

A collection of stylized, multi-pointed stars in orange, blue, and grey, scattered across the upper half of the page.

REPORT

STATES OF TRANSITION

YOUTH UNEMPLOYMENT, EDUCATION
AND LABOUR MARKET POLICY
IN EUROPE AND THE US

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ABOUT THE 'TACKLING YOUTH UNEMPLOYMENT' PROJECT

This paper is the third report from IPPR's project, 'Tackling youth unemployment: lessons from Europe'. This project is asking what lessons can be learned from the experiences of other countries about how best to tackle the short-term and underlying causes of high youth unemployment. We will also be publishing an in-depth study on the UK, drawing together the project's findings and formulating a set of recommendations to inform the policy debate on youth unemployment.

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INTRODUCTION

TONY DOLPHIN AND SIAN ELIOT

There are currently five and a half million young people aged under 25 unemployed in the European Union. In part, this is a consequence of the 'Great Recession' and the subsequent sluggish economic recovery. Countries that have experienced the biggest economic problems over the last six or seven years have, generally speaking, seen the largest increases in youth unemployment. But there is also a more long-term structural problem facing young people as they seek to enter the workforce. In many countries, even before the recession young people were finding it harder than their adult counterparts to get jobs, and the ratio of youth unemployment to adult unemployment was increasing.

Conventional wisdom places the blame for higher relative rates of youth unemployment on the changing nature of the labour market and, more specifically, on the decline in manufacturing jobs and the growth of 'consumer-facing' jobs in the service sector. On the one hand, employers say young people lack the skills needed to work in these jobs. On the other, young people complain that employers want work experience, placing them in a catch-22 situation of not being able to get a job because they have not worked.

However, there is a wide variation of experience across Europe, reflecting not just the economic cycle but also differing institutional set-ups and different policy responses. The transition from education to full-time employment is managed in a variety of ways in different European countries, and no one country has got every aspect of it right. Drawing comparisons between countries, therefore, is a good way of identifying ways to improve the transition. This report contains separate analyses of the youth unemployment problem in France, Germany, the Netherlands and Spain – and, for a very different perspective, the US. In this introduction, we attempt to draw out some common themes and interesting points of difference.

Recent trends in youth unemployment

Current youth unemployment rates vary considerably across the five countries analysed in this report. The lowest rate is found in Germany, where youth unemployment is 7.5 per cent and the recession has had no discernible effect on it. This is widely attributed to Germany's 'dual system' of vocational education and training. The US (14 per cent), France (26 per cent) and, most alarmingly, Spain (54 per cent) have far higher rates and there have been considerable and fairly consistent increases over the last six years. The Netherlands, having successfully avoided a rise in the immediate aftermath of the financial crash, has also seen a substantial increase in youth unemployment in the last two years – although the rate there is still relatively low at 11 per cent.

Germany has consistently had one of the lowest youth unemployment and NEET (not in employment, education or training) rates in Europe. Central to its success is its dual system of vocational education and training, which establishes a clear transition from compulsory education into work for most young people who choose not to pursue a university education. The success of this system is such that during the recession Germany was one of the few European countries where the overall percentage of young people out of work fell. However, this overall success is marred somewhat by the high proportion of young unemployed people who have not worked for over a year. The dual system means that those on the two upper education tracks – academic and vocational – have excellent and enviable employment chances, but those locked out of these routes end up on a 'transition track' and fare far worse in the jobs market.

In complete contrast to Germany, Spain has one of the worst records in the EU on youth unemployment, with over half of those aged under 25 who are active in the labour market looking for work. Youth unemployment is highly cyclical in Spain and has increased sharply as a result of the continuing problems facing the economy as a consequence of the global financial crisis. However, there are longstanding structural issues too. In particular, there is a high degree of labour market segmentation between temporary and permanent work. Temporary jobs are often the only option for young Spanish people, which means that, even in good times, they tend to cycle in and out of work and generally take far longer to find a first permanent job than their counterparts in other EU countries. And in bad times, temporary jobs are the first to go, meaning that young people are disproportionately affected by recessions.

Young jobseekers in the US and France have also suffered disproportionately in the recession compared to adult workers. In keeping with its liberal market traditions, there is no strong youth transitional system in the US, though various schemes have been put in place in recent years to encourage firms to employ young people. Despite these schemes, Americans aged between 16 and 24 are currently facing some of the worst employment prospects in recent history, with almost one in six looking for work. The situation is similar in France, where youth unemployment is at a 20-year high and one in four young people are out of work. And many of those in work are on fixed-term contracts or in a temporary job. In both countries, youth unemployment has been a persistent feature, with high rates pre-dating the financial crisis. The subsequent recession has added an extra dimension to what was already a serious problem.

The situation in the Netherlands is rather different and more complex. Youth unemployment was low in the years before the financial crisis and initially remained low after it. The NEET rate, for example, stayed close to 5 per cent – very low by European standards – through to 2011. However, in the last two years unemployment and the NEET rate have both increased steadily. This is attributed to the length of the economic crisis in the euro zone, with Dutch firms initially taking an optimistic view that it would be short-lived and so not changing their hiring patterns, but eventually deciding that they had no choice other than to trim the size of their workforces. Consequently, although developments in the Netherlands initially were similar to those in Germany, ultimately the two countries have diverged. This is not so surprising. Unlike Germany, which has a consistent record of low youth unemployment rates, the Netherlands has fluctuated over the last three decades between having very high and very low rates.

The countries analysed in this report have, therefore, had very different experiences. Germany has low short-term (cyclical) and low long-term (structural) youth unemployment rates. The Netherlands has high cyclical but low structural youth unemployment (though with a historical record that suggests an increase in structural unemployment cannot be ruled out); France and the US have higher cyclical and structural youth unemployment rates, and Spain has a long record of extremely high rates, both short-term and long-term, and has seen a big increase in recent years.

Across all these countries, however, there are a number of common features. One is the strong negative correlation between unemployment rates and the level of qualifications held by young people. Those with the highest qualifications have significantly lower unemployment rates. In particular, unemployment among university graduates – although it has risen in some countries since the recession – is not generally a major structural problem. Where countries have high youth unemployment rates, it is because of high rates among those who do not

follow the university route into the labour markets. This report, therefore, focuses mainly on those who do not opt for university.

When young people do find work, there are concerns in some countries about the quality of jobs that they take. More and more young people are finding their only option is temporary employment. In Germany, far from being a problem, this is integral to the dual system of vocational education and training, so the vast majority of young people working on temporary contracts are also in some form of training. In the Netherlands too, temporary work has become an established stepping stone en route to permanent work. But in France and Spain, the prevalence of temporary work for young people is more of a problem. It means that their transition into the labour force is a disjointed one, cycling in and out of (possibly unrelated) jobs. This can disadvantage them throughout their working lives. Young people also suffer disproportionately when the economy slows down, or goes into recession, as firms find it easier to cut temporary positions. It is not, therefore, sufficient to reduce youth unemployment; in these countries there also has to be an improvement in the types of job that young people can find.

Pathways into work

Germany is renowned for its high-quality, selective, work-based vocational education and training system, which creates excellent job prospects for those young people that follow this route. The involvement of the social partners, which strengthens links between education and the labour market, is integral to the success of this system. It has facilitated the development of a 'dual system' under which young people are trained in the workplace and receive more general education, usually in a college. The dual system is strongly supported and respected by employers, and gaining a place in some sectors can be a highly competitive process.

Integration and coordination between employers, public services and education institutions supports young people's transitions and contributes significantly to Germany's low overall youth unemployment and NEET rates. Employers, local and national government and trade unions are involved in setting qualifications. Vocational education takes place partly in the workplace, and employers commit to offering training places through negotiations with the unions. For those that do successfully pursue the vocational route, there is a clear pathway to a high-quality job at the end of it.

Other countries, particularly France and Spain, have tried to establish a clear vocational path from education into employment, but with much less success than Germany. As a result, vocational education is not held in high esteem. In Spain, pupils can opt at the age of 15 to follow a vocational route, whereby they first undertake specific pre-vocational preparatory courses. Vocational diplomas obtained in school then allow young people to progress into further education at a vocational college, which will typically combine theoretical education in the chosen field with practical training using school equipment and workshops. Workplace training is arranged as a three-month module following the end of the school-based portion of the programme. The idea is that once young people have completed their workplace training, employers will hire them into full-time posts. However, employment outcomes are less good than in Germany.

Optional vocational pathways through education into work also exist in France from the ages of 14 or 15. Students have the choice of pursuing one of two different types of vocational certification: a certificate of vocational aptitude or a vocational

studies certificate that prepares them to undertake a vocational baccalaureate. The baccalaureate has a broad curriculum that is designed to allow young people the possibility of entering different industries or firms, rather than forcing them to decide on a particular career path at an early age. As a result, workplace-based learning is neither required nor uniformly well integrated into their studies. This has undermined the baccalaureate's popularity with young people.

The French and Spanish experience shows that it is not enough to establish a vocational route from education into work. It is important also to build strong links between the labour market and education. However, the German dual system has evolved in a very particular institutional setting. While strengthening the links between education and the labour market would improve youth transitions in other countries, and this should be actively pursued, it needs to be done with regard to the different circumstances that exist in each country. Replicating the role of the trade unions in the German system would, for example, be problematic for many countries. Similarly, where trade associations are not so strong, a different way of getting employers involved in the setting of standards and curricula in education will be needed.

Another important feature of the German pathway to work is the role played by work experience. It is generally the case across countries that young people with work experience are more likely to find work than those without, and work experience is integral to the dual system. However, that experience is very job-specific, requiring the young person to select their preferred career at a relatively early age – in contrast to the French system, for example, which involves far less work experience and thereby allows young people to keep their career options open for longer. There is therefore a crucial choice to be made when designing a youth transition system. One option is to make young people opt for a particular career at an early age and provide them with plenty of experience in that career during their training. This greatly increases their chances of getting a job, but at the expense of narrowing their options from an early age. The alternative is to allow them more flexibility over their future careers, making it harder to provide useful work experience, and so diminishing their chances of a smooth transition into work.

Careers guidance also needs to run alongside the vocational education system. As a general rule, the earlier a young person is expected to narrow down their options in terms of future career opportunities, the better careers guidance needs to be. The Spanish system of careers guidance is based on the assumption that guidance is more effective the earlier it is introduced, and it is a compulsory element of the curriculum in primary and secondary schools, building up to a vocational training and guidance module of 65 hours of class time per year. However, the advice given is often too generic, rather than providing direct guidance on where jobs are likely to be found in the economy and which qualifications and training routes lead to the best outcomes in terms of employability. Advice also tends to be general, rather than specific to individual pupils. There is a choice between offering specific guidance that encourages young people to make an early choice about their future, with the risk of severely narrowing their options when they come to find work, and allowing them greater flexibility. But the cost of this flexibility might be that they are less well prepared to compete against older workers.

The German dual system does have its flaws. It requires young people to be segregated in the school system at the relatively young age of 10–12. This creates a significant risk that some young people find themselves stuck on the lowest-stream education route and excluded from opportunities that are available to their peers. As a result, they end up with lower-level qualifications and are placed at a disadvantage in the labour market throughout their working lives. Those that do not get a place on a formal vocational training course move into a ‘transition system’, where they are encouraged to attend courses and undertake training. However, in many cases, participation in the transition system fails to effectively move young people into industry-recognised training or employment. They end up with a patchwork of mixed-quality qualifications that can have a negative signalling effect to employers and so limit employment chances.

The age at which schoolchildren are split onto academic and vocational education and training paths is, therefore, another important choice to be made in the design of a youth transition system. Earlier streaming creates a much clearer pathway for those not pursuing an academic route that leads through university to work, but it risks locking young people into a particular path before they are ready to make a choice. There is also a danger that those on the ‘least academic’ route are disregarded by employers.

‘Second chance’ education

One disadvantage of early streaming is that it can be hard to incentivise some pupils on the least academic route. As a result, they leave compulsory education with few or no qualifications. While the best solution to this problem involves creating more effective incentives within the school system, some countries have put in place ‘second chance’ options that encourage young people to acquire the qualifications or skills that they did not attain while at school.

France pioneered the second chance model, which offers a return to education for young people who have left school without any qualifications and who consequently lack the necessary education, training or employment experience to get a job. Means-tested grants are available to improve the likelihood of young people from low-income backgrounds completing their courses. The second chance schools combine basic numeracy and literacy skills training with a practical work experience placement and have a success rate of 61 per cent of students securing employment or continuing with further education or training at a higher level. A key element in their success appears to be the opportunity to gain work experience, which suggests that young people in France would benefit greatly if there were more opportunities for work experience within mainstream education, for example through a major expansion of apprenticeships.

A similar programme, which combines education in basic key skills and workplace training, has begun operating in Spain. It is funded by the state and tailored locally by a range of institutions. Young NEETs are given a second chance to acquire at least a level one professional qualification through the vocational initial programme.

While the schemes in France and Spain are optional, in the Netherlands young people up to the age of 23 are obliged to return to school to gain a level two qualification in order to maintain eligibility for social security benefits. All young people have access to comparable student loans (or grants in some circumstances) to study for general or vocational qualifications. The scheme is targeted at those who are at risk of becoming NEET, and all those who have not reached the minimum qualification level are tracked and contacted, even if they are not claiming benefits. All eligible young people are

guaranteed a place on the scheme and there are special schools for ‘problem cases’ that focus on getting young people ready to learn.

Interaction with the benefit system

This compulsory ‘second chance’ scheme is one element of a wider Dutch system of support for young people who are finding it difficult to get permanent work. In the Netherlands, young people – until they reach the age of 27 – are treated as a separate group by the state, with different requirements and aims and different access to support. This system is based on the belief that someone who has never worked, or has only worked for a few short periods of time, will have very different needs to someone who has lost their job after many years of employment. While in the latter case the primary aim will generally be to try to find them a new job as quickly as possible, this ‘work first’ approach is less likely to be appropriate for young people. Instead, they are offered specialist support outside the main benefits system in an integrated system that covers, where appropriate, housing, addiction, debt and childcare, as well as employment and education. While adult job-seeking is largely done online, young people have face-to-face interviews at ‘youth desks’. Often, young people will be encouraged to return to education to gain a basic or intermediate level qualification, rather than being pushed into work.

There are some similarities between the Dutch and German systems of unemployment support for young people, though the German system focuses more on work experience than additional education. Job-centres proactively approach young people, even when they are not receiving benefits, acting as a broker between them and employers, relaying information and organising events. They will also represent the interests of young people and encourage employers to give them an interview, and in some cases attend interviews with them. Representatives from local chambers of commerce and trade unions sit on the advisory council of every job-centre to improve the integration between them and the workplace. In both the Netherlands and Germany, there is a high degree of conditionality: benefit payments can be stopped if people do not take up training opportunities or engage in active job search.

This tailored support contrasts sharply with what is on offer in the US, where young people are treated as adults by the social insurance programme. While it is accepted that a strong safety net can improve employment outcomes, few unemployed young people are able to receive unemployment insurance benefits because they have not made sufficient contributions into the system. Consequently, the system pushes them to find a job, rather than to consider further education or training. The Spanish and French systems also fall some way short of the Dutch and German examples in terms of specific support for young people.

The main issues here are cost and the extent of the state’s responsibility for young people’s transitions into work. Providing a tailored support system for young people, and extra training places, is more expensive than simply treating them as adults and urging them to find work. In the Netherlands, counsellors who deal with young people have half the number of clients compared to those dealing with adults. In the US system, and to a lesser extent in France and Spain, the state expects young people to take charge of their own transition into work once it has provided them with at least a basic level of education. By contrast, in the Netherlands and Germany, the state accepts far more responsibility for this transition and, where necessary, guides young people into further education and training or work experience opportunities. The result

of this greater support is smoother transitions into work for young people who would, in other countries, face greater difficulties. But it has to be paid for by taxpayers.

Active labour market policies and labour market regulation

Since the financial crisis, governments have also stepped up their use of active labour market policies in response to the increase in youth unemployment – and unemployment more generally. These policies tend to be very country-specific but the biggest range of policies has been tried, with mixed degrees of success, in the Netherlands and France, with less intervention in Spain and the US.

In nearly all countries, offering subsidised apprenticeships is recognised as being a valuable mechanism for enabling entry into the workforce, and the number of places has been expanded. Even in the US, where there are only 400,000 registered apprentices (compared to over 1.8 million in Germany, which has a much smaller population), steps are being taken to increase numbers. Research shows that completing an apprenticeship leads to better outcomes in terms of chances of being employed and higher lifetime earnings. The French government is also looking to increase significantly the number of apprenticeships in France as part of its efforts to improve the standing of vocational education. This will involve asking firms in sectors that have not traditionally offered apprenticeships, particularly in the service sector, to start doing so. And the Dutch government now gives financial incentives to employers in certain sectors who offer work placements and jobs for young people as part of an apprenticeship scheme.

This is part of a wider set of initiatives in the Netherlands to encourage firms, through subsidies, to take on young people. ‘Starter Grants’ are paid by local municipalities to firms who employ young people who are on welfare, if in addition to paying their wages they contribute to their training accounts. There is no cost to the state: instead of paying the young people benefits, it pays a subsidy to the employer. And there is only a small cost to the employer as a result of paying money into training accounts. The aim is to both give young people work experience and encourage them to get further education and training. Responsibility for the scheme is devolved to the regions to encourage innovation. A similar practice occurs in Germany, where municipalities are given grants to cover social assistance payments and job and training support and then left to take the steps best suited to their area. In part, this is because it is assumed they will know more about the local demand for skills. If they make savings, they are able to retain them to improve services further.

This focus on training as well as work is not common. In most countries, subsidies are used just to get young people into work. The US has used subsidised jobs programmes, as part of the American Recovery and Reinvestment Act, to encourage firms to take on young people. The French government has introduced a number of initiatives that subsidise jobs in the private and public sectors. These include waiving social charges for small firms that take on young people who have been on benefits for a long time. One concern in France, though, is that many firms use this scheme to employ young people on short-term contracts, creating the risk that temporary and insecure work, which is a bad introduction to the labour market, becomes a normal part of the youth transition process. And, as with all such subsidy programmes, there is a potentially high deadweight cost because some firms would have employed young people even without the subsidy, and other firms will hire young people rather than adults, meaning that net job creation is not boosted.

Labour market intervention in Spain is more limited, though there is a scheme that grants employers a discount on their social security contributions if they hire young unemployed people. Here the main response to the sharp rise in youth unemployment has been to ease regulations so as to make the labour market more flexible. However, Spain retains a common minimum wage for young people and adults, as does France, whereas in Germany and the Netherlands the minimum wage for young people is lower than the adult rate. If employers judge that young people are less productive than older workers, this might be a factor in explaining why Spain and France have significantly higher youth unemployment rates.

Conclusion

There has been a substantial increase in youth unemployment across Europe since the financial crisis. This has added to what was already a longstanding structural problem in most European countries. In the last two decades, the transition from education to full-time employment has become more difficult for young people who do not follow the route through university. The causes of this phenomenon are not completely understood, and are likely to vary in importance from country to country, but the effects of globalisation and technology in changing the structure of the workforce are probably a common factor. Firms appear to value older workers more, relative to younger ones, than they did in the past. The typical response of governments has been to try to shift the balance back in favour of young people, for example through job subsidies for employers who employ them. This is essentially a 'work first' response to the problem.

The most notable exception to recent trends is Germany, where there is no structural youth unemployment problem, and rates have not increased in recent years. This is because the German system for transitioning young people into the workforce is based on strong links between the education system and the world of work. It involves a mix of formal education, training and work experience that equips young people to compete better with older people for jobs. There are problems with this system: young people are streamed at a very early age, training is industry-specific, which reduces their flexibility, and those on the least academic stream face difficulties in their first years in the workforce. But for most young people it delivers a good transition into their first full-time job. It would not, however, be wise for other countries to try to emulate completely the German system because it relies heavily on institutional structures that have developed over many years and which do not exist elsewhere. But they can learn from it.

While 'work first' might be appropriate for most unemployed adults (that is, those aged 25 and over), an alternative approach is needed for younger unemployed people. This should be based on strong careers guidance and lots of work experience mixed with on-the-job training and more formal education. Treating young people like adults in a generalised system does not work; specialist youth provision, such as the 'youth desks' in the Netherlands and France's 'second chance' schools, while more expensive, are more effective because they offer holistic approaches to transitioning young people into work. Work first will be suitable for some young people; but for others more education and training – or some combination of education and work experience – might be more appropriate. This more flexible approach works best when there is a degree of conditionality in the system, with young people obliged to take training opportunities if they want to continue to receive benefit payments.

One step that will help prevent youth unemployment is to make the vocational route through formal education and training as clear as the academic route. Those young people planning to enter the workforce from university have a good idea from secondary education of the staging posts they will have to reach, what is required of them at each point and what the eventual outcome will be. In many countries, however, the vocational path is far less clear. Governments need to improve the quality of vocational qualifications and ensure that courses represent worthwhile and useful preparation for young people entering the labour market. And they need to put in place a structured progression route through formal training and work experience that offers a viable alternative to the academic route. This will increase the prestige of vocational education, making it more attractive to young people, and making them more attractive to employers.

1. FRANCE

BRHMIE BALARAM

1.1 Introduction

Young people have struggled with a high level of unemployment in France for over two decades. The hypersensitive nature of youth unemployment to the economic cycle, however, has been particularly devastating for young people since the economic crisis of 2008. Youth unemployment is now at a 20-year high in France, at 26.2 per cent.

Since the 1980s, successive governments have attempted to embrace the idea that vocational pathways make a difference to youth employment prospects. At the ages of 14 and 15, young people are given a choice between pursuing general, technical or vocational qualifications. Further distinctions are made between vocational qualifications: the *certificate d'aptitude professionnelle* (certificate of vocational aptitude) which takes two years to complete, versus the *brevet d'études professionnelles* (vocational studies certificate) which is a one-year precursor for those wishing to undertake the *baccalauréat professionnel* (vocational baccalaureate) in three years rather than four. While it is a sign of progress that a vocational route has been introduced into mainstream education, the take-up of the vocational baccalaureate trails far behind the general and technical options. Vocational education is still a marginalised choice in spite of efforts to raise its profile over the years.

A further problem with vocational education in France is the overall lack of workplace-based experience. The vocational baccalaureate tends to be school-based, with limited integration of work placements and apprenticeships in the curriculum. The intention is to allow young people the possibility of entering different industries or firms following completion of their education rather than forcing them into a career decision at an early age. However, the low employment rate of those with general or school-based qualifications compared to those who have had the benefit of whole or partly workplace-based vocational education suggests that this strategy is undermining the baccalaureate's usefulness and esteem.

Although the success of the vocational baccalaureate has been limited, France has had much better results from 'second chance' schools in reversing the plight of young people who are not in education, employment or training (NEET). Following a European pilot project in 1997, France has established over 70 of these second chance schools in deprived areas, with over 6,000 pupils enrolled each year. These students had previously left the education system with no qualifications and were struggling to enter the labour market, but upon graduating from a second chance school as many as 61 per cent of them (many of whom are ethnic minorities) had secured employment or returned to education or training in 2007. In addition to personalised support, it would appear that the mandatory workplace-based element in the curriculum explains why these schools have achieved what mainstream education was unable to do.

The state's main approach to tackling youth unemployment, however, has been through creating subsidised work contracts for young people. Some of these contracts are targeted specifically at disadvantaged groups, such as the long-term unemployed and unskilled young people, but most allow for market selection. The newest contract to be introduced is the *Contrat de génération* (Generation Contract), which aims to address both the recruitment of young people and the retention of older workers by arranging for a senior worker to mentor the junior one, likely to be a recent graduate. It is an ambitious initiative, but whether it will pay off is questionable.

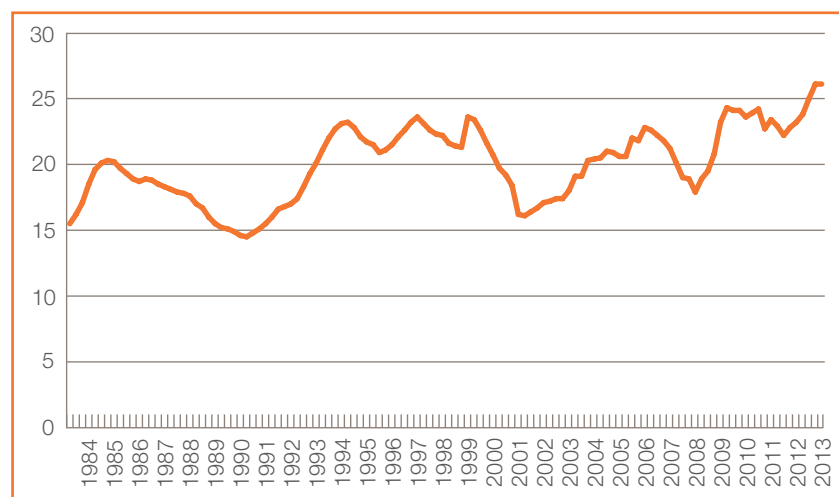
The state has yet to see a return on its investment in a variety of job creation schemes over the years. Critics have attributed this failure to the work created being 'non-standard'. The short-term contracts pushed as a solution have seemingly served to normalise temporary, insecure work and reinforced this as the main route into the labour market for young people. More needs to be done to prevent young people from cycling in and out of temporary jobs and unemployment in France, and to help them find stable, long-term employment.

1.2 Youth unemployment trends

High rates of youth unemployment have been a persistent problem for France, dating back to the early 1980s. Youth unemployment did fall significantly during the late 1990s, but any progress was reversed in the first half of the 2000s. Following the financial crisis in 2008, youth unemployment returned to the peak levels of the early 1990s, meaning that more than a fifth of the young population was jobless. As economic growth continues to disappoint in France, so too do job prospects for young people, exacerbating youth unemployment among 15-to-24-year-olds. As of the first quarter of 2013, youth unemployment in France was at a 20-year high of 26.2 per cent (Eurostat).

Although youth unemployment in France is now higher than it has ever been, it has been an issue that successive governments have grappled with over the last two decades. Youth unemployment has been consistently above 15 per cent, and the fact that youth unemployment was rising prior to the economic crisis in 2008 suggests that the current phenomenon is indicative of a structural problem in the labour market rather than just a consequence of the recession.

Figure 1.1
Youth unemployment
(%) in France,
Q2 1983–Q1 2013



Source: Eurostat

That said, a decline in national prosperity is of particular concern in France because youth unemployment is hypersensitive to economic cycles (Fondeur and Minni 2005). This explains the sudden drop in youth unemployment between 1999 and 2001 while the economy was recovering strongly. When compared to adults, the unemployment rate for those under 29 years of age was actually first to fall (Lefresne 2012). The implication here is that the young cohort was the first to benefit from the boom during that time, but they were also the most vulnerable to the risk of returning to unemployment when growth began to lull once more. This proved to be the case in 2008 when the economy shed

thousands of jobs in response to the crash, and young people on short-term, temporary contracts were the first to lose out.

Temporary contracts are widespread in Europe, but the concentration of young people in insecure work is particularly high in France. Of young people who are working, more than 50 per cent can be found on a fixed-duration contract or in a temporary job. The prevalence of young people on temporary contracts – which was an issue even prior to the recession – is especially alarming in France, more so than elsewhere in Europe, because the transition from temporary employment into other work, particularly permanent work, is poor. This is best understood by examining the flows of young people between different states in the labour market. As Table 1.1 shows, young people in France have been more likely than their peers in similar European countries to move from limited-duration employment to being NEET.

Table 1.1
Percentage of employed youth moving from limited-duration employment to non-employment, 2010

	15–19-year-olds	20–24-year-olds
Germany	1.2	1.3
France	4.9	5.6
Netherlands	0.1	0.4
UK	1.7	1.4

Source: OECD 2013

The number of young people who are unemployed and at risk of becoming NEET (for some, in spite of work experience gained through a short-term contract) potentially highlights a problem with how education and training in France are designed to support transitions into work.

1.3 Education, training and qualifications

Like most other countries in Europe, the education system is split into three stages: primary school (*école*), secondary school (*collège*) and upper secondary school, or ‘high school’ (*lycée*). The distinction in France, however, is that at the age of 14–15 young people must decide whether to pursue a general, technological or vocational pathway in upper secondary school.

The first two pathways – general and technological – are for young people who intend to pursue higher education. The general pathway is academically traditional, providing students with the option of specialising in the natural sciences, economic and social sciences or literature. In contrast, the technological pathway combines the general curriculum with specialised studies in a fairly narrow technical field. It is undertaken for a period of two years (with the exception of the hotel management and techniques of music and dance specialisms, which require three years), but students must be willing to commit to learning very specific subjects during this time. There are eight different streams, which cover: business and management; design and applied arts; industry and sustainable development; laboratory sciences; health sciences; agriculture; music and dance; and hotel management and hospitality. However, the most advanced or specialised fields are usually provided by boarding schools since they recruit from large catchment areas or, in some instances, from across the country. Both the general and technological baccalaureates are competitive and entail two rounds of exams, but neither is work-based or inclusive of work placements.

The vocational pathway prepares students to take a *certificat d'aptitude professionnelle* (CAP, or 'certificate of vocational aptitude') or a *brevet d'études professionnelles* (BEP, or 'vocational studies certificate'), which can then lead on to the vocational baccalaureate. The difference between the CAP and the BEP is that the former offers opportunities for gaining specific skills whereas the latter is characterised as offering more general and broader training. The CAP was designed to lead mainly straight into employment, covering a much larger number of specialist subjects than the BEP, but the BEP allows students to undertake the vocational or technological baccalaureate, which is seen as more prestigious. The CAP takes two years to complete, but following reforms in 2009 the BEP has now become a one-year precursor for those wishing to undertake the *baccalauréat professionnel* (vocational baccalaureate) in three years rather than four.

The vocational baccalaureate was introduced in 1985 with the intention of enriching secondary-level vocational education by adding a level 4 training course that corresponds to a level 3 European diploma. This new qualification would allow students who had obtained the BEP to continue their vocational education, facilitate access to higher education by making access to the baccalaureate (which is, in essence, the first stage of higher education) more egalitarian, and raise the profile of the vocational pathway through formal accreditation (Gendron 2009).

Since its inauguration, the vocational baccalaureate has been only a modest success. Take-up of the vocational baccalaureate is still comparatively low relative to that of general and technical baccalaureates. In 2004, the proportion of students in a cohort obtaining a baccalaureate was in excess of 61.7 per cent: of this, 32 per cent were in the general stream, 17.7 per cent in the technological stream and 11.7 per cent in the vocational stream (Gendron 2009). Presented in other terms, of 100 students who were successful, 52 hold the general, 29 the technological and 19 the vocational baccalaureate. While important strides have been made towards normalising vocational education, it remains a marginalised choice.

Career guidance could be more instrumental in promoting vocational education as a worthwhile alternative to general or technological education for some students; not all young people are attracted to higher education and vocational education could facilitate an earlier entry into the labour market than further studies. However, the problem in France is that the quality of career guidance needs to markedly improve before young people trust it to be of use. Reportedly, as many as 40 per cent of young people did not benefit from the guidance they received at the end of lower secondary school (HCE 2008). Frustration with the service may in part be due to the skills and experience of the counsellors/psychologists (*conseillers d'orientation-psychologues*). In France, there is no separation between the functions specific to guidance and psychosocial functions, which means that some of the counsellors appointed to the role lack familiarity with the labour market information required to effectively advise students (HCE 2008, Boulhol 2013).

There has been a push in recent years for counsellors to become more attuned to economic and social realities. The terms and organisation of the recruitment process were reformed in March 2012 to require these counsellors to have more in-depth knowledge of the economy, as well as the national, sectoral and territorial characteristics of the job market (Boulhol 2013). The outcome of these changes is still being monitored, but the impact may be greater if teachers are also given the appropriate training to be more involved in the guidance of their students, as is already the case in Germany, Denmark and the Netherlands (Enlart 2012). It would be particularly appropriate for

teachers to get involved in France because students who choose the vocational and technological pathways must make difficult decisions about which courses to pursue at the end of lower secondary school before they enter their preferred stream in upper secondary education. Teachers have a sense of their students' strengths and may be in a better position to provide direction than the counsellors in this instance.

If counsellors or teachers are going to encourage young people to take up the vocational baccalaureate, it is worth exploring the extent to which it offers them a high-quality route into employment. The vocational baccalaureate can be described as providing young people with generalised knowledge rather than stressing specific skills. This can be advantageous in the sense that general skills are more adaptable to a changing economy and labour market than specialised skills would be. It is also positive because students are then not limited to certain industries or firms based on their skills.

Table 1.2
Orientation of
low and mid-level
qualifications (%)

	Germany	France	Netherlands	Sweden	UK
General Education	32	41	27	49	64
School-based vocational	1	36	–	36	5
Mainly or partly workplace-based	67	22	–	15	28
No distinction	0	2	73	0	2

Source: IPPR calculations using the EU Labour force survey

The other distinguishing feature of the vocational baccalaureate in France is that – while the system does allow for mixing – it tends to be much more school-based than work-based. This may be its biggest weakness, especially when contrasted with a country like Germany, in which 67 per cent of low and mid-level qualifications are mainly or partly workplace based and the unemployment rate for individuals between the ages of 20 and 29 holding such qualifications is significantly lower. The unemployment rates in Table 1.3 suggest that young French people aged 20 to 29 who graduate with general or school-based vocational qualifications are much more likely to be unemployed (by a margin of nearly 10 per cent) than those who had the benefit of whole or partly workplace-based vocational education.

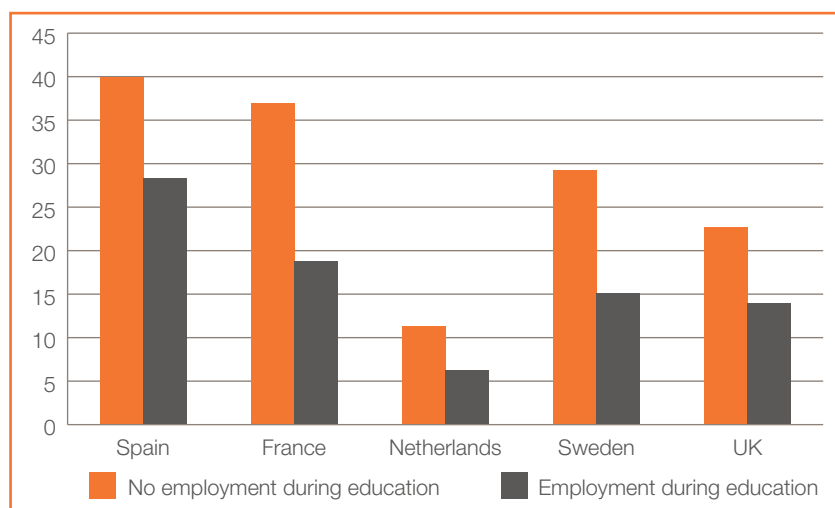
Table 1.3
Unemployment rates
(%) post-education for
20 to 29 year olds by
orientation of low or
mid-level qualification

	General	School-based vocational	Whole or partly workplace-based vocational
Germany	31	N/A	9
France	22	21	13
Sweden	17	16	13
UK	14	10	14

Source: IPPR calculations using the EU Labour force survey

It would appear that work experience is a very important determinant of a young person's ability to get a job in France, particularly if they are lacking higher education. This suggests that the state-regulated model of vocational education and training could do more to support young people as they transition into employment. Currently, the state with its social partners (employers' representatives and trade unions) determines the content of vocational education and training, but the express aim of the curriculum is to convey general, theoretical training rather than reflect practice in business (Wollschläger and Reuter-Kumpmann 2004). Workplace-based learning is neither required nor uniformly well integrated as part of the vocational baccalaureate.

Figure 1.2
Youth unemployment rates for those who have left regular education with less than higher education, by level of work experience, in selected EU countries, 2009



Source: IPPR's calculations using the EU-LFS 2009 annual sample

Even those who pursued higher education find it challenging in the labour market without on-the-job training or workplace-based experience to draw on, particularly if they are young women. Labour market outcomes for young people differ by gender, with females at more of a disadvantage than males despite their higher educational attainment. Young women have higher rates of schooling than young men at every stage: they comprise a higher proportion of baccalaureate holders and account for more university graduates. Women also generally perform better academically in school than men (Lefresne 2012).

While the discrepancy in the activity rate between men and women aged 15 to 29 can be partially explained by the tendency of women to stay in education for longer periods of time, there is cause to believe that discrimination may also be a factor in the variance. A reason often cited for the differences seen between men and women in the labour market is the orientation choice of women (that is, women represent only one-sixth of young people completing industrial training courses), but this does not hold up when confronted with evidence of women who have chosen more 'masculine' industrial career pathways, such as engineering, electrical engineering, public works, physics or IT, yet have lower salaries than men regardless (Muller 2012).

For all who struggle as educated individuals, the problem of youth unemployment is compounded for those with few or no qualifications. As many as 17 per cent of young people who are school-leavers (130,000, of which 45,000 are so-called unskilled) have no baccalaureate, CAP or BEP to speak of (Lefresne 2012). These young people face the highest risk of youth unemployment and need targeted support to either help them carry on in education or to successfully transition from education into employment. The same is true for the 13 per cent of young people leaving university without a diploma (having failed the first two years), whose unemployment rate is now actually higher than that of CAP and BEP holders.

The state has for years relied on extending compulsory education and emphasising studies beyond secondary school as a means of insulating young people from unemployment. However, this approach has underestimated the importance of workplace-based opportunities in enabling youth to enter the labour market. An admission of this reality may be the 'second

chance' schools,¹ which target young people with no qualifications who find themselves without education, employment or training, and support them in finding a job by providing them with opportunities for workplace-based experience as part of their academic curriculum (Froy and Pyne 2011). When last analysed in 2007, there was a success rate of 61 per cent for students (many of whom are ethnic minorities) in securing employment or returning to education/training (ibid).

Second chance schools were initially piloted in a number of other European countries, including Denmark, Finland, Germany, Greece, Italy, the Netherlands, Portugal, Spain, Sweden and the UK. However, the initiative has been most successful in France. To date, France has over 70 second chance schools across the country, with over 6,000 pupils in attendance each year (Forrest 2012). These schools offer young people who are NEET an alternative to being on unemployment benefit or competing for one of the subsidised work contracts aimed at individuals from disadvantaged backgrounds. For young people who are NEET, applying for a job, even one of the 'non-market' variety, can be daunting, especially since they lack the means of support to find and secure work. The state does not expect or oblige those who are on unemployment benefit to undertake training or acquire relevant skills (as is championed in the Danish model of welfare), so it can be challenging for a young person to seek either training or employment on their own accord.

Second chance schools in France are all located in deprived areas and are nurtured at a local level; for instance, partnerships are formed between the schools and employers in the local area for the benefit of students. Schools are often proactive in recruiting employers; some schools found that there was a point of saturation in the job market for young people, so there are cases of schools making suggestions to businesses of new types of employment based on their research of local 'needs and niches' (Forrest 2012). In addition to this, second chance schools form a national network that enables knowledge and experience to be easily shared across the country and to improve overall rates of achievement.

Second chance schools address a gap in the education system in France by structuring the curriculum to include work placements. To smooth the process for both young people and the host companies, work placements are managed in a 'phased manner', meaning that the students are eased into employment while being taught the skills they will need with the support of their teachers (Forrest 2012). Grants between €300 and €600 a month are also offered to some young people, based on a means test, to maximise completion rates among those with financial difficulties. While the triumph of these second chance schools in France is commendable, it does suggest that expanding workplace-based placements in mainstream education might prevent at least some of these young people from needing a 'second chance' in the first place.

¹ According to the OECD (2010), the first of the second chance schools opened in Marseille in 1997, but they have now become a key element of the 2009 emergency plan of the French government to tackle high youth unemployment. Since 2007, the national government of France has provided 30 per cent of the schools' budget, but they are primarily financed by regional authorities, the European Social Fund and a training levy (or 'apprenticeship tax') on firms. This funding enables the schools' administration to arrange intensive tailor-made courses in French, mathematics, IT and other subjects. Most importantly, it includes a major component of work-based experience.

Developing a sustainable model for funding second chance schools

Second chance schools can be expensive because of the higher degree of personalised support and educational resources they make available. In these schools, the ratio of pupils to teachers is 5.9:1 and to computers it is 3.9:1 (European Commission 2001). By contrast, in mainstream secondary education across the EU, the figures are between 12.1 and 14.5 for the pupil–teacher ratio and 27.7 for the pupil/computer ratio. What this means in monetary terms is that the average cost of a second chance school per pupil is €7,901, compared to an estimated €4,696 in the regular education system.

A sustainable model for funding second chance schools was identified by the very first second chance school established in France in 1997 as part of the European-wide project. The school, La Vie Collective, is located in Marseille and is still going strong today. The school is only 8 per cent funded by the French national government, while the majority of its funding (80 per cent) comes from local authorities and partners, including the regional council of Provence-Alpes-Cote d’Azur, the General Council of des Bouches-du-Rhone, the Urban Community Marseilles-Provence-Métropole, the City of Marseilles, and the Marseilles-Provence chamber of commerce (OECD 2010). The remainder comes from private sources, such as philanthropic donors and the apprenticeship taxes paid by the businesses involved.

This manner of funding second chance schools has proved to be a more sustainable model than was implemented, for example, in Leeds, England – which, in contrast to Marseille, relied mainly on funding from central government and the European Commission (Forrest 2012). Since there was little or no investment from the private sector, the school was closed after seven years in spite of a reportedly successful run. Council downsizing as a consequence of cuts imposed by national government meant that it was no longer tenable to keep the school going in the face of other pressures.

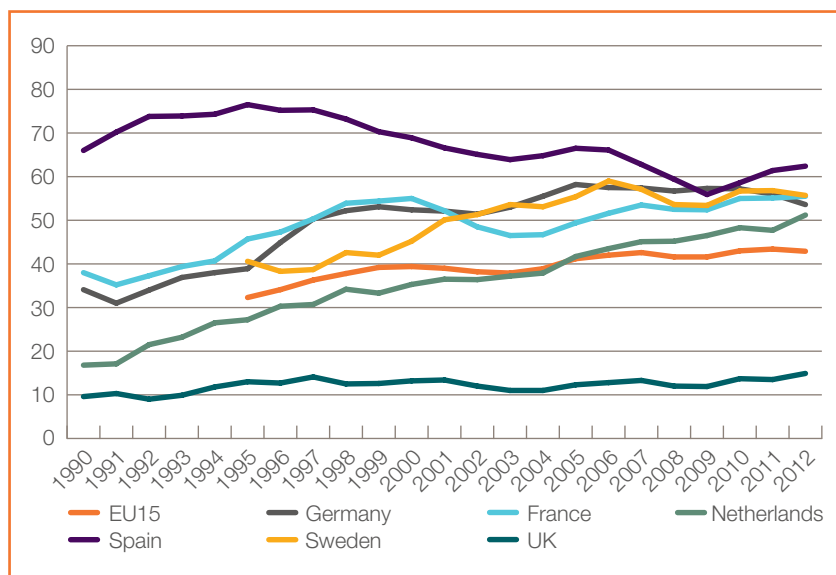
1.4 The French labour market

The French labour market is weighted in favour of older, educated individuals more so than it is towards youth. Young people tend to be locked into education and training, with very little opportunity, or even encouragement, for gaining work experience – in fact, only 15 per cent of young people (aged 15 to 29) in training also have a job (Lefresne 2012). Part of the problem is that when contrasted with countries such as Germany, Austria, the Netherlands and Denmark, where apprenticeships have a long and respected history, France is lagging far behind in its provision of similar traineeships. Apprenticeships are proving to be an effective way of integrating young people into the labour market at an early age, but only in recent years has there been a cultural shift in favour of developing more apprenticeships and in a wider assortment of areas (ibid).

Young people who are in the labour market are denied the same sense of security that older people enjoy. Among those who are employed, short-term and temporary work is very common: over half of young people who work are in a temporary job. The reasons for this vary (for instance, of those who are in work, some are splitting their time between working and pursuing education or training), but 38.5 per cent of people who are in temporary work settled for short-term employment because they could not get a permanent job. There has actually been a structural shift over the years

in terms of the type of employment available with the share of non-standard jobs in the labour market having grown. Temporary jobs, including subsidised contracts and apprenticeships, accounted for 14.4 per cent of the total number of jobs in 2007, and part-time contracts represented 17 per cent (Lefresne 2012). While these may not appear to be substantial numbers, there has been a marked increase in the share of temporary contracts in new jobs.

Figure 1.3
Temporary employment as a percentage of youth employment in selected EU countries and EU15 average, 1990–2012

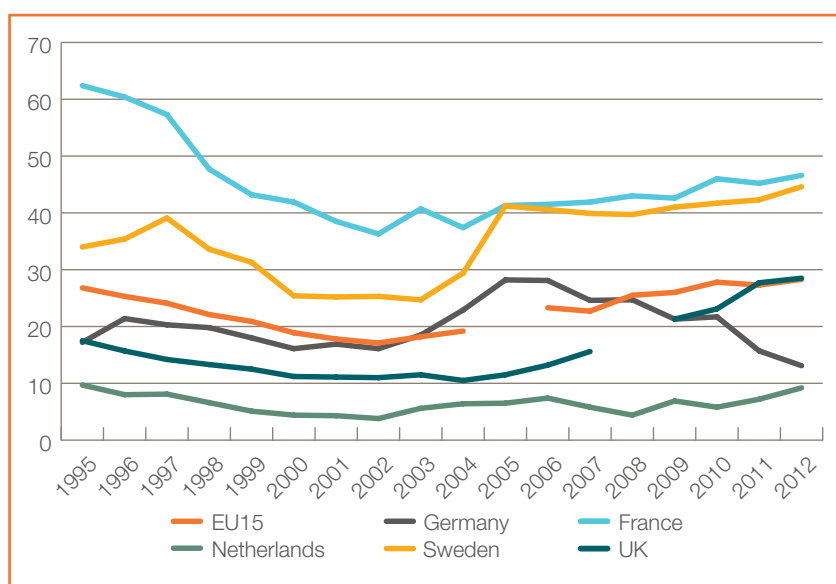


Source: Eurostat

Furthermore, interventions on the part of the state to increase employment among young people are premised on offering them temporary contracts, reinforcing this type of work among the demographic. The catch with offering young people temporary work as a means of helping them gain a foothold in the labour market is that it can entrap them in a cycle of short-term, insecure contracts rather than lead them into permanent, stable employment. Moreover, much of this work is part-time. While this type of work can suit those who need the flexibility (that is, students), the problem is that of the 23 per cent of people who are in part-time employment, nearly half would prefer to be in full-time employment. It has been hypothesised that the lack of full-time, permanent work is a consequence of job-protective legislation (the argument being that employers struggling with the external pressures of the economy will be reluctant to create new standard jobs), but this correlation has not been proven.

Underemployment is also a pervasive problem within the French labour market. The system was designed to encourage young people to aspire to higher education and support them in this ambition. However, young people who have achieved high-level qualifications but lack the technical skills and work experience expected of them by employers are likely to struggle to find work that reflects the subject of their degree. The resulting experience is one of downward mobility. Even those with a vocational element to their schooling have not gone unscathed – the probability of graduates holding a BTS–DUT (*Brevet de technicien supérieur–Diplôme universitaire technologique*, L2 level) securing a job upon leaving school is one in 10 (Lefresne 2012).

Figure 1.4
Involuntary part-time employment as a percentage of all part-time work in selected EU countries and EU15 average, 1995–2012



Source: Eurostat

Another indicator of youth disadvantage in the labour market is the overrepresentation of young people in low-wage groups. Young people in France are paid the same minimum wage as adults (now €9.43 per hour), but they tend to remain within this pay bracket for longer periods than adults do. For instance, three years after entering the labour market, youth median take-home monthly pay was found to be €1,200 (compared to a general average of €1,500) (Lefresne 2012). The OECD argues that the high expense of the minimum wage for young people is actually hurting their progress within the labour market because they must compete with experienced adults without the benefit of a cost advantage (Boulhol 2013). To subvert minimum-wage provisions, employers are increasingly using unpaid or low-paid internships to recruit youth. It may be worth rethinking the policy of having a universal minimum wage in France, since exemptions for youth may actually give them a leg up in the labour market.

1.5 Tax, benefit and active labour market policies

The French government's strategy has been to increase expenditure on employment programmes for young people while scaling back on benefit payments. Over a 20-year period between 1970 and 1990, spending on active employment policies increased sixfold (Bruno and Cazes 1997). The levels of spend have been maintained during the crisis, but access to benefits in recent years has been curbed considerably for young people under the age of 25. For example, as a consequence of greater conditionality, the ability to refuse work has been limited through the threat of sanctions or suspension of support for those who do. As youth unemployment is acknowledged as a serious problem, so too is the possibility that young people will grow accustomed to state 'hand-outs' instead of finding work (Chabanet and Giugni 2009). To discourage this, the philosophy that 'work must pay' has been embraced. Financial assistance provided by the state amounts to less than earnings obtained from working and every attempt is made to subsidise the cost of employment opportunities rather than worklessness.

In France, the amount of unemployment benefit (*l'allocation d'aide au retour à l'emploi*, or colloquially *allocation chômage*) awarded is anywhere between 57 and 75 per cent of gross pay. The required contributory period for entitlement to unemployment benefit is 122 days (roughly four months). As a result, many young people under 25 years of age are unable to claim unemployment benefit given that they may not have been in work long enough prior to their first period of unemployment to qualify. Those who pursued internships as opposed to paid work, often in the hopes of later securing an entry-level post, are similarly disadvantaged because they are also ineligible for unemployment benefit. These restrictions may in part explain why only about 40 per cent of the registered unemployed who are under 25 are in receipt of unemployment benefit (Chabanet and Giugni 2009).

Of those who are in receipt of unemployment benefit, there are certain conditions. In 2008, the concept of a 'reasonable' job was introduced, and the penalty for refusing more than two such jobs is a provisional suspension of benefits for two months. A 'reasonable' job was outlined as one in which the pay proposed for the job matched at least 95 per cent of the person's previous pay if that person was unemployed for three months, at least 85 per cent after six months of unemployment and at least the amount of the allowance receivable after a year of unemployment (Chabanet and Giugni 2009). The jobseeker must be willing to accept an offer at a place of work up to 30km from home or a one-hour journey via public transport. However, in France, pay is not the only consideration. The concept of a 'reasonable' job is also linked to the qualifications and vocational skills of a person: it should be in a field which provides the jobseeker with an opportunity to use their talents. At present, in spite of the pushback against 'voluntary unemployment' there are no measures which oblige the unemployed to take up a job offer unrelated to their previous training.

In addition to unemployment benefit, there is also the main social welfare scheme, known as the *revenue de solidarité* (RSA, or 'active solidarity income allowance'); however, it is only accessible to young people from the age of 25 and upwards. The age restriction is unusual across the OECD area; elsewhere, apart from Spain and Luxembourg, young people are eligible for benefits from the age of 18. The government does allow for a 'youth RSA' in some cases, such as for young people with caring responsibilities (at least one child already born or on the way) or living with a partner over the age of 25. Since September 2010, young people who do not have caring responsibilities, but who have worked the equivalent of two years full-time over the three years preceding their applications have also been granted eligibility. At the end of 2011, 140,000 young people under the age of 25 were able to gain access to the youth RSA on the grounds of caring responsibilities, but fewer than 10,000 could do so on the basis of their previous work experience because most had not worked 3,600 hours in the past three years (Boulhol 2013).

To guide young people off benefits, the state has intervened in the market by heavily subsidising employment opportunities in both the public and private sectors. Examples of major state-led initiatives in recent years include the 'emergency plan for youth employment' in April 2009 and the 'action for youth' plan in September 2009. These initiatives typically entail special work contracts which waive social charges for employers. In exchange for hiring part-time employees or for creating low-wage jobs, employers are no longer held responsible for co-financing social protection. This can amount to savings of up to 26 per cent for companies which pay the hourly minimum wage and up to 28 per cent for such companies with a maximum of 20 employees (Lefresne 2012). This type of government-subsidised contract is most popular with small businesses with fewer than 10 employees, who have the most to gain from the incentive.

Other types of contracts are more targeted, such as the *Contrat d'accompagnement dans l'emploi* (job support contract, or subsidised work contract) which is aimed specifically at disadvantaged groups including the long-term unemployed and unskilled young people. The need for such 'non-market' contracts has arisen as a result of 'credentialism' – employer bias in favour of young people who have achieved at the very least more than a baccalaureate (high school diploma) regardless of whether it is required for the job (Lefresne 2012). However, these non-market contracts can be stigmatising for beneficiaries, preventing them from later fully integrating in the labour market as a consequence of employer reluctance to hire them in spite of their acquired experience. This has become a problem to the point where many young people deliberately refrain from disclosing that they held non-market sector subsidised jobs during subsequent job interviews. It can be a catch-22 for governments, however, since the less targeted the measure is, the more likely the most vulnerable (that is, those without qualifications) will be disadvantaged and continually excluded by market selection.

There are some contracts which specifically include a training component, such as work-study contracts which combine wage subsidies with employer-financed training or apprenticeships. Work-study contracts provide training that could lead to certification, but because of this often pay lower wages. Apprenticeships are differentiated as sector-specific, typically within construction and manufacturing industries, although they are beginning to develop in large industrial corporations, service industries, and higher education as well. Unfortunately, there is a relatively very low take-up of work-study contracts and apprenticeships in particular. Only about 5 per cent of 16-to-24-year-olds hold apprenticeships in France despite concerted attempts set out in the emergency plan of 2009 to promote this as a viable route into employment (Steedman 2012). The ambition of the plan was to hire 320,000 apprentices between June 2009 and June 2010, but in reality there was a slowdown in the recruitment of apprentices that year and a quarter of these contracts were terminated early because of a mistaken choice in orientation, poor acceptance in the workplace, insufficient basic knowledge, financial considerations and transportation or housing problems (Lefresne 2012).

The latest contract to be devised by the state following the presidential election of François Hollande is the *Contrat de génération* (Generation Contract). This contract is designed to address both the recruitment of young people and the retention of older workers. It is signed between an employer and two employees: a young person under 30 and a senior over 55. The employer is required to train the young employee, while the senior acts as a mentor, spending as much as 25 to 30 per cent of their time guiding the new recruit. The young person in question will likely be a recent graduate so as to address underemployment among the highly educated, which is becoming a prevalent issue. This is one of the longest contracts to be offered, at a period of five years or until the 30th birthday of the young person, whichever is shorter. To entice employers to take up this arrangement within their workplaces, the state could offer as much as €2,000 per month.

With the exception of the *Contrat de génération*, the overarching concern with the various state contracts on offer is their short-term nature. The worry is that the growing share of these state-subsidised contracts in youth employment has normalised temporary, insecure work and reinforced this as a main route into the labour market among the young (Lefresne 2012). The sustainability of employment through these contracts is often dubious as the probability of these posts being transformed into permanent positions is low. Given economic constraints, there has been a pattern of

employers making permanent use of such special measures to compensate for their inability (or reluctance) to hire permanent staff. This is particularly true in the public sector – as a consequence of cuts, squeezed local and regional authorities have become reliant on these measures, and now represent more than half of the employers involved in such schemes. As Hilary Steedman (2012) notes, for employment initiatives to succeed, the government should be empowering employers – preferably in the private sector – to become key players and create apprenticeships for young people that can equip them with the skills needed for long-term work.

The failure to boost the rate of apprenticeships offered is one indication that the French government could actually be much more tactical about the way in which it subsidises employers to take on young people. At present, the message being sent by the state's lack of discretion in offering financial incentives is that the chief cause of youth unemployment is high labour costs when this is not the case (Lefresne 2012). To correct this misconception and improve the potential of these initiatives to both resolve and prevent further youth unemployment, Steedman (2012) encourages France to adopt a model in which governments pay short-term targeted subsidies specifically to employers who pledge to provide more apprenticeship places. These subsidies could also be granted to employers based on the actual content of the job and training provided for young people to ensure their usefulness (Lefresne 2012). Compelling employers to take an active role in designing relevant training for youth as a condition of the subsidy may incentivise them to change their hiring and labour management behaviour over time. Ultimately, a more strategic deployment of subsidies could provide better value for money and partially shift the onus of addressing youth unemployment from the state and onto businesses and employers.

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2. GERMANY

IMOGEN PARKER

2.1 Introduction

In recent years Germany has consistently had one of the lowest youth unemployment and NEET rates in the EU. Germany has a youth unemployment rate of under 8 per cent, and this (up until the last quarter) decreased during the recession.

Central to its success is the ‘dual system’ of vocational education and training (VET). A German apprenticeship involves young people spending between three and four years undertaking workplace training with a specific firm, alongside theoretical and general education in a vocational school. They normally spend three days a week at the firm and two days a week at vocational school, organised around a training contract between a young person and the firm.

Young people can enter the dual system from the age of 16, when they finish school, but the average starting age is 20, as high numbers of young people move into the transition system before finding a place for vocational training (Kohlrausch 2012a). They apply for apprenticeships directly to firms or brokered through the local job-centre. Apprenticeships are offered in a variety of sectors of the economy, though the quality of them varies. In addition to the dual system, some young people go to a pure vocational school after finishing compulsory education which does not involve a contract with a firm or workplace training.

Critical to the strength of the German VET system is its ownership by the social partners. Employers, employees, unions, Lander (states) and the federal government are involved in setting the syllabus and designing course content. The Federal Institute of Vocational Training, governed by the social partners, agrees on occupational profiles, which act as a form of licence to practise (which protects professional status but also risks an insider-outsider distinction). Seven in 10 who complete an apprenticeship continue to be employed by the firm afterwards.

There is compulsory membership of chambers of commerce for employers, mostly organised by location, and there are networks of small firms who work together to finance and run VET in their area or sector (in addition to national sectoral representation). In general, the firm pays for the workplace training and the state pays for the vocational school. Young people receive a lower wage while working as an apprenticeship, averaging around €700 a month.

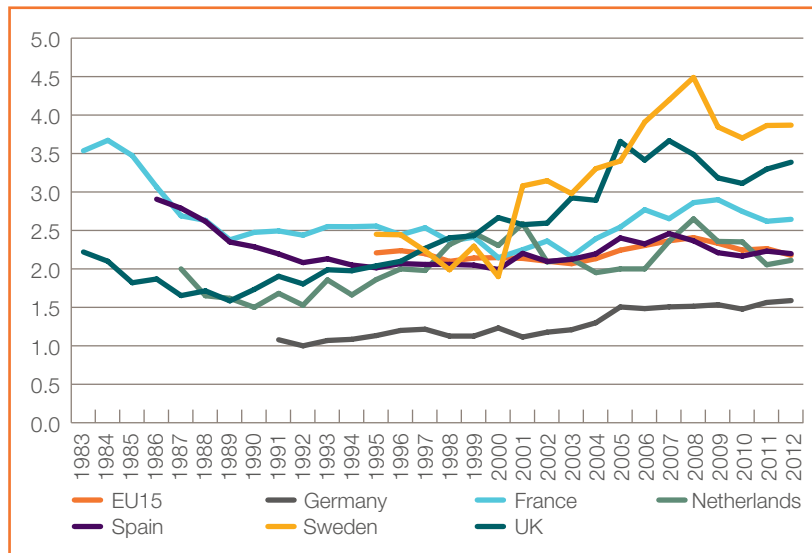
While formally there is no minimum requirement to enter the dual system in Germany, in practice getting a place is competitive, particularly for those who attended a lower stream of education. Those who fail to gain a place in the dual system or at a VET college enter the ‘transition system’. This has the aim of preparing young people to be ready to gain an apprenticeship contract with a firm through short training courses. However, there has been a big increase in the number of young people in the ‘transition system’ in recent years (especially those with a migrant background), and spending long periods in this system can diminish employment prospects by having a negative ‘signalling effect’ on prospective employers.

Young people on such programmes are not counted as unemployed, despite not being in work (thereby artificially depressing the youth unemployment figures).

2.2 Youth unemployment trends

Across almost all employment measures, young people in Germany fare well. Youth unemployment has steadily declined since the mid-2000s up until the most recent quarter, and is currently under 8 per cent. During the recession, Germany was one of the very few European countries where the percentage of young people out of work fell. Similarly, while there has been a gentle rise, from 1:1 to 1.5:1, the youth–adult unemployment ratio has been much lower than in many European countries since the early 1990s.

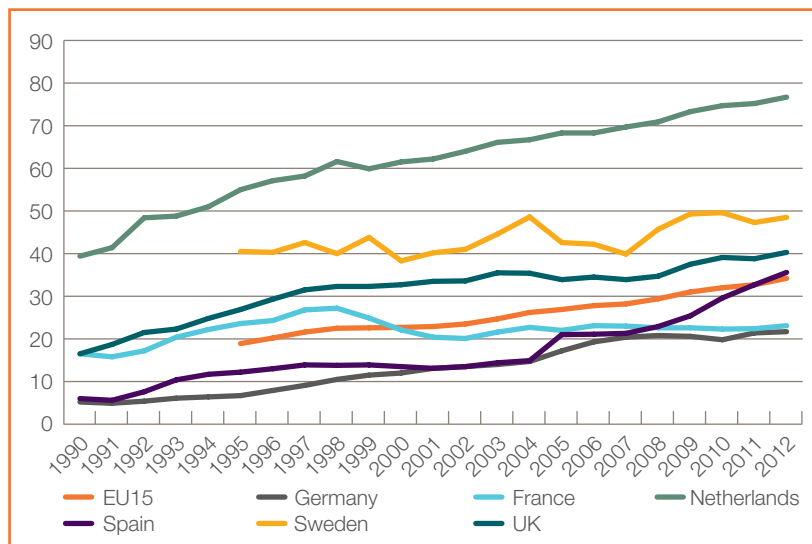
Figure 2.1
Youth–adult unemployment ratio in selected EU countries and EU15 average, Q1 1983–Q1 2013



Source: Eurostat

While Germany, like many other countries, has seen a rise in the proportion of young people in part-time work (from around 5 per cent in the early 1990s to 21.7 per cent in 2012), this is still substantially lower than the EU average of 34.2 per cent in 2012 (Eurostat).

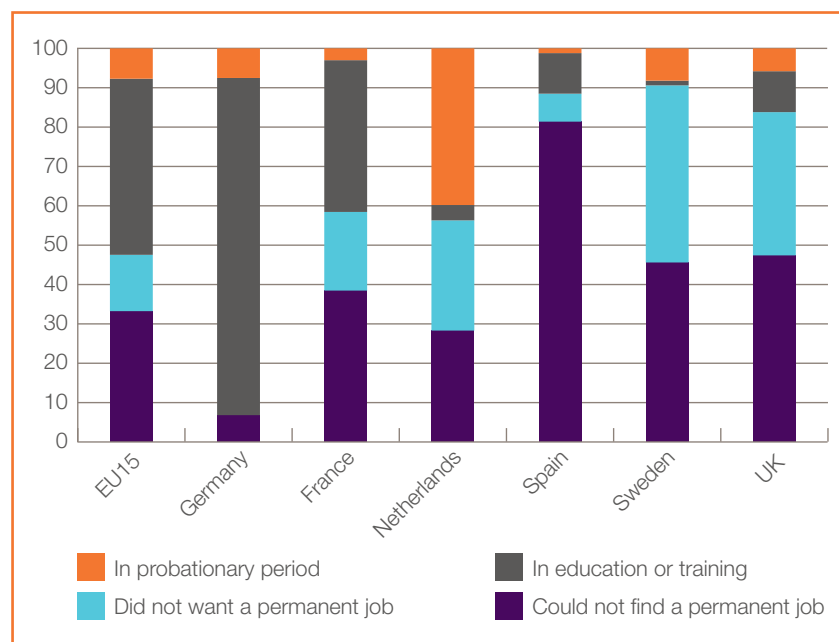
Figure 2.2
Part-time employment as a percentage of all employment in selected EU countries and EU15 average, 1990–2012



Source: Eurostat

Similarly, while over half of employed German young people are in temporary employment (compared to 42.9 per cent across the EU15, and just 14.9 per cent in the UK), the vast majority of young people are in training, and only 6.7 per cent of those on temporary contracts reported being unable to find a permanent job.

Figure 2.3
Reasons for temporary employment among young people in selected EU countries and EU15 average, 2012



Source: Eurostat

One of the few areas in which German youth are faring worse than in other countries is the proportion of young unemployed who have been out of work for more than a year. The overall youth unemployment rate is low in Germany, but those that do find themselves looking for work face a particularly difficult time finding a job. This is a symptom of Germany's highly segregated education system: those who take medium and higher level vocational and general routes have good employment chances. However, those with only basic or lower qualifications fare much worse, which suggests that those who do not get on to high-quality VET can be locked out of good employment opportunities. This trend widens across the life course.

2.3 Education, training and career support

One of main reasons for Germany's low numbers of young unemployed is its education system, with its strong focus on vocational training. This is particularly successful because of the high quality of education it delivers to those who follow the vocational route, and the esteem in which qualifications are held, due to close ties between education and the labour market through the VET dual system. This is facilitated by the social partners, who are responsible for both setting and inspecting qualifications, and the development of occupational profiles (similar to a licence to practise) for professions. However, for those who fail to find a vocational training places the transition system moves young people out of the NEET category but does not successfully strengthen their labour market chances.

In the German education system young people are streamed into different paths from an early age, with children filtered between the ages of 10 and 12 into either a lower, intermediary or higher secondary school. The choice of which school to attend is based on primary schools' recommendations, but is ultimately the parents' choice. Broadly speaking, those who attend the higher secondary schools transfer to university, those in intermediate schools move into the dual VET system, and those in lower schools into the transition system or precarious employment.

Those that move into a *Hauptschule* (lower-tier school) or *Realschule* (intermediate tier-school) are prepared for a vocational route through their schooling so that at the age of 16 they are able to move into training in the dual system (based both in a workplace and in school) or into a full-time vocational school, finally leading to a vocational qualification and apprenticeship or senior trade qualification. Currently two-thirds take a vocational pathway. Other students move into a *Gymnasium* for an academic or general route, leading to a university qualification exam (the *Arbitur*) and university.

Table 2.1
Education levels in
Germany pursuant
to ISCED

ISCED level	Education institutions and qualifications	Level
Level 0 Pre-primary level	Kindergarten	Elementary level
Level 1 Primary level	Primary school	Primary level
Level 2 Secondary sector I	Secondary-modern school, secondary school, grammar school (classes 5–10), institution for supplementary vocational training, year of basic vocational education	Secondary level 1
Level 3 Secondary sector II	Grammar school (classes 11–13), senior technical school, dual system, full-time vocational school	Secondary level 2
Level 4 Post-secondary, non-tertiary level	Senior vocational/technical school, senior technical school, combination of two vocational training measures	Secondary level 2
Level 5 Tertiary sector phase 1	University of applied sciences, university, specialised technical college, specialised technical academy, schools of the healthcare sector	Tertiary level
Level 6 Tertiary sector phase 2	Doctorate, habilitation	Tertiary level

Source: Hensen and Hippach-Schneider 2012

While technically it is possible for young people to move between academic and vocational routes, it is rare. The early streaming is compensated for by the fact that vocational education in Germany, in particular the dual system, is well respected and well resourced, and leads to high-level qualifications with good employment prospects and social status. The German dual system meets both of the requirements that have been shown to be important in determining how well young people transition: it offers young people on a vocational track occupationally specific, as opposed to general, skills and it fosters direct linkages between education and work (Breen 2005).

Those in the dual system spend most of their week in a company undergoing practical training, with the rest of the time – usually one or two days a week – spent at a vocational school where they are taught theory and practical content relevant to their occupations, as well as general subjects (economic and social studies, foreign languages and citizenship). Some schools offer full-time vocational study (*Berufsfachschulen*), which is the responsibility of each Lander (state), which lasts

2–3 years, with an exam on completion. These have admission requirements, but those who do not meet the requirements can enter a pre-vocational training year (ISCED 2A) or basic vocational training year (3B) (both of which are particularly taken up by those with social disadvantages, learning difficulties and migrant backgrounds).

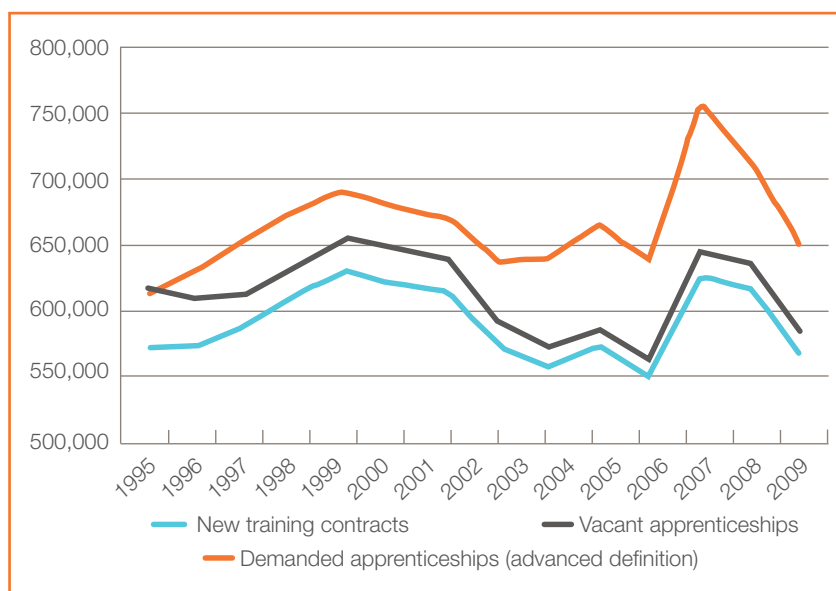
Apprentices (ISCED level 3) enter into a contract with enterprises, which bear the cost of in-company training and pay a remuneration (regulated by collective agreement) that increases every year, starting at on average a third of the pay of a trained skilled worker. The apprenticeship needs to cover specific competencies (set out in training regulations so as to meet national standards), including a framework curriculum which could be covered at external vocational training institutions. The dual apprenticeship route is strongly associated with labour market success (O'Higgins 2012).

Apprenticeships at Volkswagen

- There are 60,000 people working at Volkswagen's (VW's) plant in Wolfsburg, and 100,000 across Germany.
- At any one time, there are 2,000 apprentices at the VW plant in Wolfsburg and 4,600 in the company across Germany. There were 616 new apprentices in 2012 (with 8,000 applicants for these places). Ninety per cent of apprentices are young people from within the region.
- The number of apprenticeship places is agreed by the works council for several years: VW have committed to employing 660 new apprentices per year until 2018.
- Apprenticeships are offered in a variety of professional tracks – electronics, mechanics, administration, design, construction or technology.
- Apprentices spend three days a week learning at the plant and two days a week in vocational school in the first year, moving to four and one for the second and third years. Most come from intermediate secondary schools, following a nine-month application process with several stages and assessments.
- The Federal Institute of Vocational Training creates new job profiles and licenses occupations. This means that a VW apprenticeship will be recognised by other employers, and the final exams are conducted and certified by the chamber of commerce.
- The starting wage for an apprentice is €700 a month, rising to €1,000 in the third year. VW spends €100,000 over three years on each apprentice.
- Although there is no obligation, the expectation is that people will spend at least five years with the firm after they finish their apprenticeship. Ninety per cent of the current workforce came through the apprenticeship route.
- The motivation for this level of commitment to apprenticeships is the demand for skilled workers, the desire to compete on quality, the importance of engendering loyalty and the importance of training people in-house.

While almost all large firms (those with over 500 employees) take on apprentices (compared to around a third in England), the supply of apprenticeship places is falling well short of demand. The decreasing number of places means government intervention has become an important stabiliser, particularly in the states of former East Germany, where a publically organised apprenticeship market parallels the regular one.

Figure 2.4
Demand and supply of apprenticeships in Germany, 1995–2009



Source: Autorengruppe Bildungsberichterstattung 2010, figure E2-1a, in Kohlrausch 2012b

The competitive and high-quality dual system in Germany means that those on apprenticeship routes are likely to move into a secure career path. But the emphasis on excellence also means that Germany’s VET system can lock people out, in particular those with learning difficulties or low standards of education, and those from a migrant background. Of those who found places in vocational education in 2010, just over half of those with a German background entered the dual system, and only 29 per cent moved into the transition system. In contrast, 51 per cent of those with a migrant background entered into the transition system, and only a third found a place in the dual system (Kohlrausch 2012b). These trends are further exacerbated by educational achievement.

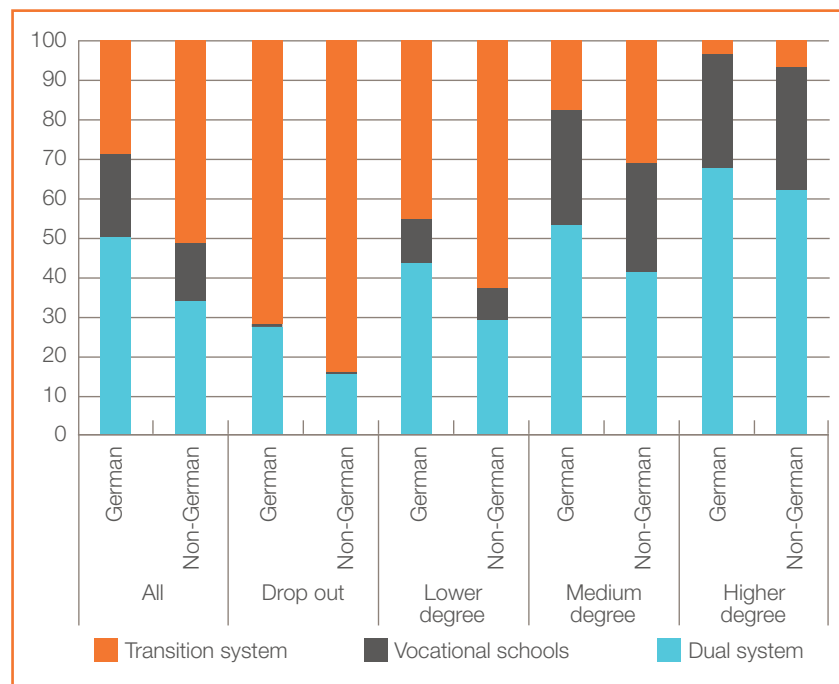
In 2006 and 2007, young Germans with low or no qualifications were half as likely to be employed as graduates (Thompson 2013). While low educational attainment has a substantial negative effect on employment prospects across Europe, the degree of inequality between qualification levels is largest in Germany.

Those who are unable to find a place in the dual system can move into the ‘transition system’. The transition system is organised by job-centres, public training providers and some vocational schools, but there are weak links to employers and to the dual system. The system is fragmentary and lacks transparency, meaning it is hard for participants to successfully transfer to VET: only half of those entering the transition system gain a place in the dual system after two years.

The transition system covers all training, education and labour market schemes designed to assist in the move from school to training, but without providing industry-approved vocational qualifications. The major part of transition schemes are organised by job-centres, publically assigned providers or vocational schools. The transition system addresses different barriers to further employment or training. For those with educational barriers it provides an opportunity for students with missing or poor secondary qualifications to retake them and focuses on problems like illiteracy or innumeracy. It encourages a better understanding of occupational options through

vocational orientation, and offers vocational preparation through low-level qualifications (only some of which are industry-approved).

Figure 2.5
New entries to the three sectors of the German vocational training system according to nationality in 2010



Source: Autorengruppe Bildungsberichterstattung 2010, table E1-8web, in Kohlrausch 2012b

However, some young people spend a long time in the transition system, cycling on and off various courses but failing to connect to a more stable career or training path. Some of these youth are not so much ‘transitioning’ as ‘storing’: Solga (2005) found that the schemes sometimes have a stigmatising effect since potential employers see people on them as less capable. After too long ‘transitioning’, young people can be seen as ‘untrainable’ by employers. Recent research shows half of all young people entering the transition system never fully start training (Kohlrausch 2012b).

Young people with low educational attainment or a minority ethnic background are overrepresented in the transition system.

Eighty-three per cent of young people with no school leaving certificates enter schemes of transition, but for young people with a lower secondary degree in 2006, only around half managed to successfully move into an apprenticeship.

2.4 The German labour market

Germany’s employers play a far more active role in the education system than in many other European countries. A key reason why vocational training has strong routes into the labour market is a strong partnership between the state, employers and trade unions to govern the VET system, and there is an emphasis on ensuring qualifications are relevant and up-to-date with business needs.

The federal government designs the content of training for occupations (unless it is school based), in collaboration with the industry and Lander (states). The federal government also funds targeted research projects to make sure vocational training

is up-to-date with firms' needs, as well as implementing programmes to improve vocational training. Relevant federal ministries identify which occupations need formal training and these are then approved by the Ministry of Education and Research. In other words, the curriculum is driven by sectoral needs, with the Ministry of Education providing oversight and coordination rather than developing vocational content. The Institute for Vocational Education and Training (BiBB) supports specific company training schemes and providers, and offers consultancy and insight to the federal government, companies and training providers.

If there is a need for changes to the curriculum or qualifications, the federal government, Lander, the industry and the trade unions agree on regulations and frameworks. Without involvement of the federal government, the other partners agree on details of vocational training (the allowances and fees paid to trainees, limited contracts and so on) within their collective bargaining arrangements.

For school-based education, the ministers of education and culture of each Lander form a standing committee ('KMK') to make sure there is cross-Lander similarity of content and level. The KMK make recommendations which become legally binding when passed by individual Lander. Each Lander has committees for school-based vocational training which have an equal representation of employers, employees and Lander staff to advise.

The vocational system is successful because of the involvement of companies, not just in participating in setting qualifications, but in providing training places. Despite a recent fall in apprenticeship places, 62 per cent of employers offer training places and apprenticeships in Germany, far higher than the EU average of 24 per cent.

Table 2.2
Percentage of German employers offering apprenticeships, by firm size, 2010

	Number of employees			
	All Firms	10-49	50-249	250+
EU27	24	22	31	44
Germany	62	58	72	86

Source: Thompson 2013

Despite the strong labour market support for young people's transitions in Germany compared to the rest of Europe, an increasing problem is young people facing a longer, riskier transition from school to work. To deal with this problem, there were plans under the previous Social Democratic Party (SPD) government to impose a levy on all firms, which could then be drawn on by those providing apprenticeships. Following opposition from employers, this was not imposed. Instead employers made a voluntary commitment to increase the number of training places. There are suggestions to expand the 'dual system' to new areas like nursing and childcare, and achieve greater coordination of the 'transition system'.

2.5 Government support and assistance

Germany offers two types of unemployment support. The first is highly remunerated unemployment insurance (which is compulsory for all employees), for claimants registered as unemployed and available for work. To be eligible individuals must have worked and contributed for at least 12 months in the last 2 years. Young people get no special treatment in this conditional welfare, and unemployed young people are less likely to have reached the minimum contribution threshold. If someone has worked for a year and loses their job, they get non-means-tested, earnings related payments (at 60 per cent of previous salary, or slightly higher for those with children). Payment durations

depend on age, ranging from six months to two years (longer for older workers). There is an entirely different track for people with a disability.²

This type of unemployment support is the responsibility of the federal ministry for labour affairs, is funded by contributions from employers and employees, and is run independently from the state.

For those who do not qualify for unemployment insurance, there is a lower rate of social assistance. This basic jobseeker's allowance is a tax-financed, means-tested public welfare benefit. Recipients need to be 15 and over, with those aged between 15 and 25 eligible for 80 per cent of the standard benefit. People earning for less than 15 hours a week can receive unemployment benefit. Those receiving this benefit may also be eligible for housing and heating allowance, as well as one-off grants (for initial flat furnishing for example) and insurance contributions to statutory health, pensions and long-term care.

Young people attending general or vocational education are eligible for an additional benefit in support of school attendance if they themselves, or a parent with whom they live, are entitled to unemployment benefit or social allowance.³

There were major reforms under the last Social Democratic Party (SPD) government in 2005 bringing together the payment of benefits with support to get people back into work. Previously, there had been no network of job-centres and the focus of the system had been on administering benefit payments. Now, municipalities are given a grant to cover social assistance payments and reintegration support, creating a strong incentive to reduce unemployment, with a baseline benefit level that the federal government will always provide in the event of an economic downturn.

Benefits are conditional on participation in training programmes or looking for work. The focus of the 2005 reforms was also on improving the service provided to employers in meeting their skill needs. Municipalities will often fund additional training and education for those who have never had a job. Meanwhile, the federal agency offers training vouchers, restricted to those who have been in work.

Municipalities are responsible for running a specific back to work programme for unemployed young people. Young people sign a reintegration agreement, with emphasis on gaining qualifications if they have not already done so. Each job-centre adviser is responsible for a small number of young people (each is responsible for only 75 young people, compared to 150 for older jobseekers) to enable them to provide more personal and intensive support and to see young people around once a month. Other options for young people are 'bridging options' between work and school like voluntary work, or military service (paid at €350 per month).

Job-centres in Germany cater for a broad range of young people, rather than simply those claiming benefits. They offer support to those wanting an apprenticeship, those in the transition system, those who have finished in the VET system and the long-term

2 All private and public companies in Germany with more than 20 employees are legally obliged to fill 5 per cent of their workforce with disabled people. If they choose not to, they have to pay between €105–290 a month for each such space not filled by a disabled person.

3 Other state support which young people may be eligible for is the family tax credit, paid for all children up to 18 (or 25 if undergoing training, and 21 for children without a job). This is not income-related and is a monthly payment staggered according to the claimant's number of children. There is also a one-off payment of €100 per child. Mothers or fathers who take care of newborns receive 67 per cent of the average they received in the 12 months before birth (between a minimum of €300 and €1800) for 14 months.

unemployed. Job-centres also appear to have good penetration into the labour market, engaging with employers and jobless beyond the traditional low-skill, low-pay sectors.

Crucially, there is also involvement of employers and job-centres in the schools system, with conversations about careers starting three years before young people leave school (and general education providing opportunities for work experience and internships). In the summer before they leave school, young people are invited into the job-centre to discuss their options. There are initiatives known as ‘boys days’ and ‘girls days’ to give insight into sectors which are over-represented by men or women, encouraging a better gender balance. Schools also offer in-school internships (of up to a month) in various courses to overcome occupational segregation by gender.

There are additional support programmes and special measures for young people at risk of longer-term unemployment. The job-centre can cover the employer’s cost of employing a young person, or provide an integration subsidy if their qualifications are low (part-funding their salary). They can also fund short-term internships, additional training or qualifications (including soft skills) as well as giving grants to enable job applications (for travel, a driver’s licence, necessary clothing or equipment).

Each job-centre in Germany has an advisory council made up of representatives from the local chambers of commerce, trade unions and colleges. To address youth unemployment, there is a commitment to ensuring that within six weeks of registering with the job-centre young people have a job or are in training. Young people who refuse to participate can have unemployment benefits cut, rent support paused for up to three months and access only to food stamps at the discretion of the job-centre.

At a federal level, the government encourages uptake of underrepresented vocational courses, through individual support programmes under the Federal Training Assistance Act (BAföG) or through specific funding programmes which aim to create additional training places in regions needing an economic boost.

Wolfsburg Youth Promotion Centre

In Wolfsburg adult unemployment is just 5 per cent, of whom approximately 70 per cent receive unemployment insurance and 30 per cent rely on social assistance. The job-centre is run by the municipality with an annual budget of €50 million (€6 million of which is spent on administration; €4 million on reintegration services and €40 million on benefits). Wolfsburg has decided to supplement this federal budget, adding an additional €700,000, which includes €300,000 specifically reserved for youth measures. The job-centre employs approximately 100 advisers in total, each of whom specialises in specific client groups.

The federal labour agency also operates in Wolfsburg, supporting those on unemployment insurance.

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3. THE NETHERLANDS

IMOGEN PARKER

3.1 Introduction

The Netherlands provides some useful insights for youth unemployment policies, having transitioned from a country with one of the highest rates of youth unemployment in the 1980s, to one with among the lowest by the late 1990s. In the years immediately following the 2008 crash, unemployment and particularly youth unemployment remained comparatively low – with the NEET rate remaining around 5 per cent. This dramatic reversal can be attributed to the policy goal of full employment, social partner coordination and an emphasis on flexible working keeping employment high and unemployment low.

However, the last 18 months have seen the unemployment rate shoot up sharply because the labour hoarding which protected jobs (a product of the preceding high employment rates), began to dissipate as the recession deepened. The rise in unemployment is seen to be directly linked to economic conditions, and while there are some immediate measures being put in place, the broad narrative is on growth rather than employment.

With the youth unemployment rate rising above 15 per cent on the national measure (and to 9.6 per cent on the international standard), the government has created a Youth Unemployment Tsar to focus on employment among the 15 to 27 age group.

Both the rise and fall of the youth unemployment rate and the structures which affect it provide some valuable insights for other countries. A large and increasing amount of the responsibility for unemployment is placed on local regions, which allows for easy innovation and a flexible, locally tailored response to the problem. Despite the regional variations in methods and outcomes, concern of a postcode lottery, or the worry of internal benefit tourism, do not appear to be high-profile problems. This does mean there is little formal evaluation, but the flexibility allows for responsive innovation.

With some elements of similarity to the German dual system, there are more easily transferrable lessons from Dutch education structures, as local areas have far more freedom to interpret and develop vocational qualifications, and the majority of professions don't require a licence to practise, as in Germany.

Far more responsibility around employment and benefits is placed on employers. They are responsible for paying those who move on to disability and sickness benefit for up to two years, and there is a national policy being considered to require employers to employ a quota of individuals who are further from the labour market (because of longer-term unemployment, low skills or disability). Several municipalities include social impact and job creation as a requirement for publically funded contracts.

The welfare system appears to be more generous and flexible than the UK system, but does place emphasis on individual responsibility and participation in regular activities. The welfare system treats 15-to-27-year-olds separately, with more focus on re- or up-skilling, commissioning services that meet an individual's needs, and having a more holistic approach to supporting young people which takes into account broader social needs.

3.2 Youth unemployment trends

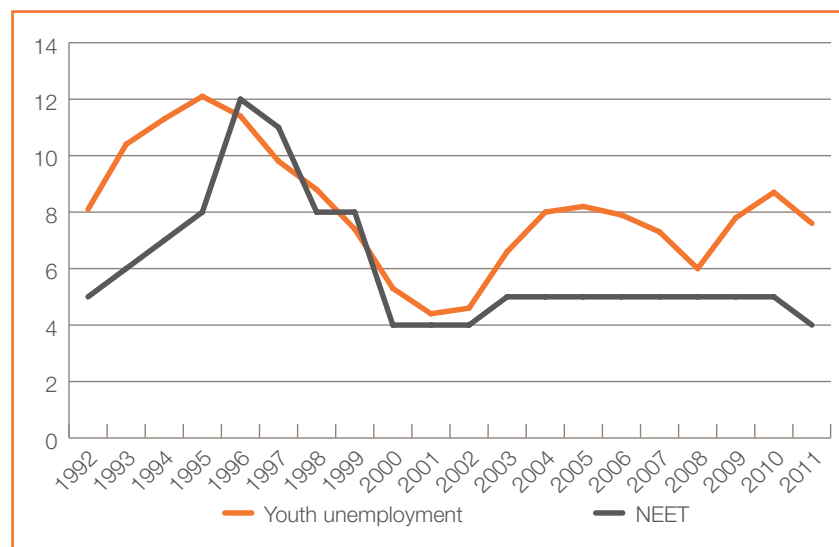
In the 1980s, the unemployment rate in the Netherlands was one of the highest in the European Community. By the late 1990s this position had been reversed, in part because of a series of policy interventions including substantial reforms to social security, tightening access to disability allowance in particular. The subsequently low levels of youth unemployment were a product of a general aim of full employment, with social partner coordination and an emphasis on flexible and part-time working to keep employment high and unemployment low.

To cut unemployment, measures included:

- the offer of collectively paid early retirement (although there is now concern this may have had the negative impact of driving up wage costs, so policy is moving in the other direction with a rising retirement age)
- the restriction of unemployment insurance (a contributory allowance for those who have worked, at a high proportion of their salary), cutting the maximum entitlement from five years to the current level of three years and two months
- an obligation on those receiving benefits to work, and those with a disability to be encouraged to work to the level possible (with government support to make up the difference)
- a cutback on non-means-tested welfare.

In 2005 there was an economic boost, with employment rising, particularly for women and elderly populations. In this period youth unemployment rates were low, and falling. The youth unemployment rate fell to just 6 per cent in 2008.

Figure 3.1
Youth unemployment and NEET rates (%) in the Netherlands, 1992–2011)



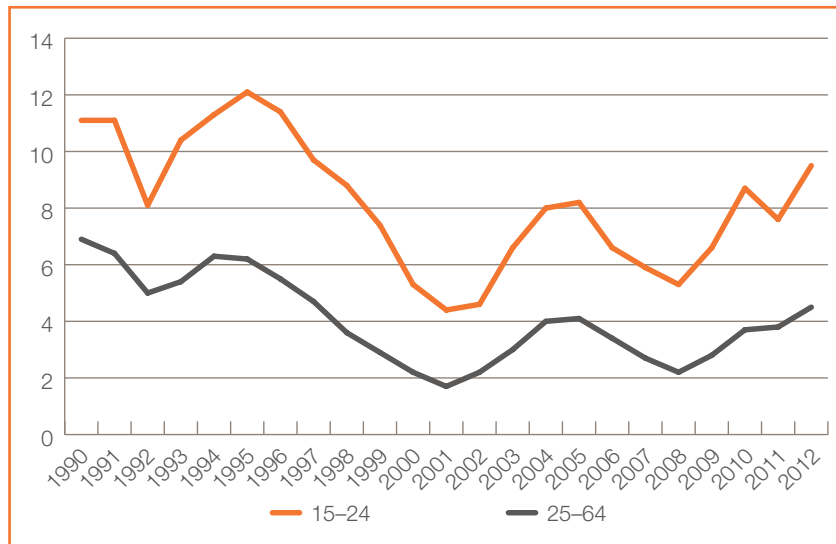
Source: Eurostat

In the initial years following the crash, unemployment and particularly youth unemployment remained comparatively low. Youth unemployment rose to 8.7 per cent in 2010, but then began to fall again. This was due to both contemporary conditions and historic attitudes. Firms were still making profits (particularly in the export sector), and firms were reluctant to fire their workers, in part due to the high level of employment

protection for employees, and in part because they had had difficulty hiring them in previous years. The beginning of the recession in the Netherlands saw labour-hoarding, specifically of younger workers (as older workers were closer to retirement).

However, the last 18 months have seen unemployment shoot up sharply. Labour hoarding began to dissipate as the housing market started to suffer, leading to consumer confidence falling and fears of extended economic weakness. As young people are less likely to be on highly protected permanent contracts, this has hit them far harder than the general working population.

Figure 3.2
Quarterly unemployment
figures (%)



Source: Eurostat

At the start of 2013 the youth unemployment rate rose above 15 per cent on the national measure (which has a 12-hour minimum criterion – the last quarter of 2012 was 9.6 per cent according to EULFS). In response the government has created a youth unemployment tsar to focus on employment among the 15 to 27 age group.

Despite the recent rise in youth unemployment, the Netherlands still has a comparatively low unemployment and NEET rate. Part of the reason for low youth unemployment is the Dutch education system, with its strong emphasis on vocational pathways and preparation for the labour market, and high levels of voluntary part-time jobs supported by social-partner agreements and employee protection.

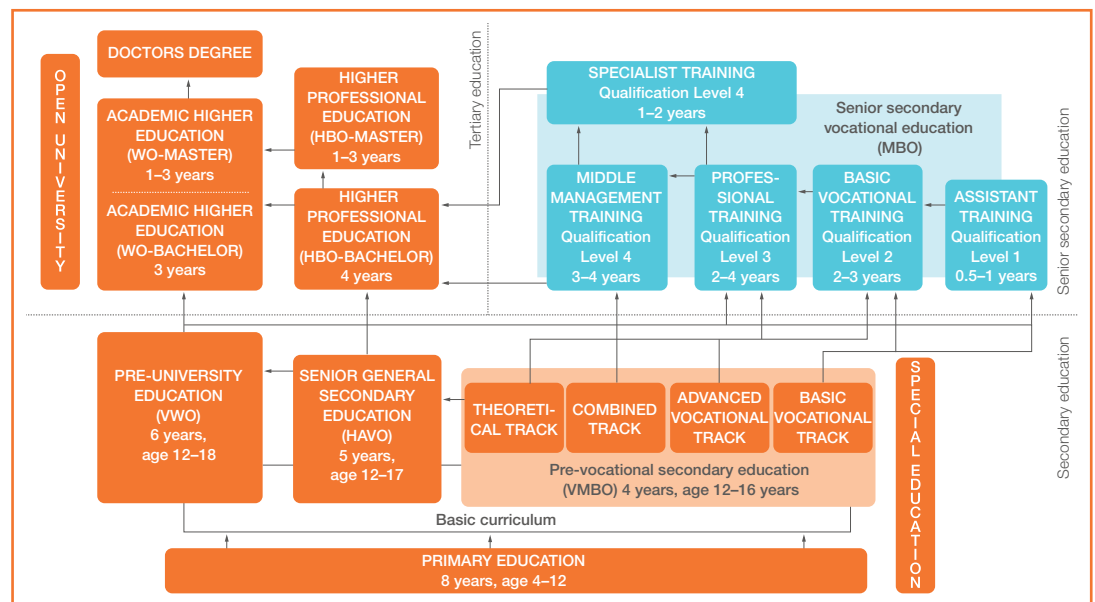
3.3 Education, training and qualifications

The Netherlands has integrated vocational education and training pathways embedded into its education system. Similar to Germany, children are siphoned off into different pathways from the age of 12. However, early stratification is balanced out by low educational inequality (OECD 2010), and there is a relatively large degree of mobility between streams, with the content of education covered between 12 and 14 (either in pre-vocational training or in general secondary education institutions) common across all pathways. There is enough general and transferable content in the vocational routes that it is common for young people to find employment outside their specialism.

All young people are obliged to remain in full-time education until they have completed a starter-level qualification ('level 2', or ISCED level 3) or turned 18. If young people want to receive state benefits they will be obliged to have this qualification or be striving to complete it until they are 23.

All young people can access low-interest loans (with similar repayment conditions to UK student loans) if they are in full-time education (general and vocational). University students are currently entitled to a living grant of €250 per month (or less if they live with parents) but this is being replaced with a loan. Those in vocational pathways are either supported through an employment contract or receive €500 per month.

Figure 3.3
The Dutch educational system



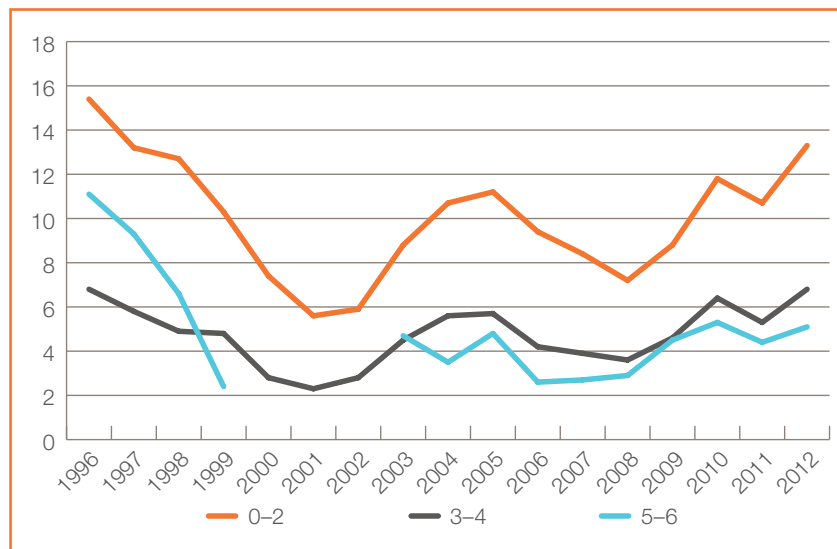
Source: adapted from Colo 2008

At the age of 14, following careers guidance, those in vocational pathways choose between four broad areas of study: agricultural, technical, social care and nursing, and economic studies. At 16 young people begin more focused vocational education, setting out on different levels of qualification, depending on aptitude and choice.

- **Level 1:** Assistant (ISCED level 2)
- **Level 2:** Basic skilled worker (ISCED level 3)
- **Level 3:** All-round professional worker (ISCED level 3)
- **Level 4:** Middle-management (ISCED level 3) or specialist (ISCED level 4).

The majority (67 per cent in 2011) complete their training in mainly education settings (60–80 per cent in school plus work experience and placements in work), with the other third choosing work-based training with day release (four days, plus one in school). Those who choose a work-based pathway are employed as apprentices, with a contract and agreed (rising) salary, usually negotiated through social partnership agreements. The two pathways are theoretically equal, but those completing higher-level qualifications are more likely to do so in school (although different sectors lend themselves to different routes).

Pre-recession, a main driver of youth unemployment was early school-leaving (correlated with migrant status and single-parent households). The unemployment rate among young people without basic qualifications is twice as high as among those with basic qualifications (Ministry of Education, Culture and Science 2013).



Source: Eurostat

The government has been successful at reducing the percentage of dropouts (by 20 per cent between 2005/6 and 2008/9) using both carrots and sticks by:

- financially incentivising schools to reduce dropouts and financially penalising truancy (individuals and schools)
- developing intensive truancy prevention programmes with officers working with young people at risk
- creating regional registration and coordination institutes to keep records of all young people with basic qualifications and contact inactive young people to encourage them to return to education
- allowing pre-vocational schools to extend their teaching up to the age of 17 (to stop young people dropping out in the move between institutions).

There are several features of policy which aim to bring education and the labour market closer together.

- The design of qualifications allows for regional interpretation (through institutional flexibility combined with consultation with local employers), and national coordination through social partner sector ‘branches’ and the ministry.⁴ In leading economic sectors in the Netherlands (chemicals,

4 The government sets goals and qualifications, but does not prescribe how to accomplish these, leaving VET colleges with the full responsibility of developing the curriculum (with a legal obligation to consult local employers). Each sector has its own qualification structure developed by a centre of expertise in cooperation with employers’ organisations, trade unions and representatives of vocational education. Similar to Germany, there are occupation profiles (descriptions of professional practice of full-qualified professionals), drawn up by social partners. There are also Centres of Expertise, which develop a qualification file based on the occupation profile, which is then submitted to an independent body (the Coordination Centre for Senior Secondary Vocational Education Qualifications) for assessment before official approval by the ministry.

water, automotive) there are newly created, government-financed Centres of Vocational Innovation (CIVs) which are regional collaborations between vocational schools, business, research organisations and public authorities to encourage innovation, disseminate best practice and recruit top talents.

- The vocational route is well respected and popular, with opportunities for senior positions and access to tertiary education. Two-thirds of young people take a vocational pathway in secondary education, which can lead to high-level qualifications, management-level jobs and access to universities. Forty per cent of the Dutch working population have completed a vocational course to at least secondary vocational training level.
- There are vocational components in general education, particularly for those studying in applied sciences. These are often substantial, lasting six months in the final year of study, or two to three months every year through university.
- It is the norm for young people to be in part-time work (particularly as education grants have shifted to loans) throughout education, meaning the transition from study to work is less stark. By contrast, in England the proportion of young people in employment has fallen as unemployment (while in education) is sharply rising. This is somewhat of a mixed blessing – both because there’s an argument that young people should be focused on studying, but also because (due in part to graded minimum wages) as unemployment rises there is a worry that younger people in education working part-time are displacing those who have finished studying.
- While there is relatively good skills-matching in the Netherlands, there is a concern (voiced by national and local governments as well as trade unions and teachers) that there isn’t enough control over which courses have good employment outcomes. Evaluation and tracking are relatively new, with trade unions playing a big part in trying to track and disseminate information about courses and qualifications. This is still in its early stages.
- Other aims of the policy agenda are to strengthen links between education and the labour market by reducing the number of qualifications, increasing transparency and shortening the lengths of some programmes to make them more intensive.

While taking on apprentices is normal, there’s an emerging shortage of apprenticeship and work experience places as employers are increasingly under financial pressure. To counteract this, the government has offered a tax credit or subsidy for all employers who offer a training place worth €2,500 a year for a four-day-a-week placement (and less for a one-day placement). Additionally, the national government is working with sectors to part-fund apprenticeships.

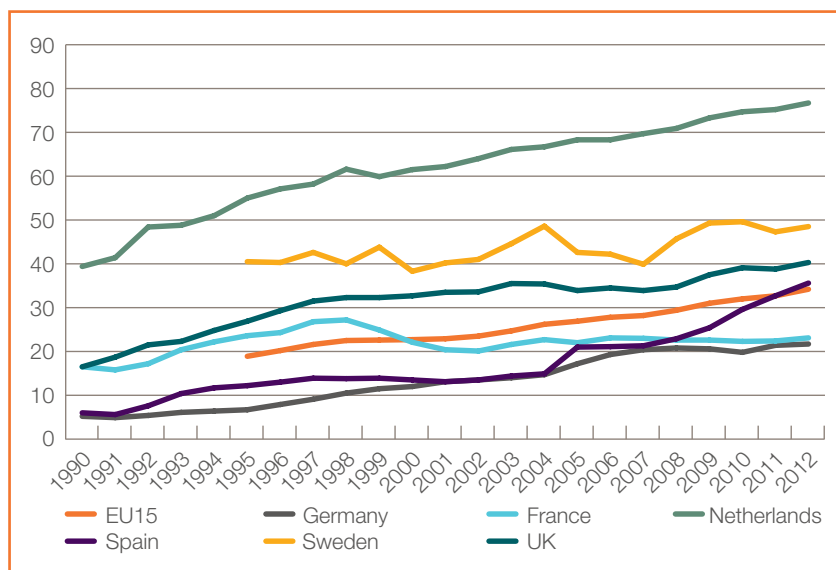
3.4 The Dutch labour market

The Netherlands has a coordinated wage-bargaining process, a high coverage of collective labour agreements and comparatively strong seniority principles that safeguard against dismissal (Wolbers 2008).

In the early 1980s, employers’ organisations and trade unions agreed a greater liberalisation of temporary contracts, a relaxation of redundancy procedures and wage restraints in exchange for higher employment levels.

Temporary and part-time contracts are particularly prevalent among young people. In 2012, 51.2 per cent of young people in work were on temporary contracts (compared to 42.9 per cent across the EU15, and just 14.9 per cent in the UK), and 76.7 per cent were employed part-time (compared to 34.2 per cent in the EU15). Flexible contracts (particularly zero-hours contracts) are dominated by young people – 65 per cent of flexible contracts are for under-35s, and 46 per cent are for those under-26. Temporary workers earn lower wages than those on permanent contracts: in 2011, part-time workers with fixed-term contracts earned between 2 and 7 per cent less than their permanent equivalents; and those on agency contracts earned 13 to 27 per cent less (Cörvers et al 2011).

Figure 3.5
Part-time employment as a percentage of all employment in selected EU countries and EU15 average, 1990–2012



Source: Eurostat

The potentially negative side of the high level of precarious employment in the Netherlands is, in part, alleviated by the low proportion of young people who are involuntarily working part-time – less than 10 per cent of those working part-time are doing so involuntarily. This can be explained by the rise in young people combining work and study, given the decline of student grants; the high levels of part-time work in the adult population; the prohibition of discrimination between full-time and part-time employees (including employees wishing to move between part-time and full-time contracts); and relatively strong social security rights (Vierbrock and Clasen 2009).

However, there is an active debate about the implications of this for youth unemployment. There are the obvious benefits of experiencing work (work experience, human capital development and probationary periods), and pre-recession there was a good chance of a temporary contract leading to a permanent job. However, the likelihood of temporary contracts becoming permanent was very sector-dependent, and there are worries that temporary work without the prospect of a permanent contract is on the rise as the job market deteriorates, particularly in industries like catering and construction that employ large numbers of young people (Scarpetta et al 2010, Statistics Netherlands 2012).

Part of the reluctance of employers to offer permanent contracts is due to the heavy obligations on them, particularly around disability and illness. If somebody becomes ill, the employer has an obligation to pay two years' salary (at a high replacement

rate) before individuals move onto disability allowance. This burden has increased substantially (from just two weeks' pay in 1993), and has been successful at cutting the number of people on long-term disability benefit. Company premiums (into the social security system) rise and fall depending on the proportion of individuals who move on and off disability or sickness benefits.

On the plus side, this means employers are incentivised to protect employees from becoming sick, and incentivised to find them suitable work (in their own or another organisation) if they do become ill. On the downside, it creates some reluctance among employers to hire people at risk of disability (although there are also proposals around employer obligations to hire disabled people through a quota system). As there are large potential costs attached to permanent positions, these are not attractive for employers, compared to the much lower employer burden for those on temporary contracts (they have to pay out the contract but no more). The Netherlands has seen the creation of 'payroll employment agencies' where firms exist only to employ one person and contract them to a company, essentially acting as an intermediary to protect firms from their responsibilities.

The impact of these regulations on young people's employment prospects is uncertain. On the one hand, it is more attractive to hire a young person onto a permanent contract than an older person because they are at a lower risk of disability or illness. However, the heavy burden around permanent contracts may mean employers are reluctant to commit, particularly given financial uncertainty.

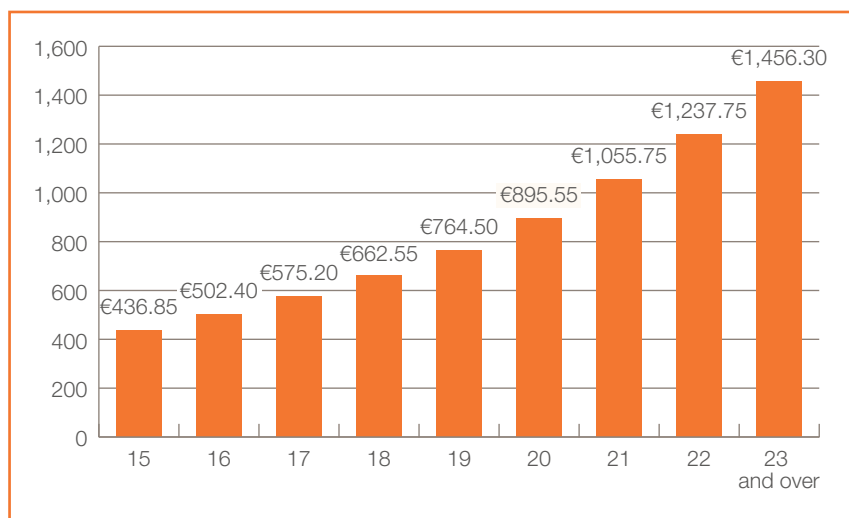
Employers are obliged to offer a permanent job to an employee after three consecutive fixed-term contracts (or 36 months of employment). From July 2010 to 2012 the law was temporarily relaxed for young people (under 27) as a response to the economic crisis, allowing organisations to offer four consecutive short-term contracts (or 48 months) before a permanent contract. While this makes the employment of young people more attractive, there is a question whether this simply encourages churn. Employers can abide by the letter, but not the spirit, of the law by giving employees three-month contract breaks, allowing them to 'reset' their obligations.

The government is responding by strengthening the requirements around temporary contracts. The budget agreement of May 2012 decreased the maximum number of consecutive fixed-term employment agreements from three to two, and the total maximum duration of fixed-term employment from 36 to 24 months, with the 'reset' period increasing from three to six months. Policymakers backing these changes hoped they would drive up the costs of temporary work, making permanent jobs more attractive. But there is concern from some quarters (CPB 2011) that this may have simply decreased the number of jobs on offer and increased churn.

In recent years some specific incentives have been put in place to encourage the employment of young people, including making employers exempt from paying national insurance contributions for employing young people for under €600 a month. While this incentivises employing young people, it has led to employers creating smaller, part-time jobs, and being incentivised to hire the youngest as they have the lowest minimum wages. This has had a big impact on supermarkets for example. It cost the government €200 million, but potentially displaced young people who had completed education. It was scrapped in January 2012.

Another incentive to hire young people is staggered minimum wages, and the fact that apprentices only require reimbursement if they are on the school-based theoretical track. There are staggered minimum wages, which start at 30 per cent of the adult national minimum wage (NMW) at age 15, rising to 85 per cent at age 22. At age 23 the NMW is at 100 per cent.

Figure 3.6
Monthly minimum wage
in the Netherlands, by
age, 1 July 2012



Source: Ministry of Social Affairs and Employment

Note: Minimum wages are allocated on a monthly basis, based on the full-time equivalent of the sector, with a maximum number of 40 hours per week (but many sectors have a lower hour requirement and therefore a higher hourly minimum wage).

However, there is debate around unwanted displacement of those seeking full-time employment, by part-time positions for younger people who want to combine work and study.

The Netherlands still has relatively strong unions (although trade union density is only around a quarter) – between 70 and 80 per cent of workers are covered by some kind of collective wage agreement (Caju et al 2008). The labour market situation of young people has figured prominently on the trade union agenda. As a response to the recession and poor knowledge about career routes, trade unions developed the ‘SBB Barometer’, which works with employers to provide labour market information for every region, explaining what the labour chances are like across the different sectors of the economy. This is a tool for young people, but is also being used to put pressure on courses which are ‘educating young people for unemployment’, in order to better align the education system to reflect the labour market. This initiative is still in its early stages.

3.5 Tax, benefit and active labour market policies

The Netherlands has a two-tier system of income protection for unemployed people.

Insurance-based income support (based on employer contributions and linked to wages) is administered by the national government through UWV (the Employee Insurance Schemes Implementing Body). Citizens are entitled to a maximum of 38 months of unemployment benefit after having been made redundant. The benefits are 70 per cent of last wage up to a maximum of €33,670 per year. There are proposals going through parliament to reduce the maximum benefit period from 38 to 24 months, with government having the option of increasing this period to support specific sectors. From January 2014, employers have

taken over the obligation to pay statutory unemployment benefits from the UWV during the first six months of unemployment, and are obliged to pay one month of benefit per year of employment (Freshfields 2013).

Social assistance is a less generous, means-tested form of support, set at 70 per cent of the minimum wage. It is for those who have never contributed to the national insurance system or who have exhausted their insurance entitlement. It is administered at the municipal level using central government-allocated funding. From 2004 municipalities were given freedom to decide the nature and scale of reintegration activity for people claiming social assistance. With this freedom, municipalities were made accountable for financial risks associated with reintegration schemes. But they are also incentivised to be active in reducing worklessness – municipalities are able to retain the surplus reintegration funding that arises when a resident moves off benefits and into work, and use it for other local priorities. There are regional variations in eligibility criteria, activities and procurement programmes between municipalities. But ‘welfare tourism’ or worries of a postcode lottery do not seem to be a problem.

In the Netherlands, public employment services (PES) are contracted out. The Netherlands has a large market of small providers, who are usually former UWV coaches – there are 2,000 such small providers, of which around 1,600 are independent, single-person organisations. Providers are paid by results, but the payment reflects the level of difficulty of moving the individual into work (the general principle is ‘no cure no pay’ for short-term unemployed, and ‘no cure less pay’ for the longer-term unemployed). Fifty per cent of individual reintegration contracts (IROs) are paid upfront, and 50 per cent is paid when the individual has been in work for six months. In September 2009, a bonus system was introduced whereby providers can receive an additional €1,000–1,500 for getting claimants into work within six months, or for securing sustained employment outcomes which last over 12 months. Providers are not allowed to refuse to take on a case unless they have a strong reason to do so.

Evaluation of the IROs system suggests it is successful (OECD 2008), with job placement rates consistently higher, particularly for disabled people (who are 11 per cent more likely to find work using an IRO); the number of people working on six- and 12-month contracts higher; higher satisfaction; and greater customisation, flexibility and innovation.

In the Netherlands, the definition of ‘young people’ extends to the age of 27 for the purposes of providing support for training and employment. Youth unemployment is the responsibility of the municipality, meaning there have been a variety of different responses to reintegration. And within regions, employment support systems in the Netherlands are characterised by individual autonomy and choice. The legislation that created the reintegration market required that services should be tailored to the users’ needs and that participants should have ‘freedom of choice’, subject to the objective of moving into employment. Municipalities are forbidden to treat young people in groups, even with similar issues; for example, young mothers have to be treated as individuals.

Social security below the age of 27 is hard to obtain. If young people want access to benefits they have to have an interview with a youth desk counsellor, then spend four weeks searching for training or employment before they are entitled to benefits. The introduction of this four-week period has seen a sharp decrease in the number of individuals who return, and there are plans to extend the four-week period to all benefit claimants (rather than just

young people). After that period young people can qualify for social assistance, but there is a strong emphasis on personal responsibility.

There have been some successful recent initiatives as a response to the recession.

- The government has provided €50 million to battle youth unemployment. Half of this goes to regions to assist them in drawing up incentives to encourage employers, the other 50 per cent goes to training and education. Across the country, since the recession there has been a focus on reducing the number of dropouts from the schools system, and incentivising young people to stay in education for longer – which has been successful.
- There are also tax incentives to encourage firms to hire young people: employers are exempt from paying premiums (national insurance contributions) for workers under the age of 23 who earn less than half of the minimum wage. This decreases the wage costs for employers and has prevented job losses, especially in economic sectors with a large number of low-income jobs for young people (hotels, restaurants and wholesalers) (Bekker 2010).
- Social partners have also made arrangements to encourage employers to take on young people, for example by agreeing to offer internships in various sectors, such as construction and metal sectors, for young people who have been inactive for three months (Eurofound 2011).
- In the past, UWV contracted out services based on a ‘no cure, no pay’ funding system. This undermined long-term needs and the training and education of young people as they took on more financial risk upfront. ‘In Company’ was developed (first regionally, now nationally) as a scheme that asks employers to draw up a six-month job guarantee (on the proviso that the young person passes their training or educational qualification). UWV’s then pay for the relevant training, and employers get a skilled young person. So far, this has moved 4,500 young people into work.
- ‘Starter grants’ (in place in some municipalities): for young people on welfare who are qualified, if an employer takes on a youngster on welfare they pay €500 a month to the young person, and contribute €100 a month into a training account for that young person. The council keeps paying the benefit to the young person (less €500), and pays the employer €550 a month. This means the employee builds a relationship with the employer, and receives a salary (rather than benefit), and is encouraged into education or training with the fund that is being built up. The employer only contributes €50 a month out of their own pocket for a full-time young person, and the municipality only pays what it would have in benefits, but via the employer.

Youth Desk in Rotterdam

The Youth Desk in Rotterdam is a one-stop shop for young people under the age of 27.

Context

The municipality is responsible for income support, but there has been a huge decrease in the reintegration budget, from €260 million to €90 million (with a permitted 10 per cent overspend margin). This has increased the importance of employer engagement. Those with long-term disabilities are supported by the national welfare system. The local context is one of a low-educated labour force, with high dropout rate (6 per cent) and high unemployment rate (5 per cent of young people live on social benefits, compared to a national average of 2 per cent).

There is also a high number of young people with serious barriers to the labour market through addiction, homelessness or behavioural and crime problems.

The Youth Desk has been successful for a number of reasons.

- High levels of personalised support – young people have an hour-long ‘diagnosis’, leading to a personal plan, and services contracted for that individual. For those further from the labour market intensive, daily contact is offered (which for young mothers has paid for itself).
- This is combined with demanding individual responsibility: the Youth Desk has been piloting the Participation Act, coming into all areas in 2015, with the application for benefits delayed by a month. This has seen a large proportion of young people not returning to the youth desk to claim after the four-week period. (The trade union federation FNV is concerned that on average it takes 10 weeks before young people can access financial support, which means a large minority do not return, but it is not clear whether this means young people have successfully found options, or have drifted into inactivity or illegal work). There’s emphasis on young people having to make their own (supported) decisions, and being economically independent. Those that arrive at the youth desk with immediate issues (homelessness, debt) can be immediately supported, without waiting for the four-week period.
- Integrated services specifically for young people: a one-stop shop which deals with housing issues, mental health, addiction, has access to counsellors, jobseeking, benefits, and to provide a holistic approach, and to stop young people missing various appointments, and so on. The presence of a youth desk also stops young people interacting with the benefit system.
- Focus on prevention rather than cure: for example, Rotterdam has 22 truancy inspectors covering 23 vocational schools, who try to stop young people truanting by interacting with them, and who have the power to fine parents, schools or both if anybody up to the age of 23 is repeatedly truanting. There has been a move to enforce compulsory attendance in school (with the introduction of fines for failure). All young people under 23 are registered and traced, with officers calling or visiting to encourage young people into school, training or jobs. The truancy-reporting links into a national web-based system so young people can be tracked if they move areas.
- Education and training pathways are prioritised above work and benefits: young people are encouraged to return to education (with a loan or a grant) to move off social assistance. There are special schools (*Wijkschool*) which cater for those who may not be eligible to return to mainstream schooling, because of very limited IQs, problem behaviour or other barriers. These schools have additional support and counsellors to get young people to a level at which they can move into mainstream schools.

- Local procurement policies have reintegration clauses: at least 5 per cent of money spent has to go on reintegration, and organisations that achieve a higher percentage of reintegration are more likely to win contracts. Currently 42 per cent of catering contracts in the municipality are spent on providing jobs, services or purchasing goods from local organisations. Specific clauses are negotiated around offering apprenticeships and interacting with hard-to-reach groups.
- The municipality also works with employers to assess young people's skills and can pay or contribute towards necessary training. This seems to be successful at employing young people, but it is expensive, with young people being assessed every three months.

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4. SPAIN

BRHMIE BALARAM

4.1 Introduction

Spain has one of the worst records in the EU when it comes to youth unemployment. This recession is the third in Spain in the last three decades in which young people have borne the brunt of the downturn. At the end of 2012, more than half (55.2 per cent) of young people between the ages of 15 and 24 were out of work. Youth unemployment rates previously exceeded 40 per cent during the particularly challenging years of 1986 and 1987, as well as in 1993 and 1994.

History shows that youth unemployment is highly cyclical in Spain – the prospects of young people are very dependent on the nation's economic wellbeing. However, even when the economy is booming unemployment rates are also comparatively higher in Spain than they are elsewhere in the EU. This indicates that there are structural issues to take into consideration too, the most significant of which is the high degree of labour market segmentation between temporary and permanent work. Since the 1990s, temporary contracts have been prevalent in Spain, only beginning to subside in importance during the period of high growth prior to 2008. When the global economy went into recession in 2008, as many as 59 per cent of 16-to-25-year-olds were employed in temporary jobs, although more than half of these have since been lost. Temporary jobs are the first to go when the economy is suffering, which in part explains why young people have been disproportionately affected by unemployment.

Young people have no choice but to resort to temporary employment as a means of entering the labour market. It takes longer in Spain for young people to find their first job, whether temporary or permanent, than it does in countries with strong dual training systems, such as Austria, Denmark and Germany. This is especially true for young school leavers: it can take up to six years for them to find their first permanent job.

Vocational education in Spain could be strengthened to facilitate young people's entry into the labour market. At present, there is little direct teaching or testing of maths, literacy and other academic subjects for those who pursue the vocational pathway. Given that these are essential skills for further education and career development, there needs to be more integration and overlap between the vocational and academic streams. There is also a concession made concerning the amount of time a young person spends in workplace training, which ought to be reassessed. In the Spanish system, it is possible to accredit previous work experience in order to fulfil the requirements of the training module, but this potentially undermines the effectiveness of the vocational programme and minimises the likelihood of a young person being hired by an employer following the completion of their placement.

Although more young people are now staying on in education in response to the weakened economy, this is a smaller proportion than elsewhere in Europe. The rate of young people who are not in education, employment or training (NEET) has steadied, but is still high at 18.8 per cent because it had been rising steeply in the lead-up to the recession. This rate is significantly higher than that of other European countries, including the UK, which has the second highest rate at 14 per cent. While the vocational initial programme (VIP) has been introduced to provide young people who are NEET with an opportunity to gain formal qualifications and experience in a work placement, not enough is being done in the way of active labour market policies to support this hard-to-help group into work.

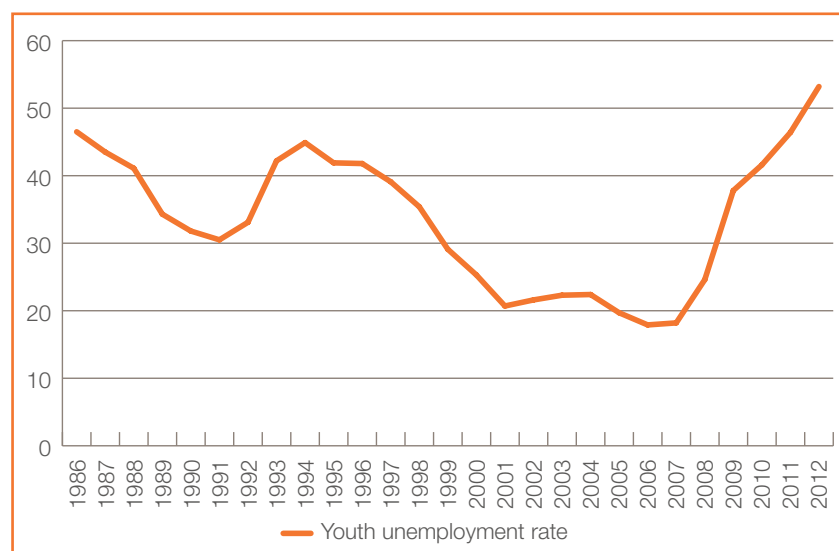
Spain's principal strategy for tackling youth unemployment has been to change regulations to make the labour market more flexible in the hope that this will encourage employers to take on more young people, preferably on permanent contracts. For example, the previous administration reformed the regulations governing permanent employment contracts so that it would be easier and less costly to make staff redundant. However, when this failed to yield the expected results, the current coalition government announced a series of measures under Royal Decree-Law 4/2013 to financially incentivise employers to create job opportunities for youth. Alongside this, there are several policies promoting self-employment as a viable route out of unemployment. Doubts have since been raised over whether these types of incentivising policies are the most sensible approach given that they have not been traditionally effective in creating sustained employment, but it is too early to gauge their impact. These policies could be pushed further if they targeted young people who are NEET.

4.2 Youth unemployment trends

More than half of Spain's young people who are active in the labour market are out of work. At the end of 2012, youth unemployment among 15-to-24-year-olds had reached a staggering 55.2 per cent.

While this is alarming, high youth unemployment is not a new phenomenon in Spain: it has exceeded 40 per cent more than once in the past 25 years and only fell below 20 per cent briefly at the end of the boom just prior to the global financial crisis. The young have consistently borne the brunt of recessions in Spain, suffering from particularly high levels of unemployment from 1984 to mid-1987, 1993 to 1994, and following the financial crisis of 2008.

Figure 4.1
Youth unemployment
(%) in Spain,
Q1 1986–Q4 2012



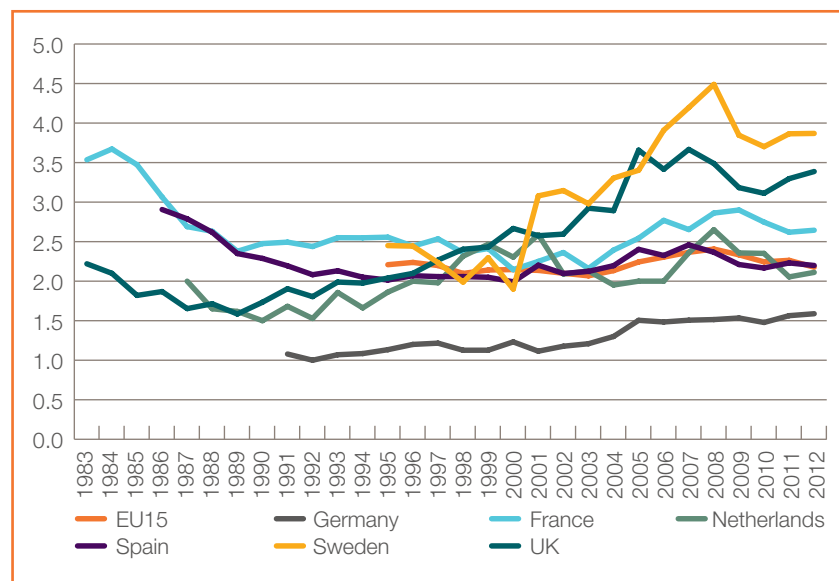
Source: Eurostat

Employment in Spain is very sensitive to the country's economic growth. Any decline in the economy tends to result in a sharper drop in employment. Corujo (2013) argues that year-on-year GDP growth of around 2 per cent is needed to create jobs, though it is possible that trend productivity is lower now than in the 2000s, so growth closer to 1 per cent might be sufficient. In 2012, when growth stood at -1.4 per cent,

employment decreased at a rate of 4.7 per cent, translating into a loss of more than 800,000 jobs (ibid).

History therefore shows that unemployment, and youth unemployment in particular, in Spain is both a cyclical problem and a longstanding structural problem. Even in prosperous times, the youth unemployment rate has very rarely fallen below 20 per cent. What's more, the youth–adult unemployment ratio (which contrasts the proportion of the youth labour force that is unemployed with the proportion of the adult labour force in the same situation) has been steadily hovering at just over 2 over a 25-year period. Although youth unemployment in Spain is hypersensitive to economic cycles, this ratio further suggests that the economy is not the only determinant of young people's job prospects, as is also the case in other European countries (in some of which the ratio is even higher than in Spain).

Figure 4.2
Youth–adult unemployment ratio in selected EU countries and EU15 average, 1986–2012



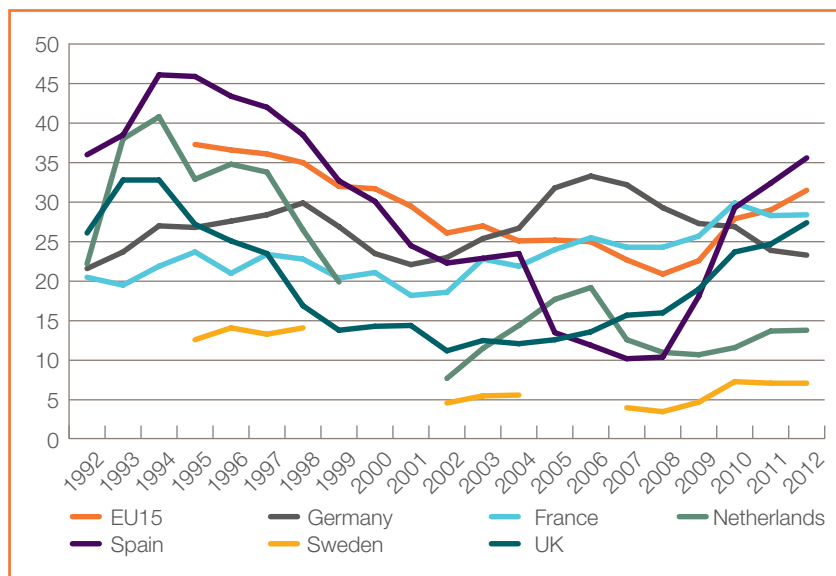
Source: Eurostat

Prior to the crash, the structurally high level of youth unemployment in Spain was mainly due to high rates of turnover among workers rather than prolonged periods of worklessness (Dolado et al 2013). When youth unemployment began to rise in 2008, long-term youth unemployment was not a significant issue; as a proportion of total youth unemployment it was actually lower in Spain than it was in other European countries, including Germany.

From at least the 1990s, jobs in Spain have been more likely to be temporary in nature than they are in comparable European countries. This trend explains to a large extent why youth unemployment in Spain soared when the economy stalled – young people in temporary work were the first to lose out in the labour market as a consequence of employers terminating or failing to renew their contracts. Unfortunately, Spain has failed to recover the number of temporary jobs shed in the aftermath of the crisis because of the prolonged nature of the subsequent economic downturn and companies adapting to times of change by reducing their staffing levels as opposed to, for example, adjusting working times (Sánchez 2012). What this has meant is that in the four years following

the financial crisis the incidence of long-term unemployment has more than tripled (Dolado et al 2013).

Figure 4.3
Long-term youth unemployment (%), in selected EU countries and EU15 average, 1992–2012



Source: Eurostat

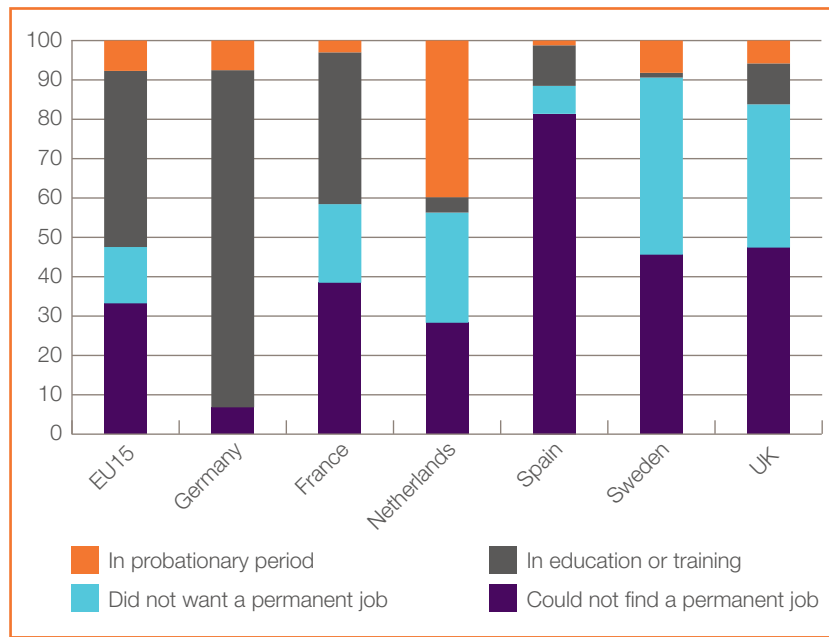
The prevalence of temporary work helps account for the difficulty young people have in initially entering the labour market. The length of time required to find a first temporary or permanent job after leaving school is considerably longer in Spain than it is in countries with strong dual training systems, such as Austria, Denmark and Germany. This was true even before 2008. While examining how long it took school-leavers to secure their first stable job, Quintini and Martin (2006) identified Spain, Finland and Italy to be among the worst-performing countries. School-leavers in these countries took more than two years on average to find their first job, while those in Denmark and Germany took between 12 and 18 months. To find a first permanent job, it took just under two years in Denmark compared to almost six years in Spain. From these figures, the high degree of labour market segmentation between temporary and permanent jobs is apparent.

In Germany, the majority of temporary contracts for young people can be attributed to a training period for apprentices or trainees. In the Netherlands, Sweden and the UK between a quarter and a half of young people claim to prefer temporary work to a permanent job (for example, if they are students and seeking flexible hours). However, in Spain, as many as 81 per cent of young people have accepted a fixed-term contract because they could not find a permanent job.

Prior to the recession, the use of temporary contracts was beginning to subside because of a greater demand for labour following a sustained period of high economic growth. As a result of this growth, the young may have been in a better position to bargain for permanent contracts. However, by 2008 as many as 59 per cent of 16-to-25-year-olds were employed in temporary jobs. Most of these jobs have since disappeared; more than half (57 per cent) of the paid jobs lost by 16-to-24-year-olds following the crisis were temporary in nature (Sánchez 2012). The predominance of temporary work over

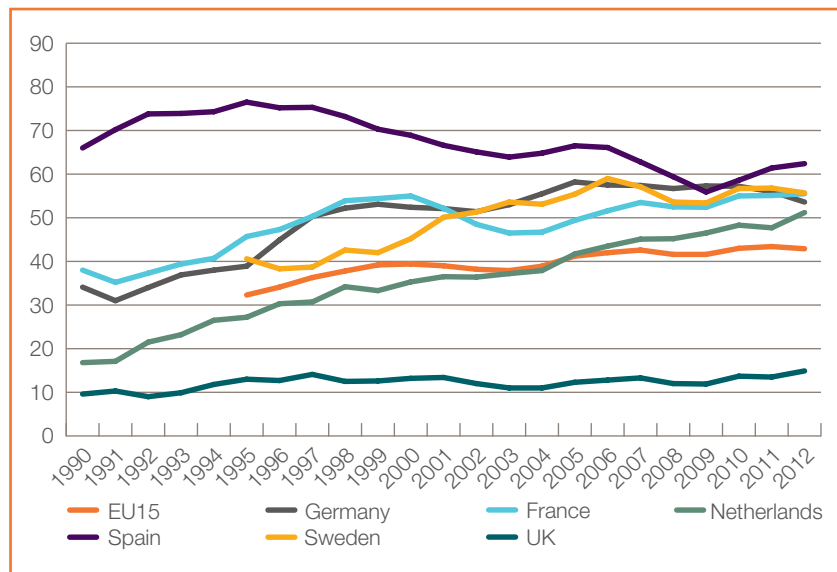
more secure forms of employment can be understood as the reason why Spain's young people were (and continue to be) extremely vulnerable to economic shocks.

Figure 4.4
Reasons for temporary employment (%) among young people in selected EU countries and EU15 average, 2012



Source: Eurostat

Figure 4.5
Temporary employment as a percentage of employment in selected EU countries and EU15 average, 1990–2012



Source: Eurostat

Spain is not unique among OECD countries in terms of the large numbers of young people entering the labour market under a temporary contract, but the distinction between Spain and the rest is that young people tend to remain on temporary contracts for longer periods than they would elsewhere (Dolado et al 2013). Furthermore, these young people are blighted by frequent spells of unemployment as they transition from

one temporary contract to the next. Temporary employment is a hurdle that young people have to overcome even as adults, as the share of temporary jobs in general in Spain is high: between 25 and 30 per cent among low-skilled individuals aged between 30 and 40. The country's strict employment regulations (for example, regulations around dismissal which can be challenging and costly for employers to adhere to when seeking to make permanent staff redundant) can be circumvented through the use of temporary contracts, which may account for their pervasiveness in the labour market.

Men in particular have had a challenging time in the labour market (Dolado et al 2013). They were disproportionately affected by the fall in employment and have been struggling in the recovery more than women. This is partly because men dominated the construction industry, which may have worked in their favour once, but has now meant that they account for more of the jobs lost (Sánchez 2012). Conversely, women were represented in sectors which better weathered the crisis, such as health services and education. The differences in the type of work men and women pursue tend to relate to levels of education, and men who are more likely to hold jobs with only low- to medium-level qualifications are the most disadvantaged.

Table 4.1
Youth unemployment rates (%), by gender, in selected EU countries and EU15 average, 2000, 2005 and 2012

	Male			Female		
	2000	2005	2012	2000	2005	2012
EU15	15.1	16.4	23.1	17.2	16.9	21.3
Germany	9.5	16.8	8.8	7.4	14.0	7.3
France	19.0	19.5	23.9	22.6	21.9	23.7
Netherlands	4.7	8.0	8.9	5.9	8.4	10.0
Spain	19.6	16.7	54.4	32.1	23.4	51.8
Sweden	10.8	23.3	25.0	8.1	22.4	22.2
UK	13.5	14.3	23.6	10.4	11.0	18.0

Source: Eurostat

4.3 Education, training and qualifications

Young people are enrolled in compulsory education until the age of 16 in Spain. During their final year of compulsory education, students are faced with the choice of either entering the labour market or continuing on to upper secondary school (high school). If they choose the latter, they must decide between two pathways: the academic or the vocational route.

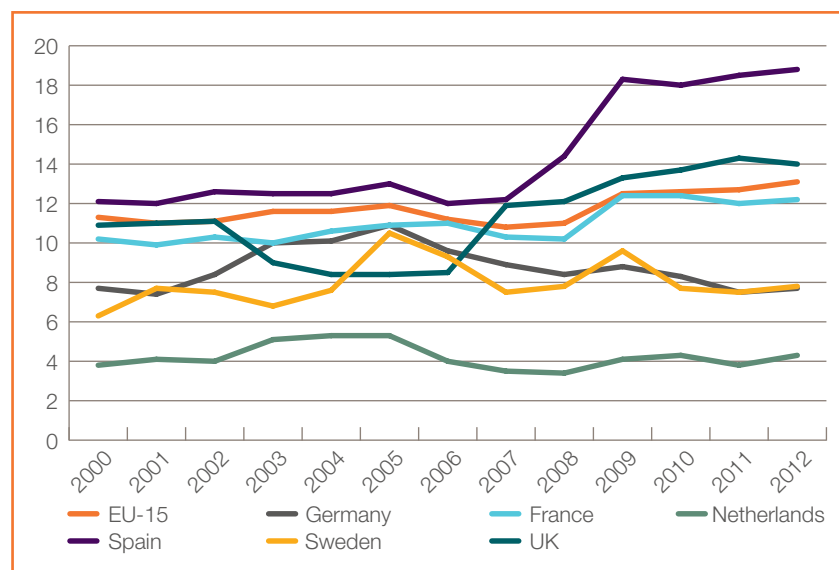
For students who choose to stay on in school there are preparatory courses preceding upper secondary school, and these vary depending on the chosen pathway. Those gearing up for academia will undertake a general programme in science and technology or in humanities and social science, whereas the alternative is pre-vocational studies. Just over half of those who complete compulsory education (about 40 per cent of the entire cohort) opt for the academic route, which entails two years of study before one earns the *Bachillerato*. The remainder (around one third of the entire cohort) enter intermediate vocational programmes (*FP medio*) for one to two years depending on their specialisation, or as long as it takes to undergo 2,000 hours of study to obtain a technical diploma. It is only possible to enter university with a *Bachillerato*, but the technical diploma allows one to progress on to higher education at a vocational college (*FP superior*).⁵

⁵ Following recent reforms, students who have obtained the higher technical diploma (*tecnico superior*) are also entitled access to university studies (Field et al 2012).

Unlike countries such as France and the UK, there is little to no stigma associated with vocational education and training. However, a review of the youth labour market in Spain (OECD 2007) revealed that the share of secondary students who opted for a vocational programme over the academic route in Spain was relatively small in comparison to other OECD countries. The take-up of the vocational programme prior to 2008 may have been affected by the overall propensity of young people in Spain – particularly young men – to leave school at an early age with the intent of earning as soon as possible. When the economy was stronger, there were many jobs available (in construction, for example) that did not necessarily require formal qualifications.

As the economy has weakened, there are more young people staying on in education, although this is still a smaller proportion than elsewhere in Europe. Since 2008, this trend has been reflected in the rate of young people who are not in education, employment or training (NEET). The NEET rate has more or less plateaued, but since it had risen quite steeply prior to the financial crisis its current level (18.8 per cent) is significantly higher than that of other European countries, including the UK, which has the second highest rate at 14 per cent.

Figure 4.6
NEET rates (%) of
selected EU countries
and EU15 average,
2000–2012



Source: Eurostat

For young people who pursue the vocational route, the programme of study combines theoretical education in the chosen vocational field with practical training using school equipment and workshops (Field et al 2012). There are a wide range of technical programmes to choose from, all of which lead to very specific qualifications. Workplace training is arranged as part of a compulsory three-month module following the end of the school-based portion of the programme. Fortunately, schools have encountered little difficulty in finding training firms willing to take on students. Firms in some autonomous communities are granted a nominal payment from the educational authorities of roughly €5 per day per student for their expenses, but there are two greater incentives. First, the students provide free and fully trained labour; and second, the scheme allows firms to effectively put young people on probation. Graduates are often offered jobs by the training firm at the end of the training period (ibid). The occupations they enter are usually

blue collar (for example: machinery mechanics and repairers; electronics mechanics and servicers; and agricultural, forestry and fishery labourers), but there are some white-collar jobs (including clerical workers and sales workers).

This training is sometimes referred to as an ‘apprenticeship’ – the word is used to encompass any programme of learning that combines part-time formal education with training and experience at the workplace and results in an externally recognised vocational qualification (Ryan 2011). However, this workplace training scheme is very different from apprenticeships in countries such as Germany and Switzerland where systems are more labour-market oriented. In countries such as Italy, the UK and Spain apprenticeships lack the institutional characteristics (such as level and subject area) which facilitate smooth transitions from school to work and are typically not as well connected to the labour market (Brunello et al 2007 and Ryan 2011).

There are some weaknesses with the workplace training scheme in Spain in particular. The intermediate- and higher-level curricula of VET programmes include practical training and teaching of the theory associated with the vocational field, but there is little direct teaching in mathematics, literacy or other academic subjects (Field et al 2012). This means that there is no direct test of numeracy and literacy, which can be problematic given their importance for further education and career development. Moreover, VET teachers and trainers have not necessarily worked in their vocational field, which is problematic in a system which relies extensively on school-based workshops to develop practical vocational skills. These teachers do need to be qualified in the field and may have spent periods of training in companies, but budgetary pressures have meant that retiring teachers are not being replaced, which is ageing the workforce and distancing it further from industry.

Perhaps most troubling in Spain is that although VET students can spend up to a maximum of 25 per cent of their total time of study in workplace training (Lopez-Mayan 2010), they may not necessarily engage for even a fraction of this time. The amount of time a student spends in workplace training will depend on their employment or training history. In the Spanish system, it is possible to accredit previous work experience related to the programme attended in order to fulfil the requirements of the training module (Lopez-Mayan and Nicodemo 2013). This concession may undermine the potential effectiveness of the vocational programme.

The government does appear to be aware of these issues, however, as a new law was approved as of November 2012 to lay the groundwork for dual vocational training. The Royal Decree Law 1529/2012 aims to promote vocational training in Spain under the provision of the education system and the guidance of public employment services (European Labour Law Network 2012). The law seeks to explicitly ‘strengthen the link between academic training and labour market needs; enhance collaboration between schools and businesses; and increase the role of business in education by allowing for the company to run all training activities of both a theoretical and practical nature’ (ibid). Although companies are expected to run the training, it will be supervised by educational authorities and its objective should be to endow the young person with professional qualifications. In order to participate in the training scheme, educational institutions first have to develop a training project in collaboration with businesses, formalising this relationship in a ‘cooperation agreement’ and submitting a training programme that would establish the details of the training activities (including location, content, duration, timing, schedule, and so on).

These contracts differ from other dual forms of training because they are regulated under the Statute of Workers, so that young people are considered to be employees and are governed by labour law (ibid). The contracts can last for up to three years and the employee would be guaranteed the minimum wage at the very least for time worked (although the theoretical training component is unpaid). Training activities specified in the contract should constitute at least 25 per cent of working time in the first year and 15 per cent in subsequent years. Either the company or a specialised or authorised centre can offer this training.

The emphasis on vocational training could be an acknowledgement of the fact that prior to the economic crisis young people who had graduated from vocational secondary education had the smoothest transition from school to work. A survey (OECD 2007) found that young people holding an intermediate vocational qualification needed 4.8 months on average to find their first job compared to the respective 6.2 and 6.3 months needed by graduates with tertiary degrees and general upper secondary education (Field et al 2012). Secondary school dropouts needed around 6.7 months. However, since 2008, young people of all educational backgrounds are finding it more difficult to enter the labour market. Those with a tertiary education are faring the best now (see table 4.2), but their unemployment rate is still very high at 40 per cent. Nearly half of young people with upper secondary qualifications are unemployed, but they are still better protected than their peers who left school early. As underemployment becomes prevalent, those without any qualifications are increasingly disadvantaged – as of 2012, about two-thirds were out of work.

Table 4.2
Youth unemployment rate (%) by level of education in selected EU countries and EU15 average, 2000–2012

	Degree in early stage or lower secondary education (ISCED 0–2)				Second degree in secondary education and post-secondary non-tertiary (ISCED 3–4)				Tertiary degree or higher education (ISCED 5–6)			
	2000	2005	2007	2012	2000	2005	2007	2012	2000	2005	2007	2012
EU15	19.4	20.8	19.8	30.3	14.2	14.1	12.2	18.7	12.4	12.4	10.7	17.1
Germany	9.7	17.8	15.7	12.2	7.0	13.6	8.8	5.7	6.8	6.8	6.5	4.4
Spain	24.6	21.8	20.4	59.9	25.7	17.2	16.6	49.7	26.6	26.6	13.6	39.8
France	31.2	30.4	30.2	37.8	17.7	17.9	16.1	21.4	11.4	11.4	12.5	14.7
Netherlands	7.4	11.2	8.4	13.3	2.8	5.7	3.9	6.8	–	–	2.7	5.1
Sweden	11.4	33.2	32.9	38.6	9.4	16.0	12.9	18.1	–	–	11.6	14.1
UK	21.5	22.6	26.4	37.2	8.6	9.5	11.0	18.8	5.6	5.6	7.5	12.6

Source: Eurostat

Nearly a third (roughly 30 per cent) of young people in Spain leaving the compulsory education system do so without being awarded a certificate of completion because they fail to reach the required academic level. A solution to this in recent years (since the 2007/08 academic year) has been to induct dropouts who reach the age of 16 into a *formación profesional inicial*, or vocational initial programme (VIP) (Field et al 2012). These VIP programmes are funded by the state and can be offered by a range of institutions, including schools, local authorities, professional associations, NGOs, and businesses (Ministry of Education, Culture and Sport 2013). Programme names and content may differ by each autonomous community, but will typically include both compulsory and voluntary modules.

Two kinds of compulsory modules are offered: the first is specific to the profession, corresponds to the units of competence for a level-one qualification set out by the National Catalogue of Professional Qualifications, and includes a workplace training component. The second is more general and is designed to develop basic skills in maths and literacy that

would enable students to successfully take up an intermediate training cycle. The voluntary modules provide students with an opportunity to supplement the training necessary to obtain the Certificate in Secondary Education. The ambition of the VIP programmes is to ensure that all students have competencies equivalent to at least a level-one professional qualification and the chance to graduate secondary school.

While the VIP programmes are still being monitored, they have so far been linked to improving young people's chances of entering the labour market or continuing their studies in the intermediate vocational programme (Field et al 2012). These programmes are similar to the initiative of second chance schools pioneered in France, given that they target young people with no qualifications who find themselves without education, employment or training. Although the second chance schools were rolled out on a smaller scale, their success has been largely linked to their nurturing at a local level; for instance, partnerships are formed between schools and employers in the local area for the benefit of students. Likewise, authority over the VIP programme has been devolved to the individual autonomous communities, and an assortment of local stakeholders are being encouraged to get involved as well as take the lead by offering the programme to young people in the area. Considering the triumph of second chance schools in reintegrating young people who are NEET into the education and training system, this model bodes well for their counterparts in Spain.

At the age of 15, young Spaniards are confronted with a number of potentially life-altering choices. They must decide whether in one year's time they would like to still be in school or if they would prefer to try their hand at finding work. For those who have settled on the option of education, there is another choice to be made between the academic and vocational routes. There is career guidance in all schools across the country to help young people at this crossroads. Furthermore, the state has recognised that guidance is more effective the earlier it is introduced to help young people develop the skills necessary for managing their career and life pathway. National legislation dictates that students have one hour of class per week dedicated to guidance in compulsory primary and secondary education and in the two years of baccalaureate upper secondary education (Field et al 2012). At the level of primary and secondary school, young people receive basic vocational guidance with a psychopedagogical emphasis. Vocational counselling departments are a standard feature of secondary schools (Hidalgo et al 2001).

Additionally, both lower and upper secondary vocational education students take a 'vocational training and guidance' module for 65 hours of class per year to improve their understanding of the labour market (Field et al 2012). The module includes an introduction to careers managed by the school concerned in collaboration with a teacher or tutor from the work-based training centres for the appropriate cycle (Hidalgo et al 2001). In other cases, the school's vocational counselling department takes responsibility.

While the Spanish system is advanced in the amount and timing of guidance delivered, there is still room for progress. For example, efforts are being made to better align school-based career guidance with that of guidance provided by the employment service (for the unemployed). The quality of career guidance could also be improved by stipulating that counsellors are specifically trained to be knowledgeable about the labour market. At present, counsellors are required to have only general psychological or pedagogical qualifications. The OECD review of equity in education (Teese et al

2006) also recommended that counsellors in Spain should make more use of vocational modules to promote student engagement in lower secondary education. Potential dropouts could be retained in upper secondary school if the vocational pathway was clearly signposted to them.

4.4 The Spanish labour market

There are two distinct problems with the Spanish labour market: one is of a cyclical nature and the other structural.

The strength of the economy has dictated employment prospects for young people in Spain more so than in other European countries. Pre-recession, young people could easily find work while the Spanish economy was growing from the mid-1990s until 2007. At the time, jobs in construction were abundant and enticed young school leavers, especially young males. Spain had been able to boast one-third of total job creation in the EU during this period because the country was being buoyed by an enormous housing bubble (Corujo 2013). When the bubble burst, the sectors of construction, manufacturing and sales that young people had been concentrated in were the worst hit by the crisis. These three sectors alone accounted for 66 per cent of the jobs lost by young people in the aftermath of the crash between 2008 and 2012 (Sánchez 2012) as the oversized construction industry in particular was forced to scale down.

To minimise the risk of such high cyclical unemployment in future, Spain not only needs to get its economy growing, but must also address the structural issues at the core of the labour market. Historically, the country has had a comparatively higher unemployment rate even when the economy was healthy, which is attributed by some to tighter regulations than most other EU countries. For example, since Spain abolished separate statutory minimum wages for young and adult workers in 1996 evidence has emerged that the reform had an adverse impact on the employment rates of workers aged 16 and 17 (Dolado et al 1996). Most employers pay young workers above the minimum wage because their pay is determined through collective bargaining, but the minimum wage is typically used as a starting point – agreements negotiated at the provincial level tend to stipulate wage floors which lie above the statutory minimum wage (Dolado et al 2013). It was suggested that the high rate of wages has the potential to hurt young people's prospects since they are competing with more experienced adults in the labour market with no comparative advantage in terms of cost.

It could be argued that stricter regulations for permanent workers have reinforced the two-tiered divisions in the labour market, disadvantaging younger workers who are disproportionately represented in insecure, temporary work. However, while the point about the minimum wage in particular may be fair, it is uncertain whether relaxing employment protection will reverse the fortunes of young people in the labour market. It is not entirely convincing to argue that the rigidity of the labour market is a greater factor in unemployment than the types of industry and businesses that characterise the Spanish economy (Corujo 2013). The whole of the country has suffered from high youth unemployment, but the problem is exacerbated in certain areas because it is closely related to the types of work or sectors that prevailed in these locales. For example, the worst off are those that specialised in construction and services with lower added value prior to the crisis. There is a danger that rather than fostering sustainable employment for young people, changing labour market regulations could increase the level of insecurity and leave more employees exposed to market risk if the economy was to further weaken.

In the two years after the crisis, the Socialist party adopted the mindset that pursuing changes to labour market regulations would be a gamble that paid off. It began to implement measures intended to introduce more flexibility for employers, primarily in the hope that this would encourage the use of permanent contracts over temporary ones. The Royal Decree Law 10/2010 of May 2010 expanded employers' ability to hire workers on a permanent contract with reduced severance pay by widening its applicability to include all workers (with the exception of men between the ages of 30 and 45 who have been registered as jobseekers for less than three months) rather than just a select few (Eurofound 2011). This contract had formerly only been used for: individuals aged between 16 and 30 and adults over 45; those who had been unemployed for over six months (now three months); victims of domestic violence; and the socially excluded. Firing costs were also reduced in the Royal Decree Law 3/2012 of February 2012 by changing the grounds for objective and collective dismissal under this contract and all others, so that employers can now cite projected losses or a lasting decline in income as legitimate reasons to let go of employees, with compensation for only 20 days' wages per year worked (up to a maximum of 12 months) (Corujo 2013).

There was some tightening of regulations around temporary employment, but the government had to strike a balance between discouraging the use of temporary contracts in an exploitative manner and maintaining temporary work as an entry route into the labour market, especially for young people. The resulting reforms to regulations are therefore modest: the duration of temporary contracts will be limited to a maximum of three years; compensation for dismissal will gradually increase from eight days per year worked to 12 days as of January 2015; and the likelihood of 'chaining' temporary contracts will be reduced by restricting the duration to 24 months for workers who are taken on by the same company or group of companies (Eurofound 2011).

There are some measures the government has taken forward that are strongly opposed by trade unions. These include the decentralisation of collective bargaining and reductions in the cost of wrongful dismissal. Trade unions are concerned that their authority is being undermined and in response are curbing propositions where possible. For example, the government has been trying to increase the role of temp agencies in order to improve the low level of placement within the Public Employment Services (PES). An element of this reform is granting temp agencies the entitlement to conclude training contracts, which trade unions are against. It has been difficult to progress with this policy because of such resistance. Social dialogue between government and trade unions continues to erode.

These measures do little to address the quality of jobs that are available to young people, which has diminished considerably. There are higher incidences of unpaid work being recorded and more young people found in situations of undeclared work. Additionally, young people have reported poor working conditions, including: low wages; mismatches between levels of training and skills required; the length and flexibility of the working day; frequent work-related accidents; reduced access to social protection; and weaker collective protection due to recent labour market reforms in terms of rights protected by international regulations, including freedom to join unions, collective bargaining and protection against harassment and discrimination (Sánchez 2012).

4.5 Tax, benefit and active labour market policies

Young people are eligible to claim unemployment benefits in Spain if they have contributed for a minimum of 360 days in the six years preceding worklessness.

To obtain unemployment benefits, claimants must have lost their jobs for involuntary reasons; those who voluntarily left their place of work are not entitled to recourse to any public funds. There are certain conditions which apply for claimants, including a requirement to renew registration as a jobseeker with the PES every three months. The unemployed must also sign an 'activity commitment', in which they promise to actively look for work, accept suitable job offers and participate in active labour market policies to improve their employability.

The state pays claimants up to 70 per cent of the legal reference salary, as well as additional amounts for persons with dependents. Benefits are reduced to 60 per cent of the reference salary after six months. Also, the longer a spell of unemployment endures, the stricter the conditions become for receiving benefits. During the first three months of unemployment, a job offer will be considered adequate if it corresponds to the occupation indicated by the unemployed to the PES, their normal profession or one that suits their skills and training. After three months of unemployment, a job will be considered adequate if it corresponds to their most recent occupation. After one year of unemployment, the unemployed must accept any job that the PES considers appropriate for them.

Unemployment benefits are intended to be a temporary solution; recourse to public funds on the grounds of worklessness will be exhausted within two years. The exact duration of the benefit depends on how long one has been contributing to the system. Social security payments made between 360 and 539 days (roughly for a year and a half) will entitle one to benefits for 120 days (four months). However, if one has been working and contributing between 1,980 and 2,159 days (five to five and a half years) benefits will last up to 660 days (approximately 20 months).

In 2011, the government introduced its Preparation Plan for those who have been unemployed for at least 12 of the previous 18 months. The programme will be in place until unemployment falls below 20 per cent. It offers claimants between €400 and €450 per month (less than the minimum wage of roughly €752 per month) for six months in exchange for their commitment to training. However, it has been claimed that very few people are finding work as a result of the training because programmes are underresourced; the emphasis has instead been on career counselling sessions (Citapreviainem 2013). It is also increasingly difficult to sign on to the Preparation Plan because conditions bar those who do so from accepting any other types of unemployment assistance and stipulate that they must sign a labour agreement with PES for training and be able to establish that they actively sought work for at least 30 days.

In order to get as many young people as possible back into work, the current conservative government is proposing an extensive catalogue of measures targeted at this group. The earlier Royal-Decree Law 10/2010 did not bear much fruit in terms of transitioning more young people from temporary to permanent contracts. Moreover, it became increasingly clear to the government that at this stage the problem was not that there were too many young people on unsecure contracts, but rather that there were relatively few young people able to find work at all. The Royal Decree-Law 4/2013 has since been enacted to facilitate entry into the labour market at a time of poor growth and in an environment of austerity.

In the earlier Law, the government made an effort to inspire more interest in hiring the young and unemployed by reallocating tax-benefits to favour employers who provided jobs for individuals belonging to groups with a high risk of unemployment.

These employers received a discount in their social security contributions when hiring unemployed workers between the ages of 16 and 31 (€66.67 per month for three years) and unemployed workers over the age of 45 (€100 per month for three years) (Eurofound 2011). Although this policy may not have had a discernible impact, the current government has chosen to expand it.

Many of the active labour market policies the government is now pursuing involve financial incentives for employers. In most cases, the incentive is offered by entirely waiving or reducing the social security contributions required of employers. In some instances, rebates are made to employers after they have already paid their social security contributions. The European Employment Observatory has raised doubts over whether these policies of incentives are the most sensible considering that incentives have not been traditionally effective in creating sustained employment and that deadweight costs are usually high (EEO 2013). The incentives that require a training component could also be pushed further by requiring that the training be relevant to the job rather than simply providing young people with generic skills.

Incentivising employers to hire young people

In the first quarter of 2013, the Spanish government announced a number of new active labour market policies with the aim of alleviating youth unemployment. Many of these entail financial incentives for employers. The following measures have been approved for funding and will be underway shortly, if not already being implemented.

- Employment incentives for part-time recruitment related to training (on-the-job training): companies who hire young workers under the age of 30 on a part-time basis (either temporary or open-ended) are awarded reductions in their social security contributions (100 per cent for SMEs and 75 per cent for the rest) for a period of 12 months. Workers must be in training (either job-specific or unrelated) throughout the duration of their contract or within the six months prior. It is possible to extend reductions for a further 12 months if the workers are still in training. However, in order to be eligible for the reductions, companies can only hire young workers without labour market experience (understood to be less than three months) or who are long-term unemployed (out of work for 12 months of the past 18).
- Employment incentives for open-ended recruitment: small companies with fewer than 10 workers or self-employers who hire a young worker below the age of 30 on a permanent basis (either part-time or full-time) will have the entirety of their social security contributions waived for 12 months. There are some conditions. For example, the worker must be hired for at least 18 months. The waiver is also only available for one contract, but the point here is to encourage a culture within companies of hiring young workers on a permanent basis.
- Employment incentives for converting fixed-term contracts to open-ended contracts: companies must recruit young workers below the age of 30 with short working careers (understood to be of less than three months) on fixed-term contracts (either part-time or full-time) for a period between three and six months. Following the conversion of the contract to an open-ended arrangement, companies are entitled to a social security rebate which amounts to €500 a year, for three years. For female employees, the rebate is up to €700 a year.

- Employment incentives for apprenticeship (internship) contracts: this type of contract is sometimes also referred to as a 'work experience contract'. Companies which recruit young people below the age of 30 under apprenticeship contracts are entitled to halve their social security contributions for the entire duration. For interns who were already working for the firms, social security contributions can be reduced by as much as 75 per cent (EEO 2013).

The impact of these measures has yet to be seen, as these are still early days. However, there is scepticism over whether they will inspire meaningful reform in the long-term since they are so focused on achieving immediate results. These measures were designed with the express aim of creating jobs of any kind, including those which are temporary. This is problematic considering that temporary employment was largely why young people were in such a precarious position during the economic crisis. Furthermore, it is possible that there may be a displacement effect – some of the new jobs being generated may be at the expense of other workers – or deadweight in the sense that employers are now being subsidised for opportunities they were already intending to create. The degree to which either is true is difficult to discern. However, it is telling that these legal changes were made without the agreement of social partners, such as the trade unions, and as a result do not have widespread support within Spain.

The government is also trying to incentivise young people to become their own employers. Using self-employment to support people out of unemployment is an ideal solution from the state's point of view because the economy benefits from entrepreneurship and the young person is pulled out of inactivity and transformed into a productive worker. However, this policy is usually better in theory than it is in practice. Entrepreneurship is an extremely challenging endeavour and many young people do not have the skills or support needed in order to see it through. These types of schemes can consequently be very costly as the rate of failure for startups tends to be high. They have also proven to be unpopular with young people. For example, the number of unemployed workers who have chosen the capitalisation of their unemployment benefits has fallen by 11 per cent since 2008. In 2012, there were about 145,000 people who took up this option.

Incentivising young people to pursue self-employment

There are two initiatives in particular which aim to encourage unemployed young people to consider entrepreneurship or investing in entrepreneurship in order to pave their own route to employment.

1. *Continuation of unemployment benefit while starting up a business:* this possibility is limited to those who are below the age of 30 when the new activity starts, provided that they do not have employees working for them. Unemployment benefit can be maintained for a maximum of 270 days and during this time there will be no obligation to accept an offer of employment.

2. *Single unemployment benefit payment and tax exemptions for new startups:* the ‘capitalisation’ of unemployment benefit is a programme which presents young people under the age of 30 (35 for women) with the option of receiving their contributory unemployment benefits in a lump-sum payment for the purpose of setting up a business or to invest in an already existing company (for no longer than one year). This lump-sum amount is exempt from income tax payments.

It has been suggested that businesses would benefit more from easier access to credit than they would from a limited reduction in social security contributions (Corujo 2013). Whether this type of incentive has had the intended effect, however, is still being determined. In general, it is questionable whether encouraging young people into self-employment will mean that they will not enjoy as much legal protection as they would under the other forms of labour (ibid). Again, precariousness could be a consequence, undermining the government’s attempts for structural reform of the labour market.

There are other promising steps being taken, such as the planned launch of a common national database for job matching. This database was designed to support employers in the recruitment of young workers and to improve the jobmatching process by incorporating all of the available job vacancies into one system. Once set up, it will clearly help a broad number of people navigate their job search. However, most of the employment initiatives being introduced cast a wide net just as this one does. While some of the policies specify that they are meant to help young people under the age of 30, they are not as well targeted as they could be. Within the fairly large group of young unemployed people there are some who will be much harder to help than others; for example, young people who are NEET. More needs to be done to acknowledge this reality and offer specialist support for those who are most in need of it.

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5. THE UNITED STATES

SARAH AYRES

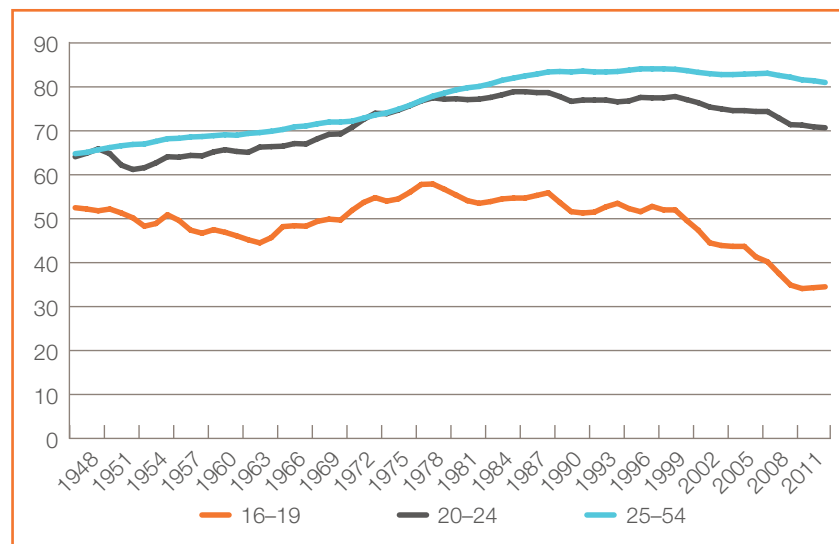
5.1 Introduction

Americans aged 16 to 24 are currently facing some of the worst employment prospects in recent history, while longer trends in employment and unemployment suggest that the labour market is becoming less friendly to younger workers. These dismal prospects are not entirely attributable to the effects of the 'Great Recession'; employment among young Americans has declined significantly over the past three decades, while unemployment has risen. At the same time, employment and unemployment rates among workers in the prime working age group of 25 to 54 have remained much more stable. While declining employment and labour force participation rates among young people can be pegged in part to rising educational participation, they are also a reflection of worsening job prospects for younger workers.

5.2 Youth unemployment trends

The labour force participation rate and the employment-to-population ratio are two indicators of young peoples' interest in working and ability to find jobs. Since the 1980s, both of these measures have declined among teens (ages 16–19) and young adults (ages 20–24), with the steepest drops occurring during the past decade. In fact, even as the economy grew in the mid-2000s, the labour force participation rate and employment-to-population ratio among young people steadily declined. Both measures are up slightly from their lowest points following the Great Recession, but they remain historically low. Moreover, the gap between workers of prime age and young workers has increased over the past decade.

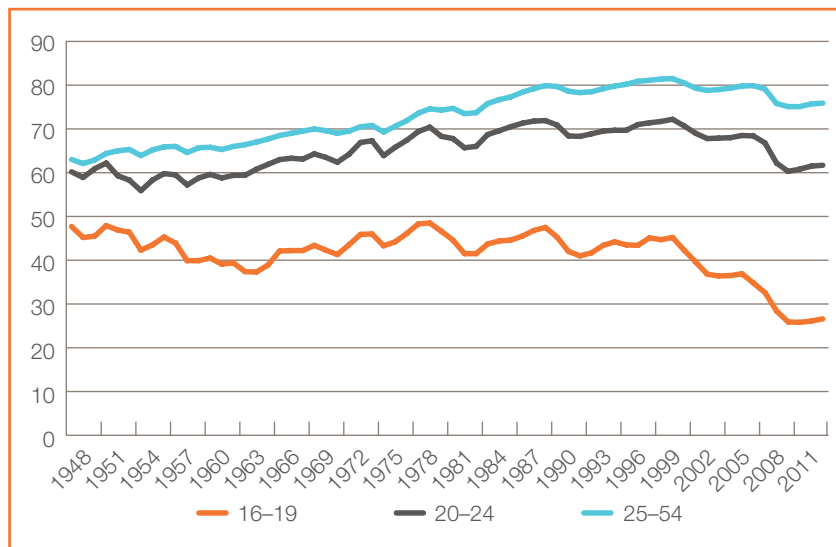
Figure 5.1
Labour force participation (%) in the US, by age group, 1948–2011



Source: Bureau of Labor Statistics

Declining labour force participation among teens and young adults is not necessarily a bad economic sign. Downward trends in labour force participation and the employment-to-population ratio can be due in part to increasing school enrolment among young Americans over the past several decades (NCES 2012). However, because these changes are also accompanied by rising unemployment rates, they suggest that young people are staying out of the labour force due to discouraging job prospects.

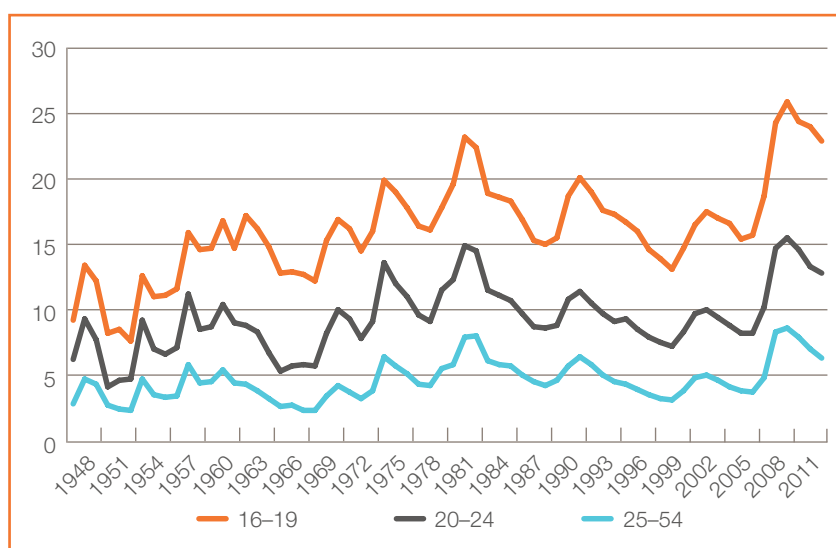
Figure 5.2
Employment-to-population ratio in the US, by age group, 1948–2011



Source: Bureau of Labor Statistics

Since the second world war, young Americans have become increasingly more likely to be unemployed, while the unemployment rate for adults has remained lower and relatively more stable. Today, the unemployment rate among teens – although down from an all-time high of 27.2 per cent in 2010 – is 20.7 per cent, higher than it ever was prior to the Great Recession of 2007–2009 (Bureau of Labor Statistics 2013a). Young adults have fared somewhat better than teens, but they also experienced an all-time high unemployment rate in 2010, when 17.2 per cent of people aged 20 to 24 were out of work (ibid). These trends indicate that young jobseekers in the US have suffered disproportionately in the recession compared to adult workers.

Figure 5.3
Unemployment rate in the US, by age group, 1948–2011



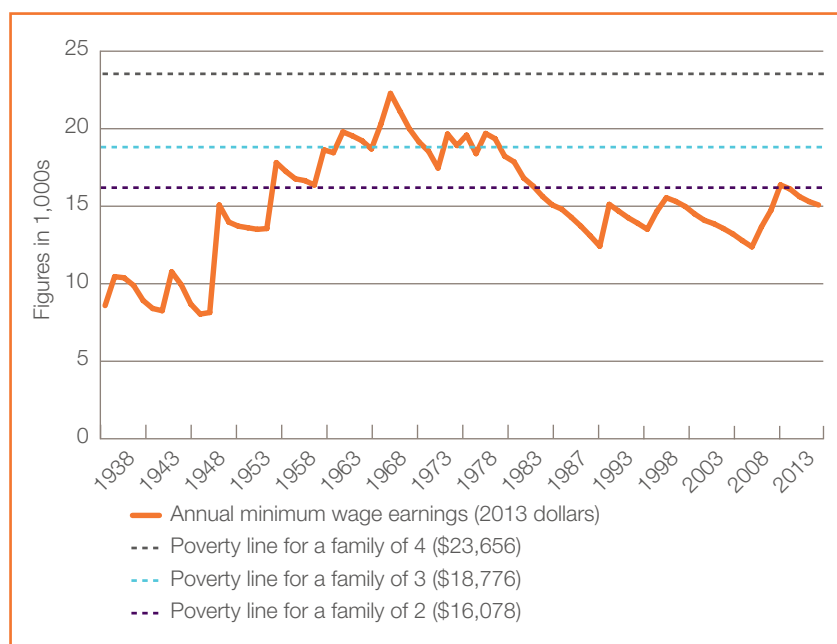
Source: Bureau of Labor Statistics

5.3 The US labour market

American workers lack many of the benefits and protections that workers in other industrialised nations take for granted, and young workers are particularly hindered by low workplace standards. Young workers are more likely than older workers to work at a job that lacks sufficient minimum pay, access to leave, effective collective bargaining rights, and pensions.

Workers under the age of 25 constitute only about one-fifth of hourly paid workers, but they make up about half of those paid the federal minimum wage or less (Bureau of Labor Statistics 2013b). Young people are also more likely to make the minimum wage today than they were in the past. In the past decade, the share of hourly paid workers under age 25 who were paid the minimum wage grew from 7 per cent to 12 per cent. The federal minimum wage is just \$7.25 per hour, which means that a young person working full-time at the federal minimum wage earns only \$15,000 per year – well below the poverty level for a family of three.⁶ It wasn't always true that a single parent working in a minimum wage job would live in poverty – prior to the 1980s, earning the minimum wage was enough for a single parent to stay above the poverty line. But lawmakers have allowed the purchasing power of the federal minimum wage to erode over the past five decades.

Figure 5.4
Annual minimum wage earnings and poverty level for families of two, three and four (2012) (US\$)



Source: Cooper 2013

Young workers are also less likely than older workers to have access to time off to care for themselves and their families in the event of an illness or the birth of a child. Under the Family and Medical Leave Act 2013, employees are eligible for 12 weeks of unpaid job-protected leave to recover from a serious medical condition, provide care for a seriously ill family member, or care for a new child. However, employees who have worked at a company for less than one year are not eligible, nor are workers at companies that employ fewer than 50 people. Due to these restrictions, only about

⁶ <http://www.medicare.gov/Medicare-CHIP-Program-Information/By-Topics/Eligibility/Downloads/2013-Federal-Poverty-level-charts.pdf>

60 per cent of workers are covered by the legislation (Klerman et al 2013). And even fewer workers have access to paid time off; in 2011, only 11 per cent of private sector workers and 17 per cent of public sector workers had access to paid family leave (Houser and Vartanian 2012). Among first-time mothers, just half are able to take paid leave in connection with the birth of a child (ibid).

In many ways, young adults suffer the most as a result of insufficient worker protections. Half of women under the age of 25 have a child and millions more young people serve as unpaid caregivers to ailing family members (CDC 2013, NAC 2009). Yet younger workers are less likely than older workers to have access to time off to care for themselves and their families (Phillips 2004). This limits employment opportunities and economic mobility, especially for young women. Research by Han et al (2009) shows that women who lack access to leave are less likely to return to work after having a child and more likely to receive public assistance and food stamps.

In addition, young Americans' employment opportunities are held back by an insufficient private retirement system. Previous generations of Americans relied largely on defined benefit pensions to provide retirement income security, but today's young workers and their parents depend primarily on less secure pension plans known as 401(k) plans – and these aren't working. The typical near-retirement worker has accumulated enough money to provide a monthly retirement payment of only about \$575 (Erickson and Ettlinger 2013).

Young people are in the most precarious situation. The number of workers who have access to a retirement account at work has declined over the past several decades, and today just 40 per cent of workers under the age of 35 have a retirement plan at work – compared with 53 per cent of workers over the age of 35 (EBRI 2013). More worrying, according to analysis by Nari Rhee (2013), the median retirement account balance for Americans aged 25 to 34 is \$0. Obviously this is bad news for young Americans' future income security, as early investments have the most time to experience the power of compounding interest and maximise savings.

Undersaving for retirement also poses a problem for young people in the short term – when older workers are forced to stay in the workforce due to insufficient retirement savings, they aren't clearing the way for the younger generation to work. In 2013, 22 per cent of all workers decided to postpone their retirement, with most citing financial insecurity as the reason (EBRI 2013).

Young workers are also the least likely of all workers to be members of a union. Bureau of Labour Statistics (2014) show that union membership rates for Americans of all ages are at an all-time low, and only 4 per cent of workers under the age of 25 belong to a union. And when young people try to form a union to improve their wages and benefits, they are too often stymied by union election processes that are stacked against workers (Erickson and Ettlinger 2013).

5.4 Education, training and workforce development

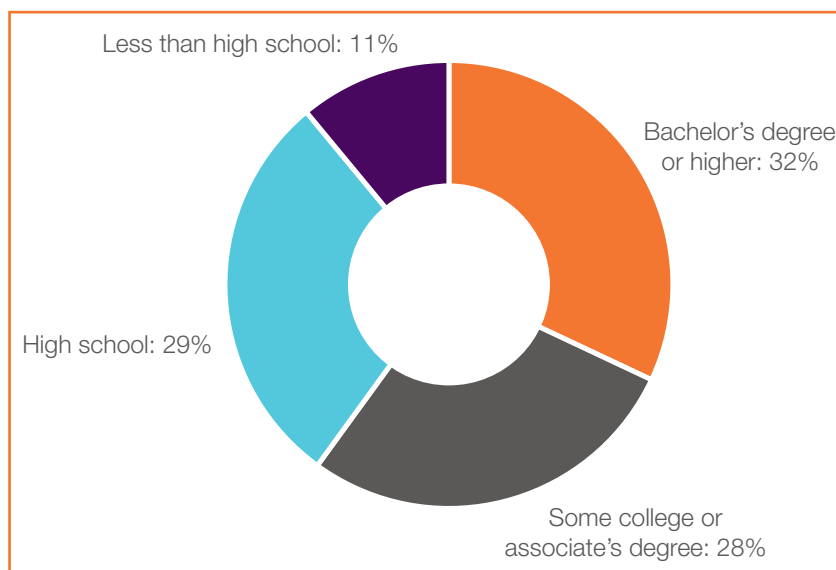
Young Americans' participation in the labour force is greatly influenced by their educational attainment, and research has shown that the US education and training system is not meeting the demand for more educated workers. Academic and industry analyses have demonstrated that the US will experience a shortage of skilled workers within the next decade, as the economy increasingly requires workers to have some sort of formal education or training after high school.

The US has a highly decentralised education system, and students' experiences differ widely depending on where they go to school. State and local governments retain primary responsibility for financing and administering elementary and secondary education, with the federal government playing a very limited role. Curricula, requirements for graduation, vocational instruction, and work-based learning opportunities vary broadly between states and school districts. Generally, students spend between six to eight years in elementary education, followed by four to six years of secondary education, or 'high school'. All states require children to attend school until at least the age of 16, with some states mandating attendance up to age 17 or 18. If students complete secondary education, they typically do so by age 18 and receive a high school diploma. If students drop out of high school, they may complete the General Educational Development (GED) certificate programme, which is recognised as the equivalent of a high school diploma.

In recent decades, the aim of educators and policymakers has largely been to expand access to four-year college and bachelor's degrees. In some ways, this approach has succeeded: the percentage of Americans with a bachelor's degree has doubled since the 1960s, and surveys now indicate that almost all high school graduates plan to go on to earn a BA (Rosenbaum et al 2010). However, fewer than half of high school seniors planning to get bachelor's degrees succeed in this goal, leading some experts to argue that too many students are 'wasting precious time and money that could have been spent on career-focused certificates or associate's degrees that have better outcomes than are generally recognized' (ibid).

Today, 89 per cent of American adults have attained a high school diploma or better, while 32 per cent have attained a bachelor's degree or better.

Figure 5.5
Educational attainment
of prime-age workers in
the US, 2013



Source: Bureau of Labor Statistics 2013a

Research suggests that these levels of education attainment are not sufficient to meet the growing demand for skilled workers. An analysis by the Georgetown Center on Education and the Workforce has found that by 2020, the workforce will be short 5 million workers with postsecondary educations (Carnevale et al 2013). While previous generations may have been able to get a good, well-paying job with just a high school diploma, young Americans today

are entering a labour market in which most jobs require postsecondary education. In 1973, just 28 per cent of jobs required postsecondary education, but by 2008 that number had jumped to 59 per cent – Georgetown researchers expect that by 2020, 65 per cent of all jobs in the economy will require some form of postsecondary education (Carnevale et al 2013).

Despite this trend, many young Americans today end their education and training with a high school diploma or less. While 35 per cent of jobs in 2020 will require at least a bachelor's degree, only 32 per cent of adults today have one. And while 30 per cent of jobs in 2020 will require some college or an associate's degree, only 28 per cent of adults today have that level of postsecondary education (ibid).

Even today, US employers are reporting that they are struggling to fill job openings. For example, a 2013 survey by Manpower Group found that almost half (48 per cent) of employers responded that they had a hard time filling jobs because candidates lacked technical competencies.⁷ A 2009 survey by the Business Roundtable likewise found that 61 per cent of employers surveyed in June to July of that year – at the height of the Great Recession – said they had a hard time finding skilled workers to fill vacancies. And when Deloitte surveyed American manufacturing companies in 2011, two-thirds reported that they were experiencing a moderate to severe shortage of qualified workers, especially among skilled production workers such as machinists, operators, craft workers, distributors and technicians (Giffi 2012).

Employer surveys on the 'skills gap' have received their fair share of criticism. Many have argued that they say more about employers' unwillingness to pay higher wages than their inability to find skilled workers.⁸ In a recent report, the Boston Consulting Group said 'trying to hire high-skilled workers at rock-bottom rates is not a skills gap,' and estimated that the US is only short by about 80,000 to 100,000 skilled workers today (BCG 2012). However, they also concluded that the skills gap will become a serious problem in the near future if nothing is done to address it. For example, the average age of a high-skilled manufacturing worker in the US is 56 – as these workers begin to retire, BCG estimates that the shortage of higher-skilled manufacturing workers could worsen to approximately 875,000 machinists, welders, industrial-machinery mechanics and industrial engineers by 2020 (ibid).

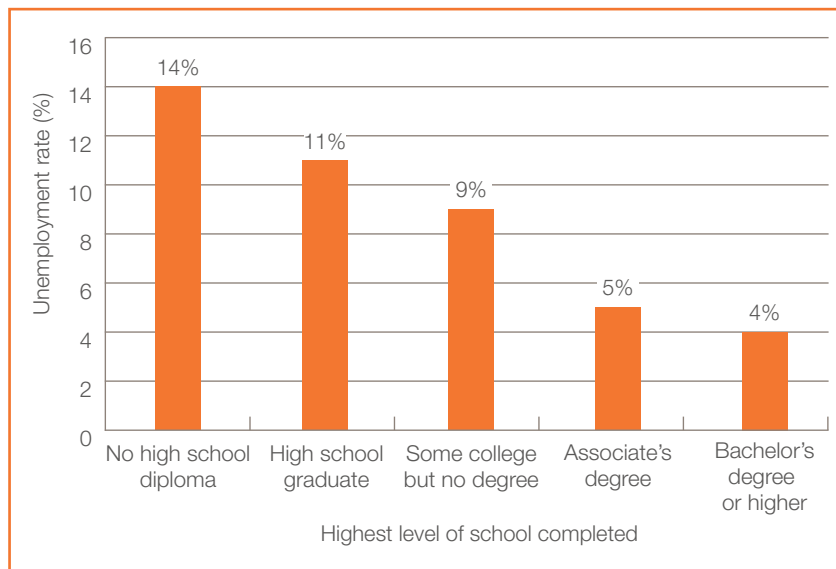
Young Americans who don't gain the skills and credentials they need to get good jobs in high-growth industries face dwindling job prospects, lower wages, and fewer opportunities to join the middle class. Just as the demand for high-skilled workers is growing, the opportunities available to low-skill workers are diminishing. While 40 per cent of Americans today have a high school diploma or less, only 36 per cent of jobs in 2020 will be available to workers with that level of education (Carnevale et al 2013).

In the US, workers without a postsecondary degree face higher rates of unemployment and earn lower wages than their more educated peers. Among young people aged 25 to 29, those with a bachelor's degree or higher have an unemployed rate of only 4 per cent, while for those without a high school diploma the rate is 14 per cent (Bureau of Labour Statistics 2013a). And workers with a high school degree or less earn less than workers with postsecondary education and are more likely to be in a lower income class. A bachelor's degree holder earns on average 84 per cent more over his or her lifetime than a high school graduate – or about \$2.8 million (Carnevale et al 2011).

7 <http://www.manpowergroup.us/campaigns/talent-shortage-2013/>

8 See BCG 2012 and New York Times 2013

Figure 5.6
Unemployment rates (%) of young people aged 25–29 in the US by highest level of education completed, 2011



Source: Bureau of Labor Statistics 2013a

Making matters worse for low-skilled American workers, research has shown that low-skill workers are less likely to receive employer-provided training than high-skill workers. Between 1995 and 2001, the percentage of low-skill workers receiving employer-provided training dropped from 22 per cent to 20 per cent, while the percentage of training resources that went to those with a bachelor's degree increased from 50 per cent to 54 per cent (Osterman and Shulman 2011). Not only do low-skill workers face fewer opportunities and worse jobs than high-skill workers, but the lopsided education and training mechanisms in the US exacerbate the divide by concentrating investments in workers with high levels of human capital.

Despite clear evidence that young people with postsecondary education fare much better in the labour market, there are significant barriers deterring young adults from seeking out additional education and training. Young Americans today face the highest college costs in history combined with declining financial support from state and federal governments. And young people frequently lack the information to invest in an education that will lead to good employment at a reasonable cost.

The cost of a bachelor's degree for young Americans today is higher than it has ever been, and government financial support for postsecondary education is at record lows. In the past three decades, the cost of attaining a four-year degree has increased by more than 1,000 per cent (Jamrisko and Kolet 2012) – more than petrol prices, which increased 200 per cent, more than healthcare, which increased 250 per cent, and more than the consumer prices index, which increased 100 per cent (Thomas 2012). But while the cost of attaining a four-year degree has risen in real terms by nearly 250 per cent, government assistance has waned, with rising tuition costs largely attributable to public funding cuts. In 2000, public colleges and universities relied on state and local appropriations for more than 70 per cent of their revenue, but in 2011 public funding made up only 57 per cent of the funding for their annual budgets (Chakrabarti et al 2012). The cost of attaining a two-year associate's degree has risen much more slowly – 150 per cent since 1980 – but few high school graduates set out to earn an associate's degree or vocational credential.

Moreover, the Pell Grant, the main form of federal financial aid available to low-income students, has significantly eroded in buying power over the years. In 1979, the maximum Pell Grant covered about 75 per cent of the total cost of attending a public four-year college; today, it covers only 31 per cent of the cost for tuition, fees, room and board (Erickson and Ettliger 2013).

Rising tuition costs and declining student aid leaves students saddled with debt and may deter many low- and middle-income young people from enrolling in college. One study found that two-thirds of prospective students eliminated colleges from consideration due to cost – including 40 per cent who eliminated colleges due to cost before even researching the institutions (Sallie Mae 2013). In another survey, 37 per cent of workers cited cost as a barrier to pursuing postsecondary education, including half of respondents earning less than \$50,000 a year (Business Roundtable 2009).

Too many of those who do attend college can only do so after taking on unsustainable levels of debt. The average student loan borrower owes a balance of \$25,000, and one in 10 now owes more than \$54,000 in loans (Federal Reserve Bank of New York 2013). In total, Americans are saddled with \$1.2 trillion in student loan debt, the second largest form of consumer debt behind home mortgages (Chopra 2013). The skyrocketing cost of college and the associated student loan debt is a major threat to the economic wellbeing of young Americans. One in four student loan borrowers is behind on their loan payments (Cunningham and Kienzl 2011). The pressure to pay back huge loan balances is leading young people to take lower-paying jobs just to hold off the debt collectors, delay major purchases like cars and houses, put off marriage and children, and not to save adequately for their futures (Johnson et al 2012). As a result, many experts have raised concerns that the burden of student loan debt is inhibiting growth in the broader economy.⁹

The second major barrier to postsecondary education is a lack of information. Millions of American students enrol in college without knowing the true cost, quality or benefits of the education they will receive. This is because colleges and universities often obscure the price students will pay and avoid offering concrete measures of quality or return on investment, leaving students with insufficient information to guide their choices (Erickson and Ettliger 2013). And young people aren't necessarily choosing to train in fields that are high growth, yet they bear all of the risk for having invested in training in the wrong field. According to the Business Roundtable (2009) survey, 41 per cent of workers are unsure of what skills will be required in the future and if training will pay off. This lack of knowledge can discourage students from pursuing postsecondary education altogether, and it can lead students to pursue studies in fields with fewer job prospects. A recent survey by Accenture found that 41 per cent of college graduates from the last two years report working in jobs that do not require a degree, and 11 per cent are currently unemployed. Almost two-thirds (63 per cent) believe they need additional training to get their desired job, and nearly half said they would have fared better in the job market with a different degree (Accenture 2013).

Workforce development models common in other industrialised nations, such as apprenticeships, are relatively unknown in the US, although research indicates they could be very effective. The US has only 400,000 registered apprentices nationwide while Germany, with one-third the population of the US, has 1.8 million apprentices (Erickson and Ettliger 2013). But federal research by the Department of Labor (2013) shows that apprenticeship completers in the US make as much as \$225,000 more

9 See Consumer Financial Protection Bureau 2013

than comparable jobseekers in their lifetimes. Moreover, studies have shown that US apprenticeships offer substantial net social benefits – \$49,000 over the career of an apprentice, after taking into account added productivity, reduced use of government programmes by apprentices, administration costs, costs of community colleges, and costs to employers (Reed et al 2012). An analysis of the workforce training system in Washington state found that the return on investment for apprenticeships was \$23 for every public dollar invested, compared with \$3 for every public dollar invested in community colleges (WTB 2012).

The most critical barrier to expanding apprenticeships is lack of interest among employers, despite the fact that 87 per cent of US employers who sponsor an apprenticeship programme would strongly recommend it (Lerman 2010). Employer disinterest is due primarily to lack of knowledge, but at least one state has been able to significantly expand apprenticeships by engaging with the business community to overcome this barrier. South Carolina, with a fairly modest investment from the state, has dramatically expanded the number of apprentices in recent years by focusing their efforts on developing relationships with employers, marketing apprenticeships, assisting employers with the completion of federal paperwork, identifying core job competencies, and coordinating curricula with the technical college system.¹⁰ Meanwhile, the Center for American Progress has proposed to expand the number of apprenticeships nationwide by one million annually (Olinsky and Ayres 2013).

5.6 The social safety net

For the most part, young Americans over the age of 18 are treated as adults by government assistance programmes. Unemployed young people can sometimes receive income protection through state unemployment insurance programmes and poor workers may be entitled to some federal cash assistance, tax credits, food assistance and housing assistance, depending on their income and family size. Low-income Americans can receive federal health insurance, and the Affordable Care Act now allows young people under the age of 25 to remain on their parents' health insurance policies.

A strong social safety net can promote youth employment. Ensuring that unemployed and low-income people have access to income protection, food, housing and medical care reduces poverty and promotes consistent participation in the labour force. Failing to provide these basic protections can hinder overall economic growth by reducing productivity and wages, increasing crime and the associated costs to taxpayers, and escalating healthcare expenditures. Citing these costs, a 2007 Center for American Progress study led by Harry Holzer of Georgetown University and the Urban Institute found that child poverty costs the US economy about 4 per cent of gross domestic product every year (Holzer et al 2007). Although social insurance programmes keep millions of Americans out of poverty every year, they are not sufficient to prevent 15 per cent of the population from living under the poverty line. And, of the 46 million Americans who live in poverty, 16 million are children – leaving the US with the second-highest child poverty rate in the developed world (Erickson and Ettliger 2013).

The US provides income protection for unemployed people through a federal-state programme jointly financed through federal and state employer taxes, but the unemployment insurance system fails to offer reasonable wage replacement or coverage for everyone who is involuntarily unemployed. This is especially true for unemployed young people, more than 75 per cent of whom do not receive any unemployment compensation at all (Mulligan 2011).

¹⁰ From an interview with Brad Neese, director of Apprenticeship Carolina

Employers pay taxes for every employee on their payroll, which fund state unemployment insurance systems. Unemployment compensation is not generous – according to the Department of Labor, the typical worker has only one-third of their pre-job loss wages covered by unemployment benefits (Boushey and Eizenga 2011). In order to receive unemployment compensation, a worker must be unemployed through no fault of his own, must demonstrate that he is actively seeking re-employment, and must meet the state's requirements for wages earned or time worked during an established period of time preceding the unemployment – in most states, this is usually four out of the last five completed calendar quarters prior to the time that the claim is filed.

As unemployed young people are more likely to be entering the workforce for the first time and to have shorter employment histories, many unemployed young workers do not meet the eligibility requirements to receive unemployment compensation. Consequently, just one in four unemployed young Americans receives any unemployment benefits (Mulligan 2011).

Temporary Assistance to Needy Families (TANF) is the one federal, means-tested cash assistance programme that serves poor families with children. TANF is a federal block grant to states, which administer their own programmes to provide assistance to low-income families in the form of cash assistance, childcare, work support and employment services and other services. In 1996, as part of federal lawmakers' efforts to 'end welfare as we know it', TANF replaced Aid to Families with Dependent Children (AFDC), the financial assistance programme for low-income families that had been in place since the enactment of the Social Security Act of 1935 (Schott 2012). TANF implemented work requirements and imposed a five-year time limit for families to receive cash assistance.

While TANF provides an important safety net for needy families, the cash benefits are meagre and the effects on employment are unclear. Benefits are half or less of the poverty level in all states (Lower-Basch 2013). The share of poor families receiving benefits has dropped significantly since welfare reform – while 68 families received TANF for every 100 families in poverty in 1996, this had fallen in 2011 to only 27 families for every 100 families in poverty (Schott 2012). The results of work requirements are mixed; the share of poor single mothers who were working increased significantly during the early years of welfare reform, but the share of those who are 'disconnected' from both work and welfare has also increased – from 16 per cent in 1995 to one-third in 2007 (Lower-Basch 2013). Moreover, Lower-Basch found that the 'work first' focus of welfare reform meant that most recipients were pushed into low-wage jobs, instead of participating in education and training that might have given them access to better jobs in the future.

The US also provides income assistance to poor Americans through the tax code. The earned income tax credit (EITC) is a federal tax credit for low- and moderate-income workers, with the amount of credit paid depending on the taxpayer's income and family size. In 2013, the maximum EITC credit was \$6,044 (IRS 2013). The child tax credit (CTC) provides up to \$1,000 per child to help working families offset the cost of raising children. In 2011, the EITC and CTC lifted 9.4 million Americans, including 4.7 million children, out of poverty (Marr et al 2013).

The federal government also provides food assistance to low-income Americans. The Supplemental Nutrition Assistance Program (SNAP), formerly known as 'food stamps', is the largest nutrition assistance programme in the US. Eligible households apply through their states and receive an electronic benefit transfer card, which is loaded

with benefits once a month and may be used to purchase food at authorised retailers. The level of assistance provided by SNAP depends on family size, income level, and regional cost-of-living calculators, with an average per-recipient monthly benefit of \$133 per month (Thompson and Garrett-Peltier 2012). In 2010, SNAP was responsible for lifting 3.9 million Americans above the poverty line, including 1.7 million children (ibid).

Women, Infants, and Children (WIC) is a similar nutrition assistance programme available to low-income pregnant, breastfeeding, and non-breastfeeding postpartum women, and to infants and children up to the age of 5 who are found to be at nutritional risk. Research has shown that WIC is extremely effective in supporting healthier and lower-cost pregnancies, improving children's diets, and promoting breastfeeding (FNS 2013).

Low-income and needy people can receive health insurance through Medicaid, a jointly funded federal-state programme. Under the Affordable Care Act, Medicaid eligibility will be extended to all individuals earning up to 138 per cent of the federal poverty level beginning in 2014 – \$26,347 for a family of three and \$15,417 for an individual (Baron 2013). Today, Medicaid effectively provides health coverage to one in every four children and 21 per cent of low-income adults. Without Medicaid, the 50 million Americans whose coverage comes solely from the programme would join the ranks of the more than 40 million people in the US who are currently uninsured (ibid).

Housing assistance for low-income Americans is largely provided in the form of Housing Choice Vouchers, commonly known as 'Section 8' vouchers. The Housing Choice Voucher Program (HCVP) provides the main form of rental assistance in the US, and is administered by local public housing authorities. Generally, eligible families pay 30 per cent of their income toward rent in the housing of their choice and the voucher pays the difference between the family's contribution and the actual rent (McCarty et al 2008). HCVP is not an entitlement programme; due to limited funding, there are long waits for housing assistance in most of the country, and only one in four families that qualify for this assistance are receiving it.¹¹

5.7 Job training and employment services for youth

Workforce development activities for the unemployed and underemployed in the US are primarily administered as part of the Workforce Investment Act, the federal law that authorises education and training services such as job search assistance, career counselling, occupational skill training, classroom training, and on-the-job training. The US workforce development system was last updated in 1998, when the unemployment rate was at 4.5 per cent, and the goal was to provide short-term crisis intervention to unemployed workers. As a result, many experts argue that the 'work-first' policies of the American workforce investment system fail to meet today's need for human capital development and long-term skills development (Steigleder and Soares 2012).

WIA job training activities, funded at \$4.9 billion in 2012, provide service through a network of 3,000 one-stop centres nationwide (Bradley 2013). These centres offer a range of assistance to jobseekers, including training referrals, career counselling, and job listings. Again, young workers are typically treated as adults by US education and training services, although the Workforce Investment Act does authorise five programmes that provide job training and employment services specifically for youth (Fernandes-Alcantara 2012).

11 See Center on Budget and Policy Priorities 2013

1. WIA Youth Activities is a formula grant programme that provides employment and other services to low-income young people aged 14 to 21 and serves about 250,000 young people annually.
2. Job Corps is a programme in which low-income young people aged 16 to 24 generally live at Job Corps centres, which provide young people with a programme of education, vocational training, work experience, recreational activities, physical rehabilitation and development, and counselling. Job Corps serves about 100,000 young people annually.
3. YouthBuild is a competitive grant programme for young people aged 16–24 that emphasises education and employment training in construction and has served 23,000 young people since 2007.
4. Reintegration of Ex-Offenders is a programme for juvenile and adult offenders that provides job training and other services.
5. Youth Opportunity Grants were a multi-site demonstration programme funded through the 2003 financial year that created centres in low-income communities where young people aged 14 to 21 could participate in education and workforce investment activities, leadership development, community service and recreational activities. While it was funded, the programme served 92,000 young people (Fernandes-Alcantara 2012).

The American Recovery and Reinvestment Act provided \$1.2 billion in funding for WIA youth programmes, and successfully created over 370,000 summer jobs for young Americans in 2009 and 2010.¹² Subsidised employment programmes under the Recovery Act have been shown to successfully re-engage unemployed people in the workforce, boost family income, improve workers' future employment prospects, and support the financial health of participating businesses (Pavetti et al 2011). However, efforts to extend this funding have been hampered by policymakers' focus on austerity and drastic spending cuts.

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¹² <http://www.whitehouse.gov/the-press-office/2011/09/08/fact-sheet-american-jobs-act>

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