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Educational policies and youth unemployment

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Abstract

High rates of youth unemployment in many European Union countries do not have to be attributed exclusively to the economic crisis but to imperfections in the labour market. In particular, to the mismatch between the requirements of companies and the skills offered by new entrants to the labour market, who are often poorly prepared to face the transition from full-time education to the world of work. In order to reduce youth unemployment to “natural” levels, in many European countries it is necessary to implement reforms to systems of education and training that are geared towards the world of work. It is also important to introduce scholastic and professional orientation schemes in addition to work placement programmes in every level of education.

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1. Introduction

In recent years, high levels of youth unemployment in Europe have emerged (up to 30%) from reports on the labour market by ILO and Eurostat. These rates are notably higher than those for older adults (up to 10%) and are not dependent on the economic crisis that Europe is currently experiencing. However, the situation may be less worrying than many have been led to believe. This is because economic theory, in particular marginalism, considers there to be a “natural rate of unemployment” in every labour market (circa 10%), even in periods of economic growth. Therefore, this leads to a de facto reduction in effective youth unemployment rates. In addition, it is necessary to highlight the existence of “frictional unemployment” which is due to the mismatch that exists in the world of work between the demands of companies and the skills and experience young people have to offer, in particular those who are entering the labour market for the first time, who, more than others, influence unemployment rates and who represent on average circa 60% of the total of unemployed (Caroleo & Pastore, 2000). New entrants to the labour market have therefore become the target for much critical discussion both in Europe and Italy. The transition from education to work has been identified as a problem area due to ineffective educational and economic policy, with a few exceptions in Germany and the UK.

Faced with the economic and social problem of youth unemployment in the EU, the European Employment Strategy has finally recognised the importance of initiating reforms for the labour market, adhering to a new approach of “policy mix”. This new approach underlines the need to support traditional policies for economic

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growth with policies that promote greater flexibility in the labour market, both in terms of entry and exit, and educational and formative policies geared towards the acquisition of skills needed to enter employment. The latter will be the focus of this paper, since it is such policies which, more than any other, have been the subject of considerable delay in their implementation in many countries, above all in Italy. This delay has not only prevented single European countries from meeting the objectives of the Lisbon Strategy and building societies based on the principles of life-long learning, but it has compounded the problem of frictional youth unemployment. This, albeit brief period without adequate solutions, risks pushing new entrants towards periods of prolonged unemployment, purely as a result of the inability of actual systems of education and professional training to bridge the gap between a company's requirements and what a young person has to offer (supply and demand).

Therefore, this paper will argue that youth unemployment can only be reduced through the introduction of policies that promote a work related curriculum and seek to reform education systems and professional development. Such policies necessitate the introduction of professional orientation and training programmes in addition to career counseling and work placement schemes in school and university curricula, thus reducing to a minimum the gap left by insufficient work experience, improving therefore the quality of human capital and allowing a de facto improvement in the education of the labour market. Therefore, youth unemployment can be reduced only through the introduction of educational policy, capable of giving vocational training if not more but the same importance as other economic policies.

2. The difficult transition from school to work and the birth of youth unemployment

Even if marginalist economic theory lessens the preoccupation with high youth unemployment, since it recognises the existence of a "natural rate of unemployment", i.e. a degree of unemployment in the labour market even in periods of economic growth, the problem of youth unemployment remains a considerable obstacle in every country of the EU and for the EU itself. The existence of a natural rate of unemployment stems from imperfections in the labour market: for example, the contemporaneous existence of both unfilled vacancies and unemployed workers; the imbalance between the qualifications and skills offered and those required by companies; and the disparities between labour sectors and territories. To these imperfections it is possible to add the difficulty of redistributing work supply to where it is needed (Refrigeri, 2001:270) due to the mismatch between supply and demand. This mismatch is especially acute with regard to youth employment, where companies seek the best workers and do not employ the first person available. This allows time to lapse while they search for the best candidate. At the same time workers seek more satisfying roles and will remain without employment until they find one. These factors generate frictional unemployment, which, without adequate intervention from work-related training initiatives, risks becoming long-term structural unemployment (Roncaglia, 2009:187).

The difficulty that arises in many European countries, above all in Italy, is the insufficient capacity of the education system and vocational and professional training to keep frictional unemployment under control. Effective integrated training schemes could reduce the uneven development of work-related attributes and reduce the transition period from full-time education to work, allowing young people to acquire important work experience, which is fundamental in order to remain in employment and to have access to better and more permanent positions.

Therefore, youth unemployment does not derive from the macroeconomic conditions of a country but rather from models of transition from education to work. This transitional phase, which can be defined as the period which runs from the end of compulsory education, to the acquisition of full-time, permanent employment (Ryan 2001:35), allows the education system and vocational and professional training programmes to adopt ever more important roles in the development of a young person's working and social life. Indeed, bearing in mind that the human capital of an individual must be increasingly made up of knowledge and skills acquired at school in addition to those acquired from work experience, both generic and specialist, it becomes clear that the education

system, for young people, must become a pathway to the labour market. In essence, in order to promote the formation of human capital in keeping with the idea of life-long learning, thus allowing young people to effectively find employment, the education system and the world of work must work together: a young person must be able to exploit their formal education from school and university in addition to their non formal professional development, both general and specific and their informal work experience.

However, in contrast to what is being promoted by a number of economic theories concerning work, present education systems in many European countries are still focused on the formation of formal human capital, which has little to do with the world of work and is increasingly making young people a weak resource. Indeed, despite the fact that the level of education amongst the young is very high compared to that of older adults and despite the fact that this allows them to have a greater capacity to adapt to changes in production systems, above all in traditional sectors, they lack informal and non formal human capital, which comes from work experience and specific professional and vocational training. Therefore young people represent a workforce with low productivity. The weak propensity to acquire work experience leads young people to have notable difficulty in finding employment. It also means that during periods of economic crisis they are the first to be made redundant. This status means that young people have a long and difficult transition from school or university to the world of work. This transition is often characterized by continual steps between unemployment, employment and inactivity, which in turn leads to high levels of youth unemployment (Freeman & Wise, 1982; Blanchflower & Freeman, 2000; Caroleo & Pastore, 2005). For young people therefore, work experience even if irregular and without career prospects, is important since it allows them to increase their level of human capital through experience, therefore reducing the risk of the following: firstly of falling into long-term unemployment (Borjas, 2007); secondly of entering a low quality training scheme without increasing levels of human capital, thus merely prolonging the time it takes to enter the world of work (Van Ours, 2004); and thirdly of remaining in inactivity and becoming increasingly disillusioned with their job prospects because a) they do not have a job and b) they are not actively looking for one. The latter status of being not in education, employment or training (Neet) is particularly worrying since it increases the risk of the young person becoming marginalized and socially excluded for a prolonged period of time (De Freitas, 2008; Pastore, 2011).

3. The policy mix strategy for the reduction of youth unemployment

Through an examination of existing economic literature, only minimally presented in this paper, it is possible to recognize that high rates of youth unemployment do not originate exclusively from macroeconomic factors such as the aggregate demand for work. Rather, they stem from the characteristics of welfare systems relating to a young person's transition from education to employment. In addition, the kind of human capital young people often possess has a negative impact since it frequently lacks important work experience, which is considered essential by employers when choosing new recruits, given its important impact on productivity (Pastore 2011:43).

Therefore, the most effective solution for the reduction of youth unemployment, to keep it at "natural" levels and to avoid it becoming long-term unemployment is the adoption of a strategy of "policy mix", whereby traditional economic policies are placed alongside policies that encourage increased flexibility in the labour market (easier entry and exit) and economic policies for education that seek to introduce young people to the world of work as soon as possible, even if this means entering non-stable, short term employment, as traditionally defined (Pastore, 2011: 36-38).

Expansive economic policy, in the direction of general macroeconomic growth, it seems, must remain the fundamental instrument in attempt to reduce unemployment. Therefore, from the vast body of literature of the subject it is evident that, in the short term, expansive fiscal and monetary policy remains fundamental in order to stimulate a long term increase in the growth rate of the economy and the aggregate demand.

It is hoped that from this new perspective, employment policy will be set the objective of encouraging work stability and continuity over job security, since the latter imposes a rigidity on the market which the European Employment Strategy now considers to be outdated. At the same time, it has emerged in part from the literature

that a welfare system can be made more efficient if there is greater flexibility regarding entry and exit to the labour market; income security, even by way of subsidies due to greater mobility between employment and unemployment; and active employment policies that are more efficient and include professional requalification for the formation of human capital in line with the needs of the market (for example such policies are in place in Anglo Saxon Europe) (Croce, 2009; Cazer & Nesporova, 2007; Villa, 2007).

This new approach which encourages a union of greater market flexibility and employment protection, termed “flexicurity” is encouraged, albeit indirectly, by the EU in a number of different ways. For example, through strategies to reduce youth unemployment, with particular attention given to preventing long-term unemployment (European Commission, 2007); through the regulation of types of employment, with particular attention given to temporary work (labour market flexibility); through income guarantees in times of low employment and unemployment (unemployment benefit and income support); through active employment policy from school age; and through the insertion of orientation programmes, work placement schemes, career counseling and professional and vocational training in school curricula (Van den Berg & Van Ours, 1999). In addition, much emphasis has been given to the idea of an education system that is able to prepare young people for the transition from education to employment (Pastore, 2011:46), a reality in only a few member states, in particular the Anglo Saxon countries.

It is precisely the formal introduction of education policy that forms the new element to the strategy of “policy mix” in the fight against unemployment, particularly amongst young people. It is now widely held that alone, economic policy for growth and greater labour market flexibility do not guarantee an increase in the competitiveness of a country. However competitiveness can be improved by the existence of a better educated workforce with a high rate of employment mobility. In this case human capital can be enhanced through informal interaction such as work experience which allows young people to become a workforce with higher levels of productivity, more able to meet the requirements of potential employers. From the European Employment Strategy it is clear that in order to be effective and useful, professional and vocational training must be widespread as is the case in Scandinavia. For example, in Holland training programmes are continually upgraded and revised in order to meet the requirements of young people, faced with entering an ever changing labour market.

European countries are therefore called upon to reform their education and training systems in order to shorten the transition from education to employment. Countries are encouraged to improve their capacity to integrate young people in an education system that favours vocational training and transition to both temporary and permanent employment in addition to further education and other employment typologies.

4. Conclusion

As this paper has argued, the problem of youth unemployment in Europe has been met by the EU with a new strategy of “policy mix”. This strategy foresees simultaneous and integrated action, on behalf of the those political institutions in the field of economics, that is expansive and aims to facilitate entry and exit to the labour market and at the same time promote education that prepares students for employment. Such political actions have been in place for a number of years in every European country, albeit with differing timescales and results, but reforms to the education system have been the slowest to be implemented, at least in those countries where youth unemployment is becoming a significant structural and social problem.

It is therefore hoped that education systems can, in the near future, be ever more orientated towards the formation of human capital, both in terms of education and experience, thus bringing the world of education and the world of work closer together. Today the two worlds remain distant despite calls for reform from employers. In order to create human capital relevant to employment, vocational and professional training in addition to professional orientation programmes must be enforced and enhanced and become a part of all levels of schooling. In addition, career counseling and work placement schemes must become an integral part of school and university curricula and not remain merely an “add on” to formal education.

This paper argues that only through continual, life-long professional development can a young person be in a position to make informed choices, not only during their education (scholastic, university and professional) and the transition to employment but throughout their whole working lives. For example, in line with the idea of life-long learning, training can be undertaken to ensure that a person's acquired human capital does not become obsolete.

In addition, in order to be effective in today's society, education systems much teach young people the rules for entry to the labour market. This can be achieved through career counseling which allows students to substitute their lack of experience with essential knowledge such as how to write an effective curriculum vitae; how to succeed at a job interview; how a company hires new recruits; and recognizing the advantages of employment even if low-skilled etc..

In sum, without effective work placement schemes in secondary schools and additionally so in universities, institutions will not be able to guarantee their students any direct link with employers (Mitani, 2008). Such a link is necessary in order to establish what qualities employers are looking for and how new entrants can meet their requirements. It is also important so that irregularities in an individual's work-related attributes can be ironed out to avoid them becoming the cause of a prolonged transition from education to employment and ultimately long-term unemployment.

In Italy, reforms to the education system that aim to reduce the prolonged transition from education to employment have been set in motion, albeit slowly and with relatively little attention from the world of work. For example, a collaboration between the Ministries for Welfare and Education, University and Research is now in place which seeks to promote work placement schemes in schools and universities. In addition, the national project FIXO Scuola e Università aims to bring the unemployment rate of neo graduates in Italy in line with the rest of Europe and with the objectives set out by the Lisbon Strategy. This project also seeks to bridge the divide between educational pathways and employment. Indeed, it aims to support secondary schools and universities through the organisation of placement schemes for school-leavers, graduates and PhD holders, with the intention of reducing the time it takes students to enter the labour market. It also endeavors to improve students' chances of finding employment relevant to their studies or field of expertise. Looking to the future, the FIXO project hopes to have some impact on the reduction of phenomena such as "job mismatch" through intervention to ensure the quality of orientation and training programmes offered by schools and universities. But this project is only a small step forward.

Educational policies must therefore integrate economic know-how and pedagogy of labour in order to build a pathway capable of introducing young people to the world of work in the shortest time possible.

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