Off to a Good Start? Jobs for Youth

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FOREWORD

Youth have been very hard hit by the recent jobs crisis. The youth unemployment rate is approaching 20% in the OECD area and is likely to remain high well into the recovery. Coping with a job loss in a weak labour market – when job offers are scarce and competition for them among jobseekers is fierce – is difficult for anyone. But for young workers, and especially for the disadvantaged among them, failure to find a first job or keep it for long can have negative long-term consequences on their career prospects that some experts refer to as "scarring".

Reducing high youth unemployment should be a centrepiece of our policies. We cannot allow this crisis to result in a "scarred" generation. Most OECD countries have indeed acted swiftly against this threat during the crisis by scaling up resources for youth programmes. But there is a strong need to keep the momentum, even in the early phases of the recovery and provide adequate resources for cost-effective youth measures. While it is essential to strengthen the economic recovery, and in particular ensure that it is job-rich, some well-chosen measures can make a difference in helping young people in their transition from school to work and the early phases of their careers.

In particular, governments should act to tackle the barriers facing disadvantaged youth beginning in early childhood and throughout their schooling, and as teenagers and young adults in the labour market. Critical at this juncture are measures to encourage youth to stay in education until they have acquired a recognised diploma, those that try to reconnect school drop-outs with the education and training system, and those that try to reconnect youth who are neither in employment, nor in education or training with learning and working.

Also essential are measures to help the young unemployed find a job. Among them, I would like to stress effective apprenticeship schemes which yield multiple dividends for disadvantaged youth by promoting the transition from school to work when many employers are still wary about the future and uncertain about hiring new workers.

Governments cannot do everything alone, however, and well co-ordinated supports and incentives have to come from all key stakeholders, including employers, trade unions, NGOs, and naturally from the youth themselves.

These are the main policy recommendations of this report. It is the final report in the OECD's thematic review of policies to facilitate the transition from school to work and improve the employment prospects of youth. Altogether, 16 OECD countries participated in this review over a four-year period. This report also presents the key measures implemented by OECD countries during the crisis to boost youth employment building on the conclusions of the High-Level Forum on Jobs for Youth held in Oslo on

20-21 September 2010, which concluded the review process and was jointly organised by the Ministry of Labour of Norway and the OECD Directorate for Employment, Labour and Social Affairs.

I believe this report, which contains a wealth of information on good practices, will be a valuable tool for policy makers and other stakeholders to promote more and better job opportunities for all youth, including for those who are often left behind.

Angel Gurría

Secretary-General of the OECD

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It is the final report of the OECD's thematic review of policies to facilitate the transition from school to work and improve the career perspectives of youth. It was carried out under the supervision of Martine Durand, John Martin and Stefano Scarpetta, in the Employment, Labour and Social Affairs Directorate.

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ABBREVIATIONS

ALL	Adult Literacy and Life Skills Survey
ALMP	Active Labour Market Programme
ECEC	Early Childhood Education and Care
ECHP	European Community Household Panel
EU-LFS	European Union Labour Force Survey
EU-SILC	European Union Survey on Income and Living Conditions
HILDA	Household, Income and Labour Dynamics in Australia Survey
ILO	International Labour Office
ISCED	International Standard Classification of Education
ISCO	International Standard Classification of Occupation
MW	Minimum Wages
NEET	Neither in Employment, nor in Education or Training
NLSY	National Longitudinal Survey of Youth in the United States
OLS	Ordinary Least Squares
PES	Public Employment Service
PISA	Programme for International Student Assessment
SME	Small and Medium-sized Enterprises
SSC	Social Security Contributions
UR	Unemployment Rate
VET	Vocational Education and Training

EXECUTIVE SUMMARY

Significant improvements in the youth labour market prior to the crisis...

In the decade that preceded the 2008-09 global economic recession, youth labour market conditions improved significantly: the OECD average youth unemployment rate declined from 16% in the mid-1990s to 14% in the mid-2000s. This drop masks, however, significant differences across countries. Australia, Canada, Denmark, the Netherlands, New Zealand and Norway were the best performing countries among the 16 OECD countries that participated in the *Jobs for Youth* thematic review. These countries shared particularly dynamic youth labour markets with above-average employment rates and a very low incidence of long-term unemployment.

...but persisting problems of labour market integration for some disadvantaged youth

But even during the period of falling youth unemployment prior to the recent recession, not everything was rosy in the youth labour market. In most countries, only a fraction of youth settled quickly into career employment after leaving education. Many young people experienced a longer and bumpier transition from school to work. This report identifies two groups that face particular difficulties in getting a stable job after leaving school. The first group of so-called "left behind youth", which exists in the OECD countries, cumulates several disadvantages: they tend to lack a diploma, come from an immigrant/minority background and/or live in disadvantaged/rural/remote areas. The size of this group can be proxied by the number of young people aged 15/16-29 who are neither in employment, nor in education or training (NEET), *and* who lack an upper secondary education. In 2005, on average in the OECD, the group "left behind" represented 11% of the youth aged 15-29 having left education.

The second group, the so-called "poorly-integrated new entrants", face significant barriers to find stable employment. While these young people often have qualifications, they frequently go back and forth between temporary jobs, unemployment and/or inactivity, even during periods of strong economic growth. For example, in Europe in 2005-07, on average 8% of the youth aged 15-29 who had left education and found a temporary job were not in a stable job two years afterwards. Thus in total, even before the crisis hit, at least one in five young people – and many more in some countries – were at risk of experiencing poor employment prospects.

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

The global crisis has hit youth hard...

The global economic crisis hit youth very hard. In the two years to the second quarter of 2010, unemployment among young people aged 15-24 increased by almost 6 percentage points, more than twice as much as for adults (2.5 percentage points). Only Germany managed to slightly reduce its already relatively low youth employment rate while the highest increase was recorded in Spain, followed by Ireland, the Slovak Republic, Greece and Iceland.

As a result, youth unemployment rates currently exceed 25% in seven countries (Finland, Greece, Ireland, Italy, the Slovak Republic, Spain and Sweden). The highest rate is in Spain, where more than 40% of youth, active in the labour market, are unemployed. By contrast, the youth unemployment rate is still at 10% or less in eight countries (Austria, Germany, Japan, Korea, Mexico, the Netherlands, Norway and Switzerland).*

By mid-2010, youth unemployment rates had reached record-high levels for the 25 last years. The average for OECD countries stood at 19% and in the European Union at 22%, which was a record for seven countries (Japan, United States, Portugal, Iceland, Hungary, Ireland and Sweden). However, nine countries (Netherlands, Korea, Germany, Australia, Turkey, France, Poland, Italy and the Slovak Republic) had experienced a higher youth unemployment rate than the current one between 1985 and 2009.

...and the short-term outlook for many young people, including those with relatively high skills, is rather gloomy

Youth unemployment rates are forecast to remain high and reach 20% on average in the OECD area in 2011. The ongoing recovery is in fact too weak to provide sufficient job opportunities to the many youth jobseekers. A significant and growing proportion of youth, even those who would have performed well in good times, is at risk of prolonged unemployment, with potentially negative long-term consequences for their careers, or so-called "scarring effects".

Countries have intervened during the crisis by significantly scaling up public funds for youth labour market programmes...

Differences in the evolution of youth unemployment during the global crisis and the early phases of the recovery depend largely on the depth of the output decline in different countries, but also on the underlying policy and institutional settings and the short-term policy responses to help youth weather the storm. Despite these significant differences across OECD countries, some initial and general lessons can be identified.

*. However, in Mexico and other lower-income OECD countries, youth joblessness is better captured by the proportion of youth who are neither in employment, nor in education or training (NEET) which stood at 22% in 2009 in Mexico, double the OECD average of 11%.

A move towards early and selective intervention in many countries helps to avoid the build-up of a large pool of youth at risk of becoming long-term unemployed or inactive

In November 2009 Denmark introduced a quick, intensive and focused activation policy for different groups of youth. In the Slovak Republic, school-leavers wanting to become self-employed are paid a self-employment grant as soon as they register with the public employment service (PES) rather than having to look for work for a period before they become eligible for support.

However, there is a need to design outreach programmes focusing on the NEET group, who tend to have little or no contact with the PES. The closer co-operation introduced in England in 2009 between Connexions Services, in charge of guidance and support services for all young people aged 13-19 and Jobcentre Plus, the PES in charge of jobseekers from the age of 18, prevents some teenagers at risk from losing contact with the labour market. In Belgium, access to appropriate job-search assistance provided for those who are job-ready in the first weeks of unemployment was intensified in Flanders, while the focus of the Job Tonic programme in Wallonia was recently extended to activate more young unemployed. In 2010, the Korean Government introduced a capacity-building programme for young people, which aims to restore the confidence of psychologically vulnerable youths, and launched a six-month follow-up period to ensure sustainable employment and employment services for participants.

A shift from a so-called "work-first" approach to a "learn/train-first" approach helps to boost the employability of those who have shown major difficulties in finding a job

Such a shift is emphasized in the Australian Compact which aims to promote young people's participation in education and training and to provide protection from the anticipated tighter labour market in the crisis. The Compact, introduced in April 2009 between all states and territories and young Australians, is especially appropriate during an economic downturn when the opportunity cost of time spent on a training programme or in education is lower. While it is important to include an on-the-job component to learning and training programmes, public-sector jobs may also help disadvantaged youth acquire skills that could be transferable to private-sector jobs provided they are temporary and well-designed.

There is a need to secure the safety net and the employment and training pathways of unemployed youth and young workers

Half of OECD countries have temporarily expanded the coverage of unemployment benefits since the beginning of the crisis; which will be of particular benefit to the young unemployed. However, any extension of unemployment benefits coverage should be made conditional on active job-search on the part of the unemployed youth. Laid-off apprentices are helped in many countries to complete their training and obtain a qualification. France focuses, for example, on low-skilled apprentices to help them to find a place in a firm.

There is a need to couple eligibility with social assistance for youth at high risk of marginalisation with a rigorous "mutual obligations" approach

To reconnect youth who risk becoming marginalised, there should be an effective mix of "carrots" (income support and effective active labour market programmes – ALMPs) and

"sticks" (a requirement to search actively for work and/or take steps to improve employability, enforced by the threat of moderate benefit sanctions). The Netherlands offers a good example of this: local authorities are *obliged* to give a young person aged 18-27 who applies for social assistance benefits, an offer consisting of work, training or a combination of both, but the young person cannot remain inactive if he/she wants to receive income support.

…but the build-up of long-term youth unemployment in some countries is worrying

Many OECD countries have reinforced their special youth measures in response to the crisis. Nonetheless, the growing incidence of unemployment lasting more than six months among youth in many OECD countries in 2009 compared with 2008 is a worrying sign. This increase exceeded 5 percentage points in seven OECD countries (Italy, New Zealand, United Kingdom, United States, Iceland, Ireland and Spain).

As the recovery gains momentum, youth policies should focus on adapting to support a job-rich recovery

Governments face difficult choices going forward to ensure a job-rich recovery in the context of a fragile recovery and mounting fiscal pressures. The current shift to fiscal consolidation in a growing number of OECD countries is challenging and calls for even better-designed and targeted labour market, education and training policies.

As the recovery strengthens, it is important to scale down public short-time work schemes. These schemes have played an important role in preserving jobs during the crisis in a number of countries, but in most cases, their impact was largely confined to workers with *permanent* contracts, further increasing labour market segmentation between workers in regular jobs and workers in *temporary* and *part-time* jobs, many of whom are young. During the recovery, such schemes could become an obstacle to the required reallocation of labour, particularly if they support some jobs that would not have been maintained in the absence of the subsidy, and hinder new hires, especially of youth.

One of the crucial messages of this report is to urge governments to continue to focus on effective measures for youth in the early phase of the recovery. Facilitating the school-to-work transition and improving labour market prospects for all youth should remain at the top of the political agenda in all OECD countries. However, particular attention should be devoted to youth facing difficulties in getting a stable job after leaving school. If this is not the case, there is a high risk of durably increasing the hard-core group of youth left behind who would be likely to suffer long-term "scarring" in terms of their future employment and earnings prospects.

Going forward, a number of structural problems should be tackled

The recent recession has highlighted once again underlying structural problems in the youth labour market, which tend to be masked in good times. In many countries, actions are needed in several different areas, including education, training, employment and social policies to ensure that young people will be ready and equipped to work as the recovery gains momentum. The OECD *Jobs for Youth* review has identified several key objectives on the structural policy front.

Ensuring that youth leave education with recognised qualifications

The crisis has highlighted that one of the main underlying structural problems in the youth labour market is related to education and training. Some youth are leaving the education system and entering the labour market without a recognised and valued qualification and, as a result, they lack the necessary skills to prosper in the labour market.

Measures to encourage young people to stay on at school longer have proven effective in ensuring they leave the education system with at least some good basic skills, provided that they are given educational choices, and in particular, apprenticeship. Extending the schooling period could be achieved in different ways. Some countries have increased the school-leaving age (in general 16). This is the case, for example, in the Netherlands, where since 2007 a law has required 18-year-olds who have not acquired a two-year diploma from the second cycle of secondary vocational education to follow a work-study programme. In England, the 2008 Education and Skills Bill requires a flexible participation in education and training on the part of young people until they are 18 or until an upper secondary qualification is obtained, whichever is earlier. The changes will come into force gradually: in 2013 young people will be required to participate until they turn 17, and in 2015 until they turn 18. A number of countries have taken innovative and promising measures to prevent teenagers from dropping out of school and to help tertiary students and graduates be better prepared to enter the labour market. For example, Canada allocates resources in its 2010-11 Budget to help aboriginal youth acquire a better primary and secondary education in order to prepare them for post-secondary education. In Japan, the number of Job Supporters for high-school or university/college graduates in the PES has been doubled in 2009. Job supporters visit schools and companies to support employment for students who will soon become graduates and who have not yet received a formal job offer.

A low school drop-out rate alone is not enough to guarantee low unemployment for youth. The cases of Poland and the Slovak Republic are interesting in this respect. In both countries, the incidence of school drop-outs among the 20-24-years-olds is among the lowest in OECD countries but more than one youth in four is unemployed. Rather than resulting from a high drop-out rate, the high youth unemployment rate in both countries partly reflects a skills mismatch problem between the curricula taught in vocational secondary schools leading to outdated qualifications and the requirements of the labour market. In Poland, the amendment of the Act on Employment Promotion and Labour Market Institutions in force since February 2009 strengthened financial incentives for unemployed young people to participate in training. In the Slovak Republic, measures adopted for regional schools are designed to improve the knowledge and skills of pupils and bring vocational education and training closer to labour market requirements.

Facilitating the transition from school to work

The OECD *Jobs for Youth* review highlights successes in the multiple pathways between school and work that exist in OECD countries. The school-to-work transition is easier in countries where *combining study and work* is frequent *e.g.* Austria, Germany and Switzerland, the so-called "apprenticeship countries", and Australia, Canada, the Nordic countries, the Netherlands, New Zealand, the United Kingdom and the United States where many youth combine school with part-time work. However, combining study and work should be promoted to the extent that work is not harmful to studies (*i.e.* no more than 15-20 hours of work a week during the school year).

It is also key that the experience acquired in first jobs, even non-standard ones and those performed while studying, serves eventually as a stepping stone towards a career. For example in Korea, vocational high schools (colleges) can sign an agreement with SMEs, under which education and training tailored to the SMEs' needs is provided to students on the condition that they will be employed by the SMEs after graduation.

The review stresses, in particular, that apprenticeship and other dual vocational education programmes appear to be efficient school-to-work pathways, particularly for secondary students. They can yield multiple dividends: securing the transition towards employment for the apprentice (stepping-stone effect) and lowering labour costs for the employer (cost effect), tied together by a training commitment from the employer, which yields a valued qualification on the labour market (skill effect). There is also an income effect for the apprentice who receives a low wage that will increase with his/her age and progress in training.

Drawing on the 16 country case studies, the report presents innovative and promising measures to promote successful apprenticeship opportunities for youth, particularly among the most disadvantaged groups. The key ingredient in all successful recipes is fine-tuning measures to secure on-the-job training for *all* apprentices, even low achievers. There is a focus on helping youth, not only to perform well during their "second" transition (*i.e* "from vocational training to the labour market"), but also during the "first" transition (*i.e*. from school to vocational training).

Assisting unemployed youth in their job search with appropriate measures

Another key is that well-designed and co-ordinated actions are undertaken on multiple fronts, involving the education and training system, the labour market and the welfare system. The activation stance should include outreach programmes, early intervention, profiling, targeting and "mutual obligations".

In terms of the mix of active labour market programmes, *job-search assistance programmes* are often found to be the most cost-effective for young people who are assessed as ready to work, providing positive returns to both earnings and employment. Programmes that integrate and combine services and offer a *comprehensive "package"* seem to be particularly successful. For example, job-search assistance programmes should include not only workshops that focus on how to write a resumé and contact potential employers but also allow for mobility and housing. Providing jobseekers with an assessment of competencies, including those acquired through non-formal and informal learning, and where relevant, validating competencies through recognised qualifications may facilitate both job-search and access to further education and training.

The report highlights that standard active labour market policies are unlikely to work for the most disadvantaged youths, who usually cumulate serial social risk factors (low education, ethnic minority background, living in a deprived neighbourhood, drug use, mental illness, etc.). For this group, more in-depth strategies are needed. In particular, governments should make sure that skill-upgrading services are tailored to the current profiles of disadvantaged jobless youth.

It is vital to avoid the simple back-to-the-classroom option as this might prove very counterproductive with disconnected youth. In this context, priority should be given to training programmes taught outside traditional schools combined with regular exposure to work experience and adult mentors. These opportunities could be offered in either a boarding-school-type environment or a local-partnership type environment, such as second-

chance schools in Europe. Residential programmes such as the long-standing *US Job Corps* programme are expensive, but have shown to yield positive social benefits, especially for older young people (aged 20-24).

Addressing labour demand barriers for youth

Other structural barriers to youth employment are related to labour demand. In many countries, actions are needed in several different areas. Recent policy measures and innovative practices implemented in OECD countries are highlighted in three areas:

i) *Investing in funds that promote new skills for new jobs, targeting young entrants.* In Spain, for example, the State Fund for Local Investment aims in 2010 to encourage large and medium-sized localities to invest in environmentally- and technologically- sustainable projects and care services for dependants and disabled persons. Projects funded must contribute to improving long-term productivity in the economy.

ii) *Reducing the cost of employing low-skilled youth*, through sub-minimum wages for youth and/or lower social security contributions for low wages. Eight OECD countries have a sub-minimum wage for youth. The arguments for and against the introduction of a sub-minimum wage for youth need to be weighed carefully. Such a sub-minimum wage may generalise the incidence of low-pay jobs among youth in segmented labour markets where they find it difficult to move on to better-paid jobs. 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 a 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 teenagers live with their parents, it is unlikely that a lower minimum wage would bring about a significant worsening of their living conditions.

   Many countries combine different tools to reduce the cost of hiring low-skilled youth. For example, in France, "zero charges" measure concerns apprenticeship contracts: between April 2009 and December 2010, firms hiring apprentices received compensation for one year's social charges. A subsidy of EUR 1 000 (EUR 2 000 for youth without upper secondary education) was given to employers hiring youth on a *contrat de professionnalisation*. Training allowances in some active measures for disadvantaged youth are also lower than the minimum wage and/or associated with social security reductions.

iii) *Pursuing efforts to reduce labour-market duality overall and, in particular, the gap between regulations for temporary and permanent contracts*. In those countries with large differences in the stringency of regulations for temporary (or other atypical job) contracts compared with permanent ones (*e.g.* Spain and France), many youth tend to be trapped in precarious jobs that do not offer clear career prospects for a long period. While reducing the differences in the provisions associated with different types of contract would have positive effects for many low-skilled workers and those with intermittent employment spells, youth are likely to be among the main beneficiaries of such a reform.

   There should be a rebalancing of employment protection to promote the mobility of young people (as well as other workers with limited work experience), from entry jobs, which are very often atypical, to career employment. In 2008, Japan introduced grants for trial employment for a certain period (in principle three months). Trial employment should enable employers to judge the vocational

aptitudes and abilities of the youth who find it hard to get a job because they lack work experience and know-how, and encourage transition to regular employment.

Summing up, the OECD *Jobs for Youth* review suggests that the youth unemployment rate is likely to remain relatively high in the majority of OECD countries over the short term. While most OECD countries have acted swiftly during the crisis by scaling up resources for youth programmes, there is a strong need to maintain the momentum, even in the early phases of the recovery, and provide adequate resources for cost-effective youth measures. While specific youth measures vary from one country to another depending on the youth labour market conditions and available policy tools, the most promising measures are those that strengthen job opportunities for youth. Actions are needed to prevent most school-leavers from being trapped in long spells of unemployment. But the target group for intensive assistance should be the hard-core group of youth who cumulate disadvantages and are at high risk of long-term unemployment and inactivity. It is therefore crucial that governments tackle the structural barriers this hard-core group faces in education and in the labour market.

INTRODUCTION

Youth is a key asset for any society, and especially so in societies facing a rapid ageing of their labour force. Therefore, improving the performance of youth in the labour market is a pressing challenge in OECD countries. It is crucial to strengthen structural policies aimed at helping young people accomplish a successful transition from school to work and lay the foundation for a good career. Governments in OECD countries are concerned about how well-prepared young people are by the education system and how youth-friendly current social and labour market institutions are. Key stakeholders are convinced of the need to develop better co-ordinated education, labour market and social institutions that are likely to maximise youth opportunities.

As a key part of the implementation of the Reassessed OECD Jobs Strategy endorsed by OECD Ministers in 2006, over the past four years the OECD has undertaken a thematic review of *Jobs for Youth*. Sixteen OECD countries (Australia, Belgium, Canada, Denmark, France, Greece, Japan, Korea, Netherlands, New Zealand, Norway, Poland, Slovak Republic, Spain, United Kingdom and United States) participated in the review. For each country, a separate report was prepared for publication as part of the OECD series on *Jobs for Youth*. Each country report contains a review of labour market trends for young people,[1] a critical survey of the role of education and training in helping young people lay the foundations for a good career, an analysis of the main demand-side barriers to youth employment, an assessment of the adequacy and effectiveness of existing measures to facilitate the transition from school to work and improve youth employment prospects, and a set of policy recommendations for further action by the public authorities and social partners.

The recent global economic crisis has hit school-leavers and young workers particularly hard because they are extremely vulnerable to joblessness in economic downturns. Over the past two years, youth unemployment rates have doubled in a number of OECD countries and increased significantly across the board. Several of the country reviews focus specifically on the crisis and the special measures governments have put in place to help the young weather the storm.

This report provides a synthesis of the main lessons which have emerged from the in-depth thematic review on *Jobs for Youth*. It also presents the key measures implemented in the OECD area since the onset of the economic crisis to boost youth employment.[2] It focuses specifically on policy to support the hard-core group of disadvantaged youth. The report is divided into seven chapters. In each chapter, the discussion is highlighted by country-specific examples of promising and innovative measures.

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Chapter 1 analyses the recent trends in youth labour markets dominated by the jobs crisis, as well as the potential long-lasting consequences on the current generation of school-leavers. The wide diversity that exists both across and within countries in the labour market situation of young people is presented in Chapter 2. Chapter 3 highlights the multiple pathways between school and work in those countries where comparative longitudinal data are available. The two following chapters consider the key long-term challenges and policy options in the education and training system (Chapter 4) and in the labour market (Chapter 5) to tackle the main structural barriers to youth employment. Chapter 6 discusses the short-term labour market and social policy response to the global economic crisis that has hit youth very hard. The report concludes in Chapter 7 with some general remarks on policy implementation.

Notes

1. In the thematic review, young people encompass teenagers (*i.e.* aged 15/16-19) as well as young adults (*i.e.* aged 20-29). The term « youth » refers however specifically to the 15/16-24 age group and the term « adult » to the 25-54 age group, except when otherwise specified. For Iceland, Spain, Sweden, the United Kingdom and the United States, "youth" refer to 16-24 and to 15-24 for all other countries.

2. When this publication was finalised in 2010, Chile, Israel and Slovenia became OECD members and Estonia was in the final stages of accession to the OECD but was not yet an OECD member. Accordingly, the OECD unweighted average is based on the 30 OECD member countries up to and including the year 2009 and on the 33 OECD countries as from 2010 (including Chile, Israel and Slovenia) except when otherwise specified. For many indicators, an "EU-19" average is also presented up to the year 2009. It is calculated as the unweighted mean of the data values of the 19 OECD countries that are members of the European Union for which data are available or can be estimated. These 19 countries are Austria, Belgium, the Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Italy, Ireland, Luxembourg, the Netherlands, Poland, Portugal, the Slovak Republic, Spain, Sweden and the United Kingdom. As from 2010, an "EU-20" average is calculated, including Slovenia.

CHAPTER 1

How are young people faring in the jobs crisis?

The 2008-09 recession and the resulting jobs crisis had a dramatic impact on youth unemployment. In the OECD area, the youth unemployment rate reached a post-war high of 19% in 2010. Even though a recovery is now underway, the youth unemployment rate is projected to decline only slowly. The current shift to fiscal consolidation in a growing number of OECD countries is challenging and calls for even better designed and targeted policies. The goals of facilitating the school-to-work transition and improving labour market prospects for all youth are more urgent than ever. If these goals are not achieved and the numbers of disadvantaged youth swelled significantly, there is a high risk of creating a large hard-core group of youth left behind with "scarring" effects and perpetuating poor employment prospects for youth in the longer term.

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After the severe economic downturn which began in late 2007/early 2008 in most OECD countries, the economic recovery began in the second half of 2009 in the majority of OECD countries. But economic growth remains rather modest and many countries are still facing strong headwinds coming both from the need to embark on fiscal consolidation and the severity of the jobs crisis. Young people have been particularly hard-hit by the recession and youth unemployment is likely to remain high well into the recovery. Prolonged unemployment and spells of inactivity may permanently lower their employability, particularly for low-skilled and inexperienced youth. This chapter analyses the recent trends in youth labour markets dominated by the economic and jobs crisis. Section A presents youth unemployment and employment trends up to 2011, while Section B explores the key factors at stake, including the risk of long-term negative consequences, the so-called "scarring" effects, on some groups of youth.

A. Youth unemployment and employment trends

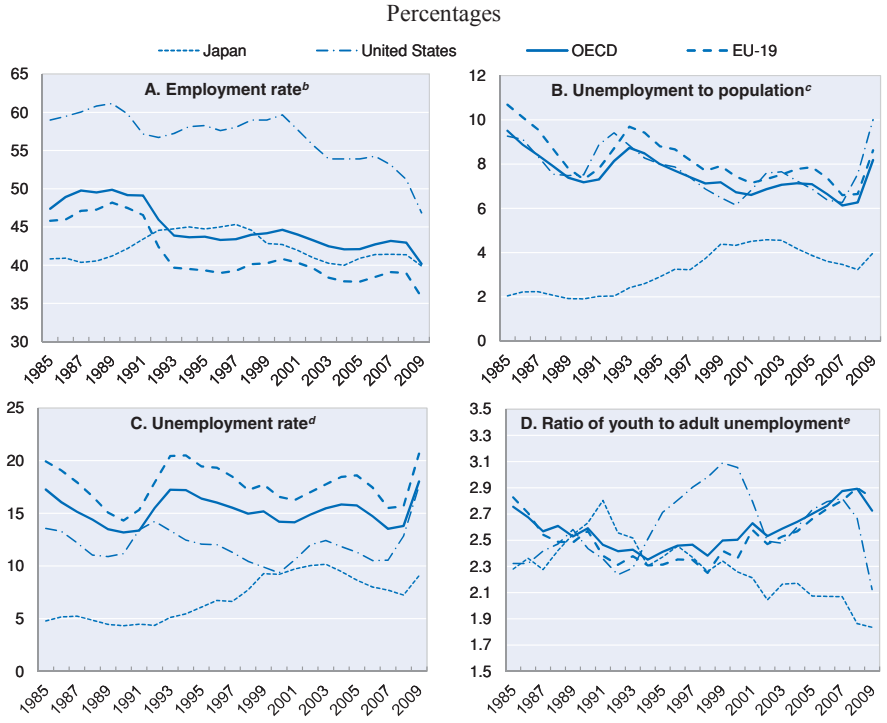
1. *Stylised trends in the OECD area over the past 25 years*

The 2008-09 recession[1] has hit youth hard in the OECD area. The OECD youth (15-24) employment to population ratio – the so-called *employment rate* – declined by 3 percentage points between 2007 and 2009 to a low of 40% while the OECD youth *unemployment to population ratio* at 8% in 2009 rose by 2 percentage points during the same period (Panels A and B, Figure 1.1). The most commonly used indicator of youth labour market performance, the youth *unemployment rate* – the share of unemployment in the youth labour force – increased sharply by 4.5 percentage points during the same period to reach 18% in 2009 (Panel C, Figure 1.1). This latter indicator measures the unemployment risk of youth who have already left the school system, sometimes with a lack of qualifications, which can explain why they have greater difficulties in the labour market. Before the onset of the recent recession, the OECD youth unemployment rate was close to its 1990 level (13%), its lowest level over the past 25 years. Finally, the *ratio of youth to adult unemployment rates* in the OECD area, an indicator of young people's relative vulnerability compared with adults, remained close to its highest level of 3 reached in the mid-2000s. This shows that on average in the OECD area, even in good times, young people tend to be much more vulnerable to unemployment than adults (Panel D, Figure 1.1).

Youth labour market performance indicators vary significantly within the OECD area when, for example, their levels and trends are compared between Europe, Japan and the United States (Figure 1.1). The past 25 years are marked by several periods of slowdown, in particular in the early 1990s and in the early 2000s. Over this period, Japan had an employment rate fluctuating between 40% and 45% while in Europe and the OECD, employment rates had fallen over time since their peak in the late 1980s. The employment rate of young Europeans, however, was consistently below the employment rate of young Americans (respectively 46% and 59% in 1985 and 36% and 47% in 2009). The youth employment rates in Europe, and particularly in the United States, never returned to their pre-recession peaks, yielding "youth jobless recovery periods". This is partly due to the fact that youth tend to spend more time in full-time education which is not necessarily a bad thing as it contributes positively to future human capital. Also, the rise in youth unemployment varies across countries. The recessions of the early 1990s and the early 2000s affected youth unemployment rates everywhere. However, the 2009 youth unemployment rate was the highest ever reached over the past 25 years in the United States (18% compared with 14% in 1992), whereas the rate in Europe was very

close to the peak in the early 1990s. By contrast, the 2009 youth unemployment rate of 9% in Japan was still below the level of 10% in 2003 after the so-called lost decade of the 1990s, when the overall contraction of labour demand resulting from the prolonged recession made it more difficult for many young Japanese to gain a secure foothold in the labour market and move up the career ladder.

Figure 1.1. **Youth[a] labour market indicators, 1985-2009**



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

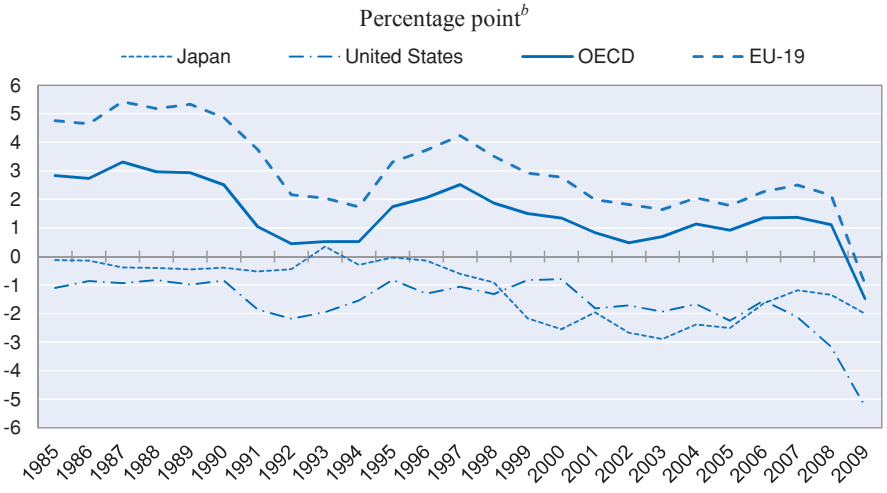
Source: National labour force surveys.

There were also large differences within the OECD area in the intensity and fluctuation of the relative youth/adult vulnerability to unemployment (Figure 1.1, Panel D). In 2009, the ratio was 1.8 in Japan, 2.1 in the United States and 2.8 in Europe. In Japan, this ratio has fallen since its peak of 2.8 in 1991, in contrast with Europe which has shown an upward trend since the early 1990s. The ratio varies more with the business cycle in the United States. The significant rise in the ratio that occurred in the United States relative to the European average between 1993 and 2001 is explained by the fact that adults in the United States recovered from the early 1990s slowdown at a much faster pace than adults in Europe (OECD, 2009g).

Figure 1.2 highlights the fact that the gender patterns to youth unemployment differ across the OECD area. Traditionally in the United States, the unemployment rate of young women is lower than the unemployment rate of young men and this phenomenon has been exacerbated in the current crisis when young men were harder hit by job losses

than young women. The same trend has become significant in Japan since the end of the 1990s. By contrast, in the OECD on average but more particularly in Europe, young women used to face a higher risk of unemployment than young men. However, this situation has reversed during the recent recession: the gender gap is now negative in Europe for the first time in 25 years.

Figure 1.2. **Difference in unemployment rates between young women and young men,[a] OECD, Europe, United States and Japan, 1985-2009**



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

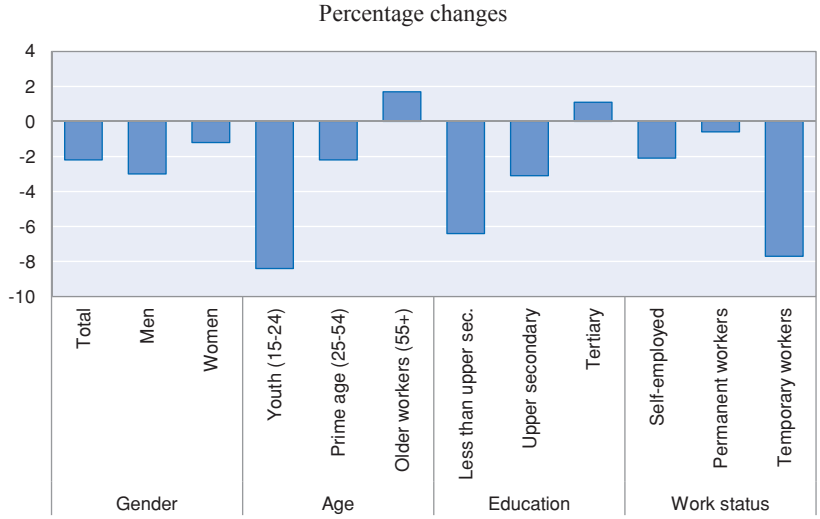
b) Unemployment rate of women – unemployment rate of men.

Source: National labour force surveys.

2. Youth have been hit particularly hard during the crisis

The last issue of the *Employment Outlook* noted that the recent recession has been unusual in that employment has fallen significantly more for men than for women, probably due to the sectoral profile of the recession (*i.e.* especially large employment losses in mining, manufacturing, and construction) (OECD, 2010d). Continued employment growth for older workers during the recession is also a break with the past. However, as in past recessions, job losses have been relatively larger for some workforce groups than for others. Youth and workers with *temporary employment contracts* – groups that overlap to a considerable extent – have been hit particularly hard by the 2008-09 recession (Figure 1.3). On average for the OECD area, employment for both of these groups fell by around 8%, nearly four times the decline in overall employment. In marked contrast to the situation for youth, employment for prime-age workers decreased by only 2% in the OECD area, while employment for older workers rose by nearly 2%. The difference in the risk of job loss between temporary and permanent workers was also very marked, while employment for the self-employed fell by about as much as overall employment. As in past recessions, employment fell most sharply for the least skilled workers (6.4%, nearly three times the overall rate). Employment losses were also above-average for medium-skilled workers.

Figure 1.3. **Youth employment has been hit particularly hard during the crisis, OECD countries,[a] 2008-09[b]**



a) Unweighted averages based on the following countries: Australia, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, Korea, the Netherlands, Portugal, Spain, Sweden, the United Kingdom and the United States for gender and age groups; Austria, Belgium, Denmark, Finland, France, Germany, Italy, the Netherlands, Spain, Sweden, the United Kingdom and the United States for education; and Belgium, Denmark, France, Germany, Greece, Ireland, Italy, the Netherlands, Portugal, Spain and the United Kingdom for work status. See Figure 1.3, OECD (2010d).

b) Data refer to the period 2008-Q4 to 2009-Q4.

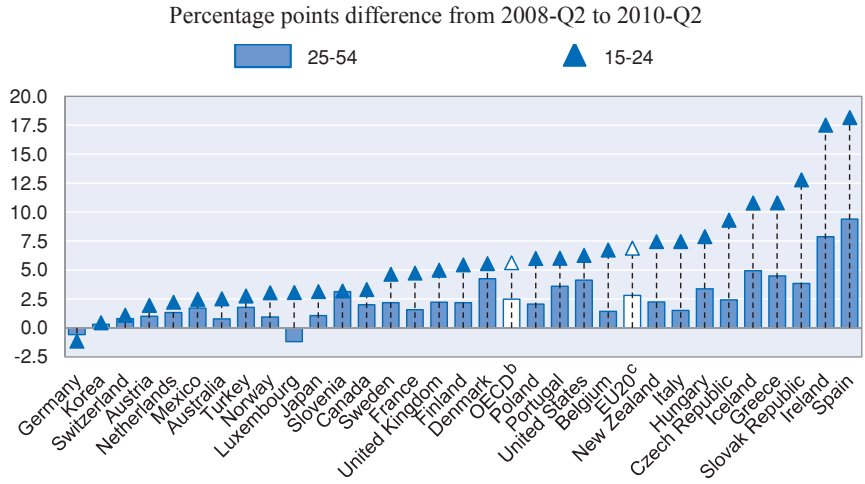
Source: OECD estimates based on the European Union Labour Force Survey (EU-LFS) and national sources.

The last issue of Education at a Glance indicated that during, the 2008-09 downturn, young people with a low level of education were hard hit (OECD, 2010f). The unemployment rate for those aged 15-29 who had not completed high school increased by 5 percentage points in the OECD on average. For young people aged 15-29 with tertiary degrees, by contrast the increase in unemployment rates during the same period was about 2 percentage points.

3. Recent quarterly youth unemployment trends country by country

Available statistics up to the second quarter of 2010 suggest a marked increase in youth unemployment since the second quarter of 2008. On average, the youth unemployment rate has increased by almost 6 percentage points over this period but this average hides significant differences across countries (Figure 1.4). Only Germany experienced a slight negative difference for youth and the highest increases were recorded in Spain (18 percentage points), followed by Ireland (17.5 percentage points), the Slovak Republic (13 percentage points), Greece and Iceland (11 percentage points). In most countries, the youth unemployment rate has increased more than the adult unemployment rate: the average increase is slightly more than double (respectively 6 and 2.5 percentage points) and more than triple in six countries (Australia, Norway, France, Belgium, New Zealand and Italy).

Figure 1.4. **The unemployment rate has increased more for youth than for adults**[a]

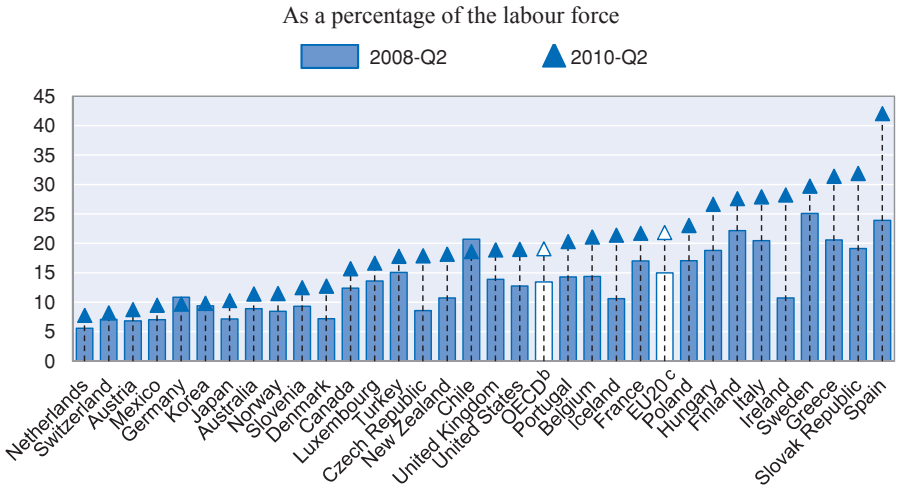


a) Non-seasonally adjusted data. Data for Switzerland refer to the second quarter 2009 and 2007.
b) Unweighted average of countries shown.
c) Unweighted average of the 20 OECD and EU member countries.

Source: National labour force surveys.

However, this increase combined with the fact that some countries had a high youth unemployment before the crisis led to youth unemployment rates exceeding 25% in eight countries (Spain, Slovak Republic, Greece, Sweden, Ireland, Italy, Finland, Hungary) (Figure 1.5). The highest rate is in Spain where 42% of youth who had entered the labour market were unemployed. By contrast, the youth unemployment rate is still at 10% or below in eight countries (Austria, Germany, Japan, Korea, Mexico, the Netherlands, Norway and Switzerland).[2]

Figure 1.5. **Youth unemployment rates have been increasing during the crisis in OECD countries**[a]

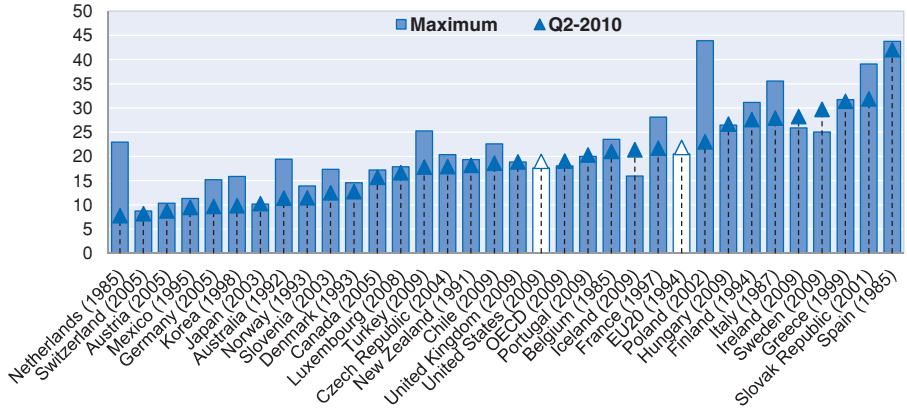


a) Non-seasonally adjusted data. Data for Switzerland refer to the second quarters 2007 and 2009.
b) Unweighted average of countries shown.
c) Unweighted average of the 20 OECD and EU member countries.

Source: National labour force surveys.

Consequently, the youth unemployment rates reached mid-2010 are close to or higher than the maximum level ever experienced in the past 25 years (Figure 1.6). On average for the OECD and EU countries, the current youth unemployment rate (respectively at 19% and 22%) is at its maximum. This is the case for seven countries (Japan, United States, Portugal, Iceland, Hungary, Ireland and Sweden). For the other countries, the current rate is close to (less than 3 percentage points) the maximum, except for nine countries (Netherlands, Korea, Germany, Australia, Turkey, France, Poland, Italy and the Slovak Republic).

Figure 1.6. **The current youth unemployment rate is often close to or higher than the maximum level ever experienced**[a]



a) The maximum level refers to the period since 1985 up to 2009. In brackets the year in which the maximum was reached.

Source: National labour force surveys.

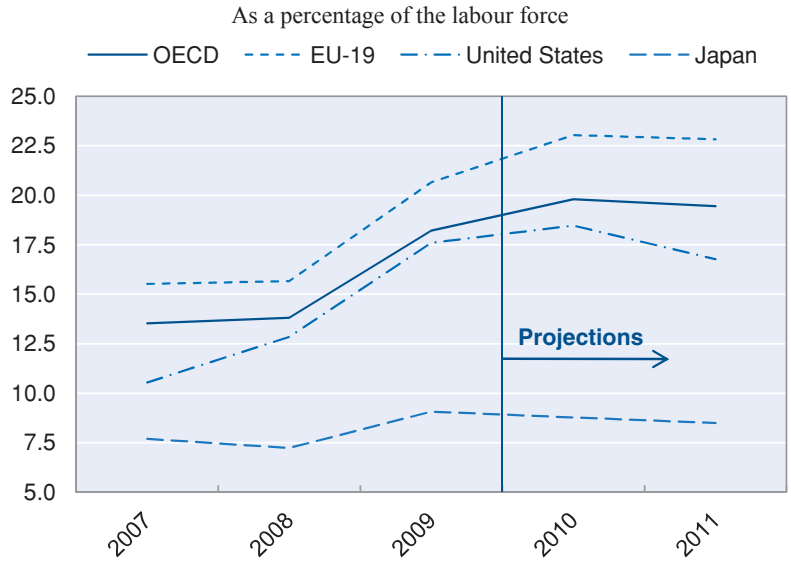
4. Short-term prospects for youth unemployment

In 2011, OECD youth unemployment rates should be much higher than their pre-crisis levels. Figure 1.7 shows estimates of the likely evolution of youth unemployment rates in 2010 and 2011. These estimates are based on the latest OECD annual economic projections in Spring 2010 (OECD, 2010c), and on the assumption that the youth to overall unemployment rate remains constant at its 2009 level on throughout the projection period.

Starting from the low level of 13% in late 2007, the OECD unemployment rate rose to a post-war high of 19% in 2010, corresponding to more than 4 million additional unemployed young persons. The most recent OECD projections indicate that youth unemployment may well peak in 2010 but could decline only slowly and still close to 20% at the end of 2011. Should these projections prove accurate, it would mean that the OECD average impact of the 2008-09 recession on youth unemployment would be comparable to the deepest earlier recession in the post-war period, namely, that following the first oil shock in 1973.

Some easing is expected in youth unemployment, particularly in the United States in 2011. Japan is expected to experience a rather stable youth unemployment rate around 9% in 2010 and 2011. However, the unemployment rate in 2011 for Europe and the United States is projected to be higher than its pre-crisis level (of respectively 7.3 and 6.3 percentage points).

Figure 1.7. **Persistence of high youth unemployment rates in 2011**[a]

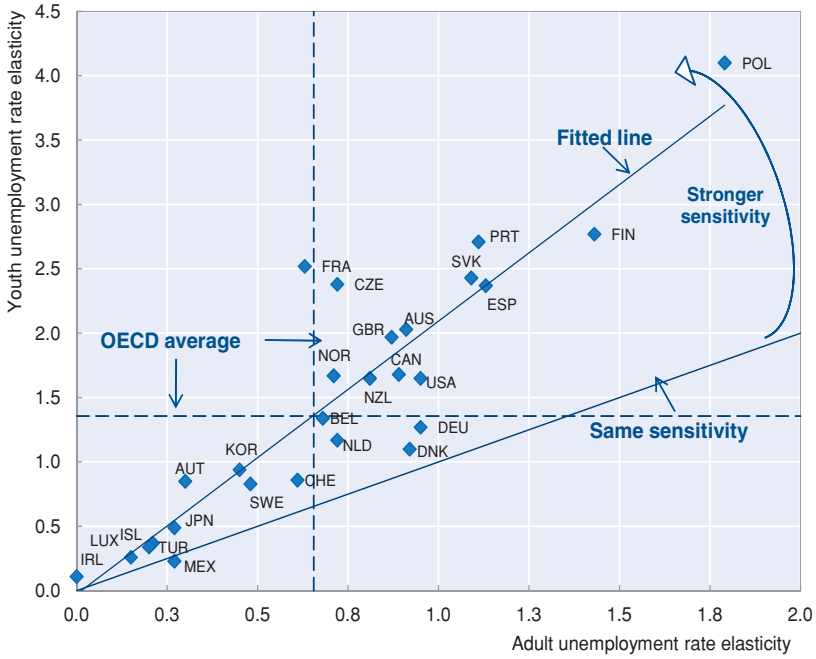


a) Projections of youth unemployment rates for the 2010 and 2011 are based on the latest OECD projections of the total unemployment rate assuming that the ratio of youth to total unemployment rate remains constant at its 2009 level.

Source: National labour force surveys and OECD (2010c), *OECD Economic Outlook*, No. 87.

Figure 1.8. **In OECD countries, youth unemployment is more responsive to the cycle than adult unemployment**[a]

Percentage point change in the response to a 1% point deviation from the growth rate of potential GDP, 1996-2007



a) The "same sensitivity" line represents the locus of points where the youth unemployment rate elasticity to the business cycle is the same as that of the adult unemployment rate. Countries above (below) this line have a higher (lower) sensitivity to the youth unemployment rate than to that of adults.

Source: Estimations based on national labour force surveys and *OECD National Accounts database*.

B. Key factors at stake

1. A number of factors make youth particularly exposed in a major downturn

Across the OECD area, youth unemployment is more responsive to the business cycle than adult unemployment, particularly in some of the continental European countries and the transition economies of eastern Europe (Figure 1.8). A number of factors contribute to explaining the higher business-cycle sensitivity for youth in the labour market, but the dominant interrelated factors are their disproportionate presence among those holding temporary jobs and their high concentration in certain cyclically-sensitive industries such as construction (OECD, 2009d). These factors are analysed in more depth in Chapter 5.

Other analysis focuses on the lags in response to the business cycle. For example, in Belgium an analysis based on administrative data shows that in the past, youth and adult unemployment responded quite similarly to the business cycle, but that the reaction of youth unemployment was much more rapid in a downturn (CSE, 2009). The analysis also finds that young people were the first to benefit from a recovery.

2. There is a risk of "scarring" effects for the most disadvantaged youth

The idea that early labour market experiences can have a long-term effect on labour market performance both in terms of labour force participation and earnings is widespread. However, there is surprisingly little analysis to prove this point and most of it focuses on tertiary male graduates. Several studies in Canada, Japan and the United States have found that entering the labour market in an economic downturn reduces the wages of tertiary male graduates (Box 1.1). However, a number of questions remain open, including whether these effects are *permanent* or *transitory* and whether these findings are applicable to lower-skilled youth, female graduates and other European countries. Scarpetta, Quintini and Manfredi (2010) fill this gap by studying the long-term effects of entering the labour market in France, Germany, Italy, Spain, the United Kingdom and the United States. Table 1.1 shows the effect of the unemployment rate at labour market entry on annual earnings in these six countries.[3]

Annual earnings reflect both the hourly wage earned by a worker and the time spent in employment over the year. The initial negative effect on earnings of the unemployment rate in the year of leaving education is largest in the United Kingdom where a 1 percentage point increase in the unemployment rate at entry reduces earnings by almost 8%. This effect declines over time to just 2% ten years after entry and disappears thereafter. In the United States, the contemporaneous decline in earnings is just 2-3% and it dissipates within ten years of labour market entry. In France and Spain, not only is there a negative contemporaneous effect of 2-3% on earnings but this effect persists up to 15 years after labour market entry. Finally, in Germany, no contemporaneous effect is identifiable but a sizeable negative effect emerges as experience accumulates and is found to be quite persistent. There are no statistically significant effects for Italy.

Box 1.1. **Existing evidence on scarring effects**

For the United States, Kahn (2009) finds that a 1 percentage point rise in the unemployment rate at the time of tertiary graduation translates into a wage loss of 6% to 7% in the first year of employment. The wage loss declines with time but, 15 years on, those who graduate in times of high unemployment still earn 2.5% less than their more fortunate counterparts. Kahn (2009) also finds that the unemployment rate at time of graduation has a modest negative effect on occupational attainment – measured by a so-called "occupation prestige score" – and a small positive effect on tenure, suggesting that youth graduating in a recession find it more difficult to move to better jobs when economic conditions improves. Contrary to the persistent effects found for the United States, Canadian studies find only transitory setbacks. Oreopoulos *et al*. (2006) study the effects of recessions on male college graduates and find short-run negative earnings effects that are similar in magnitude to those found by Kahn (2009) but dissipate within ten years of leaving school. Neither in the United States nor in Canada have researchers identified significant employment effects, but this may be due to the fact that studies focus on men and that labour market withdrawal effects may concentrate on other demographic groups.

Women who leave school in a downturn appear to suffer smaller wage scars than their male counterparts but are more likely to withdraw from the labour market (Hershbein, 2009; and Kondo, 2007). The results are less clear-cut for less-educated youth. On the one hand, some researchers find evidence that less-educated youth are more affected than high-educated youth because of lower geographical mobility due to credit constraints (Wozniak, 2006). On the other hand, some authors argue that low-educated workers are more likely to withdraw from the labour force over the course of their work life than their more skilled counterparts – which makes them lose the benefit of entering the labour market in good times – hence their wages are less affected by labour market conditions at school leaving (Kondo, 2007). In support of this latter view, Genda *et al.* (2008) find persistent negative effects of the unemployment rate upon leaving education for less educated Japanese men, suggesting that institutional features of the labour market may interfere with the persistence of scarring effects. Indeed, institutional links between employers and schools are a dominant feature of school-to-work transitions in Japan where firms recruit most of their new hires directly among school-leavers. In years of economic slowdown, this recruitment is much reduced, causing many school-leavers to become unemployed. When growth resumes, employers return to hiring among freshly-graduated school-leavers, creating a lost generation of unemployed youth.

Finally, the negative effects of completing education at a time of high unemployment may be countered in the long term by the fact that some youth may decide to enrol in higher-level educational qualifications to avoid unfavourable labour market conditions. Evidence to support this positive effect of economic downturns on human capital accumulation can be found in several US studies (Betts and McFarland, 1995; and Black *et al*., 2005).

Differences by skill level vary across countries. Scarpetta, Quintini and Manfredi (2010) find that in the United States, a high unemployment rate at entry has a large and persistent negative effect for low-educated men, while only a very small effect for tertiary graduates. The opposite is found in the United Kingdom where high-educated youth are the most affected by the unemployment rate at labour market entry.

Table 1.1. **Effect of the unemployment rate at labour market entry on future earnings,[a] men, 1990s**

	Dependent variable: log earnings (OLS[b])					
	United States	United Kingdom	France	Germany	Italy	Spain
	Regression coefficients					
UR_{t0}	**-0.018**	**-0.077**	**-0.027**	0.007	-0.028	**-0.02**
	(0.000)**	(0.000)**	(0.000)**	-0.602	-0.55	(0.000)**
UR_{t0}*Exp_{it}	**0.001**	**0.005**	**-0.008**	**-0.232**	0.001	-0.029
	(0.000)**	(0.000)**	(0.000)**	(0.000)**	-0.397	-0.063
	Fitted effects for selected years of experience					
Years since leaving education						
1	**-0.017**	**-0.071**	**-0.034**	**-0.226**	-0.026	**-0.028**
	(0.000)**	(0.000)**	(0.000)**	(0.000)**	0.556	(0.063)*
5	**-0.011**	**-0.05**	**-0.065**	**-0.202**	-0.021	**-0.024**
	(0.000)**	(0.000)**	(0.000)**	(0.000)**	0.584	(0.062)*
10	**-0.005**	**-0.023**	**-0.103**	**-0.172**	-0.015	**-0.019**
	(0.000)**	(0.000)**	(0.000)**	(0.000)**	0.635	(0.062)*
15	0.002	0.004	**-0.141**	**-0.141**	-0.009	**-0.014**
	0.38	0.232	(0.000)**	(0.000)**	0.72	(0.065)*
Observations	519142	57538	147228	6414	10172	10664
R-squared	0.274	0.31	0.556	0.562	0.212	0.284

P-values in parenthesis if significant at 1% (**) or 5% (*).

a) Monthly earnings for France and annual earnings for all other countries.

b) OLS results also include controls for immigration status (ethnicity and race in the United States), region, a quadratic in potential experience and contemporaneous unemployment rates. Controls for marital status, disability status and industry are also included for Germany, Italy and Spain.

Source: Current Population Survey, October Supplement for the United States (1979-2007), labour force survey for the United Kingdom (1993-2002), *Enquête Emploi* for France (1991-2002) and European Community Household Panel survey for Germany, Italy and Spain (1994-2001).

Notes

1. Even though it is somewhat imprecise, this report will use "2008-09 recession" as a convenient, short-hand designation for the economic downturn associated with the global financial crisis that became acute following the bankruptcy of Lehman Brothers investment bank in September 2008. The turmoil in financial markets led to steep global declines in production and trade in the final months of 2008 and early 2009, but the rate of decline eased rapidly thereafter and an economic recovery began in most OECD countries during the second half of 2009. Although most OECD countries experienced a recession during 2008-09, the downturn in a few countries may not be considered to have been deep or long enough to qualify as a recession, whereas the recession had already begun in late 2007 or continued into 2010 for other countries.

2. However, in Mexico and in other lower-income OECD countries, youth joblessness is better captured by the proportion of youth neither in employment, nor in education or training (NEET) which is 22% in Mexico, double the OECD average of 11%.

3. To isolate the long-term effect of a recession on the earnings performance of new entrants, the following equation is estimated: $\log E_{it} = \alpha + \beta X_{it} + \pi UR_{it} + \lambda 1\ UR_{t0} + \lambda 2\ UR_{t0}\ Exp_{it} + \delta 1\ Exp_{it} + \delta 2 Exp2_{it} + u_{it}$. The dependent variable is log annual earnings, X is a vector of individual characteristics, UR_{it} is the contemporaneous unemployment rate, Exp in the number of years since leaving education (*i.e.* potential experience) and Exp2 is its square. The relevant explanatory variables are UR_{t0} – the unemployment rate at the time of leaving education – and UR_{t0} Exp ¬ the interaction of the unemployment rate upon leaving education and potential experience. As a result, λ1 provides the initial effect of the unemployment rate upon leaving education on labour market outcomes while λ2 shows how the effect changes over time.

CHAPTER 2

The youth employment challenge

Young people are a vital asset in all OECD countries. But there are significant cross-country differences in terms of the labour market situation of the youth population. There is also considerable heterogeneity among young people, which needs to be factored into any strategy to improve their employment prospects. Some countries have done much better than others in reducing the impact of the crisis on youth joblessness and appear much better placed for the recovery. Conditions in some of these countries when the crisis started were relatively favourable, while others have adopted effective policies to help youth weather the crisis.

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

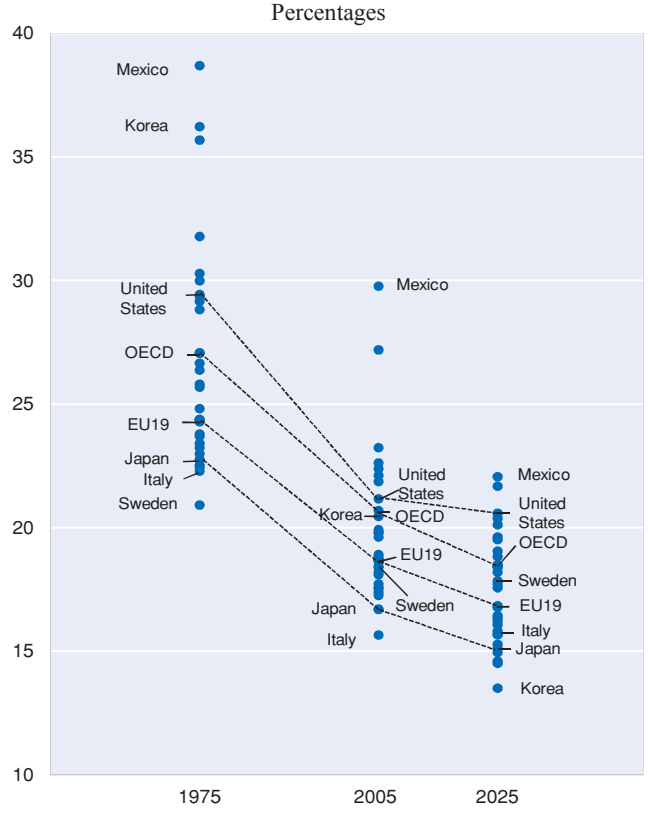
In all OECD countries, the labour force is ageing but this does not translate automatically into more and better employment opportunities for young people (OECD, 1996 and 2006a; Bank *et al*., 2008). The ageing factor does little to explain the significant cross-country differences in terms of the labour market situation of the youth population. Labour markets become more and more selective and barriers such as a lack of relevant skills entail a higher risk of unemployment.

A. The magnitude of the demographic challenge

1. In the past, smaller youth cohorts did not per se create more opportunities for youth

The OECD area is experiencing an ageing process with a declining share of youth in its working-age population. However, this ageing process is more pronounced and occurring at a faster pace in some countries than in others: while the youth share of the working-age population which stood at 27% in 1975 decreased on average to 21% in 2005, in Korea the share went from 36% in 1975 to 20% in 2005 (Figure 2.1).

Figure 2.1. **Declining share[a] of youth in the working-age population, OECD countries, 1975-2025**



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; 2005 for all other countries.

The relative scarcity of the labour force over the longer term should in theory favour stronger labour market outcomes for the smaller cohorts of young entrants to the labour force. However, the sharp declining share of youth in the OECD working-age population between 1975 and 2005 (6 percentage points) did not translate into better youth labour market outcomes across-the-board. In 2005, the youth unemployment issue was far from being resolved, with unemployment concerning on average one youth in six in the OECD labour force.

2. The sharp decline of youth in the working-age population is over

The decline in the number of young people in the working-age population is likely to be less steep over the next two decades (3 percentage points) than in the past. The share of youth in the working-age population is projected to be 18% in 2025. Nine countries are likely to have a much lower youth share than the OECD average in 2025: 13% in Korea, between 14% and 15% in the Czech Republic, Japan, Poland and the Slovak Republic and between 15% and 16% in Germany, Greece, Italy and Switzerland.

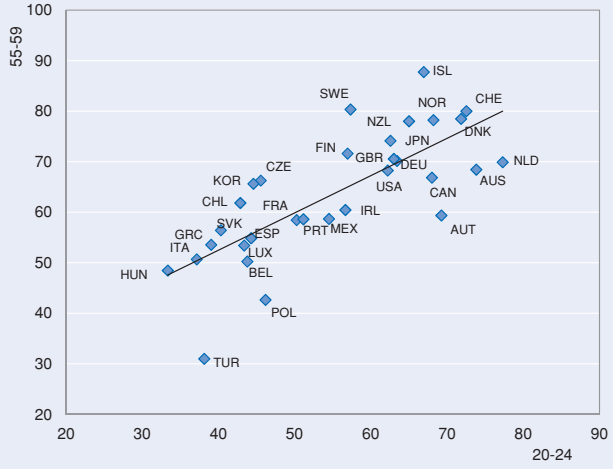
It is often claimed that more jobs for older workers means fewer jobs for youth (Box 2.1). This is based on a myth concerning the way the labour market functions, the so-called the "lump-of labour" fallacy: there are a fixed number of jobs to go around and one worker can easily be substituted for another. OECD (2006a) already stressed that neither of these "statements" is true; younger workers cannot necessarily be easily substituted for older workers and the costs of subsidising early retirement can result in reduced employment opportunities for younger workers because of higher labour taxes to finance these costs. Recent work analyses in detail the relationship between social security programmes and retirement on the one hand and youth employment (Gruber and Wise, 2010) on the other.

Box 2.1. **Jobs for younger and older workers**

One concern often voiced in the debate about encouraging people to work longer and defer their retirement is that this will deprive youth of jobs. Economists call this the "lump-of-labour fallacy".

Figure A. **Employment rates: younger and older workers**

Percentage of 55-59-year-olds and 20-24-year-olds in employment, 2009



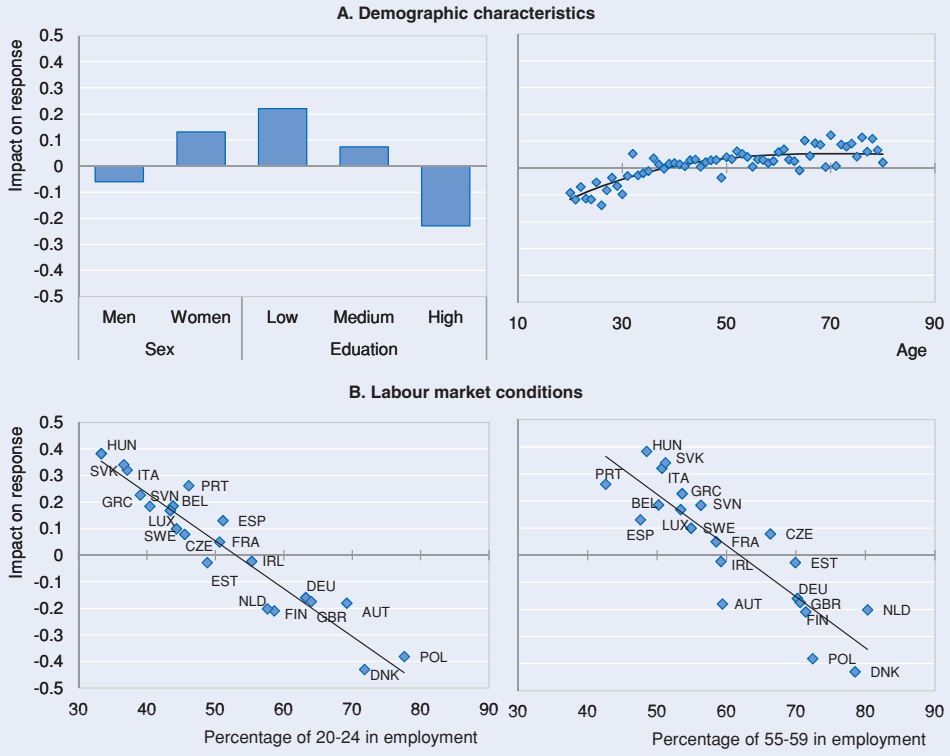
Note: Regression line shown (heteroskedasticity-adjusted standard errors in parentheses) is employment rate of 55-59-year-olds = 23.33 (6.918) + 0.7163 (0.1230) x employment rate of 20-24 years. The R^2 of the regression is 0.5203.

Source: National labour force surveys.

Box 2.1. **Jobs for younger and older workers** *(con'd)*

The idea that public policy can re-shuffle a fixed number of jobs between workers of different ages is simply not true. This is clearly demonstrated in Figure A which compares employment rates of older (aged 55-59) and younger people (aged 20-24). The relationship between the two is positive and highly significant in statistical terms. The lump-of labour hypothesis is indeed a fallacy.

Figure B. **"As older people work until a later age, fewer jobs will be available for younger people": the impact of different factors on responses**



Note: Estimation based on an index with answers of "Strongly disagree" rated as -2, "Somewhat disagree" as -1, "Somewhat agree" as 1 and "Strongly agree" 2. In addition to the variables shown, the analysis controlled for region (metropolitan, other urban and rural) and economic activity (retired, other not working, employed, self-employed). The results shown are predicted values taking all these factors into account at once. All variables included in the econometric model were significant at the 1% level.

Source: OECD analysis of Eurobarometer survey (fieldwork in March 2009 published in April 2009) of 27 113 people in the European Union, of which 21 133 are in OECD member countries; national labour force surveys for employment rates.

However, public perceptions of the trade-off between employment of younger and older workers are significant, especially when these influence the minds of policy makers. Figure B explores views on the hypothesis: "As older people work until a later age, fewer jobs will be available for younger people". It is based on Eurobarometer data, and so only covers member states of the EU that are also in the OECD. Overall, 56% of people agree with this sentiment; 26% of them strongly so. The strongest support comes from southern and eastern Europe – Hungary, Italy, Portugal and Slovenia, for example – with nearly 80% of Greeks agreeing, almost 60% of them strongly so. Nevertheless, there are exceptions to this regional pattern, with Poland and Spain recording lower-than-average support. Danes are by far the least likely to agree that older workers deny younger workers jobs, with about 25% support, of which only 11% is strong agreement. There is also a majority against the lump-of-labour hypothesis in Ireland, the Netherlands and the United Kingdom, but it is a smaller one than in Denmark.

Box 2.1. **Jobs for younger and older workers** *(con'd)*

The detailed results in Figure B are instructive. Women are significantly more likely than men to believe that older workers deny younger people jobs. Older people and those with a shorter time in education are also more likely to agree that as people work longer there will be fewer jobs for youngsters.

However, the most powerful effect on people's perceptions derives from the state of different countries' labour markets, as demonstrated in the lower two charts in Figure B. Citizens of Hungary, Italy and the Slovak Republic are more likely to agree with the lump-of-labour hypothesis, yet these are countries in which the employment rate for both young and older people are low. In contrast, Danes and Finns, for example, are less likely to believe that older workers deny younger workers jobs. And they have a high employment rate for both 20-24-year-olds and 55-59-year-olds. The forthcoming *Pensions at a Glance* will revisit this issue (OECD, 2011).

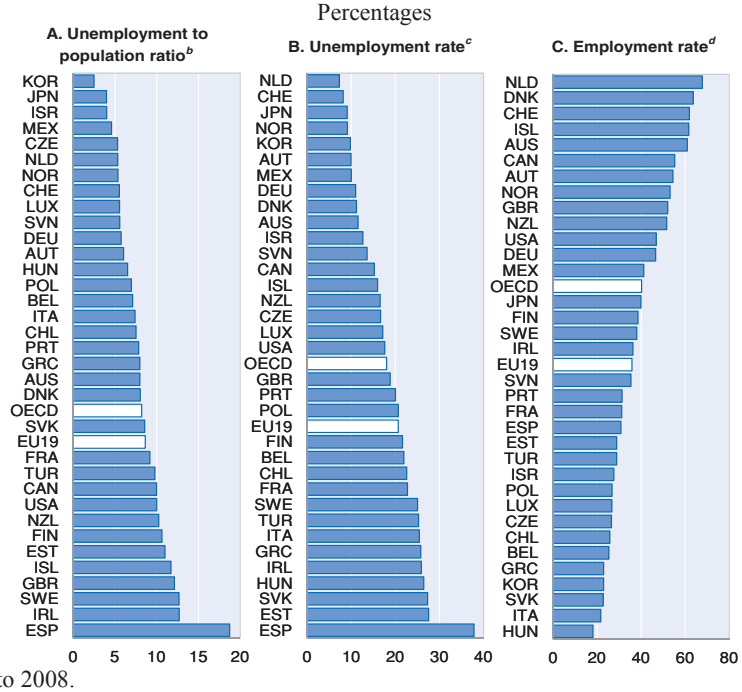
B. Diversity of youth labour market outcomes across individual countries

1. Employment and unemployment

As far as youth employment and unemployment are concerned, there are significant differences across individual OECD countries. In 2009, the youth unemployment to population ratio ranged from a low of 2.5% in Korea to a high of 19% in Spain. The youth unemployment rate ranged from 7% in the Netherlands to 38% in Spain, while the employment rate was the highest in the Netherlands (68%) and the lowest in Hungary (18%) (Figure 2.2).[1]

Figure 2.2. **Youth unemployment and employment indicators differ across countries, 2009**[a]

Percentages



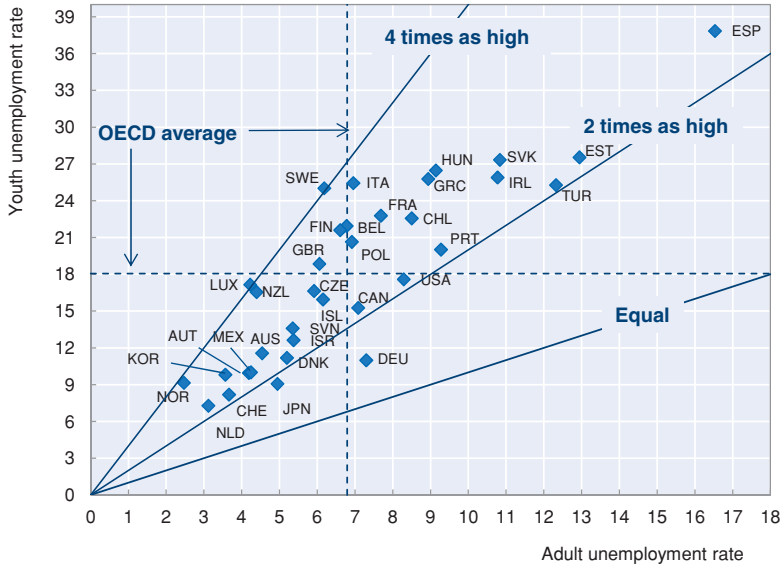
a) Data for Israel refer to 2008.
b) Unemployed as a percentage of the population.
c) Unemployed as a percentage of the labour force.
d) Employed as a percentage of the population.

Source: National labour force surveys.

Furthermore, while the ratio of youth to adult unemployment rates was 2.7 on average in the OECD area in 2009, there are large differences across countries (Figure 2.3). All countries are located above the line where youth face the same risk as adults. Germany has the lowest ratio (1.5), largely because of a rather successful apprenticeship system that ensures a relatively smooth transition from school-to-work for most youth (OECD, 2010e).The ratio stood at between 2 and 4 in most OECD countries, above 3 and below 4 in six countries (Belgium, Finland, Italy, New Zealand, Norway and United Kingdom) and around 4 in Luxembourg and Sweden.

Figure 2.3. **Youth face a much higher risk of unemployment than adults,[a] 2009**

As a percentage of the labour force



a) All countries above the "Equal" line have a higher youth unemployment rate than that of adults.

Source: National labour force surveys.

2. An alternative indicator: NEET (neither in employment, nor in education or training)

But unemployment is only one possibility for young people who have left school. Many may not choose to enter the labour force, or engage in irregular employment or in domestic unpaid work, etc. The numbers of youth in these situations can be large and it is important to be able to measure them and compare them across countries. Hence, the OECD review has made much use of the NEET indicator.

The NEET category seeks to capture the "joblessness" of young people, many of whom are not captured by conventional measures of unemployment. The concept of being NEET was popularised in certain English-speaking and South-East Asian countries during the 1990s, when it came to refer, under different definitions, to a target category for public policy aimed at youth (Bowers, Sonnet and Bardone, 1999) (Box 2.2).

Box 2.2. **NEET: a target category for public policy aimed at young people**

Youth classified as NEET can differ greatly from one country to another, thus demanding policies adapted to the situation of each category. For example, in the United Kingdom and New Zealand, NEET teenagers are the main policy target, as they constitute the main group at risk among youth, and their rate is significantly higher than the average for other OECD countries. In the United Kingdom, the OECD (2008d) has essentially identified a problem of qualifications, as low-skilled youth are at double the risk of being NEET as their peers who have a higher level of educational attainment. This situation underlies the labour government's decision to gradually lift the compulsory schooling age to 18 by 2015 instead of the current 16. In New Zealand, NEET youth are mainly of Maori/ Pacific Islander origin, and are more exposed to unemployment and to being out of the labour market, so the phenomenon has an ethnic dimension (OECD, 2008b).

In Japan and Korea, the NEET category tends to be related to a social phenomenon that affects not only the labour market but also the integration of young generations into society more generally. This was particularly the case following the economic crisis in the mid-1990s and the subsequent social changes, which in Japan upset the labour-market entry of the generation now in their 30s. The national definition of NEET thus differs from that used by the OECD. In Japan (where "youth" covers people aged up to 34), NEET is defined as "people aged 15-34 years old, not in the labour force, not attending school and not housekeeping" (OECD, 2008f). In Korea, NEET refers to people in the 15-34 age group considered to be "discouraged", that is, they have left school, are not preparing to enter a company, do not have a job, do not have family responsibilities (or children) and are not married (OECD, 2007e).

A youth is considered as NEET if he or she has left the school system and is not employed (nor in continuing education).[2] The immediate value of the NEET concept is as an alternative indicator to the youth unemployment rate. It responds to two aspects of the youth unemployment rate that are often criticised. The number of NEETs is calculated as a proportion of the entire age category, and not only of the labour force, which eliminates the bias related to youth still in school. It can also be used to determine all those without jobs, and not simply those who have been identified as unemployed under the ILO definition. The battery of indicators of labour market performance increasingly includes indicators for those outside the labour market in order to better target populations "to be mobilised", in addition to the unemployed.

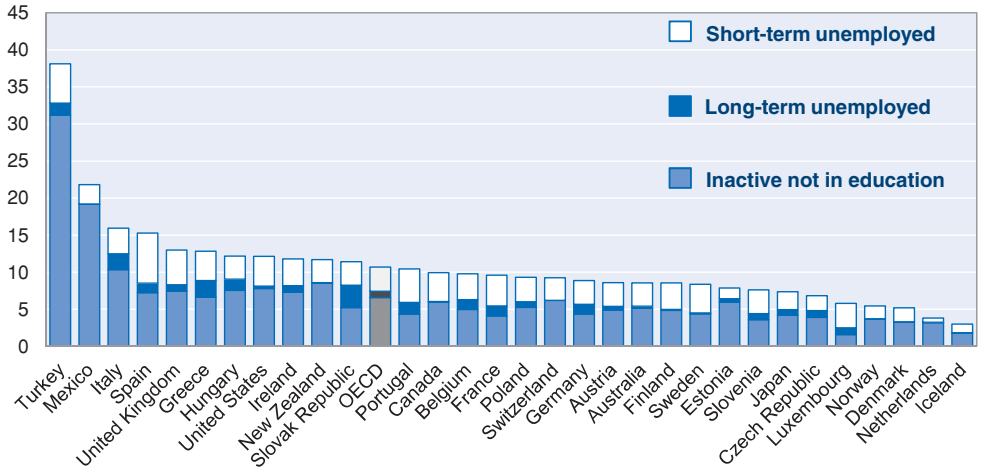
In 2008, the latest year for which data for this indicator are available in the *OECD Education database*, 12% of youth were NEET in the OECD on average (Figure 2.4). Iceland, the Netherlands, Denmark and Norway had the lowest NEET rates in 2008 (4-6%), while the share of youth in NEET was the highest in Turkey and Mexico at 42% and 22%, respectively. Among NEET youth, two in three were already clearly outside the labour market, either because they had been unemployed for more than a year or were inactive and were not seeking employment.

Recent quarterly data up to the second quarter of 2010 suggest that during the last two years, the NEET proportion among the population aged 15-24 increased of at least 1 percentage point in 18 among the 26 OECD countries for which data are available (Figure 2.5). On average, the increase was 2 percentage points, a little more than half due to the increase in short-term unemployment (less than one year). If long-term unemployment was also on the rise among youth, the increase of inactivity among school-leavers remained

marginal. The situation is, however, very different across OECD countries. The increase of the NEET rate was over 5 percentage points in Estonia, Ireland, Iceland and Spain. While Estonia and Iceland experienced a dramatic increase in short-term unemployment, the situation is more worrisome in Ireland and in Spain marked by a significant hike in long-term unemployment and even in inactivity among non-students in Ireland.

Figure 2.4. **NEET youth at risk of losing contact with the labour market, OECD countries, 2008**[a]

As a percentage of the 15-24 age group

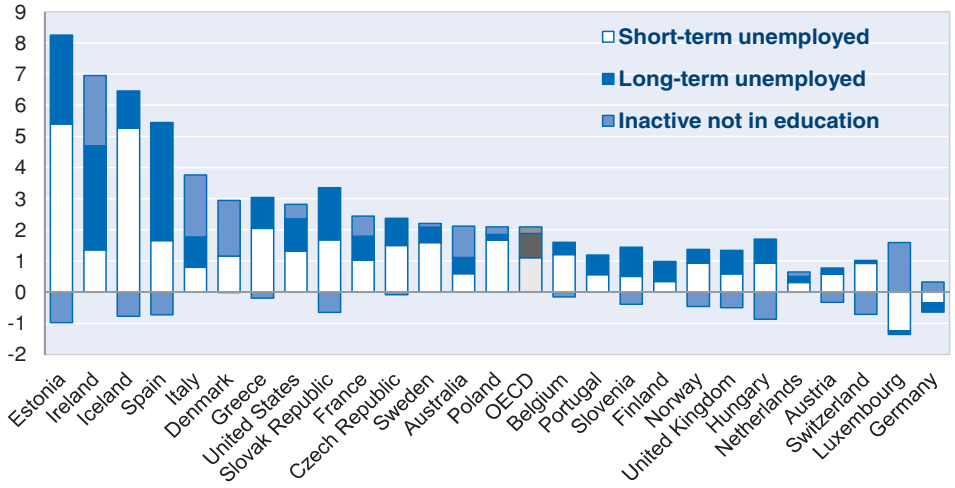


a) Data for Mexico refer to 2004. There are no data for Korea.

Source: *OECD Education database*.

Figure 2.5. **The number of NEET aged 15-24 increased during the crisis**

Difference in percentage points between 2008-Q2 and 2010-Q2[a]



a) Data for Switzerland refer to Q2-2009 instead of Q2-2010. Data for Canada, Japan, Korea, Israel , Mexico, New Zealand and Turkey are missing.

Source: European Union Labour Force Survey (EU-LFS) for European countries, National labour force surveys for all the others.

3. Beyond averages: the role of gender, age, ethnicity and education

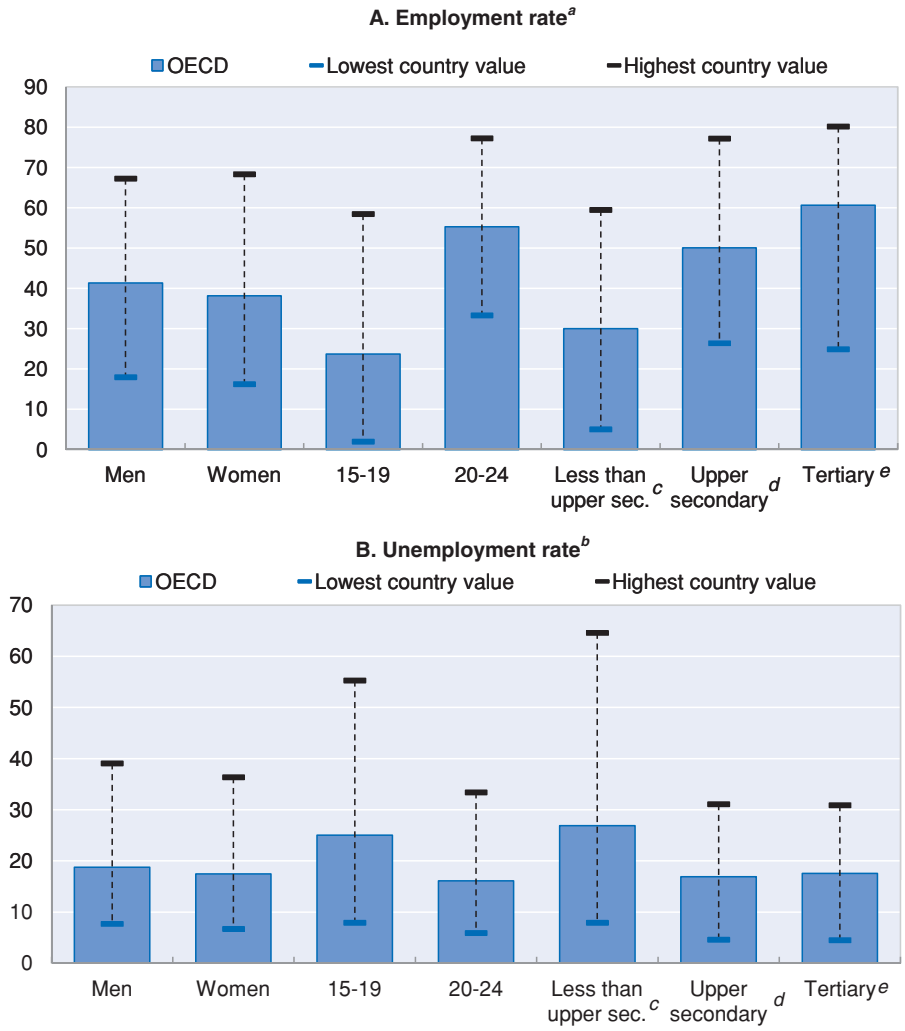
The average labour market performance hides considerable variation across individuals with different socio-demographic characteristics. On average for the OECD area in 2009, young men had a slightly higher employment rate than young women (respectively 41% and 38%) while the gap between teenagers and youth in their early twenties is more than double (respectively 24% and 55%) (Figure 2.6, Panel A). The fact of still being in education explains a large part of the employment discrepancy between teenagers and young adults. However, what is crucial is the level of educational attainment: youth with a tertiary degree have an employment rate of 61%, twice the employment rate of youth without an upper secondary education (30%). In 2009, the Netherlands had the highest youth employment rates across all socio-demographics while several countries have low youth employment rates in specific population categories: Hungary for women, teenagers, young adults, and youth lacking any qualification; Korea for men; Greece for youth with an upper secondary qualification; and Italy for youth with a tertiary qualification.

The youth unemployment rate differs also a lot across socio-demographic characteristics (Figure 2.6, Panel B). On average for the OECD area in 2009, young men had a slightly higher unemployment rate than young women (respectively 19% and 17%), while teenagers already out of school and in the labour force were much more vulnerable to unemployment than young adults (respectively 25% and 16%). As the labour market becomes more and more selective, a lack of qualifications brings a higher risk of unemployment: having no qualification is associated with an unemployment rate of 27% while having at least an upper secondary qualification leads to a lower risk of unemployment (around 17-18% of the labour force aged 15-24). Spain recorded in 2009 the highest youth unemployment rates across all socio-demographics except for youth with an upper secondary qualification and youth with a tertiary qualification where the highest rates were recorded in the Slovak Republic and Greece, respectively. The Netherlands had the lowest unemployment rates, except for teenagers and youth with no qualification, where Switzerland had the lowest rates.

Youth labour market performance differs also across *ethnicity*, even if it is difficult to present comparative data for most OECD countries (Box 2.3). One observes a clear difference between some non-European OECD countries on the one hand and some European OECD countries on the other hand. In the former, the children of migrants have labour market outcomes that tend to be at least on a par with those of the children of natives. In the European OECD countries (except in Switzerland), labour market outcomes of the children of immigrants tend to be much less favourable. One of the differences in labour market performance observed in most European countries is due to the fact that the children of immigrants tend to have a lower average level of education than the children of natives. Liebig and Widmaier (2009) stress, however, that significant gaps remain in many countries, even after corrections are made to take differences in average educational attainment into consideration.

Figure 2.6. **Socio-demographic disparities in youth employment and unemployment rates, OECD countries, 2009**

As a percentage of the population in each status



a) Employed as a percentage of population.
b) Unemployed as a percentage of the labour force.
c) Less than ISCED 3 or International Standard Classification of Education referring to upper secondary education.
d) ISCED 3.
e) More than ISCED 3.

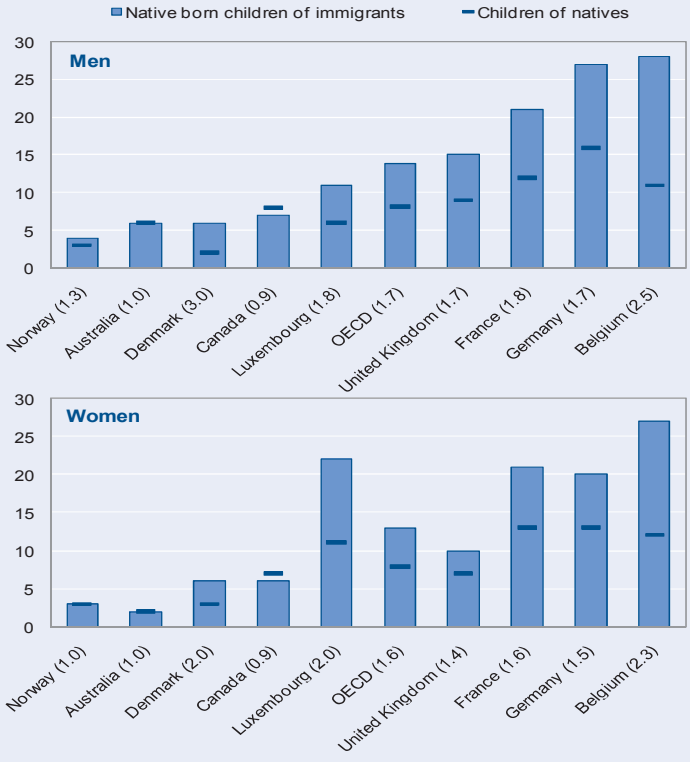
Source: National labour force surveys.

Box 2.3. **Children of immigrants have higher unemployment rates than the children of natives in Europe**

The OECD Secretariat has collected comparative data in some ten OECD countries on the situation of the native-born children of immigrants having left education (Liebig and Widmaier, 2009). On average over the OECD countries for which comparative data are available, the children of immigrants have an unemployment rate that is 1.7 (1.6) times higher than that of the children of natives for men (women) (see figure below). According to the same study, the children of immigrants also have lower employment rates.

Unemployment rates[a] of youth aged 20-29 having left education, by immigrant status[b] and gender, around 2007 in a selection of OECD countries[c]

As a percentage of the labour force in each category



Countries are ranked in ascending order of the unemployment rate of native-born sons of immigrants.

a) The ratio of the unemployment rate of native-born children of immigrants to the unemployment rate of children of natives is given in parenthesis.

b) Children of natives are defined as children born in the country with at least one native-born parent. Native-born children of immigrants refer to children with two foreign-born parents.

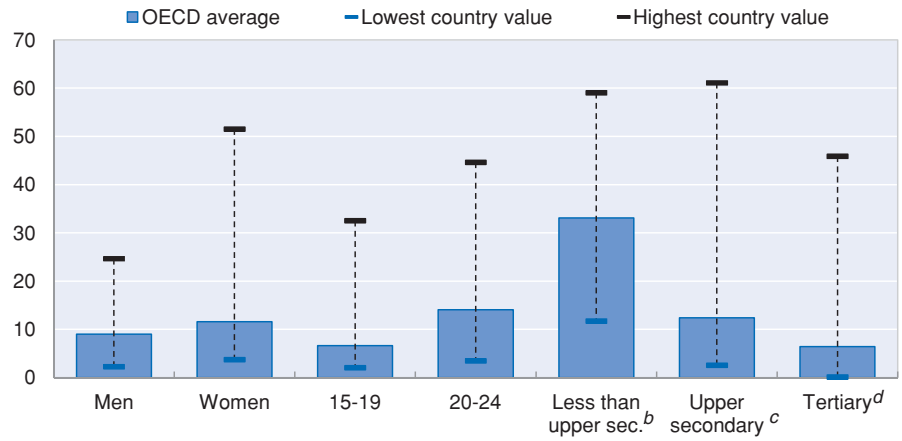
c) Unweighted average of countries shown.

Source: Liebig and Widmaier (2009).

On average in the OECD, the NEET rate among 15-24-year-olds in 2008 also differs a lot across socio-demographic characteristics (Figure 2.7). Young women have a higher NEET rate than young men (respectively 12% and 9%), while the NEET rate for teenagers is half the rate for young adults, partly because education is compulsory at least until the age of 16 in OECD countries (respectively 7% and 14%). A lack of qualification brings a much higher risk of being NEET (33%). In 2008, Turkey recorded the highest youth NEET rates across all socio-demographics. Iceland had the lowest NEET rates in 2008, except for youth without an upper secondary qualification where rates were lower in Denmark, Luxembourg and the Netherlands.

Figure 2.7. **Socio-demographic disparities in youth NEET rates, OECD countries,[a] 2008**

As a percentage of the population in each group



a) Data are missing for Mexico and Korea and by age for Japan/ Data are not significant for some socio-demographic categories (less than upper secondary in Japan; upper secondary in Iceland and tertiary in Iceland, Luxembourg and the Netherlands).
b) Less than ISCED 3 or International Standard Classification of Education referring to upper secondary education.
c) ISCED 3.
d) More than ISCED 3.

Source: *OECD Education database*.

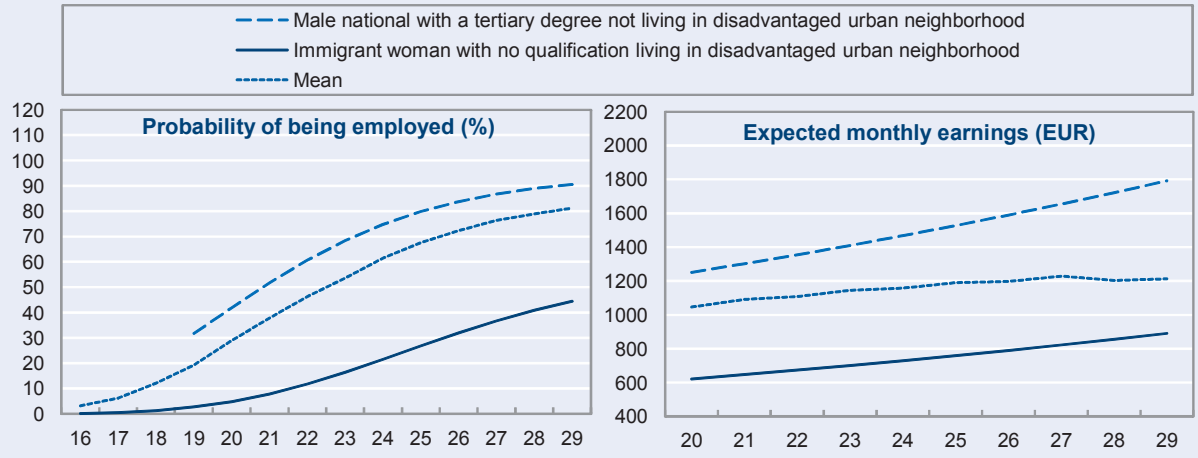
4. Disadvantages very often cumulate for youth leading to poor employment and wage outcomes

The socio-demographic disadvantages suffered by certain young people very often cumulate on the labour market. A micro-analysis applied to young individuals in France shows that the fact of being a foreign-born young woman without a diploma living in a disadvantaged urban neighbourhood negatively influences employment and wage outcomes (Box 2.4). Socio-demographic disadvantages differ significantly across OECD countries. For example in Canada, aboriginal youth living on reserves form the most marginalised group among youth (OECD, 2008c).

Box 2.4. **Disadvantages cumulate for youth on the labour market: the case of France**

The *Jobs for Youth* report on France (OECD, 2009e) stresses that the difficulties experienced by young people on the labour market are cumulative. The figure below shows the most and least favourable cases of labour-market entry. The estimated likelihood of having a job for a foreign-born young woman without a qualification living in a disadvantaged urban neighbourhood is about four times less than that of a young male French national, with a tertiary education diploma and not living in a disadvantaged urban neighbourhood. The average is relatively close to the most favourable situation, suggesting that the great majority of young people with jobs are from socio-economic categories that do not experience many barriers to labour-market entry. The differences are also very pronounced with respect to having a wage, as the likelihood in the best case is double that of the worst case. With respect to expected wages, the average represents more of an intermediate situation than in the case of having a job. This shows that, once hired, young people experience less inequality in terms of compensation. The main difficulty for French youth is to enter the labour market, but once they have a job, the existence of the minimum wage (the SMIC) guarantees relatively high average levels of compensation.

Probabilities of employment and expected wages[a] by age in the best and worst cases of labour-market entry, France, 2006



a) Probabilities estimated using a probit model for activity and an ordinary least squares regression for the logarithm of expected wages (monthly net in EUR).

Source: Estimates by the OECD Secretariat based on the *Enquête Emploi*, OECD (2009e).

C. Towards a scoreboard of youth labour markets

The impact of socio-demographic factors on labour market prospects for youth depends greatly on the very different institutional set-ups across OECD countries. These differences also explain why there is some divergence in those areas that are considered to be a priority for policy action in each country. For these reasons, each of the 16 OECD *Jobs for Youth* reports presents a scoreboard including ten indicators and their trend during the past decade to set the scene in each country compared with international averages. These ten comparative indicators cover not only the standard indicators on employment and unemployment, including long-term unemployment, but also indicators partly based on education performance such as the proportion of school drop-outs, the proportion of NEETs or youth's vulnerability to unemployment by qualification. In addition, the type of jobs held by young people is assessed, notably through the incidence of part-time and temporary jobs in youth employment.

A similar scoreboard is presented in Table 2.1 for each OECD country in 1999 and 2009. Such a scoreboard helps to give a comparative overview across countries over the past decade. Nevertheless, it offers only a *static* view of youth labour markets. Further analysis is addressed in the next chapter, in terms of *pathways* between school and work, to better understand which groups are the most at risk of poor labour market outcomes during the transition from school to work.

Table 2.1. **Scoreboard for youth aged 15-24,[a] 1999 and 2009**

	Australia		Austria		Belgium		Canada		Chile		Czech Republic	
	1999	2009	1999	2009	1999	2009	1999	2009	1999	2009	1999	2009
Employment rate (% of the age group)[b]	61.0	61.0	53.8	54.5	25.5	25.3	54.5	55.3	27.5	25.8	40.1	26.5
Unemployment rate (UR) (% of the labour force)[b]	13.3	11.6	5.1	10.0	22.6	21.9	14.1	15.3	21.8	22.6	17.0	16.6
Relative UR youth/adult (15-24)/(25-54)[b]	2.4	2.5	1.5	2.4	3.1	3.2	2.2	2.2	2.6	2.7	2.3	2.8
Unemployment to population ratio (% of the age group)[b]	9.4	8.0	2.9	6.0	7.4	7.1	8.9	10.0	7.6	7.5	8.2	5.3
Incidence of long-term unemployment (% of unemployment)[c]	16.3	9.2	14.7	12.7	36.9	26.0	4.1	2.6	-	-	24.4	20.7
Incidence of temporary work (% of employment)[d]	-	-	33.0	35.6	37.5	33.2	28.1	27.8	-	-	17.3	18.8
Incidence of part-time work (% of employment)[e]	42.0	43.4	7.0	14.6	18.0	20.3	44.2	47.0	5.1	16.3	2.0	6.8
NEET rate (% of the age group)[f]	12.5	8.6	9.0	8.6	13.9	9.8	11.9	9.9	-	-	13.4	6.8
School drop-outs (% of the age group)[g]	21.0	14.3	10.8	13.6	15.8	14.2	12.5	9.9	-	-	6.5	6.1
Relative UR low skills/high skills (ISCED<3/ISCED>3)[h]	3.7	3.4	2.6	3.7	3.7	2.5	2.7	2.8	-	-	2.5	4.3

Table 2.1. **Scoreboard for youth aged 15-24,[a] 1999 and 2009** (*con'd*)

	Denmark		Estonia		Finland		France		Germany		Greece		Hungary	
	1999	2009	1999	2009	1999	2009	1999	2009	1999	2009	1999	2009	1999	2009
Employment rate (% of the age group)[b]	66.0	63.6	28.2	28.9	41.8	38.5	20.7	30.1	47.1	46.6	26.8	22.9	34.1	18.1
Unemployment rate (UR) (% of the labour force)[b]	10.0	11.2	17.6	27.5	20.3	21.6	26.5	22.4	8.6	11.0	31.7	25.8	12.9	26.5
Relative UR youth/adult (15-24)/(25-54)[b]	2.3	2.2	1.8	2.1	2.4	3.3	2.5	2.9	1.1	1.5	3.2	2.9	2.1	2.9
Unemployment to population ratio (% of the age group)[b]	7.3	8.0	6.0	11.0	10.6	10.6	7.5	8.7	4.5	5.7	12.5	8.0	5.1	6.5
Incidence of long-term unemployment (% of unemployment)[c]	5.8	4.0	32.4	26.7	7.5	4.5	20.0	24.9	26.9	27.2	49.7	31.0	37.5	30.7
Incidence of temporary work (% of employment)[d]	29.7	23.6	7.9	8.3	47.5	39.0	54.4	51.2	53.1	57.2	28.8	28.4	11.1	21.4
Incidence of part-time work (% of employment)[e]	43.5	56.1	9.6	13.9	28.7	34.5	20.6	17.3	10.7	18.5	8.4	12.4	2.1	4.5
NEET rate (% of the age group)[f]	4.5	5.2	10.3	7.9	10.4	8.5	9.5	9.6	11.5	8.9	20.2	12.8	20.2	12.2
School drop-outs (% of the age group)[g]	9.8	15.8	8.9	10.9	9.4	9.3	28.9	13.3	14.4	12.7	26.2	16.9	19.0	12.6
Relative UR low skills/high skills (ISCED<3/ISCED>3)[h]	0.9	2.1	4.3	2.4	1.8	4.7	2.1	3.0	2.3	2.0	0.7	0.8	5.2	2.2

	Iceland		Ireland		Israel		Italy		Japan		Korea		Luxembourg	
	1999	2009	1999	2009	1999	2009	1999	2009	1999	2009	1999	2009	1999	2009
Employment rate (% of the age group)[b]	65.1	61.7	48.2	36.3	27.8	27.6	27.3	21.7	42.9	39.9	27.6	22.9	31.7	26.7
Unemployment rate (UR) (% of the labour force)[b]	4.4	16.0	9.8	25.9	16.9	12.6	31.1	25.4	9.3	9.1	14.0	9.8	6.8	17.2
Relative UR youth/adult (15-24)/(25-54)[b]	3.2	2.6	1.9	2.4	2.4	2.4	3.4	3.7	2.3	1.8	2.4	2.8	3.4	4.1
Unemployment to population ratio (% of the age group)[b]	3.0	11.7	5.2	12.7	5.7	4.0	12.3	7.4	4.4	4.0	4.5	2.5	2.3	5.5
Incidence of long-term unemployment (% of unemployment)[c]	1.2	3.2	36.8	25.2	9.9	17.7	58.6	40.1	13.0	21.6	2.0	0.2	18.3	12.1
Incidence of temporary work (% of employment)[d]	23.8	26.9	11.9	25.0	-	-	26.2	44.4	22.8	25.5	40.2	47.5	17.4	39.4
Incidence of part-time work (% of employment)[e]	39.8	43.5	22.1	33.3	18.7	24.4	9.6	18.8	23.5	27.4	9.4	21.0	7.9	17.7
NEET rate (% of the age group)[f]	4.4	3.0	7.9	11.8	32.8	29.7	23.4	15.9	7.6	7.4	-	-	7.9	5.8
School drop-outs (% of the age group)[g]	31.8	26.1	17.1	10.8	9.2	7.3	30.9	21.4	4.0	4.5	-	-	25.9	16.4
Relative UR low skills/high skills (ISCED<3/ISCED>3)[h]	1.7	1.6	3.4	3.1	1.4	1.4	0.9	1.0	3.0	4.3	1.3	1.3	1.3	1.9

Table 2.1. **Scoreboard for youth aged 15-24,[a] 1999 and 2009** (*con'd*)

	Mexico		Netherlands		New Zealand		Norway		Poland		Portugal		Slovak Republic	
	1999	2009	1999	2009	1999	2009	1999	2009	1999	2009	1999	2009	1999	2009
Employment rate (% of the age group)[b]	50.3	41.2	65.4	67.8	54.1	51.6	57.8	53.2	24.3	26.8	42.1	31.3	31.0	22.8
Unemployment rate (UR) (% of the labour force)[b]	4.1	10.0	7.1	7.3	14.2	16.6	9.6	9.2	30.0	20.7	8.8	20.0	33.8	27.3
Relative UR youth/adult (15-24)/(25-54)[b]	1.9	2.4	2.5	2.3	2.5	3.8	4.0	3.7	2.8	3.0	2.2	2.2	2.6	2.5
Unemployment to population ratio (% of the age group)[b]	2.1	4.6	5.0	5.3	9.0	10.2	6.1	5.4	10.4	7.0	4.1	7.8	15.8	8.6
Incidence of long-term unemployment (% of unemployment)[c]	0.1	1.2	19.9	10.7	11.2	2.7	0.7	2.1	26.9	16.2	24.3	26.8	36.5	38.0
Incidence of temporary work (% of employment)[d]	26.6	26.4	33.3	46.5	-	-	30.2	32.4	35.5	62.0	39.5	53.5	7.1	12.5
Incidence of part-time work (% of employment)[e]	-	-	50.7	63.9	38.1	41.1	40.8	48.7	13.5	11.3	6.7	9.8	0.8	4.5
NEET rate (% of the age group)[f]	23.1	21.8	5.2	3.8	-	11.7	5.2	5.4	14.6	9.3	10.3	10.5	22.3	11.4
School drop-outs (% of the age group)[g]	68.1	46.0	16.8	15.3	-	19.4	-	20.6	9.6	5.3	50.3	39.9	6.3	6.7
Relative UR low skills/high skills (ISCED<3/ISCED>3)[h]	0.5	0.6	4.0	2.5	2.1	1.9	3.2	3.4	1.7	1.2	0.8	0.6	3.8	4.0

	Slovenia		Spain		Sweden		Switzerland		Turkey		United Kingdom		United States	
	1999	2009	1999	2009	1999	2009	1999	2009	1999	2009	1999	2009	1999	2009
Employment rate (% of the age group)[b]	30.6	35.3	34.4	30.8	43.8	38.0	64.8	61.9	39.7	28.9	60.8	52.1	59.0	46.9
Unemployment rate (UR) (% of the labour force)[b]	16.5	13.6	28.3	37.9	14.3	25.0	5.7	8.2	15.0	25.3	12.2	18.9	9.9	17.6
Relative UR youth/adult (15-24)/(25-54)[b]	3.1	2.5	2.0	2.3	2.3	4.0	2.1	2.2	2.6	2.1	2.5	3.1	3.1	2.1
Unemployment to population ratio (% of the age group)[b]	6.1	5.6	13.6	18.7	7.3	12.7	3.9	5.5	7.0	9.8	8.4	12.1	6.5	10.0
Incidence of long-term unemployment (% of unemployment)[c]	43.2	20.3	39.1	24.6	11.1	4.3	-	-	25.2	22.2	13.9	19.1	3.6	12.2
Incidence of temporary work (% of employment)[d]	54.3	66.6	70.1	55.9	50.1	53.4	45.9	52.0	26.5	15.0	12.6	11.9	-	-
Incidence of part-time work (% of employment)[e]	14.9	31.7	13.3	23.8	32.1	38.4	20.3	20.6	9.6	11.4	31.3	35.7	34.9	38.3
NEET rate (% of the age group)[f]	9.3	7.6	15.2	15.3	9.0	8.4	8.1	9.3	34.5	38.1	11.6	13.0	10.6	12.1
School drop-outs (% of the age group)[g]	4.4	3.9	32.4	35.6	8.0	7.9	9.0	8.9	61.6	46.6	18.6	12.1	13.9	9.5
Relative UR low skills/high skills (ISCED<3/ISCED>3)[h]	1.4	0.6	0.9	1.9	3.2	2.7	0.6	2.2	0.3	0.6	2.7	3.3	4.9	4.6

Table 2.1. **Scoreboard for youth aged 15-24,[a] 1999 and 2009** *(con'd)*

	EU-19[i]		OECD[j]		Total[k]	
	1999	2009	1999	2009	1999	2009
Employment rate (% of the age group)[b]	40.3	35.8	44.7	40.2	42.8	38.9
Unemployment rate (UR) (% of the labour force)[b]	17.7	20.7	15.0	18.0	15.4	18.2
Relative UR youth/adult (15-24)/(25-54)[b]	2.4	2.8	2.5	2.7	2.5	2.7
Unemployment to population ratio (% of the age group)[b]	7.9	8.6	7.2	8.2	7.1	8.0
Incidence of long-term unemployment (% of unemployment)[c]	26.8	21.0	20.2	16.4	21.0	16.9
Incidence of temporary work (% of employment)[d]	32.4	37.5	31.9	35.8	31.8	35.9
Incidence of part-time work (% of employment)[e]	17.3	23.3	21.8	27.1	20.6	26.4
NEET rate (% of the age group)[f]	12.6	9.9	12.8	10.9	13.2	11.3
School drop-outs (% of the age group)[g]	18.8	15.0	21.4	17.0	20.0	16.1
Relative UR low skills/high skills (ISCED<3/ISCED>3)[h]	2.3	2.5	2.3	2.5	2.3	2.4

ISCED 3: International Standard Classification of Education referring to upper secondary education; NEET: neither in education nor in employment or training; UR: unemployment rate.

a) Youth aged 16-24 for Iceland, Spain, Sweden, the United Kingdom and the United States; youth aged 15-24 for all other countries. Youth aged 20-24 for school drop-outs.

b) Data for Estonia and Slovenia refer to 2002 instead of 1999; for Israel to 1998 and 2008 instead of 1999 and 2009;

c) Data for Iceland refer to 1998 instead of 1999; for Estonia and Slovenia to 2002 instead of 1999; for Israel to 1997 and 2007 instead of 1999 and 2009.

d) Data for Korea refer to 2003 instead of 1999; for Estonia and Slovenia to 2002 instead of 1999; for Mexico to 2004 instead of 2009; for Poland to 2001 instead of 1999.

e) Data for Australia refer to 2001 instead of 1999; for Estonia and Slovenia to 2002 instead of 1999; for Israel to 1997 and 2007 instead of 1999 and 2009; for Japan to 2002 instead of 1999.

f) Not in employment nor in education or training, 1998 and 2008. Data for Austria refer to 2002 instead of 1998; for Finland to 2003 instead of 1998; for Estonia and Slovenia to 2003 instead of 1998; for Israel to 2002 instead of 1998; for Ireland and Luxembourg to 1999 instead of 1998; for Mexico to 2004 instead of 2008; for United Kingdom to 2000 instead of 1998.

g) Share of youth not in education and without an ISCED 3 educational attainment; 1998 and 2008. Data for Austria refer to 2002 instead of 1998; for Finland to 2003 instead of 1998; for Germany, Iceland and Ireland to 1999 instead of 1998; for Estonia and Slovenia to 2003 instead of 1998; for Israel to 2002 instead of 1998; for Japan to 2003 instead of 2008; for United Kingdom to 2000 instead of 1998.

h) 1998 and 2008. Data for Germany refer to 2001 instead of 1998; for Estonia, Slovenia and Israel to 2002 instead of 1998; for Iceland to 2001 instead of 1998; for Japan to 2001 instead of 2008; for Luxembourg and Netherlands to 1999 instead of 1998.

i) Unweighted averages for the 19 OECD and EU countries.

j) Unweighted averages for the 30 OECD member countries.

k) Unweighted averages of all the 34 countries shown.

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

Notes

1. By contrast to the unemployment to population ratio and the employment rate that refer to the whole age group, the unemployment rate measures the risk of unemployment of a particular sub-group, those young people who are *already* in the labour force. This sub-group tends to be small in countries where most young people are still full-time students in their early twenties.

2. The main difficulty posed by the way the NEET category is defined is that it can be understood only by what it is not: young people are NEET because they are neither in employment nor training nor in school. By definition, the category is a catch-all residual. The source used is the *OECD Education database*.

CHAPTER 3

Pathways and hurdles for some youth in the school-to-work transition

The school-to-work transition is more difficult in countries where the dominant transition model is "study first, then work" and is easier in countries where combining study and work is frequent. Multiple pathways between school and work do exist and this highlights successes and failures. Two groups of youth, in particular, face structural difficulties in getting a stable job after leaving school: the groups of so-called "youth left behind" and "poorly-integrated new entrants". Policy measures for the first group should help them to gain the skills needed on the labour market while policy measures for the second group should also tackle demand-side barriers to youth employment. The ongoing jobs crisis is putting these two groups of disadvantaged youth under even greater stress and is likely to increase their numbers.

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Conventional indicators of labour market performance, such as youth employment and unemployment rates, can paint a misleading comparative picture when applied to the youth labour market. They fail to capture the *dynamic* nature of transitions from school to work which involves more than just passing from an educational institution to the labour market. Appropriate standardised indicators comparing the process of transition from school to work across countries are, however, not widespread due to the lack of international school-to-work transition surveys. This chapter is divided into three sections. Section A compares several aggregate indicators of the school-to-work transition which are available for most OECD countries. Section B highlights the dynamic nature of youth labour market transitions by taking into account *multiple* pathways between school and work. Finally, Section C identifies two groups of youth who run the risk of poor labour market outcomes and estimates their respective sizes.

A. Aggregate indicators

Aggregate indicators of the school-to-work transition, while informative, represent an over-simplification of the multiple pathways between school and work. The key reasons include the blurred distinction between study and work, gender imbalances in early labour market outcomes, the contrasting experiences of low-educated versus highly educated young people, and the dynamic nature of youth labour market situations.

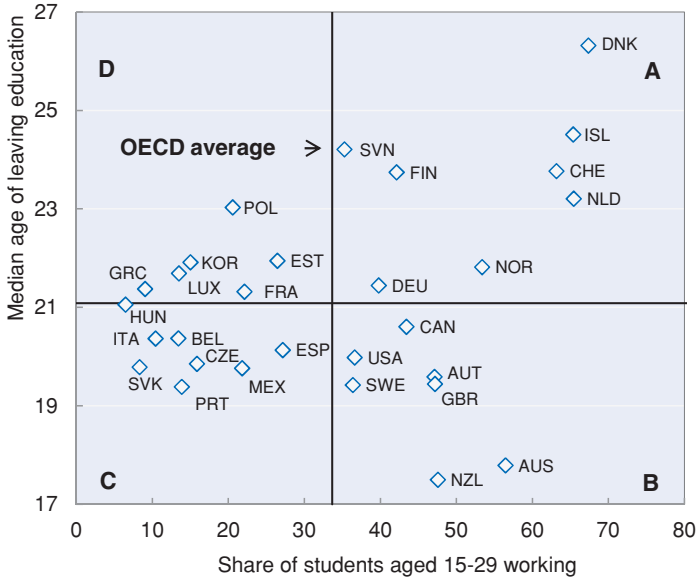
When comparing aggregate indicators of the school-to-work transition within and across OECD countries, the main findings are as follows:

- The *median age of leaving education* differs substantially across countries, from slightly more than 17 in New Zealand to about 26 in Denmark, partly reflecting a blurred distinction between school and work. This calls for a broad definition of the youth group, encompassing not only "teenagers" (that is in statistical terms, youth aged 15/16-19, but also "young adults" aged 20-24 and 25-29).
- The *gender imbalance in labour market outcomes,* which may appear within each country a few years after entering the labour market, depends above all on the specific situation of the youth labour market in each country. For example, living in the Netherlands *versus* Spain matters much more than being a young man *versus* a young woman. This is why the synthesis report focuses mainly on the comparison *across* countries for both genders while stressing, whenever relevant, some persisting gender gaps.
- Finally, the *employment experience of low-educated versus highly-educated young* people tends to be particularly contrasted within each country, even in the best-performing countries. Education matters and appears to be one of the crucial factors enabling youth to get a firm foothold in the labour market.

1. The median age of leaving education differs substantially across countries, partly reflecting a blurred distinction between school and work

Youth employment is not straightforward enough to be compared across countries.[1] This is partly because youth stay in education and tend to combine schooling with part-time work to very different degrees across OECD countries. OECD countries can be classified in four groups according to a lower/higher-than-OECD-average median age of leaving school (the age at which 50% of youth aged 15-29 have left the education system) and a lower/higher-than-OECD-average incidence of work among students aged 15-29 (Figure 3.1).

Figure 3.1. **Leaving education[a] and combining school and work,[b] OECD countries, 2008[c]**



a) The median age of leaving education is the age at which 50% of youth aged 15-29 have left the education system.
b) The share in percentage of students aged 15-29 combining school and work, including apprenticeships and other work-study programmes.
c) 2006 for Australia.

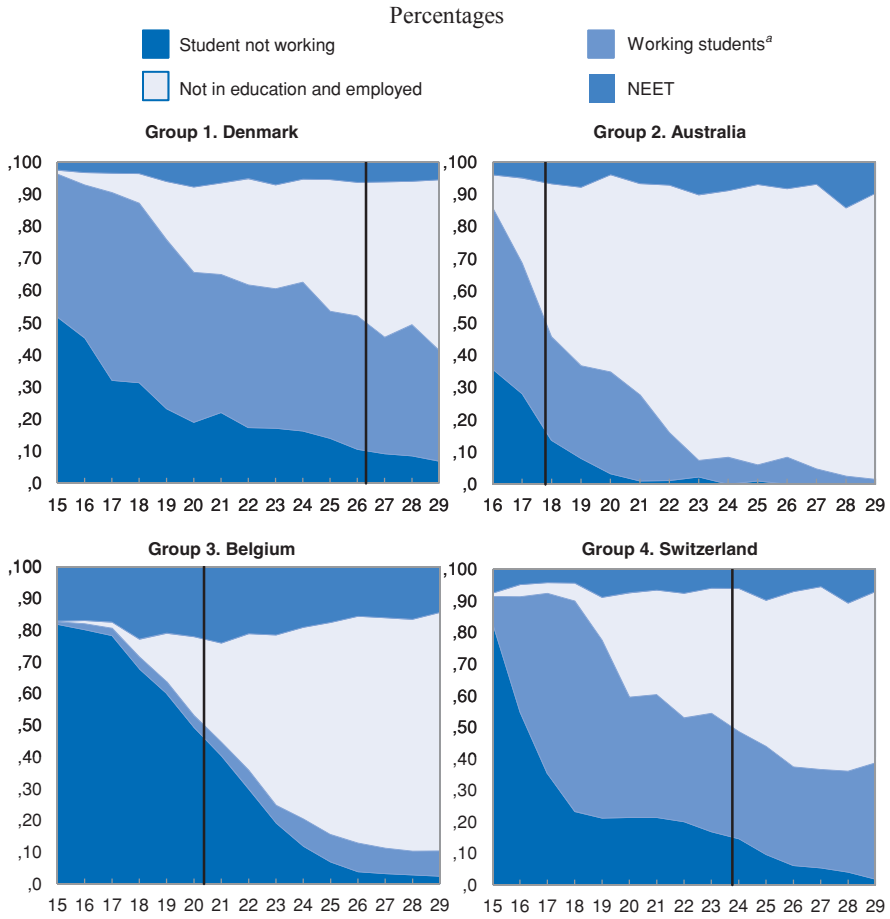
Source: European Union Labour Force Survey (EU-LFS); Melbourne Institute, Household, Income and Labour Dynamics in Australia Survey (HILDA) for Australia; labour force survey for Canada; Supplementary Survey to Economically Active Population Survey for Korea; *Encuesta Nacional de Ocupación y Empleo* for Mexico; and Current Population Survey for the United States.

The median OECD age of leaving education is about 21 years and 34% of students combine study and work (including apprenticeships and other work-study programmes). However, beyond these averages, four groups of countries (see Figure 3.1):

- A first group (Quadrant A) represents the so-called model of *study late while working* and includes the Nordic countries (except Sweden), the Netherlands and Slovenia characterised by an above-average median age of leaving school and more than one-third of students who work.
- A second group (Quadrant B) represents the so-called model of *study while working* and includes the Anglo-Saxon countries (Australia, Canada, New Zealand, United Kingdom and United States) and Sweden characterised by a below-average median age of leaving school and more than one third of students who work.
- A third group (Quadrants C and D) represents the so-called model of *study first, then work* and includes many European countries and Korea[2] characterised by a below-average median age (except Korea, Poland and Estonia) of leaving school and less than one third of students who work; and,
- A fourth group (Quadrants A and B) represents the so-called *apprenticeship* model and includes Germany, Switzerland and Austria characterised by an above-average median age of leaving school (except in Austria) and more than one-third of students who work.

Roughly four school-to-work age-profiles emerge from this taxonomy by distinguishing youth still in education (students not working or working students) from youth already in the labour force (in employment or NEET). Figure 3.2 shows profiles for youth aged 15-29 by single year of age in the most recent year available for representative countries in the four groups: Denmark (Group 1: *Study late while working*); Australia (Group 2: *Study late while working*); Belgium (Group 3: *Study first, then work*); and Switzerland (Group 4: *Apprenticeship*).

Figure 3.2. **Full-time students *versus* other categories (working students,[a] employed, NEET) by single year of age, youth aged 15-29, four groups of OECD countries, 2008[b]**



a) Including apprenticeship and other work-study programmes.
b) 2006 for Australia.

Source: European Union Labour Force Survey (EU-LFS) and Household, Income and Labour Dynamics in Australia Survey (HILDA) for Australia.

The comparative employment performance (including working students) is the best in the three countries combining study and work (Groups 1, 2 and 4):

- At the age of 19, the highest employment rate is found in Australia (84%), followed by Switzerland and Denmark (71-72%), while Belgium is far behind (19%);
- At the age of 25, the highest employment rate is found in Australia (92%), followed by Denmark and Switzerland (81%) and then Belgium (75%).

- At the age of 29, the highest employment rate is found in Switzerland (91%), followed by Australia (90%), Denmark (88%) and then Belgium (83%).

However, the gap with Group 3 (*Study first, then work*) is lower when young people reach their mid-twenties and the rate of employment, excluding working students, is lower in Denmark and Switzerland compared with Belgium and Australia (at the age of 29, respectively, 53%, 54%, 75% and 89%).

What is particularly striking in Belgium (representing Group 3) is the much higher NEET group (between 14% and 20% of the age group) than in the three other groups of countries combining study and work where the NEET rate is always below 10%. Working while studying helps facilitate the school-to-work transition and to avoid the emergence of a group of youth being disconnected from education and from employment. In the *Jobs for Youth* report on Belgium, there were a number of recommendations to make the transition from school to work less abrupt OECD (2007a). One challenge is to prevent young Belgians from becoming NEET and losing contact with work.

Nonetheless, the two groups of countries combining study and work entail different potential risks:

- Group 1 (*Study late while working*) faces the problem of a *delayed* full-time, full-year labour market entry. For example, OECD (2010a) recommended that Denmark invest in a fully-fledged activation strategy aimed at reducing the overall time to graduation.

- Group 2 (*Study while working*) faces a problem of underinvestment in skills in initial education. This was particularly the case when the economy was buoyant in the mid-2000s in Australia. One of the recommendations to Australia was to capitalise on the propensity of youth to stay longer in education during economic slowdowns to raise educational attainment (OECD, 2009a).

2. A gender imbalance appears a few years after entering the labour market but is not the key factor in explaining youth labour market performance across countries

It is important to know whether the labour market situation of *new entrants i.e.* individuals who have left education, is the same for young men and young women a few years after leaving education. In fact, the labour market situation differs by gender five years after labour market entry, not so much concerning access to stable employment but rather the incidence of part-time employment and of the share of inactivity among NEET.

Figure 3.3 shows these gender imbalances five years after leaving school in selected OECD countries in 2008. On average, five years after leaving education:

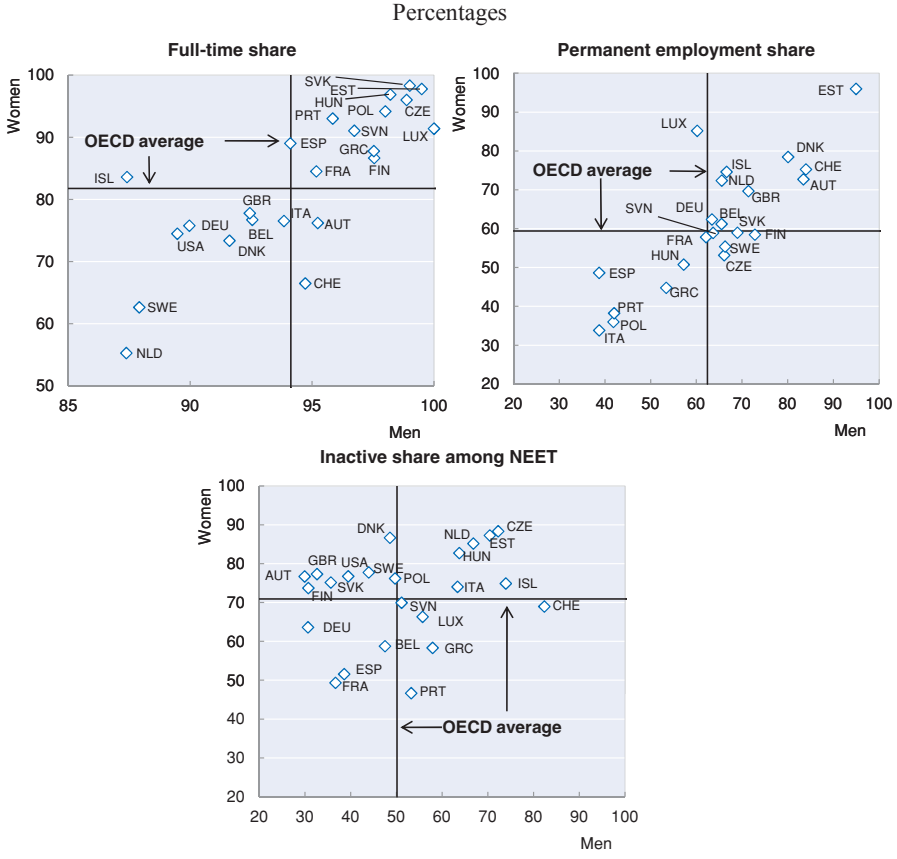
- The full-time employment share for women is 82% compared with 94% for men (a difference of 12 percentage points). In some countries (Czech Republic, Hungary, Iceland, Poland, Portugal, Slovak Republic and Spain), the gap is smaller (less than 5 percentage points).

- The permanent employment share for women is 59% compared with 62% for men (a difference of 3 percentage points). In some countries (Luxembourg, Netherlands, Spain and Iceland), women work (relatively) more often on permanent contracts than

men and in some other countries (Germany and United Kingdom), the gap is very small (1 percentage point or less).

- Among the NEET group for women 71% are inactive compared with 50% for men. In some countries (Czech Republic, Iceland, Greece and Portugal), the share of inactive people among NEET is very close for men and women.

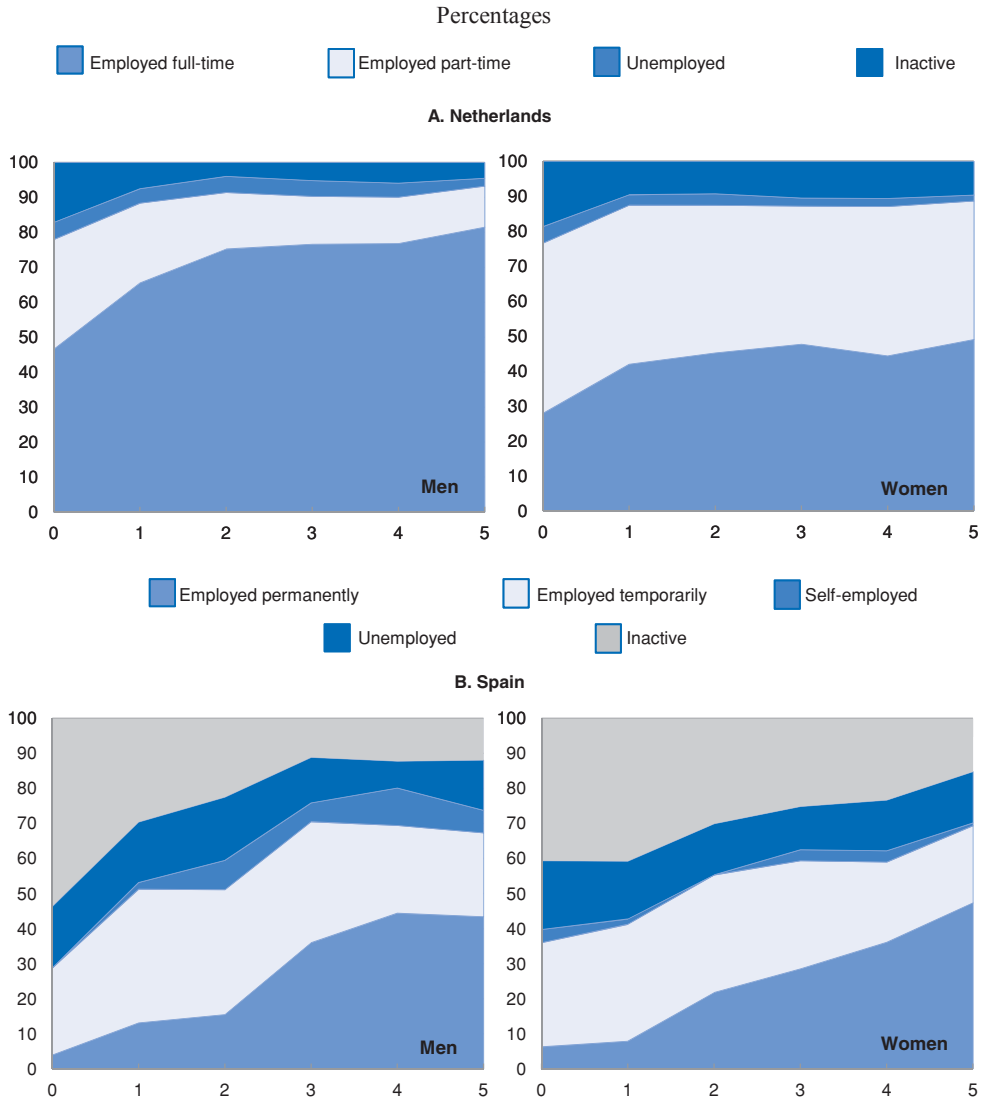
Figure 3.3. **Full-time employment, permanent employment and being inactive five years after leaving education by gender, selected OECD countries, 2008**



Source: European Union Labour Force Survey (EU-LFS) for European countries; Current Population Survey for the United States; *Encuesta Nacional de Ocupación y Empleo for Mexico*.

The difference in the general economic performance across countries, as well as the disparity in labour market institutions and in the socio-economic context, are more important factors than the gender dimension *per se*. For example, living in the Netherlands *versus* Spain matters much more than being a young man or a young woman (Figure 3.4). The total employment rate of a young woman working full-time and part-time five years after leaving education in the Netherlands stood at 89% in 2008, which was much higher than the total employment rate of a young man working on a temporary job, a permanent job or being self-employed in Spain (74%).

Figure 3.4. **Labour market status up to five years after leaving education by gender in the Netherlands and Spain, 2008**



Source: European Union Labour Force Survey (EU-LFS).

More generally, young men have been harder hit by unemployment than young women in the current jobs crisis (see Figure 1.2). There are some indications that the traditional paradox experienced by young women – they are very often more educated than young men when they enter the labour market but still face poorer career prospects – is fading away in some countries. In France, according to Mainguené and Martinelli (2010), young women starting their career in the mid-2000s eventually take advantage of their success in education. Another example is Canada where the tertiary education premium tends to be higher for women than for men (see Box 3.1).

Box 3.1. **Higher tertiary education premium for young women in Canada: one of the findings of the Youth in Transition Survey**

In Canada, the Youth in Transition Survey is a longitudinal survey that examines the patterns of, and influences on, major transitions in young people's lives, particularly with respect to education, training and work. The survey contacts the same respondents every two years. In 2000, the participants aged between 18 and 20 were interviewed for the first time. Subsequently, they were interviewed four more times at two-year intervals. The data collected in 2008 refer to respondents aged 26 to 28. The sample consisted of 29 164 individuals aged 18 to 20 years old in 2000. As respondents who did not answer were dropped from the sample every two years, the sample had fallen to12 360 by 2008.

Over the eight years of the survey, more females than males had attained tertiary education when they were 26 to 28 years old (respectively 71% and 58%) and there were fewer drop-outs (less than high school qualifications) among females than males (respectively 6% and 9%) (Shaienks and Gluszynski, 2009).

On average, men had higher income than women. Indeed, it would seem that men had a higher income than women even when they had a lower level of education. Men who had less than a high-school diploma had an income almost twice as high as that of women with similar qualifications. This may be related to the fact that the proportion of women who were not in school and not working was two or three times higher than the proportion of men in the same situation, depending on their level of education.

However, education paid off for both genders but the premium for higher education was greater for women than men. The gap between the income associated with the lowest and highest level of education was over CAD 18 000 for women holding full-time jobs. For men, the differential was also at its highest point for full-time job holders, but amounting only to CAD 13 000. These findings are in line with Hansen (2007) who based his analysis on wages per hour and found similar results, where the effect of education on wages was larger for women than for men.

3. Education has a considerable influence on the quality of the school-to-work transition within a country

A breakdown of school-leavers by educational attainment shows that, in general, education pays. The expected number of years spent in employment during the five years after leaving education is on average lower for low-skilled youth (*i.e.* youth having left education without an upper secondary diploma). Figure 3.5 shows that a typical young person will have spent 3.7 years in employment during his/her first five years after leaving education (see methodology in Box 3.2). By contrast, a low-skilled school-leaver (*i.e.* with less than ISCED 3) will have spent one year less (2.7 years). The best OECD performers (Australia, Iceland, Switzerland and Canada) are those where the expected number of years is higher than the OECD average for the total and the gap for the low-skilled is low. There is thus in these countries less diversity of outcomes between highly-educated and low-educated youth in terms of the expected number of years in employment during the five years after the completion of education.

Box. 3.2. **Computing the expected number of years spent in employment following the end of education**

Labour force surveys are not longitudinal data sets. However, they generally contain information on the year of completion of initial education. In combination with information on the age of the respondent, this item can be used to compute a proxy of the duration since the end of (initial) education.

Then, using the distribution of labour market status by duration since the end of education, it is possible to calculate the expected number of years a typical respondent spends in employment (or any other status) since leaving school.

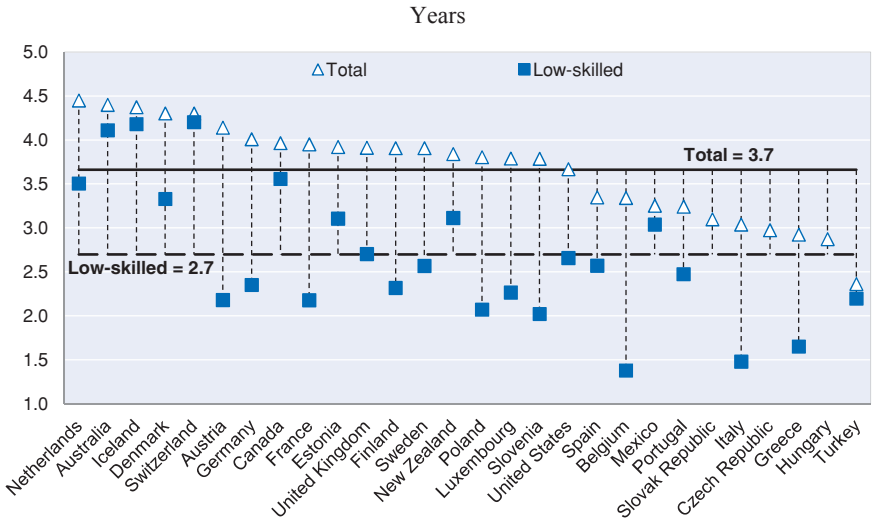
This computation can be done for the various categories (k) of respondents (*e.g.* those with a low *versus* high educational attainment, male *versus* female); and also for various definitions of employment (*e.g.* any form of employment, full time employment).

Algebraically, if ERk,t is the employment rate t years after the end of education of category k, the expected number of years in employment after D years is given by:

$$EYEk,D = ERk,1*D + (ERk,2 – ERk,1)*(D–1) +…+ (ERk,D – ERk,D-1)*1$$

Opting for a window of five years is arbitrary but it has been used here as a "reasonable" approximation of the length of the school-to-work transition process.

Figure 3.5. **Expected number of years spent in employment during the five years after leaving school,[a] by educational attainment,[b] selected OECD countries, 2008[c]**



a) In the EU-LFS, individuals report on the year they have obtained their highest qualification. This information depends on the respondent declaring he/she is no longer a student. It is used to compute the durations underlying the indicator. In HILDA, respondents report on the number of years that have elapsed since they left full-time education. That information is used to compute durations, and again depends on the respondent declaring he/she is no longer a student. A similar methodology is used for Mexico, while for the United States and Canada the typical age at which a degree is obtained is used to reconstruct a duration variable.

b) Low-skilled is less than upper secondary education.

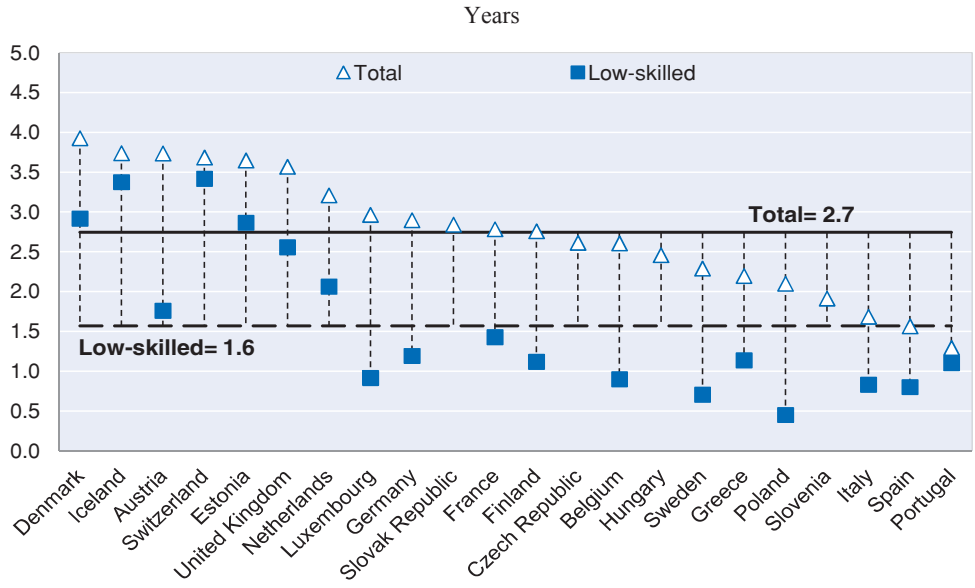
c) 2006 for Australia.

Source: European Union Labour Force Survey (EU-LFS); Melbourne Institute, Household, Income and Labour Dynamics in Australia Survey (HILDA), Release 6 for Australia; labour force survey for Canada; *Encuesta Nacional de Ocupación y Empleo* for Mexico; Current Population Survey for the United States.

Access to a stable job is also more often straightforward for highly-educated young people. Figure 3.6 conveys some additional information about the *type* of jobs held by youth. It compares: *i)* the expected number of years in (any form and duration) employment (as reported in Figure 3.5); and *ii)* the expected number of years in *permanent* employment for the total and for low-skilled youth.

Quite logically, for all countries examined, the expected time in permanent employment is lower than in other forms of employment. But Poland, Spain and Sweden are among the countries displaying the largest drop because of the high incidence of temporary employment among youth in these countries.

Figure 3.6. **Expected number of years spent in permanent employment during the five years after leaving school,[a] selected OECD countries, 2008**



a) In the EU-LFS, individuals report on the year they have obtained their highest qualification. This information depends on the respondent declaring he/she is no longer a student. It is used to compute the durations underlying the indicator.

Source: European Union Labour Force Survey (EU-LFS).

B. Multiple pathways

1. The need to identify multiple pathways between school and work

The dynamic nature of youth labour market participation was first explored in the early 1980s by Freeman and Wise (1982) and OECD (1984). Both studies highlighted the blurred distinction between unemployment and labour force withdrawal for youth and concluded that changes in labour force status between employment, unemployment and not-in-the-labour force were more frequent among youth than adults. Because of these dynamics, indicators such as the time needed to find a first job, while informative, represent an over-simplification of the several pathways between school and work (Box 3.3).

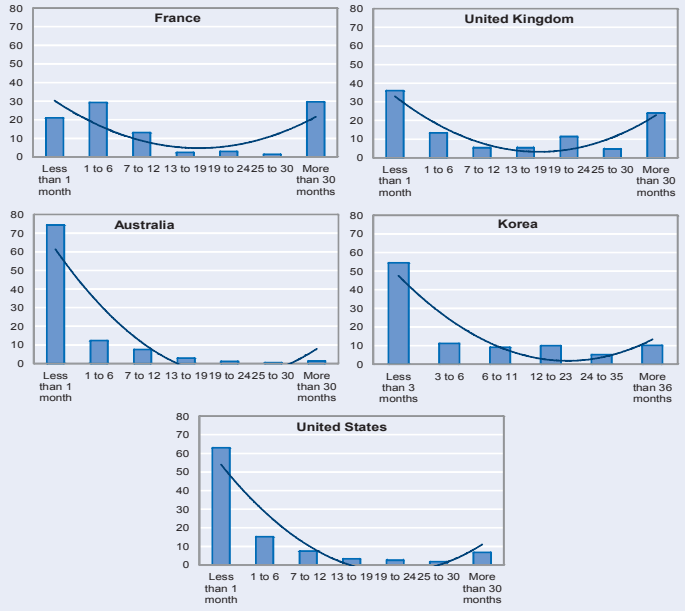
Box 3.3. **Methodological difficulties related to measuring the duration of the school-to-work transition**

The gap between the median age for leaving the education system and taking on a first job, which is often adopted as a criterion to approximate the duration of the transition between initial education and employment, constitutes a very imperfect measure of the duration of the school-to-work transition. In practice, this gap fails to take into account the dispersion that arises due to choices in terms of study and to the very asymmetrical difficulties facing different groups entering the labour market. Furthermore, it cannot be used to examine the quality of the jobs found, as it takes in all types of job, independently of the type or duration of the contract.

Furthermore, a first job is often only the starting point of the transition process: it is rarely stable and can be followed by alternating periods of employment, unemployment and/or inactivity (Quintini, Martin and Martin, 2007). A more robust measure of the duration of the transition can be obtained from a panel that follows the transitions of individuals. This can be used to make a precise calculation of the length of time between the end of initial education and the first period of employment for each individual, and thus to estimate averages based on individual data. The following figure shows the percentage of youth who have left education based on the duration of their search for an initial job, estimated using longitudinal surveys in five OECD countries in the early 2000s. By comparison with Australia, Korea and the United States, where a large majority of youth find employment very quickly, there are two contrasting groups in the United Kingdom and particularly in France: on the one hand those who find a job in under six months (about half) and, on the other, those who experience a very long-term transition, and who are thus likely to be out of the labour force for a long time. This illustrates why an average or median figure proves to be of little interest, and points to the need to conduct separate studies of the transitions of these two groups that contrast so sharply on the labour market.

Time needed to find a first job in five OECD countries

Percentages



Source: France: *Enquête Emploi*, 2003-06; United Kingdom: British Household Panel Survey, 2000-06; Australia: Longitudinal Survey of Australian Youth, 1998-2006; United States: National Longitudinal Survey of Youth, 1997-2006; Korea: Supplementary Survey to Economically Active Population Survey, 2006.

2. Comparing different school-to-work pathways across OECD countries: a difficult task

An international dataset containing comparable longitudinal data on school-to-work transition does not exist today. The different pathways that youth can take after leaving education can, however, be compared in the few OECD countries where comparative longitudinal data are available. Results from national panels are usually difficult to compare internationally, either because they are based on administrative registers (*e.g.* the *Banque-carrefour de la sécurité sociale* in Belgium or the longitudinal register-based employment data files in Norway) or because the questions and modalities are very different from one survey to the other. Box 3.4 illustrates some key differences in the type of surveys on school-leavers performed in Japan and in France.[3]

Box 3.4. **Different time-windows to assess labour market outcomes for school-leavers: immediately upon graduation in Japan or from three years after graduation in France**

Modalities in the existing surveys on the school-to-work transition differ a lot across OECD countries. For example, one of the key variables refers to frequency of interviews of school-leavers.

In ***Japan***, the School Basic Survey of the First Destination of New Graduates interviews new graduates of all levels (lower secondary schools, upper secondary schools, secondary schools, schools for special needs education, universities, and colleges of technology) on their first destination (continue to study, find a job, unemployed) immediately upon graduation at the end of March each year. Results from this survey indicate that the share of upper secondary graduates entering the labour market immediately was much lower in the mid-2000s than it was in the early 1990s (respectively 18% and 35%). In fact, 67% of them entered tertiary education in 2006 against 46% in 1990 (OECD, 2008f). By contrast, the share of tertiary graduates who found a job as soon as they graduated exceeded 80% until the early 1990s, but the share has decreased drastically since then. In the early 2000s, the share recovered with the overall improvement in the economic situation just before the current crisis. In 2006, the share of university graduates entering employment immediately stood at 64% in 2006.

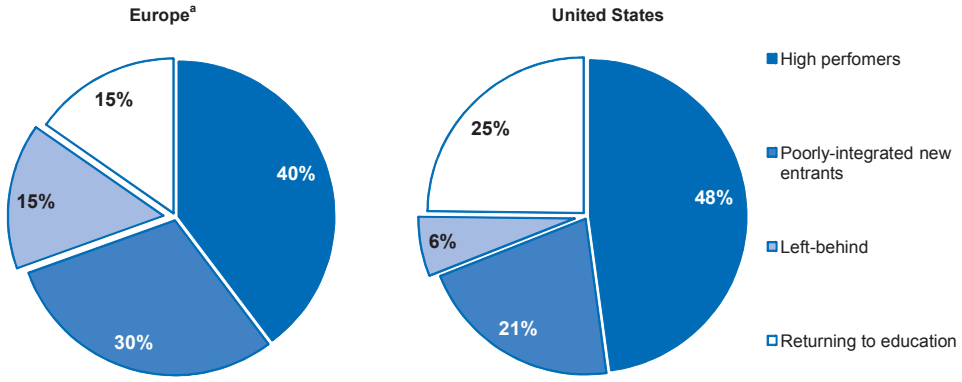
In ***France***, the *Génération* surveys of the Céreq (Centre for Study and Research on Qualifications) follow a panel of youth who leave the school system in a given year. Four study waves have been launched since the first one in 1992 (representative sample of 27 000 young people): in 1998 (55 000), 2001 (10 000) and 2004 (65 000). The young people in each wave are questioned once three years after leaving (with retrospective questions on what they did since they left school), and then, depending on the survey, at the end of five, seven and ten years. As an example, school-leavers in 1998, the so-called 1998 *Génération* were followed during seven years. One of the main findings is their very slow movement into permanent jobs: only 26% of the 1998 *Génération* had a permanent contract one year after having left school, versus 53% three years later and 72% seven years later. Tertiary graduates from the same 1998 *Génération* are faring much better: 32% of them had a permanent contract one year after, versus 68% three years later and 84% seven years later (Céreq, 2007).

3. School-to-work pathways of students having left secondary education are less dynamic in Europe than in the United States

To account for the dynamic nature of youth labour market situations and identify the different pathways that youth can take after leaving secondary education, Quintini and Manfredi (2009) exploit monthly observations in the National Longitudinal Survey of Youth for the United States and the European Community Household Panel survey for Europe.[4]

Overall, pathways in the United States are characterised by significantly less time spent in unemployment than in European countries. Besides, both negative pathways – dominated by unemployment and spells of inactivity – and positive pathways – dominated by employment and spells in education – are more dynamic in the United States than in European countries. Figure 3.7 shows the share of youth in one of four key pathways identified by Quintini and Manfredi (2009). Over a five-year period after leaving education: "High performers" spend most of their time – 70% or more – in employment and take less than six months to find their first job after leaving school; "Poorly-integrated new entrants" move in and out of employment, unemployment, inactivity and sometimes education, signalling difficulties in settling on a promising career path; "Left-behind" youth spend most of the five years in unemployment or inactivity; "Returning to education" youth leave education for a spell on the labour market of varying length but ultimately return to complete high school – if they have dropped out before completion – or to attend tertiary education.

Figure 3.7. **Key school-to-work transition pathways for high-school students in Europe and the United States**



a) The European countries included are: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Spain, Portugal and the United Kingdom. The empirical analysis includes control for country-specific effects and other key individual characteristics.

Source: OECD Secretariat calculations based on the National Longitudinal Survey of Youth (NLSY) 1997 and European Community Household Panel (ECHP) survey, waves 1 to 8 (1994 to 2001). Adapted from Quintini and Manfredi (2009).

The United States has a significantly larger share of high performers than Europe and many more youth return to education after a spell out of work and studying.[5] As a result, the share of youth facing serious difficulties on the labour market – left behind and poorly-integrated new entrants – is 18 percentage points smaller in the United States than in Europe. In Europe, 30% of youth face difficulties settling into the labour market and another 15% are trapped in long-term unemployment or inactivity. On the other hand, in the United States, poor integration affects 21% of youth and the fact that long-term unemployment is uncommon reduces the share of youth "Left Behind" to just 6% of youth facing long-term inactivity.

Unsurprisingly, significant variation in the size of the groups at risk can be observed across European countries. Quintini and Manfredi (2009) show that countries with strong apprenticeship systems and/or low-regulated labour markets – notably, Germany and the United Kingdom – have the largest shares of high performers. Indeed, with highly

regulated labour markets it is very important to have strong vocational education and training systems to compensate for these rigidities (*e.g.* Germany, Austria). On the other hand, southern European countries with a high incidence of temporary work – notably, Italy and Spain – have the largest shares of youth at risk.

About 30-40% of students having left secondary education in the OECD are estimated as being at risk, either because they cumulate multiple disadvantages (the group of "left-behind youth") or because they face barriers to find stable employment (the group of "poorly-integrated new entrants"). In the late 1990s, the situation in the United States was more dynamic with an estimated 27% of youth at risk compared with 45% in Europe mainly because the possibility of returning to education after having left secondary education is a reality for one school-leaver in four compared with less than one in six in Europe.

4. Groups at risk of poor employment outcomes

Only a small fraction of youth settles into career employment or persistent inactivity shortly after leaving education. Many youth move in and out of the labour market before finding a job that offers career prospects and some stability. Others withdraw from the labour market for a prolonged period of time or return to education. And even among those who quickly move from school to employment, the labour contract may only be of short duration and/or with limited career prospects. While some of those in these precarious and/or temporary jobs swiftly move to more stable and promising jobs, others alternate between precarious jobs and unemployment or inactivity.

The OECD *Jobs for Youth* review identified two groups of youth that face particular difficulties in getting a stable job after leaving school: the groups of so-called "youth left behind" and "poorly-integrated new entrants". The size of these two groups is, however, difficult to approximate in each country.

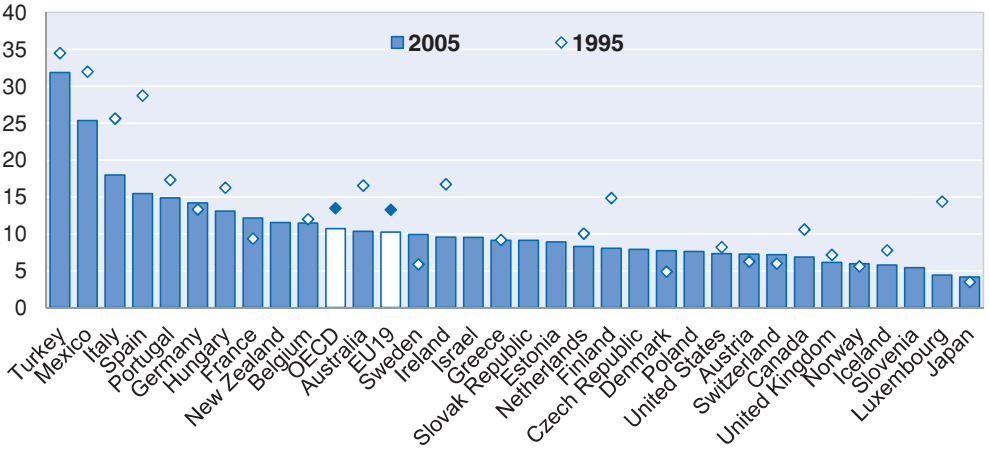
While the characteristics of the group of "youth left behind" differ from one country to another, they share the common fact of cumulating multiple disadvantages. Youth in this group tend to lack qualifications, come from an immigrant/minority background and/or live in disadvantaged/rural/remote neighbourhoods. The size of this group can be proxied by the number of young people aged 15-29 who are neither in employment, nor in education or training (NEET) *and* who lack an upper secondary education (Figure 3.8).

In 2005, on average in the OECD, the group "left behind" represented 11% of the youth aged 15-29 having left education. This proportion has decreased by about 3 percentage points over the past decade. In two countries (Turkey and Mexico), the group represented more than double the OECD average in 2005. A significant (above 2 percentage points) and growing trend in the relative size of the group during the decade 1995-2005 was noticeable in three countries (France, Sweden and Denmark).

The second group of youth facing difficulties is the group of "poorly-integrated new entrants". While these young people often have diplomas, they often find it difficult to obtain stable employment, even during periods of strong economic growth. They frequently go back and forth between temporary jobs, unemployment and/or inactivity. A fraction of this group could be proxied by the proportion of those in temporary employment with little likelihood of rapidly finding a permanent job (*i.e.* little or no stepping-stone effect).

Figure 3.8. **Youth left behind: NEET aged 15-29 without upper secondary education, selected OECD countries,[a] 1995 and 2005**

As a percentage of the youth aged 15-29 having left education



a) Data for Germany, Netherlands, Norway, Finland, Sweden, Switzerland refer to 1996 instead of 1995; for Australia, Hungary, Japan, United States to 1997 instead of 1995; for Iceland and United Kingdom to 1998 instead of 1995; for Mexico to 2004 instead of 2005. There are no data for Korea.

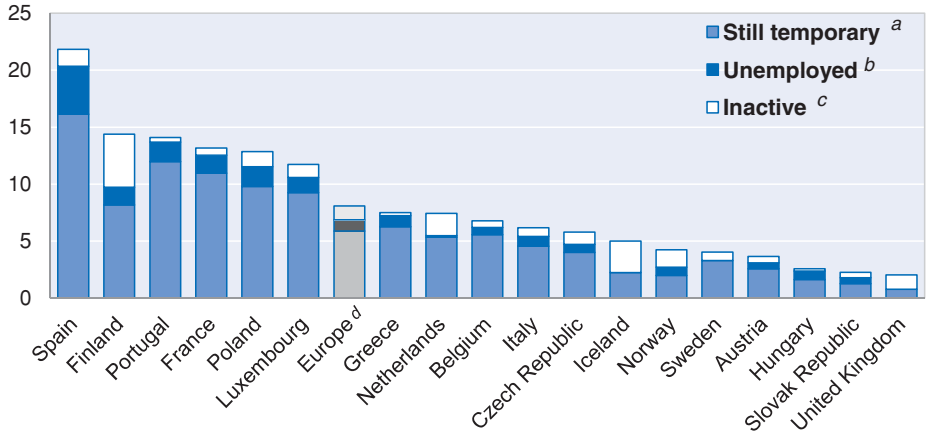
Source: European Union Labour Force Survey (EU-LFS) for European countries, *OECD Education database* for all the others.

Figure 3.9 shows the proportion of youth-out-of-school employed on a temporary basis in Europe in 2005 who were still in temporary employment, unemployed or inactive two years afterwards.[6] These proportions are estimated from the European Union Survey on Income and Living Conditions (EU-SILC). This estimation relates to the period 2005-07, and thus predates the crisis. On average in Europe, just over 7% of youth aged 15-29 having left education and found a temporary work were not in a stable job two years afterwards, with 75% among them still in temporary jobs. Spain has the highest percentage (22%) of "poorly integrated" and the United Kingdom the lowest (2%). Countries with an above-average share include Finland, Portugal, France, Poland and Luxembourg.

A minimum size of the youth group at risk (before the crisis) – those "left behind" and those "poorly integrated" can be estimated for the countries in Europe where data are available for both groups (data are missing for Denmark, Germany and Ireland). In Europe on average in 2005-07, 18% of youth aged 15-29 who had left education were at risk: 45% of them were poorly integrated and 55% left behind. In six countries (Italy, Belgium, Hungary, Sweden, the Slovak Republic and the United Kingdom), the largest share (75% or more) of youth at risk was the "left behind" group, while in three countries (Spain, Finland and Luxembourg), the group most at risk (60%) was "poorly integrated".

Figure 3.9. **Young workers aged 15-29[a,b] on temporary employment in 2005 and poorly integrated two years after, European countries, 2005-07[c]**

As a percentage of the youth aged 15-29 having left education

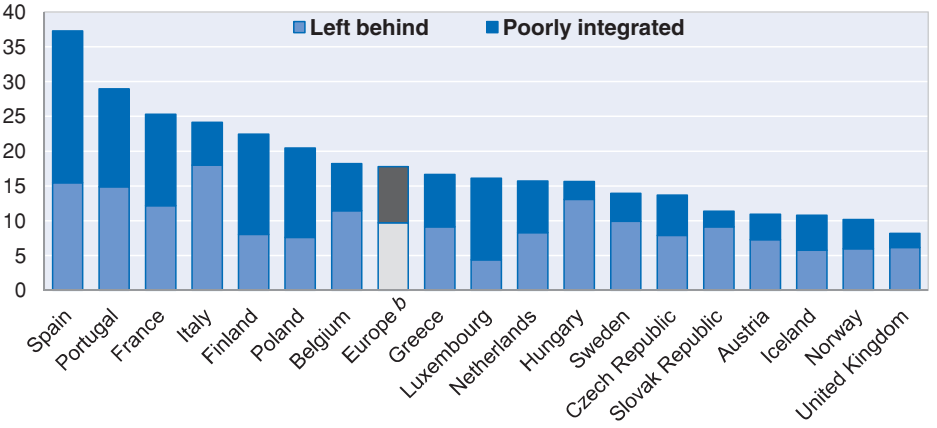


a) Youth employed on a temporary basis in 2005 and still on a temporary contract in 2007.
b) Youth employed on a temporary basis in 2005 and unemployed in 2007.
c) Youth employed on a temporary basis in 2005 and inactive (including resuming education) in 2007.
d) Unweighted average of countries shown.

Source: European Union Survey on Income and Living Conditions (EU-SILC).

Figure 3.10. **Estimated size of the group[a] at risk: left behind and poorly integrated after a temporary job, European countries, 2005-07**

As a percentage of the youth aged 15-29 having left education



a) Data refer to the sum of the two indicators shown in Figures 3.8 and 3.9 for 2005-07.
b) Unweighted average of countries shown.

Source: European Union Labour Force Survey (EU-LFS) and European Union Survey on Income and Living Conditions (EU-SILC).

The recent recession is putting disadvantaged youth under even greater stress. It is pushing more and more youth, even those who would have performed well in good times, into the group of poorly-integrated new entrants and possibly even into the group of youth left behind.[7] This reinforces the pressure on governments to intervene vigorously in the youth labour market to assist this growing group.

As regards policy, it is crucial that these youth left behind are helped to find a job as soon as possible after they have left school or are offered the possibility of participating in a programme to obtain a recognised qualification or diploma. Otherwise, they risk being trapped in long-term unemployment and inactivity, which implies considerable individual distress and a lasting social cost for society. Adjustments to the way the labour market functions in general are necessary to ensure that the second group (poorly-integrated young entrants) rapidly finds stable jobs that offer better prospects for a career progression.

Notes

1. According to ILO definitions, in labour force surveys, the employed are defined as those who work for pay or profit for at least one hour a week, or who have a job but are temporarily not at work due to illness, leave or industrial action. Apprentices are counted among the employed.

2. Japan is presumably also in this group but the lack of data on the 15-29 age group precludes the estimation of both indicators. The share of working students in Japan aged 15-24 is low compared with Norway (14% *versus* 29% in 2006) (OECD, 2008f).

3. Furthermore, when access to individual micro-data is restricted as is the case in Canada, France and Japan, this precludes any possibility of specific comparative analysis. Micro-data from the following longitudinal panels were used in the synthesis report: for Australia, the Household, Income and Labour Dynamics in Australia (HILDA); for European countries, the European Community Household Panel (ECHP) and the European Union Survey on Income and Living Conditions (EU-SILC); for the United Kingdom, the British Household Panel Survey (BHPS); for the United States, the National Longitudinal Survey of Youth (NLSY) as well as pseudo-panels derived from labour force surveys.

4. To isolate the pathways, the following steps were taken by Quintini and Manfredi (2009): *i)* sequences of monthly activity statuses over a period of five years are obtained for youth leaving education upon completion of upper secondary school or earlier; *ii)* the distance between each pairwise combination of sequences is calculated using Optimal Matching; and *iii)* cluster analysis is conducted to group similar sequences into one of several pathways. Optimal Matching is an explorative method of sequence analysis developed by molecular biologists in order to find similar patterns within DNA.

5. It should be kept in mind, however, that the criterion of success here is employment, not wages or fringe benefits. If the latter were used, the United States might look somewhat less "successful" compared with some European countries.

6. More generally, regardless of the distinction between permanent and temporary employment, the size of this group would be proxied by those in long-term/persistent unemployment two years after being employed. However, the lack of longitudinal panels including a variable on unemployment duration precludes the possibility of using this method of estimation.

7. The cyclical variation of the group at risk is difficult to assess given the lack of historical series on this indicator for past periods of recession. Data for the recent recession are also not yet available.

CHAPTER 4

Better education and training to improve the transition to work

The crisis has highlighted once again that one of the main underlying structural problems in the youth labour market is related to education and training. Some youth are leaving the education system and entering the labour market without a recognised qualification and/or with skills not relevant for labour market needs. This calls for remedial action that could be beneficial during the crisis but also well beyond. In many countries, actions are needed in several different areas, particularly to ensure high-quality training programmes for school drop-outs. Policy initiatives in OECD countries should all seek to achieve three key objectives, to: i) *minimise the number of school drop-outs;* ii) *promote the combination of study and work; and* iii) *offer every youth a second chance to obtain a qualification. Recent promising and innovative measures implemented in OECD countries seek to prevent teenagers from dropping out of school, to help tertiary students and graduates to be better prepared to enter the labour market and to promote successful apprenticeship opportunities for youth, particularly among the most disadvantaged groups.*

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

An education system that helps children and youth from all backgrounds realise their full potential is vital for continued prosperity and to reduce labour market exclusion among youth. Young people face structural barriers rooted in the education system in their transition from school to work and early career progression. The importance of the main challenges in education and training faced by OECD countries to better prepare youth to enter the labour market is gauged in Section A. Section B presents the key policy areas identified by the OECD *Jobs for Youth* review. In short, it is crucial to tackle the school drop-out phenomenon and to implement more flexible and rewarding work-study programmes, including apprenticeships, to make studying and working opportunities pay.

A. Key challenges of initial education and learning on the job

Several performance indicators of the education and training system are compared across OECD countries. These focus on the phenomenon of dropping out of school, the estimated difference in learning performance between vocational and academic students at the age of 15, the trend in tertiary education attainment for youth in short and longer cycles, and the incidence of job-related training for young workers.

1. Performance at the key age of 15

The age of 15 is a key watershed just before the end of full-time compulsory education. In the majority of OECD countries, the age of compulsory education is 16 but there are some exceptions such as Belgium and Poland where education has been made compulsory up to the age of 18 with the option of studying part-time between the ages of 15/16 and 18. In both countries, this change has not, however, been accompanied by positive measures to improve part-time vocational education pathways in order to enable low achievers to succeed (OECD, 2007a; and OECD, 2009f). In most OECD countries, the number of people who leave school at the minimum leaving age is falling, but in Germany, Japan, Mexico, Poland, Turkey and the United States, their numbers continue to rise (OECD, 2009b). However, young people who leave school at the minimum leaving age without a qualification are likely to spend a long time out of work during their working life. In fact, in most countries over half of low-qualified unemployed 25-34-year-olds are in long-term unemployment (OECD, 2009b). Reforms in some OECD countries (United Kingdom, Netherlands and Canada) aimed to improve the academic skills of school-leavers not only by raising the minimum school-leaving age but above all by implementing flexible measures to diversify academic pathways to enable everyone to succeed (Box 4.1).

According to the 2006 survey of the OECD Programme for International Student Assessment (PISA), 15-year-olds performed quite differently from country to country in reading, mathematics and science). Two groups are at risk of performing poorly: students in vocational streams and children of immigrants.

Students in vocational streams

Youth who attend vocational education and training (VET) in most OECD countries do not tend to perform as well according to PISA 2006 as those attending non-vocational streams.[1] Figure 4.1 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. In the Netherlands, Greece and Belgium, the differences in performance are the largest, suggesting that failure in

general education is likely to be a major driver of educational choices among lower secondary students. In Sweden, Luxembourg, Portugal, Switzerland and Mexico, there is by contrast a positive difference in favour of students in vocational streams. These results should be considered with caution as students aged 15 in vocational streams tend to be integrated differently in PISA across countries.[2]

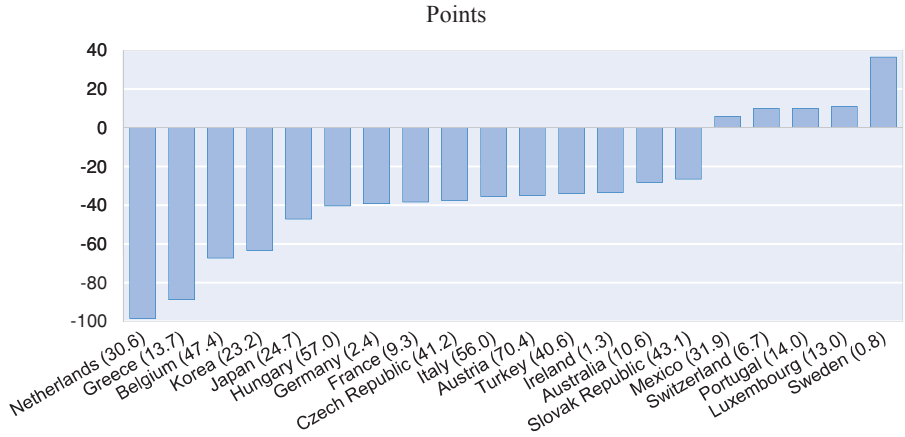
Box 4.1. **Recent moves to raise the minimum school-leaving age in England, the Netherlands and the Province of Ontario in Canada**

England will eventually require young people to continue education or training until the age of 17 (18) (versus 16 today) by 2013 (2015) if they have not acquired an upper secondary education diploma (OECD, 2008d). Training possibilities will gradually be expanded through a strategic plan focused on the 14-19 age group. One of the key measures involves the right to a work-study programme for youth aged 16 to 19 who have the requisite skills and who wish to undertake practical vocational training. The training could take place in a school, a company or a private training agency. Young people working more than 20 hours a week will be authorised to study part-time.

In 2007, the ***Netherlands*** introduced a law on qualifications that obliges 18-year-olds who have not obtained a qualification at least equivalent to a diploma from the second cycle of vocational secondary education (*startkwalificatie*) to continue full-time training. This will usually involve a work-study programme (OECD, 2008a).

In 2006, the ***Canadian*** Province of Ontario lifted the requirement for compulsory education from age 16 to 18, either in the classroom or in a job. The general education school curriculum that dominates secondary education was diversified, and a technical and vocational curriculum and an apprenticeship programme were introduced (OECD, 2008c).

Figure 4.1. **Estimated[a] difference in performance between vocational and academic students for youth aged 15,[b] 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 the three areas of knowledge.

b) Share of students enroled in vocational schools in the PISA sample in parentheses.

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

In many OECD countries, VET in secondary education has often the image of being the education of "last resort". It is important to change this poor image among young people, their parents, employers and society as a whole. Progress has already been made in several countries. For example in France, apprenticeship programmes have been expanding and changing over the past 30 years. One trend has been the broadening of the scope of apprenticeship, which until the 1987 reform were limited to lower secondary vocational certificates. Since then, apprenticeships have been extended to all qualification levels, and in 1992 to the public sector. The number of apprentices increased in 1993, when they were introduced as an option in tertiary education. As a consequence, the average education level of apprentices has risen: 15% of new contracts were aimed at obtaining a tertiary education diploma in 2006 compared with only 2% in 1992.

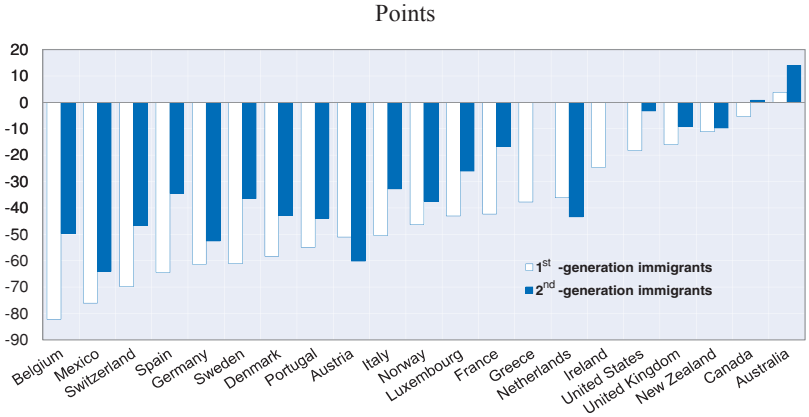
The difficulty lies in promoting VET as a path of excellence for *all* students, including low achievers. In Belgium, for instance, apprenticeships and school vocational education and training qualifications both have a poor image at the secondary level (with the exception of the German-speaking community, where it is traditionally well-developed), and therefore the legal framework has been adapted to make sure this becomes a valid option to finish secondary education. In particular, in the Flemish region, students in vocational secondary education can follow a third year. After completion, they obtain the secondary education diploma which gives them access to higher education.

Children of immigrants

Young immigrants tend to not perform as well according to PISA 2006 as young natives. Liebig and Widmaier (2009), however, observe a clear difference between the non-European OECD countries (Australia, Canada, New Zealand and the United States) and European OECD countries in this regard. In the former, the education of children of immigrants – both native-born offspring of immigrants and foreign-born offspring who immigrated before adulthood with their parents tends to be at least on a par with those of the children of natives. In the European OECD countries (with the exception of Switzerland), the education outcomes of children of immigrants tend to be much less favourable.

Figure 4.2 shows, in particular, that in most OECD countries except in Australia and Canada, there is a negative gap in mathematics between young immigrants and young natives. The gap is also visible among second-generation immigrants, but it is somewhat higher in most European countries, *e.g.* Belgium, Germany and Switzerland.

Figure 4.2. **Score gap[a] in mathematics between natives and first- and second-generation immigrants[b] for youth aged 15, selected OECD countries, 2006**



a) Corrected for parental education background influence.

b) In PISA, *native* students are those students born in the country of assessment or who had at least one parent born in the country; *first-generation immigrants* are those born outside the country of assessment and whose parents were also born in another country; *second-generation immigrants* are those born in the country of assessment but whose parents were both born in another country.

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

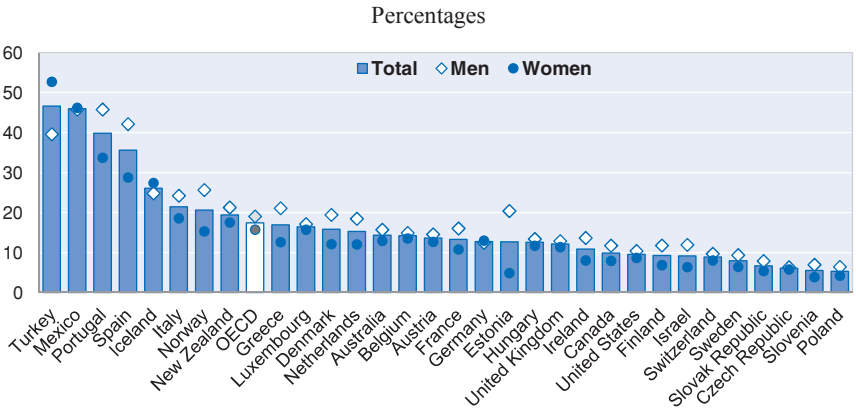
2. The school drop-out phenomenon

The school drop-out phenomenon – and tackling it – is a great source of concern in all OECD countries. Properly measuring the school drop-out rate is challenging (Box 4.2). The definition presented here measures the number of youth aged 20-24 who are not attending school and have not obtained an upper secondary education against all youth aged 20-24. The OECD average school drop-out rate stood at 17% in 2008 ranging from less than 10% in Canada, the United States, Finland, Israel, Switzerland, Sweden, the Slovak Republic, the Czech Republic, Slovenia and Poland to more than 30% in Spain (36%), Portugal (40%), Mexico (46%) and Turkey (47%) (Figure 4.3). The incidence of dropping out of school in OECD countries is higher for young men (19%) than for young women (16%) with a gap of 3 percentage points on average. The two countries where this is not the case are Turkey and Iceland. Rates for young women and men are very similar (less than 1 percentage point gap) in Mexico, Germany and the Czech Republic.

Box 4.2. **Defining and measuring the school drop-out phenomenon**

Educators tend to consider someone as a "school drop-out" if he/she interrupts his/her upper secondary education before passing the final exams and obtaining the diploma (the so-called ISCED 3 diploma in the International Standard Classification of Education). The definition in Figure 4.3 is slightly different. It refers to the highest qualification that young adults eventually obtain. Although the typical upper secondary school student will finish his/her secondary education by the age of 18, some do not for a variety of reasons. Estimations of school drop-out rates based on the attainment of groups that are relatively young might count as a "school drop-out" someone taking a temporary break from his/her schooling. However, by the time a person is 20-24, much of the opportunity for completing upper secondary qualifications has gone. The difference can be significant, particularly in countries such as the Nordic countries, Australia, Canada and the United States where many individuals interrupt their upper secondary studies, but resume and complete them at a later stage.

Figure 4.3. **School drop-outs,[a] youth aged 20-24, selected OECD countries, 2008**



a) No longer in education and without upper secondary education.

Source: *OECD Education database*.

A low school drop-out rate is, however, not enough to guarantee low unemployment for youth. The cases of Poland and the Slovak Republic are interesting in this respect. In both countries, the incidence of school drop-outs among the 20-24 years-olds is among the lowest in OECD countries but more than one youth in four is unemployed. Instead of it being due to a high drop-out rate, the high youth unemployment rate in these two countries partly reflects a skills mismatch problem between the curricula taught in vocational secondary schools leading to outdated qualifications and the requirements of the labour market. In Poland, the amendment of the Act on Employment Promotion and Labour Market Institutions in force since February 2009 strengthened financial incentives for young people to participate in training (OECD, 2009f).

In the Slovak Republic, measures adopted for regional schools are designed to improve pupils' knowledge and skills and bring vocational education and training closer to labour market requirements. A system of co-ordination of vocational education and training for the labour market has been created by setting up the Council of the Slovak Republic Government for Vocational Education and Training, regional councils and a system of sectoral councils for vocational education and training (OECD, 2007b). One of the priorities within the school curricula is the support for the development of entrepreneurial skills and the acquisition of basic knowledge about the world of business and the economy in secondary schools.

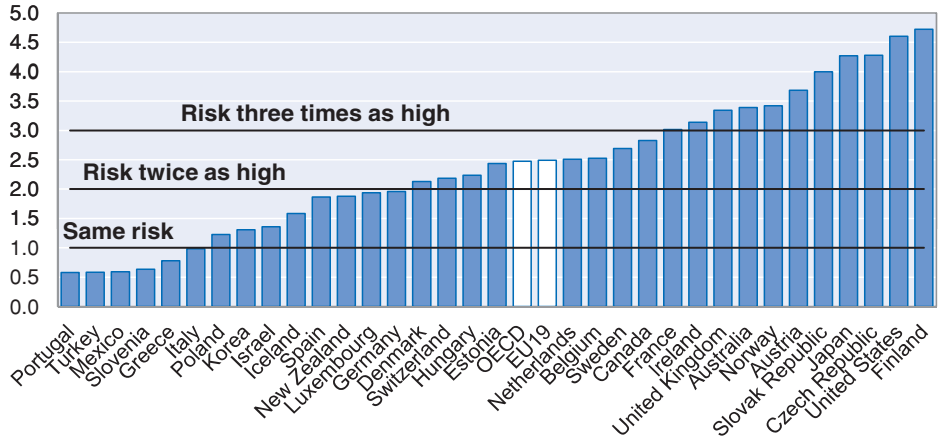
3. Tertiary education

Having a tertiary education degree is generally an advantage on the labour market. It ensures a much lower risk of unemployment than having no qualification. Low-skilled youth (without an upper secondary qualification) had on average in 2008 an unemployment rate which was more than the double of the unemployment rate of highly skilled youth (with a tertiary education) (Figure 4.4). Whereas most OECD countries rank above the line where low-skilled youth face the same risk as high-skilled youth, this is not the case for Greece, Slovenia, Mexico, Turkey and Portugal where relative youth unemployment rates are higher for young people with tertiary skills than for those with low skills. In 2008, low-skilled youth faced a risk of unemployment over three times higher than high-skilled youth in ten countries (Ireland, the United Kingdom, Australia, Norway, Austria, the Slovak Republic, Japan, the Czech Republic, the United States and Finland).

Nevertheless, it is important that tertiary education better prepares students to complete their studies and to enter the labour market. Enrolment in tertiary education in OECD countries has risen dramatically in the past decade (OECD, 2009b).The number of people with university degrees or other tertiary qualifications rose on average in OECD countries by 4.5% each year between 1998 and 2006. In Ireland, Poland, Portugal, Spain, and Turkey, the increase was 7% per year or more. In 2008, one in three people in OECD countries aged between 25 and 34 had a tertiary-level qualification. In Canada, Japan and Korea, the ratio was one in two. However, the success rate in tertiary education remains too low. Some 31% of students in the 18 OECD countries for which data are available for 2008 abandon tertiary education and leave without a degree (OECD, 2010f). It is crucial to offer better guidance and counselling services to students throughout the secondary cycle of education to help them make a good choice of studies.

Figure 4.4. **Risk of unemployment for low-skilled youth compared with high-skilled youth,[a] OECD countries, 2008[b]**

Ratio of low- to high-skilled youth unemployment rates



a) Data refer to the ratio of unemployment rates of young (15/16-24) high-skilled people (ISCED>3) over young low-skilled (ISCED<3). ISCED 3 refers to upper secondary qualification.

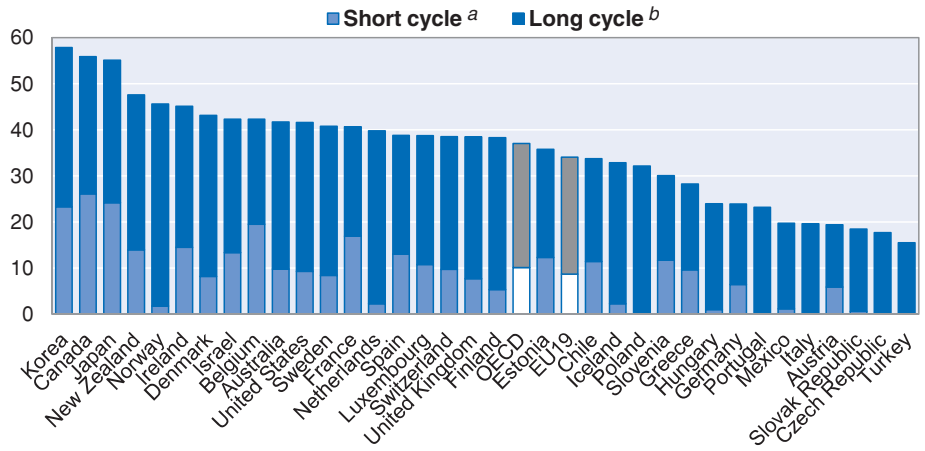
b) Data for Japan refer to 2003 instead of 2008.

Source: *OECD Education database*.

Bringing tertiary education closer to labour market needs involves extending the provision of short, flexible and more vocational-oriented programmes. These programmes should help less academic students to complete a post-secondary degree and gain some useful highly-skilled qualifications. Korea, Canada and Japan, where the incidence of short cycles concerns about one person aged 25-34 in four, ranked first in 2008 in the OECD in total tertiary attainment. The incidence of these short tertiary programmes is particularly low in Norway, the Netherlands, Iceland, Poland, Hungary, Portugal, Italy, the Slovak Republic, the Czech Republic and Turkey (Figure 4.5).

Figure 4.5. **Tertiary educational attainment rates in OECD countries, 2008**

As a percentage of the population aged 25-34



a) ISCED 5B refers to short cycles in tertiary education.
b) ISCED 5A and 6 refer to long cycles in tertiary education.

Source: *OECD Education database*.

4. Combining study and work

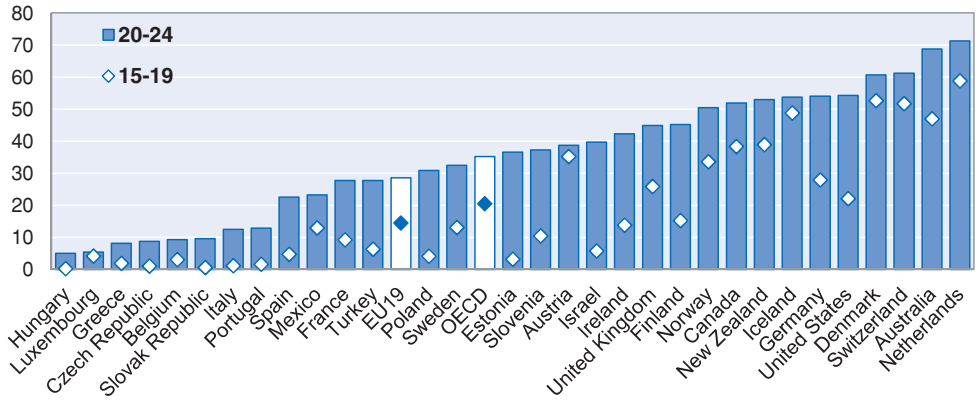
In Chapter 3, the model of s*tudy first, then work* appears too abrupt to facilitate a smooth school-to-work transition for most students compared with the other two models combining study and work. This is particularly the case in some countries with an elitist education system, such as France, Japan and Korea, where selective diplomas are valued highly by employers. Young people have little leeway to make mistakes or to proceed by trial-and-error during their studies before entering the world of work. If they deviate from a linear educational path they have more difficulty obtaining a qualification that protects them from the risk of unemployment. Students have little incentive to combine study and work (unless this is mandatory in the curriculum), as this can delay finishing school.

The transition is very different in the Nordic countries, Australia, Canada and the United States where young people can go back-and-forth many times between work and study, including gap years to travel around the world, before finally settling into their careers. By contrast, late completion of initial education is very common in the Nordic countries. In Denmark, for instance, the median age at which young people enter tertiary education is as late as 23. In order to lower the late age of completion, adjustments have recently been made to student grants rewarding early entry and completion of studies on schedule.

On average in OECD, in 2008, the share of working students aged 15-19 and 20-24 was 21% and 35%, respectively (Figure 4.6). The share of students combining study and work (including those on apprenticeships) remains modest in many OECD countries. For example, fewer than 13% of students aged 20-24 worked in 2008 in Portugal, Italy, the Slovak Republic, Belgium, the Czech Republic, Greece, Luxembourg and Hungary.

Figure 4.6. **Combining study and work across OECD countries by age group, 2008**

As a percentage of young people enroled in school in the age group



Source: European Union Labour Force Survey (EU-LFS) for European countries; *OECD Education database* for all others

School-to-work programmes could help the current generation of school-leavers to get off to a good start. In Belgium, the Conseil Supérieur de l'Emploi (CSE, 2009) promotes short work placement for low achievers to motivate them and help them benefit from work experience.

Neumark (2009) indicates that a relatively new but growing literature, particularly in North America, on school-to-work transitions provides some evidence that school-to-work programmes (*i.e.* job shadowing, mentoring, school enterprise, tech prep, summer jobs, internships and apprenticeships) boost labour market attachment, skill development, wages, and earnings. In Canada and the United States, summer jobs remain very popular for students, even if the proportion of teens aged 16 to 19 who are employed in the summer has been on a downward trend since 2000 in the United States.

According to Morisi (2010), with many teens concentrating on academic studies, fewer are working during the summer. Furthermore, in recent years, teens have also faced a labour market weakened by the recession, a diminishing number of federally funded summer jobs, and competition from other groups for entry-level job opportunities. However, as part of their exceptional measures to help youth weather the jobs crisis, both countries have expanded federal subsidies to promote summer job opportunities, particularly for disadvantaged students in the United States (Box 4.3).

Box 4.3. **Recent increase in summer job programmes in Canada and the United States**

In ***Canada***, since 1968, Service Canada Centres for Youth have been helping students and employers across Canada with their summer employment needs. These centres provide a variety of services, free of charge, to help students improve their job-search skills and acquire meaningful employment. They also help employers find enthusiastic summer help. Over 300 of such centres across Canada are open from May to August each year to help students with their career-related needs.

Canada Summer Jobs is an initiative of the federal government's Summer Work Experience programme. It provides funding for not-for-profit organisations, public sector employers and small businesses with 50 or fewer employees to create high-quality summer job opportunities for students between the ages of 15 and 30. During the summers of 2009 and 2010, the federal government funding to Canada Summer Jobs was increased by CAD 10 million per year which helped create additional summer jobs for students during the current economic downturn, particularly in the not-for-profit sector.

Federal Public Service Student Employment Programmes are also provided by the federal government. In 2009-10, more funding, CAD 10 million, was allocated to enhance student employment in the federal public services. The remaining CAD 10 million will be allocated in 2010-11. These programmes help create employment opportunities for students, as well as prepare them for the workforce of tomorrow through work experience and learning opportunities.

In the ***United States***, many analysts have pointed to the role that the Summer Jobs programme has played for low-income youth in achieving positive post-education labour market outcomes (see for example, Sum *et al*., 2008). Indeed, the programme provided important work opportunities for youth with limited family networks and prevented behaviour that could put them at risk during school holidays. Interest in promoting summer employment opportunities for youth has re-emerged in the context of the current crisis and the US Government has emphasised that additional funding available for youth programmes through the Recovery Act should be spent primarily on such programmes.

Combining study and work is to be encouraged to the extent that the work in question is not harmful to study and boosts future labour market performance. Student jobs, internships and apprenticeships can help break the common cycle of "no job no experience; no experience no job" perceived by both youth and employers. Achieving the right balance is important to avoid teenagers dropping out of school and students from postponing their full-time integration into the labour market for too long (Box 4.4).

Jobs for Youth reports in several countries under review (Belgium, France, Greece, Japan, Korea, the Slovak Republic, Poland and Spain) where the traditional model is *study first, then work* have recommended making the transition from school to work less abrupt for students by: *i)* encouraging student work to a certain extent (*e.g*. during school holidays and less than 20 hours a week during the school year) without compromising educational achievement; and *ii)* setting up more compulsory internships in secondary and tertiary education curricula to better prepare graduates to enter the labour market. However, instead of encouraging student work, these countries have recently focused mainly on measures to promote more internship opportunities for students (Box 4.5).

Box 4.4. **Combining study and work: achieving the right balance**

Much has been written in many countries on the impact of combining study and work on future labour market outcomes. The *number of hours worked* is recognised in most analyses as a key factor, with positive returns most likely if work is on a half-time basis or less. The fact that it provides students with some income is important as this may help cover part of the costs of their studies or the cost of living while studying.

Impact of early work experience while in high school

Early work experience while enroled in high school may hinder school performance, so that the individual falls behind in his/her schoolwork to the point where dropping out of school and entering the labour market is the preferred option. The pupil may also simply lose interest in schoolwork and enter early the labour force on a full-time basis.

At the same time, some moderate exposure to the labour market via internships, summer jobs or in jobs of no more than 15 hours a week during the school year should not compromise school achievement. This exposure could actually improve teenagers' prospects of graduating from high school as it might lead them to develop life-skills, such as a greater sense of responsibility, improved work ethics, and more discipline. It might also help teenagers decide what they intend to do later.

Whether employment during high-school years is beneficial or not has been extensively researched in the United States over the past three decades. While some of the earlier studies (*e.g.* Greenberger and Steinberg, 1986) tend to find negative impacts, more recent work shows that *modest involvement* in work activities actually leads to positive outcomes. In particular, Ruhm (1997) finds strong evidence that early work experience leads to higher future wages and better fringe benefits. Additionally, he finds that students working ten hours per week during their senior year have a higher graduation probability from high school than those who do not work at all, although heavier work commitment is generally associated with a lower probability of graduation.

Impact of student jobs while in tertiary education

Most of the time tertiary students work to off-set the costs of their studies. However, this is not the only reason for student work. The OECD countries where student work is very widespread are not necessarily those where tertiary fees are high. In the Nordic countries, where all students receive a study allowance and tertiary studies are free, almost all students work to be financially independent and to leave the parental home. By contrast, in France and Belgium where tertiary fees are low, student work is perceived as a necessity for students not fortunate enough to benefit from the financial support of their parents and in the main constitutes a source of income in addition to public scholarships for young people from disadvantaged backgrounds.

Overall, most analyses provide evidence that working a moderate number of hours helps youth in post-school labour market outcomes without compromising school achievement (Dundes and Marx, 2006).

In some European countries, emphasis is also put on the connection between work content and the student's field of study. Evidence from France and Switzerland (Beffy *et al*., 2009; Murier, 2006) shows that work experience acquired while studying only has a clear positive effect on future labour market outcomes if the job is related to the student's field of study.

Box 4.5. **Making the school-to-work transition less abrupt will not be achieved overnight in countries where the traditional model of "study first, then work" is predominant**

In some OECD countries, working while in school is often perceived as a necessity for disadvantaged students. Changing this deeply-rooted culture is difficult. Therefore, these countries have focused mainly on measures to promote more internship opportunities for students instead of encouraging student work.

Belgium

In the region of Brussels, in 2009, the PES (Actiris) set up a database of internships and student jobs proposed by firms.

In Wallonia, there is an agreement in the education system to generalise internships and dual training and modularisation in vocational and technical secondary education in 2009-14.

In Flanders, in vocational and technical secondary education, internships are now strongly recommended. As an integral part of the Competence Agenda 2010, the social partners have committed to mobilising companies to create 75 000 work placements per year for pupils in technical and vocational secondary education and 30 000 work placements over a period of five years for teachers of practical and technology education. In all new programmes in the short cycle of tertiary education created since 2009, internships are compulsory.

In 2010 the federal government introduced a social security reduction of EUR 400 per quarter for companies who employ mentors to take care of interns, apprentices or VET teachers.

France

The status of apprentices has been aligned with that of students and the scheme has been better publicised among young people and their families.

There is a trend to integrate more internships in the curricula (at the end of lower secondary education, in VET schools, in vocational tertiary institutions, in *Grandes Ecoles* and in *Licences professionnelles* in universities). Internships are regulated by an agreement signed between the school and the firm and have to be part of the curriculum. They are only available to students and not to young people who have already graduated.

Since the law of March 2006 interns have to be paid a fee after three months and since the law of November 2009 after two months. In 2010, the minimum fee is set at EUR 417 per month for a full-time internship (152 hours).

Japan

Since April 2005, the Ministry of Education has implemented a programme called *Career Start Week*, providing five days or more of workplace experience for lower secondary school students.

Since 2008, students of specialised upper secondary schools such as business high schools and industrial high schools have more contacts with firms, with: internship programmes in firms; hands-on teaching at school by technical personnel/engineers working in firms; high-level training for instructors/teachers; and joint research by specialised upper secondary schools and firms.

Korea

Vocational high schools (colleges) can sign an agreement with SMEs, under the terms of which education and training tailored to the SMEs' needs is provided to students on the condition that they will be employed by the SMEs after graduation. The government helps schools to develop tailored training courses, and covers their operating and training equipment costs. It also supports students by covering training expenses (KRW 1.2~1.5 million per person per year) and providing training allowances (up to

KRW 200 000 per month during training). The government also offers participating students incentives, allowing them, for example, to postpone their military service during the two-year support period, while giving companies preferential treatment, in the form of extra points when they apply for policy funds or for designation as alternative military service companies.

In 2009, with a budget of KRW 10.5 billion won (including the supplementary budget), the programme benefited 2 210 participants, and in 2010, with a budget of KRW 9.5 billion, it will benefit 2 200 participants.

Poland

Higher vocational education students are required to participate in a 15-week practical placement. The July 2007 ordinance of the Ministry of Higher Education specifies that in the tertiary sector internships are mandatory and can be organised by firms, research institutes and public institutions. Higher education institutions may sign contracts with interested employers or institutions in order to define the purpose and conditions of internship. The duration and content of the internship is defined in the programme requirements for every field of study. The longest ones – lasting a couple of months – are for medical students. Other fields of studies include standards for obligatory internships ranging from 3 to 12 weeks.

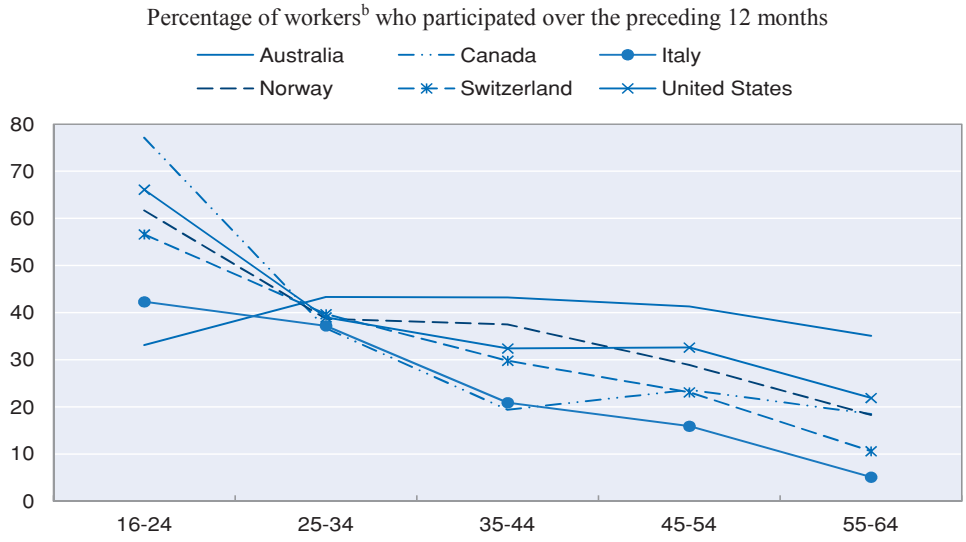
Developing the use of internships in the study programme is a step in the right direction to put students in contact with the world of business. However, avoiding certain problems in implementation is a challenge. It is necessary to ensure that the internships have a high added educational value and are linked to the training or study programme. Certain abuses, which are often related to the fact that interns cost very little to employ, must also be avoided. For example, it is not rare, particularly in continental Europe, for tertiary institutions and universities to receive requests for internship agreements concerning graduates (young people who have completed their studies), who are offered the internship as initial work experience in the company instead of a work contract.

5. Job-related training among young workers

The international evidence on the comparative incidence of job-related training among young workers, aged 16-24, across OECD countries is limited. The only recent source available is the 2003 Adult Literacy and Life Skills Survey (ALL), and only five OECD countries took part in the survey (Canada, Italy, Norway, the United States and Switzerland).[3] In Australia, the Household and Income Survey for Australia (HILDA) includes items that are comparable to those in ALL.

Figure 4.7 focuses on young workers who undertake education and training activities that are job-related (as opposed to being undertaken out of personal interest, or as a hobby). Australia and Italy stand out, as they provide relatively few job-related training opportunities for young workers: respectively 33% and 42% of their young workers aged 16-24 participated in job-related education and training compared with 77% in Canada and 66% in the United States. The gap *vis-à-vis* other countries in Australia is much lower among adult and older workers. Overall, young workers receive more job-related education and training than adult and older workers, except in Australia.

Figure 4.7. **Incidence of job-related education and training among workers by age group, selected OECD countries, 2003**[a]



a) Data refer to 2006 for Australia; for all other countries, they refer to 2003.
b) Excluding respondents who are still studying.

Source: Melbourne Institute, HILDA for Australia; and Statistics Canada and OECD (2005) for all other countries.

Participation in all forms of learning activities undertaken with the aim of improving skills and competencies, within a personal, civic, social and/or employment-related perspective is also considered as a key component in helping young workers to cope with structural change. Acquiring competencies through non-formal and informal learning should be encouraged, as they can be a rich source of human capital. Recognition of these competencies can also help young people and employers to find a good job match. In Europe on average in 2007, participation rates in non-formal education and training were slightly higher for young people under 30 than for their older counterparts (Eurostat, 2009).[4] But it is noticeable that tertiary-educated youth usually participate more in non-formal education than their peers with a lower educational level, which tends to increase inequalities rather than bridging the gap.

B. Ensuring that youth leave education with the skills required on the labour market

Effective training programmes should, in short term, help youth be better prepared for the economic recovery. However, taking a forward-looking perspective in education is crucial. In particular, governments should prevent secondary and tertiary students from dropping out of education because they are likely to face significant difficulties not only during the jobs crisis but in the longer-term throughout their working life. Second-chance schools are necessary to offer young people who have already dropped out a second chance to acquire a useful qualification, particularly in some European countries where there is no culture of resuming education after a break (Box 4.6). One of the main messages of Chapter 3 is that combining study and work is for many young people a more important and effective part of the school-to-work transition than the traditional model of *study first, then work*. On-the-job training for students allows them to fill the gaps in school-based education and be better prepared to gain the skills required by employers. In addition, new entrants should continue to learn on the job and, if necessary, be prepared to resume a more academic education to reinforce their employability, particularly when they have low skills.

Box 4.6. **Second-chance schools in France and in Europe**

Second-chance schools are the result of a European pilot initiative adopted in 1995 to fight social exclusion among disadvantaged youth. The goal was to provide a second-chance initial education for youth aged 18-25 who have left the education system without a qualification for over one year. Until the year 2000 the project had a pilot status. The starting point in initiating these second-chance schools was to set up long-term local partnerships between all the institutions involved in the social and economic integration of young people at risk of social exclusion. From the outset city authorities have been part of a dynamic dialogue with the second-chance schools; the close links between the initiatives made a rapid exchange of good practices between the schools possible and have offered concrete perspectives for transnational exchanges, both to students as well as to their trainers. In June 1999, a European Association was officially established and in 2004 it changed statutes in order to attract not only cities and second-chance schools, but also organisations which indirectly fight against the social exclusion of marginalised young people. The main funders are local and regional government, the European Social Fund, and from 2009 business, as part of mandatory corporate spending on continuing vocational education.

The first Second Chance School was created in Marseille in1997. In 2004, existing Second Chance Schools (Marseille 1997, Mulhouse 2000, Seine-Saint-Denis 2002 and Champagne Ardennes 2002) set up the Charter of Fundamental Principles" for these schools in France and created the French network known as the *Réseau des Écoles de la 2e Chance en France*. The principles of the Network are built around four poles, which appear essential for the professional and social integration of youth without qualification or jobs (see Schajer, 2009): *i)* building customised programmes outside traditional school schemes; *ii)* developing specific and dedicated training programmes for youth; *iii)* providing sustained and comprehensive support; and *iv)* using the teaching method of work placements in firms to give birth to a professional project.

Developing second-chance schools was one of the main measures of the 2009 emergency plan of the French Government to fight youth unemployment. Some 5 500 places, in addition to the 4 500 existing places, should be created in 2010 and the objective is to enrol 12 000 students by June 2010, with the ultimate objective of establishing one second-chance school in each department.

Students of second-chance schools in France in 2009 were on average aged 20 and dropped out of school two and a half years ago; 98% had no diploma, 80% had no professional experience, and 79% lived in difficult urban neighbourhoods. Results are encouraging: 78% of them continued their course and about 59% of them found a positive outcome (22% in training, 11% in apprenticeship, 4% in a subsidised employment and 22% in a regular job).

1. Trends and issues in the current economic crisis

The OECD *Jobs for Youth* review shows that the perceived opportunity cost of time spent in education and training may depend on the business cycle. In buoyant economies, staying on in education could be perceived as having a high cost, which could explain the tendency of some youth to leave school early because of attractive job opportunities for low-skilled workers. A good example was the relatively high school drop-out rate among young men in Canada in the early 2000s, in part due to access to higher paying low-skill jobs in the oil industry in the Province of Alberta (OECD, 2008c).

Although most young people see dropping out of school as non-problematic, they may underestimate the handicap of a low education attainment at a later stage in their career, particularly when there is a severe drop in demand for low-skilled workers, as occurred in the current jobs crisis. In Spain, the rapid growth in employment in the

period 2004 to 2007, especially in sectors that required little qualification such as construction and tourism, could have lead many young people to drop out of schooling (OECD, 2007c). As a result of the crisis, these same young people are now out of work without any recognised and certified vocational skills. In 2009, Spain implemented an important plan to reduce early-school leaving based on co-operation between the government and the autonomous communities. The plan closely monitored the number of students at risk of dropping out and focused on ways of reconnecting them with formal education and training.

Experience shows that in an economic slowdown, and the current slowdown is no exception, young people are more likely to stay in education or enrol in studies rather than look for work. The case of Canada is again illustrative. Tertiary enrolment, particularly in short-course post-secondary programmes, rose during and after previous recessions. In the context of the current jobs crisis, full-time enrolment at Canadian universities rose by 4% in 2008-09 compared with 2007-08, while 7% more graduates signed on for the 2009 school year. However, in general, young men are falling behind, mainly because they have a lower earnings premium from tertiary education than females (see Box 3.1). Some other groups, in particular aboriginal youth, continue to have difficulty accessing tertiary education, even if important steps have been taken to improve their access (OECD, 2008c). But barriers to tertiary education still remain, including actual and perceived financial barriers, parental attitudes, literacy skills and geographic location.

2. Recent policy initiatives

Policy initiatives in OECD countries should seek to capitalise on the retention trend in education created by the jobs crisis. For example, in Australia in recognition of this retention trend the Council of Australian Governments agreed in 2009 to bring forward its 90% upper secondary or equivalent attainment rate target from 2020 to 2015. Actions to strengthen the skills of school-leavers and young workers are important. It is a concern in most OECD countries, in Norway for example, the government discussed in Parliament in March 2010 a White Paper proposing a number of measures to improve the completion rate in upper secondary education. The following sections present some recent promising and innovative measures implemented in OECD countries to prevent teenagers from dropping out of school, to help tertiary students and graduates to be better prepared to enter the labour market and to promote more successful apprenticeship opportunities for youth, particularly among the most disadvantaged groups.

Recent promising and innovative measures to prevent teenagers from dropping out of school

Teenagers who drop out of school and enter the labour market early are considered in many countries as the group most at risk of getting off to a bad start that will be very difficult to make up for later on. Teenagers should be encouraged to stay in education past the age of compulsory schooling in order to boost their skills and improve their long-term prospects. Compulsory longer schooling alone is, however, no panacea, particularly for teenagers at risk of disengagement from school and having difficulties with authority and compulsion. Closer co-operation between education, social and employment stakeholders at the local level could help school drop-outs to reconnect rapidly with education. Some innovative strategies based on an education-first activation strategy are presented in Box 4.7. They strongly encourage early school-leavers and school drop-outs to resume education immediately, most of the time in work-study vocational programmes. In particular, some countries have introduced the concept of an *education or training*

guarantee until the age of 18 (Austria, New Zealand and United Kingdom). Others seek to guarantee a given basic education level (Australia and Netherlands). It is however important to sustain this effort, if necessary well beyond the age of 20, to help young adults who dropped out of school to resume education and to obtain a recognised qualification.

Box 4.7. **Recent promising and innovative measures to prevent teenagers from dropping out of school: an education-first strategy**

Australia (the "Compact" from 2009 to 2011)

In April 2009, all states and territories agreed to establish a *compact* with young Australians. The Compact is part of broader reforms introduced through the national partnership on youth attainment and transitions. It delivers a number of initiatives and reforms focusing on educational engagement and attainment. The Compact will be offered until 31 December 2011 and will be reviewed in April 2011. One of its three components is the national youth participation requirement which stipulates that all young people should participate in schooling (or an approved equivalent) until they complete year 10 (normally at age 16), and then participate full-time (at least 25 hours per week) in education, training or employment, or a combination of these activities, until age 17. As a first priority, from 1 July 2009 the states and territories agreed to support young people aged 15 to 19 with education or training places. These places are delivered through schools, registered training organisations and higher education providers.

Canada (Budget 2010-11)

For disadvantaged youth, Pathways to Education Canada, a charitable organisation created to reduce poverty and its effects by lowering the high school drop-out rate and increasing access to tertiary education will receive CAD 20 million in the 2010 Budget to partner with the private sector, other governments and non-governmental organisations and work with communities to extend its reach to more young Canadians who are facing barriers to their pursuit of education.

For aboriginal youth, a budget of CAD 30 million over two years (2010-11) was allocated to support an implementation-ready tripartite primary and secondary education agreement for First-Nations students that will seek to ensure that education outcomes for First-Nations students are comparable whether the classroom is located on or off the reserve. In addition, the government will engage in a new approach to provide support to First-Nations and Inuit post-secondary students to ensure that they receive the support they need to attend post-secondary education.

Denmark (measures decided in November 2009)

For 15-17-year-olds, all primary school students have to prepare an education plan in collaboration with their parents, the school and the Guidance of Youth Institution, which has primary responsibility for initiatives targeted at youth aged under 18. When the student completes primary school, the plan leads to further education or to a description of what the young person is doing. The education plan may include activities such as education, employment, internship, stay abroad, volunteer work, etc. Additional resources have been provided for increased co-operation between youth guidance centres, educational institutions and the PES job centres. A database, that will ensure a full overview of the education and training of each young individual, will be developed. This will enable a quick identification of vulnerable young people. Those not enroled in upper secondary education or training and who have not worked on a regular basis will be a target group requiring greater guidance during the transition between compulsory schooling and youth education (non-compulsory school). They will benefit from activities to support a continuing process in education, job or other relevant activity. The responsibility for this is placed on the municipality, and especially the youth guidance centres.

Box 4.7. **Recent promising and innovative measures to prevent teenagers from dropping out of school: an education-first strategy** *(con'd)*

For unemployed youth aged 18-19, the job centre will immediately implement measures based on intensive contact and rapid activation: an individual interview after only one week of unemployment, a clarifying course within the first two weeks and an offer of an educational opportunity or work placement by the local municipality no later than one month after the beginning of the unemployment period.

Netherlands

Drop-outs *under the age of 18* without a basic qualification are obliged to attend school and must be steered back into the education system. The strategy in the education system, however, aims in the first place to prevent students from dropping out, based on the principle that prevention is better than cure. For those young people who do nevertheless drop out, the first point of contact is the local authority (compulsory education department and Regional Reporting and Co-ordination Centre, RMC). The aim of the RMC department of the local authority is to encourage young people to obtain a basic qualification. Discussions are held between the RMC supervisor and *drop-outs aged over 18* in order to explore their options for obtaining a basic qualification, including possibilities to combine work and study.

The RMC is the entry point for tackling the problems of early school-leavers on a regional basis. The schools and local authorities are jointly responsible for assisting those young people whose needs are met neither by regular nor special teaching.

New Zealand

For *16-17-year-olds*, Youth Guarantee is part of the Youth Opportunities' package starting in 2010. The Youth Guarantee aims to encourage more students to remain in education or training until age 18. The target group is 16- and 17-year-olds not engaged in education selected from areas of greatest need. The selection is based on youth unemployment rates and availability of suitable vocational training programmes. It provides free study towards school-level qualifications in settings such as polytechnics and private training establishments. It is based on new pathways towards qualifications (and employment), and in particular offers the opportunity to undertake more vocationally focused learning than is traditionally provided in New Zealand secondary schools. Up to 2000 full-time equivalent student places will be created for the Youth Guarantee in 2010 and 2011, at a cost of NZD 52.7 million.

For young people receiving the Independent Youth Benefit, a social benefit available for young people aged 16 or 17 who are not living with their parents and are not financially supported by them, remaining in, or returning to, education or training is the default obligation. Where a young person can work, they will be actively encouraged to get a job.

Norway

For 16-19-year-olds who do not make use of their rights to ordinary training in upper secondary education, the 2008-09 education strategy includes measures to improve and promote stronger and more systematic co-operation between the counties' Educational Follow-up Service and the PES (NAV). The aim is to develop more systematic use of practically oriented activities. A development project will be started in 2010 in three counties for three years.

In March 2010, the Norwegian Government discussed in Parliament a White Paper to introduce a number of measures to increase the completion rate in upper secondary education. Closer individual follow-up of pupils and apprentices will be facilitated and those who have already dropped out of school will be more closely monitored than today. In addition, education will be made more subject-relevant and work-relevant and will allow for greater flexibility to make it easier to take the pupils' individual needs into account. There will be a stronger focus on improved and closer co-operation between the education system and working life.

Box 4.7. **Recent promising and innovative measures to prevent teenagers from dropping out of school: an education-first strategy** *(con'd)*

Poland

For *youth aged 15-18*, the Voluntary Labour Corps carries out education and care tasks for youth who have not graduated from primary schools or gymnasia or do not continue education in these schools despite being subject to schooling duty up to 16 and education duty up to 18. These youth are oriented towards education and care units, *i.e.* labour corps, education and care centres, as well as to training and care centres, where they supplement their education and acquire vocational qualifications. In 2010, about 33 000 young people will be covered by care provided by the Voluntary Labour Corps (*i.e.* circa. 1 500 persons more than in 2009) of which some 3 000 persons will receive 24-hour care. About 31 000 young people will participate in vocational training programmes, combining education with practical classes in Voluntary Labour Corps training and production workshops or with employers. It is expected that some 10 500 persons will complete their education in Voluntary Labour Corps of whom some 5 500 in gymnasia for adults and some 5 000 in basic vocational schools.

United Kingdom

For *13-19-year-olds*. At the local level, the Young People's Learning Agency, which is replacing the Learning and Skills Council from 1 April 2010, requires colleges and independent training providers in England to notify the Connexions services (in charge of providing information, advice and guidance to young people aged 13 to 19) when young people leave learning so that action to find alternative provision can begin at the earliest opportunity. Connexions maintain this date on the Client Caseload Information System (CCIS) database. Data from the CCIS database are analysed and presented regularly to the 14-19 Partnership and Children's Trust (whose board includes local Jobcentre Plus and employer representatives) so that local areas are aware of the young people who are NEET in their area and can plan the right provision for them. Connexions advisers can help young people find learning opportunities alongside their employment, especially in jobs without training, and can act as their advocates with learning and work providers. Connexions can act as a job brokerage and placing service to give young people information on jobs and training and educational courses for their chosen career paths. From early 2010, Jobcentre Plus, the PES that deals with young people aged 18 and above, shares basic details on 18-19-year-old benefit claimants with Connexions.

The September Guarantee ensures that all young people receive an offer of a suitable place in learning, and that they have the support to do so. This was implemented for 16-year-olds in 2007 and extended to 17-year-olds in 2008 and has contributed to record levels of participation amongst 16- and 17-year-olds. The September Guarantee approach has been extended as a January Guarantee to offer a place in an Entry to Employment programme to all 16- and 17-year-olds who were not in education, employment or training in January 2010.

Recent promising and innovative measures to help tertiary students and graduates be better prepared to enter the labour market

While the crisis is an opportunity for students to pursue their specialisation, it is important that they acquired further skills that are valuable to the labour market. The issue of skill-matching is at the top of the agenda in many OECD coutries, which were facing a large share of unemployed graduates, even before the crisis, particularly in the South of Europe (see Figure 4.4). Many tertiary graduates have qualifications and skills without career prospects because there are too many with the same diploma compared to labour demand or because their skills do not correspond to the needs of the labour market. Young graduates hard hit by the crisis are at risk of long-term unemployment and could be discriminated against by employers preferring to hire fresh graduates. To prevent this risk, some countries introduced recently measures to help them (Box 4.8).

Box 4.8. **Recent promising and innovative measures to assist tertiary graduates and open access to tertiary education**

Austria

A target group of integration subsidies was expanded to include young people under 25 who cannot find a job after graduation (due to a lack of qualification and/or work experience). Launched in January 2010 and running until the end of 2010, a temporary initiative, *Action 6 000,* gives at least 6 000 young graduates a chance of finding regular employment. Half of the wage and non-wage labour costs will be subsidised by the PES for half a year. Some 5 102 young people benefitted from a "classical" integration subsidy in 2009.

Canada

A temporary expansion of the *Canada Graduate Scholarships* programme over three years starting in 2009 at a cost of CAD 87.5 million will support an additional 2 500 scholarships to Canada's top graduate students pursuing research-based degrees at the master's and doctoral levels across all disciplines. Scholarships are awarded annually by the three federal granting councils: the Social Sciences and Humanities Research Council; the Natural Sciences and Engineering Research Council; and the Canadian Institute of Health Research.

The *Industrial Research and Development Internship programme* places graduate students and post-doctoral fellows in businesses to undertake research that addresses practical business problems. It gives student interns an opportunity to apply their research skills to real-world challenges, allows companies to benefit from the intellectual capital within Canada's universities and facilitates increased private investment in R&D. The federal government aims over the years 2009 and 2010 to create an additional 600 graduate internships in science and business. This initiative will cost CAD 3.5 million.

There is a one-year CAD 30-million increase in the 2010 budget in funding for the *Career Focus* component of the Youth Employment Strategy. This will provide additional support to Canadian employers/organisations willing to offer valuable career-related work experience to college and university graduates, including internships in green sectors of the economy.

The federal government is providing additional funding to the National Research Council's Industrial Research Assistance Programme to enable it to temporarily step up the *hiring of post-secondary graduates in SMEs* (subsidies of CAD 30 million to help companies hire over 1 000 new post-secondary graduates).

Ireland

One stream of the *Work Placement Programme* introduced in May 2009 provides nine months' work experience to 1 000 unemployed graduates, irrespective of their age. The aim of the Programme is to assist unemployed people, to establish or maintain links to the labour market. While each placement is unpaid, participants who are receiving social welfare payments could retain these while on the programme, subject to the normal social welfare rules.

Japan

For students who will soon become graduates and who have not received a formal job offer, *Job Supporters for high-school or university/college graduates* visit schools and companies to support employment. The number of Job Supporters increased from 530 to 928 under the Immediate Additional Employment Measures in October 2009 and the Immediate Additional Economic Measures in December 2009. JPY 250 million was allocated in the FY2009 supplementary budget and JPY 2.9 billion has been allocated in the FY2010 budget.

For unemployed graduates who are not able to find a job by the time they graduate, the PES offices provide them with employment support in the form of: a new *trial employment programme for new graduates* launched in February 2010 (a one-month trial in temporary employment to broaden the desired

job types of unemployed graduates and to promote the transition to regular employment with an employer subsidy of JPY 80 000 and a budget of JPY 370 million) or a *new training programme for unemployed graduates* launched in April 2010 as part of the Emergency Human Resource Development Programme.

Korea

An exclusive website for college graduates was launched recently in order to provide quality information on job openings especially relating to young people. A database of "good" companies and SMEs has been set up in an effort to provide decent jobs. Information on companies and job openings is provided to young people in real time through job information networks at colleges.

Slovak Republic

For jobseekers aged up to 25 who graduated not more than two years ago, there is a special measure available, the so-called graduate practice, a placement of up to six months in a public or private firm, with the possibility of extension, to gain practical experience and skills that will increase their labour market prospects. For a transition period, from 1 November 2009 until the end of 2010, the three-month waiting period has been dropped to allow for the inclusion of jobseekers under 25 in the school graduates scheme, *i.e.* the jobseeker will be able to start the graduate practice immediately upon signing on to the Jobseekers Register. In 2010, the allocation for the implementation of the graduate practice scheme amounts to EUR 9 200 000.

United Kingdom

As part of the Young Person Guarantee launched in January 2010, graduates are eligible for a *new Graduate Guarantee*, where any new graduate still unemployed after six months is guaranteed access to internships, training or help to become self-employed. The Department for Business Innovation and Skills maintains the Graduate Talent Pool website, to allow employers to post internships online and graduates to search and apply directly.

How to develop vocational education and training as a response to the current crisis and beyond?

There is a great diversity in both the organisation and popularity of vocational and education and training (VET) programmes across the OECD countries, as assessed in the OECD review on VET policies (Box 4.9). According to the VET review, an apprenticeship system is an effective way of providing a mix of VET programmes that reflect both student preferences and employer needs. However, according to Brunello (2009), the main challenge in boosting apprenticeship schemes is that they suffer from a chicken-and-egg dilemma – youths are not so interested in an apprenticeship before the value of the qualification in the labour market is established. This dilemma is exacerbated in the jobs crisis, particularly in countries where apprenticeship has still a poor image.

Box 4.9. **"Learning for Jobs": the OECD review on Vocational Education and Training (VET) policies**

This review seeks to help countries increase the responsiveness of VET systems to labour market requirements. A programme of analytical work draws on evidence from all OECD countries. Country policy reviews were also carried out in Australia, Austria, Belgium (Flanders), the Czech Republic, Germany, Hungary, Ireland, Korea, Mexico, Norway, Sweden, Switzerland, the United Kingdom (England and Wales), and the United States (South Carolina and Texas) between the end of 2007 and 2010. The results of both the analytical work and the country reviews were fed into the comparative report (OECD, 2010e).

Four recommendations focus on how VET could better help meet labour market needs:

1. Provide a mix of VET programmes that reflect both students' preferences and employers' needs through an apprenticeship system, where a market balances supply and demand.
2. For VET beyond secondary level, share the costs between government, employers and individual students according to the benefits obtained.
3. Engage employers and unions in curriculum development and ensure that the skills taught correspond to those needed in the modern workplace.
4. Through VET systems, provide young people with the generic, transferable skills to support occupational mobility and lifelong learning, and with the occupationally specific skills that meet employers' immediate needs.

For further documents and details of the work programme, see *www.oecd.org/edu/learningforjobs*.

Programmes to support and promote apprenticeship during the crisis have been at the core of many youth packages. Analytical work produced by Brunello (2009) for the OECD VET review highlighted mixed results regarding the impact of past recessions on apprenticeship programmes. The existing empirical evidence on the relationship between apprenticeships, initial workplace training and economic downturns is relatively scarce in the so-called apprenticeship countries (Germany, Austria, Switzerland) and is limited mainly to Anglo-Saxon and Nordic countries. Despite the paucity of empirical research, there is a broad perception that the provision of training is negatively affected by a recession. If one looks at the total number of trainees or apprentices, this could be simply due to the fact that employment falls in an economic downswing. If one focuses instead on the percentage of employees who receive training, the empirical evidence discussed above does not provide a clear picture. Most of the reviewed studies that consider apprenticeships suggest that the ratio of apprentices to employees is pro-cyclical and declines during a recession. The few studies that focus on broader measures of training and exclude apprentices, however, point to counter-cyclical behaviour, with training incidence that increases during a downturn.

Young apprentices whose contracts have been ended should receive help to complete their training. Firms should be encouraged to train, hire and retain more unskilled apprentices because there is evidence that alternating study and on-the-job training is an effective pathway for apprentices to enter the labour market and for low achievers to gain a qualification. Employers should have access to pedagogical and management assistance during the apprenticeship training period, particularly for apprentices without a qualification. Exemptions to employer social security contributions and regional or central government subsidies for apprenticeship agreements should be given primarily to companies that take on unskilled apprentices. In addition, employers who hire an unskilled apprentice whom they

have trained could be given a temporary subsidy. Such a subsidy should be well designed and evaluated carefully to ensure that the expected benefits outweigh any deadweight and/or substitution effects involved when the firm takes an apprentice. One condition for an employer to be eligible for a subsidy could be, for instance, that the new apprentice contract is *additional* to the number of apprenticeship contracts usually offered by the firm in question. Furthermore, measures should be limited to youth without skills and to laid-off apprentices to help them to get a qualification.

Emergency and temporary measures were decided in the crisis to enhance VET programmes and apprenticeships in particular (Box 4.10). Some countries also provide subsidies to promote apprenticeship for unskilled young people and support measures to help apprentices made redundant to complete their training. Australia, France and Ireland, in particular, recently announced temporary measures to secure the training of apprentices made redundant.

Box 4.10. **Enhancing VET: recent policies in selected OECD countries**

Australia

The *Securing Australian Apprenticeships Initiative*, announced in February 2009, provides financial support to employers who create new opportunities for eligible Australian apprentices to continue their incomplete – but formally approved by the State Training Authority – training, or who successfully complete Australian apprentices, at the Certificate III or IV level in skill shortage trades, or Diploma or Advanced Diploma-level qualifications. Employers of an Australian apprentice undertaking an eligible qualification may receive up to AUD 2 800 under the Securing Australian Apprenticeships Initiative. This consists of a Recommencement Bonus of AUD1800 payable 12 weeks after recommencement where the recommencement occurs on or after 1 January 2009; and a Completion Bonus of AUD 1 000 payable upon successful completion of Australian apprentices, who successfully complete on or after 1 January 2009. Payments are made through Australian Apprenticeships Centres and are available for two years until 31 December 2010.

Data show that completions in skills shortage trades increased over the period from April 2009 to July 2009, and recommencement of out-of-trade apprentices peaked in June/July 2009. Both increases were in direct response to the introduction of the Securing Australian Apprenticeships Initiative.

In October 2009, the *Apprentice Kickstart* package was announced, with a AUD 100 million investment to support two measures:

i) The *Apprentice Kickstart Bonus* provide a AUD 3 350 bonus to employers who took on a young person aged up to 19 into a traditional Australian Apprenticeship trade between 1 December 2009 and 28 February 2010, or until *Apprentice Kickstart Bonus* commencements reached 21 000 over this period. Eligible employers receive AUD 850 at the three-month point of the apprenticeship and AUD 2 500 at the nine-month point of the apprenticeship. The bonus payment is in addition to existing incentives available to employers under the *Australian Apprenticeships Incentives Programme*, and represents a tripling of government support for employers of eligible Australian apprentices in their first year of an Australian Apprenticeship.

ii) The *Apprentice Kickstart Increased Pre-Apprenticeship Training Opportunities* measure provides funding for states and territories to develop and manage innovative programmes and projects that increase the number of pre-apprenticeship training opportunities in their jurisdictions. While projects could be open to all individuals, they should focus on young people aged up to 19. In delivering projects under this measure, jurisdictions are being encouraged to partner with appropriate organisations, such as group training organisations and industry groups, to maximise opportunities and capitalise on their expertise, resources and networks.

Box 4.10. **Enhancing VET: recent policies in selectede OECD countries** *(con'd)*

Belgium

In Flanders, following the recommendations made in 2009 by the Commission Monnard to all the stakeholders involved (schools, employers, higher schools, ministry of education), new educational pathways and programmes have been developed in VET secondary curricula in order to enhance them. In particular, there is greater flexibility in the choice of studies and in the option to enter the labour market directly or to continue in tertiary education. Students are able to choose later and benefit from more opportunities of second chance and preparatory courses.

Canada

The new *Apprenticeship Completion Grant* was launched in July 2009, with eligibility made retroactive to January 1, 2009. It is a CAD 2 000 taxable cash grant designed to encourage apprentices registered in a designated Red Seal trade to complete their apprenticeship programme and receive certification.

France

The new measures targeted at youth aged under 26 in the emergency plan for youth employment, introduced in April 2009 and running to June 2010, helped to maintain dual vocational contracts during the crisis. Any company that recruits a young apprentice before end-June 2010 is exempt from paying social security charges for that person for one year. Furthermore, small enterprises (with fewer than 50 employees) receive an additional subsidy of EUR 1 800 per apprentice. As a result, there were 284 000 new apprenticeship contracts in 2009, only slightly fewer than in 2008 (almost 294 000). As an incentive for companies to offer *contrats de professionnalisation* that alternate work experience with formal training, the plan proposes a direct one-off subsidy, worth EUR 1 000 for each person aged under 26 who signs up. If the person has not achieved an educational qualification equivalent to the *baccalauréat* school certificate (academic or vocational), the subsidy is doubled to EUR 2 000. In 2009, there were 146 000 new contracts compared with the target of 170 000 new *contrats de professionnalisation* by mid-2010. These measures have been extended until end 2010.

Ireland

The immediately priority is to provide every possible opportunity to apprentices who have been made redundant, particularly in the construction sector, to allow them to complete their apprenticeship. The national training authority, FÁS, has introduced an interim measure whereby redundant apprentices may progress to the next off-the-job training phase of their apprenticeship, in line with current scheduling criteria. In 2009, over 2 000 redundant apprentices were provided with off-the-job training and 1 041 redundant apprentices began off-the-job training in January 2010. In 2009, FÁS introduced a temporary *Employer-Based Redundant Apprentice Rotation Scheme*, which ran until 31 December 2009 for apprentices made redundant in the construction industry. Over 460 redundant apprentices completed training and assessments with employers under this scheme in 2009. The scheme is being replaced by a new *Redundant Apprentice Placement Scheme* for 2010, announced in March 2010.

Netherlands

An important part of the Youth Unemployment Action Plan launched in May 2009, with a total budget of EUR 250 million for 2009-11, is the *Work Placement and Apprenticeship Offensive,* which is designed to tackle sector-related and regional problems regarding the availability of work placements and apprenticeships. As a result of the various measures and actions taken as part of this offensive, the number of companies providing work placements and apprenticeships to MBO (Upper Secondary Vocational Education) students has increased by almost 10% since the economic crisis. Better use is also being made of the range of available work placements and apprenticeships, partly due to improved matching between the learning needs and qualities of young people and the opportunities for learning within companies.

Additionally, every effort is made to prevent vacancies in companies remaining unfilled for too long. Finally, young people for whom no work placement or apprenticeship of their preferred choice can be found are assisted as much as possible, so that the placement or apprenticeship is at least related to their field of preference.

Norway

A pilot project will establish a new pathway within vocational education and training where pupils receive training in companies from day one. The target candidates are pupils who are in danger of dropping out unless they are given an adapted training in VET. They are often recognised by an unsatisfactory level of learning outcome and a high degree of absence from lower secondary school. After two years of training in an enterprise along with elements of theoretical training, pupils will receive a basic competence certificate which will qualify them for working life. The goal is, however, that pupils continue for two more years in order to obtain the ordinary craft certificate or "journeyman" certificate. The new pathway will be an alternative, but not one that the pupil can apply directly for. Candidates are selected in co-operation with the local school authority, the school and the parents. The pilot project will be evaluated by a research institute.

United Kingdom

During the crisis, an apprenticeship grant for employers has been introduced to help up to 5 000 employers take on an unemployed 16 or 17-year-old apprentice immediately where otherwise they would have struggled financially. The GBP 2 500 grant is in addition to the costs of training for young people (aged 16-18) which are already fully met by the National Apprenticeship Service.

During an economic downturn and early phases of the recovery, apprenticeships programmes can play a vital role in promoting access to jobs among young people (Scarpetta, Sonnet and Manfredi, 2010). But even in countries where the apprenticeship system is well-established (Germany, Austria, Switzerland and Luxembourg), employers become reluctant to offer apprenticeships, especially to those youth lacking educational qualifications and from an immigrant background.

Youth unemployment is traditionally low in Austria, Germany and Switzerland, which are known as the "apprenticeship countries". Even in the crisis, these countries have succeeded in keeping unemployment down. In 2009, their youth unemployment rates were respectively 10%, 11% and 8% compared with 19% on average in the OECD, and they have hardly increased since the beginning of the crisis. The key elements behind their success could be related to fine-tuning measures to secure on-the-job training for all apprentices, even low achievers. There is a focus on helping youth, not only to perform well during their second transition (*i.e* from vocational training to the labour market), but also during the first transition (*i.e.* from school to vocational training).The successful experience of the "apprenticeship countries" in coping with the current crisis is presented in Box 4.11.

Box 4.11. **How apprenticeship countries maintained a performing youth labour market in the crisis?**

In ***Austria***, apprentices who did not find a place in a company were offered supra-company training in training institutions. Supra-company apprenticeship training was introduced in the Youth Employment Package 2008 as an element of a training guarantee: special "supra-company" providers (*i.e.* not companies themselves) offer practical training in "apprenticeship workshops", while theoretical education is undertaken in vocational schools. Supra-company training programmes are recognised as equivalent components of the dual system, enabling participants to complete training with standard apprenticeship certificates. The target group is school drop-outs, disadvantaged youth and slow learners. By the end of January 2010, some 11 000 young people had participated in supra-company apprenticeship training.

Box 4.11. **How apprenticeship countries maintained a performing youth labour market in the crisis?** *(con'd)*

The Youth Employment Package 2008 reinforced the integrated vocational training programme for disadvantaged groups which was introduced in 2003 to replace the previously existing pre-apprenticeship. It offers extended (apprenticeship) training periods or the opportunity to acquire partial skills that will enable participants to enter the labour market even though they are unable to complete any formal apprenticeship by defining tailor-made training schedules and content to meet participants' special needs. About 4 700 young people joined integrated vocational training in 2009.

More *factory schools* have been opened – from 11 in 2008 to 30 in 2010 – to reach a capacity of 950 places benefiting about 2 000 young people per year. The target group is disadvantaged youth aged 15 to 25, but also youth from immigrant backgrounds and early school-leavers. These schools introduced in 2001 are education facilities that vary in orientation and specialisation, and that are characterised by innovative tools of practical training applied to for-profit production. They started in four sectors (textile, wood, multimedia and creative/cultural). Young people stay between 6 and 18 months, depending on the type of factory school. Participants receive a subsistence allowance for working 32 hours per week. Continued support and guidance is ensured by the PES, which is responsible for orienting the participants to the factory schools.

Apprenticeships were also made attractive for more ambitious students through a financial incentive for employers to deliver high-quality training. As from 1997, a bridge exam was introduced for graduates from an apprenticeship or a vocational school to give them access to university. Additional financial support for companies accepting apprentices also depends on the quality of on-the-job training. The company receives a bonus of EUR 3 000 per student successfully passing a midterm test.

In ***Germany***, the *2004 Training Pact* concluded between the central social partners and the German government committed employers to offering sufficient apprenticeship places to meet demand over the following three years: 60 000 new training places and 30 000 new training firms on average per year, as well as an additional 40 000 places annually for company-based introductory training. The German Government also has to provide 40 000 places annually for company-based introductory training. In October 2007, the employment promotion legislation committed the federal government to promoting the organisational support for company-based training-preparation and training of disadvantaged young people. In the framework of the German Qualification Initiative, an agreement was concluded between the federal government and the federal states (Länder) in October 2008 to the effect that the Länder would facilitate the transition from school into vocational training by a systematic profiling process for pupils.

Germany has been continuously developing programmes to prepare immature young people for vocational training that is fine-tuned to meet the demands of company practice in order to ensure that the "trainees" catch up with the skills required to embark upon vocational training. As an example, *pre-vocational training measures* have been offered since the 1990s to socially disadvantaged young people with learning disabilities and unsuccessful applicants for a training place. The aim is to give them within 10 to 11 months, including internships in companies, an introduction into various occupational fields, to teach the curriculum of the first year of vocational training and since January 2009, as a second chance for a qualification, prepare them to return to the education system to pass the lower secondary school-leaving examination. In 2009, approximately 17 000 young people participated in second-chance courses to pass their school-leaving examination, with about 7 000 succeeding in the endeavour.

A *vocational training bonus* was introduced in July 2008 for companies creating an additional training place for the target group. It will run until the end of 2010. The target group includes youth who need help in finding a vocational training place ("former applicants" or school-leavers who have been seeking a training place for a year or longer), and apprentices whose training contract was prematurely terminated on account of the insolvency or closure of the training company. By February 2010, a total of 30 966 bonuses had been granted (including 2 696 insolvency cases). Expenditure increased from EUR 10.5 million in 2008 to EUR 34.3 million in 2009.

Box 4.11. **How apprenticeship countries maintained a performing youth labour market in the crisis?** *(con'd)*

Switzerland is constantly promoting its apprenticeship system among all stake-holders, particularly at an annual conference on apprenticeship places, the fifth of which took place in October 2009. As an example, a case management to promote vocational training is provided by the PES to help disadvantaged youth to start an apprenticeship and may include a motivation semester during which intensive coaching is proposed. Paid internships are also subsidised by the PES to help interns to be hired in public and private firms.

The third phase of "business-cycle stabilisation measures" launched in 2010 included a "youth package" offering: training subsidies (until end 2011) for young unemployed persons who have finished their apprenticeship; hiring subsidies for apprentices having to pass the federal certificate, and; a larger number of apprenticeship and internship places financed by the federal government in the context of the unemployment insurance law.

Notes

1. 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.
2. This could be mainly explained by the fact that there are few vocational students aged 15 (Ireland and Sweden) or that apprentices are included in employment and not in education (Germany and Switzerland).
3. Two other OECD countries (Australia and New Zealand) implemented the ALL survey in 2006. But the micro-data, similar to those used in this section to assess adult education, are not available (Statistics Canada and OECD, 2005).
4. According to the *Manual of Eurostat on classification of learning activities*, non-formal education is defined as "any organised and sustained educational activities that do not correspond exactly to education provided in the system of schools, colleges, universities and other formal educational institutions".

CHAPTER 5

Removing demand-side barriers to youth employment

Many structural barriers to youth employment are also related to labour demand. They call for temporary measures during the ongoing jobs crisis but also for structural reforms that could be beneficial well beyond the crisis. In many countries, actions are needed on several different areas. Recent promising and innovative measures implemented in OECD countries are presented in three areas: i*) investing in funds that promote new skills for new jobs targeting young entrants;* ii) *reducing the cost of employing low-skilled youth; and* iii) *continue efforts to reduce labour-market duality overall.*

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

The recent economic recession has highlighted starkly the importance of labour demand on youth labour market performance. But over and above the effects of the business cycle, some structural demand-side barriers persist regarding hiring and retaining young people. In a number of OECD countries, the two main demand-side barriers faced by youth, and particularly by low-skilled youth, are *i)* high labour costs, partly due to relatively high minimum wages; and *ii)* unbalanced employment protection legislation between temporary and permanent contracts.

This chapter reviews demand-side opportunities and barriers affecting youth labour market performance in OECD countries. Section A presents facts and issues on the structure of youth employment by industry and occupation and on labour-demand barriers. The main questions analysed are the following: Where are the jobs for youth? Do minimum wages, labour costs and employment protection legislation represent significant barriers to youth labour market entry? Section B sets out policy priorities to tackle the main demand-side barriers and promote more and better employment opportunities for youth.

A. Main labour-demand opportunities and barriers

As new entrants to the labour market and thus outsiders, youth are more likely to be affected by institutional arrangements that structurally weaken labour demand. But while business demand for the labour of young new entrants tends to fall during economic crises, in the medium and longer-term, shortages of skilled labour in certain sectors and occupations can also have an impact on the employment prospects and careers of young people.

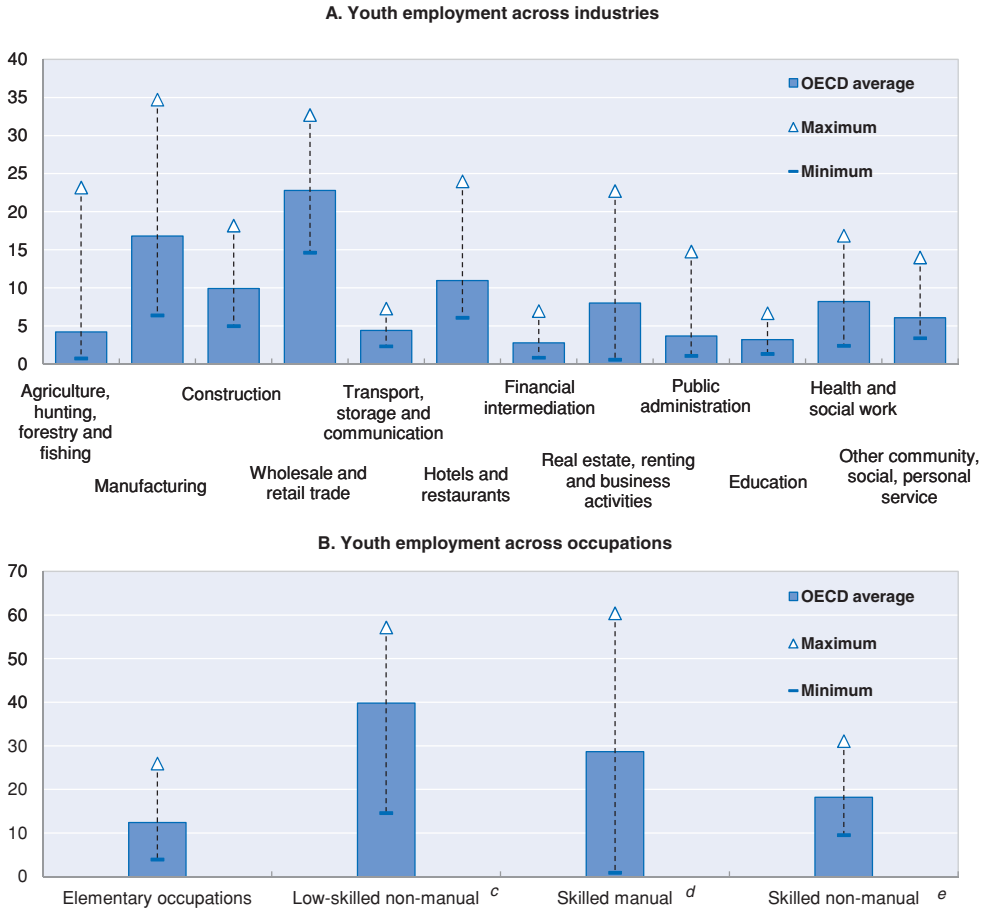
1. Where are the jobs for youth?

Structure of youth employment by industry and occupation

In 2008 for the OECD area, the largest shares of youth jobs were recorded in the wholesale and retail trade industry (23%), followed by manufacturing (17%) and hotels and restaurants (11%) (Figure 5.1, Panel A).[1] About 40% of young workers are in low-skilled non-manual occupations, and 29% in skilled manual occupations (Figure 5.1, Panel B). However, the industrial structure of youth employment can differ widely from one country to the other, as indicated by the distance between the maximum and the minimum shares shown in Figure 5.1. For example, Ireland, Spain and the United States where youth employment was overrepresented in the construction industry in the mid-2000s, faced an early and rapid increase of job losses and youth unemployment in the beginning of the financial crisis.

Figure 5.1. **Where are the jobs for youth[a] today[b]?**

Percentages



a) Data refer to youth aged 15-24.
b) 2008.
c) International Standard Classification of Occupations (ISCO) categories: clerks, service workers, shop and market sales workers.
d) ISCO categories: craft and related trades workers; plant and machine operators and assemblers; skilled agricultural, fishery workers.
e) ISCO categories: legislators, senior officials and managers; professionals; technicians and associate professionals.

Source: OECD estimates based on the European Union Labour Force Survey (EU-LFS) for European countries and on national labour force surveys for other countries.

Forecasting new skills and new jobs

Several OECD countries – notably Australia, Canada, Korea and the United States – regularly produce projections of employment changes by occupation for five to ten years ahead. In addition, the European Centre for the Development of Vocational Training (CEDEFOP) has recently produced similar forecasts for Europe – EU25 plus Switzerland and Norway – for the 2006-20 period.

These projections are based on expected changes in the share of employment by industry and on the distribution of employment by occupation in each industry. *Ad hoc* adjustments to correct for structural changes – *e.g.* new legislation affecting job creation

in a specific industry or occupation – are also applied. In the United States, a country with a long history of occupation projections, this exercise has produced relatively accurate predictions (Alpert and Auyer, 2003). However, it is important to keep in mind that net employment changes are not the only source of job creation, hence the only relevant statistic for young people making career decisions. Indeed, some occupations have extremely high turnover rates, with job openings becoming available on a regular basis despite constant employment shares. Retirement rates may also be higher in some occupations than others, generating good employment opportunities for new labour market entrants.

These projections are made at a relatively aggregated level and are not detailed enough to provide a fine-tuned diagnosis of education or training needs. Defining and implementing broad medium-term strategies to tackle shortages in specific occupations could be considered as a good practice. For example, in Australia, the Trade Training Centres in Schools Programme provides AUD 2.5 billion in funding over ten years to enable secondary schools to build or upgrade trade training facilities for secondary school students to meet industry standards. The programme will, in particular, help address national skill shortages in traditional trades.

2. Wages and labour costs

Many OECD countries have specific regulations determining the level of wages and of the labour costs that have an impact of youth entry wages. In particular, the two main policy tools are: *i)* statutory minimum wages; and *ii)* reductions of social security contributions paid by employers for low-pay/low-skilled workers, and sometimes young workers.

Evidence on minimum wage effects

Excessively high minimum wages can have a negative impact on youth employment and on education enrolment.

The potential effects of minimum wages on youth employment and on the enrolment of teenagers in education and training have been examined in a number of international studies (Box 5.1). The balance of this international empirical evidence suggests that minimum wages that are too high can have a negative impact on youth employment and on enrolment in education.

A minimum wage that is high relative to the median wage could lead to exclusion from the labour market of those who are the least productive or least experienced, in particular young people. This also serves to truncate wage distribution, and transforms the minimum wage into a reference wage for a large portion of the workforce. While a very large share of the workforce is paid at the minimum wage (SMIC) in France (15% *versus* an OECD average of about 5%), the share of workers aged under 25 on the SMIC is more than double that of their elders (35% *versus* 13% of workers aged 25 or more) (Groupe d'experts sur le SMIC, 2009). Ultimately, the over-representation of youth in France among minimum-wage employees is less pronounced than in the other OECD countries with a statutory minimum wage. For example, in Canada more than 60% of all minimum-wage workers are aged under 25 (OECD, 2008c) compared with only 17% in France. At the minimum-wage level, youth in France are therefore competing with experienced adults.

Box 5.1. **The minimum wage, youth employment and education enrolment: 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 drop-outs and thereby raise youth labour force participation, it can also drive a wedge between youth labour costs and their expected productivity, 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 excessively 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 of the minimum-wage balance, however, 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.

Excessively high minimum wages may also have an effect on enrolment in education. Theoretically, this effect could also 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 enrolment of teenagers in education but not of youth in their early twenties, 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, 2007).

A youth sub-minimum wage exists in eight OECD countries

Fewer than half of the 21 OECD countries with a statutory minimum wage have special provisions for youth taking the form of youth sub-minima. Although absolute levels are informative, the ratio of the minimum wage to the median wage is more appropriate when making international comparisons. Table 5.1 shows this ratio for adults, as well as for youth of various ages in those OECD countries with statutory minimum wages. The ratio for adults varies greatly from one country to another (from 20% of the median wage in Mexico to about 60% or more in New Zealand and France) (Figure 5.2).

Table 5.1. **Minimum wages (MW) for adults and youth in OECD countries, 2008**[a]

Percentages

Numerator	Adult MW[b]	MW at 17	MW at 17	MW at 18	MW at 20
Denominator	Median wage	Adult MW[b]	Median wage	Median wage	Median wage
Australia[c]	54.4	-	-	-	-
Belgium[d]	55.6	76.0	42.3	45.6	52.3
Canada	42.6	-	-	-	-
Czech Republic[e]	36.0	80.0	28.8	28.8	32.4
Spain	35.3	-	-	-	-
France[f]	61.2	90.0	55.0	55.0	61.2
Greece[g]	47.8	-	-	-	-
Hungary	46.0	-	-	-	-
Ireland[h]	52.8	70.1	37.0	52.8	52.8
Japan	35.1	-	-	-	-
Korea	38.8	-	-	-	-
Luxembourg[i]	40.6	80.0	32.5	40.6	40.6
Mexico	20.5	-	-	-	-
Netherlands[j]	42.8	39.5	16.9	19.5	26.4
New Zealand	60.0	-	-	-	-
Poland[k]	45.5	-	-	-	-
Portugal[l]	47.0	75.1	35.3	47.0	47.0
Slovak Republic	47.2	-	-	-	-
Turkey	36.1	-	-	-	-
United Kingdom[m]	47.9	61.6	29.5	39.9	39.9
United States	36.3	-	-	-	-
OECD[n]	**44.3 (48.0)**	**71.5**	**34.7**	**41.2**	**44.1**

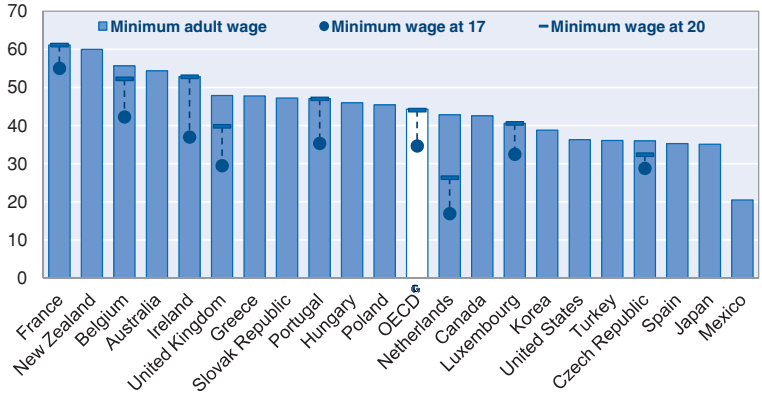
– Not applicable.

a) Data refer to 2008 for all countries except Mexico where they refer to 2007, 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-month job tenure (90%).
f) Youth aged 17 with less than six-months experience receive 90% of the adult MW and youth aged 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 to 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 and 90% over the second year. But no age limit is set by law.
l) Sub-MW applies to youth up to 17.
m) 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.
n) Unweighted average. Average adult/median rate for countries with a sub-minimum for youth in parenthesis.

Source: *OECD database on Minimum Wages*.

Figure 5.2. **Minimum wage:[a] difference between youth and adults, 2008[b]**

As a percentage of the median wage



a) Data refer to the gross wage, which does not take into account potential social contribution exemptions.
b) Data refer to 2008 for all countries except Mexico where they refer to 2007, and Turkey where they refer to 2006.
c) Weighted average of countries having a sub-minimum wage for youth.

Source: *OECD database on Minimum Wages*.

The scale of the reduction in the youth sub-minimum wage is also very different in the eight countries where it exists, as is the age group affected. On average, employees under the age of 18 are entitled to 72% of the national minimum wage. The Netherlands stands out among this group of countries for its very extensive range of ages for the reduction, and for particularly low wages for the very young (from 30% of the adult minimum wage at age 15 rising to 85% at age 22). By contrast, in France, the minimum wage (SMIC) can be reduced by only 10% (20%) for youth under age 18 (17) with less than six months of job tenure. As a result, the SMIC at age 17 in France is 57% of the median wage, versus 19% in the Netherlands.

Labour costs are reduced through lowered social security contributions in many countries for low-wage and minimum-wage earners

Minimum wages are only one part of the story on hiring costs, however. High labour costs may also represent a barrier to hiring young people. In 2009, the tax wedge on earnings equivalent to two-thirds of the average wage, considered to be the low-wage threshold, was 38% in Europe and 33% for the OECD average (Table 5.2).[2] The tax wedge on these low-wage earners decreased, however, between 2000 and 2009, even without taking into account the exemptions from social security contributions for low-pay employment. In all OECD countries, the tax wedge on average earnings was higher than that on low earnings.

Table 5.2. **Tax wedge including employers' social security contributions in OECD countries, 2000 and 2009**

Percentages

	Tax wedge on low-wage workers[a]		Tax wedge on the average workers[b]
	2000	2009	2009
Belgium	51.3	48.9	55.2
Hungary	51.4	46.3	53.4
Germany	48.6	46.0	50.9
France	47.4	45.2	49.2
Austria	43.2	43.3	47.9
Italy	43.5	43.0	46.5
Sweden	48.6	41.2	43.2
Finland	43.0	37.0	42.4
Czech Republic	41.4	38.6	41.9
Greece	35.6	36.8	41.5
Denmark	41.2	37.7	39.4
Spain	34.7	34.2	38.2
Netherlands	42.0	39.0	38.0
Slovak Republic	40.5	34.3	37.6
Turkey	39.1	35.2	37.5
Norway	35.1	34.0	37.4
Portugal	33.2	32.3	37.2
Poland	42.0	33.0	34.0
Luxembourg	31.5	27.4	34.0
United Kingdom	29.1	29.2	32.5
Canada	27.8	26.3	30.8
United States	28.3	26.9	29.4
Switzerland	27.3	26.3	29.3
Japan	23.4	27.8	29.2
Ireland	18.1	22.5	28.6
Iceland	19.8	22.7	28.3
Australia	25.4	20.7	26.7
Korea	15.0	17.0	19.7
New Zealand	18.6	15.6	18.4
Mexico	7.2	11.8	15.3
OECD[c]	**34.4**	**32.7**	**36.4**
EU19[c]	**40.3**	**37.7**	**41.7**

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, excluding social security reduction.

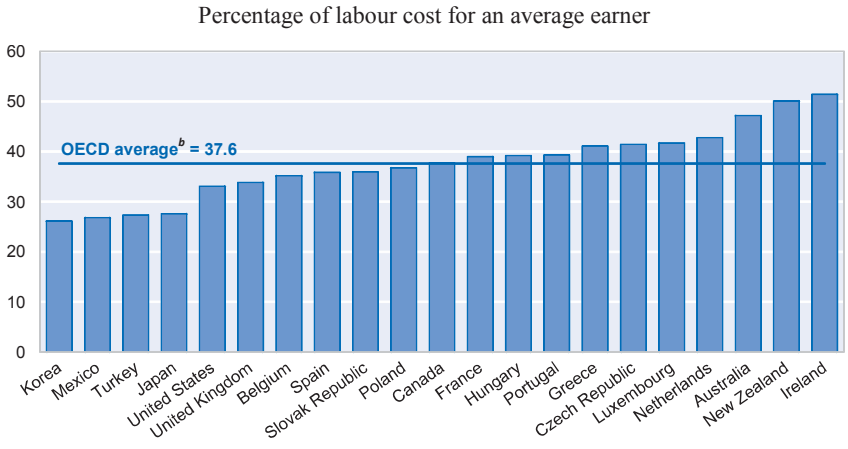
b) Tax wedge including employers' mandatory social security contributions for a single worker with no children earning the average wage, excluding social security reduction.

c) Unweighted averages.

Source: OECD database on Taxing Wages.

The analysis of labour costs is also essential when considering whether minimum wages represent a barrier to hiring young people. Figure 5.3 shows that, on average, in 2006, the cost of employing a minimum-wage worker was 38% of the cost of employing an average-wage worker. 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 which, in turn, would generate some disemployment effects among them.

Figure 5.3. **Labour costs[a] for full-time minimum-wage workers, selected OECD countries, 2006**



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*.

Since the early 1990s, the public authorities in France and Belgium have influenced labour costs at the minimum-wage level by means of a policy to reduce employer social security charges on low wages. This policy has helped to reduce the cost of labour at the minimum-wage level, but it has not necessarily promoted the hiring of low-skilled youth. Some other countries (*e.g.* Spain and Sweden) have also introduced lower employer social contribution for youth but only since the mid-2000s. In Spain, since 2006, there has been a reduction of EUR 800 for four years for low-skilled young unemployed aged 16-30 hired on a permanent contract. In Sweden, reduced social security contributions for youth aged 18-25 were introduced in July 2007. The reduction was 50% of all social security contributions except the old-age pension contribution.

3. Employment protection

Regulations governing teenager employment

In most OECD countries, regulations governing teenager employment depend on whether it is during school holidays or not. While it is usually possible to work from age 14 during school holidays, the minimum legal age for paid work is in most countries 16, once compulsory schooling has been completed. In some cases, it is nonetheless possible to begin working before age 16 (in the family company, under the responsibility of a parent, for occasional or short-term work) or from age 15 (as an apprentice following year 3 in middle school).

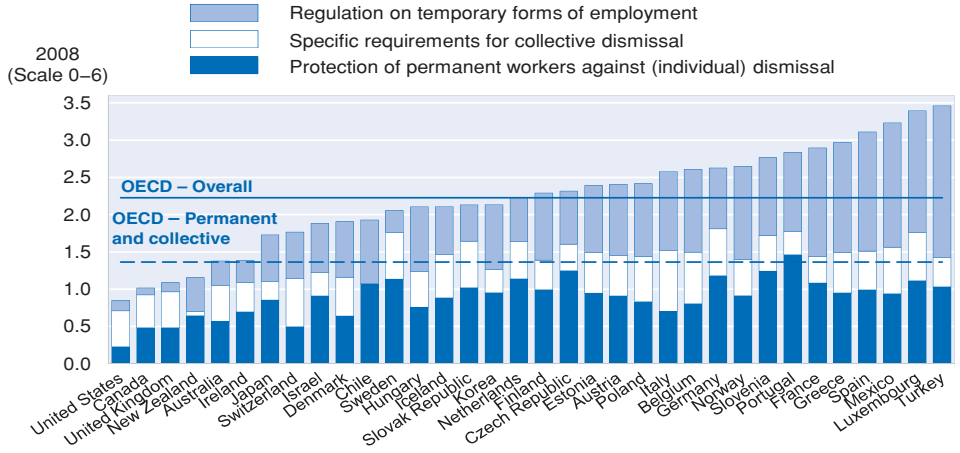
In addition, working conditions of young minors (aged under 18) are strictly regulated. Night work is prohibited to anyone under age 18. However, exemptions can be granted for specified sectors, except between midnight and 4 am. In addition, by law, some types of work are prohibited for young workers, on the grounds that the task is morally reprehensible, exceeds their physical capacities or is dangerous.

Employment protection affects youth employment opportunities

There is robust empirical evidence that employment protection – the set of rules established either by law or by collective bargaining 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 or lead to lack of enforcement of the rules. Concerning youth employment, Cazes and Tonin (2010) find that the decline in the average job tenure of young workers (15-24) in the European Union between 1999 and 2006 is associated with weaker employment protection provided by law and trade unions. Their results suggest that young workers are particularly exposed to more unstable labour markets through the risk of job loss and dismissal (as captured by the EPL index for regular contracts), whereas legislation on hiring (EPL index for temporary contracts) does not seem to have a significant impact.

Figure 5.4 shows the overall *strictness of employment protection* as measured by an indicator constructed by OECD and its three main components: 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.

Figure 5.4. **Overall strictness of employment protection and its three main components, OECD countries, 2008**[a]



a) Data for France and Portugal refer to 2009.

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

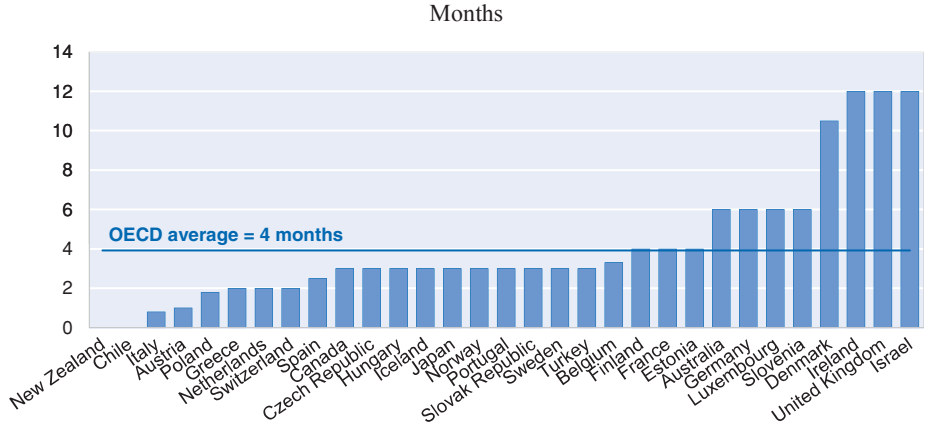
"Last-in, first-out" rule (LIFO) tends to penalise young workers on permanent contracts

While age is not mentioned explicitly in employment protection rules, some factors work against young people, such as not having a dependent family or having less seniority in the company. The "last-in, first-out" rule applies more systematically in some OECD countries such as Sweden, the United Kingdom and the United States, where workers with less seniority are the first to be made redundant. However, in Sweden, it is possible to conclude collective labour agreements with a different order of termination.

Long trial period to assess the skills of those newly hired

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. These give the employer the opportunity to assess the skills of newly hired individuals without fearing lengthy dismissal procedures if the individuals do not suit the firm's needs. In particular, very short trial periods are likely to discourage the hiring of young people whose productivity is difficult to judge *ex-ante*. In the OECD, the average trial period was four months in 2008, ranging from no trial period in New Zealand to 10-12 months in Denmark, Ireland and the United Kingdom (Figure 5.5).

Figure 5.5. **Trial-period length, selected OECD countries, 2008**[a]



a) Data for France and Portugal are for 2009.

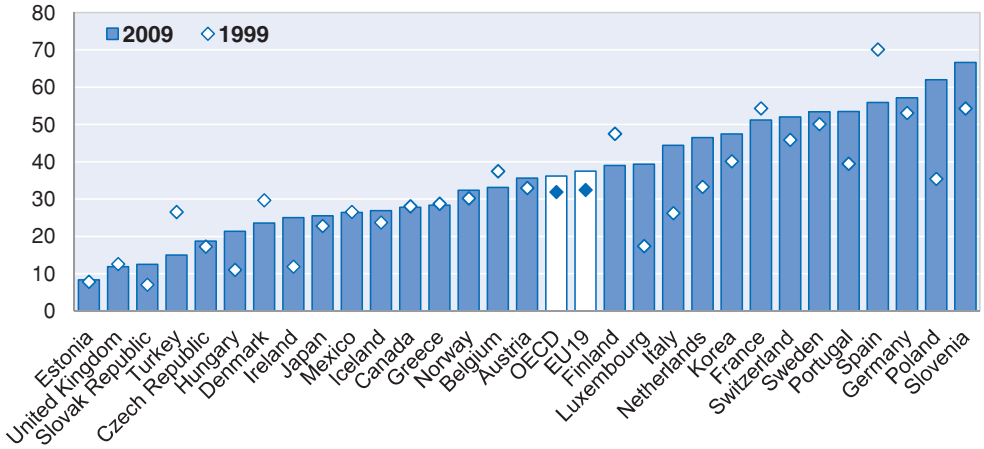
Source: Venn (2009), "Legislation, Collective Bargaining and Enforcement: Updating the OECD Employment Protection Indicators", OECD Social, Employment and Migration Working Paper, No. 89, Paris.

Over one-third of youth jobs are temporary

Many youth jobs are temporary. The incidence of temporary employment among young workers aged 15-24 was on average 36% in 2009 in the OECD area, an increase of 4 percentage points since 1999 (Figure 5.6). The incidence of temporary contracts among young workers differs substantially across countries. At least half of all young workers have a temporary contract in Slovenia, Poland, Germany, Spain, Portugal Sweden, Switzerland and France. This proportion falls to 20% or less in the Czech Republic, Turkey, the Slovak Republic, the United Kingdom and Estonia. In some countries, the proportion of temporary employment of young workers has fallen between 1999 and 2009. This could reflect less precarious jobs for employed youth but also the fact that a majority of jobs lost recently in these countries were among this category of workers. This is particularly the case in Spain.

Figure 5.6. **The precariousness of youth jobs has increased in most countries, 1999 and 2009**[a]

Temporary employment as a percentage of youth employment



a) Data for Mexico refer to 2004 instead of 2009; for Poland to 2001 instead of 1998; for Slovenia and Estonia to 2002 instead of 1999.

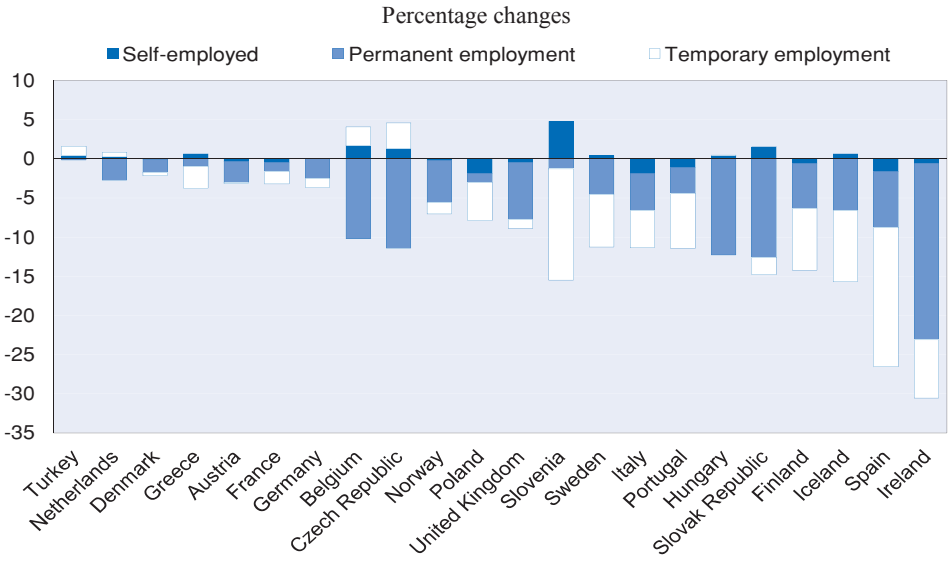
Source: National labour force surveys.

Being on temporary employment, particularly for young people, has a different meaning from one country to another. Student jobs in Australia, North America and the Netherlands are often seasonal work. In Austria, Germany and Switzerland, apprenticeship contracts are of limited duration. In Japan, the focus lies on the broader concept of non-regular employees and the number of youth (15-34) in non-regular employment – the so-called *freeters* – is on an upward trend (OECD, 2008f; and Sano, 2009).

Temporary contracts and youth employment in the crisis

Youth on temporary contracts are more likely to lose their jobs, than permanent workers as firing them is much easier and less expensive. Spain, the country with the highest share of temporary work in youth employment before the crisis, illustrates this point well. Indeed, during the recent recession, the decline in temporary youth employment in Spain accounted for 67% of the total decline in youth employment (Figure 5.7), highlighting the drawbacks of the labour market duality generated by promoting employment growth through temporary employment. Starting well before the global financial crisis, the Spanish Government has made several attempts to tackle the large share of temporary work in total employment, particularly through the use of subsidies for permanent contract hires or the conversion from temporary to permanent contracts (Box 5.2). Unfortunately, none of the changes introduced since the mid-1990s has tackled the key issue of differential dismissal legislation for permanent and temporary workers. As a result, permanent contract hires and conversions have fluctuated in line with the introduction or withdrawal of subsidies.

Figure 5.7. **Change in youth employment, by work status, youth aged 15-24, selected OECD countries,[a] 2008-09[b]**



a) Unweighted averages based on the following countries: Belgium, Denmark, France, Germany, Greece, Ireland, Italy, the Netherlands, Portugal, Spain and the United Kingdom. See Figure 1.3, OECD (2010d).

b) Data refer to the period 2008-Q4 to 2009-Q4.

Source: OECD estimates based on the European Union Labour Force Survey (EU-LFS) and national sources.

Box 5.2. **Employment protection regulation in Spain**

Until 1984 temporary contracts were authorised for specific activities with a temporary and irregular nature and for training purposes. The first piece of legislation promoting the use of temporary contracts on a wide scale in Spain was introduced in 1984. In that year, the introduction of employment-enhancing temporary contracts – allowing the use of temporary contracts for any activity and any type of worker – marked a departure from the "causality" principle according to which temporary contracts had to be related to situations of a temporary nature. Despite the introduction of financial incentives for hiring youth on permanent contracts introduced in 1985, the use of fixed-term contracts expanded rapidly over much of the decade that followed.

The share of temporary employment in Spain grew so rapidly after the reforms of the mid-1980s that in the 1990s the Spanish Government introduced a number of measures to try and contain further increases. In 1992, the minimum duration of a fixed-term contract was raised from 6 months to 12 months. The government also introduced lump-sum bonuses to promote full-time permanent contracts for specific groups at risk of labour market exclusion, including youth. In 1993/1994, the scope for the use of fixed-term contracts as an employment promotion tool was reduced at the same time as efforts were made to re-instate the causality principle in the use of temporary employment. However, at the same time, Temporary Work Agencies were introduced. This had little effect on the total share of temporary employment, but increased the number of temporary contracts signed while reducing their average duration.

In 1997, the government introduced – initially on a trial basis until 2001 – a new type of permanent contract, for which compensation for unfair dismissal was reduced to 33 days per year of service up to a maximum of 24 months. The new permanent contract was specifically aimed at groups of workers who were finding it difficult to gain a foothold in the labour market, including youth aged 18-29. Parallel legislation introduced reductions to social security contributions (SSC) for two years for hiring on a permanent contract or converting from temporary to permanent contracts and expressed as a percentage of

the yearly SSC bill. The groups targeted were the same as those targeted by the new permanent contract with some minor additions. The size of the reduction in SSC was such that hiring a worker on the new permanent contract became slightly cheaper for the employer than on a temporary contract, for the time during which the SSC reduction remained in place.

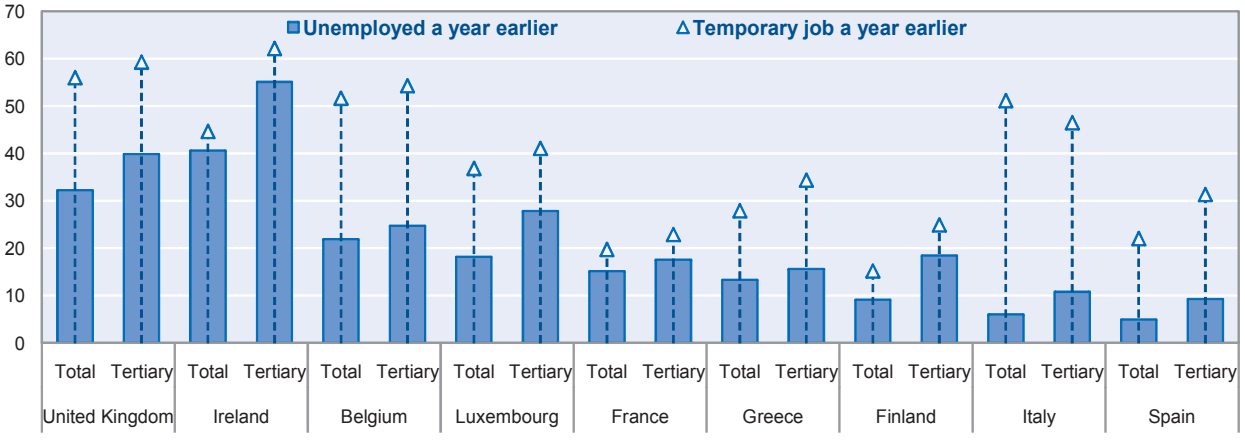
Further small changes were introduced in 2000 and 2001 and, in 2002, a change in entitlement rules for unemployment benefits brought about a significant simplification in the dismissal process by reducing the need for court judgement in the event of unfair dismissal. In 2003, dismissal compensation was extended to temporary workers – with the exception of training contracts, namely *contractos en practicas* and *contractos para la formacion* – in the measure of 8 days per year of service for fixed-term contracts and 12 days per year of service for TWA work and contracts for disabled workers.

In 2006, the "Agreement for the improvement of employment and growth", reinforced past measures to promote permanent employment in Spain and introduced some new ones. Existing SSC reductions for new hires on permanent contracts (old or new type) were maintained with some slight changes and the duration of such reductions was extended from two to four years. Reductions in SSC granted for conversions from temporary to permanent contracts or to the new permanent contract introduced in 1997 were progressively phased out, and from 1 January 2008 only conversions from temporary to permanent contracts were allowed and only hiring directly on a permanent contract allowed employers to take advantage of the more advantageous firing conditions accorded by the new permanent contract introduced in 1997. The 2006 agreement also introduced the *de-facto* conversions of temporary to permanent contracts for workers who, for a period of 30 months, have been employed for a total exceeding 24 months on the same job with the same employer.

Since 2006, the Spanish Government has been trying to negotiate an agreement among social partners for further reforms of employment protection regulation. Lacking such an agreement, a reform proposal was presented by the government to parliament in June 2010.

Figure 5.8. **Towards stable youth employment: impact of unemployment and the stepping-stone effect of temporary jobs**

Estimated probability of being on a permanent contract in 2006 conditional on the status in 2005, by educational level



How to read the figure? In France, the probability of being on a permanent contract for a young person in 2006 was 15% if s/he was unemployed in 2005 and 20% if s/he was on a temporary contract in 2005. The probability is higher for a young person with a tertiary education (respectively 17% and 25%).

Source: European Survey on Income and Living Conditions (EU-SILC) 2005-06 and the British Household Panel Survey for the United Kingdom.

Temporary employment as a stepping stone towards stable employment

The increase in the incidence of temporary jobs should not necessarily be regarded as negative in terms of the career prospects of the young people holding these jobs. Although many young people (in Europe, two-thirds of them) would have preferred a permanent job but could not find one, temporary work has the potential to provide a key entry point to the labour market. For many young people, temporary contracts are more often a stepping stone to a permanent contract than a dead end. Among the nine European countries for which data are available, the probability of youth getting a permanent job one year after being on a temporary job is higher than after being unemployed (Figure 5.8). This probability is generally higher for youth with tertiary education than for those with lower levels of education. For Belgium in particular, Cockx and Picchio (2009) find that short-lived jobs (lasting less than three months and involuntarily ending in unemployment) tend to be stepping stones to long-lasting jobs (lasting more than one year) for long-term unemployed school-leavers. For Australia, OECD (2009a) shows that there is a positive correlation between holding a non-regular job (as opposed to being unemployed or inactive) and the probability of holding a regular job at a later stage (Box 5.3).

Box 5.3. **Another way to assess the stepping-stone assumption: the case of Australia**

A common feature of youth labour markets is that they are often synonymous with a high rate of non-regular employment. The aggregate evidence in the OECD *Jobs for Youth* review suggests that these sorts of jobs are transitory in most OECD countries. Gradually, most young people move into more permanent and presumably more secure positions.

There is, however, an ongoing debate about the merits of these jobs. The advocates of casual, fixed-term or part-time jobs believe that, once a person holds such a job, he/she may have an improved chance of finding a better-paying or more satisfying job, compared with someone who remains unemployed or inactive. Put simply, the idea is that any job is better than none, and that "bad" jobs may lead to "better" jobs. An alternative view is that people in low-paying jobs are often trapped in "dead-end" jobs and rarely get ahead in the labour market. If this view is accepted, a person who is unemployed may not be making a mistake by holding out for a well-paid or more satisfying job, rather than taking almost any job offered.

These competing viewpoints can be tested empirically using Australian data. Results reported in the table below show that there is a strong positive correlation between holding part time jobs (as opposed to being unemployed or inactive) and the probability of holding a full-time job at a later stage. Young people who found a part-time job during the year after finishing school, had 16 percentage points more chance of holding a full-time job two years after leaving school than those who remained unemployed or inactive. And that advantage seems to rise with the passing of time: indeed it rises to 23 percentage points four years after leaving school. These positive results are also observed among school-leavers who initially work on casual or fixed-terms contracts. Although the relative benefits of these types of contracts do not show up as rapidly as those of part-time contracts, they tend to be substantial: 8 percentage points more chance of holding a permanent contract three years after leaving school and 20 percentage points more four years after.

One would be tempted to conclude from these results that in Australia, part-time, casual or fixed-term jobs serve as stepping stones to more stable positions. This is indeed a plausible interpretation. But from a methodological point of view, assignment to treatment (*i.e.* the fact of holding part-time jobs, casual or fixed-term contracts *versus* being unemployed or inactive) can certainly not be considered as perfectly random/exogenous. These are intermediate outcomes that correspond to choices made by heterogeneous individuals. Hence, despite efforts to control for the main source of heterogeneity between the treated and the non-treated populations, these two groups may still diverge in a crucial dimension that remains

unobserved by the analyst. For example, people's intrinsic willingness to work is not measured or included in the analysis. Still, it seems likely that these large differences do reflect, at least in part, a stepping-stone effect to having a job.

Holding a part-time/casual contract after finishing school and probability of holding a full-time/permanent contract later on

Control group = youth unemployed or inactive during the year after school completion
OLS coefficients (and p values in italics)

Horizon considered	Part-time contract	Casual or fixed-term contract
Two years after leaving school	0.16	0.02
	0.0003	*0.6581*
Three years after leaving school	0.16	0.08
	0.0029	*0.1122*
Four years after leaving school	0.23	0.2
	0.0000	*0.0004*

Control variables include: gender, age band (15-19, 20-24, 25-29), highest educational attainment (less than ISCED 3, ISCED 3, more than ISCED 3), mother's highest educational attainment, indigenous background and year of observation.
a) Casual employment means the absence of entitlement to both paid annual leave and paid sick leave.
Source: Melbourne Institute, HILDA.

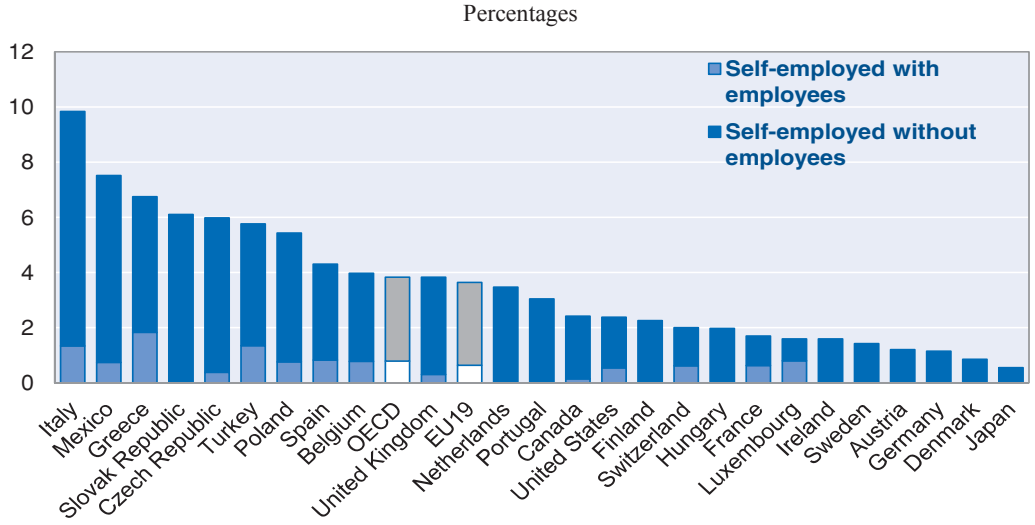
Strict rules on temporary and permanent contracts could encourage informal employment

Stricter restrictions on the use of temporary contracts in some countries (such as Greece or the Slovak Republic) may explain a low incidence of temporary work among youth compared with their counterparts in many other OECD countries. Fixed-term contracts are often only allowed for jobs of a temporary nature, notably seasonal work and project work. The use of temporary work agency contracts is also highly regulated, particularly in terms of authorisations and reporting requirements. However, because high dismissal costs for permanent workers make employers reluctant to hire youth on indefinite contracts, other types of employment, often less formal, have spread in some countries that offer less protection and social security coverage than permanent contracts.

First, there is some evidence suggesting that many youth work in the *informal sector*, particularly in Agriculture, Construction and Hotels and Restaurants, which are industries with a high incidence of informality. 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 youth in some countries. 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, notably 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.

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 5.9 shows that in Europe, Italy has the highest incidence of non-agricultural self-employment among young workers across EU countries. In 2008, close to 10% of young Italian employed were self-employed and did not have any employees, compared with just 3% in the European Union on average.

Figure 5.9. **Incidence of non-agricultural self-employment[a] among employed youth,[b] selected European countries, 2008**



a) Family workers are not counted as self-employed.
b) Youth aged 15-24.

Source: OECD estimates based on the European Union Labour Force Survey (EU-LFS).

Nevertheless, fostering entrepreneurship should be considered as one effective tool among the range of measures able to help youth find their way on the labour market. Programmes to promote entrepreneurship have been put in place in some countries; they seek to do so by improving guidance and counselling and by providing business start-up subsidies to young graduates (Box 5.4). It could also be a way to fight undeclared work and informal employment.

Box 5.4. **Fostering youth entrepreneurship: some recent examples in OECD countries**

Canada

The federal government provided CAD 10 million of funding in 2009-10 to the Canadian Youth Business Foundation, a national organisation that helps young Canadians become successful entrepreneurs by providing mentorship, learning resources and start-up financing where commercial lending is unavailable.

Greece

The PES (OAED) provided EUR 60 million in 2010 for subsidies for 2 500 new entrepreneurs aged 22-64, of whom half are aged 22-32. In 2008, the PES (OAED) launched a programme providing financial support and counselling for young people who wish to implement innovative business ideas, primarily promoting the use of new technologies. All unemployed 22-32-year-olds, not resident in the Attica or Island regions, are eligible provided they fulfil the following requirements: *i)* they are registered as unemployed and have drawn up an individual action plan; *ii)* they have attended a seminar on entrepreneurship; and *iii)* they are Greek or EU nationals and, if male, they have fulfilled their military obligations.

Since 2006, OAED has been providing financial support to young professionals 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 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 enroled 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.

Mexico

The *First Employment* programme is implemented by the Mexican Social Security Institute to help young entrepreneurs to create small and medium-sized enterprises.

The *Young Rural Entrepreneur* programme implemented by the Ministry of Agrarian Reform is geared toward people (individuals or groups) between 18 and 39 years of age in rural areas. The programme's objectives are to encourage the productive use of land belonging to elderly owners by the young, and to provide training and financial support for up to 90 days for the development of productive activities. This programme supports young workers in rural areas, promoting learning and training that they would otherwise have difficulty obtaining and would lead them to migrate and enter a circle of exclusion, without the necessary skills and personal growth.

Spain

Since 2007 youth aged under 30 and becoming self-employed benefit from a 30% reduction of social security contributions for 30 months.

Slovak Republic

School-leavers wanting to become self-employed are paid a self-employment grant as soon as they register and do not have to wait first to be registered as jobseekers for three months (Amendment of the Act on Employment Services, which came into force on 1 December 2009).

B. Tackling the demand-side barriers to youth employment

The jobs crisis may be an opportunity to tackle underlying factors affecting the school-to-work transition, even in good times. The aim is to push forward with a long-term agenda of promoting more and better jobs for youth. Recent policy measures and innovative practices implemented in OECD countries to tackle demand-side barriers are presented in three areas: *i)* investing in funds that promote new skills for new jobs; *ii)* reducing the cost of employing low-skilled youth; and *iii)* continuing efforts to reduce labour-market duality overall.

1. Investing in funds that promote new skills for new jobs

In their response to the current crisis, some countries have set up funds in local level partnerships to support the creation of new skills for new jobs (Box 5.5). Many of these initiatives are specifically targeted to youth.

Box 5.5. **Some funds to promote new skills for youth set up recently in OECD countries**

Australia

The *National Green Jobs Corps* is a government initiative which will provide 10 000 out-of-work 17- to 24-year-olds with the opportunity of gaining work experience and job-ready green skills though a 26 week environmental training programme. The programme will run for two years from 1 January 2010 to 31 December 2011. This programme will attract young people who may struggle to engage with, and remain, in education and training. The programme will also provide a pathway to further education, training and employment.

Austria

A *youth foundation* targeted at young people aged 19-24 has been set up alongside the labour foundations, which were first introduced in the 1980s to support adjustment processes due to structural change. The youth foundation offers a combination of tailor-made measures for a duration of up to three years to young people who have lost their jobs in SMEs or temporary work agencies. They are given individually tailored assistance and training to open up new career opportunities. The previous employer has to contribute EUR 1 000 per person to the foundation. Participants continue to receive unemployment benefits for the duration of their participation in the programme.

Finland

A supplementary budget proposal for 2010 includes new employment opportunities in specific sectors. Targeted wage subsidies will cover part of the payroll expenses. In particular, EUR 1.5 million will be used to creating jobs for young people in environmental projects and in customer service functions in nature centres. The appropriation is estimated to provide work totalling some 50 man-years, for over a hundred young people in different parts of Finland. EUR 30 million will be allocated to promote young people's employment prospects in the fields of research, art, sport and youth work.

New Zealand

The "Community Max" programme supports the completion of projects that benefit the community or the environment and that would not otherwise be done, while creating jobs for young people. Community Max provides assistance with: wage subsidies, supervision expenses and training expenses. The expected outcome for Community Max is that the young person gains work experience and on-the-job skills that will eventually lead to unsubsidised employment. Related training may also be provided by the community sponsor. As of September 2010, 3 979 young people had been placed into a Community Max project.

Box 5.5. **Some funds to promote new skills for youth set up recently in OECD countries** *(con'd)*

Norway

The national authorities and other stakeholders, such as the Union of Education Norway, the Norwegian Association of Students, the Confederation of Norwegian Enterprise (NHO) and the Norwegian Confederation of Trade Unions (LO), have initiated a considerable number of measures designed to enhance the quality of teacher education and develop the teaching profession, and have therefore joined forces in a partnership, the GNIST (which is Norwegian for "spark"), to ensure a coherent and comprehensive effort for teachers. A five-year goal-oriented programme was launched in 2008 to raise the quality of education by enhancing teachers' competence levels and contribute to a satisfactory and stable recruitment to the teaching profession. In 2009, the number of students who attended teacher education courses, increased by almost 20% over the 2008 level.

Spain

The State Fund for Local Investment with a budget of EUR 8 billion was created in November 2008. It focuses on public expenditure in public works related to the construction sector (architecture, engineering, infrastructure, and conservation of local and historic heritage). A maximum amount of EUR 5 million per project has been set. The Fund includes an extraordinary plan for training and labour integration for 400 000 unemployed people, the training of unemployed university students in order to increase their skills and the creation of 300 000 positions in child education between 2008 and 2011. The government has announced a new "State Fund for Local Investment" of EUR 5 billion for 2010. The Fund will aim to encourage large and medium-sized localities to invest in environmentally and technologically-sustainable projects and care services for dependant and disabled persons. Projects funded must contribute to improving long-term productivity in the economy. In this context, the Fund is expected to contribute more effectively to changing the Spanish economic model, which has been based to a large extent on the construction sector.

United Kingdom

The Future Jobs Fund (FJF) was announced in Budget 2009 to support the creation of jobs for long-term unemployed young people and others who face significant disadvantage in the labour market. It forms part of the Young Person's Guarantee. From early 2010, everyone between the ages of 18 and 24 who had been looking for work for a year would receive an offer of a job, work experience, or training lasting at least 6 months. As the FJF is a challenge fund, not all organisations that submit bids will be successful. Bids should specifically target areas of high unemployment. Innovative bids to create jobs were encouraged. The Fund is run by the Department for Work and Pensions in partnership with the Department for Communities and Local Government and with input from Jobcentre Plus and Regional Government Offices in England. The new coalition government announced recently that, as part of its plan for public spending cuts, no further bids for FJF moneys would be accepted.

United States

The Department of Labor FY 2011 budget request includes funding for a *Youth Innovation Fund*, comprised of a 15% contribution from the Work Force Investment Act Youth programme. This effort would test and rigorously evaluate innovative approaches to providing summer and year-round employment opportunities for youth, as well as interventions serving out-of-school youth in a comprehensive manner combining work experience, education, and training, in the so-called Work Experience Plus programme. The Work Experience Plus programme will award competitive grants to local workforce investment boards in partnership with youth service providers (including community-based organisations), governors and state workforce boards. It will serve exclusively out-of-school youth aged 16-24 and move them into post-secondary education leading to industry-based credentials, degrees, and employment. The Department will co-ordinate its innovation activities with the Secretary of Education, and other cabinet officers, as appropriate.

2. *Reducing the cost of employing low-skilled youth*

Countries have embarked on different policy options that are sometimes combined. A first option would be to introduce a sub-minimum wage for youth in those countries with a relatively high and universal statutory minimum wage where such a sub-minimum wage does not exist. Where this is done, the gap between a youth sub-minimum for youth and for the adults one should be large enough to make youth significantly less costly.

Pros and cons of introducing a youth-subminimum wage

The arguments for and against the introduction of a sub-minimum wage for youth provide a mixed picture. A sub-minimum wage for youth may generalise the incidence of low-pay jobs among youth in segmented labour markets where youth find it difficult to move to better-paid jobs. 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 teenagers live with their parents, it is unlikely that a lower minimum wage would bring about a significant worsening of their living conditions.

Over the past decade, some OECD countries have eliminated the existing sub-minimum wage applicable to youth on discrimination grounds. In Korea, until 2006, workers under 18 were entitled to 90% of the adult minimum wage but the age criteria was abolished in 2007 and a sub-minimum rate equivalent to 90% of the adult minimum now applies to *all* workers with less than three months of tenure. In New Zealand, a sub-minimum wage equivalent to 80% of the adult minimum wage applied to all 16-18-year-olds until April 2008. Similarly, in the Slovak Republic, the Minimum Wage Act approved in February 2008 no longer contains a provision for a youth sub-minimum wage. Previously, the minimum applicable to employees younger than 16 was 50% of the adult minimum, rising to 75% for 16- and 17-year-olds.

On the other hand, both Ireland and the United Kingdom introduced a minimum wage for adults and a reduced rate for youth in 2000. In Ireland, a sub-minimum rate equivalent to 70% of the adult rate applies to youth aged under 18. This rate was recommended by the National Minimum Wage Commission to strike a balance between ensuring that young employees are not exploited and that the rate of pay does not encourage students to leave full-time education. The United Kingdom originally introduced an adult rate along with a so-called development rate equivalent to approximately 80% of the adult rate for youth aged 18-21. In 2004, a lower sub-minimum rate equivalent to approximately 60% of the adult rate was introduced for 16-17-year-olds.[3]

Cutting social security contributions

As an alternative to a sub-minimum wage for youth, a reduction of the social security contributions paid by employers for low-pay workers could be envisaged, bearing in mind the need to finance such a reduction with higher revenue from other sources in a situation of fiscal consolidation. In many OECD countries, particularly in continental Europe, these reductions targeting wages close to the minimum wage, irrespective of the ages in regular contracts and in active labour market programmes, existed before the recent recession but were often extended and reinforced during the current crisis (OECD, 2010d).

Specific reductions introduced in the past decades for young workers were particularly important in some countries (Belgium, France and Spain). The latest significant temporary reductions in social contributions paid by employers, and targeting disadvantaged youth in particular, were implemented in Belgium and in Sweden:

- In Belgium, the so-called *Win-Win* plan introduced at a federal level between January 2010 and December 2011 differentiated reductions for some older and young workers: in particular, for workers aged under 19, total reduction; for young unemployed (under 26) without a secondary degree, having been in unemployment for at least three months, reduction of EUR 1 100 per month for 24 months if hired in 2010 (if hired in 2011, the duration is 12 months); for young unemployed (under 26) without a tertiary degree, having been in unemployment for at least 6 months, reduction of EUR 1 000 per month for 24 months (if hired in 2010, in 2011 the duration is 12 months).
- In Sweden, from early 2009, the *New Start Job* programme combines reduced social contributions, together with specific reductions associated with this type of job for young people aged 20-25 who have been unemployed for at least six months. The wage cost of hiring a young person in a New Start Job is about 40% lower than it would be without these changes.

Overall, the evaluations available for these countries point to the same conclusion, that is, a significant impact on the employment of the less-skilled. These evaluations also show significant *deadweight* effects, *i.e.* several studies conducted among employers indicate that a non-negligible share of the new recruitment eligible for these hiring subsidies would have taken place even in their absence. This raises the question of the cost-effectiveness of these policies. This is a crucial issue, since these large cuts in social charges also pose major funding problems in a period of fiscal deficit consolidation.

Multiple dividends of apprenticeship contracts

As discussed in Chapter 4, the wage issue, or, more broadly, the cost of labour, plays an important role in the design of apprenticeship programmes. The apprentice wage is lower than the legal minimum wage or the minimum wage laid down in collective agreements. It differs in general according to the age of the apprentice and his/her year of study (for example, in France, between 25% of the SMIC when aged 15-16 and under 18 and in the first year of study and 78% of the SMIC when over 21 and in the third year of study). The wage of an apprentice differs also from branch to branch in Austria, Denmark, Germany and Switzerland. The low cost of apprentices, together with the training commitment from the employer, yields a double dividend for this type of contract (Scarpetta, Sonnet, Manfredi, 2010). An additional advantage for the apprentice is to receive a wage that will increase with his/her age and progress in training.

Combining different tools to reduce the cost of unskilled youth

Many countries combine different tools to reduce the cost of hiring low-skilled youth. For example, in France, the so-called "zero contributions" measure concerns work-study programmes (apprenticeship and *contrats de professionnalisation*): between April 2009 and December 2010, firms hiring apprentices receive compensation for one year's social charges. Training allowances in some active labour market measures for disadvantaged youth are also lower than the minimum wage or associated with social security reductions (see Chapter 6).

3. Continuing efforts to reduce labour-market duality overall

Promoting a smooth transition for youth from entry jobs to more stable and rewarding ones presents another challenge. In those countries with large differences in the stringency of regulations for *temporary* (or other atypical job) contracts as compared with permanent ones, many young people tend to be trapped into precarious jobs that do not offer clear career prospects for a long period. While reducing the differences in the provisions associated with different types of contract would have positive effects for many low-skilled workers and those with intermittent spells of employment, youth are likely to be among the main beneficiaries. There should be a *rebalancing of employment protection* to promote the mobility of young people (as well as other workers with limited work experience) from entry jobs, which are very often atypical, to career employment.

In short, overly strict employment protection may limit labour market dynamics, mobility and hiring opportunities for new entrants such as youth. 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, when the use of fixed-term contracts and temporary work agencies is highly regulated, it could possibly explain the low incidence of temporary work by OECD standards. Thus, excessively strict employment protection in the formal labour market may be one factor behind the spreading of informal employment and disguised self-employment.

Reducing the gap between regulations for temporary and permanent contracts will likely contribute to promote the smoother transition of newcomers, including youth, from entry jobs with short duration to more stable jobs that offer a career prospect. This is particularly important in countries such as France, Greece, Italy, Japan and Spain where the group of "poorly-integrated new entrants" is large. The development of effective active labour market measures such as job-search assistance, involving short vocational training and in-work training, should aim to help youth to get a firm foothold in the labour market following a "flexicurity" framework. This is the option followed by Japan to help *freeters* get a firm foothold in the labour market (Box 5.6). However, to achieve more flexicurity in the labour market requires co-operation and agreement among all the key actors. Even if some measures could promote a smoother transition from school to work, such as the lump sum given to firms for hiring a former intern implemented in 2009 in France, this measure was not maintained after June 2010 as the take-up rate by firms was very low (Box 5.6).

Box 5.6. **Some recent youth-related policies designed to tackle dualism in the labour market in France and Japan**

France

In April 2009 the emergency plan for youth employment introduced a subsidy to incite firms to transform internships into permanent employment contracts. Firms who made this change before the end of June 2010 received a lump sum from the state of EUR 3 000 per head. Only 5 400 interns were hired against the target of 50 000. Because of this disappointing take-up, the measure was not prolonged after June 2010.

Japan

Recent measures for youth were decided to reduce the gap between non-regular and regular employment:

– Introduction in 2008 of grants for trial employment for a certain period (three months in principle) for the following purposes *i)* to enable employers to judge the vocational aptitudes and abilities of the youth who find it hard to get a job because they lack work experiences, skills and knowledge; *ii)* to promote the mutual understanding of jobseekers and employers and encourage transition to regular employment as a next step. Over 40 000 youth embarked on trial employment in FY 2008, and 79% of them transited from the scheme to a regular job.

– All the public employment service (Hello Work) offices provide freeters with individual support under the tutoring system by advising on job search, providing job information, offering vocational counselling and job placement and helping them not to leave their job. JPY 840 million was allocated in the FY2009 budget and 172 000 people were employed in FY2008.

Notes

1. Youth jobs include student jobs that are particularly frequent in the retail trade and hotels and restaurants.

2. 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.

3. In the United Kingdom, having a lower sub-minimum wage for youth aged 16-17 than for youth aged 18-21seems appropriate in line with the findings of Rice (2010) concerning participation in post-compulsory training. This paper uses the introduction of the national minimum wage in the United Kingdom in April 1999 as a "natural experiment" to analyse the impact of minimum wages on enrolment in schooling. At the time of its introduction, only workers aged 18 or more were covered by the legislation. The paper uses panel data for a sample of young people in a given school-year cohort, some of whom were aged 18 in spring 1999 and therefore eligible to receive the national minimum wage, and others who were aged only 17 and not eligible, and compares participation in post-compulsory schooling for the two groups, both before and after the enactment of the legislation. Rice (2010) finds robust experimental evidence that eligibility for the national minimum wage significantly reduces the probability of participation in post-compulsory schooling for young people living in areas where the national minimum is high relative to local earnings.

CHAPTER 6

Minimising the longer-term impact of the jobs crisis on youth

The danger of a "lost generation" following the 2008-09 recession has motivated many countries to intervene vigorously in the youth labour market. Governments now face difficult choices going forward to assure a job-rich recovery for youth in the context of moderate and uncertain growth and mounting fiscal pressures. In the short term, the main objective is to ensure that school-leavers and young workers remain connected to the labour market. In this context, it is of paramount importance that governments continue to act decisively during the recovery phase to provide more job-search assistance and guidance for all young people experiencing difficulties in finding a job, to support young workers made redundant and target well-designed active labour market programmes for the most disadvantaged among them.

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

When OECD Employment and Labour Ministers met in Paris in September 2009 to discuss how best to tackle the on-going jobs crisis, they expressed particular concern about the rapid rise in youth unemployment in most OECD countries. They agreed to commit extra resources to help youth to cope with the crisis under two main headings: *i)* investing in effective active labour market programmes; and *ii)* implementing appropriate education and training policies.

This chapter presents some promising and innovative measures among the many active labour market programmes (ALMPs) implemented over the past decade in OECD countries to help youth to get a firm foothold in the labour market. Appropriate education and training policies were discussed in Chapter 4. One of the main findings of the OECD *Jobs for Youth* review is that effective policy changes in this respect have been made in a number of OECD countries through comprehensive activation strategies including coherent education, labour market and social measures. Nonetheless, much remains to be done to provide effective support, especially to disadvantaged youth.

Chapter 6 draws heavily on the evaluation of the youth ALMPs presented in the 16 *Jobs for Youth* reports to determine what works and for whom. To the limited extent possible at this point, the adequacy and effectiveness of policy responses to youth joblessness during the crisis and in the recovery phase are also assessed.[1] The chapter is divided into five sections. Section A sets out the main challenges for public authorities to effectively help youth weather the current jobs crisis and be well-equipped to profit from the recovery. Section B focuses on the measures that work and for whom, as learnt from the OECD *Jobs for Youth* review. Section C presents promising and innovative measures recently implemented in OECD countries to avert the "scarring" effects of early joblessness on the current generation of school-leavers. Section D discusses the appropriate measures to put in place effective safety nets for new entrants and young workers. Finally, Section E turns to the most disadvantaged youth and highlights the most effective education, labour market and social measures to help this hard-core group get a firm foothold in the labour market.

A. Helping youth weather the jobs crisis

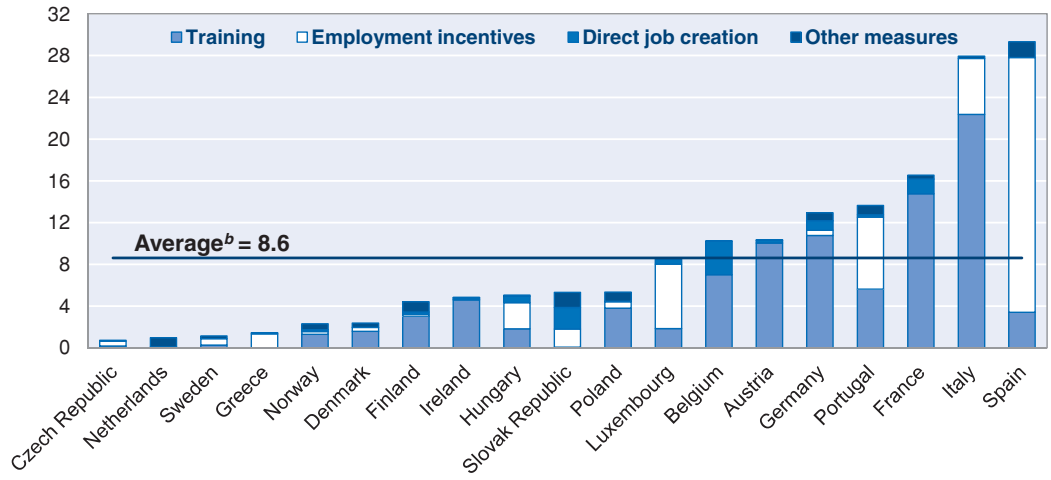
1. Key indicators

In many OECD countries, youths are traditionally one of the main target groups of active labour market programmes (ALMPs), *i.e.* job-search assistance, employment and training programmes. This is particularly the case in Europe where, on average in the mid-2000s, youth aged 15-24 represented 27% of all participants in ALMPs while accounting for only 11% of total employment. On average in Europe, 9% of youth in the labour force aged 15-24 participated in ALMPs, but almost 30% in Italy and Spain (Figure 6.1).

Targeting ALMPs at youth is justified by the evidence that, even in good times, the first steps on the labour market are often characterised by the experience, sometimes repeated, of unemployment interspersed with spells of inactivity. As discussed in Chapter 3, some of them join the ranks of "poorly-integrated new entrants", and it is important that they have sufficient incentives and means to eventually enter stable employment. There is also the group of "youth left behind" who risk long-term exclusion from the labour market. (Re)-employment assistance and support services provided by the public employment services (PES) or private employment service providers can play a crucial role here, and need to be targeted at these two groups of youth at risk.

Figure 6.1. **Young participants aged 15-24 in active measures,[a] Europe, 2008**

As a percentage of the youth labour force



a) Data cover at least 80% of the participants in active labour market measures (categories from 2 to 7 of Eurostat and OECD nomenclature).
b) Unweighted average of countries shown.

Source: Eurostat, *Active labour market programmes database*.

However, the role of the PES as a direct job provider is limited. For example, only 8% of employed youth in Europe found their current job through the PES in the mid-2000s.[2] Comprehensive and effective activation strategies for youth are in fact the result of co-ordinated interventions at the local level of many different stakeholders, public or private, well-co-ordinated by the PES in the fields of education, employment, and social and income support.

2. *Key challenges*

There is a general agreement that to be effective, active measures should be based on *activation/mutual-obligations strategies*, whereby in return for income support and (re)employment measures, young benefit recipients are required to participate actively in these measures with the threat of moderate benefit sanctions in case of refusal. Denmark is a pioneering country in youth activation along these lines as it has been successfully implementing this strategy since the mid-1990s (OECD, 2010a). This strategy is more demanding for school drop-outs. Since 1996, youth aged 18-24 without an upper secondary qualification have their level of unemployment benefits cut by 50% after six months in unemployment to the level of a study grant and are obliged to enter ordinary education.

Most governments are confronted with three problems in implementing effective youth activation strategies. The first is to offer youth active measures that work for them. Profiling and targeting are essential because young people are far from being a homogeneous group (Georges, 2007). For example, immediate job-search assistance programmes are evaluated to be cost-effective for young jobseekers who are job-ready. But for disadvantaged youth, there is a need for a comprehensive package integrating early action, job-search assistance, adult mentoring, remedial education, work and income support.

The second problem for public authorities is to put in place effective safety nets for youth, with the aim of reaching groups at risk. Indeed, many school-leavers and young workers do not qualify currently for income support and, therefore, cannot be effectively activated. In many OECD countries, access to active measures is limited to recipients of unemployment benefits and it is often hard to enrol the young people most at risk of long-term joblessness in such measures. This is particularly the case for the NEET (neither in education, nor in employment or training) group.

The third problem is to improve the delivery of programmes. In general in OECD countries, young jobseekers register with the same employment agency and social assistance agency as adult and older workers, and only a few countries have specific "youth agencies". A key issue is to avoid delays in establishing contacts and long waiting lists to be enroled in programmes. It could be particularly prejudicial for disconnected youth to have to wait a long time to participate in remedial education programmes. More generally, a poor delivery of programmes, even for well-designed programmes, can be demobilising and hamper the activation strategy. This challenge is particularly difficult to meet at present, when youth unemployment is high and in a number of countries still on the rise.

3. Key issues to ensure a recovery rich in jobs for youth

The jobs crisis is posing daunting challenges to young people in every country. School-leavers are competing with more experienced jobseekers for fewer vacancies, and employers have become very selective in their hiring of new staff. Even youth who are already in the labour market but with temporary jobs have been among the first to lose their jobs. More importantly, low-skilled youth, who even before the crisis faced multiple barriers in finding work, are now at high risk of long-term inactivity and exclusion.

While public short-term work schemes have played an important role in preserving jobs during the jobs crisis in a number of countries (Belgium, Finland, Germany, Italy and Japan), the positive impact of short-term work schemes was limited to workers with permanent contracts, further increasing labour market segmentation between workers in regular jobs and workers in temporary and part-time jobs, many of whom are youths (OECD, 2010d). In addition, when account is taken of the fiscal costs of subsidising short-term working, it should be important now to run down such schemes as the recovery takes hold. Such schemes could become an obstacle to the recovery, particularly if they support some jobs that would have been maintained in the absence of the subsidy, and hinder new hires, especially of youth.

The OECD *Jobs for Youth* review undertaken over the past four years and covering 16 countries analyses the two sides of youth unemployment – structural and cyclical – in depth.[3] The current crisis is in fact exacerbating a number of structural problems that affect the transition from school to work and the initial labour market experiences of youth with different levels of education. While governments must push forward with the necessary structural reforms, they are also struggling to devise suitable short-term measures to cushion the impacts of the crisis on youth – in a way which, insofar as is possible, aligns with the longer-term reform agenda of promoting more and better jobs for them. While decisive discrete measures for youth need to be taken in the current crisis and maintained in the fragile recovery, they should concentrate on what works best for youth.

B. Measures that work for youth

Over the past decade, several countries have come to realise that for those youth who are already out of the education system, effective active labour market policies, as opposed to passive ones, constitute the best option. This is the case in particular in Belgium where since the mid-2000s school-leavers registered at the PES have to be activated during the "waiting period" before receiving a "waiting allowance". In Flanders, early and intensive activation was introduced by the 2004 Youth Work Plan. All young jobseekers (under 25) enroling at the PES (VDAB) are immediately offered job referrals and guidance through e-instruments. These depend on their employability and are no longer based on their level of education. After one month, there is an evaluation. Young jobseekers who have not received any job referrals are contacted by telephone. If necessary they are immediately invited for a face-to-face interview with the VDAB advisor. After three months, all young jobseekers are invited by the VDAB to sign individual action plans containing extended job-search assistance for those who are job-ready and training and re-employment programmes for those who have difficulties finding a job. In June 2007, the PES in Wallonia (FOREM) introduced the programme Job Tonic consisting of intensive, tailored-made guidance and counselling for young jobseekers without an upper secondary qualification during the first six months after they leave school. Job Tonic was extended in June 2008 to young jobseekers with an upper secondary qualification.

The OECD *Jobs for Youth* review unfortunately had to recognise that most activation programmes have not been the object of a rigorous evaluation in many countries, and even data on post-programme participants' outcomes are not always available. Rigorous evaluations of existing programmes are fundamental to identify what works and what does not and to highlight the changes to be made to improve outcomes. They isolate 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. The labour market performance of both groups is recorded for several years after participation in the programme. However, relevant 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. Regular recourse to rigorous evaluations of ALMPs is very uneven both across OECD countries and over time. While such an evaluation culture is well-entrenched in North America and the United Kingdom, some European countries such as France, Germany, the Netherlands and the Nordic countries have recently made progress in developing experimental evaluations of pilot programmes.

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, wages and later enrolment in further education at exit. It should also track these outcomes at specified intervals after programme completion for a number of years.

Evaluations available from programmes in place in some 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 behaviour find large deadweight 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 example, evaluations of wage subsidies in Australia, Belgium, Ireland and the Netherlands estimate combined deadweight 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). Substitution effects could effectively be dealt with through strict eligibility rules to ensure net job creation. In addition, even in the absence of large positive effects on overall net job creation, wage subsidies should be well-targeted to help unemployed individuals keep in contact with the world of work, thereby maintaining and enhancing their motivation and skills.

Trying to sum up what works and what does not for 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; OECD, 2005; Betcherman *et al.*, 2004; and Betcherman *et al*., 2007, and evaluation of national ALMPs reported in each of the 16 *Jobs for Youth* reports):

- *Outreach programmes together with early intervention and profiling* involving all the responsible stakeholders are crucial. Appropriate co-operation should exist between the PES and the education system to reach youth as soon as possible when a risk of them dropping out of school is detected. For example, referrals from schools to the PES are essential if dropping out of school is to be addressed at the earliest opportunity when success is most likely. Youth outreach programmes should identify and contact disconnected NEET youth and not just school-leavers who cannot find a job. All jobless youth should be encouraged to register with the PES, where a profiling process should be implemented quickly to determine who is job-ready and who should be involved in re-employment or more comprehensive programmes.

- *Good programme-targeting* is important. For example, 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 remain in school and acquire useful qualifications, whereas for young adults, help to get work experience is more important.

- *Tight job-search requirements and mandatory participation, in ALMPs, backed by the threat of moderate benefit sanctions* tend to "encourage" early exit from unemployment to a job and prevent long-term exclusion. Young people without sufficient work experience are generally not entitled to unemployment benefits. During a period of crisis, unemployment insurance eligibility could be expanded to better cover young workers and access to social assistance could be extended for those youth who risk marginalisation. However, this should be coupled with a rigorous "mutual obligations" approach based on an effective mix of so-called "carrots" (income support and effective ALMPs) and "sticks" (activation stance and moderate benefit sanctions).

- In terms of the mix of ALMPs, *job-search assistance programmes* are often found to be the most cost-effective for young people who are assessed as ready to work, providing positive returns to both earnings and employment. During a crisis, it is essential that access to appropriate job-search assistance measures is provided by the PES in the first weeks of unemployment. A shift from a "*work-first*" approach to a

"learn/train-first" approach could be considered for those who have had major difficulties in finding a job. Such a shift could be especially appropriate during an economic downturn when the opportunity cost of time spent on a training programme or in education is lower. While it would be important to include an on-the-job component to learning and training programmes, *public-sector jobs* could also be offered temporarily to disadvantaged youth so that they acquire skills that would be transferable to private sector jobs and hence enhance their chances of finding a job when the economic recovery strengthens.

- In addition, programmes that integrate and combine services and offer a *comprehensive "package"* seem to be more successful. As an example, job-search assistance programmes should include not only workshops to learn how to write a resumé and contact potential employers, but also mobility and housing assistance. Comprehensive programmes including adult mentoring, work experience and remedial education may yield positive returns, particularly for the most disadvantaged youth.

C. Averting the "scarring" effects on the current generation of school-leavers

The experience of Japan during the so-called "lost decade of the 1990s" illustrates the long-lasting effects for the generation of youth entering the labour market during the crisis. With the declining importance of lifetime employment and of school-firm linkages in the transition process, youth unemployment rose significantly in Japan between the mid-1990s and the early 2000s. Furthermore, with the rise of labour market dualism, more and more young people in Japan were pushed into non-regular jobs (the so-called *freeters*), which are characterised by lower pay, even controlling for individual characteristics, as well as weaker safety nets and fewer opportunities to participate in on-the-job training (OECD, 2008f). Consequently, the incidence of long-term unemployment for unemployed Japanese youth increased from 13% in 1999 to 22% in 2009 (see Scoreboard in Table 2.1 of Chapter 2).

There is a risk that the Japanese experience could be duplicated in some OECD countries after the current downturn, as employers may be tempted to hire "fresh" graduates rather than graduates trapped in long-term unemployment or persistent inactivity when the economic recovery gains momentum. The OECD *Jobs for Youth* review estimates that about 30-40% of students leaving secondary education in the OECD are at risk of poor labour market outcomes during their first years in the labour market, either because they cumulate multiple disadvantages – predominantly a lack of education –, or because they face barriers to find stable employment (Scarpetta, Sonnet and Manfredi, 2010). If most youth do settle, with more or less difficulty, into a good career path even during and after a steep downturn, the jobs crisis is pushing more and more youth, even those who have performed well in good times, into the group "at risk of becoming a lost generation."

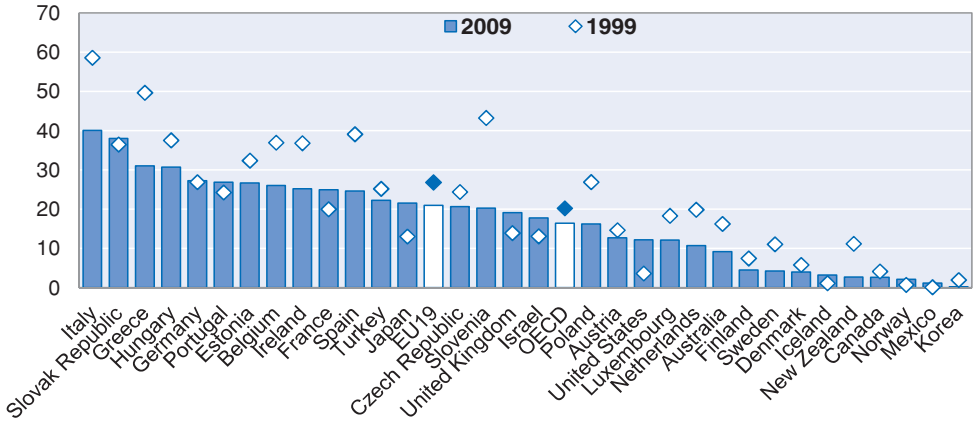
1. Key indicators and challenges

On average, in OECD countries, those unemployed for 12 months or longer accounted for 16% among total youth unemployment in 2009 (Figure 6.2). There are considerable differences among OECD countries. In 2009, the incidence of long-term unemployment was relatively high in nine countries: about 40% in Italy and the Slovak

Republic and 25% or more in Greece, Hungary, Germany, Portugal, Estonia, Belgium and Ireland. By contrast, the incidence was very low (less than 5%) in nine countries (Korea, Mexico, Norway, Canada, New Zealand, Iceland, Denmark, Sweden and Finland). The case of Sweden is interesting: the low incidence of long-term unemployment coincides with a very high youth unemployment rate (25% in 2009), partly attributed to working students. The incidence of youth long-term unemployment has decreased on average by 4 percentage points since 1999, but five countries (France, Japan, Portugal, the United Kingdom and the United States) experienced an increase in the long-term unemployment incidence among youth between 1999 and 2009.

Figure 6.2. **Long-term unemployment[a] for youth, OECD countries, 1999 and 2009[b]**

As a percentage of the unemployed aged 15-24

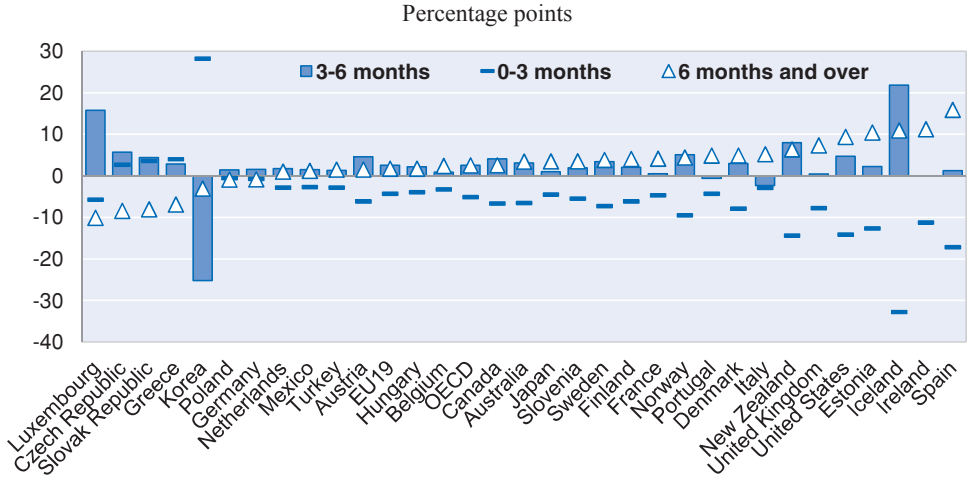


a) People unemployed for one year and more.
b) Data for Iceland refer to 1998 instead of 1999; for Estonia and Slovenia to 2002 instead of 1999; for Israel to 1997 and 2007 instead of 1999 and 2009.

Source: National Labour Force Surveys.

In fact, high youth unemployment rates can be decomposed into inflow rate and average duration of unemployment. Typically, high youth unemployment rates reflect high inflows into unemployment but not long average duration. Youth usually have a lower incidence of long-term unemployment that the average (in 2009, 16% and 24% respectively). But a steep downturn pushes more youth in long-term unemployment. A growing incidence of unemployment lasting more than six months is a worrying sign. Between 2008 and 2009, a growing number of youth remained unemployed for more than six months in all but seven countries (Luxembourg, the Czech Republic, the Slovak Republic, Greece, Korea, Poland and Germany) (Figure 6.3).

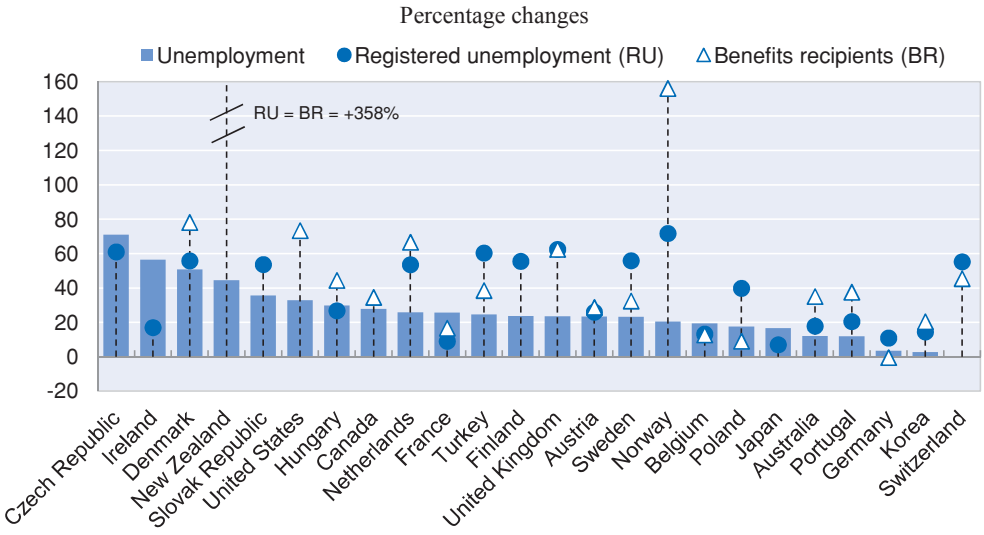
Figure 6.3. **Increase in unemployment by duration for youth aged 15-24, OECD countries, 2008-09**



Source: National Labour Force Surveys.

Since the beginning of the crisis, the increase in youth unemployment was accompanied by at least a similar increase in the number of youth registering with the PES and in the number of youth receiving benefits (Figure 6.4). Some countries (New Zealand and Norway) have expanded their youth coverage. By contrast, in Ireland, the increase of unemployed youth registering with the PES was much lower than the increase in youth unemployment.

Figure 6.4. **Trends in unemployment, registered unemployment and unemployment benefits' coverage for youth,[a] 2008-09[b]**



a) Data refer to ages 15-24 for all the countries except for Norway and Poland for which they refer to 16-24 and 18-24 respectively.
b) Administrative data for Australia and Japan refer to fiscal years. The growth in unemployment from survey data has been calculated consistently with the countries' fiscal years definitions.

Source: For unemployment data, European Union Labour Force Survey (EU-LFS) for European countries, national labour force surveys for all the other. For registered unemployment and UB recipients, OECD (2010d), *OECD Employment Outlook*.

2. Promising and innovative measures to remain in contact with young jobseekers

Reinforced youth packages

Many OECD countries have reinforced their special youth measures to respond to the crisis. For example, in France, an emergency plan was announced in April 2009 to maintain apprenticeship contracts during the crisis and to boost subsidised recruitment in both the private and the public sectors, followed by a more comprehensive package in September 2009. In the Netherlands, the government drew up the Youth Unemployment Action Plan on May 2009 with a total budget of EUR 250 million for 2009-11. In August 2009, New Zealand introduced its Youth Opportunities Package (NZD 152 million) to create new work, education and training opportunities for unemployed young people. By contrast, in Norway, the implementation of new strategies and working methods in the PES (NAV) coincided with the 2008-09 recession. While they were planned during the "good" years and not as policies designed for implementing during a crisis, public authorities expect them to contribute to better and more robust services. The main routine is based on assessment of individual needs: sorting – mapping – assessment of work capability – individual plan – follow-up of the implementation of the plan – evaluation of the plan and measures in the plan. The NAV model includes the right to a more comprehensive assessment of individual needs.

A move towards more intensive activation

Many countries moved towards early activation of unemployed youth during the last decade which is in line with international best practice. In Europe, young people who have difficulties integrating into the labour market should receive an offer for a job, a tailored training measure or subsidised employment within the first six months of their registration with the PES. The European Commission from 1999 onwards defined this as a preventive strategy in terms of targeting unemployed young people before 6 months and adults before 12 months. In the context of the crisis many countries have reinforced early and intensive intervention, most of the time for specific youth groups combined with a more effective activation process (Box 6.1).

Box 6.1. **Recent reinforcement of early and intensive activation for youth in some European countries**

In ***Denmark***, youth measures are based on intensive contact and rapid activation. All newly unemployed, irrespective of their age, are required to immediately register on www.jobnet.dk. From the summer of 2009, after a first interview between one month (previously three) and a maximum of three months (previously six) of unemployment, all young people under 30 receiving unemployment insurance or social assistance benefits must take part in activation programmes lasting six months. Activation rules are the strictest for youth under 25 without an upper secondary qualification and without children. They are obliged to enrol in an educational programme, either in the ordinary educational system if they are ready or in a special education programme to prepare them for ordinary education. In November 2009, following an experiment evaluated as efficient in pilot job centres, the government decided to generalise a youth package designed to ensure a quick, intensive and focused approach towards the 18-19-year-olds between one week and (no later than) one month after the beginning of their unemployment period. The Ministry of Employment is completing other experiments that are testing the effects of early and intensive active measures. These experiments include upgrading the social workers, who carry out the experiments at the job centres.

Box 6.1. **Recent reinforcement of early and intensive activation for youth in some European countries** *(con'd)*

In ***Finland***, early intervention introduced in 2005 was reinforced in spring 2010. As from two weeks instead of the previous one month, youth under 25 registered at the PES have to prepare an individual job-seeking plan, which must be finalised within three months.

In ***Ireland***, from April 2009 the maximum personal rate of Jobseeker's Allowance for all new claims for persons under 20 was reduced to EUR 100. Along with this decision, an initiative was introduced to immediately activate 18-19-year-olds, instead of waiting the usual three months for automatic activation.

In the ***Slovak Republic***, jobseekers under 25 years of age are able to start the graduate practice programme immediately upon registering on the Jobseekers Register from November 2009 until the end of 2010 without having to wait for three months.

More innovative outreach programmes

Many youth in the NEET group are unknown to the PES: 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, a few OECD countries have created *ad hoc* agencies. These "youth agencies", are either designed to support youth specifically in their study and career orientation (*e.g.* such as youth guidance centres in Denmark for youth aged under 25, and Connexions services in the United Kingdom for youth aged 13-19) or to help disadvantaged out-of-school youth (*e.g.* the *Missions locales* in France for youth aged 16-25 cumulating employment barriers, and the Youth Transition Services in New Zealand to prevent youth to become NEET).

Many countries try to minimise the increase in the number of youth at risk of losing effective contact with the labour market and permanently compromising their employment prospects and earnings capacity. Outreach programmes are necessary because only the most motivated young people voluntarily tend to come forward to participate in labour market programmes (Box 6.2). These programmes are often promoted, as soon as possible while youth at risk are still in education, with the aim of ensuring that, when they eventually enter the labour market and show difficulties integrating into employment, they can be promptly offered support and effective safety nets.

Box 6.2. **Recent examples of youth outreach programmes in OECD countries**

In order to reach inactive young people, some OECD countries stepped up their outreach services These services usually focus on those who barely make use of the services of the PES and who are inactive in the labour market. They use "youth-appealing" activities such as films, music, sports, youth days, TV programmes and youth-friendly websites.

Finland

The Ministry of Education has prepared a bill on local co-operation between authorities and those involved in youth outreach work, including contact data exchange. This outreach work aims at improving availability of services for young people lacking sufficient initiative to seek services. The results of the outreach work launched in spring 2008 included improved possibilities for workshop activities to reach young people in need of support. The EUR 2.5 million allocated reached a little less than 2 000 young people by the end of 2008, of whom 1 455 were guided further to various services.

Box 6.2. **Recent examples of youth outreach programmes in OECD countries** *(con'd)*

Greece

In 2009, the PES (OAED) introduced the "A Start and 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.

Ireland

The Local Employment Services Network (LESN), as part of their contract with the PES, provides a more intensive mediation/guidance service to young early school-leavers as well as an outreach service in certain areas. Youthreach is an integrated programme of education, training and work experience, for young people in the 15-20 age group who have left school early without any qualifications or vocational training. There are almost 6 000 places available nationwide under the Youthreach umbrella. Vocational education committees in 100 Youthreach centres around the country offer this programme, which usually provides two years' integrated education, training and work experience. Youthreach features basic skills training, practical work training and general education, and new technology application is integrated into all aspects of programme content. There is a strong emphasis on personal development, on the core skills of literacy/numeracy, communications and IT, along with a choice of vocational options and a work experience programme.

Mexico

Considerable attention is paid to young people at risk of becoming homeless, because their access to training and formal employment is more difficult than for other young people. The General Directorate for Employment Equity is preparing a project for the reintegration of this population group, focusing on training through ICTs and diverse mass media, taking advantage of the existing infrastructure in the Learning Community Centres of the Ministry of Social Development, the Community Centres of the National Institute for the Education of Adults, Youth Power Spaces and the e-Mexico System of the Ministry of Communications and Transport. This project may also require the support and training of these communities' young leaders through the promotion of sport activities, whether through the National Council of Physical Culture and Sport or football teams with social agendas.

Netherlands

The regions received extra support (EUR 3.5 million) in 2009 for outreach activities from the Youth Unemployment Action Plan. Local authorities decide on the provision of concrete and appropriate options for young people with complex needs to ensure an effective co-operation between the care sector, schools and the labour market, with clear agreements about the division of tasks and responsibilities. The extra support will serve to promote the partnerships in the regions between all the parties (the local authorities, the Institute of Employee Benefit Scheme, the education sector and the youth care sector) and to increase the scope for guiding young people into jobs or training courses.

New Zealand

For the 15-19-year-olds, the Ministry of Social Development, along with the Ministry of Education, is investigating ways to further improve the provision of school-leaver information to Youth Transition Services providers. The core function of these providers is to connect young people to services within their communities that will support their successful transition from school, through the provision of direct support, such as CV preparation, developing job-search skills, and motivation and confidence-building.

United Kingdom

The Apprenticeships, Skills, Children and Learning Act 2009 helps to drive down the proportion of 18–19-year-olds whose current activity is not known by Connexions services by allowing Jobcentre Plus to share from early 2010 basic details on 18–19-year-old benefit claimants with Connexions.

D. Securing the safety net and the employment and training pathways of young workers

In a number of OECD countries, many of the youth laid off from non-standard jobs (temporary, on-call, seasonal, interim, short-part-time jobs) do not qualify for unemployment benefits. As a result, during the downturn, when the demand for temporary workers is limited, these youths face a significant risk of moving into poverty. Young people can, however, receive social assistance in case of social distress as from the age of 18 (25 in France, Luxembourg and Spain).

1. Key indicators and challenges

In eleven OECD countries a 20-year-old jobseeker who has never worked can benefit from unemployment assistance benefits (Box 6.3). There are, however, many conditions to meet. For example in Ireland, the recipient should be at least 18 years of age and out of school for three months. There are also waiting periods before receiving an allowance, as in Belgium. Most countries have established strict conditions of mutual obligations for young beneficiaries. For example, in Denmark, as of 1996 youth under 25 without a qualification and who registered in unemployment agencies received only a reduced unemployment benefit, the same amount as an education allowance, and must take part in a training programme.

Box 6.3. **Unemployment assistance benefits for a young jobseeker**

Germany, Ireland and Finland: full ordinary unemployment benefits.

Denmark: minimum benefit for young people who have contributed to unemployment insurance (voluntary) from the end of their studies; benefit reduced by half for unqualified persons under age 25.

Australia, Belgium, Greece, Ireland, Luxembourg, New Zealand and the United Kingdom: reduced unemployment benefits. Belgium: 50% of ordinary unemployment insurance minimum benefits. Australia, New Zealand and the United Kingdom: between 80% and 85% of the unemployment insurance benefits received by unemployed 40-year-olds. Ireland: for new entrants, the rate of a Jobseeker's Allowance is EUR 100 per week for 18-21-year-olds (EUR 70 and 150 per week for those aged 22-24 including those who are not in training or education, with a rate of EUR1 96 per week for those in education and training. Luxembourg: 70% of the minimum wage (40% for those under age 18). Greece: EUR 73 per month for long-term-unemployed aged 20-29.

In some countries (***Australia, Finland and New Zealand***), unemployment insurance/unemployment assistance benefits granted to unemployed youth are reduced when they live with their parents. In Finland, the benefit is reduced based on the share of the parents' income above an income threshold.

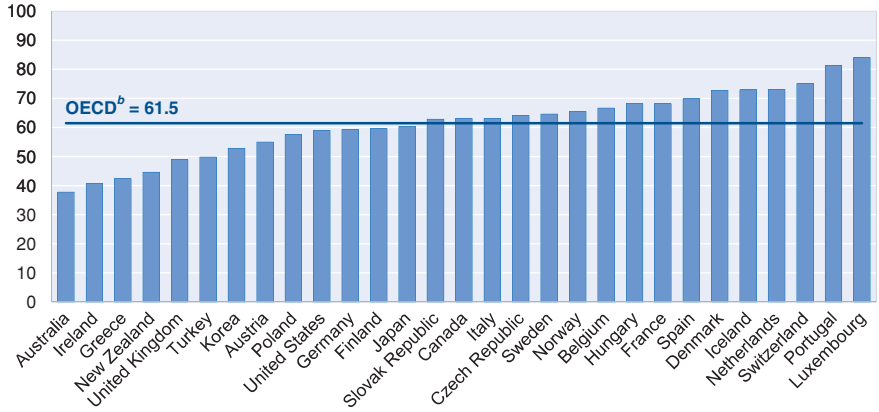
Duration of the benefits: between five months (***Greece***) and 48 months (***Denmark***). In ***Germany, Australia, Belgium, Finland, Ireland, New Zealand and the United Kingdom***, the payments are theoretically unlimited, but usually depend on activation.

In two-thirds of OECD countries, school-leavers are thus not eligible to unemployment benefits unless they have worked a certain period of time (from four months in France to one year more generally). For example, in Canada new labour market entrants need a minimum of 910 insured hours of work to be eligible for employment insurance benefits, while the requirement varies between 420 and 700 insured hours for claimants who have had a longer labour force attachment. In December 2009, youth accounted for 29% of all unemployed individuals, but just 11% of employment insurance beneficiaries.

International comparisons of *net* unemployment benefit replacement rates[4] show that, on average in the OECD, the contribution-based unemployment benefit is 61% of the pre-unemployment wage (Figure 6.5). While Figure 6.5 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.

Figure 6.5. **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*.

2. Policies to secure the safety net for young workers

Many OECD countries have decided to temporarily support young workers who are laid off (or at risk) during the crisis. More than half of OECD countries have moved to increase the income of those who have lost their job by increasing the generosity of unemployment benefits and/or extending coverage to those previously excluded (OECD, 2009c). For example, the United States has decided to increase federal funding to states to expand unemployment benefits to many more unemployed individuals, including youth (Box 6.4). Similarly, in 2009 the Japanese Government expanded the coverage of unemployment insurance by reducing from twelve to six the number of months of work required to be eligible. As a result, this initiative increased the coverage of young workers. Then in 2010, by an amendment of the Employment Insurance Act the period was reduced to one month. In addition, specially-extended benefit prolonging the payment duration for another 60 days was introduced in 2009 for those job losers having in particular difficulties finding a new job. In France, as from September 2010 young people under 25 who have worked two years in the last three years will be eligible for the new social assistance measure (*Revenu de solidarité active,* RSA). Any extension of the safety net for youth should, however, be made conditional on active jobseeking on their part in line with the "mutual obligations" principle.

Box 6.4. **Youth programmes funded by the Recovery Act of 2009 in the United States**

The Department of Labor has announced a number of temporary measures affecting youth including:

- Federal funding to states to include earnings gained in the most recent quarter in the assessment of unemployment benefit eligibility. In the states that have accepted the funding – 32 so far – the measure will increase coverage for the jobless with short work histories, notably youth but also part-time workers and those who have moved in and out of the work force.
- Expansion of the existing programme of tax credits to apply to employers hiring disconnected youth aged 16-24.
- Additional funding for employment programmes. A total of USD 3 billion was devoted to Workforce Investment Act initiatives for adults, displaced workers and disconnected youth. Youth are well represented in programmes for all three groups and are expected to benefit significantly from the increased funding. More specifically, the age eligibility for disconnected youth services was raised from 21 to 24, and the government called for additional funding to focus on summer jobs programmes.
- More federal funding to the *YouthBuild* programme, *i.e.* an academic and vocational training programme for youth focusing on the construction sector.
- Additional funds for the construction, rehabilitation or acquisition of Job Corps centres, *i.e.* a residential training programme for 16-24-year-olds.

For more details, see OECD (2009g).

E. Making active labour market measures for the least employable young people more effective and strengthening social protection for the most disadvantaged youth

1. More in-depth options for helping the most disadvantaged youth

Standard ALMPs are unlikely to work for the most disadvantaged youths, who usually cumulate several social risk factors (low education, ethnic minority background, drug use, mental illness, etc.). For this group, more in-depth options are probably needed. In particular, governments should make sure that skill-upgrading services are tailored to the current profiles of disadvantaged jobless youth. It is vital to avoid the back-to-the-classroom option, which might prove very counterproductive with disconnected youth. In this context, priority should be given to training programmes taught outside traditional schools combined with regular exposure to work experience. Good practices are based on second-chance education opportunities delivering a mix of adult mentoring, work experience and remedial education. These opportunities could be offered in a boarding-school type environment, or a local-partnership type environment as is the case for second-chance schools in Europe (see Box 4.6). Boarding-school type programmes such as the long-standing US Job Corps programme are expensive, but have been evaluated as yielding positive results for older young people (aged 20-24) (Box 6.5). Between 2006 and 2009, the Netherlands launched nine pilot programmes for NEET young people who were likely to drift into socially unacceptable behavior. The programme aimed at steering them back to school, a job and/or rehabilitation. It was described as a campus-style arrangement, and two of the nine projects involved a 24-hour provision. The cost/efficiency of these pilot programmes is currently being experimentally evaluated before any decision will be made on prolonging or not this pilot.

Box 6.5. **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 aged 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 provided at 122 centres nationwide in the United States and serve about 60 000 new enrolees annually. Some 85% of students are residential in campus-like living quarters, while the remaining students commute to their centres daily. Participation is entirely on a *voluntary* basis.

Programme content includes 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 apprenticeships at a higher level. 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, which increases with seniority, up to USD 46, and a lump sum of USD 100 every three months to purchase technical training clothing. Youth who complete vocational 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 to ensure they comply with several criteria each carrying a different weight, with some weights modelled on the characteristics of the population in each Job Corps centre. For example, the evaluation of outreach contractors is based on: the number of youth recruited; the percentage of women recruited; the share of recruited youth who remain enroled 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. Meanwhile, the evaluation of contractors who run the centres is 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 youth who do not acquire an upper secondary qualification while on the programme; the initial graduate wage; the employment status of a graduate six months after completion; the graduate wage six months after exit; and the employment status of a graduate 12 months after exit. The achievement of these goals influences the amount contractors are paid 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*., 2008) 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.

2. 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, bringing a number of different services together in a single programme. 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 actions start to when they become re-employed and services are often provided by private contractors remunerated in line with outcomes.

The Flexible New Deal 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 (OECD, 2008d). As far as youth are concerned, its precursor – the New Deal for Young People introduced in 1998 – 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. The flexible New Deal starting in October 2009 was conceived to overcome these limitations. According to Petrongolo and Van Reenen (2010), although the New Deal for young people has helped to contain youth unemployment, youth joblessness started rising in 2004 – four years before the recession began. They suggest that part of this increase was due to some softening of the overall labour market and to changes in the PES, which targeted other groups at risk, such as lone parents and people on incapacity benefits, with greater vigour.

Other countries could learn from the Dutch Investing in Young People Act, which promotes a tailor-made activation strategy for youth registering for welfare benefits up to the age of 27 (Box 6.6).

Box 6.6. **The Investment in the Young Act (WIJ) in the Netherlands introduced in October 2009**

Following the introduction of the Investment in the Young Act (Act WIJ) in October 2009, local authorities are obliged to offer a work/learn position to any young person who contacts them *i.e.*, support and assistance in returning to the education system, in finding work or possibly an apprenticeship. The Act means that the right of young people to work or to learn comes before their right to unemployment benefit or income support, and this reduces the likelihood of persistent unemployment and dependency on benefits. In keeping with re-integration policies in general, the opportunities provided by local authorities should be as tailored as possible to the wishes, options and limitations of the client.

The structure of the one-stop-shops (known as *werkpleinen*) in which local authorities and the Institute of Employee Benefit Schemes (UWV) work together, has created a pool of expertise in the provision of employment services, re-integration and benefit payments. Unemployed young people have to present themselves to the *werkpleinen*. Many local authorities provide dedicated service sections for young people that specialise in the specific problems they face and in dealing with such problems.

The Investment in the Young Act (Act Wij) contains rights and obligations for local authorities *and* young people. Local authorities are obliged to provide young people support in their attempts at finding employment or further training. If a young person refuses the offer of support, then he loses his/her entitlement to benefit. This is intended to have a positive influence on the willingness of young people to co-operate with attempts at engaging them with the employment process. In the event of a refusal, the initiative for the next move lies in the hands of the young person, not the local authority. He/she may reverse his decision to refuse to co-operate, but if he/she is unwilling to work or study, he/she cannot claim any benefits. The act places a large degree of responsibility on the shoulders of young people themselves to make use of the opportunities they are offered.

3. In the current crisis, most countries opted to improve funding for existing programmes, which work well for disadvantaged youth

Governments should not underestimate the difficulties of implementing new comprehensive skill-first or work-first welfare policy for the least employable young people as an urgent response to the crisis. In particular, it may be difficult to scale up training slots quickly while also ensuring quality and proper targeting. A sound strategy should be to first experiment pilot training programmes targeted towards low-skilled youth in areas facing high youth unemployment, and to evaluate them rigorously before being implemented nationwide. However, there is a drawback here, because it cannot be implemented quickly, so may not be politically attractive. As a response to the crisis, most countries decided to improve funding for existing programmes that have been evaluated or at least monitored so that they work well for the least employable youth (Box 6.7).

Box 6.7. **Some programmes in OECD countries to assist disadvantaged youth in 2009-10**

Canada

A one-year increase of CAD 30-million was injected into the 2010 Budget in funding for the *Skills Link* programme of the Youth Employment Strategy targeted at young people who face multiple barriers to employment. Skills Link provides funding to organisations to develop the broad range of skills, knowledge and work experience youth need to participate and succeed in the job market.

Finland

The supplementary budget proposal for 2010 includes EUR 0.9 million to increase the number of study weeks in *Folk High Schools* with a view to providing training places for 300 young people, who have left basic education, but have not obtained a place in secondary education or training.

France

The supplementary budget proposal for 2010 includes EUR 120 million to increase the number of youth receiving a social integration contract (CIVIS), strengthen the CIVIS and operating funds for the *missions locales* to help 16-25-year-olds facing multiple barriers to employment.

Japan

JPY 19.8 billion was allocated in the FY2009 budget to the *Job Card System* established in April 2009. *Freeters* are provided with personalised career consulting based on their individual job card and the opportunities to undertake practical vocational training combining employment-based training and outsourced training, provided by private education and training organisations The system aims to help them work as a regular worker, by putting the results of the company's evaluation and the job history together in the job card. The firms conducting employment-based training are subsidised for a part of wages and expenses are paid during the training period. Almost 200 000 persons received a job card between April 2009 and January 2010 and 79 000 persons undertook vocational training.

Korea

Since 2006, through a pilot Youth Employment Service programme (YES), young people who have difficulties in finding employment due to their lack of education and experience have been offered an individualised comprehensive employment service package covering the whole process from individualised diagnosis and career planning to intensive job placement services. Participants are given a basic incentive of KRW 300 000 in the form of allowances. Additional allowances may be paid depending on participation in vocational training or internship programmes. The pilot YES was turned into the New Start Project in 2008 targeting all young people who have difficulties in finding employment, such as unemployed youths with a high-school diploma or less, jobseekers who have been unemployed for a long time, NEET group, youths at risk, etc.

Box 6.7. **Some programmes in OECD countries to assist disadvantaged youth in 2009-10** *(con'd)*

In 2010 the government introduced a capacity building programme for young people, which aims to restore the confidence of psychologically vulnerable youths, and launched a six-month follow-up period to ensure sustainable employment and employment services for participants. The number of participants stood at 3 000 in 2008 and 15 000 in 2009 with a budget of KRW 16.8 billion in 2009. The figure should reach 11 000 in 2010 for a budget of KRW 16.8 billion.

Norway

Youth on longer periods of social assistance are offered a place in the qualification programme as early as possible with a full-time activity requirement, to take a job, accept a programme or return to education. The qualification programme implemented in 2007 is the responsibility of the municipality but is run in close co-operation with the PES (NAV). Participation entitles young people to "qualification" benefits, but these can be reduced in the event of unwarranted absence and are not granted for more than two years. The recipient may return to social assistance services if the activity requirement is not fulfilled.

New Zealand

Job Opportunities is a new programme operating from 2009 until December 2011 providing a six-month subsidised job placement for young people aged 16-24 with limited work experience and low skill levels to help them build confidence at work and demonstrate their ability to work. The expected outcome of a Job Opportunities position is that the young person gains valuable work experience and is better placed to move into unsubsidised work at the end of it. Employers receive NZD 3 000 up-front to employ the young person and a further NZD 2 000 when the job placement has been completed. The employer must confirm that the position is not an existing vacancy or in place of a recent redundancy. 7 596 young people had been placed in a Job Opportunities position as at September 2010.

Poland

In 2010, the local *Voluntary Labour Corps* (VLC) agencies will pursue programmes to help disadvantaged youth, such as the "Training – Practice – Employment – Development" programme. Its aim is to vocationally and socially activate young persons under threat of social exclusion by providing them with an opportunity to return to education, acquire a profession and become independent. Different forms of support are available for the programme participants. These include: professional courses, trainings under the name "ABC of Entrepreneurship", vocational counselling, psychological classes for individuals and groups, classes on the prevention of pathological behaviours, and preventive health measures within the scope of psychological and physical development of youth, school remedial classes, computer classes, foreign-languages courses and driving-licence courses. The project is implemented in 100 organisational units and in 2010 will have 2 500 participants. From June 2009 until February 2010, the VLC implemented a research project entitled "Identification of needs and youth expectations on the labour market" aimed at formulating recommendations that will form the basis for the measures, and increase their accuracy and efficiency for social and professional integration of young people. Within this period, another multi-annual programme was launched – "VLC as the executor of labour market services", which aims at providing-and publicising- youth labour market services through new career centres and employment agencies for youth.

Slovak Republic

A new active labour market policy designed to increase jobseekers' work experience was introduced with effect from 1 May 2008, and included an allowance for the induction of disadvantaged jobseekers. An employer can test the work skills and suitability of a disadvantaged jobseeker directly in the workplace. The purpose of induction is for the disadvantaged jobseeker to gain the practical experience and working habits required to perform the given work. The maximum duration of induction is 30 hours per week for three months. The allowance is equal to the amount of the subsistence minimum for one adult (currently EUR 185) for the duration of induction. In 2008, school-leavers made up 31% of the jobseekers who received an induction allowance for disadvantaged jobseekers, whereas in 2009 they represented 24%.

Notes

1. Some recent and promising youth policies implemented in the 16 countries since their review and more generally in the OECD area are also documented. An updated questionnaire was sent in January 2010 to the 16 participating countries focusing on the specific recommendations made in their report, as well as on measures taken in the context of the current economic crisis. All the other OECD countries have also received a questionnaire dealing with their actions to help youth in the context of the crisis.

2. According to OECD estimates based on the European Union Labour Force Survey, in 2006/07, at least 10% of employed youth found their current jobs with the PES in seven European countries: Belgium and Luxembourg (16%), Poland (14%), France and Germany (13%), Austria (11%) and Sweden (10%) (Figure 4.5, OECD, 2010b).

3. The nine reviews undertaken in 2006-08 (Belgium, Canada, Korea, Netherlands, New Zealand, Norway, Slovak Republic, Spain and United Kingdom) were conducted against the background of a buoyant economy. The more recently released country reports (Japan in December 2008; Australia in April 2009; France in May 2009; Poland in November 2009; United States in December 2009, Denmark in February 2010 and Greece in March 2010) contain detailed recommendations on how to tackle youth unemployment problems in the context of the current crisis.

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

CHAPTER 7

Conclusion: implementing jobs for youth policies

Action is required on many fronts to help youth get a firm foothold in the labour market. Success depends on both sound policies and effective implementation at the local level, which in turns requires the active involvement of different stakeholders. Action needs to start in early childhood and particular attention should be paid to ensure that high-quality early-childhood education services reach children from low-income families and/or with an immigrant/minority background. Furthermore, to ensure that the benefits of preschool interventions endure for these children, supports for them and their families should be sustained to facilitate their progression in the education system. Likewise, individual follow-up measures for those disadvantaged youth who have succeeded in getting a foothold in the labour market should be maintained for a while to secure it. Governments cannot do everything alone and co-ordinated supports and incentives have to come from all stakeholders, employers, unions and NGOs, and naturally from youth themselves. A co-ordinated and comprehensive package of education, social and labour market measures should be developed and implemented jointly by all actors.

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

OECD Employment and Labour Ministers and High-Level Officials met in Oslo on 20-21 September 2010 – together with their colleagues from a number of other countries – to discuss the key policy challenges of ensuring good employment prospects for youth in the context of a dramatic unemployment increase in the recent crisis creating a risk of persisting scars.

Chapters 4 to 6 of this report made a case for action in five broad areas, namely: *i)* ensuring that youth leave education with the skills required on the labour market; *ii)* tackling the demand-side barriers to youth employment; *iii)* averting the "scarring" effects on the current generation of school-leavers; *iv)* securing the safety net and the employment and training pathways of young workers; and *v)* making active labour market measures for the least employable young people more effective and strengthening social protection for the most disadvantaged youth.

The experience of the country review on *Jobs for Youth* and the discussions during the High-Level Forum show, however, that attention should also be devoted to a number of policy implementation issues. Success is achieved by policy for 10% and implementation for 90%, stressed one union representative at the High-Level Forum in Oslo. Two key implementation issues are highlighted here. First, it is important to intervene *early* and in a *comprehensive, sustained and co-ordinated way* to prevent negative long-term consequences on the groups of youth the most at risk. Second, successful outcomes depend on strong commitment from young people themselves, the government through well-targeted and effective measures, the social partners though their dialogue and all other actors who can really make a difference in dealing with the strong barriers experienced by some groups of youth in education and in the labour market.

This chapter is divided into three sections. Section A summarises the main messages of the High-Level Forum to help youth to weather the jobs crisis and be well prepared for the recovery. Section B stresses the importance of intervening early and regularly monitoring the difficulties the hard-core group of youth experience in education and on the labour market. Finally, Section C emphasis that a strong co-ordination and involvement of all actors, in particular the social partners, is crucial to improve youth employment prospects.

A. Broadening opportunities and developing capabilities in the current economic context

OECD Employment and Labour Ministers and High-Level Officials agreed that governments should adopt a pragmatic approach in close co-ordination with employers and unions and all other stakeholders, including youth organisations (see Box 7.1). Because of current budgetary constraints, it is important to invest in cost-effective programmes targeted at most disadvantaged youth. There is a need to rigorously evaluate all programmes to see which ones work best and for whom, and in particular the programmes introduced to weather the crisis. Finally, further analysis and co-operation among international organisations such as the European Commission, OECD and ILO, are important for assessing youth programmes in a wide variety of countries.

Box 7.1 **The role of education, labour market and social policies to boost job opportunities for youth: summary of the discussion at the policy forum**[a]

Several innovative ways in which countries have implemented some key OECD recommendations of the *Jobs for Youth* review emerged at the Forum:

Public employment services (PES) early interventions for school-leavers should be personalised and aim to rigorously activate their independent job-search activities. The Job Tonic programme introduced in 2007 by the PES in Wallonia in Belgium provides an interesting example. In line with the *Jobs for Youth* recommendations following the Belgium report, this programme applies the mutual obligation principle to the Belgian *allocation d'attente*, a benefit paid after a waiting period of 12 months to unemployed school-leavers. Job Tonic provides registered school-leavers while they are "waiting for their benefits" with intensive support and actions adapted to the needs of the individual (training, job search, CV writing, interview skills). Meanwhile, the participant must engage in job-search and reply to job offers as a condition of eventually receiving the *allocation d'attente*. An assessment carried out in 2009 suggested that the programme worked well for vocational education graduates, less well for general education graduates and not at all for very disadvantaged youth. As a result, some changes were introduced in 2010 that made the programme more flexible, providing more personal support, work placements and better follow-up.

Countries should capitalise on the propensity of youth to stay longer in education during economic slowdowns to raise educational attainment through further diversification of learning pathways for students at risk of dropping out of secondary education. This was one of the recommendations highlighted in several *Jobs for Youth* reports. Three countries in the Forum presented various implementation programmes in line with this recommendation:

– In April 2009, the Commonwealth Government in *Australia* introduced key national measures including: the National Compact for Young Australians requiring youth to participate in education or training until age 17 and in education, training or employment until age 25; and hiring and retention subsidies for apprentices. The initiatives introduced by the State of Victoria over and above the response of the Commonwealth Government were the following: workplace learning co-ordinators to improve the quality of internships; improvements in career development services; and transition co-ordinators to improve outcomes for indigenous Australians. In the area of apprenticeships: firms tendering for infrastructure contracts funded by the Australia stimulus package were given additional points based on their hiring and retaining apprentices; for apprentices who were fired by their employers, group training providers were introduced to assess their competence level of competencies and provide off-the-job training where required.

– *Austria* launched a youth package in 2008 in the context of the crisis. This package introduced for youth under 18 a training guarantee and for unemployed aged 19-24, who could not find a job within six months, support in the form of apprenticeships, work placements, targeted training or subsidised employment. An apprenticeship guarantee is also designed for disadvantaged youth.

– *The Netherlands* introduced in early 2009 a National Action Plan on Youth and Employment in response to the crisis. The programme focused on: raising the qualification level by offering school-leavers an education placement for an extra year; investing in teaching, care and support to prevent drop-outs; launching five pilot programmes to encourage co-operation between schools and SMEs to ensure that school-leavers know what skills are required by SMEs; and mobilising employers to make presentations in schools and develop mentoring.

Getting school drop-outs back into training to become job-ready is pursued via a strong emphasis on vocational training and by improving and broadening work-experience programmes. The experience of the *Écoles de la Deuxième Chance* in France is an encouraging endeavour to deal with disconnected youth (see Box 4.6). Early 2010, 62 centres existed in the country in 33 d*épartements* serving in total, about 7 400 youth. The schools are designed to help very disadvantaged youth and provide comprehensive support including social counselling, remedial education and work-experience placements. The aim is to recognise acquired competencies (basic qualifications and on-the-job competencies) and not necessarily to obtain a diploma.

Structural reforms are also needed to tackle issue of being insiders or outsiders, an issue from which youth suffer on the labour market. The issue of precariousness and of the difficulty of ensuring that temporary entry jobs are stepping stones and not dead-ends for most young people was addressed by many participants at the Forum, including the social partners and youth organisations. Employers' representatives stressed in particular that non-standard employment for youth, including student work, should be an opportunity to develop the skills (such as critical thinking, interpersonal social skills and entrepreneurship) they would need for their career. Professor Tito Boeri – the keynote speaker– focused his presentation on the group of "poorly-integrated new entrants". He renamed them "dual workers" in reference to the fact that a large share is working on temporary contracts or other precarious forms of employment. Boeri stressed that labour market dualism contributed to explaining the significant improvements in the youth labour market prior to the crisis but also increased job losses during the crisis – *i.e*. dualism increases the volatility of employment. Workers on temporary contracts earn less than permanent workers, *ceteris paribus*. They also receive less training, they experience more frequent career breaks but are often not covered by unemployment insurance and can count on significantly lower pensions than their permanent counterparts. He suggested that one way of solving the problems created by labour market dualism would be to replace the many existing contract types with a single one with gradual growing protection against dismissal with tenure. In particular, the single contract would involve: an entry phase lasting three years during which the worker has the right to severance payments rising with tenure (ex. one day of severance between three and six months of tenure; two days between six and twelve months, etc.); a stability phase after the three years where the existing legislation concerning severance pay applies. In this framework, entry contracts would give right to severance pay and higher contributions to unemployment benefits. One union representative stressed however that structural measures to improve youth labour market outcomes should put most emphasis on improving the match between skills and jobs; the need for job creation; and a broader role for the PES.

Participants also agreed that in-depth strategies are needed to reconnect disadvantaged youth with learning and working, even in periods of strong economic growth. The Job Corps model in the United States provides a good illustration of this message. Job Corps is a residential programme for very disadvantaged youth (youth aged 16-24 and living below the poverty line). It was established in 1964 and there are currently 124 centres nationwide serving approximately 60 000 youth per year. Students live in a campus-like environment, far from the negative influences of their local neighbourhoods or peers. The programme provides three modules: *i)* academic preparation; *ii)* career and technical training; and *iii)* employability training. The academic preparation module aims at ensuring that participants leave with a diploma and the high levels of literacy and numeracy required to enter and progress in the labour market. The vocational training module focuses on high-growth industries and the curricula are constantly upgraded. Finally, the employability training module aims at providing youth with the intangible skills needed to get and keep a job including reliability, being on time and interacting with other workers and bosses. Centres are managed by private providers who are fully accountable for their outcomes (see also Box 6.5).

a) Most presentations are available on the High-Level Forum webpage. *www.oecd.org/employment/youth/forum*.

B. The longer-term view: tackling handicaps early and re-assessing them regularly

Intervention should not wait until the school-to-work transition fails to intervene and should tackle as early as possible the handicaps some children, particularly those from low-income and other disadvantaged backgrounds, face in the education system. But early intervention needs to be sustained if the benefits are to prove long-lasting. If adequate preventative and remedial help is sustained and closely monitored, a large proportion of children should be able to overcome most barriers.

1. Increasing regular participation in high-quality early childhood education

A greater emphasis should be placed on reaching children at an early age (*i.e.* before age 6) with the aim of helping those from disadvantaged groups and ensuring their regular participation in high-quality services. Several studies have shown that attendance at high-quality early-childhood education and care programmes (ECEC) has positive effects on participants' school achievement, and subsequently on their school-to-work transition, particularly for children from low-income and other disadvantaged backgrounds (Box 7.2).

Box 7.2. **The role of early-childhood and preschool programmes in reducing difficulties for children from disadvantaged families**

There is growing recognition that quality ECEC services provide young children, particularly from low income and disadvantaged 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 2006b). They can also help reduce the incidence of dropping out.

In the United States, many authors have analysed the early academic and labour market impact of preschool programmes. In particular, Carneiro and Heckman (2003) reviewed several evaluation studies of the long-term benefits of pre-school programmes on children from low-income families. Reviewed studies find evidence of sizeable long-term effects on school achievement and grade repeating, particularly when efforts are sustained beyond the pre-school period. 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.

For Europe, the positive effects of regular participation in pre-school education on school failure and grade repetition have been found in France, where preschool education is almost universal among 3-5-year-olds (see Caille and Rosenwald, 2006). Finally, Boocock (1995) reviewed childcare in Sweden and concluded that participation in pre-school education had benefits in terms of cognitive development and school success, and that these were 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.

2. Ensuring sustained intervention and regular reassessment

If greater emphasis is put on high-quality early-age education of children from disadvantaged groups, monitoring the progress of these children in compulsory education is crucial to ensure that the benefits are sustained. Sustained interventions, such as those providing support in the transition from preschool to primary education, have proven to

be very effective (Campbell *et al.*, 2002). More generally, there is the need to stress the acquisition of basic skills at all levels and monitor the progress during the whole education and training period – from kindergarten through upper secondary and even tertiary education (Box 7.3).

Box 7.3. **Norway's longer-run view in the education system**

Norway provides a good example of the measures a country can take to implement this longer-run view in the education system. Despite relatively smooth school–to-work transitions and low youth unemployment rate, the country faces several challenges, including a high NEET rate for 16-19-year-olds, a lack of work-experience places, high and stable school drop-out figures and an increasing need for highly-skilled workers. Furthermore, some disadvantaged groups, mainly among immigrants and the disabled, are the most affected by the current economic crisis (OECD, 2008e). There has been an increase in young people on social assistance and on disability benefits, mostly owing to social and psychological problems. These challenges are addressed on multiple fronts: investing more in ECEC and sustaining interventions through the school system; focusing on basic skills and monitoring their acquisition from kindergarten to tertiary education; intensifying local efforts to reduce school drop-outs; avoiding "mental" drop-outs by keeping students interested with practical learning; making curricula more work-relevant; and providing more flexible teaching methods and individualised support; and set up a new partnership with social partners on apprenticeships.

Sustained intervention is also an issue in implementing labour market programmes for the hard-core group of youth. In the session at the High-level Forum devoted to "What works for disadvantaged youth", social workers stressed that it is crucial that participation be voluntary to capitalise on the motivation of young people. These young people must be ready to receive regular support from adults during the programme but also afterwards, in general in the year after completing the programme. Programme managers recommended that individual follow-up measures for those disadvantaged youth who succeed in getting a foothold in the labour market are maintained to secure it.

3. Granting off-work benefits should be temporary

There is a risk that by assessing some disadvantages too early and permanently and granting access to a long-term benefit can trap some youths permanently into poverty. Benefits granted permanently at a very young age indeed seem to steer people with a handicap into benefit dependence. To give an example illustrating the challenge, the Netherlands has experienced a sharp increase in the number of beneficiaries of its "*Wajong*" scheme, a nationally-funded disability benefit programme targeting persons who acquired a disability at a young age.[1] A big part of the reason for the increase has been municipalities' incentive to encourage people among their own caseloads to apply for such a nationally-paid benefit instead of municipal social assistance to lower their own spending. As a consequence, the *Wajong* scheme became a measure to support the hardest-to-place school-leavers, with the major risk of trapping them permanently into this status as they continue to receive this benefit as they grow older.

One of the main messages of the OECD report *Sickness, Disability and Work: Breaking the Barriers* is that, except for a few people with severe health problems, disability benefit, like other working-age benefits, should be a temporary payment with entitlement being reassessed at periodic intervals (OECD, 2010g). This is of particular importance for younger people who would otherwise stay on disability benefit for a long

time. Indeed, there is increasing recognition that granting a disability too early in life could be counterproductive. Young beneficiaries usually lack work experience and have on average lower educational backgrounds, thus strong re-integration measures accompanied by participation requirements are fundamental to help them access the labour market. It is thus crucial to make disability benefit a transitory payment. Such practice is being adopted in an increasing number of countries including Austria, Germany and Poland (OECD, 2010g).

It is above all crucial to ensure that young (temporary) beneficiaries receive early and appropriate re-integration services. Denmark has recently discussed the option to replace disability benefits for young people by a more active regime. Recent reforms of the special disability scheme for young people in the Netherlands (*Wajong*) go in the same direction. The aim is to make better use of claimants' work potential. The scheme has now been split into two phases: 18-27-year-olds are given a mandatory "participation plan", either work or study with a wage or study subsidy, with intense job-seeking support and job coaching. Only at the age of 27 is a final assessment made to establish their degree of disability (*i.e.* the degree of earnings capacity loss with respect to the minimum wage).

C. The co-ordinated view: involving all actors

A co-ordinated and comprehensive package of education, social and labour market measures should be developed and implemented with the active involvement of all stakeholders. Governments cannot do everything alone and co-ordinated supports and incentives have to come from all stakeholders, employers, unions and NGOs, and naturally from youth themselves.

The young people's point of view was presented at the High-Level Forum by representatives from the European Youth Forum.[2] They stressed, in particular, that the current youth generation is the most educated generation ever but is confronted by a dire labour market situation. A multifaceted approach is needed to invest in jobs for youth. Youth representatives believe that effective policies are those that involve all affected parties on an equal footing and cannot imagine a way out of the current crisis without involving young people and youth organisations. Improving co-operation between government, youth and social partners should aim to promote a youth guarantee to sustain their social inclusion. This approach should include the following measures: extending social benefits to youth on precarious contracts to combat youth poverty; improving the quality of internships and apprenticeship; and ensuring that youth leave school with the skills they need to participate in life-long learning and be mobile on the labour market.

A strong involvement by social partners is particularly crucial in vocational education and training (VET) programmes. To help VET meet labour market needs, the OECD report *Learning for Jobs* recommended that employers and unions be engaged actively in VET curriculum development and ensure that the skills taught correspond to those needed in the modern workplace (Box 4.9). It is widely recognised that the social dialogue between public authorities, employers and unions in the so-called apprenticeship countries allows the emergence of a strong consensus: the dual apprenticeship system is an important ingredient to secure a successful school-to-work transition for most youth, and in particular for low-skilled youth. The challenge each year in Austria, Germany and Switzerland is for firms to offer sufficient places to all youth seeking an apprenticeship, even the low achievers (Box 4.11).

The involvement of employers and unions in the design and implementation of youth labour market programmes and policies is also key to their success. This is particularly so in many European countries where the social partners have traditionally been central players in social and labour market policy. Greater involvement of the social partners, as well as the public authorities at all levels, can help enhance the effectiveness of labour market programmes. In particular, the social partners can play an active role in supporting job retention and reintegration of disadvantaged young workers, in particular those with a disability, through initiatives facilitating labour market mobility and flexibility (OECD, 2010g).

More generally in the field of labour market institutions, the role of all actors in promoting more youth-friendly hiring, training and mobility practices is important. The OECD *Jobs for Youth* review shows that one of the main challenges to help youth to get a firm foothold in the labour market is to strengthen the stepping-stone effect of initial temporary jobs, *i.e.* making any work experience pay in the school-to-work transition.

The two elements, on-the-job experience and vocational and academic qualifications should both play a role to facilitate the school-to-work transition. There is a deep-rooted "good practice" in Canada for example, whereby employers when interviewing young candidates, take into account the experience gained by students in their summer jobs (OECD, 2008c). By contrast, in other countries (*e.g.* France, Japan and Korea), employers screen the potential of young candidates, nearly exclusively through the university (or *Grande Ecole* in France) where they graduated. In addition, in many European countries, internships are often considered by employers as an opportunity of cheap labour and provide little on-the job training and experience opportunities and no career prospects. In France, a subsidy to transform internships into permanent employment contracts was introduced in April 2009 in the emergency plan to promote youth employment but was not maintained after June 2010 because the take-up rate of firms was very low (Box 5.6).

Interesting initiatives exist also in NGOs[3] to fight discrimination against the hiring of young people from minorities, which is far from uncommon in many OECD countries. The measure that has proven most beneficial in the OECD countries is mentorship. Mentors could provide these young people with information about the "rules of the game" and the way to behave during interviews and on the job, and should reassure employers and forge links with companies. Mentorships, which draw on volunteers who are familiar with the world of business or government, should be developed more widely. But it is also important to fight overt discriminatory behaviour directly.

Greater involvement by actors at all levels to prepare youth for the recovery can help to generate a positive message of action against the fatality of a "lost generation". In particular, Ha *et al.* (2010) stress that to tackle youth employment in the crisis, consensus-building is key among governments, employers and workers. In the downturn, providing enough places in firms for apprentices and for students seeking a mandatory internship during their studies is challenging when labour demand remains weak, but is key to better preparing youth for the recovery. A Dutch programme designed by the social partners in the construction industry in the context of the crisis involves specific subsidies for employers to re-train their workers during the crisis (rather than dismiss them) in return to hire and retain youth and train them through apprenticeship contracts during the crisis period.[4] The aim of the programme is to ensure that, as economic activity picked up, construction firms would have a pool of highly-trained workers available. The programme is funded by the construction sector training fund. The social partners are planning to implement the same programme in other sectors.

Notes

1. Most new claimants of this benefit are young people, often aged 18-19 years. However, the eligibility criterion is not age itself, but the age at which the work-capacity-limiting disability was acquired. Hence, a person who is 50 for example, can also qualify if it can be established that the disability originated before age 18.

2. The European Youth Forum is a European international organisation, which was established in 1996 by national youth councils and international non-governmental youth organisations. It endeavours to serve the interests of young people from all over Europe (see *www.youthforum.org*).

3. The project "Fulfilling Promise. Ensuring labour market success for ethnic minority- and immigrant youth" was launched in 2009 by the OECD Local Economic and Employment Development (LEED) programme. In ten locally-based case studies, it will look at the potential obstacles and ways in which labour market success can be tackled (OECD, 2010h). The project will examine in particular the wider application and contribution of community capacity-building, and the role of different actors, including social economy organisations, in doing so.

4. For the programme purposes special modular training measures had been developed by "*Fundeon*", the knowledge centre of social partners in construction. So far more than 300 firms have participated in the programme resulting in 3 000 employees being trained during 90 000 days (approximately 30 days per person). Employers received salary compensation for these training days, and training measures as such were not charged. In return, participating firms committed to 1 000 apprenticeship contracts.

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Off to a Good Start? Jobs for Youth

Promoting a smooth transition from school to work, and ensuring that youth are given the opportunities to move on in their careers and lives, have long been issues of fundamental importance for our economies and societies. Today, they are even more pressing challenges as the global economy emerges from the worst crisis of the past 50 years. Indeed, young people have borne much of the brunt of the recent jobs crisis. The youth unemployment rate is approaching 20% in the OECD area, with nearly 4 million more youth among the unemployed than at the end of 2007.

The initial experience in the labour market has a profound influence on later working life. Getting off to a good start facilitates youth integration into the world of work and lays the foundation for a good career, while it can be difficult to catch up after an initial failure. In particular, the jobs crisis is likely to leave long-lasting "scarring" effects on some of the current generation of school-leavers, particularly if they face multiple disadvantages, such as having low skills and also coming from a disadvantaged background.

Tackling the youth jobs crisis requires a strong commitment from all: the youth themselves, the government through well-targeted and effective policy measures, social partners though their participation in the dialogue, and other key actors – such as teachers, practitioners and parents – who can really make a difference to investing in youth.

This report makes an important contribution to a new agenda of youth-friendly employment policies and practices. It analyses the situation of youth employment and unemployment in the context of the jobs crisis and identifies successful policy measures in OECD countries. But it also discusses structural reforms in education and in the labour market that can facilitate the transition from school to work. The report draws on both recent data and the main lessons that emerged from the 16 country reviews conducted as part of the OECD *Jobs for Youth/Des emplois pour les jeunes programme*.

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