

CHAPTER 4

WORKFORCE DEVELOPMENT: REMEDIAL EDUCATION AND EMPLOYABILITY MEASURES

In many OECD countries, the first steps on the labour market are characterised for youth by the experience, sometimes repeated, of unemployment interspersed with spells of inactivity. Thus, it is important that young people have sufficient incentives and means to return to work. For instance, jobless youth often lack the job-search and interview skills needed for a smooth return to work and, for them, good-quality guidance and support by the public employment services play a crucial role. The provision of these services should ideally follow a *mutual-obligations* principle by which youth must actively seek work in exchange for targeted actions to help them find a job.

Section 1 of this chapter describes the financial support available for unemployed youth in Greece. Sections 2 to 4 outline active labour market programmes (ALMPs) available to youth from the Greek public employment service (OAED). Section 5 draws examples of good practice in the area of activation from other OECD countries.

1. The role of passive labour market measures for youth

A. Youth with work experience are entitled to unemployment benefits but very few qualify

Greek youth, like adults, can claim unemployment benefit based on their work experience. The first unemployment benefit claim requires at least 80 work days per year over the past two years and at least 125 work days over the previous 14 months, while the 80 days requirement is dropped for subsequent claims.⁵⁷ Benefits are paid for a minimum of 5 months and duration rises with contributory history to a maximum of 12 months. The unemployment benefit is equivalent to 55% of the minimum daily salary of

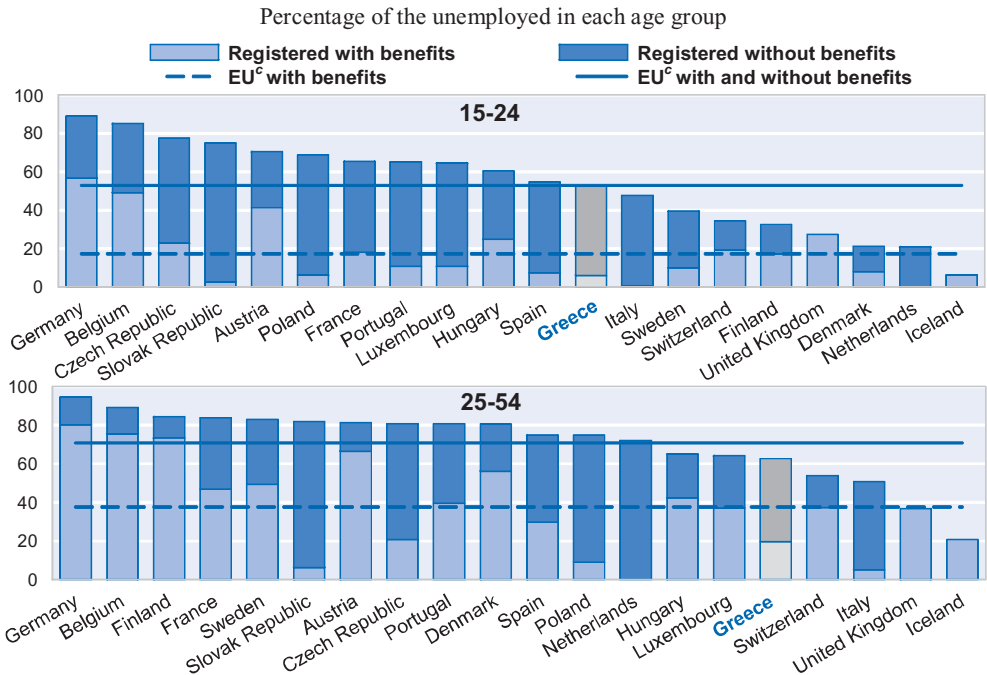
57. Slightly different requirements apply to workers in Tourism, Fisheries and Seasonal work and in the Construction sector.

an unskilled worker: in 2009, it was EUR 430.75 per month, approximately 30% of the average wage in Greece. The government has recently announced that it will gradually increase the level of the unemployment benefit to 70% of the minimum wage.

In addition, Greece is one of only a few OECD countries where unemployment benefits are available to youth without any work experience. However, only youth aged 20-29 who are registered unemployed for at least one year are eligible and the allowance is small, at just EUR 73 per month for a maximum duration of five months.

On average, in 2006 and 2007, only 6% of unemployed Greek youth received unemployment benefits compared with 20% of adults and with an average of 17% of unemployed youth in Europe (Figure 4.1).

Figure 4.1. **Registered unemployed and benefit recipients, by age,^a selected European countries, 2006/07^b**

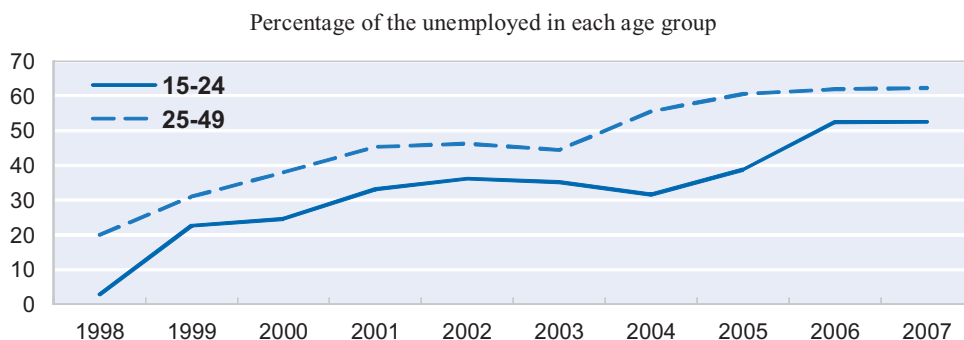


- a) Youth aged 16-24 for Iceland, Spain, Sweden and the United Kingdom; youth aged 15-24 for Greece and all other countries.
- b) Data refer to the average of 2006 and 2007 to increase sample size and ensure the results' reliability.
- c) Unweighted average of European countries shown.

Source: OECD estimates based on the European Union Labour Force Survey.

On the other hand, the total share of unemployed youth registered with OAED was comparable to the European average of 53%. The share of unemployed individuals, adult and youth, who register with OAED has increased significantly over time in Greece. Only 3% of unemployed youth and 20% of unemployed adults were registered with OAED in 1998 (Figure 4.2).

Figure 4.2. **Registered unemployed by age, Greece, 1998-2007**



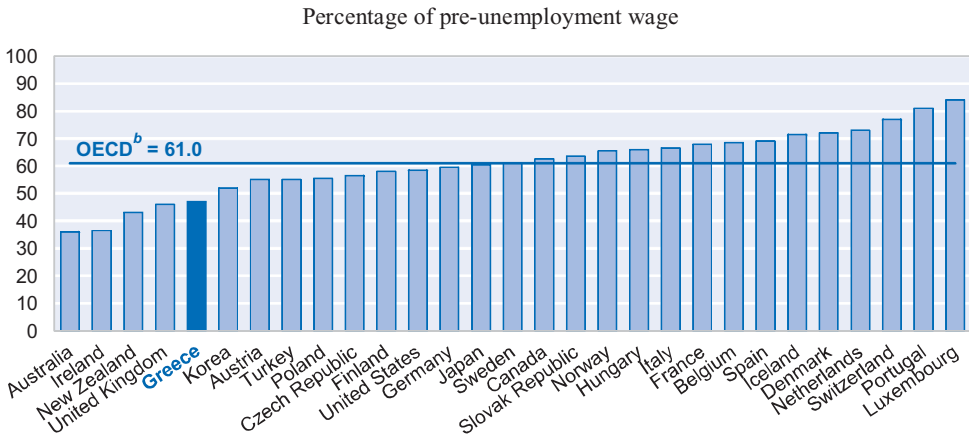
Source: OECD estimates based on the European Union Labour Force Survey.

In the context of the current economic slowdown, preventing unemployed youth from disconnecting from job search is key. As a result, relaxing unemployment benefit eligibility conditions or extending eligibility of the small allowance for unemployed youth without experience may have some desirable effects. First, it would extend financial support to a larger share of unemployed youth. Second, it would give OAED the essential instrument to mandate unemployed youth's participation in activation initiatives.

B. Benefits are not very generous but job search is not enforced

International comparisons of unemployment benefit *net* replacement rates⁵⁸ show that the Greek contribution-based unemployment benefit is among the least generous in the OECD (Figure 4.3). As far as the non-contributory unemployment benefit is concerned, while it is rare that youth without any contribution history are entitled to unemployment assistance, Greece pays out the least generous benefit equivalent to just 4% of the average wage (OECD, 2007c).

58. The net replacement rate is an indicator that compares income from work to benefit income and is adjusted for the effects of taxation.

Figure 4.3. Net unemployment benefit replacement rates, OECD countries, 2008^a

- a) These data are *net* replacement rates, *i.e.* they are adjusted for the effects of taxation. They refer to the average of net replacement rates faced by single persons without children with pre-unemployment earnings of 67% and 100% of the average wage. They relate to the initial phase of unemployment after any waiting period. No social assistance “top-ups” are assumed to be available in either the in-work or out-of-work situation. Any income taxes payable on unemployment benefits are determined in relation to annualised benefit values (*i.e.* monthly values multiplied by 12), even if the maximum benefit duration is shorter than 12 months.
- b) Data for Mexico are not available. Unweighted average of countries shown.

Source: OECD, Tax-Benefit Models, www.oecd.org/els/social/workincntives.

While Figure 4.3 provides a good measure of average unemployment benefit generosity, it does not account for how strictly job search is enforced among the unemployed. High replacement rates may not represent a deterrent to finding work if job search is compulsory and closely monitored. On the other hand, low replacement rates may still be a deterrent to actively look for work for youth living with their parents if job-search requirements are not enforced. In addition, job-search enforcement will become even more relevant when the announced unemployment benefit increase is introduced.

In most areas across Greece, offices paying unemployment benefits are separate from offices providing counseling and activation to the unemployed which makes it difficult to apply a mutual-obligations approach unless there is an electronic information exchange system which links both sets of offices. In addition, the unemployed are allowed to register and receive benefits as non jobseekers. By doing so, they can obtain an unemployment certificate from OAED that gives them priority when applying for some public sector jobs. Unemployed individuals in this group are not required to see a counselor.

In principle, some sanctions for non-complying jobseekers exist. Benefit payments can be interrupted if the unemployed is more than six days late in

collecting the payment or if the jobseeker refuses a job that matches his/her skills. However, no benefit withdrawals have been recorded since the sanctions were introduced in 1985.⁵⁹

The government is in the process of merging payment and counseling offices to create one-stop shops that both administer payments and provide re-employment services. In mid-2009, 63 Employment Promotion Centres (KPA) – about half of the existing 121 KPA – had already been converted into one-stop shops. The merger should be completed within two years but, even when this is completed, efforts will be required to change the *modus-operandi* of the current services.

Other forthcoming initiatives likely to impact on the effectiveness of OAED include the creation of an internet portal to match labour demand and supply and the participation of OAED in the implementation of an Integrated System for the Determination of Labour Market Needs.

2. The role of active labour market policies for youth

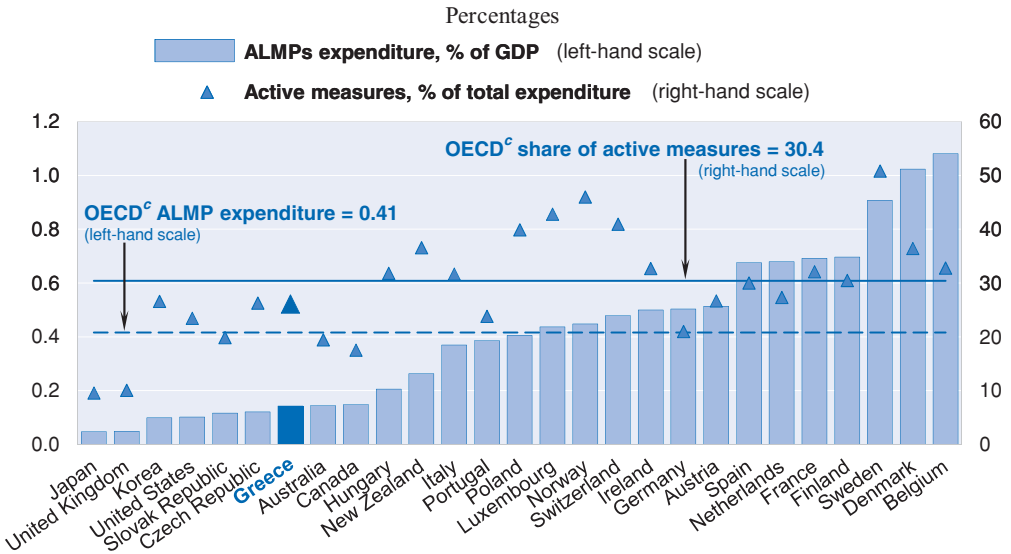
A. *Expenditure on activation measures in Greece is among the lowest in the OECD*

In 2006, Greece spent the equivalent of 0.14% of its GDP on activation measures compared with an OECD average of 0.41% (Figure 4.4).⁶⁰ In the same year, activation measures accounted for 26% of total expenditure on labour market programmes, down from 37% in 1999 (Table 4.1) and compared with an average share of 30% across the OECD.

In 2006, training accounted for 34% of total active labour market expenditure in Greece, employment subsidies accounted for another 41% and 16% was devoted to incentives to start up a business (Table 4.1).

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59. Internationally comparable data on the enforcement of unemployment benefit sanctions are difficult to find. Gray (2003) suggests that Greece may not be the only country where sanctions are very rarely applied. Although data refer to the late 1990s, the author reports an incidence of unemployment benefit sanctions – the number of sanctions issued per year divided by the average stock of beneficiaries – close to zero in four of the 14 OECD countries included in the study: Canada, Japan, New Zealand and Sweden. On the other hand, the incidence of unemployment benefit sanctions was between 10% and 14% in Australia, the Czech Republic, Finland, Norway and the United Kingdom and above 40% in Switzerland and the United States.
60. These data do not incorporate additional expenditure approved in the context of the current economic downturn. OECD (2009e) suggests that in Greece discretionary spending on ALMP in response to the current economic crisis will amount to approximately 18% of GDP on average for the period 2009-11.

Figure 4.4. **International comparisons in public spending on ALMPs,^a 2006/08^b**



ALMPs: Active labour market programmes.

- a) Active measures refer to Categories 2-7 of the *OECD/Eurostat Labour Market Programmes database*.
- b) Data for Greece refer to 2006; for New Zealand to 2006/07; for Australia, Canada, the United Kingdom and the United States to 2007/08; and for all other countries they refer to 2007.
- c) Weighted average of countries shown.

Source: *OECD/Eurostat Labour Market Programmes database*. For further country notes, see OECD (2009e), *OECD Employment Outlook: Tackling the Jobs Crisis*, Statistical Annex, Table J.

Table 4.1. **Labour market programmes expenditure,^a Greece, 1999 and 2006**

Euros

Category	Expenditure voice	1999	2006
1	PES and administration	6	56
2	Training (including apprenticeship)	168	103
3	Job rotation and job sharing	0	0
4	Employment incentives	112	124
5	Supported employment and rehabilitation	0	26
6	Direct job creation	0	2
7	Start-up incentives	23	48
8	Out-of-work income maintenance and support	503	803
9	Early retirement	0	0
2-7	Active measures	303	303
	<i>Share of total expenditure</i>	<i>37</i>	<i>26</i>
8-9	Passive measures	503	803
	<i>Share of total expenditure</i>	<i>62</i>	<i>69</i>

- a) Labour market programmes are classified using the official categories provided by Eurostat.

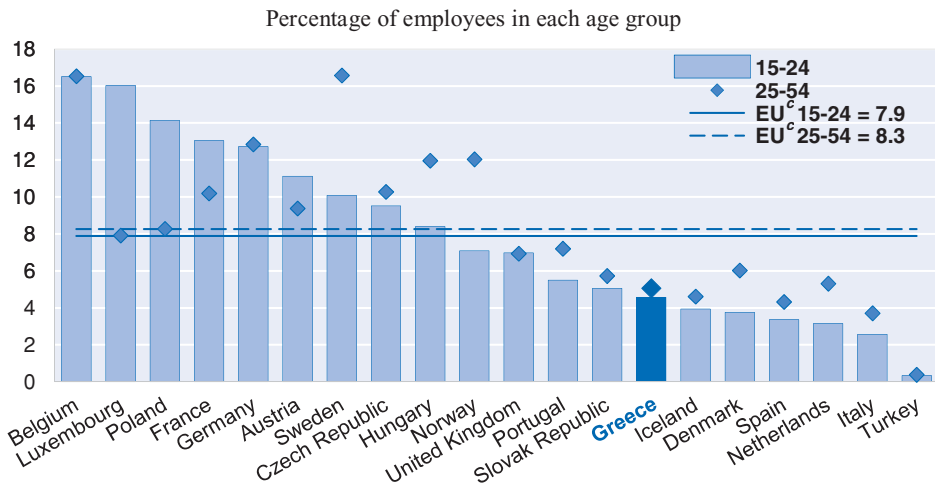
Source: *OECD/Eurostat Labour Market Programmes database*.

Unfortunately, Greek data do not allow singling out programmes for youth. As a result, it is not possible to judge how much of the activation expenditure was destined to youth.

B. Few youth find work through the public employment service

In 2006 and 2007 on average, only about 5% of employed Greek youth and adults found their current job through OAED (Figure 4.5). For youth, this compares with over 10% in seven European countries and a European average of nearly 8%. The involvement of OAED in finding work is not higher for youth looking for their first job after graduation. Karamessini (2008) finds that, in the late 1990s, only 3.7% of university graduates found their first job through OAED while 38% exploited friends/family channels and 27% answered vacancy ads. Finally, there is no evidence that less qualified youth are more likely to find work through OAED. Rouseas and Vretakou (2008) exploit the Graduate Survey to compare the job-finding methods of upper secondary graduates and show that only 1.3% of TEE graduates and 0.7% of Lyceum graduates found the job they held at the time of the interview through OAED.

Figure 4.5. **Public Employment Service involvement^a in hiring by age, selected European countries, 2006/07^b**



- a) Data refer to the effective involvement of the public employment office, notably by putting the employer in contact with the employee. Training courses or any other activities that improved the skills of jobseeker, thereby allowing the person to take up the job, are excluded.
- b) Data refer to the average of 2006 and 2007 to increase sample size and ensure the results' reliability.
- c) Unweighted average of European countries shown.

Source: OECD estimates based on the European Union Labour Force Survey.

Given that 53% of unemployed youth register with OAED, this limited reliance on OAED for job search may signal limited use of the services available to potential jobseekers or their limited effectiveness.

C. OAED has set the objective that all registered unemployed youth must benefit from activation

OAED has committed to ensure that all registered 15-24-year-old jobseekers benefit from activation services. Upon registering at a KPA, youth are required to see a counselor who collects their details and records any lack of skills that may prevent them from finding work. This information is used to prepare an individual action plan which offers the young person access to the services provided by OAED including guidance, training and subsidised employment. The plan's implementation is monitored and its content revised if needed three, six and 12 months after the initial contact. However, this is mainly carried out by letter or telephone, and more rarely by means of a personal interview, unless this is requested by the unemployed.⁶¹

This move towards early activation of unemployed youth is in line with international practice (Box 4.1). However, there is increasing recognition across OECD countries that activation, similarly to benefit payments, should be governed by the mutual-obligations principle. Unfortunately, while drawing up an individual action plan is compulsory in Greece for all registered jobseekers, no sanctions are applied in the event of non-compliance with its content.

Box 4.1. Active labour market policies for youth

Over the past decade, several countries have come to realise that, for those youth who are already out of the education system – particularly youth leaving school without an upper secondary qualification – *effective* active labour market policies, as opposed to passive ones, constitute the best option. However, while there is general agreement that focusing on activation and mutual-obligations policies is the way forward (see OECD, 2006c), many of the programmes targeted to youth, especially those most at risk, have yielded disappointing outcomes. Evaluation of existing programmes to identify effective ones is thus fundamental to set guidelines for future action.

Trying to sum up what works and what does not for disadvantaged youth is an arduous task but drawing on many evaluations from different countries, successful programmes appear to share the following characteristics (see Martin and Grubb, 2001; Betcherman *et al.*, 2004; and Betcherman *et al.*, 2007):

61. This compares with 4-6 personal interviews per year to review and revise the action plan in Australia, Austria, Belgium, Denmark, Finland, Germany, Hungary, Norway, Sweden and the United Kingdom (OECD, 2007e).

- **Early action** is particularly important for young people as those without work experience are generally not entitled to unemployment benefits or other welfare transfers. A number of OECD countries already have major programmes for youths that come into play early, often before or at six months of unemployment, e.g. Australia, Belgium, Denmark, New Zealand, Norway and the United Kingdom. Sweden uses a shorter period (90 days), and youth activation in Finland, for those without a vocational qualification, starts immediately;
- Good **targeting** of the programmes is also crucial. For instance, there is a need to distinguish between teenagers and young adults and to focus on school drop-outs. Specifically, the most desirable solution to the employment problems of teenagers is to help them to remain in school and acquire educational qualifications, whereas for young adults, help to acquire work experience is more important;
- Tight **work-search requirements**, backed by the threat of moderate benefit sanctions where applicable, tend to encourage early exit from unemployment to a job, as much for youths as for adults;
- In terms of content, **job-search assistance** programmes are often found to be the most cost-effective for youth, providing positive returns to both earnings and employment;
- Because disadvantaged youth often suffer from poor attitudes towards work, **mentoring** – the provision of an on-going contact with an adult over an extended period of time – can help improve the effectiveness of youth interventions;
- Programmes that integrate and combine services and offer a **comprehensive “package”** seem to be more successful;
- **Greater involvement of the social partners**, as well as the public authorities at all levels, can help enhance the effectiveness of programmes; and
- **Residential programmes** may yield positive returns for the most disadvantaged youth. Job Corps in the United States is a well-known example of such programmes. It consists in taking disadvantaged youth out of their regular environment, giving them mentoring, work experience and remedial education.

D. Neither rigorous evaluation nor performance measurement are carried out systematically in Greece

None of the activation programmes available in Greece has been the object of a rigorous evaluation and even data on participants’ outcomes upon programme completion are rarely available.

Rigorous evaluations of existing programmes are fundamental in identifying what works and what does not and in highlighting what changes can be made to improve outcomes. They allow isolating the effect of the

programme from the outcomes that would have been achieved even without programme participation. Several techniques are available to obtain estimates of the impact of a labour market programme on participants' outcomes. The most reliable estimates are obtained through *experimental evaluations* where individuals are randomly assigned to participate in a given programme or to be part of a control/comparison group and the labour market performance of both groups is recorded for several years. However, interesting results can also be obtained using quasi-experimental evaluations where the control/comparison group is constructed ex-post but statistical techniques are used to ensure that it has the same composition as the group of participants.

In addition to rigorous evaluation, a system of performance measurement is essential to set key outcome targets for public or private service providers and to inform incentive-payment schemes. Performance measurement should monitor outcomes such as graduation/completion rates, employment rates, hourly pay and enrolment in further education at exit. It should also track these outcomes at specified intervals after programme exit, such as 6 months, 12 months, etc.

3. Activation of unemployed youth through training

A. *Enterprise training is the most popular action among youth*

In 2007, OAED launched three counseling/training actions aimed at unemployed youth aged 18-27: entrepreneurship training, vocational guidance and job-search training. Entrepreneurship training aimed at youth who want to develop their own business has proved by far the most popular with 29 000 participants (approximately 10% of unemployed youth in this age group) since it was introduced, compared with just over a thousand for each of the other two programmes. The strong interest in entrepreneurship training reflects the higher incidence of non-agricultural self-employment among employed youth in Greece compared with other EU countries. Programme participants receive 70 hours of counseling in groups of 10-15 during which they learn about the steps required to set up a business and receive support in developing a sound business plan. Since 2008, participation in entrepreneurship training has become compulsory for youth who enter a subsidised self-employment programme.

Vocational guidance counseling is provided to unemployed youth who lack defined career plans and to graduates of tertiary education with limited work perspectives, as determined both by their counselor and labour market

statistics by field of study. Participants undergo 70 hours of counseling in groups of 10-15 with the aim of acquiring vocational and educational information and of drafting an individual career path jointly with their job counselor. The implementation of the individual career path is monitored, during and after the course, by an expert job counselor.

Finally, job-search training is addressed to youth who have both a clear career path in mind and the skills needed to implement it. Training lasts 35 hours and is carried out in small groups. Participants are taught to prepare their Curriculum Vitae, to perform at interviews and to set out a job-search strategy. OAED reports that post-participation statistics collected for this action show that approximately 70% of unemployed participants found a job within a very short period of time but does not specify the reference period.

B. Sector-specific training programmes will be implemented in 2009

During the first half of 2009, a number of new training programmes targeting specific sectors and combining learning and work experience were implemented. The programmes will focus on construction, green jobs (*i.e.* sustainable development, renewable sources of energy, environmental work, etc.) and tourism. They include on-the-job training and employers commit to hiring at least 30% of the trainees. A total of EUR 230 million (0.1% of GDP) will be devoted to these programmes, for which 17 500 unemployed individuals (approximately 2% of the unemployed) are estimated to be eligible. Another training programme in basic ICT skills to be implemented in the first half of 2009 will target youth more specifically. About 30 000 unemployed youth under 25 (approximately 18% of unemployed youth in this age group) are expected to benefit from the programme and the skills they will acquire during the programme will be certified.

C. International evidence shows disappointing performance of training programmes for youth

Training programmes tend to be among the most expensive active measures and Greece is no exception across OECD countries in spending a significant share of its ALMP budget – 34% – on training. Although a breakdown of training costs by age group is not available, the recently launched programmes detailed above show that the emphasis on training does not exclude the young unemployed.

Unfortunately, no rigorous evaluation of the impact of training on participants' labour market outcomes has been conducted in Greece to date. Evaluations of public training programmes in other OECD countries suggest

very poor outcomes for out-of-school youth (Martin and Grubb, 2001; and OECD, 2005). The literature, however, provides some guidance on what policy makers can do to make training programmes more effective (Box 4.2). Although some of the features that have the potential to enhance the performance of training programmes are present in the Greek initiatives, several are missing. Notably, in Greece, training rarely allows participants to re-enter initial education at the level immediately above their training certificate. The focus on academic education, in addition to vocational training, is also missing and additional supportive services to youth – notably adult mentoring – are inexistent. In addition, outcomes are not measured making it difficult to learn about the effectiveness of different programmes and how to enhance it.

Box 4.2. Training programmes that work

Grubb (1999) reviewed the evidence on the few successful education and training programmes for disadvantaged youth in the United States and came up with five key features of a successful training programme. Effective programmes:

- Have a close link to the *local* labour market and target jobs with relatively high earnings, strong employment growth and good opportunities for advancement;
- Contain an appropriate mix of academic education, occupational skills and on-the-job training, ideally in an integrated manner;
- Provide youths with pathways to further education so that they can continue to develop their skills and competencies;
- Provide a range of supporting services, tailored to the needs of the young people and their families; and
- Monitor their results and use this information to improve the quality of the programme.

OECD (1996) and O'Higgins (1997) also stress the importance of a tightly controlled system of certification to ensure the quality and relevance of training programmes.

Only money allocated to job-search training seems to be well spent although the programme could be enhanced by improving the links with other forms of job-search assistance. Indeed, in addition to being the least costly active labour market programme, job-search assistance tends to pay off in terms of getting the unemployed back to work faster (OECD, 2005), particularly when combined with: active placement efforts; actions to raise the motivation of the unemployed; and steps to encourage and monitor their job-search behaviour.

4. Activation through subsidised employment

Over recent years, OAED has introduced a number of subsidised employment programmes to promote the re-employment of jobseekers: in 2004, it undertook to convert *unemployment* benefits into *employment* subsidies by using unemployment benefits to subsidise employers who hire unemployed individuals; in 2006 and 2008, it launched two initiatives aimed at promoting self-employment among the young through financial support; in 2009, it started a subsidised employment programme targeted on youth; and, in the same year, it launched a fully-subsidised work-experience programme. The most recent programmes are part of efforts to stimulate job creation in the context of the current major economic slowdown.

In early October 2009, the Greek government announced its intention to take a number of further actions targeted on youth. Proposals included subsidies to social security contributions for each new employee aged 30 or younger hired by an SME, provided the firm does not fire any worker to take advantage of the subsidies. The subsidies would last four years and would amount to 100% of social security contributions for the first year, 75% for the second year, 50% for the third year and 25% for the fourth year. The government also announced it planned to introduce a five-year tax exemption for small businesses owned by young people in rural and semi-rural regions. Finally, it plans to introduce work-experience programmes focused on practical learning, limited to six months and to the private sector, offered only once per beneficiary and targeted on post-secondary graduates.

A. Unemployment benefits have been converted into employment subsidies

The biggest recent change affecting the Greek benefit/activation framework consists in the conversion of unemployment benefits into employment subsidies. Through the programme, an employer who hires an unemployed person receives the person's unemployment benefit as a wage subsidy. When the programme was launched in 2004, only private sector employers were eligible for the subsidies, but eligibility was extended to the public sector in 2009 to offset very weak job creation in the private sector in the context of the current economic downturn.

For potential employers to benefit from the programme, they must not have reduced their workforce during a six-months period preceding the application date. On the other hand, the unemployed person must be entitled to unemployment benefits and must hold an approved individual action plan. In order to match demand and supply of placements, priority is given to those subsidised unemployed whose eligibility period coincides with the

employer's work requirements. Benefit recipients with the longest remaining eligibility period are selected, *ceteris paribus*.

Subsidies are paid for a maximum of 12 months, *i.e.* the maximum duration of unemployment benefit eligibility. The amount of the full-time subsidy – 25 working days per month – equals the monthly amount of unemployment benefits that has been approved for the unemployed person by OAED. As a result, it is equivalent to approximately 30% of the average wage of a Greek worker. The wage paid to the new hire must be in line with that applicable to other workers carrying out similar tasks for the same number of hours and cannot be lower than the amount of the unemployment benefit subsidy.

Because the subsidy is set as a lump-sum equivalent to the unemployment benefit amount, it covers a larger share of labour costs for low-skilled unemployed individuals. On the other hand, because the unemployed with the longest remaining period of eligibility have priority, the subsidy risks benefiting a number of newly unemployed individuals who would have found a job even if left to their own devices.⁶² The latter effect may be mitigated slightly by the fact that the incidence of long-term unemployment is extremely high in Greece affecting 50% of unemployed adults and 40% of unemployed youth.

B. Employment subsidies for young jobseekers were introduced in 2009

The largest employment subsidy programme targeted on unemployed youth is the so-called “special programme for the promotion of youth employment”. The programme, launched in 2009, targets unemployed 18-30-year olds with upper secondary qualifications and is aimed at fostering youth employment in small firms.⁶³ The government estimates that about 10 000 unemployed 18-30-year olds (approximately 3% of unemployed youth in this age group) are eligible for the programme.

Quotas apply for some sub-groups of young people: *i)* at least 60% of participants must be women; and *ii)* at least 67% must be short-term unemployed.⁶⁴ To qualify, youth must be registered unemployed, Greek or

62. A compromise between acting early and avoiding dead-weight losses would be to use profiling techniques to target the subsidies on the unemployed who are found to be most likely to become long-term unemployed.

63. Firms with at most 50 employees.

64. Short-term unemployment is defined as unemployment of a duration of less than 6 months for 18-24-year olds and of less than 12 months for 25-30-year olds.

nationals of another EU country and, if male, they must have fulfilled their military service obligations.

Employers need to show that the hiring of the unemployed young person will result in *net* job creation for their company and detailed regulations apply to ensure that this is the case. Firms without employees are allowed to hire one unemployed young person, firms with 1-9 employees are allowed to hire 2 unemployed youth and firms with 10-50 employees are allowed to increase their workforce by a maximum of 20% through the hiring of unemployed youth.

The subsidy is paid for a total of 21 months and employers are required to retain the unemployed for an additional three months. However, this subsidised employment spell does not requalify the young person for a new spell of unemployment insurance entitlement. The amount of subsidy declines through the employment period: it amounts to EUR 22 per day for the first 2 months of the programme and to EUR 18 per day for the remaining 19 months. The hiring of disadvantaged youth, long-term unemployed women and unemployed mothers with small children gives right to a higher subsidy of EUR 20 per day for the 19-month period. On average, the subsidy is equivalent to approximately 25% of the average wage of a Greek worker. The wage paid to participating youth must be equivalent to the minimum set in collective agreements.

C. A Start an Opportunity extends support to the very young

In 2009, OAED introduced the so-called “A Start an Opportunity” programme which provides non-employed youth with low/medium qualifications with support to acquire the skills and work experience needed to find employment.

The initiative is open to *non-employed* youth aged 16-25, an extended population compared with the other interventions available at OAED for which eligibility normally starts at 18 and which are generally confined to the unemployed. As a result, the programme covers youth who are inactive as well as unemployed, although no outreach activity is carried out to recruit young people who are not registered with OAED. To be eligible, youth must have completed at least compulsory education and at most upper secondary education.

The government estimates that about 40 000 16-25-year olds (approximately 21% of NEET youth in this age group) are eligible for the programme. Priority is given to youth residing outside the Attica and Thessaloniki regions – *i.e.* only up to 30% of the places created can be taken up by residents of these two regions.

A Start an Opportunity includes three actions that youth can undertake based on the needs identified by their individual action plan:

- Acquisition of work experience;
- Training in basic computer skills with certification; and
- Integrated counseling action.

The first action – *acquisition of work experience* – consists of five months of fully subsidised work experience in private and public enterprises. Youth are paid the minimum wage applicable to their sector of employment and the subsidy covers both their salary and social security contributions. However, participating youth do not acquire rights towards unemployment benefits. Young people interested in participating in this action are asked to include details of their skills and of the type of job they would like to acquire experience in while preparing their individual action plan. About 60% of the applications for “A Start an Opportunity” received in the first quarter of 2009 concerned this action.

The second action – *training in basic computer skills with certification* – consists in attending classes organised by OAED and provided through its IEKs. The action includes up to 100 hours of training, for a maximum of 6 hours per day in classes of 10 to 20 students. Participants undergo evaluation and, if successful, are issued a certificate at the end of the course. During the course, youth receive an education allowance of EUR 6 per hour of training. Participants accumulating absences for more than 10% of the total number of programme hours do not receive any remuneration and are not issued a certificate. The total cost of the programme to OAED is approximately EUR 15 per hour of training, including the education allowance and certification costs. About 30% of the applications for “A Start and Opportunity” received in the first quarter of 2009 concerned this action.

The third action – *integrated guidance programme* – involves comprehensive vocational guidance, as well as counseling on job-search techniques and entrepreneurship. The service is provided to the unemployed in small groups for a total of 60 hours, of which 30 are focused on vocational guidance. The programme average hourly cost is approximately EUR 11, including a EUR 10 allowance per participant per hour of guidance. Only 10% of the applications for “A Start and Opportunity” received in the first quarter of 2009 concerned this action.

D. Financial support and counseling are available for youth to start their own business

In 2008, OAED launched a programme providing financial support and counseling to young people who wish to implement innovative business ideas, primarily promoting the use of new technologies.⁶⁵

All unemployed 22-32-year olds, not resident in the Attica or Island regions, are eligible provided they fulfill the following requirements: *i)* they are registered unemployed and have drawn up an individual action plan; *ii)* they have attended a seminar on entrepreneurship at a KPA; and *iii)* they are Greek or EU nationals and, if male, they have fulfilled their military obligations.

After submitting an application, a committee decides on whether the business will receive funding or not based on the adequacy of the business plan, the adequacy of financial resources, and the qualifications and work experience of the applicant and their relevance to the business. The maximum amount of funding available for each new business is EUR 29 000, paid in three equal installments over 12 months and subject to periodical satisfactory auditing of the business. In addition, businesses may be able to hire subsidised employees through OAED.

The programme has proved popular so far with more applicants than new entrepreneurial initiatives funded. In the second semester of 2008, 8 000 youth applied for the programme but only 6 000 were funded – approximately 2% of unemployed 22-32-year olds – and obtained an average of EUR 18 000 financing.

Although new businesses tend to have a low survival rate, OAED reports that 75% of firms created through various OAED programmes supporting self-employment survive at least three years. In addition, about 20% of firms created through OAED support are reported to recruit employees. However, survival rates may not be the most appropriate measure of the effectiveness of subsidised self-employment schemes for the unemployed. Indeed, in the context of ALMP evaluations, the key issue is whether youth participating in subsidised self-employment schemes achieve better long-term labour market outcomes than what they would have achieved had they not participated. Unfortunately, international evidence on this effect is mixed. Meager (1996) summarised findings for five countries – Denmark, France, Germany, the United Kingdom and the United States – and concluded that the evidence presented did not allow a conclusive assessment of the overall effectiveness of such schemes. More recently,

65. This programme is separate from the entrepreneurship training mentioned above.

Meager *et al.* (2003) compared labour market outcomes of unemployed youth who participated in the Prince's Trust subsidised self-employment scheme in the United Kingdom with those of non-participating unemployed youth. They found no evidence that participation had any impact on subsequent employment or earnings outcomes. On the other hand, Baumgartner and Caliendo (2007) studied two subsidised self-employment schemes in Germany and found that the programmes raised the probability of being employed and the personal income of participants compared to a control group of non-participating unemployed individuals.

E. Young scientists get financial help to start their career

Since 2006, OAED has been providing financial support to young scientists who set up their own practice and who would not otherwise be allowed to register with OAED because they belong and pay contributions to specific professional bodies.

The programme targets doctors, dentists, veterinarians, pharmacists, lawyers, engineers and graduates of Polytechnic University Faculties⁶⁶ over the first four years after graduation or after completion of a medical specialisation course. Participants must be aged under 34 with the exceptions of medical doctors and mothers of young children for whom the age limit is extended to 40, and of those who have enrolled in post-graduate studies before turning 34 for whom the age limit is extended until completion of their post-graduate studies. In addition, youth are required to hold a certificate proving registration with OAED. Eligibility is means-tested and only youth whose practice earns them less than EUR 15 000 yearly are eligible.

Of the 6000 positions available every year – enough to cover approximately 13% of youth aged 34 or younger holding a university qualification – at least 60% have to be filled by women. Other criteria used in the selection process include: family status of the applicant with preference given to mothers of small children and date of graduation, with preference given to those who have graduated the earliest.

The amount of the grant for each new professional is set at EUR 12 000 and all businesses created through the programme are subject to periodical auditing.

66. Until 2007, TEI graduates were also allowed to participate. This is no longer the case but, contrary to scientists belonging to specific professional bodies, TEI graduates can register at OAED and benefit from other sources of financial support.

F. Significant net job creation through employment subsidies is hard to achieve but other benefits may arise

As mentioned above, in 2006, employment subsidies accounted for 41% of the total activation expenditure in Greece. Despite this significant expenditure, no rigorous evaluation of the impact of subsidies on beneficiaries' labour market outcomes has been conducted in Greece to date.

Evaluations available from programmes in place in other OECD countries show that employment subsidies have a greater impact on beneficiaries' post-subsidy employment performance than training programmes (Kluve, 2006). However, most studies focusing on firm behavior find large dead-weight and substitution effects – *i.e.* employers tend to hire individuals they would have hired even in the absence of the subsidy and/or they tend to substitute unsubsidised workers for those for whom they can benefit from the subsidy. For instance, evaluations of wage subsidies in Australia, Belgium, Ireland and the Netherlands estimate combined dead-weight and substitution effects of around 90%, although the studies also suggest that tight targeting and close monitoring could reduce this to 70-80% (Martin and Grubb, 2001; and Marx, 2005). In Greece, substitution effects are dealt with – at least in principle – through strict eligibility rules to ensure net job creation. However, dead-weight loss effects are likely to be high.

On the positive side, even in the absence of large positive effects on net job creation, wage subsidies may help unemployed individuals keep in contact with the world of work, thereby maintaining and enhancing their motivation and skills.

5. Better support to unemployed youth: drawing from the experiences of other OECD countries

The Greek activation strategy, as described in this Chapter, relies mostly on a series of training courses and subsidised employment opportunities available to youth as well as to other unemployed individuals and somehow unrelated to each other. This also applies to “A Start an Opportunity”, where youth choose one of three alternatives rather than being gradually guided towards actions that are increasingly focused on their specific needs. In addition, few options are opened to NEET youth and no outreach for this group is organised. In this context, it is important to look at other OECD countries for examples of good practices.

A. *Comprehensive programmes are needed to achieve sustainable employment outcomes for unemployed youth*

Some OECD countries have opted for a systematic approach to help unemployed youth find a job, uniting under a single programme a number of different services. These programmes have the advantage of being more comprehensive and of providing an array of services targeted to the specific needs of the client. After a few months of independent job search, the unemployed are directed to more intensive counselling, job-search training and direct placement assistance. Those who fail to find work within a pre-defined number of months are directed to more intensive actions such as training courses or subsidised employment. A personal adviser accompanies clients from the day when actions start to when they become re-employed and services are often provided by private contractors remunerated based on outcomes.

The New Deal (ND) in the United Kingdom is an example of a comprehensive programme providing the unemployed with a series of actions – from labour market services, to retraining, to placement in subsidised jobs in the public, private or non-profit sector – to help them return to work (Box 4.3). As far as youth are concerned, its precursor – the New Deal for Young People – achieved good outcomes in terms of re-employment probabilities, particularly for youth who benefited from prolonged job-search support and those who were placed in subsidised jobs in the private sector (Dorsett, 2005). However, the programme's effects were not long lasting and it was found to be too rigidly organised both in terms of the actions undertaken and the focus on specific age groups.⁶⁷ The reformed New Deal has been conceived to overcome these limitations.

67. A number of studies (Van Reenen, 2001; Blundell *et al.*, 2001; and De Giorgi, 2005) looked at the probability of re-employment for programme participants. They converged to a positive effect of the initial, job-search focused phase of the programme – called *Gateway* – on the probability of getting a job of about 5%. In addition, Woodfield *et al.* (2000) and O'Connor *et al.* (2001) showed that young people saw the relationship between the personal adviser and the jobseeker as key to the success of the programme. However, the New Deal for Young People proved less effective when a longer time period for evaluation was considered (Wilkinson, 2003).

Box 4.3. The flexible New Deal in the United Kingdom

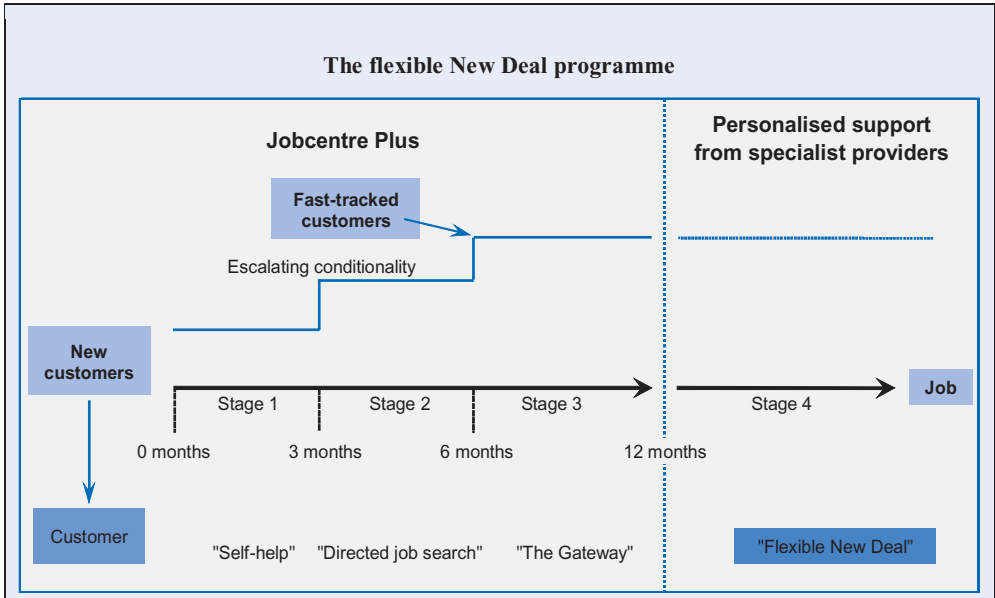
The flexible New Deal approach is built around high-quality support to all customers, flexibility of provision, strong competition among providers to secure ongoing improvements in cost effectiveness and output-based contracts. As a result, the help provided by ND to jobseekers is more focused on employment retention and progression in work.

The ND approach includes the following elements (see the figure below):

- After an initial three-month period on benefits, job-search requirements are widened, based on travel-to-work time, wage and working hours rather than by preferred employment or occupation;
- After a further three months, customers enter the Gateway stage starting with a formal review with a Personal Adviser to revisit the needs identified in the earlier Jobseeker's Agreement and to draw up a back-to-work action plan. The plan selects from a menu of activities and individuals are expected to agree to and complete a number of actions. Each of the agreed activities is *mandatory* and failure to comply results in an appropriate sanction. This Gateway stage also offers a further opportunity to refer the customer to a skills health check and, if appropriate, training;
- After 12 months customers are referred to a specialist return-to-work provider from the public, private, or voluntary sectors to benefit from the most appropriate intensive, outcome-focused service, funded on the basis of results;
- Customers still on benefits after a pre-defined period, having failed to find work through a specialist provider, are required to undertake a four-week work-focused activity to ensure that every customer gets the opportunity to refresh their work skills; and
- Throughout the whole process the offer of increased support is balanced with the responsibility on individuals to make the best use of that support or face a loss of benefit. Jobcentre Plus is responsible for applying benefit sanctions where necessary.

The programme allows fast-tracking of individuals facing particularly severe barriers to work. For instance, customers for whom a lack of skills is a barrier to work get faster access to the right training. In addition, conditionality is graduated, hence those who have a history of long-term reliance on benefits could face tougher responsibilities from the start of the claim, where appropriate.

As far as youth are concerned, 18-year olds with any history of NEET can, by agreement with their Personal Adviser, be fast-tracked to the Gateway stage of New Deal on a voluntary basis. Fast-tracking to Gateway is mandatory for 18-year olds who have already built up a six-month period of NEET. More specifically, this applies to 18-year olds who have spent 26 or more weeks in NEET immediately prior to turning 18 or who are aged 18 and have reached a combined duration of 26 weeks on JSA and NEET.



Source: Department for Work and Pensions (DWP, 2007a).

Providers are given significant flexibility in the way they deliver services but have to ensure sustainable employment outcomes. In this respect, the government has put forward plans to change the current definition of a sustainable employment outcome – a job lasting at least 13 weeks – to include only jobs lasting at least 6 months initially and 12-18 months in the longer term (DWP, 2007b). Part of providers' remuneration will be linked to these longer employment outcomes. The government is also trying to design remuneration/evaluation schemes that prevent providers from concentrating on those people that can be moved into work easily, and/or not paying proper attention to individuals who require too much support.

B. NEET youth not known to the public employment service must be engaged through ad-hoc services

Many youth in this group are unknown to the public employment service: they are either not looking for a job or, if they are, they do not register because they are not eligible for unemployment benefits. To help attract and engage these youth, several OECD countries have created ad-hoc services such as the Missions Locales in France (OECD, 2009f), Youth Transition Services in New Zealand (OECD, 2008a) and Connexions in the United Kingdom (OECD, 2008c). With offices spread throughout the country, the Missions Locales aim at attracting youth and providing them with information/counselling on education/training/employment programmes

available at the public employment service. In New Zealand, some actions are provided directly by Youth Transition Services and significant outreach is carried out. In the United Kingdom, the role played by Connexions for at-risk 16-17-year olds is similar to that played by Mission Locales in France as no services are directly provided at Connexions' offices. However, the role of Connexions has recently been strengthened by the launch of Activity Agreement pilots in eight areas. These new schemes mimic the mutual obligations approach applied to older unemployed youth by paying a small allowance to NEET youth who commit to undertake a number of re-employment/learning actions in exchange for the benefit.

C. More targeted programmes for youth with complex needs, including the inactive not in school

Even the best-performing programmes, when evaluated, often fail to help those youth at very high risk of labour market and social exclusion, notably youth who cumulate a number of problems ranging from behavioural difficulties to alcohol and drug abuse. What has emerged from evaluations of several programmes is that the neediest youth must be identified as early as possible and provided with specific attention and focused – as far as possible, *personalised* – help. This hard-core group of at-risk youth is likely to include those youth who are very difficult to mobilise and for whom ad-hoc strategies should be devised.

Among programmes targeted specifically to very disadvantaged youth, there is some experimental evidence that *residential* programmes with a strong focus on remedial learning and employment assistance may yield positive private and social returns once allowance is made for impacts on adverse social behaviours (crime, drug-taking, poor parenting), as well as labour market outcomes. An example of these programmes, the Job Corps in the United States, is presented in Box 4.4.

Box 4.4. The US Job Corps programme

For several decades, Job Corps has been a central part of the US Federal government's efforts to provide employment assistance to disadvantaged youth and help them become "more responsible, employable and productive citizens". To be eligible, youth must be 16-24, meet low-income criteria and face one or more barriers to employment such as lacking qualifications or being a runaway, a foster child, a teenage parent or a homeless youth. Job Corps services are delivered at 122 centers nationwide in the United States and serve about 60 000 new enrollees annually. Most youth participate in a campus-like residential living component – approximately 85% of students are residential – while the remaining students commute to their centers daily. Participation is entirely on a voluntary basis.

Programme components include a strong focus on academic education and vocational training to help participants attain an upper secondary qualification. Thanks to close co-operation with unions, some vocational training courses available at Job Corps are recognised as pre-apprenticeship programmes, allowing entry to apprenticeships at a higher level and salary. At the end of the programme, placement services help participants to secure sustainable employment. Other key services include health education, health care and counselling. During the programme, youth receive a stipend twice a month – increasing with seniority, up to USD 46 – and a lump sum of USD 100 every three months to purchase of technical-training clothing. Youth who complete vocation training and obtain an upper secondary qualification are eligible for USD 1 200 to help with the start-up costs of independent life.

Outreach activities, centre management, training and placement services are all run by private contractors. Contracts are allocated through a competitive tendering process and can last up to seven years after a series of renewals. All contractors are evaluated based on several criteria each carrying a different weight, with some weights modeled on the characteristics of the population in each Job Corps centre. For instance, outreach contractors are evaluated based on: the number of youth recruited; the percentage of women recruited; the share of recruited youth who remain enrolled for a minimum of 60 days; and the share of recruited youth who do not separate within 30/45 days due to a violation of Job Corps' Zero Tolerance policy against violence/drugs. On the other hand, contractors who run the centres are evaluated based on: the share of participants who acquire an upper secondary qualification; the share of participants who complete vocational training; the literary and numeracy gains of participants; the initial placement of graduates; the match between a graduate placement and the training received at Job Corps; the initial placement of non-terminees (youth who do not acquire an upper secondary qualification while on the programme); the initial graduate wage; the employment status of a graduate 6 months after exit; the graduate wage 6 months after exit; and the employment status of a graduate 12 months after exit. The achievement of these goals influences contractors' payment in the form of extra bonus payments – *i.e.* centre contractors are only allowed to bid for costs and a profit margin of 2.8% but can attain profits of up to 6% if they perform well according to the above-mentioned criteria.

Job Corps is an expensive programme given its design, costing approximately USD 22 000 per participant. As a result, it has been evaluated several times during its history, most recently *via* experimental (*i.e.* random-assignment) methods. Schochet *et al.* (2001) found rather positive effects of Job Corps on participants' employability and earnings and high social rates of return. However, a follow-up analysis based on administrative data on earnings rather than survey-based data (Schochet *et al.*, 2003) found less positive benefits for teenagers but continued to show high social returns for young adults (the 20-24 age group). The residential component of the programme appears to work better than the non-residential option.

6. Key points

Labour market programmes in Greece, either passive or active, do not apply the mutual-obligations principle. Job-search requirements on benefit recipients are rarely enforced and sanctions for non-compliance introduced in 1985 have never been applied. Similarly, participation in targeted re-employment actions is not compulsory. As a result, benefit dependency may arise for youth with work experience who are entitled to unemployment benefits, particularly those who still live with their parents. While this group is currently small, including just 6% of unemployed youth, it could increase in size if unemployment benefit eligibility conditions were relaxed in the context of the current economic slowdown or if the existing allowance for 20-29-year-old long-term unemployed youth without work experience was extended to cover more unemployed youth.

Greece spends the equivalent of 0.14% of its GDP on active labour market programmes, well below the OECD average of 0.42%. Expenditure focuses on training, subsidised employment and financial support to the unemployed wishing to become self-employed. Although expenditure data are not available by age group, programmes for youth also tend to concentrate in these three areas. Unfortunately, no rigorous evaluation of activation programmes has been carried out in Greece and even performance measurement – *i.e.* the recording of participants' outcomes upon and after completion – rarely takes place.

Among training programmes, enterprise training is the most popular option with Greek youth. On the other hand, very few youth participate in job-search training despite empirical evidence that this is one of the most effective training measures for unemployed youth. Employment subsidies have been extensively used in recent years to encourage the hiring of the unemployed. The size of the subsidy varies and ranges from 25% of the average wage for 18-30-year-old participants of the “special programme for the promotion of youth employment”, to 30% for the unemployed whose benefits are converted into employment subsidies, to full coverage of wage and non-wage labour costs for 16-25-year-old participants of “A start an Opportunity”. Finally, the Greek government runs two programmes that provide financial backing to youth wanting to become self-employed or science graduates wishing to set up their own practice. Neither rigorous evaluations nor outcome data are available for these programmes making it impossible to assess whether they work or not.

Some examples of good practices in the area of activating disadvantaged youth could be drawn from other OECD countries to inspire future Greek reforms. In the United Kingdom, through the New Deal programme, the unemployed are gradually guided towards actions that are increasingly

focused on their specific needs and NEET youth are fast-tracked into the programme. In France, New Zealand and the United Kingdom, contact with NEET youth is sought through one-stop information/counselling services. Finally, for the hard-core group of youth at high risk of labour market and social exclusion, residential programmes with a strong accent on learning and employment assistance are the only intervention that yields promising outcomes. The long-standing Job Corps in the United States is a good model for such an initiative.



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