

Transition from education to work: challenges in the crisis and research questions?

European Employment Research Dialogue I

Workshop 1: Youth transitions into the labour market and lifelong transitions

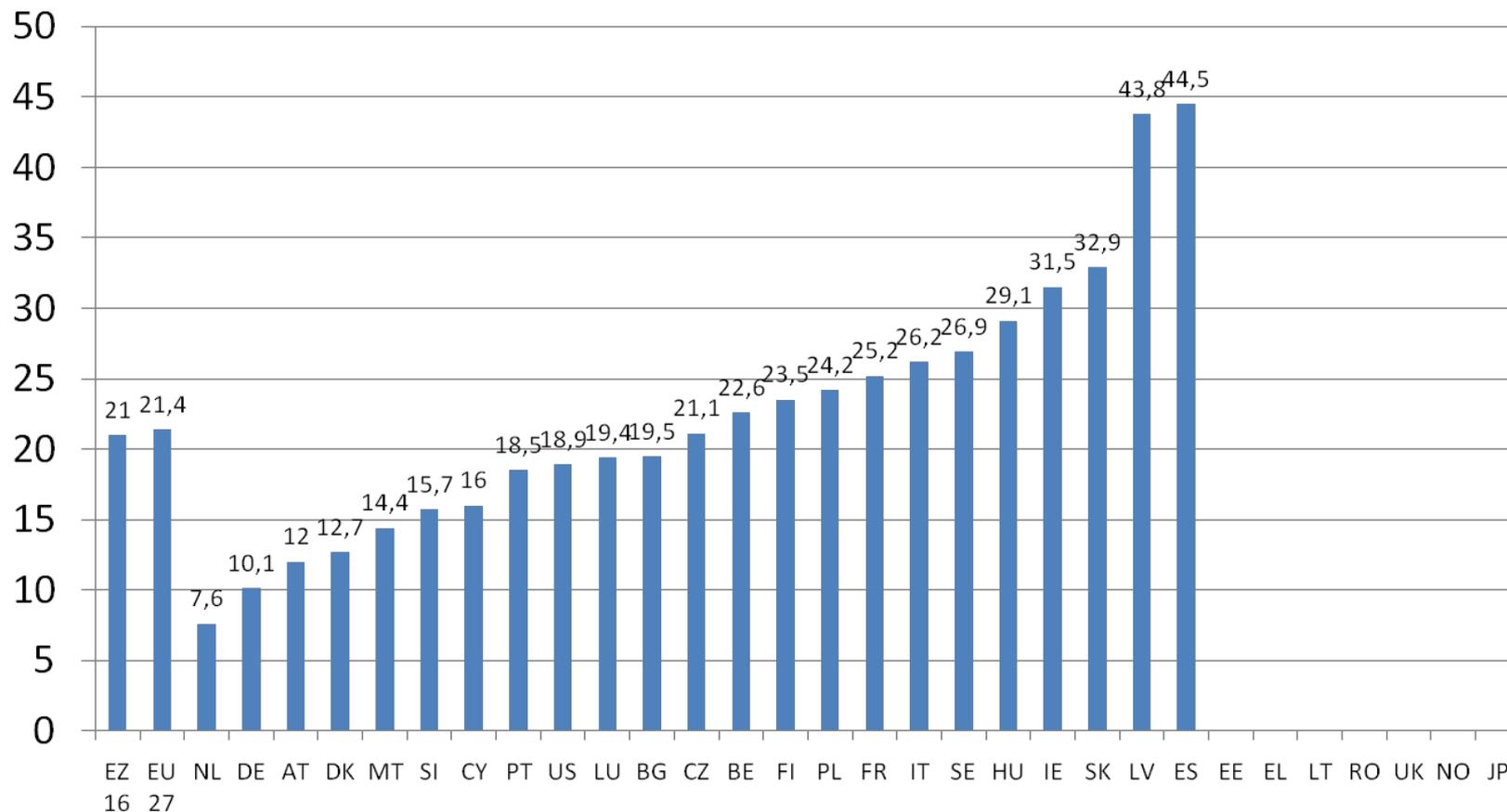
Brussels 20 May 2010

Prof. Dr. Gerhard Bosch
Institut Arbeit und Qualifikation
Forsthausweg 2, LE, 47057 Duisburg
Tel.: +49 203 / 379 1827; Fax: +49 203 / 379 1809,
Email: gerhard.bosch@uni-due.de ; <http://www.iaq.uni-due.de/>

Structure of presentation

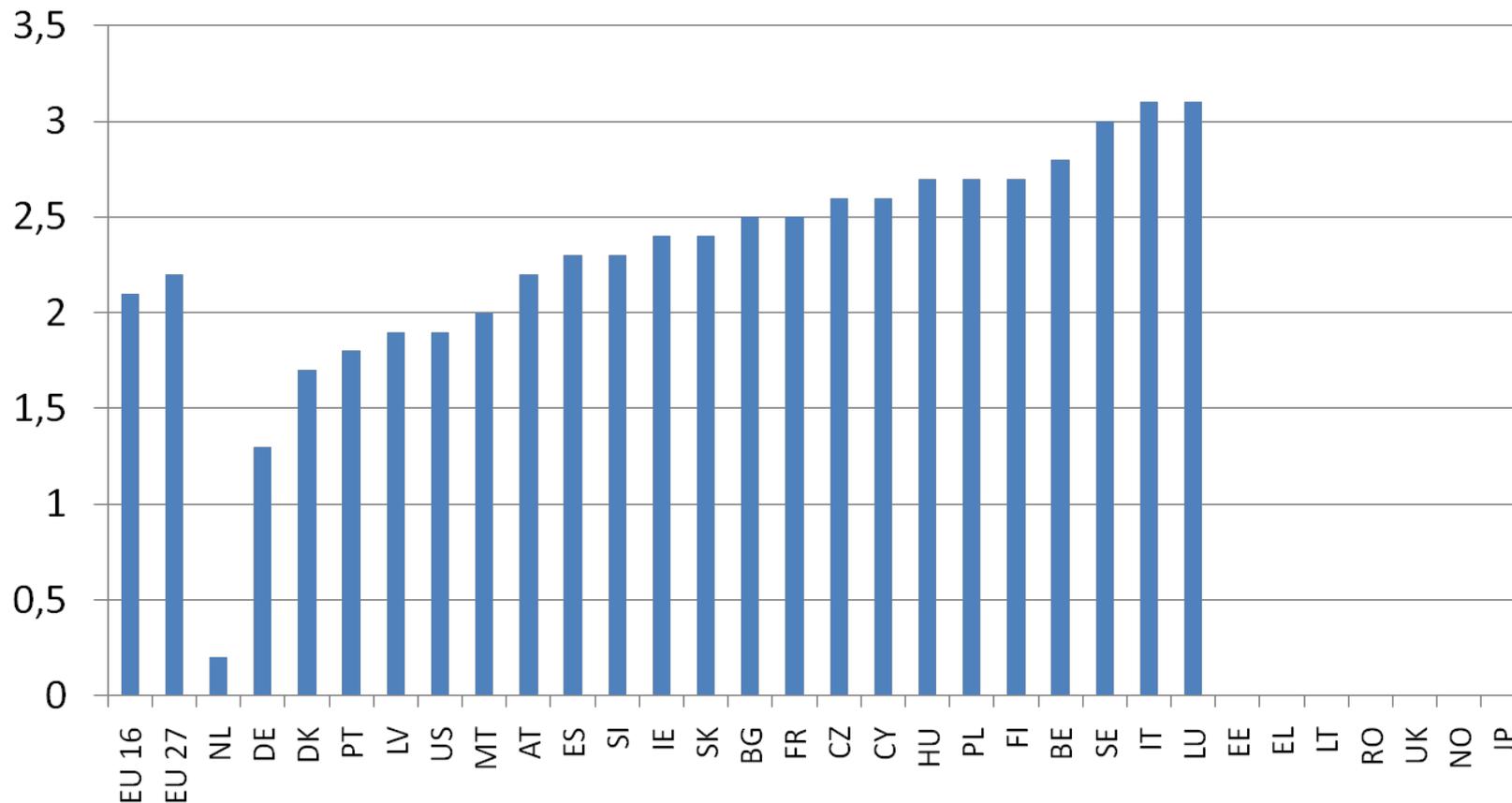
1. Youth unemployment in the crisis
2. Long-term scar effects of a bad start unemployment
3. The role of vocational training
4. The impact of the “academic drift”
5. Research questions

1.1 Youth unemployment rate (under 25) Dec. 09 in %



Source: Eurostat 2010

1.3 Increase of youth unemployment rate in relation to increase of total unemployment rate Dec 09 (in %)



Source: Eurostat 2010

2.1 Scar effects of a bad start

Many studies on long term scar effects of a bad start

Examples:

-Kahn 2010

Graduating from college in a bad economy has large, negative and persistent effects on wages. Lifetime earnings are substantially lower than they would have been if the graduate had entered the labour market in good times

Lisa B. Kahn (2010), 'The long-term labor market consequences of graduating from college in a bad economy', forthcoming in Labour Economics

2.1 Scar effects of a bad start

Many studies on long term scar effects of a bad start

Examples:

Bell/Blanchflower 2010:

Data from the UK 1958 birth cohort (National Child Development Study) -

Youth unemployment raises unemployment, lowers wages, worsens health and lowers job satisfaction twenty five years later.

No such effects could be found for spells of unemployment when the respondents were in their thirties

D.N.F. Bell and D.G. Blanchflower (2009),

“What to do about rising unemployment in the UK?”, IZA DP #4040

2.2 Scar effects of a bad start

Recessions may have strong impact on beliefs of young people

Examples:

Giuliano/Spilimbergo:

Data self-reported answers from the General Social Survey during early adulthood – They showed that individuals growing up during recessions tend to believe that success in life depends more on luck than on effort, support more government redistribution, but are less confident in public institutions and that effects are long-lasting

Paola Giuliano and Antonio Spilimbergo, 'Growing up in a recession: beliefs and the macroeconomy', NBER Working Paper No. 15321, September 2009

2.2 Scar effects of a bad start

Recessions may have strong impact on beliefs of young people

Examples:

The Prince's Trust survey (UK)

survey of 2,088 young people aged between 16 and 25:

Neets are significantly more likely to feel ashamed, rejected, lost, anxious, insecure, down and depressed, isolated and unloved.

Neets were disproportionately more likely to say that they had turned to drugs and to say that their life had no direction

http://www.princes-trust.org.uk/pdf/Youth_Index_2010.pdf

2.3 Scar effects of a bad start

Reasons for scar effects:

- Young people as outsiders vulnerable
- Personality still developing in adulthood
- Access to good jobs and careers increasingly only with „clean CV's“ - without the stigma of a bad start
- Employment and education systems are not „forgiving“
- Strong age cohorts

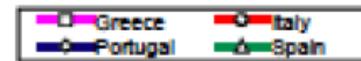
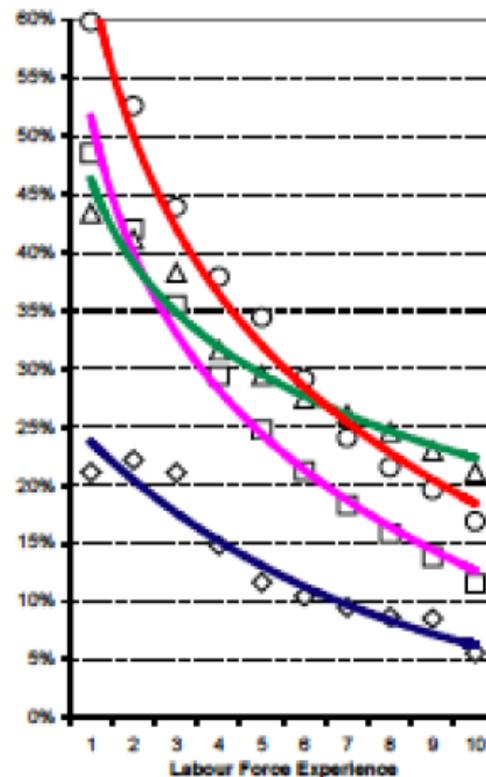
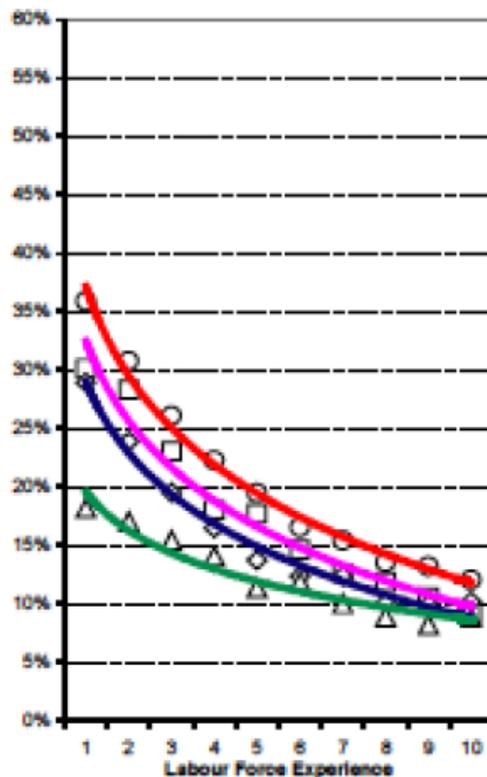
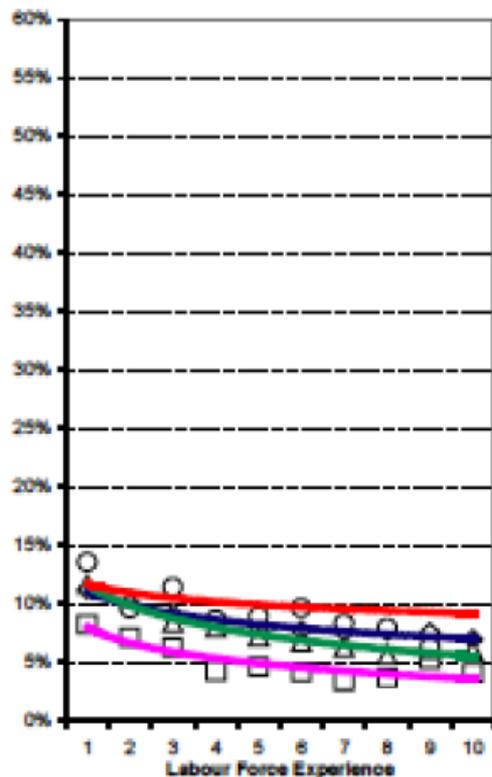
- National differences in scar effects can be expected:
- Varieties in VET-systems, recruitment criteria and support for a „second chance“

3.1 Research on transition from education to work

Myriad studies:

- Fast and stable transition in countries with apprenticeship systems - apprentices are insiders
- Fast, but often not sustainable transitions in market-led systems
- Most difficult transitions in countries with GE and high levels of Employment protection legislation
- Difficult transitions from school-based VET – school leavers are outsiders

3.2 Transition from Education to Work: Unemployment rates and labour force experience (in years): ISCED 3 leavers (1990's)



3.3 Average duration of school-to-work transition by gender in eight EU Countries 2006*

Country	Men	Women	Both sexes
Austria	0,9	0,8	0,9
France	1,8	1,5	1,4
Germany	0,1	0,1	0,1
Greece	3,2	1,8	2,7
Hungary	3,5	2,0	2,8
Italy	3,4	3,1	3,4
Spain	3,8	3,3	3,6
Sweden	1,6	1,0	1,4
UK	1,9	1,8	1,8
EU (unweighted)	1,9	1,5	1,7

*Median time taken by youths to engage in current jobs calculated by subtracting job tenure in current jobs to the time elapsed since completing highest level of education.

Source: OECD 2008 Employment Outlook:48

3.4 Reasons for fast and stable transitions from apprenticeship systems – How to make apprentices to „insiders“?

- High reputation among employers and young people: Not second choice for poor school performer
- Generally recognized certificates
- Participation of social partners – „Their“ occupations
- Occupational labour markets: Links of certificates with work organization, pay and careers
- Continuous modernization of training – up-to date with work organization
- Low transaction costs of transitions because of high share of work-placed formal and informal learning

3.5 Upgrading of VET in the crisis difficult

- Long term structural policy – in the crisis only use of existing systems viable or pilot programmes
- Important conditions for such structural policy:
 - Recognized certificates – upgrading of training
 - Strengthening links with the labour market:
 - Combination of school- and company based training
 - involvement of social partners
 - establishment of occupational labour markets (licensing, quality standards and other product market regulations)
- Some countries try to expand and improve apprenticeship training (UK, IRE, MT, CY)

3.6 Apprenticeship systems in the crisis

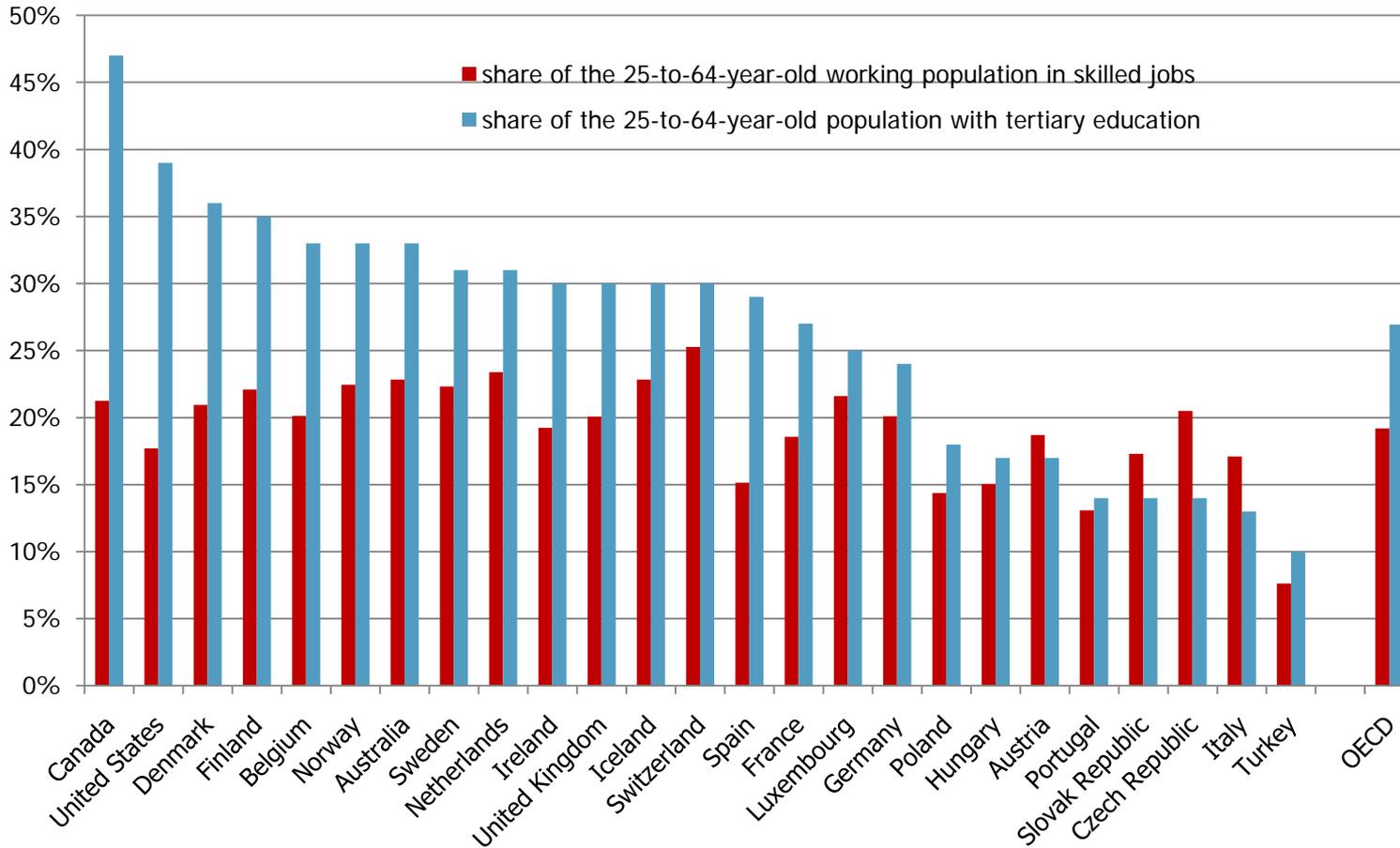
- Less hit if companies organize initial training themselves: have training capacities and sunk costs: more long-term HRM approach
- However: Decline of new apprenticeships in crisis
- Additional measures required:
 - Collective agreements: wage restraint in exchange to stabilize number of apprentices and at least temporary recruitment after training (DE)
 - Work sharing (short-time/chomage partiel) to stabilize work-force and continue recruitments (DE)
 - Supporting networks of companies (DE, AT)
 - Subsidizing additional apprenticeships (UK)
 - Increase regional mobility of apprentices (AT, DE)
 - Modules from dual systems for poor school performers – chance of continuation (vocational preparatory courses - no dead end) (DE; AT)

4.1 The role of tertiary education

- Percentage of highly skilled jobs (ISCO 1-3) in most developed countries between 15 and 25%
- Share of graduates from tertiary education exceeding the share of highly skilled jobs in many countries
- Increasing mismatch because of expansion of tertiary education

4.2 Share of population in skilled jobs and share of population with tertiary education (2006)

share of the 25-to-64-year-old working population in skilled jobs (ISCO 1-3 Managers, Professional, Technicians and Associate Professionals) and share of the 25-to-64-year-old population with tertiary education (2006)



Source: OECD, Education at a glance 2008

4.3 Impacts of the „academic drift“

- Overproduction of graduates
 - increasing rates of unemployment
 - increasing inequalities of returns to higher education
- Displacement of graduates from VET
- Skill shortages at the craft level
- Increasing difficulties to revitalize VET
- Polarization of the skill structure
- Need of new „Vocationalism“ in tertiary education

5.1 Research Questions

- How to explain the „Finish paradoxon“: good in Pisa – bad in transition to the labour market
- Possibilities to slow-down the academic drift
- How to improve the links between education and training and the labour market/ How to make young people to insiders?
 - What is the role of various institutions (VET-systems, pay systems, EPL, industrial relations, incentives including levy systems) and their linkages?

5.2 Research Questions

- How can long term scar effects be avoided?
 - Role of LMP and second chance opportunities
 - Role of diversity management in companies/less tight recruitment criteria
- Which buffers (in numbers and duration) education and training systems can build up in recessions?
- Which buffers should employment systems have in recessions (work-sharing/short-time/chomage partiel) to distribute the burden of the crisis more equally over the workforce and how these buffers are affecting young people

5.3 Research Questions

- Simple forms of learning like integrating one element from one system in another does not work/ Collections of „best practice“ examples often not really helpful. Therefore:
 - Need of a better understanding of institutional linkages - Deeper comparisons between countries needed
 - Learning from analysis complex institutional reforms: like the introduction of Dual Vocational Training in Norway

Bosch, Gerhard
Charest, Jean
(Eds.)

Vocational Training
International Perspectives
Routledge, London 2010