



7

Policies towards using young people's skills at work

This chapter discusses policies to improve the match between skills and jobs, to encourage youth to make better use of their skills on the job and to remove barriers to entrepreneurship, which can be an alternative for youth to use their skills. Many different policies influence the use of skills and the matching process both on the side of employees and employers, and therefore, efforts should be on many fronts: removing barriers to geographical mobility, designing consistent national and international qualification frameworks but also promoting effective work organisations and removing barriers to youth entrepreneurship.

Various efforts and policies would contribute to more effective use of youth skills. Linking more prominently the education system to the labour market and better preparing youth for the world of work, would avoid the build-up of large imbalances between skills supply and demand. However, solving those imbalances takes time as doing so requires major structural adjustments, which can take the form of aligning education and training systems better with the needs of the labour market or altering the structure of the economy towards higher value-added production.

Labour market rigidities also make it difficult for youth who have no experience to enter jobs that would allow them to use their skills fully. Sound labour market institutions increase the ability of employers to identify and reward youth skills. They also raise the likelihood for employers to learn about workers' skills over time (OECD, 2014a). As discussed in Chapter 4, youth are more likely to be hired on temporary contracts, and these contracts lead to lower utilisation of skills than permanent contracts. Sound employment protection legislations ease transition from temporary to permanent employment, which is associated with a more effective use of skills. Flexible wage setting arrangements make it easier to adjust wages to the effective skills of workers and thereby to mitigate the potential negative impact of mismatch on job satisfaction.

In addition, there is a need for specific policies that would help youth find a job which matches their skills, allows them to develop skills at work in order to adapt to future changing needs and overall make the best use of their skills. While developing young people's skills and activating them are clear public policy objectives, there is less assessment of whether skills are used effectively at work, and less consensus on the role of policy in addressing the issue.

LIMITING SKILLS MISMATCH AND MAKING BETTER USE OF YOUNG PEOPLE'S SKILLS

The impact of new technologies

New technologies have changed the way employers recruit staff and job seekers look for jobs. The Internet now plays a central role as social media such as LinkedIn, Facebook, and Google, and new tools such as applicant tracking systems, mobile recruiting, jobs boards and career pages are increasingly used by employers and job seekers. These new channels for recruitment have opened up opportunities for companies to inform a much wider pool of potential candidates about job opportunities and careers and for employees to make more informed decisions on finding or changing jobs.

Firms are increasingly using social media to recruit workers. Certain tools (Recruiter) allow employers and job seekers to conduct sophisticated search queries for candidates and jobs. The search functionality allows recruiters to sift through members (mainly of LinkedIn) based on a variety of characteristics: years of experience, job title, current or past employer, or the size of the company at which someone has worked. A study on Belgium shows that employers use both LinkedIn and Facebook to increase the volume of information about candidates available for a selection interview, however only a minority use these networks/tools to actually select the first round of candidates (Caers and Castelyns, 2011). According to this study, employers claim that they do not attribute a lot of weight to Facebook profiles although they admit they review all publicly available information on Facebook. This is consistent with another study according to which, while approximately 60% of companies used or planned to use social media as a hiring tool in 2013, less than 30% believed the data are useful in determining the candidates' fit, while only 11% believed it is critical to hiring decisions (Society for Human Resource Management, 2013). Employers mainly look at information on career history and education but they also check candidate pictures and stated interests, which can include participation in certain communities or religious groups.

There is evidence that Internet has improved labour market matching. A study on the US market shows that unemployed persons who look for work online are re-employed about 25% faster than those who do not search online (Kuhn and Mansour, 2014). However, the overall impact of the Internet on labour market outcomes remains to be fully understood.

Young people are more likely than older workers to use the Internet and more specifically social media to look for a job. They are particularly exposed to the impact these new technologies have on their chances of finding a job and on the efficiency of the matching process. There are however both positive and negative impacts:

- The Internet lowers transaction costs when looking for jobs and hiring workers and can render a more effective matching process. It makes it easier for workers to apply to new jobs and interact with their future employers. Moreover it facilitates employers' search for potential candidates, allowing them to advertise for the job online and ask for referrals; the Internet is a one-stop job market.



- Young people benefit from increased and more accessible information concerning job offers and the company itself, which in turn leads to a more accurate perception of the job. This can ease the match between young people's skills and job requirements.
- The use of new technologies means that information is now available on a large geographic scale which in turn lowers geographical mismatch.
- The use of new technologies during the hiring process can exacerbate inequities between young workers, as highly educated workers are more likely to job search online than other less qualified workers. Candidates are increasingly requested to have mobile access and often a part of the recruitment process is carried out through mobile devices, especially in emerging economies (Society for Human Resource Management, 2013). Young people with little access to computer or smart phones are in a less favourable situation.
- There is an increased risk of poaching as employers have access to an abundance of information when searching for candidates. Moreover, new technologies mean that passive job seekers are also better informed concerning job opportunities and are more visible to competing organisations. In addition, these practices may make it more difficult for those who do not have a job history that fully fits the job to be selected.
- By accessing personal information through social media, employers can more easily discriminate between candidates. According to a study, 50% of respondents to the survey indicated that recruiters and hiring managers are allowed to review candidate data from social media sites (Society for Human Resource Management, 2013). While only 20% are allowed to use this data to make hiring decisions, the line between accessing this information and using it when making recruitment decisions is difficult to draw.

These concerns suggest several directions for policies. In schools, job centres and other types of institutions, young people could be advised on the use of social media and how to make the most of the information they deliver through their LinkedIn and Facebook profiles. Parents also have a role to play on alerting children about the unintended consequences of making certain information public. Many countries have specific laws governing how such information should be used during employee selection.

The information gained from online tools needs to be interpreted and applied which may require support from independent professional advisors to reduce unwanted negative effects on equity by excluding potential workers with limited access to the Internet or with low levels of digital literacy (see Chapter 3). Public employment services can improve the efficiency of the matching process by facilitating the exchange of information between employers and potential employees through these technologies (see Chapter 5).

Skills and diplomas

Despite an easier access to candidate profiles through new technologies, recruitment processes remain complicated when qualifications are not fully understood by employers. In contrast to nationally recognised qualifications and standards, a plethora of credentials at local or institutional level, typically mean that employers do not know which skills they can expect a young person with a given credential to have. The Survey of Adult Skills has shown that people holding the same formal qualifications have different levels of cognitive skills (OECD, 2013a). For older adults, this might have a lot to do with skills either gained through work experience or lost due to lack of use. For recent graduates, this is likely to reflect heterogeneity in the quality of education provision, with graduates holding the same formal qualification but leaving education with very different skills sets.

It is important that a qualification signals the composition and level of skills. Competency-based standards and qualifications developed in close collaboration with social partners and updated according to the changing needs of the labour market can: i) help young people understand which skills are required for which jobs; and ii) provide reliable information to employers about the kind of skills they can expect a graduate with a given qualification to have, regardless of which education pathway the individual has chosen to attain the qualification (OECD, 2010a). Some initiatives have been developed either to directly assess the skills of young graduates or to develop education programmes that exactly match the skills requested by the labour market (Box 7.1).

Box 7.1 **Initiatives to match young people's skills with labour market needs: Country examples**

Aspiring Minds is an Indian company founded in 2007 with the goal to “help talent meet opportunity”. The starting point was a company assessment that almost half of Indian graduates were unemployable in any sector because of their insufficient English language knowledge and low cognitive skills. Aspiring Minds works closely with students, job seekers and educational institutions in helping them evaluate their employability and connecting them with job opportunities.

Concretely, the company has developed a multi-dimensional evaluation of the employability of young university graduates. The assessment (Aspiring Minds Computer Adaptive Test or AMCAT) covers a wide range of skills: English language proficiency, logical and analytical abilities, quantitative skills (numeracy), managerial skills, social and emotional skills (the “Big Five”), technical skills in a number of domains such as engineering, banking, finance and accounting, and more recently, computer programming skills.

To ensure that the test is relevant to employers' needs, it is carried out on employees at an industry level and correlated with on-the-job performance to predict what kind of test results a person needs to have in order to be successful in the job. The test is delivered in colleges but can also be taken online. It has become by far the largest employability assessment in the country with 50 000 assessments every month.

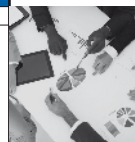
Another goal of the initiative is to provide a level playing field for candidates. Where the recruitment process is based on the direct measure of skills, which means how these skills have been acquired (at a specific education institution or through massive open online courses) does not hold importance anymore, all candidates have equal opportunities to find a job.

The company has influenced the matching process between skills and jobs in many ways:

- To firms, Aspiring Minds provides a platform for hiring from a pre-assessed pool of candidates across the country. The multi-dimensional aspect of the assessment enables employers to identify candidates who are more likely to have or easily develop the skills needed for the job if they are trained.
- To students, the test, especially if taken at the beginning of college, provides information on their performance relative to national averages, their strengths and weaknesses, their employability in specific sectors, and how they can develop skills to fulfil their aspirations. The test also gives information on social and emotional skills. This information is transmitted to the person by an individualised diagnostic report.
- To educational institutions, Aspiring Minds provides a diagnostic report based on the outcomes of their students' test results. The report discusses the employability of students and suggests areas for action. It can therefore act as a powerful tool for institutions to increase the quality of education. The company also awards institutions that have students in the last year of education with the highest skills, which can also motivate institutions to improve quality.
- Finally, the company publishes yearly National Employability Reports that are extensively discussed in the media and can be used by governments to make informed decisions.

So far, there has been no independent assessment of the impact of the initiative on the quality of the matching process between skills and jobs. However, increasing demand from firms, educational institutions and candidates suggests that they all benefit from the initiative. One challenge Aspiring Minds is facing is to extend its coverage, especially to rural areas, while maintaining quality. Labour market candidates in rural areas may face a double penalty coming from lower quality educational institutions coupled with lack of access to or knowledge of Aspiring Minds. Another issue could be that the initiative may place too much weight on the development of skills that are currently needed on the labour market and less on future needs. It would therefore benefit from being backed by efforts to anticipate future skills needs.

Ecole 42 is a French school that was created to address the gap between supply and demand of computer programming skills. The starting point of the initiative which was launched and personally financed by a French entrepreneur in the telecommunications and technology industry, was the lack of young graduates with good-quality programming skills. The school aims to develop these skills through an innovative pedagogical approach.



The school is open to anyone aged between 18 and 30. With no previous degree required, students are selected on the basis of an in depth selection process assessing their motivation, skills and potential to become excellent programmers. Particular emphasis is placed on the one-month long immersion phase known as the “Swimming Pool” during which candidates have to carry out a few information technology projects. Teaching methods aim to develop students’ creativity and innovative skills as well as technical skills that are highly demanded on the labour market. The school has no lectures or teachers, instead a pedagogical team is in place. Student learning is based on a “peer-to-peer” review approach including group projects and team problem solving.

The programme is free but as the school does not offer a diploma recognised by the government, students do not have access to grants to pay for their living costs. There is no available assessment of the labour market outcomes of the school’s graduates but according to the school and media, students receive several job offers even before graduating

Sources:

Aspiring Minds, www.aspiringminds.in/.

Wharton University (2014), “Assessing employability is disrupting India’s higher education model”, <http://knowledge.wharton.upenn.edu/article/assessing-employability-disrupting-indias-higher-education-model/>.

Ecole 42, www.42.fr/.

Qualifications also have to be portable, at least nationally if not internationally. A multitude of regional or institution-based qualifications makes it difficult for employers and young people to signal skills, and qualifications risk becoming meaningless as a recruitment tool if they are not based on nationally recognised standards. Several countries have introduced or streamlined their national qualification systems in the recent past (e.g. Hungary, Ireland, Spain and the United Kingdom). The European Qualifications Framework (EQF) has encouraged many European countries to establish national frameworks consistent with the EU-wide framework. The EQF provides a grid of eight levels, each described in terms of the associated skills, knowledge and competencies, and all European countries are required to sort their national qualifications into the appropriate level. This renders qualifications comparable within and between countries, thus allowing mobility beyond national borders (OECD, 2010a). The process of sorting national qualifications into qualification frameworks has been difficult in some countries, particularly with regard to establishing the status of vocationally-oriented qualifications, compared to the academically-oriented ones in the qualification hierarchy.

Recognising skills acquired informally or in another country

Young people lacking formal qualifications may have the right skills to execute more demanding jobs, but encounter much greater difficulties obtaining them. Under-qualified individuals also earn less than better-qualified workers in the same occupation, even once skills proficiency and job characteristics are taken into consideration. While some employers might rely primarily on experience and personal encounters as a recruitment strategy, others are very focused on formal qualifications, putting an under-qualified, albeit well-skilled candidate at a disadvantage. A formal recognition of skills acquired through non-formal or informal learning (RNFIL) and raising employer awareness of these systems can help youth market their skills better.

Migrants are particularly likely to be in the over-qualified category, with related penalties in the labour market (see Chapter 4). Highly educated immigrants experience greater rates of over-qualification than the native-born in virtually all countries. This is somewhat less pronounced for the medium-qualified (OECD, 2014b). Over-qualification occurs either because immigrants’ qualifications are not recognised in the host country or because the education they received in their country of origin was of poorer quality and their qualifications do not come with the necessary skills for the job requirements. Estimates suggest that between one-third and one-half of the observed higher over-qualification of immigrants with foreign qualifications vis-à-vis the native-born, is associated with lower skills levels at given qualification levels (Bonfanti and Xenogiani 2014; OECD, 2008a and 2007a).

Some immigrants have the required job-specific and cognitive skills, but lack the language proficiency or professional networks necessary to find adequate jobs: more than one out of five immigrants report that language difficulties are a main obstacle for finding suitable jobs, and immigrants with lower education levels are over-represented among this group (OECD, 2014b). Furthermore, immigrants, including native-born children of immigrants, are at an obvious disadvantage with respect to knowledge of the host country labour market and hiring practices, as well as employer contacts, direct or indirect. Targeted initiatives for the validation of skills and the recognition of foreign qualifications in concert with language training and guidance to navigate a foreign labour market might help decrease the incidence of qualification mismatch for migrant workers (Box 7.2).

Box 7.2 **Recognising skills and foreign qualifications: Country examples**

OECD work demonstrates the potential benefits of recognition of non-formal and informal learning (RNFIL) for both workers and employers. In the context of under-qualification, recognition can provide greater visibility and therefore add value to the skills of people in the labour market. It can also facilitate structural adjustment by enabling the skills of displaced workers to be recognised and used in other parts of the labour market. Although many OECD countries have established RNFIL systems, recognition processes are often small-scale and complex, which reduces their value to employers (OECD, 2011a). One area in which some countries have made progress is to recognise skills acquired abroad.

In Australia, some states have established programmes to overcome the problem of over-qualification among skilled migrants. In Victoria, for example, the Overseas Qualified Professionals Programme established in 1996 provides recently arrived professionals, who acquired their skills abroad, with work-experience placements to enhance their opportunities for employment in their fields of study. The participants must be either unemployed or employed in low-skilled jobs. The programme consists of an initial six-week training period to develop job-search skills, followed by a four- to six-week work-experience placement in the participant's field or in a closely related occupation. The work-placement component is generally not remunerated. The programme includes mentoring elements and industry-specific networking sessions with employers and professional associations to provide further orientation and networking opportunities. Six months after completing the programme, more than 60% of participants were in paid employment in a field corresponding to their qualifications and experience.

Taking a different approach, in 2004, Denmark established regional knowledge centres for the assessment of the skills and qualifications of immigrants – a joint project by the Ministry of Employment and the social partners. The assessment is generally done in workplace situations at companies and participants obtain “competence cards” relating immigrants' skills to labour market needs. The centres also assist in finding employment that matches the immigrants' skills (OECD, 2007b).

In other countries, programmes have focused on over-qualification in specific occupations. In Portugal, two non-governmental organisations (the Gulbenkian Foundation and the Jesuit Refugee Service) developed, jointly with universities and various ministries (Health, Interior and Foreign Affairs), a programme for foreign-trained doctors who were found to be working in low-skilled occupations such as in construction or cleaning. The programme provided for the translation of documents, bridging courses at medical faculties, as well as comprehensive preparation material, internships in teaching hospitals, and vocation-specific language training. Participants had to pass a final assessment examination. At the end of the pilot project, about 90% of the participants were employed as doctors. Participants were followed for one year after completion of the programme to ensure a lasting integration. The programme has now been mainstreamed. In Sweden, the government has assigned a number of universities and colleges to arrange supplementary courses for immigrants with a foreign university degree in law, education, health and public administration. The programme was introduced to provide an opportunity to adjust foreign credentials to the Swedish labour market, thereby helping highly skilled immigrants obtain employment in their fields of study. One group that is particularly affected by skill under-utilisation is that of refugees who might be well-skilled but whose primary objective for migration is not employment. To address this issue, the Netherlands, for example, has set up several specific training programmes for highly qualified refugees (OECD, 2008a).

Sources:

OECD (2007b), *Jobs for Immigrants (Vol. 1): Labour Market Integration in Australia, Denmark, Germany and Sweden*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264033603-en>.

OECD (2008a), *Jobs for Immigrants (Vol. 2): Labour Market Integration in Belgium, France, the Netherlands and Portugal*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264055605-en>.

OECD (2011a), *OECD Employment Outlook 2011*, OECD Publishing, Paris, http://dx.doi.org/10.1787/empl_outlook-2011-en.

Geographical mismatch

There is evidence that unemployment can be reduced by reallocating job seekers to areas with better job opportunities, at least in the United States (Şahin, Song, Topa, and Violante, 2012; Manning and Petrongolo, 2011). Policies can facilitate mobility from one local labour market to another to maximise the matching of skills and jobs. They can, for instance, provide public transport to connect inner-city jobs to affordable housing in the outskirts or connect rural areas with urban centres or industrial hubs (OECD, 2014c); removing housing policies that impede residential mobility can also have a significant impact on labour mobility and the allocation of skills and jobs in local labour markets (Caldera Sánchez and Andrews, 2011).



However, further promotion of geographic mobility can have significant trade-offs, especially for rural regions that could suffer from “brain drain” and remain in a situation of low productivity/low-skilled employment for many years (Froy, Giguère and Meghnagi, 2012; OECD, 2014d). Hence, policies to ease geographical mobility of skills have to be accompanied by other policies to gradually upgrade regional activities to render them more productive and in demand.

The effect of non-compete clauses

Non-compete clauses if they are widely or even abusively used can hinder workers’ mobility and the matching process between jobs and skills. They are clauses under which an employee agrees not to work for a competitive firm for a period of time after resigning or after their contract is terminated. These agreements aim at protecting firm-specific knowledge and are generally thought to be used for a small range of workers, typically those with technical and high skills. However, although no comprehensive international assessment exists, there is some evidence that non-compete clauses are sometimes used abusively even for young low-skilled workers to restrict competition or simply to reinforce employers’ power on their workforce. The goal of non-compete clauses is to separate workers from the use of their skills: employers deny workers the opportunity to apply firm-specific skills outside the firm as they cannot be separated from their skills (Becker, 1964). Hence, they can bind employees to their employers (Bishara, Martin and Thomas, 2015), which can be a barrier to the matching process and lead to an ineffective use of skills. Studies have found that employers can also generate “brain drain” from enforcing states or regions to non-enforcing ones and thereby contribute to geographical skills mismatch (Marx and Fleming 2012). They can also force employees to involuntarily leave their technical field to avoid potential lawsuit, leading to so-called “career detours”.

There is only limited assessment of the scope of the use of these rules due to lack of data availability. A study on a large sample of publically available chief executive officers’ contracts in the United States found that 80% of them had non-compete clauses (Bishara, Martin and Thomas, 2015). Another study in the United States using a smaller sample but including young skilled workers, found that around 40% of them were subject to non-compete clauses (Marx, 2011). Recently, the media¹ have argued that the use of non-compete clauses has spread to many professions (such as hair stylists, summer camp counsellors and yoga instructors). Danish employer and employee confederations have raised attention to cases of student jobs which contain clauses preventing them from seeking employment afterwards in the same sector, or with the company’s clients.

Usually governments have no direct way to intervene on these clauses: they are set by employers and their consequences depend on how courts implement them. However, governments can raise awareness of the potential negative impact of these clauses especially for young workers. Young people and low-skilled workers may not even realise they are agreeing to such conditions as they may be less well informed than high-skilled workers. Furthermore, they may typically accept entry-level jobs precisely because these jobs give them the experience they need to move on to a more rewarding job.

Governments and employer and employee organisations can carry out assessments of the trends in these clauses and try to agree on good practices. For instance, the requirement to sign a non-compete agreement can be made more transparent at an early stage of the recruitment process rather than being disclosed after the employee has accepted the job offer. The duration of non-compete clauses can also be shorter (it is often one year and more). Better information on these issues would also help courts in their decisions. The implementation of non-compete clauses by courts evolves with time. In the United States for instance, these clauses were relatively easy to enforce by employers in the 1990s, as the courts were able to modify the terms of an overbroad employee non-compete agreement to render the agreement enforceable (Garrison and Wendt, 2008). Since 2000, many US courts have limited the reach of these clauses to foster employee mobility and competition between firms.

Work organisation and management policies

Work organisation and management practices can foster the use of youth skills in an effective way. According to the Survey of Adult Skills, young people use task discretion, influencing and self-organisation skills less frequently than prime-age workers, but use their co-operative skills and learn new things from supervisors or co-workers, learn by doing, and keep up-to-date with new products and services more frequently than prime-age workers (see Chapter 6). In the European Working Conditions Survey (Eurofound, 2013), young people also report having limited levels of autonomy at work compared to their prime-age peers, that is to say, less opportunity to determine job tasks, work methods and processes, pace at work, or working time. These findings are not surprising as young workers are more likely to be learning on the job, rather than deciding on tasks. However, it is important that youth specific skills such as knowledge of recent techniques, curiosity, and creative skills are fully used, even if youth do not have a lot of responsibilities in the beginning of their careers.

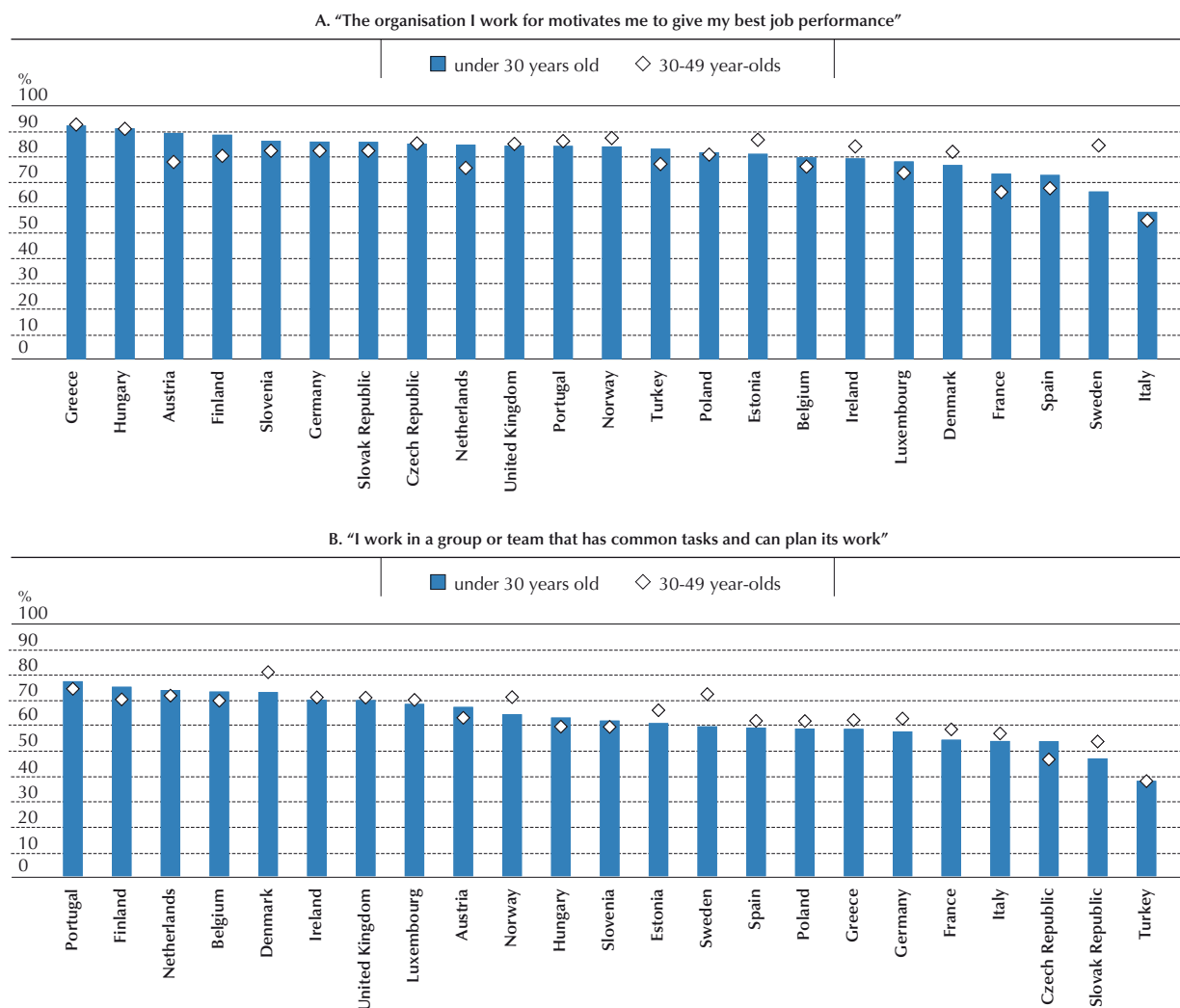
Employers have a range of policies to make better use of their employees' skills. These policies may not be specific to young workers but youth may be particularly affected as they often lack experience. Effective recruitment and management methods, often called high performance work practices, are those that evaluate, assign, and continuously develop employees' skills to match job tasks and create room for initiative, innovation and personal development and involve employees in the work process (Ichniowski and Shaw, 2009). They include skills audits and job redesign to match skills profiles, job rotation and active encouragement of knowledge transfer, as well as employee autonomy and participation. These types of organisations can help workers make better use of their skills, thereby improving the company's performance (Ichniowski, Prensushi and Shaw, 1997). They have been found to improve the use of skills and employee job satisfaction and motivation (Skills Australia, 2012; OECD, 2014a). This is especially the case when the introduction of these policies is perceived as a way to improve quality or employee wellbeing, but it is not the case if they are perceived as a way to cut costs or increase control over employees (Nishii, Lepak, and Schneider, 2008).

The European Working Conditions Survey sheds some light on the development of working organisation practices at the country level (Figure 7.1). Countries have unevenly developed working organisations that can be conducive to an effective use of skills. Furthermore, in some countries (Denmark, Norway and Sweden), young people are more likely than prime-age workers to consider facing work organisation practices that are not fully conducive to the use and development of their skills.

■ Figure 7.1 ■

Young workers' perception of work organisation practices in European countries

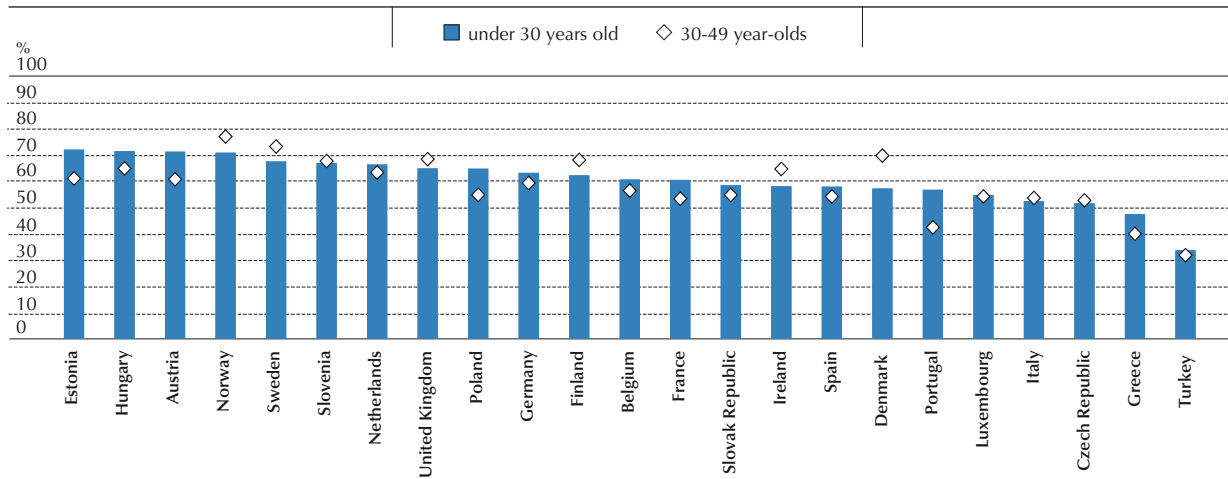
Share of individuals answering positively to the statements below, 2010



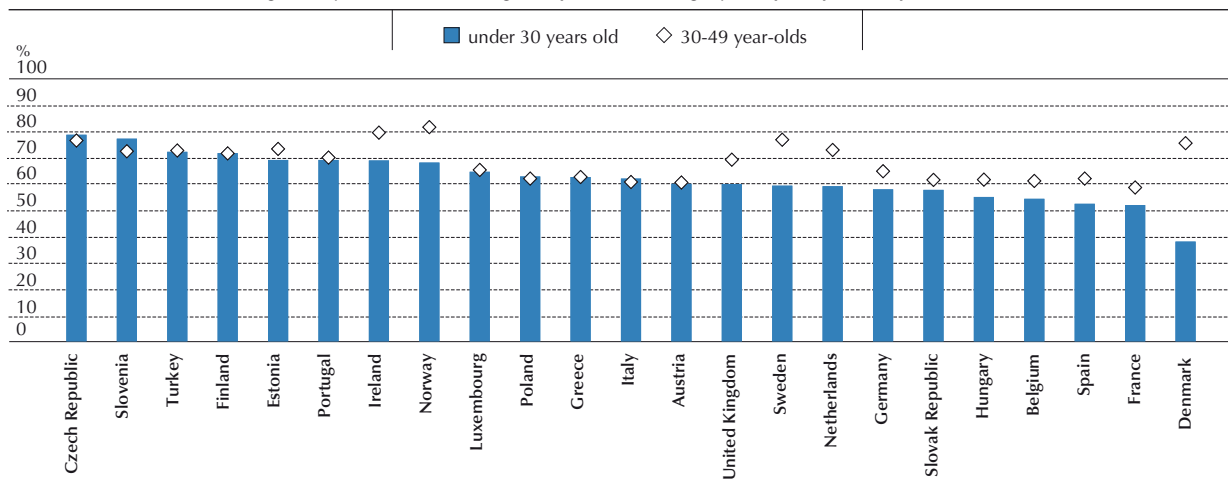
■ Figure 7.1 (continued) ■

Young workers' perception of work organisation practices in European countries*Share of individuals answering positively to the statements below, 2010*


C. "In general, your immediate manager / supervisor provides you with feedback on your work"



D. "In general, your immediate manager / supervisor encourages you to participate in important decisions"



Source: Fifth European Working Conditions Survey.

StatLink  <http://dx.doi.org/10.1787/888933214968>

Various factors can inhibit the development of high performance work practices (Cox, Rickard and Tamkin, 2012). They include lack of competition, reluctance to change, reluctance of middle managers to delegate responsibilities and of employees to take on responsibilities, and lack of skills amongst managers to put in place these practices. The financial cost (in terms of training) can be another obstacle. Furthermore, some of these practices might be easier to implement in big firms with large internal labour markets. Large firms generally have lower incidence of skills mismatch, most likely because they have greater capacities to engage in training to adjust the skills match of their employees and because bigger internal labour markets allow them to move employees around without having to resort to lay-offs and new recruitment (OECD, 2013a).

One specific issue related to youth is how to make the most of their innovative skills, knowledge of modern technologies and curiosity while they are in jobs with relatively low levels of responsibility. Some firms have developed innovative management approaches to make better use of such talent (Box 7.3). These approaches put their focus on the quality of human relationships at work, personal development and self-awareness, aiming to increase employee satisfaction and motivation as well as employer outcomes, such as improvements to innovation, productivity, profitability, staff retention and safety at work.

Box 7.3 **Working organisation practices for an effective use of youth skills: Country and firm examples**

Helping the development of effective working organisation practices has been less a focus for public policies than other goals such as boosting employment or improving working conditions. Especially for young people, the main concern of governments generally is to help them find a first job.

Yet, in many countries, governments try to foster the development of effective working organisation practices by providing information to firms on these practices. In Australia, as part of various measures to boost productivity for the benefit of enterprises, workers and the community, the government tries to raise awareness of the potential gains of better use of skills. The government provides research-based information to identify and disseminate good practices to other employers (Skills Australia, 2012). In 1991, the United Kingdom government established the Investors in People programme to help organisations get the most from their people. The programme provides human resources tools and standards to firms. In addition, it helps firms to develop these practices and provides accreditation of high management performance.

France has introduced a specific programme (so-called “generation contracts”) that subsidises young people paired with older people to ensure the transmission of skills. This contract is a way to influence working organisation practices. The young person is supposed to work alongside the older employee who in turn acts as a trainer and mentor. For companies with fewer than 300 employees, the financial aid is given – for a three-year period – for young people aged 26 and less who are hired on indefinite contracts, and for senior employees aged 57 and over who are working until retirement age.

Many companies have experimented with innovative management approaches centring on individuals rather than structures and procedures, and giving employees ample room for self-development and independence in managing their work.

One example is the mindfulness-based, emotional intelligence programme, titled “Search Inside Yourself”. It teaches attention training, self-knowledge and self-mastery, and the creation of useful mental habits. In 2012, a Search Inside Yourself Leadership Institute was founded to offer the programme to a wider public.

Another innovative management strategy that several information technology companies have applied, is the so-called 20% Rule to boost creativity and initiative among employees. This management strategy allows employees to use 20% of their time during work hours to pursue whatever they like - as long as it is legal and ethical. The Australian software company Atlassian developed the idea further and introduced corporate hackathons, open events for software development lasting one or several days, encouraging creativity and free innovation. Other companies like Twitter, Facebook, Yahoo, LinkedIn, Google, and eBay have introduced similar strategies. Under LinkedIn’s InCubator, creators of top experiments can get up to three months to develop their ideas (Tate, 2012).

Several institutions have been created to undertake research on, evaluate, further develop and teach similar innovative management approaches. The method developed at the Institute for Mindful Leadership in Oakland, New Jersey, is based on results from neuroscience research demonstrating that training in mindfulness and self-awareness enhances mental health and increases performance in creativity, strategic thinking and error reduction. The training for managers and employees focuses on four central themes: train the mind’s innate capability to focus, see with clarity, cultivate creativity and embody compassion. Leaders from diverse organisations like the US Army and Air Force, the Red Cross, Intel and the Mayo Clinic have attended the training or hosted customised programmes at their organisations.

Another centre for the development of innovative management approaches is the Society for Organizational Learning, a global community of corporations, researchers, and consultants dedicated to the “interdependent development of people and their institutions.” It originated from the Center for Organizational Learning founded and run in the 1990s by Peter Senge at the Massachusetts Institute for Technology. The work of these institutions builds on Senge’s main oeuvre ‘The Fifth Discipline’, a theory and method for group problem solving aiming to transform companies into “learning organisations” and enhancing the ability of employees to work



productively towards common goals. According to this approach, understanding the perceptions and assumptions that shape actions, developing capabilities for reflective conversation, team learning and complex system thinking are the cornerstones of successful co-operation at work.

Sources:

Government of Australia, www.awpa.gov.au/our-work/better-use-of-skills/Pages/Skills-Utilisation.aspx.

Institute for Mindful Leadership, <http://instituteformindfulleadership.org/>.

Society for Organizational Learning, www.solonline.org/?home.

Tate, R. (2012), *The 20% Doctrine: How Tinkering, goofing Off, and Breaking the Rules at Work Drive Success in Business*, HarperCollins, New York.

Tan, C.M. (2012), *Search Inside Yourself: The Unexpected Path to Achieving Success, Happiness (and World Peace)*, HarperCollins, New York.

There are various ways in which public policies can support employers in their efforts to make better use of young people's skills (Box 7.3). Governments can promote good human resource and management practices directly by offering skills brokerage services or by contributing to covering their costs. These measures could target small and medium-sized enterprises (SMEs), for instance by helping them engage in local clusters to achieve economies of scale, as in the case of shared training arrangements (see Chapter 3). Public employers can introduce innovative management practices to make the best use of their young employees. In some cases, government regulation can act as a trigger for improvement to skills utilisation by ensuring that quality standards are enforced. This can be the case with health and safety regulations that can lead to a better use of skills. Performance standards on products can also lead firms to improve work organisation to fulfil requirements (Sung, Ashton and Raddon, 2009). More generally, sound product market regulations that lead to healthy competition between firms can also foster the development of work organisation practices that lead to better use of skills.

Finally, the effect of work organisation practices depends on the reward system while governments have influence on wage setting systems. A reward system that encourages team work can increase the effect of work organisation practices with similar goals but group-based pay systems need to be recognised as a way to give recognition for accomplishment and not as management tools for controlling one's effort (Cox, Rickard Tamkin, 2012; OECD, 2010b). A minimum wage that is too high limits room for firms to develop this type of reward system. Likewise, in the public sector, it is also important to have wage setting systems that reward accomplishment.

REMOVING BARRIERS TO ENTREPRENEURSHIP

Entrepreneurship and education

Being entrepreneurial, creative and adaptive are qualities that are of general value in today's labour markets, especially in jobs that favour initiative and leave room for innovation. However, in many countries, young people lack the skills to become successful entrepreneurs (OECD/ECLAC, 2012).

Entrepreneurship education has three dimensions: first, to raise awareness that business creation and self-employment are viable career options, and to develop the right attitudes towards this possibility through role models and information services; second, to teach the legal, managerial, financial and technical knowledge and skills necessary to set up and run a successful business; third, to provide concrete practical support, often in the form of mentoring and other services in the business creation and establishment phase. Beyond entrepreneurship education aimed at skilling youth to create their own businesses, entrepreneurial skills and attitudes are also useful for youth looking to work in established companies, as such skills and attitudes are often valued by employers.

Developing entrepreneurship programmes

In primary education, the goals of entrepreneurship education are mainly to incite curiosity, create a basic awareness of entrepreneurship as an option for adult life, and to build the foundations for the knowledge, skills, and attitudes that are conducive to entrepreneurial behaviour. Often, this is done by inviting local entrepreneurs to visit classrooms to speak to students about running businesses. Other programmes take students to local businesses to spend the day watching and learning about the day-to-day operation of small businesses (OECD/European Union, 2012). In secondary school, entrepreneurship education focuses more on the delivery of specific technical skills using activities entailing active learning and real-life situations (European Commission, 2005; Box 7.4). For example, school students can learn about business planning and access to start-up financing through the setting up of simulation of real business enterprises (OECD/ European Union, 2012). Familiarising students early on with real business and innovative technologies can also help to widen their horizons and channel their interests into subject areas that are not traditionally part of school curricula.

Box 7.4 Integrating entrepreneurship education at all levels of education: Country examples

In Germany, the Students' Institute for Technology and Applied ICT (*Schüler-Institut für Technik und angewandte Informatik, SITI*), founded in 1999, is a pioneer in the field of entrepreneurship education and in the promotion of innovation and technology skills among young students, mainly from secondary schools (aged 10-18). SITI's primary aim is to support the skills development of young people in technology-oriented fields, in order to develop opportunities for a career, particularly self-employment, in innovative sectors of the economy.

SITI offers a large variety of extra-curricular learning-by-doing projects in the areas of manufacturing technology, applied ICT, natural sciences and entrepreneurship which follow a systematic and long-term oriented approach. In a so-called "ideas conference", students and coaches jointly decide on the projects to be worked upon in the next school year. Basic regular training courses in ICT, multimedia, robotics, computer-integrated manufacturing, physics and astronomy lay the foundations for the comprehensive, theme-specific project work. Each year, SITI-students work on three to four challenging research and development (R&D) projects on behalf of technology-oriented companies and universities, and on six "Young researchers" projects, as part of a national R&D-competition. In addition, students also participate in several other public competitions in the fields of R&D and entrepreneurship. SITI maintains regular and close network relations with more than 30 institutions, among them schools, universities, innovative companies, technology and start-up centres, business associations and ministries.

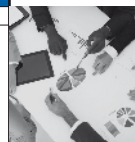
A SITI survey carried out among its alumni in 2013 found that approximately 75% of them had chosen career paths in technology, ICT and entrepreneurship-related fields. The alumni almost consistently point out that SITI has been strongly decisive in detecting, shaping and promoting their talents and career choices.

The University of Strathclyde in Scotland is a technological university based in Glasgow. It pioneered in entrepreneurship education by engaging alumni and opened one of the United Kingdom's first university business incubators in the 1990s as part of its vision to create a "place of useful learning". It has since become a recognised leader in entrepreneurship education, research and knowledge exchange. By engaging with alumni, many of whom are in leading influential positions in business and industry, the university maintains a lifelong relationship with mutual benefits. At "Enterprise Partners", selected alumni help the university deliver start-up services to students and other alumni at relatively low cost, and help keep entrepreneurship education relevant and inspiring.

For several decades, the university has relied on alumni as guest speakers and role models in teaching entrepreneurship, with case studies on alumni written and taught by faculty and sometimes by the alumni themselves. The Strathclyde Entrepreneurship Initiative, a teaching unit providing elective courses in entrepreneurship education across all faculties, was renamed Hunter Centre for Entrepreneurship in 2000 following a GBP 5 million endowment for the unit from Sir Tom Hunter, alumnus, entrepreneur and philanthropist. The Strathclyde University Incubator offers innovative services involving alumni, including the Upstarts programme that links researchers developing technologies with commercial potential with alumni who have relevant business experience, as well as an angel investment arm (Gabriel Investments).

In 2003, Strathclyde 100 (S100) was launched, an exclusive, invitation-only network of successful alumni and friends of the university. It meets three to four times per year to listen to students, staff and alumni pitch their new business ideas and to give feedback and advice. S100 is led by the Alumni and Development Office and supported by the Technology Transfer Office and Hunter Centre staff. The management board of S100 is chaired by the principal of the university. Currently, 45 S100 members serve as voluntary Enterprise Partners to mentor other Strathclyde early-stage entrepreneurs in their own time. Being alumni of the same university creates a unique sense of trust and altruism and many S100 members have invested in, or joined the board, of ventures presented at S100.

Entrepreneurship education can also be developed through businesses or charities than can more easily involve employers. In the United Kingdom, Young Enterprise is a large business and entrepreneurship education charity developed in the United Kingdom in the 1960s, based on the American Junior Achievement programme and now present in several EU countries. It aims to equip young people to learn and succeed through enterprise. The guiding principle is learning-by-doing and developing aptitudes and attitudes that cannot be learned from a textbook or traditional curriculum.



In the United Kingdom, Young Enterprise offers a number of programmes from primary school to university (age 4-25). Every year they help about 250 000 young people to learn about business and working life under the guidance of about 5 000 volunteers from 3 500 different companies. Young Enterprise does not focus solely on building entrepreneurship skills, but also on other skills such as teamwork, practical thinking, innovative and business-like behaviour in order to support students' employability.

In the Company Programme targeted at secondary and vocational education, students set up and run a real firm for a year under the guidance of a business volunteer. The Entrepreneurship Masterclass is a half-day seminar that challenges students to think about starting their own business as a career by exposing them to the vision, experiences and achievements of real entrepreneurs; in presentations, activities and discussions around the theme of entrepreneurship students get an overview of the personal qualities needed to run a business. The Industry Masterclass gives students an insight into the workings of a particular type of business and the skills needed to build a career in it, what jobs are available and how to go about starting up a business in that sector. All the programmes include interactive workshop sessions to encourage students to think about and rehearse responses they would make to obstacles that come up and to ask questions and seek advice from the teachers and practitioners.

Sources:

OECD (2003), *Entrepreneurship and Local Economic Development: Programme and Policy Recommendations*, Local Economic and Employment Development (LEED), OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264199798-en>.

Young Enterprise, www.young-enterprise.org.uk.

Students' Institute for Technology, www.siti.de/.

Higher education is increasingly engaging in entrepreneurship education programmes (Box 7.4). Traditional approaches at this level have been to create entrepreneurship schools at universities or to integrate entrepreneurship within traditional subject teaching. It has become evident that entrepreneurship is best supported by developing implementation skills rather than solely theoretical knowledge. Universities are therefore reaching out to external assistance to fill their own competence and resource gaps, establish interdisciplinary programmes or partner with real-life businesses and facilitate the encounter of would-be entrepreneurs with experienced professionals and potential funding sources (OECD, 2008b).

Entrepreneurship training is also being developed within vocational education and training (VET). However, current entrepreneurship education in VET seems to emphasise mainly on training in the development of business plans for new enterprises (OECD/European Union, 2012). While this is important, the focus should also be on actual business creation and on ensuring that students get real-world experience in the workplace and with mature businesses in their fields. An integration of entrepreneurship education into VET programmes can be expanded at all levels, from a revision of the curricula, teacher training, to new forms of assessment and accreditation and – most importantly – more effective engagement with entrepreneurs.

Entrepreneurship skills and attitudes can also be developed outside the formal education system and in the context of career guidance and active labour market policies for young people. Governments can partner with community and business organisations to promote entrepreneurship. These programmes typically provide young people with a first-hand look at the day-to-day operation of small firms. Alternatively, entrepreneurship mentorship programmes such as the “Erasmus for Young Entrepreneurs” programme, in the European Union, or the “Young Enterprise Company”, in the United Kingdom, and “Young Achievement” programmes in Australia, help new entrepreneurs acquire the skills for running a small business through interaction with other entrepreneurs (OECD/European Union, 2012). Evidence shows that these programmes have developed entrepreneurship skills in young people and increased the chances of success of their start-ups (CSES, 2011; Athayde, 2009; Peterman and Kennedy, 2003).

A decision to become an entrepreneur can also be influenced by family tradition and social background. Whether society and potential employers consider an unsuccessful attempt to create a business as a failure, or values it can be instrumental in encouraging or deterring a young person from venturing down the entrepreneurship path. Role models of both women and men as successful entrepreneurs are often pivotal in supporting entrepreneurial intentions (Van Auken, Fry and Stephens, 2006) and are integral to developing and sustaining new start-ups (Bosma et al., 2012). Examples of entrepreneurial role models that have successfully created pathways out of economic disadvantage can be important to particular communities and individuals where entrepreneurship is under-represented. For example, young people with low educational attainment are less likely to have role models, which may discourage their attempts to develop and sustain their new businesses (Bosma et al., 2012). Some educational institutions have managed to make very effective use of their own alumni network to serve as role models and entrepreneurship mentors for students (Box 7.5).

Box 7.5 **Specific support to youth entrepreneurship: Country examples**

Countries have developed various types of targeted support to youth entrepreneurship in various areas (OECD/European Union, 2014).

Financial support

Start-up support grants typically have strong selection criteria to determine who is eligible for support. They are often awarded through a competition, where applicants are judged by their business plans. The EXIST Business Start-up Grant in Germany, for example, supports university graduates and students in developing their business ideas into business plans and advancing into products and services. To cover their living expenses, the entrepreneurs receive a grant of EUR 800 – 2 500 per month for a maximum of 12 months. In addition, they may receive materials and equipment grants (worth EUR 10 000 for solo starts and EUR 17 000 for team starts), funding for coaching (EUR 5 000) and, if necessary, child benefit of EUR 100 per month and per child. The university can also offer them access to infrastructure.

There are relatively few micro-finance schemes that target youth specifically, but one example is “The Plan for Self-Employment” in Belgium that provides low-interest loans for young people under the age of 30. The French government in partnership with regional Directorates for Youth, Sports and Social Cohesion has also set up a micro-finance scheme, *DEFi jeunes* for young people aged 18-30. Financed through a combination of national funding and private sector sponsors, the programme selects young people through regional and national competitions and supports them with up to EUR 6 000 for a period of two years.

Private and public entrepreneurship centres

For many years, the city of Shawinigan (Québec, Canada) was an industrial town built around its large electric power facility and heavy industry. The city was strongly affected, however, by structural changes in the global economy with many employers shutting down their operations. The city is now pursuing an approach that seeks to develop a community of entrepreneurs and small business operations as a sustainable economic base. In collaboration with the school commission, Shawinigan opened the Entrepreneurship Centre in 2013. The Entrepreneurship Centre offers skills development programmes along with other support measures that will allow for the growth of a critical mass of entrepreneurs. Future entrepreneurs will be supported over a five-year period: the first 18 months will be focused on training and start-up; the second 18 months will be dedicated to management and operations within space provided in the centre; the final two years will be given to consolidating the operations of the new enterprise and its relocation into the community. A textile factory will rent commercial and office space at market rates to established businesses as a way to generate revenue for the centre (OECD, 2014e).

Impact Hubs in the United Kingdom have similar aims and strategies, except that they are based on private, rather than government, initiative. They are physical spaces for co-operation and co-creation where young people can rent an office or room for a low fee to develop their business ideas into start-up companies. The first Impact Hub opened in central London in early 2005. Today, Global Impact Hubs are a rapidly expanding network of currently over 7 000 members in 54 locations around the world. Impact Hubs consist of three distinct elements. First, it is a community of entrepreneurial people who share an underlying intention to bring about positive change and act as peers to cross-fertilise and develop their ventures. Second, it can act as a source of inspiration and learning through events, innovation labs, learning spaces, incubation, programmes and facilitated conversations. Third, an Impact Hub is a physical space that offers a flexible infrastructure to work, meet and learn.

Many universities have incubators for their students and graduates. An example of linking students into existing facilities is the Technology Centre and Business Incubator in the city of Brandenburg in Germany, currently housing 45 companies and organisations, where business start-ups can make use of a “start-up package” that includes services such as tax consulting, advertising, banking services and office equipment. Students of the nearby Brandenburg University of Applied Sciences are assisted with access through the Studenten im TGZ (Students in TGZ) programme, which exempts them from paying rent in the incubator for 6-12 months. The students are selected through a business plan competition.



Integrated approach

The programme *IkStartSmart* (“I Start Smart”) in the Netherlands is an integrated support programme for people in the province of Gelderland who wish to start a business or develop an existing business that is less than five years old. Businesses in this province have lower than average survival rates and there are few policy instruments that aim to support new start-ups. The programme aims to increase business creation in Gelderland and to support young businesses in their development.

The *IkStartSmart* initiative uses an eight-step scheme to train and support new business owners. First, potential participants attend information meetings that screen their interest and suitability for the support. Following this, participants take a test to identify their strengths and weaknesses and the results are discussed with a business advisor from the Chamber of Commerce. In this meeting the advisor designs a personal training plan. Coaches are then assigned and their role is defined in collaboration with the participant. The aim of the coach is to support personal development. The business advice stage provides access to more specialised business support and relies on experts to provide more technical support than the coaches. This is complemented with training according to the personal plan and networking workshops. The final stage supports access to microcredit, which are offered by partner organisations. Participants pay a fee of EUR 250 for this support.

An evaluation shows that the *IkStartSmart* programme achieved all of its stated objectives (OECD, 2014d) even though the programme has wide eligibility criteria, namely all those individuals who have had their own company for a maximum of five years, regardless of gender, age or background. A significant proportion of entrepreneurs were women and immigrants.

Sources:

OECD/European Union (2014), *The Missing Entrepreneurs 2014: Policies for Inclusive Entrepreneurship in Europe*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264213593-en>.

OECD/European Union (2012), *Policy Brief on Youth Entrepreneurship: Entrepreneurial Activities in Europe*, Publications Office of the European Union, Luxembourg.

OECD (2014e), *Employment and Skills Strategies in Canada*, OECD Reviews on Local Job Creation, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264209374-en>.

The effectiveness of entrepreneurship education

Available research on school programmes suggests that students’ interest increased after they were introduced to entrepreneurship (ILO, 2006; Lepoutre et al., 2010). Furthermore, surveys show that participants in entrepreneurship education are at least 20% more likely than other groups to engage in entrepreneurship in the early part of their careers, though the study does not specify whether the participants and non-participants shared the same characteristics or whether the engagement with entrepreneurship was driven by the same factors (such as motivation and interest or a parent entrepreneur) as participation in the education programme in the first place (Danish Foundation for Entrepreneurship, 2010).

There are also some contrasting results, however: students who participated in the Dutch Association *Jong Ondernemen* (part of the Junior Achievement programme) were more likely to form negative intentions towards entrepreneurship and have lower self-assessed enterprise skills (Oosterbeek, van Praag and Ijsselstein, 2010), which may simply highlight that entrepreneurship is not for everybody and that some students realised this during the programme (OECD/European Union, 2012).

At university level, there is evidence that some programmes are effective and could usefully be adopted more broadly. For example, French and UK engineering and science university students who had taken part in enterprise education had increased entrepreneurial intentions (Souitaris, Zerbinati and Al-Laham, 2007), while for one programme in the United States, entrepreneurship students were three times more likely to start a business than business students and their start-ups had more sales and employees compared to a matched sample of non-entrepreneurship business graduates from the same school (Charney and Libecap, 2000). Key elements of that programme included its adaptability and incorporation into mainstream education, new venture classes, links with the local business community, and consulting projects for undergraduate and graduate students.

Barriers to creating enterprises

Entrepreneurs face various challenges, due to the small size of their business, imperfections in labour, product and financial markets, and the higher (real or perceived) risks of this type of employment. Young people typically have even greater difficulties starting and growing their own businesses since they lack experience, networks and a history of successful ventures to attract funding. They need integrated support beyond entrepreneurship education to get their businesses off the ground and running.

Start-up support

Cost-effective entrepreneurship support for young people is selective. Several of the most successful programmes measured in terms of business growth and survival have operated strong selection criteria, which ensure that support goes to those young people with the most promising projects and human capital resources (OECD/European Union, 2012).

In addition, some groups of young people could benefit from specific support to entrepreneurship. The promotion of business creation by young people who face multiple disadvantages and are under-represented in entrepreneurship and self-employment is seen as a way for governments to address problems of social exclusion (OECD/European Commission, 2013). Such groups include ethnic minorities, those living in deprived areas, those from low-income families and those with low education levels.

The long-term unemployed (including unemployed youth) might be willing to become self-employed as an alternative to unemployment. However, their abilities to operate successful businesses and to access funding can decline as skills erode and scarring effects appear with time spent in unemployment. There is also evidence that businesses created by the unemployed generate fewer jobs than those established by the employed (OECD, 2003). A good policy example that addresses this challenge is the UK programme “Outset” which fosters entrepreneurship among the long-term unemployed. It includes a strong filter because it acknowledges that not all individuals have the risk-prone behaviour or skills to be successful entrepreneurs. After filtering, offering support and follow-ups, this programme has been relatively successful in activating the long-term unemployed (including under-25 year-olds) and providing them with a sustainable source of income.

Migrants are found to have a higher entrepreneurial spirit, even after controlling for individual observed characteristics (OECD, 2010c). At the same time, they might have greater difficulties navigating the legal and financial landscapes of the host country, and may need targeted assistance that might differ somewhat from assistance offered to the native youth (OECD, 2010c and 2013b). To effectively reach these marginalised groups, efforts should be made to target entrepreneurship support and training to their needs, and make such support and training both visible and accessible.

Framework conditions and specific funding programmes

The lack of initial capital and difficulty in obtaining finance from private lenders is often identified as the most significant barrier to business start-up for entrepreneurs, especially for youth (European Commission, 2009). Bankers and other lenders or investors might not have sufficient trust in the capabilities of young people to succeed in building and running their businesses if they lack proof of credit history, past business performance and collateral (OECD, 2001 and 2003). Young entrepreneurs from disadvantaged backgrounds, in particular, often find it difficult to borrow from banks, as they can offer neither collateral nor a track record of successful repayments. In response, governments have developed various finance programmes designed to support young entrepreneurs.

One commonly used tool is to provide grants to young entrepreneurs to develop their business ideas into business plans. Another option is to provide micro-financing which requires the young entrepreneurs to repay the loan at a lower than market value interest rate or to deliver micro-financing through financial institutions by offering loan guarantees. In these schemes, the government assumes some risk on behalf of the financial institution by covering a significant portion of defaulted loans (Box 7.5).

In addition, many countries have also been proactive in stimulating equity financing (Canada, Chile, Denmark, Finland, France, Italy, the Netherlands, New Zealand, Sweden and the United Kingdom). A growing number of countries, the Netherlands, New Zealand, the United Kingdom for example, have measures in place to support angel and venture capital investment, including through the creation of public-private co-investment funds to leverage private investment (OECD, 2011b).



Policies aimed at improving framework conditions have also been common. France has introduced the legal status of the auto-entrepreneur in 2009, a form of self-employment benefiting from a favourable tax regime. Special pro tempore fiscal measures for new firms (e.g. tax exemptions and tax deferrals) have been tested in France, Italy, New Zealand and Sweden (OECD, 2012). These reforms are not specifically targeted at youth, but like regulations governing the registration process of new businesses, for instance, concern all entrepreneurs alike.

There is limited evidence on the impact of financial support programmes and results are often mixed (OECD/European Union, 2012). Moreover, difficulties in gaining access to finance do not necessarily constitute evidence of market failure but can constitute rather a healthy market mechanism ensuring the birth of more viable enterprises. Three lessons nevertheless seem to emerge from the evaluation evidence of financial measures to support youth entrepreneurship. First, using selection criteria to identify participants who are most likely to succeed will increase success in terms of business start-up, growth and survival rates, although addressing the barriers of the most disadvantaged youth is a harder challenge that may call for different benchmarks. Second, support needs to be limited in time to avoid the risk of assisting unsustainable projects. Third, financing programmes work better when they are complemented by other start-up support measures, including advice, coaching and mentoring; integrated approaches are effective because financial and non-financial support reinforce each other (OECD, 2003, Walsh et al., 2001; Meager, Bates and Cowling, 2003).

Social security systems

Social security systems can exert a negative influence on entrepreneurship because relative to employees, self-employed people may pay more for the same benefits (e.g. paying for both the employer's and employee's contributions), receive fewer benefits for the same costs (e.g. lower pension benefits) or be ineligible for certain benefits (e.g. unemployment insurance). Individual entrepreneurs might have difficulty working with complex systems which the employer would normally deal with. Becoming an entrepreneur might entail losing existing benefits or facing requirements to contribute to the system for longer before being eligible for benefits (OECD/European Commission, 2013).

There are several ways to improve the design of social security systems to support young entrepreneurs. Welfare bridges allow claimants to continue receiving benefits in some form while they are establishing their own businesses. This eases the financial transition from welfare to self-employment and in some cases allows them to have a certain amount of start-up capital. Cuts in social contribution and taxes can ease the financial strain of starting a new business. However, they need to include carry-over provision or cash refund mechanisms to benefit young entrepreneurs who lose money in the early stage. Regulatory impact analyses should be undertaken when making amendments to social security systems, and they should include the impacts on entrepreneurship in general, and inclusive entrepreneurship in particular (OECD/European Commission, 2013).

Networks, shared labs and workshops

A common problem facing new entrepreneurs is a situation of isolation in the start-up phase (OECD/European Union, 2012). Business networks are important for young entrepreneurs because they provide opportunities to make contacts and represent interests (Chigunta, 2002; OECD, 2001, OECD/European Commission, 2013). Another tool that has frequently shown success is the business incubator. In addition to start-up financing, business incubators provide a physical work location where start-up entrepreneurs group together and, in most cases, supply complementary support, including coaching, mentoring, legal advice and access to an experienced network of experts. Some of the most successful public and private entrepreneurship centres (Box 7.5) are designed on such a model where the shared space of collaboration and co-creation plays an essential role. Finally, many young entrepreneurs state that they need more managerial skills and help to run a business and develop it beyond the initial start-up phase. However, continued assistance beyond the first year of operation is rare (OECD, 2001) or not well-targeted at their needs. Some countries or regions have managed, though, to extend their entrepreneurship services to include support for the first few years beyond business creation (Box 7.5).

KEY POINTS FOR POLICY

Not making full use of young people skills can be a waste of investment in education and a missed opportunity for individuals, employers and the society to reap the returns on the investment necessary to build these skills. Several policies can help to make better use of youth skills.

Limit skills mismatch and make better use of skills

- Remove barriers to geographical mobility to allow for local matching of jobs and skills. Housing policies and infrastructure policies can be designed in a more efficient way to remove some of the barriers to geographical mobility.
- Take stock of the spread of non-compete clauses and of their impact. Governments and employer and employee organisations can work together to assess the spread of clauses that restrict the use of skills of employees after resigning or after their contract is terminated.
- Develop national and international qualification frameworks to facilitate recruitment processes and ensure that young people enter jobs that match their skills.
- Develop formal recognition of skills acquired through non-formal and informal learning to better signal skills to employers. These systems can help migrants signal their skills and reduce the prevalence of over-qualification and over-skilling among them.
- Promote more effective work organisation and human resource management strategies.
- Develop high-quality systems and tools for assessing and anticipating skills needs.

Remove barriers to entrepreneurship

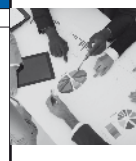
- Integrate high-quality entrepreneurship education more prominently at all levels of education, and in partnership with successful entrepreneurs. To ensure quality, these programmes need to be assessed carefully.
- Make sure that framework conditions are conducive to the creation of dynamic firms. Sound framework labour and product-market conditions, high-quality tertiary education programmes and infrastructure, as well as business-friendly environments can attract venture capital and facilitate start-up creation.
- Carefully design support to entrepreneurship needs and limit measures in time. They can target two groups: those who are selected for having the most promising projects, and those who face extra barriers.
- Encourage the development of various forms of public and private co-operation in the form of networks or shared facilities. Strengthen co-operation between universities and employers.

Note

1. Articles have been published on cases in the United States in the *New York Times* (www.nytimes.com/2014/06/09/business/noncompete-clauses-increasingly-pop-up-in-array-of-jobs.html?_r=1; http://www.nytimes.com/2014/10/15/upshot/when-the-guy-making-your-sandwich-has-a-noncompete-clause.html?_r=0); and in Denmark in *Politiken* (www.euractiv.com/sections/social-europe-jobs/clauses-danish-student-contracts-inhibit-future-employment-301388).

References

- Athayde, R. (2009), "Measuring enterprise potential in young people", *Entrepreneurship Theory and Practice*, Vol. 33, pp. 481–500.
- Becker, G. (1964), *Human Capital: A Theoretical and Empirical Analysis, with Special Reference to Education*, University of Chicago Press, Chicago.
- Bishara, N., K. Martin, and R. Thomas (2015), "An empirical analysis of CEO noncompetition clauses and other restrictive post-employment covenants", *Vanderbilt Law Review*, Vol. 68, No. 1.
- Bonfanti, S. and T. Xenogiani (2014), "Migrants' skills: Use, mismatch and labour market outcomes – A first exploration of the International Survey of Adult Skills (PIAAC)", in OECD and European Union, *Matching Economic Migration with Labour Market Needs*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264216501-11-en>.



- Bosma, N.** et al. (2012), "Entrepreneurship and role models", *Journal of Economic Psychology*, Vol. 33/2, pp. 410-424.
- Caers, R.** and **V. Castelyns** (2011), "LinkedIn and Facebook in Belgium: The Influences and Biases of Social Network Sites in Recruitment and Selection Procedures", <http://ssc.sagepub.com/content/29/4/437.full.pdf+html>.
- Caldera Sánchez, A.** and **D. Andrews** (2011), "Residential mobility and public policy in OECD countries", *OECD Journal: Economic Studies*, Vol. 2011/1, http://dx.doi.org/10.1787/eco_studies-2011-5kg0vswqt240.
- Charney, A.** and **G.D. Libecap** (2000), "The impact of entrepreneurship education: An evaluation of the Berger Entrepreneurship Program at the University of Arizona 1985–1999", paper submitted to the Kauffman Centre for Entrepreneurial Leadership.
- Chigunta, F.** (2002), *Youth Entrepreneurship: Meeting the Key Policy Challenges*, Oxford University, Oxford.
- Cox, A., C. Rickard** and **P. Tamkin** (2012), "Work organisation and innovation", European Foundation for the Improvement of Living and Working Conditions.
- CSES** (2011), "Interim evaluation of the 'Erasmus for Young Entrepreneurs' pilot project/preparatory action", Centre for Strategy and Evaluation Services.
- Danish Foundation for Entrepreneurship** (2010), "Impact of entrepreneurship education in Denmark", http://archive.ja-ye.org/Download/impact_of_entrepreneurship_education_in_dk.pdf (accessed 8 August 2014).
- Eurofound** (2013), "Working conditions of young entrants to the labour market", European Foundation for the Improvement of Living and Working Conditions.
- European Commission** (2009), "Entrepreneurship in the EU and beyond – A survey in the EU, EFTA countries, Croatia, Turkey, the US, Japan, South Korea and China", *Flash Eurobarometer*, No. 283.
- European Commission** (2005), "Mini-companies in secondary education", Best Procedure Project: Final Report of the Expert Group.
- Froy, F., S. Giguère** and **M. Meghnagi** (2012), "Skills for Competitiveness: A Synthesis Report", *OECD Local Economic and Employment Development (LEED) Working Papers*, 2012/09, OECD Publishing, Paris, <http://dx.doi.org/10.1787/5k98xwskmvr6-en>.
- Garrison, M. J.** and **J. T. Wendt** (2008), "The Evolving Law of Employee Noncompete Agreements: Recent Trends and an Alternative Policy Approach", *Ethics and Business Law Faculty Publications*, Paper 15, <http://ir.stthomas.edu/ocbeblpub/15>.
- ILO** (2006), "Stimulating Youth Entrepreneurship: Barriers and incentives to enterprise start-ups by young people", *Series on Youth and Entrepreneurship, SEED Working Paper No 76*, International Labour Organization.
- Ichniowski, C., G. Prennushi,** and **K. Shaw** (1997), "The effects of human resource management practices on productivity", *American Economic Review*, Vol. 86.
- Ichniowski, C.** and **K. Shaw** (2009), "Insider econometrics: empirical studies of how management matters", *National Bureau of Economic Research Working Papers*, No. 15618.
- Kuhn, P.** and **H. Mansour**, (2014), "Is Internet Job Search Still Ineffective?", *The Economic Journal*, Vol. 124.
- Lepoutre, J.**, et al. (2010), "A new approach to testing the effects of entrepreneurship education among secondary school pupils", *Vlerick Leuven Gent Working Paper Series* 2010/01.
- Manning, A.** and **B. Petrongolo** (2011), "How Local Are Labor Markets? Evidence from a Spatial Job Search Model", *IZA Discussion Papers*, No. 6178, Institute for the Study of Labor (IZA).
- Marx M.** (2011), "The Firm Strikes Back Non-compete Agreements and the Mobility of Technical Professionals", *American Sociological Review*, No. 76, Vol. 5.
- Marx, M.** and **L. Fleming** (2012), "Non-compete Agreements: Barriers to Entry...and Exit?" in *Innovation Policy and the Economy*, Vol. 12, National Bureau of Economic Research.
- Meager N., P. Bates** and **M. Cowling** (2003), "An evaluation of business start-up support for young people", *National Institute Economic Review*, No. 183, October.
- Nishii, L.H., D.P. Lepak,** and **B.Schneider** (2008), "Employee attributions of the 'why' of HR practices: Their effects on employee attitudes and behaviors, and customer satisfaction", *Personnel Psychology*, Vol. 61, No. 3.
- OECD** (2014a), *OECD Employment Outlook 2014*, OECD Publishing, Paris, http://dx.doi.org/10.1787/empl_outlook-2014-en.
- OECD** (2014b), "Labour market integration of immigrants and their children: Developing, activating and using skills", in *OECD, International Migration Outlook 2014*, OECD Publishing, Paris, http://dx.doi.org/10.1787/migr_outlook-2014-5-en.
- OECD** (2014c), « Vers une croissance plus inclusive de la métropole Aix-Marseille: Une perspective internationale », www.oecd.org/regional/regional-policy/Aix-Marseille.pdf.

- OECD (2014d), *Job Creation and Local Economic Development*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264215009-en>.
- OECD (2014e), *Employment and Skills Strategies in Canada*, OECD Reviews on Local Job Creation, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264209374-en>.
- OECD (2013a), *OECD Skills Outlook 2013: First Results from the Survey of Adult Skills*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264204256-en>.
- OECD (2013b), *Entrepreneurship at a Glance 2013*, OECD Publishing, Paris, http://dx.doi.org/10.1787/entrepreneur_aag-2013-en.
- OECD (2012), *Financing SMEs and Entrepreneurs 2012: An OECD Scoreboard*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264166769-en>.
- OECD (2011a), *OECD Employment Outlook 2011*, OECD Publishing, Paris, http://dx.doi.org/10.1787/empl_outlook-2011-en.
- OECD (2011b), *Financing High-Growth Firms: The Role of Angel Investors*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264118782-en>.
- OECD (2010a), *Learning for Jobs*, The OECD Reviews of Vocational Education and Training, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264087460-en>.
- OECD (2010b), *Innovative Workplaces: Making Better Use of the Skills within Organisations*, OECD Publishing, Paris, www.oecd-ilibrary.org/content/book/9789264095687-en.
- OECD (2010c), *Open for Business: Migrant Entrepreneurship in OECD Countries*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264095830-en>.
- OECD (2008a), *Jobs for Immigrants (Vol. 2): Labour Market Integration in Belgium, France, the Netherlands and Portugal*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264055605-en>.
- OECD (2008b), *Entrepreneurship and Higher Education*, Local Economic and Employment Development (LEED), OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264044104-en>.
- OECD (2007a), "Matching educational background and employment: A challenge for immigrants in host countries", in *International Migration Outlook 2007*, OECD Publishing, Paris, http://dx.doi.org/10.1787/migr_outlook-2007-4-en.
- OECD (2007b), *Jobs for Immigrants (Vol. 1): Labour Market Integration in Australia, Denmark, Germany and Sweden*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264033603-en>.
- OECD (2003), *Entrepreneurship and Local Economic Development: Programme and Policy Recommendations*, Local Economic and Employment Development (LEED), OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264199798-en>.
- OECD (2001), *Putting the Young in Business: Policy Challenges for Youth Entrepreneurship*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264188648-en>.
- OECD/ECLAC (2012), *Latin American Economic Outlook 2013: SME Policies for Structural Change*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/leo-2013-en>.
- OECD/European Commission (2013), *The Missing Entrepreneurs: Policies for Inclusive Entrepreneurship in Europe*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264188167-en>.
- OECD/European Union (2014), *The Missing Entrepreneurs 2014: Policies for Inclusive Entrepreneurship in Europe*, OECD Publishing, Paris, <http://dx.doi.org> (manquant sur mail).
- OECD/European Union (2012), *Policy Brief on Youth Entrepreneurship: Entrepreneurial Activities in Europe*, Publications Office of the European Union, Luxembourg.
- Oosterbeek, H., M. van Praag and A. Ijsselstein (2010), "The impact of entrepreneurship education on entrepreneurship skills and motivation", *European Economic Review*, Vol. 54, pp. 442–454.
- Peterman, N.E. and J. Kennedy (2003), "Enterprise education: Influencing students' perceptions of entrepreneurship", *Entrepreneurship Theory and Practice*, Vol. 28, pp. 129–144.
- Şahin, A., J. Song, G. Topa, and G. L. Violante (2012), "Mismatch Unemployment", *NBER Working Paper*, No. 18265.
- Skills Australia (2012), "Better use of skills, better outcomes: A research report on skills utilisation in Australia", Department of Education, Employment and Workplace Relations, Canberra.
- Society for Human Resource Management (2013), "SHRM Survey Findings: Social Networking Websites and Recruiting/Selection", <http://www.shrm.org/research/surveyfindings/articles/pages/shrm-social-networking-websites-recruiting-job-candidates.aspx>.



Souitaris, V., S. Zerbinati and A. Al-Laham (2007), "Do entrepreneurship programmes raise entrepreneurial intention of science and engineering students? The effect of learning, inspiration and resources", *Journal of Business Venturing*, Vol. 22, pp. 566–591.

Sung, J., D. Ashton and A. Raddon (2009), *Product Market Strategies and Workforce Skills*, Futureskills Scotland, The Scottish Government, Edinburgh.

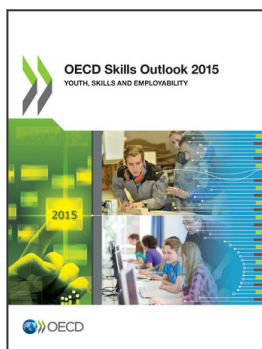
Tan, C.-M. (2012) *Search Inside yourself: The Unexpected Path to Achieving Success, Happiness (and World Peace)*, HarperCollins, New York.

Tate, R. (2012), *The 20% Doctrine: How Tinkering, Goofing Off, and Breaking the Rules at Work Drive Success in Business*, HarperCollins, New York.

Van Auken, H., F.L. Fry, and P. Stephens (2006), "The influence of role models on entrepreneurial intentions", *Journal of Developmental Entrepreneurship*, Vol. 11/2, pp. 157–167.

Walsh, K., et al. (2001), "Evaluation of the net impact of the active labour market programme in Bulgaria", Ministry of Labour and Social Policy of Bulgaria, Rotterdam.

Wharton University (2014), "Assessing employability is disrupting India's higher education model", <http://knowledge.wharton.upenn.edu/article/assessing-employability-disrupting-indias-higher-education-model/>.



From:
OECD Skills Outlook 2015
Youth, Skills and Employability

Access the complete publication at:
<https://doi.org/10.1787/9789264234178-en>

Please cite this chapter as:

OECD (2015), "Policies towards using young people's skills at work", in *OECD Skills Outlook 2015: Youth, Skills and Employability*, OECD Publishing, Paris.

DOI: <https://doi.org/10.1787/9789264234178-10-en>

This work is published under the responsibility of the Secretary-General of the OECD. The opinions expressed and arguments employed herein do not necessarily reflect the official views of OECD member countries.

This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

You can copy, download or print OECD content for your own use, and you can include excerpts from OECD publications, databases and multimedia products in your own documents, presentations, blogs, websites and teaching materials, provided that suitable acknowledgment of OECD as source and copyright owner is given. All requests for public or commercial use and translation rights should be submitted to rights@oecd.org. Requests for permission to photocopy portions of this material for public or commercial use shall be addressed directly to the Copyright Clearance Center (CCC) at info@copyright.com or the Centre français d'exploitation du droit de copie (CFC) at contact@cfcopies.com.