

ADAPT - Scuola Internazionale di Dottorato in Formazione della persona e mercato del lavoro
“The Work of the Future: Learning at the Workplace”
Bergamo – 27-28th October 2011

**Fuori dal tunnel:
Le difficili transizioni dalla scuola al lavoro
in Italia e nel mondo**

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Lisbon strategy (EU Council, March 2000)

- The soul and heart of the so-called EU of bureaucrats
 - Increase the quantity and quality of employment
 - Create more and better jobs
 - Increase the quantity and quality of education
 - Make homogeneous the educational systems of EU members
 - through the Bologna process
 - And the so-called “3+2” system
 - ~~Make development sustainable~~
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Europa 2020: Targets

- **The 5 targets for the EU in 2020**
- **1. Employment**
 - 75% of the 20-64 year-olds to be employed
- **2. R&D / innovation**
 - 3% of the EU's GDP (public and private combined) to be invested in R&D/innovation
- **3. Climate change / energy**
 - **greenhouse gas emissions 20%** (or even **30%**, if the conditions are right) **lower than 1990**
 - **20% of energy from renewables**
 - **20% increase in energy efficiency**
- **4. Education**
 - **Reducing school drop-out rates below 10%**
 - **at least 40% of 30-34-year-olds completing third level education**
- **5. Poverty / social exclusion**
 - **at least 20 million fewer people in or at risk of poverty and social exclusion**

The position of Italy

	EU target in 2020	Italy	Uk	Germany	Sweden	Poland
Employment rate in %	75%	67-69%	No target	77%	Over 80%	71%
R&D as % of GDP	3%	1.53%	No target	3%	4%	1.7%
CO2 emission reduction target	-20% as compared to 1990	-13%	-16%	-14%	-17%	14%
Renewable energy	20%	17%	15%	18%	49%	15.5%
Energy efficiency. Reduction of energy consumption	-20% (=368MTOE)	27.9%	n.a.	38.3%	12.8%	14%
Early school leaving in %	10%	15-16%	No target	<10%	<10%	4.5%
Tertiary education in %	40%	26-27%	No target	42%	40-45%	45%
Reduction of population at risk of social exclusion	- 20mlns	-2.200.000	2010 Child poverty act	- 330,000 LTU	<14% by 2020	1,500,000

MTOE: Million Tons of Oil Equivalent

Aims of the presentation

- To provide a frame of mind to understand the youth unemployment problem, its causes and, in part, its consequences
 - To provide criteria to
 - Define the objective
 - And assess the *ex ante* effectiveness of youth employment policy
 - To understand the evolution of the debate on this issue:
 - From flexibility in the 1980s-90s to flexicurity today
 - Keywords: youth experience gap; school-to-work transition; flexicurity;
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Outline

- A. Selected stylised facts on the YEG
 - B. Two policy approaches:
 - A. The liberalist view
 - B. The interventionist view
 - C. The ILO (2004) SWT classification
 - D. Welfare and SWT policy mixes
 - A. Continental European
 - B. Scandinavian
 - C. Anglo-Saxon or Liberalist
 - D. Mediterranean
 - E. New EU member states
 - E. Concluding remarks
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Statistical definition of youth

- ❑ Young teenagers: 15-19 year-old

From compulsory to high secondary school and beyond

- ❑ Young adults: 20-24 year-old

From high school to the bachelor degree in Anglo-Saxon countries

- ❑ “Old-young”: 25-30 or 25-35 (by country)

In other countries, where tertiary education and the SWT last more time

Stylised facts about youth unemployment

- The absolute disadvantage

- E.g.: youth unemployment rate:

$$u_y = \frac{U_y}{E_y + U_y} = \frac{U_y}{LF_y}$$

- Depends on macroeconomic conditions

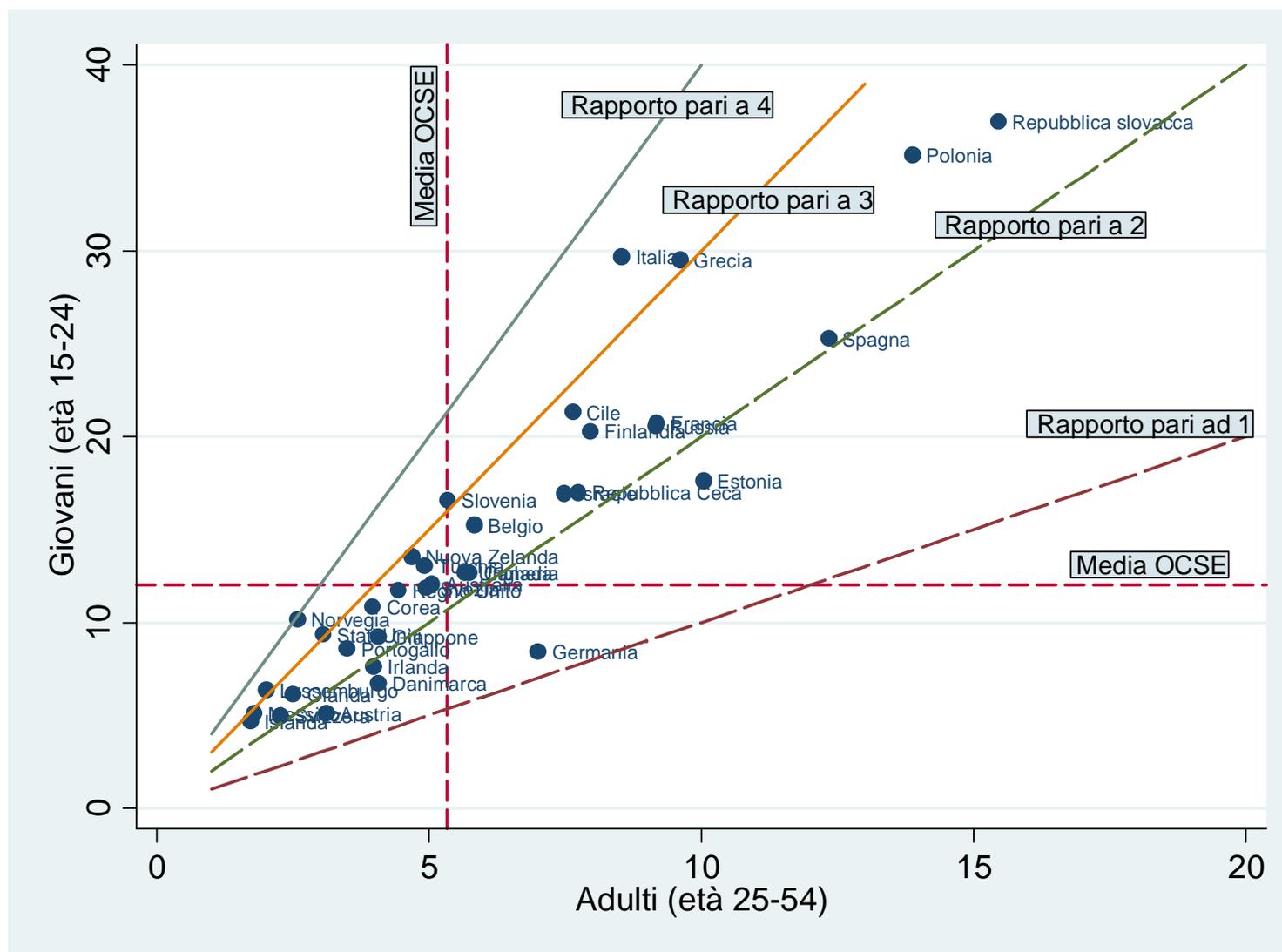
- The relative disadvantage

- E.g.: youth to adult unemployment rate

$$RD_{Y,A} = \frac{u_Y}{u_A}$$

- Depends on different educational and labour market institutions
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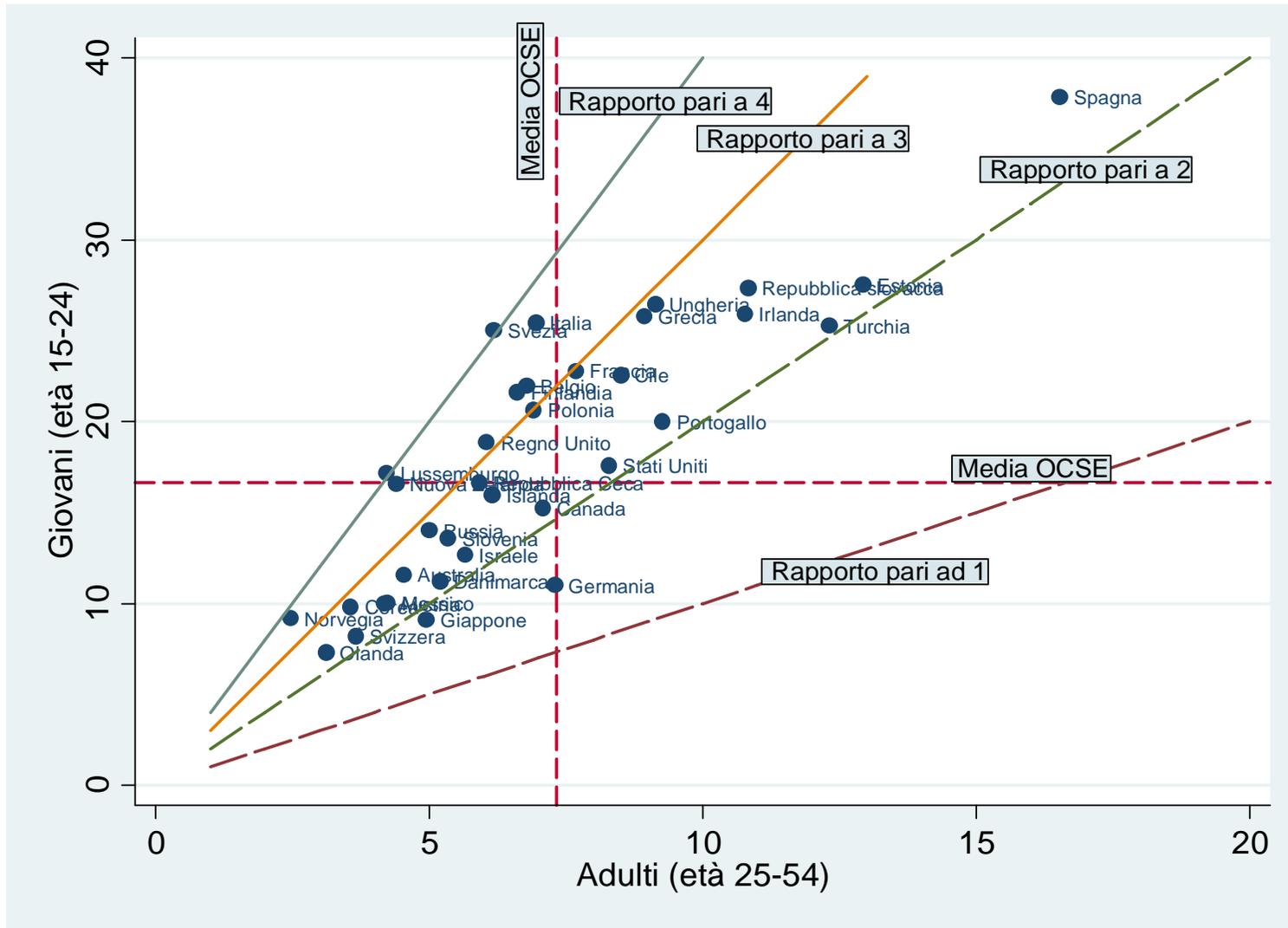
Youth and adult unemployment rate in OECD countries (2000)



Nota: I dati di Estonia e Slovenia si riferiscono al 2002.

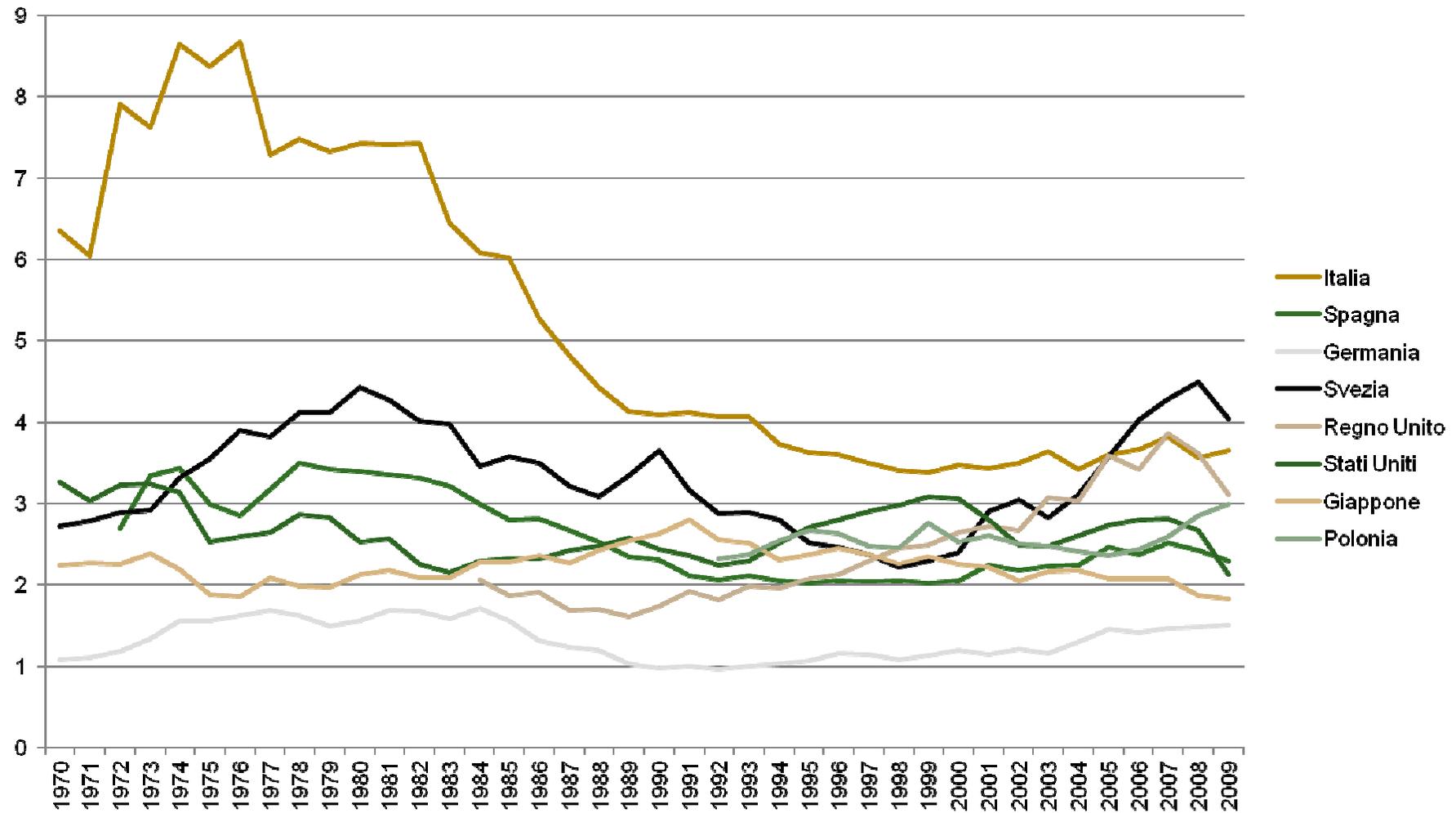
Fonte: propria elaborazione su dati OCSE.

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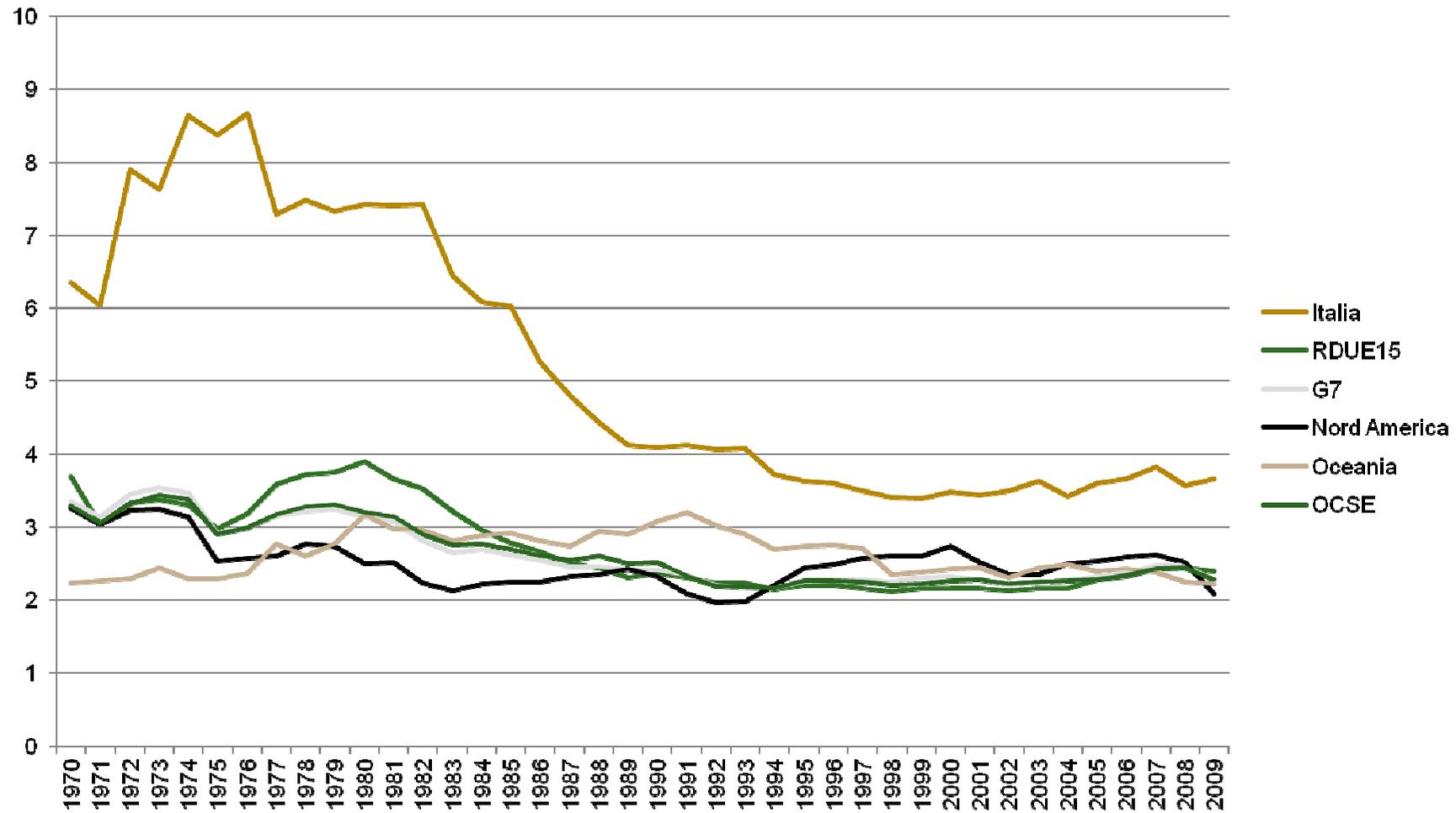


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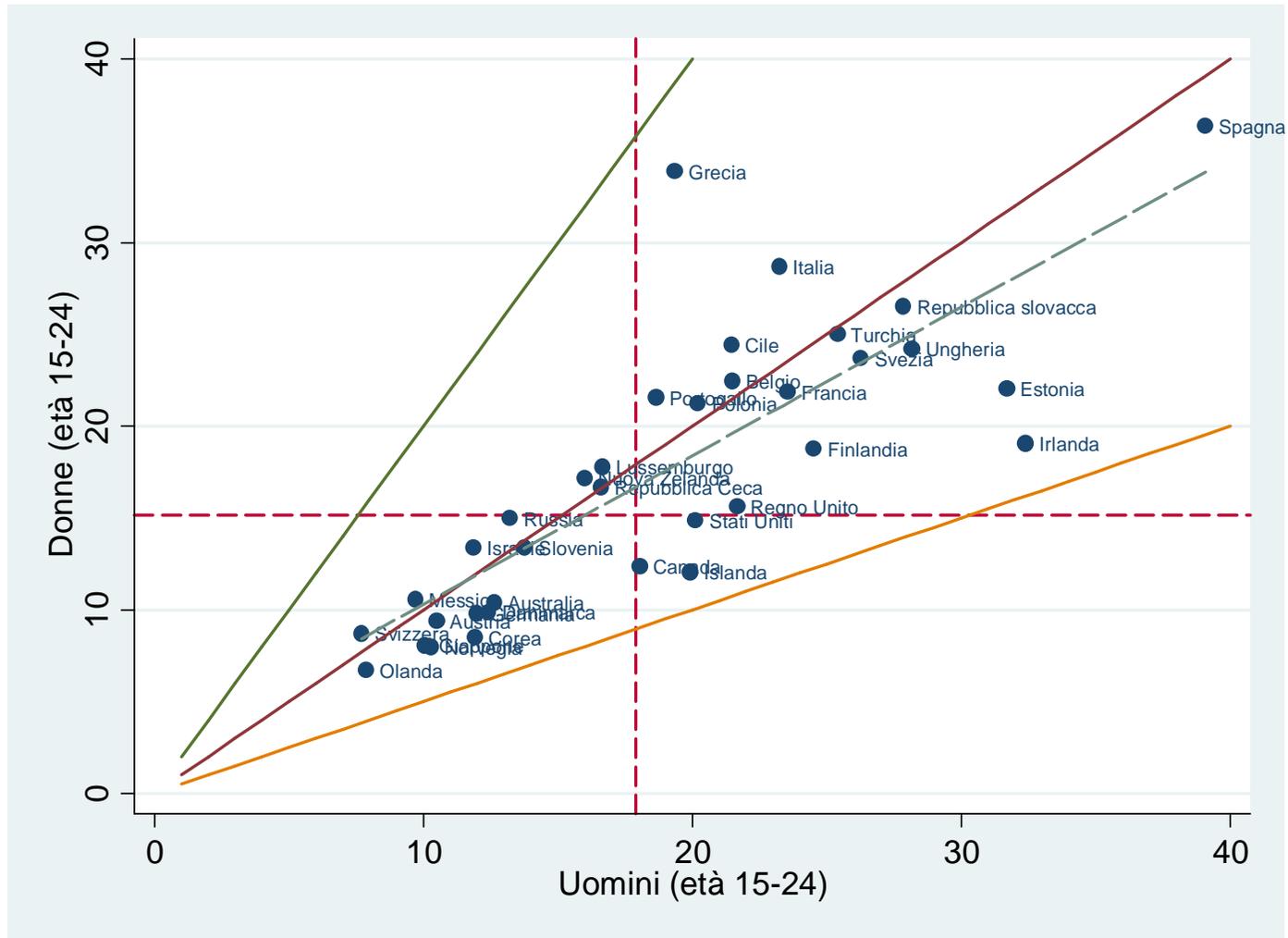
Evolution of RD in selected countries



Evolution of RD by group of countries



Gender differences



Understanding the nature of youth unemployment from stylised facts

- The flow in and out of unemployment is higher for young people (Clark and Summers, 1982) because:
 - ❑ Young people are in search for their best job-worker match
 - ❑ And sometimes go back to education and training
 - ❑ Especially low-skill young people
 - ❑ Employers are also in search for the best job match
 - Consequences of *job shopping*:
 - ❑ Shorter average unemployment duration, but
 - ❑ For the low-skill: High risk of falling into a chain of low pay temporary or part-time work
 - ❑ Two paths for high-skill and low-skill young people)
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The “youth experience gap”

- ❑ Young people have low human capital:
 - ❑ Despite increasing educational attainment, they lack the other two components of human capital: generic and job-specific work experience;
 - ❑ To fill in the “youth experience gap”, young people move in and out of employment in search for the best job-worker match;
 - ❑ This search requires the least skilled to go back to education and/or training schemes;
 - ❑ Youth unemployment is temporary;
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The liberalist (optimistic) approach

- Why to bother?
 - High YU is the consequence of a search for the best match by young people and employers
 - The only thing to do is: **make the market more flexible** to increase the chances for young people to find a good job
 - The market will provide training via **temporary work**
 - **Lower entry wages** would be the solution to the lower degree of work experience of young people
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Three main objections to the liberalist approach and to temporary work

- A. Temporary work arrangements: Are they stepping stones or dead end jobs?
 - B. Becker's (1962) hypothesis of market failure for job specific training
 - C. Heckman and Borjas' (1980) hypothesis of omitted heterogeneity
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Arguments against labour market flexibility and temporary works

PROS

- It is a stepping-stone for young people to find their best job-woker match
- Employers have a buffer stock of workers in expansionary times to be possibly fired in downturns
- Employers pay low wages for low productivity;
- Employers “try” young people;
- No compansation mechanisms but special intervention is needed only for particularly weak young people;

Cons

- Sometimes they become low-pay traps
 - Low pay jobs become permanent
 - And cause precariuosness of labour market experiences (so-called training trap);
 - Increasing power of insiders
 - Therefore, the need for constraints to the use of temporary work;
 - High cost for households;
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Evidence on temporary work as stepping stone

- In almost all countries the net impact on employability is positive
 - Spain and some USA programmes are exceptions
 - Ichino et al. (2005, 2008) find
 - a net positive effect of 19 in Tuscany and 11% in Sicily (here only weakly significant)
 - a gross effect of 31 and 23%, respectively
 - Berton, Devicienti and Pacelli (2008) find also evidence of a trap: increased probability of temporary work to remain such
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Arguments against labour market flexibility: why temporary work may be a trap?

Becker (1962)

- Temporary contracts reduce the gap in generic, not in job specific work experience;
- Short-time horizons work as a disincentive for employers and employees;
- Bentolilla and Dolado (1994) find for Spain an increase in the youth experience gap as a consequence of temporary work (see also Acemoglu 2002)

Heckman and Borjas (1980)

- duration dependence in an individual's unemployment experience often is an artefact of statistical data;
 - Once controlling for unobserved heterogeneity, duration dependence disappears
 - It is not a consequence of low labour turnover, but of low skills and motivation;
 - Education and ALMP are the solutions.
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The interventionist view:

Flexicurity

- Flexicurity, meaning

- Passive income support during unemployment spells and social security provisions to increase the cost of temporary work for firms and reduce the
- Pro-active schemes to increase employability
- Employment rather than job stability



Interventionist view: Reforms of the education and training systems

- Increase the quality of education, through:
 - Evaluation mechanisms
 - Incentives for quality increasing intervention
 - Introduce a duality principle:
 - Training should be provided together with general education
 - Favour smooth STW transitions through job placement:
 - Dual system in Germany
 - Jisseki Kankei in Japan
 - Job placement services in Anglo-Saxon countries
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Fields of intervention: different policy mix

- The educational system:
 - Rigid versus flexible systems
 - Sequential versus dual systems
 - The welfare system
 - Pro-active schemes versus passive income support
 - Targeting and scale of expenditure
 - State- versus family-based welfare systems
 - Fiscal incentives
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The training trap

- Also ALMP may become a trap: young people move from a programme to the next to get the linked benefits
 - Caroleo and Pastore (2005) find evidence of a training trap for some young people involved in training programmes in ALMP in Italy
 - Van Ours (2004) find a looking-in effect for training programmes participants in Slovakia
 - Wunsch and Lechner (2008) find a similar effect in Germany
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The ILO (2004) STWT classification

- (a) youth who have not yet started their transition,
 - (a1) youth in school, not seeking work;
 - (a2) inactive youth, not seeking work.
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ILO (2004) STWT classification (continued)

- (b) youth in transition, namely
 - (b1) youth in school, but seeking work;
 - (b2) inactive youth, but seeking work;
 - (b3) unemployed youth;
 - (b4) employed youth, but considering themselves unemployed;
 - (b5) employed, but wishing to change job;
 - (b6) employed not wishing to change their job, but:
 - (1) working more than 50 hours per week;
 - (2) working with no contract;
 - (3) working with a fixed length contract;
 - (4) working with a contract, but not paying taxes for their work.
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ILO (2004) STWT classification (continued)

- (c) youth transitioned to decent work.



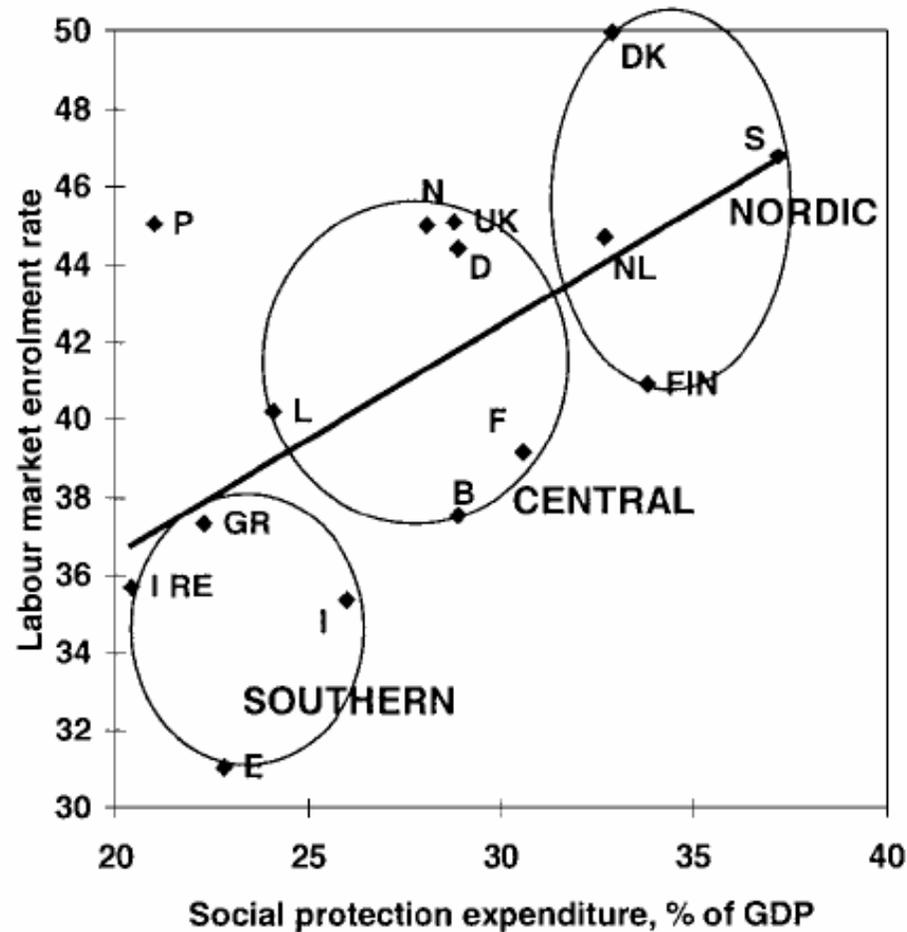
Shortcomings of the ILO (2004) STWT classification

1. fixed-term contracts among the “in-transition” group? Some of them are conducive to permanent, good quality jobs and generally have also a high quality content, in terms of training opportunities.
 2. also adults have low quality jobs, not only young people.
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EU SWT models à la Esping-Andersen?

- The German system: *The dual educational system*
 - The Scandinavian system: *ALMP on a large scale*
 - The Anglosaxon system: *High quality of education and labour market flexibility*
 - The South Mediteranean System: *The family and ... temporary work*
 - The new member states: *Building a modern welfare system (????)*
-

A new classification of welfare regimes based on SWT institutions?



The German system

- Similar to Denmark, Austria, Switzerland
 - Rigid, but Dual system of education
 - Apprenticeship on a large scale for many high school students
 - Low degree of labour market flexibility
 - Passive income support schemes for the unemployed
 - High level of unionisation of the labour force
 - Job search through employment agencies
 - Active labour market policy for the weakest groups
-

Pros and cons of the German system

PROS

- Low youth unemployment;
- Smooth school-to-work transitions;
- High degree of social integration;
- High degree of protection for young people;

CONS

- Difficult to export: Still less effective in the Eastern lands;
 - The few who drop out have big problems to integrate.
 - Too many are excluded by university education;
 - Low social mobility;
 - Very costly for schools, firms and young people;
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The Scandinavian system: ALMP

- Flexible, sequential system of education
 - Low degree of labour market flexibility
 - High level of unionisation of the labour force
 - ALMP on a large scale
 - Passive income support schemes for the unemployed
 - Job search through employment agencies
-

Pros and cons of the Scandinavian system

PROS

- Relatively low youth unemployment in uturns;
- The EES is already in place: education, training or job opportunity within 6 months of unemployment spell;
- High degree of social integration;
- High degree of protection for young people;

CONS

- Currently, very high youth unemployment
 - But low long-term youth unemployment;
 - Low social mobility;
 - Very costly for the State;
-

The Anglosaxon system:

High quality of education and labour market flexibility

- Flexible, sequential system of education
 - High degree of labour market flexibility
 - But fewer temporary jobs compared to continental Europe
 - Low level of unionisation of the labour force
 - Job search through private employment agencies
 - Apprenticeship on a small scale
 - Active labour market policy for the weakest groups
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Pros and cons of the Anglosaxon system

PROS

- Low youth unemployment;
- Low share of temporary jobs;
- High level and quality of education;
- High social mobility;
- High degree of social integration;

CONS

- A bulk of long-term unemployed for those who drop out from education
 - Low degree of protection for young people;
 - Extreme segmentation of the youth labour market;
 - Very costly for individuals;
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The South Mediterranean System: The family and ... temporary work

- Rigid, sequential system of education
 - Low, but increasing labour market flexibility
 - High level of unionisation of the labour force
 - Job search through family and friends
 - Apprenticeship programmes were forbidden until recently
 - Insufficient expenditure in ALMP
 - Passive income support from the State only for dismissed workers, while households support the rest
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Pros and cons of the South Mediterranean system

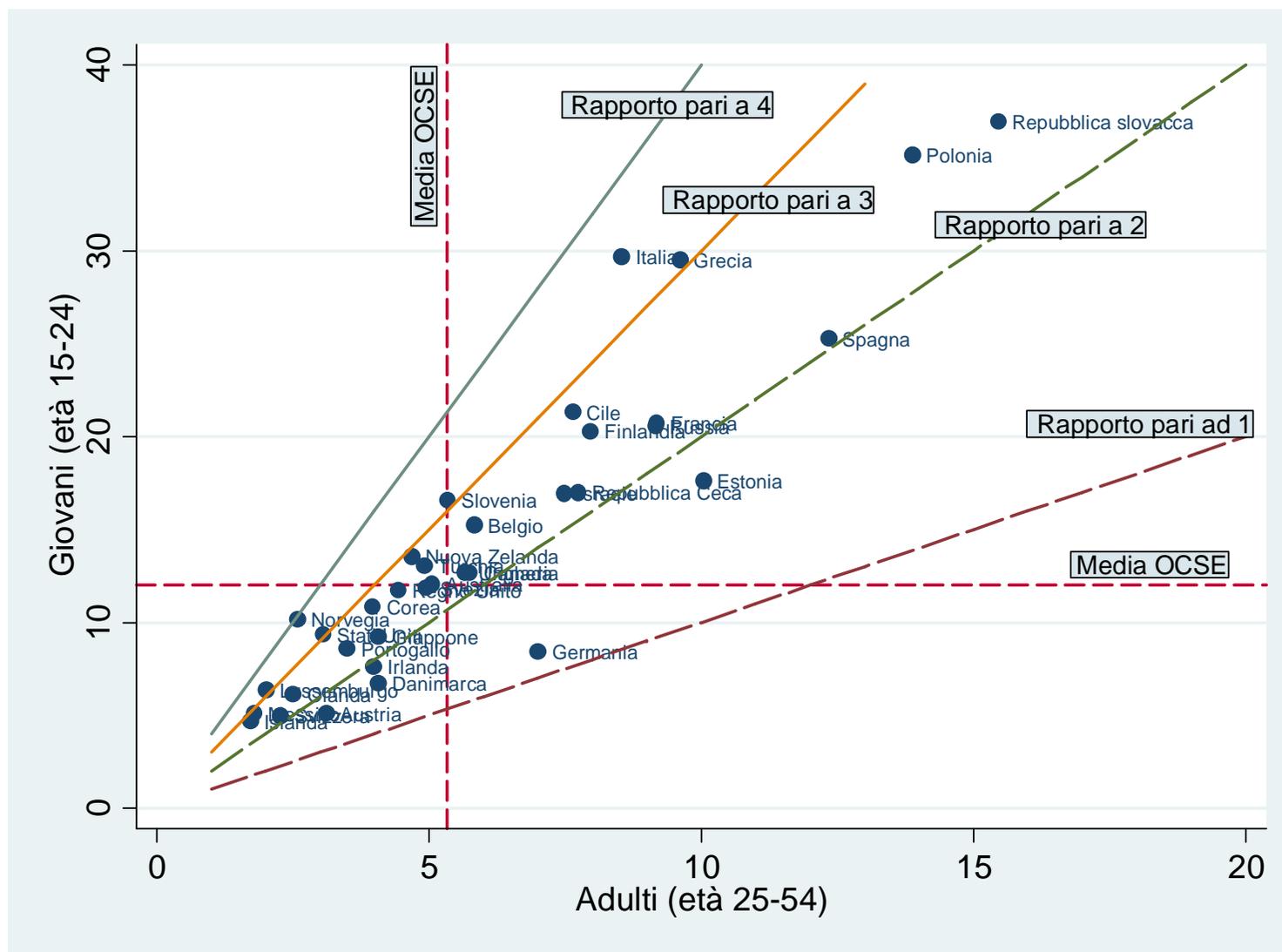
PROS

- Low cost of access to the University;
- Introduction of flexibility and duality in the educational system
- Move to the 3+2 university system (Bologna strategy)
- Increasing labour market flexibility;
- Increasing awareness of the youth unemployment problem;
- Households are good support for young people;

CONS

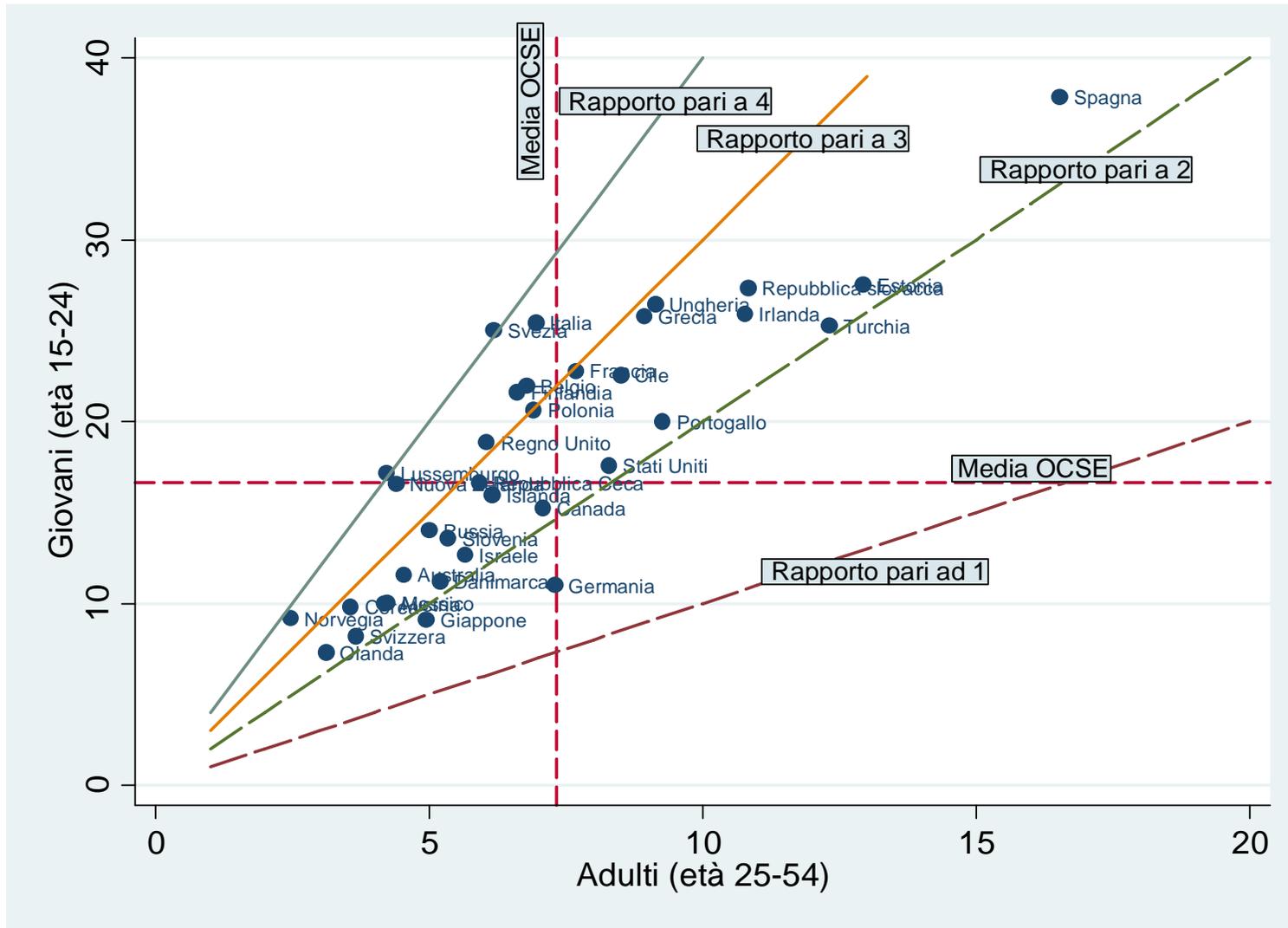
- Very long school-to-work transitions;
 - Very high youth unemployment rate;
 - Low education attainment;
 - Low quality of education;
 - Failure of the educational reform
 - Increasing job precariousness;
 - Lowest social mobility;
 - High costs for households;
-

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Concluding remarks

- Youth unemployment is lower where
 - educational systems are flexible and based on duality
 - labour flexibility is coupled with high education attainment
 - ALMP are fine tuned to the needs of the weakest groups: targeting and evaluation are necessary
 - households do not bear all the cost of youth unemployment
 - Entry flexibility is achieved also in traditionally rigid EU countries with little advantage for stable youth employment
 - The Lisbon strategy is a good guide, but costly and difficult to implement
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