



**WZB**

Wissenschaftszentrum Berlin  
für Sozialforschung

# Youth Unemployment: Observations and Points for Discussion

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# How to think about „Strategic“ Transitions

- **The cognitive value of transitions:**

- > We do not value things as such but the **transition** from one status/state to the other (D. Kahneman 2011, „Thinking fast and slow“)

- > In this process we systematically make mistakes by ‚fast thinking‘, e.g. short-sighted re high risks with low probability; weighing marginal losses at once higher than marginal gains which accumulate over time, etc.

- **Conclusion: Institutionalise ‚slow thinking‘**

- > To ensure long-term perspective against the temptation (or even the terror) of the short-term; that means for youth employment:

- > Opening up career opportunities and reasonable security in taking over risky transitions, e.g., the security of opportunities to upgrade at any time of the life course

# Simple causal framework – Strategies for solution

**Youth needs more and better jobs**

support job creation,  
job maintenance, flexible  
jobs and work sharing

**Youth needs the right skills**

establish dual education  
systems that combine  
learning and working,  
learning and earning

**Youth needs good governance**

enhance good governance  
by cooperative industrial  
relations, fair risk sharing,  
ensuring quality standards

# WP 3: Policy Performance and Evaluation Methodologies - 1

- **Causal Analysis**

- **Dependent Variable?**

- > Youth unemployment rate? Ratio? Relative? **5**

- > NEET? [correlates with YU-rate by 0.46] **6**

- > Which transition rates?

- for vulnerables identify those who did not make E-transition after 1, 2, or more years

- for sustainability and career orientation identify transition status at least after five years, otherwise:

Rather than encouraging transitions to the “right place”, policies might enforce transitions to “somewhere”!

# Problems in the measurement of youth unemployment

(Source: adapted and extended from Heike Solga, September 2013)

$$\text{Youth unemployment rate} = \frac{\text{Unemployed 15-24 year-olds} \times 100}{\text{Employed \& unemployed 15-24 year-olds}}$$

## 1. Calculation

– In apprenticeship countries:

- denominator: includes apprentices as employed
- nominator: apprentices not at risk becoming unemployed
- **Over-sized denominator & under-estimated risk population as nominator**

– In non-apprenticeship countries:

- denominator: excluding those in education
- nominator: all units of analysis are at risk
- **Under-sized denominator & over-estimated risk population as nominator**

## 2. Different proportions of 15-24 years old are in education

- What about young adults (25-29)? Due to high correlation with overall unemployment
- **Relative YU may be preferred for LM-policy impact analysis**

# Problems in the measurement of NEET (15-24)

(Source; Eurofound 2012, Solga, GüS)

$$\text{NEET} = \frac{\text{Not in Employment, Education or Training} \times 100}{\text{Population in age 15 to 24}}$$

## 1. Calculation

– In apprenticeship countries:

- denominator: includes all youth independent on seeking work
- nominator: youth in precarious transition system not included
- **Heterogeneous denominator & underestimated heterogeneous nominator**

– In non-apprenticeship countries:

- denominator: includes all youth independent on seeking work
- nominator: voluntary jobless youth included
- **Heterogeneous denominator & overestimated heterogeneous nominator**

## 2. Different reasons for not being in EET = being jobless

- unemployed ( $\approx 50\%$ ), unavailable (sick, disabled), disengaged, opportunity seekers // **to be preferred for inclusion of vulnerables**

# WP 3: Policy Performance and Evaluation Methodologies - 2

- **Causal Analysis**

- **Independent Variables?**

- > “ALMP”?

- Mind investive function of ‘passive’ measures (e.g., U-benefits)
- problems of reliability and validity of ‘active’ measures, esp. training
- operationalisation of implementation capacities, e.g. transition agencies
- any hypotheses? // e.g., in-work benefits; different reservation wages

- > Other LM-Institutions?

- Stylised evidence from NEET
- The Janus-face of employment protection
- Why? Institutional complementarity and path dependency

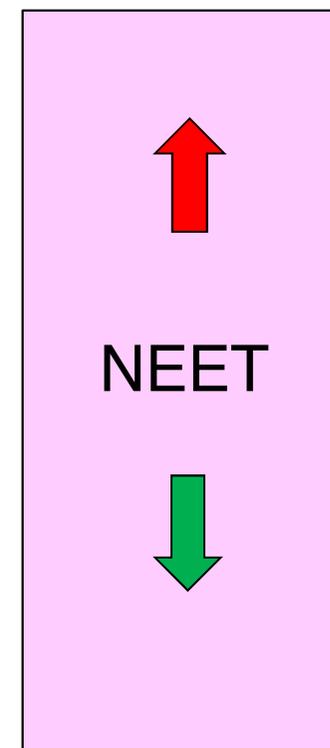
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# Which factors **increase** or **decrease** NEET?

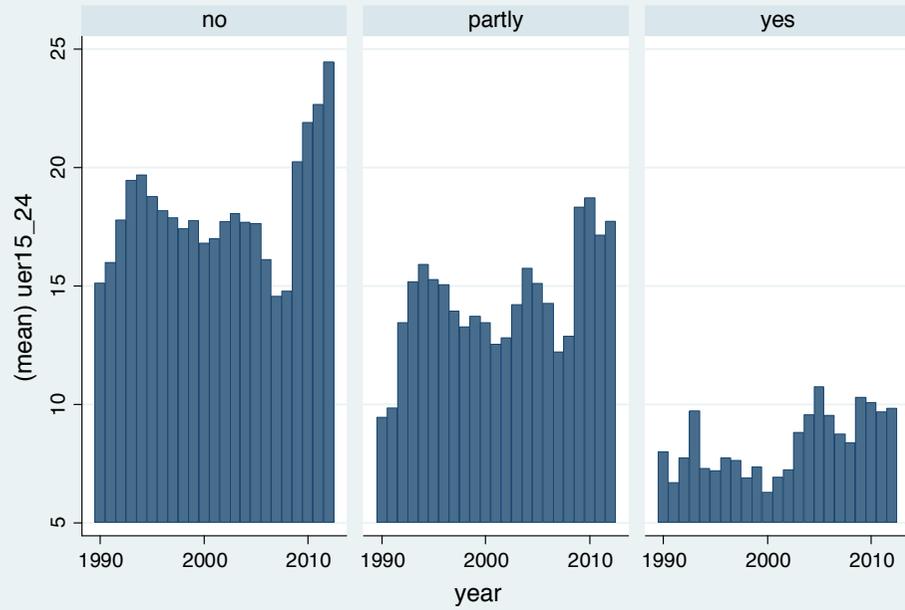
## Some evidence from econometric research in Europe

|                                   |   |     |
|-----------------------------------|---|-----|
| <b>Lack of GDP growth</b>         | → | ●   |
| <b>Lack of stabilizers</b>        | → | ●●  |
| <b>Employment Protection</b>      | → | (●) |
| <b>Flexible Jobs</b>              | → | ●   |
| <b>Dual learning systems</b>      | → | ●●● |
| <b>Active labor market policy</b> | → | ●   |
| <b>Wage coordination</b>          | → | ●   |

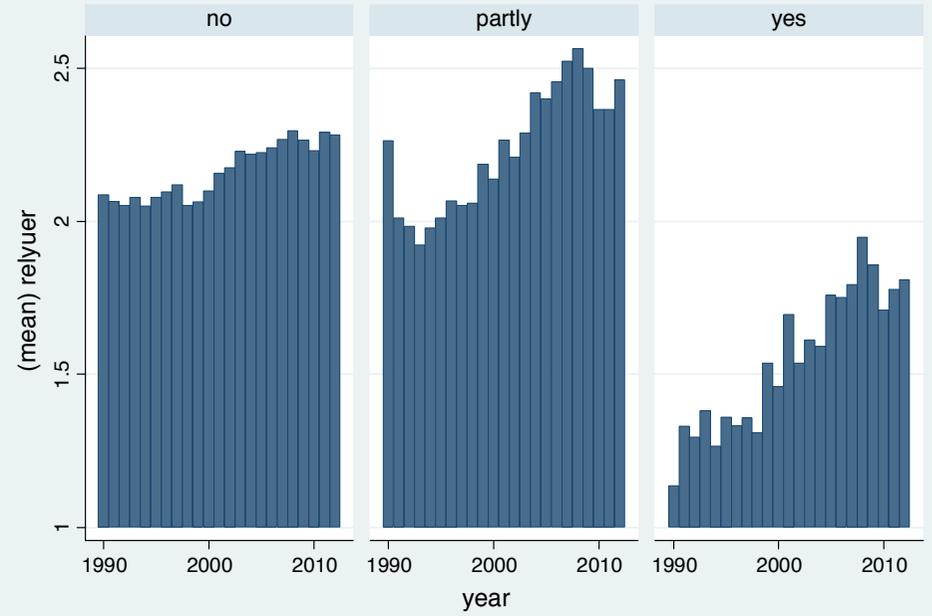


Based on: European Foundation (2012), NEETs - Young people not in employment, education or training: Characteristics, costs and policy responses in Europe, Dublin/Luxembourg; and others

Average youth unemployment rates by dual system

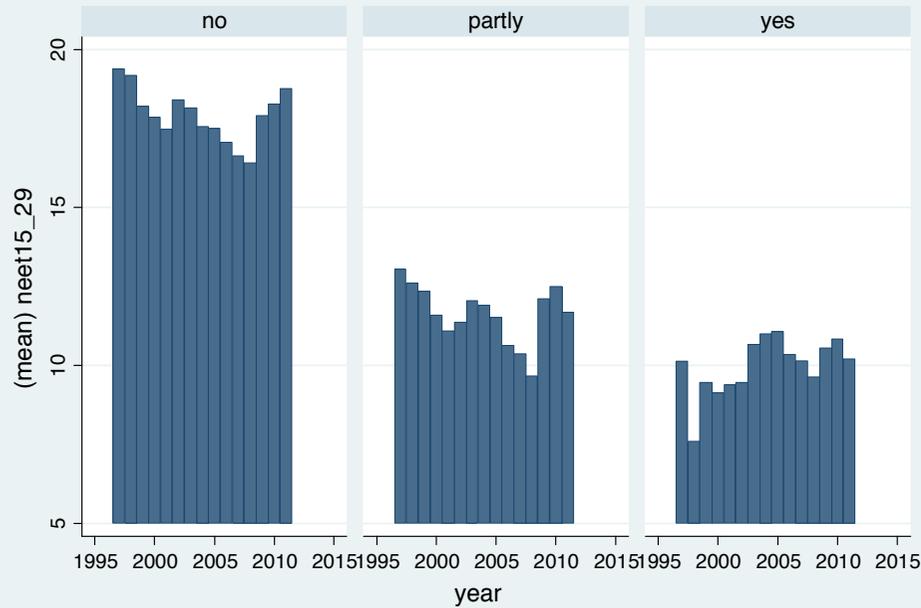


Average relative youth unemployment rates by dual system

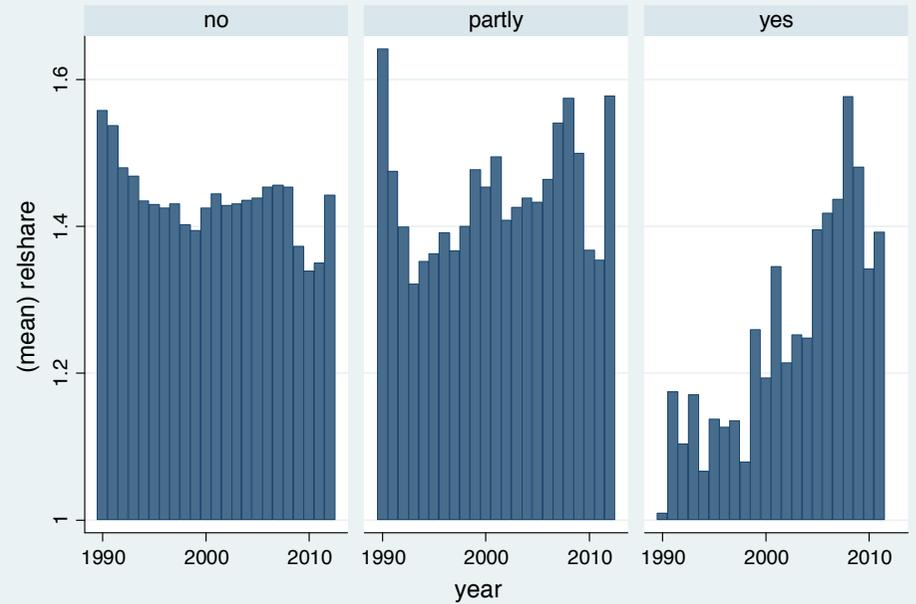


Source: C. Brzinsky and C. Ebner, September 2013

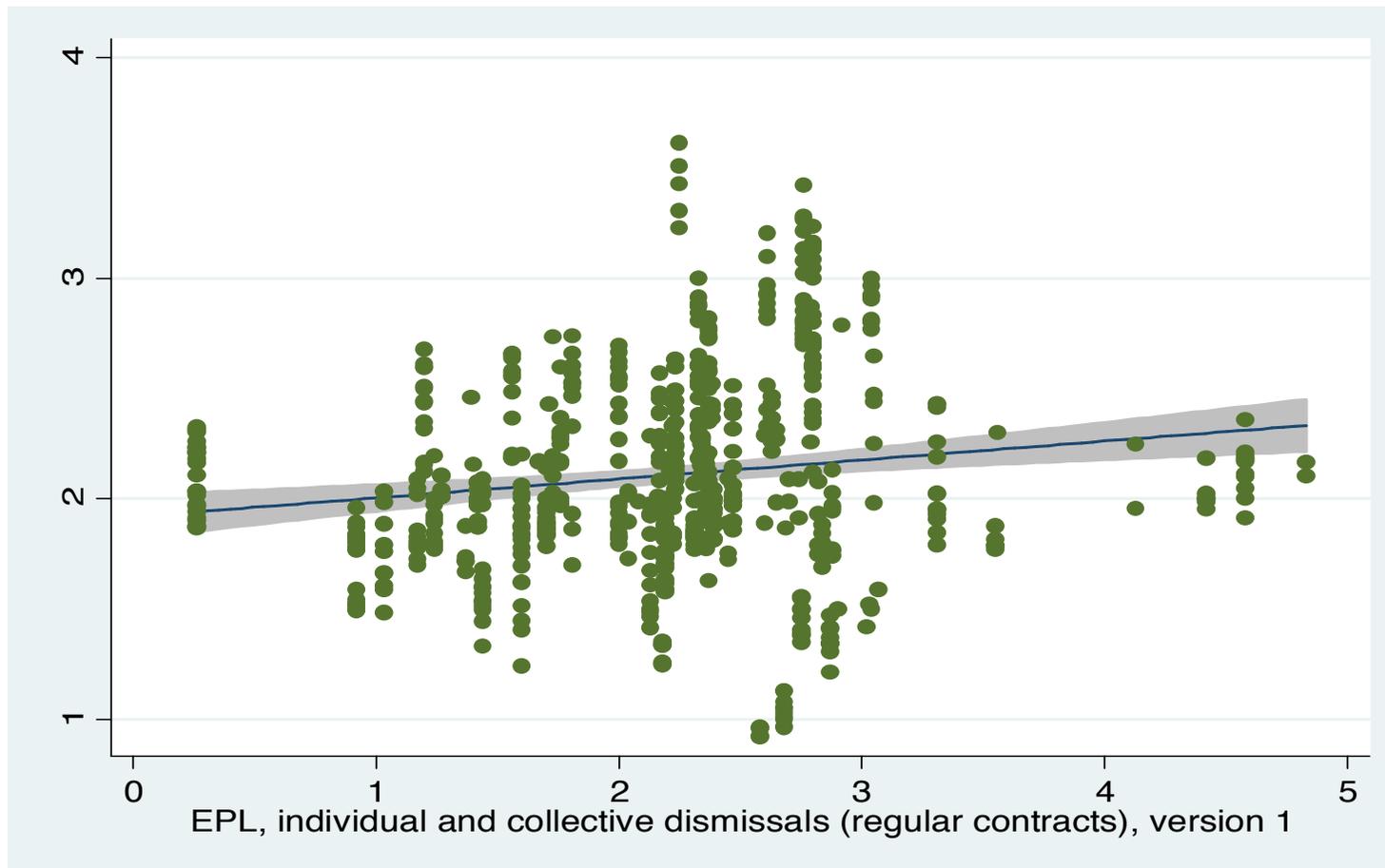
Average yearly NEET rates by dual system



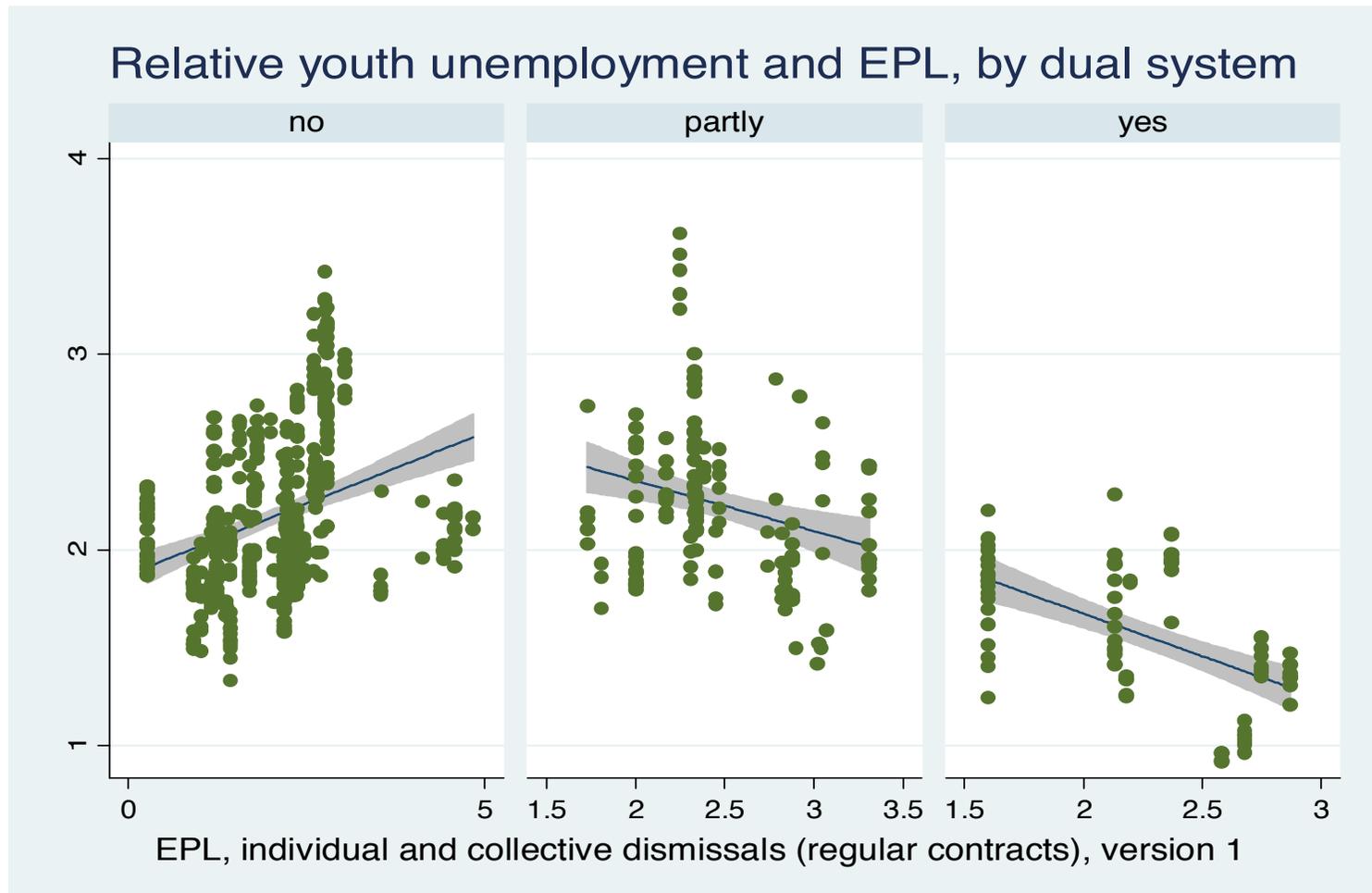
Average relative share of unemployment by dual system



# Employment protection and youth unemployment – a first glance



# Employment protection and youth unemployment – a second glance



# WP 3: Policy Performance and Evaluation Methodologies - 3

- **Causal Analysis**
- **Regional impact analysis + qualitative case studies**
  - > Innovative and still underexploited, but
    - true panel character through sequencing points of time?
    - mind endogeneity, including transitions in and out of regional units
    - how to operationalise regional learning communities?
    - any hypotheses? // e.g., regional spillovers? Insurance motive of employers in recruiting youth (preferring academics)
  - > Combining quantitative analysis and cases studies
    - how to select and compare good/ bad practice cases?
    - why not QCA or something like this?

# WP 3: Policy Performance and Evaluation Methodologies - 4

## ●● Cost Benefit Analysis

> Innovative and still underexploited, but

- solution of time incongruence in discounting costs and benefits?\*
- something about the political economy of time incongruence
- what about actor/ organisation oriented CBA?
- minding, thereby, concept of (fiscal) institutional incongruence
- in particular related to employers: some evidence from studies
  - >> Switzerland: yearly costs \$ 3.4 billion, benefits \$ 3.7 billion (more Euler 2013)
  - >> Germany: gross costs per trainee € 15,288, benefits € 11,692
  - >> Canada: each Dollar spent brings 1.47 benefits
- how to deal with non-pecuniary costs, and, in particular, benefits (e.g., Kerschesteiner theory)

# WP 4: Policy Transfer and Comparative Framework - 1

- **Basis to and triggers of policy innovation and knowledge transfer**
  - > The importance of windows of opportunity
    - the case of Germany and Ireland re “activation” capacities
  - > Mind recent research state of institutional change
    - institutional path dependency and other concepts
    - Streeck/ Thelen; Trampusch et al.
    - vast literature on OMC experiences re EU-policy learning (e.g., Timo Weishaupt, Caroline de la Porte, Sonja Bekker, Miriam Hartlapp)

# WP 4: Policy Transfer and Comparative Framework - 2

- **Policy learning and innovation processes**
  - > What is your learning theory?
    - mind, e.g., “learning by monitoring” (A. Hirschman, Ch. Sable et al.)
  - > Mind four dimensions of policy learning and actors:
    - power
    - incentives
    - socialisation
    - cognition

# WP 4: Policy Transfer and Comparative Framework - 3

- **Dimensions of vulnerability**

- > Definition?

- mind theoretical literature on “inclusion” e.g., N. Luhmann

- > Disability dimension of vulnerability seems to be missing

- MIND UN Disability Convention 2008
- experiences of integration agreements at firm level?
  - >> among others re “reasonable workplace adjustments”
  - >> mind TLM concept: ‘making the market fit for workers’

# Selected Literature

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