

Transitioning from
Education to Work:
Can We Ease the (Hard)
Journey for Europe's Young?

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Executive Summary

This White Paper assesses Europe's serious challenge in terms of how best to integrate our young people into the labor market. Youth unemployment is a truly serious problem in the EU, standing twice as high as overall unemployment. Even where countries are able to reduce overall youth unemployment, regional disparities remain, and the integration of second-generation migrant youth is as important as "green card" migration.

We find that there is no trade-off between employment opportunities for older workers and those of new youth entrants to the labor market¹. Arguments for and against minimum wages are a distraction. Europe needs to generate very significant numbers of new jobs if we are truly to smooth and accelerate young people's transition into the world of work. If not, European youth will continue to find it hard to overcome their chief disadvantage: the lack of work experience. GDP growth has a significantly more powerful effect on youth unemployment than for total unemployment.

While net job creation is the single most important remedy, education and training system design can also be a strong driver of successful integration. National systems that generate low levels of educational attainment fail to provide sufficient flows of skilled personnel for knowledge-based societies. Countries that rely exclusively on higher levels of general education risk not providing sufficient high-skill jobs for their university graduates. Systems that generate high proportions of apprentices provide advantages only for those able successfully to complete an apprenticeship. Transferring successful elements between systems can improve labor market performance and deliver more successful transitions for young people.

With the end of "job for life" expectations from employers, young people must boost their own employability and acquire transferable skills as their part of the "flexicurity" bargain in Europe. At the individual level, better skills and knowledge are the best guarantee for successful transitions into work, and over an (increasingly) long working life. By contrast, unemployment in one's youth can permanently damage employability.

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The rocky road to “Lisbon 2010”

We are just three years from the target date set by the Lisbon EU Summit in 2000 to transform Europe into the most dynamic economy in the world, and remain far short of the goal to create 20 million new jobs. Europe has certainly generated new employment – around seven million at the half-way point in 2005 – yet unemployment levels remain high in many countries, including some large member states. While job creation has picked up with renewed economic activity, high levels of joblessness still undermine growth in many countries and the total EU employment rate has risen only marginally.

Youth unemployment rates across Europe are even more alarming – standing at *twice* the total unemployment rate of most industrialized countries. The critical transition from school to formal work takes too long in most countries, as large proportions of young people struggle to translate their educational learning to the practical requirements of paid productive work.

Europe has paid insufficient attention to a crucial area in real need of coordinated public and private sector intervention – the *skills gap* between education and work, between young people’s aspirations and employer’s needs, between expectations and realities. To complicate matters, employers may be assessing young people’s skills in out-dated ways, the young may not view themselves as principal actors in all of this², and generational attitudes to work differ markedly. (See appendix on generation Y)

Meanwhile the world has not stood still and Europe faces new demographic and economic challenges. Our population is not replacing itself, even with large immigration flows from outside the EU. Workforce ageing is taking place at a time of growing talent and skill shortages and ever-stronger global competition. We have significant groups of “outsiders” willing to enter the work force but encountering difficulties in doing so – for reasons of ethnicity, gender, age and disabilities – and while youth labor integration problems are not new, they are becoming more complex with the rising proportions of minorities among school leavers. Many of Europe’s young people are thus in danger of being “double outsiders” to the jobs market.

High levels of youth unemployment and chronic difficulties in finding entry level work are part of a modern phenomenon not just in Europe but also in the United States, that we can label “job shock”. Even if young people fulfill academic expectations they can still find themselves remarkably ill equipped to cope with the needs of the modern workplace. Mismatches in practical knowledge, poor communications and social skills, a lack of business acumen, often coinciding with unrealistic expectations, particularly among

² Young people need to learn to act as “free agents”, as entrepreneurs of their own career, or a “me Inc.” to deal with changing context of work. See research conducted by Lab’Ho in France. <http://www.labho.fr/>

academically educated job applicants, create tensions between recruiters and those leaving schools and colleges (see exhibit one in the appendix). Too many young people are turned off work, allowing their job prospects to stagnate further, sometimes for years, when they should have been well on the way to building fulfilling and productive careers.

Such youth transition difficulties coincide with powerful demographic change, notably rapid ageing of the European workforce, and thus serve to compound talent and skill shortages for employers in both the private and public sectors. As older people leave the workforce demand for qualified replacements will rise. If sufficiently skilled young people are not being prepared to fill the shortfall there is a continued risk of high unemployment and skill shortages growing side-by-side.³

We should also bear in mind some broad truths:

First, well performing European economies of the future (in a globally more competitive context) will need to rely not just on the “quantity” of education and training but equally or more so on the “quality” and relevance of the learning for the needs of end users i.e. employers. Any radical overall of school-to-work transitions in Europe will thus also need to include a major shift in academic attitudes to teaching practical skills that raise the employability of young people (while ensuring that foundation subjects such as mathematics, writing abilities and languages are not neglected). School children need much earlier exposure to workplaces and employment themes – several years before they leave school – and could benefit from tailored advice and guidance in that period.

Second, a sustained failure to intervene in failing school-to-work transitions will have far-reaching consequences for the individual and society. Youth unemployment imposes heavy costs, not just in terms of public finances or the opportunity costs of wasted abilities. Unemployment early in life can permanently impair a person’s job prospects, and create negative attitudes and patterns of behavior that may persist far into later life. Clearly, in our increasingly knowledge-based societies in Europe, skill mismatches upon entry into the labor market, long periods of unemployment or inactivity, and significant personal de-motivation are all a costly waste of human resources that we can ill afford.

Third, we can be influenced by distorted perceptions. Concern is sometimes expressed that young and older workers might effectively compete for the same jobs. Our statistical analysis of employment rates across Europe shows that countries that are most successful in getting young people into jobs also have high employment rates for mature workers, and particularly for women.

³ See for example the Adecco Institute White Paper Waking up to Europe’s Demographic Challenge: The Demographic Fitness Survey published in October 2006 and updated with additional data in March 2007.

Successful macro-employment policy thus complements employment across age groups and both genders, and avoids trade-offs. Good policy and healthy growth are the most effective antidotes to all forms of unemployment.

This White Paper looks at the reality of persistently high joblessness among young people in much of Europe and highlights the continued policy gaps (there is no specific Lisbon 2010 target for youth integration into labor markets, for example) as well as causalities from and correlations with other factors. Economic growth, for example, can have a hugely positive impact on young people's work prospects. We compare school-to-work transition paths across Europe, highlighting key areas of models that have been relatively most successful and, equally, drawing attention to what (literally) does not work. We aim to contribute to a road map both for future policies at European level⁴ and well-directed locally targeted initiatives, since Europe's young are Europe's only future.

Youth unemployment in Europe: the (highly varied) reality

High joblessness among young people in Europe is not a new trend but is still shocking. Unemployment among European youth is nearly *double* the industrialized world's overall rate of joblessness. While the rapid acceleration of unemployment in the 1990s has faded away, jobless rates among ages 15-24 remains high at nearly 18% for the EU-27 as a whole (versus under 8% for total unemployment).

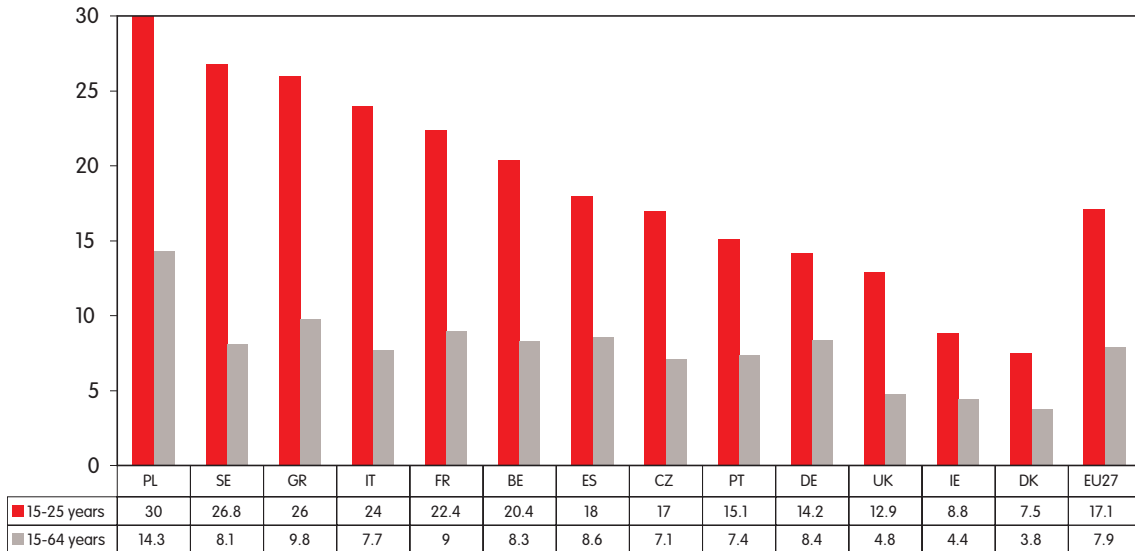
This overall picture hides **huge differences in EU member state youth jobless rates**, which range from 20% to 30% in countries such as Poland, Italy, Greece and France, down to just 7% to 9% in Denmark and Ireland. In most countries, youth jobless rates are more than double those of total unemployment and in some countries three times.⁵

Preconceptions are not helpful. While Poland performs worst overall in Europe, both for youth and general unemployment, the neighbouring Czech Republic (a fellow recent entrant to the EU) has lower youth jobless rates than either France or Sweden. Meanwhile, Sweden exhibits an extreme discrepancy between overall unemployment of 8.1% (in line with the European average) and one of the worst youth unemployment rates in Europe – higher than all the southern European economies.

⁴ European debate on youth transition to work has lagged behind individual member state initiatives for twenty years. Discussions have focused on three policy-making areas: minimum wages, EU education and training 2010 work programme, and the European Youth Pact (2005) which aims to improve education, training, mobility, employment and social inclusion of young people. Many countries explicitly refer to the pact and some have integrated measures in line with its aims, yet it is too early, and the policy statements too broad to evaluate whether there is any significant impact – particularly in a context of some successful individual country efforts.

⁵ An International Labor Organization (ILO) study (Brewer, 2005) notes that while Germany appears to have a relatively low ratio, which is often interpreted as an indicator for the success of the German system, this may be the result of statistical definition. German apprentices are counted as "employed", unlike young people in school-based training in other European countries. When this statistical effect is eliminated, youth unemployment in Germany is comparable to that in other European countries.

Unemployment and youth unemployment in Europe (2005)



Source: Eurostat Structural Indicators; team analysis.

Moreover, there are **significant regional differences**, with 27 regions in the EU25 reporting under 10% youth unemployment in 2005. This is still high, of course, but is at a much more tolerable level for society to absorb. Yet almost three quarters of Europe’s high performing regions are in just four countries: the whole of Denmark, Netherlands (10 regions), UK (5), and Austria (4). The others are in Ireland (2 regions), Germany (2), Czech Republic (1), Italy (1) and Slovakia (1).

At the other extreme, 11 regions suffer youth unemployment of 40% or more in Poland (4), France (3, all Overseas Departments), Italy (2), Greece (1) and Slovakia (1). Practically every second young person is unemployed in Calabria (46%) and Sicily (45%) in Italy, and in Poludniowo-Zachodni (43%) in Poland. In other economically weak regions, e.g. in eastern Germany and French regions around Calais and Languedoc, every fourth young person is jobless. The UK also has weak regions, despite average youth unemployment that is much lower than almost all its European neighbours. The highest rates for youth joblessness are in the biggest English and Scottish cities: Birmingham (21%), London (20%) and Glasgow (17%).

Overall, two-thirds of EU25 regions have youth joblessness that is twice as high as for the workforce as a whole. Only two regions (Mecklenburg-Vorpommern and Chemnitz in Germany) have youth unemployment below or equal to the full unemployment rate, but neither region is remotely “best practice” given total unemployment of over 20%. Both these regions of the former East Germany and others (such as in Poland) have suffered the impact of massive youth migration from eastern to western parts of Europe.

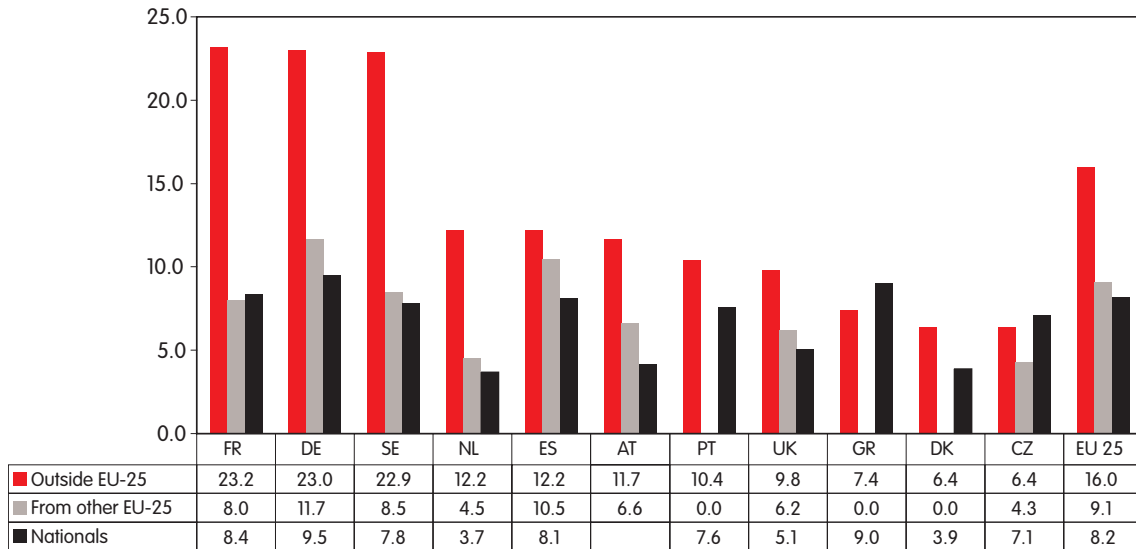
There are also **gender disparities** in youth employment rates. These exhibit broadly the same discrepancies between the sexes as do overall employment figures. In the EU-25, male youth employment averages around 40% (bad enough), but for women it is 33%. Overall employment rates are 70% for all men and 57% for all women, with variations by country. Denmark, the UK and Sweden have very balanced youth employment rates for the sexes (whatever the absolute rate, it is shared quite equally by gender – indeed Danish young women are slightly more employed than men). Two of these three countries also have the best overall employment rates in Europe, and the highest rates of female participation. Gender balance is not true anywhere else. Germany is next best, with a 10% lower employment rate for young women than men. Greece and Italy are the worst for female youth employment, which is just 60% of the (already low) rate for men.

The UK and Denmark, both high performers in gender terms, have increased their overall employment rates in the last few years partly through increased part-time and fixed-term jobs. Moreover, in these two countries and in Ireland, we see that high employment rates for young people are entirely in line with high employment rates for older employees. There is thus no evidence of an employment “trade off” between age extremes in the labor force. Nor, indeed, is there any uniform picture in Europe of how high employment among older workers might be connected with high youth unemployment.

Youth unemployment rates do see some **impact from migration**, though not so much in the sense of local youngsters “losing out” to new arrivals.⁶ Rather, the major issue in many countries is with integrating migrants from outside the EU-25 into the labor market, and joblessness among migrants is often significantly higher than overall figures. For the EU-25 as a whole, migrants from outside the union face unemployment rates that are twice as high (16%) as for nationals (8%) and nearly double those for EU nationals working in other member states (9%). French, German and Swedish immigrant jobless rates are very high in absolute terms and as compared to national workers, as well as significantly above the EU average. For our purposes here, we are concerned not just with the high migrant youth jobless rates but also with high unemployment among young second-generation immigrants in Europe.

⁶ There may be some indications of displacement in the UK following the massive influx of Polish and other workers since 2004, yet the absolute effect is always quite small compared to net new job creation and may be distorted in the press.

Unemployment rates by citizenship, 2006 (% of labour force aged 15-64)



Source: Eurostat Structural Indicators; team analysis (country selection by data availability)

Successful integration of young people from migrant backgrounds into labor markets is important for reasons of social equity, the avoidance of discrimination, and not least for opening up additional talent pools for employers.⁷ Youth from different ethnic backgrounds already can face the daunting prospect of being “double outsiders” to the job market. Labour market projections show that in many EU countries the proportion of second generation migrants in the labour force will increase continuously for the next few decades, and thus this issue will become increasingly relevant.⁸

School to work transitions tend to be harder for second generation migrants than for peers whose parents were born in the country, leading to higher unemployment, lower returns on the investment in their education and lower paid work for those who find jobs. In Sweden, for example, the unemployment rate of second generation women whose parents were born outside Europe is 21%, compared to under 9% for women in the general population. For males, the rates are 18% and 7% respectively.⁹ In Germany, second generation migrants do structurally assimilate yet compared to natives of similar age and comparable education level, they still have a lower probability of a white-collar job.

⁷ When top professional services firms in the United States and Europe finally began seriously to recruit women in the 1960s and 1970s, they practically doubled their potential talent pool.

⁸ Few data sources allow accurate identification of second generations, so there are relatively few studies on their integration into European labor markets. Germany, Denmark, Sweden and The Netherlands are at the fore. In the ‘new’ Southern immigration countries the average age of second-generation migrants is still very low compared to the countries that recruited so called ‘guest workers’ in the past.

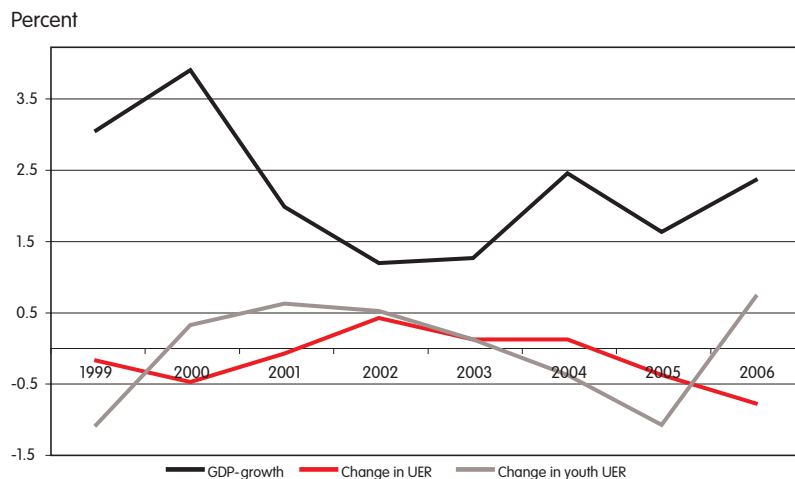
⁹ Rooth and Ekberg (2003). *Unemployment and earnings for second generation immigrants in Sweden. Ethnic background and parent composition.* Journal of Population Economics (16): 787-786.

While relatively low educational attainment (the chief factor), language barriers, culture and attitude differences and disadvantaged socio-economic backgrounds all hamper a young person's job prospects, they can also contribute to negative recruitment responses and job discrimination whatever the underlying talent, capabilities, energy and work ethic of the applicant. Such obstacles need to be tackled robustly, along with policies to facilitate integration through pre-school, schooling, apprenticeship and targeted agency interventions, plus innovative policies to assist first and second generation migrants in establishing their own businesses. Yet whatever the policy environment, the single most important driver of successful youth job transitions is simply economic growth and large-scale net job creation in Europe: "jobs, jobs, jobs", as the Kok Report recommendations are popularly paraphrased.¹⁰

Impact of economic growth on youth labor markets

Youth labor markets are significantly more volatile than those for mature workers, and depend more on good economic conditions for job creation. There is a clear correlation in Europe between GDP trends and youth unemployment rates: when economic growth slows, young joblessness increases and vice versa. The same is not always true of the overall unemployment rate.

GDP-growth and changes in (youth) unemployment, EU-25 (1999-2006)



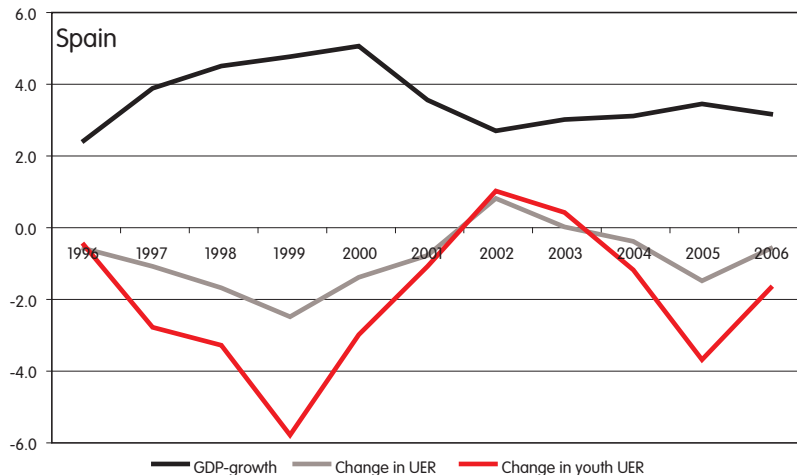
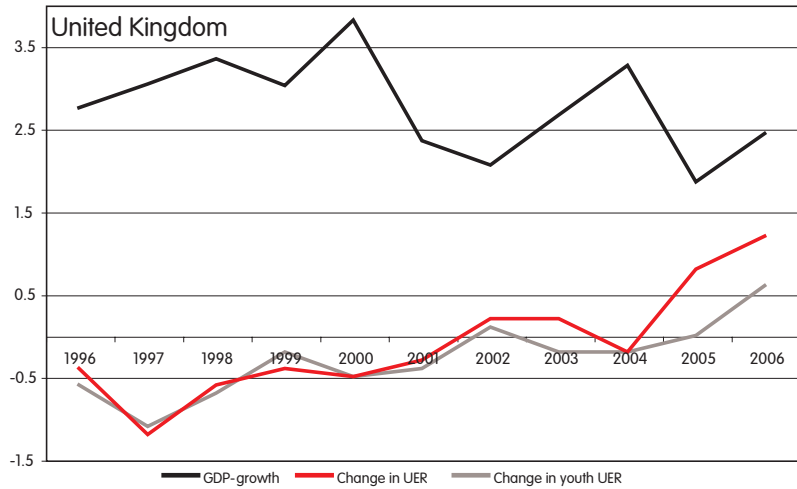
Source: Eurostat Structural Indicators; team analysis

¹⁰ High level group led by Wim Kok, Facing the Challenge: *The Lisbon Strategy for Growth and Employment* (2004).

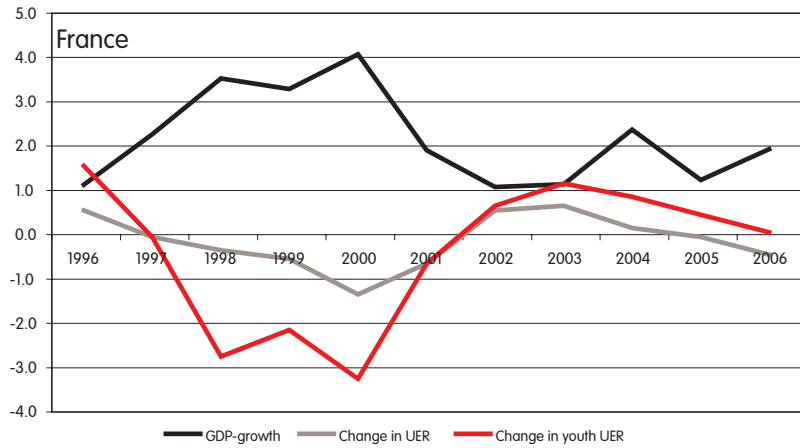
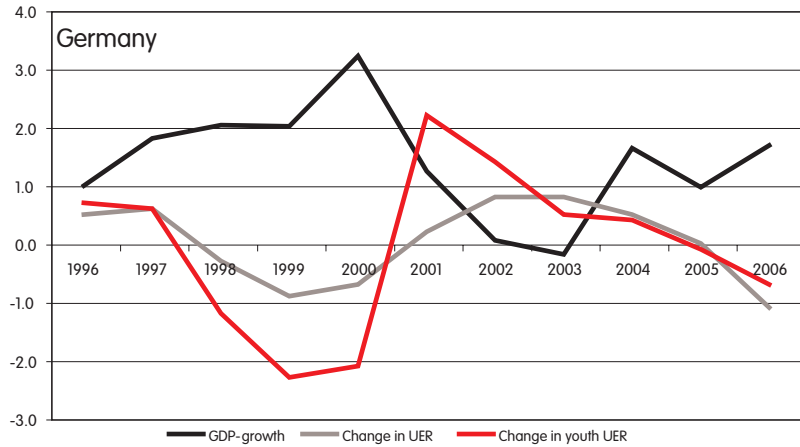
In 2001, for example, the rate of general unemployment in the EU-25 fell as growth slowed and as youth unemployment increased – reflecting firms’ traditional response to recession of freezing entry level recruitment before addressing the (thornier) issue of redundancies in the older workforce. In 2003, the convergence of unemployment rates suggests that employers changed approach, re-launching entry level jobs while cutting existing ones.

It is instructive to look at the relevant growth rates in EU countries with quite different employment systems over a 10 year period. In the UK case, there is a striking lack of variation between overall and youth unemployment rates (the curves diverge significantly only in 2005 and 2006). The Spanish and French cases show overall higher volatility for youth labor markets, and Germany presents a mixed picture. Youth unemployment thus seems typically more sensitive than overall unemployment to changes in GDP growth rates, even though multiple other factors will impact on this e.g. policy changes.

GDP growth and changes in (youth) unemployment, 1997-2006



Transitioning from Education to Work



Source: Eurostat Structural Indicators; team analysis

The strength of the correlation between GDP growth and changes in youth and general unemployment varies greatly by country. In all cases, economic growth does translate into falling unemployment, but the EU-25 average coefficient of youth unemployment change is nearly double that of overall joblessness. So for every 1% rise or fall in GDP, young people's job prospects are twice as affected as those of the workforce as a whole.

Correlation of (youth) unemployment rates with GDP growth (1997-2006)

	EU 25	France	Germany	Spain	United Kingdom
	Change in GDP				
Change in unemployment rate	-0.474	-0.057	-0.456	-0.582	-0.255
Change in youth unemployment	-0.781	-0.297	-0.666	-0.571	-0.262

Source: Eurostat Structural Indicators; team analysis

Correlations vary significantly both between and within countries – indicating that it is not just market forces but also institutions/policies that impact on youth transition.

While **minimum wage legislation**, enacted in 20 out of 27 EU member states¹¹, is often seen as affecting youth employment positively or negatively (depending on the political perspective of the observer), the true economic effect of minimum wages is unclear. Serious research on the subject produces results pointing in both directions. Clearly, the effects are influenced by numerous variables (e.g. the relative level of this wage, the way the labor market is structured, trade union strength).

In any case, the important point for successful youth transitions to employment in Europe is not so much the level of the entry wages received, as the real acquisition of skills and experience by young people that will facilitate this first, and future, work transitions.

Transition paths in Europe. What really works?

Education and training systems have a significant impact on youth labor markets in Europe, and these systems differ substantially. They give young people access to qualifications that vary in terms of their market value and their effectiveness in making a smooth transition into work. We can classify the European national systems into three broad patterns of school-to-work transition.¹²

Classification of countries by school-to-work transition¹³

General qualifications	Extensive vocational training systems	Lower level of educational attainment
United Kingdom, Ireland, France, Belgium	Austria, Denmark, Germany, Netherlands, Switzerland, Finland	Italy, Spain, Portugal, Germany

The **general qualification system** typically has fewer over-16s progressing through schools. In the UK after completing their compulsory secondary education to age 16, pupils can do further studies in preparation for higher education, or can take a vocational course – often at secondary schools.

In the **extensive vocational training system**, fewer children opt out of education after compulsory schooling. Many choose training leading to vocational qualifications. In Germany, relatively few complete their vocational training in school; instead, around 75% are trained in companies while attending vocational schools on day-release, the ‘dual’ system of vocational education. Those who stay in school can choose from a range of higher education institutions after attaining the Higher Secondary Certificate (Abitur). The two systems – vocational and academic - are run separately. Switching to higher education from apprenticeship is thus quite rare.

¹¹ Belgium, Bulgaria, Czech Republic, Estonia, Greece, Spain, France, Ireland, Latvia, Lithuania, Luxemb. Hungary, Malta, Netherlands, Poland, Portugal, Romania, Slovenia, Slovakia, and United Kingdom.

¹² Many European countries have vocational training programmes as part of their systems, though these vary in multiple ways: type of vocational specialisations; number of occupations covered; level of entry qualifications; balance of school-based training against other training provision; extent and nature of work experience during training; and (crucially too) the real degree of employer involvement.

¹³ Gangl, Müller, et al. (2003). *Explaining cross-national differences in school-to-work transitions. Transitions from education to work in Europe: the integration of youth into EU labour markets.*

¹⁴ Not including are higher secondary schools (Gymnasien).

The **lower level education attainment systems** are often found in southern European countries, where vocational training is sparse and where, typically, there is large scale youth unemployment. But while Italy and Greece have been slow to instigate effective youth employment policies, Spain and Portugal have invested heavily in developing their secondary and higher education systems, forging new links with employing companies that are increasingly communicating their needs to the schools and colleges.

Using labour market data we can track and compare the kind of training, education and employment mix experienced by the school leavers across countries in their first five years after departure. We can classify their labor market status as: education (university, college and full time training), apprenticeship, employment, and "other" (this includes those in the military, civil service or in domestic work).

Characteristics of transition paths by country

		UK	Ireland	France	Belgium	Italy	Spain	Portugal	Greece	Denmark	Germany
Average months in...	Education	5	17	6	13	11	12	11	5	22	7
	apprenticeship	1	3	0	2	2	1	0	0	6	16
	employment	39	33	37	34	15	21	29	23	24	25
	unemployment	8	5	8	9	25	19	9	18	4	4
	inactivity	8	2	9	3	7	7	11	13	4	7
Integration indicator		68	61	68	64	30	42	55	47	38	48
Volatility indicator		64	77	61	61	43	52	53	44	72	73
N		346	221	622	143	562	383	181	259	99	273

Source: Brzinsky-Fay (2007, forthcoming). Reading example: In Belgium, school leavers spend 13 out of 60 months in education, 2 months in apprenticeship, 34 in employment etc.

The UK and France are very similar in that for the first 5 years after leaving school the average duration in employment is around 40 months. School leavers thus spend nearly two thirds of this early formative period at work. Unemployment spells are moderate.

Similarities can also be drawn between Italy and Spain, where school leavers spend around one third of this period in unemployment. In Denmark and Germany, school leavers are more engaged in education and apprenticeship than elsewhere, although the balance of education and apprenticeship is radically different. In Denmark over a third of the 5-year period is in education. In Germany, a quarter of the time is in apprenticeship.

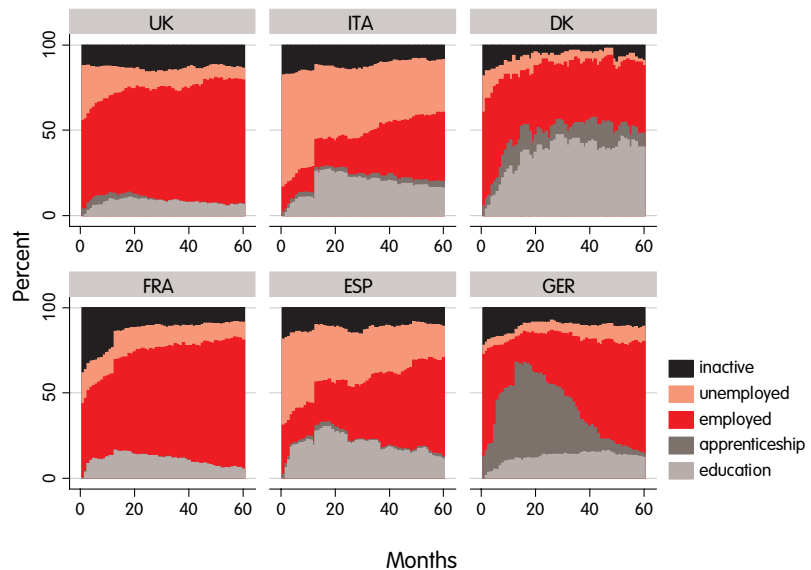
We can assess the integrative capability and volatility of national transition schemes, measuring the relationship between 'good' transitions (education -> apprenticeship -> employment) and 'bad' transitions (...-> unemployment or ...-> inactivity). Both indicators have values from 0 to 100, with higher numbers indicating good performance.

Transitioning from Education to Work

The UK and France have the best integrative capability, with Italy and Denmark the lowest. While the values for Denmark and Germany are close to those of southern Europe, there is a crucial difference. This indicator only measures integration into employment and disregards any other status. In Italy and Spain, unemployment is the common alternative to work, whereas in Germany and Denmark many young people move into employment from apprenticeships and education. There is a world of difference between these outcomes.

We see this more clearly with the “volatility indicator”. Denmark and Germany perform better than the United Kingdom and France, with Italy and Spain again scoring low. The difference between the three pairs becomes clear in the monthly share of labour market statuses. The UK and France both feature a high and rising role for employment, as compared to much more unemployment in Italy and Spain. Even if this falls with time, it remains relatively high. In Denmark, education plays an important role in the first five years, whereas apprenticeship dominates in the German system.

Integration paths in six European countries



Source: Brzinsky-Fay (2007, forthcoming)

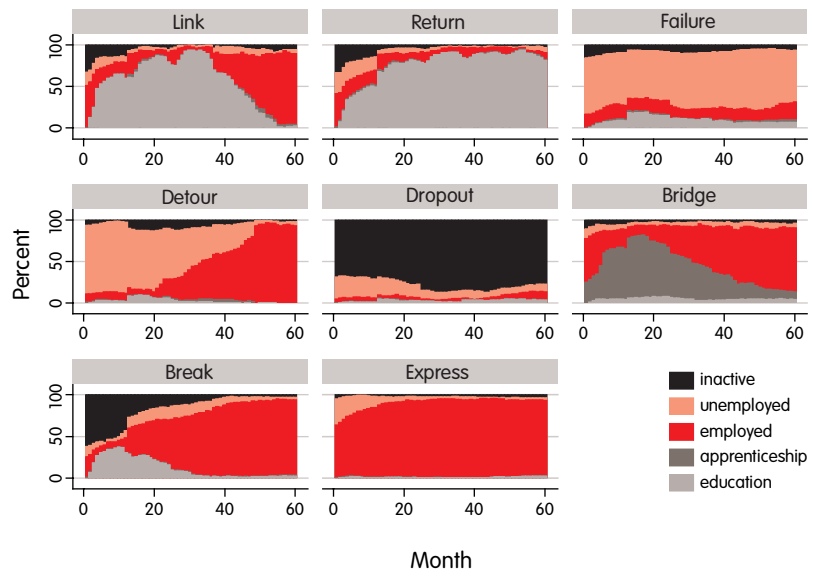
The graphs do not show the quality of employment or the quality of “in-work” training for those young people who move into employment after leaving school. Big emphasis on apprenticeships in Germany, and partly in Denmark, suggests that both economies may provide their young people with a better technical grounding than elsewhere in Europe. Although the UK has a relatively strong youth employment record, we cannot conclude from these statistics that those in work have access to the kind of training they will need to remain part of the technical/highly educated future workforce

the EU needs. Southern European countries in particular must improve their education/training mix if they are to elevate their respective economies and rescue young people from the unemployment trap.

Beyond systemic differences, moreover, we must look at the various types of individual transition. We identify eight major types:

- **Link.** Education is concentrated at the beginning and employment at the end. In nearly all cases, further or higher education results in employment.
- **Return.** Most school leavers are employed early on and some are unemployed. The share of education then rises sharply and remains very high over the entire five years.
- **Failure.** Unemployment evenly spread across the five-year period.
- **Detours.** Early unemployment/job searching ends as people eventually find work.
- **Dropout.** Sporadic work initially, and then individuals abandon the labour market.
- **Bridge.** Apprenticeship leading to employment.
- **Break.** Spells in short term work, education, inactivity finally lead to long term work.
- **Express.** This school-to-work transition delivers jobs soon after leaving school.

Types of transition paths in Europe



Source: Brzinsky-Fay (2007, forthcoming)

Transitioning from Education to Work

In countries with dominant general qualifications education and training systems (UK and France), the “express” transition is the most common way for young people to enter the labour market. In France, the “break” transition also plays a big role. For the lower level educational attainment systems in southern Europe (i.e. Italy and Spain) the “failure” transition is the most characteristic path for youngsters. And with the extensive vocational training systems, “return” transitions (as in Denmark) or “bridge” transitions (Germany) are important.

While all transition paths heavily reflect national institutional frameworks, educational systems, training policies, recruitment and working practices, and employment law, we can identify the two institutional configurations that most successfully integrate young European people into their local labour markets:

1) Systems with predominant general education (UK, Ireland, France, and Belgium) provide a high proportion of express transitions. Young people are more quickly integrated into the “real” labour market and learning-on-the-job is the preferred way of career advancement. While the quality of first jobs is relatively low, upward mobility is higher and applies to both medium as well as high-skilled jobs. However, this system does not automatically result in healthy youth labor markets. While the UK has low youth unemployment, France has both a high rate of youth joblessness and a high ratio of ‘break’ transitions and thus risky paths for individuals. The main problem with general education systems and their rapid transition paths is the high risk of failure when macro-economic conditions change, and individuals must bear most of this burden themselves.

2) Systems with extensive vocational training (Germany, Denmark) mainly provide (qualifying) bridges and return transitions. In Germany, the well-established dual system delivers a soft transition but only to those who gain a training place – this is compounded by the growing ‘apprenticeship gap’¹⁵. Those who fail to find an apprenticeship suffer long-term disadvantages in their careers. Moreover, further qualification is time-consuming because the dual system and German higher education system are incompatible. So while the quality of the first job in German is higher, upward mobility can be modest. On the plus side, this system can provide more secure transitions to work for young people because the risks are partly borne by the companies that invest in their trainees, and the qualifications obtained are of a high quality.

¹⁵ German companies are increasingly reluctant to employ trainees, and so the less qualified persistently fail to find an apprenticeship training position. This problem is even more serious in the service sector.

Nevertheless, while it is possible to benchmark successful aspects of these two school-to-work transition systems and to avoid those facets of each that work less well, even the best possible “menu selection” (assuming it could be implemented in a reasonable time frame) would not have the same impact on successful youth transitions as economic growth and the creation of net new jobs. Without (many) more jobs, all transition strategies will have shortcomings. The Danish and UK formulas – see boxes – harness the best aspects of their education to work transition systems, but also adopt a “stick and carrot” approach and, in any case, are implemented within the context of two of the most successful and fairest (by background, gender, age) job creation machines in Europe.

Conclusions and recommendations

Our analysis confirms that Europe remains disparate in the measures and policies that its member states have adopted to shape their respective labor markets. This is understandable. The EU is the sum of its parts and must accommodate economies that do not all share the same strengths, that often have significant regional variations and that have differing political complexions.

From the evidence discussed here, one of the most worrying features of persistently high joblessness across much of the EU is the prevalence of chronic levels of youth unemployment that need to be addressed as a matter of urgency.

In the information age the most significant asset of a vibrant knowledge economy is its human capital. Failure to invest in this capital when a large percentage of Europe’s population will leave the labor market through retirement in the next 20 years, and when the workforce as a whole is rapidly ageing, may have severe consequences for the future.

Not only must Europe learn to deal with this new demographic challenge, it is facing new competition from China and India whose economies are building their own knowledge bases. India and China together produce some 4 million graduates a year, many of them graduating in technology subjects. While we know that a large percentage of these graduates are leaving with relatively low skills, the sheer scale of university output and China and India’s own efforts to improve graduate quality mean that global knowledge competition will be intense and is here to stay.

The EU must grow against a background of enlargement that has brought with it new challenges in migration and employee mobility. In building its future skills base, the EU can draw inspiration from the strengths that have emerged individually among its member states. While the UK and Denmark, as has been noted elsewhere in this paper, have enjoyed success in their systems for alleviating youth employment, it does not mean that their economies are

trouble free. The UK in particular is aware of its need to reduce the productivity gap with some European neighbours – e.g. France and Germany. And every European economy must improve its productivity if it is to match that of the US.

Concentrating on employment rates alone will not ensure that Europe is equipped with the kind of skills it needs for an economic future that must be founded on high value-added industry augmented by professional and technological services. Europe can thus draw lessons from the strength of the German apprenticeship system; it can build on the high skill levels prevalent in France, Spain and the Scandinavian countries. It needs to take what is best in these countries and showcase it to the rest.

For this reason, we avoid making recommendations on higher age limits for compulsory education – an option gaining favour in the UK, for example. It is more important that quality education, training and development are delivered to young people in whatever circumstances they find themselves. To achieve this, there will need to be a variety of intermediate organisations, both public and private, often working in partnership with existing educational institutions – schools, colleges and universities – and with much earlier access to school children. There is no compelling reason why school leavers often first encounter employers after they leave school, rather than three years before they leave when such interactions can influence their choices and aspirations. Schools also need to fill the enterprise gap before work by introducing entrepreneurship studies that cover business fundamentals and start-ups in the curriculum.

Lessons can and should be drawn for Europe from the recent Review of Skills undertaken for the UK government by Lord Leitch. Although the review is focused on the needs of the UK, its central message, stressing the need to build world class skills holds true for the rest of Europe. Leitch has set a benchmark for UK learning and the acquisition of functional literacy, numeracy and world class skills that can be adopted into many European education and training systems.

It is imperative, however, if skills training is to be successfully integrated in to schools, that that the schools and universities begin to look at skills acquisition in a new light. Too often the learning of practical skills is viewed as the “fall back” option, the thing to do if you cannot achieve success in academic disciplines.

This is because practical skills learning is often pursued at very basic levels, since teachers themselves cannot be expected to possess a range of specialist skills. Schools need to adopt a “high skills” approach that will require a greater number of partnerships with specialist providers. Other options are sector academies and “branded learning”, such as the specific engineering and skills apprenticeship training provided for manufacturers such as

Volkswagen and Audi. An important part of the Leitch agenda calls for greater involvement of skills providers and businesses in the education and training sector to ensure that skills provision is demand-led.

A recent meeting of the EU's Education, Youth and Culture Council underlined some of the points stressed in this paper. Beyond an agreement to promote better information sharing of good practice between states, it outlined four areas of action to stimulate greater "creativity, innovation and entrepreneurship" among young people. These include more attention to the transition from school and vocational training into employment, local and regional strategies to implement the European Pact for Youth, and more attention to the needs of young people in programs discussed under the Lisbon strategy.

This new sense of collective enlightenment is a welcome development. It demonstrates an understanding that blanket remedies are not necessarily the answer, and that part of the issue involves addressing youth attitudes, particularly those that lead to disengagement from the workforce. It also demonstrates a more flexible attitude to employment policy emerging from the EU, and one more in line with service-led information-focused economies. Human capital success is measured by results, not in hours spent working or in the employer-worker relationship. Flexible working systems – home-working, job-sharing, temporary work and project work are symptomatic of a fast-changing society. They are leading more and more people, particularly those – often women – trying to balance their employment and domestic responsibilities.

Europe needs to look at the whole area of training and skills through a framework coordinated perhaps by a joint EU Skills Commission, involving employers and policy makers working in partnership. Without a coherent and coordinated approach, building on best practices from across the region, Europe's youth may face an increasingly harsh future. Whichever path Europe or individual member states take, a successful transition from school to work will be more vital for young people than ever before.

Box 1 – Denmark: Youth Unemployment Program

1993 the Danish economy was in recession, with youth unemployment at 14% and concentrated among those with few practical skills. A special Youth Unemployment Program was launched in April 1996, and growth in jobs for young people began to outstrip that in general employment and youth unemployment is now 7.5% – one of the lowest rates in the EU.

The special Program obliges young people (often lower skilled) who have been unemployed for some time to do 18 months further training. There are strong incentives, such as the threat of benefits withdrawal and active monitoring by the public employment service that helps young people with action plans for learning skills and finding work. A similar Finnish program, running from the end of the 1990s, has also led to measurable increases in youth employability. In 1999, Denmark enhanced the program and today, after a 6 month phase of unemployment, everyone under 25 has the right and the obligation to be activated under the plan.

Evaluation has showed that the short-term effect was a growth in motivation, and the longer-term effect is also positive (since we can see that the program has contributed to a sustainable reintegration of young people into employment).

Denmark is not just a leader in overall employment creation; it is also well above the Lisbon 2010 targets with 80% of males and 73% of females in work. When you add in the relative success in youth employment Denmark looks even more like a role model for Europe (60% of both males and females are employed, which is 20 percentage points above Sweden with its own high overall employment rate). Similarly, labor market outcomes for non-EU nationals in Denmark have been relatively good.

So just as with the broader “flexicurity” debate in Europe today, Denmark is a remarkable role model for the EU on youth unemployment as well as with respect to gender and the overall workforce - this is perhaps not something that is generally realized within Denmark itself.

Box 2 – United Kingdom: The New Deal

The UK's "New Deal for Young Unemployed People" is part of a series of policies intended to improve the earnings prospects for the long term unemployed in various groups including single parents, disabled people and those over 50 – as well as young people who have been claiming benefits.

Youths who have claimed the "Jobseeker's Allowance" for six months are assigned a personal advisor who counsels them and provides general guidance. As in the Danish system, they jointly prepare an action plan for finding work. If the young person remains unemployed after four months he or she is offered four options of work experience or training:

- A job that includes at least one day a week in formal training for an accredited qualification. Training and employment is subsidized for six months through grants, and the young people receive a wage from their employer.
- A job for six months in the Government's Environment Task Force that includes a similar package of training towards a qualification. Participants are paid an allowance.
- A job for six months with an employer in the voluntary sector, again including a training/qualification package and an allowance.
- An opportunity for those with no qualifications to take up full-time education for up to twelve months on an approved course leading to a qualification.

Failure to choose any of these options can lead to a suspension of benefit. If young people lose their jobs again after the program they can re-enter the New Deal.

As with the Danish system, the UK has adopted a "stick and carrot" strategy, and is making headway into some of the more persistent areas of long term and youth unemployment. But such policies alone are insufficient to build an adaptable and highly skilled workforce.

Appendix

“Generation Y” (born 1979→) Have many attributes yet may lack some key skills for modern workplace

<p>Young people:</p> <ul style="list-style-type: none">• Learn quickly• Love technology• Have high self-esteem <p>• Are pro-education</p> <ul style="list-style-type: none">• ... goal-oriented• ... socially conscious• ... highly tolerant <p>But may also have...</p> <ul style="list-style-type: none">• Short-term loyalty• A need for supervision• A desire for all “now”	<p>They may lack:</p> <ul style="list-style-type: none">• Writing abilities• Communications• Team work• Interpersonal skills• Office manners / hours• Business acumen <p>This can mean ...</p> <ul style="list-style-type: none">• Some early hiccups• Hard to lead them• Mismatched expectations
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Source: Marius Leibold, Sven Voelpel, *Managing the Aging Workforce: Challenges and Solutions* (2007); Ken Dychtwald, Tamara Erickson, Robert Morison, *Workforce Crisis: How to Beat the Coming Shortage of Skills and Talent* (2006, HBS)