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Recent Trends in Youth Labour Markets and Youth
Employment Policy in Europe and Central Asia

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Recent Trends in Youth Labour Market and Youth Employment Policy in Europe and Central Asia

Niall O' Higgins*

CELPE- DISES

December, 2004

Abstract

This paper discusses the nature and characteristics of the youth labour market in Europe and Central Asia. The central concern is with the policy response to the substantial youth unemployment problem emerging with the transition to the market in Central & Eastern Europe and Central Asia (CEECA). After looking at general trends in youth labour markets, in particular the impact of the recessions and the rapid industrial restructuring which accompanied transition, the paper outlines recent developments in youth employment policy at national and international levels and reviews findings on the contributions of policy to both improving youth employment prospects (education and ALMP) and, potentially, reducing them (minimum wages and employment protection legislation).

Jel Codes: J13, J23, P27

Keywords

Transition, youth employment, ALMP

*e-mail: nohiggins@unisa.it I would like to thank Rosa de Nicola for her excellent research assistance in preparing some of the graphs included in this paper and to Martina Lubyova for provision of the Box on the CIS. This paper was prepared as background to the ILO's Quinquennial Regional Conference on Europe to be held in Budapest, February 2005 and benefitted from the comments of several of my estwhile colleagues there, in particular, Freidrich Buttler, Sandrine Cazes, Martina Lubyova and Gianni Rosas.

Introduction

The transition from school to work and the problems associated with it have recently hit centre stage in discussions of employment policy at National and International contexts. Co-ordinated efforts at the international level have begun to make themselves felt. In particular, the Youth Employment Network (YEN) was established in July 2001. Under the lead of the ILO and with the involvement of United Nations Agencies and the World Bank as well as National Youth Organisations, the YEN has provides a focus for the work of international and national agencies on problems related to youth employment and unemployment. At the European level, since its inception in 1997, the European Employment Strategy has emphasised the special importance of integrating young people into the world of work.

With the transition to the market economy and the concomitant industrial restructuring and recessions in Central & Eastern Europe and Central Asia (CEECA), issues related to the integration of new labour market entrants into Decent Work have become of crucial importance in that part of the region too. This paper looks at the overall situation on, and trends in, the youth labour market in the Europe & Central Asia region, concentrating on the transition countries. It also considers the state of policies aimed at integrating young people into Decent Work in the region.

Before embarking on the main discussion brief mention should be made of some underlying definitional issues. The chapter fairly rigidly employs the standard UN definition of young people as those belonging to the 15-24 age-group, with the lower limit adjusting to accommodate variations in minimum school-leaving age. Furthermore, Undoubtedly socioeconomic, cultural and institutional contexts vary markedly across countries. The appropriate definition of what constitutes a young person (or a child or an adult) will consequently vary with them¹. There is no reason why countries, in formulating their youth employment policies, should adhere rigidly to such definitions. Indeed, they do not. However, for the purposes of looking at the bigger picture, uniformity is an asset, and the '15-24' definition of the young is both reasonable and useful, above-all, for comparisons across time and countries. As regards country groupings, the main aggregates employed here are, EU15 referring to the fifteen member States of the European Union before May 1, 2004, AC10 which includes the ten new Member States of the European Union after that date, South Eastern Europe (SEE), and the

¹ This definition includes some of those defined as children under ILO Conventions 138 on Minimum Age and 182 on the Worst Forms of Child Labour. Potential conflict between definitions and consequently the policy goals of eliminating 'child' labour and promoting 'youth' employment is avoided in as much as under child labour Conventions, youth work up to 18 is permitted under specific conditions. Promotion of youth employment concerns young people active in the labour market; an important component of youth 'employment' policy includes policies to improve the quality and quantity of education and training undergone by young people reinforcing the tendency to raise both statutory and behavioural minimum school-leaving ages towards the generally agreed benchmark of eighteen years old.

Commonwealth of Independent States (CIS). Where relevant, the region is further subdivided according to specific economic and geographical criteria².

1. General Context

Economic Growth

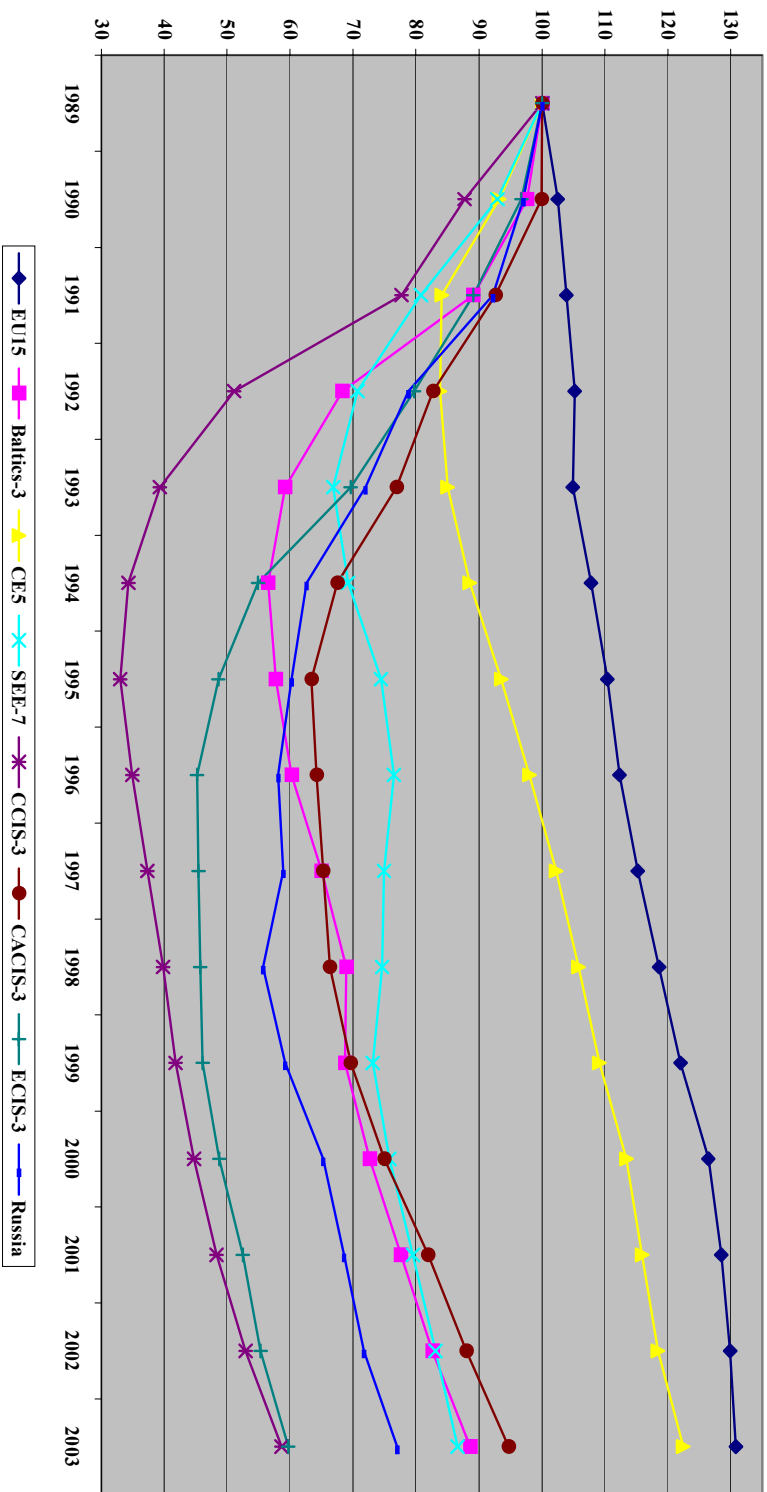
It is often noted, with reason, that the labour market situation of young people depends to a large extent on economic and employment trends affecting the economy as a whole³. Figure 1 reports the economic growth performance in Europe & Central Asia since 1989. The figure reflects the recession in the European Union in the early 1990s and the slowdown during the first years of the new millennium, however, relatively speaking, the growth pattern in Western Europe is fairly constant. In the ex-socialist countries, the onset of transition, the concomitant recessions and the greater or lesser recovery in countries throughout the region were more pronounced and are clearly observable in the figure. There was a fair amount of variation in both the depth of recession and the abilities of countries to recover. The Central European countries recovered most quickly and in

² Specifically, AC15 comprises Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden and the United Kingdom, AC10 comprises Cyprus, the Czech republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia, SEE comprises Albania, Bosnia & Herzegovina, Bulgaria, Croatia, Macedonia, Romania and Serbia & Montenegro, and CIS comprises Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, the Russian Federation, Tajikistan, Turkmenistan, Ukraine and Uzbekistan. Where appropriate, further breakdowns are employed, specifically, Central Europe (CE5) referring to the Czech republic, Hungary, Poland, Slovakia and Slovenia, the Baltic countries (Baltic3) referring to Estonia, Latvia and Lithuania, European CIS countries (ECIS3) referring to Belarus, Moldova and Ukraine, Caucasian CIS countries (CCIS3) referring to Armenia, Azerbaijan and Georgia and Central Asian CIS countries (CACIS5) referring to Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan. In the text, all transition countries in the region are occasionally referred to as CEECA countries.

³ See, *inter alia*, Korenman & Neumark (1997), OECD (1996), O'Higgins (2001, 2003) & Ryan (2001),

recent years seem to have closed the gap a little with the pre-May 2004 EU Member States. In the Baltic and CIS countries, recession was deeper and longer but recovery is now evident although in the European and Caucasus CIS countries GDP is still under 60% of its 1989 level. In South Eastern Europe the effects of conflict have meant an irregular pattern of growth throughout the period since transition, however, here too recent developments are positive. Overall however, the vast majority of transition countries in the region have not yet regained their 1989 levels of national income.

Figure 1: Index of Real GDP in Europe & Central Asia, 1989-2003 (1989=100)



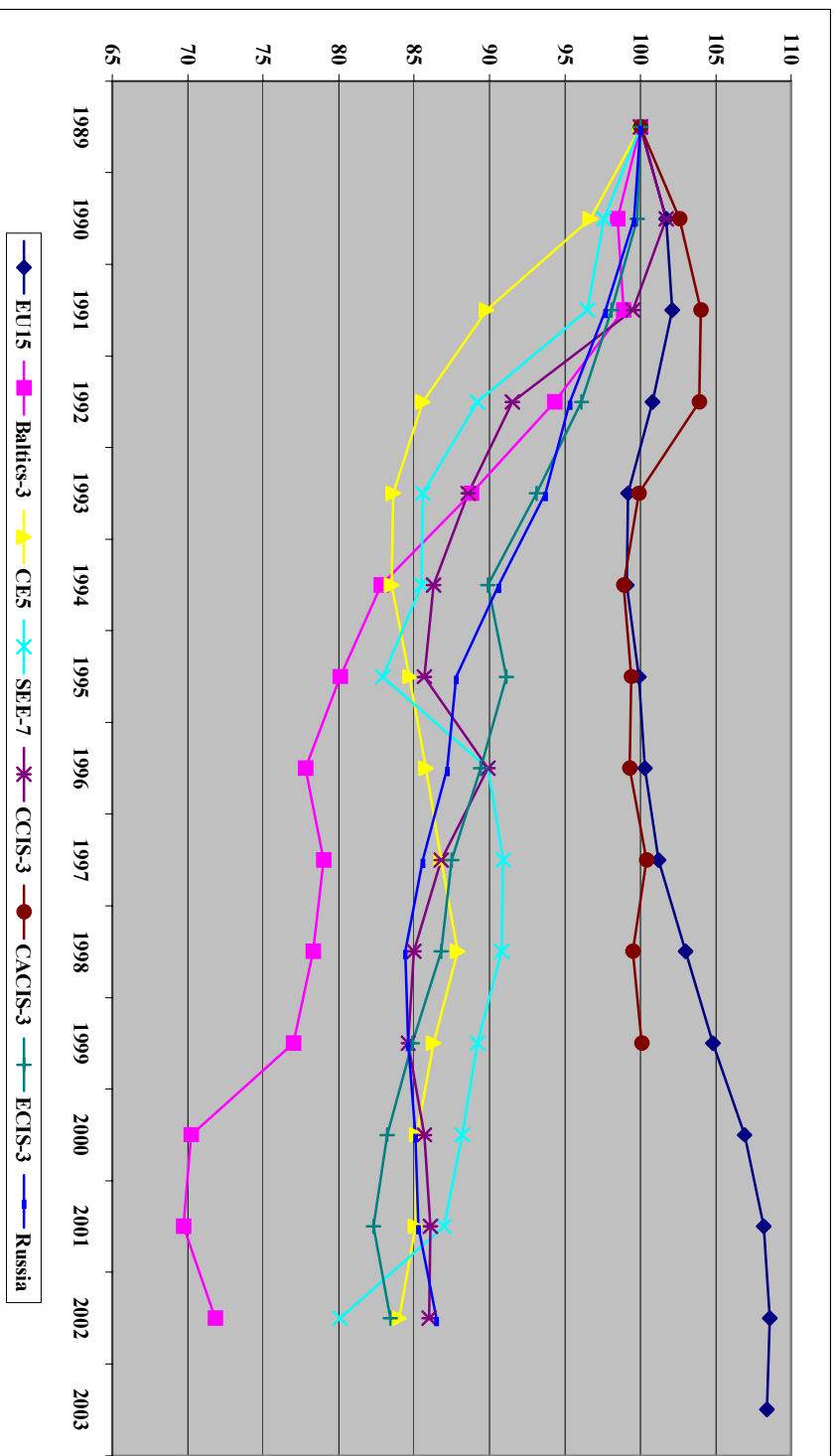
Source: UNECE (2003, 2004)

Note: EU15 = EU countries before 1/5/2004 ; CE5 = Czech, Hungary, Poland, Slovakia, Slovenia; Baltics-3 = Estonia, Latvia, Lithuania; SEE - 7 = Albania, Bosnia, Bulgaria, Croatia, Macedonia, Romania, Serbia&Montenegro ; CCIS - 3 = Armenia, Azerbaijan, Georgia; CACIS - 5 = Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan ; ECIS - 3 = Belarus, Moldova, Ukraine.

Employment

The impact on the labour market of recession in the transition countries was substantial and long-lived. Employment fell initially and then, in some countries at least, gradually started to grow again as economies started to recover. The picture is, however, much less uniform than for GDP. In Central Europe, the positive growth of the late 1990s and early years of the new millennium has been accompanied by falling not rising employment. Furthermore, after the breakup of the former Soviet Union, the CIS countries generally faced rather slow employment decline despite considerable initial production losses; labour reallocation has been since rather moderate and the level of registered unemployment generally low. Trends in population growth also played a role here but they are not sufficient to explain the recent uneven employment performance across the region. The outlook, however, is generally positive. In the EU accession countries and in the CIS strong growth performances in 2003 are likely to produce improvements also in employment performance. Even in Poland, the country with one of the regions highest unemployment rates, employment finally grew again in 2003 after some years of decline, fed by strong economic growth in 2002 and 2003.

Figure 2: Index of Total Employment in Europe & Central Asia, 1989-2003 (1989=100)



Source: UNECE (2003, 2004)

Note: For country groupings, see note to figure 1.

Box: Recent labour market development in CIS – country examples

Russia is among the countries that is currently enjoying a slight improvement in the labour market situation. Overall economic development during recent years has been characterised by continued growth of real GDP (annual growth rates of real GDP in 2001 and 2002 were 5.3% and 4.1%, respectively). Total employment continued to grow in 2002 reaching 65.1 million persons, while the number of unemployed (according to the LFS) has declined and for 2002 was 5.6 million persons. Overall average annual unemployment rate declined from 9% in 2001 to 7.9% in 2002. On the contrary, registered unemployment grew over the year 2002 from 1.1 million persons at the beginning of the year to 1.5 million persons at the yearend and the registered unemployment rate has slightly increased from the annual average level of 1.5% in 2001 to 1.8% in 2002. National authorities attribute the increase in registered unemployment to the increase of minimum unemployment benefit, and to recent substantial increases in unemployment registration in Chechnya. Labour market tightness as measured by the registered U/V ratio reached 3 registered unemployed per registered vacancy in April 2003. It is noteworthy that this indicator varies substantially across the Russian Federation. Whilst in Moscow at the end of 2002 it was 0.4, in the Republic of Ingushetia it was as high as 207, in Evenkya autonomous okrug (Siberia) it stood at 441, and in the Chechen Republic it reached 1094 persons.

The overall economic situation in **Kazakhstan** has been improving since 1999, which was reflected in the relatively high real GDP growth rates of about 10% in 2000, 13.5% in 2001 and 9.5% in 2002. This positive trend led to improvements in the labour market with a growth in total employment and decline of the unemployment rate. The overall unemployment rate reached 13.5% in 1999 but has gradually decreased reaching 9.3% by 2002, and to 8.8% as of May 2003. The registered unemployment rate has also declined from 3.9% to 2.6% over the period 1999-2002, and in June 2003 it stood at 2.4%. The labour force participation rate has increased during 1999-2002 from 66% to 70%, while total employment has increased considerably (from 6.1 to 6.7 million persons). These figures suggest that the increase of labour force participation was primarily driven by employment expansion, and accompanied by a moderate and persistent decline of unemployment.

Kyrgyzstan has slowly overcome the negative consequences of the 1998 Russian crisis. However, GDP fell in 2002 by 0.5 %, due to the unexpected decline in output of the gold-processing industry. During 1997-2001, labour resources increased by 15.2 %, and their share in total population increased from 51.3 % to 55.8 %. During the same period employment has declined by 63,000. Unemployment has increased during 1997-2002 by 53,000, reaching 156,000 in 2002 implying an increase in the unemployment rate from 5.4 % to 8 %. Registered unemployment rate in 2002 was 3.1 % (87,000 persons). The

share of youth in registered unemployment was 52 %. The LFS unemployment rate in 2002 was 13 %, which corresponded to 260,600 persons.

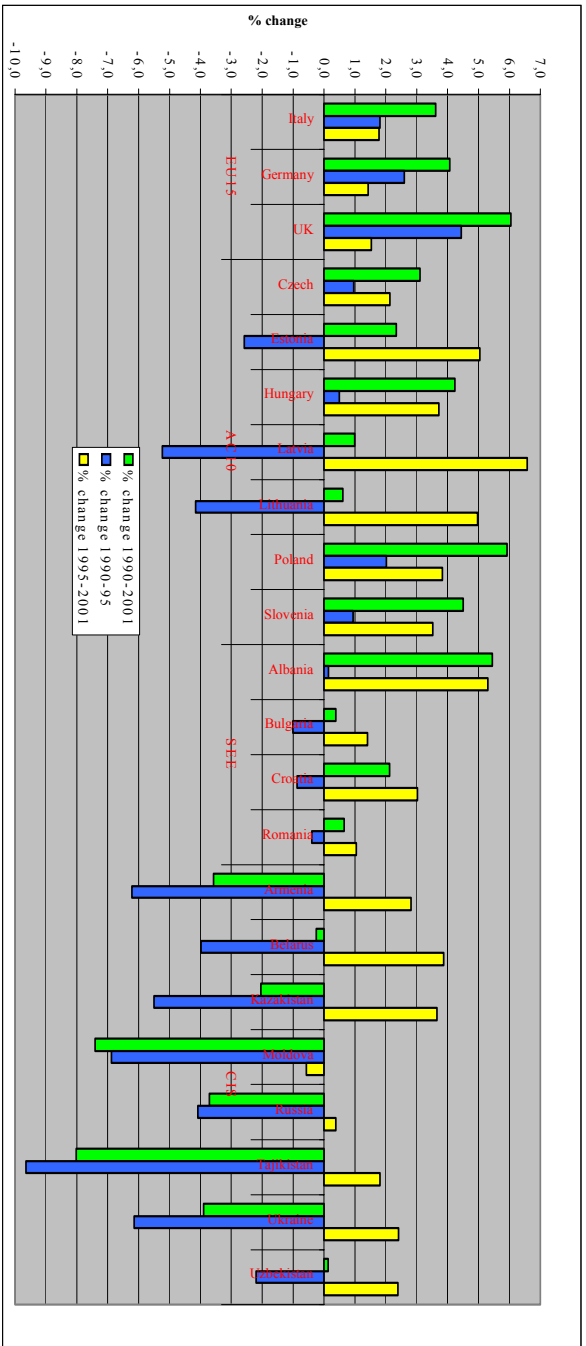
*Recent labour market developments in **Belarus** have been marked by an increase in the registered unemployment rate. While at the beginning of 2002 the rate was 2.4 %, by the end of the first quarter of 2003 it had reached 3.3 %. Labour market tightness as measured by the registered U/V ration has also increased from 4 persons in April 2002 to 5 persons in April 2003. The pool of registered unemployed is dominated by youth (the share of persons younger than 30 years was 48 %), and women (63 %- share).*

Unlike some other transition economies, **Uzbekistan** has adopted a gradualist approach to economic reforms. Uzbek GDP dropped by 17% in the early 1990s - about half the average of 38% for the Baltic states and former Soviet republics. But since 1996 the economy has grown, with inflation down to about 18%. The labour market situation in Uzbekistan has been characterised by the relatively rapid expansion of employment in small private enterprises, which exhibited fivefold growth between 1993 and 1998. Demographic tensions in the labour market are substantial due to rapid population growth (around 2% annually), and over 40 per cent of population is under 16 years old (corresponding to more than 10 million young people). Correspondingly, the dependency burden on the economically active population is substantial, average family size being about 6 persons.

Human Development

Less well documented is what happened to more general indicators of well-being. Figure 3 reproduces the percentage change in the UNDP's Human Development Index over the transition period. A composite of economic longevity and educational indicators, the index gives a more general picture of welfare in countries. In Central Europe, like the EU15 countries, the index grew over both sub periods. In South East Europe and the Baltic countries, negative growth of the index between 1990 and 1995 was more than compensated for by the positive growth in the second half of the decade. Even in the CIS countries, the index showed positive growth in the second half of the 1990s in most countries although it was not enough to produce to produce positive gains over the transition period as a whole.

Figure 3: Percentage changes in the HDI, 1990-2001.

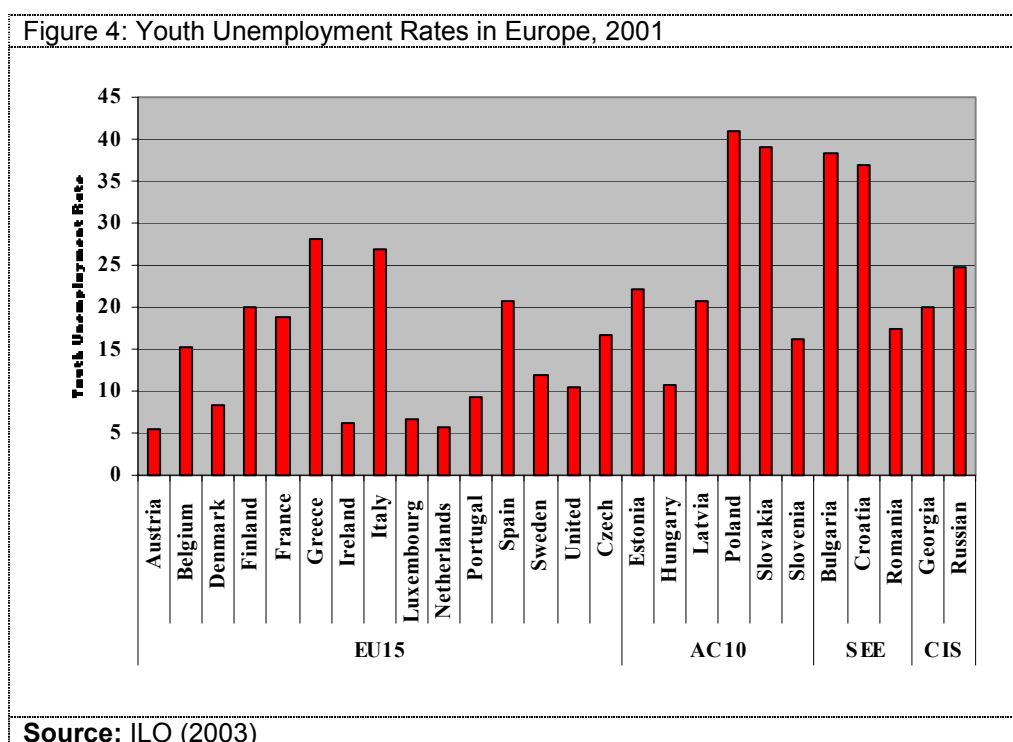


Source: UNDP (2003).

2. Recent Developments in Youth Labour Markets

Youth Unemployment

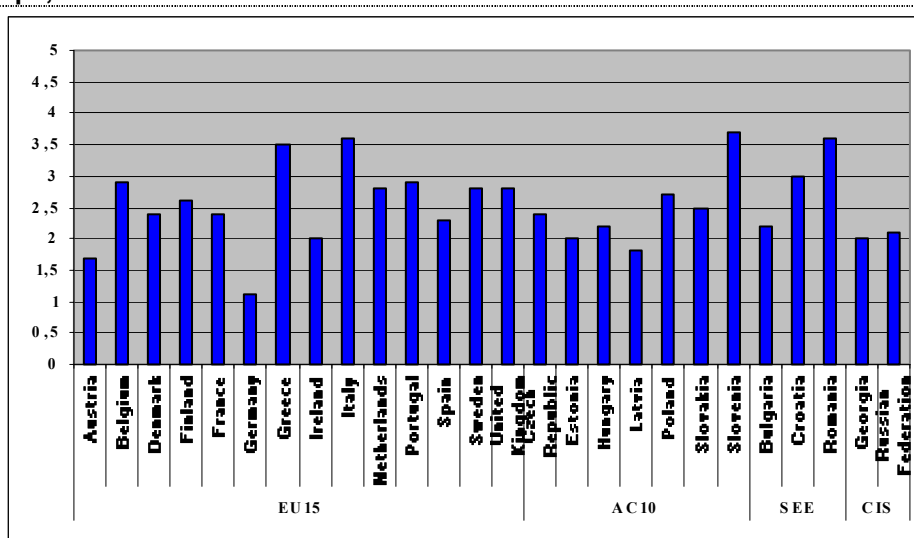
As might be expected, the changes occurring in the region had a major impact on the labour market experiences of young people. Youth unemployment rose rapidly and as figure 4 shows, youth unemployment rates remain high in the region. Nowhere amongst transition countries is the youth unemployment rate lower than 10% and in Bulgaria, Croatia, Poland and Slovakia it is over 35%. That is, in these countries more than one in three young people who are looking for work do not find it.



In large part, the situation in the youth labour market depends on what is happening in the aggregate labour market and the economy as a whole. However, there are

differences across countries in this relationship. Figure 5 shows the ratio of youth to adult unemployment rates. There are a number well-documented reasons why youth unemployment rates tend to be higher than adult rates, however, some countries are more successful than others in keeping the ratio down. Almost everywhere, young people are more than twice as likely to be unemployed as adults. The exceptions being Austria and Germany with their dual education systems as well as Latvia. Although not immediately apparent from the figure, the ratio tends to be slightly higher in transition economies. In 2002, the ratio was just under 2-to-1 in EU countries, whilst in the EU accession countries it was 2.2. More generally the ratio tends to be higher in Southern Europe.

Figure 5: The Ratio of youth unemployment rates to adult unemployment rates in Europe, 2001



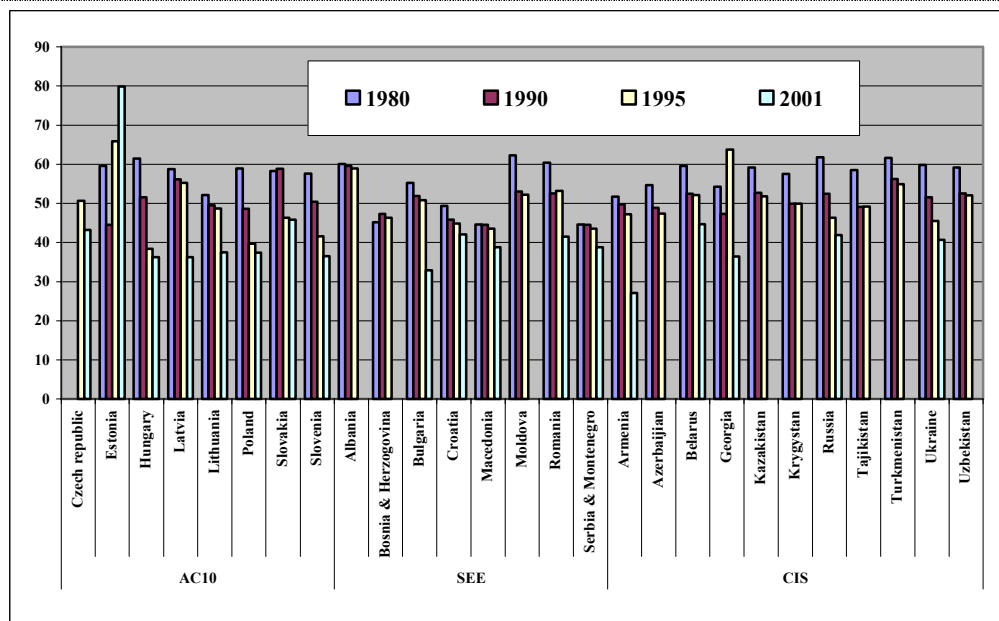
Source: ILO (2003).

Labour Force Participation and Discouraged young workers

The labour force participation rates of young people fell throughout the 1990s in the region (figure 6). One may note that in general this reflected a longer run trend observable before transition as the figure shows. In general the labour force participation rate of young people is lowered by two things, increased educational participation and higher rates of discouraged workers leaving the labour market due to lack of employment opportunities. Whilst the first of these possibilities is positive, the second is decidedly not

so. An important question then is the extent to which falls in labour force participation were attributable to greater educational participation or whether they were due to the greater discouragement of young people.

Figure 6: Labour Force Participation Rates of Young People (15-24) in Central & Eastern Europe, 1980-2001



Source: ILO (2003)

Without better information it is difficult to judge precisely the relative importance of these educational participation and discouragement as causes of the fall in labour force participation, however, figure 7 attempts to throw some light on this by showing the changes in labour force and educational participation rates in CEECA over the period 1990-2001. In principal, if the two bars representing educational participation are positive and of the same size or greater than the negative labour force participation bar, then one would be able to say that increases in educational participation had compensated for the fall in labour force participation. The figure presents a rather varied picture. Leaving aside Estonia, which seems to have had positive growth in all three indicators, in the accession countries the general impression is that indeed, increased educational participation has

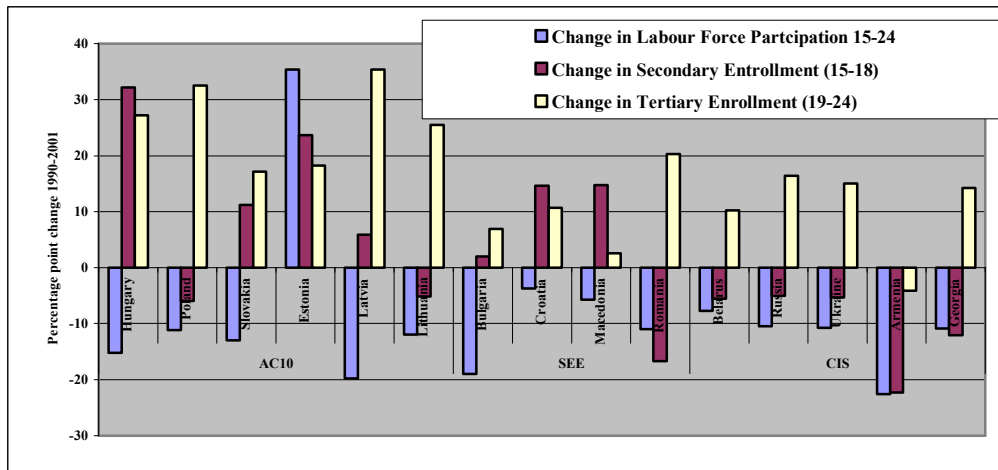
largely compensated for the fall in labour force participation. In Hungary in particular, growth in educational participation at secondary and tertiary levels outweighs the fall in labour force participation. Although less clear, the same would appear to be the case for Lithuania and Slovakia. In Poland and Lithuania, although the increase in tertiary education seems to outweigh the falls in both labour force participation and secondary enrolment, the fall in the latter indicator is of itself a cause for concern. In SEE, there is a clear distinction between countries where educational participation has more than compensated for falls in labour force participation (Croatia and Macedonia) and where it very clearly has not done so (Bulgaria and Romania). In CIS countries, there have been universal falls in both labour force participation and secondary enrolment, and in Armenia also in tertiary participation. In these countries, therefore, there is a strong suggestion that the numbers of discouraged young people have increased. Certainly this issue deserves further investigation⁴.

Whatever the true picture, it appears reasonable to suggest that, in many countries and in particular in CIS, increasing educational participation is not sufficient to account for the falling labour force participation rates observable amongst young people. One is left then with discouraged workers. These are people who stop looking for work (thereby leaving the labour force using ILO concepts) because they are aware that there are no or very limited job opportunities. Numbers on this phenomenon are hard to come but work in specific countries suggests that the numbers of discouraged workers may be high amongst young people⁵. For fairly obvious reasons, an increase in discouraged workers is a rather less desirable cause of falling labour force participation rates than increased educational participation.

⁴ Comparison of the data is complicated by various questions concerning the accuracy of the data and in particular concerning population estimates used for the calculation of all the rates. Slump following initial transition lead to substantial emigration of young people (in some countries more than others) which would not necessarily be reflected in the figures reported here and would lead to an overestimate of the population in the relevant age group and therefore an underestimate of educational participation rates. For educational participation, the figure report gross enrolment rates and therefore include in the numerator also those outside the specific age-group (adults for example) who are enrolled in education but who don't appear in the denominator.

⁵ See, for example, O'Higgins et al. (2001) on Bulgaria.

Figure 7: Percentage point change in labour force participation rates and gross enrollment rates of young people (15-24), 1990-2001.



Sources: ILO (2003) and Transmonee 2003 database

Notes: 1) The figure shows the percentage point change in the labour force participation rate for the entire age-group, and the analogous change in gross enrollment rates in secondary and tertiary education.

2) For Croatia, the change in secondary enrollment is for 1991-2001, for Macedonia the change in labour force participation is for 1990-1999 and for secondary enrollment is for 1992-2001, in Belarus and Russia the change in labour force participation is for 1990-1999 and in the Ukraine, the change in both labour force participation and secondary enrollment is for 1990-2000.

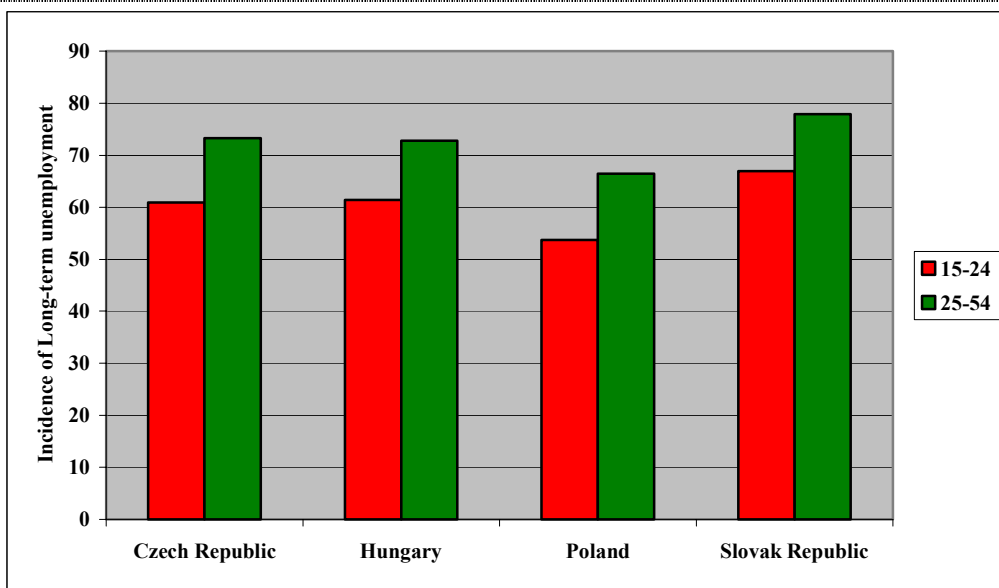
Long-term Unemployment and Long-term Effects: Youth Unemployment as a Transitory Problem?

There is a growing literature concerning the damage caused by long-run unemployment to individuals' human capital and, consequently, to societies' economic potential. The underlying belief is that the negative consequences of unemployment are largely related to protracted (and/or repeated) periods of unemployment rather than the incidence of unemployment per se. This type of argument has been used in the past to suggest that the unemployment of young people is relatively innocuous. Young people tend to have a high incidence of unemployment – a more or less natural consequence of shopping around on the labour market to find appropriate work – but a lower average

duration of unemployment than older people; a young person is fairly likely to experience unemployment but it probably won't last very long.

This view is at best misleading. Apart from anything else, the duration of unemployment for young people is by no means uniformly shorter than for older people at least as far as industrialised countries are concerned⁶. Figure 6 reports evidence on the question for four countries in the region. Although, young people invariably have a lower incidence of long-term unemployment (here defined as an uncompleted unemployment duration of at least six months) than adults, the difference is small. Not enough certainly to dismiss the consequences of youth unemployment as a purely transitory phenomenon.

Figure 8: Incidence of Long-term unemployment (over six months), Young people & Adults, 2000.



Source: OECD database

Moreover, it is now firmly established that early experiences in the labour market have an important influencing in shaping lifetime patterns of employment, pay and unemployment; the labour market outcome experienced by an individual today is an important determinant of the labour market outcome of that same individual tomorrow.

⁶ See, for example, O'Higgins (1997, 2001) and Ryan (2001).

Although evidence on long-term scarring effects of unemployment is difficult and expensive to come by, evidence for long-term persistence has been found in several European Countries⁷. Moreover, such scarring effects have been found to last for at least seven years in France and over twenty in the UK⁸. A bad start in the labour market leaves its mark throughout one's working life.

Difficulties in labour market access for different groups

Undoubtedly some young people are more likely than others to become and to remain unemployed. More generally, some types of young person tend to face greater difficulties than others in obtaining Decent Work⁹. In recent times, this has led many to argue in favour of concentrating policies on disadvantaged young people rather than unemployed youth per se¹⁰. Disadvantage has many dimensions of course both in terms of which groups are affected and how that disadvantage is manifested. Attention is limited here to unemployment amongst two specific groups, young women and young people from minority ethnic backgrounds.

Figure 9 reports the unemployment rates of young people by gender. Although, overall, there is no dominant pattern. In the European union, the average female youth unemployment rate was very slightly higher than the average male rate in the fifteen existing Member States in 2002, whilst there was no difference between young men and young women in accession countries. This is however a little misleading. In several countries, namely Croatia, Estonia, Greece, Italy and Spain, young women have unemployment rates which are much higher than those of young men. Whilst the reverse situation is only observable in Bulgaria. In some countries, particularly in Southern Europe, gender disadvantage in labour market access is clearly still observable even in terms of unemployment rates.

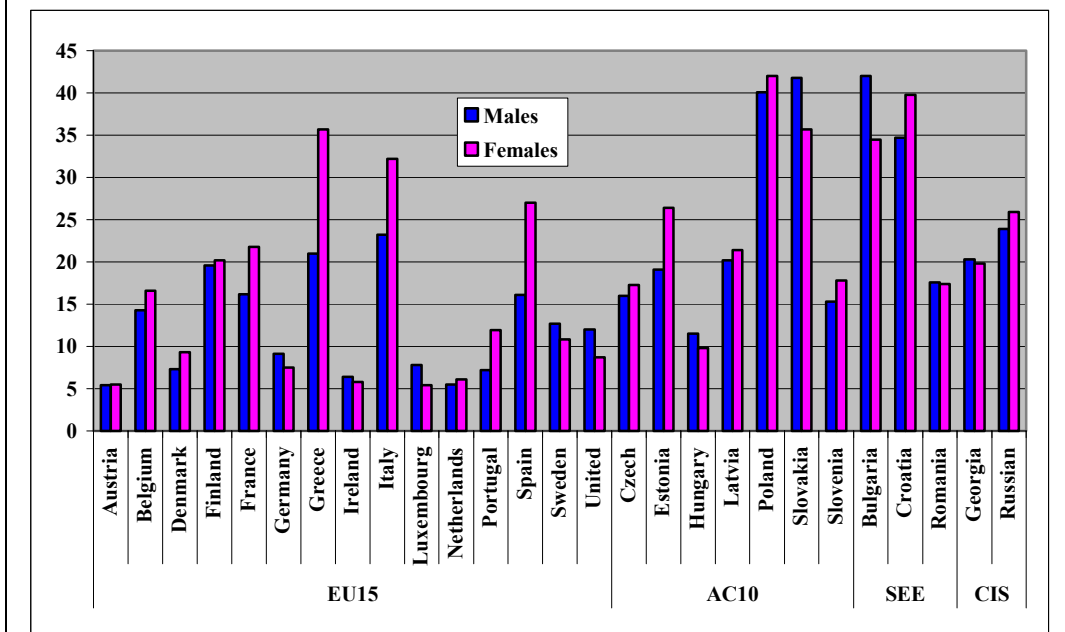
⁷ Ryan (2001).

⁸ See Allaire et al. (1995) on France and Gregg & Tominey (2004) on the UK. In the UK, the resultant wage reduction effect is of the order of 12-15%.

⁹ The term used here in the sense that it has recently been introduced into the literature originating from the ILO. That is, Decent Work involves essentially productive, secure and rewarding work and as such is proposed as a 'better' target than employment per se. It is characterized by the presence of better working conditions and excludes most irregular and unregulated forms of employment such as to be found, for example, in the informal sector.

¹⁰ See, for example, Bowers et al. (1999), Godfrey (2003), OECD (2003) and O'Higgins (2001).

Figure 9: Male & Female Youth Unemployment Rates, 2001



Source: ILO (2003).

Ethnicity is also a common source of disadvantage on the labour market for the young as for older people. However, the lack of data make a comprehensive picture difficult to establish. In many countries in the region, collection of labour market (as other) information by ethnicity is explicitly forbidden. However, well meaning this provision is, it does make it difficult to make an accurate assessment of the situation and leaves the way open for much speculation and anecdotal reporting of figures. Recently efforts by UNDP in collaboration with the ILO to rectify this information deficit with regard to the Roma, the most obviously disadvantaged ethnic group in Central & Eastern Europe¹¹. The picture emerging confirms the overall view of labour market disadvantage, although it appears that the relative disadvantage attached to being young, is somewhat less for this group. That is, the unemployment rates of young people are not much higher than they are for adults although this may reflect, to some extent, the early labour market entry of young Roma. A similar position may be taken with regard to disability vis-à-vis disadvantage and data availability. In both cases however, data are improving, as indeed they are in regard to the documentation of the informal sector and underemployment considered below.

¹¹ UNDP (2002).

Quality of Work

Informal Sector Employment

The promotion of Decent Work is of course not just about getting young people into jobs, it also concerns the quality of work once obtained. Increasing concern in recent years has been expressed from various sources about the quality (and not just the quantity) of work available to young people (and indeed others). The quality of work has been central to ILO concerns since its inception, and in recent times it has been amongst the forerunners in drawing attention to the need to promote Decent Work as opposed to work per se.

Informal sector employment is, by its nature, highly flexible and exploitative and so comprises an important element in discussions of Decent Work. Informal sector employment is difficult to measure, however, increasing efforts have been made in recent times¹². Figure 10 reports estimates of the size of the informal sector as a percentage of National Income. These should probably be taken as conservative estimates. Even so, they suggest the existence of a substantial informal sector, particularly in CIS countries. By this reckoning, in Azerbaijan, Georgia and Ukraine, the informal sector is larger than the formal sector and in a number of others - Armenia, Belarus, Moldova and the Russian Federation - it is almost as large as the formal sector. Employment figures broken down by age are not yet available at an international level, however casual observation, theoretical reasoning and such evidence as does exist on a case-by-case basis suggests that involvement of young people in the informal sector is disproportionately high. Bernabè (2002), for example, estimates that in Georgia 76% of young workers are employed in the informal sector as opposed to 57% of the employed as a whole.

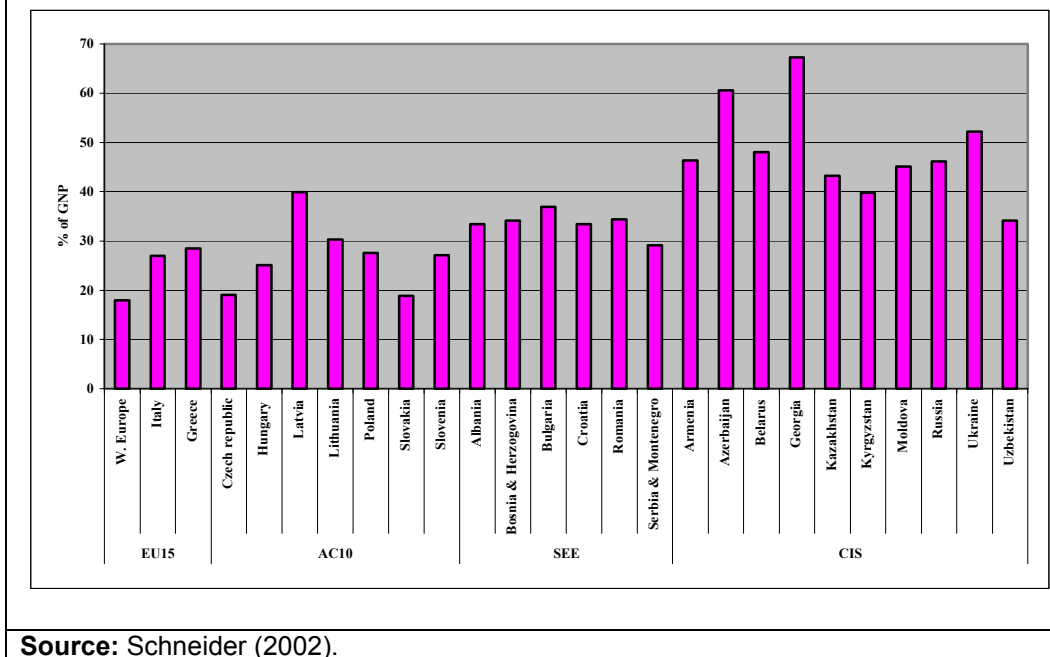
Underemployment

Another important, albeit rather neglected area concerns underemployment. Difficulties of concept and measurement are even more pronounced for underemployment than they are for involvement in the informal sector¹³. Although information is collected on a rather ad hoc basis, such evidence as exists suggests that here again, young people are likely to be disproportionately represented also in this type of employment.

¹² See, for example, ILO (2002a, 2002b) and the most recent edition of KILM (ILO, 2003).

¹³ For a formal definition of underemployment see ILO (1998)

Figure 10: Informal sector as a Percentage of GNP, 1999/2000



Source: Schneider (2002).

Part-time and temporary work

Rising part-time and temporary forms of employment have been important factors underlying employment growth for young people in the EU15 countries. Part-time employment has offset declining full-time employment in Austria, Finland and Ireland. The tendency towards these forms of employment has been much less marked in CEECA countries however, there too they are on the increase. In Bulgaria, Hungary, Lithuania, Slovakia and Slovenia over half of all employees now have temporary contracts with a duration of six months or less¹⁴. Workers in such jobs not only face, “considerably higher risk of job loss and labour market exclusion they also.....receive lower wages than permanent employees with the same qualifications who are doing the same job.”¹⁵ Whilst such more flexible forms of employment may to some extent facilitate access by young people to some kind of job, questions remain however, as to the extent

¹⁴ European Commission (2003).

¹⁵ Ibid, p. 179.

to which part-time and temporary forms of employment are chosen by young people and, moreover, the ease with which these may be transformed into long-term good quality employment¹⁶. Overall, in EC15 countries between 1999 and 2000 the transition rates from temporary to permanent employment ranged between under 10% in Portugal to over 50% in Austria. In Finland and the UK, more than one quarter of those in temporary employment in 1999 were out of work in 2000. More generally, the numbers moving from low to high quality employment through increased pay, access to training or a permanent contract, ranged from under 20% in Portugal to under 40% in Ireland. That is, in Portugal less than one in five of those in low quality work in 1999 had managed to move into higher quality employment by 2000¹⁷.

Labour Market Flexibility and Job Tenure

The increased emphasis on the need to create more flexibility in the labour market in recent years has often been narrowly interpreted as the need to relax employment protection legislation so as to reduce disincentives to the hiring of new workers. The usefulness of this as a policy measure to improve the employment prospects of young people is considered below, however, recent work by the ILO on job tenure and turnover should be mentioned here. Whilst the increased emphasis on labour market flexibility has not actually led to any marked reduction in job stability as measured by employment tenure and job separation rates in the EU as in other OECD countries, where falls in job tenure have been observed, they tend to be concentrated amongst young workers¹⁸. In contrast, transition to the market in CEECA countries was accompanied by a rapid decline in job stability and labour turnover with its effects being felt most keenly by the youngest and oldest groups of workers. In CEE countries, the fall in the job tenure of young people has, however, done no more than brought these countries in line with their Western counterparts. In 1999, the average job tenure of young people in CEE was 2.2 years as opposed to an average of 2 years in the EU in 2000. Probably of more consequence, the rapid changes in employment protection in CEECA countries coupled with economic instability have led to a rapid deterioration in perceptions of job security amongst workers which in turn, has produced a pro-cyclical pattern of job tenure and countercyclical pattern of labour turnover. As Cazes & Nesporova (2003) explain, “fear of the fragile economic situation of many companies, weak protection of workers’ rights and substantial income loss when falling into employment cause workers to feel reluctant about quitting their jobs and moving to new ones even during economic upswings, while during economic downswings labour flows increase as many people lose their jobs or are pushed to quit ‘voluntarily’”¹⁹.

¹⁶ See, for example the OECD’s most recent Employment Outlook (OECD, 2003).

¹⁷ European Commission (2003).

¹⁸ Auer & Cazes (2003).

¹⁹ Cazes & Nesporova (2003, p. 138).

3. Co-ordinated International Action on Youth Employment

Probably the most significant recent initiative²⁰ at the International level is the establishment of the Youth Employment Network (YEN) under the auspices of the ILO, UN and World Bank. In July 2001, YEN's High Level Panel initiated the work producing a set of recommendations on youth employment and calling on governments, in consultation with civil society, to prepare national reviews and action plans for youth employment addressing four main priorities: employability, equal opportunities, entrepreneurship and employment creation. Subsequently, separate working groups were established to deliberate on each of the four strategic themes.

In 2003, 'roadmaps' in each of four areas were produced²¹. Amongst the detailed recommendations, the groups note the lack of links between education systems and the labour market as well as the need of educational systems to provide a broader set of life skills than they do at present. The groups note the problems associated with the informal sector and young people's disproportionate involvement in it and the consequent need to create 'bridges' between the informal and formal sectors to facilitate movement of young people from one to the other. The groups also note with the additional impediments faced by young women in gaining access to Decent Work such as the gender stereotyping in schools and firms preventing access to specific types of education and training. The groups also produced quite specific and innovative recommendations. To take just one example, the group on entrepreneurship noted the need to better enforce copyright and patent regulations. This is of particular importance to young people in that they tend to be both more innovative than other age groups and at the same time tend to be insufficiently informed of this complex area and therefore at particular risk of exploitation. Within the Europe & Central Asia region, Azerbaijan has taken on the responsibility as YEN lead country.

Another international area of action of direct relevance to many of the countries on the region is EU's European Employment Strategy (EES). Initiated at the Luxembourg Summit in 1997, the EES and its concomitant employment guidelines has become the basis for employment and labour market policy in all the EU15 and AC10 countries as well as strongly influencing policy making in several others. The EES was initially based around four pillars, the first of which on improving employability was directly concerned with young people. During its development, and most notably at the European Councils in Lisbon in 2000 and in Stockholm the following year, specific targets on concrete

²⁰ This is of course by no means the only important international initiative. Also worthy of mention is the establishment, also in 2001, of the Youth Employment Summit (YES) which has the important and, at the international level, unusual characteristic of being largely organized and run by young people themselves. Further information on their activities can be obtained from their website, www.yesweb.org.

²¹ The roadmaps and other general background materials are included in YEN (2003).

objectives to be achieved by 2010 were established. In July 2003, the European Employment Strategy was revised and it is now organised around the pursuit of three overarching medium term objectives: full employment; promotion of quality and productivity; and, fostering cohesion and inclusive labour markets. Implementation of the EES is undertaken through the formulation of National Action Plans on employment and monitored at the EU level through the issuing of regular Joint Employment Reports by the European Commission²².

²² Also, a the recent report of the European Employment Taskforce under the chairmanship of Wim Kok has looked explicitly at the ability of countries to achieve the Lisbon Objectives by 2010 (ETF, 2003).

Box: EES Targets with Direct Relevance to Young People

Although many of the targets set at the Lisbon and Stockholm summits are of relevance to young people, for example, at the Lisbon summit an overall employment rate of the working age population of 70% to be achieved by 2010, three specific EES targets are directly concerned with young people:

1) Every unemployed young person should be offered a new start in the form of training, retraining work practice, a job or other employability measure before reaching six months of unemployment

Non-Compliance by 2002

Austria a)	Belgium b)	Denmark b)	Finland b)	France b)	Germany b)	Luxembourg a)	Portugal b)	Spain b)	Sweden a)
82.2	26.2	76.0	9.6	16.7	16.2	22.0	13.0	49.0	2.6

Note: Non compliance is defined as the share of youth becoming unemployed in month X still unemployed in month X+6 and: a) not having been offered a new start, or b) not having started an individual action plan

Performance on this target has been mixed, however, it may be noted that, with the exception of Denmark compliance for young people is better than on the corresponding targets on the adult long-term unemployed.

2) By 2010 at least 85% of 22 year olds in the European Union should have completed upper secondary education. For the EU15 as a whole, the percentage currently stands at over 75%. Several countries (Austria, Finland, Sweden and UK) have already reached this target whilst some still have much ground to cover. In Denmark, Italy, Luxembourg and Spain the percentage has not yet reached 70% and Portugal is lagging behind with a percentage of less than 45%.

3) Policies will aim to achieve by 2010 an Average EU rate of no more than 10% early school leavers. Progress on this target is well advanced, almost all countries have reached it or almost. Austria is at 9.5% and Finland at 9.9%. All other countries for which data has been provided (Data on the UK is absent from its NAP) have already achieved this target. Early school leaving is measured by the percentage of 18-24 year olds having achieved lower secondary education or less not attending further education or training.

Source: European Commission (2004)

4. National Policy

First and foremost, action to promote youth employment must be grounded in an overall employment creation strategy involving the establishment of appropriate conditions for economic and employment growth.

Second, as regards action directed at young people, there are two main areas for proactive intervention to improve their labour market prospects: Education and Active Labour Market Policies (ALMPs). In practice, and indeed in principal, the two are not independent. However, in practice, ALMPs are used in attempt to remedy failures of the educational system; that is, the one substitutes for the other. In principal, it would be hoped that the two could play more complementary roles to each other. Furthermore, labour market regulation is often identified as a factor obstructing the access of young people to employment and also needs to be considered.

Embedding Youth Issues in National Employment Policy Frameworks

At the international level, in addition to the YEN, the ILO's Global Employment Agenda has provided a basic framework for the development of effective National employment policies with co-ordinated tri-partite involvement and ILO technical assistance has been provided within this framework at the National level in Azerbaijan, Kyrgyzstan and Kazakhstan amongst others, whilst the ILO has also been involved at the sub-national level for example in developing a regional Employment Strategy in Lodz in Poland. In the new EU Member States, the incorporation of youth employment issues in the development of National Employment Plans forms part and parcel of the four pillar approach of the EU's European Employment Strategy. This type of approach could usefully be extended to other countries in the region.

Education and Training

Education and training can and do play a key role in promoting more and better work for young people. Indeed, the importance of improving education and training systems lies at the heart of the YEN's High level panel recommendations in 2001 (YEN, 2001). The German system provides the example par excellence. As noted above, in Germany, the ratio of youth to adult unemployment rates is of the order of one-to-one, in contrast to most other countries where the youth unemployment rate stands at between two and five times the adult rate. However, in recent years problems have begun to emerge even there, particularly as regards the fate of young people once they leave the dual system and also as regards the system's adaptability in times of rapidly changing occupational and industrial structures. Moreover, there are many questions as to the transferability of

the German type system to other countries with differing institutional bases. Notwithstanding this, the German system remains a useful example of what can be achieved and how to achieve it.

The need to reform and improve educational systems to better fulfil the role of providing young people with skills which are useful once they leave school, and therefore, for the most part enter the labour market is well recognised. Not so simple is actually achieving this goal. In CEECA, the situation has been exacerbated by the rapid industrial restructuring arising with transition. The slowness of educational systems in these countries to adequately adapt to rapid industrial change which the transition to the market involved is well-known. Progress has been varied across the region and reform of Vocational Education and training (VET) is underway in many countries. In the accession countries, and above all in Hungary and Slovenia, reforms of the system are well advanced although problems remain in terms of the high numbers of secondary school students, and above-all vocational secondary school students, who drop out and/or subsequently become unemployed²³. In SEE and even more so CIS countries, reform still has a long way to go. Whereas in the AC10 countries decentralisation of education policies was part and parcel of the accession process, in SEE governance issues remain of crucial importance: VET is still highly centralised; funding comes for the Central budget; and, school autonomy as well as the involvement of local communities and Social Partners is extremely limited²⁴. In CIS countries, there are a number of problems amongst which:

- The provision of VET is spread over different ministries creating parallel structures;
- VET systems are inflexible, still being based on long-run planning without mechanisms to incorporate assessment of labour market needs;
- Social Partner involvement is not yet institutionalised. For example, there is no involvement of Social Partners in the development of curricula²⁵.

In general, VET reform thusfar has tended to be undertaken within traditional models and there is a need for greater recognition for more fundamental reform. Systems need to be made more responsive to ongoing changes in the needs for skills, not just reformed in terms of which industry-specific skills provided in school

Relatively speaking, institutions involved in the provision of employment services have reacted somewhat more quickly. To an extent this is natural. Employment Services feel the effects of the failure to reform training systems directly in terms of a greater draw on the resources devoted to passive labour market policies. Educational institutions are at

²³ See, for example, ETF (2003a) for a recent review.

²⁴ Fetsi (2003).

²⁵ ETF (2003b).

one remove from this and so do not feel the pressure so acutely. Not surprisingly they have therefore been slower to react.

There is clearly a major role to be played by the Social Partners in adapting VET systems to meet the challenges facing countries in the Region. Whilst, formally at least, the Social Partners are involved in Labour Market Policy formulation and implementation, their involvement in educational policy is more limited.

Educational systems in general and VET systems in particular need to be more responsive to the labour market. This can and indeed should be achieved by action and many levels:

- 1) At the central level, Social partnership can inform policy-making and help in achieving the much-needed reforms. This is well-recognised and indeed in place in most countries.
- 2) At local levels where the policies are implemented, the Social Partners, and workers organisations in particular, should be involved both in the implementation of policy but also in adapting policies to local needs. That is in providing an input for a more decentralised policy-making.

Whilst the formal involvement of the Social Partners in overall policy-making in the sector is more or less the norm, at least in CEE and SEE, there is much scope for improvement particularly at more decentralised levels. VET systems need to be made more responsive to local labour market needs. There are a number of channels through which this may be achieved. On the one hand, the involvement of workers' and employers' organisations on local education boards is a step in the right direction. However there are also less formal (and possibly more effective) means to achieve improvements. It has been argued elsewhere²⁶ that links between school and the labour market need to be developed in a more general sense.

Some ways in which this may be accomplished are as follows:

- Social partners need to develop direct links with schools. This can be done in both formal and informal ways; however, it is important that contacts are developed between actors in the local labour markets and young people in schools. For example, local trade union officials could be invited into schools to give talks on the local labour market situation and on benefits of union membership.
- At a broader level such Social Partner involvement as exists needs to be made more effective. This in part depends on the ongoing reforms in the sector. However, here too, workers and employers organizations organisations can play an active role.

²⁶ O'Higgins et al. (2001).

Active Labour Market Policies

Active Labour Market Policies essentially fulfil a remedial role in correcting malfunction in the education system and in labour markets. Traditionally Public Employment Services in the region have been involved largely in the payment of income support to the unemployed and in the administration of labour market based employment and training programmes. In recent times, however, they have become more pro-active in promoting the better functioning of labour markets through the provision of guidance and counselling and more generally job-matching services.

Public Works and Direct Job Creation Programmes

In many countries in the region, the initial response to the collapse in labour demand was first the rapid expansion of passive labour market policy (income support) followed by the introduction of substantial public works programmes. In essence, these types of programmes are intended to provide some income support to the unemployed as well as maintaining the labour market attachment of participants and to help mitigate some of the detrimental consequences of long-term unemployment. They can be used to produce goods of benefit to the community at large such as in the construction, and in South East Europe, postwar reconstruction of infrastructure.

What they do not do very effectively is promote the long-term employment prospects of participants. These programmes are generally temporary or short-term in nature, employing labour in relatively low skill work on specific projects. In some cases, the longer term, employment promotion role can be enhanced by the introduction of training elements. However, the overall finding of evaluation research on this subject, is that public works are not an effective means to integrate the unemployed into employment²⁷. Such programmes are best seen as emergency income generating measures or means to promote work attachment amongst the long-term unemployed rather than as a means to promote the integration into long-term decent work of young people.

Wage Subsidies

Wage subsidies, or more generally financial incentives to firms, have sometimes been used to promote the employment of specific groups such as young people. There are difficulties however. Care needs to be taken that the workers employed would not have been taken on by recipients of the subsidy even without the intervention (*deadweight loss*); that employers do not simply substitute one group of workers (eligible for subsidy) for another whom are not eligible (*substitution effect*); or, that the jobs created do not displace jobs in other firms which do not receive the subsidy and are therefore less able

²⁷ See, for example, the findings of Fretwell et al. (1999) . However, more recent work has tended to put a somewhat more favourable light on the usefulness of public works programmes in promoting the employment prospects of participants (Betcherman et al, 2004).

to compete in the product market with subsidy recipients (*displacement effect*). In each case, the key question is: does the subsidy create new jobs which would not have existed in its absence? For obvious reasons it is rather difficult to ensure this is so and such programmes have often been criticised on the grounds that they are consequently a relatively costly way of increasing overall employment with a low level of net job creation. However, careful targeting of both direct recipients (firms) and the ultimate beneficiaries (new employees) can mitigate this problem.

Of specific concern to youth employment promotion, one might raise the further question of whether high relative wages of young people constitute a serious impediment to their employment. It has been observed by many commentators, that in OECD countries, the wages of young people and their unemployment rates have very often moved in opposite directions. That is to say, **rising youth unemployment** rates were accompanied in the 1980s and 1990s by **falls in the relative wages of young** people. This is of course not rigorous proof, but equally it does not provide strong evidence to support the view the problem lies with the high relative wages demanded by, or paid to, the young and that therefore wage subsidies are likely to have a significant impact.²⁸ On the other hand, there is some evidence to suggest that in some countries, relatively high levels of the minimum wage with respect to the average wage has damaged the employment prospects particularly of teenagers. Although one might further note that such damage is far outweighed by the influence of aggregate economic and labour market conditions.

Labour Market Training

Although the track record here too is mixed, the most effective ALMP for young people appear to be programmes which involve work experience combined with training. On the one hand, the training component remedies the lack of employable skills of school leavers while on the other, the work experience component provides above-all direct links with employers and the world of work. In general however, the positive experience with training programmes is linked to its raising of the chances of finding work rather than on any positive impact on the wages of young people. A recent ILO paper has looked into recent experiences with Enterprise based schemes for training and skills development and provides a number of useful examples²⁹. Above-all the paper looks at ways in which the enterprise based VET can help in redressing imbalances in the supply of, and demand for, skills still present in many countries of other region.

²⁸ The lack of relationship between the labour market situation of young people and the wages of the young relative to adults has been noted by, for example OECD (1997) and Ryan (2001). This issue is also of relevance in discussing the impact of labour market regulation more generally is discussed further below.

²⁹ Axmann (2004).

Self-employment and small business support

Particularly in circumstances where there are relatively few existing job opportunities, attention fairly naturally turns to initiatives designed to promote self-employment. As noted in the High Level Panel's Recommendations action may be taken at two levels. On the one hand measures may be introduced to facilitate the establishment of new businesses by reforming the institutional and legislative framework which often acts as an impediment to business start-ups. Indeed, this type of action can also have a beneficial impact on the size of the informal sector. By making it simply to operate legally, the incentives to operate in the unregulated sector are reduced.

On the other hand, initiatives may be introduced to directly promote self-employment for young people. The main lesson to be learned from experiences with such initiatives is that a range of services are required to make them effective. Perhaps the main areas of help regard access to credit and training in business skills, however, a rather broader set of measures is likely to significantly improve the chances of success. Not to be, but all too often, forgotten here is the question of ongoing business support. As well as providing a general legislative framework in which SME's may develop and grow, there is a need to ensure that businesses started through programmes providing credit and business training programmes do not fail as soon as the initial support is removed.

Self employment small business support is an area in which the ILO is particularly active. At the macro level, ILO Recommendation no. 189 on Job Creation in Small and Medium Sized Enterprises suggests a series of measures to facilitate and improve the environment for small business start-ups whilst within specific countries Local Economic Development (LED) and SME promotion projects have been implemented in Bosnia & Herzegovina and Serbia & Montenegro and SIYB-KAB projects have been implemented in Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan and in three Oblasts in Southern Russia.

Guidance and Counselling

Much of the recent work in the area of policies to promote youth employment has emphasised the importance of guidance and counselling, both before and after young people enter the labour market³⁰. In many countries the information available to young people does not allow them to make realistic choices concerning the options available to them. Indeed, in recent times, Active Labour Market Policies have increasingly included a preliminary phase of orientation and guidance in which young people are made aware of the effectively available alternatives. In practice this has proven to be a relatively cost effective form of intervention which often obviates the need for more expensive work oriented training.

Although guidance and counselling functions are relatively developed in richer countries, both within the educational system and also on the labour market through

³⁰ See, for example, Fay (1996).

Public Employment Services, this is not true in others. One major obstacle faced by many countries is the basic lack of labour market information on which to base guidance and counselling or indeed the more general job matching function fulfilled by Public (and increasingly private) Employment Services.

Job Matching Services

In Western Europe, the job matching function fulfilled by public employment services is becoming ever more important. Indeed, more and more, ALMPs include an element of job search assistance. Thus, PES, beyond administering financial unemployment assistance, is taking a more active role in the promotion of employment through the implementation of ALMPs themselves but also through the role of matching job seekers to jobs. In many countries, the PES also organise job fairs which bring together prospective employers and young potential employees. However, although these no doubt play a useful informational role in terms of informing young people about the available opportunities and vice versa with firms, little actual recruitment actually takes place during these events.

In many countries, jobs are largely filled through informal contacts of relatives and friends or through direct recruitment by firms. This in itself is no bad thing as long as the system of informal networks works efficiently. The large numbers of unsuccessful young job seekers however suggests that in many countries, this is not the case. Clearly, there is room for an increase in the active role played by the PES. One way in which this may be accomplished, particularly suitable to young people, is through the establishment of and access to Internet based job-seeking services. In Slovenia, for example, such services are well developed. In less wealthy countries where access to computers and above all the Internet is less widespread, employment centres could, in principle, be a focal point for access to the Internet for job-seeking. Essentially what is required is for the centres to be seen as a useful source of information and access to jobs. The PES needs to make itself more attractive to young people by providing useful services.

Labour Market Information (LMI), Monitoring and Evaluation

In CEECA countries progress is being made in this area, particularly in the collection of appropriate labour market information through the implementation of regular labour force surveys which now take place in almost all the countries in the region. The ILO has been active in promoting these efforts through technical assistance in the design and implementation of the surveys as well as in the collation and dissemination of results through the KILM database.

However, a key element in the design and subsequent modification of youth (as indeed for adult) employment policies is the monitoring and evaluation stage. This relies on an established labour market information (LMI) collection system in order, for

example, to identify the appropriate target group for intervention. Which of those amongst the general category of 'youth' are most in need of assistance and so forth.

But this is not enough. Once programmes are actually implemented, monitoring of the programmes (sometimes referred to as process evaluation³¹) can be used to ensure that for example, the programmes reach the designated target group, that programme costs are kept within target limits, that a target proportion of the group complete programmes, that a target proportion of participants find employment after the programme and so on. Where these targets are not met, further consideration can be given to why this is so and corrective action adopted. The central elements here are on the one hand the establishment of targets. Targets which must be realistic and realisable given the resources allocated to the programme. On the other hand, the collection of information is necessary in order to allow such process evaluation to take place. Both of these are very obvious albeit fundamental points, however, experience shows that the importance of their role is clearly underestimated in the implementation of youth labour market policies in many countries.

Also of crucial importance in the improvement of the design of programmes is the post-programme evaluation of programme impact. This is beginning to be implemented particularly in the new EU Member States under the auspices of the European Employment Strategy which sees evaluation as key tool. Evaluation is at least as important as monitoring. It is with impact evaluation that one may gain an understanding of what the effects of the programme actually are. Essentially, impact evaluation seeks to compare the experiences of participants on programmes with what would have happened in the absence of the programme³². This in itself is not an easy an easy exercise and much ink and effort have been employed to develop and refine the methodology. However, the crucial element is that the experiences of programme participants are compared with a like group of people³³ who act as a proxy for the experiences of participants in the absence of the programme.

Involvement of the Social Partners

Employers' and workers' organizations are involved in the design and implementation of ALMP in many countries. However, the extent to which formal involvement is actually translated into a real input into the policy-making process varies enormously. Very often

³¹ Auer & Kruppe define monitoring as the "regularly conducted observation of statistical indicators of labour market policy input/output and performance (outcome) for the purpose of improving programme implementation and even programme design." (Auer & Kruppe, 1996, p. 901).

³² Here the review is limited to a schematic overview. More details can be found in O'Higgins (2001, chapter 5) and/or Grubb & Ryan (1999). For a practical handbook on the implementation of impact evaluation, see also, Baker (2000).

³³ Typical examples are the programme participants before participation or other young people who do not participate in the programme. More recently, attention has turned to experimental methods involving the random selection of programme participants from a larger group of eligible persons. Discussion of this goes beyond the scope of this paper. For more details see the above-cited works on evaluation.

the social partners are included on a collaborative or consultative basis with national labour market boards and/or public employment services. Indeed, the collaboration of “representatives of employers and workers in the organization and operation of the employment service and *the development of employment service policy*” (italics added) is provided for in ILO Convention No. 88 (Art. 4) Concerning the Organization of the Employment Service.

Involving the social partners in the formulation and implementation of ALMP is likely to increase the effectiveness of such policies. There are several reasons why this may be so. First, the involvement of employers and workers implies a commitment on their part to the success of policies and programmes. This joint commitment, in itself, will tend to enhance the effectiveness of policy.

Second, a related point is that the quality of programmes is likely to be higher if the social partners are involved. Numerous studies have demonstrated that programmes which are more closely linked to private employers are likely to be more effective. Employers may use programmes as a recruitment and/or screening device. Also, the relevance of training is probably greater in the context of private employer involvement. The skills acquired are likely to be closer to those required by the labour market than those taught on programmes without such direct labour market links.

The involvement of workers’ organizations can help avoid some of the pitfalls of work experience and training programmes. In promoting the training content (and, through careful monitoring, ensuring the effective implementation) of programmes, workers’ organizations can guard against the exploitation of programme participants, at the same time helping to promote their long-term prospects of good quality employment. They can also ensure that programme participants are not substituted for other categories of worker.

In programmes to promote self-employment, the involvement of employers is immediately relevant. They can provide advice and support, and might introduce the self-employment option in schools or act as mentors. They can also sponsor business competitions.

Employers’ and workers’ organizations can also be directly involved in the provision of training. This is particularly helpful in the case of small firms where it may not be viable to make provision for training within the firm.

Finally, workers’ and employers’ organizations can play an important promotional role in advocating measures aimed at improving the employment prospects of young people. This includes appeals to the private sector to create or increase the provision of training.

Labour Market Regulation and Youth Employment

It is regularly argued that labour market regulations of various types instituted to protect workers often end up damaging them, increasing the level of unemployment by discouraging the hiring of new workers. The argument is felt to be strongest regarding those at low skill levels and new entrants to the labour market. This is because these type

of worker tend to be low paid, and consequently the incidence of the costs of minimum wage and employment protection legislation is highest for these groups. Similarly, supposedly overly generous unemployment protection legislation A number of studies have examined the employment impact of various types of labour regulation. A short overview is presented here.

Minimum Wages

Despite the apparent plausibility of the argument that high levels of minimum wages tend to discourage the employment of particularly young people, the evidence is to say the least mixed. In a review of evidence on the subject, O'Higgins (2001, chapter 6) reports small or zero employment effects of minimum wages on young people. More recent studies of the subject in Europe have done little to change this view point. In a recent study of OECD countries including 15 European States, Neumark & Wascher (2003) find a statistically significant negative impact of minimum wages on youth employment, but once again the effect is small.

Employment Protection Legislation

A number of studies have looked at questions relating to the employment impact of Employment Protection Legislation (EPL). This issue is perhaps of particular importance in CEECA countries where traditionally paternalistic and protective systems including guaranteed employment have been more or less rapidly dismantled with the transition to the Market. Cazes & Nesporova (2003) in looking at the issue find, in common with previous studies of OECD countries³⁴, no relationship between youth unemployment rates and the strictness of EPL.

Unemployment Benefits

In CEECA, the immediate reaction to the transition-induced recessions was, almost universally, to introduce relatively generous unemployment benefits in order to mitigate the social costs of transition. In the second half of the 1990s there was an increasing trend to shift labour market policy from 'passive' to 'active'. That is away from income support towards employment and training programmes. At the same time, many countries significantly reduced unemployment benefit entitlement both in terms of its level and its duration. Here, the findings in the literature are relatively clear. In most studies, the duration of unemployment is positively linked to the level and duration of unemployment benefits in CEE as is the case also in studies of Western Europe³⁵. However, several observations on this are necessary. First, The disincentive effects are generally small.

³⁴ See, in particular, Bertola, Boeri & Cazes (1999) and OECD (1999).

³⁵ See, in particular, Vodopivec et al. (2002) on CEE and Atkinson & Micklewright (1991) on OECD countries.

Second, the finding regarding disincentive effects is not universal, Lubyova & Van Ours (1999) find little evidence of disincentive effects in Slovakia and Earle & Pauna (1998) clearly reject the idea of disincentive effects in Romania. Third, in several studies, whilst the exit from unemployment is clearly increased, much of this exit is to inactivity rather than employment³⁶. Fourth, unemployment benefits played a fundamental role in reducing poverty during early transition³⁷. That is, they did what they were designed to do; play a redistributive role during transition. Finally, young people are less likely to be recipients of unemployment benefit per se and indeed, might benefit from the reduced competition in the labour market.

5. Concluding Remarks

The integration of young people into Decent Work remains an important but also difficult challenge facing countries in Europe and Central Asia. Youth Unemployment is high, particularly in CEECA countries. Of at least equal importance, a number of job quality issues, linking 'Decent' to 'Work', are of pressing importance also. Rapid increases in temporary and low quality albeit flexible forms of employment in EC15 and AC10 countries raise a number of concerns for young people starting out in their working lives. In CEECA countries, the transition to the market threw up a series of challenges requiring structural reform in educational and labour market services to come to terms with the substantial structural changes in the economy. Progress here is mixed. Reform in the AC10 countries is already well advanced and several of these countries are on a comparable level to their new EU15 partners. In SEE and CIS, countries have not yet seriously embarked on structural reform of their VET systems which is a pre-requisite for coming to terms with the requirements of the modern economy.

³⁶ For example, Cazes & Scarpetta (1998) on Poland and Micklewright & Nagy (1998) on Hungary.

³⁷ Vodopivec et al. (2002).

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