



## 5

# Policies towards integrating youth into the labour market

Ensuring that all youth leave the education system with the right skills and linking education systems more closely with the labour market (as discussed in Chapter 3) are crucial, but not enough to close the gap between the world of study and the world of work. This chapter discusses how labour market institutions and specific policies can ease youth's transition towards employment and help those who are not in employment, education or training to re-engage with education or find a job.



Youth can be considered successful in their school-to-work transitions if they are employed and on a path towards stable employment. Education and skills do not ensure a successful transition to the labour market as reflected by the relatively large share of youth neither in employment nor in education or training (NEET) having relatively high educational attainment and cognitive skills. However, better education systems and well-designed and progressive transitions from school to work that combine study and work help young people successfully integrate into the labour market (see Chapter 3). In addition, many other factors can help youth move towards stable employment. Favourable macroeconomic conditions and high labour demand ease school-to-work transitions. A combination of sound labour market and social institutions, as well as specific policies which target youth, is needed to ease school-to-work transitions but also to help those who belong to the NEET group to renew with job search or re-engage with education and training.

## DEVELOPING A COMPREHENSIVE STRATEGY

### A “whole-of-government” approach

Many countries have made substantial efforts to strengthen their labour market and social institutions, for example, by making the granting of social benefits and tax incentives conditional on obligations to look for work. Many countries have also improved the efficiency of public employment services by merging various institutions, and developing tools to better monitor job searches and assess the efficiency of programmes. More recently, some countries have started to reform their employment protection legislation (EPL) to limit labour market dualism that has emerged as a consequence of incomplete reforms in the past aiming to develop temporary employment.

However, these reforms have often been incomplete and policies to integrate youth into the labour market are not customised enough to individual needs, in the context of the skills required in the labour market. Easing school-to-work transitions and helping NEETs to integrate into the labour market requires a comprehensive approach with strong co-operation between all stakeholders and a strong focus on specific needs. In return, these policies have the potential to increase youth employment in the short term but also youth employability in the longer term and mitigate the risk of falling into unemployment later in life.

Reaching inactive NEETs requires strong co-operation between stakeholders and policies. For instance, introducing a national obligation to offer education or work placements to youth belonging to a certain age group – a policy which has been developed in some countries – encourages education, labour market and social institutions at both the national and local levels to co-operate with one another. Systems with a “single gateway” or “one stop” that give access to all benefits and employment services in the same place are convenient for job seekers and help reduce duplication of services, but do not guarantee strong co-operation (OECD, 2013a). However, if there are obligations on both young people and institutions to take actions towards employability, co-operation between institutions can grow.

In this context, OECD countries have agreed in 2013 to take a comprehensive range of measures as part of the OECD Action Plan for Youth (see Chapter 1). The objectives of this action plan are both to tackle the current situation of high youth unemployment and to improve outcomes for youth in the long term by equipping them with relevant skills and removing employment barriers. Following the launch of the plan, the OECD is working with countries to implement the comprehensive set of measures in their national and local contexts.

### The European Youth Guarantee

In Europe, several countries have submitted plans or taken steps to implement the European Youth Guarantee, which can be seen as one way to implement part of the OECD Action Plan for Youth in the European context (OECD, 2013b). Drawing from the experience of Austria, Finland and Sweden, the main principles of the Youth Guarantee include developing an integrated strategy with strong co-operation between institutions; early intervention and activation; and mutual obligations (Box 5.1). In particular, countries have committed to ensuring that, within four months of leaving school or losing a job, people under the age of 25 should receive a good-quality offer of employment, further education, an apprenticeship or a traineeship. According to the Survey of Adult Skills, in 2012, 7% of youth were NEET, on average, and had not participated in education or training in at least 12 months, with this share as high as 15% in Italy and the Slovak Republic. This is an indication of the efforts countries will need to make to fulfil the Youth Guarantee requirements.



### Box 5.1 **Adopting a comprehensive strategy to facilitate school-to-work transitions: the example of the European Youth Guarantee**

According to the European Council recommendation, the Youth Guarantee ensures that all young people under the age of 25 – whether registered with employment services or not – get a good-quality, concrete offer within four months of leaving formal education or becoming unemployed. The good-quality offer should be for a job, apprenticeship, traineeship, or continued education, and should be adapted to each individual need and situation.

To be successful, the Youth Guarantee needs to fulfil a number of principles (European Commission, 2013a):

- **An integrated strategy.** It should not be the sum of existing and often uncoordinated measures. It needs to entail a structural reform of the way in which the public, private and voluntary sectors engage and support young people to complete education and enter the labour market through a co-ordinated, holistic and individualised approach, which understands and meets the needs of each young person.
- **Strong co-operation.** All key stakeholders including public authorities, employment services, career guidance providers, education and training institutions, youth support services, businesses, employers and trade unions should co-operate with each other. This is particularly important for reaching inactive young people who are not registered with the public employment services (PES).
- **Early intervention and activation.** For instance, the OECD has recommended that the first phase of the Irish Youth Guarantee start after three months of unemployment (OECD, 2014a).
- **Mutual obligation.** Youth should be provided with a good-quality offer of employment, continued education, apprenticeship or traineeship. The offer should be personalised and meet youth's individual needs to gain a strong foothold in the labour market. In turn, young people need to take individual responsibility for the opportunity that is offered.

In 2014, EU countries developed National Implementation Plans of the Youth Guarantee. Countries considered to be facing the biggest challenges in terms of youth employment are eligible to EU funds. They include, among OECD countries, Belgium, the Czech Republic, France, Greece, Hungary, Italy, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden and the United Kingdom.

To monitor the implementation and impact of the Youth Guarantee schemes, the European Commission has developed an Indicator Framework (Employment Committee, 2014).

#### Sources:

Employment Committee (2014), "Indicator Framework for Monitoring the Youth Guarantee", INDIC/10/16092014/EN-rev, Employment Committee (EMCO), European Commission.

European Commission (2013a), "Practical support for the design and implementation of Youth Guarantee schemes: Synthesis of key messages", Brussels.

OECD (2014a), "OECD Youth Action Plan: Options for an Irish Youth Guarantee", [www.oecd.org/ireland/YouthActionPlan-IrishYouthGuarantee.pdf](http://www.oecd.org/ireland/YouthActionPlan-IrishYouthGuarantee.pdf).

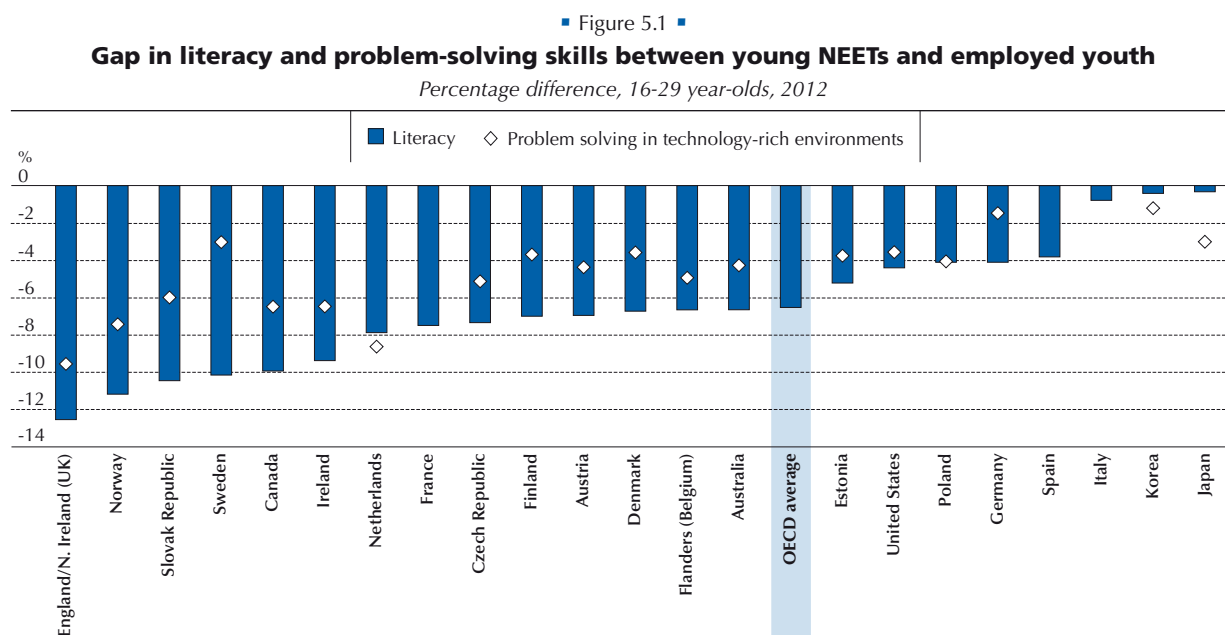
The Youth Guarantee schemes are expected to improve youth employment through two main channels: i) they help young people to make more informed decisions about their transition to work through personal development plans and needs assessment; ii) they improve the speed of services provided to young people and their quality by giving incentives to the PES to focus on youth-specific characteristics. Rapid action is expected to prevent disengagement from setting in and scarring effects from appearing.

However, experiences from countries that have implemented a Youth Guarantee underline the importance of its design in ensuring its efficiency. An available empirical estimate of the Swedish Youth Guarantee found a small positive effect on employment in the short term and no significant effect in the long term (Carling and Larsson, 2002). The Swedish Youth Guarantee has increased participation in programmes, which in the short run has increased the number of youth finding employment, but in the long term has "locked" more youth into programmes and reduced their job search efforts. It is therefore crucial to address the trade-offs between the objective to cover all youth and the risk of deadweight losses, and, even worse, the risks of trapping some youth in programmes while they could have transitioned from school to work better themselves. One of the most challenging goals of the Youth Guarantee is to reach all youth, including those who are inactive NEETs. The Youth Guarantee cannot simply be an umbrella programme for all the pre-existing ones. Instead, it should be used as an opportunity to reform and reorient labour-market and social policies towards youth, with a clear focus on the activation of their skills.

## Guidance, counselling and targeting systems based on skills assessment


The OECD Youth Action Plan, as well as the EU Youth Guarantee, and any system of active labour market policies (ALMPs) require a good assessment of the skills available and the skills in demand in the labour market, as well as an efficient guidance system to counsel and help individuals. Learning and career guidance is an integral part of several measures to support young people. It supports their progression through their learning and work experience and can thereby limit the number of dropouts (see Chapter 3). Guidance can help to tailor programmes to the particular needs and challenges faced by young people and generally help them to enhance their employability (Borbély-Pecze and Hutchinson, 2013).

In an ideal framework, skills have to be at the core of guidance and targeting systems. In the first place, it is important to distinguish between youth who are lacking skills and would benefit from enrolling in appropriate education programmes to acquire them, and those who have the skills and can be encouraged or helped to activate them (and possibly to develop them further) and get into employment relatively quickly. The Survey of Adult Skills shows that in all countries covered, young NEETs have lower cognitive skills than employed youth (Figure 5.1). On average per country, the gap in literacy and problem-solving skills is not excessively high (and close to 0 in Korea and Japan) although this hides some heterogeneity between individuals. The NEETs may also lack some other employability skills.



Notes: Employed youth are those who work and are not in education.

Source: OECD calculations based on the *Survey of Adult Skills (PIAAC) (2012)* (database).

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Some countries already implement efficient guidance systems with early intervention, while others are trying to put these systems in place (Box 5.2). In these countries, a new scheme such as the Youth Guarantee could be introduced gradually by first targeting specific groups and then extending it to other groups, as planned by Ireland. Jobseeker profiling tools can help in this process, but experience from countries such as Australia, shows that when the tool is extensively and rather exclusively used, its adequacy is debatable (OECD, 2013a). This type of tool can be used to support or complement analysis by caseworkers. For instance in Finland, the profiling tool is used to generate a score showing the risk of long-term unemployment and the counsellor can use it, but is not obliged to, to separate jobseekers into categories. In 2010 in Norway, a tool was implemented with the aim of determining the “work capability” of job seekers.



### Box 5.2 **Reaching all youth and developing early intervention as part of the Youth Guarantee: Country examples**

Countries have adopted various strategies to reach all youth and guide them within the Youth Guarantee scheme, according to their implementation plans.

Denmark has a long tradition of activation policies and already fulfils the criteria of the Youth Guarantee. Youth guidance centres are responsible for guiding youth and are required to closely follow youth aged 15-24 who have not completed upper secondary education. These centres are experienced at assessing the skills of youth in light of their readiness for further education or employment. The assessment of skills through interviews is used to classify youth into three categories depending on their distance to the labour market: youth without education, youth with education and youth without the preconditions to begin and complete ordinary education. Specific programmes are tailored to the three categories. Cash benefits and education grants are allocated to these categories under specific obligations for each group, but youth are not to receive social assistance without a counter-obligation.

Austria and Germany are also very close to full implementation of the Youth Guarantee: there are single-entry-point services to offer guidance for youth (the PES in Austria and “Team U25” in Germany). The first contact between youth and authorities starts with a guidance service, including a personal interview. In addition, Austria has developed guidance at the end of compulsory education to improve the quality of students’ choices in terms of further education and limit drop-outs from university.

Italy was relatively far from implementing the framework of the Youth Guarantee but has taken a range of measures to move into this direction (Italian Ministry of Employment and Social Affairs, 2013). One challenge is to reach inactive NEETs who are not registered at the PES. Another one is to raise and harmonise the quality of services provided to the unemployed at the local level, in particular by improving the assessment system. There is a strong commitment of the government to develop individualised good quality and easily accessible policies to raise youth employability, including by developing the combination of work and study. However, lack of sufficient resources in PES and unclear incentives for inactive NEETs to participate in the scheme are challenges to overcome for a successful implementation of the scheme (European Commission, 2014a). The recently established e-Portal allows people to register directly on line and be connected to a national register, which facilitates automatic verification of fulfilment of requirements and transmission of offers.

In Spain, the Youth Guarantee targets all NEETs below the age of 25 who apply to the system, whether registered with the PES or not. Priority is given to youth with specific needs. As most NEETs are registered at the PES, it should be easier to reach them. The government has launched a large range of measures (100 measures) targeted to youth who have left school and are not integrated into the labour market (Spain Ministry of Employment and Social Security, 2013). The country aims to develop VET programmes with a work-based learning component. The number of VET centres involved in these has increased in 2014. However, lack of co-ordination between the central government and the autonomous regions can undermine the implementation of the Youth Guarantee (European Commission, 2014b). Furthermore, initial evidence points to a widespread use of short-term measures, such as non-wage recruitment subsidies and social security rebates for hiring young workers. The main challenge remains the development of high-quality education and training and labour market programmes and the allocation of the right support measure to the right individual.

In Ireland, the main challenges of the implementation of the Youth Guarantee are to intervene at an earlier stage of the unemployment or inactivity spell, to reach inactive NEETs and to improve the quality of programmes (European Commission, 2014c). The Youth Guarantee first focuses on youth under the age of 18 who have left school, and those who have been unemployed for at least four months. Then, it will be gradually extended to include all unemployed youth, starting with long-term unemployed youth (OECD, 2014a). The scheme starts when youth register for welfare or unemployment support at their local PES offices (Intreo). At registration, youth are profiled using the profiling system. A one-to-one interview takes place within two weeks for those identified at risk and after four or six months for those less at risk if they have not found jobs. A personal progression plan is agreed upon.

#### Sources:

European Commission (2014a), “Assessment of the 2014 National Reform Programme and Stability Programme for Italy”, *Commission Staff Working Document*, No. 416.

European Commission (2014b), “Assessment of the 2014 National Reform Programme and Stability Programme for Spain”, SWD(2014) 410 final.

European Commission (2014c), “Assessment of the 2014 National Reform Programme and Stability Programme for Ireland”, *Commission Staff Working Document*, No. 408.

Italian Ministry of Employment and Social Affairs (2013), “Italy Youth Guarantee Implementation Plan”.

National Youth Guarantee Implementation Plans, <http://ec.europa.eu/social/main.jsp?catId=1090&langId=en>.

OECD (2014a), “OECD Youth Action Plan: Options for an Irish Youth Guarantee”, [www.oecd.org/ireland/YouthActionPlan-IrishYouthGuarantee.pdf](http://www.oecd.org/ireland/YouthActionPlan-IrishYouthGuarantee.pdf).

Spain Ministry of Employment and Social Security (2013), “Spanish Youth Guarantee Implementation Plan”, [www.empleo.gob.es/ficheros/garantiajuvenil/documentos/plannacionalgarantiajuvenil\\_en.pdf](http://www.empleo.gob.es/ficheros/garantiajuvenil/documentos/plannacionalgarantiajuvenil_en.pdf).



## The role of local actors

At the local level, various initiatives have been developed to boost youth employment, especially for lower-skilled and disadvantaged youth (OECD, 2010; Box 5.3). Although developing co-operation between local stakeholders can be difficult, some initiatives have been successful (Froy, Giguère and Hofer, 2009). A particular challenge is to broaden these successful initiatives to reach a critical mass and to make them sustainable. For these reasons, a balance must be found in ensuring that local initiatives are co-ordinated across regions and not disconnected from national and mainstream institutions, while still being given the flexibility needed to adapt to local conditions (OECD, 2013c).

### Box 5.3 Local actions to boost employment of low-skilled and disadvantaged youth: Local level examples

“New Inflow into New Jobs in the Harbour”, Netherlands. In 2009, the Dutch government launched the three-year National Action Plan Combatting Youth Unemployment in the Netherlands. Through this plan, municipalities and other local authorities were charged with creating regional action plans to address school dropout and youth unemployment. Considerable flexibility was given to local authorities to develop education and apprenticeship programmes tailored to local conditions. The “New Inflow into New Jobs in the Harbour” project established before 2009 was a strong example of the type of programme supported by the regional action plan for the Rotterdam-Rijnmond region.

Rotterdam’s port employs approximately 90 000 people, predominantly older workers. The Port of Rotterdam Authority, the Shipping and Transport College and DAAD (regional employers service desk) joined forces to revitalise the port’s workforce while addressing high rates of youth unemployment through this programme. It offers a 40-week dual “study-work” programme (four days a week working, one day a week attending Shipping and Transport College) which trains young people to be operational assistants, after which they receive further, more specialised training. The programme also includes the development of social and emotional skills such as communication and listening, as well as reading, writing, simple mathematics and problem-solving skills. For four months, candidates receive an apprentice fee, after which they are offered a contract for at least 12 months. From a yearly intake of 100, 75% complete the course and of these, 80% proceed to a follow-up course and train as all-round operators.

“The Mayor’s Apprenticeship Campaign” in London, United Kingdom. The London government has established the Mayor’s Apprenticeship Campaign to boost apprenticeships through a joined-up approach that includes public sector leadership, the use of public procurement and business-to-business sales based on a clear business case. These efforts have required collaboration between stakeholders including: the London Development Agency, the Greater London Authority, London councils, a number of sector skills councils, the Young Person’s Learning Agency, the Skills Funding Agency, National Apprenticeship Services and employers groups.

The campaign has resulted in a significant increase in the number of apprentices in London, doubling in one year alone: from 20 000 in 2009/10 to 40 000 in 2010/11. There is also evidence suggesting that quality has been maintained, if not improved: completion rates have risen from one in three to two in three, the fastest growth rate in England and the greatest rise has been in ISCED Level 3 (where evidence shows the greatest returns are) rather than ISCED Level 2. Additionally, the campaign has led to greater coverage of apprenticeship frameworks in “non-traditional” sectors, such as finance, which dominate London’s economy.

“The Career Cluster Model” in the United States. Local and regional government agencies in the United States have increasingly adopted industry cluster approaches to economic development and a similar approach is surfacing in the workforce development field. As partnerships between workforce and economic development agencies become more common, the role of education and workforce agencies in mapping and building skill pipelines for key industries becomes more critical to economic development practitioners.





For example, the state of Maryland started working on career sectors/career clusters in 1995 under the School to Work Opportunities Act. Some 350 business executives in ten different sectors were brought together to inform education policy makers about their bottom line – how they made money and what they needed to be successful. The original project was funded with USD 25 million of Federal School to Work funds, and the approach was very bottom-up. Within each county there is a Cluster Advisory Board (CAB), focused on different industry clusters. In Montgomery County, for example, which is home to the third largest biotechnology cluster in the United States, there is a CAB focused on the Biosciences, Health Science and Medicine cluster. Administrators, counsellors and faculty members are using the career cluster system to develop programmes that extend from high school to two to four years in colleges/universities, graduate schools, apprenticeship programmes and the workplace. Although the cluster framework was originally developed for high schools and young people, it is now being adopted by workforce investment boards and other programmes serving adults.

The Flemish “Work Experience Programme for Young People” (WIJ) in Belgium. The programme aims to tackle youth unemployment and increase youth employability by supporting vulnerable young people into employment through real life work experience. It was introduced in 2013 by the Flemish PES and targets young people in large cities who have been unemployed for more than six months. The programme consists of an individualised approach with counselling and the provision of work experience. The number of participants has increased gradually but it is too early to assess the impact of the programme.

**Sources:**

Hamilton, V. (2012), “Career pathway and cluster skill development: Promising models from the United States”, *OECD Local Economic and Employment Development (LEED) Working Papers*, No. 2012/14, OECD Publishing, Paris, <http://dx.doi.org/10.1787/5k94g1s6f7td-en>.

OECD (2013c), “Local strategies for youth employment”, [www.oecd.org/employment/leed/Local%20Strategies%20for%20Youth%20Employment%20FINAL%20FINAL.pdf](http://www.oecd.org/employment/leed/Local%20Strategies%20for%20Youth%20Employment%20FINAL%20FINAL.pdf).

## SMOOTHING TRANSITIONS FROM SCHOOL TO WORK

### Labour market conditions

As new entrants in the labour market and thus outsiders, youth are likely to be affected by institutional arrangements that aim to protect insiders, but structurally weaken labour demand. Conversely, employers are often more willing to hire youth when doing so implies fewer long-term obligations. But there are trade-offs, and policies to ease school-to-work transitions could put other groups at risk of losing their jobs, or increase inequalities. These trade-offs call for sound, but not excessively flexible, general framework conditions combined with well-designed, specific policies targeted at youth.

### Employment protection legislation

Trial periods enable youth to demonstrate their skills with very few risks to employers since, during the trial period, severance pay generally does not apply. Some countries increased the trial period during the economic crisis: in 2013, the average trial period was five months compared to four before the crisis (Figure 5.2). However, since trial periods can be used in abusive ways by employers, there are limits to the extent to which the length of these periods can be increased.

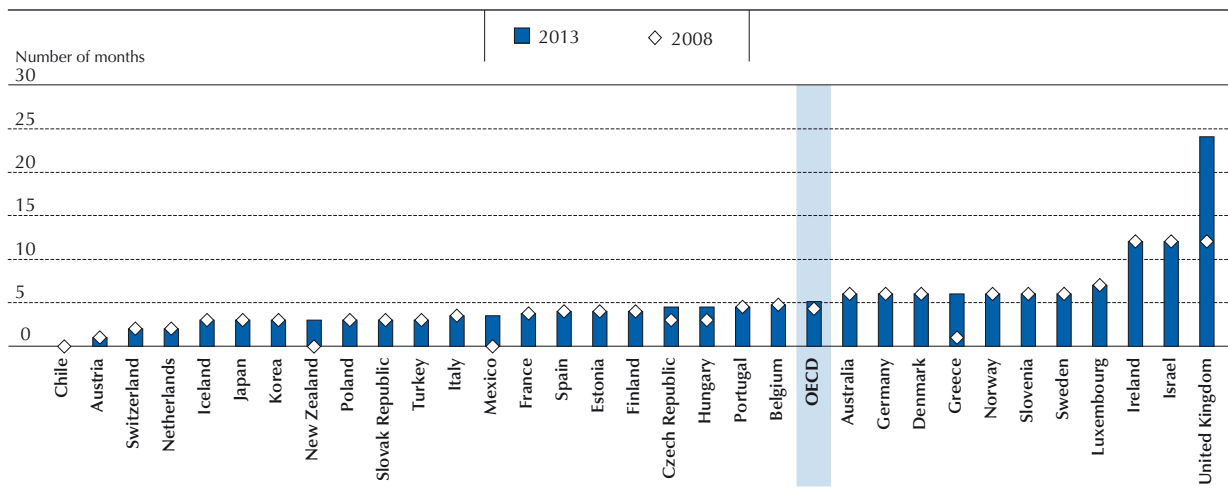
As many youth enter the labour market on temporary contracts, an important issue is to ensure that these temporary jobs act as “stepping stones” into more stable employment and do not trap them in precarious situations with higher risks of becoming unemployed.

Exemptions from EPL for particular groups of workers, in order to encourage their employment, already exist in some countries (Venn, 2009). The most common type of exemption is for apprentices, workers undertaking training and participants in active labour market programmes (e.g. Australia, Canada, Italy, Norway, Poland and Spain). Countries with strict EPL on permanent contracts could consider relaxing it for youth facing labour market integration problems. Furthermore, last-in-first-out rules in case of collective dismissals and dismissal practices based on seniority rules are harmful to youth.


Figure 5.2

**Length of trial periods in OECD countries**

Average of maximum trial periods for different workers or collective agreements, in months



Source: OECD (2014b), "Employment Protection Legislation", *OECD Employment and Labour Market Statistics* (database), <http://dx.doi.org/10.1787/lfs-epl-data-en>.

StatLink  <http://dx.doi.org/10.1787/888933214784>

More generally, to address the risk of duality, the OECD recommends reducing the asymmetry between job protection provisions applying to permanent and temporary contracts that make it costly to firms to convert fixed-term contracts into permanent ones. Policy makers have become increasingly aware of the costs of this asymmetry (OECD, 2014a). Various policy options have been recently explored in OECD countries to reduce the asymmetry in EPL between temporary contracts and permanent ones. Several countries with a tradition of relatively high levels of protection have taken steps to make termination costs and obligations for different contracts, converging towards a uniform rate or procedure (Box 5.4). OECD countries are showing signs of a pause in these reforms but efforts are still needed in this area in several countries (OECD, 2015). As these reforms may also lead to greater dismissals of permanent workers, they should be coupled with the provision of adequate unemployment benefits made conditional on strictly enforced job-search requirements and integrated into well-designed activation packages.

**Labour costs**

High labour costs can also create barriers to hiring young people. Minimum wages have various effects on youth employment and education. They raise the minimum level of productivity required for employment and may thereby exclude those with the lowest skills, but provide incentives to inactive youth to supply their skills to the labour market. Minimum wages also provide incentives to low-educated youth to continue education to reach the skill threshold that is required for the labour market, but lead to narrow wage distribution, thereby lowering the return to higher education. Empirical evidence suggests that minimum wages that are set too high can have a negative impact on youth employment, especially if combined with high non-wage labour costs (Kramarz and Philippon, 2001; Neumark and Wascher, 2004; Neumark, Ian Salas and Wascher 2013) although some studies have failed to find employment effects. Around half of the OECD countries with statutory minimum wages have special provisions for youth. In countries where minimum wages are set by collective agreements (e.g. the Nordic countries), they are often differentiated by age.

Taxes and social contributions also add to labour costs. On average across OECD countries, taxes and social contributions on labour accounted for more than 30% of the labour cost for low-paid jobs (67% of the average wage) in 2013. To limit the negative impact of high labour costs on low-skilled and youth employment, some countries have cut social contributions for low-paid jobs (e.g. Belgium, France and Sweden) or for youth (e.g. Belgium, Spain and Sweden). These cuts could also be made conditional to firms training their workers, or hiring apprentices or young long-term unemployed (OECD, 2014c). While empirical evidence suggests that these policies can boost employment of groups at the margin of the labour market, they are costly and countries with the highest youth unemployment rates are also those facing the largest constraints on their public finances. Overall, while there is room to make tax policies more skill-friendly, potential losses of tax revenues would have to be offset by increases in other taxes that are less detrimental to skills and growth.





#### Box 5.4 **Moving towards sounder employment protection legislation: Country examples**

One question is whether a reform, which makes temporary contracts more easily available, facilitates a quicker integration of workers into stable employment. One of the few studies investigating this question, based on the 1984 liberalisation of fixed-term contracts in Spain, suggests that facilitating labour market access through temporary contracts does not help youth's labour market prospects (Garcia-Perez, Marinescu and Vall-Castello, 2014; OECD, 2014d).

In fact, the effect of regulations on fixed-term contracts on youth labour market outcomes cannot be seen in isolation, but it is conditional on the degree of stringency of employment protection legislation (EPL) for regular contracts (OECD, 2013d). Countries with highly protective regulations for permanent contracts could see the emergence of a “dual” labour market: in the presence of protected insiders, those under fixed-term contracts (often youth and other disadvantaged groups) will bear the main burden of employment adjustment (Saint-Paul, 1996).

Several countries have taken actions recently to reduce the asymmetry in EPL between temporary and permanent contracts. The 2013 Slovenian reform has equalised the level of severance pay across contracts, while simultaneously significantly enlarging the definition of fair dismissal. In Greece, reforms in 2010 and 2012 significantly reduced notice periods and severance pay for permanent contracts (OECD, 2013a). In June 2012, Italy restricted the use of reinstatement clauses under permanent contracts and relaxed dismissal procedures. In France, the 2013 reform of the labour code relaxed the legislation for permanent contracts although the size of the effect is difficult to estimate at the moment. Portugal also introduced a set of reforms that have shortened notice periods while making them dependent on job tenure, reduced severance payments and eased the procedure for dismissals.

Spain, a country in which labour market duality is prevalent has taken steps to reduce it. In 2011, a first reform increased severance pay for temporary contracts and extended the severance pay subsidy scheme to all employers and types of dismissal for permanent contracts signed after the date of approval of the reform. In 2012, a major reform gave priority to collective bargaining agreements at the firm level over those established at the sector or regional level for dismissals. The reform also reshaped the definition of fair economic dismissal, reduced monetary compensations for unfair dismissal, eliminated the requirement of administrative authorisation for collective redundancies, and a new permanent contract for full-time employees in small firms with an extended trial period of one year was introduced.

##### Sources:

Garcia-Perez, J.I., I. Marinescu and J. Vall-Castello (2014), “Can fixed-term contracts put low-skilled youth on a better career path?”, paper presented at the Elsa Seminar Series, March 2014, OECD, Paris.

OECD (2014d), *OECD Employment Outlook 2014*, OECD Publishing, Paris, [http://dx.doi.org/10.1787/empl\\_outlook-2014-en](http://dx.doi.org/10.1787/empl_outlook-2014-en).

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## Work experience outside formal education

While there is growing consensus and evidence that exposure to the world of work, within an education programme, can ease transition from school to work, much less is known about the impact of internships undertaken after graduation. Internships are short work periods that can be undertaken as part of, and during the school year, or at the end of study, generally with learning content. These internships have become very common. According to a 2013 Eurobarometer survey (European Commission, 2013b), on average across European countries, 33% of young people reported having completed one or several internships after graduation. The Survey of Adult Skills also shows that a significant share of students engage in work outside structured VET and apprenticeships in areas linked to their fields of study (Chapter 2).

Internships following education bring advantages to both employers and youth (Neumark, 2009), but there are risks of abuse in this model. On the side of employers, internships are typically weakly regulated, especially those not linked to education programmes, and thus give them an opportunity to assess the skills of workers with little labour market experience at a relatively low cost. Young people, for their part, are willing to undertake internships to gain experience and raise their employability, as employers increasingly put a premium on work experience. According to the Eurobarometer survey mentioned above, there is not always an internship agreement regulating the placement in terms of objectives, learning content terms and conditions, and when there is one, it is explicitly not an employment contract (European Commission, 2013b). In contrast to apprenticeships, internships are not always remunerated, or if they are, the remuneration can be much lower than the standard minimum wage (Table 5.1). This can exacerbate inequalities between youth as some may be unable to bear the cost, particularly if the internship requires relocation. Furthermore, social partner involvement is not as extensive as in other forms of work-based learning, and in some cases is non-existent.


Table 5.1

**The role of internships after education**

Percentage, 2013

	Share of respondents who had internships after education:		Share of respondents who:		Share of respondents who:	
	one internship	more than one internship	received financial compensation for internship	could turn to a mentor who explained how to do the work	consider the training was or will be helpful for finding a regular job	were offered an employment contract at the end of the internship
Austria	18	21	64	93	66	22
Belgium	15	8	38	94	83	28
Czech Republic	21	4	70	86	71	18
Denmark	10	5	69	93	81	22
Estonia	7	4	62	95	75	40
Finland	10	7	70	90	80	33
France	9	10	42	89	66	27
Germany	18	20	39	95	65	25
Greece	34	8	38	80	78	25
Hungary	14	8	45	90	80	36
Ireland	44	9	75	93	85	33
Italy	35	7	53	89	70	25
Latvia	11	10	67	90	78	56
Luxembourg	14	7	44	92	80	28
Netherlands	5	7	32	91	77	32
Poland	31	5	30	88	55	25
Portugal	43	13	58	96	83	25
Slovak Republic	23	15	64	88	80	34
Slovenia	64	4	69	95	79	56
Spain	56	11	29	79	83	33
Sweden	17	10	61	94	73	33
United Kingdom	19	9	68	94	78	28
EU28	22	11	46	91	71	27

Source: European Commission (2013b), "The Experience of Traineeships in the EU", *Flash Eurobarometer*, No. 378.

StatLink  <http://dx.doi.org/10.1787/888933214765>

Nonetheless, the Eurobarometer survey shows that at least in European countries, most interns found this kind of work experience useful for finding jobs; they benefited from some form of mentoring during the internship and almost 30% of them were offered an employment contract at the end of the traineeship (Table 5.1). These results suggest that internships after graduation can ease school-to-job transitions, but they do need to be regulated to prevent them from becoming a low-cost way for replacing regular staff. France, for instance, has taken action to regulate the minimum pay, maximum length, and social security coverage of internships. However, some of these regulations, such as the maximum length, might prove difficult to enforce. Limiting the gaps in labour costs and employment protection legislation between internships and other types of work would lower the incentives for employers to exploit internships. In theory, these gaps should be justified by the cost for firms to develop and adapt youth skills to labour market needs.

Some students also work during their studies in jobs unrelated to their fields of study, generally because of financial constraints. These jobs can be an opportunity to develop certain skills, and to make contacts in firms. However, they can also have detrimental effects on education outcomes. Results in terms of education outcomes are not clear-cut, but some studies have found a negative impact of part-time work, at least for a certain number of hours worked (Montmarquette, Viennot-Briot and Dagenais, 2007; Befy, Fougère and Maurel, 2009; Tyler, 2003). Another study found no significant impact (Buscha et al., 2008). Having contact with employers through summer jobs and internships in the final year of high school can ease labour market entry (Hensvik and Nordström Skans, 2013). However, when EPL or taxation encourages firms to hire students instead of other types of young workers, there can be some displacement effects, as has long been the case in Slovenia, for instance (OECD, 2011). Overall, these findings suggest that the combination of work and study should be encouraged when work experience is integrated into the education programme or involves a learning content.

## HELPING NEETS TO (RE-)ENGAGE WITH EDUCATION OR THE LABOUR MARKET

### The need for further education

Some youth leave education without the skills needed for the labour market or to continue further in education. Some of these youth could enter VET programmes and some countries, such as Sweden for instance, increased the number of places in VET programmes during the crisis. However, there are limits to this strategy. First, youth who have not



been successful in the education system may fail again unless different approaches are taken. Second, lowering the requirements to enter VET or placing youth with low skills in these programmes tend to lower the attractiveness of VET to other students. Some countries, like Germany and recently Denmark, have introduced transition systems to help youth develop their skills to enter VET.

Another option is to develop specific schools or programmes for youth who need to strengthen their skills, but would better achieve this outside the formal education system. These programmes typically try to fill gaps in skills acquisition, especially for social and emotional skills, while providing work-based learning and job-search support. There are various examples of such programmes in countries and regions, with some of them appearing to work (Box 5.5). The main challenge is to assess the benefits and costs of these programmes, and to decide whether the benefit-to-cost ratio justifies continuing and extending them.

Adult learning programmes (not specifically targeted to youth) can also help youth upgrade their skills. There are two main issues concerning these programmes. First, adults with already high levels of cognitive skills participate the most, while those with lower levels of skills participate the least (OECD, 2013e). Second, the quality and efficiency of adult learning programmes has been mixed (OECD, 2005). Hence efforts should concentrate on ensuring that low-skilled adults participate in adult learning. The quality and efficiency of adult learning programmes can be improved through better monitoring and assessment of outcomes as well as streamlining of existing programmes.

#### Box 5.5. **Second-chance programmes: Country examples**

##### **Second chance schools in the European Union**

“Second chance” schools aim to provide labour market integration for young people aged 18-25 who lack the skills necessary to enter the job market or to re-engage in education (European Commission, 2001). The characteristics of these schools depend on local and national circumstances, but they share a number of features (Second Chance, 2012):

- strong co-operation between local authorities, social services, other institutions and the private sector;
- a teaching and counselling approach focused on the needs, wishes and abilities of individual pupils in order to stimulate their active learning;
- flexible teaching modules allowing combinations of basic skills development (numeracy, literacy, social skills, etc.) with practical training in and by enterprises;
- a central role for the acquisition of skills in and through ICT and new technologies.

##### **Second Chance Schools in France**

Second chance schools have developed in many EU countries, but particularly in France, where the number of students has been multiplied by ten since their introduction. French second chance schools have spread to 105 local areas. Although there are only few evaluations of French second chance schools and the long-term effect of these schools on youth employability is unknown, they are generally considered as promising. Over the last three years, 58% of youth left these schools with an educational or labour market option: 20% in training, 17% in regular jobs, 12% in apprenticeships and 9% in subsidised employment (Réseau E2C France, 2014). Some 22% dropped out before signing their individualised plans.

This relative success is attributed to the quality of education, with a highly individualised approach, combining the acquisition of literacy, numeracy and ICT skills, labour-market-specific skills and strong links with employers. Work experience takes place gradually with the skills needed for the job being taught in parallel. These schools have managed to build a good reputation, which attracts both students and employers. Furthermore, employers and schools benefit from French state funding of the apprenticeship system. First, firms that hire apprentices benefit from tax relief. Second, the schools can benefit from revenues from the apprenticeship tax if firms identify them as beneficiaries.

##### **Youthreach programme in Ireland**

In Ireland, one of the most prominent initiatives to provide education and training opportunities outside mainstream education settings for early school leavers is “Youthreach”, a joint programme funded by the Department of Education and Skills and the Department of Jobs, Enterprise and Innovation. Youthreach seeks to provide early school leavers (aged 16-20) with the knowledge, skills and confidence required to participate fully in society and



progress to further education, training and employment (Irish Department of Education and Science, 2008). The programme is delivered through Youthreach centres and community training centres.

An internal evaluation study by the Irish Department of Education and Science found the programme to be relatively efficient and for the most part maximising output from the input available. This is particularly true in relation to the following input areas – learner supports, accommodation, national co-ordination and support, and programme support and development. The time and effort devoted by staff members in practically all of the centres evaluated to get to know the individual learners, their background, their parents and families, play a key role in the support offered to learners. The programme appears effective in addressing learners' needs for personal and social development and in recruiting its target group. Those learners who engaged fully with the programme that was on offer to them in their centres indicated positive learning experiences, improved self-esteem and self-worth and enhanced personal and social development. Some centres also successfully implemented targeted strategies to promote learners' attendance and punctuality.

However, efforts appear to be necessary to retain more of the learners to the end of the progression phase. There is also room for improvement in terms of the number of learners who obtain certification, as well as the levels at which they obtain certification, so that they can successfully progress from the centres to appropriate further education, training or employment. The centres also seem to have very limited links or communications with national agencies and relevant post-primary curricular support services. Communication is also lacking between some of the centres evaluated and their local post-primary schools and businesses. Last but not least, tracking systems to monitor the progression of learners after they leave the centres still need to be developed.

### US Job Corps

Job Corps is a free education and training programme introduced in 1964 in the United States that helps disadvantaged youth learn about careers, earn high school diplomas, and find and keep jobs. The programme includes vocational education and training, academic education and a wide range of other services, including counselling, social skills training, and health education. Most participants reside at a centre while training.

The performance of the Job Corps programme has been evaluated regularly, including by using random assignment methods (Schochet, Burghardt and McConnell, 2008). The programme has positive effects on educational attainment and skills, and it reduces criminal activity. The impact on wages appears to be higher for the younger age groups than for the older ones.

### BladeRunners Programme in Canada

"BladeRunners" is an example of a regional employment programme that helps youth (ages 15-30) with multiple barriers to employment build careers in construction and other industries throughout the province of British Columbia (Canada), (OECD, 2013c). The Ministry of Jobs, Tourism and Innovation is the lead sponsor of the programme, which is now run in 32 locations across the province by 19 different local service delivery organisations. The BladeRunners programme provides participating youth a three-week training course, including instruction in both cognitive and social and emotional skills, and then facilitates direct job placement for programme graduates. The programme also provides extensive support services for participants and graduates 24 hours a day, seven days a week for an undetermined period of time after placement. The ultimate goal of the programme is to develop skills and work experience that foster long-term attachment to the labour force and to support the social and community integration of young people. BladeRunners is regarded as an effective employment training model for young people with multiple barriers to employment. It advertises an overall 77% post-training job placement rate, has won several awards and recognitions for its achievements, and is funded by a diverse group of public and private supporters.

#### Sources:

European Commission (2001), "Second chance schools: Results of a European pilot project", Brussels.

Irish Department of Education and Science (2008), "Youthreach and Senior Traveller Training Centre Programmes funded by the Department for Education and Science: A Value for Money Review".

OECD (2013c), "Local strategies for youth employment", [www.oecd.org/employment/leed/Local%20Strategies%20for%20Youth%20Employment%20FINAL%20FINAL.pdf](http://www.oecd.org/employment/leed/Local%20Strategies%20for%20Youth%20Employment%20FINAL%20FINAL.pdf).

Réseau E2C France (2014), "L'Activité en 2013", Châlons-en-Champagne.

Schochet, P.Z., J. Burghardt and S. McConnell (2008), "Does Job Corps work? Impact findings from the National Job Corps Study", *American Economic Review*, Vol. 98, No. 5.

Second Chance (2012), "Second chance schooling in Europe", 2<sup>nd</sup> Chance, London, [www.2ndchancelondon.org.uk](http://www.2ndchancelondon.org.uk).



## Active labour market policies

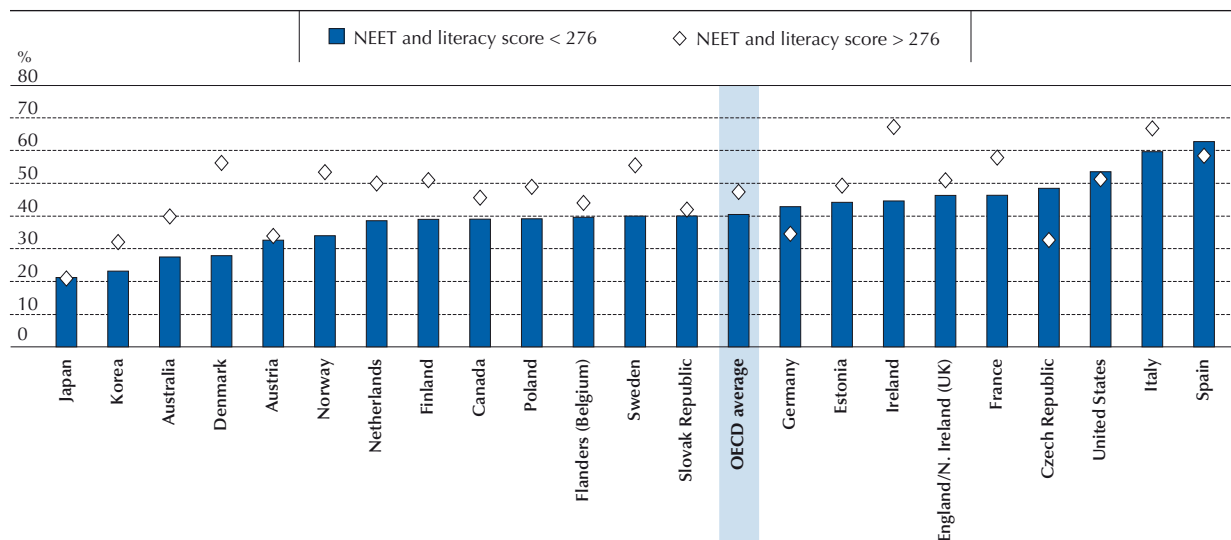
“Work-first” strategies in which the goal is to place participants in jobs as quickly as possible appear to have positive effects on employment (OECD, 2013a). These strategies typically include the agreement of an individualised “back to work” plan, job-search assistance and regular monitoring of job-search activities. For instance, countries like Norway and Switzerland, which have consistently enjoyed low unemployment rates, have a strong focus on job searching and the placement of jobseekers into unsubsidised jobs (OECD, 2013c). These countries spend relatively more on PES and administration and relatively less on other types of active labour market policies (ALMPs). The empirical literature shows similar results. Intensified job-search assistance and frequent meetings with caseworkers lower unemployment spells, and this positive effect is particularly marked for youth (Forslund and Nordström Skans, 2006; Behaghel, Crépon and Gurgand, 2012; Rosholm, Svarer and Vikström, 2013). In countries like Denmark and Sweden, where there are relatively strong obligations associated with participation in ALMPs, it has even been shown that, on average, the positive effect of ALMPs on labour market outcomes comes from the threat of entering the programme rather than from the programme itself (Forslund and Nordström Skans, 2006; Rosholm and Svarer, 2008).

Despite the advantages of a “work-first” strategy, many of the youth who are NEET are not looking for jobs (Figure 5.3). Furthermore, the Survey of Adult Skills shows that the share of the NEET group not looking for jobs is higher for youth with low literacy skills. This may be because they are trying instead to re-enter the education system. But this also suggests that countries have room to strengthen efforts by PES to both reach youth with the lowest skills and increase the incentives for youth to look for jobs. The Survey of Adult Skills also shows that unemployed youth are less likely to have had contact with PES in the month prior to the interview than older job seekers (Figure 5.4).

■ Figure 5.3 ■


### Share of youth neither in employment nor in education or training looking for jobs, by level of proficiency in literacy

16-29 year-olds, 2012



Notes: The figure shows the share of the NEETs who were looking for jobs in the four weeks prior to the interview.

Source: OECD calculations based on the Survey of Adult Skills (PIAAC) (2012) (database).

StatLink  <http://dx.doi.org/10.1787/888933214790>

Although a strong focus on activating youth skills can achieve good labour market outcomes, some youth need training and/or subsidised work experience to raise their employability. Many countries have been successful with programmes that target a specific group of unemployed. However, it has proved difficult to develop large-scale, cost-effective programmes, partly because of displacement effects. Furthermore, when participating in a programme, the unemployed generally do not look for jobs – the so-called “lock-in effects” – which can be particularly detrimental to youth who need to get jobs relatively quickly to prove their employability. For these reasons, some countries have moved to shorter programmes, such as short trainings or internships, which can limit “lock-in effects” but may not be enough to upgrade skills.

In times of high unemployment and low demand, unemployed youth face higher risks of remaining unemployed long term and seeing their skills erode. The market value for some skills can also depreciate substantially when severe business

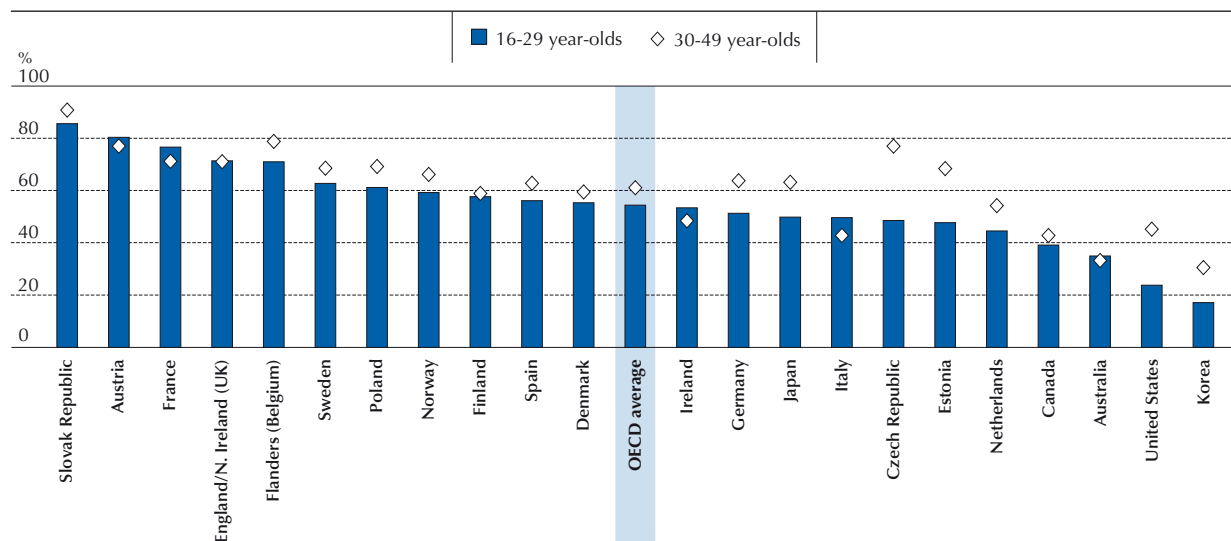


cycle downturns are associated with structural shifts (Forslund, Fredriksson and Vikström, 2011). Hence, well-targeted, short, vocational training, work trials and internships, combined with job-search requirements, can be developed during crises to help youth activate and link their skills better to the labour market. The Survey of Adult Skills shows that in some countries, a large share of youth were not in employment or education at the time of the survey and had not participated in education or training in the 12 months prior to the survey (Figure 5.5). This raises the issue of whether there was enough training for youth during the crisis, despite an increase in training places in several countries. Evidence from the Survey of Adult Skills on youth problem-solving skills in technology-rich environments also suggests that encouraging unemployed youth to develop these skills could increase their employability.

■ Figure 5.4 ■

### Share of the unemployed who contacted public employment services in the four weeks prior to the survey, by age group

2012



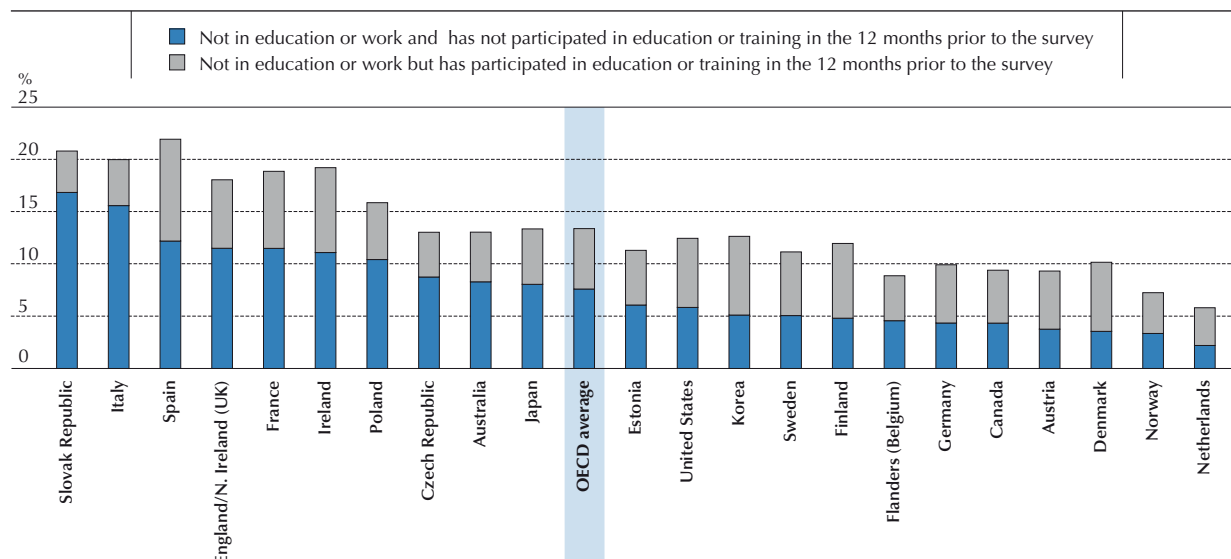
Source: OECD calculations based on the *Survey of Adult Skills (PIAAC) (2012)* (database).

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■ Figure 5.5 ■

### Share of youth not in employment or education, and their recent participation in education and training

16-29 year-olds, 2012



Source: OECD calculations based on the *Survey of Adult Skills (PIAAC) (2012)* (database).

StatLink <http://dx.doi.org/10.1787/888933214816>



Youth with immigrant backgrounds face specific challenges with regard to activating their skills. Whether they should benefit from specific activation policies depends on the factors driving these difficulties:

- Youth from disadvantaged backgrounds, such as native-born offspring of immigrants with low levels of education, face difficulties that stem from their low education levels. Policies to make the education system more inclusive, as discussed in Chapter 3, would help them increase their employability. Sound labour market framework conditions as well as efficient ALMPs would also contribute. Internships and other types of work experience can also help this group build contacts in the world of work.
- For foreign-born youth, particularly those who are highly educated, policies to formally recognise or raise awareness of their qualifications would help them find jobs and use their skills (see Chapter 7).
- To combat discrimination, many countries have introduced anti-discrimination laws. While these laws are crucial, at least to formally recognise discrimination as an issue, their effects have been limited so far as the number of cases brought to court has been relatively low. Policies to render hiring youth with immigrant backgrounds attractive to firms, e.g. through job subsidies, can help employer to overcome initial barriers.
- Finally, several countries have designed specific programmes to target youth with immigrant backgrounds who cumulate several challenges, such as low cognitive skills and low levels of education, language barriers and lack of confidence. One example of such a programme is The King Movement Foundation/Hi5 in the Netherlands. This programme seeks to transform inactivity and passivity of young migrants into positive aspirations and careers. It puts individual job seekers and organisations in contact with role models from their social environments and representatives from Dutch companies (Froy and Pyne, 2011).

Although improving the quality of education systems and combatting dropout rates are priorities in emerging economies, labour market policies can also support youth in their job searches. In several countries, these policies are underdeveloped (Quintini and Martin, 2014). This is the case of Brazil, for instance (OECD, 2014e). The PES lacks appeal and is only marginally used by youth to look for jobs. As a consequence, many job seekers find work through social networks and personal contacts, exacerbating inequalities of opportunities.

### Social protection systems

Social protection systems can serve as springboards for youth, propelling them out of the poverty that can undermine their ability to activate their skills potential in the long term. NEETs are at greater risk of poverty than other youth (Carcillo et al., 2015). In OECD countries, about 50% of NEETs living without family or outside the family home do not receive any social benefits. Youth are less likely to be eligible for unemployment benefits given that in many countries, workers need to have contributed to unemployment insurance to benefit from it. If they do not have labour market experience, they would need to depend on social assistance, in countries where youth have access to it. Social assistance benefits tend to be low relative to the net earnings of an average worker, but since they are generally strongly mean-tested, the average effective tax rate associated with moving to low-paid jobs can be quite high (though there are large variations between countries), which may decrease incentives to work. In addition, these benefits often do not include education or labour market requirements. Finally, some social benefits, like social assistance, can have stigmatisation effects and weaken youth opportunities to find jobs.

A system of mutual obligations can help reconcile the objectives of limiting poverty risks among youth and ensuring that youth take up incentives to find work or take action to prepare for the labour market. To limit the risk of poverty, young NEETs with low income should be entitled to social benefits, but with some obligations attached to these benefits. Ideally, the obligations should depend on the distance of youth to the labour market. They can include looking for jobs, or renewing their skills with education, or undertaking actions to prepare for the labour market or education. On the side of institutions, there should be strong commitment and high-quality services to help youth renew their skills with education or to find jobs. There should also be strong co-operation between institutions to ensure that they all consistently enforce the system of mutual obligation, at both national and local levels. Overall, this mutual obligation system with strong co-operation between institutions would allow countries to reach and help a larger share of their inactive NEETs.

Moving to a system with a single social transfer for youth that would depend on their family situations, and on other factors with an obligation to register with PESs, would make incentives to take jobs clearer. However, in a system with several benefits, efforts can also be made to raise incentives for youth to integrate into the labour market, while providing financial support. Housing benefits, if associated with obligations to look for jobs in a larger area, can help youth activate their skills. Some countries have specific, often temporary, programmes delivered outside social assistance to



the unemployed who are not eligible for unemployment benefits, possibly in combination with education or training. These programmes can be less mean-tested than social assistance and have lower stigmatisation effects, but they should include job-searching, education, or other types of obligations, depending on the distance of individuals to the labour market and the types of problems they face. Various countries have introduced in-work benefits with a view to encourage the transition from welfare to work. Regular monitoring and benefit sanctions can help offset the financial disincentives that otherwise result from the receipt of income support benefits.

## KEY POINTS FOR POLICIES

Education and skills facilitate school-to-work transition but do not guarantee successful work trajectories. Ensuring successful transition and helping NEETs to integrate into the labour market require a consistent approach with strong co-operation between labour market, education and social institutions at national and local levels of government, as well as the participation of social partners.

### Smoothing the transition from school to work

- Develop sound labour market institutions and skills-friendly tax policies to foster employment of low-skilled youth.
- Continue to lower the gap in employment protection legislation between temporary and permanent contracts.
- Encourage end-of-studies internships within a framework that combines flexibility and obligations to firms. Internships should include learning content and length, remuneration and other conditions should be regulated.
- Develop programmes targeting students at risk of facing difficulties in their school to work transitions, possibly at the local level, but carefully assess their effect.

### Helping NEETs to (re-)engage with education or enter the labour market

- Introduce a system of mutual obligations between youth and institutions. Receiving social benefits should be backed with requirements to register with the public employment services, take actions and receive help in order to prepare for the labour market, including through further education.
- Adopt a work-first strategy that encourages employment through efficient job-search assistance and training, monitoring and financial incentives. Places in training programmes and job subsidies should be targeted to youth with low skills and those who face specific barriers in the labour market.
- Build comprehensive, high-quality guidance and counselling systems to help young people in their transitions to the labour market. Base these systems on an assessment of individuals' skills and skills in demand in the labour market.

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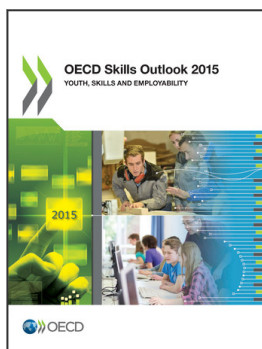
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