

INTEGRATION OF YOUTH IN THE LABOR MARKET

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Summary

The characteristics of the movement from education to the labor market, a turning point in a life of an individual, have been changing. The age at the passage has been increasing, as larger and larger share of young population enrolls in tertiary education, the length of the passage is extending and getting less assured as traditional employment is being more and more replaced by different forms of precarious employment. The movements between the education and labor market in both directions also characterizes modern labor market. These changes are of particular importance for young and those who are looking for their first jobs.

Slovenia, at least judging by general indicators, belongs to more successful EU27 countries. Educational level of population is above EU27 average, the country has high participation rate of eighteen years old in education, high general employment rate, and low general unemployment rate, though the unemployment rates of young and those looking for their first jobs have remained excessive. One should, however, not overlook that a thorough shift of the labor market mechanism was imposed by transition. It has brought disequilibria on the labor market to a new unprecedented »neo-European« level with new characteristics of employment mechanism.

A shrinking share of »young« population in total population and extension of tertiary education in the 2000-2006 period reduced potential supply of »young« on the Slovenian labor market from 132.000 to 83.000 persons. The effects of such a reduction on the supply side of the labor market have been to a large extent annulled by the changes on its demand side. Labor saving technological changes and transition processes have completely changed labor demand structure which was not followed by the labor supply structure.

The structure of the education on the secondary level has changed completely, many programs on the lower and secondary apprenticeship education disappeared, some are at the verge of extinction. Large share of generation which continues education on a tertiary level, has negative effects on the quality of students, and, indirectly, on the quality of tertiary education. The imbalance between formal and required education on the highest levels is increasing, the aim of the extension of tertiary education is often to postpone the entry into the labor market.

Excess demand for tertiary education after 2003 has been reduced partly due to lower demand and partly due to increased supply of programs in tertiary education. While officially the quality of high school education (measured by the success on the nation wide Matura) has remained unaltered, the probability for the worst applicants to successfully enter university education (due to the decreasing gap between demand and supply) has increased which reduces the real quality of students and, indirectly the quality of tertiary education. The discrepancy between a desired field of study and actual enrolment has not changed significantly, which influences the successfulness of students in pursuing tertiary education regularly and slightly less so the duration of the study. The duration of the study is also affected by the possibilities for casual jobs offered through Students Employment Services; the earnings of students exceed one percent of GDP; the cost and benefits of this massive extremely flexible job market remain unclear. The job mismatches of those employed are similar to job mismatches in other European countries.

The analysis with panel data (for the period 2003-2006 and twelve regional employment offices) indicates that regional differences in young unemployment rates are lower than regional differences in general unemployment rates. The position of the young or those looking for the first job is however determined by general employment situation in a region. The fellowships offered to high and university students belong to a passive employment policy (social) instruments; the regional shares in number of fellowships and number of vacancies differ considerably and reflect the concentration of economic power in the centre of the country. The development of young unemployment rate is relatively well explained by the development of general unemployment, and, marginally, by fellowships and vacancy rates.

In the last decade, the average education level in EU has increased and the number of people with tertiary education has increased as well. Higher unemployment rate contributed to prolonged education and labor higher educational level has been even supplanting the labor with lower educational level. According to data, students not finishing higher secondary education are facing problems at entering the labor market.

The situation regarding youth employment among EU countries however differs. To establish the distinctive patterns the following time series for cluster analysis were used: activity and employment rate, unemployment rate and long-run unemployment rate of those between 25-29 years old for the period 2000 - 2006.

In the first cluster (Austria, Cyprus, Denmark, Netherlands, Ireland, Luxembourg, Sweden and Great Britain), the employment rate is decreasing by 0,12 percentage points yearly. The annual change of activity rate is 0,36 percentage points, which approximately matches annual change of unemployment rate. The first cluster has the lowest initial long-run unemployment rate (with relative significant growth trend of 0,72 percentage points on annual level) in the observed period.

Belgium, Finland, France, Germany, Portugal, Malta, Poland, Hungary, the Czech Republic, Romania and Slovenia (as the second cluster) have worse employment figures than the first cluster economies. The initial unemployment rate of young labor force is relatively high (9,44%) and it is increasing for 0,18 percentage points on annual level, which means (ceteris paribus) a higher unemployment rate of youth (between 25 and 29 years old) for 1,8 percentage points in the ten years period.

Meanwhile, the third cluster (Bulgaria, Latvia, Lithuania, Estonia, Slovakia, Spain, Greece and Italy) has relative bad initial results in the observed period due to the fact that initial activity and employment rate of youth were the lowest. The annual growth of youth employment rate equals 1,12 percentage points, which implies 11 percentage points increment of employment rate in ten years. The initial unemployment rate was the highest (16,6 %)), but decreasing at 1,17 percentage points on the annual level.

The entrance of youth on labor market is conditioned by micro factors (experience of individuals, preferences and expectations, experience and practice of enterprises by

employing people, the values of society, tradition, ethics, the role of youth, family and education in society) and macro factors (educational system, institutions of labor market, employment policy, social policy, cyclical movements, centralization of negotiations, flexibility of labor market – the employment protection legislation index, the share of youth being members of labor union, the role of social dialogue between partners).

It is usually said, that higher unemployment rate is a consequence of labor market inflexibility in Europe, which means institutional obstacles for liberal employment and dismissal of labor force, and obstacles that hinder flexibility of working time length.

Institutional conditions form three models of transition from education to labor market, which are: (i) regulated entrance on the labor market and among employees, (ii) selective exclusion and (iii) competitive approach.

The patterns of transition from education to labor market depend on socio-economic conditions, cultural and institutional conditions, which are changing in a globalization process. There are different preferences among youth how and when to enter labor market. There is a trend of youth to enter the labor market later: (i) linear transition pattern (the age limit for searching employment perspective is the age of 18 years), (ii) prolongation of transition (the age limit for getting a perspective job is the age between 18 and 25 years) and (iii) reversible and segmented transition with perspective uncertainty (between the age of 15 and 35 years).

The employment policy could be implemented on the European, national, sectional, local level and at different levels at the same time. European strategy for employment stresses the role of national level, which could have also disadvantages because marginal groups could be avoided. On local level it is easier to concentrate on employing youth, meanwhile the sectional level is concentrated on qualifying youth for deficit occupations.

European strategy for youth employment 2005-2008 (2005/600/EC) directs national youth employment policy towards the attainment of permanent growth. Integrated youth employment policy concerns different segments of the economy in the framework of a complete image of position of youth in the society.

The differences in youth employment intervention between economies could be divided into continental, Anglo-Saxon, Mediterranean and Nordic model. Continental model derives from the importance of vocational training after finishing the chosen formal education, Anglo-Saxon model derives from the market principle and self-responsibility of youth, Mediterranean model stresses the role of family, while Nordic model stresses social component, which should be ensured by the state.

In Denmark, Greece, Lithuania, Malta, Sweden and Slovenia the advisory services helping youth to find suitable job were improved, in Great Britain some measures are oriented towards marginal social groups, in Belgium a special attention is given to long-run unemployed youth, in the Czech Republic, Cyprus, Estonia, Germany, Italy and Portugal they mended the functioning of public employment services. The possibilities for vocational training have been improved in Germany, Austria, France, Greece, Hungary and Portugal. Meanwhile in France, Portugal and Cyprus, an additional possibility and training programs are given to youth that do not have enough knowledge and skills. In Netherlands, authorities had a goal of creating new jobs and additional 40.000 jobs for youth in the period from 2003 to 2007. In Poland, Netherlands and Lithuania tax relieves were introduced for employers, if they enable vocational training for youth. In Belgium, Germany, Lithuania, Portugal and Slovenia special training programs as national goal and vocational training for youth being unemployed for more than six months were introduced. In Austria, wages of youth are subsidized, meanwhile in Cyprus the incomes are a combination of incomes from the title of part-time work and incomes from the title of social transfers. In Ireland and Poland, fixed reduction of minimal wages for youth was introduced, and non-income labor costs are deducted from duties for social security, which are paid by employers. In France, employment of youth is subsidized, and in Germany the possibility for prolongation of trial working period for youth by a new contract was introduced.

In the last years, the share of atypical youth employment contracts has been increasing (temporary employment, employment for shorter working time, employment through employment agencies, partial employment, franchising etc.), which implies lower social security for youth. Young labor force should therefore be protected against potential abuse by employers in the case of atypical employment contracts. Somewhere, young labor force

is likely to be employed due to lower employment costs and because youth are more pruned to innovations.

The institutions of labor market should contribute to a better dialogue between employees and educational institutions on national, regional and local level. In order to increase the flexibility of the labor market the institutions should contribute to establishment suitable role of labor unions and contribute to a cooperative formation of combined programs of vocational training and education.

Combinations of practical training and formal education establish an effective system of improving and getting knowledge. The predominant tertiary education programs should therefore be stimulated and accommodated to demands of employers and they should take part in establishment of adequate vocational training. A better relations between tertiary education and needs of the economy (on regional level) demands vocational training programs to be a part of formal educational process.

In order to reach more flexible labor market we have to take into account that education should enable better mobility between study programs, better selectivity, and interdisciplinary education. Reforms of education systems should contribute to lower share of youth, who are leaving formal education process early or who do not finish it. The reforms should contribute also to lower segregation of labor market.