

# **Economic Institute of the Law School EIPF**

## ***Young labour force entering labour market***

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# Directives:

- *Social policy and labour market policy in the EU are facing a challenge to regulate a dynamic labour market in the context of the globalised economy.*
- *more stability and security in order to encourage employers to invest more in human capital to be able to boost productivity and competitiveness.*
- *Countries need to promote more flexibility and adaptability for both – enterprises and youth workers. and to better balance them with security.*
- *The share of traditional forms of flexible employment. such as fixed term and part-time jobs and other possibilities. has remained fairly stable; there has been a rise in youth employment based on atypical contracts or work performed without a contract.*
- *Attitudes. values and tradition of certain economy are preconditions for successfulness of the flexicurity system.*

Table 1: EU states with regard to predominant flexicurity type

	Job security	Employment security	Income security	Combination security
External numerical flexibility	Spain	The Netherlands. Denmark	CEE countries (EU member states)	
Internal numerical flexibility	Belgium. Germany. Austria	The Netherlands. Spain	Austria	Finland
Functional flexibility	Germany. Portugal	Italy. Latvia	Germany	Denmark
Labour cost/wage flexibility	Portugal. Austria		Austria	
Externalisational flexibility				

Source: Wilthagen and Tros (2004). Wilthagen and van Velzen (2005).

Table 2: Flexicurity matrix

Security/flexibility	Job security <i>(protection against lay-offs and considerable changes regarding working conditions)</i>	Employment security <i>(availability of suitable jobs)</i>	Income security <i>(ensured minimal benefits when unemployed)</i>	Combination security <i>(a combination of afore-mentioned forms of security)</i>
External numerical flexibility <i>(flexibility regarding employment and laying-off)</i>	<ul style="list-style-type: none"> <li>-Types of employment contracts</li> <li>-Employment protection legislation</li> <li>-Early retirement</li> </ul>	<ul style="list-style-type: none"> <li>-Employment services /active labour market policy</li> <li>-training/life-long learning</li> </ul>	<ul style="list-style-type: none"> <li>-unemployment compensations</li> <li>-other social benefits</li> <li>-minimum wages</li> </ul>	<ul style="list-style-type: none"> <li>-protection against dismissal during various leave schemes</li> </ul>
Internal numerical flexibility <i>(flexibility regarding working hours)</i>	<ul style="list-style-type: none"> <li>-shortened work/week /part-time employment</li> </ul>	<ul style="list-style-type: none"> <li>-employment protection legislation</li> <li>-training/life-long learning</li> </ul>	<ul style="list-style-type: none"> <li>-part-time supplementary benefit</li> <li>-study grants</li> <li>-sickness benefits (e.g. due to sickness or injuries)</li> </ul>	<ul style="list-style-type: none"> <li>-different kind of leave schemes</li> <li>-part-time pension</li> </ul>

<p>Functional flexibility <i>(job rotations with regard to different jobs and types of work)</i></p>	<ul style="list-style-type: none"> <li>- »multitasking«</li> <li>- training</li> <li>- labour leasing</li> <li>- subcontracting</li> <li>- »outsourcing«</li> </ul>	<ul style="list-style-type: none"> <li>- training/life-long learning</li> <li>- job rotation</li> <li>- teamwork</li> </ul>	<ul style="list-style-type: none"> <li>- performance related pay systems</li> </ul>	<ul style="list-style-type: none"> <li>- voluntary working time arrangements</li> </ul>
<p>Labour cost/wage flexibility <i>(adjustments regarding wages according to performance of employees and companies)</i></p>	<ul style="list-style-type: none"> <li>- local adjustment in labour cost</li> <li>- scaling/reductions in social security payments</li> </ul>	<ul style="list-style-type: none"> <li>- changes in social security payments</li> <li>- employment subsidies</li> <li>- in-work benefits</li> </ul>	<ul style="list-style-type: none"> <li>- collective wage agreements</li> <li>- benefit for shortened work week</li> </ul>	<ul style="list-style-type: none"> <li>- voluntary working time arrangements</li> </ul>

<p>Labour cost/ wage flexibility <i>(adjustments regarding wages according to performance of employees and companies)</i></p>	<p>–local adjustment in labour cost –scaling/reductio ns in social security payments</p>	<p>–changes in social security payments –employment subsidies –in-work benefits</p>	<p>–collective wage agreements –benefit for shortened work week</p>	<p>–voluntary working time arrangements</p>
<p>Externalisation al flexibility <i>(employment without employment contracts. through employment agencies)</i></p>				

Source: Vermeylen and Hurley (2007) and author's amendments.

Table 8: EPL index<sup>1</sup> for NMS-9 [1-6] (end of 90s of 20th cent./ 2002/2003/2004)

	EPL index components		
	Full-time employment	Part-time employment	Collective redundancies
Bulgaria	2.3/1.9/-/2.1	3.4/3.4/-/0.9	2.9/1.8/-/4.1
The Czech Republic	3.0/2.8/3.3/3.3	0.5/0.5/0.5/0.5	3.2/4.3/2.1/2.6
Estonia	2.9/3.1/3.1/2.7	1.7/1.4/1.4/1.3	2.9/4.1/4.5/4.0
Lithuania	-/-/3.0/2.9	-/-/1.4/2.4	-/-/4.9/3.6
Hungary	2.1/2.1/1.9/2.2	1.2/0.6/1.1/0.4	2.5/3.4/2.9/3.4
Poland	2.3/2.2/2.2/2.0	1.4/1.0/1.3/2.0	2.7/3.9/4.1/3.5
Romania	-/-/1.7	-/-/3.0	-/-/4.8
Slovakia	2.6/2.6/3.5/2.7	2.0/1.4/0.4/0.3	2.4/4.4/2.5/3.0
Slovenia	3.4/3.4/2.9/2.7	2.7/2.4/0.6/2.3	4.5/4.8/4.9/3.3
NMS-9 average	-/2.5/-/-	-/1.7/-/-	-/3.9/-/-
EU average	2.4/2.4/-/-	-/2.1/-/-	-/3.2/-/-

Note: <sup>1</sup>Employment Protection Legislation Index. EPL index is calculated as weighted average of 22 indicators which are regarding to procedures, expenses,

limitations and conditions regarding the termination of employment contract.

The value of EPL index can be 1-6: countries with the most flexible legislation have index close to 1.

countries with the least flexible legislation have index close 6. (-) data not available

Source: Rutkowski (2003), Matković and Biondić (2003), Mitcevska (2003), Tonin (2004) and Anspal and Vörk (2007).

Table 2.3

Expected duration of the education period (person at the age of 15-29 years)  
(2005)

		Expected duration of the education period (in years)			Expected duration of the period in which person is not in education (in years)			
		Person not employed	Person employed and in education	Both	Employed person	Unemployed person	Inactive person	Both
Slovenia	Female	6.4	2.3	8.7	4.6	1.0	0.7	6.3
	Male	5.6	2.4	8.0	5.7	0.7	0.6	7.0
	<b>Both</b>	<b>6.0</b>	<b>2.3</b>	<b>8.3</b>	5.2	0.9	0.6	6.7
EU-19	Female	5.6	1.6	7.2	5.3	0.9	1.6	7.8
	Male	5.2	1.6	6.7	6.6	1.0	0.6	8.3
	<b>Both</b>	<b>5.4</b>	<b>1.6</b>	<b>6.9</b>	6.0	1.0	1.1	8.6

Source: COM (2007/498).



Table 2.2

**The share of persons at the age of 18-24 years having at most lower secondary Education (ISCED 1-3)**

	2006		
	Female	Male	Difference
<b>Austria</b>	<b>9.8</b>	<b>9.3</b>	<b>0.5</b>
Belgium	10.9	14.9	-4.7
Bulgaria	17.9	18.2	-0.3
Cyprus	9.2	23.5	-14.3
Czech R.	5.4	5.7	-0.3
Denmark	9.1	12.8	-3.7
Estonia	:	19.6	:
Finland	6.4	10.4	-4.0
France	11.2	15.1	-3.9
Greece	11.0	20.7	-9.7
Ireland	9.0	15.6	-6.6
Italy	17.3	24.3	-7.0
Latvia	16.1	21.6	-5.5
Lithuania	7.0	13.3	-6.3
Luxemb.	14.0	20.9	-6.9
Hungary	10.7	14.0	-3.3
Malta	38.8	44.6	-5.8

Table 2.2

**The share of persons at the age of 18-24 years having at most lower secondary education (ISCED 1-3)**

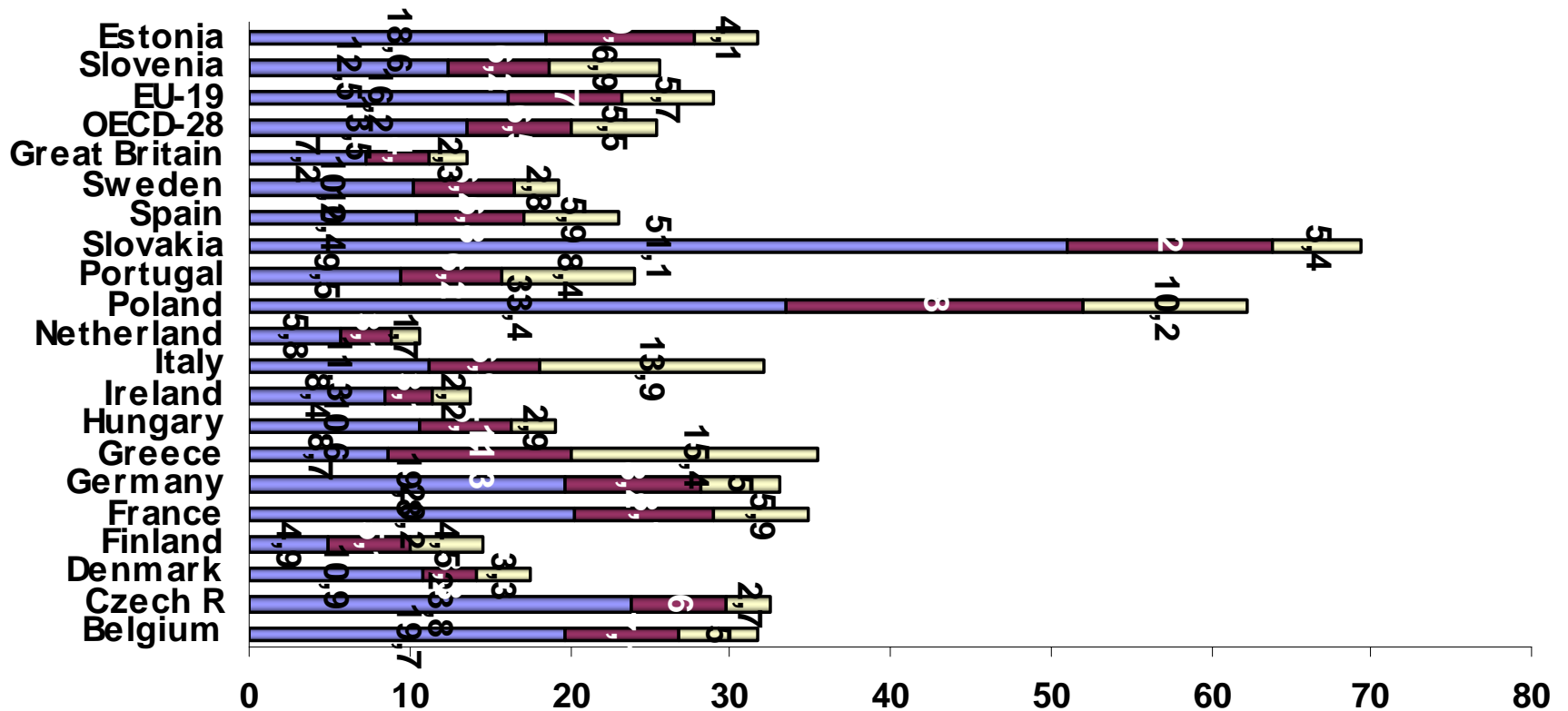
	<b>2006</b>		
	Female	Male	Difference
Germany	13.6	13.9	-0.3
Netherlands	10.7	15.1	-4.4
Poland	3.8	7.2	-3.4
Portugal	31.8	46.4	-11.4
Romania	18.9	19.21	-0.2
Slovakia	5.5	7.3	-1.8
Slovenia	3.3	6.9	-3.6
Spain	23.8	35.8	-12.0
Sweden	10.7	13.3	-2.6
Great Britain	11.4	14.6	-3.2
EU-27	13.2	17.5	-4.3

Table 2.4

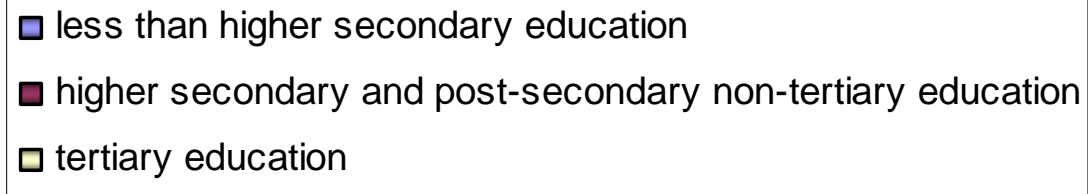
### Expected duration of education period at the age of 15-29 years (2005)

		Less than secondary education			Higher secondary education and post-secondary non-tertiary education			Tertiary education		All levels of education			
		15-19	20-24	25-29	15-19	20-24	25-29	20-24	25-29	15-19	20-24	25-29	15-29
Slovenia	F	:	13.9	18.9	4.8	9.9	7.9	:	8.1	1.4	10.2	8.4	6.9
	M	1.6	14.3	9.3	4.3	6.1	4.8	:	4.6	2.1	6.9	5.2	4.9
	both	1.1	14.2	<b>12.5</b>	4.6	8.0	<b>6.2</b>	:	<b>6.9</b>	1.8	8.5	6.8	<b>5.9</b>
EU-19	F	2.3	16.8	17.1	8.8	7.2	7.9	11.1	7.0	2.8	7.8	7.5	6.1
	M	2.7	18.9	19.6	9.0	8.0	7.3	7.2	6.8	3.2	9.5	7.6	6.8
	both	2.3	15.8	<b>16.2</b>	8.5	7.2	<b>7.0</b>	9.4	<b>5.7</b>	2.8	8.6	7.6	<b>6.5</b>

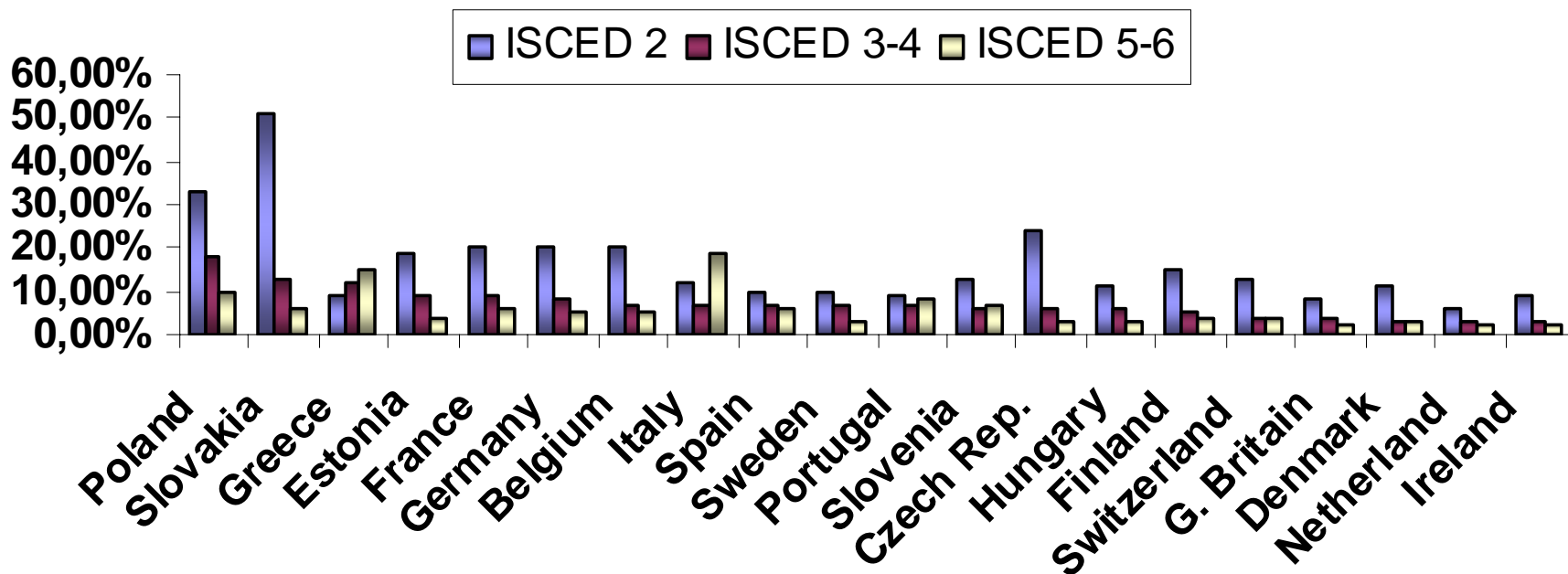
**Picture 1: Persons at the age of 25-29 years, who are unemployed and not in education (2006)**



Source: OECD (2007, 326).



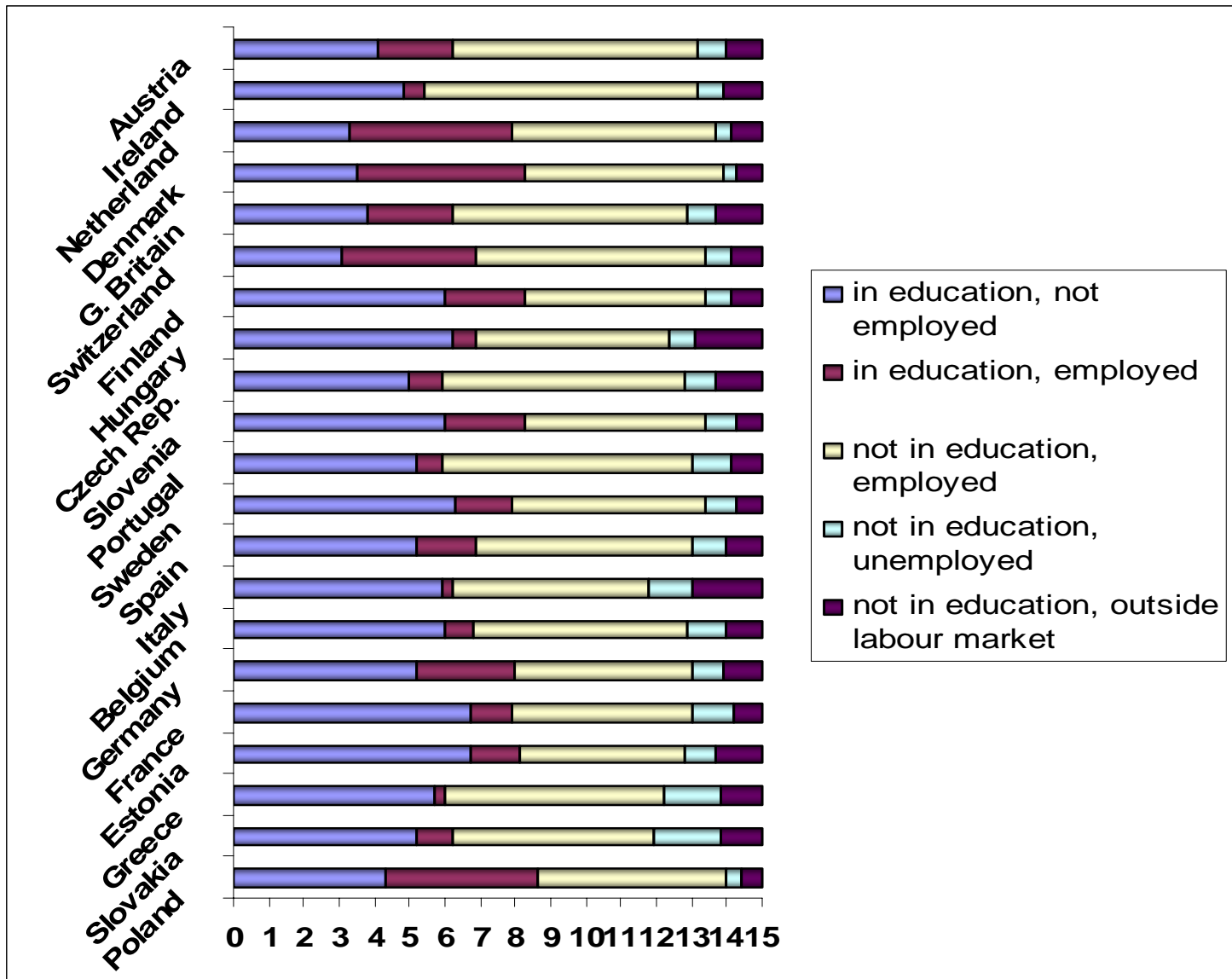
**Picture 2: The share of youth at the age of 25-29 years with different education level**



Source: OECD (2007, 326).

Picture 2.4

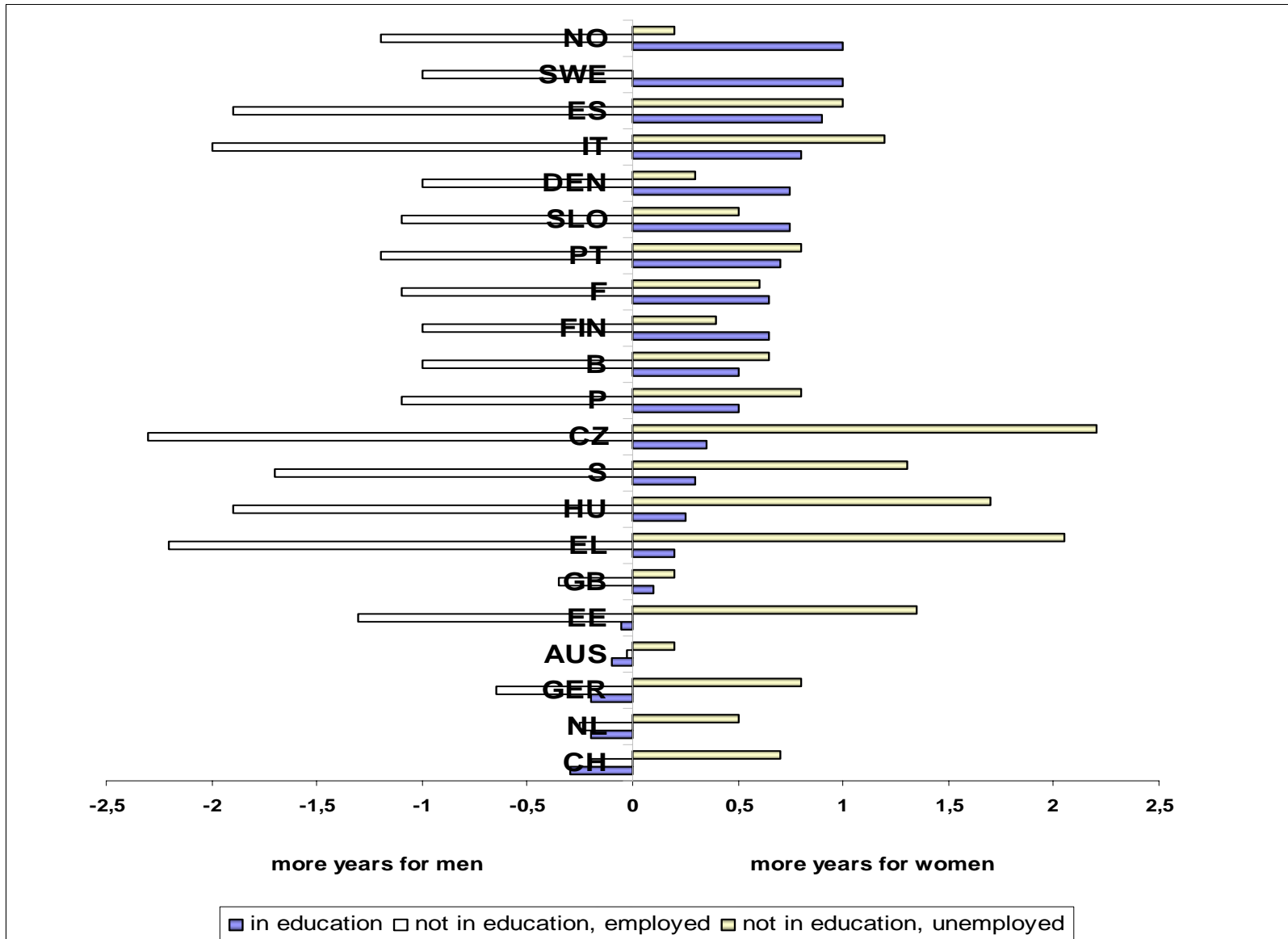
## Education and employment status at the age of 15-29 years



Source: OECD (2007, 329).

Picture 2.5

**Difference between men/women in years in education/not in education (2005)**



**Table 2.13: Activity rate at the age of 25-29 years**

	2006		
	F	M	difference
Austria	80.6	88.8	8.2
Belgium	83.0	93.3	10.3
Bulgaria	68.1	84.1	15.9
Cyprus	84.0	92.7	8.7
Czech R.	65.4	92.7	27.4
Denmark	84.1	87.1	3.0
Estonia	76.8	97.0	20.2
Finland	77.5	90.4	13.1
France	78.6	91.7	13.1
Greece	78.0	90.7	12.7
Ireland	81.3	92.6	11.4
Italy	64.8	83.3	18.4
Latvia	75.5	91.6	16.1
Lithuania	81.6	89.9	8.3
Luxemb.	80.0	91.7	11.7



	2006		
	F	M	difference
Hungary	66.5	89.0	22.5
Malta	73.6	94.7	21.2
Germany	76.0	86.1	10.1
Netherlands	85.6	93.4	7.8
Poland	75.5	90.6	15.2
Portugal	89.7	90.2	3.5
Romania	73.0	84.9	11.9
Slovakia	69.3	95.6	26.3
Slovenia	85.9	89.6	3.7
Spain	80.5	90.3	9.8
Sweden	82.6	89.4	6.8
Great Britain	77.0	92.3	15.3
EU-27	75.9	89.2	13.2

Source: COM (2007/498).

Table 2.15: Employment rate at the age of **25-29** years

	2006		
	F	M	difference
Austria	75.7	81.8	6.1
Belgium	73.2	83.6	10.4
Bulgaria	59.9	76.8	16.8
Cyprus	78.5	87.7	9.2
Czech R.	60.4	87.9	27.5
Denmark	77.6	83.3	5.7
Estonia	72.0	92.8	20.8
Finland	71.7	83.2	12.8
France	69.4	80.8	11.4
Greece	63.2	81.9	18.7
Ireland	78.3	87.5	9.2
Italy	55.9	74.7	18.8
Latvia	72.1	86.0	13.8
Lithuania	78.3	84.7	6.3
Luxemb.	73.2	87.0	13.7

	<b>2006</b>		
	F	M	difference
Hungary	60.9	81.5	20.6
Malta	76.7	89.6	22.9
Germany	68.3	74.7	6.4
Netherlands	82.9	90.6	7.7
Poland	63.5	78.2	14.7
Portugal	75.3	83.2	7.9
Romania	68.1	75.4	7.3
Slovakia	60.0	85.1	25.1
Slovenia	75.5	83.6	8.1
Spain	70.0	83.3	13.3
Sweden	74.6	81.8	7.3
Great Britain	73.1	86.6	13.4
EU-27	67.9	80.5	12.6

**Table 2.17 Unemployment rate at the age of 25-29 years**

	2006		
	F	M	difference
<b>Austria</b>	<b>6.1</b>	<b>7.9</b>	<b>1.8</b>
Belgium	11.9	10.5	-1.4
Bulgaria	12.0	8.7	-3.4
Cyprus	6.6	5.5	-1.1
Czech R.	7.6	5.2	-2.4
Denmark	7.8	4.4	-3.4
Estonia	6.2	4.3	-1.9
Finland	8.3	8.2	-0.1
<b>France</b>	<b>11.7</b>	<b>11.8</b>	<b>0.1</b>
Greece	19.0	9.8	-9.2
<b>Ireland</b>	<b>3.6</b>	<b>5.5</b>	<b>1.9</b>
Italy	13.8	10.3	-3.5
<b>Latvia</b>	<b>4.5</b>	<b>6.1</b>	<b>1.6</b>
Lithuania	:	5.8	:
Luxemb.	8.4	5.2	-3.2

	2006		
	F	M	difference
<b>Hungary</b>	<b>8.4</b>	<b>8.5</b>	<b>0.1</b>
Malta	:	:	:
<b>Germany</b>	<b>10.1</b>	<b>13.2</b>	<b>3.1</b>
Netherlands	3.2	2.9	-0.2
Poland	15.9	13.7	-2.1
Portugal	13.1	7.7	-5.4
<b>Romania</b>	<b>6.8</b>	<b>11.2</b>	<b>4.4</b>
Slovakia	13.5	11.0	-2.5
Slovenia	12.1	6.7	-5.4
Spain	13.0	7.8	-5.2
Sweden	9.7	8.5	-1.2
<b>Great Britain</b>	<b>5.0</b>	<b>6.2</b>	<b>1.2</b>
EU-27	10.6	9.7	-0.9

Source: COM (2007/498).

Table 2.19 Long run unemployment rate at the age of 25-29 years

	2006		
	F	M	difference
<b>Austria</b>	<b>15.7</b>	<b>17.2</b>	<b>1.5</b>
Belgium	48.1	43.3	-4.8
Bulgaria	55.6	45.6	-9.9
Cyprus	29.4	6.3	-23.1
<b>Czech R.</b>	<b>50.4</b>	<b>60.9</b>	<b>10.5</b>
Denmark	7.6	6.0	-1.6
Estonia	70.0	65.6	-4.3
<b>Finland</b>	<b>8.5</b>	<b>12.8</b>	<b>4.2</b>
<b>France</b>	<b>29.6</b>	<b>31.5</b>	<b>1.9</b>
Greece	61.2	43.6	-17.6
<b>Ireland</b>	<b>19.0</b>	<b>32.2</b>	<b>13.3</b>
Italy	55.2	47.4	-7.8
<b>Latvia</b>	<b>19.8</b>	<b>41.3</b>	<b>21.5</b>
<b>Lithuania</b>	<b>18.3</b>	<b>25.1</b>	<b>6.8</b>
<b>Luxemb.</b>	<b>8.8</b>	<b>36.9</b>	<b>28.1</b>

	2006		
	F	M	difference
<b>Hungary</b>	<b>47.0</b>	<b>48.5</b>	<b>1.5</b>
<b>Malta</b>	<b>37.4</b>	<b>44.0</b>	<b>7.4</b>
<b>Germany</b>	<b>44.5</b>	<b>45.5</b>	<b>1.0</b>
Netherlands	39.8	26.2	-13.6
Poland	57.7	56.1	-1.6
Portugal	44.3	43.9	-0.6
Romania	59.2	56.6	-2.6
<b>Slovakia</b>	<b>72.7</b>	<b>81.4</b>	<b>8.7</b>
<b>Slovenia</b>	<b>53.7</b>	<b>60.4</b>	<b>6.8</b>
Spain	19.8	12.8	-7.0
<b>Sweden</b>	<b>8.4</b>	<b>11.2</b>	<b>2.8</b>
<b>Great Britain</b>	<b>12.2</b>	<b>23.7</b>	<b>11.5</b>
EU-27	40.7	40.4	-0.3

Table 2.21 Cluster analysis

Cluster 1	Austria, Cyprus, Denmark, Ireland, Luxembourg, Netherland, Sweden, Great Britain
Cluster 2	Belgium, the Czech Republic, Finland, France, Hungary, Malta, Germany, Poland, Portugal, Romania, Slovenia
Cluster 3	Bulgaria, Estonia, Greece, Italy, Latvia, Lithuania, Slovakia, Spain
	<i>We have used the following time series for cluster analysis: the activity and employment rate, the unemployment rate and long-run unemployment rate of the labour force between 25-29 years old. The used data regard to the period from 2000 to 2006.</i>



## The first cluster

- *In the first cluster the employment rate is lowering for 0,12 percentage point on annual level.*
- *The annual change of activity rate is 0,36 percentage point, which approximately suits to 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 point on annual level) in the observed period.*

## The second cluster

- *The second cluster has proved worse employment as the first cluster economies.*
- *The initial unemployment rate of young labour force is relatively high (9,44%) and it is increasing for 0,18 percentage point on annual level,*
- *which means a higher unemployment rate of youth (between 25 and 29 years old) for 1,8 percentage point in ten years period.*

## The third cluster

- *Meanwhile, the third cluster has proved relative bad initial results in the observed time period due to the fact that initial activity and employment rate of youth have been the lowest in the observed groups of countries.*
- *The annual growth of youth employment rate equals 1,12 percentage point, which means the 11 percentage point increment of employment rate in ten years time period.*
- *The initial unemployment rate was the highest (16,6 %), but it is decreasing for 1,17 percentage point on annual level.*

Table 3.7  
**Typology of institutions**

Employment protection	Protection of unemployed persons	The meaning of education	
		High	Low
High	High	Germany, Austria, Netherland, Slovenia	Sweden, Finland, Belgium, France
	Low	-	Portugal, Greece, Spain, Italy, Estonia, Latvia, Lithuania
Low	High	Denmark	
	Low	Slovakia, the Czech Republic, Poland	Great Britain, Ireland, Hungary

Source: Unt (2007).

# The entrance on labour market

- *The entrance of youth on labour 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*

# The entrance on labour market

- *macro factors*

*(education system, institutions of labour market, employment policy, social policy, cyclical movements, centralization of negotiations, flexibility of labour market – the employment protection legislation index, the share of youth being members of labour union, the role of social dialogue between partners).*

Table 3. 9

**Models of transition from education to labour market**

	<b>State</b>	<b>School</b>	<b>Vocational training</b>	<b>Social protection</b>	<b>Employment regime</b>	<b>Employment of women</b>	<b>Policy of transition</b>	<b>Disadvantages</b>
<b>Universal</b>	<b>DEN, SWE, FIN</b>	Not selective, integrated	<b>Flexible</b>	<b>State</b>	Open, low risk	<b>High</b>	Active approach, vocational training	Individual and structured
<b>Employment oriented</b>	<b>G, F, NL</b>	Selective	<b>Standardization</b>	<b>State/family</b>	Closed, marginal risk	<b>Medium</b>	Active approach, vocational training	Individual
<b>Liberal</b>	<b>GB, IR</b>	Not selective, flexible	<b>Flexible with low standardization</b>	<b>State/family</b>	Open, high risk	<b>High</b>	Flexible approach, vocational training	Individual

Table 3. 9

**Models of transition from education to labour market**

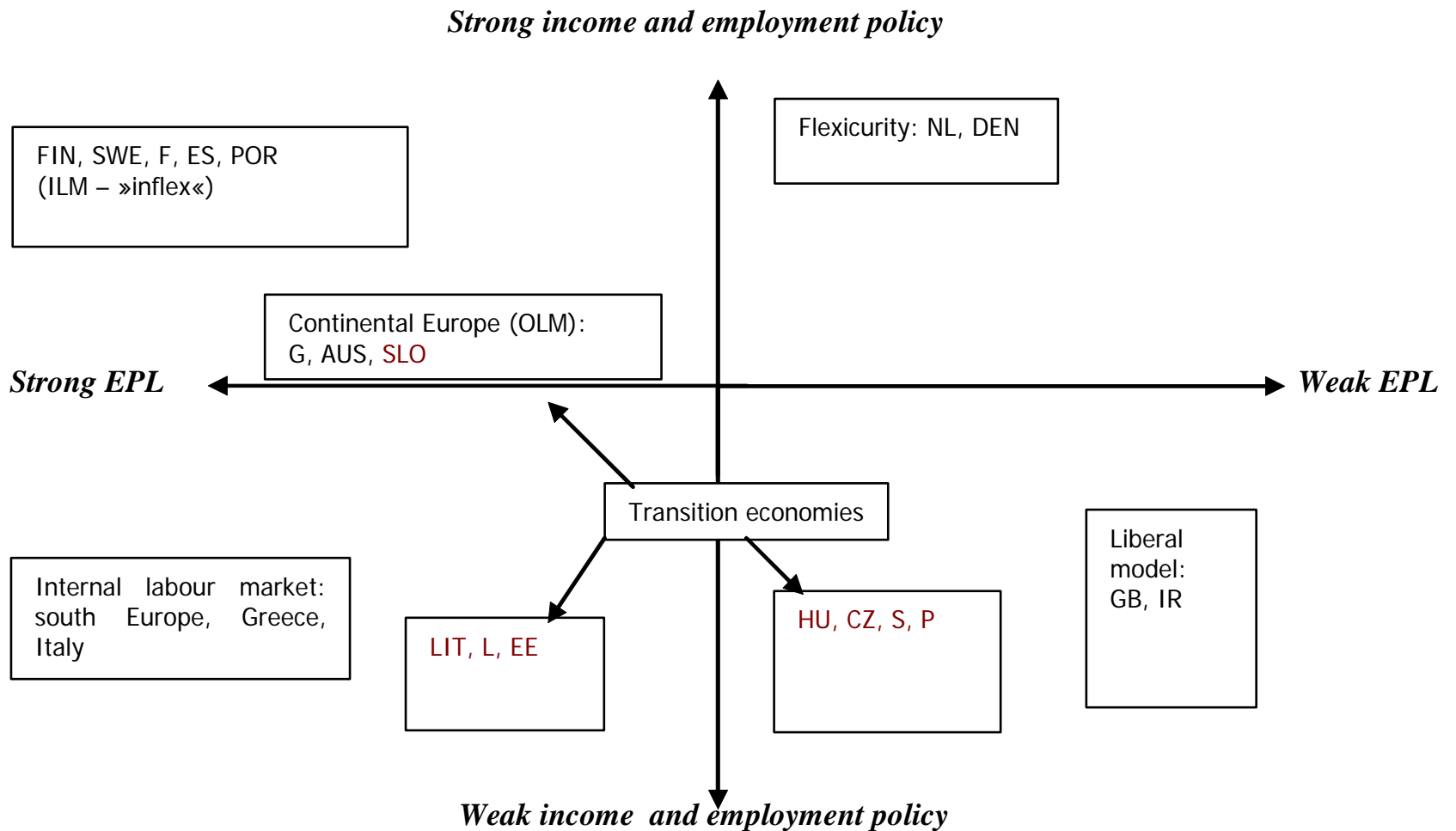
	<b>State</b>	<b>School</b>	<b>Vocational training</b>	<b>Social protection</b>	<b>Employment regime</b>	<b>Employment of women</b>	<b>Policy of transition</b>	<b>Disadvantages</b>
<b>Marginal protection</b>	<b>IT, ES, POR, EL</b>	Not selective, integrated	<b>Low standardization and disequilibrium on labour market (demand and supply)</b>	<b>Family</b>	Closed, high risk, informal work	<b>Low</b>	Education and vocational training	Structural conditioned
<b>Post-communist model</b>	<b>B, RO, P, SLO, S</b>	Integrated	<b>Bad flexibility of education system on labour market demands</b>	<b>State</b>	Open, less flexible education system on labour market demands	<b>Higher</b>	Needed innovation	Flexible education system to demands of labour market

Source: Walther (2006. 9). Pohl in Walther (2007. 8).



Picture3.1

**Transition models from education of youth to labour market according to chosen criteria**



Source: Bukodi et al. (2006), Saar (2005).

# Implications

- *The institutions of labour market should contribute to better dialogue between employees and educational institutions on national, regional and local level.*
- *In order to increase the flexibility of labour market the institutions should contribute as well to establishment of suitable labour union role and contribute to a cooperative formation of combined programmes of vocational training and education.*

# Implications

- *Combinations of practical training and formal education establish the effective system of improving and getting knowledge.*
- *The tertiary education programmes should be stimulated and accommodated to demands of employees.*
- *The employees should take part in establishment of adequate vocational training.*
- *A better relations between tertiary education and needs of economy (on regional level) demands vocational training programmes to be a part of formal education process.*

# Implications

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