

# Young Workers in Recessionary Times: A *Caveat* (to Continental Europe) to Reconstruct its Labour Law?

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## Introductory Remarks

Policy makers, social partners, and the public opinion monitor with interest and increasing concern the steep increase in youth unemployment, in Europe more than elsewhere.<sup>1</sup> Indeed, all the main international institutions<sup>2</sup>—supported by the analysis of labour market experts<sup>3</sup>—seem to uphold that young people have been hit the hardest by the “great crisis” that began in 2007 with the collapse of financial markets. It is only natural then that in a time of ongoing recession and many sacrifices demanded of workers,<sup>4</sup> feelings of apprehension and hope arise

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<sup>1</sup> In other areas of the world, especially in developing countries, the cultural lens through which the problem of youth unemployment is explored might be different. See on the issue I. Senatori, M. Tiraboschi, *Productivity, Investment in Human Capital and the Challenge of Youth Employment in the Global Market. Comparative Developments and Global Responses in the Perspective of School-to-Work Transition*, 5<sup>th</sup> IIRA African Regional Congress, South Africa - IIRA Cape Town.

<sup>2</sup> See, by way of an example, ILO, *World of Work Report 2012. Better Jobs for a Better Economy*, International Labour Office, Geneva, 2012; ILO, *Global Employment Trends for Youth*. August 2010, International Labour Office, Geneva, 2010; J. Martin, *Unfinished Business: Investing in Youth*, in OECD Employment Outlook 2011; OECD, *Off to a Good Start? Jobs for Youth*, 2010.

<sup>3</sup> See S. Verick, *Who Is Hit Hardest during a Financial Crisis? The Vulnerability of Young Men and Women to Unemployment in an Economic Downturn*, IZA Discussion Paper, 2009, n. 4359. For a different perspective and some valid criticisms on this shared opinion by N. O'Higgins, see *This Time It's Different? Youth Labour Market During the Great Recession*, IZA Discussion Paper, 2012, n. 6434, in particular, par. 2. Both papers are available at [www.bollettinoadapt.it](http://www.bollettinoadapt.it), A-Z index, *Lavoratori giovani*.

<sup>4</sup> Particularly relevant in this respect is the study presented in the *World of Work Report 2012* of the ILO (*op. cit.*, note 2) on the measures that affected workers in terms of protection reduction.

with regard to the future, therefore involving younger generations and their employment prospects in the years ahead.

The notion of unemployment has long become less and less appropriate to frame the critical aspects of the interplay between young people and employment.<sup>5</sup> Of equal importance, as well as extensively discussed and highly controversial, are those phenomenon accompanying young people in their school-to-work transitions, particularly inactivity, precarious employment and low wages.<sup>6</sup>

Nevertheless, unemployment still remains a main indicator, as it supplies clear and immediate evidence of the vulnerability of young people in the labour market, also for those who are not experts in the field. According to relevant data,<sup>7</sup> in most countries—whether industrialised or non-industrialised ones—high levels of youth unemployment have been reported long before the onset of the recent economic and financial crisis, to the extent that many specialists made use of the term *déjà vu* to refer to the phenomenon.<sup>8</sup>

Accordingly, the concern resulting from high youth unemployment rates is not a novelty. What appears to be quite new here, at least within the political and institutional public debate taking place in recent years, is the emphasis placed by Europe on the future of younger generations and how this issue is “exploited” to justify—or perhaps to impose—major labour market reforms and deregulation on nation States overseen by central institutions, which will also limit their sovereignty.<sup>9</sup>

Put it differently, labour law rules—chiefly concerning high levels of protection against termination of employment—would explain high youth unemployment rates as well as the increasing recourse to atypical, non-standard or temporary employment arrangements.

Indeed, there is little wonder about this issue, save for the fact that—in a time of severe crisis and ongoing recession—fathers are now called to make a lot of sacrifices that are deemed to be “acceptable”, for they

<sup>5</sup> On this topic, see O. Marchand, *Youth Unemployment in OECD Countries: How Can the Disparities Be Explained?* in OECD, *Preparing Youth for the 21<sup>st</sup> Century—The Transition from Education to the Labour Market*, 1999, 89.

<sup>6</sup> This issue has been extensively discussed in M. Tiraboschi, *Young People and Employment in Italy: The (Difficult) Transition from Education and Training to the Labour Market*, in IJCLIR, 2006, 81 ff.

<sup>7</sup> See, among others, N. O’Higgins, *op. cit.*

<sup>8</sup> D.N.F. Bell, D.G. Blanchflower, *Youth Unemployment: Déjà Vu*, IZA Discussion Paper, 2010, n. 4705, at [www.bollettinoadapt.it](http://www.bollettinoadapt.it), A-Z index, *Lavoratori giovani*.

<sup>9</sup> In this respect, see A. Baylos, *Crisi del diritto del lavoro o diritto del lavoro in crisi? La riforma del lavoro spagnola del 2012*, in *Diritto delle Relazioni Industriali*, 2012, n. 2.

contribute to provide their sons with better employment prospects. In this sense, the “great crisis” has acted as a catalyst<sup>10</sup> for long-awaited labour market reforms and liberalisation processes, which however have never been fully implemented so far due to a lack of adequate political and social consensus.

Of particular significance in this respect is an interview with the President of the European Central Bank, Mr. Mario Draghi, that appeared in the *Wall Street Journal*.<sup>11</sup> In the midst of the international crisis and in the name of younger generations, Mr. Draghi questioned the future sustainability of the “European Social Model”, urging a major overhaul of national labour regulations in Europe that are currently more favourable to labour market insiders, i.e. adult workers.

This is exactly what occurred in many European countries between 2008 and 2012<sup>12</sup> with the introduction of a number of unpopular measures aimed at reducing workers’ protection that have been imposed on increasingly disoriented and helpless citizens, and presented as an unavoidable sacrifice required by the current macro-economic situation with a view to improving employment and retirement prospects (also) of younger generations.<sup>13</sup>

This trend has not been witnessed only in Europe, since 40 out of 131 countries—as are the Members of the International Labour Organization (ILO)—have reduced their standard employment protection levels.<sup>14</sup> This

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<sup>10</sup> See OECD, *Economic Policy Reforms. Going for Growth*, 2012.

<sup>11</sup> Interview with Mario Draghi (Interview Transcripts), in B. Blackstone, M. Karnitschnig, R. Thomson, Europe’s Banker Talks Tough, in *The Wall Street Journal*, 24 February 2012, available in the *Adapt International Bulletin*, n. 7, 2012.

<sup>12</sup> For a review of the main actions taken by national governments in Europe, with or without the support of social partners, see M. Simms, *Helping Young Workers during the Crisis: Contributions by Social Partners and Public Authorities*, European Foundation for the Improvement of Living and Working Conditions, 2011, in particular 20 ff., at [www.bollettinoadapt.it](http://www.bollettinoadapt.it), A-Z index, *Lavoratori giovani*. See also ILO, *World of Work Report 2012. Better Jobs for a Better Economy*, cit.

<sup>13</sup> As far as Italy is concerned, see Prime Minister Monti’s Inaugural Speech to Parliament on <http://www.governo.it/>. Reference to future opportunities of younger generations is a *leitmotiv* of Government discourse. See, in particular, M. Monti, *Italy’s Labor Reforms Are Serious and Will Be Effective*, in *The Wall Street Journal*, 6 April 2012, also in *Adapt International Special Bulletin*, n. 1, 2012.

<sup>14</sup> See ILO, *World of Work Report 2012. Better Jobs for a Better Economy*, cit., 35 ff. With particular reference to the measures adopted in favour of youth employment, see B. Ha, C. McInerney, S. Tobin, R. Torres, *Youth Employment in Crisis*, International Institute of Labour Studies Discussion Paper, 2010, n. 201, at [www.bollettinoadapt.it](http://www.bollettinoadapt.it), A-Z index, *Lavoratori giovani*.

aspect is particularly apparent in industrialised countries, and chiefly in central and southern Europe, where 83% of anti-crisis reforms focused on employment protection, with particular reference to the regulation on dismissal for economic reasons.<sup>15</sup>

In view of the above, and in the context of a dramatic deterioration of the economy and lack of public resources for subsidies, this paper sets out to understand whether job-creation policies, employment incentives,<sup>16</sup> and deregulation of labour laws in Europe—in particular in relation to unfair dismissal—could really provide a possible (if not the only) solution to cope with the issue of youth unemployment.

### 1. The Issue of Youth Unemployment: The New Perspective Provided to Labour Lawyers by a Comparative Study

Intuitively, it could be argued that high protection levels provided to labour market insiders may discourage or pose an obstacle to outsiders, thus including young people. Drawing on this assumption, at the end of the last century, the OECD started implementing a set of measures collected in the well-known *Jobs Study*.<sup>17</sup> The studies that followed have questioned the role of workers' protection in terms of overall and youth unemployment.<sup>18</sup>

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<sup>15</sup> See again ILO, *World of Work Report 2012. Better Jobs for a Better Economy*, cit.

<sup>16</sup> The relevant literature, as well as having highlighted “traps” and “risks” of public subsidies to youth unemployment and inactivity, has long discussed the limits of job creation policies, that produce limited (if not negative) effects in terms of cost-benefit analysis. On the subject, see P. Ryan, *The School-to-Work Transition: A Cross-National Perspective: Corrigendum*, in *Journal of Economic Literature*, 2001, vol. 39, n. 3, 767 ff., e J. Boone, J.C. Van Ours, *Effective Active Labor Market Policies*, IZA Discussion Paper, 2004, n. 1335. For a general overview see M. Tiraboschi, *Young People and Employment in Italy: The (Difficult) Transition from Education and Training to the Labour Market*, op. cit.

<sup>17</sup> OECD, *The OECD Jobs Study. Facts, Analysis, Strategies*, 1994.

<sup>18</sup> See S. Nickell, *Unemployment and Labor Market Rigidities: Europe versus North America*, in *Journal of Economic Perspectives*, 1997, vol. 11, n. 3; D. Baker, A. Glyn, D. Howell, J. Schmitt, *Labor Market Institutions and Unemployment: A Critical Assessment of the Cross-Country Evidence*, in D. Howell (ed.), *Fighting Unemployment: The Limits of Free Market Orthodoxy*, Oxford University Press, Oxford, 2004; S. Nickell, L. Nunziata, W. Ochel, *Unemployment in the OECD Since the 1960s: What Do We Know?*, in *The Economic Journal*, vol. 115, n. 500, 2005; A. Bassanini, R. Duval, *Employment Patterns in OECD Countries: Reassessing the Role of Policies and Institutions*, OECD Social, Employment and Migration Working Paper, 2006, n. 35.

Limited data actually reveal increased youth employment prospects in countries with a deregulated or flexible labour market. To the contrary, many studies show that higher workers' protection actually favoured, at least in the medium term, youth employment during the "great crisis".

Not less intuitively is that in deregulated labour markets with higher flexibility in hiring and dismissals, the youth can be discouraged or find themselves in a less favourable position compared to adults, due to a lack of work experience, no well-established connections or relations helping them in the job search, lower productivity, lack of expertise and skills, and competition with migrant workers, who are more inclined to take in jobs and stand employment arrangements deemed unacceptable by the local population.<sup>19</sup>

Labour lawyers, like the author of the present paper, have limited knowledge of technical and conceptual instruments to take part in a debate—that is also very controversial among labour economists—on the effects of the regulatory framework on the labour market organisation and regulation. Because of the thorough knowledge of the regulatory and institutional framework, labour lawyers can however present economists with a different interpretation of the potential impact of protection measures on youth unemployment rates.

This is the real challenge to take on, as pointed out also by the International Labour Organization over the last decade. According to the ILO, the currently available indicators are perfectly suitable to afford an analytical framework through which detailed information about the condition of young workers in the labour market in the different parts of the world might be given. It is still the ILO that stresses that the real difficulty is rather to identify the tools to improve employment conditions by means of existing indicators.<sup>20</sup>

What labour economists may interpret by simple facts empirically proven—if not even the outcome of their investigation—labour law experts, especially if a comparative perspective is taken, might see as some useful insights to better assess the efficiency of labour market institutions and, in particular, the impact of protection measures on youth unemployment.

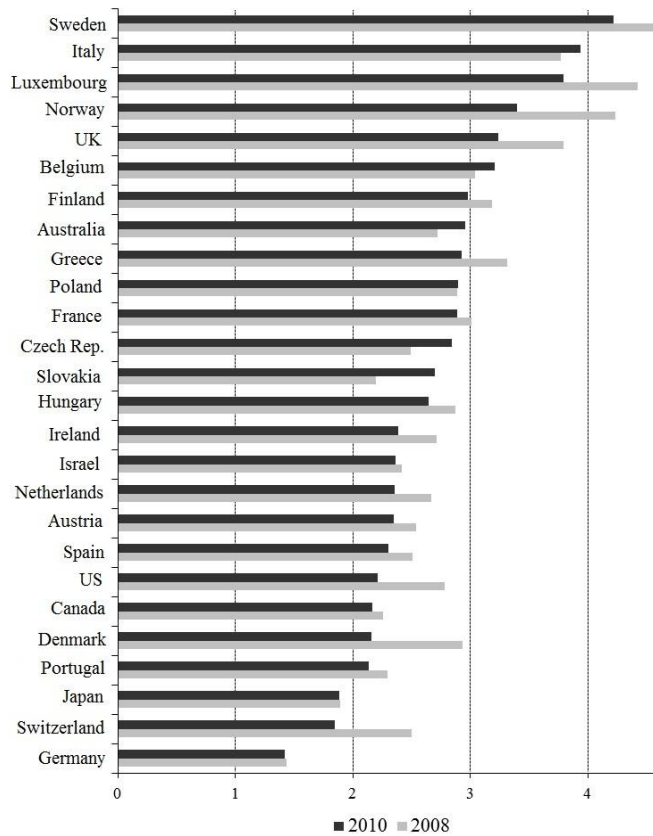
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<sup>19</sup> With reference to internal and external labour market, D.N.F. Bell, D.G. Blanchflower, *op. cit.*, 2. In the same vein, see also ILO, *Global Employment Trends for Youth. August 2010*, cit.

<sup>20</sup> ILO, *Global Employment Trends for Youth*, International Labour Office, Geneva, 2006, at [www.bollettinoadapt.it](http://www.bollettinoadapt.it), A-Z index, *Lavoratori giovani*.

From a comparative analysis of labour market indicators—before and after the “great crisis”—what emerges is the different ratio between youth and overall unemployment rates (see Figure 1). Of particular interest to a labour lawyer is that in some countries youth unemployment is broadly in line with that of adult workers (Germany, Switzerland), whereas in other countries, regardless of its level, youth unemployment is about twice (Portugal, Denmark, Spain, United States) or three times as high as that of their adult counterparts (Italy, Greece, the United Kingdom, Sweden).

Figure No. 1—Relative Youth Unemployment Rate (2008 and 2010)



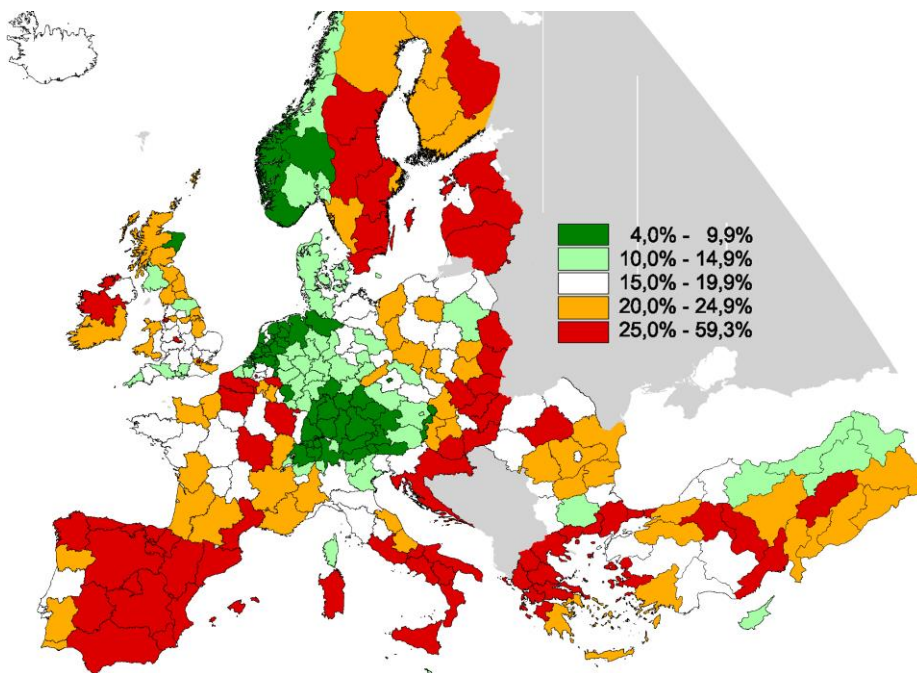
Note: The relative youth unemployment rate is the youth to adult unemployment ratio.

Source: own elaboration on OECD data.

At a first glance, a “geographical” representation of the different youth unemployment rates intuitively shows that youth unemployment is not

much of a problem in those countries (or in those legal systems, as a labour lawyer would put it) which make extensive use of apprenticeship, and which consider this tool not merely as a “temporary” contractual scheme, but rather as a lever for placement<sup>21</sup> to achieve better integration between education and training and labour market (Figure No. 2).

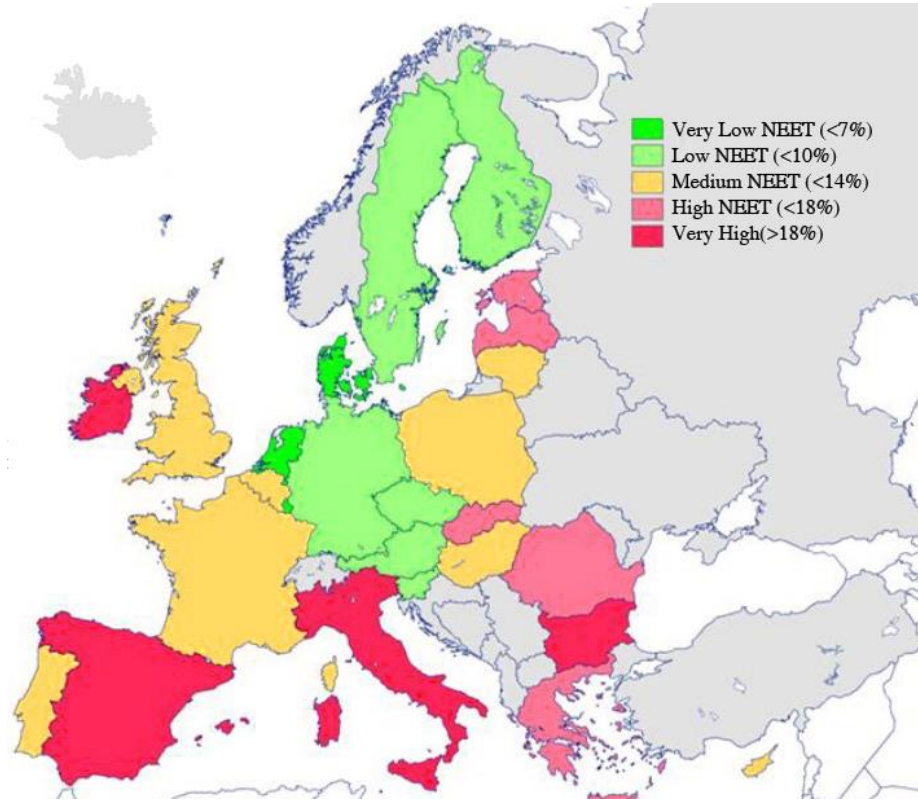
Figure No. 2—Youth Unemployment Rate 2010.



Source: Eurostat Data.

<sup>21</sup> See in this connection the article by P. Ryan, *Apprendistato: tra teoria e pratica, scuola e luogo di lavoro*, in *Diritto delle Relazioni Industriali*, 2011, n. 4, analysing the German “ideal” model, as opposed to the lack of transparency of market-oriented systems and to Italy and United Kingdom, where apprenticeship is a contract of employment.



*Figure No. 3—NEET Rates 2010.*

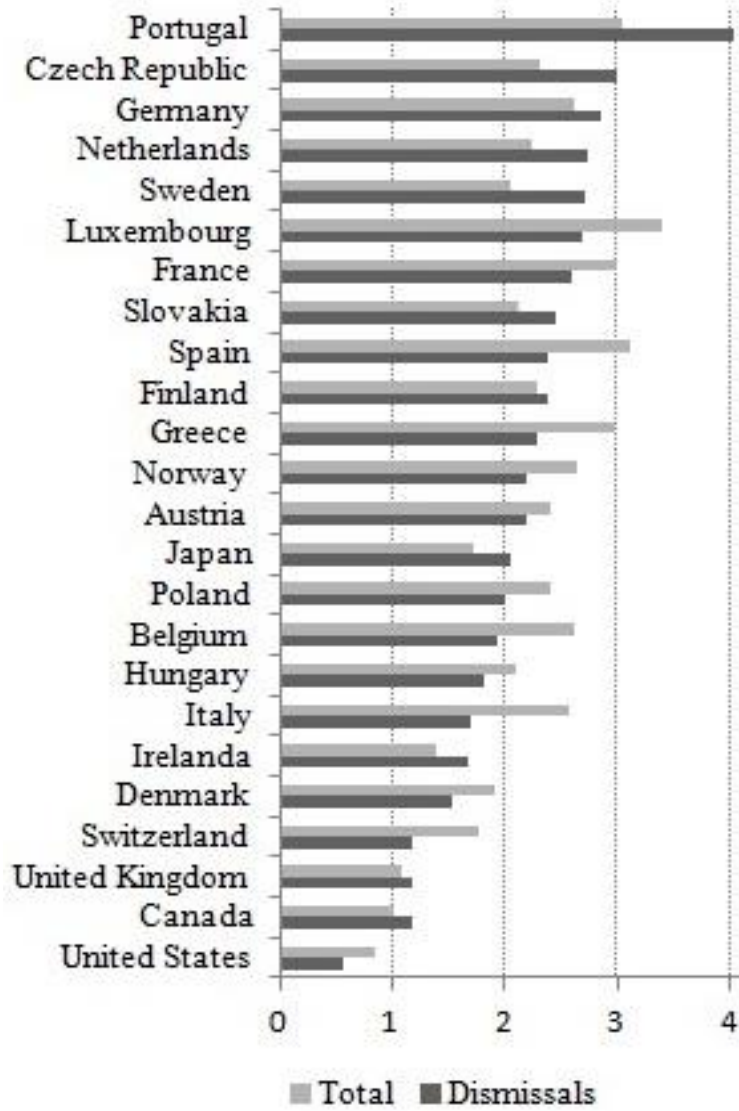
*Source: Eurostat data.*

The same holds true for inactivity, most notably the issue of the NEETs (not in employment, nor education or training), which is less serious in countries where apprenticeship is resorted to as a means to obtain secondary education (Figure No. 3).

But, there is more. The best performing countries in terms of youth employment, such as Austria and Germany, also report high levels of workers' protection, especially against unfair dismissals (see Figure No. 4). By contrast, countries with more liberal legislation on dismissals, such as Denmark, the United Kingdom and the United States, account for high levels of youth unemployment. Evidently, they do not fare among the European countries with the worst youth employment outcomes, such as France, Italy and Spain, but youth unemployment is still twice as high as that recorded in best performing countries.



Figure No. 4—Overall Work Protection and Work Protection against Individual Dismissal (0 = less restrictive; 4 = more restrictive).



Source: Own elaboration on OECD data.

This simple and straightforward empirical observation seems therefore to uphold the assumption that major difficulties for the youth entering the labour market are not caused by inadequate regulation, but rather by

inefficient school-to-work transition processes as well as by the failure to properly match labour demand and supply. A good match between labour demand and supply is, however, not to be intended in static terms as merely dependent on more or less effective employment services—be they public and private—but rather in relation to the devising of academic careers which are consistent with current and future labour market needs in terms of training and skills acquisition.

## **2. Flexicurity and Apprenticeship: the Limits of the Proposal for the so-called “Single Employment Contract”**

Countries embracing the *flexicurity* model as strongly recommended by European institutions<sup>22</sup> report positive outcomes in terms of youth employment, with high employment rates and low unemployment levels (see Figure No. 5).

This led many experts to put forward the introduction of a “single employment contract” also in central and southern European countries. In some of these, including France,<sup>23</sup> Italy<sup>24</sup> and Spain<sup>25</sup> attempts have been made to adopt new legislative provisions favouring a “single”—or at least “prevailing”—contract for salaried workers, generally open-ended

<sup>22</sup> See the Green Paper of the European Commission, *Modernising Labour Law to Meet the Challenges of the XXI Century* (COM(2006)708 final), and the Communication of the European Commission of 27 June 2007, *Towards Common Principles of Flexicurity: More and Better Jobs through Flexibility and Security* (COM(2007)359 final).

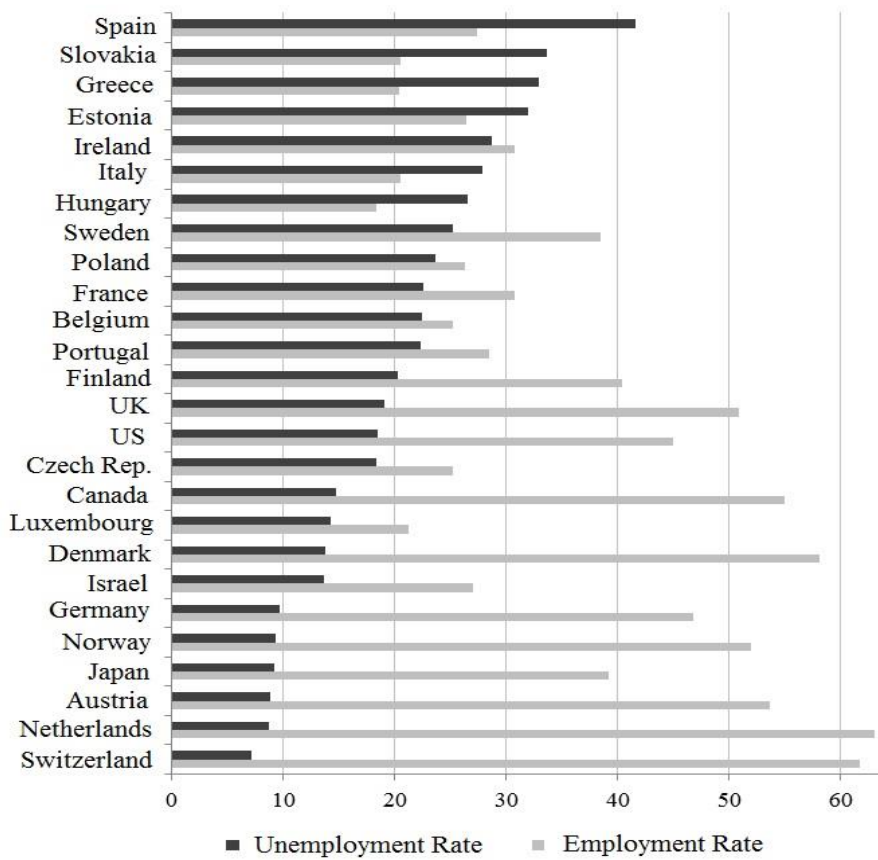
<sup>23</sup> O. Blanchard, J. Tirole, *Contours of Employment Protection Reform*, in K.V. Velupillai (ed.), *Macroeconomic Theory and Economic Policy. Essays in honour of Jean-Paul Fitoussi*, Routledge, New York, 2004; P. Cahuc, F. Kramarz, *De la précarité à la mobilité: vers une Sécurité sociale professionnelle*, in *La Documentation Française*, Paris, 2005.

<sup>24</sup> See in the literature T. Boeri, P. Garibaldi, *Un nuovo contratto per tutti*, Chiarelettere, Milano, 2008. Among the numerous draft laws, see Senato della Repubblica, Draft Law No. 1873 of 11 November 2009, ddl n. 1873, *Codice dei rapporti di lavoro. Modifiche al Libro V del codice civile*; Senato della Repubblica, Draft Law No. 1481 of 25 March 2009, *Disposizioni per il superamento del dualismo del mercato del lavoro, la promozione del lavoro stabile in strutture produttive flessibili e la garanzia di pari opportunità nel lavoro per le nuove generazioni*; Senato della Repubblica, Draft Law No. 2000 of 5 February 2010, *Istituzione del contratto unico di ingresso*; Camera dei Deputati, Draft Law No. 2630 of 22 July 2009, *Disposizioni per l'istituzione di un contratto unico di inserimento formativo e per il superamento del dualismo del mercato del lavoro*; Camera dei Deputati, Draft Law No. 4277 of 8 April 2011, *Deleghe al Governo per l'adozione di norme in materia di disciplina dei rapporti di lavoro, di formazione e di misure di protezione sociale per favorire l'accesso dei giovani al lavoro*.

<sup>25</sup> J. Andrés, S. Bentolila, J.J. Dolado, F. Felgueroso, *Propuesta para la reactivación laboral en España*, FEDEA, 2009.

and with significantly reduced workers’ protection against unfair dismissal, to be offset by a higher degree of protection in the labour market, no longer provided by the contract itself, but rather by a more generous universal system of unemployment benefits, that can support workers during unavoidable and increasingly frequent occupational transitions.

Figure No. 5—Youth Employment and Unemployment Rates 2010.



Source: Own elaboration on OECD data.

The misleading charm and the limits of the proposal for a “single employment contract”—rest on the irrational belief, not even put forward in Fordism, with standardised production and work organisation models, that the duality of European labour markets can be overcome by reducing the multifaceted and diverse reality of modern work and production to

fixed contractual arrangements, through one single contract of employment, abolishing self-employment and coordinated and continuative collaboration (quasi-subordinate work) also in their most genuine forms. This is achieved by reducing to a limited number of cases the scope to lawfully resort to temporary work, by prohibiting it also when plausible technical, organisational and productive reasons are in place, by disregarding the educational value of access-to-work contracts directed to disadvantaged groups as well as of apprenticeship contracts for youth, with a view to favouring a pure and poorly balanced flexibility, where freedom of dismissal is easily granted upon payment of a termination indemnity.

On close inspection, a solution of this kind would damage not only employers, but also the workers themselves, most notably young people and those workers forced out of the labour market, who, in all likelihood, would bear the heaviest brunt of the reform, as they would no longer be doomed to “precarious”, but rather to “illegal” employment in the shadow economy. Not only would they have no access to internships, job-training contracts and project work, but they would also be denied protection resulting from employment stability, at least during their first years of work for the same employer or client.

This explains why the proposal for a “single employment contract” was soon dismissed in all the countries where it had been put forward, replaced—at least in France<sup>26</sup> and Italy<sup>27</sup>—by a major overhaul of the apprenticeship system, as well as of those schemes (of contractual or non-contractual nature) promoting labour market access for first entrants, including internships for training and guidance. This can be seen as a reasonable trade-off based on the need to reduce the mismatch between labour demand and supply. A solution that is supported, in the author’s view, by the evidence that *apprenticeship* countries (as defined in par. 1) coped better with the crisis,<sup>28</sup> reporting a significantly lower increase in unemployment (see Figure No. 6), and in some cases, a reduction in the unemployment rates (see Figure No. 7). This aspect can be appreciated in

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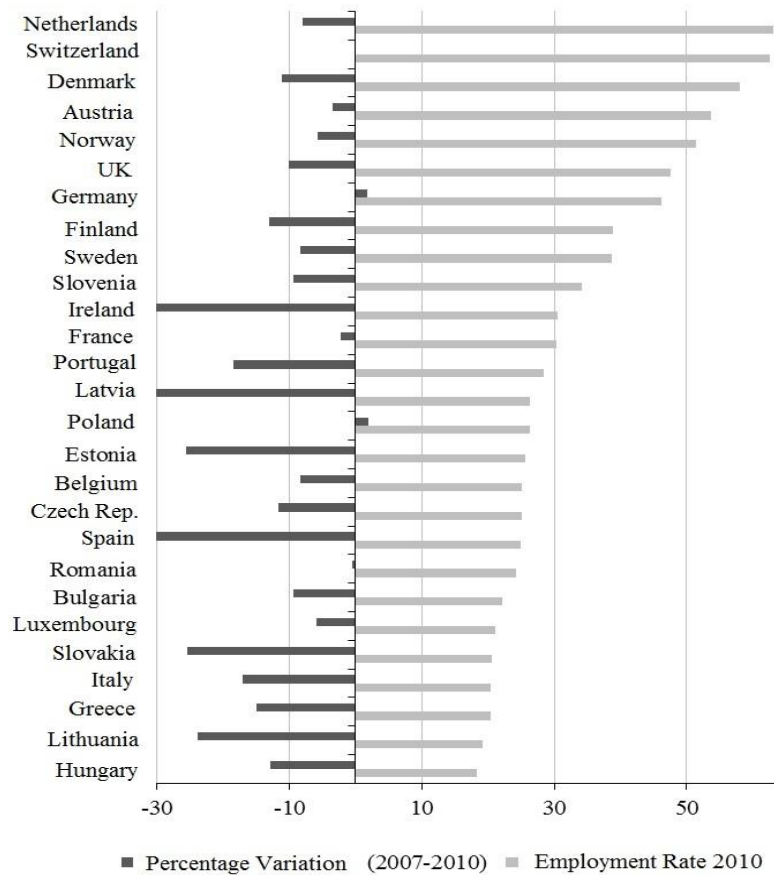
<sup>26</sup> Law No. 2011-893, so-called “Cher pion Reform”.

<sup>27</sup> Legislative Decree No. 167/2011. See in this connection M. Tiraboschi (ed.), *Il Testo Unico dell'apprendistato e le nuove regole sui tirocini. Commentario al decreto legislativo 14 settembre 2011, n. 167, e all'articolo 11 del decreto legge 13 agosto 2011, n. 138, convertito con modifiche nella legge 14 settembre 2011, n. 148*, Giuffrè, Milano, 2011.

<sup>28</sup> See M. Simms, *op. cit.*, in particular 24 ff.

comparison with *flexicurity* countries, which, by contrast, proved to be more vulnerable in the recession.<sup>29</sup>

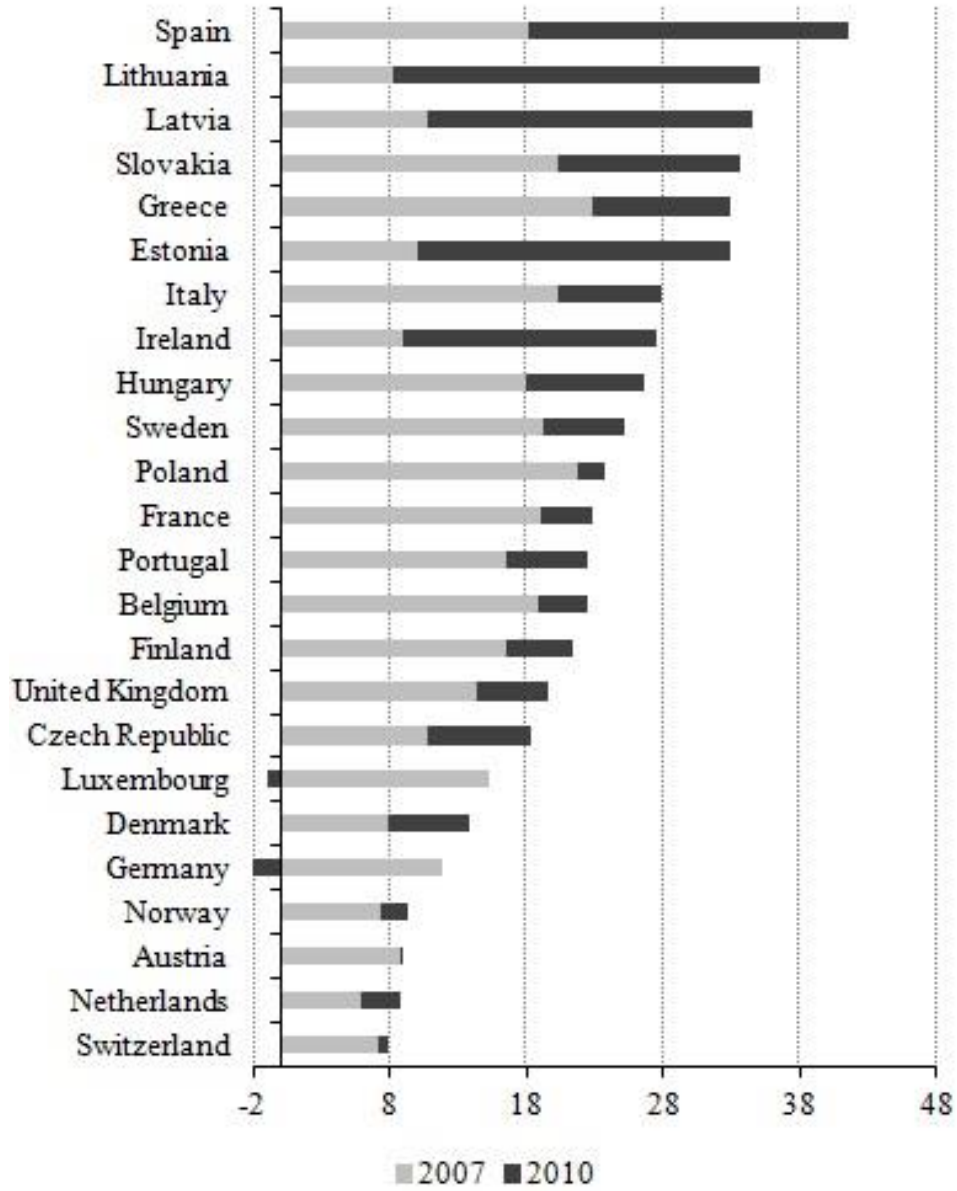
Figure No. 6—Youth Employment Rate in 2010 and Percentage Variation between 2007 and 2010.



Source: Own elaboration on Eurostat data.

<sup>29</sup> See T. M. Andersen, *A Flexicurity Labour Market in the Great Recession: The Case of Denmark*, IZA Discussion Paper, 2011, n. 5710. For a comparative evaluation, see S. Spattini, M. Tiraboschi, *Labor Market Measures in the Crisis and the Convergence of Social Models*, in W. E. Upjohn Institute for Employment Research, 2012, forthcoming.

Figure No. 7- Youth Unemployment Rate 2007 e 2010.



Source: Own elaboration on Eurostat data.



### 3. The (Main) Determinants of Youth Unemployment: Education Systems, School-to-work Transition, Labour Market Institutions, Industrial Relations Systems

The existence of a sound dual system of apprenticeship cannot be the only reason for low levels of youth unemployment in countries such as Germany, Switzerland, and Austria, and in more general terms, nor the cause of what has been defined as the “German labour market miracle during the great recession”.<sup>30</sup>

Without assuming a direct causal relationship between labour market institutions and the policies in place in the different countries, it seems however possible to identify a number of specific determinants of youth unemployment that show how limited and partial an intervention of a purely regulatory nature would be in tackling the problem of youth employment, all the more so if an institutional approach would probably be more effective.

According to several comparative analyses, youth unemployment trends are not only—or not much—affected by labour market rules with regard to hiring and dismissing, but rather by a series of factors including the quality of the education system, an effective school-to-work transition, the integration between school and work-based training, the quality of the industrial relations system, and the functioning of labour market institutions.

The table that follows classifies some European countries and the United States considering the unemployment rate for youth aged 15-24 years old, providing an overview of the determinants of positive or negative youth employment outcomes on the basis of three factors: education and training, industrial relations and employment protection legislation (see par. 4). The comparative overview supplied in the following table is based on a series of indicators collected from authoritative research and international studies and shows in particular that different priority issues must be taken into account to effectively tackle youth employment and that labour market reform is not enough.

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<sup>30</sup> See on the issue M. C. Burda, J. Hunt, *What Explains the German Labor Market Miracle in the Great Recession?*, IZA Discussion Paper, 2011, n. 5800.

Table No. 1—Characteristics of Labour Market Institutions and Youth Unemployment in Europe and in the United States.

Youth Unemployment Rate 2010	Training and School-to-work Transition						Industrial Relations System		Employment Protection Legislation	
	Quality of education	Apprenticeship			School-to-work Transition		Cooperative Ind. Rel.	Wage Flexibility	Flexibility in Hiring	Flexibility in Firing
		As flexible employment	As a form of training	Low pay, more training	School Placement	Efficient employment services				
Austria 9%	x	x	x	x	x	x		x		
Netherlands 9%	x		x	x	x		x	x		
Germany 10%	x	x	x	x	x	x	x	x		
Denmark 14%	x			x	x	x		x	x	
USA 18%	x			x	x		x	x	x	
UK 19%	x	x		x	x	x	x	x	x	
France 23%			x					x		
Italy 28%		x						x		
Spain 42%		x						x		

Note: the X indicates that the country ranks within the top 30 in the rankings.

Sources: benchmarking was created with reference to 1) The Global Competitiveness Report 2011-2012, World Economic Forum, Geneva, 2011; 2) Eurostat, Methods used for seeking work, 2011; 3) World Bank, Doing Business Report, 2011.

Source: Own Elaboration.

At the time of addressing interventions, priority should be given to the education system, focusing on the shift from school to work. Indeed, education policies are not only applied during crises, but also as structural measures, and it is no coincidence that countries with good youth employment outcomes have high quality education and training systems. As pointed out in the Table No. 1, the higher quality of education is related to lower youth unemployment rates. For reasons of simplicity, the table presents a general indicator describing the “quality of the education system” taken from the *Competitiveness Report* of the World Economic Forum<sup>31</sup> where in an executive opinion survey it was asked “How well does the educational system in your country meet the needs of a competitive economy?” [1 = not well at all; 7 = very well].

Countries with low youth unemployment rates (light and medium grey in the table) are those where the quality of education perceived by corporate executives is high. Although this indicator is probably subjectively biased, it can be particularly useful in that it gives the standpoint of labour market operators, not merely focusing on education *per se*, but taking into account the extent to which education and training meet the skill and vocational requirements of the competitive economy.

In the context of education and the school-to-work transition, apprenticeship plays a substantial role also in cultural terms, providing effective training and work-based learning and being acknowledged in the literature as one of the most valuable means for an effective school-to-work transition.<sup>32</sup> However, not all apprenticeships are equal in terms of investment in training, which is the fundamental feature of a true apprenticeship.<sup>33</sup> Moreover, not all apprenticeships carry the same value in

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<sup>31</sup> K. Schwab, *The Global Competitiveness Report 2011-2012*, World Economic Forum, Geneva, 2011. The X indicates that the country ranks among the first 30 out of 140 countries in relation to the *Quality of education* index.

<sup>32</sup> See the review on school-to-work transition systems, with particular reference to the superiority of the dual apprenticeship model in G. Quintini, T. Manfredi, *Going Separate Ways? School-to-Work Transitions in the United States and Europe*, OECD Social, Employment and Migration Working Papers, 2009, n. 90, and in G. Quintini, J. P. Martin, S. Martin, *The Changing Nature of the School-to-Work Transition Process in OECD Countries*, IZA Discussion Paper, 2007, n. 2582. In the Italian literature, see G. Bertagna, *Apprendistato e formazione in impresa*, in M. Tiraboschi (ed.), *op. cit.*

<sup>33</sup> According to Ryan (in *Apprendistato: tra teoria e pratica, scuola e luogo di lavoro, op. cit.*), “ideal” apprenticeship is not only a work-based learning opportunity, but should rather provide part-time vocational training as well as work experience, leading to the acquisition of a formal vocational qualification.

terms of youth employability, and if there is no investment in “genuine” training on the part of the company, what remains is the mere use of cheap labour. For this reason, in the table below, apprenticeship schemes are divided according to the (effective, and not just theoretical as required by law) provision of training. Although a number of legal provisions establish compulsory training during apprenticeship, reality is often very distant from the ideal apprenticeship model, and this tool becomes a mere instrument of exploitation of a flexible and cheaper labour force. Apprenticeship schemes in Germany and Austria include part-time formal schooling, whereas in Italy and in the United Kingdom, apprenticeship is not only a “flexible” or “subsidised” employment contract, but is also often devoid of real learning contents, if we consider that the share of apprentices receiving formal training is lower than 40%.<sup>34</sup>

This is also the reason why the third indicator, i.e. pay levels of apprentices with respect to skilled employees, was included in the table. By analysing the level of pay granted to apprentices, one might quantify the exchange value of training, and it follows that the higher the investment in training, the lower the apprentice’s remuneration defined in collected agreements; whereas, apprentices are paid almost the same as skilled workers when training is neglected. It is significant, as the following table clearly shows, that German and Austrian apprentices receive a lower pay and learn more. The dual system distinguishes itself from how the apprentices’ pay is defined, since it is considered an allowance (*Vergütung*) rather than wage in a strict sense, as is generally referred to in the United Kingdom and in Italy. In Austria and Germany, as well as in the Netherlands and France, apprentices receive less than the half of the wage of a skilled employee, whereas in Italy the apprentices’ pay can reach up to 80% of the full wage of a skilled worker.

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<sup>34</sup> P. Ryan, K. Wagner, S. Teuber, U. Backes-Gellner, *Trainee Pay in Britain, Germany and Switzerland: Markets and Institutions*, SKOPE Research Paper, 2010, n. 96. See also M. Tiraboschi, *Ragioni e impianto di una riforma*, in M. Tiraboschi (ed.), *op. cit.*

Table No. 2—*Apprentices' Pay as a Percentage of the Wage of a Skilled Worker.*

		Manufacturing	Services	Other Sectors	
United Kingdom	2005	46%	70%	Da 45% (hair-dressers) a 60% (trade)	
Germany	2007	29%	34%	27%	
Switzerland	2004	14%	17,5%	18%	
Ireland	2009	30% (I year), 45% (II year), 65% (III year), 80% (IV year)			
France (% minimum wage)	2010	25% (under 19 years old), 42% (20-23 years), 78% (over 24 years old)			
Italy	2010	72% (2 levels below the final employment grade)	from 70% to 80% (2 levels below the final employment grade)	Craftsmanship: from 55% to 90%	Construction: from 60% to 85% (over 3 years, + 10% per year)

Source: ADAPT, *Giovani e lavoro: ripartiamo dall'apprendistato, in fareApprendistato.it, 10 May 2011.*

Besides the proper use of contractual (and non-contractual) arrangements, an efficient school-to-work transition should rely on a placement system able to develop a synergy between “knowledge” and “know-how”—i.e. schools and businesses—by fostering a systematic collaboration based on an ongoing information exchange that builds a bridge between labour demand and supply, as well as in light of future prospects, exploring training and skill needs required by the market and providing training centres with the relevant information.<sup>35</sup>

<sup>35</sup> M. Tiraboschi, *Il problema della occupazione giovanile nella prospettiva della (difficile) transizione dai percorsi educativi e formativi al mercato del lavoro*, in P. Reggiani Gelmini, M. Tiraboschi (eds.), *Scuola, Università e Mercato del lavoro dopo la Riforma Biagi. Le politiche per la transizione dai percorsi educativi e formativi al mercato del lavoro*, Giuffrè, Milano, 2006; S.

In countries where there is a well-established school and university placement system, the relationship between training centres and businesses is—in their mutual interest—of a cooperative nature. Students' CVs, as well as job posts are freely available on the universities websites and in placement offices, and schools are actively involved in job matching process and are aware of the skills required by the market.

In countries such as the United Kingdom and the United States, this synergy results in a smoother youth labour market entry and lower youth unemployment rates. Inefficient placement offices and insufficient placement employment services—both public and private—make job search for young people even more difficult. So much so that, as shown in Table No. 1, in countries where employment services are efficient, young people tend to rely more on them during their job search, increasing the chances to find employment. By contrast, EUROSTAT figures show that in countries with higher unemployment levels, the youth rely less on employment services, and resort to informal methods (such as friends and connections) acquiring less information and thus adding to the traditional difficulties in labour market entry further barriers due to asymmetric information.

Not only does this first proposal represent an alternative to Labour Law reform as the only solution to youth unemployment. It can also contribute to preventing the increase in youth unemployment, by setting the stage for the acquisition of marketable skills for the job market, bringing young people closer to the labour market by means of apprenticeship and other relevant tools, and creating a network among the institutions involved.

The idea that Labour Law reform is not the only way to reduce youth unemployment is reinforced by the awareness that new policies and regulations are adopted only when problems have already arisen and they cannot fully solve the difficulties that youth face in the labour market.

The second important area of intervention to focus on is the quality of the industrial relations system. As provided in Table No. 1, two factors falling under the rubric of industrial relations could particularly contribute to promoting youth employment and to creating a more inclusive labour market.

In countries where industrial relations are more cooperative, where collective bargaining is decentralised and wage determination is flexible,

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Spattini, M. Tiraboschi, *La revisione dei regimi di autorizzazione e il rilancio del placement universitario*, in M. Tiraboschi, G. Proia (eds.), *La riforma dei rapporti e delle controversie di lavoro. Commentario alla legge 4 novembre 2010, n. 183 (cd. Collegato lavoro)*, Giuffrè, Milano, 2011; S. Spattini, *Riforma dell'apprendistato e nuovo placement*, in M. Tiraboschi (ed.), *op. cit.*



the production system is efficient and new opportunities for youth can easily arise. By contrast, in countries where social partners do not act cooperatively and where the bargaining system is highly centralised, the voice of labour market insiders, i.e. adult workers with stable employment, prevails over the voice of outsiders and of the unemployed or inactive.

Among industrial relations indicators, particularly relevant is the extent to which industrial relations can be considered cooperative, and wage determination flexible. Both indicators are drawn from the *Competitiveness Report*<sup>36</sup> with a view, once again, to looking at reality rather than providing a theoretical perspective based on laws and contracts. The World Economic Forum classification and the analysis of youth unemployment rates seem to be in line with the idea that cooperative industrial relations and flexible wage determination mechanisms can contribute to building a more inclusive productive system.

The debate at a European level is, however, moving away from the notion of “concertation”, with employment protection legislation that is considered almost unanimously the main cause of youth unemployment.<sup>37</sup>

As previously noted, labour economics literature has not universally established the effects of employment protection systems on unemployment, while there is overwhelming agreement only on the fact that these effects are ambiguous. In this connection, Table No. 1 shows that higher flexibility in dismissals perceived by labour market operators is not related to lower youth unemployment levels, since, as noted, in Austria, the Netherlands and Germany it is not as easy to dismiss workers as in *flexicurity* countries or in those countries with a free market economy, despite reporting lower youth unemployment rates.

#### 4. Future Prospects for Interdisciplinary Research

The main economic studies on the subject agree that a central role in terms of youth employment promotion policies is played by aggregate

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<sup>36</sup> K. Schwab, *op. cit.* The X indicates that the country is ranking among the first 30 out of 140 countries with reference to the *Cooperation in labour-employer relations* and *Flexibility of Wage Determination* indexes.

<sup>37</sup> M. Tiraboschi, *I paradossi di una riforma sbagliata (e che si farà, anche se non piace a nessuno)*, and P. Tomassetti, *Riforma del lavoro: una sconfitta della concertazione o delle relazioni industriali?*, in P. Rausei, M. Tiraboschi (eds.), *Lavoro: una riforma a metà del guado. Prime osservazioni sul DDL n. 3249/2012. Disposizioni in materia di riforma del mercato del lavoro in una prospettiva di crescita*, Adapt University Press, 2012, at [www.bollettinoadapt.it](http://www.bollettinoadapt.it).

demand. It remains crucial, therefore, in the fight against unemployment in general, and youth unemployment in particular, to adopt sound (tax and monetary) macro-economic and sectoral policies.<sup>38</sup> Particularly relevant, today and more so in the future, is the role of demography, both for the sustainability of retirement and welfare systems and for the effects on the labour market and business organisation models.

The present article has aimed to point out the marginal role played by labour market liberalisation reforms, showing instead that institutional factors are of fundamental importance when concerning youth employment. These factors include the quality of the education system, apprenticeship as a work-based training opportunity, efficiency and quality of the industrial relations system and more generally, of labour market institutions. There is therefore scope for a new strand of research based on a cross-sectoral approach intended to verify the assumption presented in the previous paragraphs and focusing on the determinants of youth employment and related problems in an interdisciplinary fashion. To those who are aware of the complexity of the subject, these issues cannot be addressed and solved with legislative intervention alone.

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<sup>38</sup> ILO, *World of Work Report 2012. Better Jobs for a Better Economy*, cit.