tertiary vocational sector, the New Zealand government has recently launched a series of reforms. Another OECD country that has successfully reformed its tertiary vocational education system is Finland. Both in Finland and New Zealand, significant emphasis has been put on providing high-quality tertiary vocational education in line with *local* labour market needs (Box 2.3).

Box 2.3. The Finnish and New Zealand experiences with improving the quality of tertiary vocational education

Polytechnic education in Finland: a successful reform

In Finland, higher-education enrolment rates doubled between 1990 and 2000 following the gradual transformation of former vocational colleges into polytechnics. Compared with other tertiary institutions, polytechnics provide courses of relatively short duration and more technically oriented. The governance structure involves more inputs from employers and local authorities, with the latter particularly involved in financing polytechnics and providing facilities.

The polytechnic sector is mostly dedicated to the conduct of professionally-oriented higher education and applied research supporting regional development and adult education, principally in engineering, business and health care. A big feature is work practice as part of the undergraduate and post-graduate degrees. Practical training placements and diploma projects are key components of the close relationship between polytechnics and the regional business community.

Polytechnics have successfully established their place as the second pillar of the Finnish tertiary education system, alongside university. There are at present 29 polytechnics in the country and 20 universities. In 2004, among youth aged 25-34, 17% had a polytechnic qualification and 23% had a university one, compared with 9% and 20%, respectively, on average in OECD countries (OECD, 2006b).

The labour market effects of the Polytechnic Education Reform have been evaluated in a number of studies. The most recent (Böckerman *et al.*, 2007) compares employment levels and earnings of post-reform graduates with those of pre-reform graduates of vocational colleges. The authors find substantial positive effects on both outcome variables after controlling for school fixed effects, business-cycle fluctuations as well as potential changes in student composition induced by the reform. However, they underline that the effects of the polytechnic reform differ greatly across the three largest fields of study. While in the field of business and administration the effects of the reform are overwhelmingly positive, no statistically significant effects were found in either technology and transport or social and health care.

Finland has recently decided on the further development of polytechnic education, through the enhancement of contacts with working life. Special attention will be paid to curricula, credit-transfer practices, guidance and advisory services and the development of post-graduate polytechnic degrees. The new legislation also emphasises the autonomy of polytechnics and focuses on enhancing their regional impact.

Redefining the role of Institutes of Technology and Polytechnics in New Zealand: regional facilitation

The original role of Institutes of Technology and Polytechnics (ITPs) in the New Zealand tertiary education system was to provide school-based vocational education and training. ITPs served youth coming from secondary education and choosing to continue to tertiary vocational education as full-time students. They also provided block

courses – lasting a few weeks only – for employees sent by their firm to acquire specific skills or qualifications. Over time, however, their role broadened to cover areas that overlapped with university education. In addition, the creation of new courses was dictated by students' demands rather than relevance for the labour market.

In 2007, the New Zealand government launched a new tertiary education framework. In the new context, ITPs as well as other tertiary institutions are subject to new funding rules with emphasis on quality and relevance of the courses rather than on students' intake (OECD, 2008a). In addition, in the new system, ITPs have been attributed the role of regional facilitators, working side by side with employers' organisations to determine tertiary education needs and provision gaps at the regional level.

E. Current proposals and recent reforms may change the tertiary education framework somewhat

A number of recent and planned reforms are likely to address, at least partly, some of the challenges highlighted above. If properly implemented, not only do these changes have the potential to improve the quality of tertiary education but they may also positively affect secondary education outcomes.

First, the government has been discussing the introduction of a preparatory year at the end of upper secondary education before entry to university. It is hoped that the introduction of preparatory classes will help upper secondary graduates prepare for university entry examinations without recourse to private tuition during the Lyceum years. The change is also aimed at raising the status of public secondary education which at present is just seen as a pathway to university entry. A system of this type exists in the Canadian province of Québec where post-secondary education begins with the attendance of general and vocational colleges, the so-called *Cégep* (*Collèges d'enseignement général et professionnel*).[46] Students can choose between a two-year general programme leading to university admission and a three-year professional programme in preparation for the labour force. However, some analysts have been critical of the two-year *Cégep* leading to university admission as the course is deemed too long.

Second, the government has recently increased the test score required to enter tertiary education. In the past, students with very poor scores were admitted provided there were enough places available, although they were assigned to a field/institution ranking low in their preferences. At present,

46. Unlike university education, *Cégep* attendance if free.

a pass score is required – 10 points out of the maximum 20 – to be given a place at a tertiary institution. This measure has had the benefit of restricting entry to tertiary education students who have the basic knowledge required to graduate. As a result, it has the potential to reduce drop-outs, particularly at TEIs to which the least prepared students were most often allocated. However, the new rules have also caused many places – particularly at TEIs – to remain empty causing economic hardship in some local areas.[47] Some authors have also suggested changing the allocation system for university places. Ragiadakos (2008) finds that if students were allocated through fields of study based on their preferences rather than based on the places made available by the government, employment rates for tertiary graduates would be higher – *i.e.* the current allocation does not reflect labour market needs.

Third, the European Court of Justice has recently ruled that Greece should recognise tertiary degrees granted by foreign universities through private colleges operating in Greece.[48] If this comes to pass, the increased competition brought about by private providers may help raise the quality of some underperforming public tertiary institutions.

Finally, in 2005 the government launched a tertiary education reform which introduced the following key changes:

- The reform created the Hellenic Quality Assurance Agency and a tertiary evaluation system was launched in 2009. To start with, only internal evaluations are being implemented and underperforming institutions will be given four years to improve their performance. External evaluations are being tested for five universities and there are plans to link performance to funding in the near future; and
- Limits have been placed on study time for new tertiary entrants – the maximum study time is defined as double the minimum number of semesters.

47. The opening of TEIs provided an economic boost to some local areas, thanks to the increase in the demand for accommodation and leisure services caused by the arrival of students.

48. Although this does not cover all private universities operating in Greece, it applies to a large share of them.

6. Work and study

A. Fewer than one in ten Greek students combine work and study

Greek students rarely combine work and study, despite international evidence that this may help post-education labour market outcomes, particularly if work is part-time and related to the field of study (Box 2.4). In 2006, less than 10% of 20-24-year-old students worked and studied at the same time and work was extremely rare among teenagers (Figure 2.18). This compares with rates close to 70% for young adults and close to 50% for teenagers in Australia and the Netherlands.

Box 2.4. The impact of students' work on future labour market performance: evidence from a number of OECD countries

The impact of combining work and study on future labour market outcomes has been the object of a rich international literature. The number of hours worked is recognised in most analyses as being key, with positive returns most likely if work is half time or less.

In Europe, emphasis is also put on the relation between work content and the student's field of study for tertiary education students. Evidence from France and Switzerland (see Béduwé and Giret, 2005; Chagny and Passet, 2006; and Murier, 2006) shows that work experience acquired while studying has a positive effect on future labour market outcomes if the job is related to the student's field of study. When this is the case, students' work is found to: *i)* reduce the probability of being unemployed a year after the end of schooling; *ii)* reduce the time needed to find the first job; and *iii)* increase post-education wages. On the other hand, work experience in an area not related to the student's field of study is found to have no impact.

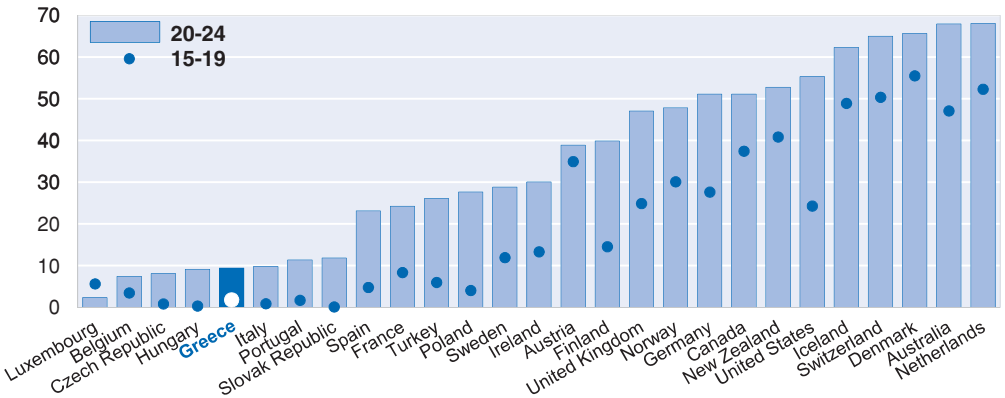
For the United States, Molitor and Leigh (2005) find positive earnings returns to in-school work experience. Another study conducted on Australian high-school attendees (Vickers *et al*., 2003) finds positive returns to students' part-time work. The authors show that, although having a job in high school is associated with a reduced likelihood of completing education (statistically significant only for young men), it does yield substantial and lasting labour market benefits once young people leave school. More precisely, part-time work in high school increases by 65% the probability that a young person enters an apprenticeship or traineeship rather than being unemployed in the transition out of school. Part-time work while in school also increases by 46% the probability that a young person enters full-time employment rather than being unemployed. These results are shown to be robust across several specifications and after controlling for social and academic background, ethnicity, gender, region and school type. It is also noteworthy that this study does not find that these results are dependent on the fact that jobs held by students are related to their field of study. In fact, another study conducted on Australian students (Green and Smith, 2003) finds that structured work placements – *i.e.* organised by the school and generally strongly related to course content

– do no better than other types of paid work experience. In both cases, positive returns of students' work on school-to-work transitions are found.

Overall, most analyses provide evidence that working a moderate number of hours helps youth in post-school labour market outcomes without compromising school achievement (DeSimone, 2006; Salamonson and Andrew, 2006; and Dundes and Marx, 2006). Some analyses – not all – also show that a close relationship between the job held and the field of study is essential for positive labour market returns when working students are attending tertiary education.

Figure 2.18. **Work and study across OECD countries by age, 2007**

Percentage of enrolled youth who work, in the age group



Source: OECD Education database.

B. Few demand-side barriers to student work exist but students find it difficult to get a job and combine it with study

A survey conducted by Mihail and Karaliopoulou (2003) among university students in two large Greek universities explores the factors behind the limited extent to which students combine work and study. The authors find that there are no demand-side barriers to students work. Employers, especially in the service sector, look for a low-wage, flexible workforce and tertiary students are ideal candidates.

Students who work do so because they believe this will help them gain valuable experience and contacts to enhance their post-education employment opportunities.[49] On the other hand, when students are asked to evaluate the

49. The Federation of Greek Industries (2003) claims that the lack of work-based learning such as internships and other work-placement mechanisms is a crucial

reasons for not working, some supply-side barriers emerge. Female students who do not work give two main reasons: the perceived lack of job opportunities and schedule conflict between attending courses and working (Table 2.4). Male students who do not work do not single out a reason in particular but appear to disagree in principle with the idea of working while they are full-time students. Mihail and Karaliopoulou (2003) also explore the ways in which university students look for work and find that informal channels constitute the main search tool (Table 2.5). Overall, the study results suggest that more efficient university offices for job placements and more formal internship programmes may help students gauge the extent of work opportunities available and encourage them to work.

Table 2.4. **Reasons for not combining work and study at university,[a] Greece, 2003**

Average score[b]

	Men	Women	Total
Not enough available time for my studies	2	2	2
Schedule conflict between study and work	3	4	4
I want to enjoy my time at university	3	3	3
Lack of suitable job positions	3	3	3
Lack of available job positions	3	4	4
I do not want to work	4	3	3

a) Students of the University of Macedonia and the Aristotele University of Thessaloniki.
b) Students were asked to rate reasons for not working from 1 to 5 (the higher the score, the more important the factor).

Source: Mihail and Karaliopoulou (2003).

Table 2.5. **Job-search methods among students, Greece, 2003**

Percentages

	Men	Women	Total
Family, relatives and friends	62	59	60
Newspapers	48	59	55
University office for job placements	14	15	15
Internet	24	6	13
Personal contact	19	9	13
Private agencies	10	3	5
Public employment service	0	0	0

Source: Mihail and Karaliopoulou (2003).

factor that inhibits Greek youth from developing work skills that would enhance their employability.

C. The US Summer Jobs programme provides an example of good practice to help disadvantage students gain work experience

Among initiatives aimed at supporting the combination of studies and work, the US Summer Jobs scheme was considered by many analysts as key in improving the labour market prospects of disadvantaged students, particularly teenagers (CLASP, 2009; and Sum *et al.*, 2008).

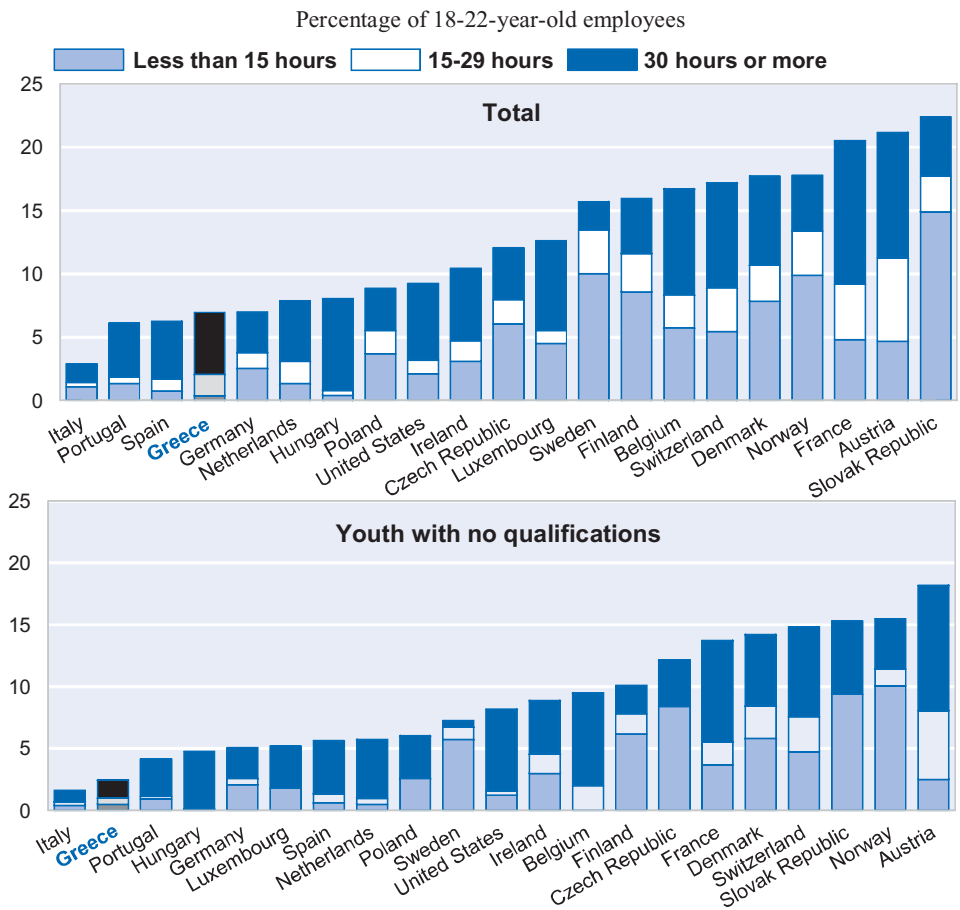
The programme was part of the Job Training Partnership Act and was targeted at economically disadvantaged youth aged 16 to 21. It consisted in a period of work experience for which young people were paid a minimum wage. Services also included a full range of remedial education, classroom and on-the-job training. The programme was significantly scaled down when the Workforce Investment Act came into force in 1998 but has received renewed attention in the context of the labour market measures put in place by the US government to tackle the consequences of the current economic crisis.

7. On-the-job training

A. Very few Greek youth benefit from on-the-job training, particularly among the least qualified

In the early 2000s, Greek youth were among those receiving the least on-the-job training across OECD countries for which data were available (Figure 2.19). Only 7% of 18-22-year olds received any on-the-job training compared with more than 20% in the Slovak Republic, Austria and France. This is not encouraging as continuous improvements in employability through on-the-job training have been shown to raise labour market outcomes (see OECD, 2003 and 2004). In addition, as in other countries, training is not well distributed across the workforce and seldom reaches those who need it most – low-skilled workers. In Greece, only 2.5% of low-skilled youth receive on-the-job training, the second lowest incidence after Italy.

Figure 2.19. **Incidence of job-related training by duration of the training course, European countries and United States, 18-22-year olds, early 2000s**



Source: OECD estimates based on the European Union Labour Force Survey, Life-Learning Module 2003 for the European countries, and the National Longitudinal Survey of Youth 1997 for the United States.

8. Key points

Several indicators point to a disappointing performance of the Greek education system. In 2006, 15-year-old Greek youth performed well below the OECD average in mathematics, reading and science. In the same year, 12% of 15-24-year-old school-leavers in Greece did not hold an upper secondary qualification which is regarded as the minimum level of basic skills required to integrate in today's labour market. This share had declined

significantly since 1997 but was still too high to ensure that Greece would meet the Lisbon objective of 10% by 2010. In addition, drop-out rates were much higher than average among vocational education students, immigrant youth, minorities and in the island regions. Finally, several surveys highlight the poor labour market prospects of Greek higher education graduates compared with their counterparts in other OECD countries.

Some structural issues lie behind these poor outcomes. First, very few Greek children participate in ECEC compared with other OECD countries for which data are available. Second, education in Greece is only compulsory until age 14½ compared with a median age of 16 across the OECD and some youth leave school at an earlier age. The current economic downturn could improve things temporarily as more youth are likely to choose to stay in school longer in the face of reduced labour market opportunities. As a result, the slowdown may make it easier to gather consensus on raising the age of compulsory education and to enforce the new measures.

Third, vocational education suffers from a very bad image, which depresses enrolments despite relatively high labour demand for its graduates. In addition, none of the vocational routes available inside and outside the Greek education system combines class-based learning with work-based training despite this being regarded internationally as the most effective learning method in vocational education. Finally, despite promises of making vocational education more related to local labour market needs, employers are rarely involved in the design of curricula and local needs remain largely unstudied.

Only apprenticeships, run by the public employment service, include a sizeable on-the-job learning component and provide their participants with highly-valued skills on the labour market. Unfortunately, opportunities for expansion beyond the traditional trades have not been explored. In this respect, Greece could learn from the experience of a number of countries that have recently committed to enlarging their apprenticeship programmes through: more involvement of the social partners in the design and management of apprenticeships; the expansion of apprenticeships to SMEs; appropriate financial subsidies to compensate employers for their training efforts; and the certification of the competencies acquired.

Fourth, remedial education opportunities for youth who have left school without completing compulsory or upper secondary education are available through various targeted programmes. Unfortunately no outreach activities are carried out to encourage drop-outs to enroll in these remedial courses. As a result, only the most motivated youth and adults benefit from these initiatives.

As far as tertiary education is concerned, the current entry system has created significant distortions. In particular, available places at tertiary institutions reflect neither students' preferences nor labour demand. Also, tertiary vocational education has expanded faster than university education, despite higher drop-out rates and poorer rates of returns. A number of recent and planned reforms are likely to address, at least partly, some of these challenges. They include changes to the tertiary education entry system, the establishment of a framework for evaluating the quality of tertiary institutions and the introduction of preparatory classes for university entry. If properly implemented, not only do these changes have the potential to improve the quality of tertiary education but they may also positively affect secondary-education outcomes.

Finally, very few Greek students work compared with their OECD counterparts in spite of much evidence that combining work and study has the potential to improve labour market outcomes. Existing studies suggest that more efficient university offices for job placements and more formal internship programmes may help students appreciate the number of work opportunities available and encourage them to work. Also, a summer jobs initiative would provide work-experience opportunities to disadvantaged students.

CHAPTER 3

REMOVING DEMAND-SIDE BARRIERS

The current economic slowdown has brought the importance of labour demand conditions to youth labour market performance back to the fore. Across OECD countries, the youth employment rate is more sensitive to the business cycle than that of adults, making youth particularly vulnerable in the current economic environment. In addition, some structural issues related to labour demand persist in many countries. As new entrants to the labour market, youth are more likely to be affected by institutional arrangements that weaken labour demand.

This chapter reviews demand-side barriers affecting youth labour market performance in Greece. Section 1 examines the responsiveness of youth employment rates to the business cycle. Sections 2 and 3 discuss whether minimum wages, labour costs and employment protection legislation represent significant barriers to youth labour market entry in Greece. Finally, Section 4 explores the demand for university graduates in Greece and discusses their skill deficit.

1. Economic growth and youth employment

A. Youth employment is more sensitive to the business cycle than adults' employment

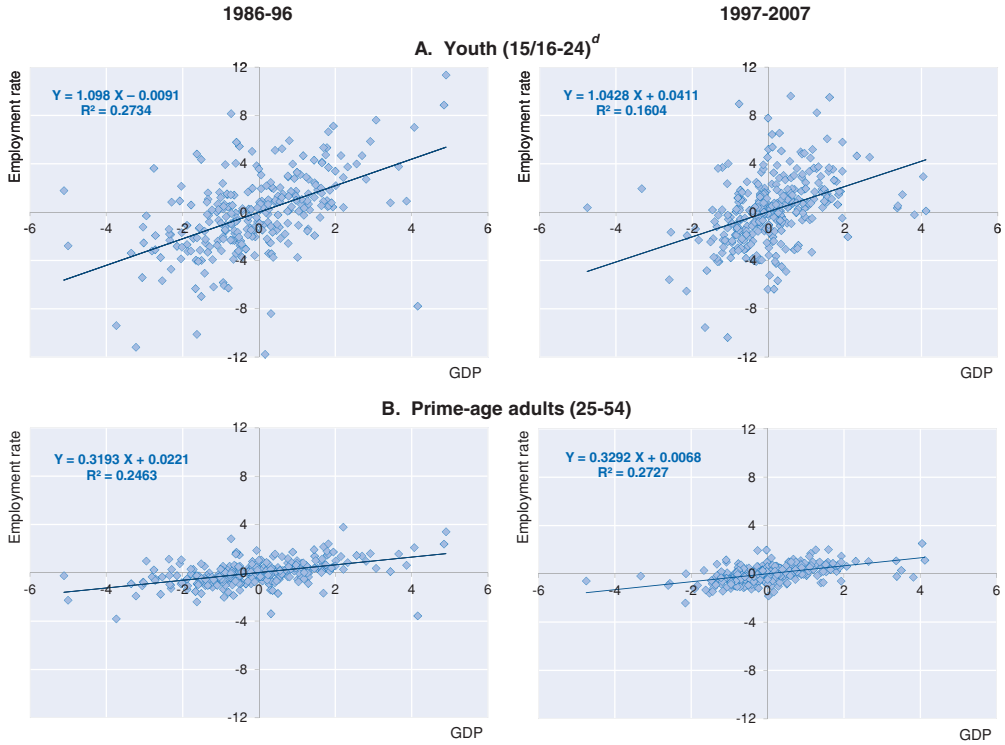
GDP growth is a key determinant of short-run labour market performance and there is evidence that youth employment tends to be more sensitive to changes in the business cycle than adult employment (Figure 3.1).

Figure 3.2 shows deviations of employment rates from their long-term trend in relation to recession episodes in Greece, the United Kingdom, the United States and Spain. Youth employment drops much more than that of adults during cyclical downturns and the difference between the two age

groups is particularly marked in Greece and Spain. Over the past two decades, the responsiveness of youth employment rates in Greece and the United States has remained fairly constant while it has declined in Spain and in the United Kingdom.

Figure 3.1. **Youth employment rates and GDP,[a] 1986-96 and 1997-2007**

Percentage deviation[b] of employment rates and GDP from their respective trends[c]



a) The sample includes the following countries: Australia, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, Korea, the Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, the United Kingdom and the United States.

b) Each point in the chart represents a country-year observation of the percentage deviation of the employment rate and GDP from their respective trends.

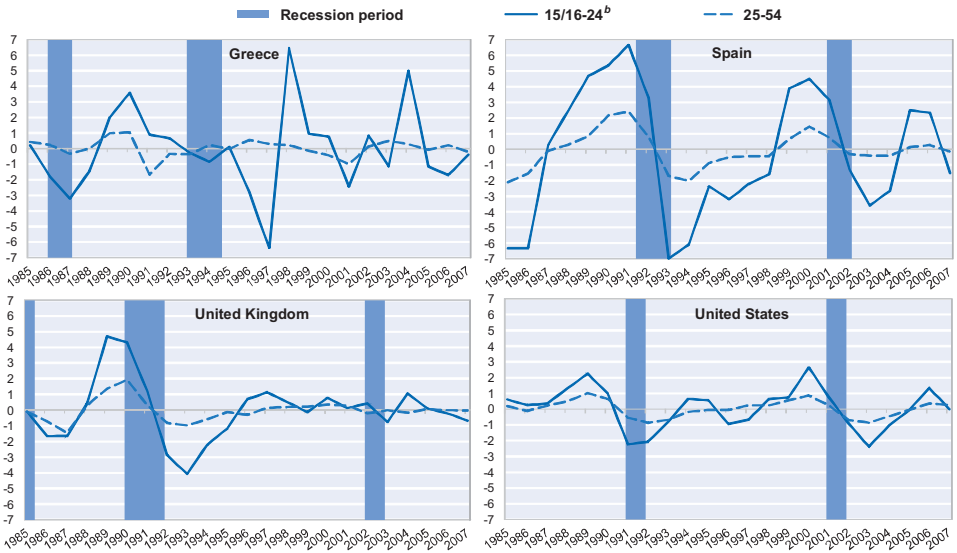
c) The trends have been established through a Hodrick-Prescott filter imposing identical smoothing factors for employment rates and GDP in all countries.

d) Youth aged 16-24 for Iceland, Norway (until 2006), Spain, Sweden, the United Kingdom and the United States, and 15-24 for Greece and all other countries.

Source: OECD National Accounts database for GDP, and *OECD Labour Force Statistics database* for employment rates.

Figure 3.2. **Youth and adult employment rates and economic cycles, Greece, Spain, United Kingdom and United States, 1985-2007**

Percentage deviation of employment rates from their respective trends[a]



a) The trends have been established through a Hodrick-Prescott filter imposing identical smoothing factors for youth and adult employment rates. For Greece, the trough and peak observed in youth employment in 1997 and 1998 respectively are likely to be magnified by a break in the employment series.

b) Youth aged 15-24 for Greece, and 16-24 for Spain, the United Kingdom and the United States.

Source: OECD National Accounts database for recession periods, and *OECD Labour Force Statistics database* for employment rates.

B. Youth labour market performance is likely to worsen further in Greece as the country enters recession in 2009

As highlighted in Chapter 1, the unemployment rate of Greek youth rose by 3 percentage points between the third quarter of 2008 and the corresponding quarter of 2009. Things are likely to worsen further as the Greek economy faces recession and a public finance crisis.

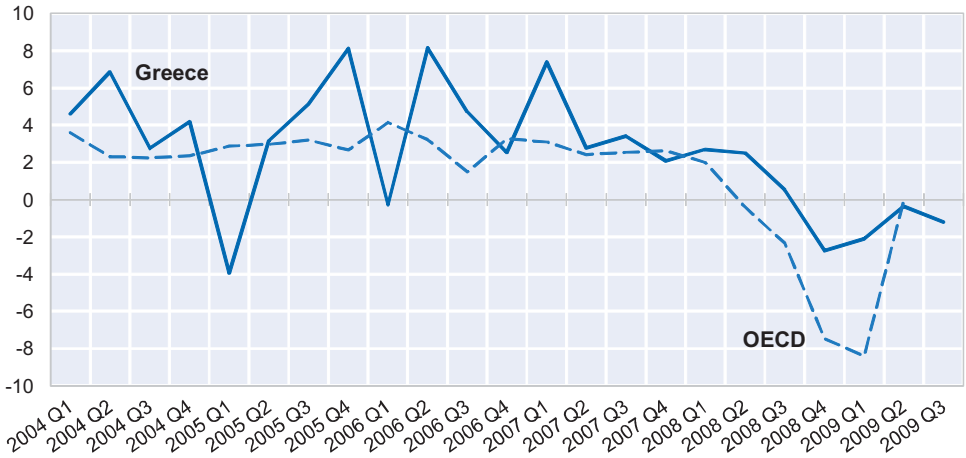
Over the first three quarters of 2008, the Greek economy withstood the global financial crisis relatively well. GDP growth slowed significantly compared with growth rates of 4% annually over the previous decade but, contrary to many other European countries, Greece registered negative GDP growth only in the fourth quarter of 2008. Indeed, the Greek economy

benefited from a more favourable environment than the rest of the euro area since Greek exports directed towards the Balkans remained relatively robust until the end of 2008 (OECD, 2009c). Greece also suffered less from the initial financial turmoil thanks to its banking sector's low exposure to the toxic assets that provoked the crisis.

However, economic activity fell significantly in the fourth quarter of 2008 (Figure 3.3) and the OECD is projecting that GDP will fall by 1.1% in 2009 and by 0.7% in 2010 (OECD, 2009d). In addition, at the end of 2009, the incoming Greek government made it public that the country was facing a major fiscal crisis, with a public deficit estimated at 12.7% of GDP in 2009 and debt above 110% of GDP.

Figure 3.3. **Quarterly GDP growth, Greece and OECD, 2004-09**

Annualised quarterly growth rates of real GDP



Source: OECD National Accounts database.

Current OECD growth projections for Greece suggest that youth labour market performance could deteriorate significantly over the two coming years. The youth employment rate is projected to fall by 1.5 percentage points between 2009 and 2011 and the youth unemployment rate is projected to rise by close to 2.5 percentage points. This is in stark contrast with projections for 25-54-year olds. In fact, the employment rate of prime-age adults is likely to remain unchanged and their unemployment rate is projected to rise by just 1 percentage point (Table 3.1).

Table 3.1. **Employment-rate projections[a] by age, Greece, 2007-11**

Percentages

	Real GDP growth[b]	Employment rate[c]		Unemployment rate[c]	
		15-24	25-54	15-24	25-54
2007	4.5	24.0	75.6	22.9	7.1
2008	2.0	23.6	76.2	22.0	6.6
2009	**-1.1**	**22.8**	**75.5**	**25.9**	**8.3**
2010	**-0.7**	**21.9**	**75.5**	**27.8**	**9.0**
2011	**1.6**	**21.3**	**76.0**	**28.3**	**9.1**

a) The projections are derived as follows: *i)* the unemployment-rate trend has been established through a Hodrick-Prescott filter; *ii)* the elasticity of the unemployment rate to the output gap is calculated by regressing the deviation of the unemployment rate from its trend on the output gap and its lags; *iii)* the unemployment-rate trend projection is obtained using double exponential smoothing; and *iv)* the estimated elasticity is applied to OECD output-gap projections to obtain the forecast unemployment-rate deviation from its trend which is then summed to unemployment-rate trend to obtain the unemployment-rate projection shown in the table. This procedure is carried out separately for each age group. Employment-rate projections are obtained using a regression model which includes a linear trend, the output gap and its lag.

b) OECD GDP growth (2007, 2008), and GDP-growth projections (2009, 2010, 2011) for the year shown.

c) The European Union Labour Force Survey is used to obtain quarterly employment and unemployment rates. As a result, the rates reported in this table for 2007 and 2008 differ slightly from those reported in Figures 1.2 and 1.3 obtained from national labour force surveys.

Source: OECD estimates based on the European Union Labour Force Survey for employment and unemployment rates; and OECD (2009d), *OECD Economic Outlook*, No. 86 for GDP.

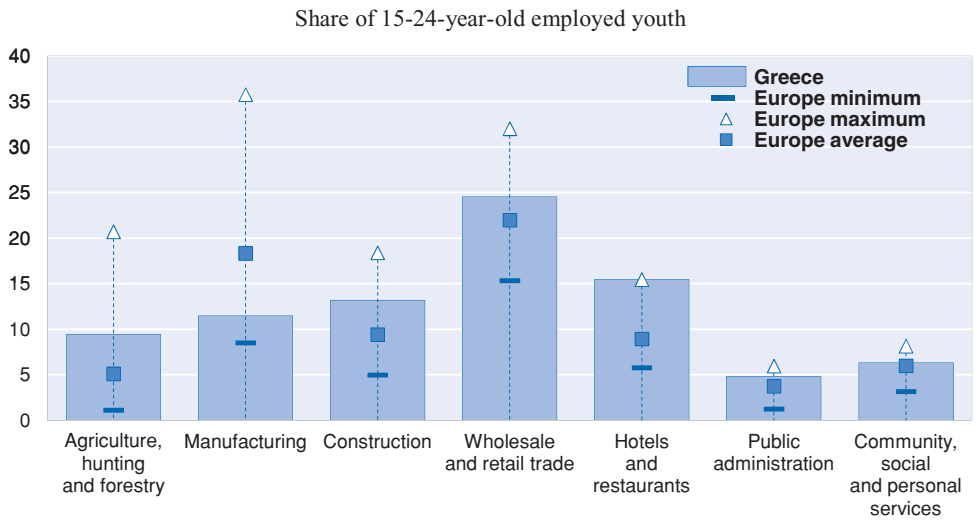
C. The weakening tourism outlook may cause a significant rise in youth unemployment over the summer

In 2007, one in seven Greek youth worked in the Hotels and Restaurants industry, the largest share across European countries (Figure 3.4). The shares of Greek youth working in Construction and Agriculture were also above the European average while Greece had one of the smallest shares of youth working in Manufacturing across European countries.[50]

50. Over the past decade, changes in the structure of Greek industry – notably, the decline of Agriculture and the rise of Real Estate and Construction – have helped Greek youth employment slightly. If the structure of Greek industry had remained the same as in 1997, youth employment in 2007 would have been 1 percentage point lower.

The structure of youth employment by industry suggests that the youth unemployment rate may rise significantly in the third quarter of 2009 as a result of the expected contraction in tourism. Indeed, in March 2009, hotel reservations were around a fifth lower than a year before (OECD, 2009b).

Figure 3.4. **Youth employment share, selected industries, Greece and Europe, 2007**



Source: OECD estimates based on the European Union Labour Force Survey.

D. Some features of the Greek economy may shelter its labour market from the current recession

Several factors could moderate the projected deterioration in labour market outcomes in Greece compared with the OECD average. First, the sharp downturn in activity has caused a significant cutback in overtime work. Anecdotal evidence also suggests that some firms have concluded informal wage-moderation agreements to avoid layoffs, and a wage freeze has been announced in the public sector (OECD, 2009b). Furthermore, some observers have highlighted the importance of the underground economy. While this feature constitutes a structural weakness which needs to be corrected, it may also represent a source of resilience and jobs under current circumstances as it is less dependent on traditional channels of finance. Finally, Greece will continue to receive significant financial support from the European Union – amounting to 1.3% of GDP annually until 2013 – in the form of European Structural Funds.

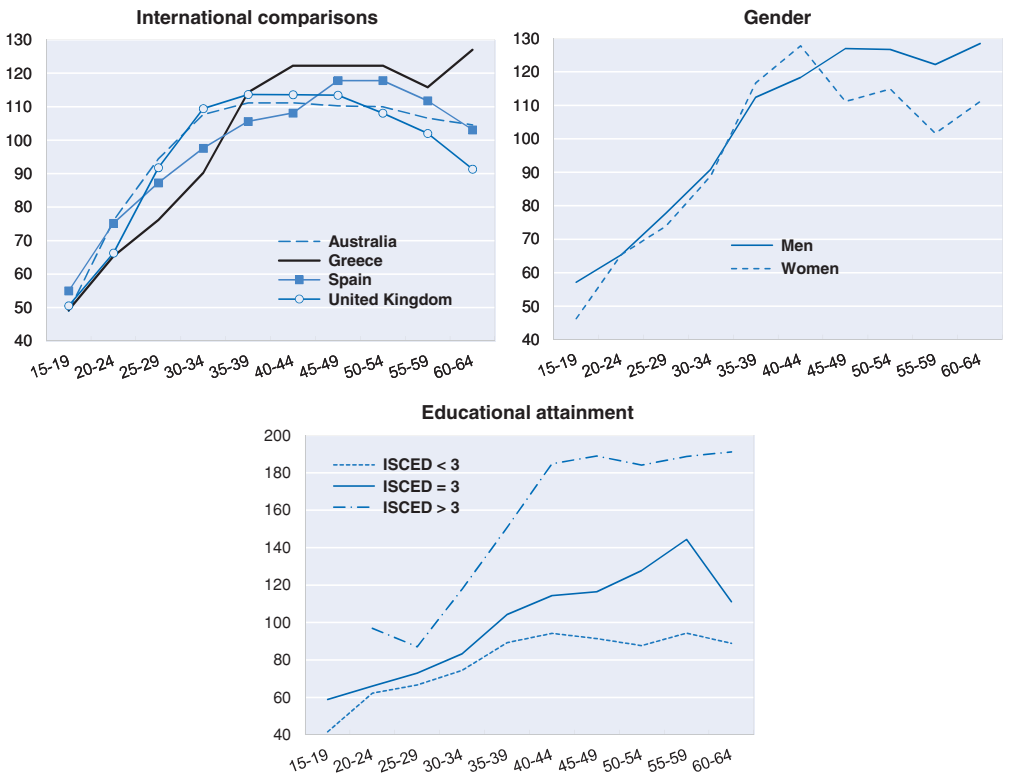
2. Wages and labour costs

A. Youth relative wages are low by international standards except for teenagers

Analysis of the bottom half of the earnings distribution shows that, in 2006, 20-34-year-old Greek youth earned significantly less than their Australian, British and, to a smaller extent, Spanish counterparts (Figure 3.5). On the other hand, the relative wages of Greek teenagers were similar to those of teenagers in the other OECD countries included in Figure 3.5.

Figure 3.5. **Median wages of full-time workers by age, Greece and selected OECD countries, 2006**

Percentage of full-time median wages



Source: OECD estimates based on the European Union Survey of Income and Living Conditions for European countries, and *OECD Earnings Distribution database* for Australia.

The relative wages of teenage women are lower than those of teenage men but the two distributions overlap between 20 and 40 years of age, suggesting that the gender wage gap may be less of an issue than the difference in labour force participation rates. Unsurprisingly, the relative wages of Greek youth with an upper secondary qualification or less are significantly lower than those of their more qualified counterparts.

B. There is no sub-minimum wage for Greek youth

Greece is one of 21 OECD countries with a statutory minimum wage. On the other hand, contrary to approximately half of these countries, no special provisions exist for youth or trainees. In addition, Greece is unusual in having 22 different levels of the minimum wage set according to family and professional status as well as work experience. Also unique is that these nationwide legally-binding rates are set by the social partners with no direct input from the government.

Single blue-collar workers without experience are entitled to the lowest minimum-wage rate. Married blue-collar workers have the right to approximately 10% more than their single counterparts, at each level of experience. Experience adds between 3% and 5% every three years for both single and married blue-collar workers. White-collar workers are entitled to a minimum wage that is 3% higher than that of blue-collar workers. The marriage premium is similar to that for blue-collar workers but the experience premium is much larger, at between 8% and 9% every three years. In May 2009, single blue-collar workers with no experience were entitled to EUR 33 per day (Table 3.2).

Although absolute levels are informative, the ratio of the minimum wage to the median wage is more appropriate when making international comparisons. Table 3.3 shows this ratio for adults, as well as for youth of various ages in those OECD countries with statutory minimum wages.[51] For Greece, the minimum rate for a single blue-collar worker without experience is retained for the calculations and yields a minimum-to-median ratio of 0.51

51. Countries have very different definitions of "youth" as far as the application of sub-minimum wages for youth are concerned. For instance, in the Netherlands, a youth sub-minimum rate is applicable until age 22 while in Ireland the sub-minimum only applies to youth aged 17 or under. For this reason, rather than presenting a "youth" minimum-to-median rate, Table 3.2 presents the ratio for youth aged 17, 18 and 20. It is important to keep in mind that in all countries with a youth sub-minimum, this special rate applies to 17-year olds. On the other hand, in some countries with a youth sub-minimum, 18- and 20-year olds are entitled to the adult rate.

irrespective of age. For adults, this rate is well above the OECD average of 0.45. For 17-year-old youth – to whom the same ratio applies – it is 15 points higher than the ratio applicable to youth of the same age in countries where a youth sub-minimum wage exists. Obviously, the minimum-to-median ratio would be even higher if the minimum-wage rate for married workers, white-collar workers and workers with some work experience was used instead of the basic rate.

Table 3.2. **Minimum wages by work experience and family and professional status, Greece, 2008-09**[a]

Euros

	Years of experience	Blue collars (daily)		White collars (monthly)	
		September 2008	May 2009	September 2008	May 2009
Single	0	31.3	33.0	701.0	739.6
	3	32.5	34.3	759.4	801.2
	6	34.0	35.9	828.4	874.0
	9	35.6	37.5	897.5	946.8
	12	37.1	39.2		
	15	38.7	40.8		
	18	40.2	42.4		
Married	0	34.5	36.3	771.1	813.5
	3	35.6	37.6	829.5	875.1
	6	37.2	39.2	898.5	948.0
	9	38.7	40.8	967.6	1 020.8
	12	40.3	42.5		
	15	41.8	44.1		
	18	43.4	45.7		

a) Minimum wage increased by 3% in September 2008, and by 5.5% in May 2009.

Source: Greek General Confederation of Labour (GSEE), National Collective Agreement 2008-2009, *www.gsee.gr/userfiles/file/EGSSE/egsse2008-2009.pdf*.

The potential effects of minimum wages on youth employment and unemployment rates have been examined in a number of international studies (Box 3.1). The balance of this international empirical evidence suggests that too-high minimum wages can have a negative impact on youth employment.

Table 3.3. **Minimum wages (MWs) for adults and youth in OECD countries, 2006-08[a]**

Percentages

Numerator / Denominator	Adult MW[b] / Median wage	MW at 17 / Adult MW[b]	MW at 17 / Median wage	MW at 18 / Median wage	MW at 20 / Median wage
Australia[c]	0.54	–	–	–	–
Belgium[d]	0.53	0.76	0.40	0.44	0.50
Canada	0.43	–	–	–	–
Czech Republic[e]	0.38	0.80	0.31	0.31	0.34
Spain	0.39	–	–	–	–
France[f]	0.63	0.90	0.56	0.56	0.63
Greece[g]	**0.51**	**–**	**–**	**–**	**–**
Hungary	0.46	–	–	–	–
Ireland[h]	0.52	0.70	0.36	0.52	0.52
Japan	0.35	–	–	–	–
Korea	0.37	–	–	–	–
Luxembourg[i]	0.51	0.80	0.40	0.51	0.51
Mexico	0.20	–	–	–	–
Netherlands[j]	0.43	0.40	0.17	0.20	0.27
New Zealand	0.60	–	–	–	–
Poland[k]	0.41	–	–	–	–
Portugal[l]	0.48	0.75	0.36	0.48	0.48
Slovak Republic[m]	0.49	0.75	0.36	0.49	0.49
Turkey	0.36	–	–	–	–
United Kingdom[n]	0.48	0.62	0.30	0.40	0.40
United States	0.36	–	–	–	–
OECD[o]	**0.45 (0.49)**	**0.72**	**0.36**	**0.43**	**0.46**

– Not applicable.

a) Data refer to 2007 for all countries except for Australia, Canada, Japan, New Zealand, United Kingdom, and United States where they refer to 2008, and Turkey where they refer to 2006.

b) Full minimum-wage rate.

c) Youth are entitled to a reduced MW to be set in collective agreements.

d) Youth get an amount ranging from 70% of the adult MW at 16 to 94% at 20.

e) A reduced MW applies for workers under the age of 19 (80%) and for workers aged 19-21 with less than six-months job tenure (90%).

f) Youth aged 17 with less than six-months experience receive 90% of the adult MW and youth 16 or younger receive 80% of the adult MW.

g) The minimum-wage rate applicable to single blue-collar workers with no work experience is used in these calculations. Higher rates apply based on work experience and marital and professional status.

h) Sub-MW applies to youth younger than 18.

i) Youth aged 15 and 16 are entitled to 75% of adult MW, and youth aged 17 are entitled to 80% of the adult rate.

j) Youth are entitled to a reduced MW, varying from 30% for 15-year olds and 85% for 22-year olds.

k) There is no sub-MW for youth but school-leavers are entitled to 80% of the adult MW for the first 12 months in their first job held and 90% over the second year. But no age limit is set by law.

l) Sub-MW applies to youth up to 17.

m) Youth between 16 and 18 are entitled to 75% of the adult MW and youth under 16 to 50% (the latter is not used in practice as the minimum school-leaving age has been raised to 16, as a result 75% is used in the calculations).

n) Sub-MW applies to youth under 22. Two different rates apply: a development rate for youth aged 18-21 and an additional sub-minimum for youth aged 16-17.

o) Unweighted average. Average adult/median rate for countries with a sub-minimum for youth in parenthesis.

Source: OECD Minimum Wages database.

Box 3.1. The minimum wage and youth employment: international evidence

The impact of minimum-wage legislation on youth employment is *theoretically* ambiguous. While a high minimum wage may increase the rate of school dropouts and therefore labour force participation, it can also drive a wedge between youth labour costs and their expected productivity, thereby raising unemployment and discouraging some youth from entering the labour market. Target-efficiency considerations reinforce these theoretical arguments for establishing a youth sub-minimum (Neumark and Wascher, 2004; and Pabilonia, 2002), because the association between holding a minimum-wage job and poverty – the main argument for a minimum wage is to minimise working poverty – is especially weak for the very young (who often live with their parents). On the other hand, Manning (2005) shows that, in a situation where employers have significant market (or monopsony) power over their workers, a well-chosen minimum wage can actually raise youth employment.

The balance of international *empirical* evidence suggests that too-high minimum wages have a negative impact on youth employment, especially if combined with high non-wage labour costs (*e.g.* Abowd *et al*., 1997; OECD, 1998; Neumark and Wascher, 1998 and 1999; Kramarz and Philippon, 2001; and Pabilonia, 2002).[a] The *appropriate* level cannot be determined on a priori grounds since it depends on the profile of the earnings/labour costs distribution which, in turn, differs significantly from country to country.

Too-high minimum wages may also have an effect on education enrollment. Theoretically, this effect could go either way. For example, if a higher minimum wage reduces the number of jobs available, more teenagers may remain in school because they cannot find jobs. A minimum wage increase may also raise the minimum level of productivity required for employment and some youth may return to education to acquire the necessary skills. On the other hand, higher minimum wages increase the opportunity costs of staying in education, particularly for very low skilled youth. Furthermore, by increasing the income of drop-outs relative to graduates, higher minimum wages may reduce the relative return to higher levels of education. Empirically, the balance of international evidence suggests that increasing minimum wages has a negative impact on the enrollment of teenagers in education but not of young adults and that the negative effect is particularly strong for youth with very low skills (Neumark and Wascher, 1995; Landon, 1997; Chaplin *et al*., 2003; and Pacheco and Cruickshank, 2007).

Empirical evidence on the effect of higher minimum wages on on-the-job training provision is more mixed, with some authors finding statistically significant negative effects (Neumark and Nizalova, 2007) and others finding that minimum wages increase training provision (Arulampalam *et al*., 2002).

a) However, it should be added that analysts are not unanimous on this issue and some studies have failed to find significant negative employment effects (*e.g.* Card and Krueger, 1995; Stewart, 2003; and Hyslop and Stillman, 2004).

In Greece, the arguments for and against the introduction of a youth sub-minimum wage provide a mixed picture. As mentioned in Chapter 1, the incidence of low pay among Greek youth is very high compared with the other European countries for which this statistic is available. In addition, Greek youth find it more difficult to move to better-paid jobs than their European counterparts. However, the youth unemployment rate in Greece is among the highest in the OECD and the incidence of long-term unemployment is close to 40%. On balance, a sub-minimum wage for youth younger than 18 may ease access to the labour market and reduce the likelihood of unemployment and NEET status for this age group. A sub-minimum wage rate may also discourage early school leaving. At the same time, because the vast majority of Greek teenagers live with their parents, it is unlikely that a lower minimum wage would bring about a significant worsening of their living conditions.

C. Labour costs are high for low-wage and minimum-wage earners

But minimum wages are only one part of the story on hiring costs. High labour costs may also represent a barrier to the hiring of young people. In 2008, the tax wedge on earnings equivalent to two-thirds of the average wage[52] was 38% in Greece, very close to the EU19 average but 4 percentage points above the OECD average (Table 3.4). In addition, the tax wedge on these low-wage earners had risen by 2 percentage points between 2000 and 2008. As is the case in all OECD countries, the tax wedge on average earnings was higher than that on low earnings and the difference was slightly bigger in Greece than in the OECD or EU19 on average.

The analysis of labour costs is also essential when considering whether minimum wages represent a barrier to the hiring of young people. Figure 3.6 shows that in Greece, in 2006, the cost of employing a minimum-wage worker was 41% of the cost of employing an average-wage worker, compared with 38% in the OECD on average. This suggests that an alternative to the introduction of a youth sub-minimum wage would be to offer employers a reduction in non-wage labour costs for those youth employed at or around the minimum wage. However, a reduction in social security contributions around the minimum wage would be costly to finance and, if the fiscal balance is to remain unchanged, would imply increased contribution rates for higher earners, hence disemployment effects among them.

52. Because figures by age group are not available, this level of earnings for a single person without children is used as an approximation of the relative wage earned by a young worker.

Table 3.4. **Tax wedge including employers' social security contributions in OECD countries, 2000 and 2008**

Percentages

	Tax wedge on low-wage earner[a]		Tax wedge on average earner[b]
	2000	2008	2008
Mexico	7.2	10.9	15.1
Korea	15.0	17.4	20.3
New Zealand	18.6	18.2	21.2
Ireland	18.1	16.0	22.9
Australia	25.4	21.9	26.9
Iceland	19.8	23.7	28.3
Switzerland	27.3	26.5	29.5
Japan	23.4	28.0	29.5
United States	28.3	28.0	30.1
Canada	27.8	26.6	31.3
United Kingdom	29.1	29.7	32.8
Luxembourg	31.5	29.6	35.9
Portugal	33.2	32.9	37.6
Norway	35.1	34.3	37.7
Spain	34.7	33.8	37.8
Slovak Republic	40.5	36.1	38.9
Poland	42.0	38.7	39.7
Turkey	39.1	37.6	39.7
Denmark	41.2	38.9	41.2
Greece	**35.6**	**37.6**	**42.4**
Czech Republic	41.4	40.0	43.4
Finland	43.0	38.3	43.5
Sweden	48.6	42.5	44.6
Netherlands	42.0	41.7	45.0
Italy	43.5	43.0	46.5
Austria	43.2	44.4	48.8
France	47.4	45.5	49.3
Germany	48.6	47.3	52.0
Hungary	51.4	46.7	54.1
Belgium	51.3	50.3	56.0
EU19[c]	**40.3**	**38.6**	**42.8**
OECD[c]	**34.4**	**33.5**	**37.4**

Countries are ranked in ascending order based on the tax wedge on an average earner.

a) Tax wedge including employers' mandatory social security contributions for a single worker with no children earning 67% of the average wage.

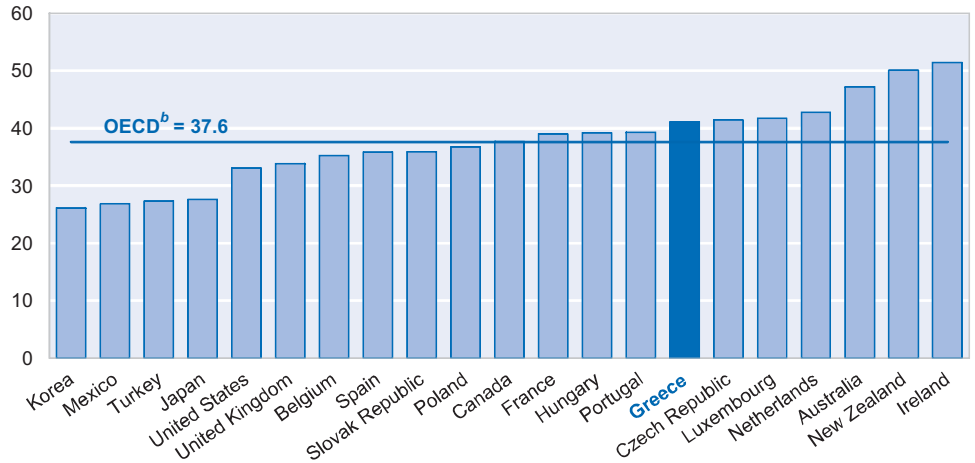
b) Tax wedge including employers' mandatory social security contributions for a single worker with no children earning the average wage.

c) Unweighted averages.

Source: OECD Taxing Wages database.

Figure 3.6. **Labour costs[a] for full-time minimum-wage workers, selected OECD countries, 2006**

Percentage of labour cost for an average earner



a) Including payroll taxes and mandatory social contributions. The average wage for the United States currently excludes supervisory and managerial workers. Average wages for Ireland, Korea and Turkey refer to the Average Production Worker (manual workers in the manufacturing industry).

b) Unweighted average of countries shown.

Source: OECD (2007d), *Taxing Wages: 2005-2006*.

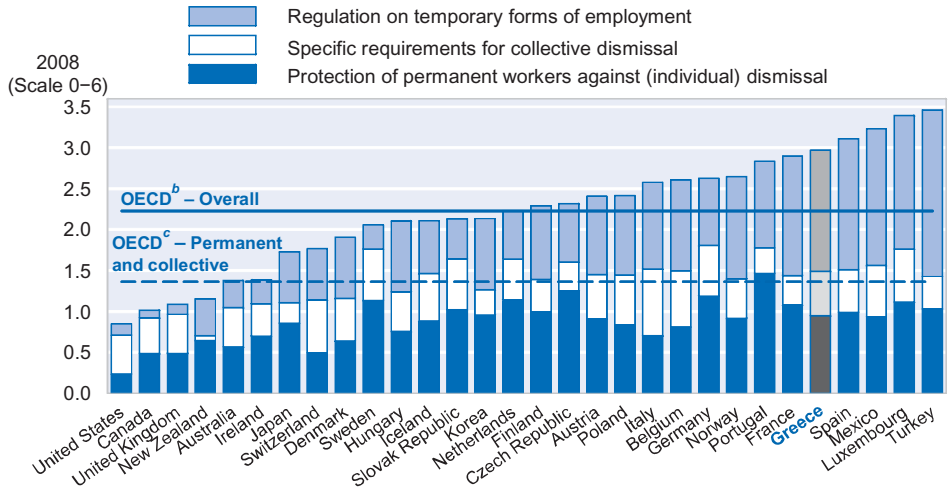
3. Employment protection is strict in Greece

There is robust empirical evidence that employment protection – the set of rules applicable to the hiring and firing of permanent workers and to the use of temporary work contracts – affects overall labour market dynamics and the hiring rate and mobility of new labour market entrants, such as youth (Bassanini and Duval, 2006). Strict employment protection rules are also likely to encourage the use of forms of employment that are not subject to these regulations.

A. Employment protection in Greece is among the strictest in the OECD

Figure 3.7 shows the overall strictness of employment protection as measured by an indicator constructed by OECD and its three subcomponents: the rules concerning the firing of permanent workers; the additional administrative requirements and costs involved in collective dismissals; and the rules regarding the use of fixed-term contracts and temporary work agencies. According to this indicator, in 2008, employment protection in Greece was among the strictest across OECD countries.

Figure 3.7. **Overall strictness of employment protection and its three main components, OECD countries, 2008**[a]



a) Data for France and Portugal refer to 2009.
b) Unweighted average of the overall strictness of EPL for the 30 OECD countries.
c) Unweighted average of the protection of permanent workers against individual dismissal and specific requirements for collective dismissals for the 30 OECD countries.

Source: Venn (2009), "Legislation, Collective Bargaining and Enforcement: Updating the OECD Employment Protection Indicators", OECD Social, Employment and Migration Working Paper, No. 89, Paris.

Concerning the protection of permanent workers against individual or collective dismissals, Greece is placed just above the OECD average according to the OECD indicator. However, firing rules vary between blue-collar and white-collar workers, the latter benefiting from advance notice and more generous severance payments. The indicator presented in Figure 3.7 is obtained by averaging the two classes of workers but when white collar workers are scored on their own, the notice period and severance pay to which these workers have right are significantly higher than the OECD average.[53] Indirect dismissal costs caused by complex

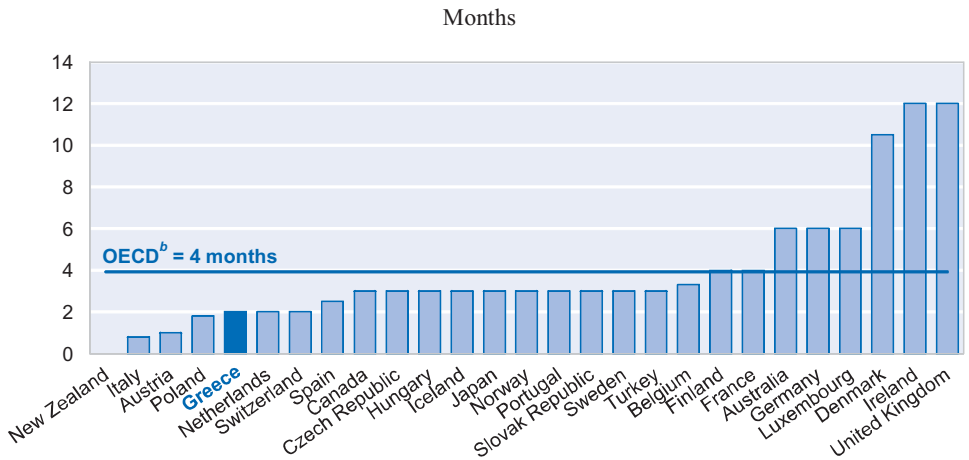
53. The OECD indicator scores notice period and severance pay at nine months, four years and 20 years of tenure. At 9 months of tenure, notice period and severance pay rights of Greek white collar workers are comparable to the OECD average. However, at four years of tenure, both notice period and severance pay are twice as large as in the OECD on average. At 20 years of tenure, the difference between Greece and the OECD broadens, with notice period being over five times as long and severance pay about three times as large.

notification procedures and frequent reinstatement orders when dismissals are found to be unfair are also high in Greece. While reinstatement is one way of compensating the workers if a dismissal is found to be unfair, it increases the uncertainty faced by employers compared with large financial disbursement.[54]

B. The trial period on permanent contracts is short

One aspect of employment protection rules that is likely to affect youth's hiring opportunities more specifically is the length of the trial period. Indeed, during the trial period, severance pay regulations do not apply giving the employer the opportunity to assess the skills of newly hired individuals without fearing lengthy dismissal procedures if they do not suit the firm's needs. In Greece, the trial period was just two months in 2008, compared with 10 to 12 months in Denmark, Ireland and the United Kingdom (Figure 3.8).

Figure 3.8. **Trial-period length, selected OECD countries, 2008**[a]



a) Data for France and Portugal are for 2009.
b) Unweighted average of the overall strictness of EPL for countries shown.

Source: Venn (2009), "Legislation, Collective Bargaining and Enforcement: Updating the OECD Employment Protection Indicators", OECD Social, Employment and Migration Working Paper, No. 89, Paris.

54. OECD (2004) shows that employers are more sensitive to the length of judicial procedures and complexities than to a large (but known) payment.

C. Temporary work is highly regulated but other flexible forms of employment are spreading among youth

Compared with other OECD countries, Greek regulations on the use of temporary contracts are rather strict. Fixed-term contracts are only allowed for jobs of a temporary nature, notably seasonal work and project work. Moreover, after three renewals or a cumulative duration of 24 months, the contract is converted into an indefinite contract. The use of temporary work agency contracts is also highly regulated, particularly in terms of authorisations and reporting requirements.

These restrictions are likely to explain the smaller incidence of temporary work among Greek youth compared with their counterparts in many other OECD countries (Chapter 1). However, because high dismissal costs for permanent workers make employers reluctant to hire youth on indefinite contracts, other forms of employment have spread that offer less protection and social security coverage than permanent contracts.

First, there is some evidence suggesting that many Greek youth work in the informal sector. As Figure 3.4 shows, more Greek youth than the European average work in Agriculture, Construction and Hotels and Restaurants and these are industries with a high incidence of informality. Also, Schneider (2002) found that the size of the *shadow* economy as a percentage of GDP was 29% in 2001/02 in Greece, the largest across the 25 OECD countries included in the study. This share was 6 percentage points higher than in 1989/90 and 11 percentage points above the average for the OECD countries included in the study. While this estimate cannot be easily translated into the share of informal employment in Greece, it does suggest that this share is significant by international standards.

Second, some studies find that *disguised self-employment* – self-employed workers providing services to a single work provider in a continuous manner, hence acting *de-facto* as employees – is widespread among qualified Greek youth. For these "fake" self-employed workers: *i)* social security payments are the same as those of the self-employed; *ii)* earnings take the form of fees; *iii)* work is based on the work provider's needs; and *iv)* the worker has no right to severance payment or unemployment benefits in the event of the contract's termination. This work arrangement provides several advantages for the work provider, first of all the fact that all employment risk is borne by the worker. On the other hand,

most researchers argue that workers accept this work arrangement because employee-type contracts are not readily available for new entrants.[55]

Although data on disguised self-employment are not available, the share of self-employed youth without employees may provide a useful proxy, particularly to assess differences in the size of the phenomenon across countries. Figure 3.9 shows that Greece has the second highest incidence of self-employment among young workers across EU countries. In 2008, close to 5% of employed youth were self-employed and did not have any employees, compared with just 3.1% in the EU on average.

Figure 3.9. **Incidence of non-agricultural self-employment[a] among employed youth,[b] selected European countries, 2008**

Percentages

a) Family workers are not counted as self-employed.
b) Youth aged 15-24.
c) Unweighted average of countries shown.

Source: OECD estimates based on the European Union Labour Force Survey.

Despite some indication that disguised self-employment may be a bigger problem in Greece than in other EU countries, only ad-hoc surveys can shed light on the phenomenon. Athanassouli (2003) studied labour market

55. Karamessini (2008) attempts to identify and measure project/service work conducted mostly for a single employer, another form of temporary employment which is likely to partly overlap with disguised self-employment. The author finds that approximately 12% of Greek university graduates work on a temporary project/service agreement with a single employer five to seven years after graduation.

outcomes of engineering graduates from UPA, a prestigious Athens university. The author found that 27% of UPA engineers worked as disguised self-employed upon graduation and presented some evidence that this rate may be significantly higher than in other European countries and the United States.[56] For over 90% of the disguised self-employed in the study, the relationship with the work provider constituted their main full-time activity based on regularly renewed contracts. However, the author found that disguised self-employment was less common among experienced engineers – just 10% of them work as disguised self-employed – and interpreted this as suggestive that this type of employment relationship may be part of the natural transition towards *ordinary* self-employment.

4. Labour shortages and the skill deficit of Greek university graduates

A recent study conducted by Kikilias (2009) suggests that the demand for tertiary graduates in Greece is concentrated in the advanced sector of the economy. The study shows that tertiary graduates make up 56% of employees in large firms with high capital intensity and a high degree of internationalisation – the so-called advanced-sector firms. On the other hand, tertiary-educated youth represent only 17% of the workforce in traditional-sector firms – *i.e.* smaller, labour-intensive firms with only limited exports. The study findings also suggest an increased demand for tertiary graduates in the future: 60% of interviewed firms report that they will need graduates to a large or very large extent; 37% report that they will need graduates to a moderate extent; and only 3% report that they do not foresee needing graduates at all. Firms in the advanced sector reported larger future needs for graduates than firms in the traditional sector.

The research suggests that the field of study at university is less important than employability skills when recruiting graduates. Indeed, while the two largest groups of graduate recruits have studied Business or Engineering, a very broad spectrum of disciplines is represented, both in advanced and traditional-sector firms. On the other hand, key recruitment criteria were found to include the prestige of the academic institution of origin and employability skills such as personality, critical thinking, complex problem-solving, diligence, team work and adaptability.

The author finds that 16% of firms in the study report a deficit in employability skills and this deficit increases with firm size and is larger in

56. The author showed that about 55% of these Greek engineering graduates worked as self-employed compared with just 10-20% in other European countries and the United States.

the advanced sector than in the traditional sector. This employability-skill deficit may be behind the coexistence of labour shortages with the large supply of university graduates.

Some analysts have highlighted that the deficit in employability skills reported by employers cannot be directly linked to the education system, improvements in teaching methods and the acquisition of work experience while studying may contribute to improve it. Interestingly, employers report an employability-skill deficit among graduates of Greek universities 2.5 times larger than among graduates of foreign universities. In addition, when comparing employees who graduated after 1995 with those who graduated earlier, the employability-skill deficit of graduates of foreign universities is found to have shrunk by 86% while that of graduates of Greek university has fallen by only 28%.

5. Key points

Economic activity in Greece dropped sharply in the first quarter of 2009 and the OECD is projecting that Greek GDP will fall by 1.1% in 2009 and by a further 0.7% in 2010. The high sensitivity of youth employment rates to economic conditions suggests that a significant worsening is looming ahead. By 2010, the youth unemployment rate is projected to rise by 6 percentage points compared to 2008 and the youth employment rate is projected to fall by 2 percentage points. Because many Greek youth work in industries related to tourism, the impact of the current crisis on youth labour market outcomes is likely to unfold through the summer of 2009 and on into 2010.

Beyond these cyclical developments, some structural demand-side barriers to the hiring of young people exist. In 2007, Greek minimum wages were high by international standards, even when the minimum-wage rate applicable to a single blue-collar worker with no experience was used. A 17-year-old in Greece was entitled to a minimum wage equivalent to 51% of the median wage compared with a ratio of just 36% in countries where a sub-minimum wage for youth existed. In addition, in Greece, premia ranging from 3 to 10% applied to married workers, white-collar workers and workers with experience. As evidence shows, this high minimum-wage rate can have serious negative effects on youth employment rates and may encourage the youngest – particularly teenagers – to leave education for work.

Two solutions could be envisaged to reduce the cost of hiring youth for employers: *i)* the introduction of a sub-minimum wage for youth; or *ii)* the reduction of non-wage labour costs for youth employed at or around the minimum wage. The second option could be particularly interesting for

Greece where labour costs are high by OECD standards and the cost of hiring a minimum-wage worker is 41% of the cost of hiring an average worker, above the OECD average of 38%.

In Greece, employment protection is among the strictest in the OECD limiting labour market dynamics, mobility and hiring opportunities for new entrants, such as youth. White-collar workers are protected against dismissal by generous severance payments and complex procedural requirements. In particular, very short trial periods are likely to discourage the hiring of young people whose productivity is difficult to judge *ex-ante*. In addition, the use of fixed-term contracts and temporary work agencies is also highly regulated, possibly explaining the low incidence of temporary work by OECD standards.

Strict employment protection in the formal labour market may be behind the spreading of informal employment and disguised self-employment. Although figures are hard to obtain for these phenomena, there is evidence that the informal economy in Greece is large in international comparisons. Also, a study of engineering graduates in Greece suggests that the incidence of disguised self-employment is higher in Greece than in other European countries and the United States.

Finally, there is evidence that the demand for tertiary graduates in Greece is fairly healthy and likely to remain so in the near future, particularly among firms in the advanced sector of the economy. The fact that healthy labour demand for tertiary graduates coexists with high unemployment rates for this group can be attributed to a significant employability deficit reported by employers. Improved teaching methods and more experience of the workplace acquired by combining work and study could help fill the employability gap.

CHAPTER 4

WORKFORCE DEVELOPMENT: REMEDIAL EDUCATION AND EMPLOYABILITY MEASURES

In many OECD countries, the first steps on the labour market are characterised for youth by the experience, sometimes repeated, of unemployment interspersed with spells of inactivity. Thus, it is important that young people have sufficient incentives and means to return to work. For instance, jobless youth often lack the job-search and interview skills needed for a smooth return to work and, for them, good-quality guidance and support by the public employment services play a crucial role. The provision of these services should ideally follow a *mutual-obligations* principle by which youth must actively seek work in exchange for targeted actions to help them find a job.

Section 1 of this chapter describes the financial support available for unemployed youth in Greece. Sections 2 to 4 outline active labour market programmes (ALMPs) available to youth from the Greek public employment service (OAED). Section 5 draws examples of good practice in the area of activation from other OECD countries.

1. The role of passive labour market measures for youth

A. Youth with work experience are entitled to unemployment benefits but very few qualify

Greek youth, like adults, can claim unemployment benefit based on their work experience. The first unemployment benefit claim requires at least 80 work days per year over the past two years and at least 125 work days over the previous 14 months, while the 80 days requirement is dropped for subsequent claims.[57] Benefits are paid for a minimum of 5 months and duration rises with contributory history to a maximum of 12 months. The unemployment benefit is equivalent to 55% of the minimum daily salary of

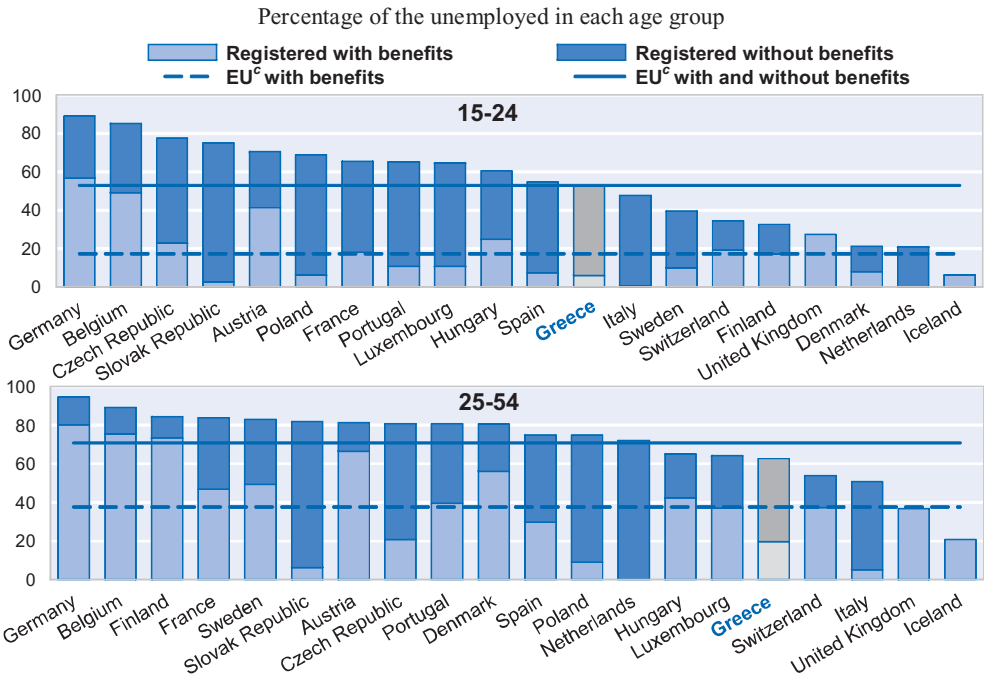
57. Slightly different requirements apply to workers in Tourism, Fisheries and Seasonal work and in the Construction sector.

an unskilled worker: in 2009, it was EUR 430.75 per month, approximately 30% of the average wage in Greece. The government has recently announced that it will gradually increase the level of the unemployment benefit to 70% of the minimum wage.

In addition, Greece is one of only a few OECD countries where unemployment benefits are available to youth without any work experience. However, only youth aged 20-29 who are registered unemployed for at least one year are eligible and the allowance is small, at just EUR 73 per month for a maximum duration of five months.

On average, in 2006 and 2007, only 6% of unemployed Greek youth received unemployment benefits compared with 20% of adults and with an average of 17% of unemployed youth in Europe (Figure 4.1).

Figure 4.1. **Registered unemployed and benefit recipients, by age,[a] selected European countries, 2006/07[b]**



a) Youth aged 16-24 for Iceland, Spain, Sweden and the United Kingdom; youth aged 15-24 for Greece and all other countries.

b) Data refer to the average of 2006 and 2007 to increase sample size and ensure the results' reliability.

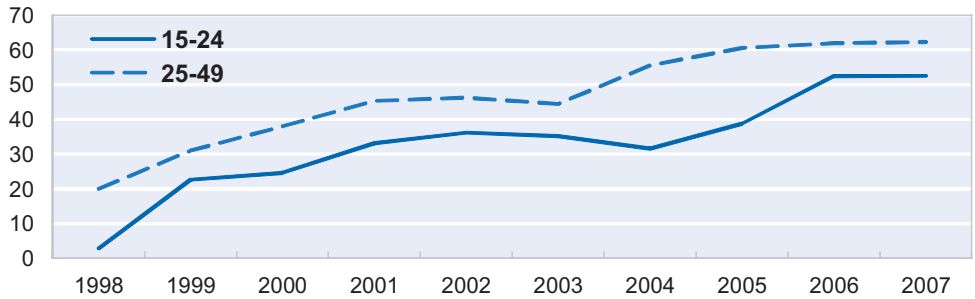
c) Unweighted average of European countries shown.

Source: OECD estimates based on the European Union Labour Force Survey.

On the other hand, the total share of unemployed youth registered with OAED was comparable to the European average of 53%. The share of unemployed individuals, adult and youth, who register with OAED has increased significantly over time in Greece. Only 3% of unemployed youth and 20% of unemployed adults were registered with OAED in 1998 (Figure 4.2).

Figure 4.2. **Registered unemployed by age, Greece, 1998-2007**

Percentage of the unemployed in each age group



Source: OECD estimates based on the European Union Labour Force Survey.

In the context of the current economic slowdown, preventing unemployed youth from disconnecting from job search is key. As a result, relaxing unemployment benefit eligibility conditions or extending eligibility of the small allowance for unemployed youth without experience may have some desirable effects. First, it would extend financial support to a larger share of unemployed youth. Second, it would give OAED the essential instrument to mandate unemployed youth's participation in activation initiatives.

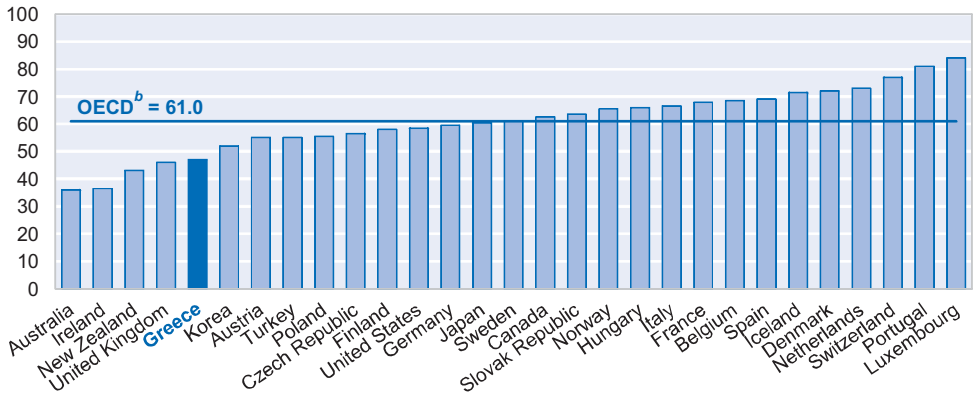
B. Benefits are not very generous but job search is not enforced

International comparisons of unemployment benefit *net* replacement rates[58] show that the Greek contribution-based unemployment benefit is among the least generous in the OECD (Figure 4.3). As far as the non-contributory unemployment benefit is concerned, while it is rare that youth without any contribution history are entitled to unemployment assistance, Greece pays out the least generous benefit equivalent to just 4% of the average wage (OECD, 2007c).

58. The net replacement rate is an indicator that compares income from work to benefit income and is adjusted for the effects of taxation.

Figure 4.3. **Net unemployment benefit replacement rates, OECD countries, 2008[a]**

Percentage of pre-unemployment wage



a) These data are *net* replacement rates, *i.e.* they are adjusted for the effects of taxation. They refer to the average of net replacement rates faced by single persons without children with pre-unemployment earnings of 67% and 100% of the average wage. They relate to the initial phase of unemployment after any waiting period. No social assistance "top-ups" are assumed to be available in either the in-work or out-of-work situation. Any income taxes payable on unemployment benefits are determined in relation to annualised benefit values (*i.e.* monthly values multiplied by 12), even if the maximum benefit duration is shorter than 12 months.

b) Data for Mexico are not available. Unweighted average of countries shown.

Source: OECD, Tax-Benefit Models, *www.oecd.org/els/social/workincentives*.

While Figure 4.3 provides a good measure of average unemployment benefit generosity, it does not account for how strictly job search is enforced among the unemployed. High replacement rates may not represent a deterrent to finding work if job search is compulsory and closely monitored. On the other hand, low replacement rates may still be a deterrent to actively look for work for youth living with their parents if job-search requirements are not enforced. In addition, job-search enforcement will become even more relevant when the announced unemployment benefit increase is introduced.

In most areas across Greece, offices paying unemployment benefits are separate from offices providing counseling and activation to the unemployed which makes it difficult to apply a mutual-obligations approach unless there is an electronic information exchange system which links both sets of offices. In addition, the unemployed are allowed to register and receive benefits as non jobseekers. By doing so, they can obtain an unemployment certificate from OAED that gives them priority when applying for some public sector jobs. Unemployed individuals in this group are not required to see a counselor.

In principle, some sanctions for non-complying jobseekers exist. Benefit payments can be interrupted if the unemployed is more than six days late in

collecting the payment or if the jobseeker refuses a job that matches his/her skills. However, no benefit withdrawals have been recorded since the sanctions were introduced in 1985.[59]

The government is in the process of merging payment and counseling offices to create one-stop shops that both administer payments and provide re-employment services. In mid-2009, 63 Employment Promotion Centres (KPA) – about half of the existing 121 KPA – had already been converted into one-stop shops. The merger should be completed within two years but, even when this is completed, efforts will be required to change the *modus-operandi* of the current services.

Other forthcoming initiatives likely to impact on the effectiveness of OAED include the creation of an internet portal to match labour demand and supply and the participation of OAED in the implementation of an Integrated System for the Determination of Labour Market Needs.

2. The role of active labour market policies for youth

A. Expenditure on activation measures in Greece is among the lowest in the OECD

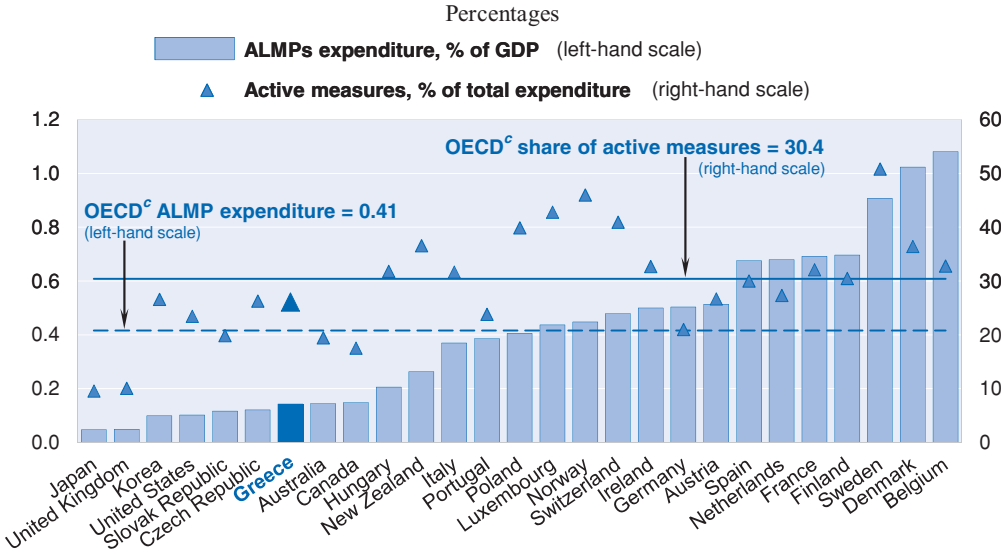
In 2006, Greece spent the equivalent of 0.14% of its GDP on activation measures compared with an OECD average of 0.41% (Figure 4.4).[60] In the same year, activation measures accounted for 26% of total expenditure on labour market programmes, down from 37% in 1999 (Table 4.1) and compared with an average share of 30% across the OECD.

In 2006, training accounted for 34% of total active labour market expenditure in Greece, employment subsidies accounted for another 41% and 16% was devoted to incentives to start up a business (Table 4.1).

59. Internationally comparable data on the enforcement of unemployment benefit sanctions are difficult to find. Gray (2003) suggests that Greece may not the only country where sanctions are very rarely applied. Although data refer of the late 1990s, the author reports an incidence of unemployment benefit sanctions – the number of sanctions issued per year divided by the average stock of beneficiaries – close to zero in four of the 14 OECD countries included in the study: Canada, Japan, New Zealand and Sweden. On the other hand, the incidence of unemployment benefit sanctions was between 10% and 14% in Australia, the Czech Republic, Finland, Norway and the United Kingdom and above 40% in Switzerland and the United States.

60. These data do not incorporate additional expenditure approved in the context of the current economic downturn. OECD (2009e) suggests that in Greece discretionary spending on ALMP in response to the current economic crisis will amount to approximately 18% of GDP on average for the period 2009-11.

Figure 4.4. **International comparisons in public spending on ALMPs,[a] 2006/08[b]**



ALMPs: Active labour market programmes.

a) Active measures refer to Categories 2-7 of the *OECD/Eurostat Labour Market Programmes database*.

b) Data for Greece refer to 2006; for New Zealand to 2006/07; for Australia, Canada, the United Kingdom and the United States to 2007/08; and for all other countries they refer to 2007.

c) Weighted average of countries shown.

Source: OECD/Eurostat Labour Market Programmes database. For further country notes, see OECD (2009e), *OECD Employment Outlook: Tackling the Jobs Crisis*, Statistical Annex, Table J.

Table 4.1. **Labour market programmes expenditure,[a] Greece, 1999 and 2006**

Euros

Category	Expenditure voice	1999	2006
1	PES and administration	6	56
2	Training (including apprenticeship)	168	103
3	Job rotation and job sharing	0	0
4	Employment incentives	112	124
5	Supported employment and rehabilitation	0	26
6	Direct job creation	0	2
7	Start-up incentives	23	48
8	Out-of-work income maintenance and support	503	803
9	Early retirement	0	0
2-7	**Active measures**	**303**	**303**
	Share of total expenditure	*37*	*26*
8-9	**Passive measures**	**503**	**803**
	Share of total expenditure	*62*	*69*

a) Labour market programmes are classified using the official categories provided by Eurostat.

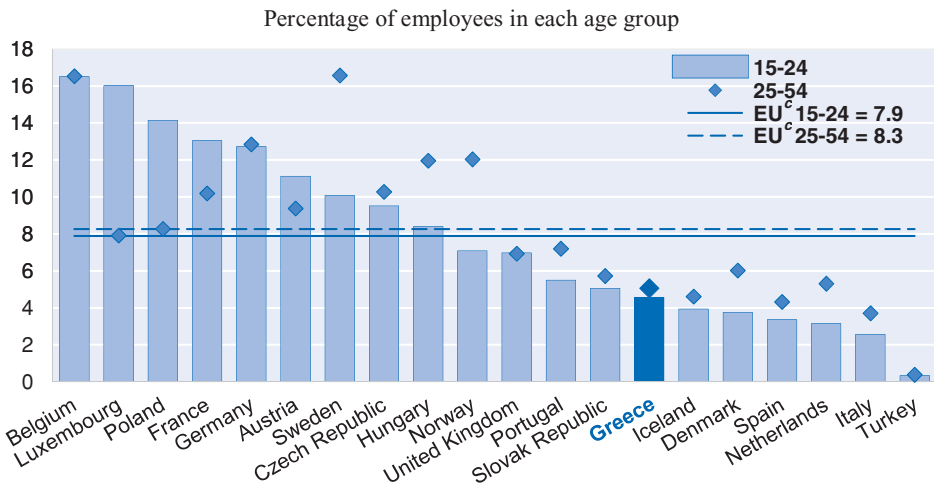
Source: OECD/Eurostat Labour Market Programmes database.

Unfortunately, Greek data do not allow singling out programmes for youth. As a result, it is not possible to judge how much of the activation expenditure was destined to youth.

B. Few youth find work through the public employment service

In 2006 and 2007 on average, only about 5% of employed Greek youth and adults found their current job through OAED (Figure 4.5). For youth, this compares with over 10% in seven European countries and a European average of nearly 8%. The involvement of OAED in finding work is not higher for youth looking for their first job after graduation. Karamessini (2008) finds that, in the late 1990s, only 3.7% of university graduates found their first job through OAED while 38% exploited friends/family channels and 27% answered vacancy ads. Finally, there is no evidence that less qualified youth are more likely to find work through OAED. Rouseas and Vretakou (2008) exploit the Graduate Survey to compare the job-finding methods of upper secondary graduates and show that only 1.3% of TEE graduates and 0.7% of Lyceum graduates found the job they held at the time of the interview through OAED.

Figure 4.5. **Public Employment Service involvement[a] in hiring by age, selected European countries, 2006/07[b]**



a) Data refer to the effective involvement of the public employment office, notably by putting the employer in contact with the employee. Training courses or any other activities that improved the skills of jobseeker, thereby allowing the person to take up the job, are excluded.

b) Data refer to the average of 2006 and 2007 to increase sample size and ensure the results' reliability.

c) Unweighted average of European countries shown.

Source: OECD estimates based on the European Union Labour Force Survey.

Given that 53% of unemployed youth register with OAED, this limited reliance on OAED for job search may signals limited use of the services available to potential jobseekers or their limited effectiveness.

C. OAED has set the objective that all registered unemployed youth must benefit from activation

OAED has committed to ensure that all registered 15-24-year-old jobseekers benefit from activation services. Upon registering at a KPA, youth are required to see a counselor who collects their details and records any lack of skills that may prevent them from finding work. This information is used to prepare an individual action plan which offers the young person access to the services provided by OAED including guidance, training and subsidised employment. The plan's implementation is monitored and its content revised if needed three, six and 12 months after the initial contact. However, this is mainly carried out by letter or telephone, and more rarely by means of a personal interview, unless this is requested by the unemployed.[61]

This move towards early activation of unemployed youth is in line with international practice (Box 4.1). However, there is increasing recognition across OECD countries that activation, similarly to benefit payments, should be governed by the mutual-obligations principle. Unfortunately, while drawing up an individual action plan is compulsory in Greece for all registered jobseekers, no sanctions are applied in the event of non-compliance with its content.

Box 4.1. **Active labour market policies for youth**

Over the past decade, several countries have come to realise that, for those youth who are already out of the education system – particularly youth leaving school without an upper secondary qualification – *effective* active labour market policies, as opposed to passive ones, constitute the best option. However, while there is general agreement that focusing on activation and mutual-obligations policies is the way forward (see OECD, 2006c), many of the programmes targeted to youth, especially those most at risk, have yielded disappointing outcomes. Evaluation of existing programmes to identify effective ones is thus fundamental to set guidelines for future action.

Trying to sum up what works and what does not for disadvantaged youth is an arduous task but drawing on many evaluations from different countries, successful programmes appear to share the following characteristics (see Martin and Grubb, 2001; Betcherman *et al.*, 2004; and Betcherman *et al.*, 2007):

61. This compares with 4-6 personal interviews per year to review and revise the action plan in Australia, Austria, Belgium, Denmark, Finland, Germany, Hungary, Norway, Sweden and the United Kingdom (OECD, 2007e).

- ***Early action*** is particularly important for young people as those without work experience are generally not entitled to unemployment benefits or other welfare transfers. A number of OECD countries already have major programmes for youths that come into play early, often before or at six months of unemployment, *e.g.* Australia, Belgium, Denmark, New Zealand, Norway and the United Kingdom. Sweden uses a shorter period (90 days), and youth activation in Finland, for those without a vocational qualification, starts immediately;

- Good ***targeting*** of the programmes is also crucial. For instance, there is a need to distinguish between teenagers and young adults and to focus on school drop-outs. Specifically, the most desirable solution to the employment problems of teenagers is to help them to remain in school and acquire educational qualifications, whereas for young adults, help to acquire work experience is more important;

- Tight ***work-search requirements***, backed by the threat of moderate benefit sanctions where applicable, tend to encourage early exit from unemployment to a job, as much for youths as for adults;

- In terms of content, ***job-search assistance*** programmes are often found to be the most cost-effective for youth, providing positive returns to both earnings and employment;

- Because disadvantaged youth often suffer from poor attitudes towards work, ***mentoring*** – the provision of an on-going contact with an adult over an extended period of time – can help improve the effectiveness of youth interventions;

- Programmes that integrate and combine services and offer a ***comprehensive "package"*** seem to be more successful;

- ***Greater involvement of the social partners***, as well as the public authorities at all levels, can help enhance the effectiveness of programmes; and

- ***Residential programmes*** may yield positive returns for the most disadvantaged youth. Job Corps in the United States is a well-known example of such programmes. It consists in taking disadvantaged youth out of their regular environment, giving them mentoring, work experience and remedial education.

D. Neither rigorous evaluation nor performance measurement are carried out systematically in Greece

None of the activation programmes available in Greece has been the object of a rigorous evaluation and even data on participants' outcomes upon programme completion are rarely available.

Rigorous evaluations of existing programmes are fundamental in identifying what works and what does not and in highlighting what changes can be made to improve outcomes. They allow isolating the effect of the

programme from the outcomes that would have been achieved even without programme participation. Several techniques are available to obtain estimates of the impact of a labour market programme on participants' outcomes. The most reliable estimates are obtained through *experimental evaluations* where individuals are randomly assigned to participate in a given programme or to be part of a control/comparison group and the labour market performance of both groups is recorded for several years. However, interesting results can also be obtained using quasi-experimental evaluations where the control/comparison group is constructed ex-post but statistical techniques are used to ensure that it has the same composition as the group of participants.

In addition to rigorous evaluation, a system of performance measurement is essential to set key outcome targets for public or private service providers and to inform incentive-payment schemes. Performance measurement should monitor outcomes such as graduation/completion rates, employment rates, hourly pay and enrolment in further education at exit. It should also track these outcomes at specified intervals after programme exit, such as 6 months, 12 months, etc.

3. Activation of unemployed youth through training

A. Enterprise training is the most popular action among youth

In 2007, OAED launched three counseling/training actions aimed at unemployed youth aged 18-27: entrepreneurship training, vocational guidance and job-search training. Entrepreneurship training aimed at youth who want to develop their own business has proved by far the most popular with 29 000 participants (approximately 10% of unemployed youth in this age group) since it was introduced, compared with just over a thousand for each of the other two programmes. The strong interest in entrepreneurship training reflects the higher incidence of non-agricultural self-employment among employed youth in Greece compared with other EU countries. Programme participants receive 70 hours of counseling in groups of 10-15 during which they learn about the steps required to set up a business and receive support in developing a sound business plan. Since 2008, participation in entrepreneurship training has become compulsory for youth who enter a subsidised self-employment programme.

Vocational guidance counseling is provided to unemployed youth who lack defined career plans and to graduates of tertiary education with limited work perspectives, as determined both by their counselor and labour market

statistics by field of study. Participants undergo 70 hours of counseling in groups of 10-15 with the aim of acquiring vocational and educational information and of drafting an individual career path jointly with their job counselor. The implementation of the individual career path is monitored, during and after the course, by an expert job counselor.

Finally, job-search training is addressed to youth who have both a clear career path in mind and the skills needed to implement it. Training lasts 35 hours and is carried out in small groups. Participants are taught to prepare their Curriculum Vitae, to perform at interviews and to set out a job-search strategy. OAED reports that post-participation statistics collected for this action show that approximately 70% of unemployed participants found a job within a very short period of time but does not specify the reference period.

B. Sector-specific training programmes will be implemented in 2009

During the first half of 2009, a number of new training programmes targeting specific sectors and combining learning and work experience were implemented. The programmes will focus on construction, green jobs (*i.e.* sustainable development, renewable sources of energy, environmental work, etc.) and tourism. They include on-the-job training and employers commit to hiring at least 30% of the trainees. A total of EUR 230 million (0.1% of GDP) will be devoted to these programmes, for which 17 500 unemployed individuals (approximately 2% of the unemployed) are estimated to be eligible. Another training programme in basic ICT skills to be implemented in the first half of 2009 will target youth more specifically. About 30 000 unemployed youth under 25 (approximately 18% of unemployed youth in this age group) are expected to benefit from the programme and the skills they will acquire during the programme will be certified.

C. International evidence shows disappointing performance of training programmes for youth

Training programmes tend to be among the most expensive active measures and Greece is no exception across OECD countries in spending a significant share of its ALMP budget – 34% – on training. Although a breakdown of training costs by age group is not available, the recently launched programmes detailed above show that the emphasis on training does not exclude the young unemployed.

Unfortunately, no rigorous evaluation of the impact of training on participants' labour market outcomes has been conducted in Greece to date. Evaluations of public training programmes in other OECD countries suggest

very poor outcomes for out-of-school youth (Martin and Grubb, 2001; and OECD, 2005). The literature, however, provides some guidance on what policy makers can do to make training programmes more effective (Box 4.2). Although some of the features that have the potential to enhance the performance of training programmes are present in the Greek initiatives, several are missing. Notably, in Greece, training rarely allows participants to re-enter initial education at the level immediately above their training certificate. The focus on academic education, in addition to vocational training, is also missing and additional supportive services to youth – notably adult mentoring – are inexistent. In addition, outcomes are not measured making it difficult to learn about the effectiveness of different programmes and how to enhance it.

Box 4.2. **Training programmes that work**

Grubb (1999) reviewed the evidence on the few successful education and training programmes for disadvantaged youth in the United States and came up with five key features of a successful training programme. Effective programmes:

- Have a close link to the *local* labour market and target jobs with relatively high earnings, strong employment growth and good opportunities for advancement;
- Contain an appropriate mix of academic education, occupational skills and on-the-job training, ideally in an integrated manner;
- Provide youths with pathways to further education so that they can continue to develop their skills and competencies;
- Provide a range of supporting services, tailored to the needs of the young people and their families; and
- Monitor their results and use this information to improve the quality of the programme.

OECD (1996) and O'Higgins (1997) also stress the importance of a tightly controlled system of certification to ensure the quality and relevance of training programmes.

Only money allocated to job-search training seems to be well spent although the programme could be enhanced by improving the links with other forms of job-search assistance. Indeed, in addition to being the least costly active labour market programme, job-search assistance tends to pay off in terms of getting the unemployed back to work faster (OECD, 2005), particularly when combined with: active placement efforts; actions to raise the motivation of the unemployed; and steps to encourage and monitor their job-search behaviour.

4. Activation through subsidised employment

Over recent years, OAED has introduced a number of subsidised employment programmes to promote the re-employment of jobseekers: in 2004, it undertook to convert *unemployment* benefits into *employment* subsidies by using unemployment benefits to subsidise employers who hire unemployed individuals; in 2006 and 2008, it launched two initiatives aimed at promoting self-employment among the young through financial support; in 2009, it started a subsidised employment programme targeted on youth; and, in the same year, it launched a fully-subsidised work-experience programme. The most recent programmes are part of efforts to stimulate job creation in the context of the current major economic slowdown.

In early October 2009, the Greek government announced its intention to take a number of further actions targeted on youth. Proposals included subsidies to social security contributions for each new employee aged 30 or younger hired by an SME, provided the firm does not fire any worker to take advantage of the subsidies. The subsidies would last four years and would amount to 100% of social security contributions for the first year, 75% for the second year, 50% for the third year and 25% for the fourth year. The government also announced it planned to introduce a five-year tax exemption for small businesses owned by young people in rural and semi-rural regions. Finally, it plans to introduce work-experience programmes focused on practical learning, limited to six months and to the private sector, offered only once per beneficiary and targeted on post-secondary graduates.

A. Unemployment benefits have been converted into employment subsidies

The biggest recent change affecting the Greek benefit/activation framework consists in the conversion of unemployment benefits into employment subsidies. Through the programme, an employer who hires an unemployed person receives the person's unemployment benefit as a wage subsidy. When the programme was launched in 2004, only private sector employers were eligible for the subsidies, but eligibility was extended to the public sector in 2009 to offset very weak job creation in the private sector in the context of the current economic downturn.

For potential employers to benefit from the programme, they must not have reduced their workforce during a six-months period preceding the application date. On the other hand, the unemployed person must be entitled to unemployment benefits and must hold an approved individual action plan. In order to match demand and supply of placements, priority is given to those subsidised unemployed whose eligibility period coincides with the

employer's work requirements. Benefit recipients with the longest remaining eligibility period are selected, *ceteris paribus*.

Subsidies are paid for a maximum of 12 months, *i.e.* the maximum duration of unemployment benefit eligibility. The amount of the full-time subsidy – 25 working days per month – equals the monthly amount of unemployment benefits that has been approved for the unemployed person by OAED. As a result, it is equivalent to approximately 30% of the average wage of a Greek worker. The wage paid to the new hire must be in line with that applicable to other workers carrying out similar tasks for the same number of hours and cannot be lower than the amount of the unemployment benefit subsidy.

Because the subsidy is set as a lump-sum equivalent to the unemployment benefit amount, it covers a larger share of labour costs for low-skilled unemployed individuals. On the other hand, because the unemployed with the longest remaining period of eligibility have priority, the subsidy risks benefiting a number of newly unemployed individuals who would have found a job even if left to their own devices.[62] The latter effect may be mitigated slightly by the fact that the incidence of long-term unemployment is extremely high in Greece affecting 50% of unemployed adults and 40% of unemployed youth.

B. Employment subsidies for young jobseekers were introduced in 2009

The largest employment subsidy programme targeted on unemployed youth is the so-called "special programme for the promotion of youth employment". The programme, launched in 2009, targets unemployed 18-30-year olds with upper secondary qualifications and is aimed at fostering youth employment in small firms.[63] The government estimates that about 10 000 unemployed 18-30-year olds (approximately 3% of unemployed youth in this age group) are eligible for the programme.

Quotas apply for some sub-groups of young people: *i)* at least 60% of participants must be women; and *ii)* at least 67% must be short-term unemployed.[64] To qualify, youth must be registered unemployed, Greek or

62. A compromise between acting early and avoiding dead-weight losses would be to use profiling techniques to target the subsidies on the unemployed who are found to be most likely to become long-term unemployed.

63. Firms with at most 50 employees.

64. Short-term unemployment is defined as unemployment of a duration of less than 6 months for 18-24-year olds and of less than 12 months for 25-30-year olds.

nationals of another EU country and, if male, they must have fulfilled their military service obligations.

Employers need to show that the hiring of the unemployed young person will result in *net* job creation for their company and detailed regulations apply to ensure that this is the case. Firms without employees are allowed to hire one unemployed young person, firms with 1-9 employees are allowed to hire 2 unemployed youth and firms with 10-50 employees are allowed to increase their workforce by a maximum of 20% through the hiring of unemployed youth.

The subsidy is paid for a total of 21 months and employers are required to retain the unemployed for an additional three months. However, this subsidised employment spell does not requalify the young person for a new spell of unemployment insurance entitlement. The amount of subsidy declines through the employment period: it amounts to EUR 22 per day for the first 2 months of the programme and to EUR 18 per day for the remaining 19 months. The hiring of disadvantaged youth, long-term unemployed women and unemployed mothers with small children gives right to a higher subsidy of EUR 20 per day for the 19-month period. On average, the subsidy is equivalent to approximately 25% of the average wage of a Greek worker. The wage paid to participating youth must be equivalent to the minimum set in collective agreements.

C. A Start an Opportunity extends support to the very young

In 2009, OAED introduced the so-called "A Start an Opportunity" programme which provides non-employed youth with low/medium qualifications with support to acquire the skills and work experience needed to find employment.

The initiative is open to *non-employed* youth aged 16-25, an extended population compared with the other interventions available at OAED for which eligibility normally starts at 18 and which are generally confined to the unemployed. As a result, the programme covers youth who are inactive as well as unemployed, although no outreach activity is carried out to recruit young people who are not registered with OAED. To be eligible, youth must have completed at least compulsory education and at most upper secondary education.

The government estimates that about 40 000 16-25-year olds (approximately 21% of NEET youth in this age group) are eligible for the programme. Priority is given to youth residing outside the Attica and Thessaloniki regions – *i.e.* only up to 30% of the places created can be taken up by residents of these two regions.

A Start an Opportunity includes three actions that youth can undertake based on the needs identified by their individual action plan:

- Acquisition of work experience;
- Training in basic computer skills with certification; and
- Integrated counseling action.

The first action – *acquisition of work experience* – consists of five months of fully subsidised work experience in private and public enterprises. Youth are paid the minimum wage applicable to their sector of employment and the subsidy covers both their salary and social security contributions. However, participating youth do not acquire rights towards unemployment benefits. Young people interested in participating in this action are asked to include details of their skills and of the type of job they would like to acquire experience in while preparing their individual action plan. About 60% of the applications for "A Start an Opportunity" received in the first quarter of 2009 concerned this action.

The second action – *training in basic computer skills with certification* – consists in attending classes organised by OAED and provided through its IEKs. The action includes up to 100 hours of training, for a maximum of 6 hours per day in classes of 10 to 20 students. Participants undergo evaluation and, if successful, are issued a certificate at the end of the course. During the course, youth receive an education allowance of EUR 6 per hour of training. Participants accumulating absences for more than 10% of the total number of programme hours do not receive any remuneration and are not issued a certificate. The total cost of the programme to OAED is approximately EUR 15 per hour of training, including the education allowance and certification costs. About 30% of the applications for "A Start and Opportunity" received in the first quarter of 2009 concerned this action.

The third action – *integrated guidance programme* – involves comprehensive vocational guidance, as well as counseling on job-search techniques and entrepreneurship. The service is provided to the unemployed in small groups for a total of 60 hours, of which 30 are focused on vocational guidance. The programme average hourly cost is approximately EUR 11, including a EUR 10 allowance per participant per hour of guidance. Only 10% of the applications for "A Start and Opportunity" received in the first quarter of 2009 concerned this action.

D. Financial support and counseling are available for youth to start their own business

In 2008, OAED launched a progamme providing financial support and counseling to young people who wish to implement innovative business ideas, primarily promoting the use of new technologies.[65]

All unemployed 22-32-year olds, not resident in the Attica or Island regions, are eligible provided they fulfill the following requirements: *i)* they are registered unemployed and have drawn up an individual action plan; *ii)* they have attended a seminar on entrepreneurship at a KPA; and *iii)* they are Greek or EU nationals and, if male, they have fulfilled their military obligations.

After submitting an application, a committee decides on whether the business will receive funding or not based on the adequacy of the business plan, the adequacy of financial resources, and the qualifications and work experience of the applicant and their relevance to the business. The maximum amount of funding available for each new business is EUR 29 000, paid in three equal installments over 12 months and subject to periodical satisfactory auditing of the business. In addition, businesses may be able to hire subsidised employees through OAED.

The programme has proved popular so far with more applicants than new entrepreneurial initiatives funded. In the second semester of 2008, 8 000 youth applied for the programme but only 6 000 were funded – approximately 2% of unemployed 22-32-year olds – and obtained an average of EUR 18 000 financing.

Although new businesses tend to have a low survival rate, OAED reports that 75% of firms created through various OAED programmes supporting self-employment survive at least three years. In addition, about 20% of firms created through OAED support are reported to recruit employees. However, survival rates may not be the most appropriate measure of the effectiveness of subsidised self-employment schemes for the unemployed. Indeed, in the context of ALMP evaluations, the key issue is whether youth participating in subsidised self-employment schemes achieve better long-term labour market outcomes than what they would have achieved had they not participated. Unfortunately, international evidence on this effect is mixed. Meager (1996) summarised findings for five countries – Denmark, France, Germany, the United Kingdom and the United States – and concluded that the evidence presented did not allow a conclusive assessment of the overall effectiveness of such schemes. More recently,

65. This programme is separate from the entrepreneurship training mentioned above.

Meager *et al.* (2003) compared labour market outcomes of unemployed youth who participated in the Prince's Trust subsidised self-employment scheme in the United Kingdom with those of non-participating unemployed youth. They found no evidence that participation had any impact on subsequence employment or earnings outcomes. On the other hand, Baumgartner and Caliendo (2007) studied two subsidised self-employment schemes in Germany and found that the programmes raised the probability of being employed and the personal income of participants compared to a control group of non-participating unemployed individuals.

E. Young scientists get financial help to start their career

Since 2006, OAED has been providing financial support to young scientists who set up their own practice and who would not otherwise be allowed to register with OAED because they belong and pay contributions to specific professional bodies.

The programme targets doctors, dentists, veterinarians, pharmacists, lawyers, engineers and graduates of Polytechnic University Faculties[66] over the first four years after graduation or after completion of a medical specialisation course. Participants must be aged under 34 with the exceptions of medical doctors and mothers of young children for whom the age limit is extended to 40, and of those who have enrolled in post-graduate studies before turning 34 for whom the age limit is extended until completion of their post-graduate studies. In addition, youth are required to hold a certificate proving registration with OAED. Eligibility is means-tested and only youth whose practice earns them less than EUR 15 000 yearly are eligible.

Of the 6000 positions available every year – enough to cover approximately 13% of youth aged 34 or younger holding a university qualification – at least 60% have to be filled by women. Other criteria used in the selection process include: family status of the applicant with preference given to mothers of small children and date of graduation, with preference given to those who have graduated the earliest.

The amount of the grant for each new professional is set at EUR 12 000 and all businesses created through the programme are subject to periodical auditing.

66. Until 2007, TEI graduates were also allowed to participate. This is no longer the case but, contrary to scientists belonging to specific professional bodies, TEI graduates can register at OAED and benefit from other sources of financial support.

F. Significant net job creation through employment subsidies is hard to achieve but other benefits may arise

As mentioned above, in 2006, employment subsidies accounted for 41% of the total activation expenditure in Greece. Despite this significant expenditure, no rigorous evaluation of the impact of subsidies on beneficiaries' labour market outcomes has been conducted in Greece to date.

Evaluations available from programmes in place in other OECD countries show that employment subsidies have a greater impact on beneficiaries' post-subsidy employment performance than training programmes (Kluve, 2006). However, most studies focusing on firm behavior find large dead-weight and substitution effects – *i.e.* employers tend to hire individuals they would have hired even in the absence of the subsidy and/or they tend to substitute unsubsidised workers for those for whom they can benefit from the subsidy. For instance, evaluations of wage subsidies in Australia, Belgium, Ireland and the Netherlands estimate combined dead-weight and substitution effects of around 90%, although the studies also suggest that tight targeting and close monitoring could reduce this to 70-80% (Martin and Grubb, 2001; and Marx, 2005). In Greece, substitution effects are dealt with – at least in principle – through strict eligibility rules to ensure net job creation. However, dead-weight loss effects are likely to be high.

On the positive side, even in the absence of large positive effects on net job creation, wage subsidies may help unemployed individuals keep in contact with the world of work, thereby maintaining and enhancing their motivation and skills.

5. Better support to unemployed youth: drawing from the experiences of other OECD countries

The Greek activation strategy, as described in this Chapter, relies mostly on a series of training courses and subsidised employment opportunities available to youth as well as to other unemployed individuals and somehow unrelated to each other. This also applies to "A Start an Opportunity", where youth choose one of three alternatives rather than being gradually guided towards actions that are increasingly focused on their specific needs. In addition, few options are opened to NEET youth and no outreach for this group is organised. In this context, it is important to look at other OECD countries for examples of good practices.

A. Comprehensive programmes are needed to achieve sustainable employment outcomes for unemployed youth

Some OECD countries have opted for a systematic approach to help unemployed youth find a job, uniting under a single programme a number of different services. These programmes have the advantage of being more comprehensive and of providing an array of services targeted to the specific needs of the client. After a few months of independent job search, the unemployed are directed to more intensive counselling, job-search training and direct placement assistance. Those who fail to find work within a pre-defined number of months are directed to more intensive actions such as training courses or subsidised employment. A personal adviser accompanies clients from the day when actions start to when they become re-employed and services are often provided by private contractors remunerated based on outcomes.

The New Deal (ND) in the United Kingdom is an example of a comprehensive programme providing the unemployed with a series of actions – from labour market services, to retraining, to placement in subsidised jobs in the public, private or non-profit sector – to help them return to work (Box 4.3). As far as youth are concerned, its precursor – the New Deal for Young People – achieved good outcomes in terms of re-employment probabilities, particularly for youth who benefited from prolonged job-search support and those who were placed in subsidised jobs in the private sector (Dorsett, 2005). However, the programme's effects were not long lasting and it was found to be too rigidly organised both in terms of the actions undertaken and the focus on specific age groups.[67] The reformed New Deal has been conceived to overcome these limitations.

67. A number of studies (Van Reenen, 2001; Blundell *et al*., 2001; and De Giorgi, 2005) looked at the probability of re-employment for programme participants. They converged to a positive effect of the initial, job-search focused phase of the programme – called *Gateway* – on the probability of getting a job of about 5%. In addition, Woodfield *et al*. (2000) and O'Connor *et al*. (2001) showed that young people saw the relationship between the personal adviser and the jobseeker as key to the success of the programme. However, the New Deal for Young People proved less effective when a longer time period for evaluation was considered (Wilkinson, 2003).

Box 4.3. The flexible New Deal in the United Kingdom

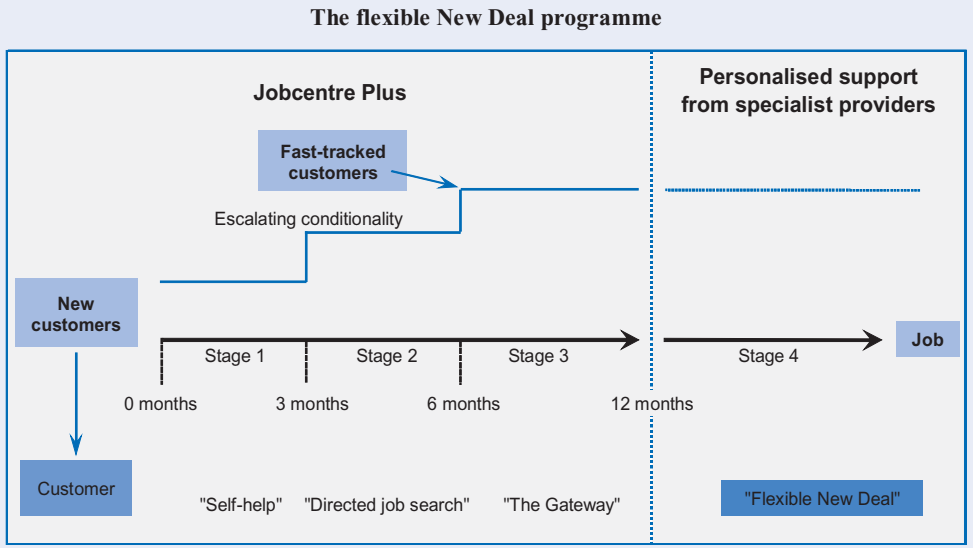
The flexible New Deal approach is built around high-quality support to all customers, flexibility of provision, strong competition among providers to secure ongoing improvements in cost effectiveness and output-based contracts. As a result, the help provided by ND to jobseekers is more focused on employment retention and progression in work.

The ND approach includes the following elements (see the figure below):

- After an initial three-month period on benefits, job-search requirements are widened, based on travel-to-work time, wage and working hours rather than by preferred employment or occupation;
- After a further three months, customers enter the Gateway stage starting with a formal review with a Personal Adviser to revisit the needs identified in the earlier Jobseeker's Agreement and to draw up a back-to-work action plan. The plan selects from a menu of activities and individuals are expected to agree to and complete a number of actions. Each of the agreed activities is *mandatory* and failure to comply results in an appropriate sanction. This Gateway stage also offers a further opportunity to refer the customer to a skills health check and, if appropriate, training;
- After 12 months customers are referred to a specialist return-to-work provider from the public, private, or voluntary sectors to benefit from the most appropriate intensive, outcome-focused service, funded on the basis of results;
- Customers still on benefits after a pre-defined period, having failed to find work through a specialist provider, are required to undertake a four-week work-focused activity to ensure that every customer gets the opportunity to refresh their work skills; and
- Throughout the whole process the offer of increased support is balanced with the responsibility on individuals to make the best use of that support or face a loss of benefit. Jobcentre Plus is responsible for applying benefit sanctions where necessary.

The programme allows fast-tracking of individuals facing particularly severe barriers to work. For instance, customers for whom a lack of skills is a barrier to work get faster access to the right training. In addition, conditionality is graduated, hence those who have a history of long-term reliance on benefits could face tougher responsibilities from the start of the claim, where appropriate.

As far as youth are concerned, 18-year olds with any history of NEET can, by agreement with their Personal Adviser, be fast-tracked to the Gateway stage of New Deal on a voluntary basis. Fast-tracking to Gateway is mandatory for 18-year olds who have already built up a six-month period of NEET. More specifically, this applies to 18-year olds who have spent 26 or more weeks in NEET immediately prior to turning 18 or who are aged 18 and have reached a combined duration of 26 weeks on JSA and NEET.



Source: Department for Work and Pensions (DWP, 2007a).

Providers are given significant flexibility in the way they deliver services but have to ensure sustainable employment outcomes. In this respect, the government has put forward plans to change the current definition of a sustainable employment outcome – a job lasting at least 13 weeks – to include only jobs lasting at least 6 months initially and 12-18 months in the longer term (DWP, 2007b). Part of providers' remuneration will be linked to these longer employment outcomes. The government is also trying to design remuneration/evaluation schemes that prevent providers from concentrating on those people that can be moved into work easily, and/or not paying proper attention to individuals who require too much support.

B. NEET youth not known to the public employment service must be engaged through ad-hoc services

Many youth in this group are unknown to the public employment service: they are either not looking for a job or, if they are, they do not register because they are not eligible for unemployment benefits. To help attract and engage these youth, several OECD countries have created ad-hoc services such as the Missions Locales in France (OECD, 2009f), Youth Transition Services in New Zealand (OECD, 2008a) and Connexions in the United Kingdom (OECD, 2008c). With offices spread throughout the country, the Missions Locales aim at attracting youth and providing them with information/counselling on education/training/employment programmes

available at the public employment service. In New Zealand, some actions are provided directly by Youth Transition Services and significant outreach is carried out. In the United Kingdom, the role played by Connexions for at-risk 16-17-year olds is similar to that played by Mission Locales in France as no services are directly provided at Connexions' offices. However, the role of Connexions has recently been strengthened by the launch of Activity Agreement pilots in eight areas. These new schemes mimic the mutual obligations approach applied to older unemployed youth by paying a small allowance to NEET youth who commit to undertake a number of re-employment/learning actions in exchange for the benefit.

C. More targeted programmes for youth with complex needs, including the inactive not in school

Even the best-performing programmes, when evaluated, often fail to help those youth at very high risk of labour market and social exclusion, notably youth who cumulate a number of problems ranging from behavioural difficulties to alcohol and drug abuse. What has emerged from evaluations of several programmes is that the neediest youth must be identified as early as possible and provided with specific attention and focused – as far as possible, *personalised* – help. This hard-core group of at-risk youth is likely to include those youth who are very difficult to mobilise and for whom ad-hoc strategies should be devised.

Among programmes targeted specifically to very disadvantaged youth, there is some experimental evidence that *residential* programmes with a strong focus on remedial learning and employment assistance may yield positive private and social returns once allowance is made for impacts on adverse social behaviours (crime, drug-taking, poor parenting), as well as labour market outcomes. An example of these programmes, the Job Corps in the United States, is presented in Box 4.4.

Box 4.4. **The US Job Corps programme**

For several decades, Job Corps has been a central part of the US Federal government's efforts to provide employment assistance to disadvantaged youth and help them become "more responsible, employable and productive citizens". To be eligible, youth must be 16-24, meet low-income criteria and face one or more barriers to employment such as lacking qualifications or being a runaway, a foster child, a teenage parent or a homeless youth. Job Corps services are delivered at 122 centers nationwide in the United States and serve about 60 000 new enrollees annually. Most youth participate in a campus-like residential living component – approximately 85% of students are residential – while the remaining students commute to their centers daily. Participation is entirely on a voluntary basis.

Programme components include a strong focus on academic education and vocational training to help participants attain an upper secondary qualification. Thanks to close co-operation with unions, some vocational training courses available at Job Corps are recognised as pre-apprenticeship programmes, allowing entry to apprenticehips at a higher level and salary. At the end of the programme, placement services help participants to secure sustainable employment. Other key services include health education, health care and counselling. During the programme, youth receive a stipend twice a month – increasing with seniority, up to USD 46 – and a lump sum of USD 100 every three months to purchase of technical-training clothing. Youth who complete vocation training and obtain an upper secondary qualification are eligible for USD 1 200 to help with the start-up costs of independent life.

Outreach activities, centre management, training and placement services are all run by private contractors. Contracts are allocated through a competitive tendering process and can last up to seven years after a series of renewals. All contractors are evaluated based on several criteria each carrying a different weight, with some weights modeled on the characteristics of the population in each Job Corps centre. For instance, outreach contractors are evaluated based on: the number of youth recruited; the percentage of women recruited; the share of recruited youth who remain enrolled for a minimum of 60 days; and the share of recruited youth who do not separate within 30/45 days due to a violation of Job Corps' Zero Tolerance policy against violence/drugs. On the other hand, contractors who run the centres are evaluated based on: the share of participants who acquire an upper secondary qualification; the share of participants who complete vocational training; the literary and numeracy gains of participants; the initial placement of graduates; the match between a graduate placement and the training received at Job Corps; the initial placement of non-terminees (youth who do not acquire an upper secondary qualification while on the programme); the initial graduate wage; the employment status of a graduate 6 months after exit; the graduate wage 6 months after exit; and the employment status of a graduate 12 months after exit. The achievement of these goals influences contractors' payment in the form of extra bonus payments – *i.e.* centre contractors are only allowed to bid for costs and a profit margin of 2.8% but can attain profits of up to 6% if they perform well according to the above-mentioned criteria.

Job Corps is an expensive programme given its design, costing approximately USD 22 000 per participant. As a result, it has been evaluated several times during its history, most recently *via* experimental (*i.e.* random-assignment) methods. Schochet *et al*. (2001) found rather positive effects of Job Corps on participants' employability and earnings and high social rates of return. However, a follow-up analysis based on administrative data on earnings rather than survey-based data (Schochet *et al*., 2003) found less positive benefits for teenagers but continued to show high social returns for young adults (the 20-24 age group). The residential component of the programme appears to work better than the non-residential option.

6. Key points

Labour market programmes in Greece, either passive or active, do not apply the mutual-obligations principle. Job-search requirements on benefit recipients are rarely enforced and sanctions for non-compliance introduced in 1985 have never been applied. Similarly, participation in targeted re-employment actions is not compulsory. As a result, benefit dependency may arise for youth with work experience who are entitled to unemployment benefits, particularly those who still live with their parents. While this group is currently small, including just 6% of unemployed youth, it could increase in size if unemployment benefit eligibility conditions were relaxed in the context of the current economic slowdown or if the existing allowance for 20-29-year-old long-term unemployed youth without work experience was extended to cover more unemployed youth.

Greece spends the equivalent of 0.14% of its GDP on active labour market programmes, well below the OECD average of 0.42%. Expenditure focuses on training, subsidised employment and financial support to the unemployed wishing to become self-employed. Although expenditure data are not available by age group, programmes for youth also tend to concentrate in these three areas. Unfortunately, no rigorous evaluation of activation programmes has been carried out in Greece and even performance measurement – *i.e.* the recording of participants' outcomes upon and after completion – rarely takes place.

Among training programmes, enterprise training is the most popular option with Greek youth. On the other hand, very few youth participate in job-search training despite empirical evidence that this is one of the most effective training measures for unemployed youth. Employment subsidies have been extensively used in recent years to encourage the hiring of the unemployed. The size of the subsidy varies and ranges from 25% of the average wage for 18-30-year-old participants of the "special programme for the promotion of youth employment", to 30% for the unemployed whose benefits are converted into employment subsidies, to full coverage of wage and non-wage labour costs for 16-25-year-old participants of "A start an Opportunity". Finally, the Greek government runs two programmes that provide financial backing to youth wanting to become self-employed or science graduates wishing to set up their own practice. Neither rigorous evaluations nor outcome data are available for these programmes making it impossible to assess whether they work or not.

Some examples of good practices in the area of activating disadvantaged youth could be drawn from other OECD countries to inspire future Greek reforms. In the United Kingdom, through the New Deal programme, the unemployed are gradually guided towards actions that are increasingly

focused on their specific needs and NEET youth are fast-tracked into the programme. In France, New Zealand and the United Kingdom, contact with NEET youth is sought through one-stop information/counselling services. Finally, for the hard-core group of youth at high risk of labour market and social exclusion, residential programmes with a strong accent on learning and employment assistance are the only intervention that yields promising outcomes. The long-standing Job Corps in the United States is a good model for such an initiative.

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Jobs for Youth

GREECE

Improving the performance of youth on the labour market is a crucial challenge in OECD countries facing persistent youth unemployment. As labour markets become more and more selective, a lack of relevant skills brings a higher risk of unemployment. Whatever the level of qualification, first experiences on the labour market have a profound influence on later working life. Getting off to a good start facilitates integration and lays the foundation for a good career, while a failure can be difficult to make up.

Ensuring a good start will require co-ordinated policies to bring the education system closer to the labour market, to help disadvantaged young people to find a job or participate in a training course and to facilitate the hiring of young people by firms.

OECD has launched a series of reports on the school-to-work transition process in sixteen countries including Greece. Each report contains a survey of the main barriers to employment for young people, an assessment of the adequacy and effectiveness of existing measures to improve the transition from school to work, and a set of policy recommendations for further action by the public authorities and social partners.

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