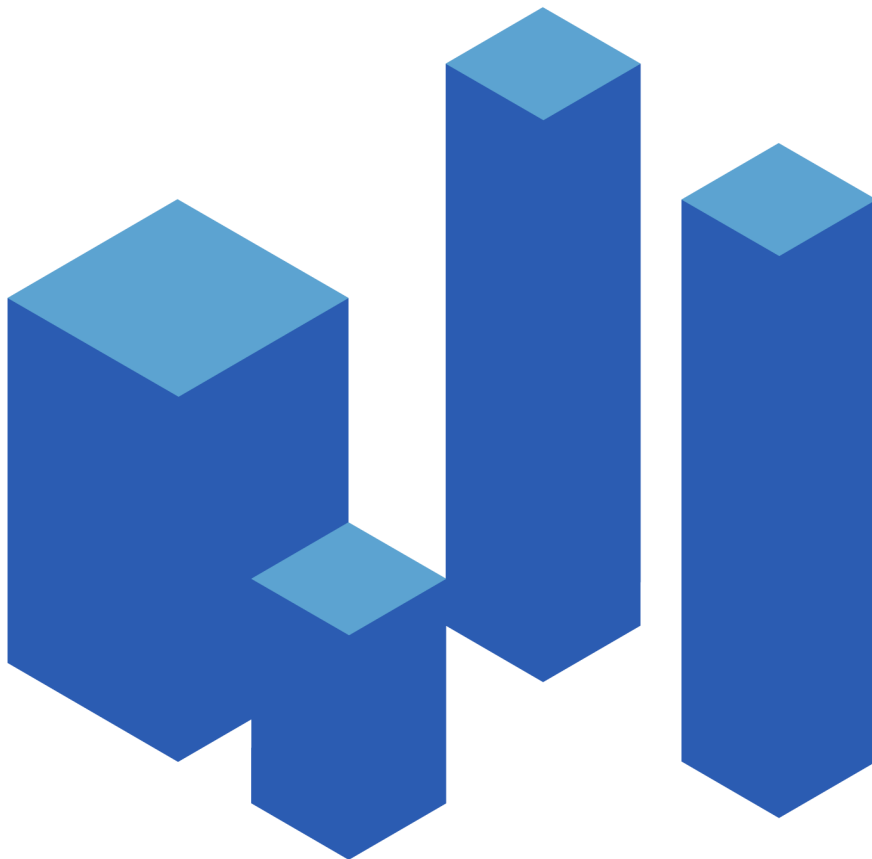


## **International Lessons:**

### **Youth unemployment in the global context**

Lizzie Crowley, Katy Jones, Nye Cominetti and Jenny Gulliford

January 2013



## Contents

Executive Summary .....	2
1. Introduction .....	6
2. Youth Unemployment in the UK in the international context .....	9
3. Germany – a strong vocational system .....	17
4. Denmark – the role of active labour market policy .....	24
5. The Netherlands – a flexible approach .....	32
6. Australia and ‘Work for your Dole’ .....	41
7. Conclusions and Recommendations.....	46
Contact details .....	51

The Work Foundation aims to be the leading independent, international authority on work and its future, influencing policy and practice for the benefit of society through rigorous research programmes targeting organisations, cities, regions and economies in the UK and beyond. Organisations from across all industry sectors can sign up as partners to gain access and active involvement in research, thinking and practice. For further details, please visit [www.theworkfoundation.com](http://www.theworkfoundation.com)

## The Missing Million Programme

This is the **second report from The Missing Million Programme**, a two-year, solutions-focused project with the aim of increasing the employment prospects of young people in the UK. It is sponsored by the Learning and Skills Improvement Service, Barclays, Trust for London and the Private Equity Foundation.

The project will answer two key questions:

- What measures can be taken now to address the problem of youth unemployment?
- How can the UK move to a longer-term model with lower levels of youth unemployment?

In the first year we will produce a set of reports that will consider the growing structural unemployment problem, the employer's role, international lessons and solutions at a local level. We will also host a major conference, The Youth Unemployment Summit, to find solutions to these important issues.



privateequityfoundation  
Empowering young people to reach their full potential



## Executive Summary

**The UK has a major youth unemployment problem.** Almost a million young people in the UK are unemployed – and the size of this group was rising even during times of economic growth.

**But it doesn't have to be this way – in many other developed nations youth unemployment has remained low despite the global economic downturn.** For example, youth unemployment in Germany has been falling since the mid 2000s while in the Netherlands and Switzerland the proportion of young people who were out of work remained low and stable throughout the economic crisis.

**However, in other countries persistent and high levels of unemployment have been features of the youth labour market for a long time.** The recession has exacerbated long standing disparities between countries – for instance youth unemployment rates in Spain and Greece have remained at around 20-25 per cent for the last decade or more and now are above 45 per cent in both countries.

**The reasons for long standing cross-country differences in youth unemployment are complex.** Youth unemployment rates vary between countries for a number of reasons including the education system, labour market institutions and the strength of the national economy. This makes it hard to identify the relative importance of these different factors.

Instead, this report takes an case study approach of the following group of countries, looking in detail at particular aspects of their youth labour markets:

- In **Germany** a strong dual apprenticeship system can facilitate transitions between school and work. Chapter 4 looks at the importance of the dual education system in supporting strong labour market outcomes for young people;
- In **Denmark** although unemployment rose rapidly over the recession the level of long-term unemployment amongst young people is very low – chapter 3 explores the role of active labour market policies (ALMP) in limiting of the number if young people who become long-term unemployment and thereby avoiding associated scarring effects;
- The **Dutch** labour market is characterised by very high employment rates for young people the majority of whom are on non-standard employment contracts – chapter 4 looks at the role a flexible labour market can play in supporting youth employment;
- In **Australia** youth unemployment has remained low for the last decade. However, for those who are unemployed the lack of work experience remains a major barrier to work. Chapter 6 explores lessons from Australia's 'work for the dole' programme which attempts to tackle this barrier.

**While we need to be careful about directly importing policies from other countries, a number of international lessons for the UK can be drawn** about the best way to help young people make the transition from school to work. These include:

- **A strong dual apprenticeship system can facilitate transitions between school and work** and can shelter young people from economic downturns. Several factors contribute to the success of the German model. These include its large scale and high quality training, high levels of corporatist involvement, recognised qualifications and sustained investment in research and development.
- **Intervening early with Active Labour Market Policy can reduce the duration of unemployment.** Expenditure on active labour market policies in Denmark is the highest amongst OECD nations. The Danish government has prioritised education over a ‘work-first’ approach for young benefit claimants who have not completed formal schooling. This is likely to have reduced the length of time a young person remains on benefit and will have acted to limit the scarring effect associated with long-term unemployment.
- **The availability of part-time flexible employment opportunities supports high levels of youth employment** – the Netherlands’ youth labour market supports high levels of youth employment. Although concentrated in what is often labelled precarious work and in many cases ‘less desirable’ for many young Dutch people, these jobs act as stepping stones to permanent full-time contracts and can help young people gain work experience, develop human capital and build social networks. The level of involuntary part-time work<sup>1</sup> in the Netherlands is very low and the government has acted to mitigate against the negative effects of non-standard employment contracts with increased employment protection, rights to training, wage guarantees and supplementary pensions.

Potential policy responses for the UK drawn from a review of the experience of these four countries include:

- **Policy measures to maximise engagement of large corporates in the apprenticeship system** – one of the benefits of the German system – as set out above – is the engagement of all large employers. Large employers are more likely to be able to give up time to engage in curriculum development, course design and are better able to offer training. The UK government should seek for all large employers to sign an agreement to offer high quality apprenticeship places.

---

<sup>1</sup> OECD Definition – Involuntary part-time work comprises three groups: i) individuals who usually work full-time but who are working part-time because of economic slack; ii) individuals who usually work part-time but are working fewer hours in their part-time jobs because of economic slack; and iii) those working part-time because full-time work could not be found.

- **Increase employer engagement in the design and delivery of apprenticeship frameworks and training** and widen the apprenticeship model to include more occupations.
- **Review the current balance between academic content and on the job training for all apprenticeship frameworks** – The statutory minimum for training in the UK is still very low in an international context and the government should review this whilst ensuring the structures are in place to support businesses.
- **Implement early activation policies to avoid the scarring effects of long term unemployment** with a focus on reintegration into the schooling system for those with no qualifications.
- **Ensure a balance between sanctions and activation policies** – there are potentially strong deterrence effects for early activation programmes, for example, some labour market interventions are so burdensome that people are deterred from claiming benefits pushing them out of the support systems and increasing levels of poverty. The government should seek to mitigate against these by providing intensive support and outreach programmes.
- **Increase opportunities for private sector on the job training for young unemployed people.** This is likely to have better medium to long-term benefits compared to unpaid work experience placements.
- **More local control and better co-ordination between agencies, authorities and government departments.** Denmark provides a good model for granting local authorities and job centres more autonomy. Denmark established a National Youth Unit to provide support to these organisations.
- **Provide a guaranteed part-time job for six months for all unemployed young people combined with intensive support from providers.** We continue to advocate a part-time ‘First Step’ for long term unemployed young people<sup>2</sup>- this offer would consist of a guaranteed part-time job for six months combined with intensive support from providers to help young people to find unsupported employment.
- **Improve and reintroduce Key Stage 4 work experience programme.** While work experience initiatives for young jobseekers may play a role in getting some young people into work, this should not be the first opportunity for young people to develop their skills and gain experience of the workplace.
- **Ensure that all employers offering work experience adhere to the CIPD guidance for work experience placements.** A large part of whether work experience is beneficial or not depends on the quality of the placement offered, and whether it is directly linked to

---

<sup>2</sup> ACEVO (2012) ‘Youth Unemployment: the crisis we cannot afford’, London, ACEVO

a job (for example in the form of a guaranteed interview). The CIPD's recent guide to work experience for employers outlines key areas of best practice<sup>3</sup>. This guidance has been endorsed by the Minister of State for Employment but it is unclear what steps have been taken to ensure that such guidelines are followed by employers offering work experience to young jobseekers.

- **Develop better integration between school and the labour market** by allowing young people to experience a variety of employment opportunities. This could include developing a wide range of activities such as business mentors, experiences of different work environments, talks from business leaders, and visits to workplaces.

---

<sup>3</sup> CIPD (2012), 'Work experience placements that work: a guide for employers', London

## 1. Introduction

The UK has a major youth unemployment problem. Almost a million young people in the UK are unemployed – some 18.2 per cent of the economically active 18-24 year olds and 36.3 per cent of the economically active 16-17 year olds.<sup>4</sup>

Of this 945,000, 265,000 young people have been unemployed for more than 12 months, and the size of this group was steadily rising even before the recession.<sup>5</sup> A period of long-term unemployment when young can have scarring effects on wages, employment and health.<sup>6</sup>

But it doesn't have to be this way. Many other developed nations have managed to maintain consistently low levels of unemployment despite the global economic downturn, for instance:

- Youth unemployment in **Germany** has been falling since 2005 and continued to fall during the recession;
- The **Netherlands** has managed to maintain a stable and low level of youth unemployment for the last decade;
- Although **Denmark** experienced a relatively rapid rise in youth unemployment over the recession it still has one of the lowest levels of long-term youth unemployment in the whole of Europe; and,
- **Australia** has experienced a decade of low youth unemployment rates.

However, in other countries high levels of youth unemployment have been a persistent problem for a long time – for example, in Spain and Greece youth unemployment rates have remained at around 20-25 per cent for over the last decade or more, and now, as a result of the recession have reached around 45 per cent.<sup>7</sup>

As the UK attempts to address the current crisis of youth unemployment, it is vital to learn lessons from best practice elsewhere. The reasons for the differences in the performance of the international youth labour markets are complex. Yet while we need to be careful about directly importing policies from other countries, we argue there are a number of international lessons which can be drawn about the best way to help young people make the transition from education to work.

---

<sup>4</sup> Source: Labour Force Survey, Aug-Oct 2012 seasonably adjusted

<sup>5</sup> Source: Labour Force Survey, Aug-Oct 2012 seasonably adjusted

<sup>6</sup> See for instance – ACEVO (2012) 'Youth Unemployment: the crisis we cannot afford', London, ACEVO; Gregg, P and Tominey, E (2005) 'The Wage Scar from Youth Unemployment', Labour Economics; The Prince's Trust (2010) 'YouGov Youth Index', London, The Prince's Trust

<sup>7</sup> Data – OECD youth unemployment data



This report explores some of the current explanations for cross country differences before looking in detail at particular aspects of the youth labour market, and youth labour market policy, in four countries: The Netherlands; Germany; Denmark; and Australia.

**Measurement issues: the youth unemployment rate and the youth unemployment proportion (also known as the ratio)**

The **youth unemployment rate** is calculated by dividing the number of unemployed people by the number of economically active people, which includes both employed and unemployed people. The **youth unemployment ratio** is calculated by dividing the number of 15-24 year old unemployed people by the population aged 15-24 years.

Youth unemployment rates can potentially distort the picture of how bad the job prospects are for a country's young people. For example, increased participation in education – and the corresponding shrinkage of the economically active population – means that the denominator used to calculate the unemployment rate – reduces, and appears to drive up unemployment.

For this reason this report – in the majority of cases – uses the youth unemployment ratio as the main measure of youth unemployment.

### 1.1 Methodological considerations

The limitations of comparative research have been well documented.<sup>8</sup> Issues such as: data comparability and availability; generalisability; and the risk of unobserved differences, such as cultural factors, can limit the extent to which causality can be inferred and lessons can be imported. Moreover, even where it is possible to be reasonably sure of the reasons for policy development and related outcomes there are barriers to, and risks associated with, importing policy from one country to another with a different institutional, historical, and political context. For these reasons in this report we have confined our investigations to an examination of key policy areas, such as vocational education and active labour market policies, in which, we believe, lessons can be learned within the UK context.

This report adopts an exploratory case study approach for each of the four areas selected (Denmark, the Netherlands, Germany and Australia) looking in detail at particular aspects of their youth labour markets. The methodology included analysis of the latest OECD labour market data, extensive literature review of the case study areas and interviews with embassy staff. Whilst the overview offered by this report cannot be comprehensive, it is hoped that

---

<sup>8</sup> Mabbett D. and H. Bolderson (1999), 'Theories and methods in comparative social policy' in J Clasen, Ed, Comparative Social Policy: Concepts, Theories and Methods, Blackwell, Oxford; Jowell, R., Roberts, C., Fitzgerald, R., & Eva, G. (2007) Measuring attitudes cross-nationally: Lessons from the European Social Survey. London: Sage Publications.; Jowell, R. (1998). How comparative is comparative research? American Behavioural Scientist, 42(2), 168–177; For instance – see Blanchflower and Freeman (2000) and Ryan (2001)

the paper will stimulate debate and generate new ideas to help tackle the UK's youth unemployment crisis.

## 1.2 Structure of the report

The remainder of the report is structured as follows:

- **Chapter two** – provides an overview of youth unemployment in the UK in an international context and explores some of the reasons for long standing cross country differences in youth unemployment levels.
- **Chapter three** – looks at the importance of Germany's dual education system- and in particular the apprenticeship model – which supports strong youth labour market outcomes.
- **Chapter four** – the Dutch labour market is characterised by very high levels of part-time and temporary work. This chapter explores the impact of non-standard employment contracts on the youth labour market in the Netherlands.
- **Chapter five** – Denmark has consistently low levels of long-term youth unemployment and spends more than any other OECD nation on active labour market programmes (ALMPs) – this section explores the role that ALMPs can play in easing the transition into the labour market.
- **Chapter six** – Australia has enjoyed a long period of economic growth and emerged relatively unscathed from the global economic downturn. Over the last two decades or more Australia has implemented far-reaching reforms to its welfare system which have influenced many other countries including the UK. This section looks at what the UK can learn from the controversial 'Work for your Dole' scheme.
- **Chapter seven** – provides a summary of the main findings and policy recommendations.

## 2. Youth Unemployment in the UK in the international context

This section forms the context for the rest of the paper and shows why the UK needs to learn international lessons in how to tackle youth unemployment. It describes the scale and characteristics of the problem in the UK, shows how the UK compares to other countries, and offers some reasons for the divergence in comparative performance.

### 2.1 Youth unemployment in the UK

As we set out in our first report *Short term crisis – long term problem?*<sup>9</sup> the UK has a major youth unemployment problem. Of particular concern are long-term unemployed young people. It is this group that faces the most acute problems – we know that a period of long-term unemployment when young can have scarring effects on wages, employment and health.<sup>10</sup>

The UK labour market has improved slightly in recent months, and overall youth unemployment figures have stabilised. However, the number of long-term unemployed young people has continued to rise. We also know that rising long-term youth unemployment is not solely the result of the recession – while the recession led to a sharp increase, the number of long-term unemployed young people had been slowly increasing since around 2004. In total, over the past decade, the number of young people who are long-term unemployed has quadrupled.

Our report *Short-term crisis – long-term problem* included a review of attempts to identify the reasons behind this troubling rise of youth unemployment in the UK. The report concluded that the most likely explanation was a combination of:

- **A changing focus of back to work support.** In the mid-2000s the focus of Active Labour Market Policies (ALMPs) shifted from young people to those on inactive benefits (lone parents and incapacity claimants). This change in policy direction may have impacted negatively on young people's ability to move off benefit and into work.<sup>11</sup>
- **A difficult transition from education to work.** Non-academic pathways between education and work are unclear and difficult to navigate.<sup>12</sup> The shift to an economy

---

<sup>9</sup> Lee, N, Sissons, P, Balaram, B, Jones, K, and Cominetti, N (2012) 'Short-term crisis – long-term problem? Addressing the youth employment challenge', London, The Work Foundation

<sup>10</sup> See for instance – ACEVO (2012) 'Youth Unemployment: the crisis we cannot afford', London, ACEVO; Gregg, P and Tominey, E (2005) 'The Wage Scar from Youth Unemployment', Labour Economics; The Prince's Trust (2010) 'YouGov Youth Index', London, The Prince's Trust

<sup>11</sup> Goujard, A, B Petrongolo and J Van Reenen (2011) 'The Labour Market for Young People' in P Gregg and J Wadsworth (eds) *The Labour Market in Winter*, Oxford University Press

<sup>12</sup> Sissons, P and Jones, K (2012) 'Lost in Transition? The changing labour market and young', London, The Work Foundation

based on service work, and growing competition for low wage service employment, makes it hard for young people to gain a 'soft landing' in the labour market.

- **Changes in the occupational landscape.** The growth of highly skilled occupations as well as growth in customer-facing service sector roles has meant that 'soft skills' are increasingly in demand from employers. Young people without 'soft' skills have been increasingly left at a disadvantage in the labour market.<sup>13</sup>
- **A focus on accredited qualifications.** Successive governments have sought to increase the number of young people staying in education longer and taking higher qualifications. This has meant that the minimum qualification level demanded by employers has risen, to the detriment of those young people choosing to leave education earlier.

### 2.3 Youth unemployment in the UK – the international context

Youth unemployment in the UK is high. While the UK is not the worst performer of all comparative nations, youth unemployment in the UK is higher than the EU and the OECD averages, and is far worse than the best performing countries. The UK can learn from countries such as Germany, the Netherlands and Switzerland whose youth labour markets are far healthier, and where young people have not been so severely affected by the recession.

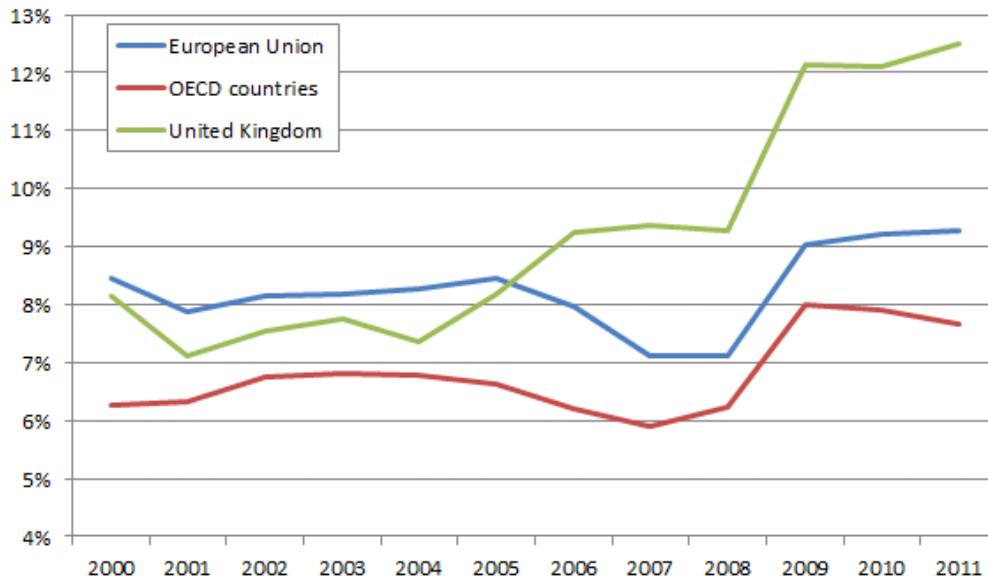
Youth unemployment in the UK has been rising faster than in most other countries. As a proportion of the population aged 15-24 years the share of young people unemployed increased at a faster rate over the course of the recession than the European and OECD averages. This is illustrated in Figure 2. Between 2007-2011 youth unemployment in the UK increased from 9 per cent to 12 per cent. This 3 percentage point rise was above the EU and OECD averages (both 2 percentage points) but considerably better than countries such as Spain, Ireland and Greece which saw 11, 7 and 6 percentage points increases respectively (see Figure 3 and Figure 4).

However, in some OECD countries – such as the Netherlands and Switzerland – the proportion of young people who were unemployed remained unchanged over the period while in Germany it actually fell by 2 percentage points (see Figure 3). Furthermore, while youth unemployment in the UK was rising even before the recession, the majority of OECD nations experienced improvements in youth unemployment before the start of the recession.

---

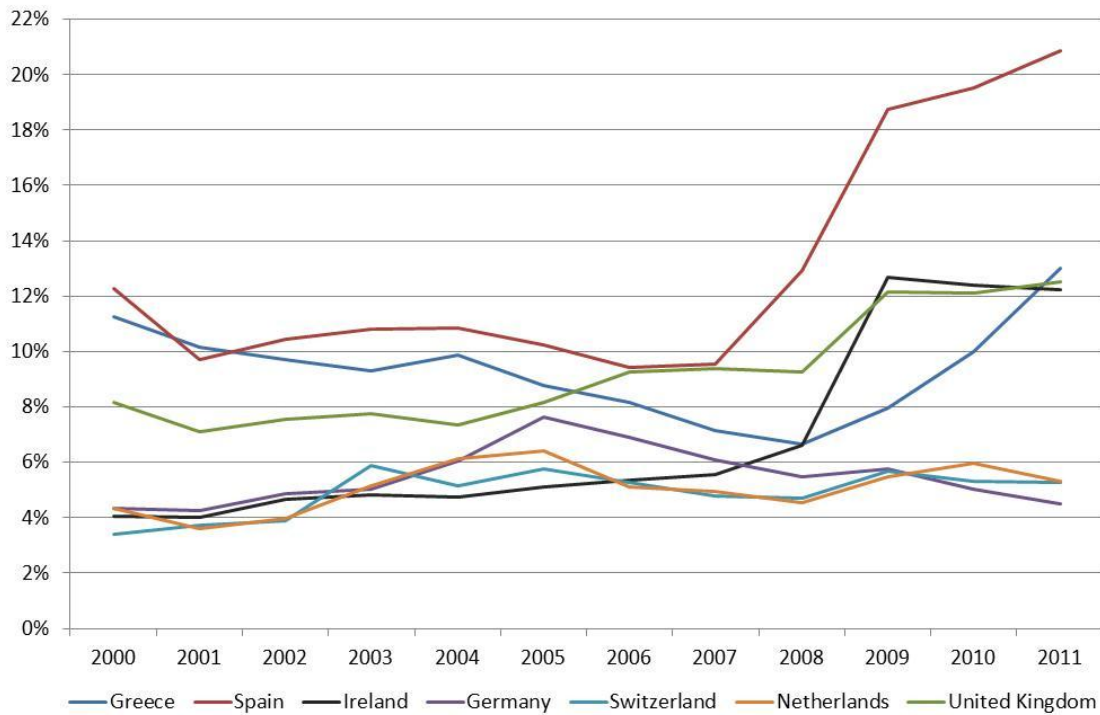
<sup>13</sup> Bivand, P. (2012) 'Generation lost: youth unemployment and the youth labour market', Touchstone Extras, TUC

**Figure 2: Youth unemployment as a proportion of population aged 15-24 years, 2000-2011**



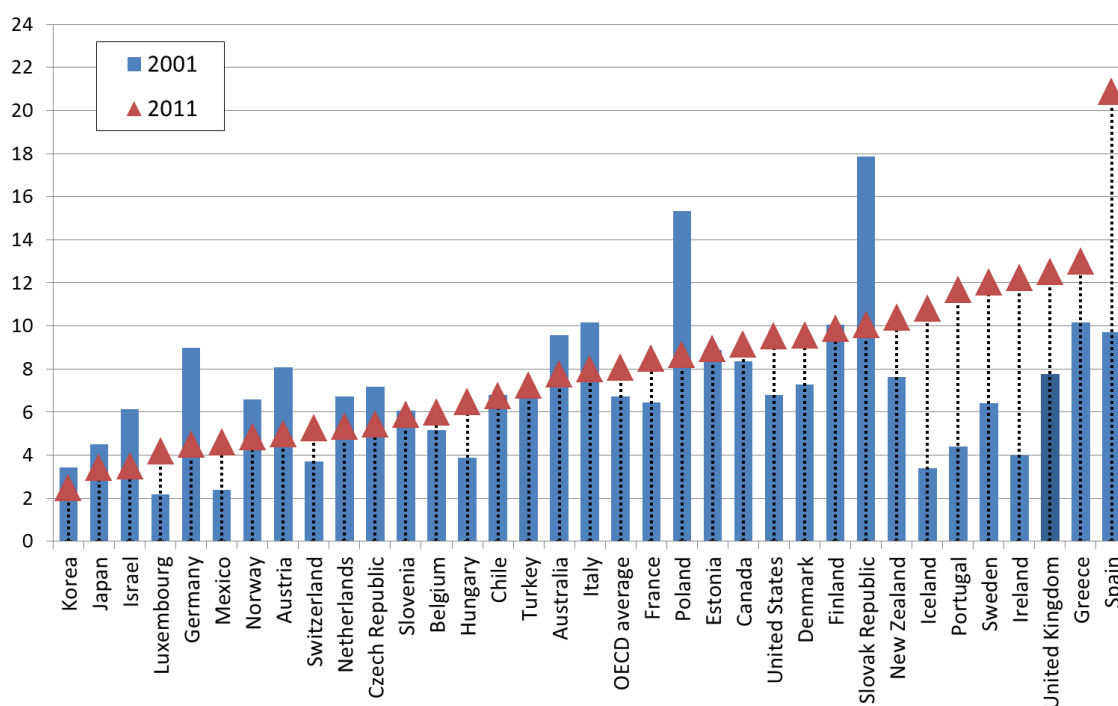
Source: OECD StatExtracts

**Figure 3: Youth unemployment as a proportion of population aged 15-24 years in selected countries, 2000-2011**



Source: OECD StatExtracts

**Figure 4: Youth unemployment as a proportion of population aged 15-24 years, 2001 and 2011**



Source: OECD StatExtracts

## 2.4 Some explanations cross-country differences

### 2.4.1 Macro-economic demand shocks and structural change

What explains the stark variation in youth unemployment levels in different countries? The most obvious answer is that youth unemployment is simply worse in those countries that have experienced deeper and more prolonged recessions. This is part of the explanation. Figure 5 shows that there is indeed a negative correlation between GDP growth and change in youth unemployment levels during the recession (in OECD member countries).

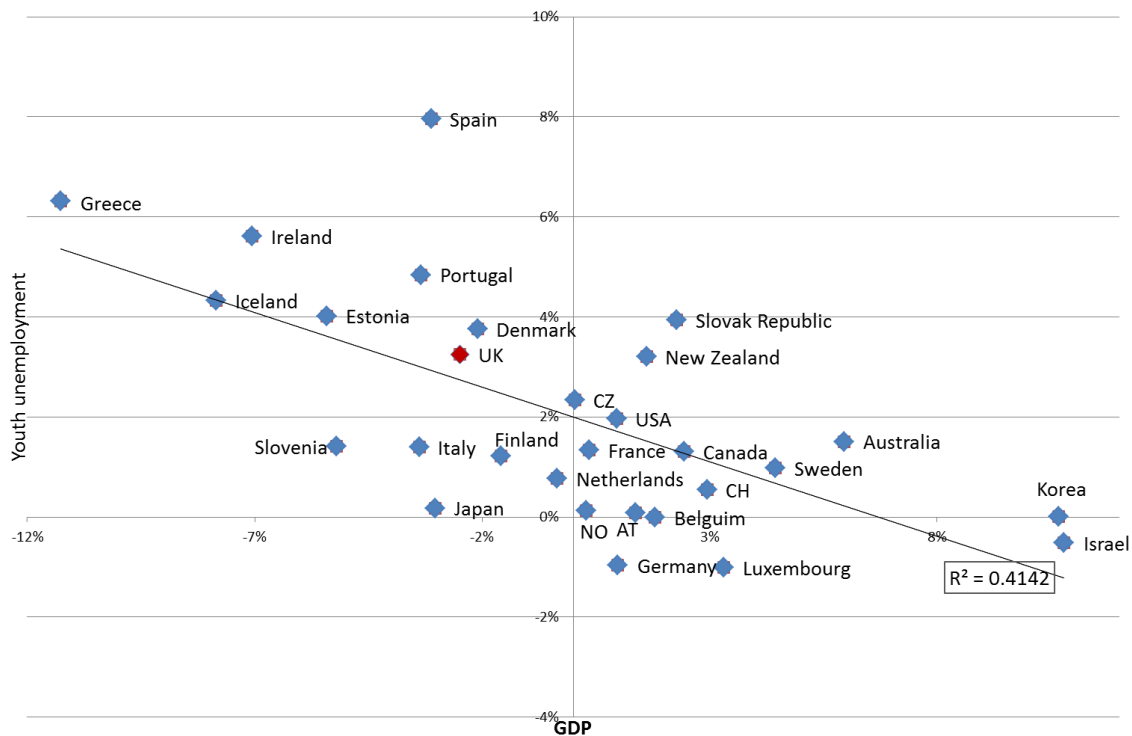
However, it is also clear from the graph that the depth of the recession in the different countries is at best only a partial explanation for divergent youth unemployment levels. Young people's employment prospects have been more severely affected by the recession in some countries than others. For example, countries that experienced relatively weak growth (between 0 and 3 per cent GDP growth between 2008 and 2011) have had vastly different responses in the youth labour market. For example:

- Two countries saw youth unemployment fall over the period (Germany and Luxembourg);

- While several others experienced pronounced increases in youth unemployment (New Zealand and The Slovak Republic).

A number of countries experienced greater, or similar, drops in output than the UK but much smaller increases in the youth unemployment proportion - including Japan, Italy, and Slovenia.

**Figure 5: Change in GDP versus change in youth unemployment, 2008-11**



Source: GDP data is taken from the IMF's World Economic Outlook Database, September 2011 (accessed 10 Sep 2012). Data for 2010 and 2011 are IMF estimates. Youth unemployment data is taken from the OECD, and shows the percentage point change in the proportion of the population aged 15-24 that are unemployed. GDP figures show the percentage increase in GDP (billions) at current prices. Countries presented are all the OECD member countries for whom both GDP and youth unemployment data was available for the years 2008 to 2011.

Therefore, the depth of the recession can only partly explain cross country variations in youth unemployment. Several economists have sought to identify the country-specific characteristics driving youth unemployment levels; the next sections consider some of these explanations.

#### 2.4.2 The role of the education system

The education system can impact upon the youth labour market in a number of ways: it impacts on the skills of the workforce; it affects the way education institutions ease the transition into, and interact with, the world of work; and it affects the age at which young people enter the labour market.

At its most basic level differences in compulsory schooling ages alongside further and higher education participation rates between countries can impact on youth unemployment rates.

Simply put, the more young people that are in education, the fewer that are in the labour market competing for jobs. Furthermore, young people staying in education longer are older when they enter the labour market, are better qualified, and are therefore better able to compete against older workers for jobs.

However, the picture is more complicated- many young people in full-time education are also in work, or looking for work. The most common measure of unemployment – the International Labour Organisation (ILO) measure – includes as unemployed anyone who does not have a job, but who is able to start work in two weeks and who has looked for work within the last four weeks. This can therefore include students, even full-time students, who also want to find work. For instance, of the 1 million young unemployed people in the UK 314,000 are in full-time education.<sup>14</sup> The connection, therefore, between increasing rates of participation in education and youth unemployment levels, is ambiguous.

More importantly, educational institutions and the extent to which they ease the transition to, and interact with, the world of work have an important impact on youth unemployment levels. A recent study found that the protected entry systems offered by Dual Apprenticeship systems seem to be particularly good at shielding young workers from the effects of recession.<sup>15</sup> Previous work by The Work Foundation has similarly highlighted the differing school-to-work transitions faced by academic and non-academic students in the UK. Paths for the former are relatively clear and ‘well signposted’, whereas non-academic students face a confusing transition, which lessens their chances of entering employment soon after leaving education.

### **2.4.3 The changing size of the youth cohort**

The changing size of youth cohorts within countries may also have an impact on cross-country youth unemployment differentials. A growing youth population may increase competition for popular education and training places as well as access to the labour market – therefore we might expect a positive relationship between population growth and youth unemployment.<sup>16</sup>

In practice however, the evidence is less clear cut, over the period 2003-2007<sup>17</sup>:

- A number of countries did experience significant growth in the youth population in tandem with rising youth unemployment. These included the UK and a number of Nordic Countries (Sweden, Iceland and Denmark).
- In other countries a shrinking youth population was accompanied with falls in youth

---

<sup>14</sup> Source: Labour Force Survey, Jan-Mar 2012, seasonally adjusted

<sup>15</sup> O'Higgins, Niall, (2012). "This Time It's Different? Youth Labour Markets During 'The Great Recession'", IZA Discussion Paper IZA, Bonn

<sup>16</sup> Dietrich, H (2012) 'Youth Unemployment in Europe: Theoretical Considerations and Empirical Findings', Friedrich Ebert Stiftung, International Policy Analysis, Germany

<sup>17</sup> Data on size of youth cohort (15-24 years) and youth unemployment (15-24 years) from OECD



unemployment. These include countries in Southern Europe (such as Greece and Spain) and countries in Eastern Europe (Poland, Hungary, and the Czech Republic).

However, changes in many other countries did not follow this pattern and saw, for instance, falling youth populations alongside increasing unemployment. For instance, Norway, Belgium and Australia all experienced a growing youth population alongside falling youth unemployment.

#### **2.4.4 Labour market institutions**

Labour market institutions can also affect cross-country age specific unemployment rates. These include the benefits system (replacement rates and duration); the extent of active labour market policies; wage setting institutions and policies (union density, collective agreements, Statutory Minimum Wages, co-ordination, coverage); and, the level of employment protection.<sup>18</sup>

An analysis of the impact all of these is outside the scope of this paper – this section focuses on the impact of levels of employment protection on cross-country youth unemployment differentials.

##### **2.4.4.1 Levels of employment protection**

The level of employment protection is often associated with employment outcomes. Most recently, for example, the controversial government-commissioned Beecroft Report argued that radically reducing employment legislation, and introducing no-fault dismissals, would lead to business growth, and more jobs.<sup>19</sup> The rationale of this argument is that the costs associated with firing workers indirectly raise the costs and risks associated with hiring workers, thereby discouraging additional employment.

However, proponents of employment protection also make a connection between employment protection and unemployment levels, but in the opposite direction. They argue that employment protection makes it harder and more costly to fire workers, which discourages employers from doing so.<sup>20</sup> This supports the employment rate, particularly in a recession, which would otherwise fall as some employers seek to reduce costs in response to falling demand.

In practice, the evidence is mixed: for instance, a recent study<sup>21</sup> found that during the current recession stronger employment protection was associated with better outcomes for youth

---

<sup>18</sup> Jimeno, J, Rodriguez-Palenzuela, D (2002) 'Youth unemployment in the OECD: demographic shifts, labour market institutions, and macroeconomic shocks', ECB, Germany

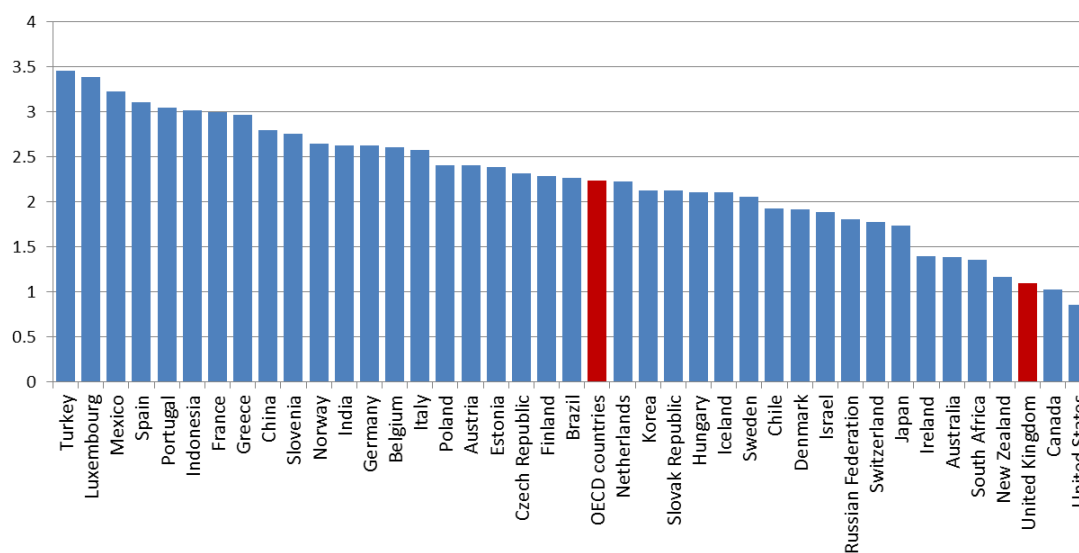
<sup>19</sup> Adrian Beecroft (2011), 'Beecroft Report on Employment Legislation', London

<sup>20</sup> Garibaldi and Violante (2005) 'The Employment Effects of Severance Payments with Wage Rigidities.' The Economic Journal

<sup>21</sup> See for instance O'Higgins, Niall, (2012). "This Time It's Different? Youth Labour Markets During 'The Great Recession'", IZA Discussion Paper, IZA, Bonn

employment although the overall correlation was weak; while another found ‘no robust evidence whatsoever’ connecting employment protection with youth unemployment levels.<sup>22</sup> Earlier studies have also provided contradictory evidence. The European Central Bank’s study of youth unemployment from 2002 argued that employment protection, along with other institutions that ‘increase the overall rigidity of the labour market’ tend to increase the youth unemployment rate.<sup>23</sup>

**Figure 6: Index of employment protection in the OECD, 2008**



Source: OECD

## 2.6 Summary

Youth unemployment rates vary between countries for a number of reasons including the education system, labour market institutions and the benefits system and the strength of the national economy. This makes it hard to identify the relative importance of these different factors. Instead, we take an exploratory case study approach for four countries - Denmark, the Netherlands, Germany and Australia. There are some important lessons for the UK from each of these approaches

<sup>22</sup> Noelke, (2011) cited in Hans Dietrich (2012) ‘Youth Unemployment in Europe Theoretical Considerations and Empirical Findings’, FES

<sup>23</sup> Europa (2010) European Employment Observatory Review

### 3. Germany – a strong vocational system

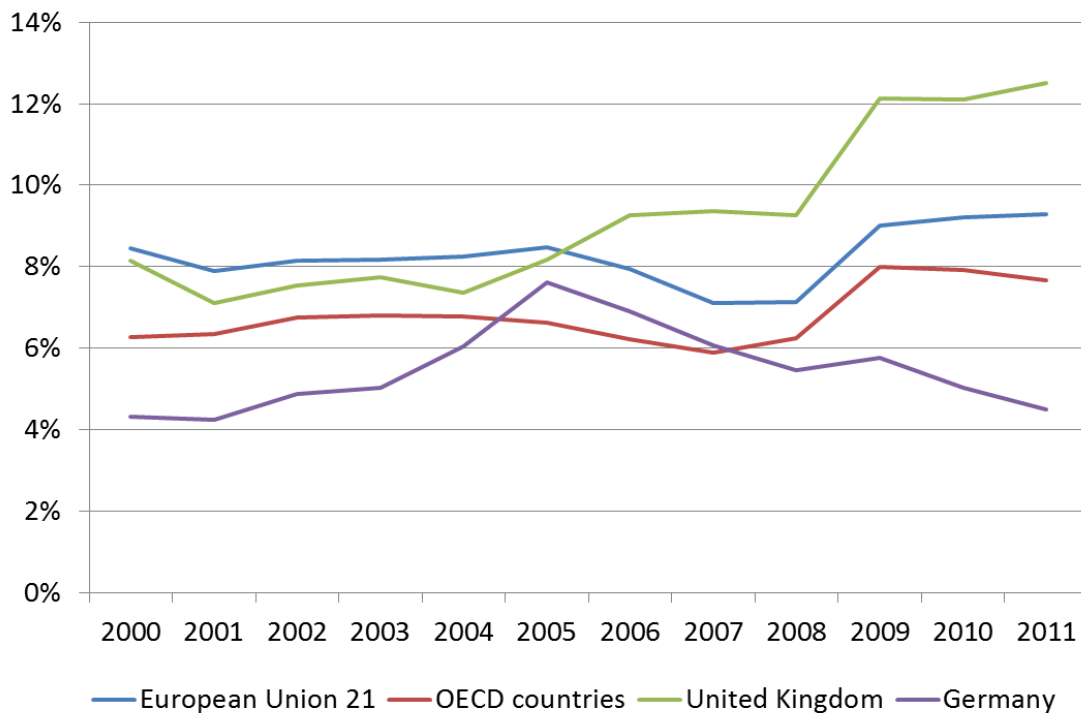
#### 3.1 Introduction

Since the mid-2000s Germany has maintained a consistently low level of youth unemployment. Over the course of the recession the proportion of young people out of work actually fell. Part of the explanation for this performance lies in the strength of Germany’s Dual Apprenticeship system, the focus of this chapter.

#### 3.2 Context – the youth labour market in Germany

In 2011 the youth unemployment rate in Germany stood at just 8.5 per cent of the active labour force – significantly below the EU average (22.8 per cent) and the figure for the UK (20 per cent). Germany also performed well in comparison to European and international averages when looking at the proportion of young people who are unemployed (shown in Figure 7). In 2011 just 4.5 per cent of the population aged 15-24 years were unemployed – half the EU average (9 per cent) and considerably below the UK figure (12.5 per cent).

**Figure 7: Youth unemployment as a proportion of the population aged 15-24 years 2000-2011**



Source: OECD

Youth unemployment rates in Germany are only slightly higher than adult unemployment rates. In 2011 there was a ratio of 1.6 youth to adult unemployment rate– compared to a youth to adult ratio of 3.3 in the UK and 2.7 in the EU. This would seem to show that young people are relatively less disadvantaged in the labour market compared to in other countries.

### 3.3 Germany's Dual Apprenticeship System – key to the success of the German youth labour market?

Germany is renowned for its Vocational Education and Training (VET) system<sup>24</sup>. In contrast to many other countries where vocational education often plays a secondary role, VET is a key part of the German further education system, with around 60 per cent choosing to pursue vocational pathways.<sup>25</sup> It is a well resourced system and receives strong financial support. Apprenticeship availability has largely been maintained during the economic downturn<sup>26</sup>.

The VET system offers a variety of routes for young people which vary in their balance between work, training and academic content<sup>27</sup>. The most dominant of these is the Dual Apprenticeship- combining training in the workplace with school-based learning. This model accounts for roughly half of all entries into Germany's vocational system and is *'strongly associated with labour market success'*<sup>28</sup>.

Responsibility for education is divided between the Federal Government and individual Länder<sup>29</sup> and as such organisational factors and teaching content in the school-based part of the dual system vary across the country<sup>30</sup>. However, in general, vocational schools provide at least 12 hours' teaching per week- usually involving eight hours on vocational subjects and four hours on more general areas of study (e.g. German and business studies)<sup>31</sup>. Students then typically spend three days a week as a part-time salaried Apprentice. This contrasts sharply with the system in England and Wales where apprentices only need to complete approximately one day per month of off the job learning.<sup>32</sup>

---

<sup>24</sup> Europa (2010) European Employment Observatory Review

<sup>25</sup> Müller, W. and Wolbers, M. (2003) 'Educational attainment in the European Union: recent trends in qualification patterns,' in Müller, W., and Gangl, M. (2003) *Transitions from Education to Work in Europe*. New York: Oxford University Press

<sup>26</sup> Hoeckel, K. and Schwartz, R. (2010) 'Learning for Jobs: OECD reviews of vocational education and training' OECD; Ryan, P. (2008), 'Youth Employment Problems and School To Work institutions in advanced economies'.

<sup>27</sup> Ibid

<sup>28</sup> O'Higgins, Niall, (2012). "This Time It's Different? Youth Labour Markets During 'The Great Recession'", IZA Discussion Paper, IZA, Bonn

<sup>29</sup> Germany (The Federal Republic of Germany) is a federal state made up of 16 partly sovereign constituent states – the Länder

<sup>30</sup> Hoeckel, K. and Schwartz, R. (2010) 'Learning for Jobs: OECD reviews of vocational education and training'. OECD

<sup>31</sup> Hippach-Schneider, U., Krause, M., and Woll, C. (2007) 'Vocational education and training in Germany'. European Centre for the Development of Vocational Training.

<sup>32</sup> Steedman, H (2010) 'The State of Apprenticeship in 2010: A report for the apprenticeship ambassadors network', Centre for Economic Performance, London School of Economics and Political Science

### 3.4 Lessons for the UK

Several factors contribute to the success of Germany's VET system. These include its large scale and high quality training, a high level of integration between the education system and the labour market, high levels of corporate involvement, recognised qualifications, and sustained investment in research and development. Here we highlight three of these key aspects to suggest ways in which the UK system can be improved.

#### 3.4.1 A major educational pathway combined with high quality training

Whilst designed in a similar fashion to apprenticeships in other countries, the German system stands out for its scale and high quality design.<sup>33</sup> In Germany vocational training is a common pathway for young people whereas in the UK it is often perceived to play a secondary role. This in part explains why Germany has almost four times as many apprentices as England.<sup>34</sup>

<sup>35</sup>

The German vocational system is highly regarded amongst both participants and employers. Resulting qualifications are highly regarded and are perceived to be a good indicator of occupational competence. In contrast, the UK system is often criticised for mostly offering low quality apprenticeships, with apprenticeships of higher quality hugely oversubscribed.<sup>36</sup> Quality has also been found to vary widely across England, and in sectors in which apprenticeships have traditionally been less common quality is poor.<sup>37</sup>

As is common for countries with strong dual systems, Germany has low tertiary graduation rates.<sup>38</sup> However a high proportion of the workforce are qualified to upper secondary level and the advanced nature of the VET system has allowed structures of the dual system to be applied successfully to higher level technical trades (which would involve tertiary education in other countries, including the UK).<sup>39</sup>

#### 3.4.2 High level of integration between education and labour market

A high level of integration between the education system and the labour market in the German system ensures that young people are well equipped with the skills they need to enter the labour market. Dual Apprenticeship pathways offer qualifications across a wide

---

<sup>33</sup> Ryan, P. (2008) 'Youth Employment Problems and School To Work institutions in advanced economies'.

<sup>34</sup> Although the higher concentration of employment in 'traditional' apprentice sectors may also explain at least some of the difference.

<sup>35</sup> The State of Apprenticeship in 2010: A report for the apprenticeship ambassadors network

<sup>36</sup> Wolf, A, (2011), 'Review of Vocational Education'. The Wolf Report

<sup>37</sup> IPPR report, with the Association of Colleges-(November 2011), 'Rethinking Apprenticeships'

<sup>38</sup> Hoeckel, K. and Schwartz, R. (2010) 'Learning for Jobs: OECD reviews of vocational education and training' OECD

<sup>39</sup> Ibid

range of professions,<sup>40</sup> but they also provide enough knowledge and skills to be transferrable to other career sectors or further education.<sup>41</sup>

Combined school and work-based learning which are characteristic of the German vocational system have been found to be mutually reinforcing, as theoretical approaches developed in school complement practical learning in the workplace.<sup>42</sup> In contrast, UK apprentices typically spend only one day per month in off the job training<sup>43</sup> and the vocational qualifications that make up the educational aspect of the framework are criticised for being too job-specific and not 'rich' enough. The German apprenticeship model also seeks wider 'non job-specific' aims, for example, around active and responsible citizenship and personal development.<sup>44</sup>

The UK's emphasis on Level 2 apprenticeships is a further major shortcoming of our apprenticeship system, particularly when contrasted to Germany and many other countries across Europe where Level 3 is the norm<sup>45</sup>. A large proportion of the growth in the number of apprentices in recent years in the UK has been in the service sector – where just 22 per cent of apprenticeships are at level 3 or above.<sup>46</sup> Evidence suggests that apprentices in 'non-traditional' sectors spend the majority of their time working and only a very small (on average one hour per week) in off-the-job training.<sup>47</sup>

### **3.4.3 High levels of corporatist involvement**

A key strength of the German dual apprenticeship system is the high level of engagement amongst employers and other social partners (trade unions, chambers of commerce etc.) at national, regional, sector and company levels. These actors play a key role in both the conceptualisation and provision of training of apprentices,<sup>48</sup> with roles including assisting in the development of training programmes and standards; supporting coordination between schools and enterprise; advising on and supervising training provision in enterprises; implementing examinations and awarding qualifications.<sup>49</sup> High involvement rewards

---

<sup>40</sup> Hoeckel, K. and Schwartz, R. (2010) 'Learning for Jobs: OECD reviews of vocational education and training' OECD.

<sup>41</sup> IPPR report, with the Association of Colleges-(November 2011), 'Rethinking Apprenticeships'

<sup>42</sup> Hoeckel, K. and Schwartz, R. (2010) 'Learning for Jobs: OECD reviews of vocational education and training' OECD

<sup>43</sup> The State of Apprenticeship in 2010: A report for the apprenticeship ambassadors network

<sup>44</sup> IPPR report, with the Association of Colleges-(November 2011), 'Rethinking Apprenticeships'

<sup>45</sup> Ibid

<sup>46</sup> Ibid

<sup>47</sup> Steedman H (2008) 'Time to Look Again at Apprentice Pay? Getting Cost-sharing Right': Sector Skills Development Agency.

<sup>48</sup> Müller, W., and Gangl, M. (2003) 'Transitions from Education to Work in Europe'. New York: Oxford University Press

<sup>49</sup> Hippach-Schneider, U., Krause, M., and Woll, C. (2007) 'Vocational education and training in Germany'. European Centre for the Development of Vocational Training.

German industry with significant influence over the vocational curriculum<sup>50</sup> ensuring a good match between the supply of and demand for skills in the labour market.<sup>51</sup>

In Germany, almost all firms with over 500 employees take on apprentices, while in England under a third of very large firms do.<sup>52</sup> Apprenticeships cover 350 recognised occupations<sup>53</sup> and just under 25 per cent of businesses provide training directly, with small and medium sized enterprises offering the most training places.<sup>54</sup> In contrast, one of the main problems with UK model is seen as the lack of engagement of employers and other key stakeholders<sup>55</sup> – complex and unstable institutional arrangements are held to be part of the problem here and have contributed to lower levels of demand for apprentices.<sup>56</sup> Whilst apprenticeships in the UK cover 85 sector frameworks, they are heavily concentrated in just 10 of these sectors. One-third are in engineering, vehicle maintenance and construction, the remaining two-thirds are in service sector occupations, including business services, retail, and care. Just 130,000 firms out of a total of over a million offer apprenticeships just three in ten large business (over 100 employees) offering compared to almost all large employers in Germany.<sup>57</sup>

Another key strength of the German system is that it recognises the varying capacities of SMEs to offer training and as a result various mechanisms have been put in place to support them - these include intercompany VET facilities offered by educational institutions, designed to supplement in-company training and often sponsored by autonomous bodies in the relevant sectors of industry, and coherent training structures such as the 'lead enterprise with partner enterprise' model whereby the lead enterprise bears overall training responsibility, but some of the training is conducted in various partner organisations.<sup>58</sup> The absence of similar supportive frameworks in part explains why in the UK smaller employers are sometimes put off from taking on apprentices by fears of the associated cost related to administration and supervision.<sup>59</sup>

---

<sup>50</sup> Misko, J. (2006), 'Vocational education and training in Australia, the United Kingdom and Germany'. NCVET.

<sup>51</sup> Hoeckel, K. and Schwartz, R. (2010) 'Learning for Jobs: OECD reviews of vocational education and training'. OECD

<sup>52</sup> Steedman H (2010), 'The State of Apprenticeship 2010: International Comparisons – Australia, Austria, England, France, Germany, Ireland, Sweden, Switzerland': A Report for the Apprenticeship Ambassadors Network, London: Centre for Economic Performance, London School of Economics and Political Science

<sup>53</sup> The State of Apprenticeship in 2010: A report for the apprenticeship ambassadors network

<sup>54</sup> Hippach-Schneider, U., Krause, M., and Woll, C. (2007) 'Vocational education and training in Germany'. European Centre for the Development of Vocational Training.

<sup>55</sup> Review of Apprenticeships Research: A summary of research published since 2010

<sup>56</sup> OECD Review of Vocational Education and Training in England and Wales; IPPR report, with the Association of Colleges- (November 2011), 'Rethinking Apprenticeships'

<sup>57</sup> Source: IFF Research and the Institution of Employment Research 'Evaluation of Apprenticeships: Employers' (BIS Research Paper No. 77, 2012)

<sup>58</sup> Hippach-Schneider, U., Krause, M. and Woll, C. (2007) 'Vocational education and training in Germany'. European Centre for the Development of Vocational Training.

<sup>59</sup> Institute of Employment Research (2012), Review of Apprenticeships Research: A summary of research published since 2010

### 3.4.4 Disadvantaged groups

It is worth noting, however, that despite enabling a successful transition for a large proportion of young people, there are some groups that are at a particular disadvantage in Germany's education system. For instance, young people who have not yet secured an entitlement to training and/or those with learning difficulties, low or no skills, those from socially disadvantaged backgrounds, and young immigrants often find it difficult to gain access to the vocational training system.<sup>60</sup> For example, the participation rate of young people with a migrant background in dual apprenticeship training was 32.2% in 2009 compared with 68.2% for those without.<sup>61</sup>

In an attempt to address this failing an extensive pre-apprenticeship training system has been introduced to prepare disadvantaged young people for successful entry into the apprenticeship system (or other vocational options). Participation in the transition system has increased substantially over the last decade or so, and the transition system now caters for similar numbers of people as the dual system itself.<sup>62</sup> However, despite the deployment of considerable resources in the transitory system, it has been criticised for being highly fragmented and for lacking transparency. Consequently very few participants "make a successful transition into the regular VET system."<sup>63</sup>

### 3.5 Suggestion for policy development

- **Policy measures to maximise engagement of large corporates** – one of the benefits of the German system – as set out above – is the engagement of all large employers. Large employers are more likely to be able to give up time to engage in curriculum development, course design and are better able to offer training. The UK government should seek for all large employers to sign an agreement to offer apprenticeship places.
- **Increase employer engagement in design and delivery of apprenticeship frameworks and training** and widen the apprenticeship model to include more occupations and sectors.
- **Introduce pre-apprenticeship training** for those who are not yet ready to access apprenticeships. We support the UK government's recent plans to introduce a

---

<sup>60</sup> Hippach-Schneider, U., Krause, M. and Woll, C. (2007) 'Vocational education and training in Germany'. European Centre for the Development of Vocational Training.

<sup>61</sup> Europa (2010), European Employment Observatory Review

<sup>62</sup> Hoeckel, K. and Schwartz, R. (2010), 'Learning for Jobs: OECD reviews of vocational education and training' OECD

<sup>63</sup> Ibid



Traineeship scheme in the UK, and hope that it will be available in 2013 as currently planned.<sup>64</sup>

- **Review the current balance between academic content and on the job training** – In 2011 the Coalition introduced a statutory minimum of 280 hours of Guided Learning per year, with a minimum of 100 hours to be provided off-the-job. This is still very low by international standards and the government should look to review this whilst ensuring the structures are in place to support businesses, particularly smaller ones, where this might place additional pressure on.

---

<sup>64</sup> The Government announced its plans in a consultation paper launched in January 2013. Department for Education, Department for Business, Innovation and Skills (2013) Traineeships: Supporting young people to develop the skills for Apprenticeships and other sustained jobs: A discussion paper.

## 4. Denmark – the role of active labour market policy

### 4.1 Introduction

Until the 2008 recession the Danish youth labour market had enjoyed a decade of low, stable levels of unemployment – consistently outperforming the European average. The recession caused a rapid increase in the number of young people seeking work: by 2011 the proportion of young people who were unemployed had matched that of Europe as a whole (at around 9 per cent).

Yet while youth unemployment increased sharply, long-term youth unemployment has remained low. The Danish system is good at ensuring young people do not stay unemployed for long. Part of the explanation for this may lie in the high spending on Active Labour Market Policy, on which Denmark is the highest amongst the OECD nations. Denmark's approach to ALMP is the focus of this chapter.

### 4.2 Context – The youth labour market in Denmark

In 2011 there were 65,700 Danish unemployed people aged between 15-24 years, a rate of 14.2 per cent of the active labour force – this was below the EU (22.8 per cent), OECD (19 per cent) and UK averages (20 per cent).

The chart below shows trends in the proportion of youth unemployment from 2000 to 2011. Prior to the recession youth unemployment in Denmark had remained consistently low at around, or below, 6 per cent of the 15-24 population. However, following the onset of the global economic downturn in 2008 youth unemployment in Denmark started to rise rapidly and now stands a little above the EU average at 9.6 per cent.

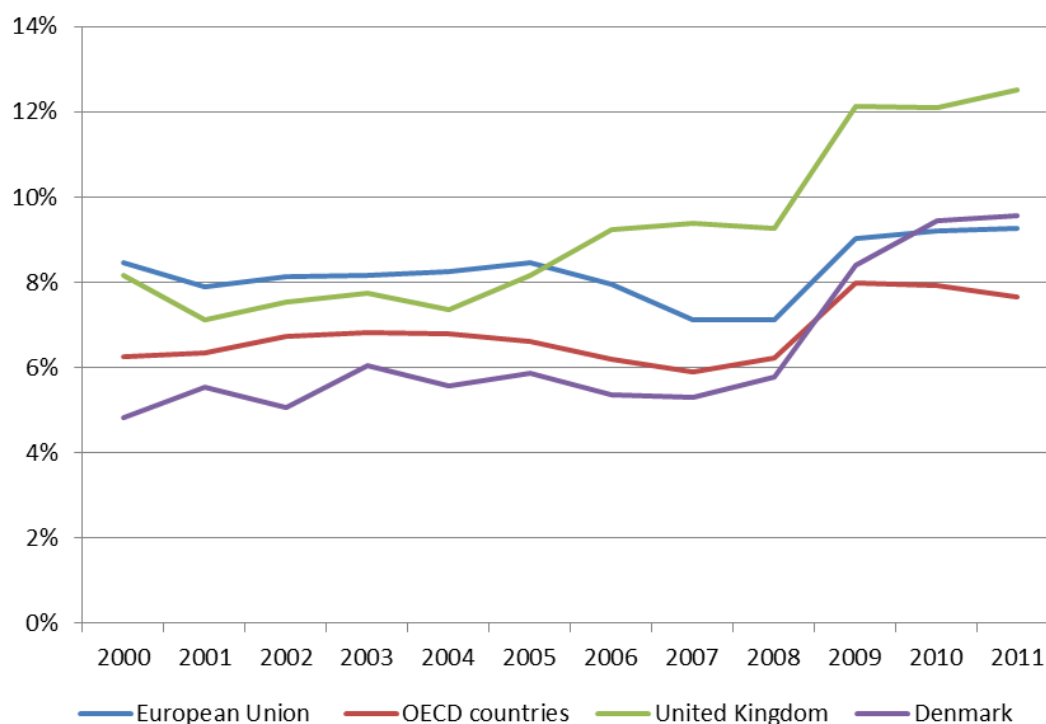
Youth unemployment rates are above adult age rates which suggest that young people are more disadvantaged in the labour market. However overall there is less variation between the two than international and UK averages.

Despite a rapid rise in the number of young people seeking work, the level of long-term youth unemployment in Denmark is remarkably low. In 2011, just 9.9 per cent of young people who were unemployed had been out of work for over a year. This compares with rates of 28 per cent and 21 per cent respectively across the EU and the OECD, and 24.7 per cent in the UK. Part of the reason is the flexible nature of the Danish labour market – which combines flexible hiring and firing with a generous social safety net and extensive activation policies.<sup>65</sup> It is this third aspect of the Danish system that we consider in this section.

---

<sup>65</sup> Anderson, T (2011), 'A Flexicurity Labour Market in the Great Recession: The Case of Denmark', IZA

**Figure 8 Youth unemployment as a proportion of the population aged 15-24 years 2000-2011**



Source: OECD

#### 4.4 Active Labour Market Programmes in Denmark a brief overview

In 1994 Denmark established its first active labour market policy (ALMP) with the aim to reduce structural unemployment – activation took place at 12 months unemployed and at 6 months for those 25 and under. This period has been progressively reduced over time.<sup>66</sup> The aim of ALMP is to ease the transition from unemployment and inactivity to work by:

- Encouraging, improving and supporting job search; and,
- Improving qualifications and employability through skills upgrading and vocational training and education.

Denmark, alongside Sweden, is seen as an international leader in the implementation of active labour market policy.<sup>67</sup> As shown in Figure 9, Denmark spends 1.3 per cent of total GDP on active labour market measures – this is the highest proportion of any OECD nation and considerably above the UK (0.3 per cent) and OECD averages (0.5 per cent). Public

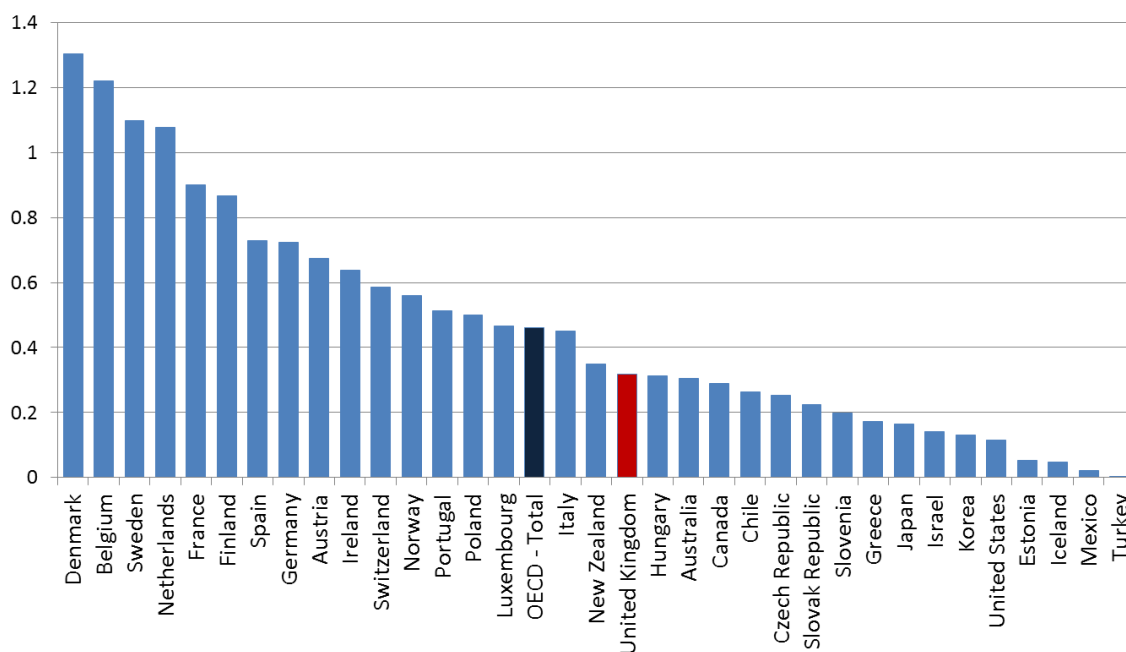
<sup>66</sup> Europa (2009), Denmark: Description of Labour Market Institutions

<sup>67</sup> Jochem, S (2011), 'Scandinavian Labour and Social Policy: Models for a Preventive Welfare State', International Policy Analysis, Friedrich Ebert Stiftung

funding for active labour market policies is automatically adjusted in line with official increases in unemployment.<sup>68</sup>

- About 22 per cent of active labour market policies expenditure is spent on training, 17 per cent goes on employment incentives (such as wage subsidies), and 35 per cent is directed to supported employment and rehabilitation (notably flexjobs).<sup>69</sup>
- Pre-recession around 2 per cent of the entire labour force were enrolled in active labour market programmes. By 2010 this had risen to 6.5 per cent of the labour (approximately 190,928) above the UK figure of around 4.7 per cent.
- The coverage of persons activated is high at about 51 per cent of jobseekers, the third highest amongst EU member states.<sup>70</sup>

**Figure 9: Expenditure on Active Labour Market Policy (ALMP) as a proportion of GDP, 2007**



Source: OECD

Like the UK, unemployment benefit recipients in Denmark need to demonstrate availability for work, by searching for jobs, taking up suitable job offers and participating in active labour market programmes. In international terms the Danish rules for showing availability are quite

<sup>68</sup> OECD jobs for youth report

<sup>69</sup> Source: OECD – Please note that this **data includes** support not just for the unemployed but also the inactive who would like to work and employed people who at risk of involuntary jobs loss. Also included is apprenticeship support for young adults unable to find an apprenticeship via the usual channels, temporary subsidies for hiring people from age groups or regions where unemployment is concentrated (but not permanent subsidies). **Data excludes** training that is generally available to employed adults and apprenticeship programmes generally available to young adults, and in-work benefits or tax deductions.

<sup>70</sup> Source: Eurostat Labour Market Policy database – 2010 data

strict and have progressively tightened over the last ten years.<sup>71</sup> Since 2001, and the election of a Conservative-Liberal government, the focus of policy has shifted from human capital development (provision from training) to accelerated job matching;<sup>72</sup> academics and policy have termed this as a shift in focus as a move from 'learn-fare' to 'work-fare'.<sup>73</sup>

Referral to active labour market programmes happens after 9 months for those aged over 30 years, 3 months for those below 30, and (as of 2009) immediately for those aged below 19 years old.<sup>74</sup> Attendance is compulsory and the period of activation can last up to 3 years. There are three schemes available for all unemployed – including young unemployed people:

1. **Counselling and skills upgrading** – These involve short term counselling and training sessions that take place in the context of the normal education system.
2. **Practical on-the-job-training** – This is on-the-job training for people who need to explore possible careers opportunities or who may lack the qualifications needed to enter this career through the normal avenue.
3. **Employment with a wage subsidy** – which may be in the public or private sector and is used for retraining to upgrade the employability skills (specific skills, language or social skills) of the unemployed.

All training and education that takes places in the Danish model aims to be geared towards sectors which offer good job prospects. Training measures are particularly targeted at the unskilled and low-skilled unemployed, particularly young people under the age of 30.<sup>75</sup>

Denmark has recently seen the tasks of employment agencies decentralised to the municipalities.<sup>76</sup> In 2007 state employment agencies were abolished and all administrative matters connected to ALMP were transferred to local authorities. Employment plans are drawn up locally and submitted to the local employment council, these take into account both the target set by the central government as well as and the regional objectives. Individual job centres have a significant level of autonomy, and are able to enter into agreements with external institutions and actors, and can sub-contract tenders out.<sup>77</sup>

---

<sup>71</sup> Bredgaard, T and Daemmrich, A (2012), 'The Welfare State as an Investment Strategy: Denmark's Flexicurity Policies'. Oxford Handbook.

<sup>72</sup> European Foundation for the Improvement of Living and Working Conditions, (2010), Financing and operating active labour market programmes during the crisis: Background Paper

<sup>73</sup> Bredgaard, T and Daemmrich, A (2012), 'The Welfare State as an Investment Strategy: Denmark's Flexicurity Policies'. Oxford Handbook.

<sup>74</sup> Nordic Social Statistical Committee (2011) 'Youth unemployment in the Nordic Countries: A study on the rights and measures for young jobseekers', Nordic Social-Statistical Committee

<sup>75</sup> (2012) Labour Market Reforms and Performance in Denmark, Germany, Sweden and Finland, Publications for the Ministry of Employment and the Economy, Employment and Entrepreneurship

<sup>76</sup> Jochem, S (2011) 'Scandinavian Labour and Social Policy: Models for a Preventive Welfare State', International Policy Analysis, Friedrich Ebert Stiftung

<sup>77</sup> Hendeiowitz, (2008), 'Danish Employment Policy: National Target Setting, Regional Performance Management and Target Setting', The Danish National Labour Market Authority

#### 4.41 Responding to the crisis – Active Labour Market Policies for young people

Until recently there were limited unemployment programmes specifically targeted at young people as ALMP was seen as a universal service and therefore available to everyone. However, as a result in the upswing in youth unemployment caused by the global economic downturn the government (the Left Wing and Conservative party) and the Social Democrats, the Danish People's Party and the Radical Left<sup>78</sup> introduced the 'Agreement on More Young People in Education and Jobs' which set out the following provision:

- **Activation for 15-17-year-olds** – young people aged 15-17 years who are not in school or employed may now be activated by the job centre, including on-the-job training, counselling and skills upgrading, and mentoring support;
- **Immediate activation for 18-19-year-olds** – personal, early and activity-based action for 18-19-year old social security and unemployment benefit recipients;
- **A new chance for young people** – special subsidies to job centres that make an extra effort to get more young people under 30 years, with more than 12 months on continuous public support, into employment (wage subsidies or on-the-job training);
- **Improving opportunities for participation in job rotation and upgrading of skills** for young unemployed people through ordinary employment;
- **Reading and writing tests for new benefit claimants**, with courses available for those who do not meet acceptable standards;
- **Better co-ordination between authorities**. Co-ordination of data exchange ensures that young people do not 'vanish' amongst the various authorities; and,
- **Establishment of a National Youth Unit** to support the job centres organising the youth action plan<sup>79</sup>

Alongside measures such as earlier activation, better co-ordination and special subsidises for job centres to support young claimants the Danish system has prioritised re-integration with the education for those who have not completed formal education.<sup>80</sup> In 2009 the Danish government updated an earlier initiative - "The Youth Effort" – the changes means that those claimants below the age of 25 who have not completed a secondary education are required under the education order to complete their schooling in return for social assistance.<sup>81</sup> Social

---

<sup>78</sup> Nordic Social Statistical Committee (2011) 'Youth unemployment in the Nordic Countries: A study on the rights and measures for young jobseekers', Nordic Social-Statistical Committee

<sup>79</sup> Ibid

<sup>80</sup> European Foundation for the Improvement of Living and Working Conditions (2010) Financing and operating active labour market programmes during the crisis: Background Paper

<sup>81</sup> European Foundation for the Improvement of Living and Working Conditions (2010) Financing and operating active labour market programmes during the crisis: Background Paper

benefits are paid up until a person returns to school whereby they receive a study grant instead.<sup>82</sup>

This 'education first' policy has likely acted to reduce the level of youth unemployment as a significant number of people will be subject to this policy – for instance a study in Copenhagen showed that around 50 per cent of young people on welfare benefits did not have sufficient reading and writing skills to enrol at a post-secondary vocational education institution.<sup>83</sup>

#### 4.4 Active Labour Market Policy in Denmark – what works?

The Danish government has recently set up a 'knowledge bank' which aims to collate and review evidence from evaluations of labour market measures to find out what works. Evidence collected so far shows that: there is strong evidence that frequent consultation or job counselling generally helps the unemployed into employment; there is strong evidence that on the job training in private companies is the most effective tool in helping unemployed people into work; and, the overall effect of regular training for the unemployed is uncertain – however there are indications that very precisely targeted and short-term training helps unemployed into employment.<sup>84</sup>

A number of other international reviews<sup>85</sup> of active labour market programmes have echoed these findings:

- Private sector on-the-job training generated very high levels of 'social surplus' mainly due to substantially higher earnings and reduced income transfers after participations.
- Subsidised public sector employment programmes are generally less successful than other active labour market programmes.
- Longer-term evaluations tend to be more positive than short term evaluations. Project outcomes improve over time – typically much more improvement will be seen in two to three years rather than in one.

---

<sup>82</sup> Anderson, Torben A (2011), 'A Flexicurity Labour Market in the Great Recession: The Case of Denmark', Aarhus University, CEPR, CESifo and IZA

<sup>83</sup> Ibid

<sup>84</sup> (2012) Labour Market Reforms and Performance in Denmark, Germany, Sweden and Finland, Publications for the Ministry of Employment and the Economy, Employment and Entrepreneurship

<sup>85</sup> See – Jespersen, S, Munch, J and Skipper, L (2008) 'Costs and Benefits of Danish active labour market policies', Labour Economics, Elsevier; Card, D, Jochen, K, and Weber A (2010), 'Active Labour Market Policy Evaluations: A meta-analysis', National Bureau of Economic Research – This paper was based on the micro-econometric evaluations of nearly a hundred programmes from 26 different countries of which programmes from Denmark represented a quarter of initiatives; Daguerre, Anne and Etherington David (2009) 'Active labour market policies in international context: what works best? Lessons for the UK', Middlesex University, Department of Work and Pensions; and, Meager, N (2008) The Role of Training and Skills Development in Active Labour Market Policies, IES Working Paper WP15, Institute of Employment Studies

- Classroom training programmes appear to be effective as long as they provide vocational skills linked to the needs of employers.
- Supported jobs search appears to be the most cost effective measure – and compared to training programmes they offer better outcomes.

However, some academics and researchers have argued that such strict activation policies may have both negative as well as positive consequences for future employment prospects. Calmfors (1994) identifies three effects of active labour market programmes: deterrence and motivation; ‘lock in’ effects; and human capital development.<sup>86</sup> These are discussed below.

Deterrence effects (whereby people leave benefit registers before activation) in Denmark have been found to be particularly strong.<sup>87</sup> As highlighted previously the amount of time before compulsory activation in Denmark has been progressively reduced – from four years in 1994, to one year in 1999, to the phasing in of immediate activation as of this year. Evidence from Denmark suggests that benefit caseloads have responded to news about changes in the benefit regime before they are actually implemented – monthly rates of entry to employment tended to stop falling and then start to rise again six months before participation in programmes became compulsory.<sup>88</sup> As such ALMPs can play an important role in discouraging the unemployed from registering, as they may be unwilling to go through with the complex and time consuming ALMPs.

Alternatively, it has been argued that early intervention may ‘lock in’ people who may have otherwise quickly returned to the labour market. Studies have shown that this is particularly a problem for those on education and training courses.<sup>89</sup> As such, they can be a costly intervention in the short to medium term, but may have greater long term benefits. However, this ‘opportunity cost’ will vary cyclically, for instance, in periods when jobs are scarce it is a good time to do training (rather than, in all likelihood, remain unemployed), when jobs are more plentiful the trade-off is greater.

However, on balance the view is the ALMPs generally have positive benefits overall. This is confirmed by Jespersen et al’s (2008) cost-benefit analysis of Denmark’s ALMPs. The article, which attempts to carry out a cost benefit analysis of the active labour market between 1995-2005 found that overall, and albeit with some variation depending on type of

---

<sup>86</sup> Calmfors, L (1994), ‘Active labour market policies and unemployment and unemployment – a framework for the analysis of crucial design features’, OECD Economic Studies.

<sup>87</sup> Anderson, Torben A ‘A (2011) Flexicurity Labour Market in the Great Recession: The Case of Denmark’ Aarhus University, CEPR, CESifo and IZA

<sup>88</sup> Kvist, J and Pederson, L (2007) Danish Labour Market Activation Policies, National Institute Economic Review

<sup>89</sup> Anderson, Torben A (2011), ‘A Flexicurity Labour Market in the Great Recession: The Case of Denmark’, Aarhus University, CEPR, CESifo and IZA



intervention, Denmark's active labour market policies create significant social surpluses over the long term.<sup>90</sup>

#### 4.4 Policy suggestions

- **Implement early activation policies to avoid scarring effects of long term unemployment** with a focus on reintegration into the schooling system for those with no qualifications. In the UK young Job Seekers Allowance claimants aged 18-24 years enter The Work Programme after 9 months of being unemployed. We argue earlier intervention is necessary to minimise the scarring impact of youth unemployment and that – as is the case in the Danish system – education and training should be prioritised over work for those with no qualifications.
- **Balance between sanctions and activation policies** – there are potentially strong deterrence effects for early activation programmes. In particular, schemes such as the pilot in London - launched earlier this year - which puts 18-24 year-old benefit claimants with little or no work experience into placements and has strong benefit sanctions if they young person does not participate is unlikely to have a positive impact for programme participants unless properly managed (more on Work Experience in Chapter 6).
- **Growth in opportunities for private sector on the job training** which is likely to have better medium to long-term benefits compared to than unpaid work experience placements.
- **More local autonomy and better co-ordination** – Denmark perhaps provides a good model for more autonomy for local authorities and job centres - in particular incentives to jobcentres which support more young people into employment could be piloted in some areas.

---

<sup>90</sup> Jespersen, S, T. Munch, J, Skipper, L, (2008), 'Costs and benefits of Danish active labour market programmes' Labour Economics.

## 5. The Netherlands – a flexible approach

### 5.1 Introduction

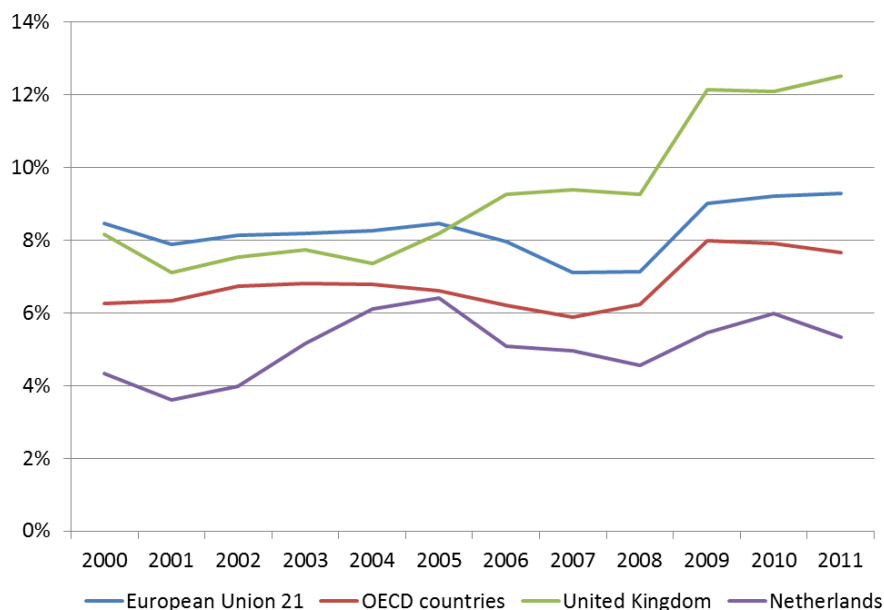
Over the past decade, youth unemployment in the Netherlands has remained consistently below the European level and saw very little increase over the course of the recession. One of the reasons behind this could be that the Dutch youth labour market is characterised by very high levels of non-standard working – those young people who are in employment are heavily concentrated in part-time and temporary work. It is this feature of the Dutch youth labour market that this chapter considers.

### 5.2 Context – The youth labour market in the Netherlands

In 2011 there were 224,000 Dutch young people seeking work – this meant a youth unemployment rate of 7.7 per cent of the active labour force, a third of the EU average (22.8 per cent) and lower than the OECD (19 per cent) and UK figures (20 per cent).

The Netherlands also performed well in comparison to European and international averages when looking at the proportion of young people who are unemployed – known as the youth unemployment ratio (shown in Figure 10). As the chart shows youth unemployment had been on a downward trend in the Netherlands from 2005 to 2008. The level of youth unemployment over this period fell by over a quarter (-27 per cent). This contrasts sharply with the UK which saw an increase of 19 per cent in the number of unemployed young people.

**Figure 10: Youth unemployment as a proportion of the population aged 15-24 years 2000-2011**



Source: OECD

Although youth unemployment rates in The Netherlands are double adult rate, young people are relatively less disadvantaged in the labour market compared to in other countries; in 2011 there were 2.1 young unemployed for every adult – compared to a youth to adult ratio of 3.3 in the UK and 2.7 in the EU. In addition the difference between the two rates has fallen over the last decade (in 2001 there were 2.4 young claimants to every adult claimants).

### 5.3 Flexibility – the key to success in the Dutch youth labour market?

Rising levels of part-time and temporary employment have characterised youth labour markets across Europe.<sup>91</sup> In the case of the Netherlands, labour market flexibility is explicitly argued to have played a key role in strategies to combat youth unemployment and maintain low and stable levels since the mid 1980s.<sup>92</sup>

In 1982 the Dutch government's response to high levels of youth unemployment was to encourage shifts to greater labour market flexibility in the hope that this would boost young peoples' employment prospects. The resulting Wassenaar Agreement - an arrangement between employers' organisations and trade unions - involved greater liberalisation of temporary contracts, and a relaxation of redundancy procedures and wage restraint. This resulted in considerable jobs growth, a large proportion of which was based on part-time and/or flexible contracts.<sup>93</sup>

Like in Denmark, the Dutch labour market is known for a well developed system of 'flexicurity' – a system whereby non-standard, flexible working arrangements are balanced by strong social security rights. As in most other countries temporary workers have fewer employment rights than permanent 'regular' employees. For instance, the OECD<sup>94</sup> index of employment protection in the Netherlands for temporary works is 1.42 compared to 2.73 for regular employees. This compares to figures in the UK of 0.29 and 1.17 respectively. So compared to the UK, temporary workers in the Netherlands enjoy significantly better levels of employment protection, as well as rights to training, wage guarantees and supplementary pensions.<sup>95</sup>

---

<sup>91</sup> Harslof, I. (2007), 'Changing Youth Labour markets, welfare institutions and young people's control over working time Time and society' Vol 16 no 2/3 pp 207-230

<sup>92</sup> Wolbers, M. (2008), 'Increasing Labour market instability among young people? Labour market entry and early careers development among school leavers in the Netherland since the mid-1980s. In: Blossfeld H-P, Buchholz S, Bukodi E and Kurz K (eds) Young Workers, Globalization and the Labor Market: Comparing Early Working Life in Eleven Countries. Cheltenham and Northampton, MA: Edward Elgar, 77–101.

<sup>93</sup> De Lange, M., Gesthuizen, M., Wolbers, M. (2012) 'Trends in Labour Market Flexibilization among Dutch School-Leavers: the Impact of Economic Globalization on Educational Differences'; Wolbers, M. (2008), 'Increasing Labour market instability among young people? Labour market entry and early careers development among school leavers in the Netherland since the mid-1980s. In: Blossfeld H-P, Buchholz S, Bukodi E and Kurz K (eds) Young Workers, Globalization and the Labor Market: Comparing Early Working Life in Eleven Countries. Cheltenham and Northampton, MA: Edward Elgar, 77–101.

<sup>94</sup> 2008 OECD Index of Employment Protection Version 3

<sup>95</sup> Wilthagen, (2007) cited in Viebrock, E and Clasen, J (2009), 'State of the Art: Flexicurity and welfare reform' a review, Socio Economic Review 7

Despite the advantages of flexicurity systems there are challenges to implementing similar systems. Due to ‘specific national historical legacies, legal traditions, labour market institutions, industrial relations systems, and government spending arrangements’ there are doubts over the transferability of the model to countries where the social partnership is not firmly established and levels of social trust might be low.<sup>96</sup>

This section examines the impact of large amounts of flexible working in the Netherlands on youth labour market experiences before asking what this might mean in the UK context.

#### **5.4 Non-standard employment – part-time and temporary working in the Netherlands a statistical overview**

The Dutch system supports high labour market participation rates for young people. The employment rate amongst 15-24 year olds is the highest in the whole of the OECD. In 2011 65 per cent of young people were in employment – compared to only 46 per cent in the UK and OECD and EU rates of 36 per cent and 31 per cent respectively.<sup>97</sup>

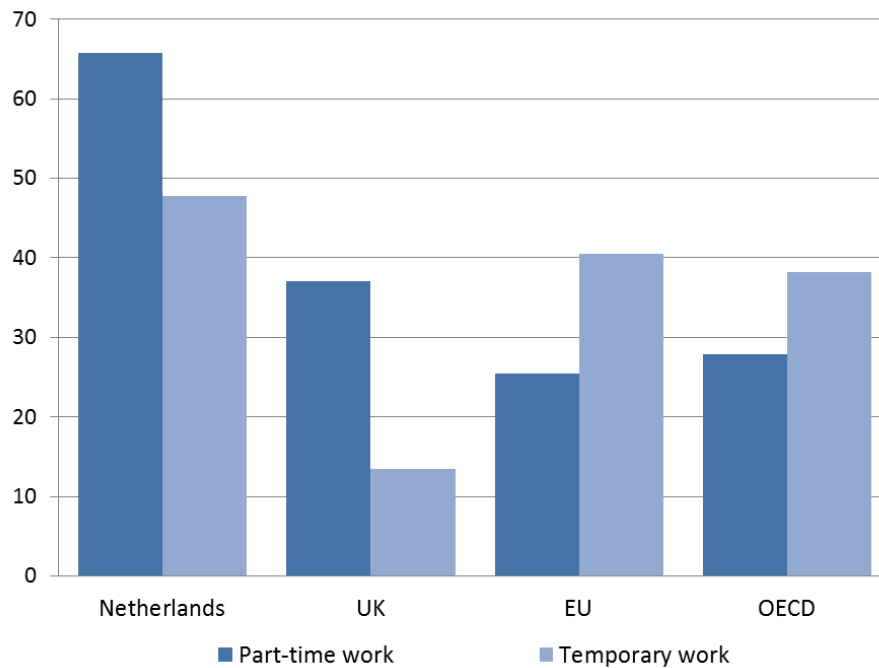
Today’s youth labour market in the Netherlands is characterised by high levels of temporary and part-time working. In 2011 47.8 per cent of young people aged 15-24 in work were on temporary contracts. This is above both the OECD (38.2 per cent) and EU (40.6 per cent) averages. In comparison, the UK has a much lower incidence of young people on temporary contracts (13.5 per cent).

#### **Figure 11: Young people in employment – percentage in part-time and temporary work 2011**

---

<sup>96</sup> Viebrock, E and Clasen, J (2009), ‘State of the Art: Flexicurity and welfare reform’ a review, Socio Economic Review 7

<sup>97</sup> Source: OECD Statbase



Source: OECD

The level of part-time work in the Netherlands is even more striking. In 2011, two-thirds (65.8 per cent) of young people who were in employment were working part-time. This is more than double the OECD (27.9 per cent) and EU (25.4 per cent) averages and considerably above the level in the UK as well (37 per cent). The tendency towards part time work continues throughout working life<sup>98</sup> - in general there is a higher incidence of part-time work amongst the adult population (25-54 years) - 31 per cent work part-time in 2011, compared to just 15.3 per cent in Europe, 12 per cent in the OECD and 19.7 per cent UK.

Despite what appears to be a more flexible system, when compared to the UK the Netherlands has a higher level of employment protection for temporary workers (although this is considerably below the OECD average).

### 5.5 The impact of non-standard employment on the Dutch youth labour market

The value of non-standard contracts for individual workers is contested. Most would accept that temporary and part-time jobs are less desirable than permanent ones; temporary and part time workers typically receive lower pay, are offered fewer training opportunities and report lower levels of job satisfaction.<sup>99</sup> Both employers and employees are less likely to invest resources into role development if a contract is likely to end without renewal in the

<sup>98</sup> Jobs for Youth: The Netherlands. OECD 2008

<sup>99</sup> Booth, A., Francesconi, M. and Frank, J. (2002) 'Temporary jobs: stepping stones or dead ends?' The economic journal 112 ; Gash, V. 'Bridge or trap? Temporary Workers' Transitions to Unemployment and to the Standard Employment Contract'. European Sociological Review Volume 24 number 5 2008

near future<sup>100</sup> and temporary staff face both the risk of unemployment as their fixed term contracts come to an end and *'may be subject to repeat spells of temporary work'*<sup>101</sup>. As a result of these factors, those workers without full time or permanent positions can be a marginalised group in the labour market.<sup>102</sup>

However, when faced with unemployment as the alternative, temporary and part time contracts are arguably a more favourable option.<sup>103</sup> For young people first entering the labour market it is also possible that they can be desirable in some respects and can act as an initial stepping stone to permanent and full time employment<sup>104</sup> and part-time contracts are often taken on a voluntary basis.<sup>105</sup>

This indeed appears to be the case in the Netherlands with the youth labour market having very low levels of 'involuntary part-time work'.<sup>106</sup> Just 4.6 per cent of young people who are working part-time are doing so involuntarily, a proportion that is twice as high in the UK (9.8 per cent) and much higher across Europe (20 per cent) and OECD member countries (16.9 per cent).<sup>107</sup>

Although there is a significantly high concentration of part time work in the Netherlands' youth labour market, it has been the incidence of temporary work that has attracted the most interest from researchers and policymakers. As such, much of the section below in most case refers to temporary – rather than part-time – work.

In the Netherlands temporary work among young workers is common and frequently leads on to permanent employment.<sup>108</sup> The available literature identifies a number of benefits of temporary working for young people (particularly when compared to unemployment), these include: less scarring effects; opportunities to gain work experience and develop human

---

<sup>100</sup> Steijn, B., Need, A. and Gesthuizen, M. (2006), 'Well begun, half done? Long-term effects of labour market entry in the Netherlands, 1950-2000'. Work, employment and society. London: Sage publications

<sup>101</sup> Gash, V (2008), 'Bridge or trap? Temporary Workers' Transitions to Unemployment and to the Standard Employment Contract', European Sociological Review

<sup>102</sup> Ibid

<sup>103</sup> Ibid

<sup>104</sup> Booth, A., Francesconi, M. and Frank, J. (2002), Temporary jobs: stepping stones or dead ends? The economic journal 112

<sup>105</sup> OECD definition – Involuntary part-time work comprises three groups: i) individuals who usually work full-time but who are working part-time because of economic slack; ii) individuals who usually work part-time but are working fewer hours in their part-time jobs because of economic slack; and iii) those working part-time because full-time work could not be found.

<sup>106</sup> OCED definition – Involuntary part-time work comprises 3 groups: i) individuals who usually work full-time but who are working part-time because of economic slack; ii) individuals who usually work part-time but are working fewer hours in their part-time jobs because of economic slack; and iii) those working part-time because full-time work could not be found.

<sup>107</sup> Source: OECD 2011 data – please note data for the

<sup>108</sup> Jobs for Youth: The Netherlands. OECD 2008; Zijl et al 2004 iza

capital and widen social networks; and, time to consider career/location preferences. These benefits are considered below:

- **Less scarring effects** – Periods spent working in non-standard arrangements while young have not been found to have the same negative impacts on future labour market experience as periods of unemployment.<sup>109</sup> Those beginning their careers in temporary work are less likely than those who begin unemployed to find themselves unemployed at a later stage in their career,<sup>110</sup> and young temporary workers have not been shown to be subject to the negative wage scarring effects associated with unemployment (or at least to the same extent).<sup>111</sup> Whilst temporary working can on the one hand be seen to have a ‘lock in’ effect (particularly at the point where the temporary contract commences), it does *‘lead to a decrease in unemployment duration’*,<sup>112</sup> and high rates of transition from temporary to permanent employment have been found across different countries.<sup>113</sup>
- **Work experience and human capital development** – work experience gained through temporary work and related human capital development can enhance a young person’s employability. Temporary contracts may also function as ‘probationary periods’ wherein young labour market entrants are given an opportunity to ‘prove themselves’ within an organisation.<sup>114</sup>
- **Social networks** – young people who are able to find temporary employment may gain from widening their social networks, increasing their contact with other employed people and employers.<sup>115</sup>
- **Time to consider career/location preferences** – For those young people who are unsure of the career paths they wish to pursue, temporary working arrangements may be desirable.<sup>116</sup> Indeed, ‘many young employees explicitly choose non-standard

---

<sup>109</sup> Steijn, B., Need, A. and Gesthuizen, M. (2006), ‘Well begun, half done? Long-term effects of labour market entry in the Netherlands, 1950-2000’. Work, employment and society. London: Sage publications; Lee, N, Sissons, P, Brhmi, B, Jones, K and Cominetti, N (2012), ‘Short-term crisis – long-term problem: addressing the youth employment challenge’, London, The Work Foundation., Gregg, P and Tominey, E (2005), ‘The Wage Scar from Youth Unemployment’, Labour Economics

<sup>110</sup> Steijn, B., Need, A. and Gesthuizen, M. (2006), ‘Well begun, half done? Long-term effects of labour market entry in the Netherlands, 1950-2000’. Work, employment and society. London: Sage publications

<sup>111</sup> Booth, A., Francesconi, M. and Frank, J. (2002), ‘Temporary jobs: stepping stones or dead ends?’ The economic journal 112

<sup>112</sup> Zijl 2004 iza Zijl, M., van den Berg, G., and Heyma, A. (2004) Stepping stones for the unemployed: the effect of temporary jobs on the duration until regular work. Institute for the study of labour discussion paper number 1241

<sup>113</sup> Gash, V (2008), ‘Bridge or trap? Temporary Workers’ Transitions to Unemployment and to the Standard Employment Contract’, European Sociological Review

<sup>114</sup> Ibid

<sup>115</sup> Zijl, M., van den Berg, G., and Heyma, A. (2004), ‘Stepping stones for the unemployed: the effect of temporary jobs on the duration until regular work’. Institute for the study of labour discussion paper number 1241

<sup>116</sup> Booth, A., Francesconi, M. and Frank, J. (2002), ‘Temporary jobs: stepping stones or dead ends?’ The economic journal 112

employment'<sup>117</sup> as they value a 'chance to look around' and 'search more effectively for desirable jobs.'<sup>118</sup>

However, it is important to note that flexibility in the Dutch labour market has been shown to impact differently on different groups of young people.<sup>119</sup> Whilst some have found that temporary working arrangements can boost the labour market prospects of disadvantaged groups as employers consider it less risky employing them on an initial short term basis, others have highlighted that disadvantaged groups face greater difficulties in navigating from temporary to permanent employment compared with their better qualified counterparts.<sup>120</sup>

In addition, recent increases in youth unemployment in the Netherlands have in part been due to an increasing likelihood for young people's temporary contracts not to be renewed<sup>121</sup> as employers are less keen to renew during economic downturns.<sup>122</sup> This has particularly been the case in industries such as catering and construction (which employ large numbers of young people) which tend to be more cyclical than others.<sup>123</sup> Nevertheless, positive stepping stone effects seem to be more likely during periods when unemployment is high.<sup>124</sup>

## 5.6 Discussion: lessons for the UK?

The experience of the Netherlands' youth labour market demonstrates the value that part-time and temporary working arrangements can have for young people's transitions into employment. Whilst permanent full-time employment contracts may be more desirable, part-time or temporary ones can be more favourable than a period spent unemployed; and can provide young people with useful skills and experience and impact less negatively on future labour market experiences. For some young people temporary working can be a more desirable arrangement if they are unsure about the career paths they wish to take.

Given a more flexible system, it is perhaps surprising that the level of temporary employment in the UK has remained relatively low and stable compared to the experience in the

---

<sup>117</sup> DiNatale, (2001) referenced in – Steijn, B., Need, A. and Gesthuizen, M. (2006), 'Well begun, half done? Long-term effects of labour market entry in the Netherlands, 1950-2000'. Work, employment and society. London: Sage publications

<sup>118</sup> Zijl, M., van den Berg, G., and Heyma, A. (2004), 'Stepping stones for the unemployed: the effect of temporary jobs on the duration until regular work'. Institute for the study of labour discussion paper number 1241

<sup>119</sup> De Lange, M., Gesthuizen, M., Wolbers, M. (2012), 'Trends in Labour Market Flexibilization among Dutch School-Leavers: the Impact of Economic Globalization on Educational Differences. International Sociology, Sage publications

<sup>120</sup> Ibid

<sup>121</sup> Scarpetta, S., Sonnet, A., Manfredi, T. (2010), 'Rising youth unemployment during the crisis: how to prevent negative long term consequences on a generation?' OECD Social, Employment and Migration Working Papers no 106.

<sup>122</sup> National Youth Monitor

<sup>123</sup> April letter from Minister Paul de Krom to Parliament

<sup>124</sup> Zijl et al IZA DP



Netherlands and across Europe more widely.<sup>125</sup> However, in the UK ‘both temporary and permanent employees have low levels of employment protection- with few procedural inconveniences in termination of employment contracts and end-of- contract payments are low to non-existent’. In addition, the UK has much longer probationary periods for permanent contracts, and [our] definition of unfair dismissal is not as stringent’.<sup>126 127</sup> However, similarly to the Netherlands’ experience, the majority of temporary workers in the UK progress to permanent contracts and few subsequently enter unemployment - yet those with lower education levels similarly struggle more with the transition from temporary to permanent employment.<sup>128</sup>

In our first Missing Million report we called for a guaranteed part-time job for six months for all unemployed young people combined with intensive support from providers. The temporary positions made available as part of such a scheme may lead on to permanent employment either within the same firm or elsewhere due to the positive aspects of temporary work as demonstrated by the Dutch youth labour market. Both the time-limited and part-time nature of the scheme safeguard against negative aspects of temporary working arrangements.

Along with the benefits of wider coverage, part time working defends against potential ‘lock in’ effects associated with temporary working arrangements as young people would be able to continue their job search whilst working. The time limited nature and subsequent support offer also means that those young people who are most disadvantaged in the labour market and unable to utilise positive opportunities which may accrue from the temporary position, are given intensive support to address the barriers they face.

## 5.6 Suggestions for policy development

**A guaranteed part-time job for six months for all unemployed young people combined with intensive support from providers** – As part of the UK Government’s Youth Contract, wage subsidies are being offered to employers who take on long term young unemployed jobseekers. This is a welcome measure and will be of great value to many young jobseekers. However, we believe that policy needs to go further. We continue to advocate a part-time ‘First Step’ for long term unemployed young people<sup>129</sup>- this offer consists of a guaranteed part-time job for six months combined with intensive support from providers to help young people to find unsupported employment. For those reaching the end of the six months

---

<sup>125</sup> Booth, A., Francesconi, M. and Frank, J.( 2002), ‘Temporary jobs: stepping stones or dead ends?’ The economic journal 112

<sup>126</sup> Gash, V. ‘Bridge or trap? Temporary Workers’ Transitions to Unemployment and to the Standard Employment Contract’ European Sociological Review Volume 24 number 5 2008; Booth, A., Francesconi, M. and Frank, J. (2002), ‘Temporary jobs: stepping stones or dead ends?’ The economic journal 112

<sup>127</sup> Ibid

<sup>128</sup> AEVCO, Commission for Youth Employment

without having work we suggest an intermediate labour market scheme of work plus intensive support.

## 6. Australia and ‘Work for your Dole’

### 6.1 Introduction

Up until the global economic downturn youth unemployment in Australia was declining steadily, with year on year falls since 2001 in the proportion of young people who were unemployed. However, many young people still face barriers to work one of which, as in the UK, relates to their limited work experience. This section examines the impact of Australia’s ‘Work for the dole’ (WFD) programme designed to address this issue.

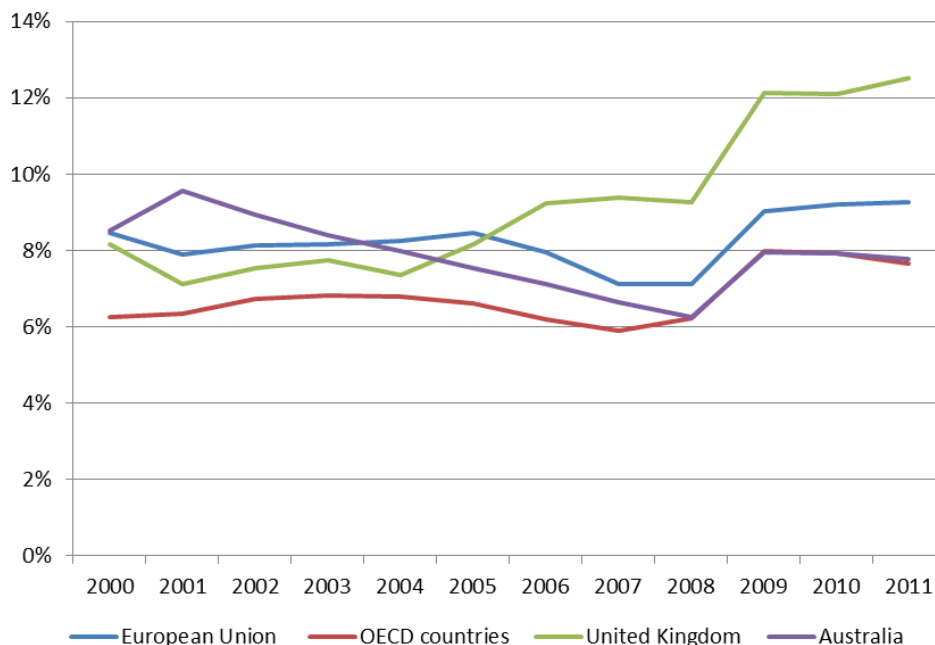
### 6.2 Context – The youth labour market in Australia

The youth labour market in Australia has fared well over the past decade, maintaining a relatively stable youth unemployment rate. In 2011 the youth unemployment rate in Australia stood at just 11.3 per cent of the active labour force – half the EU average (22.8 per cent) and lower than the OECD (19 per cent) and UK figures (20 per cent).

Australia also performed well in comparison to European and international averages when looking at the proportion of young people who are unemployed (shown in Figure 12). Since the start of the global downturn youth unemployment has tracked the OECD average and in 2011 stood at 7.8 per cent of the population aged 15-24 years in line with the OECD figure.

Youth unemployment rates in Australia are above the adult age rates – similar to the international and UK position – reflective of young people being more disadvantaged in the labour market.

**Figure 12: Youth unemployment as a proportion of the population aged 15-24 years 2000-2011**



Source: OECD

A tendency for young people to supplement or support their study with part time working, relatively low retention rates in post-16 education, and a strong labour market characterised by relatively high levels of job creation has also resulted in a high youth employment rate. There is reported to be 'few demand side barriers to youth employment' and Australia's 'labour market institutions are held to be conducive to 'good' employment outcomes, involving relatively limited employment protection legislation, part time and casual contracts and low entry wages'.<sup>130</sup>

Australia does however face some long term challenges - with too many of the country's young people lacking the basic skills necessary to successfully navigate the labour market. The need to improve skill levels is particularly the case at the lower end of the educational distribution as 'youth labour market problems are principally concentrated on low educated, disengaged or indigenous youth'.<sup>131</sup>

As in the UK, a key barrier to the employability of young jobseekers in Australia is their limited work experience. This section examines the impact of Australia's 'Work for the dole' (WFD) programme designed to address this issue.

## 6.2 Australia's 'work for the dole' policy

Across countries, a common approach aimed at improving young people's labour market outcomes has been to require their participation in work experience activities in exchange for their unemployment benefit.<sup>132</sup> Australia was amongst the first developed countries to introduce such strong 'work-for-the-dole' policies<sup>133</sup> and the UK has closely followed its example. However, the experience in both the UK and Australia (and in other countries) calls into question their effectiveness for young people.

Australia's Work for the Dole (WFD) policy was introduced in 1997, with an aim to provide young jobseekers with work experience, opportunities to build networks, self esteem, communication skills and motivation, and contribute to projects that are of value to the community.<sup>134</sup> WFD was initially aimed at young jobseekers although it has since been widened to include all age groups and falls under the country's wider 'Mutual Obligations

---

<sup>130</sup> OECD (2009) Jobs for youth: Australia

<sup>131</sup> Ibid

<sup>132</sup> Borland, J., and Tseng, Y. (2011), 'Does 'Work for the Dole' work?: an Australian perspective on work experience programmes.' *Applied Economics* 43 (28) pp 4353-4368

<sup>133</sup> OECD (2009) Jobs for youth: Australia

<sup>134</sup> Commonwealth Department of Family and Community Services (2002) cited in Borland, J., and Tseng, Y. (2011) 'Does 'Work for the Dole' work?: an Australian perspective on work experience programmes.' *Applied Economics* 43 (28) pp 4353-4368

Initiative'.<sup>135</sup> <sup>136</sup> Today, jobseekers registered with a Job Services Australia Provider (Australian Government's national employment services) for 12 months or more and aged between 18 and 49 are required to participate in work experience activities over a 26-week period for every additional 12 months they receive services from a Job Services Australia provider. Here WFD is the default option, and is the option that is most commonly undertaken.

### 6.3 'Work for the dole' and work experience – lessons for the UK?

Opportunities to gain work experience can be valuable to young people as employers are often reluctant to take on young workers who have no experience of the workplace. However, the Work for the Dole initiative has been criticised by some for an excessive emphasis upon the 'deficiencies of individual job seekers' without enough recognition of the structural barriers they face, harsh payment sanctions, a lack of meaningful activities with limited impact on participants' long term labour market positions, and government's perceived failure to fulfil its side of the 'mutual obligation' bargain by providing real job opportunities.<sup>137</sup>

Recent debates concerning the Coalition government's Work Experience programme and other forms of mandatory work activity have played out along similar lines in the UK. Clashes have often been based on ideological differences; however, the effectiveness of work experience programmes for young benefit recipients in getting them into work is questionable, and is not supported by the international evidence.<sup>138</sup> The experience of Australia's Work for the Dole initiative illustrates the limits of such activation strategies.

Evaluations of the Australian activation strategies have reported two key findings which raise doubts about their effectiveness. First, some young Australian job seekers have been induced to exit the benefit system before commencement of their participation in work experience, in large part thought to be due to the introduction of mandatory work requirements.<sup>139</sup> Second, participation in the Work for the Dole programme has been found to result in a 'lock in' effect (whereby job search activity is reduced) and as a result participation is associated with a reduced likelihood of exiting unemployment benefit payments<sup>140</sup>. Overall, those

---

<sup>135</sup> Kristy Muir, K., Maguire, a., Slack-Smith, D. and Murray, M. (2003) Youth Unemployment in Australia: a contextual, governmental and organisational perspective. AMP Foundation; Cortis, N. and Cowling, S. (2008) Welfare to work and vulnerable parents and young people in Australia- lessons from international experience

<sup>136</sup> <http://www.deewr.gov.au/Employment/JSA/EmploymentServices/WorkExperience/Pages/overview.aspx>

<sup>137</sup> Kinnear, P. (2000) Mutual Obligation: Ethical and Social implications. Discussion paper no. 32 The Australian Institute

<sup>138</sup> Borland, J., and Tseng, Y. (2011), 'Does 'Work for the Dole' work?: an Australian perspective on work experience programmes. Applied Economics 43 (28) pp 4353-4368; Heckman et al 1999; Kluve and Schmidt 2002.

<sup>139</sup> Borland, J. and Tseng, Y. (2008) Can mandatory labour market programmes improve labour market outcomes for young jobseekers?: Compliance and participation effects from the Mutual Obligations Initiative in Australia.

<sup>140</sup> Borland, J., and Tseng, Y. (2011), 'Does 'Work for the Dole' work?: an Australian perspective on work experience programmes. Applied Economics 43 (28) pp 4353-4368

participating in mutual obligations initiatives (including Work for the Dole) have been found to have similar rates of benefit receipt twelve months after participation commences than those who do not participate – evidence which suggests that the programme appears to have no effect.<sup>141</sup>

Equipping young people with work experience is likely to form a key part of solutions to the UK's youth unemployment crisis. Yet similar shortcomings can be seen the approaches employed in both Australia and the UK.

Early findings from the Coalition's Work Experience scheme for young people have been shown to have had a small, but positive, impact: 16 weeks after starting the programme 35 per cent of participants were recorded as being in employment compared to 27 per cent of non-participants.<sup>142</sup> However, although this can be considered a positive outcome it should be noted that 54 per cent of participants were still on benefit afterwards; and of the 46 per cent who left benefit, 40 per cent would have left anyway. The small positive effect of this voluntary scheme strongly contrasts with outcomes achieved under the Mandatory Work Activity (MWA) scheme which found no employment impacts for participants.<sup>143</sup>

Whilst these figures require some caution (due to the fact that work experience is targeted at those with the biggest barriers to work<sup>144</sup>) the data show the limitations of such a scheme and suggest that resources deployed to create work experience places must be better utilised if strategies to address the UK's youth unemployment problem are to be effective. Moreover, whilst entry into the UK's work experience scheme was voluntary, the use of sanctions – which have since been removed – for those who failed to complete their placements has been widely criticised.

It is vital that policymakers understand and address the other shortcomings of previous work experience policies in order to allow our young people to develop employability skills.

### 6.3 Policy suggestions

- **Improve and reintroduce Key Stage 4 work experience programme** – whilst work experience initiatives for young jobseekers may play a role in getting some young people into work, this should not be the first opportunity for young people to develop their skills and gain experience of the workplace. Whilst previous attempts to deliver work experience at Key Stage 4 (KS4) have been widely criticised for failing to get young people

---

<sup>141</sup> Ibid

<sup>142</sup> DWP (2012) Early impacts of work experience. Department of Work and Pensions, London.

<sup>143</sup> Ibid

<sup>144</sup> CESI Youth unemployment (2011), 'A million reasons to act?', Early Analysis of Work Experience participant outcomes'. DWP

“job-ready”,<sup>145</sup> there is overwhelming evidence indicating that employer-related activity can reduce the level of NEETs. For this reason the KS4 work experience programme should be reintroduced and improved. Addressing any valid criticisms of the programme would be necessary in moving forward, but would be very beneficial for young people in exposing them to work environments.

- **Ensure that all employers offering work experience adhere to the CIPD guidance for work experience placements** - A large part of whether work experience is beneficial or not depends on the quality of the placement offered. In general, for a placement to be beneficial it should be linked to career aspirations or goals, it must involve a variety of tasks and give a real insight into the role and the activities of the company. Measures, such as proper supervision, training and provision of mentors throughout the work placement, are key. The CIPD’s recent guide to work experience for employers outlines key areas of best practice here<sup>146</sup>. This guidance has been endorsed by the Minister of State for Employment but it is unclear what steps have been taken to ensure that such guidelines are followed by employers offering work experience to young jobseekers.
- **Better integration between school and the labour market** allowing young people to experience a variety of employment opportunities. This could include developing a wide range of activities such as business mentors, experiences of different work environments, talks from business leaders, and visits to work places.

---

<sup>145</sup> The Panel on Fair Access to the Professions (July 2009) *Unleashing Aspiration: The Final Report of the Panel on Fair Access to the Professions*. London: Cabinet Office; Wolf, A. (March 2011). *Review of Vocational Education – The Wolf Report*. London: Department for Education.

<sup>146</sup> CIPD (2012) *Work experience placements that work: a guide for employers*. London: CIPD.

## 7. Conclusions and recommendations

The UK has a major youth unemployment problem. Almost a million young people in the UK are unemployed – and the size of this group was rising even during times of economic growth. But it does not have to be this way. In many other developed nations youth unemployment has remained low despite the global economic downturn. The reasons for long standing cross-country differences in youth unemployment are complex, making it hard to identify the relative importance of different factors.

However, it is clear that some of the reasons for cross country differences are the result of deliberate policy choices on the part of Governments – most notably the education systems and labour market institutions each has adopted. This implies that the UK can make a difference to youth unemployment levels through its policy choices. Of course, we need to be careful about directly importing policies from other countries. Nonetheless, a number of international lessons for the UK can be drawn from the countries we have chosen about the best way to help young people make the transition from school to work.

The next sections summarise the lessons identified for the UK.

### 7.1. Lessons from Germany – the dual apprenticeship model

The German dual apprenticeship system facilitates transitions between school and employment and has sheltered young people from the economic downturn. Several factors contribute to the success of the German model. These include its large scale and high quality training, high levels of corporate involvement, recognised qualifications and sustained investment in research and development.

Lesson for the UK from Germany include:

- **Policy measures to maximise engagement of large corporates** – one of the benefits of the German system – as set out above – is the engagement of all large employers. Large employers are more likely to be able to give up time to engage in curriculum development, course design and are better able to offer training. The UK government should seek for all large employers to sign an agreement to offer high quality apprenticeship places.
- **Increase employer engagement in design and delivery of apprenticeship frameworks and training** and widen the apprenticeship model to include more occupations and sectors.
- **Introduce pre-apprenticeship training** for those who are not yet ready to access apprenticeships. We support the UK government's recent plans to introduce a



Traineeship scheme in the UK, and hope that it will be available in 2013 as currently planned.<sup>147</sup>

- **Review the current balance between academic content and on the job training** - In 2011 the Coalition introduced a statutory minimum of 280 hours of Guided Learning per year, with a minimum of 100 hours to be provided off-the-job. This is still very low by international standards and the government should look to review this whilst ensuring the structures are in place to support businesses, particularly smaller ones, where this might place additional pressure on.

## 7.2. Lessons from Denmark – Active Labour Market Policies

Expenditure on active labour market policies in Denmark is the highest amongst OECD countries. The government has prioritised education over a ‘work-first’ approach for young benefit claimants who have not completed formal schooling. This has likely reduced the length of time someone remains on benefit and therefore will have acted to limit the scarring effect associated with long-term unemployment. The Danes have also built up considerable experience of what works and what doesn’t in terms of labour market interventions.

Lessons for the UK from Denmark include:

- **Implement early activation policies to avoid scarring effects of long term unemployment** with a focus on reintegration into the schooling system for those with no qualifications. In the UK young Job Seekers Allowance claimants aged 18-24 years enter The Work Programme after 9 months of being unemployed. We argue earlier intervention is necessary to minimise the scarring impact of youth unemployment and that – as is the case in the Danish system – education and training should be prioritised over work for those with no qualifications.
- **Balance between sanctions and activation policies** – there are potentially strong deterrence effects for early activation programmes. In particular, schemes such as the pilot in London - launched earlier this year - which puts 18-24 year-old benefit claimants with little or no work experience into placements and has strong benefit sanctions if they young person does not participate is unlikely to have a positive impact for programme participants unless properly managed.
- **Growth in opportunities for private sector on the job training** which is likely to have better medium to long-term benefits compared to than unpaid work experience placements.

---

<sup>147</sup> The Government announced its plans in a consultation paper launched in January 2013. Department for Education, Department for Business, Innovation and Skills (2013) Traineeships: Supporting young people to develop the skills for Apprenticeships and other sustained jobs: A discussion paper. London: Department for Education / Department for Business, Innovation and Skills.

- **More local autonomy and better co-ordination** – Denmark perhaps provides a good model for more autonomy for local authorities and job centres - in particular incentives to jobcentres which support more young people into employment could be piloted in some areas.

### 7.3. Lessons from the Netherlands – non-standard employment opportunities

The Netherlands' youth labour market supports high levels of youth employment. Although concentrated in what is often labelled precarious work and in many cases 'less desirable' for many young Dutch people these jobs act as stepping stones to permanent full-time contracts and can help gain work experience, develop human capital and build social networks. The level of 'involuntary' part-time work in the Netherlands is very low and the government has acted to mitigate against the negative effects of non-standard employment contracts with increased employment protection, rights to training, wage guarantees and supplementary pensions.

Lessons for the UK from the Netherlands include:

- **A guaranteed part-time job for six months for all unemployed young people combined with intensive support from providers** - As part of the UK Government's Youth Contract, wage subsidies are being offered to employers who take on long term young unemployed jobseekers. This is a welcome measure and will be of great value to many young jobseekers. However, we believe that policy needs to go further. We continue to advocate a part-time 'First Step' for long term unemployed young people<sup>148</sup> - this offer consists of a guaranteed part-time job for six months combined with intensive support from providers to help young people to find unsupported employment. For those reaching the end of the six months without having work we suggest an intermediate labour market scheme of work plus intensive support.

### 7.4. Lessons from Australia – work experience and 'Work for your Dole'

The Australian economy – and labour market – has benefited from a long period of economic growth. Yet while youth unemployment as a whole has remained relatively low there are still a number of young people who are finding accessing work difficult due to lack of relevant work experience. To tackle this Australia has been at the forefront of developing ALMP to tackle this – including the controversial 'Work for your Dole' initiative. Many other countries, including the UK, have followed this closely in developing their own programmes. However, evidence from Australia (as well as from the UK) casts doubts on the suitability of the policy response. International evidence suggests a minor positive impact for voluntary

---

<sup>148</sup> The ACEVO Commission on Youth Unemployment (2012) Youth Unemployment: The crisis we cannot afford. London: ACEVO.

schemes and no impact at all (or at worst a decreasing likelihood of the participant entering work) if the scheme is mandatory.

Lessons for the UK from Australia include:

- **Improve and reintroduce Key Stage 4 work experience programme** – whilst work experience initiatives for young jobseekers may play a role in getting some young people into work, this should not be the first opportunity for young people to develop their skills and gain experience of the workplace. Whilst previous attempts to deliver work experience at Key Stage 4 (KS4) have been widely criticised for failing to get young people “job-ready”,<sup>149</sup> there is overwhelming evidence indicating that employer-related activity can reduce the level of NEETs. For this reason the KS4 work experience programme should be reintroduced and improved. Addressing any valid criticisms of the programme would be necessary in moving forward, but would be very beneficial for young people in exposing them to work environments.
- **Ensure that all employers offering work experience adhere to the CIPD guidance for work experience placements** - A large part of whether work experience is beneficial or not depends on the quality of the placement offered. In general, for a placement to be beneficial it should be linked to career aspirations or goals, it must involve a variety of tasks and give a real insight into the role and the activities of the company. Measures, such as proper supervision, training and provision of mentors throughout the work placement, are key. The CIPD’s recent guide to work experience for employers outlines key areas of best practice here<sup>150</sup>. This guidance has been endorsed by the Minister of State for Employment but it is unclear what steps have been taken to ensure that such guidelines are followed by employers offering work experience to young jobseekers.
- **Better integration between school and the labour market** allowing young people to experience a variety of employment opportunities. This could include developing a wide range of activities such as business mentors, experiences of different work environments, talks from business leaders, and visits to work places.

---

<sup>149</sup> The Panel on Fair Access to the Professions (July 2009) *Unleashing Aspiration: The Final Report of the Panel on Fair Access to the Professions*. London: Cabinet Office; Wolf, A. (March 2011). *Review of Vocational Education – The Wolf Report*. London: Department for Education.

<sup>150</sup> CIPD (2012) *Work experience placements that work: a guide for employers*. London: CIPD



## **Contact details**

The Work Foundation

21 Palmer Street

London SW1H 0AD

[info@theworkfoundation.com](mailto:info@theworkfoundation.com)

[www.theworkfoundation.com](http://www.theworkfoundation.com)

All rights reserved © The Work Foundation (Lancaster University). No part of this publication may be reproduced, stored in a retrieval system or transmitted, in any form without prior written permission of the publishers. For further information please contact [info@theworkfoundation.com](mailto:info@theworkfoundation.com). Trading address: The Work Foundation, 21 Palmer Street, London SW1H 0AD. Registered address: The Work Foundation Alliance Ltd, University House, Lancaster University, Lancashire LA14YW.